

ANALYSIS OF ANNUAL BUDGET FORECAST

City of Chicago
Fiscal Year 2023

City of Chicago
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ANALYSIS OF THE CITY OF CHICAGO'S ANNUAL BUDGET FORECAST

Each year, the City of Chicago produces a Budget Forecast report outlining the financial state of Chicago. The City's forecast provides budget projections for future fiscal years based on potential scenarios and outlooks. The forecast also discusses year-end estimates for the current 2022 fiscal year. The Council Office of Financial Analysis (COFA) herein presents its review of the annual budget forecast, as outlined in the Chicago Municipal Code.

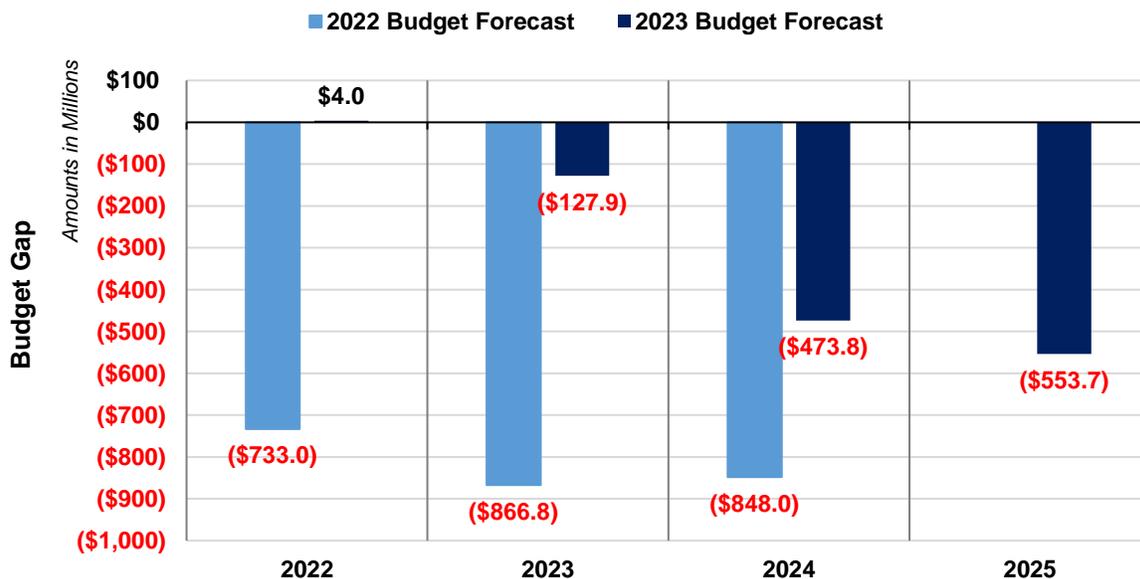
The City released the *2023 Budget Forecast* on August 10, 2022, indicating that the City has a structural budget deficit—or a gap—for the upcoming fiscal years, meaning that there are imbalances between the existing and anticipated revenues and expenditures. The budget forecast notes that the projected gap does not factor in any cost saving initiatives.

2023 BUDET FORECAST

The City estimates a Corporate Fund budget gap of **\$127.9 million** for the fiscal year 2023.¹ The Corporate Fund—the City's general operating fund which supports essential City services and activities—represents approximately \$4,899.9 million, or 46%, of the City's \$10,622.9 million budget for the fiscal year 2022.² The *2023 Budget Forecast* estimates that the Corporate Fund revenues will be \$5,000.2 million, while expenditures will come in around \$5,128.1 million.

The forecasted 2023 budget gap is significantly less than the original projected gap outlined in the *2022 Budget Forecast*. Last year, the City anticipated a gap of \$866.8 million for the fiscal year 2023, which is

Corporate Fund's Projected Budget Gaps (*Base Outlook*)



SOURCE: City of Chicago 2022 & 2023 Budget Forecasts

¹ Page 7. City of Chicago. (2022). *2023 Budget Forecast*. www.chicago.gov

² Excludes \$6,042.0 million in Grant Funds.

\$738.9 million larger than the revised \$127.9 million gap.³ The *2023 Budget Forecast* notes that the City has seen reductions in the out-year budget gaps due to the City’s continued recovery from the COVID-19 impact on Chicago’s economy.

The forecasted 2024 Corporate Fund budget gap is also considerably less than the original projected gap outlined in the *2022 Budget Forecast*. The City anticipated a gap of \$848.0 million for 2024 in last year’s budget forecast, which is \$374.2 million larger than the revised \$473.8 million gap amount in this year’s forecast.⁴ The initial estimate for 2025 projects a Corporate Fund gap of approximately \$553.7 million.

CORPORATE FUND – 2023

Revenues

The City is forecasting an overall increase in Corporate Fund revenues for 2023 compared to the budgeted revenue for 2022. The total Corporate Fund revenue for 2023 is projected to be \$5,000.2 million, which is an increase of \$100.3 million, or 2.0%, from the 2022 budget. The table below compares the changes in Corporate Fund revenues from 2022 to 2023.⁵

Corporate Fund Revenues	2022 Budgeted	2023 Projected	Variance (\$)	Variance (%)
Local Tax Revenue	\$1,767.5	\$1,920.3	\$152.8	8.6%
Prior Year Assigned and Unassigned Available Resources	\$51.4	\$200.0	\$148.6	289.1%
Intergovernmental Revenue	\$536.2	\$649.4	\$113.2	21.1%
Local Non-Tax Revenue	\$1,495.9	\$1,364.8	(\$131.1)	-8.8%
Proceeds and Transfers In	\$1,048.9	\$865.8	(\$183.1)	-17.5%
	\$4,899.9	\$5,000.2	\$100.3	2.0%

SOURCE: City of Chicago *2023 Budget Forecast*

The largest revenue increase is projected in **Local Tax Revenue**, where the City estimates revenue to come in around \$1,920.3 million. This is \$152.8 million higher, or 8.6%, than the 2022 budgeted amount. Local Tax Revenue is generally comprised of Utility Taxes, Transportation Taxes, Transaction Taxes, Chicago Sales Taxes, Recreation Taxes, and Business Taxes.

The *2023 Budget Forecast* comments on three of the revenue sources which are categorized under Local Tax Revenue for 2023. The forecast shows that the City estimates revenues relating to Recreation and Business Taxes to increase by \$36.3 million, or 13.2%, and \$18.2 million, or 16.2%, respectively, in 2023 when compared to 2022’s budget. Conversely, Transportation Taxes in 2023 are estimated to be \$333.2 million, which is slightly lower—about 0.9%—than the 2022 budgeted amount of \$336.1 million. This gloomier projection for Transportation Taxes in 2023 does not come as a surprise, however, as the Office of Budget and Management’s (OBM) monthly revenue reports for Corporate Fund have indicated that this particular revenue source has been lagging in year-to-date (YTD) collections compared to budget.⁶

³ City of Chicago. (2021). *2022 Budget Forecast*. www.chicago.gov

⁴ City of Chicago. (2021). *2022 Budget Forecast*. www.chicago.gov

⁵ Page 16. City of Chicago. (2022). *2023 Budget Forecast*. www.chicago.gov

⁶ Office of Budget and Management. *Revenue Reports*. City of Chicago. www.chicago.gov

The *2023 Budget Forecast* does not comment on the two largest Local Tax Revenue items—Transaction Taxes and Utility Taxes—which encompass about 55% of the 2022 Local Tax Revenue budget. That said, based on the City’s 2023 projections, as well as OBM’s latest Corporate Fund revenue report for June 2022, one can assume that the City is projecting that these two revenue items to each increase in 2023 compared to the 2022 budget. The YTD revenue collections for Transaction and Utility Taxes have both been strong through June 2022.

The City also forecasts increases in Corporate Fund revenues for **Intergovernmental Revenue** and **Prior Year Assigned and Unassigned Available Resources**. Intergovernmental Revenue is generally comprised of Income Taxes, Auto Rental Taxes, Personal Property Replacement Taxes, and State Reimbursements. The total Intergovernmental Revenue for 2023 is projected to be \$649.4 million, which is an increase of \$113.2 million, or 21.1%, from the Corporate Fund’s 2022 revenue budget. The catalyst behind the increase in Intergovernmental Revenue’s budget is Personal Property Replacement Tax, which the City expects to increase by \$102.3 million, or 62.5%. The City is also forecasting that Income Tax revenue will increase in 2023 by 2.9% compared to 2022’s budget, which translates to \$10.6 million in additional revenue. As a result of additional resources in the 2022 budget—related to carried over resources from fiscal year 2021—the City is estimating there to be \$148.6 million in additional revenue for the 2023 budget. This \$148.6 million increase is reflected on the line item “Prior Year Assigned and Unassigned Available Resources” and the City projects 2023 revenue to be approximately \$200.0 million.

When it comes to **Local Non-Tax Revenue**, the City estimates revenue to be \$1,364.8 million, a decrease of \$131.1 million, or 8.8%, compared to the 2022 budget.⁷ Local Non-Tax Revenue is generally comprised of the following source: Licenses, Permits, and Certificates; Fines, Forfeitures and Penalties; Charges for Services; Municipal Parking; Leases, Rentals and Sales; Interest Income; Internal Service Earnings; and Other Revenue.

The forecast notes that the decrease is a result of Other Revenue and Fines, Forfeitures and Penalties. The decrease in Other Revenue is partially attributed to one-time sweeps of aging revenue accounts. Fines, Forfeitures, and Penalties is expected to see a decrease in revenue related to changes to fine issuance as compliance with safety related initiatives improves. The *2023 Budget Forecast* does not quantify how much of the Local Non-Tax Revenue’s 2023 decrease is related to Other Revenue and Fines, Forfeitures and Penalties.

Based on OBM’s most recent Corporate Fund revenue collections report for June 2022, all but one of the Local Non-Tax Revenue sources have YTD collections lagging behind their YTD budgets. The latest report shows that the YTD collections are lagging behind YTD budgets for Other Revenue and Fines, Forfeitures and Penalties by \$23.7 million, or 39.3%, and \$29.0 million, or 15.9%, respectively, which also foreshadows the 2023 decrease in projected revenue. The latest revenue collections report also shows weaker than expected YTD collections versus YTD budget for Internal Service Earnings and Charges for Services—each source is lagging by \$50.0 million, or 7.8%, and \$33.2 million, or 21.4%, respectively, through June. The YTD collections for Licenses, Permits, and Certificates is lagging behind its YTD budget by \$12.5 million, or 20.7%, through June.

⁷ The City originally budgeted Local Non-Tax Revenue at \$1,483.3 million for the Corporate Fund in 2022. The *2023 Budget Forecast* amends this figure up by \$12.6 million, bringing the 2022 budget to \$1,495.9 million.

COFA is somewhat surprised that the *2023 Budget Forecast* did not include any commentary on the 2023 projections related to Charges for Services and Internal Service Earnings, which together made up more than half—approximately 55.7%—of the Local Non-Tax Revenue’s 2022 Original Budget, especially after negative variances highlighted in the latest revenue collections report. The only Local Non-Tax Revenue source that has seen positive YTD revenue collections through June 2022 is Leases, Rentals and Sales, which has collected \$4.1 million more, or 64.8%, than the YTD budgeted amount.

The other revenue area in the Corporate Fund projected to see a decrease in 2023 is **Proceeds and Transfers**. The City estimates the 2023 revenue to be \$865.8 million, which is a decrease of \$183.1 million, or 17.5%, from the 2022 budget of \$1,048.9 million. The unsurprising reason behind the decrease is the reduction in ARP funds being used for revenue replacement. The Chicago Recovery Plan indicated that the City would allocate approximately \$152.4 million towards revenue replacement during the 2023 Budget process, the that estimate has not changed in the *2023 Budget Forecast*.⁸ The \$152.4 million is \$232.6 million less, or 60.4%, than the \$385.0 million allocated for revenue replacement in the 2022 budget. These revenue replacement funds go towards supporting essential city services.

Expenditures

Across the board, all of the expenditures in the Corporate Fund are projected to rise in the 2023 budget. The one exception is Transfers and Reimbursements, which the City estimates will be \$12.4 million less, or 28.7%, than the 2022 budgeted amount. The following table compares the changes in Corporate Fund expenditures from 2022 to 2023.⁹

Corporate Fund Expenditures	2022 Budgeted	2023 Projected	Variance (\$)	Variance (%)
Personnel Services	\$3,083.1	\$3,183.9	\$100.8	3.3%
Pension Costs	\$329.2	\$395.8	\$66.6	20.2%
Contractual Services	\$486.9	\$540.8	\$53.9	11.1%
Commodities and Materials	\$82.9	\$96.2	\$13.3	16.0%
Specific Items and Projects	\$258.2	\$261.9	\$3.7	1.4%
Financial Costs	\$613.5	\$614.5	\$1.0	0.2%
Equipment	\$1.6	\$2.5	\$0.9	56.3%
Travel	\$1.2	\$1.4	\$0.2	16.7%
Contingencies	\$0.2	\$0.2	\$0.0	0.0%
Permanent Improvements	\$0.0	\$0.0	\$0.0	n/a
Transfers and Reimbursements	\$43.2	\$30.8	(\$12.4)	-28.7%
	\$4,899.9	\$5,128.1	\$228.2	4.7%

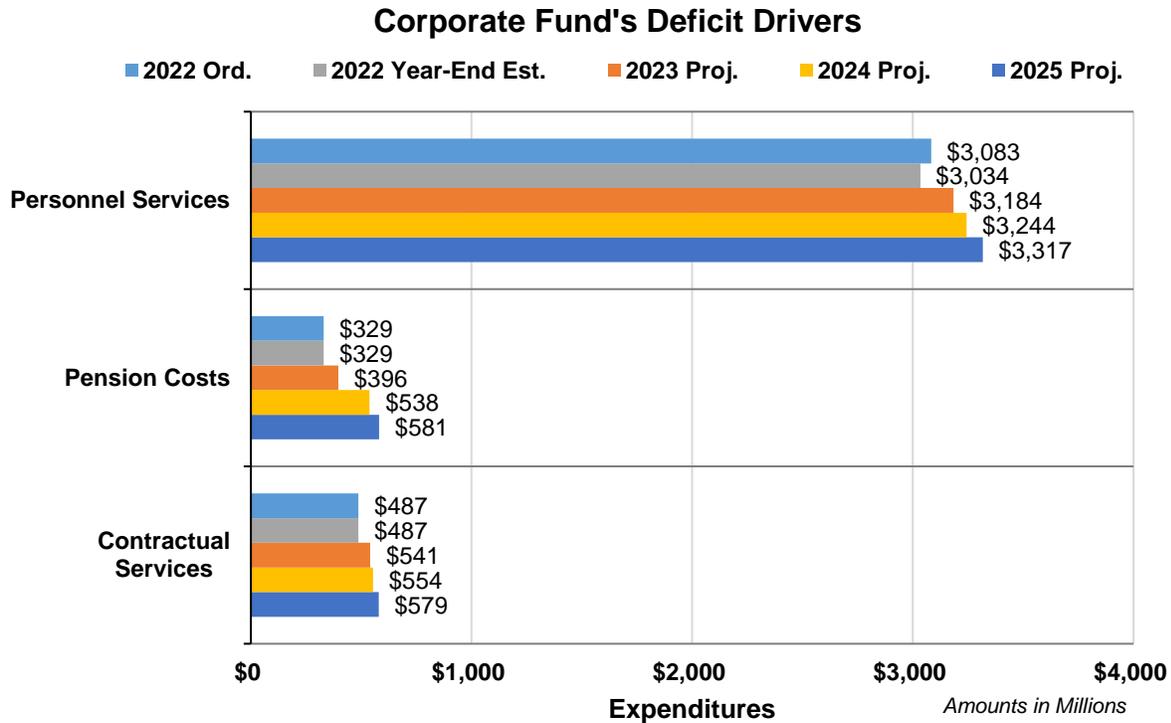
SOURCE: City of Chicago *2023 Budget Forecast*

⁸ Page 51. City of Chicago. (2021, September). *Chicago Recovery Plan*. www.chicago.gov

⁹ Page 16. City of Chicago. (2022). *2023 Budget Forecast*. www.chicago.gov

WHAT'S DRIVING THE 2023 GAP?

While the City expects to see an overall increase in Corporate Fund revenues for 2023, Corporate Fund expenditures are forecasted to outpace those revenues. The City's forecast attributes increasing personnel expenditures, pension contributions, and contractual costs as the primary factors driving the \$127.9 million gap for the upcoming fiscal year.¹⁰ This section provides an overview of the Corporate Fund expenditures driving the 2023 budget gap.



SOURCE: City of Chicago 2023 Budget Forecast

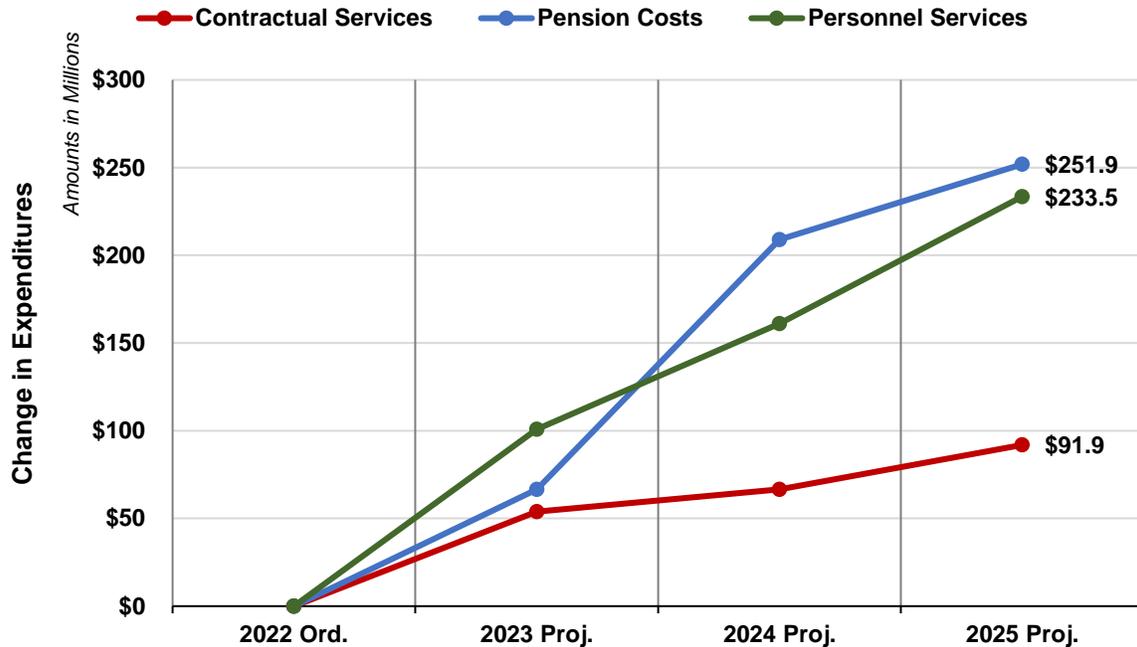
Personnel Expenditures

The total personnel expenditures in the Corporate Fund are projected to be \$3,183.9 million in 2023. Personnel costs—i.e., salaries and wages—are expected to increase by \$100.8 million, or 3.3%, in 2023 compared to the 2022 budgeted amount of \$3,083.1 million. Reasons for the projected personnel expenditures increase by the forecast include required contractual wage and prevailing rate increases. According to the forecast, about 90% of City of Chicago employees are covered by a collective bargaining agreement (CBA), and many of the CBAs with the City's unionized employees include cost of living—sometimes referred to as COLA—increases. Many of the CBAs also include step increases based on the employee's years of service with the City, which directly translates to higher personnel costs compared to the previous year.

¹⁰ Page 18. City of Chicago. (2022). 2023 Budget Forecast. www.chicago.gov

While the Corporate Fund’s personnel expenditures are projected to increase in 2023, the estimated year-end expenditures for 2022 are projected to come in under budget. The City estimates that the Corporate Fund’s personnel services expenditures for 2022 will be approximately \$3,033.6 million, which is \$49.5 million, or 1.6%, below budget. Over the next three fiscal years, the Corporate Fund’s personnel expenditures are forecasted to climb \$251.9 million from the appropriated amount in the *2022 Budget Ordinance*, reaching \$3,316.6 million in 2025.

Growth of Corporate Fund's Deficit Drivers (\$)



SOURCE: City of Chicago 2023 Budget Forecast

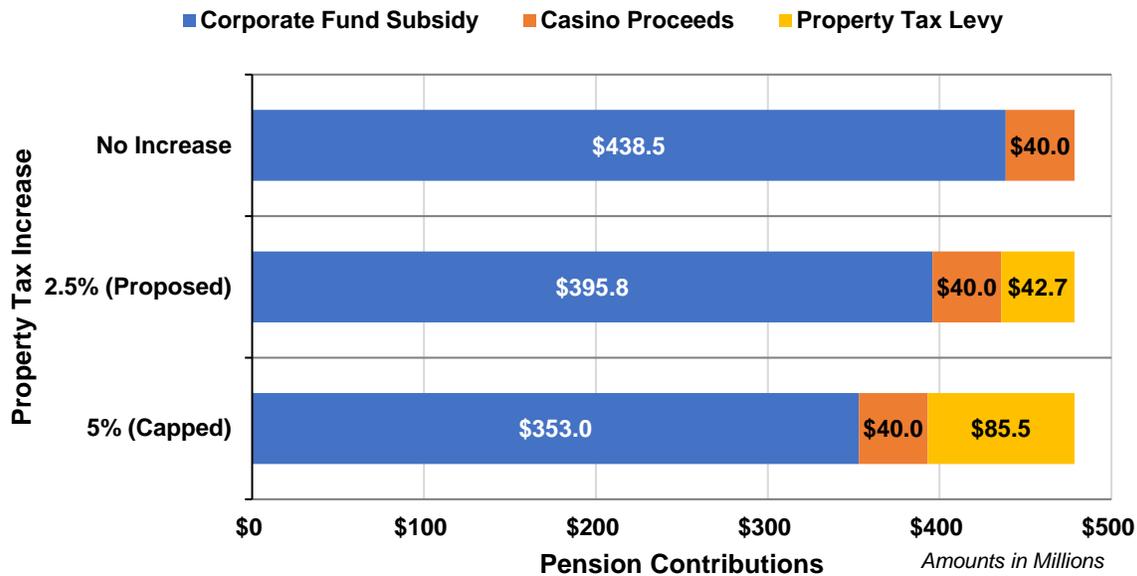
Pension Contributions

The 2023 budget will mark the second year the City contributes the statutorily required actuarially calculated amounts to all four of the City’s pension funds: the Municipal Employees’ Annuity and Benefit Fund (MEABF), the Laborers’ Annuity and Benefit Fund (LABF), the Policemen’s Annuity and Benefit Fund (PABF), and the Firemen’s Annuity and Benefit Fund (FABF).

Based on the *2023 Budget Forecast*, the City’s Corporate Fund will need to contribute approximately \$395.8 million to fund pension obligations. In 2022, the City appropriated \$329.2 million in the Corporate Fund for pension obligations. The forecast initially estimated the Corporate Fund’s 2023 contribution to be \$478.5 million, but a down-payment related to a Chicago casino as well as a proposed 2.5% increase in property taxes brought that figure down by \$82.7 million.

A recent development to address the City’s growing pension liability is the establishment of a Chicago casino. In May, the Council voted to move forward with bringing a permanent casino to the 27th ward, as

2023 Corporate Fund Pension Contributions



SOURCE: COFA Analysis; City of Chicago 2023 Budget Forecast

well as a temporary casino at the location of the Medinah Temple until the permanent location opens.¹¹ As part of the agreement, the casino operator, Bally’s Corporation, agreed to make an upfront payment of \$40 million to the City, which would be put towards the Corporate Fund’s 2023 pension obligations.¹² Bally’s applied to the Illinois Gaming Board on August 10, 2022 to open and operate the Chicago casino.¹³ If the casino is approved and construction begins on the City’s estimated timeline, the City projects that the Chicago casino will generate approximately \$200 million annually in tax revenues when the permanent site opens in 2026.¹⁴

COFA recommends that the City create a safeguard and internal control that will allocate all the casino proceeds into a special purpose fund, restricting pension payments to the City’s annuity and benefit funds. COFA has previously recommended that the City create these restrictions so that casino proceeds go towards funding the pension obligations of the PABF and FABF.¹⁵

The City has traditionally used proceeds from property taxes for each fund to meet pension obligations. To decrease the Corporate Fund’s 2023 pension obligation subsidy, the City has proposed a 2.5% increase to the property tax levy. In 2019, the City approved a plan to tie the annual increases to property taxes to the prior year’s Consumer Price Index (CPI) change, and if the annual CPI increase exceeds 5%, the City

¹¹ Office of the City Clerk. *Amendment of Municipal Code Titles 2, 4, 8 and 17 regarding casino in Chicago*. chicago.legistar.com

¹² City of Chicago, Office of the Mayor. (2022, May 25). *City Council Approves Bally’s Tribune As The Chicago Casino Licensee* [Press release]. www.chicago.gov

¹³ Armentrout, M. (2022, August 12). Bally’s files Illinois Gaming Board application for Chicago casino. *Chicago Sun-Times*. chicago.suntimes.com

¹⁴ City of Chicago. *Chicago Casino Projections*. www.chicago.gov

¹⁵ Council Office of Financial Analysis. (2022, May 13). *Overview of the Firemen’s Annuity and Benefit Fund & the Policemen’s Annuity and Benefit Fund of Chicago*. www.chicago.gov

must cap the increase to 5%. The annual change in inflation from December 2020 to December 2021 was 7.0%, meaning that the City could have levied the 5% increase in property taxes, which comes out to approximately \$85.5 million.

Instead of tying the property tax levy increase to 5% for 2023, the City proposed a 2.5% increase, which was based on the average monthly CPI over the past five-years. The 2.5% increase will result in approximately \$42.7 million in additional property tax revenue. COFA has put together a table displaying the additional property tax revenue generated from potential property tax increases (in increments of half a percentage point) ranging from 0% to 5%.

2022 Gross Tax Levy	Percent Increase	Additional Tax Revenue	2023 Gross Tax Levy	
\$1,709.4	0.0%	\$0.0	\$1,709.4	
\$1,709.4	0.5%	\$8.5	\$1,717.9	
\$1,709.4	1.0%	\$17.1	\$1,726.5	
\$1,709.4	1.5%	\$25.6	\$1,735.0	
\$1,709.4	2.0%	\$34.2	\$1,743.6	
\$1,709.4	2.5%	\$42.7	\$1,752.1	Proposed
\$1,709.4	3.0%	\$51.3	\$1,760.7	
\$1,709.4	3.5%	\$59.8	\$1,769.2	
\$1,709.4	4.0%	\$68.4	\$1,777.8	
\$1,709.4	4.5%	\$76.9	\$1,786.3	
\$1,709.4	5.0%	\$85.5	\$1,794.9	Capped Amount

SOURCE: COFA Analysis
 Amounts in Millions

Contractual Services

The third driver behind the 2023 Corporate Fund deficit are increasing costs related to contractual services. The forecast projects that the Corporate Fund’s contractual services will reach \$540.8 million, which is an increase of \$53.9 million, or 11.1%, when compared to 2022’s budgeted amount of \$486.9 million. Aside from “planned contractual increases for elections and new and expanded information technology services,” the City notes that impacts related to inflation are driving up costs.

CORPORATE FUND OUTLOOK – 2024 & 2025

As prior budget forecasts have done, the *2023 Budget Forecast* presents potential scenarios relating to the outlook and performance of the Corporate Fund and what future budget gaps may look like. The *2023 Budget Forecast* offers a Base Outlook, Negative Outlook, and Positive Outlook for three upcoming fiscal years. The City does not present Corporate Fund budget gap variances based on the Base, Negative, or Positive outlooks for the upcoming 2023 fiscal year. However, the subsequent 2024 and 2025 fiscal years have varying budget gaps based on the outlook. Below is a snapshot of the Base, Negative, and Positive Outlooks for the Corporate Fund provided in the *2023 Budget Forecast*.

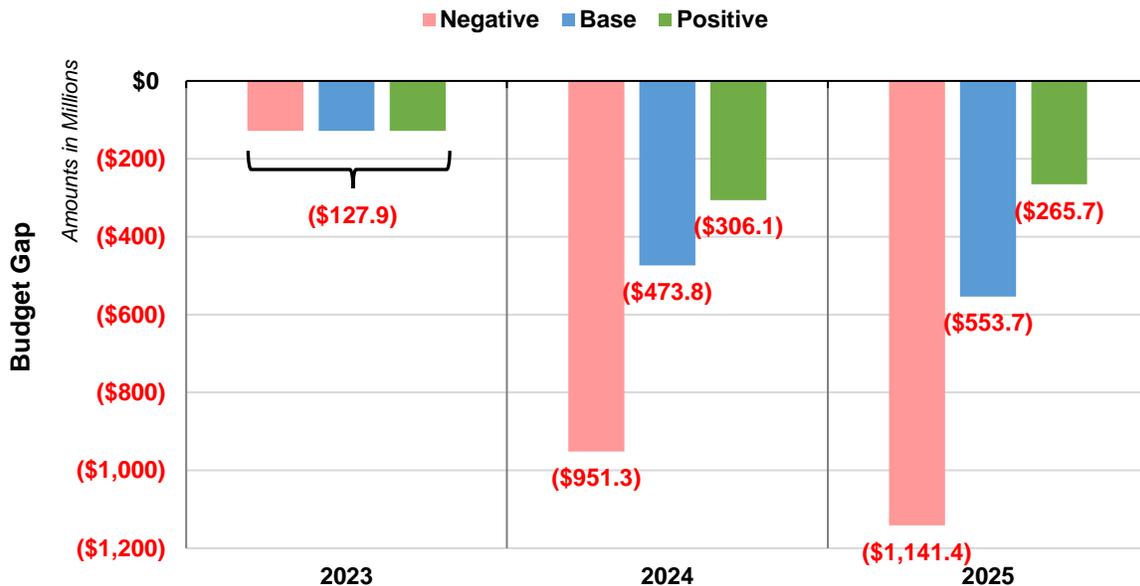
Under the **Base Outlook**, the forecast predicts that Corporate Fund revenues will shrink in 2024, that revenues will decline by about 2.4% in 2024 before resuming growth again in 2025 by about 1.5%. Meanwhile, the forecast predicts that expenditures—mostly related to increasing personnel and pension costs—will increase by 4.4% in 2024 and 2.9% in 2025.

Under the **Negative Outlook**, the forecast predicts that Corporate Fund revenues will sharply decline in 2024 due to unfavorable economic conditions; revenues will decline by about 9.5% in 2024 before resuming growth again in 2025 by about 1.6%. Meanwhile, the forecast predicts that expenditures will rapidly increase by 5.9% in 2024 and 4.8% in 2025.

COFA would like to highlight a potential error in the Negative Outlook budget shortfall estimates for 2024 and 2025 based on the forecast’s assumption of expenditures growth rates of 5.9% and 4.8% for 2024 and 2025, respectively. If the Corporate Fund expenditure grows by 5.9% in 2024 from 2023, the total Corporate Fund expenditure should be \$5,430.7 million, which creates a budget shortfall in 2024 of **\$906.8 million**, not \$951.3 million. Similarly, if the Corporate Fund expenditure grows by 4.8% in 2025 from 2024 (based on the revised 2024 amount), the total Corporate Fund expenditure should be \$5,691.3 million, which creates a budget shortfall in 2025 of **\$1,095.5 million**, not \$1,141.4 million.

Under the **Positive Outlook**, the forecast predicts that Corporate Fund revenues will contract only slightly in 2024, declining by about 0.3% before resuming growth again in 2025 by about 2.1%. Meanwhile, the forecast predicts that expenditures—specifically, personnel-related costs—will grow slower than the Base Outlook, increasing only 3.2% in 2024 and 1.2% in 2025.

Corporate Fund's Projected Budget Gaps by Outlook



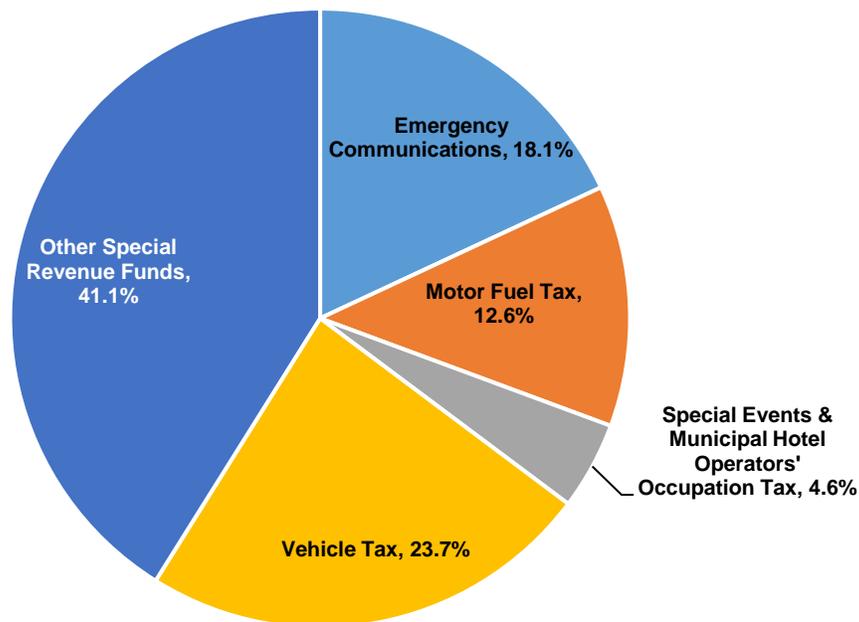
SOURCE: City of Chicago 2023 Budget Forecast

SPECIAL REVENUE FUNDS

The *2023 Budget Forecast* focuses on 4 of the City’s Special Revenue Funds: Emergency Communications Fund, Motor Fuel Tax Fund, Special Events and Municipal Hotel Operators' Occupation Tax Fund, and Vehicle Tax Fund.¹⁶ According to the report, these funds “are used to account for revenue from specific sources that must be used to finance specific operations, such as road repairs, libraries, 911 services, special events and tourism promotion.” In total, the *2023 Budget Forecast* identifies 18 Special Revenue Funds.

This section summarizes the 4 Special Revenue Funds that the *2023 Budget Forecast* reports on. The 4 funds accounted for \$574.1 million, or 58.9%, of all the Special Revenue Funds budgeted—\$974.5 million¹⁷—in the *2022 Budget Ordinance*. The projected revenues of the remaining 14 Special Revenue Funds accounting for approximately \$400.5 million, or 41.1%, of all the Special Revenue Funds budgeted in the *2022 Budget Ordinance* were not discussed in the *2023 Budget Forecast*.

2022 Budget Breakdown - Special Revenue Funds (\$975 million)



SOURCE: City of Chicago *2022 Budget Ordinance*

¹⁶ Page 21. City of Chicago. (2022). *2023 Budget Forecast*. www.chicago.gov

¹⁷ Page 19. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

Emergency Communications Fund

The City is projecting that the Emergency Communications Fund will end 2022 with a revenue of \$143.0 million, which is \$32.9 million, or 18.7%, below the 2022 revenue estimate of \$175.9 million projected in the *2022 Budget Ordinance*.¹⁸ The *2023 Budget Forecast* notes that the 2022 year-end estimate of \$143.0 million is 10.0% below budgeted expectations, but this does not align with the estimated revenue in the budget ordinance. One possible explanation is that OBM amended the Emergency Communications Fund's 2022 revenue budget down to approximately \$158.9 million, which is a decrease of \$17.0 million, or 9.7%, from the original budget estimate. This amended budget amount of \$158.9 million for 2022 would explain OBM's comment regarding the Fund's revenues coming in 10.0% below budgeted expectations. The *2023 Budget Forecast* does not specify if the Fund's budget was amended.

For the outyears 2023-2025, the City is forecasting a slight increase in revenues for 2023—about 0.6%—from the 2022 Year-End estimate before seeing 2024's revenue estimate slashed in almost half. The City notes that in 2024, a \$5 per month rate for 911 surcharge authorized by the State of Illinois will sunset. This will negatively impact the Emergency Communications Fund's 2024 revenue estimate by approximately \$71.0 million, according to the forecast. The 2024 and 2025 revenue estimates are projected to be \$72.8 million and \$72.9 million, respectively.

Motor Fuel Tax Fund

The City is projecting that the Motor Fuel Tax Fund will end 2022 with a revenue of \$101.4 million, which is \$21.3 million, or 17.4%, below the 2022 revenue estimate of \$122.7 million projected in the *2022 Budget Ordinance*.¹⁹ The *2023 Budget Forecast* notes that the 2022 year-end estimate of \$143.0 million is 10.5% below budgeted expectations, but similar to the Emergency Communications Fund, this does not align with the estimated revenue in the budget ordinance. Likewise, a possible explanation is that OBM amended the Motor Fuel Tax Fund's 2022 revenue budget down to approximately \$113.3 million, which is a decrease of \$9.4 million, or 7.7%, from the original budget estimate. This amended budget amount of \$113.3 million for 2022 justifies OBM's comment regarding the Motor Fuel Tax Fund's revenues coming in 10.5% below budgeted expectations. The *2023 Budget Forecast* does not specify if the Fund's budget was amended.

For the outyears 2023-2025, the City is forecasting an average annual growth rate of about 3.1% from the 2022 Year-End estimate. This equates to an average annual increase of about \$3.2 million in Motor Fuel Tax Fund revenues.

Special Events and Municipal Hotel Operators' Occupation Tax Fund

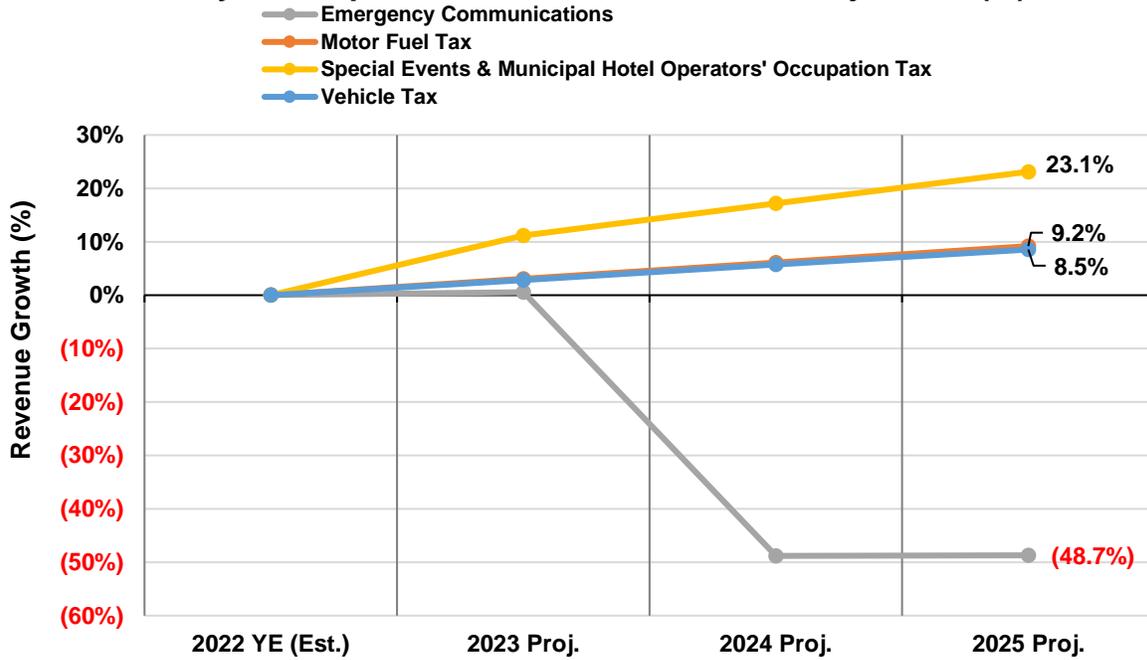
The City is projecting that the Special Events and Municipal Hotel Operators' Occupation Tax Fund will end 2022 with a revenue of \$31.4 million, which is \$13.2 million, or 29.7%, below the 2022 revenue estimate of \$44.6 million projected in the *2022 Budget Ordinance*.²⁰ The City attributes the slower than anticipated

¹⁸ Page 24. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

¹⁹ Page 23. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

²⁰ Page 25. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

Analysis of Special Revenue Fund Growth Projections (%)



SOURCE: City of Chicago 2023 Budget Forecast

return to pre-pandemic levels of travel and tourism impacting the City’s Hotel Tax and tourism-related revenues as to why the 2022 Year-End estimate is projected to come in lower than budget.

For the outyears 2023-2025, the City is expecting a slow first quarter in 2023 before seeing positive growth to pre-pandemic levels over the next three fiscal years. This positive outlook is reflected in the estimated year-over-year growth in Special Events and Municipal Hotel Operators' Occupation Tax Fund revenue for 2023 (11.1% from 2022’s year-end estimate), 2024 (6.0% from 2023), and 2025 (5.9% from 2024).

Vehicle Tax Fund

The City is projecting that the Vehicle Tax Fund will end 2022 with a revenue of \$201.3 million, which is \$29.5 million, or 12.8%, below the 2022 revenue estimate of \$230.8 million projected in the 2022 Budget Ordinance.²¹ The City attributes lower than budgeted vehicle sticker sales and transfers into the Vehicle Tax Fund as to why the 2022 Year-End estimate is projected to come in lower than budget.

For the outyears 2023-2025, the City is forecasting an average annual growth rate of about 2.8% from the 2022 Year-End estimate. This equates to an average annual increase of about \$6.0 million in Vehicle Tax Fund revenues.

²¹ Page 23. City of Chicago. (2022). 2022 Budget Ordinance. www.chicago.gov

ENTERPRISE FUNDS

The City has 4 Enterprise Funds that are each outlined in the *2023 Budget Forecast*: the Midway Airport Fund, O'Hare Airport Fund, Sewer Fund, and Water Fund.²² According to the report, these self-supporting funds deriving from user chargers account for acquisition, operation, and maintenance of government services such as water, sewer, and the airports. This section summarizes the City's 4 Enterprise Funds discussed in the *2023 Budget Forecast*. The 4 funds totaled \$3,111.6 million in the *2022 Budget Ordinance*.

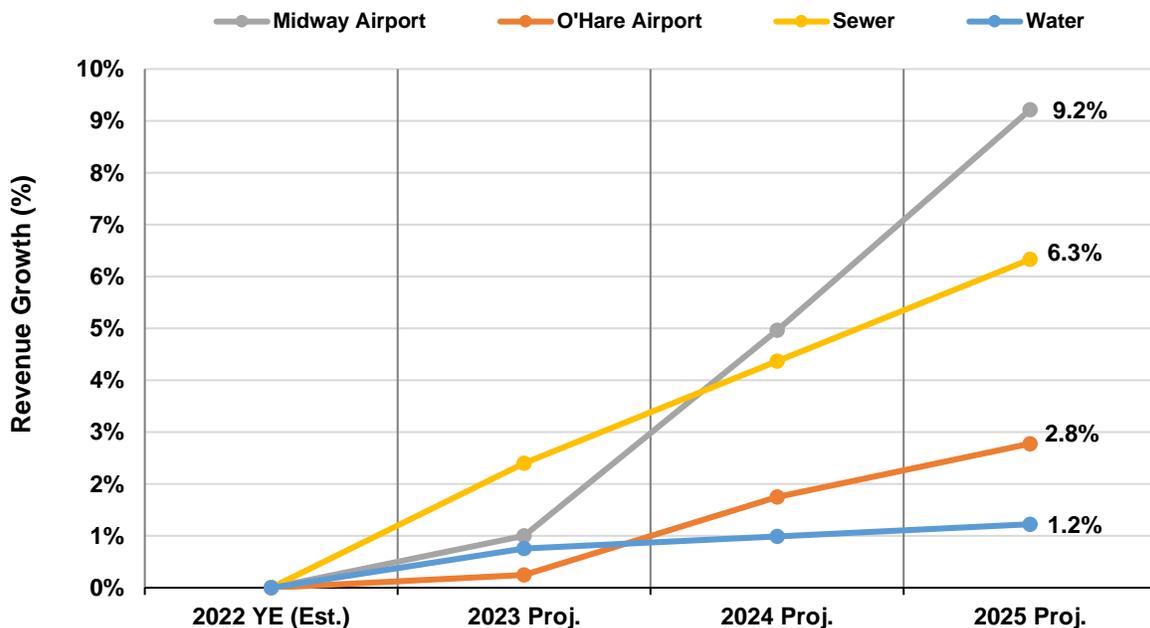
Midway Airport Fund

The City is projecting that the Midway Airport Fund will end 2022 with a revenue of \$349.7 million, which is right in line with the *2022 Budget Ordinance* projection.²³ For the outyears 2023-2025, the City is forecasting a slight increase in revenue for 2023—about 1.0%—from the 2022 Year-End estimate before seeing increased growth in 2024 and 2025. The 2024 and 2025 revenue estimates are projected to be \$367.2 million and \$382.8 million, respectively, each year growing about 4.0% from the prior year.

O'Hare Airport Fund

The City is projecting that the O'Hare Airport Fund will end 2022 with a revenue of \$1,601.0 million, which is \$12.2 million, or 0.8%, above the 2022 revenue estimate of \$1,588.8 million projected in the *2022 Budget Ordinance*.²⁴ Similar to Midway, for the outyears 2023-2025, the City is forecasting a slight increase

Analysis of Enterprise Fund Growth Projections (%)



SOURCE: City of Chicago *2023 Budget Forecast*

²² Page 22. City of Chicago. (2022). *2023 Budget Forecast*. www.chicago.gov

²³ Page 26. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

²⁴ Page 28. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

in revenue for 2023—about 0.2%—from the 2022 Year-End estimate before seeing slightly more increased growth in 2024 and 2025. The 2024 and 2025 revenue estimates are projected to be \$1,629.1 million and \$1,645.8 million, respectively, each year growing about 1.0%-1.5% from the prior year.

Sewer Fund

The City is projecting that the Sewer Fund will end 2022 with a revenue of \$396.1 million, which is \$18.3 million, or 4.9%, above the 2022 revenue estimate of \$377.8 million projected in the *2022 Budget Ordinance*.²⁵ For the outyears 2023-2025, the City is forecasting an increase in revenue for 2023—about 2.4%—from the 2022 Year-End estimate before seeing a modest increase in growth for 2024 and 2025. The 2024 and 2025 revenue estimates are projected to be \$413.6 million and \$421.7 million, respectively, growing 2.0% annually.

Water Fund

The City is projecting that the Water Fund will end 2022 with a revenue of \$806.5 million, which is \$11.2 million, or 1.4%, above the 2022 revenue estimate of \$795.3 million projected in the *2022 Budget Ordinance*.²⁶ For the outyears 2023-2025, the City is forecasting very minimal increases in revenue. The City projects 2023 will have an increase of approximately, \$6.1 million, or 0.8%, compared to the 2022 Year-End estimate before seeing only 0.2% increases in growth for 2024 and 2025. The 2024 and 2025 revenue estimates are projected to be \$814.5 million and \$816.4 million, respectively.

²⁵ Page 24. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov

²⁶ Page 23. City of Chicago. (2022). *2022 Budget Ordinance*. www.chicago.gov