

OPENING REMARKS FOR CHIEF FINANCIAL OFFICER, JENNIE HUANG BENNETT, ON THE 2022 BUDGET RECOMMENDATION TO THE CITY COUNCIL COMMITTEE ON THE BUDGET AND GOVERNMENT OPERATIONS

Good morning Chairman Dowell, Vice Chairman Silverstein and members of the Budget Committee. My name is Jennie Huang Bennett, the Chief Financial Officer for the City of Chicago. Thank you for the opportunity to speak with you about the state of the City's finances.

Before we discuss the 2022 budget, I'd like to take a moment to recall to this budget hearing last year. We were facing a \$1.2B budget gap with no certainty around federal funding, in particular flexible federal funding for municipalities to cover revenue replacement. The City suffered an \$886 million revenue loss in 2020 and was projected to lose \$783 million in 2021. That's \$1.6 billion in revenues lost and no way to pay.

Fortunately, after the passage of the 2021 budget, the Biden administration provided federal funding to municipalities across the country to specifically address revenue replacement, and this funding has given us the ability to propose the FY2022 budget before you today. This federal funding and the City's budget balances several important goals.

The 2022 budget will allow us to build a bridge toward financial stability while the economy continues to recover, as well as allow the City to maintain essential services.

The 2022 budget and accompanying Chicago Recovery Plan also provides \$1.9 billion in investments to address the continuing needs of struggling families, businesses and neighborhoods due to the fallout from COVID.

Further, given the magnitude of the investments and the burgeoning recovery already underway, now is the time for the City to leverage the federal dollars by making capital infrastructure investments of our own that will magnify and make permanent a catalytic transformation for Chicago.

The Chicago Recovery Plan aims to achieve all of these goals.

The 2022 budget also includes significant achievements in the City's finances.

- Over the last three years, we've identified over \$1 billion in structural solutions to walk down the City's structural budget gaps to a place where our revenues more closely match our expenses.
- In 2022, the City will have climbed a \$1 billion pension ramp over three years. For the first time in the city's history, all four pension funds will be paid on an actuarially determined basis. As the Mayor said, this is huge. Going forward, assuming the funds meet their investment performance, the City's funded ratio is expected to increase annually and annual increases in the employer contribution are expected to moderate.
- Also in 2022, we will have climbed yet another ramp—the debt ramp that was created by scoop and toss debt restructurings. This means that annually, we will be paying off between \$225 and \$325 million in debt a year or a total of \$1.8 billion in debt through 2025.
- The benefit of climbing a debt ramp is that now we will have the financial capacity to make investments that will make Chicago a better place to live rather than just rolling over our credit card payments and building a mountain of debt.

While the City has made great financial progress, there is still a path to walk to get to structural balance. We must remember that federal money is one-time in nature. It builds a bridge to recovery, but there is still work to put the City on stable financial footing.

This proposal has been structured to strike a balance of both achieving financial stability and responsibility as well as making transformative and equitable investments across the City, and do both in a big way. It's a delicate balance

that was carefully crafted through extensive community, aldermanic and City engagement and a proposal that I believe will set Chicago up to come out of the pandemic even stronger economically, financially, and socially than it was going into pandemic.

With that, I'll turn the conversation back to Chairman Dowell.