

City of Chicago

Department of Water Management Sewer Fund

(An Enterprise Fund of the City of Chicago)

Annual Comprehensive Financial Report For the Year Ended December 31, 2024



Brandon Johnson, Mayor

Jill Jaworski, Chief Financial Officer

Michael Belsky, City Comptroller

Alfonzo Conner, Jr. Commissioner

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2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CHICAGO SEWER FUND

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PART I

INTRODUCTORY SECTION

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CITY OF CHICAGO



DEPARTMENT OF WATER MANAGEMENT

June 30, 2025

To the Honorable Mayor Brandon Johnson,

Members of the City Council and Residents of the City of Chicago:

I am pleased to submit to you the Annual Comprehensive Financial Report (ACFR) for the City of Chicago Department of Water Management (DWM) Sewer Fund for the year ended December 31, 2024. Responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with DWM management. The purpose of the ACFR is to provide complete and accurate information in compliance with the requirements of the Municipal Code of the City of Chicago.

The ACFR is presented in three sections: Introductory, Financial, and Statistical. The financial section includes Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

REPORTING ENTITY

The Sewer Fund is a separate enterprise fund of the City of Chicago (City) which funds operations and maintenance of the City's sewer system. On January 1, 2003, the Sewer Department merged with the Water Department to form the Department of Water Management. The sewer system collects and transports sanitary and industrial waste and storm water to the interceptor sewers of the Metropolitan Water Reclamation District of Greater Chicago. The system provides sewage and drainage collection and conveyance through approximately 4,500 miles of sewers, 225,000 collection structures, 148,000 manholes, and a service area of roughly 230 square miles inhabited by approximately 2.7 million people.

ECONOMIC CONDITION AND OUTLOOK

The Sewer Fund's primary source of revenue is a sewer service charge which is set by City ordinance. The sewer service charge is billed through the water usage charge on customer billings. The sewer service charge covers the costs of operations, maintenance and debt service.

Because of its rate structure, the Sewer Fund revenue is largely dependent upon water usage. Since January 1, 2015, the sewer service charge is set at 100 percent of the water service charge. As of January 1, 2024, the metered water rate is set at \$33.95 per 1,000 per cubic feet, and effective June 1, 2024, the rate increased to \$35.10 per 1,000 cubic feet, and effective June 1, 2025, the rate increased to \$36.51 per 1,000 cubic feet. There are no large industrial or commercial users that account for more than five percent of sewer system revenues. It is not expected that there will be a significant change in the population base of the City that would lead to a significant change in revenues.

MAJOR INITIATIVES

Five-Year Capital Improvement Program - The Department of Water Management's, Sewer Division's Five-Year Capital Improvement Program (CIP) for the years 2025 – 2029 is forecasted to be approximately \$1.9 billion. The CIP addresses the aggressive efforts to increase the renewal and replacement of the sewer system's infrastructure and continue to focus on two major areas: sewer replacement and sewer lining.

The Sewer Fund will support the effort of infrastructure renewal by replacing, rehabbing, and lining sewer mains. Rehab and lining of catch basins and manholes is also a core part of the CIP. Additionally, DWM has begun expanding the sewer rehabilitation program to include lining of large diameter trunk sewers. These sewers range in size from 72-inch to 204-inch diameter pipe. Aspects of the CIP will include lead service line replacements, and it is the responsibility of DWM management to ensure funding is correctly allocated between the Sewer and Water Funds dependent upon which piece of DWM infrastructure is receiving a capital investment. Where lead service line replacements are required as part of CIP work, this work is funded from non-Sewer Fund sources.

DWM's CIP also includes plans to continue the design and start construction of the Regional Sewer Improvements – Area 4. Area 4 is the sewer system generally south of 87th Street to the southern City-limits consisting of roughly 39,000 households and businesses. This project will consist of regional a combined sewer tunnel to provide relief to the local sewer system during rain events. Additionally, DWM has developed several sewer storage projects to more immediately address areas at highest risk for frequent basement backups. The first two of these projects will begin construction later this year on the city's West Side, with partial funding from the Metropolitan Water Reclamation District of Greater Chicago.

DWM may revise the list of specific improvements and revise cost allocations among improvements, as well as make substitutions to meet current needs and to provide for the efficient operation of the sewer system. The Five-Year CIP is reevaluated on an ongoing basis and updated annually in coordination with the Office of Budget and Management to ensure a comprehensive data-driven approach to CIP.

PROPRIETARY OPERATIONS

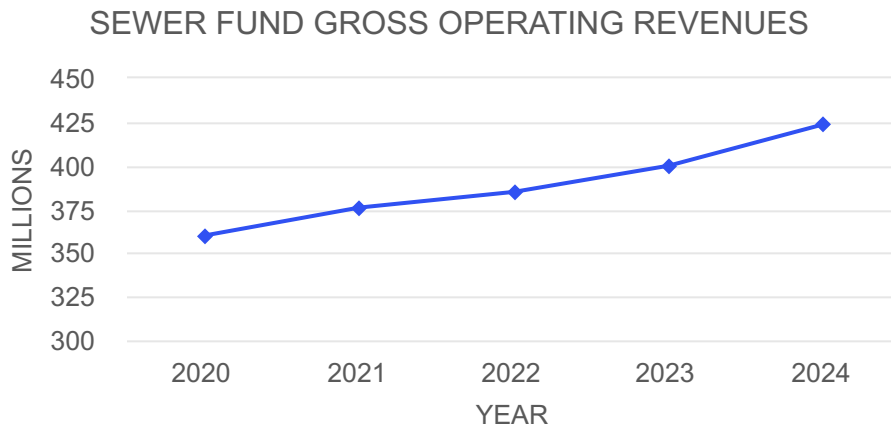
The Sewer Fund is responsible for implementing and maintaining an internal control structure to ensure the integrity of the Sewer Fund's operations and to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide that the assets, resources and operations of the Sewer Fund are handled in a manner that protects against waste, theft or neglect that may hinder the financial operations of the Sewer Fund. The objective of these controls is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatement. This objective is being met by adequate supervision of employees, segregation of duties and multiple approval and budgetary controls over all expenditures.

The Sewer Fund's budget is developed and implemented along with the City's annual budget based upon an analysis of its historical operations and maintenance costs. The DWM Commissioner recommends the final proposed budget to the City's Budget Director. After approval by the Budget Director, the proposed budget is recommended to the Mayor for submission to the City Council for its approval following public hearings.

The budget process is designed to ensure that the Sewer Fund will have adequate funding to meet its operational objectives. By law the Sewer Fund cannot exceed the level of funding as established by the City Council-approved budget. The City's Budget Director uses an allotment system to manage each department's expenditures against its respective annual appropriation. Through the allotment system, the City's Budget Director has the authority to institute economic measures for the Sewer Fund, to ensure that its expenditures do not exceed its revenue collections. The Sewer Fund uses encumbrances to control expenditures by preventing appropriated dollars from being used for any purpose other than that for which they have been legally appropriated.

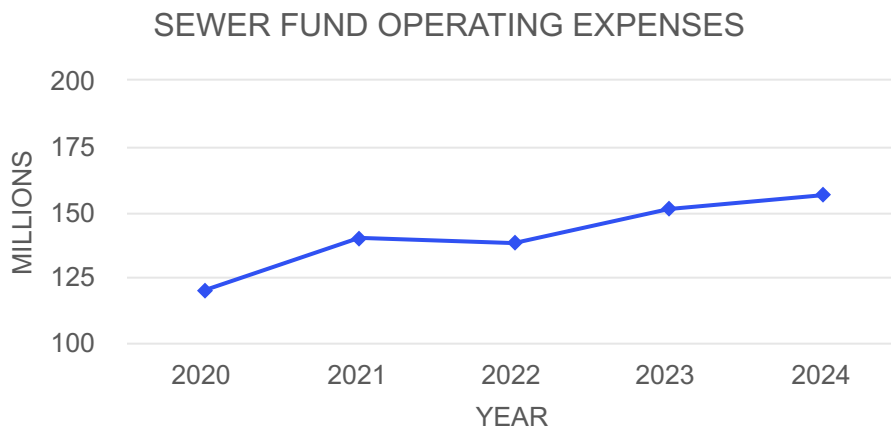
OPERATING REVENUES

Gross operating revenue for 2024 increased by \$22.3 million (5.6%) over 2023. This is primarily due to the 3.37% sewer rate increased effective June 1, 2024. Below is a graph representing gross operating revenues for the years 2020 through 2024.



OPERATING EXPENSES

Operating expenses before depreciation and amortization increased by \$3.4 million (2.2%) during 2024 primarily due to the decrease in repairs, maintenance expenses, offset by a slight increase in pension of \$1.4 million. Below is a graph representing operating expenses for the years 2020 through 2024.



DEBT ADMINISTRATION

The Sewer Fund issues bonds to finance its capital improvement program. The City has covenanted to establish, maintain and collect at all times fees, charges and rates sufficient to pay operations and maintenance costs and (A) to produce net revenues available for bonds each fiscal year at least equal to 115 percent of the bond debt service requirements for the fiscal year on all senior lien bonds then outstanding and (B) to produce second lien bond revenues each fiscal year at least equal to 110 percent of the second lien bond debt service requirements for the fiscal year on all second lien bonds then outstanding. The City conducts an annual review of the sewer service charge to ensure that sufficient revenue is being generated to comply with the rate covenant. The ordinances authorizing the issuance of revenue bonds provide for the creation of separate accounts into which net revenues, as defined, or bond proceeds are to be credited, as appropriate.

Any net revenues remaining after providing sufficient funds for all required deposits into bond accounts may be transferred to the Residual Fund to be used for any lawful purpose of the Sewer Fund.

The Sewer Fund has entered into continuing disclosure undertakings with respect to bonds issued after July 3, 1995. The Sewer Fund has provided certain annual financial information disclosure for its revenue bonds in the statistical section of this report.

LONG TERM FINANCIAL PLANNING

The Sewer Fund's capital activities are funded through the Sewer Fund revenue bonds and Sewer Fund revenue. The Sewer Fund has realized savings through advance refunding as interest rates have changed.

INDEPENDENT AUDIT

City ordinances require the Sewer Fund financial statements to be audited by independent certified accountants. The audit was conducted by Deloitte & Touche, LLP and a consortium of Chicago-based minority and women-owned certified public accounting firms. An unmodified audit opinion, rendered by Deloitte & Touche, LLP, is included in the financial section of this report.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sewer Fund, an Enterprise Fund of the City of Chicago, for its ACFR, for the fiscal year ended December 31, 2023. This was the twenty-ninth year that the government has achieved this prestigious award, which is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This report could not have been prepared without the dedication and effective assistance of the entire staff of the Department of Water Management and the Department of Finance. I wish to express my appreciation to them, and particularly those who contributed directly to the preparation of this report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Alfonzo Conner Jr.", with a stylized, cursive script.

Alfonzo Conner Jr.

Commissioner



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sewer Fund, an Enterprise Fund
of the City of Chicago, Illinois**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

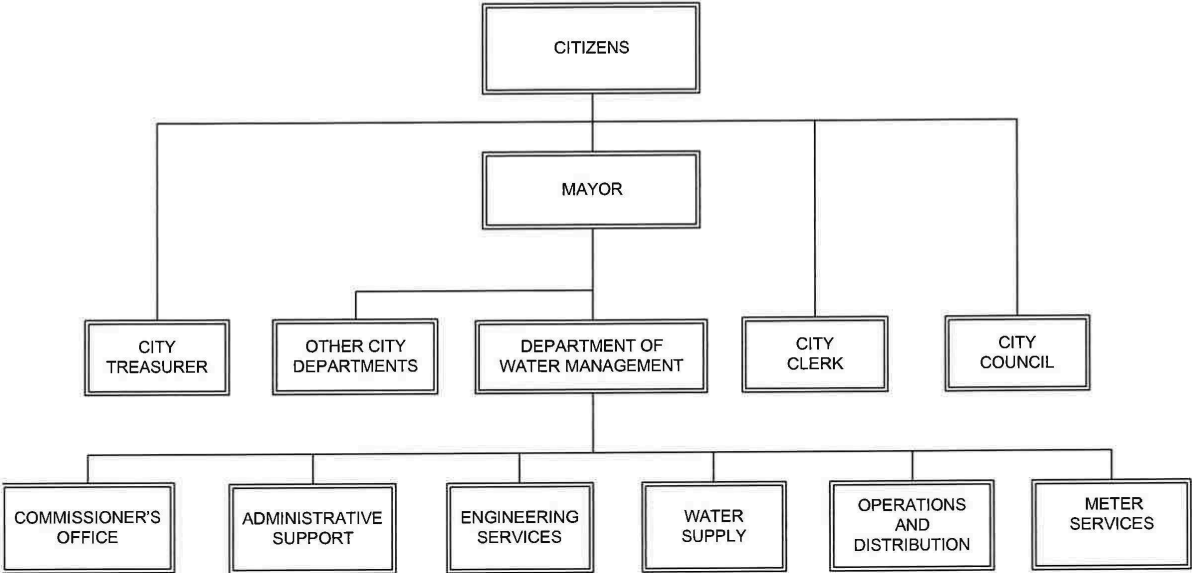
December 31, 2023

Christopher P. Morrell

Executive Director/CEO

CITY OF CHICAGO
DEPARTMENT OF WATER MANAGEMENT

12/31/2024



List of Principal Officials

Brandon Johnson	Mayor
Alfonzo Conner, Jr	Commissioner

PART II

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Brandon Johnson, Mayor
and Members of the City Council
City of Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sewer Fund ("Sewer Fund"), an enterprise fund of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Sewer Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Sewer Fund of the City of Chicago, as of December 31, 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sewer Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the basic financial statements present only the Sewer Fund, an enterprise fund of the City, and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sewer Fund's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability and Related Ratios, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the

basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

June 30, 2025

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

The following discussion and analysis of the City of Chicago, Illinois (the "City"), Sewer Fund's ("Sewer Fund") financial performance provides an introduction and overview of the Sewer Fund's basic financial activities for the fiscal year ended December 31, 2024. Please read this discussion in conjunction with the Sewer Fund's basic financial statements and the notes to basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- Gross operating revenues for 2024 increased by \$22.3 million (5.6%). This increase is primarily due to a rate increase of 3.37% as of June 1, 2024.
- Operating expenses before depreciation and amortization increased by \$3.4 million (2.2%) during 2024 primarily due to the decrease in repairs and maintenance expenses, offset by a slight increase in pension expense of \$1.4 million.
- The Sewer Fund's net position at December 31, 2024, was \$1,115.8 million. This is an increase of \$104.0 million over net position at December 31, 2023.
- Utility plant additions in 2024 were \$49.1 million due to the continuing capital improvement program upgrades.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Sewer Fund's basic financial statements. The Sewer Fund's basic financial statements comprise the basic financial statements and the notes to basic financial statements. In addition to the basic financial statements, this report also presents statistical data after the notes to basic financial statements.

The statements of net position present all of the Sewer Fund's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. The difference between assets, deferred outflows, liabilities and deferred inflows is reported as net position. The increase or decrease in net position may serve as an indicator, over time, whether the Sewer Fund's financial position is improving or deteriorating. However, the consideration of other nonfinancial factors may be necessary in the assessment of overall financial position and health of the Sewer Fund.

The statements of revenues, expenses, and changes in net position present all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net position.

The statements of cash flows report how cash and cash equivalents were provided and used by the Sewer Fund's operating, capital and related financing, and investing activities. These statements present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year, and the cash and cash equivalents balance at year-end.

The notes to basic financial statements are an integral part of the basic financial statements; accordingly, such disclosures are essential for a full understanding of the information provided in the basic financial statements.

The required supplementary information section presents the schedule of changes in the net pension liability and related ratios and the schedule of contributions. In addition to the basic financial statements, this report includes statistical data. The statistical data section presents debt-service coverage calculations and includes certain information related to the Sewer Fund's historical financial and nonfinancial operating results and capital activities.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL ANALYSIS

At December 31, 2024, the Sewer Fund's financial position continues to be strong with total assets and deferred outflows of \$4,167.2 million, total liabilities and deferred inflows of \$3,051.4 million, and net position of \$1,115.8 million. A comparative condensed summary of the Sewer Fund's net position at December 31, 2024 and 2023, is as follows (dollars in thousands):

	Net Position	
	2024	2023
Current assets	\$ 690,041	\$ 665,283
Restricted and other assets—noncurrent	126,466	128,752
Capital assets - net	3,316,347	3,306,299
Total assets	4,132,854	4,100,334
Deferred outflows	34,358	39,882
Total assets and deferred outflows	4,167,212	4,140,216
Current liabilities	406,942	458,976
Pension liability	442,001	482,444
Compensated absences liability	1,430	—
Lease liability	23,203	42,835
Long-term liabilities	2,103,371	2,119,994
Total liabilities	2,976,947	3,104,249
Deferred inflows	74,420	24,111
Total liabilities and deferred inflows	3,051,367	3,128,360
Net position:		
Net investment in capital assets	1,136,366	999,722
Restricted for capital projects	60,426	233,401
Unrestricted	(80,947)	(221,267)
Total net position	\$ 1,115,845	\$ 1,011,856

Current assets increased by \$24.8 million (3.7%) which was primarily due to an increase in cash and cash equivalents and investments as there were increased capital expenditures during 2024. Noncurrent restricted investments and other assets decreased by \$2.3 million (1.8%).

Capital assets —net increased by \$10.0 million (0.3%) due primarily to capital activities for sewer construction and rehabilitation projects funded by the restricted investments. During 2024, the Sewer Fund lined an additional 17 miles of sewers.

Current liabilities decreased by \$52.0 million (11.3%) which was primarily due to a decrease in accounts payables of \$16.2 (38.3%) and due to other funds of \$12.1 (8.9%). Long term debt increased by \$16.6 million (0.8%) due to the issuance of Sewer Revenue Bonds and Illinois Environmental Protection Agency (IEPA) loans. Net pension liability in the amount of \$442.0 million decreased by \$40.4 million (8.4%) compared to 2023 primarily as a result of changes in assumptions and short-term impacts of the global market volatility on investment income.

Deferred outflows decreased by \$5.5 million (13.9%) and deferred inflows increased by \$50.3 million (208.7%) during 2024 compared with 2023 due to amortization and the changes in assumptions of pensions.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

As of December 31, 2024, total net position was \$1,115.8 million, an increase of \$104.0 million (10.3%) from 2023.

A summary of revenues, expenses, and changes in net position for the years ended December 31, 2024 and 2023 is as follows (dollars in thousands):

	Revenues, Expenses, and Changes in Net Position	
	2024	2023
Revenues:		
Operating revenues:		
Sewer service—net	\$ 396,774	\$ 380,532
Other operating revenues	691	837
Total operating revenues	<u>397,465</u>	<u>381,369</u>
Operating expenses:		
Repairs	31,758	36,030
General Fund reimbursements	56,217	54,624
Pension expense (Note 6)	26,585	25,200
Maintenance	16,532	16,923
Engineering	9,157	6,894
Administrative and general	16,078	13,295
Depreciation and amortization	84,727	78,226
Total operating expenses	<u>241,054</u>	<u>231,192</u>
Operating income	<u>156,411</u>	<u>150,177</u>
Nonoperating revenues	38,247	17,913
Nonoperating expenses	(90,669)	(93,569)
Total nonoperating expenses/revenues	<u>(52,422)</u>	<u>(75,656)</u>
Change in net position	103,989	74,521
Net position beginning of year	<u>1,011,856</u>	<u>937,335</u>
Net position end of year	<u>\$ 1,115,845</u>	<u>\$ 1,011,856</u>

Net sewer service revenues for the years ended 2024 and 2023 were \$396.8 million and \$380.5 million, respectively. Other revenue, which consists primarily of inspection fees and house drain fees, for the years ended 2024 and 2023 was \$0.7 million and \$0.8 million, respectively. The increase in 2024 net sewer service revenue of \$16.2 million is primarily due to an increase in annual sewer rates by 3.37% as of June 1, 2024, based on the annual CPI adjustment, offset by an decrease in allowance for doubtful accounts due to timing differences of collections.

Pension expense increased to \$26.6 million in 2024 due to changes in assumptions and impacts from pension fund investments due to global market volatility.

In 2024, net non-operating expenses of 52.3 million was composed of net investment income, interest expense, and other revenue that relates to the Build America Bonds federal program subsidy. The net non-operating losses decreased by \$23.2 million as compared to prior year.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024

A comparative summary of the Sewer Fund's operating expenses, as classified in the basic financial statements, for the years ended December 31, 2024 and 2023, is as follows (dollars in thousands):

	Operating Expenses	
	2024	2023
Repairs	\$ 31,758	\$ 36,030
Pension expense	26,585	25,200
General Fund reimbursements	56,217	54,624
Maintenance	16,532	16,923
Engineering	9,157	6,894
Administrative and general	16,078	13,295
Operating expenses before depreciation and amortization	156,327	152,966
Depreciation and amortization	84,727	78,226
Total operating expenses	<u>\$ 241,054</u>	<u>\$ 231,192</u>

Overall, operating expenses before depreciation and amortization for 2024 increased \$3.4 compared to prior year primarily due to repairs, maintenance and pension. Depreciation and amortization increased slightly in the amount of \$6.5 million.

A comparative summary of the Sewer Fund's cash flows for the years ended December 31, 2024 and 2023, is as follows (dollars in thousands):

	Cash Flows	
	2024	2023
Cash from activities:		
Operating	\$ 179,932	\$ 310,039
Capital and related financing	(196,642)	(8,433)
Investing	55,345	(299,002)
Net change in cash and cash equivalents	38,635	2,604
Cash and cash equivalents:		
Beginning of year	144,662	142,058
End of year	<u>\$ 183,297</u>	<u>\$ 144,662</u>

As of December 31, 2024, the Sewer Fund's unrestricted and restricted cash and cash equivalents of \$183.3 million represented an increase of \$38.6 million from December 31, 2023, primarily due to investment related activities in 2024. Total unrestricted cash and cash equivalents at December 31, 2024 and 2023, was \$23.7 million and \$1.5 million, respectively.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

UTILITY PLANT AND DEBT ADMINISTRATION

At the end of 2024 and 2023, the Sewer Fund had net utility plant of \$3,271.8 million and \$3,242.6 million, respectively. During 2024, the Sewer Fund had capital additions being depreciated of \$49.1 million, and completed projects totaling \$10.6 million were transferred from construction in progress to applicable facilities and structures capital accounts.

The Sewer Fund's net utility plant at December 31, 2024 and 2023 is summarized as follows (dollars in thousands):

	Net Utility Plant at Year-End	
	2024	2023
Utility plant not depreciated:		
Land and land rights	\$ 560	\$ 560
Construction in progress	130,952	90,674
Total utility plant not depreciated	131,512	91,234
Utility plant being depreciated:		
Facilities and structures	4,093,124	4,044,039
Furniture and equipment	32,426	32,596
Total utility plant being depreciated	4,125,550	4,076,635
Less accumulated depreciation:		
Facilities and structures	(953,896)	(893,657)
Furniture and equipment	(31,357)	(31,638)
Total accumulated depreciation	(985,253)	(925,295)
Total utility plant being depreciated—net	3,140,297	3,151,340
Total utility plant—net	<u>\$ 3,271,809</u>	<u>\$ 3,242,574</u>

The Sewer Fund's capital activities are funded through Sewer Fund revenue bonds, Illinois Environmental Protection Agency Loans, and Sewer Fund revenues. Additional information on the Sewer Fund's capital assets is presented in Note 5 of the notes to basic financial statements. The Sewer Fund's outstanding debt at December 31, 2024 and 2023 is summarized as follows (dollars in thousands):

	Long-Term Outstanding Debt at Year-End	
	2024	2023
Revenue bonds	\$ 2,029,840	\$ 2,035,448
Add:		
Interest accretion on Series 1998 capital appreciation bonds	50,875	57,573
Unamortized net bond discount/premium	109,771	102,551
Outstanding debt—net	<u>\$ 2,190,486</u>	<u>\$ 2,195,572</u>

CITY OF CHICAGO, ILLINOIS
SEWER FUND

MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024

The Sewer Fund's revenue bonds at December 31, 2024, have underlying credit ratings with each of the four major rating agencies as follows:

	Moody’s Investor Services	Standard & Poor’s	Fitch Ratings	Kroll Ratings
Senior Lien Wastewater Revenue Bonds	Baa1	A+	NR	NR
Junior Lien Wastewater Revenue Bonds	Baa2	A+	A+	AA-

At December 31, 2024, the Sewer Fund was in compliance with the debt covenants as stated within the bond ordinances.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Sewer Fund’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City of Chicago Department of Finance.

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BASIC FINANCIAL STATEMENTS

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024
(Dollars in thousands)**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 23,665
Investments (Note 2)	274,733
Accounts receivable—net of allowance for doubtful accounts of approximately \$214,256 in 2024	126,958
Due from other City funds	35,460
Inventories	928
Cash and cash equivalents—restricted (Note 2)	159,632
Investments—restricted (Note 2)	64,581
Interest Receivable—restricted (Note 2)	4,084
Total current assets	<u>690,041</u>

NONCURRENT ASSETS:

Investments—restricted (Note 2)	123,124
Other assets	3,342

Capital Assets:

Right of use lease asset - net (Note 5)	44,538
Utility plant (Note 5):	
Land and land rights	560
Facilities and Structures	4,093,124
Furniture and equipment	32,426
Construction in progress	130,952

Total utility plant	4,257,062
Less accumulated depreciation	<u>(985,253)</u>
Utility plant—net	<u>3,271,809</u>
Capital assets - net	<u>3,316,347</u>
Total noncurrent assets	<u>3,442,813</u>

DEFERRED OUTFLOWS (Note 9)	<u>34,358</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 4,167,212</u></u>
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See notes to basic financial statements.

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024
(Dollars in thousands)**

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 11,275
Due to other City funds	124,803
Accrued liabilities unrestricted	20,220
Compensated absences liability	544
Lease liability (Note 10)	21,803
Liabilities payable from restricted assets:	
Accounts payable	26,113
Accrued liabilities	75,250
Current portion of long-term debt (Note 4)	87,115
Interest payable	39,819
Total current liabilities	<u>406,942</u>

NONCURRENT LIABILITIES:

Lease liability (Note 10)	23,203
Compensated absences liability	1,430
Net pension liability (Note 6)	442,001
Long-term debt—net of current maturities (Note 4)	<u>2,103,371</u>
Total noncurrent liabilities	<u>2,570,005</u>
Total liabilities	<u>2,976,947</u>

DEFERRED INFLOWS (Note 9)	<u>74,420</u>
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NET POSITION (Note 1):

Net investment in capital assets (deficit)	1,136,366
Restricted for capital projects	60,426
Unrestricted	<u>(80,947)</u>
Total net position	<u>1,115,845</u>

TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u><u>4,167,212</u></u>
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CITY OF CHICAGO, ILLINOIS
SEWER FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET (DEFICIT) POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024
(Dollars in thousands)

OPERATING REVENUES:	
Sewer service:	
Sewer service—gross	\$ 423,682
Less provision for doubtful accounts	(26,908)
Sewer service—net	396,774
Other operating revenues	691
Total operating revenues	<u>397,465</u>
OPERATING EXPENSES:	
Repairs	31,758
General Fund reimbursements	56,217
Pension expense (Note 6)	26,585
Maintenance	16,532
Engineering	9,157
Administrative and general	16,078
Total operating expenses before depreciation and amortization	<u>156,327</u>
Depreciation and amortization	84,727
Total operating expenses	<u>241,054</u>
OPERATING INCOME	<u>156,411</u>
NONOPERATING REVENUE (EXPENSES):	
Investment income	27,864
Interest expense	(90,549)
Other nonoperating revenue (expenses)	10,383
Total nonoperating revenue (expenses) — net	<u>(52,302)</u>
TRANSFERS OUT	<u>(120)</u>
CHANGE IN NET POSITION	103,989
TOTAL NET POSITION—Beginning of year	1,011,856
TOTAL NET POSITION—End of year	<u><u>\$ 1,115,845</u></u>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Dollars in thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	\$ 389,362
Transactions with other City funds	(104,694)
Payments to vendors	(50,056)
Payments to employees	(54,680)
Net cash provided by operating activities	<u>179,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	\$ (100,574)
Proceeds from issuance of bonds	497,831
Payments to refund bonds	(398,275)
Interest paid on revenue bonds	(109,602)
Subsidy from federal program	10,383
Principal payment on leases	(24,593)
Principal paid on bonds	(71,812)
Net Cash used in capital and related financing activities	<u>(196,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale (purchases) of investments—net	37,150
Investment interest	18,195
Net cash (Used) provided by in investing activities	<u>55,345</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	38,635
CASH AND CASH EQUIVALENTS—Beginning of year	144,662
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 183,297</u>

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Dollars in thousands)**

RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE
STATEMENT OF NET POSITION:

Unrestricted	\$ 23,665
Restricted	159,632
TOTAL	<u>\$ 183,297</u>

RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM
OPERATING ACTIVITIES:

Operating income	\$ 156,411
Adjustments to reconcile:	
Depreciation and amortization	60,134
Amortization of right-of-use asset	24,593
Provision for uncollectible accounts	26,908
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Due from other City funds	(2,422)
Accounts receivable	(35,012)
Inventories	(58)
Deferred inflows	(7,208)
Lease Liability	613
Compensated absences Liability	1,974
Accrued liabilities	(39,844)
Due to other City funds	(12,261)
Accounts payable	6,104
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 179,932</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:

Property additions in 2024 of \$99,033 have outstanding accounts payable and accrued liabilities.

The accretion adjustment of Series 1998 capital appreciation bonds for the year ended December 31, 2024, was \$3,459.

The fair value adjustment gain (loss) to investments for 2024 was (\$1,016).

See notes to basic financial statements.

(Concluded)

CITY OF CHICAGO, ILLINOIS
SEWER FUND

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Sewer Fund (the “Sewer Fund”) collects and transmits wastewater to the treatment facilities of the Metropolitan Water Reclamation District of Greater Chicago. The Sewer Fund is included in the City of Chicago, Illinois (the “City”), reporting entity as an enterprise fund.

The accompanying basic financial statements present only the Sewer Fund and are not intended to present the financial position of the City, and the results of its operations and cash flows.

Basis of Accounting and Measurement Focus—The accounting policies of the Sewer Fund are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Sewer Fund are reported using the flow of economic resources measurement focus.

The Sewer Fund uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the liability is incurred.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

Annual Appropriated Budget—The Sewer Fund has a legally adopted annual budget that is not required to be reported.

Management’s Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash equivalents, and Investments—Cash, cash equivalents, and investments generally are held with the City Treasurer as required by the Municipal Code of Chicago (the “Code”). Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly.

The Code permits deposits only to City Council-approved depositories, which must be organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

Investments are limited to those authorized by the Code. Investments authorized by the Code include, but are not limited to, interest-bearing general obligations of the City, the State of Illinois (the “State”), and the U.S. government; U.S. Treasury bills and other non-interest-bearing general obligations of the U.S. government purchased in the open market below face value; domestic money market funds regulated by and in good standing with the Securities and Exchange Commission; and tax anticipation warrants issued by the City (see Note 2). The City is prohibited by ordinance from investing in derivative instruments, as defined, without City Council approval.

The Sewer Fund values its investments at fair value or amortized cost, as applicable. U.S. government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities pledged to secure these agreements have a fair value equal to the cost of the repurchase agreement, plus accrued interest.

Investments, generally, may not have a maturity in excess of 30 years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of applicable bond ordinances.

Cash equivalents include investments with maturities of three months or less when purchased.

Accounts Receivable—The Sewer Fund accounts receivable is comprised of billings and collections for sewer services processed by the Department of Water Management. Management has provided an allowance for amounts recorded at year-end that may be uncollectible.

Transactions with the City—The City's General Fund provides services to all other funds. The amounts allocated to other funds for these services are treated as operating expenses by the Sewer Fund and consist mainly of employee benefits, self-insured risks, and administrative expenses.

Inventories—Inventories, composed mainly of materials and supplies, are stated at cost, determined principally on the first-in, first-out method.

Utility Plant—Utility plant is recorded at cost or, for donated assets at acquisition cost. Utility plant is defined by the Sewer Fund as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased. Depreciation is provided using the straight-line method and begins in the year following the year of acquisition or completion. Estimated useful lives are as follows:

Facilities and structures	75 years
Furniture and equipment	5-20 years
Sewer rehabilitation	50 years

Costs of repairs and maintenance that do not significantly extend the useful life of assets are charged to operations.

Deferred Outflows—Deferred outflows represent unamortized loss on bond refunding, differences between estimated and actual investment earnings related to pensions, changes in actuarial assumptions related to pensions, and other pension related changes.

Deferred Inflows—Deferred inflows represent the differences between projected and actual actuarial experience and changes in assumptions related to pensions.

Net Position—Net position is composed of net earnings from operating and nonoperating revenues, expenses, and capital grants. Net position is displayed in three components: net investment in capital assets, restricted for capital projects, and unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt, net of debt service reserve, and unspent bond proceeds. Restricted for capital projects consists of assets on which constraints are placed by external parties (such as lenders and grantors) and laws, regulations, and enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted consists of the net amount of all other assets, deferred outflows, liabilities, and deferred inflows not categorized as either of the above.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

Employee Benefits—Employee benefits are granted for vacation and sick leave, compensatory time in lieu of overtime pay, workers' compensation, and health care. Unused vacation leave and compensatory time is accrued when leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, and may be carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days, and is accrued only to the extent that leave is more likely than not to be used for time off. Severance of employment terminates all rights to receive compensation for any unused sick leave. With the adoption of GASB Statement No. 101, Compensated Absences ("GASB 101"), liability is accrued for certain types of compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees when such type of leave commences, for the remaining balance of leave is more likely than not to be used. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by third-party administrators who maintain the investment portfolio. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State.

Bond Insurance Costs, Bond Premiums, Discounts, and Refunding Transactions—Bond insurance costs and bond premiums discounts are deferred and amortized over the term of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

Capitalized Interest—Interest expense on construction bond proceeds is expensed as incurred.

Capital Grants—Capital grants are reported as contributed revenue in the statement of revenues, expenses, and changes in net position and are recognized when the related capital expenditure is incurred.

Revenue Recognition—Sewer service revenue is billed as 100% of the City's water billings and is recorded as revenue when the water is consumed by the customers. Of the accounts receivable balances, \$35.7 million represent revenue recognized on sewer service that had not yet been billed to customers at December 31, 2024.

Revenues and Expenses—The Sewer Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Sewer Fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, pension expense, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Debt—Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include leases, except for contracts reported as financed purchase of the underlying asset, or accounts payable.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

Leases—The Sewer Fund follows GASB Statement No. 87, *Leases*, which defines the leasing arrangement as the right to use an underlying asset as a lessor or lessee. As lessee, the Sewer Fund recognizes a lease liability and an intangible right of use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. The right to use lease assets are

measured based on the net present value of the future lease payments at inception using the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The Sewer Fund calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. The Sewer Fund leases equipment from other vendors. These leases have terms between three and five years.

Adopted Accounting Standards—

GASB Statement	Impact
GASB Statement No. 99, Omnibus 2022 ("GASB 99") - Remaining provisions	This statement's remaining provisions address clarifications of provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments ("GASB 53"). The Sewer Fund adopted the remaining provisions of GASB 99 as of and for the year ended December 31, 2024. The adoption of the remaining provisions of GASB 99 had no material impact to the basic financial statements.
GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62 ("GASB 100")	This statement's primary objective is to improve financial reporting by enhancing the requirements for accounting changes and error corrections. This Statement defines types of accounting changes, establishes uniform guidance for their recognition and reporting, and prescribes how error corrections should be handled. The Sewer Fund adopted GASB 100 as of January 1, 2024. The adoption of GASB 100 had no material impact to the basic financial statements.
GASB Statement No. 101, Compensated Absences ("GASB 101")	This statement is intended to improve consistency and enhance the accounting and financial reporting for compensated absences. It establishes a unified model for recognizing liabilities related to both unused and used-but-unpaid leave, based on updated recognition and measurement guidance. In addition, this Statement provides clearer definitions and requirements for when and how compensated absences should be reported. The Sewer Fund adopted GASB 101 as of January 1, 2024 and the adoption did not have a material impact to the Sewer Fund's basic financial statements.

Upcoming Accounting Standards— GASB has issued the following pronouncements that may affect the future financial position, results of operations, cash flows, or financial presentation of the Sewer Fund upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Accounting Standard	Required Year of Adoption
GASB Statement No. 102, Certain Risk Disclosures ("GASB 102")	2025
GASB Statement No. 103, Financial Reporting Model Improvements ("GASB 103")	2026
GASB Statement No. 104, Disclosure of Certain Capital Assets ("GASB 104")	2026

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

2. RESTRICTED AND UNRESTRICTED CASH EQUIVALENTS AND INVESTMENTS

Cash Equivalents and Investments—As of December 31, 2024, the Sewer Fund had the following cash equivalents and investments (dollars in thousands):

Investment Type	Maturities (in Years)				Fair Value
	Less than 1	1-5	6-10	More than 10	
Agency bonds	\$ 27,467	\$ 84,803	\$ —	\$ —	\$ 112,270
Commercial paper	184,818	—	—	—	184,818
Corporate bonds	693	81,352	43,353	—	125,398
Money market funds	124,401	—	—	—	124,401
Municipal bonds	8,343	—	2,198	18,495	29,036
Supranational Bonds	48,456	—	—	—	48,456
U.S. treasury	14,627	6,689	—	—	21,316
Total	<u>\$ 408,805</u>	<u>\$ 172,844</u>	<u>\$ 45,551</u>	<u>\$ 18,495</u>	<u>\$ 645,695</u>

U.S. agencies include investments in government-sponsored enterprises, such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation.

Investments Fair Value Measurements—The Sewer Fund categorizes the fair value measurements of its investments based the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation techniques used to measure fair value.

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets

Level 2—Observable inputs other than quoted market prices, and

Level 3—Unobservable Inputs

The investments measured at fair value as of December 31, 2024, were (dollars in thousands):

	Level 1	Level 2	Level 3
Supranational Bonds	\$ —	\$ 48,456	\$ —
Corporate Bonds	—	125,398	—
Municipal bonds	—	24,036	—
Agency Bonds	—	97,272	—
U.S. Treasury	—	13,342	—
Total investments at fair value	<u>\$ —</u>	<u>\$ 308,504</u>	<u>\$ —</u>

Investments that are valued through other observable inputs (Level 2), are valued using methods that include, but are not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than the external investment pools are measured at amortized cost and are not reflected in the table above. The total of these investments at amortized cost for Sewer are \$337.2 million as of December 31, 2024.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

Interest Rate Risk—As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that investments generally may not have a maturity date in excess of 30 years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk—With regard to credit risk, the Code limits the investments in securities to:

- (1) Interest-bearing general obligations of the United States and the State of Illinois;
- (2) United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
- (3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;
- (4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;
- (5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;
- (6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in Custodial Credit Risk—Cash and Certificates of Deposit below;
- (7) Bankers' acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;
- (8) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
- (9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;
- (10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
- (11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;

CITY OF CHICAGO, ILLINOIS
SEWER FUND

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

- (12) Bonds of companies organized in the United States with assets exceeding \$500 million that, at the time of purchase, are rated not less than two ratings above investment grade, or equivalent rating, by at least two accredited ratings agencies;
- (13) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating, or equivalent rating. For purposes of this subsection, an “international financial institution” means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;
- (14) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating;
- (15) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions;
- (16) Bonds registered and regulated by the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies;
- (17) Bonds, notes, debentures, or other similar obligations of agencies of the United States.

Total holdings across all funds held by the Sewer Fund shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies. A schedule summarizing the Sewer Fund’s exposure to credit risk as of December 31, 2024, is as follows (dollars in thousands):

Quality Rating	
AAA	\$ 173,549
A-1	81,752
A-2	103,065
AA	169,433
A	32,105
BBB	75,791
Not rated*	<u>10,000</u>
Total	<u>\$ 645,695</u>

Custodial Credit Risk—Cash and Certificates of Deposit—This is the risk that in the event of a bank failure, the City’s Deposits may not be returned. The City’s Investment Policy states that in order to protect the City’s public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

For certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance or demand deposits in banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance, any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 100% by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 100% by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit or deposit.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

The bank balance of cash and certificates of deposit with the City's various municipal depositories was \$264.4 million. 100.0% of the bank balance was either insured or collateralized with securities held by City agents in the City's name. There were no uncollateralized bank balances at December 31, 2024.

A schedule summarizing the investments reported in the basic financial statements as of December 31, 2024, is as follows (dollars in thousands):

Per Note 2:

Investments—Sewer Fund	\$	645,695
	<u>\$</u>	<u>645,695</u>

Per financial statements:

Restricted investments--current	\$	64,581
Restricted investments--noncurrent		123,124
Unrestricted investments		274,733
Investments included as cash and cash equivalents on the statements of net position		183,257
	<u>\$</u>	<u>645,695</u>

3. RESTRICTED ASSETS AND ACCOUNTS

Sewer service revenues are pledged to pay outstanding Wastewater Revenue Bonds. The ordinances authorizing the issuance of outstanding Wastewater Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds to be credited, are as follows:

Wastewater Revenue Bonds, 1998A Wastewater Capital Appreciation Bonds and the Senior Lien Bonds.

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Bond Principal and Interest Account—No later than 10 days prior to each principal or interest payment date, an amount to pay principal; premium, if any; and interest becoming due, whether upon maturity, redemption, or otherwise.

Debt Service Reserve Account—For each series, an amount equal to the least of (i) the maximum annual debt service requirement; (ii) 10% of the original principal amount, less original issue discount; or (iii) 125% of the average annual debt service requirement. The required balance in this account was met by the purchase of surety bonds.

Construction Account—Proceeds of the Senior Lien Bonds were deposited in this account for the purpose of paying construction costs of projects as defined in the ordinance.

Wastewater Revenue Bonds, Series 2023AB, 2017, 2015, 2014, 2012, 2010, 2008, 2001 (the “Second Lien Bonds”).

Bond Principal and Interest Account—No later than the business day immediately preceding January 1 and July 1, an amount to pay principal; redemption premium, if any; and interest on the bonds. The City is also required to make deposits in the Second Lien Bonds’ account to meet other payment obligations under the indenture authorizing Second Lien Parity Bonds.

Debt Service Reserve Account—For each series, an amount equal to the least of (i) the highest future debt service requirement; (ii) 10% of the original principal amount, less original issue discount; or (iii) 125% of the average annual debt service requirement. The required balance in this account was met by the purchase of a surety bond.

Sewer Rate Stabilization Account—Any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred to the sewer rate stabilization account upon the direction of the City to be used for any lawful purpose of the Sewer Fund.

For accounts established by ordinances with balances, the amounts at December 31, 2024, are as follows (dollars in thousands):

Construction	\$	179,589
Bond principal and interest		126,934
Sewer rate stabilization		40,814
Total	\$	<u>347,337</u>

The 2024 Sewer rate stabilization balance above includes a fair value adjustment of (\$.9) million.

At December 31, 2024, management is not aware of any instances of noncompliance with the above terms of the ordinances.

4. LONG-TERM DEBT

Long-term debt at December 31, 2024, consisted of the following (dollars in thousands):

CITY OF CHICAGO, ILLINOIS
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First Lien:	
\$62,423 Series 1998A Wastewater Transmission Revenue Bonds issued April 7, 1998, due through 2028; interest at 4.55% to 5.0%	\$ 16,402
Total First Lien	<u>16,402</u>
Second Lien:	
\$73,100 Series 2001 Wastewater Transmission Revenue Bonds issued December 6, 2001, due through 2030; interest at 4.0% to 5.5%	36,765
\$332,230 Series 2008C Wastewater Transmission Revenue Bonds (2004A Refunded) issued October 16, 2008, due through 2039; interest rate at 4.0% to 5.0%	25,835
\$250,000 Series 2010B Wastewater Transmission Revenue Bonds issued November 16, 2010, due through 2040; interest 6.9%	250,000
\$276,470 Series 2012 Wastewater Transmission Revenue Bonds issued September 13, 2012, due through 2042; interest at 3.0% to 5.0%	—
\$292,405 Series 2014 Wastewater Transmission Revenue Bonds issued September 22, 2014, due through 2044; interest at 3.0% to 5.0%	—
\$87,080 Series 2015 Wastewater Transmission Revenue Bonds issued October 19, 2015 due through January 1, 2039; interest at 2.59% to 6.04%	69,260
\$180,590 Series 2017A Wastewater Transmission Revenue Bonds issued June 21, 2017, due through 2052; interest at 4.0% to 5.25%	168,135
\$215,485 Series 2017B Wastewater Transmission Revenue Bonds issued June 21, 2017, due through 2044; interest at 5.0%	153,340
\$260,105 Series 2023A Second Lien Wastewater Transmission Revenue Bonds issued May 9, 2023 due through 2062, interest at 5.25% to 5.5%	260,105
\$192,470 Series 2023B Second Lien Wastewater Transmission Revenue Refunding Bonds issued May 9, 2023 due through 2039, interest at 5.0%	192,470
\$227,925 Series 2024A Second Lien Wastewater Transmission Revenue Refunding Bonds Issued April 17, 2024 due through 2044, interest rate at 5.0%	\$ 227,925
\$138,260 Series 2024B Second Lien Wastewater Transmission Revenue Refunding Bonds Issued December 4, 2004 due through 2039, interest rate at 5.0%	\$ <u>138,260</u>
Total Second Lien Bonds	<u>\$ 1,522,095</u>
IEPA Loans:	
\$1,546 Illinois Environmental Protection Agency Loan Agreement signed May 28, 2008, due through 2027; interest at 2.50%	\$ 275
\$15,000 Illinois Environmental Protection Agency Loan Agreement signed January 20, 2010, due through 2031; interest at 0%	4,973
\$17,812 Illinois Environmental Protection Agency Loan Agreement signed October 8, 2010, due through 2032; interest at 1.25%	7,834
17,564 Illinois Environmental Protection Agency Loan Agreement signed September 22, 2011, due through 2033; interest at 1.25%	8,183
\$15,000 Illinois Environmental Protection Agency Loan Agreement signed October 2, 2012, due through 2034; interest at 2.295%	8,350
\$54,170 Illinois Environmental Protection Agency Loan Agreement signed October 22, 2013, due through 2035; interest at 1.93%	33,055

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Long-Term Debt - Concluded:

IEPA Loans - concluded	
\$56,198 Illinois Environmental Protection Agency Loan Agreement signed October 8, 2014, due through 2036; interest at 1.99%	35,826
\$4,291 Illinois Environmental Protection Agency Loan Agreement signed January 22, 2016, due through 2036; interest at 1.86%	2,835
\$6,703 Illinois Environmental Protection Agency Loan Agreement signed November 4, 2016, due through 2037; interest at 1.75%	4,724
\$63,808 Illinois Environmental Protection Agency Loan Agreement signed May 17, 2016, due through 2038; interest at 1.86%	45,702
\$27,370 Illinois Environmental Protection Agency Loan Agreement signed May 16, 2017, due through 2038; interest at 1.75%	20,275
\$18,033 Illinois Environmental Protection Agency Loan Agreement signed Apr 5, 2018, due through 2039; interest at 1.76%	13,833
\$59,960 Illinois Environmental Protection Agency Loan Agreement signed Apr 5, 2018, due through 2039; interest at 1.76%	45,973
\$28,824 Illinois Environmental Protection Agency Loan Agreement signed May 25, 2018 due through 2039; interest at 1.76%	23,758
\$31,402 Illinois Environmental Protection Agency Loan Agreement signed March 18, 2019 due through 2040; interest at 1.84%	26,185
\$60,347 Illinois Environmental Protection Agency Loan Agreement signed December 14, 2020 due through 2040; interest at 1.84%	50,566
\$54,588 Illinois Environmental Protection Agency Loan Agreement signed September 30, 2020 due through 2042; interest at 1.35%	49,742
\$10,230 Illinois Environmental Protection Agency Loan Agreement signed January 23, 2020 due through 2042; interest at 2.00%	9,733
\$13,350 Illinois Environmental Protection Agency Loan Agreement signed September 30, 2020 due through 2042; interest at 1.35%	12,760
\$15,730 Illinois Environmental Protection Agency Loan Agreement signed February 15, 2022 due through 2044; interest at 1.11%	15,396
\$13,101 Illinois Environmental Protection Agency Loan Agreement signed February 15, 2022 due through 2044; interest at 1.11%	12,915
\$58,450 Illinois Environmental Protection Agency Loan Agreement signed September 2, 2022 due through 2044; interest at 1.11%	58,450
Total IEPA Loans	491,343
Total revenue bonds and IEPA loans	\$ 2,029,840
Add accretion of Series 1998A Capital Appreciation Bonds	50,875
Add unamortized net bond premium (discount)	109,771
Less current portion (payable from restricted assets)	(87,115)
Long-term portion—net	\$ 2,103,371

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**NOTES TO BASIC FINANCIAL STATEMENTS
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Long-term debt during the year ended December 31, 2024, changed as follows (dollars in thousands):

	Balance January 1,	Additions	Reductions	Balance December 31,	Due within One Year
Revenue bonds and loans	\$2,035,448	\$ 458,606	\$ (464,214)	\$ 2,029,840	\$ 86,665
Accretion of Series 1998 capital appreciation bonds	57,573	3,459	(10,157)	50,875	450
Unamortized net discount/premium ...	102,551	39,225	(32,005)	109,771	—
Total revenue bonds and loans	<u>\$2,195,572</u>	<u>\$ 501,290</u>	<u>\$ (506,376)</u>	<u>\$ 2,190,486</u>	<u>\$ 87,115</u>

Interest expense includes amortization of the loss on bond refunding for 2024 of \$1.6 million; net of amortization of bond discount/premium of \$8.7 million; and accretion of Series 1998A capital appreciation bonds of \$3.5 million.

Rate Increases—Sewer service rates are set by ordinance. The sewer service charge is established in an amount designed to pay the costs of Sewer Fund operations and capital improvements, including any related debt service. The rate charged for water, effective June 1, 2024, increased to \$35.10 per 1,000 cubic feet.

Issuance of Debt—A loan agreement was signed on February 26, 2022, with the Illinois Environment Protection Agency as part of the City's multi-years rehabilitation program. For this loan, approximately 32,000 lineal feet of 42-inch to 72-inch diameter sewer main will be replaced at various locations throughout the City. The amount drawn from the loan agreement by the Sewer Fund in 2024 was \$15.7 million. The loan agreement has an interest rate of 1.11% with maturity from December 14, 2024 to June 14, 2044.

A loan agreement was signed on April 22, 2022, with the Illinois Environment Protection Agency as part of the City's multi-years rehabilitation program. The funds will be specifically to be used for the installation of 12,400 lineal feet of 72-inch to 90-inch diameter sewer main. The amount drawn from the loan agreement by the Sewer Fund in 2024 was \$13.1 million. The loan agreement has an interest rate of 1.11% with maturity from December 3, 2024 to June 3, 2044.

A loan agreement was signed on May 10, 2022, with the Illinois Environment Protection Agency. The loan proceeds will be utilized for the rehabilitation of sewers by lining a total of 250,000 LF of sewers ranging in diameter between 8-inches and 60 inches. The amount drawn from the loan agreement by the Sewer Fund in 2024 was \$58.5 million. The loan agreement has an interest rate of 1.11% with maturity from January 31, 2025 to July 31, 2044.

A loan agreement was signed on September 1, 2020, with the Illinois Environment Protection Agency as part of the City's multi-years rehabilitation program. The funds will be specifically to be used for the installation of 19,800 lineal feet of 12-inch to 72-inch diameter sewer main. In 2024, the Sewer Fund drew an additional \$0.8 million. Total funds drawn from this loan are \$13.4 million. The loan agreement has an interest rate of 1.35% with maturity from February 22, 2024 to August 22, 2042.

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A loan agreement was signed on December 14, 2020, with the Illinois Environment Protection Agency of a 5-year rehabilitation program conducted throughout the city. Approximately 26,900 lineal feet of 12-to-60-inch diameter sewer main will replace existing, aging sewer main as part of the continuation of the city's 3-year sewer lining contract which was awarded in 2016. Activities associated with this loan consist of lining approximately 42 miles of sewer main throughout the city. In 2024, the Sewer Fund drew an additional \$1.6 million. Total funds drawn from this loan are \$60.3 million. The loan agreement has an interest rate of 1.84% with maturity from April 9, 2021 to April 9, 2040.

A loan agreement was signed on May 25, 2018, with the Illinois Environment Protection Agency as part of a 5-year sewer rehabilitation program conducted throughout the City of Chicago. In 2024, the Sewer Fund drew an additional \$2.7 million. Total funds drawn from this loan are \$28.8 million. The loan agreement has an interest rate of 1.76% with maturity from July 15, 2020 to January 15, 2040.

On April 17, 2024, Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2024A (\$227.9 million) were sold at a premium (\$23.9 million). The Bonds have an interest rate at 5% and maturity date from January 1, 2025 to January 1, 2044. Net proceeds of \$249.2 million were used to refund certain of the City's outstanding Second Lien Wastewater Revenue Bonds. The current refunding of the bonds decreased the City's total debt service payments by \$33.3 million, resulting in net economic gain of approximately \$23.9 million.

On December 4, 2024, Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2024B (\$138.3 million) were sold at a premium (\$15.3 million). The Bonds have an interest rate at 5% and maturity date from January 1, 2026 to January 1, 2039. Net proceeds of \$151.8 million were used to refund certain of the City's outstanding Second Lien Wastewater Revenue Bonds. The current refunding of the bonds decreased the City's total debt service payments by \$19.5 million, resulting in net economic gain of approximately \$15.1 million.

The following is a schedule of debt service requirements to maturity (dollars in thousands):

December 31	Principal	Interest	Total Debt Service
2025	\$ 86,665	\$ 85,877	\$ 172,542
2026	72,171	104,533	176,704
2027	68,446	102,609	171,055
2028	74,659	100,600	175,259
2029	91,283	78,010	169,293
2030-2034	548,973	323,817	872,790
2035-2039	574,673	192,494	767,167
2040-2044	218,780	96,206	314,986
2045-2049	92,500	63,195	155,695
2050-2054	94,670	39,272	133,942
2055-2059	74,590	18,350	92,940
2060-2063	32,430	2,739	35,169
Total	<u>\$ 2,029,840</u>	<u>\$ 1,207,702</u>	<u>\$ 3,237,542</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS
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Defeased Bonds—Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts, together with interest earned thereon, will provide an amount sufficient for payment of all principal and interest. Defeased bonds at December 31, 2024 are as follows (dollars in thousands):

	Defeased	Outstanding
Second Lien Wastewater Transmission Revenue Bonds, Series 2008C	\$ 182,475	\$ 175,230
Second Lien Wastewater Transmission Revenue Bonds, Series 2012	5,000	—
Second Lien Wastewater Transmission Revenue Bonds, Series 2014	240,975	—
Total	<u>\$ 428,450</u>	<u>\$ 175,230</u>

Debt Covenants—The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, shall each fiscal year be at least equal to: (A) 115% of the aggregate debt service requirement for the fiscal year on the outstanding senior lien bonds, plus (B) the sum of the aggregate annual debt service requirements for the fiscal year on the outstanding second lien bonds, plus (C) 115% of the aggregate outstanding debt service requirements for the fiscal year on the outstanding IEPA loans, plus (D) annual debt service requirement for the fiscal year on aggregate outstanding debt service on any outstanding wastewater line of credit and commercial paper notes. This requirement was met at December 31, 2024.

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**NOTES TO BASIC FINANCIAL STATEMENTS
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5. CHANGES IN CAPITAL ASSETS

Capital assets during the year ended December 31, 2024, the total amount of right-of-use lease assets by major class, and the related accumulated amortization, disclosed separately from other capital assets, is as follows (dollars in thousands):

	Balance January 1	Additions	Disposals and Transfers	Balance December 31,
Utility plant not depreciated:				
Land and land rights	\$ 560	\$ —	\$ —	\$ 560
Construction in progress	90,674	56,458	(16,180)	130,952
Total utility plant not depreciated	91,234	56,458	(16,180)	131,512
Utility plant being depreciated:				
Facilities and structures	4,044,039	49,085	—	4,093,124
Furniture and equipment	32,596	—	(170)	32,426
Total utility plant being depreciated	4,076,635	49,085	(170)	4,125,550
Less accumulated depreciation:				
Facilities and structures	(893,657)	(60,245)	6	(953,896)
Furniture and equipment	(31,638)	111	170	(31,357)
Total accumulated depreciation	(925,295)	(60,134)	176	(985,253)
Utility plant being depreciated—net	3,151,340	(11,049)	6	3,140,297
Utility plant—net	<u>\$ 3,242,574</u>	<u>\$ 45,409</u>	<u>\$ (16,174)</u>	<u>\$ 3,271,809</u>
Leased assets being amortized:				
Right of use lease asset	\$ 105,633	\$ 5,406	\$ —	\$ 111,039
Right of use subscription assets	857	—	—	857
Total ROU assets	106,490	5,406	—	111,896
Less accumulated amortization:				
Right of use lease asset	(42,353)	(24,148)	—	(66,501)
Right of use subscription assets	(412)	(445)	—	(857)
Total accumulated amortization	(42,765)	(24,593)	—	(67,358)
Total—net of accumulated amortization	63,725	(19,187)	\$ —	44,538
Total—Net Capital Assets	<u>\$ 3,306,299</u>	<u>\$ 26,222</u>	<u>\$ (16,174)</u>	<u>\$ 3,316,347</u>

6. PENSION PLANS

Plan Description—Eligible Sewer Fund employees participate in one of two single-employer defined benefit pension plans (Plans). These Plans are the Municipal Employees' Annuity and Benefit Fund of Chicago (Municipal Employees') and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers'). The plans are administered by individual retirement boards of trustees comprised of City officials or their designees and of trustees elected by Plan members. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago'. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.meabf.org and www.labfchicago.org.

**CITY OF CHICAGO, ILLINOIS
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Benefits Provided—The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 10 years of credited service. Employees qualify for an unreduced retirement age minimum formula annuity based on a combination of years of service and age of retirement. Employees may also receive a reduced retirement age minimum formula annuity if they do not meet the age and service requirements for the unreduced retirement age annuity. The requirements of age and service are different for employees depending on when they first became members of their respective Plans. For all the Plans, employees who became members before January 1, 2011, are considered Tier 1 Employees. For those employees who became members on or after January 1, 2011, but before July 6, 2017, are considered Tier 2 Employees. For those employees who became members on or after July 6, 2017, are considered Tier 3 Employees. Public Act 100-0023 (P.A. 100-0023), which established the requirements for Tier 3 employees, includes a provision for Tier 2 employees to elect to be considered as Tier 3 employees. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.2% to 2.5% per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service for participants who are Tier 1 Employees and any eight consecutive years within the last 10 years of credited service for participants who are Tier 2 Employees or Tier 3 Employees.

Benefit terms provide for annual adjustments to each employee's retirement allowance subsequent to the employees' retirement date. For Tier 1 Employees, the annual adjustments for Municipal Employees' and Laborers' are 3.0%, compounded, for annuitants born before January 1, 1966, and 1.5%, simple, born after January 1, 1966, or later. For Tier 2 Employees and Tier 3 Employees, the annual adjustments are equal to the lesser of 3.0% and 50% of CPI-U of the original benefit.

Employees Covered by Benefit Terms—At December 31, 2024, the following City employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Total
Inactive employees or beneficiaries currently receiving benefits	25,828	3,504	29,332
Inactive employees entitled to but not yet receiving benefits	26,410	1,406	27,816
Active employees	38,655	2,735	41,390
	<u>90,893</u>	<u>7,645</u>	<u>98,538</u>

Contributions—For the Municipal Employees' and Laborers' Plans, Public Act 100-0023 (P.A. 100-0023) was enacted on July 6, 2017. P.A. 100-0023 requires the City to contribute specific amounts to the Municipal Employees' and the Laborers' Plans. Additionally, P.A. 100-0023 requires that beginning in payment year 2023, the City's annual contributions to MEABF and LABF each be an amount actuarially determined to be sufficient to produce a funding level of 90% by the year end of 2058.

The City's contributions are budgeted in the same year as the applicable levy year for the property taxes funding the contributions. The City's contributions are then paid to the pension funds in the following year (which is when the levy property taxes are collected and paid to the City by the Cook County Treasurer). The Sewer Fund's proportion of the contribution was determined based on the rates of Sewer Fund's salaries within each corresponding pension plan to the total budgeted salaries for 2024.

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The contribution to the two pension plans from the Sewer Fund was \$33.8 million for the year ended December 31, 2024.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2024, the Sewer Fund reported a liability of \$442.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in Actuarial Assumptions—Changes in the municipal bond rate resulted in an increase in the single discount rate for Laborers' and Municipal Employees'. See discount rate section below.

The change in the single discount rate and other assumptions decreased the net pension liability by \$0.4 million for Laborers' and \$8.0 million for Municipal Employees'. These changes are being amortized into expense/(benefit) over a 4 year period for Laborers' and Municipal Employees'.

The Sewer Fund's proportion of the net pension liability was determined based on the rates of budgeted Sewer Fund's salaries within each corresponding pension plan to the total budgeted salaries for 2024. At December 31, 2024, the Sewer Fund's proportion was 1.5% of the Municipal Employees' Plan and 11.7% of the Laborers' Plan.

For the year ended December 31, 2024, the Sewer Fund recognized pension expenses of \$26.6 million.

At December 31, 2024, the Sewer Fund reported total deferred outflows of resources of \$29.7 million, and deferred inflows of resources of \$11.9 million related to pensions from the following sources:

Municipal Employees' (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,108	
Changes of assumptions	4,774	6,420
Net difference between projected and actual earnings on pension plan investments	1,187	—
Total	<u>\$ 9,069</u>	<u>\$ 6,420</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(benefit) as follows:

**Years Ending
December 31**

2025	\$ 1,857
2026	2,571
2027	(178)
2028	(1,601)
Total	<u>\$ 2,649</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS
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Laborers' (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,229	\$ 1,154
Changes of assumptions	10,565	4,280
Net difference between projected and actual earnings on pension plan investments	6,788	—
Total	<u>\$ 20,582</u>	<u>\$ 5,434</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Laborers' pensions will be recognized in pension expense/(benefit) as follows:

**Years Ending
December 31**

2025	\$ 4,986
2026	8,661
2027	1,962
2028	(461)
Total	<u>\$ 15,148</u>

Deferred Inflows and Related to Changes in Proportionate Share of Contributions—The Sewer's proportion of the net pension liability was determined based on the rates of the Sewer's salaries within each corresponding pension plan to the total budgeted salaries for 2024. The changes in the Sewer's proportionate share results in a deferred inflow or deferred outflow depending on the current year's actuarial report. For the year ended December 31, 2024, the Sewer Fund reported pension benefit of \$12.3 million related to changes in proportionate share of contributions. As of December 31, 2024, the Sewer Fund reported deferred inflows of \$28.0 million, and deferred outflows of \$4.7 million related to changes in its proportionate share of contributions. This deferred amount will be recognized as a pension charge/(benefit) over a period of four years.

Actuarial Assumptions—The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees'		Laborers'
Inflation	2.50%		2.25%
Salary increases	2.50%-14.00%	(a)	3.00% (b)
Investment rate of return	6.75%	(c)	6.75% (c)

(a) Varying by years of service and employer

(b) Plus, a service-based increase in the first 9 years

(c) Net of investment expense

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Mortality Assumptions

Pension Plan		Mortality Table Name	Mortality Improvement
Municipal Employees'	Post Retirement	PubG-2010 Retiree Amount-weighted Below Median Mortality Table (sex-specific)	Generational – Scale MP-2021
	Beneficiary	PubG-2010 Contingent Survivor Table Amount-weighted Below Median Mortality Table (sex-specific)	Generational – Scale MP-2021
	Pre-Retirement	PubG-2010 Employee Amount-weighted Below Median Mortality Table (sex-specific)	Generational – Scale MP-2021
Laborers'	Post Retirement	Pub-2010 Amount-weighted Below Median Income General Healthy Retiree Mortality Tables, Sex Distinct	Generational – Scale MP-2020 2-dimensional
	Pre-Retirement	Pub-2010 Amount-weighted Below Median Income General Employee Mortality Tables, Sex Distinct	Generational – Scale MP-2020 2-dimensional

The mortality actuarial assumptions used in the December 31, 2024 valuation were based on the results of actuarial experience study for the period as noted below:

Municipal Employees'

January 1, 2017 - December 31, 2021

Laborers'

January 1, 2017 - December 31, 2019

The long term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2024 are summarized in the following table:

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

	Target Allocation		Return	
	Municipal Employees'	Laborers'	Municipal Employees'	Laborers'
Asset Class:				
Domestic equity	25.0 %	— %	4.8 %	— %
U.S. equity	—	22.0	—	5.4
Non U.S. equity	—	15.0	—	5.4
Global equity	4.0	—	4.8	—
Global low volatility equity	—	4.0	—	3.6
International equity	17.0	—	4.9	—
Fixed income	22.0	26.0	2.5	1.3
Hedge funds	10.0	8.0	3.0	3.2
Infrastructure	3.0	—	4.3	—
Private debt	4.0	6.0	6.6	7.0
Private equity	4.0	6.0	7.5	8.1
Real estate	8.0	8.0	3.9	4.1
Cash	3.0	2.0	0.4	—
Private real assets	—	3.0	—	4.7
Total	100.0 %	100.0 %		

Discount Rate

Municipal Employees'— A Single Discount Rate used to measure the total pension liability as of December 31, 2024 was 6.62%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 100-0023. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through the year 2080. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to projected benefits for all periods through 2079 and the municipal bond index rate of 4.08% was applied thereafter to determine total pension liability.

Laborers'—A Single Discount Rate of 6.64% was used to measure the total pension liability as of December 31, 2024. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 4.08% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2080. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2080, and the municipal bond rate was applied to all benefit payments after that date.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

Sensitivity of the Sewer Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Municipal Employees'—The following presents the Sewer Fund's allocated share of the net pension liability as of December 31, 2024, calculated using the discount rate of 6.62%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.62%) or 1 percentage point higher (7.62%) than the current rate (dollars in thousands):

Net Pension Liability	Current		
	1% Decrease	Discount Rate	1% Increase
Municipal Employees' discount rate	5.62 %	6.62 %	7.62 %
Municipal Employees' net pension liability	\$ 259,592	\$ 223,719	\$ 193,719

Laborers'—The following presents the Sewer Fund's allocated share of the net pension liability as of December 31, 2024, calculated using the discount rate of 6.64%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower 5.64% or 1 percentage point higher (7.64%) than the current rate (dollars in thousands):

Net Pension Liability	Current		
	1% Decrease	Discount Rate	1% Increase
Laborers' discount rate	5.64 %	6.64 %	7.64 %
Laborers' net pension liability	\$ 261,002	\$ 218,282	\$ 182,409

Pension Plan Fiduciary Net (Deficit) Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued Pension Plans financial reports.

7. RELATED-PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the General Fund of the City for services provided by other City departments, employee fringe benefits, and certain payments on behalf of the Sewer Fund. Such reimbursements amounted to \$82.8 million in 2024.

8. COMMITMENTS AND CONTINGENCIES

The Sewer Fund has certain contingent liabilities resulting from litigation, claims, or commitments incident to the ordinary course of business. Management expects that final resolution of these contingencies will not have a material adverse effect on the financial position or results of operations of the Sewer Fund.

The Sewer Fund provides workers' compensation benefits and employee health benefits under self-insurance programs administered by the City and by a third-party administrator for workers' compensation. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the basic financial statements.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. Changes in the claims liability amount for the years ended December 31, 2024 are as follows (dollars in thousands):

Balance—January 1	\$	32,907
Claims incurred on current and prior-year events		11,239
Claims paid on current and prior-year events		<u>(12,590)</u>
Balance—December 31	\$	<u>31,556</u>

The City's purchases annuity contracts from commercial insurers to satisfy certain liabilities, accordingly, no liability is reported for those claims. Property and casualty risks for the Sewer Fund are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years.

At December 31, 2024, the Sewer Fund had entered into contracts with outstanding commitments of approximately \$21.8 million for construction projects.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

	2024
	(Dollars in thousands)
Deferred outflows of resources:	
Deferred outflows from pension activities	\$ 29,650
Changes in proportionate share of pension contribution	4,708
Total deferred outflows of resources	<u>\$ 34,358</u>
Deferred inflows of resources:	
Unamortized deferred bond refunding costs	(34,561)
Deferred inflows from pension activities	(11,855)
Changes in proportionate share of pension contribution	(28,004)
Total deferred inflows of resources	<u>\$ (74,420)</u>

Refer to Note 6 Pension Plans—Deferred Outflows Related to Pension Activities and to Changes in Proportionate Share of Contributions sections.

10. LEASES

As Lessee:

The Sewer Fund leases equipment from other vendors. These leases have terms between three and five years.

The lease liability activity for the year ended December 31, 2024 is summarized as follows (dollars in thousands):

	Balance at January 1,	Additions	Reductions	Balance at December 31,	Current Portion
Lease liability	<u>\$ 63,630</u>	<u>\$ 5,406</u>	<u>\$ (24,030)</u>	<u>\$ 45,006</u>	<u>\$ 21,803</u>

The expected future principal and interest payments that are included in the measurement of the lease liability as of December 31, 2024 are as follows (dollars in thousands):

Years Ending December 31	Principal	Interest	Amount
2025	\$ 21,803	\$ 2,415	\$ 24,218
2026	22,703	461	23,164
2027	500	7	507
Total	<u>\$ 45,006</u>	<u>\$ 2,883</u>	<u>\$ 47,889</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

11. SUBSEQUENT EVENTS

The Sewer Fund has evaluated events occurring subsequent to December 31, 2024, and through June 30, 2025, the date the financial statements were available to be issued. The City did not identify any subsequent events to be disclosed apart from those discussed below.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Dollars are in thousands)**

	2024	2023	2022
MUNICIPAL EMPLOYEES':			
Total pension liability:			
Service cost	\$ 344,821	\$ 316,247	\$ 263,993
Interest	1,272,351	1,242,052	1,269,645
Benefit changes	—	—	—
Differences between expected and actual experience	104,089	155,758	84,258
Assumption changes	(543,345)	442,725	143,996
Benefit payments including refunds	(1,141,513)	(1,095,929)	(1,055,585)
Pension plan administrative expenses	—	—	—
Net change in total pension liability	36,403	1,060,853	706,307
Total pension liability—beginning	20,168,740	19,107,887	18,401,580
Total pension liability—ending (a)	20,205,143	20,168,740	19,107,887
Plan fiduciary net position:			
Contributions—employer **	\$ 1,118,398	\$ 1,077,258	\$ 959,550
Contributions—employee	220,416	194,174	176,339
Net investment income	385,713	359,991	(429,912)
Benefit payments including refunds of employee contribution	(1,141,513)	(1,095,929)	(1,055,585)
Administrative expenses	(6,374)	(6,651)	(6,873)
Other	—	—	—
Net change in plan fiduciary net position	576,640	528,843	(356,481)
Plan fiduciary net position—beginning	4,480,631	3,951,788	4,308,269
Plan fiduciary net position—ending (b)	5,057,271	4,480,631	3,951,788
NET PENSION LIABILITY—Ending (a)–(b)	<u>\$ 15,147,872</u>	<u>\$ 15,688,109</u>	<u>\$ 15,156,099</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>25.03 %</u>	<u>22.22 %</u>	<u>20.68 %</u>
ALLOCATED COVERED PAYROLL*	<u>\$ 38,401</u>	<u>\$ 39,554</u>	<u>\$ 36,832</u>
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF ALLOCATED COVERED PAYROLL	<u>582.59 %</u>	<u>658.28 %</u>	<u>699.67 %</u>
ALLOCATED NET PENSION LIABILITY	<u>\$ 223,719</u>	<u>\$ 260,375</u>	<u>\$ 257,701</u>
ALLOCATED PERCENTAGE	<u>1.48 %</u>	<u>1.66 %</u>	<u>1.70 %</u>

* Allocated covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

** Includes City's supplemental pension contribution starting 2023. In 2024, the contribution was \$178.1 million.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Dollars are in thousands)**

2021	2020	2019	2018	2017	2016	2015
\$ 246,066	\$ 236,302	\$ 228,465	\$ 223,528	\$ 572,534	\$ 619,743	\$ 226,816
1,228,905	1,190,694	1,159,253	1,123,348	915,711	878,369	909,067
—	—	—	—	—	—	2,140,009
121,988	100,938	16,676	95,540	(177,755)	(127,119)	(109,835)
—	—	—	—	(7,431,191)	(578,920)	8,711,755
(1,010,191)	(973,478)	(952,652)	(916,198)	(888,174)	(859,672)	(826,036)
—	—	—	—	—	—	—
586,768	554,456	451,742	526,218	(7,008,875)	(67,599)	11,051,776
17,814,812	17,260,356	16,808,614	16,282,396	23,291,271	23,358,870	12,307,094
18,401,580	17,814,812	17,260,356	16,808,614	16,282,396	23,291,271	23,358,870
\$ 573,198	\$ 496,992	\$ 418,269	\$ 349,574	\$ 261,764	\$ 149,718	\$ 149,225
163,411	157,798	146,645	138,400	134,765	130,391	131,428
498,299	335,403	560,940	(204,975)	610,515	281,419	114,025
(1,010,191)	(973,478)	(952,652)	(916,198)	(888,174)	(859,672)	(826,036)
(6,687)	(7,118)	(6,740)	(6,639)	(6,473)	(7,056)	(6,701)
—	—	—	—	5,394	—	—
218,030	9,597	166,462	(639,838)	117,791	(305,200)	(438,059)
4,090,239	4,080,642	3,914,180	4,554,018	4,436,227	4,741,427	5,179,486
4,308,269	4,090,239	4,080,642	3,914,180	4,554,018	4,436,227	4,741,427
\$14,093,311	\$13,724,573	\$13,179,714	\$12,894,434	\$11,728,378	\$18,855,044	\$18,617,443
23.41 %	22.96 %	23.64 %	23.29 %	27.97 %	19.05 %	20.30 %
\$ 35,795	\$ 33,432	\$ 36,266	\$ 35,136	\$ 34,446	\$ 32,293	\$ 32,146
704.25 %	737.13 %	731.07 %	743.37 %	695.41 %	1,144.85 %	1,132.81 %
\$ 252,089	\$ 246,437	\$ 265,128	\$ 261,188	\$ 239,542	\$ 369,711	\$ 364,150
1.79 %	1.80 %	2.01 %	2.03 %	2.04 %	1.96 %	1.96 %

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Concluded
LAST TEN FISCAL YEARS
(Dollars are in thousands)**

	2024	2023	2022
LABORERS':			
Total pension liability:			
Service cost *	\$ 42,336	\$ 35,725	\$ 39,331
Interest	200,343	197,214	193,347
Benefit changes	—	—	—
Differences between expected and actual experience	3,850	43,615	(27,236)
Assumption changes	(3,343)	158,524	(109,355)
Benefit payments including refunds	(183,828)	(180,947)	(177,162)
Pension plan administrative expense	(3,482)	(3,396)	(3,607)
Net change in total pension liability	55,876	250,735	(84,682)
Total pension liability—beginning	3,071,577	2,820,842	2,905,524
Total pension liability—ending (a)	3,127,453	3,071,577	2,820,842
Plan fiduciary net position:			
Contributions—employer ***	147,466	\$ 123,796	116,176
Contributions—employee	24,229	19,136	19,069
Net investment income	91,803	98,494	(161,680)
Benefit payments including refunds of employee contribution	(183,828)	(180,947)	(177,162)
Administrative expenses	(3,482)	(3,396)	(3,607)
Other	—	—	—
Net change in plan fiduciary net position	76,188	57,083	(207,204)
Plan fiduciary net position—beginning	1,183,981	1,126,898	1,334,102
Plan fiduciary net position—ending (b)	1,260,169	1,183,981	1,126,898
NET PENSION LIABILITY—Ending (a)–(b)	<u>\$ 1,867,284</u>	<u>\$ 1,887,596</u>	<u>\$ 1,693,944</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>40.29 %</u>	<u>38.55 %</u>	<u>39.95 %</u>
ALLOCATED COVERED PAYROLL **	<u>\$ 29,558</u>	<u>\$ 28,085</u>	<u>\$ 23,319</u>
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF ALLOCATED COVERED PAYROLL	<u>738.49 %</u>	<u>790.70 %</u>	<u>791.24 %</u>
ALLOCATED NET PENSION LIABILITY	<u>\$ 218,282</u>	<u>\$ 222,069</u>	<u>\$ 184,510</u>
ALLOCATED PERCENTAGE	<u>11.69 %</u>	<u>11.76 %</u>	<u>10.89 %</u>

* Includes pension plan administrative expense.

** Allocated covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

*** Includes City's supplemental pension contribution starting 2023. In 2024, the contribution was \$20.3 million.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Concluded
LAST TEN FISCAL YEARS
(Dollars are in thousands)

2021	2020	2019	2018	2017	2016	2015
\$ 40,411	\$ 39,216	\$ 38,522	\$ 40,801	\$ 80,232	\$ 82,960	\$ 38,389
192,343	191,099	188,347	183,135	154,047	150,166	153,812
—	—	—	—	150	—	384,033
(31,083)	(18,992)	(8,820)	15,143	(62,178)	(30,428)	(46,085)
21,870	44,034	32,846	(11,788)	(1,074,754)	(62,905)	1,175,935
(172,514)	(169,056)	(164,959)	(160,061)	(157,050)	(154,683)	(152,530)
(3,837)	(3,616)	(3,691)	(3,933)	(3,985)	(4,080)	(3,844)
47,190	82,685	82,245	63,297	(1,063,538)	(18,970)	1,549,710
2,858,334	2,775,649	2,693,404	2,630,107	3,693,645	3,712,615	2,162,905
2,905,524	2,858,334	2,775,649	2,693,404	2,630,107	3,693,645	3,712,615
84,969	73,744	59,346	47,844	35,457	12,603	12,412
17,637	18,064	18,143	17,837	17,411	17,246	16,844
138,105	163,057	184,027	(75,219)	207,981	57,997	(22,318)
(172,514)	(169,056)	(164,959)	(160,061)	(157,050)	(154,683)	(152,530)
(3,837)	(3,616)	(3,691)	(3,933)	(3,985)	(4,080)	(3,844)
—	—	—	661	—	—	—
64,360	82,193	92,866	(172,871)	99,814	(70,917)	(149,436)
1,269,742	1,187,549	1,094,683	1,267,554	1,167,740	1,238,657	1,388,093
1,334,102	1,269,742	1,187,549	1,094,683	1,267,554	1,167,740	1,238,657
\$1,571,422	\$1,588,592	\$1,588,100	\$1,598,721	\$1,362,553	\$2,525,905	\$2,473,958
45.92 %	44.42 %	42.78 %	40.64 %	48.19 %	31.61 %	33.36 %
\$ 24,331	\$ 23,479	\$ 25,989	\$ 25,462	\$ 23,415	\$ 24,328	\$ 24,808
740.81 %	766.71 %	750.49 %	755.96 %	653.68 %	1,213.47 %	1208.15 %
\$ 180,246	\$ 180,018	\$ 195,045	\$ 192,479	\$ 153,060	\$ 295,214	\$ 299,722
11.47 %	11.33 %	12.28 %	12.04 %	11.23 %	11.69 %	12.22 %

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
(Dollars are in thousands)**

Municipal Employees'

Years Ended December 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll *	Contributions as a Percentage of Covered Payroll
2015	677,200	149,225	527,975	1,643,481	9.08 %
2016	961,770	149,718	812,052	1,646,939	9.09
2017	1,005,457	261,764	743,693	1,686,533	15.52
2018	1,049,916	349,574	700,342	1,734,596	20.15
2019	1,117,388	418,269	699,119	1,802,790	23.20
2020	1,167,154	496,992	670,162	1,861,905	26.69
2021	1,218,361	573,198	645,163	2,001,181	28.64
2022	1,262,413	959,550	302,863	2,166,182	44.30
2023	1,273,345	1,077,258	196,087	2,383,203	45.20
2024	1,238,711	1,118,398	120,313	2,600,118	43.01

* Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Note: The schedule of contribution amounts are presented City-wide, as the statutory requirement for contribution is for the City of Chicago and not the individual Enterprise fund.

Laborers'

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll **	Contributions as a Percentage of Covered Payroll
2015	\$ 79,851	\$ 12,412	\$ 67,439	\$ 204,773	6.06 %
2016	117,033	12,603	104,430	208,155	6.05
2017	124,226	35,457	88,769	208,442	17.01
2018	129,247	47,844	81,403	211,482	22.62
2019	148,410	59,346	89,064	211,608	28.05
2020	155,794	73,744	82,050	207,195	35.59
2021	155,245	84,969	70,276	212,122	40.06
2022	153,023	116,176	36,847	214,083	54.27
2023	153,405	123,796	29,609	238,725	51.86
2024	168,828	147,466	21,362	252,856	58.32

* The LABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using level dollar payments and a 30-year open amortization period.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Note: The schedule of contribution amounts are presented City-wide, as the statutory requirement for contribution is for the City of Chicago and not the individual Enterprise fund.

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

SCHEDULE OF CONTRIBUTIONS

Actuarial Methods and Assumptions	Municipal Employees'	Laborers'
Actuarial valuation date	December 31, 2023	December 31, 2023
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:		
Inflation	2.50%	2.25%
Salary increases	2.50% - 14.00% (a)	3.00% (b)
Investment rate of return	6.75% (c)	6.75% (d)
Retirement age	(e)	(f)
Mortality	(g)	(h)
Other information	(i)	(j)

(a) Varying by years of service and employer.

(b) Varying by years of service and employer.

(c) Net of investment expense.

(d) Net of investment expense, including inflation.

(e) Tier 1 - For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (effective December 31, 2022). Tier 2 - For employees first hired on or after January 1, 2011 and before July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective December 31, 2011). Tier 3 - For employees first hired and contributed on or after July 6, 2017, or "elective" Tier 3 members, rates of retirement for each age from 60 to 80 were used (effective December 31, 2018).

(f) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2020 valuation pursuant to an experience study of the period January 1, 2017 through December 31, 2019.

(g) Post-retirement mortality rates were based on the PubG-2010 Retiree Amount-weighted Below Median Mortality Tables (sex specific), using 117% of the rates for females and 111% of the rates for males, projected generationally using scale MP-2021. Beneficiary mortality rates were based on the PubG-2010 Contingent Survivor Table Amount-weighted Below Median Mortality table (sex-specific), using 111% of the rates for females and 113% of the rates for males, projected generationally using scale MP-2021. Pre-retirement mortality rates were based on the PubG-2010 Employee Amount-weighted Below Median Mortality table (sex-specific), using 92% of the rates for females and 90% of the rates for males, projected generationally using scale MP-2021.

(h) Post-Retirement Mortality: Scaling factors of 109% for males, and 108% for females of the Pub-2010 Amount-weighted Below-median Income General Healthy Retiree Mortality Tables, sex distinct, with generational mortality improvement using MP-2020 2-dimensional mortality improvement scales recently released by the SOA. This assumption provides a margin for mortality improvements. Pre-Retirement Mortality: Scaling factors of 111% for males, and 115% for females of the Pub-2010 Amount-weighted Below-median Income General Employee Mortality Tables, sex distinct, with generational mortality improvement using MP-2020 2-dimensional mortality improvement scales recently released by the SOA. This assumption provides a margin for mortality improvements.

(i) Other assumptions: Same as those used in the December 31, 2023, actuarial funding valuation.

(j) Demographic assumptions were updated for the actuarial valuation as of December 31, 2020. The Investment Rate of Return was adopted for the actuarial valuation as of December 31, 2023.

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PART III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL INFORMATION

The statistical data section includes selected financial and operating information, generally presented on a multiyear basis. Statistical section information is presented in five categories—financial trends, revenue capacity, debt capacity, operating information, and demographic and economic information. Schedules in the statistical section are the following:

Contents

Financial Trends—These schedules contain trend information to help the reader understand how the Sewer Fund's financial performance and well-being have changed over time.

Revenue Capacity—These schedules contain information to help the reader assess the Sewer Fund's most significant revenue source and sewer sales charge.

Debt Capacity—These schedules present information to help the reader assess the affordability of the Sewer Fund's current levels of outstanding debt and the Sewer Fund's ability to issue additional debt in the future.

Operating Information—These schedules contains service and infrastructure data to help the reader understand how the information in the Sewer Fund's financial report relates to the services the Sewer Fund provides and the activities it performs.

Demographic and Economic Information—These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 1
NET POSITION BY COMPONENT
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

	2015	2016	2017
NET POSITION:			
Net investment in			
capital assets	\$ 559,715	\$ 648,644	\$ 735,564
Restricted for capital projects	116,107	117,295	116,376
Unrestricted	(299,584)	(353,467)	(364,239)
TOTAL NET POSITION	<u>\$ 376,238</u>	<u>\$ 412,472</u>	<u>\$ 487,701</u>
	*		

* Amounts were restated due to the implementation of GASB 68.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 1
NET POSITION BY COMPONENT
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

2018	2019	2020	2021	2022	2023	2024
\$ 827,773	\$ 862,065	\$ 931,047	\$ 1,062,584	\$ 1,087,602	\$ 999,722	\$ 1,136,366
115,576	139,618	205,696	171,985	69,193	233,401	60,426
<u>(358,293)</u>	<u>(324,272)</u>	<u>(363,033)</u>	<u>(371,377)</u>	<u>(219,460)</u>	<u>(221,267)</u>	<u>(80,947)</u>
<u>\$ 585,056</u>	<u>\$ 677,411</u>	<u>\$ 773,710</u>	<u>\$ 863,192</u>	<u>\$ 937,335</u>	<u>\$ 1,011,856</u>	<u>\$ 1,115,845</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 2
CHANGES IN NET POSITION
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

	2015	2016	2017
OPERATING REVENUES:			
Sewer sales	\$ 390,924	\$ 384,140	\$ 377,286
Provision for doubtful accounts	(16,154)	(16,320)	(20,813)
Other operating revenues	1,107	1,146	1,150
Total operating revenues	375,877	368,966	357,623
OPERATING EXPENSES:			
Repairs	42,131	36,408	41,881
General Fund reimbursements	40,007	50,760	47,522
Pension expense	187,593	104,864	34,397
Maintenance	25,322	21,941	24,660
Engineering	3,299	2,158	2,466
Administrative and general	12,337	11,801	12,591
Total operating expenses before depreciation and amortization	310,689	227,932	163,517
Depreciation and amortization	40,444	40,734	48,171
Total operating expenses	351,133	268,666	211,688
OPERATING INCOME	24,744	100,300	145,935
NONOPERATING REVENUES (EXPENSES):			
Interest income (loss)	2,600	1,025	4,348
Interest expense	(83,656)	(81,722)	(81,359)
Other	1,321	112	6
Transfers out	—	(120)	(120)
Grants	—	16,639	6,419
Swap termination fee	(70,243)	—	—
Total nonoperating revenue (expenses)-net	(149,978)	(64,066)	(70,706)
CHANGE IN NET POSITION	(125,234)	36,234	75,229
TOTAL NET POSITION—Beginning of year	501,472	376,238	412,472
TOTAL NET POSITION—End of year	<u>\$ 376,238</u>	<u>\$ 412,472</u>	<u>\$ 487,701</u>

* Amounts were restated due to the implementation of GASB 68.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 2
CHANGES IN NET POSITION
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

2018	2019	2020	2021	2022	2023	2024
\$ 380,822	\$ 373,902	\$ 356,267	\$ 377,514	\$ 390,059	\$ 401,366	\$ 423,682
(12,611)	(23,849)	(22,792)	(12,297)	(23,183)	(20,834)	(26,908)
1,492	1,023	484	1,052	836	837	691
369,703	351,076	333,959	366,269	367,712	381,369	397,465
43,654	41,614	47,398	44,066	27,513	36,030	31,758
51,188	53,688	54,467	55,937	55,478	54,624	56,217
18,938	3,266	(23,853)	(4,979)	21,466	25,200	26,585
24,909	22,958	24,405	25,861	14,406	16,923	16,532
3,664	3,515	4,776	5,328	6,162	6,894	9,157
13,472	12,367	12,320	13,891	14,093	13,295	16,078
155,825	137,408	119,513	140,104	139,118	152,966	156,327
48,504	52,933	53,140	55,749	78,728	78,226	84,727
204,329	190,341	172,653	195,853	217,846	231,192	241,054
165,374	160,735	161,306	170,416	149,866	150,177	156,411
2,436	11,663	8,381	(733)	(17,178)	11,691	27,864
(77,619)	(79,992)	(80,346)	(82,979)	(80,612)	(93,449)	(90,549)
5,010	74	3,747	2,898	22,187	6,222	10,383
(120)	(120)	(120)	(120)	(120)	(120)	(120)
2,274	(5)	3,331	—	—	—	—
—	—	—	—	—	—	—
(68,019)	(68,380)	(65,007)	(80,934)	(75,723)	(75,656)	(52,422)
97,355	92,355	96,299	89,482	74,143	74,521	103,989
487,701	585,056	677,411	773,710	863,192	937,335	1,011,856
<u>\$ 585,056</u>	<u>\$ 677,411</u>	<u>\$ 773,710</u>	<u>\$ 863,192</u>	<u>\$ 937,335</u>	<u>\$ 1,011,856</u>	<u>\$ 1,115,845</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 3
HISTORICAL FINANCIAL OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

	2015	2016	2017
OPERATING REVENUES:			
Sewer sales	\$ 390,924	\$ 384,140	\$ 377,286
Less provision for bad debt	(16,154)	(16,320)	(20,813)
Other operating revenue	1,107	1,146	1,150
Total operating revenues	375,877	368,966	357,623
OPERATING EXPENSES:			
Repairs	42,131	36,408	41,881
Maintenance	25,322	21,941	24,660
Administrative and general	12,337	11,801	12,591
General Fund reimbursements ⁽¹⁾	227,600	155,624	81,919
Pension expense	—	—	—
Engineering	3,299	2,158	2,466
Total operating expenses	310,689	227,932	163,517
NONOPERATING REVENUES	3,921	1,137	4,354
NET REVENUES—As defined	\$ 69,109	\$ 142,171	\$ 198,460

Source: City of Chicago Comptroller's Office.

Note:

(1) \$32.5 million is the portion of the City's pension cash contribution payable in 2024 to the pension funds and allocable to the Sewer Fund. Accordingly, this portion is included in Operating Expenses for purposes of calculation of the debt service coverage ratio.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 3
HISTORICAL FINANCIAL OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

2018	2019	2020	2021	2022	2023	2024
\$ 380,822	\$ 373,902	\$ 356,267	\$ 377,514	\$ 390,059	\$ 401,366	\$ 423,682
(12,611)	(23,849)	(22,792)	(12,297)	(23,183)	(20,834)	(26,908)
1,492	1,023	484	1,052	836	837	691
369,703	351,076	333,959	366,269	367,712	381,369	397,465
43,654	41,614	47,398	44,066	27,513	36,030	31,758
24,909	22,958	24,405	25,861	14,406	16,923	16,532
13,472	12,367	12,320	13,891	14,093	13,295	16,078
70,126	56,954	30,614	50,958	55,478	54,624	56,217
—	—	—	—	21,466	25,200	26,585
3,664	3,515	4,776	5,328	6,162	6,894	9,157
155,825	137,408	119,513	140,104	139,118	152,966	156,327
7,446	11,737	12,128	2,165	(15,801)	17,913	38,247
\$ 221,324	\$ 225,405	\$ 226,574	\$ 228,330	\$ 212,793	\$ 246,316	\$ 279,385

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 4
FIVE LARGEST CUSTOMERS
(In thousands)**

	Amount of Sales									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CPD-Bessemer Park	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,777	\$ —
Department of										
Aviation	\$3,634	\$4,498	\$4,025	\$4,504	\$5,198	\$3,138	\$3,343	\$5,169	\$ 4,292	\$ 4,250
Humboldt Park	—	—	759	—	—	—	—	—	—	—
WR Grace and										
Company	—	—	—	589	—	1,314	1,322	1,521	1,589	—
Calumet Park	—	—	—	—	—	—	—	—	—	—
CPD—Lincoln Park	1,344	1,267	1,325	675	771	1,169	1,679	2,899	1,406	1,993
Cook County										
Sheriff	—	846	—	—	—	—	—	—	—	—
Target Stores #942	—	—	—	—	—	—	—	—	991	—
Uniquema	551	—	—	—	622	590	—	—	—	—
Ford Motor Co	928	912	995	1,311	1,304	1,499	—	1,166	—	—
Chicago Housing Authority										4,051
University of										
Illinois at Chicago	834	—	—	—	—	—	1,377	—	—	2,056
University of Illinois	—	—	—	—	—	—	—	—	—	1,770
Hometown	—	546	551	560	567	—	1,383	2,242	—	—
Total	<u>\$7,291</u>	<u>\$8,069</u>	<u>\$7,655</u>	<u>\$7,639</u>	<u>\$8,462</u>	<u>\$7,710</u>	<u>\$9,104</u>	<u>\$12,997</u>	<u>\$14,055</u>	<u>\$14,120</u>

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 5
CUSTOMERS BY COMPONENT
(In thousands)**

	Amount of Sales									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential	\$266,878	\$246,997	\$242,899	\$248,622	\$243,311	\$242,255	\$250,148	\$268,927	\$257,114	\$277,849
Industrial/ commercial	95,473	109,655	99,620	98,054	93,167	84,473	91,412	92,719	99,729	102,495
Governmental	29,680	28,634	35,917	35,638	38,447	30,023	37,006	24,705	30,326	24,168
Total	<u><u>\$392,031</u></u>	<u><u>\$385,286</u></u>	<u><u>\$378,436</u></u>	<u><u>\$382,314</u></u>	<u><u>\$374,925</u></u>	<u><u>\$356,751</u></u>	<u><u>\$378,566</u></u>	<u><u>\$386,351</u></u>	<u><u>\$387,169</u></u>	<u><u>\$404,512</u></u>

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 6
RECENT SEWER SERVICE RATES**

Years	Gross Water Rate per 1,000 Gallons	Gross Water Rate per 1,000 Cubic Feet	Sewer Rate Percent of Water Bill	Per 1,000 Cubic Feet
January 1, 2015	\$ 3.81	\$ 28.52	100 %	29
January 1, 2016	3.81	28.52	100	29
January 1, 2017	3.88	29.04	100	29
January 1, 2018	3.95	29.49	100	29
June 1, 2019	3.98	29.73	100	30
June 1, 2020	4.08	30.46	100	30
June 1, 2021	4.13	30.79	100	30
June 1, 2022	4.33	32.33	100	30
June 1, 2023	4.55	33.95	100	30
June 1, 2024	4.70	35.10	100	30

Sources: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 7
SEWER SYSTEM ACCOUNTS
TEN YEARS ENDED DECEMBER 31, 2015-2024
(Unaudited)**

Years Ended December 31	Water Accounts			Exempt	Sewer Accounts
	Non-metered	Metered	Total		
2015	227,801	266,284	494,085	64,781	429,304
2016	206,913	287,351	494,264	67,130	427,134
2017	190,276	303,877	494,153	66,995	427,158
2018	180,608	313,758	494,366	66,982	427,384
2019	178,348	316,262	494,610	66,889	427,721
2020	177,641	316,783	494,424	63,608	430,816
2021	176,931	317,398	494,329	62,680	431,649
2022	172,048	322,226	494,274	60,006	434,268
2023	170,456	323,928	494,384	58,904	435,480
2024	169,009	325,450	494,459	57,956	436,503

Sources: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 8
REVENUE BOND COVERAGE
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

Combined prior Bonds, Senior Lien, and Second Lien Debt Service Calculation	2015	2016
REVENUES AVAILABLE FOR BONDS:		
Net revenues—as defined	\$ 69,109	\$ 142,171
Pension expense other than contribution ⁽¹⁾	183,165	100,447
Transfer to sewer rate stabilization account	—	—
Other available funds ⁽²⁾	108,498	133,501
Net revenues available for bonds	360,772	376,119
PRIOR LIEN DEBT SERVICE REQUIREMENT	—	—
NET REVENUES AVAILABLE FOR BONDS	360,772	376,119
DEBT SERVICE REQUIREMENTS:		
Senior lien debt service requirements	—	—
Senior lien debt service coverage (1.15 required)	—	—
DEBT SERVICE REQUIREMENTS:		
2000 second lien bonds	—	—
2001 second lien bonds	6,942	6,947
2001A second lien bonds	—	—
2004A and B second lien bonds	27,242	—
2006A and B second lien bonds	12,358	12,364
2008A second lien bonds	11,534	11,535
2008C second lien bonds	14,725	31,907
IEPA Loans	3,309	4,934
2010A & B second lien bonds	21,627	21,646
2012A & B second lien bonds	17,483	17,485
2014 second lien bonds	19,127	19,180
2015 second lien bonds	—	—
2017A & B second lien bonds	—	—
2023A & B second lien bonds	—	—
Second lien debt service requirement	134,347	125,999
COMBINED SENIOR AND SECOND LIEN DEBT SERVICE REQUIREMENTS	\$ 134,347	\$ 125,999
COMBINED SENIOR AND SECOND LIEN DEBT SERVICE COVERAGE (1.15 REQUIRED) ..	2.69	2.99
SEWER RATE STABILIZATION ACCOUNT YEAR-END BALANCE	\$ 32,629	\$ 32,629
TOTAL CUSTOMER ACCOUNTS	429,304	427,134
TOTAL REVENUE BONDS AND NOTES	\$ 1,686,178	\$ 1,692,820
LONG TERM DEBT PER CUSTOMER SERVED	\$ 3,928	\$ 3,963

Source: City of Chicago Comptroller's Office.

⁽¹⁾ \$33.8 million is the portion of the City's pension cash contribution payable in 2024 to the pension funds and allocable to the Sewer Fund. Accordingly, this portion is included in Operating Expenses for purposes of calculation of the debt service coverage ratio.

⁽²⁾ As provided in the Ordinance, Gross Revenues remaining in any period after providing sufficient funds for Operations and Maintenance Costs, for paying required debt service on all bonds and notes secured by Sewer System revenues, for paying any required amounts into any other accounts established for any bonds or notes secured by Sewer System revenues and to make any deposits into the Sewer Rate Stabilization Account ("Other Available Funds"), can be applied to debt service for any future period.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 8
REVENUE BOND COVERAGE
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

2017	2018	2019	2020	2021	2022	2023	2024
\$ 198,460	\$ 221,324	\$ 225,405	\$ 226,574	\$ 228,330	\$ 212,793	\$ 246,316	\$ 279,385
24,921	6,191	(12,572)	(40,972)	(24,917)	(7,552)	(7,283)	(7,208)
(1,281)	—	—	—	—	—	—	—
200,990	221,509	234,799	255,980	263,437	207,660	141,857	202,522
423,090	449,024	447,632	441,582	466,850	412,901	380,890	474,699
—	—	—	—	—	—	—	595
423,090	449,024	447,632	441,582	466,850	412,901	380,890	475,294
—	—	10,525	13,654	13,720	13,720	13,688	142,871
—	—	42.53	32.34	34.03	30.09	27.83	3.33
—	—	—	—	—	—	—	—
6,951	6,957	6,964	2,304	2,304	2,301	2,306	2,306
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
2,734	—	—	—	—	—	—	—
8,031	4,421	4,448	—	—	—	—	—
31,809	32,023	24,375	30,775	24,445	30,491	20,643	20,643
10,612	12,933	18,117	21,727	27,387	28,724	32,087	32,087
21,654	21,785	17,245	17,250	17,250	17,250	17,241	17,241
17,480	17,482	17,477	17,482	17,482	17,482	193	193
19,188	19,192	19,192	19,215	19,215	19,221	19,220	19,220
6,902	6,849	6,810	7,012	6,915	6,909	7,017	7,017
16,751	25,634	28,045	29,484	29,483	29,507	29,488	29,488
—	—	—	—	—	—	6,148	6,148
142,112	147,276	142,673	145,249	144,481	151,885	134,343	134,343
\$ 142,112	\$ 147,276	\$ 153,198	\$ 158,903	\$ 158,201	\$ 165,605	\$ 148,031	\$ 277,214
2.98	3.05	2.92	2.78	2.95	2.49	2.57	1.71
\$ 32,196	\$ 36,902	\$ 36,902	\$ 40,814	\$ 40,814	\$ 40,814	\$ 40,814	\$ 40,814
427,158	427,384	427,721	430,816	431,649	434,268	435,480	436,503
\$ 1,861,381	\$ 1,893,561	\$ 1,895,495	\$ 1,953,134	\$ 1,895,795	\$ 1,876,190	\$ 2,035,448	\$ 2,029,840
\$ 4,358	\$ 4,431	\$ 4,432	\$ 4,534	\$ 4,392	\$ 4,320	\$ 4,674	\$ 4,650

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 9
LONG-TERM DEBT
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

	2015	2016	2017
First lien	\$ 35,168	\$ 35,168	\$ 35,168
Second lien	1,592,010	1,548,696	1,660,490
Subordinate lien—IEPA loan	59,000	108,956	165,723
Total revenue bonds and notes	1,686,178	1,692,820	1,861,381
Unamortized premium (discount)	83,551	77,642	113,074
Accretion of Series 1998 CAB	54,194	59,018	64,105
Sub-total	137,745	136,660	177,179
Total revenue bonds payable—net of unamortized premium (discount)	\$ 1,823,923	\$ 1,829,480	\$ 2,038,560
Customer accounts	429,304	427,134	427,158
Total outstanding debt per customer served	\$ 4,249	\$ 4,283	\$ 4,772

Source: City of Chicago Comptroller's Office.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 9
LONG-TERM DEBT
TEN YEARS ENDED DECEMBER 31, 2015-2024
(In thousands)**

2018	2019	2020	2021	2022	2023	2024
\$ 35,168	\$ 35,168	\$ 31,792	\$ 27,634	\$ 23,670	\$ 19,939	\$ 16,402
1,527,810	1,562,610	1,518,165	1,474,695	1,429,105	1,590,040	1,522,095
330,583	297,717	403,177	393,466	423,415	425,469	491,343
1,893,561	1,895,495	1,953,134	1,895,795	1,876,190	2,035,448	2,029,840
104,893	97,004	89,361	81,926	74,790	102,551	109,771
69,465	75,114	73,356	68,806	63,529	57,573	50,875
174,358	172,118	162,717	150,732	138,319	160,124	160,646
<u>\$ 2,067,919</u>	<u>\$ 2,067,613</u>	<u>\$ 2,115,851</u>	<u>\$ 2,046,527</u>	<u>\$ 2,014,509</u>	<u>\$ 2,195,572</u>	<u>\$ 2,190,486</u>
<u>427,384</u>	<u>427,721</u>	<u>430,816</u>	<u>431,649</u>	<u>434,268</u>	<u>435,480</u>	<u>436,503</u>
<u>\$ 4,839</u>	<u>\$ 4,834</u>	<u>\$ 4,911</u>	<u>\$ 4,741</u>	<u>\$ 4,639</u>	<u>\$ 5,042</u>	<u>\$ 5,018</u>

CITY OF CHICAGO, ILLINOIS
SEWER FUND

Table 10
CAPITAL IMPROVEMENT PROGRAM, 2025-2029
(In thousands)

Years	Amount
2025	\$ 261,826
2026	362,844
2027	386,279
2028	368,148
2029	520,554
Total	<u>\$ 1,899,651</u>

Note: The information presented in the table above reflects the Sewer Fund's expected allocation of resources to various projects, but does not necessarily represent an expectation of actual cash expenditures for these projects.

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 11
FULL-TIME EQUIVALENT SEWER FUND EMPLOYEES BY FUNCTION
TEN YEARS ENDED DECEMBER 31, 2015-2024**

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Agency management	4	4	4	5	5	4	4	4	4	4
Capital design and construction services .	24	24	25	26	26	27	26	26	27	26
Inspection services	18	24	24	24	24	24	24	24	24	25
Systems installation	9	9	8	8	8	8	8	8	8	8
Systems maintenance and evaluations	521	515	426	412	412	368	358	352	358	357
Communications and coordination.....	15	15	13	13	13	8	8	11	11	11
Total	<u>591</u>	<u>591</u>	<u>500</u>	<u>488</u>	<u>488</u>	<u>439</u>	<u>428</u>	<u>425</u>	<u>432</u>	<u>431</u>

Source: City of Chicago's Program and Budget Summary.

Note: Schedule includes only Department of Water Management employees.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

Table 12
OPERATING INDICATORS BY FUNCTION

	2022	2023	2024
Catch basins repaired	2,116	1,880	1,591

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 13
CAPITAL ASSET STATISTICS BY FUNCTION
(In miles)**

	2022	2023	2024
Sewers lined	42.6	48.2	17.1
New construction	11.5	3.3	2.4

Source: City of Chicago Department of Water Management.

Table 14
POPULATION OF SERVICE AREA
LAST FIVE CENSUS PERIODS

Years	Population
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598
2020	2,746,388

Source: U.S. Department of Commerce—Census Bureau.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 15
PRINCIPAL EMPLOYERS (NON-GOVERNMENT)
CURRENT YEAR AND NINE YEARS AGO**

Employer	2024 ⁽¹⁾			2015		
	Number of Employees	Rank	Percentage of Total City Employment ⁽²⁾	Number of Employees	Rank	Percentage of Total City Employment
Advocate Health ⁽³⁾	33,247	1	2.35 %			
Amazon.Com Inc.	30,751	2	2.17	18,308	1	
Northwestern Memorial Healthcare ...	29,434	3	2.08	15,317	3	1.20
University of Chicago	22,287	4	1.58	16,197	2	1.27
Endeavor Health ⁽⁴⁾	21,134	5	1.49			—
Walmart Inc.	18,000	6	1.27	14,000	5	1.10
United Airlines Holdings Inc. ⁽⁵⁾	17,400	7	1.23			
Walgreens Boots Alliance Inc. ⁽⁶⁾	14,714	8	1.04	0	0	—
JPMorgan Chase & Co. ⁽⁷⁾	14,675	9	1.04	14,158	4	1.11
Health Care Service Corp.	13,500	10	0.95	13,006	6	1.02
AT&T				13,006	7	1.02
Presence Health				10,500	8	0.82
University of Illinois at Chicago				10,000	9	0.79
Abbott Laboratories				9,708	10	0.76

NOTES:

⁽¹⁾ Source: Reprinted with permission from the February 26, 2024 issue of Crain's Chicago Business.

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⁽²⁾ Source: Bureau of Labor Statistics data used in calculation of Total City Employment.

⁽³⁾ Advocate Health formerly known as Advocate Aurora Health.

⁽⁴⁾ Endeavor Health formerly known as Northshore - Edward-Elmhurst Health.

⁽⁵⁾ United Airlines Holdings Inc. formerly known as United Continental Holdings Inc.

⁽⁷⁾ JP Morgan & Co. formerly known as J.P. Morgan Chase

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 16
POPULATION AND INCOME STATISTICS
TEN YEARS ENDED DECEMBER 31, 2015-2024**

Year	Population (1)	Median Age (2)	Number of Households (2)	City Employment	Unemployment Rate (3)	Per Capita Income (4)	Total Income
2015	2,695,598	34.2	1,053,229	1,273,727	5.7 %	\$ 53,886	\$145,254,993,828
2016	2,695,598	34.4	1,053,986	1,282,117	5.4	55,621	149,931,856,358
2017	2,695,598	34.6	1,047,695	1,289,325	4.7	58,315	157,193,797,370
2018	2,695,598	34.9	1,077,886	1,288,755	4.0	61,089	164,671,386,222
2019	2,695,598	35.2	1,080,345	1,286,484	3.2	65,306	176,038,722,988
2020	2,695,598	34.8	1,081,143	1,165,441	8.2	67,671	182,413,812,258
2021	2,746,388	35.8	1,139,537	1,247,060	4.1	71,992	197,717,964,896
2022	2,746,388	35.8	1,159,424	1,319,764	4.2	72,512	199,146,086,656
2023	2,746,388	36.4	1,179,081	1,310,713	4.0	77,429	212,650,076,452
2024	2,746,388	N/A (5)	N/A (5)	1,414,221	4.5	N/A (5)	N/A (5)

Notes:

(1) Source: U.S. Census Bureau.

(2) Source: U.S. Census Bureau - American Community Survey data estimates.

(3) Source: Bureau of Labor Statistics 2024, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.

(4) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area.

(5) N/A means not available at time of publication.