

OVERVIEW & ANALYSIS OF ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Chicago
Fiscal Year 2023

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City of Chicago
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OVERVIEW AND ANALYSIS OF ANNUAL COMPREHENSIVE FINANCIAL REPORT

The City of Chicago is still rebounding from the global pandemic, steadily moving towards pre-pandemic levels. Tourism has seen a significant increase, rising from 30.7 million visitors in 2021 to 48.9 million in 2022, and reaching 52.0 million in 2023. However, the growth rate is starting to level off as tourism numbers approach the 2019 record of 61.6 million visitors. Chicago is home to over 400 major corporate headquarters and facilities, including thirty-one Fortune 500 headquarters, located in the Chicago Metropolitan Statistical Area (MSA). The City's two major airports are also recovering, with Chicago O'Hare and Chicago Midway seeing operating revenue increases of \$168.3 million and \$64.4 million, respectively, compared to FY 2022.

The net deficit increased in 2023 by \$580.0 million due to an increase in long-term liabilities, largely due to increases in net pension liability caused by changes in pension assumptions and legislative changes enacted by the State of Illinois (P.A. 103-0582), and higher outstanding pension contributions payable at year end. PA 103-0582 made cost of living adjustments for Chicago police officers in the Tier 1 system. Future legislative changes need to address the "safe harbor" issue for Tier 2 and Tier 3 pensioners, ensuring benefits equivalent to Social Security without additional enhancements. Despite this increase, the City remains on track to meet the 90% funded ratio by the end of the amortization period in 2055 for police and fire funds, and in 2058 for municipal and labor funds. The City has been strengthening the long-term stability of pension funds by making supplemental contributions, with a \$306.6 million supplemental payment in the 2024 budget and a \$242 million payment in the 2023 budget. This increase in the net deficit was offset by higher cash, cash equivalents, and investments balances due to timing differences of payments to vendors, with the City closing the year with a new deficit of \$28,211.7 million.

The City's total assets increased by \$2,421.6 million, primarily due to a \$1,818.0 million rise in cash and cash equivalents, a \$208.0 million increase in grant-funded expenditures, and a \$657.0 million increase in infrastructure investments through various capital projects. Deferred outflows increased by \$200.8 million due to amortization of pension costs, and deferred inflows increased by \$245.8 million. Total liabilities increased by \$3,046.6 million due to a rise in long-term liabilities (net pension liability), offset by a decrease in payables.

Total revenues increased by \$1,902.0 million (18.2%) from 2022, driven by proceeds from the issuance of new debt and the use of a line of credit for infrastructure projects. Total fund balances decreased by \$257.4 million in 2023 due to the use of prior year Assigned Fund Balance for planned supplemental pension contributions. The City's General Obligation Bonds and notes outstanding decreased by \$416.7 million due to scheduled payments on General Obligation Bonds, offset by the issuance of new debt and full utilization of capital program lines of credit. A new section in the ACFR Letter of Transmittal outlines the finances around the City's migrant mission for FY 2023, which COFA hopes will continue in future financial reports.

*Data Source: Page 18, Annual Comprehensive Financial Report for the Year Ended December 31, 2022. www.chicago.gov
Page 52, 2024 Budget Overview. www.chicago.gov*

ANNUAL COMPREHENSIVE FINANCIAL REPORT

The Annual Comprehensive Financial Report (ACFR) is a set of financial statements for a governmental entity that comply with the accounting requirements established by the Governmental Accounting Standards Board (GASB). The statements must be audited by an independent auditor – Deloitte & Touche LLP using generally accepted government auditing standards (GAGAS). The ACFR consists of three sections – Introductory, Financial, and Statistical. The City of Chicago’s ACFR is an analysis and narrative overview of financial activities of the City for the fiscal year ending December 31, 2023, information contained therein from the 2023 City of Chicago Annual Comprehensive Financial Report, for the year ended December 31, 2023. The City of Chicago shall be referenced as the “City” for the purpose of this analysis and overview.

OVERVIEW OF ACFR’S BASIC FINANCIAL STATEMENTS

This discussion and analysis will serve as an introduction to the City’s basic financial statements which include the following: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include two statements, the statement of net position which presents information on all the City’s assets, deferred outflow, liabilities, and deferred inflows with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator on whether the financial position of the City is improving or deteriorating, respectively.¹ The second government-wide financial statement is the statement of activities which presents information showing how the government’s net position changed during each fiscal year. This statement presents a comparison between direct expenses and program revenues for each function of the City.

Liabilities and deferred inflows exceeded assets by \$28,211.7 million as of December 31, 2023. Of this amount \$3,882.8 million represents the City’s investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt to acquire those assets that is still outstanding.² Capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. An additional part of the City’s net position \$6,099.6 million represents resources that are subject to external restrictions offset by an unrestricted deficit of \$38,194.2 million.³

¹Page 19, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

²Page 18, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

³Page 18, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

Revenues for all governmental activities in 2023 were \$11,463.2 million, an increase of \$1,579.5 million (16.0%) from 2022.⁴ Approximately 42.3 percent of the City’s revenues were from taxes other than property taxes, which increased by \$602.9 million (14.2%). the other than property tax revenues.⁵ Other revenues increased by \$562.3 million (220.8%) primarily due to increase in interest income with higher rates, fair market value adjustments, and miscellaneous revenues.⁶ Governmental activity expenses in 2023 were \$12,363.4 million, an increase of \$1,973.7 million (16.0%) over 2022.⁷ The City paid through taxes \$6,891.2 million. Some of the cost was paid by those who benefited directly from the programs (\$1,225.4 million) or other organizations and governments that subsidized certain programs with contributions and grants (\$1,160.9 million).⁸ The net position of business-type activities was \$2,620.4 million, these resources can only be used to finance continuing operations of the water, sewer, Skyway, and airport activities.

FUND FINANCIAL STATEMENTS

These statements present information about major funds individually and non-major funds in aggregate for governmental and propriety fund types. Governmental funds include the following:

General Fund

The General Fund is the City’s general operating fund and supports essential City services and activities, such as public safety, streets and sanitation, public health programs, and general government services. This fund generates revenues through a variety of local and intergovernmental taxes, fees, and fines.⁹

Special Revenue Fund

Special Revenue Funds account for the operations of a specific activity and the revenue generated for carrying out that activity. Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.¹⁰ The City has over 15 of these types of funds, and examples include the Vehicle Tax Fund, Motor Fuel Tax Fund, Library Fund, and Emergency Communication Fund.

⁴Page 21, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

⁵Page 21, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

⁶Page 21, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

⁷Page 21, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

⁸Page 21, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*. www.chicago.gov

⁹Page 9. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

¹⁰Page 193. City of Chicago. *2023 Budget Overview*. www.chicago.gov

Debt Service Fund

These funds are used to account for the accumulation of resources for, and the payment of, long-term debt service and related costs, which include both the principal and interest.¹¹ Examples include the Motor Fuel Tax, Fund Debt Service, GO Bond Redemption and Interest Fund, and Emergency Communication Bond Redemption and Interest Fund.

Capital Projects Fund

The Capital Projects Fund accounts for the spending and revenues related to major infrastructure projects in the City, such as purchasing equipment and capital improvements.

EXPLANATION OF GOVERNMENT FUNDS BY MAJOR GROUPS

Governmental, proprietary, and fiduciary are the three major groups of governmental funds.

GOVERNMENTAL FUND

Governmental funds account for similar functions reported as governmental activities in the government-wide financial statements, focusing on shorter-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year, which is useful in evaluating a government's near-term financing requirements. The City has 24 of these funds, with eight major funds: The General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, the Service Concession and Reserve Fund, the Bond, Note Redemption, and Interest Fund, the STSC Debt Service Fund the Community Development and Improvement Projects Fund and the Pension Fund.¹²

PROPRIETARY FUND

A proprietary funds are used to show activities that operate more like those of commercial enterprises. This fund charges user fees for services provided to outside customers, such as local governments, which are known as enterprise funds.¹³ The City uses five enterprise funds to account for its water, sewer, Skyway and two airports (O'Hare and Midway): below are the following enterprise funds (not including the Skyway), along with their net income/(loss) for FY 2023 below¹⁴.

- O'Hare Airport Fund – \$48.6 million
- Water Fund - \$131.1 million
- Sewer Fund - \$74.5 million
- Midway Airport Fund – \$52.8 million

¹¹ Page 189. City of Chicago. *2023 Budget Overview*. www.chicago.gov

¹²Page 20. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

¹³ Page 20. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

¹⁴Page 46. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

FIDUCIARY FUNDS

Fiduciary Funds are used for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for employee pension plans. The City is responsible for ensuring that the assets report is used for its intended purposes.¹⁵ The City's financial statements identify the following legal entities as fiduciary funds:

- ❖ The Municipal Employees Annuity and Benefit Fund of Chicago
- ❖ The Laborers' and Retirement Board Employees
- ❖ The Policemen's Annuity Benefit and fund of Chicago
- ❖ The Firemen's Annuity and Benefit Fund of Chicago

The City also reports the following fiduciary funds:

Pension Trust Funds report expenditures for employee pensions as provided by employer contributions and investment earnings.

Custodial Funds transactions for assets held by the City as agents for certain activities or for various entities (i.e., McCormick, Departure Tax, Special Assessments, CPS Building, and Improvement).

NOTES TO THE BASIC FINANCIAL STATEMENTS

Financial Analysis Of The City As A Whole

Net Position. This is the difference between an entity's assets (plus deferred outflows of resources) and its liabilities (plus deferred inflows). The City's liabilities and deferred inflows exceeded assets by \$28,211.7 million as of December 31, 2023. Of this amount, \$3,882.8 million and \$6,099.6 million are restricted with the former representing capital asset investments (land, buildings, roads, bridges, etc.) less any related debt to acquire those assets that remain outstanding. The later \$6,099.6 million represents resources that are subject to external restrictions on usage.¹⁶ The deficit does not mean the City is unable to pay its bills rather it is the result of having long-term commitments that are greater than current available resources. The City did not include in past annual budgets the full amounts needed to finance future liabilities from personnel, property, pollution, and casualty claims (\$1,143.4 million) and Municipal Employees, Laborers, Policemen, and Firemen's net pension liability and other post-employment benefits (\$35,332.1 million).¹⁷

¹⁵Page 20. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

¹⁶Page 18. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

¹⁷Page 21. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

Governmental Activities

The net position of the City's governmental activities decreased \$897.7 million to a deficit of \$30,832.1 million due to an increase in pension expense and corresponding net pension liability due to pension assumption and state legislative changes and recognized investment income volatility.¹⁸

Revenues for all governmental activities in 2023 were \$11,463.2 million, an increase of \$1,579.5 million (16.0%) from 2022. Approximately 42.3 percent of the City's revenues were derived from taxes other than property taxes, which increased by \$602.9 million (14.2%) due to increase revenues from tax increment financing. Other revenues increase by \$562.3 million (220.8%) primarily due to increase in interest income as rates were higher in 2023, fair market value adjustments, and miscellaneous revenues.¹⁹

Expenses for governmental activities in 2023 were \$12,363.4 million, an increase of \$1,973.7 million (19.0%) over 2022. Taxpayers paid \$6,891.2 million.²⁰

The City received revenues from the state such as income and sales tax, and other revenues, totaling \$1,368.7.²¹

Business-Type Activities

The City's business-type total revenues increased by \$597.2 million in 2023 primarily due to the Airports' continued recovery from the impacts of the COVID-19 pandemic on travel, rate increases for water and sewer, and an increase in investment earnings.²²

- The Water Fund's total operating revenue increased by \$23.8 million (3.1%) from 2022 due to increases in water fees of \$13.4 million resulting from a water rate increase of 5% effective June 1, 2023, offset by the conversion of non-metered to metered accounts. Operating expenses before depreciation and amortization increased in 2023 by \$78.4 million due to changes in pension assumptions and investment losses due to the global market volatility.²³

¹⁸Page 21. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

¹⁹Page 21. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

²⁰Page 21. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

²¹Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

²²Page 24. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

²³Page 24. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

- The Sewer Fund’s total net operating revenues increased in 2023 by \$13.7 million or 3.7% due to a rate increase of 5.0% as of June 1, 2023. Operating expenses before depreciation and amortization increased by \$13.8 million or 9.9% as compared to 2022 primarily due to the increase in repairs and maintenance expenses and increase in pension.²⁴
- Chicago Midway International Airport’s total operating revenues for 2023 increased by \$64.4 million compared to 2022 operating revenue due to a significant increase in passenger traffic, terminal rental revenues, and concessions due to the recover from the impacts of the COVID-19 pandemic. Midway’s total net deficit on December 31, 2023, was (\$291.4 million), which was a decrease of \$52.8 million, primarily due to the increase in investment income of \$41.0 million due to recognized fair market value changes on December 31, 2023, and an increase in operating income before depreciation and amortization of \$39.5 million due to an increase in landing fees and other fees as global market volatility impacted the fair market value of investments, offset by Midway’s leisure travel demand increasing.²⁵
- Chicago O’Hare International Airport’s total operating revenues for 2023 increased by \$168.3 million (13.4%) compared to the prior year due to an increase in terminal use charges and landing fees of \$112.2 million, increases in concessions revenue and hotel revenue (\$55.5 million and \$0.6 million respectively), due to an increase in passenger and flight activity as O’Hare continues to recover from the impact of the pandemic. Operating expenses before depreciation, amortization and loss on capital asset disposals increased by \$85.1 million (9.6%) compared to 2022, primarily due to the increase in salaries and wages.²⁶

Financial Analysis Of The City’s Funds

- The General Fund is the chief operating fund of the City. As of December 31, 2023, the unassigned fund balance of the General Fund was \$226.6 million, with a total fund balance of \$1,054.9 million.²⁷
- The General Fund expenditures on a budgetary basis were \$141.6 million less than the budgeted amounts because of favorable variances in general government expenditures.²⁸
- Changes in fund balance – The City’s governmental funds decreased by \$172.1 million in 2023, this includes an increase in inventory of \$6.0 million.²⁹

²⁴Page 24. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

²⁵Page 24. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

²⁶Page 24. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

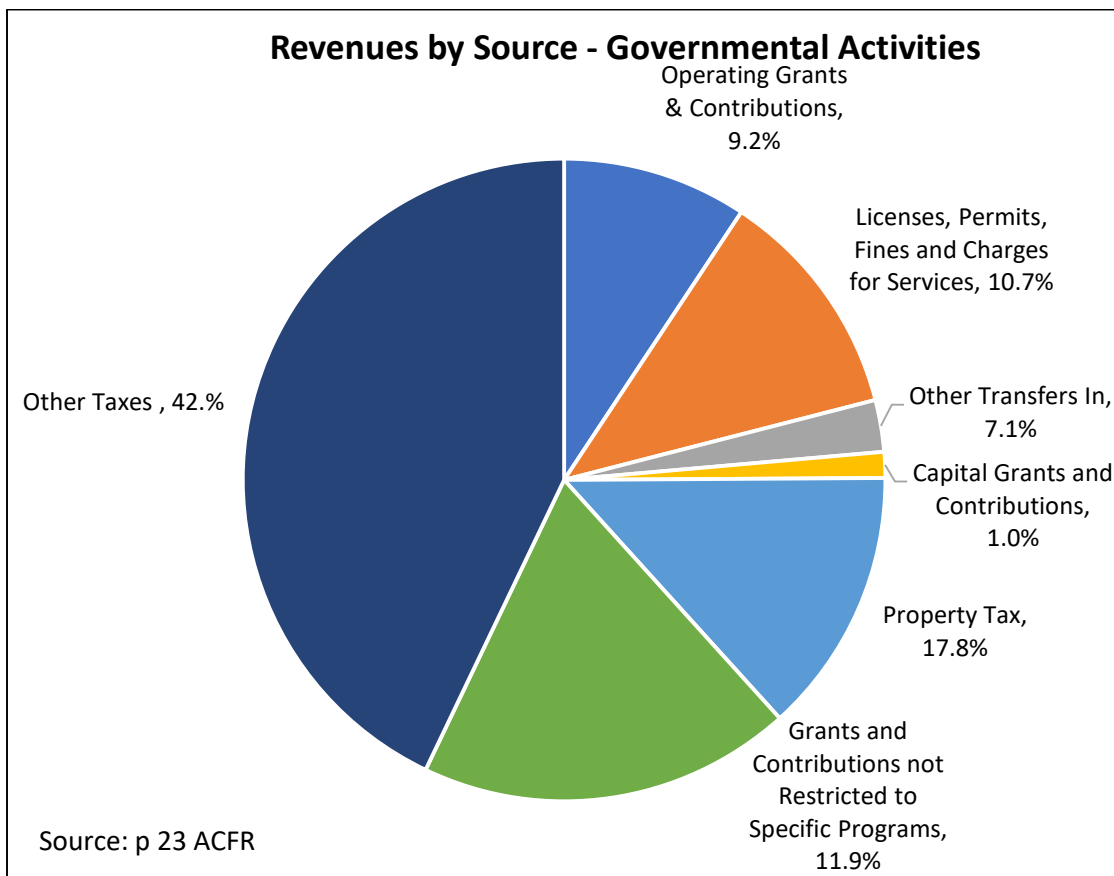
²⁷Page 27. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

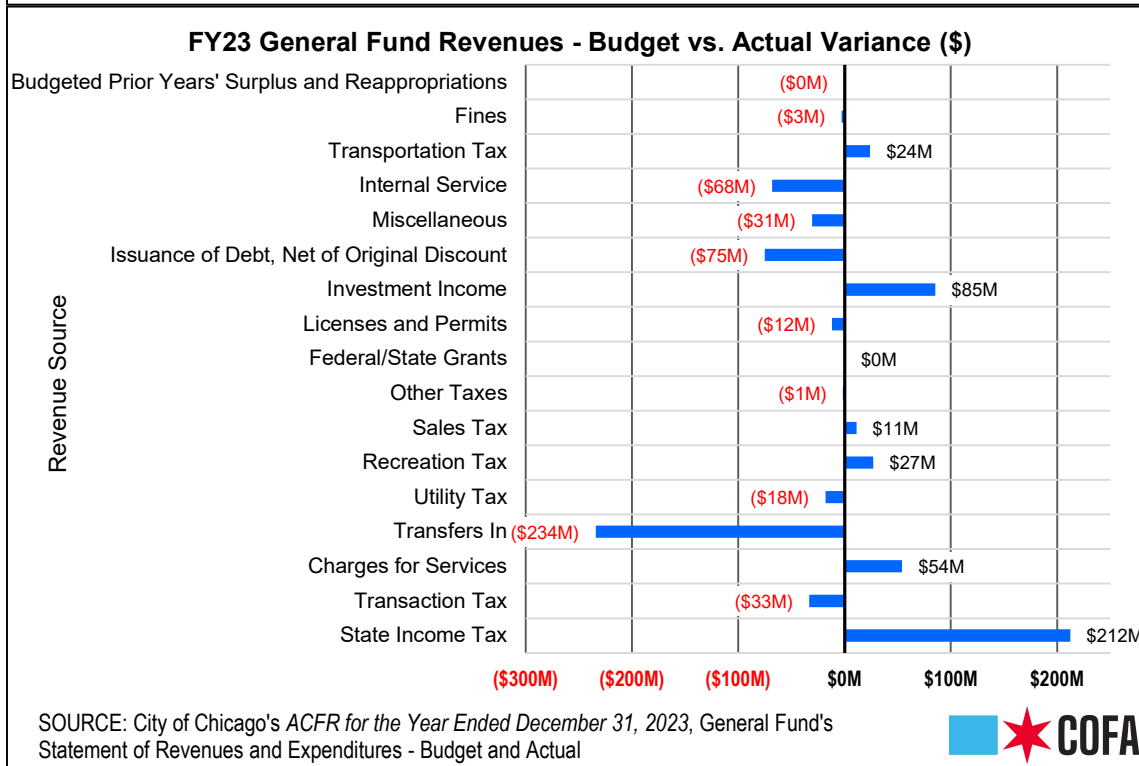
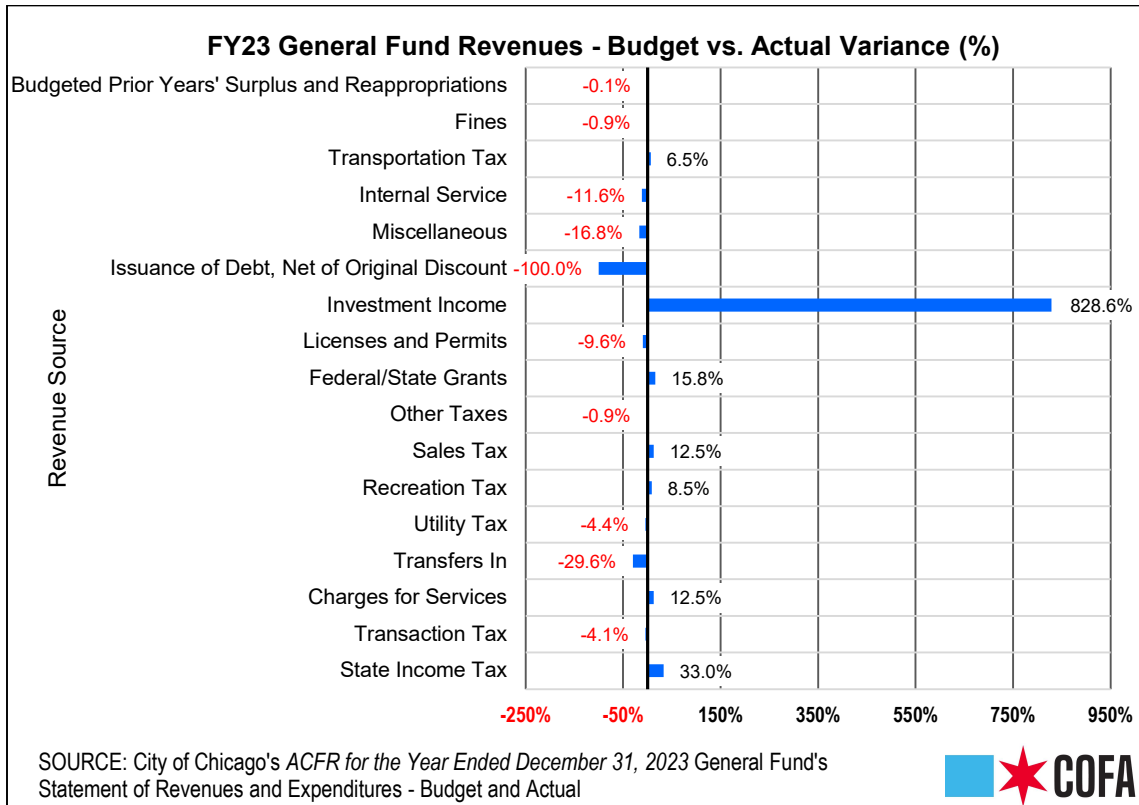
²⁸Page 28. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

²⁹Page 27. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

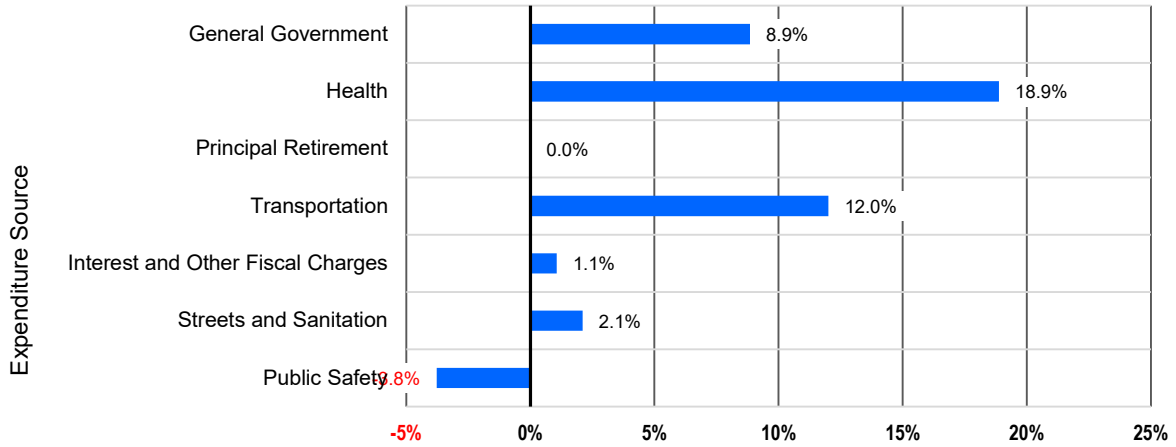
General Fund Budgetary Highlights

- The City’s 2022 General Fund Budget of \$5,525.0 million was approved by City Council on November 7, 2022, and amended General Fund Budget of \$5,576.0 million was passed on May 31, 2023.³⁰
- General Fund revenues ended the year \$55.7 million higher compared to 2023 final General Fund budget. This was due to economically sensitive revenues return to pre-pandemic levels, offset by higher revenues from state income tax and personal property replacement tax, and an increase in interest income as rates were higher in 2023.³¹
- Expenditures were \$141.6 million less than budgeted in fiscal year 2023, due to a variance in general government expenditures.³²





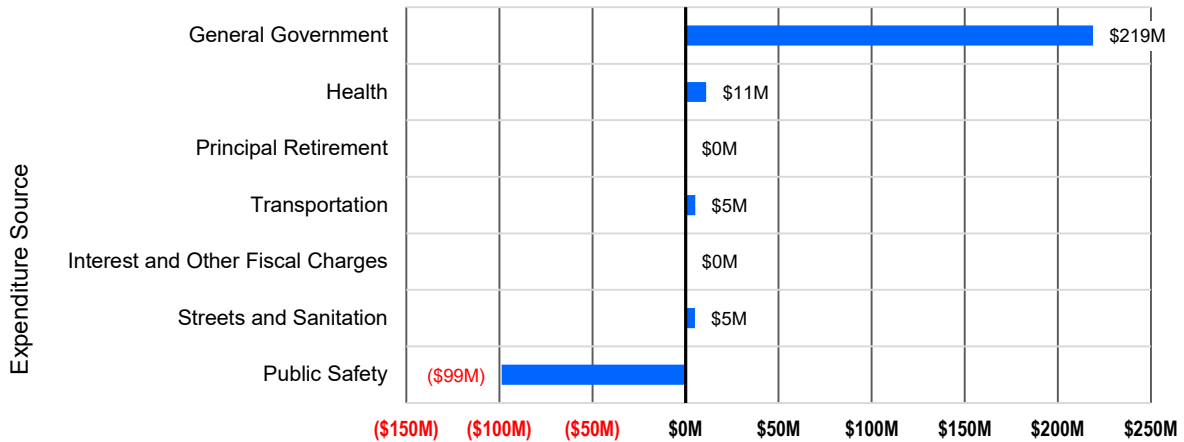
FY23 General Fund Expenditures - Budget vs. Actual Variance (%)



SOURCE: City of Chicago's *ACFR for the Year Ended December 31, 2023*, General Fund's Statement of Revenues and Expenditures - Budget and Actual



FY23 General Fund Expenditures - Budget vs. Actual Variance (\$)



SOURCE: City of Chicago's *ACFR for the Year Ended December 31, 2023*, General Fund's Statement of Revenues and Expenditures - Budget and Actual



³⁰Page 28. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

³¹Page 28. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

³²Page 28. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

- The following table provides an overview of the Required Supplementary Information Schedule (RSI) in the 2023 ACFR, which lists the Expenditures and Encumbrances in the City's General Fund. The table is sorted on the variance percent column, where a negative amount means the expenditures exceeded budget and a positive amount equates to expenditures coming in below budget.

DEPARTMENTAL EXPENSES	FINAL BUDGET	ACTUAL	VARIANCE (\$)	VARIANCE (%)
1 Office of the Mayor	\$ 11,430	\$ 10,083	\$1,347	13.36%
3 Office of Inspector General	\$ 9,581	\$ 9,035	\$546	6.04%
5 Office of Budget & Management	\$ 3,328	\$ 2,700	\$628	23.26%
15 City Council	\$ 34,691	\$ 29,301	\$5,390	18.40%
21 Housing	\$ 11,027	\$ 10,877	\$150	1.38%
25 City Clerk	\$ 4,516	\$ 3,818	\$698	18.28%
27 Department of Finance	\$ 70,927	\$ 64,815	\$6,112	9.43%
28 City Treasurer	\$ 2,685	\$ 2,346	\$339	14.45%
30 Department of Administrative Hearings	\$ 8,447	\$ 7,015	\$1,432	20.41%
31 Department of Law	\$ 32,945	\$ 30,694	\$2,251	7.33%
33 Department of Human Resources	\$ 9,442	\$ 7,467	\$1,975	26.45%
35 Department of Procurement	\$ 10,187	\$ 7,623	\$2,564	33.64%
38 Department of Assets, Information, and Services	\$ 289,453	\$ 265,924	\$23,529	8.85%
39 Board of Election Commissioner	\$ 56,603	\$ 41,577	\$15,026	36.14%
41 Department of Public Health	\$ 70,270	\$ 59,114	\$11,156	18.87%
45 Commission on Human Relations	\$ 1,218	\$ 1,131	\$87	7.69%
48 Mayor's Office for People with Disabilities	\$ 2,929	\$ 2,566	\$363	14.15%
50 Department of Family and Support Services	\$ 111,385	\$ 108,829	\$2,556	2.35%
51 Office of Public Safety Administration	\$ 59,174	\$ 53,104	\$6,070	11.43%
54 Department of Planning and Development	\$ 16,718	\$ 15,702	\$1,016	6.47%
55 Chicago Police Board	\$ 588	\$ 554	\$34	6.14%
57 Chicago Police Department	\$ 1,710,940	\$ 1,864,884	(\$153,944)	-8.25%
58 OEMC	\$ 11,018	\$ 9,723	\$1,295	13.32%
59 Chicago Fire Department	\$ 663,657	\$ 622,674	\$40,983	6.58%
60 Civilian Office of Police Accountability	\$ 15,036	\$ 13,542	\$1,494	11.03%
62 Community Commission for Public Safety Acct	\$ 3,184	\$ 2,163	\$1,021	47.20%
67 Department of Buildings	\$ 24,337	\$ 22,431	\$1,906	8.50%
70 Department of Business Affairs and Consumer	\$ 21,863	\$ 20,332	\$1,531	7.53%
72 Office of Climate and Environmental Equity	\$ 677	\$ 337	\$340	100.89%
73 Chicago Animal Care and Control	\$ 7,025	\$ 6,456	\$569	8.81%
77 License Appeal Commission	\$ 198	\$ 149	\$49	32.89%
78 Board of Ethics	\$ 917	\$ 866	\$51	5.89%
81 Streets and Sanitation	\$ 248,567	\$ 243,428	\$5,139	2.11%
84 Transportation	\$ 48,311	\$ 43,134	\$5,177	12.00%
99 Finance General	\$ 2,001,317	\$ 1,848,638	\$152,679	8.26%
Principial and Interest and Other Fiscal Charges	\$ 1,421	\$ 1,406	\$15	1.07%
Total Department Expenditures - General Fund	\$ 5,576,012	\$ 5,434,438	\$ 141,574	2.61%

Amounts in Thousands

Source: Pages 135-151. Annual Comprehensive Financial Report For The Year Ended December 31, 2023. www.chicago.gov

Capital Asset And Debt Administration

The capital assets for the City for governmental and business-type activities amounted to \$30,629.4 million (net of accumulated depreciation). These assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges and property, plant and equipment.³³

Debt

At the end of the fiscal year, the City had \$5,375.5 million in General Obligation Bonds, \$450.0 million in two General Obligation Lines of Credit and \$68.4 million in General Obligation Certificates and Other Obligations outstanding.³⁴ Other outstanding long-term debt is as follows: \$5,419.3 million in Sales Tax Securitization Corporation Bonds (STSC Bonds); and \$16,201.4 million in Enterprise Fund Bonds and long-term obligations.³⁵

HIGHLIGHT OF THE CITY AND THE STSC ISSUANCES:³⁶

GENERAL OBLIGATION BONDS AND LINES OF CREDIT

- General Obligation Bonds Series 2023A and Series 2023B (\$523.8 million)
- General Obligation Lines of Credit (\$494.8 million)

Enterprise Fund Revenue Bonds And Notes:

- Chicago O'Hare International General Airport Customer Facility Charge Senior Lien Refunding Bonds, Series 2023 (\$171.8 million).
- Chicago Midway International Airport Senior Lien Airport Revenue Refunding Bonds, Series 2023A (AMT), and Chicago Midway Airport Senior Lien Airport Revenue Refunding Bonds, Series 2023B (Non-AMT), \$302.5 and \$211.0 million, respectively.
- Chicago Midway Airport Commercial Paper Notes. Series A (AMT) (\$4.3 million).
- City of Chicago Second Lien Water Revenue Bonds, Project Series 2023A, and Refunding Series 2023B, \$254.2 million and \$322.2 million, respectively.
- City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A and Refunding Series 2023B, \$260.1 million and \$192.5 million, respectively.

Sales Tax Securitization Corporation Bonds:

- Sales Tax Securitization Bonds Series 2023A, Taxable Series 2023B, Second Lien Refunding Series 2023A, and Taxable Refunding Series 2023B (\$740.4 million).
- Sales Tax Securitization Bonds Refunding Series 2023D and Second Lien refunding Series 2023C (\$219.1 million).

³³Page 28. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

³⁴Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

³⁵Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

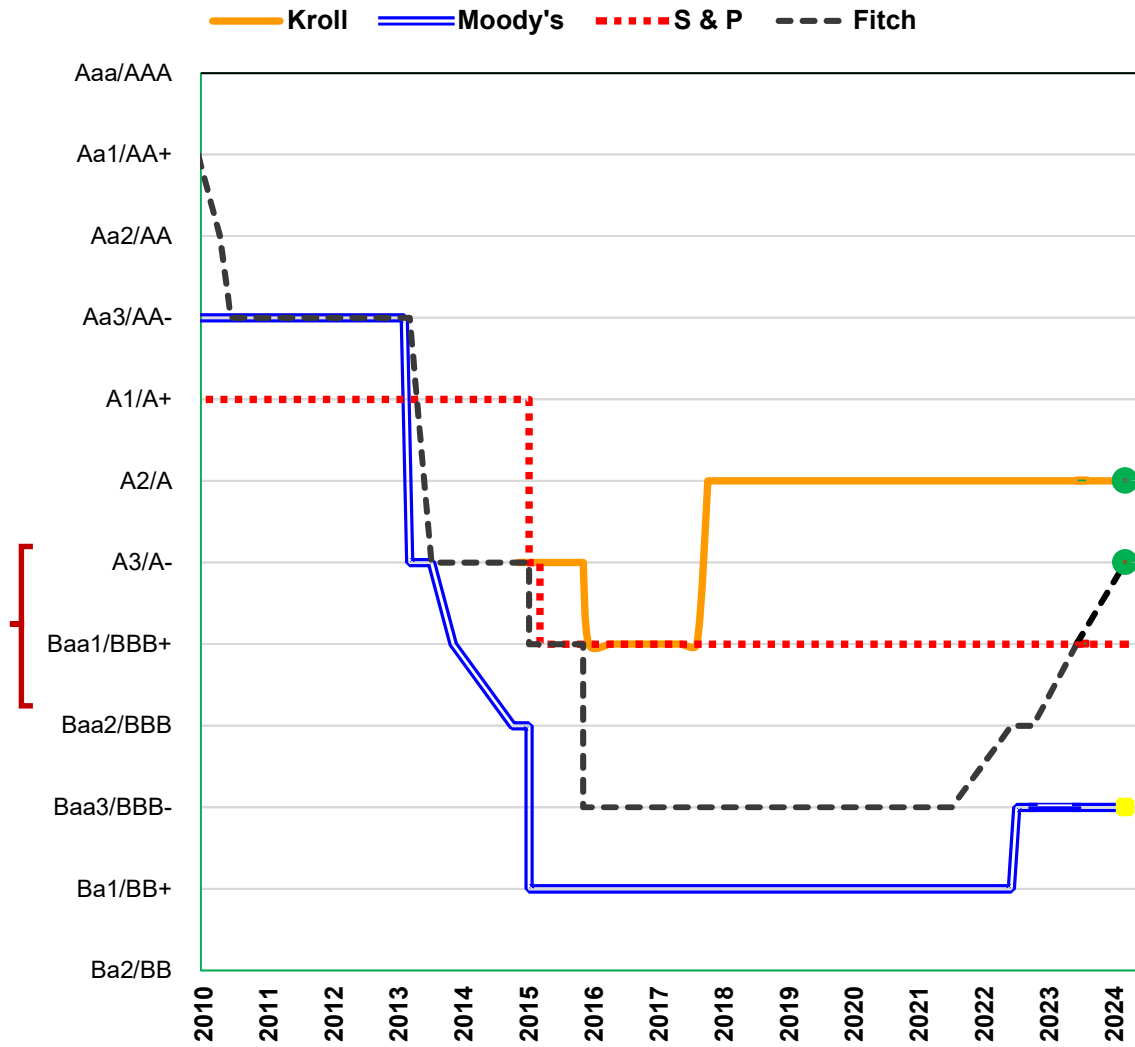
³⁶Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023.* www.chicago.gov

As of December 31, 2023, the City had credit rating with each of the four major rating agencies as follows:

Rating Agency	Moody's	Standard & Poor's	Fitch	Kroll
General Obligations:				
City	Baa3	BBB+	BBB+	A
REVENUE BONDS:				
O'Hare Airport:				
Senior Lien General Airport	A2	A+	A+	A+
Senior Lien Passenger Facility Charge (PFC)	A2	A+	A	NR
Customer Facility (CFC)	Baa1	BBB+	NR	<u>NR</u>
Midway Airport:				
Second Lien	A3	A	<u>A</u>	<u>A</u>
Water:				
Second Lien	Baa1	A+	<u>A</u>	AA
Wastewater:				
Senior Lien	Baa1	A+	NR	NR
Second Lien	Baa2	A+	<u>A</u>	AA-
Sales Tax Securitization:				
Senior Lien	NR	AA-	AA+	AAA
Second Lien	NR	AA-	AA-	AA+

Source: Page 30. Annual Comprehensive Financial Report For The Year Ended December 31, 2023. www.chicago.gov

City of Chicago - General Obligation Bond Rating History



SOURCE: Fitch Ratings; Kroll Bond Rating Agency; Moody's Ratings; S&P Global Ratings
 NOTES: S&P and Kroll gave Chicago's GO Bonds an outlook of *Positive* in their latest issued reports. Fitch increased Chicago's GO Bonds to a *A-* an outlook of *Positive* in their latest report, while Moody's gave an outlook of *Stable*. Ratings and outlooks as of July 26, 2024. Please note that this graph and text goes beyond the information in the ACFR as of 12/31/2023.

ISSUANCE OF NEW DEBT

General Obligation Bonds and Line of Credit

- The City entered into a Revolving Line of Credit Agreement in December of 2021 with RBC Capital Markets, LLC and RBC for a borrowing capacity of \$225.0 million. The City also entered into a Revolving Line of Credit for \$225.0 million with Wells Fargo. As of December 31, 2023, the outstanding balance for both Lines of Credit is \$225.0 million.³⁷
- In December 2022, the City sold its \$523.8 million aggregate principal amount of Chicago Obligation Bonds, Series 2023AB. Proceeds from the Series 2023AB Bonds were used to fund Chicago Works and Chicago Recovery Plan projects and to pay off the RBC and Wells Fargo outstanding Credit Agreement in the amount of \$225.0 million each respectively.³⁷

Enterprise Fund Revenue Bonds and Notes

- The City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (\$260.1 million), and Refunding Series 2023B (\$192.5 million) were sold at a premium of \$51.4 million in April on 2023. The net proceeds of \$501.1 million were used to finance or reimburse the City for certain capital improvements to and extensions of the wastewater transmission system, refund certain Second Lien Wastewater Transmission Revenue Bond of the City, fund capitalized interest, and pay the cost of insurance.³⁷ In 2022, \$424 million was used to finance certain capital projects at O'Hare airport, as of December 31, 2022, O'Hare had an unused line of credit of \$500 million.³⁷
- The City of Chicago Second Lien Water Revenue Bonds, Project Series 2023A (\$254.2 million) and Refunding Series 2023B (\$322.2 million) were sold at a premium of \$59.8 million in May of 2023. The net proceeds of \$632.6 million were used to pay cost related to the improvements and extension of the water system, refund certain of the City's Second Lien Water Revenue Bonds, and pay costs of issuance.³⁸
- The City has multiple loan agreements with the Illinois Environmental Protection Agency to fund water and sewer infrastructure.
- The City also has Chicago O'Hare Revenue Refunding Bonds and Chicago Midway Commercial Paper Notes issues. Chicago Midway Airport Senior Lien Airport Revenue and Revenue Refunding Bonds, Series 2023A (AMT) in the amount of \$211.0, million and Chicago Midway Airport Senior Lien Airport Revenue Refunding Bonds, Series 2023B (Non-AMT) in the amount of \$302.5 million, were sold at a premium of \$18.3 million in November of 2023. The net proceeds of \$528.7 million were used to finance a portion of the cost of certain airport projects, refund certain airport obligations, fund capitalized interest, and pay the costs of issuance.³⁸
- Chicago O'Hare International Airport Customer Facility Charge Senior Lien Refunding Bonds, Series 2023 in the amount of \$171.8 million were sold at a premium of \$15.4 in August of 2023. The net proceeds of \$186.0 million were used to refund the City's Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013, pay the costs of issuance, fund reserve accounts, and purchase a bond insurance policy.³⁸

ECONOMIC FACTORS AND FINANCIAL CONCERNS

Chicago and the U.S. have undeniably experienced robust economic growth in the first half of 2024, but the looming threat of inflation stands poised to potentially push the economy into a recession. The unwavering decision by the U.S. Federal Reserve to maintain high interest rates has undoubtedly elevated borrowing costs. Despite its considerable advantages, including major airports, Fortune 500 companies, esteemed universities, and a diverse economy, Chicago still underperformed economically overall as the City continues to rebound from the global pandemic.

According to the Empowering American Cities project, Chicago is expected to experience a 0.1% gross domestic product growth in 2024, ranking 43rd out of the 50 largest cities in the country.³⁹ The project also predicts that the manufacturing, business services, trade, and transportation sectors will contract in 2024. This is concerning because these sectors employ almost half of the area's workforce.

Crime continues to plague Chicago, accompanied by the persisting challenges of out-migration, the influx of new arrivals, public safety concerns, the school system, and the dire need for affordable housing. The recent headlines are grim, but Chicago has significant potential for a turnaround.

The city has a diverse economy and is home to many major corporations. Additionally, Chicago is home to top-ranked universities that provide a link to a highly educated workforce. The city boasts robust tourism and physical beauty with the lakefront, downtown skyline, arts and entertainment centers, award-winning restaurants, and extensive transit. Chicago has a lot to offer, but also faces obstacles such as crime, pension funding, program sustainability without relying solely on federal funding, affordable housing, and providing quality education, to name a few.

³⁷Page 85. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

³⁸Page 86. *Annual Comprehensive Financial Report For The Year Ended December 31, 2023*. www.chicago.gov

³⁹*Empowering American Cities*. Retrieved from: <https://empoweringamericancities.com/dashboard/>