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DURING SECOND CONSECUTIVE YEAR OF SIGNIFICANT GAP REDUCTION, CITY OF CHICAGO PROJECTS \$127.9 MILLION SHORTFALL IN 2023 FISCAL YEAR BUDGET

Budget gap reduced for the second year in a row to \$127.9 million as City continues to make powerful strides toward long-term financial stability

CHICAGO – Today, Mayor Lori E. Lightfoot, Budget Director Susie Park, Chief Financial Officer Jennie Huang Bennett, and Comptroller Reshma Soni released the 2023 Budget Forecast, which projects a \$127.9 million budget gap for fiscal year 2023. The budget gap, significantly reduced from last year's \$733 million, and the previous year's historic \$1.2 billion gap, is one of the lowest gaps in recent City history and comes as a result of practical financial strategies implemented over the last several years.

"The \$128 million budget gap is the result of our dedication to remaining good financial stewards and not shying away from making tough choices. As a result, the City has reached major financial, economic, and social milestones during our COVID-19 challenge and our journey toward structural balance," said Chicago Mayor Lori E. Lightfoot. "Last year, in our 2022 Budget, we closed a \$733 million shortfall without any new taxes, no reduction in City services, and no layoffs. As a result of our hard work, Chicago is now on a true path to financial recovery and financial stability."

"After the challenging budgets of the last three years, we are proud to see the results of identifying structural solutions and the impacts of our continued recovery from the pandemic reflected in the 2023 Budget Forecast," said Susie Park, Budget Director. "We will continue to implement fiscally responsible policies to secure the City's financial future while making historic equitable investments in the future of the City of Chicago."

The 2023 Budget Forecast projects revenues to continue recovering, increasing by \$100.3 million over the 2022 budget. Economic indicators show that while inflation is high, falling unemployment, improving supply chains and declines in energy prices point to continued recovery from the pandemic.



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The Forecast projects expenditures to grow by approximately \$228.2 million over the 2022 budget for 2023. This is driven by increases in personnel costs, contractual services, and pension obligations.

The 2023 budget will also mark the second year that all four pension fund contributions will reflect a statutorily required actuarially-calculated contribution. This means that the City is paying what independent experts say is owed to pension funds each year. As a result, in 2021, for the first time in a quarter century, the City's funded ratio, or the assets available to pay the liabilities, for all four of its pension funds increased.

Historically, the City's pension contributions have been made primarily from the proceeds of an annual property tax levy for each fund. With the 2021 budget, the City passed an annual property tax CPI increase to account for growing pension obligations. The CPI-based increase avoids the City's unsustainable past practice of massive tax increases in one year to make up for decades of not living within its means. That practice does not give homeowners the predictability, stability, and affordability to manage their property tax bill.

For 2023, the City is anticipating a 2.5 percent CPI increase. This is based on the five-year CPI average, which is lower than the actual 7.0 percent CPI which is calculated from December to December as well as the 5.0 percent cap set forth in the City's Municipal Code. This will result in an additional \$42.7 million in property taxes that will support pension obligations. Earlier this year, the City Council also approved a Chicago casino which resulted in a \$40 million payment dedicated to pensions and helped to reduce this property tax increase. Together, these revenues will result in reducing the Corporate Fund subsidy by \$82.7 million, totaling \$395.8 million. This is an increase of \$66.6 million from 2022.

"While increasing property taxes is a last resort, the City also needs to be able to keep up with rising pension costs to ensure long-term financial stability and to honor the service of the police, fire, streets and sanitation, and other city workers that serve to keep our City safe, clean, and running efficiently," said Jennie Huang Bennett, CFO. Further, in an effort to keep property taxes lower, the City has also secured nearly \$200 million of annual revenues, \$2 billion of new financial value, and 6,000 jobs through the casino which will support police and fire pensions. The casino has already accrued to this City's benefit in the FY2023 budget gap."

The Office of Budget and Management is working closely with City departments to find savings and efficiencies to balance the 2023 budget, which will be introduced in the fall. City departments will also be incorporating the results of community



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engagement into their plans for 2023, which will be described in the 2023 Responsive Initiatives, published alongside the budget.

“It’s important that we continue to provide essential services and provide relief to the City’s residents and businesses while ensuring enough funds are budgeted to cover those services,” said Comptroller Reshma Soni.

Input received from residents and community stakeholders during the City’s three Budget Engagement Forums last month is vital to the annual budget planning process. Feedback from the forums will be incorporated into the 2023 Responsive Initiatives, developed from the public report published by the University of Illinois at Chicago’s (UIC) Great Cities Institute detailing the data collected from public input. Once finalized, these inputs will be presented with the 2023 Budget Recommendations. This sequence ensures a clear and transparent process for how the City plans to incorporate the community engagement feedback into the budget and City operations.

The 2022 Budget included \$1.9 billion in key investments, which were directly informed by community engagement efforts. These investments included the historic \$1.2 billion investment within the Chicago Recovery Plan, which made equitable investments to accelerate the City’s recovery post the pandemic. Notably, the Chicago Recovery Plan included historic investments such as the following:

- Historic investments for Homelessness Support Services for \$117 million which expands services and housing opportunities for individuals experiencing homelessness.
- Over \$1 billion in affordable housing investments, seeded through \$157 million in City investments,
- The largest investment in the City’s history in a vacant lot clean-up and reduction strategy
- The largest investment in the Green Recovery Agenda and environmental protection and justice project across the City, including the largest investment in the City’s history in 75,000 trees planted over 5 years as well as decarbonization of the City’s vehicle fleet
- With a ten-fold increase in mental health investments since the beginning of Mayor Lightfoot’s administration the number of Chicagoans served has increased from 2,500 to nearly 70,000 Chicagoans
- An increase in anti-violence investments of \$52 million, which is now proportional to a City of our size.

To view a copy of the 2023 Budget Forecast, or download the Forecast Summary, visit: chicago.gov/obm.



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