

2021 Analysis – Year End Corporate Revenue Fund City of Chicago

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City of Chicago
Council Office of Financial Analysis
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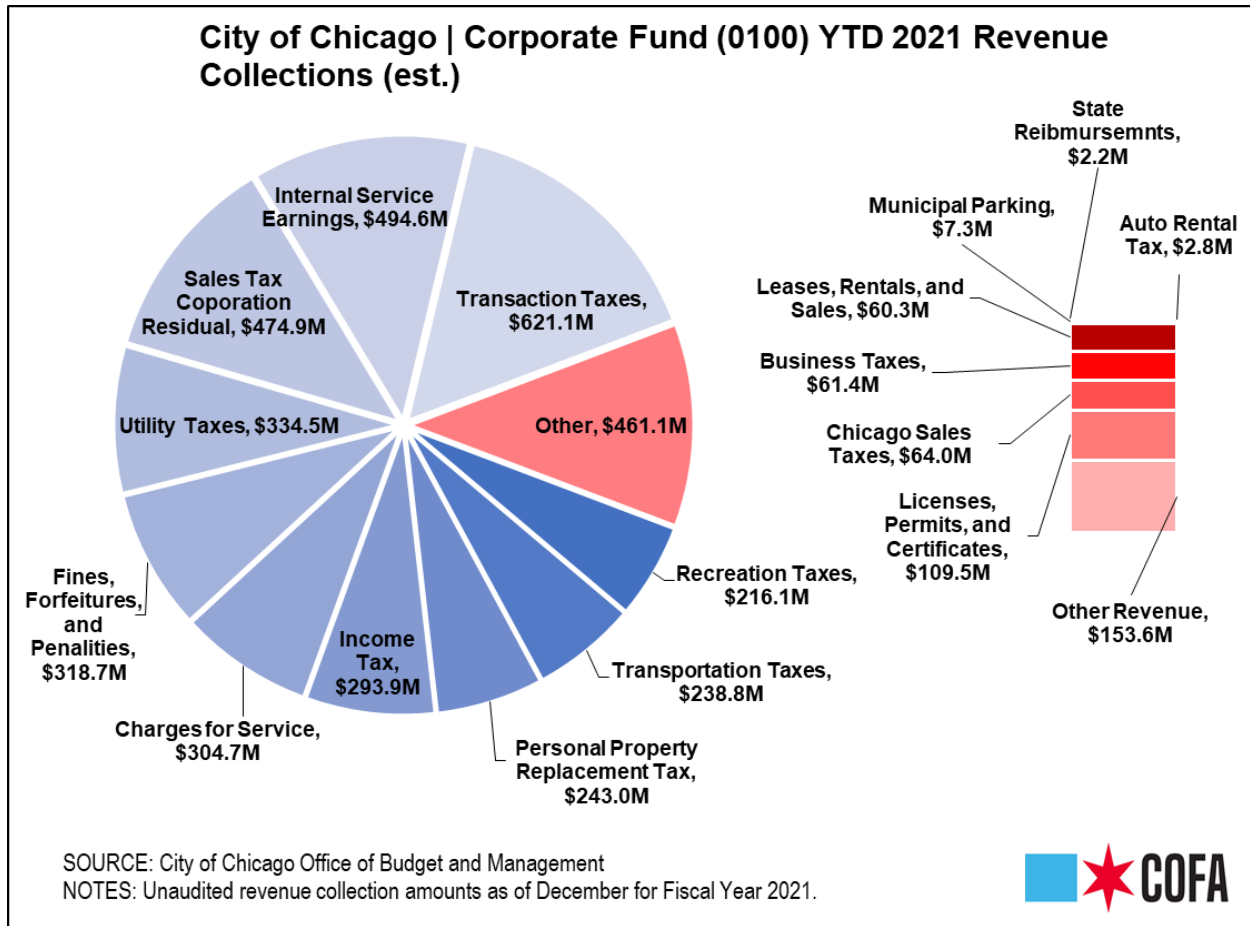
Revenue Analysis 2021 – Year End

Comparisons between the estimated budget revenues and collections are an indication of revenue performance and can indicate economic developments that may impact the annual revenue forecast. The budget estimates take some seasonality into account and variability may be seen from one month to the next. By the end of the year, the fluctuations smooth out. The reporting period for this analysis is December 2021, therefore the fluctuations should be minimal. The Year to Date (YTD) forecast was compared to the Year to Date collections. The revenue numbers are not final until the completion of the annual audit, therefore the reports do not reflect final audited figures. For FY 2021 there were no American Rescue Plan Revenue Replacement dollars in the Proceeds and Transfer In account.

Revenue Sources	YTD Budgeted	YTD Collected	Budget vs. Collected (\$)	Budget vs. Collected (%)
State Tax Revenue	333,371	541,931	208,560	62.6%
Proceeds and Transfers	375,261	474,856	99,595	26.5%
Local Tax Revenue	1,406,074	1,535,855	129,781	9.2%
Local Non-Tax Revenue	1,476,895	1,448,685	(28,210)	-1.9%
	\$3,591,601	\$4,001,327	\$409,726	11.4%

SOURCE: City of Chicago Office of Budget and Management
 NOTES: Unaudited revenue collection and budget amounts as of December for Fiscal Year 2021.
 Amounts in Thousand(s)

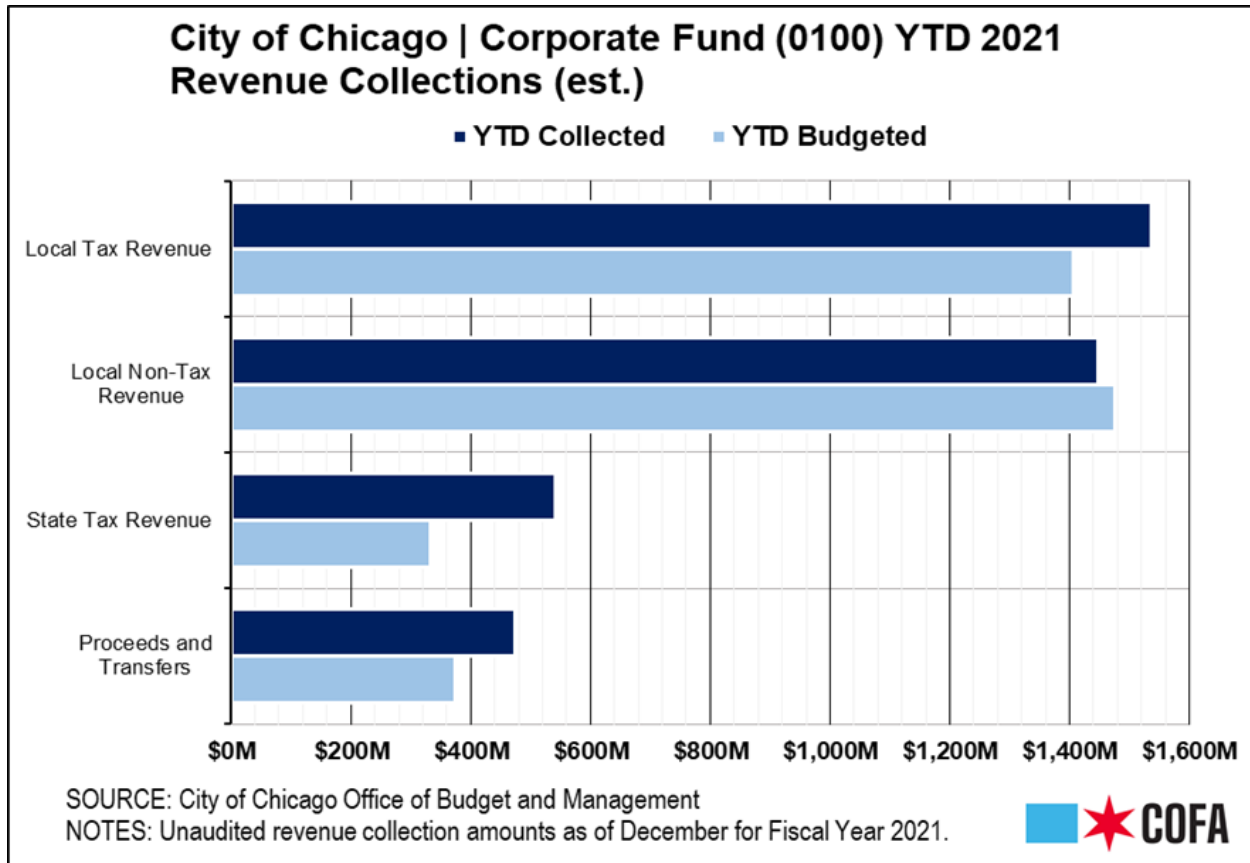
Corporate Fund Tax Revenue consists of Local Tax Revenue and Intergovernmental Tax Revenue. Local Tax Revenue includes Utility, Transaction, Transportation, Recreation, Business Taxes, and City-collected Sales Tax, Intergovernmental Tax Revenue includes State Income Tax, Personal Property Replacement Tax, Municipal Auto Rental Tax, and Reimbursements for City Services. Tax revenues for December 2021 year to date showed collections (actuals) higher than the forecasted amounts for every category except “Local Non-tax”. In that category (Local Non-tax) the Fines, Forfeitures, And Penalties were down 13.8% from the forecast, this may be indirectly linked to the lingering effects of the pandemic since during the first ½ of 2021 many went out sparingly incurring fewer penalties than anticipated. This line item according to the forecast was expected to be higher as a result of safety measures and improved collections, however, this was not realized. The ‘Charge for Service’ line item under Local tax was also down from the forecasted amount by 10.5%, in part due to a decrease in transport. The Licenses, Permits, and Certificates were also down 8.5% under the “Local Non-tax” category this also may be related to the impacts of COVID.ⁱ



Local Tax Revenue was higher than the budgeted amount, with Transaction Tax Revenue seeing the largest increase over the forecast of 39%. Transaction Taxes include taxes on the Transfer of Real Estate, Lease or Rental of Personal Property, and The Lease of Motor Vehicles in the city. The property lease tax includes the implementation of a 1.75% increase as it applies to the non-possessory computer leases from 7.25% to 9% as of 1/1/2021. Transportation Tax Revenue was lower than the forecast by 22.9% due to the impact of COVID with lower rideshare and parking garage usage.

State Tax Revenue was higher than the forecast in every category with the Personal Property Replacement Tax increasing 106.8%. The Proceeds and Transfer Tax Revenue category were higher than forecast and only included the Sales Tax Corporation Residual line item. The original budget included three additional line items; the Reserve fund interest, proceeds and transfers, and other proceeds and transfers.

Local Non-tax Revenue was lower than the projected forecast. The only line items within this category that exceeded the forecast are Leases, Rentals, and Sales, Internal Service Earnings, and Other Revenue.



In conclusion, the total tax revenue for YTD December 2021 exceeded the projected YTD Budget by 11.4%. Although the impact of the COVID-19 pandemic continues to impact tax revenue, a modest recovery has been realized as well as recovering revenue from consumer shared technologies.

In 2023, the challenge will be to closely monitor revenue during the recovery period. The City of Chicago is experiencing a change in demographics (population, age distribution, personal income, and declining populations). Streams of revenue are often reduced with population loss, while spending typically does not decline in proportion to the loss. In addition, external economic factors such as economic cycles, inflation, interest rates, and competition among local governments may impact revenue streams. The pandemic continues to have an adverse impact on businesses and government revenues, it is now more important than ever to continue monitoring and evaluating revenue performance.

Endnotes:

ⁱ Office of Budget and Management. (2021). *City of Chicago Revenue Reports*. The City of Chicago. www.chicago.gov/city/en/depts/obm/supp_info/city-of-Chicago-revenue-reports.html