$830MM GENERAL OBLIGATION BOND

City of Chicago

Fiscal Year 2025

February 26, 2025

City of Chicago
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Chicago: General Obligation Bond Proposal $830MM

Mayor Johnson proposed a $830,000,000 GO bond to upgrade Chicago's infrastructure and create economic security and growth. These funds will mitigate the Trump administration federal budget cuts and position the City to be less dependent on Federal funding. The bond would only require interest payments for years 3 - 19 with principal payments starting in 2045. The Alderman delayed the vote due to the backload structure of the bond and the total cost of the bond exceeding $2 billion.

Many support borrowing for capital projects but believe the capital investments should be amortized on a straight-line basis with an approved package of spending cuts to offset the additional spend. Another issue with the bond proposal is the language, listing acceptable use for funds which include "loans or grants to assist individuals, not-for-profit organizations or educational or cultural organizations, or to assist other municipal corporations, units of local government, school districts, the State of the United States of America." The language should be modified to ensure its use.

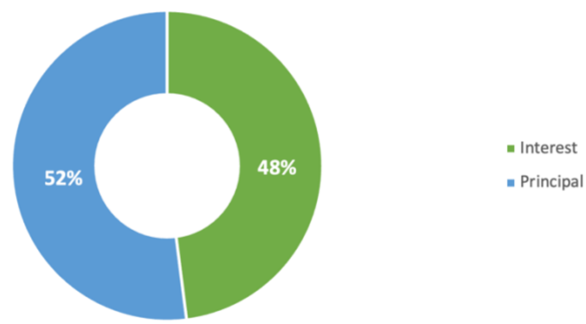
Borrowing money is necessary for infrastructure projects, but the borrowed funds should be backed by an asset. Particularly considering the recent S&P ratings downgrade Chicago received from BBB+ to BBB which is cause for concern.

The alternative to backloading the debt is to have it amortized on a straight-line basis. In doing so the city would need to find a way to offset an additional $53,000,000, annually either in cuts or revenue generation. The City's CFO Jill Jaworski indicated that these bonds are being wrapped around existing debt so the amount of debt services that are being paid annually in the city's budget is affordable and reasonable. The graph below shows a simple straight-line amortization at 5%.

Total Interest	$774,023,009.56
Total Principal	$830,000,000.00
Total Payments (Interest + Principal)	**$1,604,023,009.56**

Year	Interest	Principal	Ending Balance
1	$41,221,901.28	$12,245,532.37	$817,754,467.63
2	$40,595,396.61	$12,872,037.04	$804,882,430.59
3	$39,936,838.76	$13,530,594.89	$791,351,835.70
4	$39,244,587.85	$14,222,845.80	$777,128,989.89
5	$38,516,920.06	$14,950,513.59	$762,178,476.31
6	$37,752,023.41	$15,715,410.24	$746,463,066.07
7	$36,947,993.20	$16,519,440.45	$729,943,625.62
8	$36,102,827.28	$17,364,606.38	$712,579,019.24
9	$35,214,421.06	$18,253,012.60	$694,326,006.64
10	$34,280,562.29	$19,186,871.36	$675,139,135.28
11	$33,298,925.54	$20,168,508.11	$654,970,627.17
12	$32,267,066.38	$21,200,367.27	$633,770,259.90
13	$31,182,415.36	$22,285,018.29	$611,485,241.61
14	$30,042,271.53	$23,425,162.12	$588,060,079.49
15	$28,843,795.78	$24,623,637.88	$563,436,441.61
16	$27,584,003.73	$25,883,429.92	$537,553,011.69
17	$26,259,758.33	$27,207,675.32	$510,345,336.37
18	$24,867,762.03	$28,599,671.63	$481,745,664.74
19	$23,404,548.55	$30,062,885.11	$451,682,779.64
20	$21,866,474.29	$31,600,959.36	$420,081,820.27
21	$20,249,709.23	$33,217,724.42	$386,864,095.86
22	$18,550,227.41	$34,917,206.24	$351,946,889.61
23	$16,763,796.87	$36,703,636.78	$315,243,252.83
24	$14,885,969.15	$38,581,464.50	$276,661,788.33
25	$12,912,068.20	$40,555,365.45	$236,106,422.88
26	$10,837,178.74	$42,630,254.91	$193,476,167.97
27	$8,656,133.99	$44,811,299.66	$148,664,868.30
28	$6,363,502.85	$47,103,930.80	$101,560,937.50
29	$3,953,576.36	$49,513,857.30	$52,047,080.21
30	$1,420,353.44	$52,047,080.21	$0.00
	$774,023,009.56	**$830,000,000.00**	**$1,604,023,009.56**

Monthly Payment: $4,455,619.47



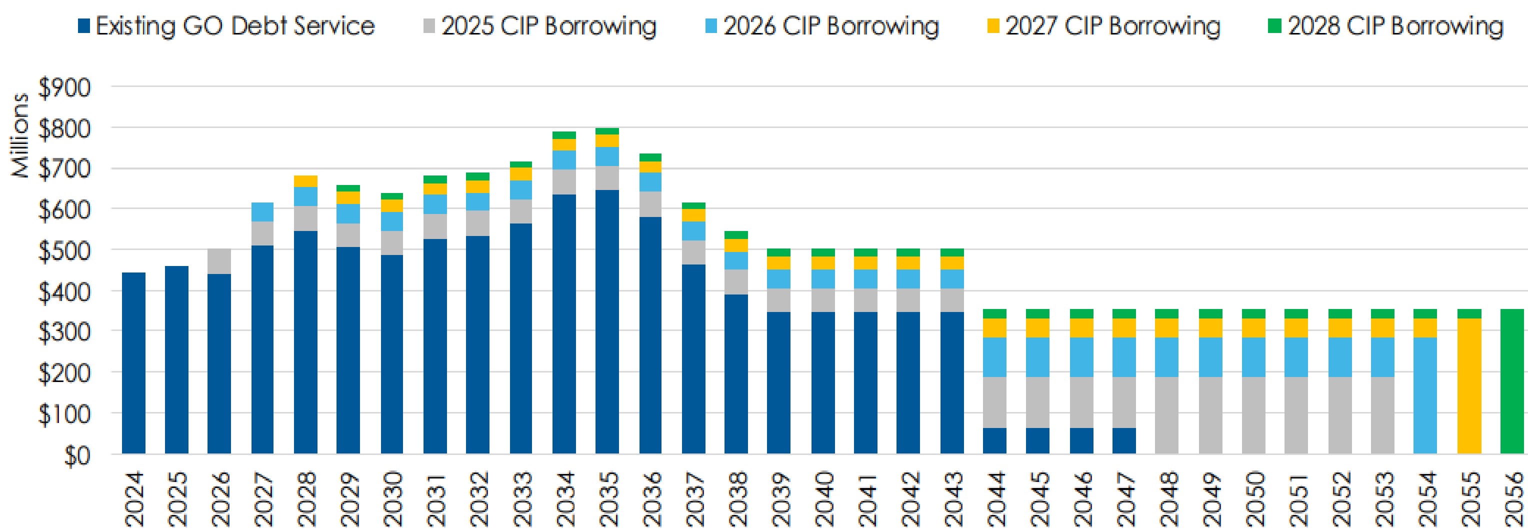
Total of 360 Monthly Payments	$1,604,023,009.56
Total Interest	$774,023,009.56

In the straight-line scenario interest and payments would be even year 1 -30 at an interest rate of 5%. The total interest in this scenario is $774,023,009 with a total payment over 30 years of $1,604,023,009. The payments in this scenario would need to be concurrent with the existing outstanding bonds. In the original scenario with the backloaded payout schedule the payments would begin in year 3 and the payment on principal would start in 2045 after the previous debt is ramped down.

The original backloaded payout schedule has no payments in year two and three with interest payments starting year three through year nineteen. In 2045 both principal and interest payments are due through the term of the bond. In the graph below (Projected 2024-2028 CIP Debt Service) the dark blue bars represent GO debt services, they decrease substantially after 2043. The current bond principal and interest would then start in 2045. Thus, the bonds are being wrapped around existing debt, so the debt is affordable. The graphic depictions below highlight the 2024-2028 CIP debt service, the amortization schedule for the original proposal, the bond allocation by category, and a chart of the category and description of proposed infrastructure improvements.

Projected 2024-2028 CIP Debt Service

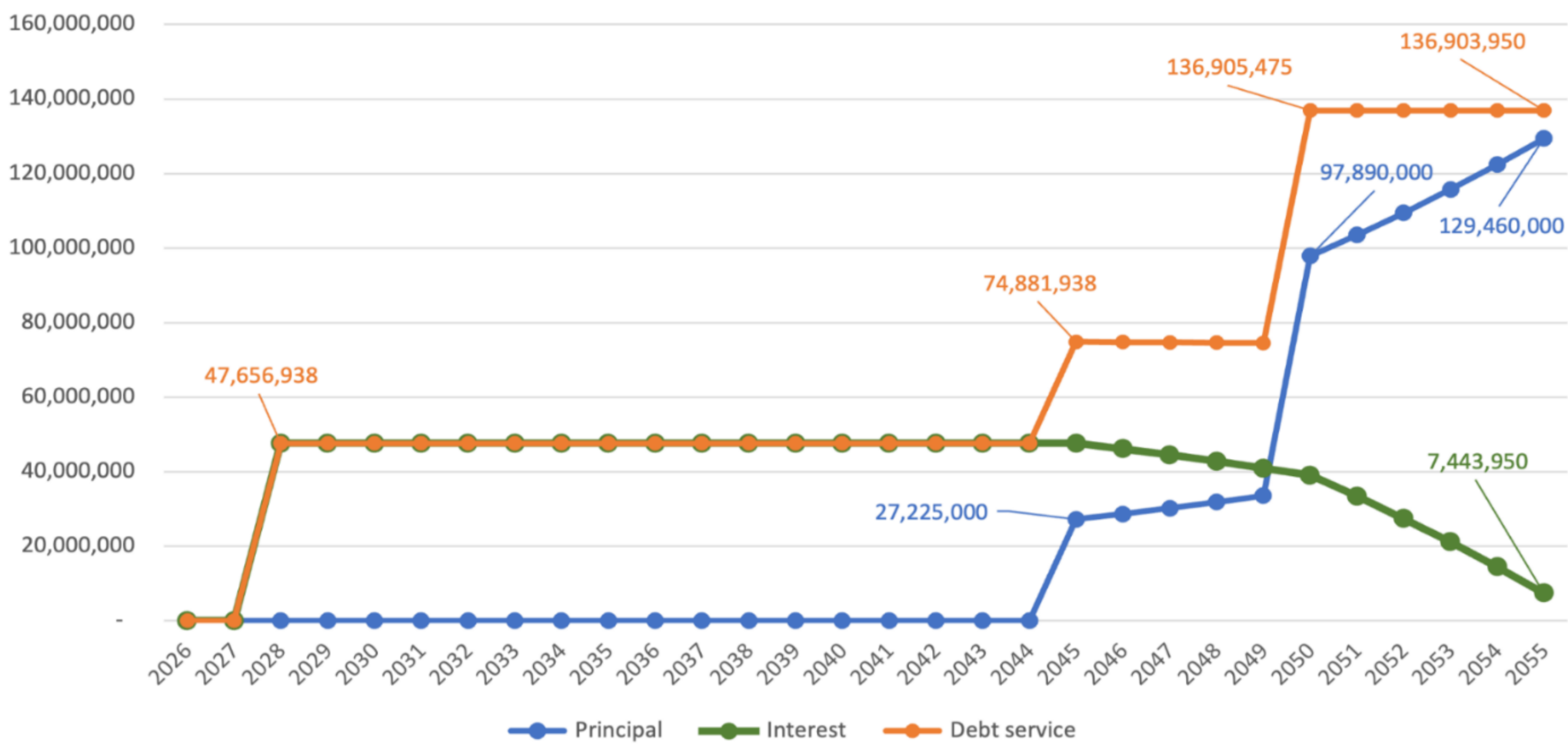
2025 - 2028 CIP Plan of Finance					
Year	**2025**	**2026**	**2027**	**2028**	**Total**
Project Spend	$1,181,106,855	$887,966,396	$559,480,016	$351,571,637	**$2,980,124,905**

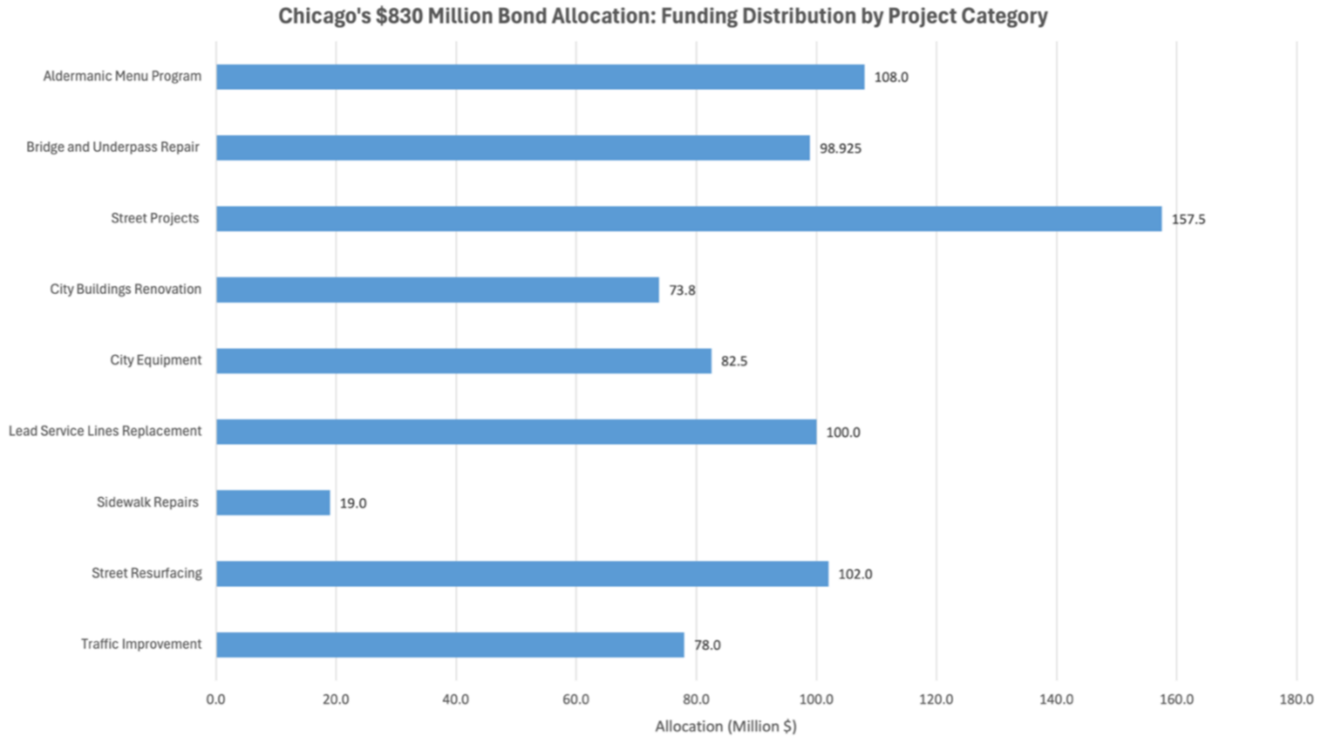


Source: Chicago 2025 Capital Bond Preliminary Budget

Period Ending	General Obligation Bonds Series 2019A			2025 Bonds - $830M Preliminary Structure		
	Principal	Interest	Debt Service	Principal	Interest	Debt Service
1/1/2026		32,473,250	32,473,250	-	-	-
1/1/2027	21,070,000	32,473,250	53,543,250	-	-	-
1/1/2028	30,090,000	31,419,750	61,509,750	-	47,656,938	47,656,938
1/1/2029	15,725,000	29,915,250	45,640,250	-	47,656,938	47,656,938
1/1/2030		29,129,000	29,129,000	-	47,656,938	47,656,938
1/1/2031	7,765,000	29,129,000	36,894,000	-	47,656,938	47,656,938
1/1/2032		28,740,750	28,740,750	-	47,656,938	47,656,938
1/1/2033		28,740,750	28,740,750	-	47,656,938	47,656,938
1/1/2034		28,740,750	28,740,750	-	47,656,938	47,656,938
1/1/2035	42,110,000	28,740,750	70,850,750	-	47,656,938	47,656,938
1/1/2036		26,424,700	26,424,700	-	47,656,938	47,656,938
1/1/2037		26,424,700	26,424,700	-	47,656,938	47,656,938
1/1/2038		26,424,700	26,424,700	-	47,656,938	47,656,938
1/1/2039	26,065,000	26,424,700	52,489,700	-	47,656,938	47,656,938
1/1/2040	42,255,000	25,121,450	67,376,450	-	47,656,938	47,656,938
1/1/2041	31,965,000	23,008,700	54,973,700	-	47,656,938	47,656,938
1/1/2042	33,615,000	21,410,450	55,025,450	-	47,656,938	47,656,938
1/1/2043	65,940,000	19,729,700	85,669,700	-	47,656,938	47,656,938
1/1/2044	69,230,000	16,432,700	85,662,700	-	47,656,938	47,656,938
1/1/2045	42,255,000	12,971,200	55,226,200	27,225,000	47,656,938	74,881,938
1/1/2046	44,580,000	10,647,175	55,227,175	28,640,000	46,159,563	74,799,563
1/1/2047	47,035,000	8,195,275	55,230,275	30,195,000	44,512,763	74,707,763
1/1/2048	49,620,000	5,608,350	55,228,350	31,840,000	42,776,550	74,616,550
1/1/2049	52,350,000	2,879,250	55,229,250	33,570,000	40,945,750	74,515,750
1/1/2050				97,890,000	39,015,475	136,905,475
1/1/2051				103,520,000	33,386,800	136,906,800
1/1/2052				109,470,000	27,434,400	136,904,400
1/1/2053				115,765,000	21,139,875	136,904,875
1/1/2054				122,425,000	14,483,388	136,908,388
1/1/2055				129,460,000	7,443,950	136,903,950
Total	**621,670,000**	**551,205,550**	**1,172,875,550**	**830,000,000**	**1,175,123,388**	**2,005,123,388**

2025 Bonds - $830 Million Preliminary Structure





No.	Category	Total Allocation (Million $)	Subcategory	Sub Allocation (Million $)
1	Aldermanic Menu Program	108.0	50 Wards	75.0
			Supplemental Support	33.0
2	Bridge and Viaduct Program	98.925	Bridge Replacement	68.1
			Bridge Repairs	30.0
			Underpass Rehabilitations	0.825
3	Street Projects	157.5	Safety Improvements	35.0
			New Streetscapes	115.5
			Pavement Markings	7.0
4	City Buildings Renovation	73.8		
5	City Equipment	82.5	Fleet Replacement	64.9
			Firefighter Bunker Gear	10.6
			Public Safety Camera	7.0
6	Lead Service Lines Replacement	100.0		
7	Sidewalk Repairs	19.0	Shared Cost Sidewalk Program	4.0
			Miscellaneous Concrete Construction	6.0
			Hazardous ROW Sidewalk Repairs	9.0
8	Street Resurfacing	102.0	Supplemental Arterial Street Resurfacing	52.0
			Green Alley Program	20.0
			Supplemental Residential Street Resurfacing	30.0
9	Traffic Improvement	78.0	Street Lighting	63.0
			Traffic Signals	15.0

Below is a synopsis of possible options, payment structure and misconceptions:

1. **Options being floated by Alders**
    1. Change the debt payment schedule to a flat amortization across the board.
    2. Lower the amount of authorized borrowing.
    3. Outline all projects as an addendum to the proposal.
    4. CPS clarification- add language stipulating that this bond money cannot go towards CPS operating expenses.
2. **Payment structure**
    1. As is currently proposed
    2. Straight amortization (Conway)
    3. Move Debt services up to start paying towards the principal earlier even if starting at a low rate. (Knudsen)
3. **Misconceptions**

CPS operating expenses- The CFO stated that this money could not be used towards operating expenses, and that the language included is in place to allow for flexibility should an alder choose to use menu money for small scale projects at schools within their ward. In addition, any other capital expenses of this bond to CPS would need approval from the city council. The CFO and her team have also stated that no proceeds from the bond sale may be used as a loan to cover the $175 million pension payment still outstanding for CPS.

Outlined projects- The Memo provided to Alderman from CDOT outlining the specific locations and wards for a large portion of the spending plan including specific bridge and viaduct repairs, street resurfacing, traffic signal connectivity, Complete Streets and streetscapes.

Debt Payment- According to the CFO, the debt payments are scheduled in a way that wraps around the existing debt payments. This braids the new bond deal into the existing debt payment structure with payments toward the principal of the new 2025 CIP Bond going into effect when the existing debt payments reduce significantly in 2044. The CFO reiterates that back-loaded payment structures have been used in the past and helps to "smooth out" the overall debt services costs when coupled with the existing bonds outstanding. The CFO also highlights that the repayment schedule could fluctuate in the out-years, depending on opportunities to refinance other debt or increases in revenue. According to the CFO, "we are amortizing around where the bulk of our debt is paid off, which is in 2043 and 2044, and therefore that mitigates the impact to our budget in the near term."

Lower authorization amount- There have been suggestions that the overall authorization amount should be reduced from anywhere between 20%-50% of the overall amount. Finance Chair Dowell, also noted that lowering the authorization amount was a "bad idea" because the infrastructure improvements are needed immediately and that "deferred maintenance equals more liability for the city down the road." Although, some argued that lowering the authorization amount would improve the interest rate even if it was marginally.