

OVERVIEW & ANALYSIS OF ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Chicago
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City of Chicago
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OVERVIEW AND ANALYSIS OF ANNUAL COMPREHENSIVE FINANCIAL REPORT

INTRODUCTION

The World Health Organization characterized the strain of the novel coronavirus (COVID-19) as a pandemic on March 11, 2020.¹ The COVID-19 pandemic had a negative global impact on economies. The City of Chicago's two major airports were adversely impacted, and flights and passenger volume were dramatically reduced. All segments of the economy were negatively impacted, particularly the restaurant, hotel, tourism, and arts industries. As the effect of COVID-19 waned, Chicago started to show positive signs of economic recovery. Since the beginning of the COVID-19 pandemic, the City has been funded over \$3.6 billion in federal assistance to cover expenses, including \$1.9 billion in American Rescue Plan (ARP) funding distributed in 2021 and 2022. Funding was used for recovery, mitigation, and prevention, providing food, healthcare, housing, communication outreach, rental assistance, small business support, and airport operations. The City is also eligible to receive funding for the Federal Emergency Management Agency (FEMA) Public Assistance Grant.²

The net deficit decreased year-over-year (from 2020 to 2021) by \$1,300.2 million and at the close of the year (2021) was \$27,121.3 million. The total assets of the City increased by \$1,202.6 million, this was in part due to COVID-19 grant funding; the increase in accounts receivable and the \$324.2 million due from other governments is due primarily to the grant-funded expenditures in response to the COVID-19 pandemic. Net pension liability impacted the City's deferred outflows, which decreased by \$132.8 million (due to amortized pension cost) and deferred inflows decreased by \$1,181.5 million due to changes in assumptions for pension activities. The City's total liabilities increased by \$951.2 million mainly due to the net pension liability, other post-employment benefits, and payables due to timing.³

Total Revenues increased by \$1,411.6 million primarily due to an increase in COVID-19 grant funding, debt financing, and the increase in economically sensitive revenues. Total fund balances increased from 2020 by \$319.6 million primarily due to the revenue recovery impact of the COVID-19 pandemic. The City's General Obligation bonds and notes outstanding decreased by \$1,098.8 million due to payments on General Obligation bonds and \$215.0 million drawn from two lines of credit in 2021. The pandemic was a blessing and a curse. As the impact ravished the economy, funding in large part not only facilitated the recovery but added dollars to the coffers, the common thread in discussing the financials is COVID-19 funding.⁴

ANNUAL COMPREHENSIVE FINANCIAL REPORT

The Annual Comprehensive Financial Report (ACFR) is a set of financial statements of a governmental entity that complies with the accounting requirements created by the Governmental Accounting Standards Board (GASB). The statements are audited by an independent auditor—Deloitte & Touche LLP—using generally accepted government auditing standards. The ACFR presents a comprehensive picture of the reporting entities' financial condition illustrating how funds are spent and how funds will

¹ World Health Organization. (2020, March 11). WHO Director-General's opening remarks at the media briefing on COVID-19. Retrieved from www.who.int

² Page 18. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

³ Page 18. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

⁴ Pages 18-19. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

be allocated. The ACFR consists of three sections: Introductory, Financial, and Statistical. For this analysis, the focus will be on the Financial section of the ACFR. The City of Chicago's ACFR is a narrative overview and analysis of the financial activities of the City for the fiscal year ending December 31, 2021. Information contained in this analysis is from the 2021 City of Chicago Annual Comprehensive Financial Report, for the year ended December 31, 2021. The City of Chicago shall be referenced as the "City" for the purpose of this analysis and overview.

OVERVIEW OF ACFR'S BASIC FINANCIAL STATEMENTS

This section serves as an introduction to the City's basic financial statements, which include: (1) government-wide financial statements (2) fund financial statements, and (3) notes on the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include two statements, the statement of a net position which presents information on all City assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. The second statement is the statement of activities that presents how the net position changed during the fiscal year. Revenues and expenses are reported for some items that will result in cash flows in future periods, the statement also compares direct expenses and program revenues for each function of the City.

Liabilities and deferred inflows exceeded assets by \$27,121.3 million as of December 31, 2021, for total governmental and business-type activities. Of this amount, \$4,324.7 million represents an investment in capital assets less any related debt to acquire those assets is still outstanding. It must be noted that these assets are not available for future spending and are restricted. In addition, \$4,378.9 million of the net position are restricted, both restricted items are offset by an unrestricted deficit of \$35,824.9 million.⁵

The City is showing signs of recovery from the impact of the Covid-19 pandemic. The increase in revenues is due to significant funding awarded during 2021 in response to the Covid-19 pandemic for public safety, health, housing, rental assistance, and business assistance. Expenditures increased due to the re-opening of General government offices, Public Safety, and Health as the city was fully operational after the Covid-19 pandemic shutdown. The unrestricted net position for governmental activities showed a \$31,583.3 million deficit at the end of 2021. The unrestricted net position for the government deficit is due to long-term commitments that exceed available resources. The lingering pension issue is choking the City's finances: the pension liability for Municipal Employees, Laborers, Policemen, and Firemen and other post-employment benefits account for \$32,163.7 million. In future years, these amounts will be included in budgets as they come due.⁶

Revenues from governmental activities in 2021 were \$9,904.0 million an increase of 21.1% or \$1,725 million from 2020. Non-property tax revenue accounted for 38.5% of the revenue and increased by \$716.1 million, or 23.2% over 2020, this increase was caused in part by the re-opening of the City from the Covid-

⁵ Page 18. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

⁶ Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

19 pandemic recovery. Other revenues decreased by \$170.6 million primarily due to lower than the prior year interest rates, fair market value adjustment, and miscellaneous revenues.⁷

Governmental activity expenses in 2021 were \$9,003.0 million an increase of \$1,165.1 million over 2020. Taxpayers paid \$5,373.8 million for these government activities. The City paid \$1,989.5 million for the public benefit part with other revenues (federal and state grants). The other revenues included \$782.2 million of ARP Act funds applied to replace lost revenues due to the pandemic and were used for testing, vaccination efforts, housing, rental assistance, and public safety as well as essential government services.⁸

The net position for business-type activities was \$2,309.6 million, these funds can only be used to finance continuing operations of water, sewer, Skyway, and airport activities.⁹

FUND FINANCIAL STATEMENTS

These statements present information about major funds individually and non-major funds in aggregate for governmental and propriety fund types. Governmental funds include the following:

General Fund

The General Fund is the City's general operating fund and supports essential City services and activities, such as public safety, streets and sanitation, public health programs, and general government services. This fund generates revenues through a variety of local and intergovernmental taxes, fees, and fines.¹⁰

Special Revenue Fund

Special Revenue Funds account for the operations of a specific activity and the revenue generated for carrying out that activity. Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.¹¹ The City has over 15 of these types of funds, and examples include the Vehicle Tax Fund, Motor Fuel Tax Fund, Library Fund, and Emergency Communication Fund.

Debt Service Fund

These funds are used to account for the accumulation of resources for, and the payment of, long-term debt service and related costs, which include both the principal and interest.¹² Examples include the Motor Fuel Tax Fund Debt Service, GO Bond Redemption and Interest Fund, and Emergency Communication Bond Redemption and Interest Fund.

Capital Projects Fund

The Capital Projects Fund accounts for the spending and revenues related to major infrastructure projects in the City, such as purchasing equipment and capital improvements.

⁷ Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

⁸ Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

⁹ Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

¹⁰ Page 9. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

¹¹ Page 193. City of Chicago. *2022 Budget Overview.* www.chicago.gov

¹² Page 189. City of Chicago. *2022 Budget Overview.* www.chicago.gov

EXPLANATION OF GOVERNMENT FUNDS BY MAJOR GROUPS

Governmental, proprietary, and fiduciary are the three major groups of governmental funds.

Governmental Fund

Governmental funds account for similar functions reported as governmental activities in the government-wide financial statements, focusing on shorter-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year, which is useful in evaluating a government's near-term financing requirements. The City has 22 of these funds, such as the General Fund, the Federal, State and Local Grants Fund, and the Special Taxing Areas Fund.¹³

Proprietary Fund

A proprietary funds are used to show activities that operate more like those of commercial enterprises. This fund charges user fees for services provided to outside customers, such as local governments, which are known as enterprise funds.¹⁴ The City has the following enterprise funds (not including the Skyway), along with their net income/(loss) for FY 2021 below:¹⁵

- O'Hare Airport Fund – \$42 million
- Water Fund – \$273 million
- Sewer Fund – \$89 million
- Midway Airport Fund – **(\$17) million**

Fiduciary Funds

Fiduciary funds are primarily used to account for resources held to benefit parties outside of the primary government. The City is the trustee, and fiduciary, for employee pension plans. The City is responsible for ensuring that the assets report is used for its intended purpose.¹⁶ The City's financial statements identify the following legal entities as fiduciary funds:

- ❖ The Municipal Employees Annuity and Benefit Fund of Chicago
- ❖ The Laborers' and Retirement Board Employees
- ❖ The Policemen's Annuity Benefit and fund of Chicago
- ❖ The Firemen's Annuity and Benefit Fund of Chicago

The City also reports the following fiduciary funds:

Pension Trust Funds report expenditures for employee pensions as provided by employer contributions and investment earnings.

¹³ Page 20. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

¹⁴ Page 20. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

¹⁵ Page 48. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

¹⁶ Page 20. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

Custodial Funds transactions for assets held by the City as agents for certain activities or for various entities (i.e., McCormick, Departure Tax, Special Assessments, CPS Building, and Improvement).

NOTES TO THE BASIC FINANCIAL STATEMENTS

Financial Analysis of The City As A Whole

Net Position. This is the difference between an entity's assets (plus deferred outflows of resources) and its liabilities (plus deferred inflows). The City's liabilities and deferred inflows exceeded assets by \$27,121.3 million as of December 31, 2021. Of this amount, \$4,324.7 million and \$4,378.9 million are restricted; the former represents the investment in capital assets (buildings, roads, bridges, land, etc.) less any related debt to acquire those assets that remain outstanding. The latter \$4,378.9 million represents resources subject to external restrictions on usage.¹⁷

Governmental Activities

The net position for the City's governmental activities increased by \$902.6 million to a deficit of \$29,430.9 million due to an increase in cash and cash equivalents from grant funding received for the COVID-19 response efforts and an increase in sensitive revenues (i.e., sales tax and recreation tax). Revenues for governmental activities in 2021 were \$9,904.0 million an increase of 21.1% from 2020. Roughly, 38.5% of the City's revenue was from taxes other than property taxes, which increased due to the COVID-19 recovery as the City fully opened in June 2021 by \$716.1 million from 2020. Other revenues declined by \$170.6 million primarily due to reductions in interest income as rates were lower in 2021 than in 2020. Other factors contributing to the revenue reduction include miscellaneous revenue, fair market value adjustment, and one-time donations given in 2020.¹⁸

Expenses for governmental activities in 2021 were \$9,003.0 million an increase of \$1,165.1 million over 2020 expenses. Taxpayers paid \$5,378.8 million for these activities through city taxes.¹⁹

The net position of business-type activities was \$2,309.6 million the resources cannot be used to make up for the deficit in net position in government activities and can only be used for continuing operations of water, sewer, Skyway, and airport activities.²⁰

Business-Type Activities

The City's business-type total revenues decreased by \$31.3 million in 2021 as a large amount of the funds were applied to attenuate the impact of the COVID-19 pandemic, offset by an increase in charges for services, rental income, and other general revenues due to an increase in passenger activity as air travel recovered from the impact of the COVID-19 pandemic.²¹

¹⁷ Page 21. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

¹⁸ Pages 21-22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

¹⁹ Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²⁰ Page 22. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²¹ Page 25. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

- The Water Fund’s total operating revenue increased by \$39.1 million primarily due to an increase in net water sales of \$34.3 million (4.8%) resulting from a reduction in doubtful accounts of approximately \$14.2 million (48.4%) and an increase in operating revenues of about \$4.9 million (21.9%). The reduction in doubtful accounts was due to a program implemented to provide relief and write-off eligible past due balances - the Utility Billing Relief program resulted in the write-off of legacy accounts receivable and penalties of eligible customers that applied for relief on their past due balances.²²
- The Sewer Fund’s total net operating revenues increased by \$32.3 million or 9.7% due to an increase in pumpage as well as a rate increase of 1.1% during 2021. Operating expenses before depreciation and amortization increased by \$20.6 million due to a change in assumptions that caused a decrease in the change of deferred inflows and a slight increase in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.²³
- Chicago O’Hare International Airport’s total operating revenues increased by \$239.5 million (26.5%) compared to the prior year due to an increase in terminal use charges and landing fees of \$176.1 million; increases also recognized in passenger and flight activity as the Airport recovers from the effect of the pandemic on travel.²⁴
- Chicago Midway International Airport’s total operating revenues increased by \$33.1 million due to increases in passenger traffic, terminal rental revenues, and concessions due to the COVID-19 pandemic recovery.²⁵

Financial Analysis Of The City’s Funds

- The General Fund is the chief operating fund of the City. As of December 31, 2021, the unassigned fund balance of the General Fund was \$318.1 million, with a total fund balance of \$679.1 million.²⁶
- The General Fund expenditures on a budgetary basis were \$107.2 million less than the budgeted amount due to favorable variances in general government expenditures.²⁷
- Changes in Fund balance – The City’s governmental funds increased by \$655.7 million in 2021 and includes \$5.9 million in inventory.²⁸

General Fund Budgetary Highlights

- The City’s 2021 General Fund Budget of \$4,127.8 million was approved by City Council on November 24, 2020.²⁹

²² Page 25. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²³ Page 25. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²⁴ Page 25. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²⁵ Page 25. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

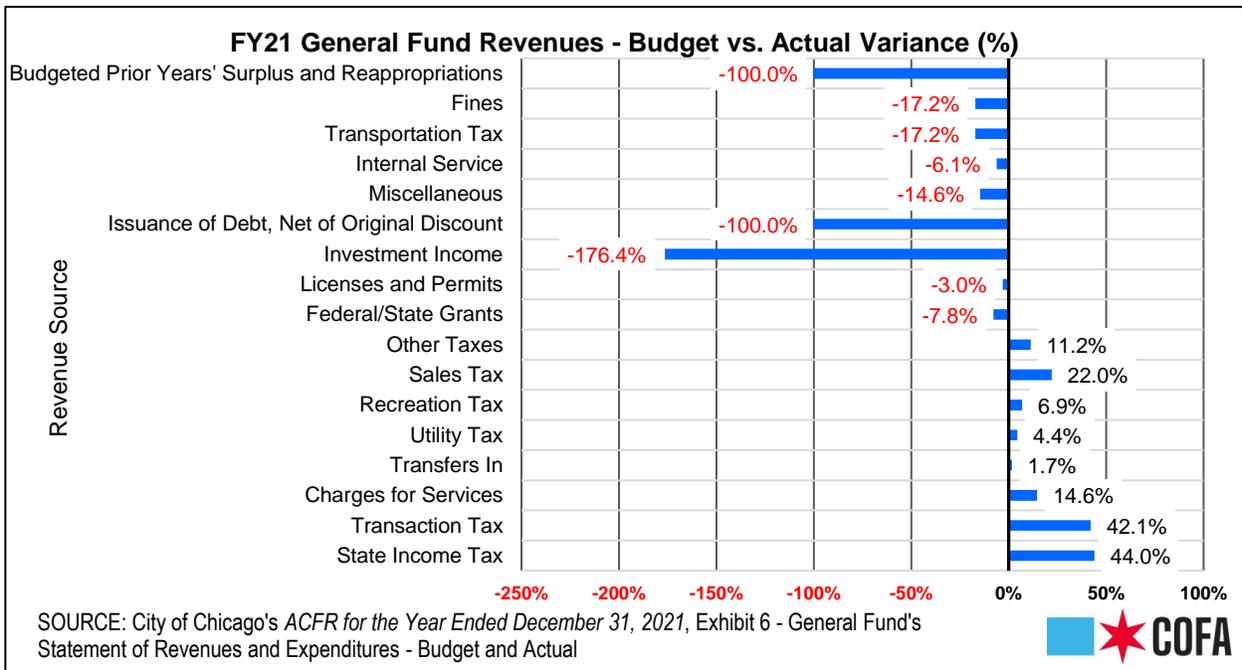
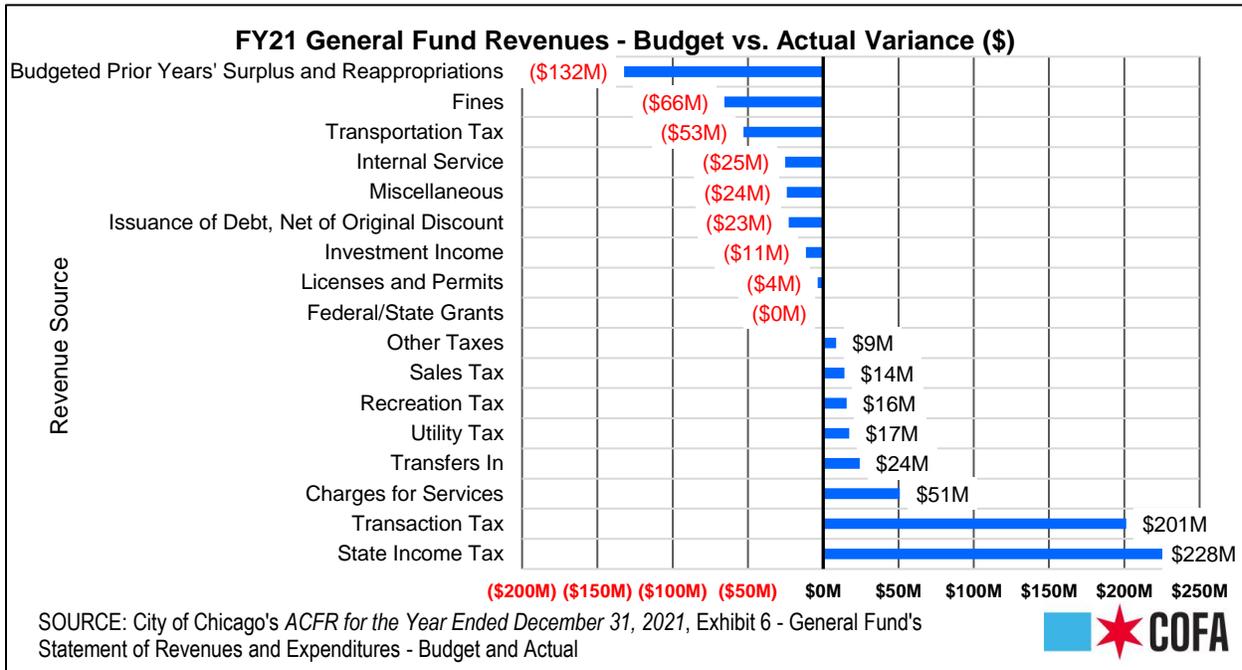
²⁶ Page 19. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²⁷ Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

²⁸ Page 28. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

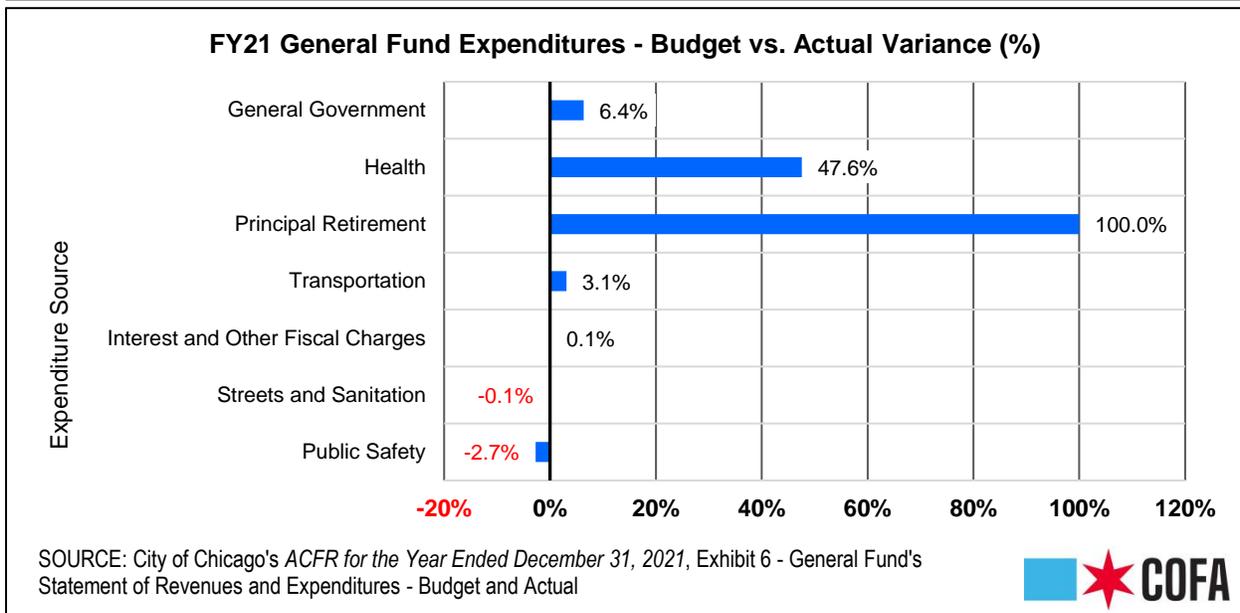
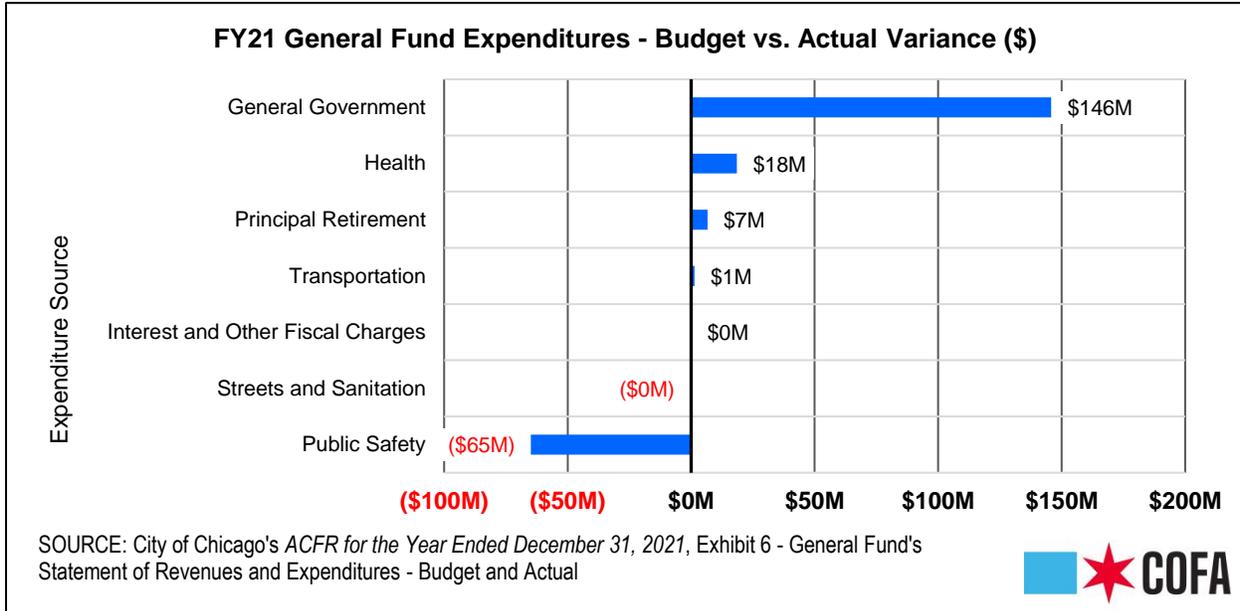
²⁹ Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021.* www.chicago.gov

- General Fund revenues ended \$221.6 million higher compared to the 2021 final General Fund Budget. This was primarily due to high collections from transaction taxes, which include personal property lease tax and real property transaction tax, as well as collections from income tax and personal property replacement tax.³⁰



³⁰ Page 29. Annual Comprehensive Financial Report For The Year Ended December 31, 2021. www.chicago.gov

- Expenditures were \$107.2 million less than budgeted in fiscal year 2021, primarily because of a favorable variance in general government expenditures.³¹



- The following table provides an overview of Schedule A-2 in the 2021 ACFR, which lists the Expenditures and Encumbrances in the City's General Fund. The table is sorted on the variance percent column, where a negative amount means the expenditures exceeded budget and a positive amount equates to expenditures coming in below budget.

³¹ Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

DEPARTMENT EXPENDITURES	BUDGET	ACTUAL	VARIANCE (\$)	VARIANCE (%)
Department of Police	\$1,556,831	\$1,620,222	(\$63,391)	(3.9%)
City Treasurer	\$1,605	\$1,653	(\$48)	(2.9%)
Fire Department	\$644,435	\$653,805	(\$9,369)	(1.4%)
Dept of Streets & Sanitation	\$230,310	\$230,554	(\$244)	(0.1%)
Department of Buildings	\$21,355	\$21,346	\$8	0.0%
Interest and Other Fiscal Changes	\$1,526	\$1,524	\$3	0.2%
Department of Housing	\$9,993	\$9,934	\$59	0.6%
Office of Emergency Communication	\$10,666	\$10,572	\$94	0.9%
Chicago Department of Transportation	\$45,173	\$43,799	\$1,374	3.1%
Office of The Mayor	\$9,913	\$9,583	\$330	3.4%
Office of Budget & Management	\$2,922	\$2,817	\$105	3.7%
Board of Ethics	\$870	\$834	\$35	4.3%
Department of Human Resources	\$6,204	\$5,900	\$304	5.1%
Dept of Assets Information And Services	\$229,915	\$218,387	\$11,529	5.3%
Finance General	\$1,882,369	\$1,779,677	\$102,692	5.8%
City Council	\$27,758	\$26,092	\$1,666	6.4%
Office of Inspector General	\$7,906	\$7,403	\$503	6.8%
City Clerk	\$3,797	\$3,553	\$244	6.9%
Dept of Law	\$29,818	\$27,513	\$2,305	8.4%
Dept of Procurement Services	\$6,116	\$5,604	\$511	9.1%
Dept of Planning & Development	\$11,910	\$10,811	\$1,099	10.2%
Board of Election Commissioner	\$13,905	\$12,510	\$1,395	11.2%
Dept of Business Affairs & Consumer Protection	\$19,455	\$17,383	\$2,072	11.9%
Department of Administrative Hearings	\$7,766	\$6,938	\$829	11.9%
Office of Public Safety Administration	\$30,627	\$27,354	\$3,273	12.0%
Civilian Office of Police Accountability	\$13,315	\$11,826	\$1,489	12.6%
Department of Finance	\$64,939	\$57,340	\$7,599	13.3%
Dept of Family And Support Services	\$105,822	\$91,874	\$13,948	15.2%
Comm On Animal Care & Control	\$7,022	\$6,062	\$960	15.8%
Commission On Human Relations	\$1,066	\$905	\$160	17.7%
Office For People With Disabilities	\$1,874	\$1,573	\$301	19.1%
License Appeal Commission	\$191	\$141	\$50	35.7%
Police Board	\$565	\$392	\$173	44.2%
Department of Health	\$57,345	\$38,864	\$18,480	47.6%
Principal Retirement	\$13,236	\$6,618	\$6,618	100.0%
Total Department Expenditures - General Fund	\$5,078,521	\$4,971,363	\$107,158	2.2%

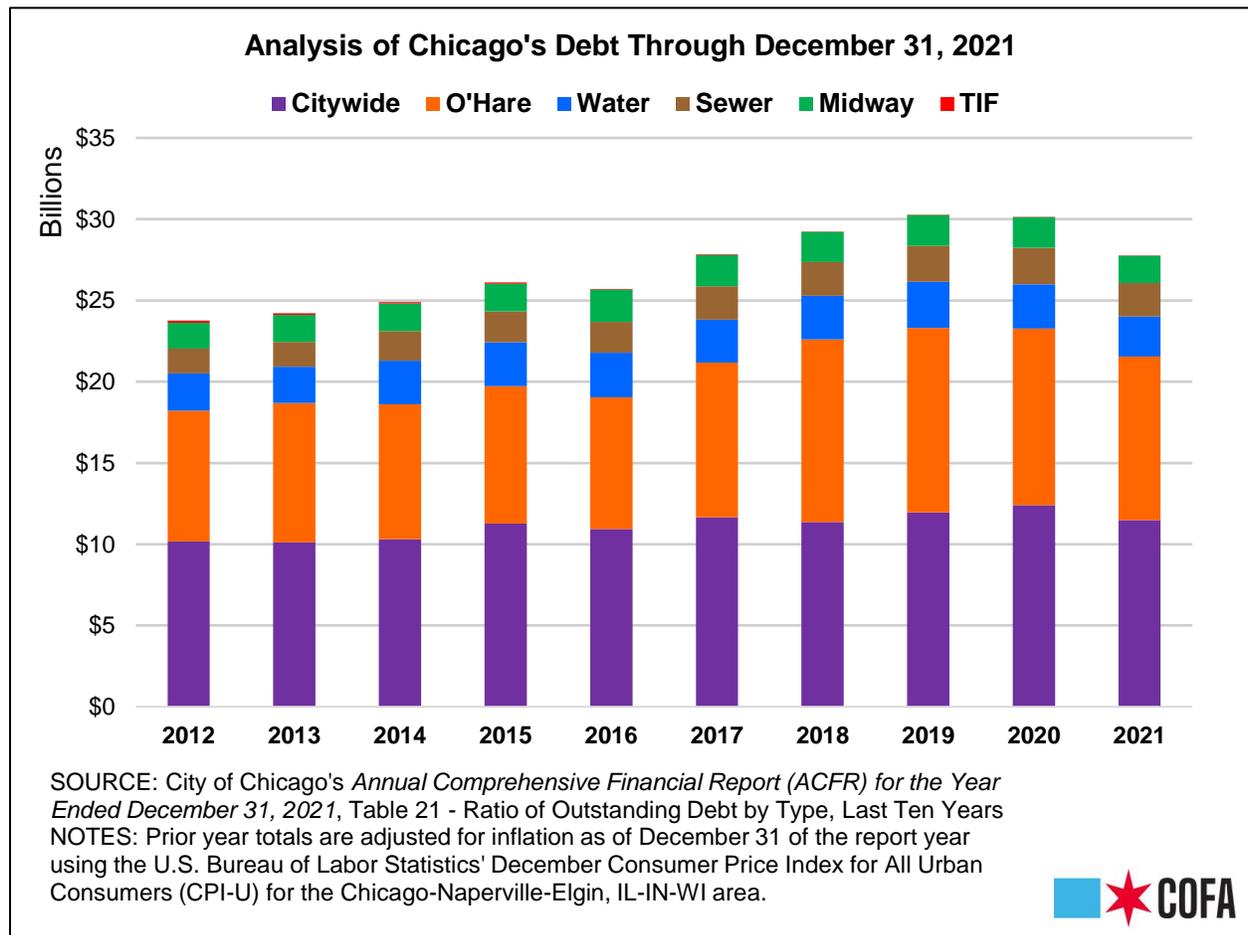
Amounts in Thousands

Capital Asset and Debt Administration

The capital assets for the City for its governmental and business-type activities amounted to \$28,703.9 million (net accumulated depreciation) as of December 31, 2021. Included in this capital asset category are land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant, and equipment.³²

Debt

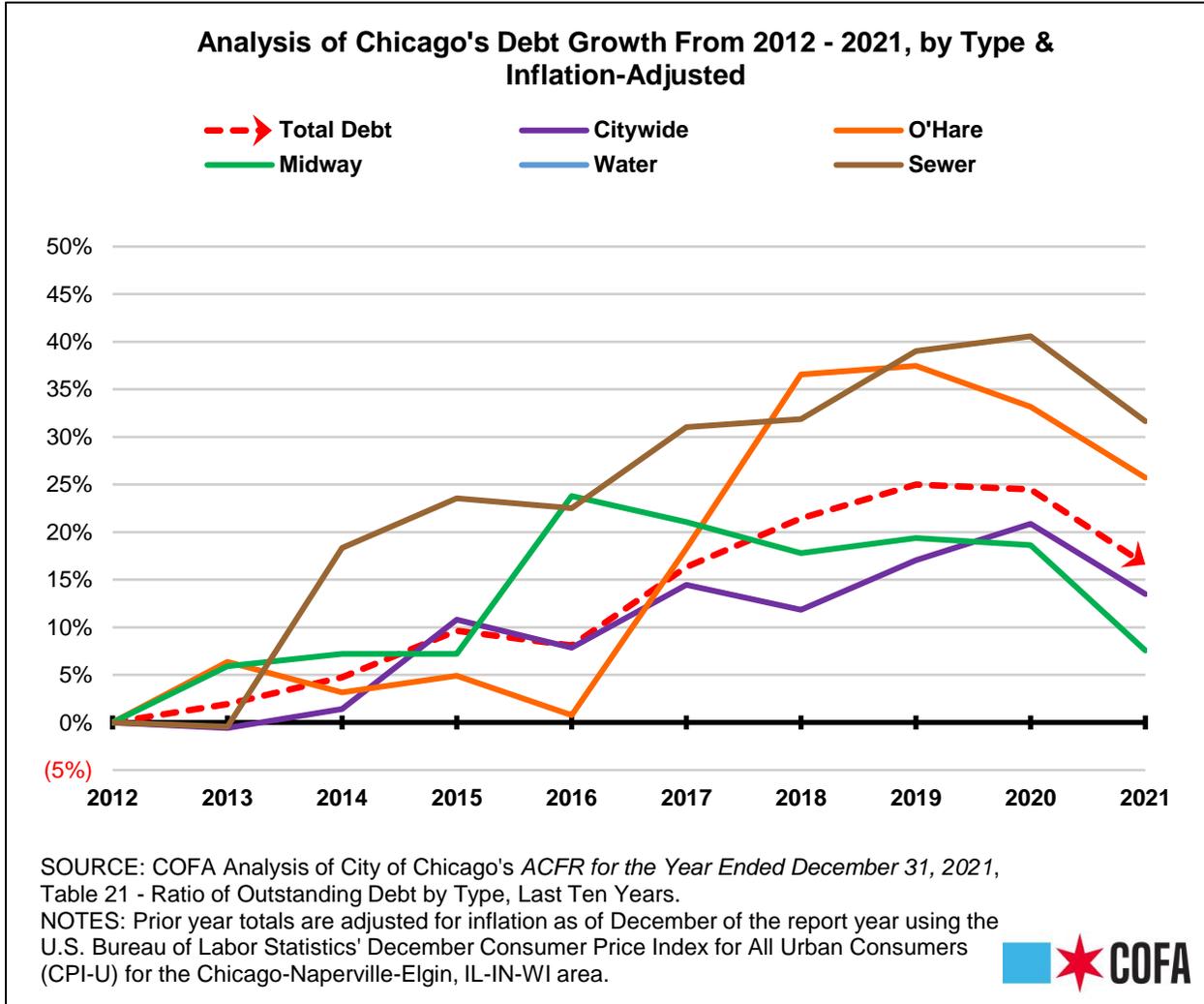
At the end of the fiscal year, the City had \$5,847.2 million in General Obligation Bonds, \$215.0 million in two General Obligations Lines of Credit, and \$93.2 million in General Obligation Certificates and Other Obligations outstanding. Other long-term debts outstanding are: \$4,609.0 million in Sales Tax Securitization Corporation Bonds (STSC Bonds); \$4.9 million in Motor Fuel Tax Revenue Bonds; \$7.7 million in Tax Increment Financing Bonds; and \$15,318.2 million in Enterprise Fund Bonds and long-term obligations.³³



³² Page 29. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

³³ Page 30. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

The City's total primary government debt at the end of 2021 was \$27,754.0 million.³⁴ When adjusting for inflation, this is a decrease of \$2,380.8 million, or 7.9%, from 2020.³⁵ Using the same adjustment for inflation, the City's debt has grown approximately 16.8% over the past ten years.



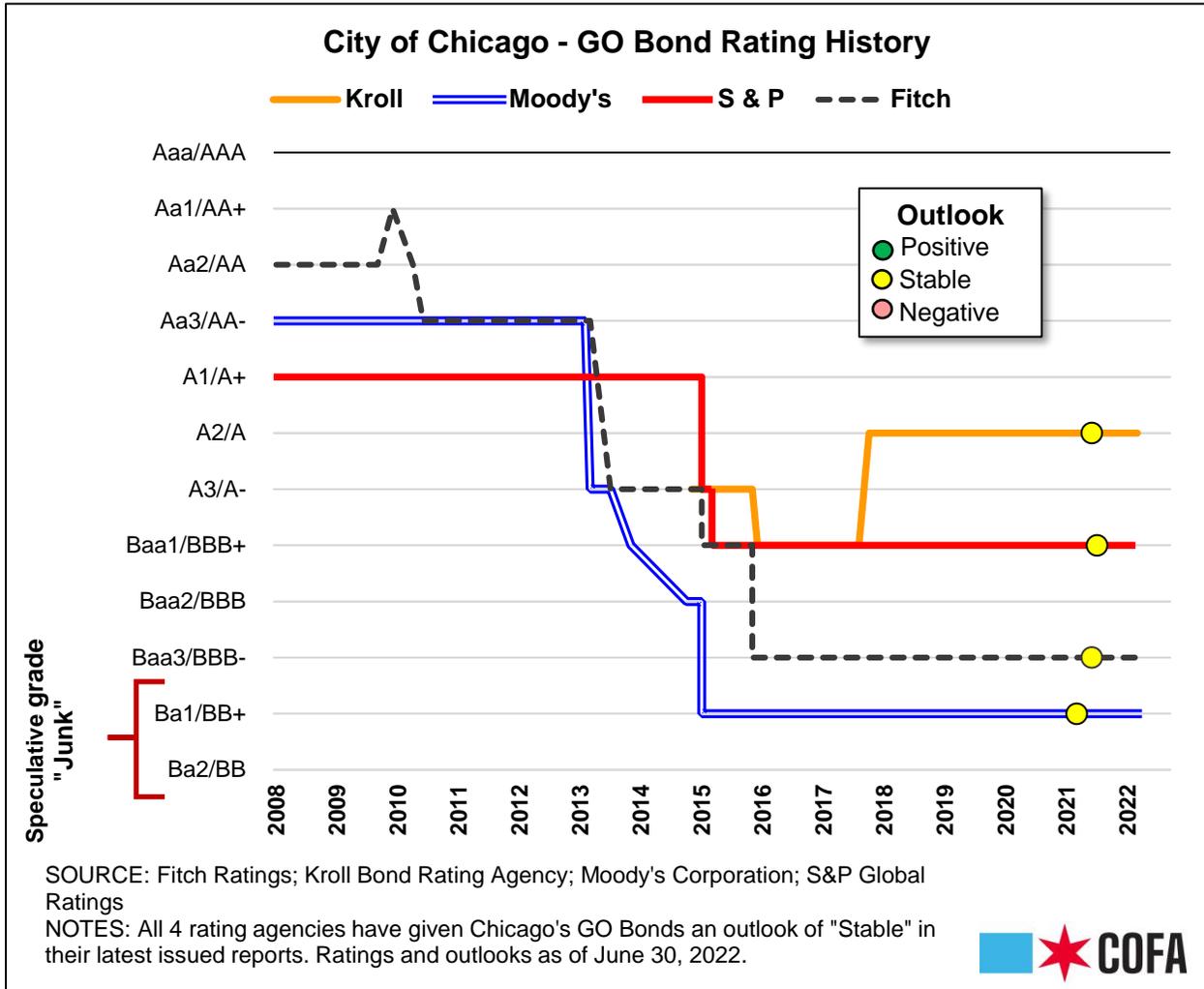
“The City’s GO Bonds and notes outstanding decreased by \$1,098.8 million during the current year due to payments on General Obligation Bonds and other debt and refunding of \$1,980.2 million, offset by \$666.4 million from General Obligation Bonds and \$215.0 million drawn from two lines of credit in 2021.”³⁶

³⁴ Pages 230-231. Table 21. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

³⁵ Inflation determined using CPI-U as of December 2021 for Chicago-Naperville-Elgin, IL-IN-WI area. U.S. Bureau of Labor Statistics. data.bls.gov

³⁶ Page 19. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

While the credit ratings of the four major rating agencies—Moody’s, Standard & Poors, Fitch, and Kroll—for the City’s General Obligation Bonds did not change in the fiscal year 2021, all four rating agencies did revise up their outlooks for the City’s GO Bonds throughout the fiscal year from Negative to Stable. The following chart provides an overview of the credit ratings assigned by the four major rating agencies and how the ratings have changed over time since 2008.



Enterprise Fund Revenue Bonds and Notes

In October 2021, Fitch Ratings revised the outlooks for the Sales Tax Securitization Corporation Senior Lien and second lien bonds from negative to stable.³⁷ In December 2021, Fitch Ratings revised the outlook for the Water Second Lien Bonds and Wastewater Second Lien bonds from Negative to Stable.³⁸ The

³⁷ Fitch Ratings. (2021, October 25). *Fitch Rates Chicago, IL's GO Bonds "BBB-" and STSC's Securitization Bonds "AA-"; Outlook Revised to Stable.* www.fitchratings.com

³⁸ Fitch Ratings. (2021, December 23). *Fitch Revises Outlook to Stable on Chicago, IL's Second Lien Water Revs; Affirms Rating at "A-."* www.fitchratings.com

refunding of the STSC bonds decreased the City's total debt service payments by \$91.3 million resulting in an economic gain of \$134.9 million and a book loss of approximately \$120.5 million.³⁹

ECONOMIC FACTORS AND FINANCIAL CONCERNS

The interconnectivity of regional, national, and global economies impacts the City's finances and economic outlook. Stronger than expected revenues and federal relief have put Chicago's finances on a more stable footing. The effect of the COVID-19 pandemic has lessened due to the recovery, but the impact continues to linger. Even as the grip of the pandemic loosens, we still face challenges in the upcoming year; inflation, persistent out-migration, crime, and fiscal problems that continue to plague Chicago.⁴⁰

As the City recovers from the pandemic, we are positioned well to benefit from a surge in pent-up demands for vacations and service spending. Hotel occupancy is increasing and on par with other major markets, and Chicago is continuing to develop as a transportation and distribution center for the Midwest.^{41,42} Major corporations are moving to Chicago such as Walgreens, Mondelez International, Peapod, and Kraft Heinz, to name a few.⁴³ But Chicago also needs to work on the negative factors that impact the economy.

Deep-rooted fiscal problems plague Chicago, such as mounting pension obligations and a shrinking tax base, as well as external variables, such as inflation, unemployment rate, and crime, to name a few.⁴⁴

The City must develop and follow a sound financial strategy to best manage its resources in future years. The pandemic was a curse and a blessing. Federal funding has helped buoy the City's finances, but where would we have landed had it not been a pandemic? The City was slowly heading down the road to insolvency and must act now to make changes to be a sustainable City.⁴⁵

COFA recommends that the City's Chief Financial Officer and Comptroller present to the City Council's Committee on Finance on the Annual Comprehensive Financial Report and the financial condition of the City upon the completion and release of the finalized annual audit. Along with providing an overview of the prior fiscal year's financial state, presenting to the Committee on Finance would serve as a forum for committee members to ask questions or raise any concerns to the Department of Finance as the City prepares to usher in budget season.

³⁹ Page 83. *Annual Comprehensive Financial Report For The Year Ended December 31, 2021*. www.chicago.gov

⁴⁰ Vinicky, A. (2022, June 8). *Inflation Overpowers City Minimum Wage Hike*. WTTW News. news.wttw.com

⁴¹ STR. (2022, May 31). *US Hotel Occupancy Keeps Pace With Peak Summer 2021 Levels as Urban Markets Rebound*. hospitalitynet.org

⁴² Myers, Q. (2022, April 27). *Massive Warehouse And Distribution Center At Former Peoples Gas Site Near Goose Island Moving Forward*. Block Club Chicago. blockclubchicago.org

⁴³ Hinz, G. (2019, February 18). *Moody's sees reason for optimism over Illinois economy*. Crain's Chicago Business. www.chicagobusiness.com

⁴⁴ Gallun, A. (2022, July 14). *Here's where inflation's grip is squeezing Chicago's economy tightest*. Crain's Chicago Business. www.chicagobusiness.com

⁴⁵ Bauer, E. (2020, March 21). *The Very Real Risk Of Insolvency: Stress-Testing Chicago's Pensions*. Forbes. www.forbes.com