

# 2022 Quarterly Analysis – Q1 Corporate Revenue Fund City of Chicago

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City of Chicago  
Council Office of Financial Analysis  
Kenneth P. Williams, Sr., Chief Administrative Officer

2 N. LaSalle St, Ste M550  
Chicago, IL 60602  
[cofa@cityofchicago.org](mailto:cofa@cityofchicago.org)



## First Quarter Analysis - 2022

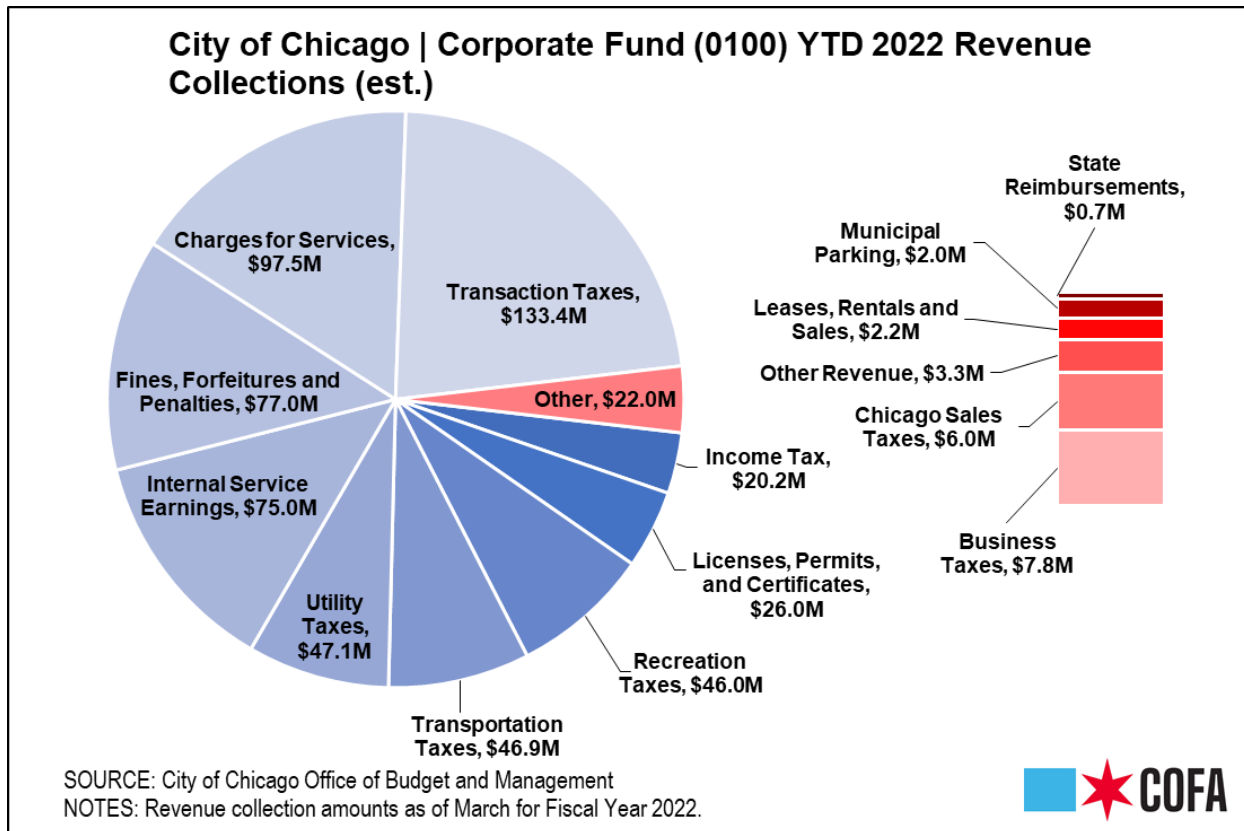
On April 30, 2022, the City of Chicago Office of Budget and Management published the fiscal year 2022 monthly comparative estimates of revenue collections for January, February, and March.<sup>1</sup> According to the reports, each report provides a summary of revenues received and transfers made in the City's corporate fund for the current fiscal year. The information contained in the report is the most accurate information available at the time of publication. Data on revenues are not final until the City completes the annual audit and finalized the Annual Report is issued, therefore monthly reports are for informational purposes only and do not reflect final audited figures. COFA will focus on OBM's March report—the City's first quarter—for this analysis.

| Revenue Sources                     | YTD<br>Budgeted  | YTD<br>Collected | Budget vs.<br>Collected (\$) | Budget vs.<br>Collected (%) |
|-------------------------------------|------------------|------------------|------------------------------|-----------------------------|
| State Reimbursements                | 103              | 685              | 582                          | 567.1%                      |
| Transaction Taxes                   | 96,486           | 133,442          | 36,956                       | 38.3%                       |
| Charges for Services                | 78,587           | 97,531           | 18,943                       | 24.1%                       |
| Internal Service Earnings           | 62,490           | 75,029           | 12,538                       | 20.1%                       |
| Utility Taxes                       | 41,909           | 47,125           | 5,216                        | 12.4%                       |
| Municipal Parking                   | 1,963            | 1,952            | (11)                         | -0.6%                       |
| Recreation Taxes                    | 51,014           | 46,002           | (5,012)                      | -9.8%                       |
| Licenses, Permits, and Certificates | 30,462           | 25,998           | (4,464)                      | -14.7%                      |
| Fines, Forfeitures and Penalties    | 93,864           | 77,027           | (16,837)                     | -17.9%                      |
| Chicago Sales Taxes                 | 7,458            | 6,016            | (1,442)                      | -19.3%                      |
| Leases, Rentals and Sales           | 3,198            | 2,245            | (953)                        | -29.8%                      |
| Transportation Taxes                | 72,243           | 46,937           | (25,306)                     | -35.0%                      |
| Income Tax                          | 36,025           | 20,224           | (15,801)                     | -43.9%                      |
| Business Taxes                      | 17,141           | 7,759            | (9,382)                      | -54.7%                      |
| Other Revenue                       | 8,450            | 3,305            | (5,145)                      | -60.9%                      |
|                                     | <b>\$601,394</b> | <b>\$591,275</b> | <b>(\$10,118)</b>            | <b>-1.7%</b>                |

SOURCE: City of Chicago Office of Budget and Management  
NOTES: Revenue collection and budget amounts as of March for Fiscal Year 2022.  
Amounts in Thousand(s)

Through March, total year-to-date (YTD) revenue collections lagged slightly behind the same period budgeted amount by \$10.1M, or 1.7%. When compared to the Corporate Fund’s 2022 Annual Appropriated amount of \$4.836B—displayed in OBM’s March report under the column labeled *2022 Annual Budget*—the YTD collected amount of \$591.3M is tracking about 0.2% behind the YTD Budget amount of \$601.4M.

The total Local Taxes collected were 0.4% higher than the YTD budgeted amount, with Transaction Taxes making up a large part of the total Local Taxes—collections in this category were 37.0M higher than the budgeted amount, or 38.3%. Transaction Taxes is comprised of taxes on the transfer of real estate, the lease or rental of personal property, and the short-term lease of motor vehicles. OBM does not provide detail on these Transaction Tax line items in the March report, so it is difficult to assess if there is a particular tax driving the positive performance against the budget. Some of the City revenue sources performing well against the YTD budget through March are Charges for Services and Internal Service Earnings, which are 24.1% and 20.1% higher than budget, respectively.



The City’s Transportation Taxes is considerably behind the YTD budget amount by \$25.3M, or 35.0%. This is the largest dollar amount deficit against budget amongst the revenue sources in the Corporate Fund through the first quarter. There may be a few reasons for this shortfall in Transportation Taxes, which is comprised of taxes on vehicle fuel, garage parking, and hired ground transportation, including taxis and transportation

network providers. One reason is that higher fuel prices may be deterring Chicagoans from driving their vehicles. The average weekly price for a gallon of regular reformulated retail gasoline in Chicago for the 7-day period ending May 2, 2022, is approximately 25.5% higher than the average price for the period ending October 25, 2021, right before the 2022 Budget Ordinance was passed by the City Council.<sup>ii</sup> As a result of increased gasoline prices, individuals may be seeking other forms of transportation, such as the CTA and Metra, or even carpooling. Additionally, employees who are afforded the opportunity could be making use of their ability to work remotely, as opposed to commuting into an office space, to cut down on gasoline usage. Both increased gasoline prices and alternative working capabilities may be negatively affecting the vehicle fuel tax. In turn, this may also be impacting parking tax revenues; the City may be experiencing a decrease in the volume of vehicles driving and utilizing operating paid parking lots and garages, to avoid any additional vehicle trips and fuel usage. Some of the other City revenue sources that are underperforming against the YTD budget are Fines, Forfeitures, and Penalties, and Income Tax, which is 17.9% and 43.9% behind budget, respectively. When combined, Fines, Forfeitures, and Penalties, and Income Tax are underperforming by about \$32.6M.

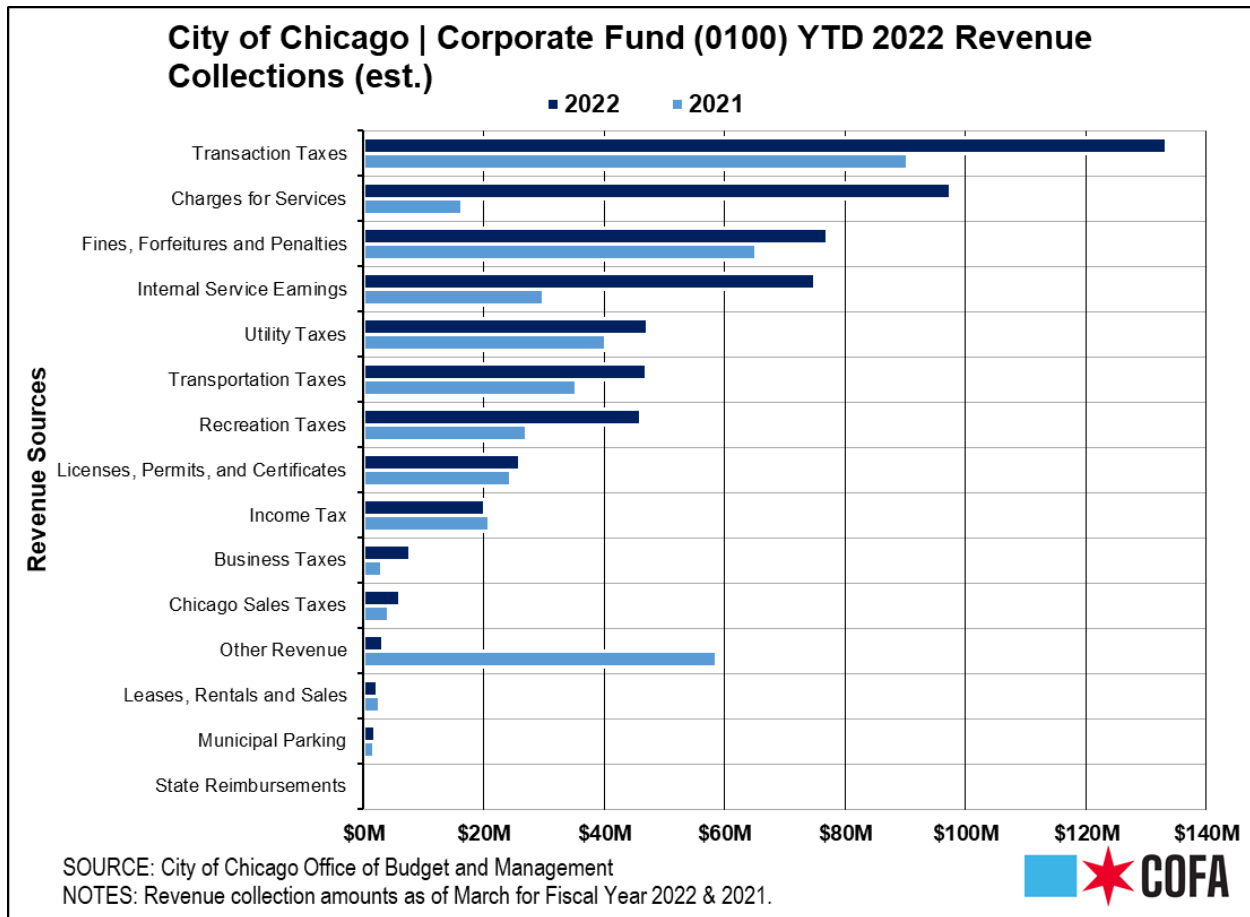
Compared to the fiscal year 2021 monthly comparative estimates of revenue collections for March, the City is seeing a \$170.9M increase in YTD collections, or 40.7%, which is a

| <b>Revenue Sources</b>              | <b>2021 YTD<br/>Collected</b> | <b>2022 YTD<br/>Collected</b> | <b>2022 vs.<br/>2021 (\$)</b> | <b>2022 vs.<br/>2021 (%)</b> |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|
| Charges for Services                | 16,307                        | 97,531                        | 81,224                        | 498.1%                       |
| State Reimbursements                | 123                           | 685                           | 562                           | 456.9%                       |
| Internal Service Earnings           | 29,972                        | 75,029                        | 45,057                        | 150.3%                       |
| Business Taxes                      | 3,120                         | 7,759                         | 4,639                         | 148.7%                       |
| Recreation Taxes                    | 27,156                        | 46,002                        | 18,846                        | 69.4%                        |
| Transaction Taxes                   | 90,332                        | 133,442                       | 43,110                        | 47.7%                        |
| Chicago Sales Taxes                 | 4,152                         | 6,016                         | 1,864                         | 44.9%                        |
| Transportation Taxes                | 35,332                        | 46,937                        | 11,605                        | 32.8%                        |
| Fines, Forfeitures and Penalties    | 65,118                        | 77,027                        | 11,909                        | 18.3%                        |
| Utility Taxes                       | 40,301                        | 47,125                        | 6,824                         | 16.9%                        |
| Municipal Parking                   | 1,767                         | 1,952                         | 185                           | 10.5%                        |
| Licenses, Permits, and Certificates | 24,393                        | 25,998                        | 1,605                         | 6.6%                         |
| Income Tax                          | 20,825                        | 20,224                        | (601)                         | -2.9%                        |
| Leases, Rentals and Sales           | 2,781                         | 2,245                         | (536)                         | -19.3%                       |
| Other Revenue                       | 58,660                        | 3,305                         | (55,355)                      | -94.4%                       |
|                                     | <b>\$420,340</b>              | <b>\$591,275</b>              | <b>\$170,935</b>              | <b>40.7%</b>                 |

SOURCE: City of Chicago Office of Budget and Management  
NOTES: Revenue collection amounts as of March for Fiscal Year 2022 & 2021.  
Amounts in Thousand(s)

positive sign for the City’s recovery from the pandemic. Some of the largest dollar amount increases in revenue collections are in Charges for Services, Internal Service Earnings, and Transaction Taxes, which account for an increase of approximately \$169.4M compared to the YTD March 2021 collections. The primary decrease is in Other Revenue, which accounts for \$55.4M in lesser revenue. Other Revenue is a category of revenues that includes various revenues not included in other categories, the largest of which is the City’s share of surplus TIF revenue that has been returned to the County.

COFA believes it is also worth noting that the YTD March 2022 report is the first report in which the City’s monthly collection amount failed to exceed the monthly budget, going back to the February 2021 report. In an analysis of all of the available Revenue Reports available on OBM’s website—the February 2021 report is the earliest report available—the City’s monthly collections exceeded budget when revenues were recorded at the point in time count from March 2021 through February 2022. In the latest report, the March 2022 collection amount totaled \$265.3M against the budgeted amount of \$277.2M, which was \$11.9M, or 4.3%, below budget. While OBM does note that each revenue collection report may not reflect all of the adjustments recorded in future periods, COFA believes that this underperformance in the latest March report should make the City at least somewhat cautious in its outlook of future revenue collections. Of the 15 revenue sources



which list budgeted amounts through YTD March 2022, the City is currently underperforming versus budget in 10 of the revenue sources, or two-thirds. Furthermore, 7 of the 15 revenue sources are underperforming by at least 15% against YTD budget amounts. This is another indicator that the City should be wary of its revenue outlook to an extent.

In closing, it is important to underscore that seasonality, timing, and the impact of the pandemic all impact revenue streams. It is also very possible that the City of Chicago may experience fluctuations in its revenue collections if the City and country encounter unforeseen setbacks related to the pandemic. The City, and country as a whole, are already experiencing this with increasing rates of inflation impacting the cost of food, energy, new vehicles, and household furnishings and operations<sup>iii</sup>. This could very well hinder Chicago's timeframe for a full recovery. It is therefore vital for the City to closely monitor and evaluate its revenue streams during this recovery period so budget adjustments may be made to more closely align with revenue expectations. The City usually updates its year end budget estimate in August when it publishes the Budget Forecast.

#### **Endnotes:**

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<sup>i</sup> Office of Budget and Management. (2022). *City of Chicago Revenue Reports*. City of Chicago. [www.chicago.gov](http://www.chicago.gov)

<sup>ii</sup> U.S. Energy Information Administration. (2022, May 2). *Weekly Chicago, IL Regular Reformulated Retail Gasoline Prices (Dollars per Gallon)*. Retrieved May 3, 2022, from [www.eia.gov](http://www.eia.gov)

<sup>iii</sup> U.S. Bureau of Labor Statistics. (2022, April). *Consumer Price Index, Chicago-Naperville-Elgin area – March 2022*. [www.bls.gov](http://www.bls.gov)