



Chicago City Council
Office of Financial Analysis

2022 Budget Forecast

2022 Budget Forecast for City of Chicago

The following sections review the financial forecast for the 2021 Corporate Fund Year-End Estimates and the 2022 Corporate Fund projections. Projected estimates for the Corporate Fund for 2021 indicate budgeted revenue will exceed expenses by \$210.1 million. The revenue and expense estimates reflect current projections as of August 2021. Total Corporate Fund revenues are projected to be higher than budgeted levels to end 2021. The increase in part is due to the pace of economic recovery from COVID-19.

The 2021 Corporate Fund Expenditures are projected to end the year below budget by \$32.5. Key drivers for the 2021 year-end projected expenditure reduction include reductions in personnel costs and contractual services. The City also has additional obligations of \$1.2 billion for public safety retroactive wage commitments, principal repayment on short-term borrowing to cover COVID-related revenue losses in 2020, and 2021 COVID-related cancellation of a planned refinancing.

The 2022 Corporate Fund Projections estimate a 2022 Corporate Fund gap of \$733 million. The increase is driven by an increase in tax revenue due to the anticipated continued recovery from the impact of COVID. Corporate fund revenues are expected to increase \$179.7 million from the 2021 budgeted amount.

The 2022 expenditures are projected to increase by 912.8 over 2021 budget levels. This increase is driven by personnel, pension, and debt obligations.

Potential gap closing solutions, according to the 2022 Budget Forecast, include American Rescue Plan, or ARP, revenue replacement and other non-quantifiable solutions, such as department efficiencies, financial reforms, and exploring new revenue sources. Will these solutions be tracked to validate the impact? The City is proposing to apply \$782.2 million of the ARP revenue replacement for 2021 eligible operating expenses. The City had a \$500 million refinancing option to offset the 2021 shortfall, and this amount is allowable under stop-loss reimbursement factor, or SLRF, provisions to address the shortfall. The other amount \$282 million may be better utilized elsewhere and the \$450 million short-term debt for the 2020 shortfall should be absorbed. The anticipated FOP contract has a shortfall of \$274.3 million, which can be covered with refunding and from the Corporate Fund. The 2022 Corporate Fund projections have moved downward from \$1,498.6M to \$733.0M, a significant drop. What was the main driver for the huge reduction? Overall, the City has options to cover a tough year. However, it is still difficult to ascertain the length of the COVID economic impact. Therefore, it will be wise to proceed cautiously.

The Amended Obligations should not be included in the 2022 Budget Forecast, but instead integrated into the 2022 Budget Recommendation. As the American Rescue Plan funding has been added to the 2022 Budget Hearings and Approval process, it would have been appropriate to present the Amended Obligations of Public Safety Retroactive Payments \$274.3M, 2021 COVID Revenue Loss Addressed Through Debt \$500.0M, and 2020 COVID Revenue Loss Addressed Through Debt \$450.0M in the 2022 Budget Recommendation. The optics of including the Amended Obligations in the forecast is inept and presumes that the Chicago City Council would perfunctorily approve the Amended Obligations.