

2023 Quarterly Analysis – Q1 City of Chicago Fiscal Year 2023

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City of Chicago
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TO THE CHICAGO CITY COUNCIL

The City of Chicago Office of Budget and Management (OBM) published the overview of the City's expenditures and revenues for first quarter 2023 on August 31, 2023. The report focused on local fund expenditures and revenues which is comprised of the Corporate Fund, Special Revenue Funds and Enterprise Funds.¹ These are the primary funds for the City of Chicago and support citywide operations including public safety, water and sewer services, garbage collections and airport operations. The report compares estimated amounts to budgeted amounts.

Information in this report contains the most up-to-date information available at the time of publication. However, the report notes the data on both revenues and expenses are not final until the annual audit is complete and finalized. Therefore, the data is used for informational purposes only and does not reflect final audited data. The quarterly report does not include information on grant funds, property tax levy, debt service funds, capital expenditures, or pension funds; these items can be found in the Budget Overview book.²

Revenues: The City develops monthly revenue projections; the projections are used to develop the "2023 Q1 Budget" shown in the tables in this report. The "2023 Q1 Estimate" are the City's current estimates, as of the date of this report.

Expenditures: The City does not provide quarterly expenditure budget estimates since expenditures are cyclical, seasonal, or otherwise fluctuate, they are managed not to exceed the annual appropriations per department. The "2023 Q1 Estimate" for expenditures is taken directly from the City's FMPS (Financial Management and Purchasing Systems).

The Municipal Code of Chicago, Chapter 2-53 City Council Office of Financial Analysis (COFA) requires COFA to provide other financial analysis upon the request of a City Council member, and this report has been requested in the past. Therefore, the Council of Financial Analysis is reviewing, analyzing, and synthesizing the Q1 2023 report to meet this request. The source for the data within the report is the City of Chicago 2023 Q1 quarterly report, some of the calculations on the tables may not sum due to rounding.

¹ City of Chicago 2023 Q1 Quarterly Budget Report.

https://www.chicago.gov/content/dam/city/depts/obm/supp_info/Quarterly%20Budget%20Report/CityofChicago_QBR_2023_Q1.pdf

² City of Chicago 2023 Q1 Quarterly Budget Report.

https://www.chicago.gov/content/dam/city/depts/obm/supp_info/Quarterly%20Budget%20Report/CityofChicago_QBR_2023_Q1.pdf

2023 QUARTERLY ANALYSIS – Q1

REVENUE	3
Revenue Corporate Funds	3
Revenue – Special Revenue Funds.....	5
Revenue – Enterprise Funds	5
EXPENDITURES	7
Expenditure – Corporate Fund.....	7
Expenditures – Special Revenue Funds.....	9
Expenditure – Enterprise Funds.....	10
SUMMARY	12

REVENUE

Revenue Corporate Funds

The Corporate Fund, Special Revenue Funds, and Enterprise Funds make up the City's local funds. These are the primary funds that the City uses to support citywide operations including public safety, garbage collection, sewer and water services and airport operations. The local fund *revenues* are estimated to be less than 1 percent below expectations, while local fund *expenditures* are 14.5 percent of the full-year budgeted expectations.

Total Corporate Fund revenues were 0.7 percent below budgeted expectations due in part to transaction taxes ending the quarter 6.7% under budget due to the real estate slowdown causing a \$18.7 million negative variance in the City's Real Property Transfer Tax. Utility taxes and fees are trending above budget by 0.6%. Income tax, personal property replacement tax (PPRT) and Other Intergovernmental revenues were under budget by 27 percent or \$8.9 million due to income tax collections.

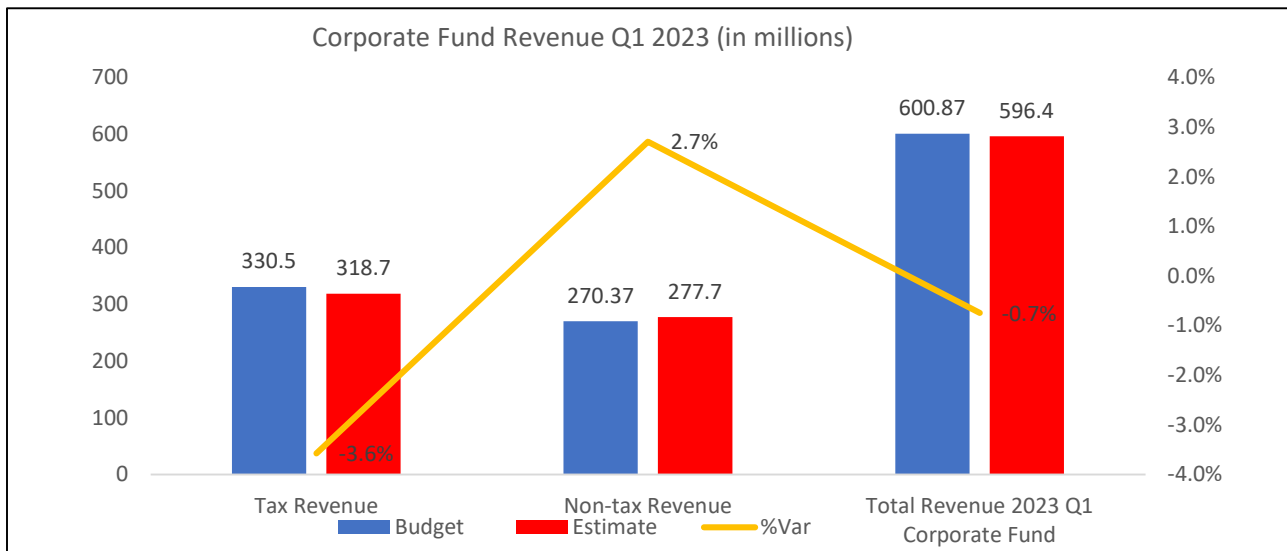
Business tax revenue was 20.5 percent above budget due to increased collections from both the Hotel Tax and Shopping Bag Tax. Recreation tax is under budget projections by 1.6 percent driven by Cigarette tax at 33.5 percent below budget. The Amusement tax collections offset recreation tax by coming in 3.1 percent higher than the anticipated budget. The City's Sales and Use Tax revenue collections through the quarter were 9.1% below budget. Total Tax Revenue is below budget by 3.6%, Income Tax, PPRT & Other Intergovernmental was below budget by 27%.

Non-tax revenue is higher than budget through the quarter by \$7.5 million or 2.7 percent, primarily due to Charges for Services being higher than budget by \$22.3 million or 26.9% higher than budget.

Q1 2023 CORPORATE FUND REVENUE (in millions)		2023 Q1	2023 Q1	
		Budget	Estimate	% Variance
Tax Revenue	Business Taxes	\$ 9.4	\$ 11.3	20.2%
	Income Tax, PPRT & Other Intergovernmental	\$ 32.9	\$ 24.0	-27.1%
	Recreation Taxes	\$ 56.1	\$ 55.3	-1.4%
	Sales and Use Tax	\$ 8.4	\$ 7.6	-9.5%
	Transaction Taxes	\$ 130.3	\$ 121.6	-6.7%
	Transportation Taxes	\$ 49.4	\$ 54.6	10.5%
	Utility Taxes and Fees	\$ 44.0	\$ 44.3	0.7%
	Total Tax Revenue	\$ 330.5	\$ 318.7	-3.6%
Proceeds and Transfers In	Proceeds and Transfers In	\$ -	\$ -	
Non-Tax Revenue	Charges for Services	\$ 82.8	\$ 105.1	26.9%
	Fines, Forfeitures and Penalties	\$ 73.9	\$ 79.6	7.7%
	Leases, Rentals and Sales	\$ 3.6	\$ 2.2	-39.6%
	License and Permits	\$ 31.0	\$ 31.9	2.9%
	Municipal Parking	\$ 2.0	\$ 2.0	0.0%
	Reimbursement, Interest and Other	\$ 77.0	\$ 56.9	-26.1%
	Total Non-Tax Revenue	\$ 270.4	\$ 277.7	2.7%
	Appropriated Prior Year Fund Balance	Appropriated Prior Year Fund Balance	\$ -	\$ -
Grand Total	\$ 600.9	\$ 596.4	-0.7%	

Source: City of Chicago Office of Budget and Management

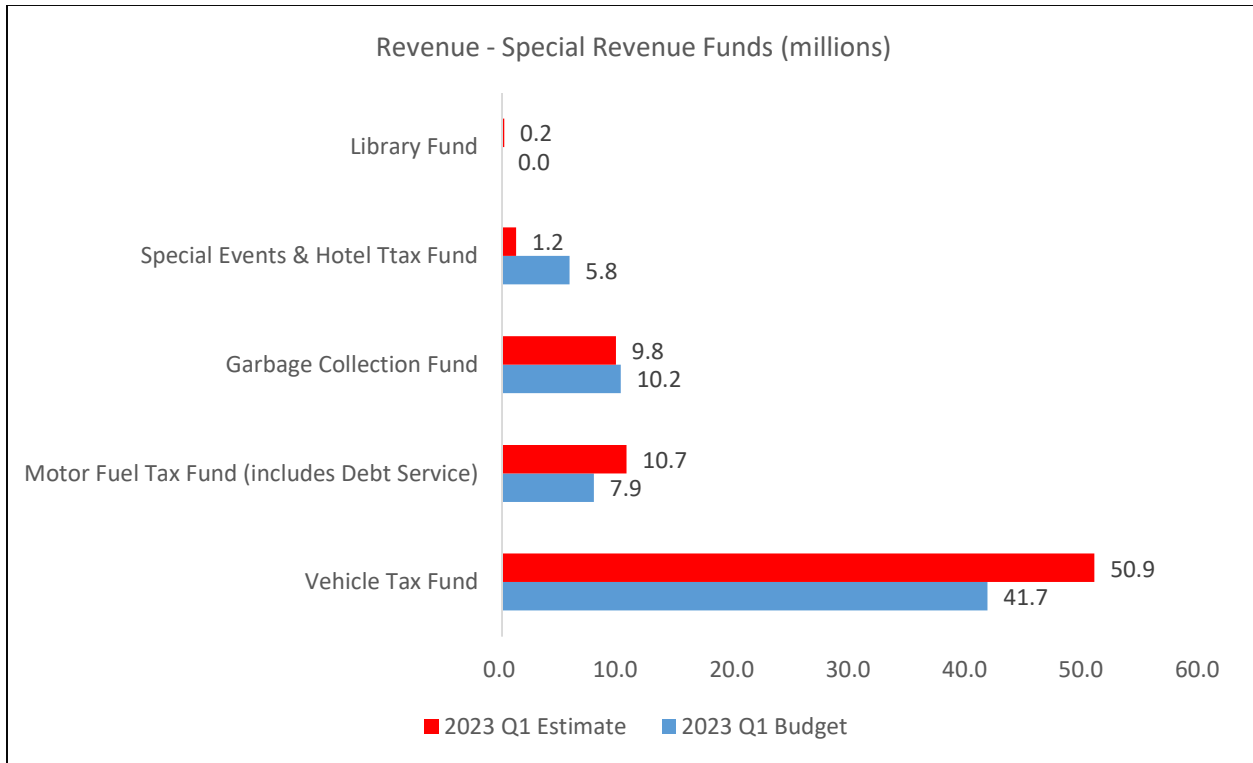
NOTES: 2023 Q1 Quarterly Report. Table may not sum due to rounding (amounts in Millions)



Source: City of Chicago, Office of Budget and Management

Revenue – Special Revenue Funds

The Vehicle Tax Fund was 22.1 percent or \$9.2 million higher than budget through the quarter driven by both revenues from the Vehicle Sticker Tax as well as impoundment and pavement cut fees. The Motor Fuel Tax Fund (MFT) was above the budget by 35.7 percent or \$2.8 million. The Garbage Fee Fund was below budget by \$0.5 million or 4.7 percent. The Special Events & Hotel Tax Fund revenue was below expectations by 79.6 percent or \$4.6 million. The Library Fund revenue comes from the City’s Property Tax levy.



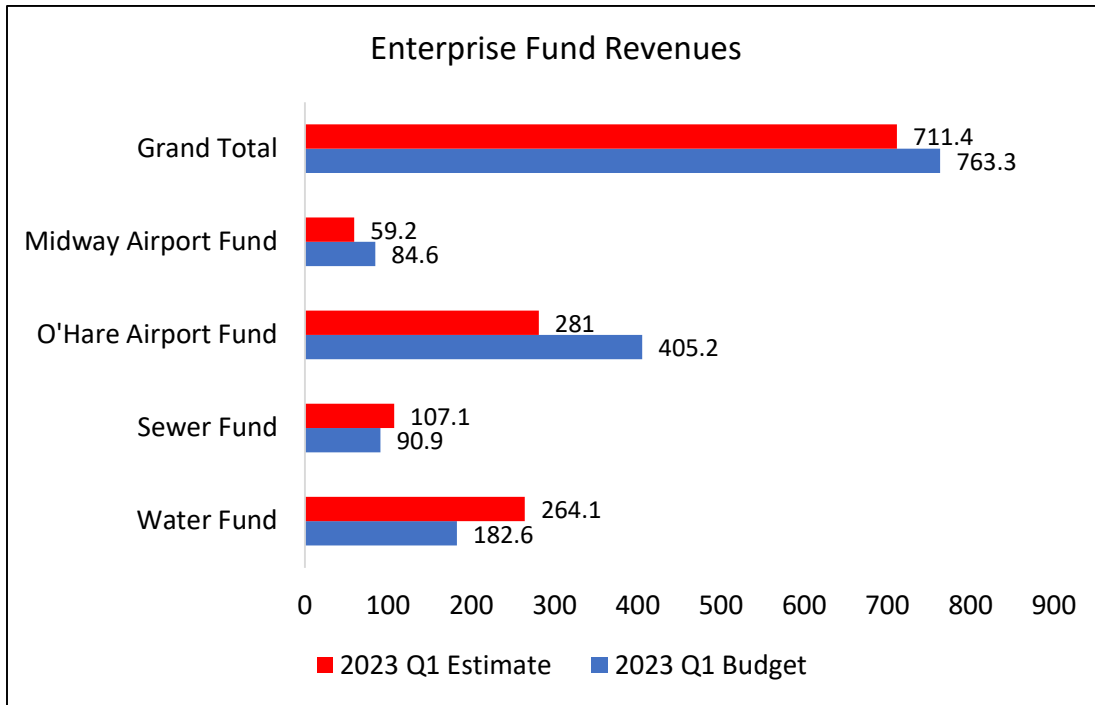
Source: City of Chicago, Office of Budget and Management

Revenue – Enterprise Funds

Enterprise Funds (in the millions)

Fund	2023 Q1 Budget	2023 Q1 Estimate	% Variance
Water Fund	182.6	264.1	44.6%
Sewer Fund	90.9	107.1	17.8%
O'Hare Airport Fund	405.2	281	-30.7%
Midway Airport Fund	84.6	59.2	-30.0%
Grand Total	763.3	711.4	-6.8%

Source: City of Chicago Office of Budget and Management



The Enterprise Funds consist of Water and Sewer Funds and Aviation Funds. The Water and Sewer fund ended the first quarter of the year higher than anticipated – 44.6 percent higher than the budgeted amount. The Sewer Fund also ended the quarter higher than anticipated, exceeding the budget by 17.8 percent.

The Aviation Fund, the Midway and O’Hare Airport Funds operate as commercial enterprises. The source of revenue fees is from landing fees and terminal rent payments from the airlines, also included are car rentals, parking, food, beverage sales and concessionaires.

The Aviation Funds (Midway and O’Hare Airport) are currently below the Q1 budget amount: Midway 2023 Q1 Budget \$84.6M vs. the 2023 Q1 Estimate \$59.2M which is 30.0% below the planned (budget) amount. O’Hare is 30.7% below the planned budget, the 2023 Q1 budget is \$763.3M vs. the 2023 Q1 Estimate \$7114M. The Aviation Fund revenues (Midway and O’Hare) reflect seasonality, combined these revenues cover the full cost of airport operation.

The Water and Sewer Funds are operating for Q1 higher than the planned amounts, the water fund is 44.6% higher than the budget. The Sewer Fund is 17.8% higher than the planned amount for Q1. The Water and Sewer Funds overall reflect seasonality in usage along with reduced consumption attributable to citywide water conservation efforts.

EXPENDITURES

Expenditure – Corporate Fund

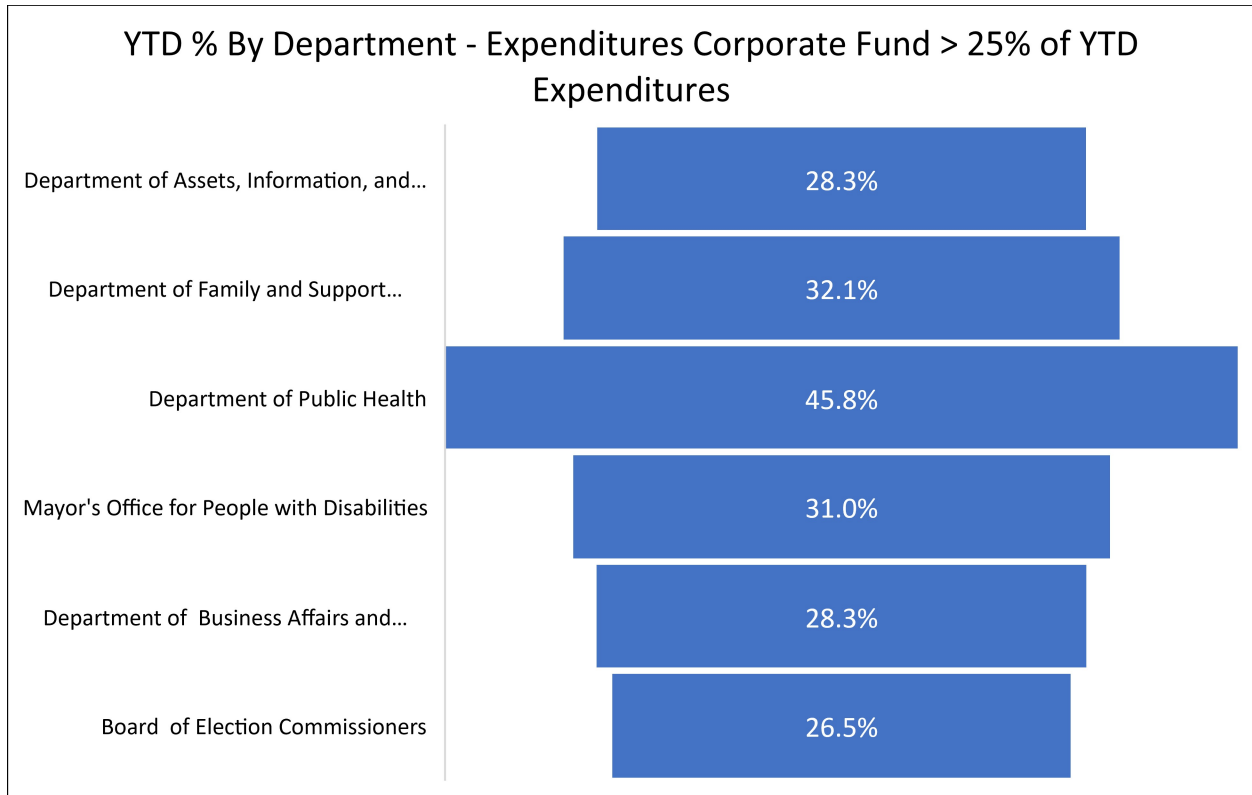
The 2023 YR Budget amounts presented in the expenditure section represent the total department budget from the 2023 Annual Appropriation Ordinance. The City does not provide quarterly expenditure budget data since many expenditures are seasonal or cyclical. Expenditures are managed not to exceed the annual appropriations per fund and department. Corporate Fund expenditures are currently 14.6% of their annual budget.

Only six departments are exceeding 25% of the annual budget: Department of Assets, Information, and Services have a Q1 estimate of \$81.8 million with an annual budget of \$289.5M, 28% of the annual budget; Department of Family and Support Services Q1 is \$35.8M and the annual budget is \$111.4, they are exceeding 25% of the annual budget and currently at 31.2% of the annual budget. The Department of Public Health is 45.9% of the annual budget at the end of Q1, at Q1 the estimate is \$32.2M, the annual budget is \$70.3M. The Department of Business Affairs and Consumer Protection was 28.2% of the annual budget with the Q1 estimate of \$1.6M and the annual budget \$21.9M. The Board of Election Commissioners exceeded the 25% threshold with a Q1 of \$15.0M and an annual budget amount of \$56.6M - \$26.5% of the annual budget. The Mayor's Office for People with Disabilities was 29.1% of the annual budget with 1 of \$0.9M and the annual budget of \$2.9M.

EXPENDITURES - CORPORATE FUND (in millions)		2023 Q1	2023 YR	
		Estimate	Budget	% Spent
Finance and Administration	City Clerk	\$ 0.6	\$ 4.5	13.3%
	City Treasurer	\$ 0.5	\$ 2.7	18.5%
	Department of Finance	\$ 11.3	\$ 70.9	15.9%
	Department of Administrative Hearings	\$ 1.3	\$ 8.4	15.5%
	Department of Assets, Information, and Services	\$ 81.8	\$ 289.5	28.3%
	Department of Human Resources	\$ 1.6	\$ 9.4	17.0%
	Department of Law	\$ 6.1	\$ 32.9	18.5%
	Department of Procurement Services	\$ 1.5	\$ 10.2	14.7%
	Office of Budget and Management	\$ 0.5	\$ 3.3	15.2%
	Office of the Mayor	\$ 2.1	\$ 11.4	18.4%
Infrastructure Services	Chicago Department of Transportation	\$ 6.1	\$ 48.3	12.6%
	Department of Streets and Sanitation	\$ 34.1	\$ 189.0	18.0%
Public Safety	Chicago Fire Department	\$ 145.5	\$ 663.7	21.9%
	Chicago Police Department	\$ 388.3	\$ 1,710.9	22.7%
	Civilian Office of Police Accountability	\$ 2.5	\$ 15.0	16.7%
	Community Commission for Public Safety and Accountability	\$ 0.3	\$ 3.2	9.4%
	Office of Emergency Management and Communications	\$ 2.0	\$ 11.0	18.2%
	Office of Public Safety Administration	\$ 9.7	\$ 59.2	16.4%
Community Services	Police Board	\$ 0.1	\$ 0.6	16.7%
	Commission on Human Relations	\$ 0.2	\$ 1.2	16.7%
	Department of Family and Support Services	\$ 35.8	\$ 111.4	32.1%
	Department of Public Health	\$ 32.2	\$ 70.3	45.8%
City Development	Mayor's Office for People with Disabilities	\$ 0.9	\$ 2.9	31.0%
	Department of Housing	\$ 0.9	\$ 11.0	8.2%
	Department of Planning and Development	\$ 3.3	\$ 16.7	19.8%
Regulatory	Board of Ethics	\$ 0.2	\$ 0.9	22.2%
	Chicago Animal Care and Control	\$ 1.6	\$ 7.0	22.9%
	Department of Buildings	\$ 4.0	\$ 24.3	16.4%
	Department of Business Affairs and Consumer Protection	\$ 6.2	\$ 21.9	28.1%
	License Appeal Commission	\$ -	\$ 0.2	0.0%
	Office of Climate and Environmental Equity	\$ -	\$ 0.7	0.0%
Legislative and Elections	Office of Inspector General	\$ 2.2	\$ 9.6	22.8%
	Board of Election Commissioners	\$ 15.0	\$ 56.6	26.5%
	City Council	\$ 5.9	\$ 34.7	17.0%
Finance General	Finance General	\$ (2.0)	\$ 1,973.6	-0.1%
GRAND TOTAL		\$ 802.2	\$ 5,487.3	

Source: City of Chicago Office of Budget and Management

NOTES: 2023 Q1 Quarterly Report. Table may not sum due to rounding (amounts in Millions)



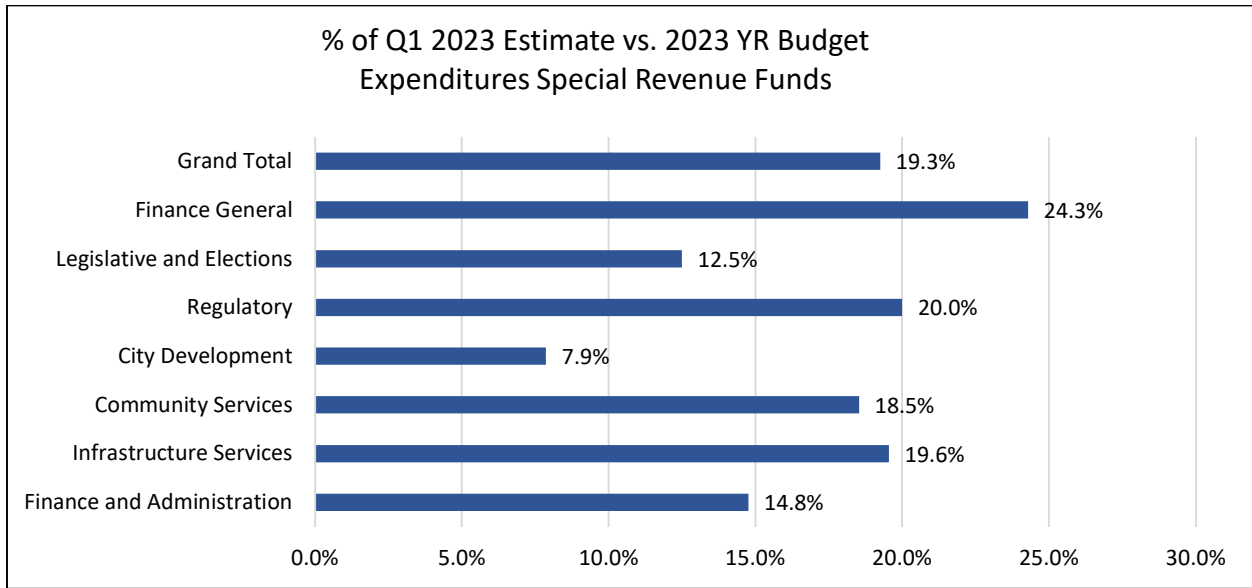
Source: City of Chicago, Office of Budget and Management

As mentioned previously expenditures aren't expected to match up with the monthly or quarterly budget due to timing caused by seasonality and the cyclical nature of expenditures.

Expenditures – Special Revenue Funds

The Special Revenue Funds are established to account for the operations of specific activities and the revenue generated to carry out those activities. The Special Revenue Funds by law must be used to finance specific functions such as, 911 services, special events, tourism promotion, libraries, and road repair.³ First quarter 2023 Special Revenue Fund expenditures measured 19.3 percent of the total annual appropriation,

³ City of Chicago, Office of Budget and Management 2023 Q1 Quarterly Budget Report, p. 12



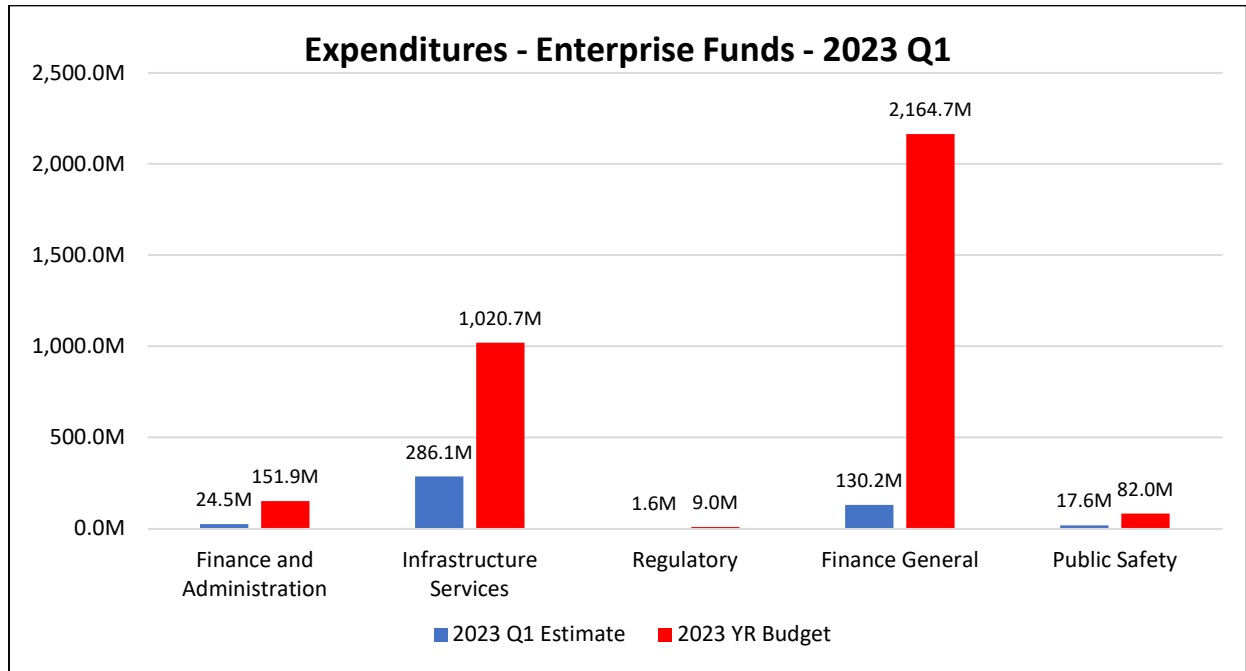
EXPENDITURES - SPECIAL REVENUE FUNDS	2023 Q1 Estimate	2023 YR Budget	%Spent % Spent
Finance and Administration	\$ 12.4	\$ 84.0	14.8%
Infrastructure Services	\$ 56.0	\$ 286.4	19.6%
Community Services	\$ 15.9	\$ 85.8	18.5%
City Development	\$ 2.4	\$ 30.5	7.9%
Regulatory	\$ 0.1	\$ 0.5	20.0%
Legislative and Elections	\$ 0.1	\$ 0.8	12.5%
Finance General	\$ 34.0	\$ 140.0	24.3%
Grand Total	\$ 120.9	\$ 628.0	19.3%

Source: City of Chicago, Office of Budget and Management

Expenditure – Enterprise Funds

Enterprise Expenditure Funds are self-supporting and each pays expenses with revenue derived from charges and user fees for the service it supports. The four Enterprise Funds are the Water Fund, Sewer Fund, O’Hare International Airport Fund, and Midway International Airport Fund. In the first quarter of 2023, the total Enterprise Fund expenditures totaled 13.4 percent of the total annual appropriation.

The only department that exceeded the budget within the Enterprise Funds expenditures was in the Infrastructure category, specifically Chicago Department of Aviation which is trending at 32.6% less than budget and may be in part due to seasonality.



		2023 Q1	2023 YR	% Spent
EXPENDITURES - ENTERPRISE FUNDS		Estimate	Budget	
Finance and Administration	City Treasurer	0.4M	2.6M	15.8%
	Department of Finance	1.5M	15.8M	9.7%
	Department of Assets, Information, and Services	21.0M	124.5M	16.9%
	Department of Human Resources	0.1M	0.8M	16.0%
	Department of Law	1.0M	5.7M	17.4%
	Department of Procurement Services	0.4M	2.2M	15.7%
	Office of Budget and Management	0.0M	0.2M	11.4%
	Infrastructure Services	216.4M	663.4M	32.6%
Chicago Department of Water Management		69.8M	357.4M	19.5%
	Public Safety	8.8M	41.1M	21.5%
Chicago Fire Department		8.0M	34.5M	23.3%
	Office of Emergency Management and Communications	0.7M	6.4M	11.2%
	Office of Public Safety Administration	0.0M	0.1M	23.2%
	Regulatory	0.9M	5.6M	16.0%
Department of Buildings		0.7M	3.5M	20.8%
	Office of the Inspector General	130.2M	2,164.7M	6.0%
Finance General	130.2M	2,164.7M	6.0%	
GRAND TOTAL		459.9M	3,428.5M	13.4%

Source: City of Chicago, Office of Budget and Management, 2023 Q1 Quarterly Budget Report

SUMMARY

As previously mentioned in the COFA 2022 Q3 Corporate Budget Report, the timing, seasonality, fluctuating economic conditions and the pandemic all impact Chicago's full recovery. Chicago is currently trending (2023 Q1) slightly less than the anticipated budget by 0.7%.

The Annual Budget Forecast was published on September 13, 2023, which provided year-end estimates of revenues and expenditures in the Corporate Fund.⁴ The City is projecting annual revenues will slightly outpace expenditures for year-end 2023, however the 2024 projection indicates a gap of \$538 million due to lower revenue (Proceeds and Transfers In, Local Non-tax revenue, and Prior Year Assigned and Unassigned Available Resources). In addition, expenditure increases are seen in Commodities and Materials Contractual Services, Pension Cost, Personnel Services, and Special Event Projects. Pension Costs, Migrant Services, and Personnel Services are major contributors to the current 'gap'.

COFA will continue to monitor OBM's Corporate Fund revenue and expense reports to track the City's monthly and YTD revenue and expenditure data.

⁴ City of Chicago Office of Budget and Management