CITY OF CHICAGO • OFFICE OF THE MAYOR

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CITY OF CHICAGO ENDS INTEREST-RATE SWAP PROGRAM

Last High-Risk Interest Rate Derivative Terminated, Significantly Reducing Financial Risk to City's Debt Portfolio

CHICAGO – The City of Chicago has announced the successful termination of its last interest rate swaps. Since the 2008 financial crisis, the Government Finance Officers Association (GFOA) has advised local and state governments to exercise extreme caution in the use of swaps, and other debt-related derivative products, due to the complex and often misunderstood financial risks associated with them. By ending the use of these structured financial instruments, the City has reduced risk in the debt portfolio, demonstrating the City's commitment to financial safety and stability.

"By closing the City's interest-rate swap position we are ensuring that there are financial guardrails for future generations and demonstrating our commitment to not only be reactive to the needs of the City but be proactive in protecting its interests," **Mayor Brandon Johnson said.** "Identifying market opportunities to strengthen Chicago's fiscal position, while also generating long-term savings is key to preserving Chicago's financial future."

In 2004, the City issued variable-rate bonds, and entered into interest rate swaps to synthetically create fixed-rate debt payments. However, the use of these swaps exposed the City to financial risk. The City proactively identified favorable market conditions and made the decision to terminate these swaps and refund the bonds. By capitalizing on these types of market opportunities the City is ensuring a safer, stronger financial future for Chicagoans.

"Favorable market conditions have also allowed us to terminate the swaps and refund bonds with positive PV savings and over $7.4 million in cash-flow savings," **City of Chicago CFO Jill Jaworski** said. "As of today, the City no longer has any derivatives exposure."

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On Wednesday, March 13, the City sold $79.525 million of Chicago Midway Airport Senior Lien Airport Revenue Refunding Bonds Series 2024A and 2024B. The 2024A and 2024B Bonds will refund $89.475 million of Chicago Midway Second Lien Airport Revenue Bonds Series 2004C and 2004D. On the same day, the City terminated the Swap Agreements associated with the Series 2004C and 2004D Bonds. The Refunding Bonds and Swap Terminations were settled today.

This strategic, financial maneuver is part of the City's ongoing commitment to optimize the airport's capital structure and support its continuous improvement and service to airlines and passengers. This aligns with Midway's long-term vision and operational needs and comes at a time when the airport is experiencing recovery and growth, with passenger bookings significantly exceeding pre-COVID levels.

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