City of Chicago, Illinois Chicago O'Hare International Airport

Basic Financial Statements for the
Years Ended December 31, 2008 and 2007,
Required Supplementary Information,
Additional Information, Statistical Information,
and Independent Auditors' Report

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

TABLE OF CONTENTS

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Richard M. Daley, Mayor,
and Members of the City Council
City of Chicago, Illinois:

We have audited the accompanying basic financial statements of Chicago O'Hare International Airport (O'Hare) of the City of Chicago, Illinois (City) as of December 31, 2008 and 2007, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting for O'Hare. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements referred to above present only Chicago O'Hare International Airport and are not intended to present the financial position of the City, the results of its operations, and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of Chicago O'Hare International Airport as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the forgoing table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The Management Discussion and Analysis is the responsibility of the City's management. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form of assurance on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the City's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.

The statistical information, as listed in the foregoing table of contents, is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such statistical information has not been subjected to auditing procedures and, accordingly, we do not express an opinion or any other form of assurance on it.

Deloitte + Touche LLP

June 26, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollars in thousands)

The following discussion and analysis of Chicago O'Hare International Airport's (Airport) financial performance provides an introduction and overview of the Airport's financial activities for the fiscal years ended December 31, 2008 and 2007. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

2008

- Operating revenues for 2008 increased by $31,519 (4.8 percent) compared to prior year operating revenues.

- Operating expenses before depreciation and amortization increased by $30,376 compared to 2007 primarily due to increased salaries and wages, repairs and maintenance, professional and utilities costs.

- The Airport's total net assets at December 31, 2008 were $1,316,208. This is an increase of $117,449 (9.8 percent) over total net assets at December 31, 2007.

- Capital asset additions for 2008 were $632,950 (24.9 percent decrease over 2007) principally due to land acquisition, terminal improvements, security enhancement, parking, runway, water drainage and sewer, roads and sidewalks, heating and refrigeration and apron improvements.

2007

- Operating revenues for 2007 increased by $106,847 (19.6 percent) compared to prior year operating revenues.

- Operating expenses before depreciation and amortization increased by $43,549 compared to 2006 primarily due to increased salaries and wages, repairs and maintenance, professional and utilities costs.

- The Airport's total net assets at December 31, 2007 were $1,198,759. This is an increase of $174,489 (17.0 percent) over total net assets at December 31, 2006.

- Capital asset additions for 2007 were $842,555 (11.6 percent increase over 2006) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Airport's basic financial statements. The Airport's basic financial statements comprise the financial statements and the notes to financial statements. In addition to the basic financial statements this report also presents additional and statistical information after the notes to basic financial statements.

The Statements of Net Assets present all Airport's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between assets and liabilities is reported as net assets. The increase or decrease in net assets may serve as an indicator, over time, whether the Airport's financial position is improving or deteriorating. However, the consideration of other non-financial factors such as changes within the airline industry may be necessary in the assessment of overall financial position and health of the Airport.

The Statements of Revenues, Expenses and Changes in Net Assets present all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net assets.

The Statements of Cash Flows report how cash and cash equivalents were provided and used by the Airport's operating, capital financing and investing activities. These statements are prepared on a cash basis and present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year and the cash and cash equivalents balance at year-end.

The Notes to Basic Financial Statements are an integral part of the basic financial statements; accordingly, such disclosures are essential to a full understanding of the information provided in the basic financial statements.

In addition to the basic financial statements, this report includes Additional and Statistical Information. The Additional Information section presents the debt service coverage calculations, and the Statistical Information section includes certain unaudited information related to the Airport's historical financial and non-financial operating results and capital activities.

FINANCIAL ANALYSIS

Landing fees, terminal area use charges and fueling system charges are assessed to the various airlines throughout each fiscal year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the Amended and Restated Airport Use Agreement and Terminal Facilities Lease and the International Terminal Use Agreement and Facilities Lease (Use Agreements). Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in accrued revenue. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in deferred revenue.

At December 31, 2008 the Airport's financial position continued to be strong with total assets of $7,535,060 total liabilities of $6,218,852 and net assets of $1,316,208. A comparative condensed summary of the Airport's net assets at December 31, 2008, 2007 and 2006 is as follows (dollars in thousands):

	Net Assets		
	2008	2007	2006
Current assets	$ 184,694	$ 204,827	$ 218,446
Noncurrent assets:			
Restricted and other assets	2,061,004	2,152,284	2,437,659
Capital assets — net	5,289,362	4,782,501	4,062,603
Total noncurrent assets	7,350,366	6,934,785	6,500,262
Total assets	$ 7,535,060	$ 7,139,612	$ 6,718,708
Current liabilities	$ 107,498	$ 131,437	$ 158,335
Noncurrent liabilities	6,111,354	5,809,416	5,536,103
Total liabilities	$ 6,218,852	$ 5,940,853	$ 5,694,438
Net assets:			
Invested in capital — net of related debt	$ 644,828	$ 481,321	$ 213,090
Restricted	594,185	644,048	751,069
Unrestricted	77,195	73,390	60,111
Total net assets	$ 1,316,208	$ 1,198,759	$ 1,024,270

2008

Current assets decreased by $20,133 (9.8 percent) primarily due to decreased cash and cash equivalents balances at December 31, 2008. The decrease of cash and cash equivalents and investments was primarily due to the payment of deferred revenue during 2008. The Airport's current ratio (current assets/current liabilities) at December 31, 2008 and 2007 was 1.72:1 and 1.56:1, respectively. Restricted and other assets decreased by $91,280 (4.2 percent) primarily due to a decrease in capitalized interest, debt service reserve and PFC funds of $23,060, $52,192 and $82,619, respectively offset by an increase in construction of $74,795. Net capital assets increased by $506,861 (10.6 percent) due principally to capital activities of the Capital Development Program and the O'Hare Modernization Program (OMP) at the Airport.

The decrease in current liabilities of $23,939 (18.2 percent) is directly related to the decrease in other City funds ($8,478), deferred revenue ($31,624) and advances for prepaid terminal and hanger rent ($379) offset by the increase in accounts payable and accrued liabilities ($16,542). Noncurrent liabilities increased by $301,938 (5.2 percent) mostly due to the issuance of $779,915 of revenue bonds offset by the decrease in notes payable of $299,108 and accounts payable of $58,532.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. As of December 31, 2008 total net assets were $1,316,208 an increase of $117,449 (9.8 percent) over 2007. Due to the residual Airport use agreement, this increase is mainly due to timing differences between depreciation on property and facilities and the cash requirements related to debt service.

2007

Current assets decreased by $13,619 (6.23 percent) primarily due to decreased cash and cash equivalents balances at December 31, 2007. The decrease of cash and cash equivalents and investments was primarily due to the payment of current accounts receivable and deferred revenue during 2007. The Airport's current ratio (current assets/current liabilities) at December 31, 2007 and 2006 was 1.56:1 and 1.37:1, respectively. Restricted and other assets decreased by $285,375 (11.7 percent) primarily due to the use of construction funds, capitalized interest and PFC funds of $189,441, $31,725 and $52,188 respectively. Net capital assets increased by $719,898 (17.7 percent) due principally to capital activities of the Capital Development Program and the OMP at the Airport.

The decrease in current liabilities of $26,898 (17.0 percent) is directly related to the increased accounts payable ($9,330), due to other City funds liabilities ($5,011), advances for prepaid terminal and hanger rent ($1,500) offset by the decrease in deferred revenue ($42,739). Noncurrent liabilities increased by $273,313 (4.9 percent) mainly due to the issuance of $334,673 of commercial paper, increased accounts payable balance of $36,263, during 2007 offset by the payment of $101,620 for revenue bonds payable during 2007.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. As of December 31, 2007 total net assets were $1,198,759, an increase of $174,489 (17.0 percent) over 2006. Due to the residual Airport use agreement, this increase is mainly due to the $126,236 and $48,253 gain from operations and nonoperating revenues and expenses, and capital grants recognized, respectively during 2007.

The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the Airline Use Agreement and Facilities Lease. These revenues fund Airport operating expenses, fund deposits and net debt service requirements. A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2008, 2007 and 2006 is as follows (dollars in thousands):

	Changes in Net Assets		
	2008	**2007**	**2006**
Operating revenues			
Landing fees and terminal charges	$ 416,493	$ 390,808	$ 304,512
Rents, concessions, and other	267,789	261,955	241,404
Total operating revenues	684,282	652,763	545,916
Operating expenses:			
Salaries and wages	155,205	154,892	144,796
Repairs and maintenance	100,341	83,865	73,591
Professional and engineering	61,514	56,506	45,357
Other operating expenses	111,450	102,871	90,841
Depreciation and amortization	150,787	146,756	141,996
Total operating expenses	579,297	544,890	496,581
Operating income	104,985	107,873	49,335
Nonoperating revenues	186,698	224,892	225,450
Nonoperating expenses	(224,184)	(206,529)	(201,004)
Capital grants	49,950	48,253	71,238
Increase in net assets	$ 117,449	$ 174,489	$ 145,019

2008

Landing fees and terminal area use charges for the years 2008 and 2007 were $416,493 and $390,808, respectively. Rents, concessions and other revenues were $267,789 and $261,955 for the years 2008 and 2007, respectively. The increase in 2008 operating revenues of $31,519 (4.8 percent) compared to 2007 was primarily due to increased landing fees, terminal rental and usage revenues, concession revenues and reimbursements of approximately $2,207, $23,478, $6,530 and $2,952, respectively, offset by decreased other rentals and fueling system fees of $3,648. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages remained flat in 2008 compared to 2007. Repairs and maintenance expenses increased by approximately $16,476 in 2008 from $83,865 in 2007 to $100,341 in 2008. This increase was mainly due to increased snow removal costs of $8,762, security costs of $2,292, terminal maintenance projects of $2,256 and other equipment costs of $1,844. Professional and engineering costs increased by approximately $5,008 from $56,506 in 2007 to $61,514 in 2008. These increases were mainly due to increased custodial costs of $308, terminal improvements of $308, and parking management fees of approximately $3,110 in 2008 as compared to 2007. Other operating expenses increased by $8,579 in 2008 compared to 2007 mainly due to increased deicer costs. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs, materials and supplies and utilities. Depreciation and amortization expense increased $ 4,031 (2.8 percent) as a result of the increased capital assets due to the activities of the ongoing Capital Improvement Program and the OMP at the Airport.

Fiscal year 2008 nonoperating revenues of $186,698 are comprised principally of passenger facility charges (PFC) revenue ($129,130) and interest income ($45,286). During 2008, nonoperating revenues decreased by $38,194 principally due to decreased PFC revenues of $14,889 as a result of decreased PFC enplanement activity and interest income of $35,355 due to lower investment yields year over year.

Nonoperating expenses of $224,184 and $206,529 for the years 2008 and 2007, respectively, were comprised of bond interest and PFC expenses. The increase of $17,655 (8.6 percent) for 2008 over 2007 was mainly due to additional interest expense requirements related to variable rate bonds.

Capital grants, comprised mainly of federal grants, increased from $48,253 in 2007 to $49,950 in 2008, a 3.5 percent increase, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

2007

Landing fees and terminal area use charges for the years 2007 and 2006 were $390,808 and $304,512, respectively. Rents, concessions and other revenues were $261,955 and $241,404 for the years 2007 and 2006, respectively. The increase in 2007 operating revenues of $106,847 (19.6 percent) compared to 2006 was primarily due to increased landing fees, terminal rental and usage revenues and concession revenues of approximately $19,982, $77,169 and $13,920, respectively, offset by decreased reimbursements of $4,224. Such activity was due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages in 2007 increased by $10,096 compared to 2006. This increase was primarily due to scheduled salary increases of approximately $1,813 related to contract wage agreements, Aviation Department overtime of approximately $2,600 and Police overtime of approximately $5,000 related to the Orange security alert effective for the entire year of 2007. Repairs and maintenance expenses increased by approximately $10,274 from $73,591 in 2006 to $83,865 in 2007. This increase was mainly due to increased snow removal costs of $2,700, security costs of $4,000 and terminal maintenance projects of $2,500. Professional and engineering costs increased by approximately $11,149 from $45,357 in 2006 to $56,506 in 2007. These increases were mainly due to increased custodial costs of $2,230, computer programming costs of $2,432, parking management fees of approximately $7,580 in 2007 compared to 2006. Other operating expenses of $102,871 increased by $12,030 in 2007 compared to 2006 mainly due to increased electricity costs and increased de-icer materials costs of approximately $7,005 and $3,584 respectively. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs, materials and supplies and utilities. Depreciation and amortization expense increased $4,760 (3.4 percent) as a result of the increased capital assets due to the activities of the ongoing Capital Improvement Program.

Fiscal year 2007 nonoperating revenues of $224,892 are comprised of passenger facility charges (PFC) revenue ($144,019) and interest income ($80,641). During 2007, nonoperating revenues decreased by $558 principally due to decreased PFC revenues of $4,031 as a result of decreased PFC enplanement activity and interest income of $3,241 due to higher investment yields year over year.

Nonoperating expenses of $206,529 and $201,004 for the years 2007 and 2006, respectively, were comprised of bond interest and PFC expenses. The increase of $5,525 (2.7 percent) for 2007 over 2006 was mainly due to additional interest expense requirements related to variable rate bonds.

Capital grants, comprised mainly of federal grants, decreased from $71,238 in 2006 to $48,253 in 2007, a 32.3 percent decrease, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

A comparative summary of the Airport's changes in cash flows for the years ended December 31, 2008, 2007 and 2006 is as follows (dollars in thousands):

	Cash Flows		
	2008	2007	2006
Cash from activites:			
Operating	$ 192,669	$ 227,660	$ 135,387
Capital and related financing	(410,486)	(595,420)	(1,104,290)
Investing	(518,058)	839,551	(189,249)
Net change in cash and cash equivalents	(735,875)	471,791	(1,158,152)
Cash and cash equivalents:			
Beginning of year	1,475,669	1,003,878	2,162,030
End of year	$ 739,794	$ 1,475,669	$ 1,003,878

2008

As of December 31, 2008 the Airport's available cash and cash equivalents of $739,794 decreased by $735,875 compared to $1,475,669 at December 31, 2007 due to positive flows of cash provided by operating activities of $192,669 offset by the use of capital and related financing activities of $410,486 and investing activities of $518,058, respectively. Total cash and cash equivalents at December 31, 2008 were comprised of unrestricted and restricted cash and cash equivalents of $58,828 and $680,966, respectively.

2007

As of December 31, 2007 the Airport's available cash and cash equivalents of $1,475,669 increased by $471,791 compared to $1,003,878 at December 31, 2006 due to positive flows of cash provided by operating activities of $227,660 and investing activities of $839,551, respectively, offset by the use of capital and related financing activities of $595,420. Total cash and cash equivalents at December 31, 2007 were comprised of unrestricted and restricted cash and cash equivalents of $100,232 and $1,375,437, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2008 and 2007 the Airport had $5,289,362 and $4,782,501, respectively, invested in net capital assets. During 2008, the Airport had additions of $632,950 related to capital activities. This included $66,090 for land acquisition and the balance of $566,860 for terminal improvements, security enhancement, parking, runway, water drainage and sewer, roads and sidewalks, heating and refrigeration and apron improvements.

During 2008, completed projects totaling $1,106,194 were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway improvements, apron rehab, security enhancement, roads and sidewalks, parking, heating and refrigeration, water drainage and terminal improvements.

The Airport's capital assets at December 31, 2008, 2007 and 2006 are summarized as follows (dollars in thousands):

	Capital Assets at Year-End		
	2008	**2007**	**2006**
Capital assets not depreciated:			
Land	$ 669,254	$ 603,164	$ 471,110
Construction in progress	908,332	1,447,666	941,074
Total capital assets not depreciated	1,577,586	2,050,830	1,412,184
Capital assets depreciated:			
Buildings and other facilities	5,717,399	4,611,205	4,407,296
Less accumulated depreciation for:			
Buildings and other facilities	(2,005,623)	(1,879,534)	(1,756,877)
Total capital assets depreciated — net	3,711,776	2,731,671	2,650,419
Total property and facilities — net	$ 5,289,362	$ 4,782,501	$ 4,062,603

The Airport's capital activities are funded through Airport revenue bonds, federal and state grants, passenger facility charges (PFC) and Airport revenue. Additional information on the Airport's capital assets is presented in Note 5 of the notes to basic financial statements.

During 2008, the Airport sold $779,915 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2008 A-D having interest rates ranging from 4.0 percent to 5.0 percent with maturity dates ranging from January 1, 2010 through January 1 , 2038. Certain net proceeds will be used to finance portions of the O'Hare Modernization Program (OMP), pay a portion of the outstanding Commercial Paper Notes and certain proceeds were used to fund capitalized interest deposit requirements, fund a surety policy and to pay the cost of issuance of the bonds.

During 2008, the Airport sold $111,425 of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2008 A (Non-AMT) having interest rates ranging from 4.0 percent to 5.0 percent with maturity dates ranging from January 1, 2012 through January 1 , 2016. Certain net proceeds together with deposits in the escrow account from the debt service and debt service reserve accounts were used to defease outstanding bonds and certain proceeds were used to fund a surety policy and to pay the cost of issuance of the bonds.

During 2007, the Airport issued $334,673 of Chicago O'Hare International Airport Commercial Paper Notes, Series A, B and C (Taxable) having interest rates ranging from 2.75 percent to 5.1 percent with maturity dates ranging from January 2, 2008 through February 20 , 2008. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes.

The Airport's outstanding debt at December 31, 2008, 2007 and 2006 is summarized as follows (dollars in thousands):

	Outstanding Debt at Year-End		
	2008	**2007**	**2006**
Revenue bonds and notes payable	$5,749,540	$5,150,400	$5,252,019
Unamortized:			
Bond premium (discount)	89,308	48,090	52,932
Deferred loss on refunding	(51,404)	(57,698)	(65,402)
Total outstanding debt — net	5,787,444	5,140,792	5,239,549
Commercial paper	35,565	334,673	
Current portion	(146,795)	(155,860)	(101,620)
Total long-term revenue bonds and notes payable — net	$5,676,214	$5,319,605	$5,137,929

Additional information on the Airport's long-term debt is presented in Note 4 of the notes to the basic financial statements, and the Statistical Information section of this report.

The Airport's revenue bonds at December 31, 2008 had credit ratings with each of the three major rating agencies as follows:

	Moody's Investor Services	Standard & Poor's	Fitch Ratings
First Lien Chicago O'Hare Revenue Bonds	Aa3	AA	AA+
Second Lien Chicago O'Hare Revenue Bonds	A1	AA-	AA
Third Lien Chicago O'Hare Revenue Bonds	A1	A-	A
Passenger Facility Charge Revenue Bonds	A1	A	A+

At December 31, 2008 and 2007 the Airport believes it was in compliance with the debt covenants as stated within the Master Trust Indentures.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

In 2008, the Airport was the second busiest airport in the world, measured in terms of total aircraft operations, and the second busiest in terms of total passengers. The Airport had 34,744 and 37,780 enplaned passengers in 2008 and 2007, respectively. The strong origin-destination passenger demand and the Airport's central geographical location near the center of the United States and along the most heavily traveled east/west air routes make the Airport a natural hub location.

United Airlines and American Airlines each use the Airport as one of their major hubs. United Airlines (including its regional affiliates) comprised 47.3 percent of the Airport's enplaned passengers in 2008 and 47.3 percent of the enplaned passengers in 2007. American Airlines (including its regional affiliate) comprised 35.8 percent of the Airport's enplaned passengers in 2008 and 36.3 percent of the enplaned passengers in 2007.

Based on the Airport's rates and charges for fiscal year 2009, total budgeted operating and maintenance expenses are projected at $420,316 and total net debt service and fund deposit requirements are projected at $243,077. Additionally, 2009 nonsignatory revenues are budgeted for $297,455 resulting in a net airline requirement of $365,938 that will be funded through landing fees, terminal area use charges and fuel system use charges.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Airport's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007
(Dollars in thousands)

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 58,828	$ 100,232
Investments (Note 2)	29,610	46,754
Accounts receivable — net of allowance for doubtful accounts of approximately $2,681 in 2008 and $3,098 in 2007	39,772	41,092
Accrued revenue	37,108	
Due from other City funds	17,371	14,058
Prepaid expenses	1,744	1,681
Interest receivable	261	1,010
Total current assets	184,694	204,827
NONCURRENT ASSETS:		
Restricted assets (Note 3):		
Cash and cash equivalents (Note 2)	680,966	1,375,437
Investments (Note 2)	995,629	404,140
Passenger facility charges and other receivables	21,705	12,947
Interest receivable	13,111	6,195
Prepaid expenses	18,582	27,391
Due from other City funds		181
Due from other governments	13,431	10,214
Total restricted assets	1,743,424	1,836,505
Other assets — deferred noise mitigation costs and financing fees	317,580	315,779
Property and facilities (Note 5):		
Land	669,254	603,164
Buildings and other facilities	5,717,399	4,611,205
Construction in progress	908,332	1,447,666
Total property and facilities	7,294,985	6,662,035
Less accumulated depreciation	2,005,623	1,879,534
Property and facilities — net	5,289,362	4,782,501
Total noncurrent assets	7,350,366	6,934,785
TOTAL	$7,535,060	$7,139,612

LIABILITIES AND NET ASSETS	2008	2007
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 73,676	$ 57,134
Due to other City funds	4,740	13,218
Advances for terminal and hangar rent	14,575	14,954
Deferred revenue	14,507	46,131
Total current liabilities	107,498	131,437
NONCURRENT LIABILITIES:		
Liabilities payable from restricted assets (Note 3):		
Revenue bonds and notes payable (Note 4)	146,795	155,860
Accounts payable	148,692	207,224
Due to other City funds		4
Interest payable	139,653	126,723
Total liabilities payable from restricted assets	435,140	489,811
Revenue bonds payable — net of premium (Note 4)	5,640,649	4,984,932
Notes payable (Note 4)	35,565	334,673
Total revenue bonds and notes payable — net	5,676,214	5,319,605
Total noncurrent liabilities	6,111,354	5,809,416
Total liabilities	6,218,852	5,940,853
NET ASSETS (Note 1):		
Invested in capital assets — net of related debt	644,828	481,321
Restricted net assets:		
Debt service		27,904
Capital projects	171,359	152,985
Passenger facility charges	179,631	255,492
Airport use agreement	110,007	103,246
Noise mitigation program	102,240	60,877
Other assets	30,948	43,544
Total restricted net assets	594,185	644,048
Unrestricted net assets	77,195	73,390
Total net assets	1,316,208	1,198,759
TOTAL	$7,535,060	$7,139,612

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(Dollars in thousands)

	2008	2007
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 416,493	$ 390,808
Rents, concessions, and other (Note 6)	267,789	261,955
Total operating revenues	684,282	652,763
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	155,205	154,892
Repairs and maintenance	100,341	83,865
Professional and engineering services	61,514	56,506
Other operating expenses	111,450	102,871
Total operating expenses before depreciation and amortization	428,510	398,134
Depreciation and amortization	150,787	146,756
Total operating expenses	579,297	544,890
OPERATING INCOME	104,985	107,873
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenue	129,130	144,019
Passenger facility charges expenses	(77)	(68)
Other nonoperating revenue	12,282	232
Interest income (Note 4)	45,286	80,641
Interest expense (Note 4)	(224,107)	(206,461)
Total nonoperating (expenses) revenues	(37,486)	18,363
INCOME BEFORE CAPITAL CONTRIBUTIONS	67,499	126,236
CAPITAL GRANTS (Note 1)	49,950	48,253
CHANGE IN NET ASSETS	117,449	174,489
TOTAL NET ASSETS — Beginning of year	1,198,759	1,024,270
TOTAL NET ASSETS — End of year	$ 1,316,208	$ 1,198,759

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(Dollars in thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 348,452	$ 345,579
Rents, concessions, and other	267,854	261,786
Payments to vendors	(234,837)	(210,227)
Payments to employees	(148,138)	(142,392)
Transactions with other City funds — net	(40,662)	(27,086)
Cash flows from operating activities	192,669	227,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	940,400	
Net (payments of) proceeds from commercial paper notes	(299,108)	334,673
Payments to refund bonds	(137,306)	
Acquisition and construction of capital assets	(631,713)	(762,132)
Capital grants	46,733	59,244
Bond issuance costs	(17,274)	
Principal paid on bonds	(155,860)	(101,620)
Interest paid on bonds and note	(279,710)	(268,733)
Noise mitigation program	(9,224)	(11,437)
Other nonoperating income	12,282	232
Passenger facility charges and other receipts	120,371	154,421
Passenger facility charges expenses	(77)	(68)
Cash flows used in capital and related financing activities	(410,486)	(595,420)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales (purchases) investments — net	(574,344)	726,824
Investment interest	56,286	112,727
Cash flows (used in) from investing activities	(518,058)	839,551
NET CHANGE IN CASH AND CASH EQUIVALENTS	(735,875)	471,791
CASH AND CASH EQUIVALENTS — Beginning of year	1,475,669	1,003,878
CASH AND CASH EQUIVALENTS — End of year	$ 739,794	$ 1,475,669

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(Dollars in thousands)

	2008	2007
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:		
Unrestricted	$ 58,828	$ 100,232
Restricted	680,966	1,375,437
TOTAL	$ 739,794	$ 1,475,669
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 104,985	$ 107,873
Adjustments to reconcile:		
Depreciation and amortization	150,787	146,756
Provision for doubtful accounts	186	979
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,134	(5,138)
(Increase) decrease in due from other City funds	(3,313)	3,281
(Increase) decrease in prepaid expenses	(63)	807
Increase in accounts payable and due to other City funds	8,064	14,341
Decrease (increase) in prepaid terminal rent	(379)	1,500
Decrease in deferred revenue	(68,732)	(42,739)
CASH FLOWS FROM OPERATING ACTIVITIES	$ 192,669	$ 227,660

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2008 and 2007 of $139,514 and $201,904, respectively, are included in accounts payable.

The fair market value adjustments gain (loss) to investments for 2008 and 2007 were $2,191 and ($197), respectively.

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Chicago O'Hare International Airport (Airport) is operated by the City of Chicago (City) Department of Aviation. The Airport is included in the City's reporting entity as an Enterprise Fund. The City is a member of the Chicago-Gary Regional Airport Authority, which was created in 1995 to address the air transportation needs of the Chicago-Northwest Indiana Region.

Basis of Accounting and Measurement Focus — The accounting policies of the Airport are based upon accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Airport are reported using the flow of economic resources measurement focus. For the year ended December 31, 2008, the Airport adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and *GASB Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27.* The adoption of GASB Statements No. 49 and 50 did not have a material effect on the financial statements of the Airport.

The Airport uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds may elect to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, provided that such standards are not in conflict with standards issued by the GASB. The Airport has elected not to apply FASB pronouncements issued after November 30, 1989.

Annual Appropriated Budget — The Airport has a legally adopted annual budget which is not required to be reported.

Management's Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash, Cash Equivalents, and Investments — Cash, cash equivalents and investments generally are held with the City Treasurer as required by the Municipal Code of Chicago (Code). Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly.

The Code permits deposits only to City Council-approved depositories which must be regularly organized state or national banks and federal or state savings and loan associations, located within the City, whose deposits are federally insured.

Investments authorized by the Code include interest-bearing general obligations of the City, the State of Illinois (State) and the U.S. Government; U.S. treasury bills and other non-interest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval.

The Airport values its investments at fair value or amortized cost as applicable. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities pledged to secure these agreements have a market value equal to the cost of the repurchase agreements plus accrued interest.

Investments, generally, do not have a maturity in excess of ten years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of the applicable bond ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

Accounts Receivable Allowance — Management has provided an allowance for amounts recorded at year-end which may be uncollectible.

Revenues and Expenses — Revenues from landing fees, terminal area use charges, fueling system charges, parking revenue, and concessions are reported as operating revenues. Transactions that are related to financing, investing, and passenger facility charges are reported as nonoperating revenues. Salaries and wages, repair and maintenance, professional and engineering services, and other expenses that relate to Airport operations are reported as operating expenses. Interest expense, passenger facility charge expenses, and financing costs are reported as nonoperating expenses.

Transactions With the City — The City's General Fund provides services to the Airport. The amounts allocated to the Airport for these services are treated as operating expenses by the Airport and consist mainly of employee benefits, self-insured risks and administrative expenses.

Other Assets — Funds expended for the Noise Mitigation Program are recorded as other assets and amortized over a 20-year useful life on a straight-line basis.

Property and Facilities — Property and facilities are recorded at cost or, for donated assets, at market value at the date of acquisition. Expenditures greater than $5,000 for the acquisition, construction or equipping of capital projects, together with related design, architectural and engineering fees, are capitalized. Expenditures for vehicles and other movable equipment are expensed as incurred.

Depreciation and amortization are provided using the straight-line method and begin in the year following the year of acquisition or completion. Estimated useful lives are as follows:

Runways, aprons, tunnels, taxiways, and paved roads	30 years
Water drainage and sewer system	20–50 years
Refrigeration and heating systems	30 years
Buildings	40 years
Electrical system	15–20 years
Other	10–30 years

Net Assets — Net Assets comprised the net earnings from operating and nonoperating revenues, expenses and capital grants. Net assets are displayed in three components — invested in capital assets, net of related debt; restricted for debt service, capital projects, passenger facility charges, airport use agreement, noise mitigation program and other requirements; and unrestricted. Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt net of debt service reserve and unspent proceeds. Restricted net assets consist of net assets on which constraints are placed by external parties (such as lenders and grantors), laws, regulations and enabling legislation. Unrestricted net assets consist of all other net assets not categorized as either of the above.

Employee Benefits — Employee benefits are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities. The Airport maintains insurance from a commercial carrier for workers' compensation claims. Settlements in each of the past two years have been less than insurance coverage maintained.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by third-party administrators who maintain the investment portfolio. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State.

Bond Issuance Costs, Bond Discounts, and Refunding Transactions — Bond issuance costs and bond discounts are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

Capitalized Interest — Interest expense and interest earned on construction bond proceeds is capitalized during construction on those capital projects paid from the bond proceeds and is being amortized over the depreciable life of the related assets on a straight-line basis.

Capital Grants — The Airport reports capital grants as revenue on the statements of revenues, expenses, and changes in net assets. Capital grants are on a reimbursement basis and revenues are recognized to the extent of allowable expenditures incurred.

Revenue Recognition — Landing fees, terminal area use charges, and fueling system charges are assessed to the various airlines throughout each fiscal year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the Amended and Restated Airport Use Agreement and Terminal Facilities Lease and the International Terminal Use Agreement and Facilities Lease (Use Agreements). Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in accrued revenue. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in deferred revenue.

Passenger Facility Charge (PFC) Revenue — The Airport imposed PFCs of $4.50 per eligible enplaned passenger for the years ended December 31, 2008 and 2007. PFCs are available, subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating revenue and related expenses as nonoperating expenses in conformity with industry practice.

2. RESTRICTED AND UNRESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments — As of December 31, 2008, the Airport had the following investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
	Less Than 1	1–5	6–10	More Than 10	Fair Value
U.S. Treasuries	$ 426,579	$ 584,483	$ 28,141	$ -	$ 1,039,203
U.S. Agencies					
Commercial Paper					
Certificates of deposits and other short-term	628,800				628,800
Subtotal	$ 1,055,379	$ 584,483	$ 28,141	$ -	1,668,003
Share of City's pooled funds					558
Total					$ 1,668,561

As of December 31, 2007, the Airport had the following investments (dollars in thousands):

Investment Type	Investment Maturities (in Years) Less Than 1	1–5	6–10	More Than 10	Fair Value
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -
U.S. Agencies	753,577	158,000			911,577
Commercial Paper	25,852				25,852
Certificates of deposits and other short-term	755,922				755,922
Subtotal	$ 1,535,351	$ 158,000	$ -	$ -	1,693,351
Share of City's pooled funds					1,096
Total					$ 1,694,447

Interest Rate Risk — As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that investments generally may not have a maturity date in excess of ten years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk — The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the Airport's exposure to credit risk (dollars in thousands):

Quality Rating	2008	2007
Aaa/AAA	$ 1,668,003	$ 1,665,400
A/A		25,851
Not rated		2,100
Not applicable		
Total funds	$ 1,668,003	$ 1,693,351

The Airport participates in the City's pooled cash and investments account, which includes amounts from other City funds and is maintained by the City Treasurer. Individual cash or investments are not specifically identifiable to any participant in the pool. The Treasurer's pooled fund is included in the City's Comprehensive Annual Financial Report.

Custodial Credit Risk — Cash and Certificates of Deposit — This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories were $372.1 million and $515.7 million at December 31, 2008 and 2007, respectively. Of the bank balance, $372.1 million and $509.4 million or 100% and 98% at December 31, 2008 and 2007, respectively, were either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollaterized.

The following schedule summarizes the investments reported in the basic financial statements (dollars in thousands):

	2008	2007
Per Note 2:		
Investments — Airport	$ 1,668,003	$ 1,693,351
Investments — City Treasurer Pooled Fund	558	1,096
	$ 1,668,561	$ 1,694,447
Per financial statements:		
Restricted investments	$ 995,629	$ 404,140
Unrestricted investments	29,610	46,754
Investments included as cash and cash equivalents on the statements of net assets	643,322	1,243,553
	$ 1,668,561	$ 1,694,447

3. RESTRICTED ASSETS

The General Airport Revenue Bond Ordinance (Bond Ordinance), the Master Indenture of Trust Securing Chicago-O'Hare International Airport Second Lien Obligations (Second Lien Indenture), the Master Indenture of Trust Securing Chicago-O'Hare International Airport Third Lien Obligations (Third Lien Indenture), the Use Agreement and federal regulations contain various limitations and restrictions which, among other things, require the creation and maintenance of separate accounts, certain of which must be held by a trustee and into which required deposits are made by the Airport on a periodic basis to fund construction, debt retirement, operation and maintenance and contingencies.

Restricted cash, cash equivalents and investment balances in accordance with the Bond Ordinance, the Second Lien Indenture and the Third Lien Indenture requirements are as follows (dollars in thousands):

Account	2008	2007
Construction	$ 657,830	$ 583,035
Capitalized interest	175,433	198,492
Debt service reserve	269,071	321,263
Debt service interest	251,142	251,041
Debt service principal	15,668	30,747
Operation and maintenance reserve	105,023	101,312
Maintenance reserve	3,000	3,000
Other funds	34,855	43,495
Subtotal — Bond Ordinance, Second Lien Indenture and Third Lien Indenture accounts	1,512,022	1,532,385
Passenger facility charge	164,573	247,192
Total	$1,676,595	$1,779,577

Construction and capitalized interest accounts are restricted for authorized capital improvements and related interest costs during construction.

The debt service reserve account is restricted to the payment of debt service in the event that the balance in the debt service account is insufficient.

The debt service principal and interest accounts are restricted to the payment of bond principal and interest.

The operation and maintenance reserve account is restricted to make loans to the operation and maintenance account, as needed, which are to be repaid as funds become available. The maintenance reserve account is restricted to extraordinary maintenance expenditures.

The emergency reserve account is restricted to make payments for certain purposes, including terminal area use charges, landing fees and certain other charges that are deemed uncollectible and also for any judgments or settlements against the Airport.

The City has entered into arbitrage agreements under which the City has agreed to comply with certain requirements of the Internal Revenue Code of 1986, as amended, in order to maintain the exclusion of the interest on the Bonds from the gross income of the recipients thereof for federal income tax purposes. The rebate account relating to each series of the Bonds has been established to account for any liability of the City to make arbitrage rebate payments to the federal government relating to such series of Bonds.

Other funds include the Federal and State Grant Funds, the Special Capital Projects Fund and the Airport Development Fund.

The passenger facility charge account is restricted to fund eligible, approved PFC projects.

At December 31, 2008 and 2007, the Airport believes it was in compliance with the funding requirements and restrictions as stated in the Bond Ordinance, Second Lien Indenture and Third Lien Indenture.

4. LONG-TERM DEBT

The Bond Ordinance authorizes the issuance of Chicago O'Hare International Airport General Airport Revenue Bonds for financing improvements and expansion of the Airport and to redeem outstanding bonds. Net revenues of the Airport, as defined, are pledged for first lien bond principal and interest payments. The Bond Ordinance further permits the issuance of second and third lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service accounts created under the Bond Ordinance.

First lien, second lien and third lien revenue bonds have been issued under the Bond Ordinance, Second Lien Indenture and Third Lien Indenture, respectively. The Series 1996 Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council on March 26, 1996, and pursuant to the Master Trust Indenture Securing Chicago O'Hare International Airport Passengers Facility Charge Revenue Bonds dated July 1, 1996. The Series 2001 Second Lien Passenger Facility Revenue Bonds have been issued under an ordinance adopted by the City Council on March 28, 2001, and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds dated May 15, 2001.

Revenue Bonds Outstanding — The following summarizes revenue bonds outstanding at December 31, 2008 and 2007 (dollars in thousands):

	2008	2007
First lien bonds:		
$324,270 1993 Series A first lien revenue refunding bonds issued November 30, 1993, due through 2016; interest rates at 4.8%–5.0%	$ 72,795	$ 72,795
Second lien bonds:		
$50,000 Series 1984 B second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (.35% at December 31, 2008)	21,715	24,060
$25,000 Series 1988 B second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (.75% at December 31, 2008)	15,500	16,500
$320,430 1993 Series C second lien revenue refunding bonds issued November 30, 1993, due through 2018; interest at 4.9%–5.75%	125,900	163,750
$68,700 1994 Series B second lien revenue bonds issued October 12, 1994, due through 2018; variable floating interest rate (1.1% at December 31, 2008)	42,700	45,700
$83,800 1994 Series C second lien revenue bonds issued November 9, 1994, due through 2018; variable floating interest rate (1.0% at December 31, 2008)	52,500	56,300
$179,625 1996 Series A second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 4.7%–6.25%	91,625	100,440
$409,850 Series 1999 second lien revenue refunding bonds issued October 4, 1999, due through 2018; interest at 5.5%	306,935	314,720
Subtotal — second lien bonds	656,875	721,470
Third lien bonds:		
$490,515 Series 2002 A third lien revenue refunding bonds issued March 20, 2002, due through 2032; interest at 5.25%–5.75%	490,515	490,515
$248,910 Series 2003 A-1 and A-2 third lien revenue refunding bonds issued August 14, 2003, due through 2034; interest at 4.50%–6.00%	248,910	248,910
$382,155 Series 2003 B-1 and B-2 third lien revenue bonds issued August 21, 2003, due through 2034; interest at 5.25%–6.00%	382,155	382,155
$355,245 Series 2003 C-1 and C-2 third lien revenue refunding bonds issued August 21, 2003, due through 2034; interest at 5.25%	355,245	355,245
$149,330 Series 2003 D, E and F third lien revenue bonds issued December 2, 2003, due through 2034; interest at 2.125%–5.5%	135,475	135,950
$281,055 Series 2004 A and B third lien revenue refunding bonds issued December 2, 2004, due through 2035; interest at 4.75%–5.0%	180,870	220,870
$39,700 Series 2004 C and D third lien revenue refunding bonds issued December 2, 2004, due through 2026; interest at 4.70%–5.25%	39,700	39,700

(Continued)

	2008	2007
Third lien bonds:		
$64,290 Series 2004 E, F, G and H third lien revenue refunding bonds issued December 2, 2004, due through 2023; interest at 3.49%–5.35%	$ 29,360	$ 29,925
$961,010 Series 2005 A third lien revenue bonds issued December 22, 2005, due through 2033; interest at 5.0%–5.25%	961,010	961,010
$238,990 Series 2005 B third lien revenue refunding bonds issued December 22, 2005, due through 2018; interest at 5.25%	238,990	238,990
$300,000 Series 2005 C and D third lien revenue bonds issued December 22, 2005, due through 2035; variable floating interest rate (.85% and 1.25% at December 31, 2008)	300,000	300,000
$112,630 Series 2006 A, B and C third lien revenue refunding bonds issued December 13, 2006, due through 2037; interest at 4.55%–5.50%	92,865	112,630
$43,520 Series 2006 D third lien revenue bonds issued December 13, 2006, due through 2037; interest at 4.55%–5.00%	43,520	43,520
$530,170 Series 2008 A third lien revenue bonds issued January 31, 2008, due through 2038; interest at 4.5%–5.0%	530,170	
$175,500 Series 2008 B third lien revenue bonds issued January 31, 2008, due through 2020; interest at 5.0%	175,500	
$74,245 Series 2008 C and D third lien revenue bonds issued January 31, 2008, due through 2038; interest at 4.0%–4.6%	74,245	
Subtotal — third lien bonds	4,278,530	3,559,420
Passenger facility charge revenue bonds:		
$218,890 Series 1996 A Passenger Facility Charge Revenue Bonds issued July 30, 1996, due through 2015; interest at 5.0%–6.0%		151,920
$430,415 Series 2001 A and B Passenger Facility Charge Revenue Bonds issued June 19, 2001, due through 2032; interest at 4.0%–5.75%	394,550	402,475
$215,065 Series 2001 C and D Passenger Facility Charge Revenue Bonds issued August 21, 2001, due through 2032; interest at 3.4%–5.5%	196,540	200,590
$54,520 Series 2001 E Passenger Facility Charge Revenue Bonds issued October 4, 2001, due through 2018; interest at 3.5%–5.5%	38,825	41,730
$111,425 Series 2008 A Passenger Facility Charge Revenue Bonds issued January 31, 2008, due through 2016; interest at 4.0%–5.0%	111,425	
Subtotal — passenger facility charge revenue bonds	741,340	796,715
Commercial Paper Notes:		
$35,565 Series A, B and C (Taxable) Commercial Paper Notes outstanding at December 31, 2008, due through 2009; interest at 1.65% to 1.75%	35,565	334,673
Total revenue bonds and notes	5,785,105	5,485,073
Unamortized premium (discount)	89,308	48,090
Unamortized deferred loss on bond refunding	(51,404)	(57,698)
	5,823,009	5,475,465
Current portion	(146,795)	(155,860)
Total long-term revenue bonds payable	$5,676,214	$5,319,605

During the years ended December 31, 2008 and 2007, long-term debt changed as follows (dollars in thousands):

2008	**Balance January 1**	**Additions**	**Reductions**	**Balance December 31**	**Due Within One Year**
Revenue bonds	$5,150,400	$891,340	$(292,200)	$5,749,540	$146,795
Unamortized (discount) premium	48,090	(11,421)	52,639	89,308	
Deferred loss on refunding	(57,698)	(1,151)	7,445	(51,404)	
Total revenue bonds	5,140,792	878,768	(232,116)	5,787,444	146,795
Commercial paper	334,673	35,565	(334,673)	35,565	
Total long-term debt	$5,475,465	$914,333	$(566,789)	$5,823,009	$146,795

2007	**Balance January 1**	**Additions**	**Reductions**	**Balance December 31**	**Due Within One Year**
Revenue bonds	$5,252,019	$ -	$(101,619)	$5,150,400	$155,860
Unamortized (discount) premium	52,932	(7,111)	2,269	48,090	
Deferred loss on refunding	(65,402)		7,704	(57,698)	
Total revenue bonds	5,239,549	(7,111)	(91,646)	5,140,792	155,860
Commercial paper		334,673		334,673	
Total long-term debt	$5,239,549	$327,562	$ (91,646)	$5,475,465	$155,860

Interest expense capitalized for 2008 and 2007 totaled $72.0 million and $66.6 million, respectively. Interest income capitalized for 2008 and 2007 totaled $17.1 million and $19.0 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2008 and 2007 of $7.4 million and $7.7 million, respectively, and amortization of $8.4 million of premium, net and $4.8 million of premium, net, respectively.

Issuance of Debt — Chicago O'Hare International Airport Commercial Paper Notes, Series A (Tax-Exempt), Series B (Tax-Exempt) and Series C (Taxable) ($600,000,000 maximum aggregated authorized) outstanding at December 31, 2008 were $35,565,000 having interest rates ranging from 1.65 percent to 1.75 percent with maturity dates ranging from February 9, 2009 through April 7, 2009. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit ($667,500,000) provides for the timely payment of principal and interest on the notes until July 20, 2010. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2008, there were no outstanding letter of credit advances.

In January 2008, the Airport sold $530.1 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2008 A (Non-AMT) at a $24.0 million premium. The Bonds have interest rates ranging from 4.5 percent to 5.0 percent and maturity and mandatory redemption dates ranging from January 1, 2019 to January 1, 2038. Certain net proceeds of $496.3 million will be used to finance a portion of the costs of the O'Hare Modernization Program (OMP); certain proceeds of $47.7 million were used to fund capitalized interest deposit requirements; certain proceeds of

$.80 million were used to fund a surety policy and certain proceeds of $9.3 million were used to pay the cost of issuance of the bonds.

In January 2008, the Airport sold $175.5 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2008 B (Non-AMT) at a $16.3 million premium. The Bonds have interest rate at 5.0 percent and maturity and mandatory redemption dates ranging from January 1, 2018 to January 1, 2020. Certain proceeds of $172.4 million were used to pay a portion of the outstanding Commercial Paper Notes; certain proceeds of $16.0 million were used to fund capitalized interest deposit requirements; certain proceeds of $1.0 million were used to fund a surety policy and certain proceeds of $2.4 million were used to pay the cost of issuance of the bonds.

In January 2008, the Airport sold $74.2 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2008 C (Non-AMT) and Series 2008 D (AMT) at a $1.0 million discount. The Bonds have interest rates ranging from 4.0 percent to 4.6 percent and maturity and mandatory redemption dates ranging from January 1, 2010 to January 1, 2038. Certain proceeds of $69.4 million were used to pay a portion of the outstanding Commercial Paper Notes; certain proceeds of $2.2 million were used to fund capitalized interest deposit requirements; certain proceeds of $.5 million were used to fund a surety policy and certain proceeds of $1.1 million were used to pay the cost of issuance of the bonds.

In January 2008, the Airport sold $111.4 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2008 A (Non-AMT) at a $9.8 million premium. The Bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity and mandatory redemption dates ranging from January 1, 2012 to January 1, 2016. Certain net proceeds of $119.4 million together with $17.9 million transferred from the debt service and debt service reserve accounts were deposited in escrow account to fully defease outstanding O'Hare Series 1996A Passenger Facility Charge Revenue Bonds ($136.3 million); certain proceeds of $.3 million were used to fund a surety policy and certain proceeds of $1.5 million were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $1.1 million that will be charged to operations over 8 years using the straight-line method. The advance refunding decreased the Airport's total debt service payments by $21.8 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $10.1 million.

Debt Redemption — Following is a schedule of debt service requirements to maturity of the first lien bonds (dollars in thousands):

Years Ending December 31	**Principal**	**Interest**	**Total**
2009	$ -	$ 3,640	$ 3,640
2010		3,640	3,640
2011		3,640	3,640
2012	46,340	2,481	48,821
2013	8,115	1,120	9,235
2014–2016	18,340	2,292	20,632
Total	$ 72,795	$ 16,813	$ 89,608

Following is a schedule of debt service requirements to maturity of the second lien bonds. For issues with variable rates, interest is imputed at the effective rate at December 31, 2008 (dollars in thousands).

Years Ending December 31	Principal	Interest	Total
2009	$ 71,795	$ 27,961	$ 99,756
2010	79,500	24,334	103,834
2011	95,360	20,288	115,648
2012	54,290	16,869	71,159
2013	57,365	14,426	71,791
2014–2018	298,565	32,121	330,686
Total	$ 656,875	$ 135,999	$ 792,874

The Airport's second lien variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate or the fixed rate as determined from time to time by the remarketing agent, in consultation with the City. At December 31, 2008, the second lien bonds were in the weekly rate interest mode. An irrevocable letter of credit ($22.4 million) provides for the timely payment of principal and interest on the Series 1984 bonds until October 1, 2011. An irrevocable letter of credit ($15.8 million) provides for the timely payment of principal and interest on the Series 1988 bonds until November 30, 2015. An irrevocable letter of credit ($96.9 million) provides for the timely payment of principal and interest on the Series 1994 bonds until October 1, 2011. At December 31, 2008, there were no outstanding letter of credit advances.

Following is a schedule of debt service requirements to maturity of the third lien bonds. For issues with variable rates, interest is imputed at the effective rate at December 31, 2008 (dollars in thousands):

Years Ending December 31	Principal	Interest	Total
2009	$ 59,335	$ 207,889	$ 267,224
2010	915	206,387	207,302
2011	45,455	205,226	250,681
2012	990	204,063	205,053
2013	16,930	203,606	220,536
2014–2018	449,875	967,590	1,417,465
2019–2023	906,770	772,789	1,679,559
2024–2028	979,490	532,856	1,512,346
2029–2033	1,232,635	247,234	1,479,869
2034–2038	586,135	33,671	619,806
Total	$ 4,278,530	$ 3,581,311	$ 7,859,841

The Airport's third lien variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate or the fixed rate as determined from time to time by the remarketing agent, in consultation with the City. At December 31, 2008, the third lien bonds were in the weekly rate interest mode. An irrevocable letter of credit ($305.3 million) provides for the timely payment of principal and interest on the Series 2005 bonds until September 9, 2011. At December 31, 2008, there were no outstanding letter of credit advances.

Following is a schedule of debt service requirements to maturity of the Passenger Facility Charge Revenue Bonds (dollars in thousands):

Years Ending December 31	Principal	Interest	Total
2009	$ 15,665	$ 38,786	$ 54,451
2010	16,475	37,955	54,430
2011	17,325	37,095	54,420
2012	38,395	35,676	74,071
2013	40,370	33,633	74,003
2014–2018	183,285	135,852	319,137
2019–2023	119,455	98,736	218,191
2024–2028	154,455	62,834	217,289
2029–2033	155,915	17,029	172,944
Total	$ 741,340	$ 497,596	$ 1,238,936

The Series A, B and C (Taxable) Commercial Paper Notes outstanding at December 31, 2008 of $35.6 million will be refunded with new commercial paper notes as the existing notes mature. The Airport plans to refinance these notes with future bonds.

Defeased Bonds — Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2008, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Chicago O’Hare International Airport Second Lien Bonds, Series 1999	$ 43,350	$ 26,115

No-commitment Debt — Special Facility Bonds issued in the City’s name by certain airline parties related to airport capital assets are no-commitment debt and not included in the accompanying financial statements as the City has no obligation to provide for their repayment, which is the responsibility of the related airlines.

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2008 and 2007, capital assets changed as follows (dollars in thousands):

2008	Balance January 1	Additions	Disposals and Transfers	Balance December 31
Capital assets not depreciated:				
Land	$ 603,164	$ 66,090	$ -	$ 669,254
Construction in progress	1,447,666	566,860	(1,106,194)	908,332
Total capital assets not depreciated	2,050,830	632,950	(1,106,194)	1,577,586
Capital assets depreciated — buildings and other facilities	4,611,205	1,106,194		5,717,399
Less accumulated depreciation for — buildings and other facilities	(1,879,534)	(126,089)		(2,005,623)
Total capital assets depreciated — net	2,731,671	980,105	-	3,711,776
Total property and facilities — net	$ 4,782,501	$1,613,055	$(1,106,194)	$ 5,289,362

2007	Balance January 1	Additions	Disposals and Transfers	Balance December 31
Capital assets not depreciated:				
Land	$ 471,110	$ 132,054	$ -	$ 603,164
Construction in progress	941,074	710,501	(203,909)	1,447,666
Total capital assets not depreciated	1,412,184	842,555	(203,909)	2,050,830
Capital assets depreciated — buildings and other facilities	4,407,296	203,909		4,611,205
Less accumulated depreciation for — buildings and other facilities	(1,756,877)	(122,657)		(1,879,534)
Total capital assets depreciated — net	2,650,419	81,252	-	2,731,671
Total property and facilities — net	$ 4,062,603	$ 923,807	$ (203,909)	$ 4,782,501

Included in construction in progress are approximately $68.7 million of costs associated with the World Gateway Program (the WGP). The WGP was conceived to expand gate capacity at the Airport through construction of new terminal complexes. In September 2002, in light of changed conditions in the airline industry and the economy, the Airport and airlines agreed to temporarily suspend work on the WGP until demand and airline approval would resume construction.

6. LEASING ARRANGEMENTS WITH TENANTS

Most of the Airport's land, buildings and terminal space are leased under operating lease agreements with airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2008 (dollars in thousands):

Years Ending December 31	Amount
2009	$ 28,399
2010	16,433
2011	15,951
2012	15,708
2013	15,668
2014–2018	77,758
2019–2023	7,986
2024–2028	9,275
2029–2033	9,564
Total minimum future rental income	$ 196,742

Contingent rentals that may be received under certain leases, based on the tenants' revenues or fuel consumption, are not included in minimum future rental income.

Rental income, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to approximately $355.1 million and $367.8 million in 2008 and 2007, respectively. Contingent rentals included in the totals were approximately $90.3 million and $81.8 million for 2008 and 2007, respectively.

7. PENSION PLANS

Eligible O'Hare Fund employees participate in one of two of the City's single-employer defined benefit pension plans. These plans are the Municipal Employees' and the Laborers' and Retirement Board Employees' Annuity and Benefit Funds. These plans are administered by individual retirement boards represented by elected and appointed officials. Each plan issues publicly available financial statements for each of the pension plans, which may be obtained at the respective fund's office.

The funds provide retirement and death and disability benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 with at least 10 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a minimum of 2.4 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

Participating employees contribute 8.5 percent of their salary to these funds as required by State law. By law, the City's contributions are based on the amounts contributed by the employees. Financing of the City's contribution is through a separate property tax levy and the personal property replacement tax. The Airport reimburses the City's General Fund for the estimated pension cost applicable to the covered payroll of O'Hare Fund employees. These reimbursements, recorded as expenses of the O'Hare Fund, were $13.5 million in 2008 and $14.1 million in 2007. The annual pension costs are determined using the entry age actuarial cost method and the level dollar amortization method.

The funding policy mandated by State law requires City contributions at statutorily, not actuarially, determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior to the year for which the applicable tax is levied, multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2008 and 2007 were 1.25 for the Municipal Employees' and 1.00 for the Laborers' and Retirement Board Employees' Annuity and Benefit Funds, respectively. The City has made the required contributions under State law.

The following table, as of December 31, 2008, assists users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each annuity and benefit fund will be accumulated over the next year (dollars in thousands):

	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Required Contribution	Percent of Required Contributions Contributed	Net Pension Assets
Municipal employees':					
2006	$325,514	48.3	$325,514	48.3	$ 1,442
2007	343,123	40.7	343,123	40.7	202,077
2008	359,933	40.8	360,387	40.7	415,207
Laborers':					
2006	20,536	0.5	17,600	0.6	(237,696)
2007	22,260	59.6	21,726	61.0	(228,692)
2008	18,166	83.9	17,652	86.3	(225,759)

The pension benefits information pertaining expressly to Airport employees is not available. Accordingly, no amounts have been recorded in the accompanying financial statements for the net pension assets of these Plans.

8. OTHER POST-EMPLOYMENT BENEFITS – CITY OBLIGATION

In addition to providing pension benefits, under State law, the City provides certain health benefits to employees who retire from the City based upon their participation in the City's pension plans. Substantially all employees who qualify as Municipal Employees' or Laborers' pension plan participants older than age 55 with at least 20 years of service may become eligible for post-employment benefits if they eventually become annuitants. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare-eligible annuitants. Currently, the City does not segregate benefit payments to annuitants by fund. The cost of health benefits is recognized as claims are reported and are funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,323 and 24,350 annuitants and their dependents was approximately $89.3 million and $89.5 million in 2008 and 2007, respectively.

The annuitants who retired prior to July 1, 2005, received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005, received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement (the Settlement Agreement). During 2008 and 2007 the pension funds contributed $55 for each Medicare eligible annuitant and $85 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $59.6 million in 2008 and $54.8 million in 2007 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved Settlement Agreement.

Plan Description Summary — The City is party to a written legal Settlement Agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The Settlement Agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement Agreement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement Agreement, the City sponsors health benefit plans for employees, former employees, and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the respective Pension Funds to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective Pension funds. (See Note 7).

Funding Policy — The City's Health Plan is a single employer plan that operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the Health Plan benefits.

Annual OPEB Cost and Net OPEB Obligation — The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of five and one-half years (the remaining years of coverage under the Settlement Agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan, the amount actually contributed to the Health Plan and changes in the City's net OPEB obligation to the Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other post employment benefits. The amount of the annual cost for the Health Plan that is to be recorded in the Statement of Changes in Net Assets is the *Annual OPEB Cost (expense)*.

	(In thousands)	
Annual OPEB Cost and Contributions Made	**2008**	**2007**
	Health Plan	**Health Plan**
Contribution rates:		
City	Pay As You Go	Pay As You Go
Plan members	N/A	N/A
Annual required contribution	$ 244,692	$ 245,591
Interest on net OPEB obligation	6,453	-
Adjustment to annual required contribution	(32,248)	-
Annual OPEB cost	218,897	245,591
Contributions made	97,968	97,245
Increase in net OPEB obligation	120,929	148,346
Net OPEB obligation — beginning of year	148,346	-
Net OPEB obligation — end of year	$ 269,275	$ 148,346

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for fiscal year 2008 is as follows (in thousands):

Year Ended	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
December 31, 2008	$ 218,897	44.8 %	$ 269,275
December 31, 2007	245,591	39.6	148,346

The City, as required, adopted GASB 45 in fiscal year 2007. Information is provided for fiscal years ended 2008 and 2007. Subsequent years' disclosure will provide information for the reporting year and for the prior two years, as applicable.

Funded Status and Funding Progress — As of December 31, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,062,864 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Health Plan) was approximately $2,562,067 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 41%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in to the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Health Plan and the ARC of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
December 31, 2006	$ -	$ 1,301,417	$ 1,301,417	0 %	$ 2,502,154
December 31, 2007	$ -	$ 1,062,864	$ 1,062,864	0 %	$ 2,562,067

Actuarial Method and Assumptions — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Health Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2008, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 7%. Both rates included a 3% inflation assumption. The Health Plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 4.35% (percent). The Unfunded Accrued Actuarial Liability, as of December 31, 2008, is being amortized as a level dollar amount over 5.5 years

Summary of Assumptions and Methods

Item	2008 Health Plan	2007 Health Plan
Actuarial valuation date	December 31, 2007	December 31, 2006
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar — Closed	Level dollar — Closed
Remaining amortization period	5.5 years	6.5 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.35%	4.35%
Projected salary increases	2.5%	2.5%
Healthcare inflation rate	12% initial to 7% ultimate	12% initial to 7% ultimate

The pension benefit information pertaining expressly to the Airport is not available.

9. RELATED-PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the General Fund of the City for services provided by other City departments, employee fringe benefits and certain payments made on behalf of the Airport. Such reimbursements amounted to $58.5 million and $54.6 million in 2008 and 2007, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Airport has certain contingent liabilities resulting from litigation, claims and commitments incident to its ordinary course of business. Management expects that the final resolution of these contingencies will not have a material adverse effect on the financial position or results of operations of the Airport.

The Airport provides employee health benefits under a self-insurance program, administered by the City. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the financial statements.

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the claims liability amount for the years ended December 31, 2008 and 2007 are as follows (dollars in thousands):

	2008	2007
Beginning balance — January 1	$ 1,589	$ 1,467
Total claims incurred (expenditures)	18,323	16,284
Claims paid	(18,030)	(16,162)
Claims liability — December 31	$ 1,882	$ 1,589

The City purchases annuity contracts from commercial insurers to satisfy certain liabilities. The City renewed its property insurance for the City's Airports, effective December 31, 2008, at a limit of $3.4 billion. Claims have not exceeded the purchased insurance coverage in the past four years. Accordingly, no liability is reported for those claims. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2008 and 2007, the Airport had commitments in the amounts of approximately $204.1 million and $356.2 million, respectively, in connection with contracts entered into for construction projects.

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2008
(Dollars in thousands)

NET REVENUES FOR CALCULATION OF COVERAGE:	
Change in net assets	$ 117,449
Capital grants	(49,950)
Passenger facility charges	(129,053)
	(61,554)
ADJUSTMENTS:	
Interest on bonds	297,147
Interest capitalized for financial reporting purposes	(54,867)
	242,280
Change in net assets of the Land Support area — net of amount to be deposited in the Revenue Fund	(10,157)
Revenue Fund balance — January 1, 2008 (Note 2)	65,104
Depreciation and amortization of sound proofing, bond discount, financing fees and loss on refunding	149,781
Income earned on Airport Development, Emergency Reserve and Construction Funds	(21,308)
NET REVENUES FOR CALCULATION OF COVERAGE	$ 364,146
COVERAGE REQUIREMENT:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 3,391
Maintenance reserve	1,659
Special capital projects	425
Total fund deposit requirements	5,475
Aggregate first and junior debt service for the bond year	107,389
	1.10
Less amounts transferred from capitalized interest accounts	118,128
Net debt service required	118,128
COVERAGE REQUIREMENT	$ 123,603
COVERAGE RATIO:	
Net revenues for calculation of coverage	$ 364,146
Total fund deposit requirements	(5,475)
NET REVENUES	$ 358,671
AGGREGATE DEBT SERVICE FOR THE BOND YEAR	$ 107,389
COVERAGE RATIO	3.34

See notes to calculations of coverage.

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2008

1. RATE COVENANT

The 1983 General Airport Revenue Bond Ordinance (Ordinance) requires that revenues in each fiscal year in which bonds are outstanding shall equal an amount at least sufficient to produce net revenues for calculation of coverage, as defined, of not less than an aggregate amount equal to the greater of (a) the sum of (i) the amounts required to be deposited for such fiscal year in the first lien Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund, the Maintenance Reserve Fund, the Special Capital Projects Fund and the Junior Lien Obligation Debt Service Fund, and (ii) one and twenty-five hundredths times (1.25x) the aggregate first lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to any amount held in any capitalized interest account for disbursement during such bond year to pay interest on first lien bonds; and (b) the sum of (i) the amounts required to be deposited for such fiscal year in the first lien Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund, the Maintenance Reserve Fund, the Special Capital Projects Fund and the Junior Lien Obligation Debt Service Fund (exclusive of deposits in respect of Aggregate Second Lien Debt Service), and (ii) one and ten hundredths (1.10 x) times the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such bond year to pay interest on first lien bonds and any amount held in any capitalized interest account established pursuant to a supplemental indenture for disbursement during such bond year to pay interest on second lien bonds.

2. REVENUE FUND BALANCE

The Revenue Fund balance includes all cash, cash equivalents and investments held in any Airport account which were available to the Revenue Fund to satisfy the coverage requirement under the terms of the Bond Ordinance.

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2008
(Dollars in thousands)

REVENUES:	
Total revenues — as defined	$ 690,370
Other available moneys (passenger facility charges)	6,040
Cash balance in Revenue Fund on the first day of fiscal year (Note 2)	65,104
TOTAL REVENUES	$ 761,514
COVERAGE REQUIREMENTS:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 3,391
Maintenance reserve	1,659
Special capital projects	425
First lien obligation debt service fund	3,640
Junior lien obligation debt service fund	103,749
Third lien obligation debt service fund	168,757
TOTAL FUND DEPOSITS REQUIRED	$ 281,621
AGGREGATE FIRST LIEN, JUNIOR LIEN AND THIRD LIEN DEBT SERVICE	$ 385,302
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS	(111,691)
Net aggregate debt service	273,611
	1.10
NET DEBT SERVICE REQUIRED	$ 300,972
OPERATION AND MAINTENANCE EXPENSES — As defined	$ 422,287
COVERAGE REQUIREMENT (Greater of total fund deposit requirements or 110 percent of aggregate debt service)	300,972
TOTAL COVERAGE REQUIRED	$ 723,259
TOTAL REVENUES	$ 761,514
COVERAGE RATIO	1.05

See notes to calculations of coverage.

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2008

1. RATE COVENANT

The Master Indenture of Trust securing Chicago O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year, and (ii) to provide for the greater of: (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) one and ten-hundredths times Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien Obligations or Third Lien Obligations.

The City further covenants that it will fix and establish, and revise from time to time whenever necessary, the rentals, rates and other charges for the use and operation of the Airport and for services rendered by the City in the operation of it in order that Revenues in each Fiscal Year, together with Other Available Moneys consisting solely of: (i) any passenger facility charges deposited with the Trustee for that Fiscal Year, and (ii) any other moneys received by the City in the immediately prior Fiscal year and deposited with the Trustee no later than the last day of the immediately prior Fiscal Year, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year, and (ii) to provide for the payment of Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during the Bond Year to pay the principal of and interest on First Lien Bonds, Second Lien Obligations or Third Lien Obligations.

2. REVENUE FUND BALANCE

The Revenue Fund balance includes all cash, cash equivalents and investments held in any Airport account which were available to the Revenue Fund to satisfy the coverage requirement under the terms of the Bond Ordinance.

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
OPERATING REVENUES:										
Landing fees	$128,819	$105,909	$136,375	$131,369	$141,426	$131,406	$157,791	$159,094	$179,076	$181,283
Rental revenues:										
Terminal rental and use charges	158,307	152,536	144,653	138,440	150,151	96,870	140,038	145,417	211,732	235,210
Other rentals and fueling system fees	32,381	31,694	31,283	32,102	33,511	35,316	36,365	40,172	51,026	47,378
Subtotal rental revenues	190,688	184,230	175,936	170,542	183,662	132,186	176,403	185,589	262,758	282,588
Concessions:										
Auto parking	79,887	91,252	84,688	81,580	83,210	90,421	95,521	98,613	103,137	108,545
Auto rentals	20,221	19,846	18,077	17,511	17,325	17,340	19,604	19,928	22,376	22,213
Restaurants	15,112	16,963	16,951	20,247	22,088	27,161	29,790	33,401	34,904	34,813
News and gifts	8,049	7,250	7,071	9,389	10,185	11,001	11,893	12,357	13,267	14,640
Other	23,328	27,340	24,307	17,826	21,560	21,501	33,125	30,374	34,909	34,912
Subtotal concessions	146,597	162,651	151,094	146,553	154,368	167,424	189,933	194,673	208,593	215,123
Reimbursements	3,752	2,561	2,354	2,582	2,501	11,553	8,750	6,560	2,336	5,288
Total operating revenues (1)	469,856	455,351	465,759	451,046	481,957	442,569	532,877	545,916	652,763	684,282
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages (2)	141,473	150,264	154,507	166,964	167,891	153,926	157,116	168,361	177,800	177,418
Repairs and maintenance	72,287	70,411	71,117	66,310	65,870	66,066	73,903	73,591	83,865	100,341
Energy	20,452	22,067	24,661	23,445	23,011	22,270	30,894	29,118	35,924	38,535
Materials and supplies	7,230	8,401	5,362	5,198	5,702	8,228	9,338	5,120	10,411	17,506
Engineering and other professional services	37,489	36,324	41,540	33,494	35,759	35,533	52,142	45,357	56,506	61,514
Other operating expenses	26,187	30,040	28,205	29,959	33,317	31,807	28,572	33,038	33,628	33,196
Total operating and maintenance expenses before depreciation and amortization (3)	305,118	317,507	325,392	325,370	331,550	317,830	351,965	354,585	398,134	428,510
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	$164,738	$137,844	$140,367	$125,676	$150,407	$124,739	$180,912	$191,331	$254,629	$255,772
NET REVENUES FOR CALCULATING COVERAGE LESS FUND DEPOSIT REQUIREMENTS	$144,127	$167,433	$171,359	$147,895	$167,952	$179,862	$292,193	$354,363	$356,299	$358,671
AGGREGATE DEBT SERVICE LESS DISBURSEMENTS FROM CAPITALIZED INTEREST ACCOUNTS (5)	$131,025	$152,212	$155,781	$115,154	$101,791	$116,932	$ 92,773	$ 56,563	$107,700	$107,389
DEBT SERVICE COVERAGE RATIO (6)	1.10	1.10	1.10	1.28	1.65	1.54	3.15	6.26	3.31	3.34

(1) Average annual compound growth rate for 1999-2008 for Total operating revenues is 4.3 percent.
(2) Salaries and wages includes charges for pension, health care and other employee benefits.
(3) Average annual compound growth rate for 1999-2008 for Total operating and maintenance expenses before depreciation and amortization is 3.9 percent.
(4) Amount for 2008 may be reconciled to operating income of $104,985 reported in the 2008 Statements of Revenues, Expenses and Changes in Net Assets by deducting depreciation and amortization of $150,787. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service on first and second lien bonds.
(6) Represents debt service coverage ratio on first and second lien bonds.

Source: Chicago O'Hare International Airport Audited Financial Statements and City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

DEBT SERVICE SCHEDULE (UNAUDITED)
(Dollars in thousands)

The following table sets forth aggregate annual debt service for outstanding General Airport Revenue Bonds.

Year Ending December 31	Total Debt Service on First Lien Bonds	Total Debt Service on Second Lien Bonds (1)	Total Debt Service on Third Lien Bonds (1)	Total Debt Service
2009	$ 3,640	$ 99,756	$ 267,224	$ 370,620
2010	3,640	103,834	207,302	314,776
2011	3,640	115,648	250,681	369,969
2012	48,821	71,159	205,053	325,033
2013	9,235	71,791	220,536	301,562
2014	917	72,433	265,521	338,871
2015	917	73,291	272,498	346,706
2016	18,798	70,116	252,647	341,561
2017		56,626	286,062	342,688
2018		58,220	340,738	398,958
2019			375,644	375,644
2020			378,658	378,658
2021			308,899	308,899
2022			308,921	308,921
2023			307,437	307,437
2024			306,849	306,849
2025			306,632	306,632
2026			302,451	302,451
2027			298,360	298,360
2028			298,054	298,054
2029			297,853	297,853
2030			297,658	297,658
2031			297,357	297,357
2032			297,061	297,061
2033			289,940	289,940
2034			259,591	259,591
2035			211,287	211,287
2036			51,742	51,742
2037			51,689	51,689
2038			45,496	45,496
2039				
	$ 89,608	$ 792,874	$ 7,859,841	$ 8,742,323

(1) Assumes an interest rate effective at December 31, 2008 on $132,415 of Second Lien Bonds and $300,000 of Third Lien Bonds that are variable-rate demand obligations.

Note: The annual debt service tables in the Official Statements for the above debt were presented with a year ended January 1. The information above is presented with a year ended December 31. The change has been made to facilitate reconciliation to revenue bonds payable at December 31, 2008.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

CAPITAL IMPROVEMENT PLAN (CIP), 2009-2013 (UNAUDITED)
(Dollars in thousands)

ESTIMATED USES:	
Five-Year Capital Improvement Program:	
Airfield improvements	$ 479,000
Terminal improvements	143,700
Noise mitigation	81,300
Parking/roadway projects	366,000
Heating and refrigeration	98,200
Safety and security	27,400
Planning and other costs	24,600
Implementation	139,100
TOTAL ESTIMATED USES	$1,359,300
ESTIMATED SOURCES:	
Existing PFC revenue bond proceeds	$ 27,100
PFC revenues (pay-as-you-go)	145,400
Future PFC revenue bond proceeds	
Federal AIP entitlements grants	
Federal AIP discretionary grants	74,800
TSA funds	7,800
Prior airport revenue bond proceeds	22,400
Future airport obligation proceeds	1,064,000
Other airport funds	17,800
TOTAL ESTIMATED SOURCES	$1,359,300

Source: City of Chicago Department of Aviation

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

OPERATIONS OF THE AIRPORT
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

AIRPORT ACTIVITY

According to statistics compiled by Airports Council International, the Airport was the second busiest airport in the world as measured by total aircraft operations, the second busiest airport as measured by total passengers, and the 15th busiest airport in the world in terms of total cargo tonnage handled. According to the Official Airline guide, as of December 31, 2008, nonstop service was provided from the Airport to 210 destinations, 142 domestic airports, and 68 foreign airports.

Chicago O'Hare International Airport Historical Connecting Passengers

Year	Total Enplanements	Total Originating Enplanements (1)	Total Connecting Enplanements	Connecting Enplanements Percentage
1999	35,947,716	16,849,260	19,098,456	53.1
2000	35,700,949	17,215,087	18,485,862	51.8
2001	33,329,966	15,750,781	17,579,185	52.7
2002	32,938,702	15,279,859	17,658,843	53.6
2003	34,454,921	15,331,493	19,123,428	55.5
2004	37,464,632	16,799,401	20,665,231	55.2
2005	37,970,886	17,548,038	20,422,848	53.8
2006	37,784,336	18,058,904	19,725,432	52.2
2007	37,779,576	18,223,460	19,556,116	51.8
2008	34,744,030	17,685,020	17,059,010	49.1

Average Annual Compound Growth Rates

1999-2008	(0.4)%	0.5 %	(1.2)%	

(1) Originating enplanements, resulting connecting enplanements and percentages have been recalculated for the entire period to account for point-to-point foreign flag activity not included in the U.S. DOT passenger survey.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O’HARE INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

Airline (1)	1999 Enplanements	% of Total	2000 Enplanements	% of Total	2001 Enplanements	% of Total	2002 Enplanements	% of Total	2003 Enplanements	% of Total	2004 Enplanements	% of Total	2005 Enplanements	% of Total	2006 Enplanements	% of Total	2007 Enplanements	% of Total	2008 Enplanements	% of Total
United Airlines	16,257,105	45.2 %	15,284,974	42.8 %	14,057,978	42.2 %	13,935,560	42.3 %	13,780,164	40.0 %	14,222,780	38.0 %	13,035,044	34.3 %	12,905,929	34.2%	12,798,917	34.0%	11,818,081	34.0%
American Airlines	10,568,809	29.4	10,881,991	30.5	9,696,773	29.1	9,436,168	28.7	9,552,465	27.7	10,641,646	28.4	10,880,167	28.7	10,283,798	27.2	10,277,846	27.2	9,291,364	26.7
Simmons Airlines (dba American Eagle)	1,621,501	4.5	1,626,148	4.6	1,666,814	5.0	1,841,764	5.6	2,319,637	6.7	2,993,453	8.0	3,249,766	8.5	3,524,127	9.3	3,424,753	9.1	3,145,183	9.1
Sky West (dba United Express)													1,385,206	3.6	2,333,968	6.2	2,231,622	5.9	2,010,239	5.8
Mesa (dba United Express)													517,511	1.4	1,032,938	2.7	1,227,446	3.2	1,032,402	3.0
Northwest Airlines	692,348	1.9	700,337	2.0	603,497	1.8	527,303	1.6	547,737	1.6	505,278	1.3	576,618	1.5	626,705	1.7	680,695	1.8	586,600	1.7
Shuttle America (dba United Express)													282,928	0.7	870,661	2.3	721,642	1.9	689,203	2.0
Continental Airlines	599,488	1.7	600,994	1.7	525,146	1.6	461,407	1.4	437,571	1.3	423,693	1.1	461,804	1.2	486,762	1.3	584,908	1.5	519,567	1.5
US Airways	529,712	1.5	565,734	1.6	511,215	1.5	532,549	1.6	465,034	1.3	489,918	1.3	580,460	1.5	474,309	1.3	578,879	1.5	892,225	2.6
Go Jet (UA Express)															432,179	1.0	449,979	1.2	399,076	1.1
Delta Airlines	1,090,189	3.0	1,040,698	2.9	874,228	2.6	658,086	2.0	616,039	1.8	607,226	1.6	603,677	1.6	518,373	1.4	443,342	1.2	430,985	1.2
Trans State Air (dba United Express)													259,510	0.7	384,147	1.0	390,640	1.0	464,624	1.3
America West									342,750	1.0	367,469	1.0	426,571	1.1	442,308	1.2	320,778	0.8		
Air Canada	327,778	0.9	333,599	0.9	352,240	1.1	344,910	1.0	270,105	0.8	268,824	0.7	204,485	0.5	161,023	0.4	132,572	0.4	136,277	0.4
Chautauqua (dba United Express)													489,195	1.5	188,805	0.5	47,800	0.1	92	0.0
Air Wisconsin (dba United Express)	527,779	1.5	794,489	2.2	987,094	2.9	854,881	2.6	1,561,285	4.5	2,172,712	5.8	1,906,211	5.0	21,100	0.1			24,143	0.1
Independence Air											48,804	0.1	86,154	0.2	1,559					
Trans World Airlines	441,312	1.2	400,520	1.1	304,432	0.9														
Atlantic Coast									1,829,053	5.3	770,768	2.1								
All Other (2)	3,291,511	9.2	3,471,242	9.7	3,750,549	11.3	4,346,074	13.2	2,733,081	8.0	3,952,061	10.5	3,025,579	8.0	3,095,645	8.2	3,467,757	9.2	3,303,969	9.5
Total	35,947,532	100.0 %	35,700,726	100.0 %	33,329,966	100.0 %	32,938,702	100.0 %	34,454,921	100.0 %	37,464,632	100.0 %	37,970,886	100.0 %	37,784,336	100.0 %	37,779,576	100.0%	34,744,030	100.0 %

(1) Each airline listed is a signatory to a 1983 Airport Use Agreement.
(2) Included in All Other are the signatories to the 1990 International Terminal Use Agreement not already listed on this table (Aer Lingus, Aeromexico, Air France, Air India, Air Jamaica, Air One, Alitalia, All Nippon, Asiana, Austrian Air Aviacsa, British Airways, British Midland, Cathay Pacific, China Eastern, El Al Israel, Iberia, Japan , KLM, Korean, Kuwait, Lot Polish, Lufthansa, Mexicana, Royal Jordanian, Scandinavian, Singapore, Spirit Airlines, Swiss Airlines (Cross Air), TACA / LOCSA, Turkish Airlines, USA 3000 and Virgin Air) and all other U.S. and foreign flag airlines operating at the Airport.

AIRLINES PROVIDING SERVICE AT THE AIRPORT

As of December 31, 2008, the Airport had scheduled air service by 82 airlines, including 29 domestic airlines, 31 foreign flag airlines, and 22 all-cargo airlines. Service to the Airport is provided by 10 of the 14 “Major Air Carriers,” which are defined by the U.S. Department of Transportation, Research and Special Programs Administration to include domestic air carriers with annual operating revenues in excess of $1 billion.

United Airlines and American Airlines (including their commuter affiliates) together accounted for 83.1 percent of the enplaned commercial passengers at the Airport in 2008.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PASSENGER TRAFFIC
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

Year	Total Domestic Passengers	Percent of Total Passengers	Total International Passengers	Percent of Total Passengers	Total Passengers	Annual Percent Change
1999	62,878,889	86.6	9,730,302	13.4	72,609,191	0.2
2000	61,682,172	85.5	10,463,317	14.5	72,145,489	(0.6)
2001	57,913,099	85.9	9,534,965	14.1	67,448,064	(6.5)
2002	57,626,957	86.6	8,938,995	13.4	66,565,952	(1.3)
2003	60,197,706	86.6	9,310,966	13.4	69,508,672	4.4
2004	64,685,299	85.6	10,849,393	14.4	75,534,692	8.7
2005	64,772,036	85.1	11,382,369	14.9	76,154,405	0.8
2006	64,573,153	84.6	11,726,137	15.4	76,299,290	0.2
2007	64,376,479	84.5	11,801,376	15.5	76,177,855	(0.2)
2008	59,404,334	83.9	11,414,681	16.1	70,819,015	(7.0)
Average Annual Compound Growth Rates						
1999-2008	(0.6)%		1.8%		(0.3)%	

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

	Chicago O'Hare International Airport		Chicago Midway International Airport		
Year	Total O&D Enplanements (1)	Percent of Total Chicago	Total O&D Enplanements (1)	Percent of Total Chicago	Total O&D Enplanements
1999	16,849,260	75.9	5,353,193	24.1	22,202,453
2000	17,215,087	74.6	5,865,172	25.4	23,080,259
2001	15,750,751	74.1	5,503,697	25.9	21,254,448
2002	15,279,859	72.8	5,700,605	27.2	20,980,464
2003	15,331,493	71.1	6,243,039	28.9	21,574,532
2004	16,799,401	71.7	6,634,138	28.3	23,433,539
2005	17,548,038	73.2	6,431,517	26.8	23,979,555
2006	18,058,904	72.9	6,708,494	27.1	24,767,398
2007	18,223,460	73.6	6,532,362	26.4	24,755,822
2008	17,685,020	75	5,910,045	25	23,595,065

Average Annual Compound Growth Rates

1999–2008	0.5 %		1.1 %		0.7 %

(1) Originating enplanements, resulting connecting enplanements and percentages have been recalculated for the entire period to account for point-to-point foreign flag activity not included in the U.S. DOT passenger survey.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANEMENT SUMMARY
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

	Total O'Hare Enplanements						
Year	Domestic Air Carrier	Domestic Commuter	Total Domestic (1)	Percent of Total O'Hare	Total International Enplanements	Percent of Total O'Hare	Total (2) Enplanements
1999	30,998,049	192,666	31,190,715	86.8	4,757,001	13.2	35,947,716
2000	30,450,074	201,678	30,651,752	85.9	5,049,197	14.1	35,700,949
2001	28,627,443	85,251	28,712,694	86.1	4,617,272	13.9	33,329,966
2002	28,555,307	24,816	28,580,123	86.8	4,358,579	13.2	32,938,702
2003	29,909,585	1,173	29,910,758	86.8	4,544,163	13.2	34,454,921
2004	32,192,142		32,192,142	85.9	5,272,490	14.1	37,464,632
2005	32,426,920		32,426,920	85.4	5,543,966	14.6	37,970,886
2006	32,136,521		32,136,521	85.1	5,647,815	14.9	37,784,336
2007	32,126,121		32,126,121	85.0	5,653,455	15.0	37,779,576
2008	29,111,375		29,111,375	83.8	5,632,655	16.2	34,744,030
	Average Annual Compound Growth Rates						
1999–2008	(0.7)%	(100.0)%	(0.8)%		1.9 %		(0.4)%

(1) Total Domestic Enplanements equals Total Domestic Air Carrier Enplanements plus Total Domestic Commuter Enplanements.

(2) Total Enplanements equals Total Domestic Air Carrier Enplanements plus Total Domestic Commuter Enplanements plus Total International Enplanements.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

	Annual Aircraft Operations							
Year	Domestic Air Carrier	International Air Carrier	Total Air Carrier	Commuter	All-Cargo	General Aviation	Military	Total
1999	725,517	78,187	803,704	28,174	23,984	39,596	770	896228
2000	734,682	85,164	819,846	28,952	24,626	35,565		908989
2001	757,133	81,885	839,018	14,940	21,105	36,854		911917
2002	794,878	70,103	864,981	6,736	20,790	30,216	94	922817
2003	802,234	76,455	878,689	498	21,257	28,247		928691
2004	859,696	82,394	942,090		21,588	28,749		992427
2005	835,414	84,778	920,192		21,979	30,077		972248
2006	821,586	83,986	905,572		21,165	31,906		958643
2007	802,933	87,043	889,976		20,702	16,295		926973
2008	762,995	81,211	844,206		17,542	19,818		881566
	Average Annual Compound Growth Rates							
1999–2008	0.6 %	0.4 %	0.5 %	(100.0)%	(3.4)%	(7.4)%	(100.0)%	(20.0)%

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

NET AIRLINE REQUIREMENT AND COST PER ENPLANED PASSENGER
YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars in thousands)

Calculation of Cost per Enplaned Passenger

Operating and maintenance expenses (1)	$ 418,295
Net debt service (1) (2)	259,348
Debt service coverage requirement (3)	307
Fund deposits (4)	7,565
Total Airport expenses (1)	685,515
Less:	
Non-airline revenue (1)	(231,422)
PFC revenue applied to eligible debt service	(6,040)
Net Airline Requirement (5)	$ 448,053
Enplaned Passengers	34,744,030
Cost per Enplaned Passenger	$ 12.90

(1) This analysis excludes the Land Support Cost Revenue Center, Airport Development Fund, Emergency Reserve Fund and PFC Fund.
(2) Includes First, Second and Third Lien General Airport Revenue Bonds.
(3) Incremental amounts required which provide 10 percent coverage on aggregate First, Second and Third Lien debt service.
(4) Deposits to the Operations and Maintenance Reserve, Maintenance Reserve, Emergency Reserve and Special Capital Project Funds.
(5) Revenue required to be collected from all Airline Parties under the 1983 Airport Use Agreements and the 1990 International Terminal Use Agreements.

Source: City of Chicago Comptroller's Office and Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PFC REVENUES
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars In Thousands)

Year	Total Enplanements	PFC Enplanements (1)	PFC Revenues (Net of Airline Collection Fees) (2) (3)	PFC Interest Income	Total PFC Revenues
1999	35,947,716	30,086,119	$ 87,851	$ 3,898	$ 91,749
2000	35,700,949	30,814,619	89,979	4,654	94,633
2001	33,329,966	28,184,459	107,007	664	107,671
2002	32,938,702	29,556,221	130,638	2,139	132,777
2003	34,454,921	28,993,623	128,152	1,667	129,819
2004	37,464,632	30,810,007	136,180	2,548	138,728
2005	37,970,886	32,546,469	143,855	5,662	149,517
2006	37,784,336	33,765,769	148,232	10,052	158,284
2007	37,779,576	34,243,364	150,329	18,922	169,251
2008	34,744,030	30,720,227	130,922	3,940	134,862

(1) Historical collection information reflects an actual percentage of eligible PFC enplanements of 88.4 percent in 2008. PFC enplanements for 2001 were estimated since the PFC fee was changed from $3.00 to $4.50 on April 1, 2001.

(2) This amount is net of the airline collection fee of $.11 per enplaning passenger since May 1, 2004.

(3) Actual amounts above are recorded on a cash basis but are reported in the Airport's audited financial statements on an accrual basis. For 1998-2007, a separate cash basis PFC audit was performed as required by the PFC Regulations. The cash basis PFC audit for 2008 has not yet been completed.

Source: City of Chicago Comptroller's Office and Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

PASSENGER FACILITY CHARGE (PFC) DEBT SERVICE COVERAGE
TEN YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars In Thousands)

Bond Year Ended	PFC Revenues (2)	PFC Bonds Debt Service	Coverage by PFC Revenues (1)
January 1, 2000	$ 91,750	$ 24,092	3.81
January 1, 2001	94,633	24,096	3.93
January 1, 2002	107,670	41,227	2.61
January 1, 2003	132,777	63,685	2.08
January 1, 2004	129,819	73,498	1.77
January 1, 2005	138,728	73,512	1.89
January 1, 2006	149,518	73,502	2.03
January 1, 2007	158,284	73,502	2.15
January 1, 2008	169,251	73,498	2.30
January 1, 2009	134,862	50,048	2.69

(1) Ratio represents the amount of PFC revenues to debt service on the Series 1996 PFC and Series 2001 PFC Bonds.
(2) Actual amounts above are recorded on a cash basis and includes interest earnings.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

NET ASSETS BY COMPONENT
THREE YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars in Thousands)

	2006	2007	2008
Net assets:			
Invested in capital assets — net of related debt	$ 213,090	$ 481,321	$ 644,828
Restricted	751,069	644,048	594,185
Unrestricted (deficit)	60,111	73,390	77,195
Total net assets	$ 1,024,270	$ 1,198,759	$ 1,316,208

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

CHANGE IN NET ASSETS
THREE YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars in Thousands)

	2006	2007	2008
Operating revenues	$ 684,282	$ 652,763	$ 684,282
Operating expenses	579,297	544,890	579,297
Operating income	104,985	107,873	104,985
Nonoperating (expenses) revenues	(37,486)	18,363	(37,486)
Income before capital contributions	67,499	126,236	67,499
Capital grants	49,950	48,253	49,950
Change in net assets	$ 117,449	$ 174,489	$ 117,449

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

LONG TERM DEBT
THREE YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)
(Dollars in Thousands)

	2006	2007	2008
First Lien Bonds	$ 72,795	$ 72,795	$ 72,795
Second Lien Bonds	656,875	721,470	656,875
Third Lien Bonds	4,278,530	3,559,420	4,278,530
Commercial Paper Notes	35,565	334,673	35,565
Passenger Facility Charge Revenue bonds	741,340	796,715	741,340
Total Revenue Bonds and Notes	$ 5,785,105	$ 5,485,073	$ 5,785,105

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

FULL TIME EQUIVALENT CHICAGO O'HARE AIRPORT EMPLOYEES BY FUNCTION
THREE YEARS ENDED DECEMBER 31, 2008 (UNAUDITED)

Function	2006	2007	2008
Executive Directions	20	25	15
Capital Development	57	49	49
Financial Administration	27	25	21
Human Resources Management	26	24	22
Capital Finance Management	21	9	9
Contract Administration	11	18	18
Business Information Services	13	11	9
Business Communication	44	40	41
Commercial Development and Concessions	5	6	5
Administration	32	26	24
Airfield Operations	270	280	280
Landside Operations	26	19	18
Security Management	241	233	249
Facility Management	537	537	498
Safety Management	0	9	9
Total	1,330	1,311	1,267

Ten year information will be provided prospectively starting with year 2006.

Source: City of Chicago's Program and Budget Summary.