



# Chicago Financial Update

Friday, January 29, 2021



# City of Chicago Property Taxes: Overview

## Predictability and Stability

- 77% of property taxes in Chicago come from the city of Chicago and Chicago Public Schools
- Chicago Public Schools finances are more stable with the passage of educational funding reform and having climbed their pension ramp
- City finances are on a path toward stability, having climbed the ramp for 2 of the four pension funds
  - Future property taxes tied to CPI-U growth
  - 3-year plan for structural balance in 2023, despite COVID
    - Significant reform measures paired with moderate revenue increases
    - Over \$500M in internal efficiencies including significant reduction in vacancies

## Transparency

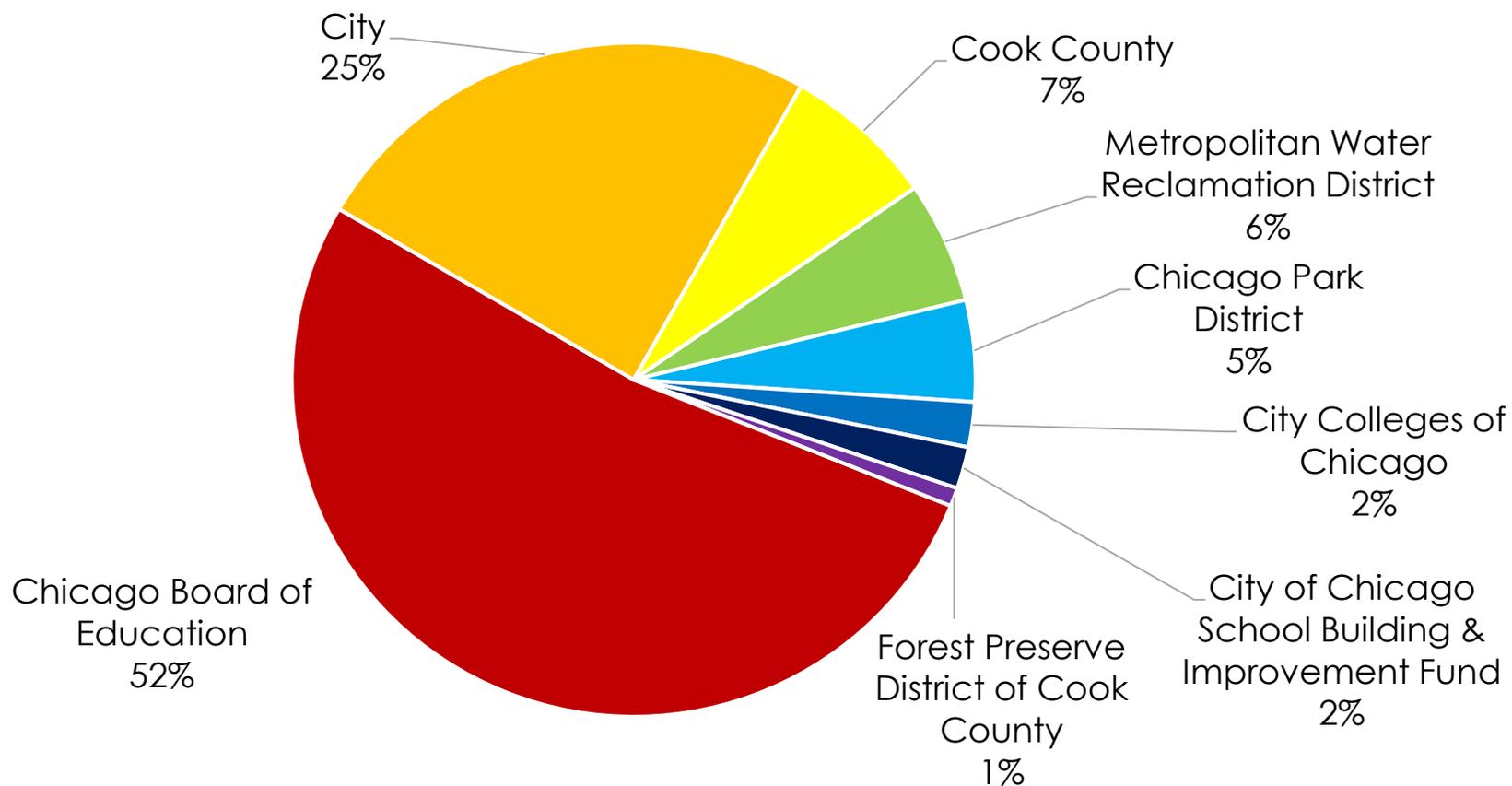
- Improved budget process with one-pager in multiple languages, a 3-year line-item budget forecast, budget ambassadors, town halls, and community surveys

## Affordability

- Chicago's tax rate is the lowest of any municipality in Cook County
  - 6.89% tax rate is lower than north suburb average of 8.922% and south/west suburb average of 13.317%
  - Actual average tax bill is also lower in the City than in the Cook County suburbs



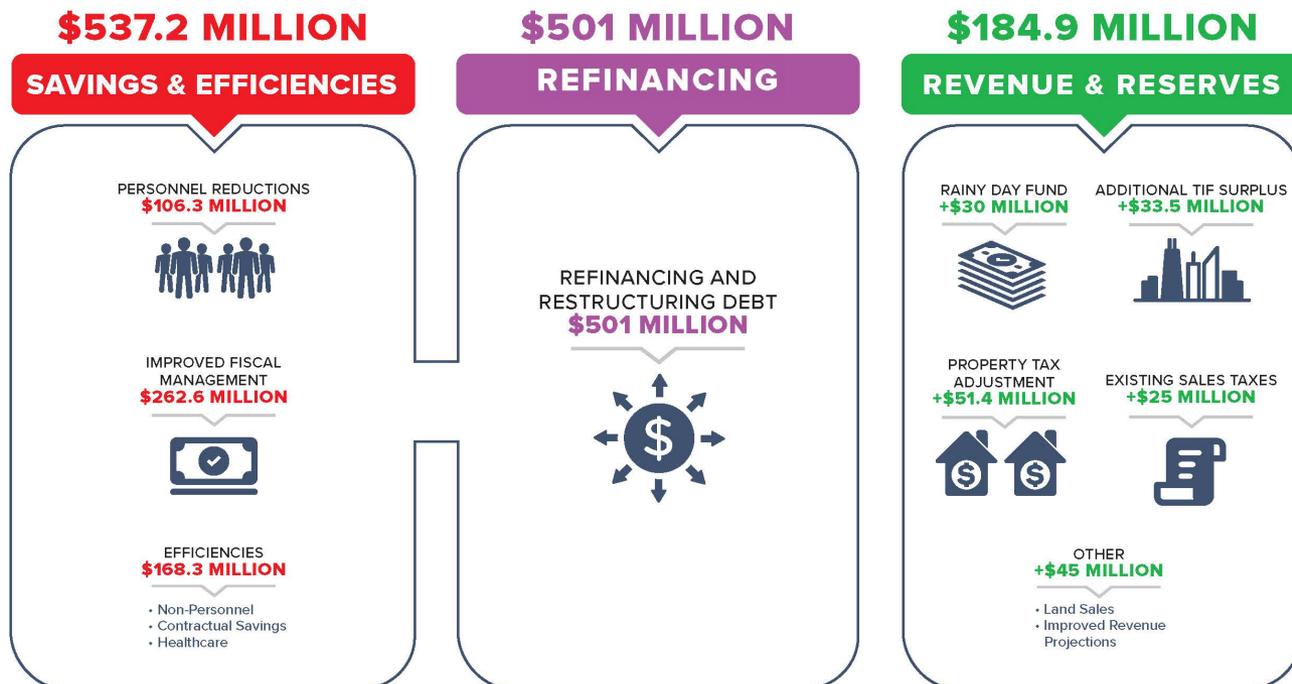
# The City and CPS Account for 77% of the Levy in the City



Source: Cook County Clerk's Office.

# ★ \$1.2B Budget Gap Was Largest in the City's History

- 65% of the budget gap was due to COVID-related revenue loss
- The City balanced the 2021 budget primarily through a combination of savings and efficiencies and debt refinancing, with a focus on minimizing new property taxes
  - The ultimate size of the debt refinancing is contingent on federal aid



# ★ Chicago's Levy Lags EAV Growth

- **If 2020's property tax kept up with EAV since 1995, the City would have raised another \$382M in property tax revenue**
  - Chicagoans have generated property wealth due to rising valuation
  - Growth in property values far exceed growth in local government property tax levies
  - EAV growth in Chicago outstrips suburban Cook growth, which has only grown by 169% in 20 years

- **Chicago's tax rate is the lowest of any municipality in Cook County**

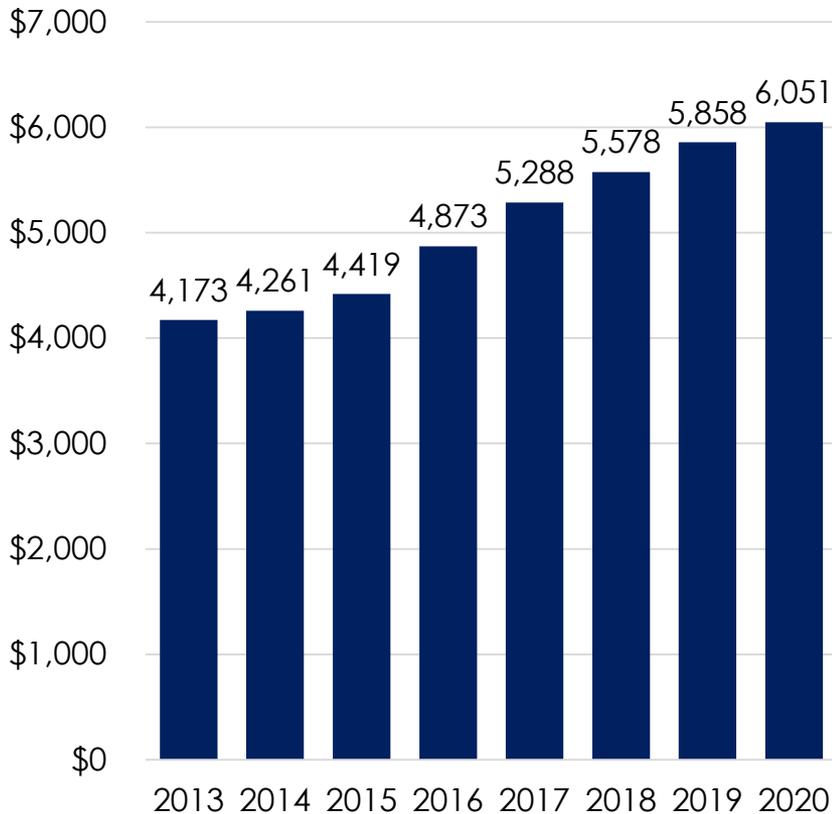
- Chicago did not raise property taxes for many years, followed by a \$543M increase in 2015 spread out over 4 years

	2020 Average Tax Rate
City of Chicago – Central	6.890%
North & Northwest Suburbs	8.922%
South & West Suburbs	13.317%

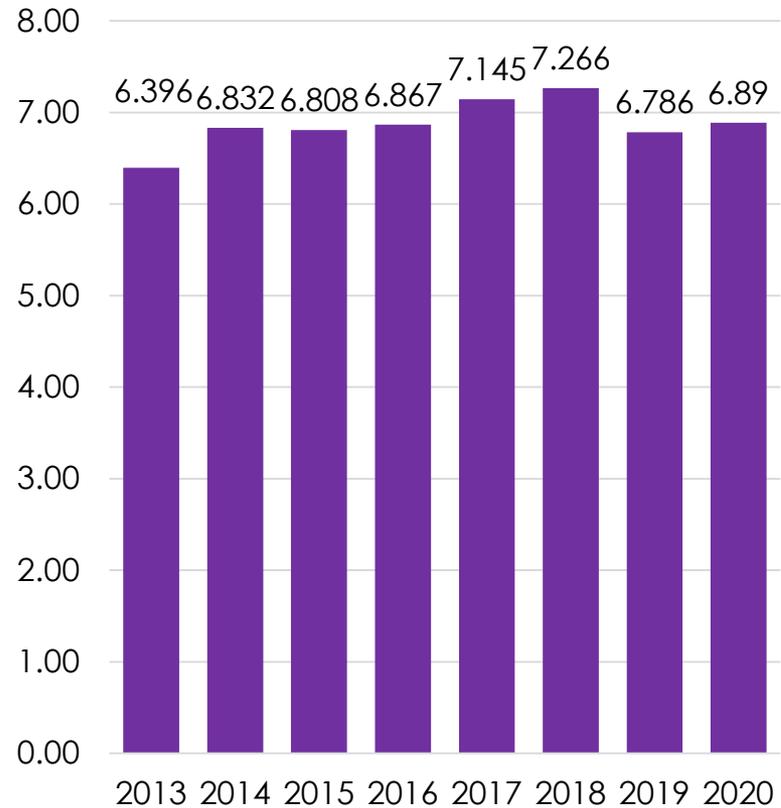
- **As part of the 2021 Budget, City proposed future property tax increases tied to CPI-U**
  - CPS, Park District and City Colleges can all raise property taxes based on CPI
  - This is in keeping with property tax increases pegged to inflation that exist in 44 other states, DC, Dallas and Houston
- **These are stable, predictable, and low increases for property owners in Chicago**

# ★ Levy Rate Has Remained Steady

Total Levy (in \$ millions)



Property Tax Rate (per \$100 of EAV)

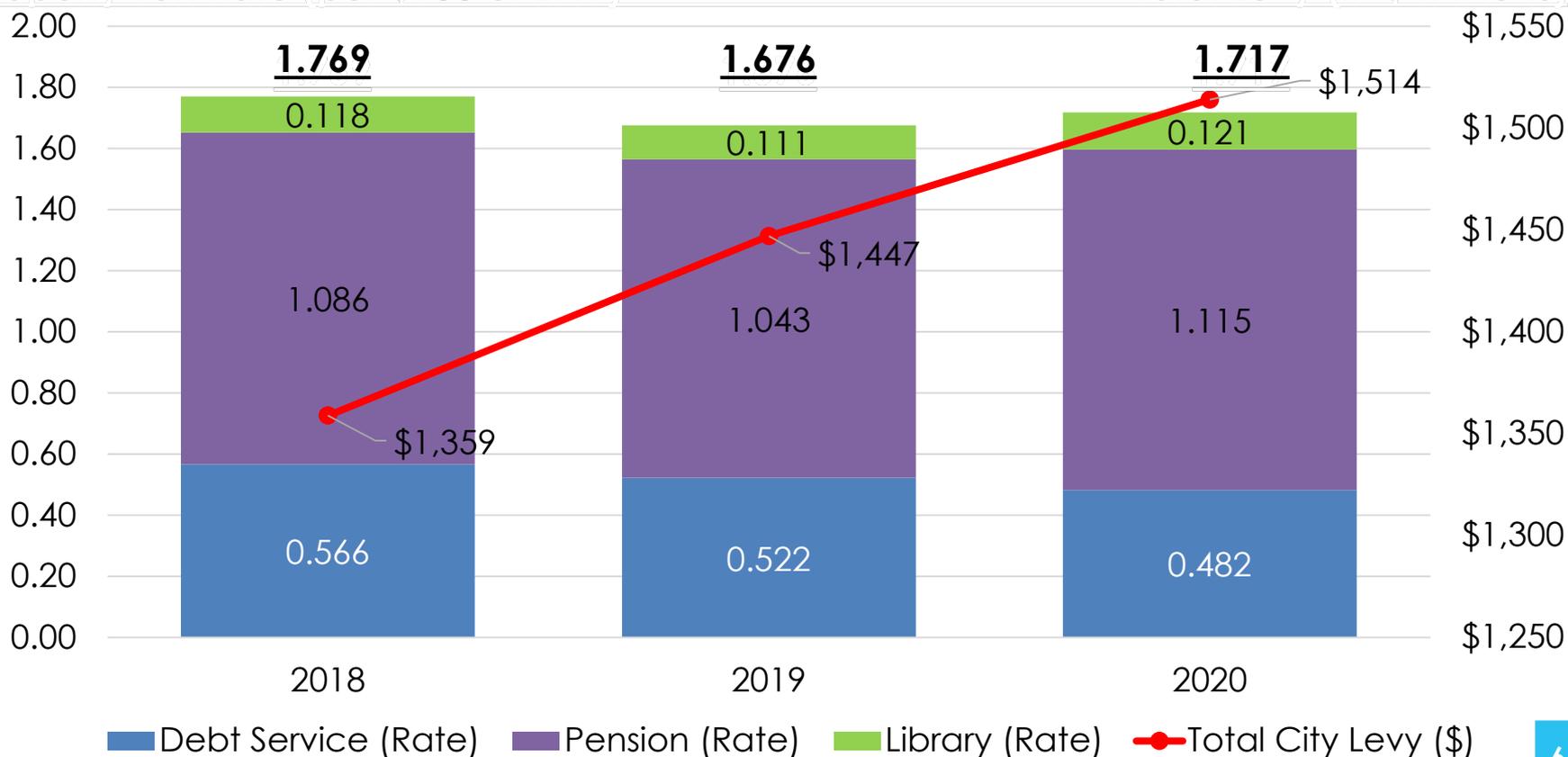


Source: Cook County Clerk's Office.



# City Levies for Debt, Pensions, and the Library

**Property Tax Rate (per \$100 of EAV)** **Total Levy (in \$ millions)**

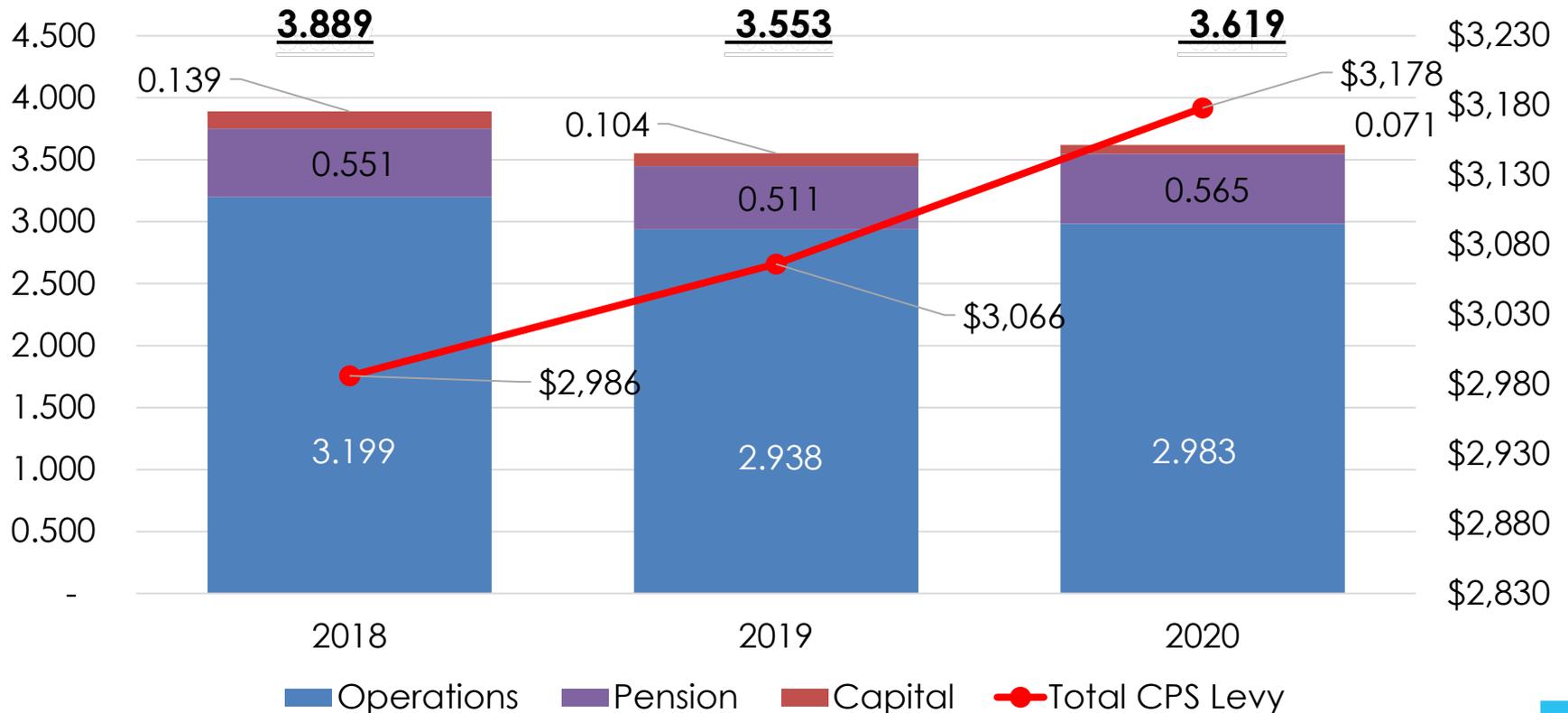


Source: Cook County Clerk's Office.

# CPS Levies for Operations, Capital, and Pensions

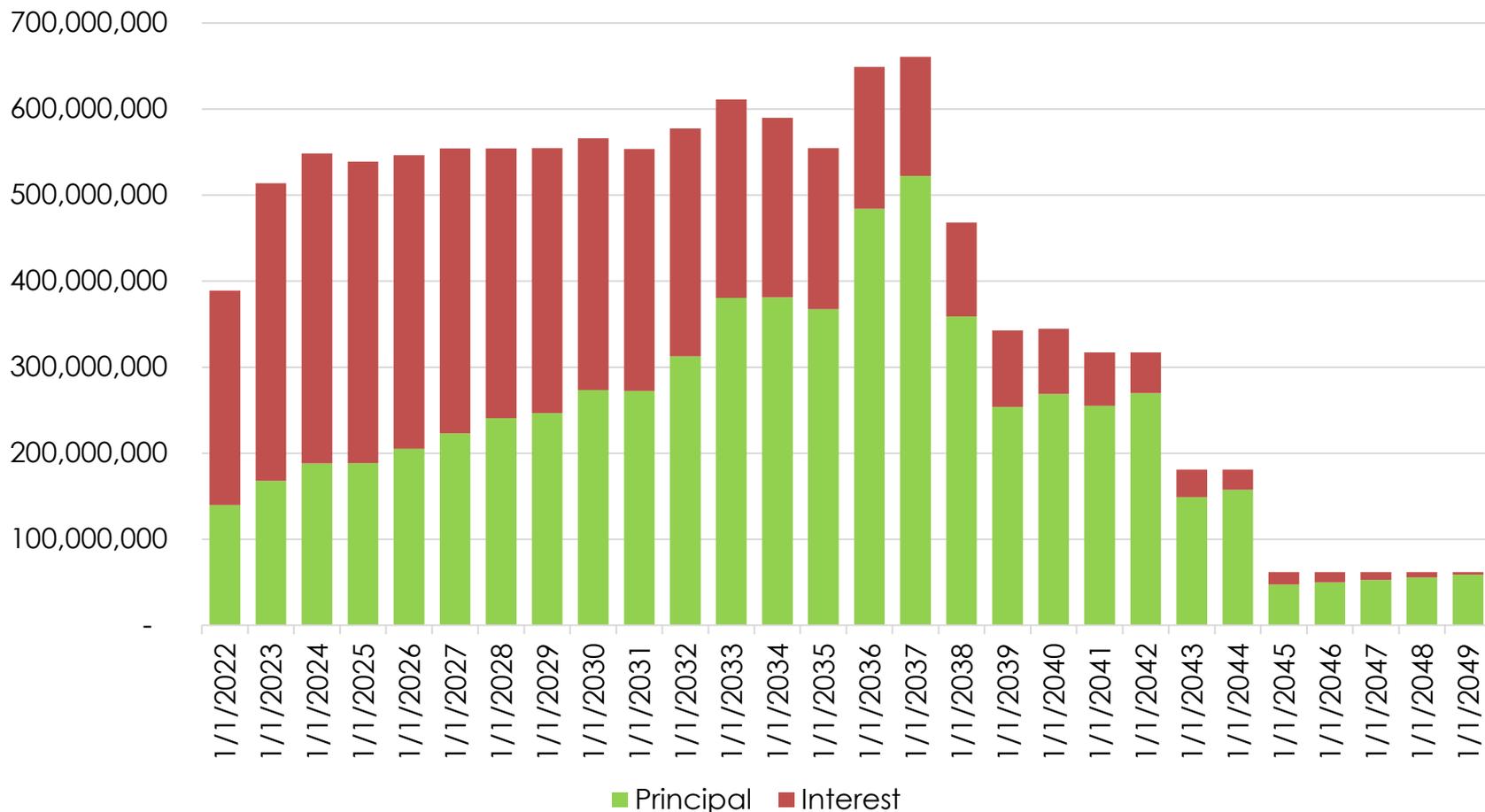
**Property Tax Rate (per \$100 of EAV)**

**Total Levy (in \$ millions)**



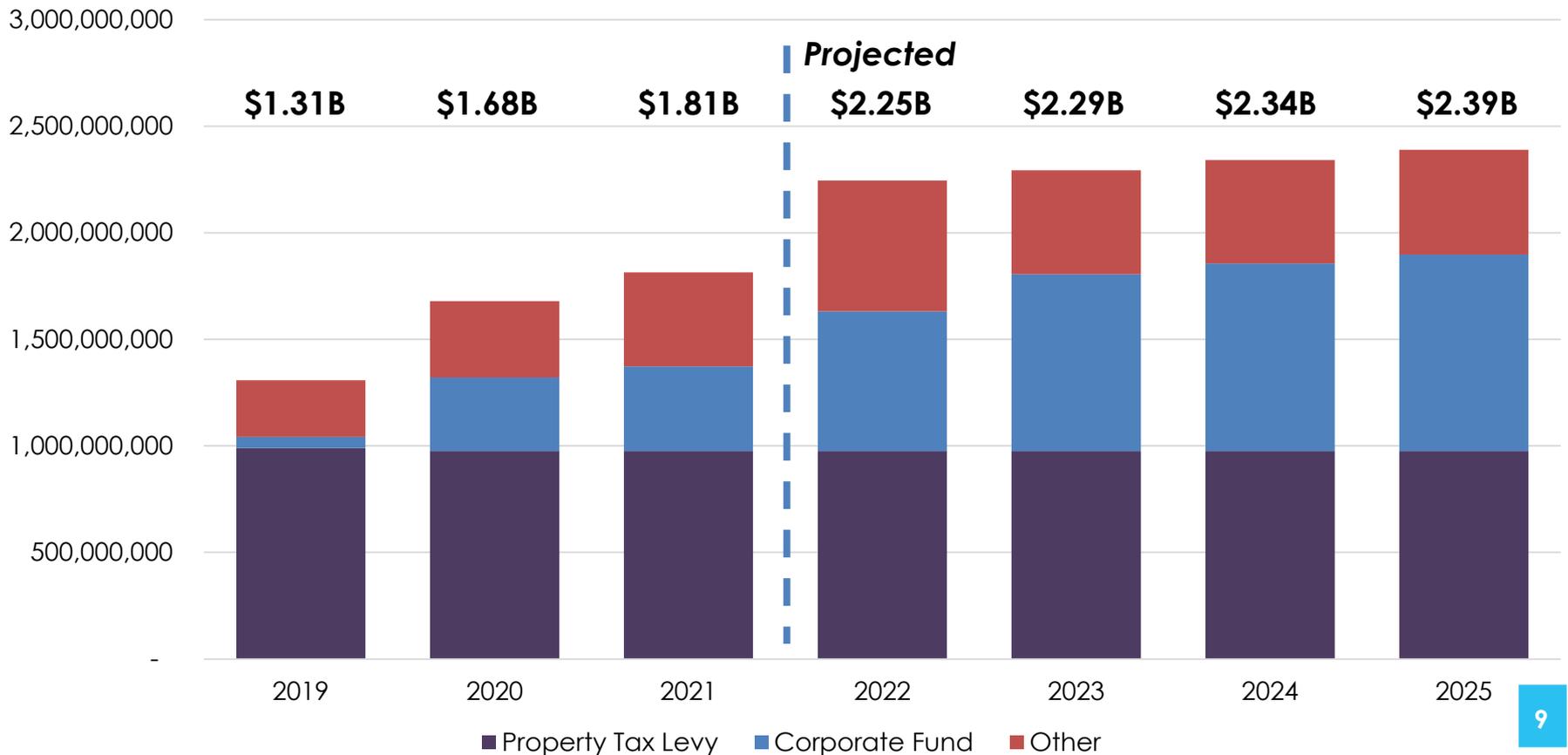
Source: Cook County Clerk's Office. The Capital Improvement Levy was levied for the first time in 2015; the Pension Levy was levied for the first time in 2016.

# City's Overall Debt Service Schedule



# ★ City's Pension Contributions

- After we climb the ramp to actuarial funding for MEABF and LABF in 2022, annual pension contribution increases will stabilize at ~2% each year





# Chicago's Recovery Continues Despite Third Wave

- Studies by independent institutions show that the strong steps the City took to combat COVID-19 are positioning the local economy to recover despite a third wave of COVID that has had an outsized impact on the Midwest:
  - **The ISM Chicago Business Barometer** saw business sentiment in Chicago in Q4 2020 climb to its highest level since Q4 2018
  - **Bank of America** studies show that Chicago's consumer spend recovery has exceeded other large cities and states both in aggregate as well as in large sectors of the economy such as restaurants and bars and brick and mortar retail
  - **Bureau of Labor Statistics** monthly non-farm employment data shows a steady recovery since April lows



# Chicago's Recovering Consumer Confidence

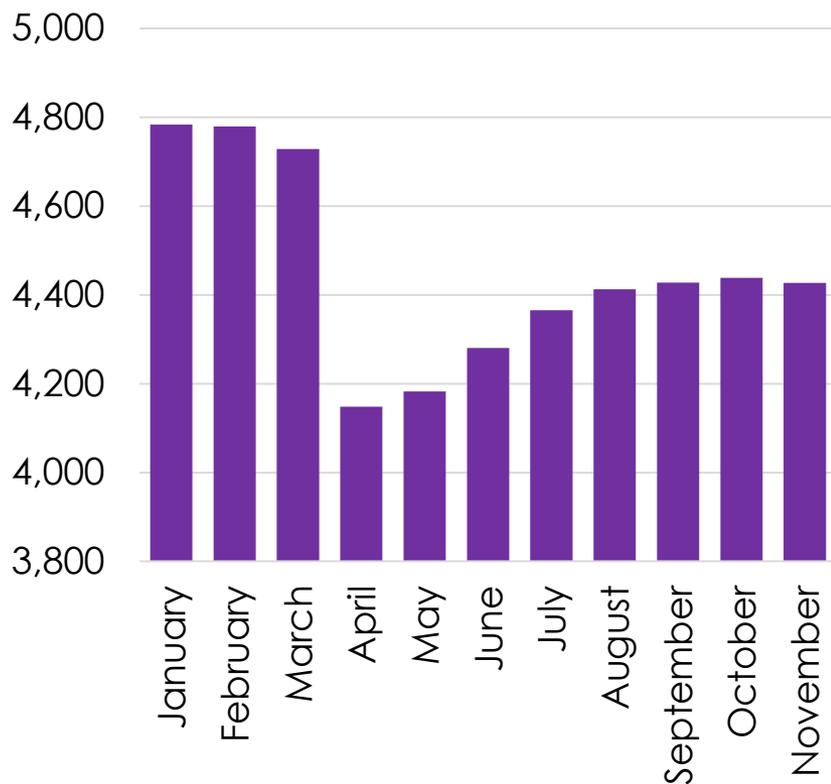
- The Chicago area saw the nation's 2nd highest recovery in spending in in January 2021
- This rebound in consumer confidence exceeds that of many regions with looser restrictions on businesses
- Chicago's COVID-related economic policies have saved lives while not harming economic performance

	21 day average	23-Jan	22-Jan	21-Jan	20-Jan	19-Jan	18-Jan	17-Jan	16-Jan	15-Jan	14-Jan	13-Jan	12-Jan	11-Jan	10-Jan	9-Jan	8-Jan	7-Jan	6-Jan	5-Jan	4-Jan
San Francisco	-3.4%	-4%	-5%	-4%	-4%	-5%	-5%	-4%	-4%	-3%	-4%	-4%	-3%	-2%	-1%	0%	-1%	-6%	-4%	0%	-3%
Seattle	-3.2%	-4%	-4%	-3%	-3%	-5%	-3%	-1%	-1%	-2%	-4%	-4%	-4%	-4%	-4%	-3%	-3%	-7%	-4%	0%	-2%
Portland	-1.4%	-3%	-2%	0%	-1%	-3%	-2%	-1%	-1%	-1%	-4%	-3%	-2%	-1%	0%	0%	0%	-5%	-2%	2%	0%
Cleveland	-1.1%	0%	1%	2%	1%	0%	0%	2%	-4%	-6%	-7%	-7%	-6%	3%	4%	3%	1%	-8%	-5%	2%	2%
Boston	0.7%	1%	1%	2%	1%	0%	1%	2%	-1%	0%	-1%	-1%	1%	1%	2%	3%	2%	-3%	0%	3%	1%
Los Angeles	2.5%	1%	0%	1%	1%	-1%	0%	0%	2%	2%	1%	1%	3%	4%	6%	6%	6%	2%	4%	8%	5%
Denver	3.1%	2%	3%	4%	3%	1%	2%	3%	2%	2%	1%	2%	3%	4%	5%	7%	7%	2%	4%	7%	3%
San Diego	3.1%	2%	5%	5%	5%	3%	-5%	-4%	2%	2%	1%	2%	4%	5%	7%	7%	7%	2%	3%	7%	4%
D.C.	3.4%	3%	3%	3%	2%	1%	2%	3%	3%	2%	1%	1%	3%	6%	7%	7%	7%	2%	4%	8%	3%
Austin	5.8%	6%	6%	8%	7%	5%	7%	8%	4%	4%	2%	2%	3%	4%	6%	11%	11%	7%	7%	9%	6%
Minneapolis	6.8%	5%	8%	9%	8%	6%	8%	9%	9%	6%	4%	5%	7%	7%	9%	10%	8%	3%	5%	7%	4%
New York	7.1%	7%	8%	9%	8%	6%	6%	8%	7%	5%	4%	6%	8%	9%	10%	10%	9%	5%	6%	10%	7%
Houston	8.6%	7%	8%	8%	7%	6%	6%	7%	8%	9%	8%	9%	10%	11%	11%	13%	13%	7%	9%	12%	8%
Dallas	8.9%	7%	8%	9%	8%	6%	6%	7%	8%	9%	8%	8%	9%	10%	12%	15%	15%	9%	9%	12%	8%
Tampa	9.0%	8%	8%	9%	8%	6%	6%	7%	7%	7%	7%	7%	9%	11%	12%	13%	13%	9%	11%	14%	11%
Charlotte	9.3%	7%	8%	10%	10%	7%	7%	7%	8%	8%	5%	6%	8%	12%	13%	13%	13%	10%	13%	15%	10%
Phoenix	10.0%	8%	9%	11%	10%	8%	8%	9%	8%	8%	7%	8%	11%	12%	13%	13%	13%	10%	12%	14%	10%
Las Vegas	10.1%	9%	9%	11%	10%	7%	8%	9%	8%	8%	7%	8%	11%	12%	13%	14%	15%	10%	12%	14%	10%
Miami	10.6%	11%	12%	13%	12%	10%	11%	12%	10%	10%	8%	8%	10%	12%	13%	13%	13%	7%	8%	14%	12%
Detroit	11.1%	10%	10%	12%	11%	8%	9%	9%	15%	12%	12%	12%	14%	15%	16%	15%	12%	6%	8%	11%	9%
<b>Chicago</b>	<b>12.6%</b>	<b>10%</b>	<b>15%</b>	<b>15%</b>	<b>14%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>	<b>11%</b>	<b>12%</b>	<b>10%</b>	<b>11%</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>	<b>15%</b>	<b>13%</b>	<b>8%</b>	<b>11%</b>	<b>14%</b>	<b>10%</b>
Atlanta	12.6%	11%	11%	12%	10%	9%	9%	10%	12%	14%	12%	13%	15%	16%	17%	18%	16%	11%	14%	17%	11%

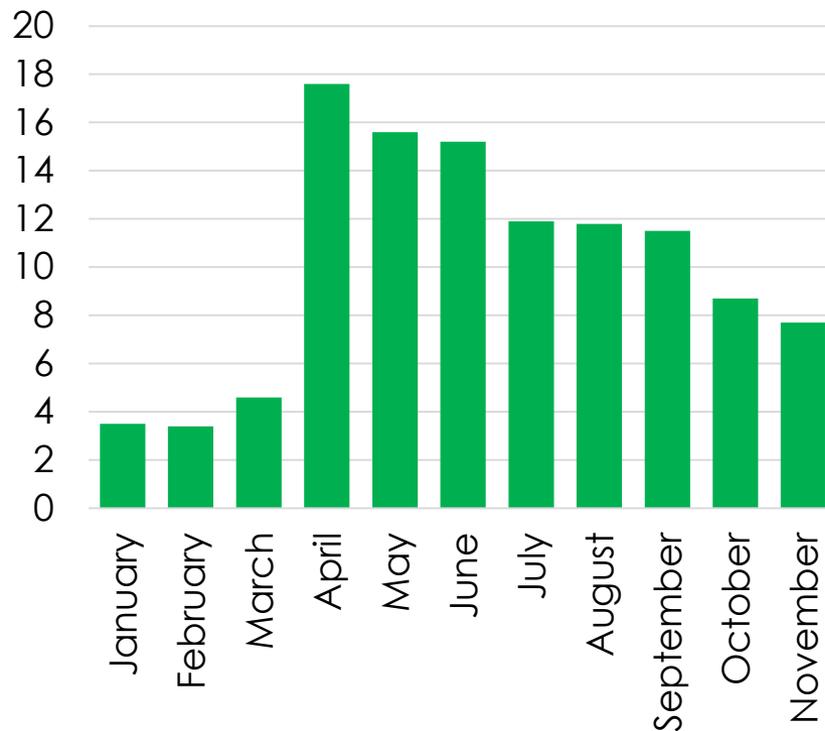


# Employment Recovery Continues Since April Lows

## Chicago Metro Total Jobs



## Chicago Metro Unemployment Rate





**Thank you**

Questions?