This Preliminary Reoffering Circular and the information contained herein are subject to completion, amendment, or other change without notice. Under no circumstances shall this Preliminary Reoffering Circular constitute an offer to sell, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any jurisdiction. This Preliminary Reoffering Circular is in a form deemed final as of this date for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, completion and amendment in a final Reoffering Circular.

PRELIMINARY REOFFERING CIRCULAR DATED MAY 20, 2015

REOFFERING
BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein.

On November 8, 2007, Katten Muchin Rosenman LLP and the Charity & Associates, P.C., Co-Bond Counsel ("Initial Co-Bond Counsel"), issued their opinions which stated: (i) under law existing on the date of issuance of such opinions, if there is continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2007EFG Bonds will not be includable in gross income for federal income tax purposes; (ii) the Series 2007EFG Bonds are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing "alternative minimum taxable income; (iii) interest on the Series 2007EFG Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax; and (iv) interest on the Series 2007EFG Bonds is not exempt from Illinois income taxes. The opinions of Initial Co-Bond Counsel continue to apply to the converted Bonds to the extent described under "TAX MATTERS" herein.

Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel ("2015 Co-Bond Counsel"), are expected to issue their opinions that the Series 2007EFG Fixed Rate Conversion (as defined and described herein) will not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. See "TAX MATTERS."

$200,000,000*
CITY OF CHICAGO

$100,000,000* General Obligation Bonds Refunding Series 2007E	**$80,000,000* General Obligation Bonds Refunding Series 2007F**	**$20,000,000* General Obligation Bonds Refunding Series 2007G**

Original Issuance Date: November 8, 2007
Series 2007EFG Fixed Rate Conversion Date: June 8, 2015*

Due: January 1, as shown on the inside front cover page

The City of Chicago (the "City") is reoffering all or a substantial portion of its outstanding General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Series 2007E Bonds"), General Obligation Variable Rate Demand Bonds, Refunding Series 2007F (the "Series 2007F Bonds") and General Obligation Variable Rate Demand Bonds, Refunding Series 2007G (the "Series 2007G Bonds" and, together with the Series 2007E Bonds and the Series 2007F Bonds, the 'Series 2007EFG Bonds") as fixed rate bonds, as more fully described herein. See "PLAN OF FINANCING." Each Series of the Series 2007EFG Bonds was originally issued as variable rate demand bonds pursuant to a separate Trust Indenture dated as of November 1, 2007, between the City and Deutsche Bank National Trust Company, as predecessor to U.S. Bank National Association, as trustee (the "Trustee"). The Series 2007E Bonds converted to fixed rate bonds will be designated General Obligation Bonds, Refunding Series 2007E. The Series 2007F Bonds converted to fixed rate bonds will be designated General Obligation Bonds, Refunding Series 2007F. The Series 2007G Bonds converted to fixed rate bonds will be designated General Obligation Bonds, Refunding Series 2007G. Each Series of the Series 2007EFG Bonds so converted will be subject to the terms and conditions of a separate Third Amended and Restated Trust Indenture dated June 8, 2015*, between the City and the Trustee (each an "Indenture" and collectively, the "Indentures"). The Series 2007EFG Bonds converted to fixed rate bonds are referred to herein as the "Bonds."

Proceeds from the sale of each Series of the Bonds will be used to pay the purchase price of the corresponding Series of the Series 2007EFG Bonds mandatorily tendered on the date the Series 2007EFG Bonds are converted to fixed interest rates (the "Series 2007EFG Fixed Rate Conversion Date") and, if the Bonds of a Series are sold at a net premium, costs of reoffering that Series of the Bonds. For information on the original use of proceeds of the Series 2007EFG Bonds, see "PLAN OF FINANCING—Original Use of Proceeds" herein.

The Bonds will be fully registered bonds registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. The Bonds are being reoffered only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

The Bonds will be dated as of the Series 2007EFG Fixed Rate Conversion Date and mature in the principal amounts and on the dates set forth on the inside front cover of this Reoffering Circular. Interest on the Bonds will accrue from the Series 2007EFG Fixed Rate Conversion Date and be payable on each January 1 and July 1, commencing July 1, 2015. Principal of and interest on the Bonds will be paid by the Trustee to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. See "THE BONDS—Book-Entry System."

The Bonds will be subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption."

For maturities, principal amounts, interest rates, yields, prices and CUSIP numbers of the Bonds, see the inside front cover.

The Bonds will be direct and general obligations of the City and all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" herein.

Prospective investors should read this Reoffering Circular in its entirety prior to making an investment decision to purchase the Bonds.

The Bonds are expected to be delivered on June 8, 2015, subject to withdrawal or modification of sale without notice and issuance of certain opinions by Katten Muchin Rosenman LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois, 2015 Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Reoffering Circular, Pugh, Jones & Johnson, P.C., Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Reoffering Circular, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Ice Miller LLP, Chicago, Illinois.*

BofA Merrill Lynch

Citigroup	**Ramirez & Co., Inc.**	**Siebert Brandford Shank & Co., L.L.C.**
Cabrera Capital Markets, LLC	**CastleOak Securities, L.P.**	**Estrada Hinojosa & Company, Inc.**
Goldman Sachs & Co.	**Jefferies**	**J.P. Morgan**
Mesirow Financial, Inc.		**The Williams Capital Group, L.P.**

Dated: ________ __, 2015

* Preliminary; subject to change

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

City of Chicago

General Obligation Bonds,
Refunding Series 2007E

$____________ Serial Bonds

Maturity (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP*

$___________ ___% Term Bonds due January 1, 20__, Price _________% CUSIP: _____________

General Obligation Bonds,
Refunding Series 2007F

$____________ Serial Bonds

Maturity (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP

$___________ ___% Term Bonds due January 1, 20__, Price _________% CUSIP: _____________

General Obligation Bonds,
Refunding Series 2007G

$____________ Serial Bonds

Maturity (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP

$___________ ___% Term Bonds due January 1, 20__, Price _________% CUSIP: _____________

* Copyright 2015, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of sale of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the sale of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF CHICAGO

MAYOR
Rahm Emanuel

CITY TREASURER
Kurt A. Summers, Jr.

CITY CLERK
Susana A. Mendoza

CITY COUNCIL
COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Lois A. Scott*

CITY COMPTROLLER
Daniel Widawsky

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton, Esq.

CO-BOND COUNSEL
Katten Muchin Rosenman LLP
Chicago, Illinois

Burke Burns & Pinelli, Ltd.
Chicago, Illinois

CO-DISCLOSURE COUNSEL
Pugh, Jones & Johnson, P.C.
Chicago, Illinois

Cotillas and Associates
Chicago, Illinois

SPECIAL DISCLOSURE COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

FINANCIAL ADVISOR
Columbia Capital Management, LLC

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* On May 15, 2015, Carole Brown was named Chief Financial Officer of the City, starting May 26, 2015. Ms. Brown has worked in the municipal finance industry since 1989 and most recently served as Managing Director of Barclays, heading its Midwest public finance practice. Ms. Brown served as Chairman of the Chicago Transit Authority board from 2003-2009, and was a member of Mayor Emanuel's 2011 Transition Team and Chairman of the Mayor's Tax Increment Finance Reform Panel. Ms. Brown was also a mayoral appointee to the Board of the Regional Transportation Authority and is a member of the Board of Trustees of the Board of the Chicago Community Trust. She is a 1986 graduate of Harvard College and received a Master's in Management from Northwestern University in 1989.

Certain information contained in, or incorporated by reference in, this Reoffering Circular has been obtained by the City of Chicago (the "City") from The Depository Trust Company and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following sentence for inclusion in this Reoffering Circular: The Underwriters reviewed the information in this Reoffering Circular in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Reoffering Circular is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Reoffering Circular at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained in this Reoffering Circular in connection with the Reoffering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Reoffering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Reoffering Circular nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

This Reoffering Circular, including the Appendices (except for certain information in (i) APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION" and (ii) "Source Information" as defined and used in APPENDIX E—"RETIREMENT FUNDS," all of which is sourced to parties other than the City), contains certain opinions, estimates and forward-looking statements and information, including the estimates and projections set forth under the caption "FINANCIAL DISCUSSION AND ANALYSIS—General Fund—*Financial Forecasts,*" that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such opinions, estimates, projections and forward-looking statements set forth in this Reoffering Circular were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance of the City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Reoffering Circular are cautioned not to place undue reliance on such opinions, statements or prospective financial information.

The prospective financial information set forth in this Reoffering Circular, except for certain information sourced to parties other than the City, is solely the product of the City. Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to, or been consulted in connection with the preparation of, the prospective financial information and forward-looking statements contained herein. The City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Reoffering Circular, including any 2014 estimates, disclaim any association with such prospective financial information, and have not, nor have any other independent auditors, expressed any opinion or any other form of assurance on such information or its achievability.

References to web site addresses presented in this Reoffering Circular are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Reoffering Circular.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REOFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE REOFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PRICES AND OTHER TERMS RESPECTING THE REOFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL REOFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

REOFFERING CIRCULAR SUMMARY

This summary is subject in all respects to the more complete information and definitions contained in this Reoffering Circular. Prospective investors are cautioned not to rely solely upon this summary when considering whether to purchase the Bonds. Prospective investors should review this Reoffering Circular in its entirety prior to purchasing the Bonds.

THE ISSUER .... City of Chicago (the "City"). See "THE CITY."

THE BONDS .... The City is reoffering all or a substantial portion of its outstanding General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Series 2007E Bonds"), General Obligation Variable Rate Demand Bonds, Refunding Series 2007F (the "Series 2007F Bonds") and General Obligation Variable Rate Demand Bonds, Refunding Series 2007G (the "Series 2007G Bonds" and, together with the Series 2007E Bonds and the Series 2007F Bonds, the 'Series 2007EFG Bonds") as fixed rate bonds. Each series of the Series 2007EFG Bonds bears interest at daily rates. The Series 2007E Bonds will be reoffered at fixed interest rates until maturity under the designation General Obligation Bonds, Refunding Series 2007E. The Series 2007F Bonds will be reoffered at fixed interest rates until maturity under the designation General Obligation Bonds, Refunding Series 2007F. The Series 2007G Bonds will be reoffered at fixed interest rates until maturity under the designation General Obligation Bonds, Refunding Series 2007G. The Series 2007EFG Bonds following conversion to fixed rates are referred to herein as the "Bonds." See "THE BONDS—Series 2007EFG Fixed Rate Conversion."

The Bonds will be dated the date the Series 2007EFG Bonds are converted to fixed rate bonds (the "Series 2007EFG Fixed Rate Conversion Date") and mature in the principal amounts and on the dates as set forth on the inside cover of this Reoffering Circular. See "THE BONDS—General."

PAYMENT OF INTEREST .... Interest on the Bonds will accrue from the Series 2007EFG Fixed Rate Conversion Date and be payable on each January 1 and July 1, commencing July 1, 2015. The Bonds will bear interest at the rates per year as set forth on the inside cover of this Reoffering Circular. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS—General."

REDEMPTION

Optional Redemption .... The Series 2007E Bonds maturing on and after January 1, 20__ are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 20__, at a Redemption Price equal to the principal amount of such Series 2007E Bonds being redeemed plus accrued interest to the date fixed for redemption. The Series 2007F Bonds maturing on and after January 1, 20__ are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 20__, at a Redemption Price equal to the principal amount of such Series 2007F Bonds being redeemed plus accrued interest to the date fixed for redemption. The Series 2007G Bonds maturing on and after January 1, 20__ are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 20__, at a Redemption Price equal to the principal amount of such Series 2007G Bonds being redeemed plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption—*Optional Redemption*."

Mandatory Redemption .... The Series 2007E Bonds due January 1, 20__ are subject to mandatory redemption prior to maturity at par and accrued interest to the date fixed for redemption, on January 1 of the years 20__ through 20__. The Series 2007F Bonds due January 1, 20__ are subject to mandatory redemption prior to maturity at par and accrued interest to the date fixed for redemption, on January 1 of the years 20__ through 20__. The Series 2007G Bonds due January 1, 20__ are subject to mandatory redemption prior to maturity at par and accrued interest to the date fixed for redemption, on January 1 of the years 20__ through 20__. See "THE BONDS—Redemption—*Mandatory Redemption*."

AUTHORITY FOR ISSUANCE AND REOFFERING .... The Series 2007EFG Bonds were issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970 and an ordinance adopted by the City Council of the City (the "City Council") on September 27, 2007 (the "Original Ordinance").

Each Series of the Series 2007EFG Bonds is being reoffered pursuant to the Original Ordinance, an ordinance adopted by the City Council on February 5, 2014 and a separate Second Amended and Restated Trust Indenture, dated as of April 1, 2012, as subsequently amended, between the City and Deutsche Bank National Trust Company, as predecessor trustee to U.S. Bank National Association, as trustee (the "Trustee"). See "THE BONDS—Prior Actions." Each Series of the Bonds will be subject to the terms and conditions of a separate Third Amended and Restated Trust Indenture, dated June 8, 2015*, between the City and the Trustee (each an "Indenture" and, collectively, the "Indentures"). See "INTRODUCTION."

USE OF PROCEEDS .... Proceeds from the reoffering will be used to pay the purchase price of the Series 2007EFG Bonds mandatorily tendered on the Series 2007EFG Fixed Rate Conversion Date, and, if any Series of the Bonds is sold at a net premium, costs of the reoffering. See "PLAN OF FINANCING—Series 2007EFG Fixed Rate Conversion."

The Bonds were originally issued to refund a portion of the principal of and interest on certain outstanding general obligation bonds of the City and pay costs of issuing the Series 2007EFG Bonds and the refunding. For information on the bonds of the City refunded with proceeds of the Series 2007EFG Bonds, see "PLAN OF FINANCING—Original Use of Proceeds."

SECURITY FOR THE BONDS .. The Bonds will be direct and general obligations of the City and all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the Original Ordinance upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. The amount of the property tax levy of the City securing the Bonds will not change as a result of the Reoffering. See "SECURITY FOR THE BONDS—General Obligation of the City."

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* Preliminary; subject to change

For a discussion of the process by which property taxes are levied, billed, collected and remitted to the Trustee for payment of the principal of and interest on the Bonds, see "SECURITY FOR THE BONDS—Property Tax Collection Process for the Bonds."

INVESTMENT CONSIDERATIONS.................... There are a number of factors associated with owning the Bonds that prospective investors should consider prior to purchasing the Bonds. For a discussion of these factors, see "INVESTMENT CONSIDERATIONS."

TRUSTEE .... U.S. Bank National Association, Chicago, Illinois.

TAX MATTERS........................... On November 8, 2007, Katten Muchin Rosenman LLP and the Charity & Associates, P.C., Co-Bond Counsel ("Initial Co-Bond Counsel"), issued their opinions which stated: (i) under law existing on the date of issuance of such opinions, if there is continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2007EFG Bonds will not be includable in gross income for federal income tax purposes; (ii) the Series 2007EFG Bonds are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing "alternative minimum taxable income; (iii) interest on the Series 2007EFG Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax; and (iv) interest on the Series 2007EFG Bonds is not exempt from Illinois income taxes. The opinions of Initial Co-Bond Counsel continue to apply to the converted Bonds to the extent described under "TAX MATTERS—Opinions of Initial Co-Bond Counsel" herein.

On the Series 2007EFG Fixed Rate Conversion Date, Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois ("2015 Co-Bond Counsel") will issue their opinions that the Series 2007EFG Fixed Rate Conversion will not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. See "TAX MATTERS—Opinions of 2015 Co-Bond Counsel in Connection with the Series 2007EFG Fixed Rate Conversion."

RATINGS...................................... As of the Series 2007EFG Fixed Rate Conversion Date, the Bonds will be rated "___" (__________ outlook) by Standard & Poor's Financial LLC, "___" (__________ outlook) by Fitch Ratings Inc., and "___" (__________ outlook) by Kroll Bond Rating Agency, Inc. The ratings are based upon each rating agency's assessment of the creditworthiness of the City. See "RATINGS."

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TABLE OF CONTENTS

Page

REOFFERING CIRCULAR SUMMARY S-1
INTRODUCTION 1
THE CITY 2
General 2
Government 2
THE BONDS 3
Prior Actions 3
Series 2007EFG Fixed Rate Conversion 4
General 4
Payment of the Bonds 5
Redemption 5
Book-Entry System 8
Bonds Not Presented for Payment 11
Registration and Transfers 11
Registered Owner Treated as Absolute Owner 12
SECURITY FOR THE BONDS 12
General Obligation of the City 12
Property Tax Collection Process for the Bonds 12
Additional General Obligation Debt 14
PLAN OF FINANCING 14
Original Use of Proceeds 14
Series 2007EFG Fixed Rate Conversion 14
Additional Fixed Rate Conversions 15
SOURCES AND USES OF FUNDS 16
FINANCIAL DISCUSSION AND ANALYSIS 16
Annual Budget 16
City Fund Structure 18
General Fund 19
Service Concession and Reserve Fund 35
Capital Improvements 37
Property Taxes 38
City Workforce 46
Pensions 46
Long-Term Leases, Concessions of City Facilities 53
Other Matters 54
City Investment Policy 55
GENERAL OBLIGATION DEBT 56
Long-Term General Obligation Bonds 56
Bond Liquidity and Letter of Credit Facilities 59
Interest Rate Swaps 61
Capital Leases 64
Short Term Borrowing Program 64
INVESTMENT CONSIDERATIONS 66
Effect of Potential Future Ratings Downgrades 66
Unfunded Pensions 68
Pension Reform Litigation 69

Structural Deficit and Debt Restructuring 69
Financial Condition of Chicago Public Schools 69
Reduction in State Revenues 70
Cap on Property Taxes 70
Adverse Change in Laws 70
Bankruptcy 70
Uncertain Enforcement Remedies 70
Force Majeure Events 71
Forward-Looking Statements 71
LITIGATION 71
INDEPENDENT AUDITORS 73
RATINGS 73
FINANCIAL ADVISOR AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR 74
UNDERWRITING 74
TAX MATTERS 75
Opinions of Initial Co-Bond Counsel 75
Opinions of 2008 Co-Bond Counsel 78
Opinions of 2012 Co-Bond Counsel 78
Opinions of 2015 Co-Bond Counsel in Connection With the Series 2007EFG Fixed Rate Conversion 78
Series 2007EFG Bonds Purchased at a Premium or at a Discount 78
APPROVAL OF LEGAL MATTERS 79
SECONDARY MARKET DISCLOSURE 79
Annual Financial Information Disclosure 80
Reportable Events Disclosure 80
Consequences of Failure of the City to Provide Information 81
Amendment; Waiver 82
EMMA 82
Termination of Undertaking 82
Additional Information 82
Corrective Action Related to Certain Bond Disclosure Requirements 83
MISCELLANEOUS 85

APPENDIX A — SUMMARY OF THE INDENTURES
APPENDIX B — ECONOMIC AND DEMOGRAPHIC INFORMATION
APPENDIX C — CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013
APPENDIX D — PROPERTY TAXES
APPENDIX E — RETIREMENT FUNDS
APPENDIX F — OPINIONS OF CO-BOND COUNSEL PRIOR TO THE REOFFERING
APPENDIX G — OPINIONS OF 2015 CO-BOND COUNSEL IN CONNECTION WITH THE SERIES 2007EFG FIXED RATE CONVERSION

REOFFERING CIRCULAR

$200,000,000*
CITY OF CHICAGO

$100,000,000*	**$80,000,000***	**$20,000,000***
General Obligation Bonds	**General Obligation Bonds**	**General Obligation Bonds**
Refunding Series 2007E	**Refunding Series 2007F**	**Refunding Series 2007G**

INTRODUCTION

This Reoffering Circular is furnished by the City of Chicago (the "City") to provide information with respect to the reoffering (the "Reoffering") of all or a substantial portion of its $100,000,000* outstanding principal amount of General Obligation Variable Rate Bonds, Refunding Series 2007E (the "Series 2007E Bonds"), $80,000,000* outstanding principal amount of General Obligation Variable Rate Bonds, Refunding Series 2007F (the "Series 2007F Bonds") and $20,000,000* outstanding principal amount of General Obligation Variable Rate Bonds, Refunding Series 2007G (the "Series 2007G Bonds" and, together with the Series 2007E Bonds and the Series 2007F Bonds, the "Series 2007EFG Bonds") as fixed rate bonds. Each Series of the Series 2007EFG Bonds currently bear interest at daily rates. The Series 2007E Bonds will be reoffered bearing fixed rates of interest until maturity under the designation General Obligation Bonds, Refunding Series 2007E. The Series 2007F Bonds will be reoffered bearing fixed rates of interest until maturity under the designation General Obligation Bonds, Refunding Series 2007F. The Series 2007G Bonds will be reoffered bearing fixed rates of interest until maturity under the designation General Obligation Bonds, Refunding Series 2007G. The Series 2007EFG Bonds converted to fixed rates are referred herein as the "Bonds." Certain capitalized terms used in this Reoffering Circular, unless otherwise defined, are defined in APPENDIX A—"SUMMARY OF THE INDENTURES—Glossary of Terms."

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the Original Ordinance (hereinafter defined) upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. See "SECURITY FOR THE BONDS."

The Series 2007EFG Bonds are being reoffered pursuant to an ordinance adopted by the City Council of the City (the "City Council") on September 27, 2007 (the "Original Ordinance"), an ordinance adopted by the City Council on February 5, 2014 (the "Amendment Authorization Ordinance"), and three separate Second Amended and Restated Trust Indentures, each related to a Series of the Series 2007EFG Bonds and dated as of April 1, 2012, as each has been amended by a First Amendment to Second Amended and Restated Trust Indenture dated May 4, 2015 (each as so amended a "Second Amended and Restated Trust Indenture" and collectively, the "Second Amended and Restated Trust Indentures"), between the City and Deutsche Bank National Trust Company, as predecessor trustee to U.S. Bank National Association, as trustee (the "Trustee"). See "THE BONDS—Prior Actions." Each Series of the Bonds will be subject to the terms and conditions of a separate Third Amended and Restated Trust

* Preliminary; subject to change

Indenture related to such Series of the Bonds, each dated June 8, 2015* between the City and the Trustee (each an "Indenture" and collectively, the "Indentures").

Concurrent with or prior to the conversion of the Series 2007EFG Bonds from variable rate to fixed rate bonds (the "Series 2007EFG Fixed Rate Conversion"), the City expects to convert its General Obligation Variable Rate Demand Bonds, Refunding Series 2005D (the "Series 2005D Bonds") from variable rate to fixed rate bonds (the "Series 2005D Fixed Rate Conversion"). On or about May 29, 2015 the City expects to convert (i) its General Obligation Variable Rate Amended Bonds (Neighborhoods Alive 21 Program), Series 2002B (the "Series 2002B Bonds") from variable rate to fixed rate bonds (the "Series 2002B Fixed Rate Conversion") and (ii) its General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2003B (the "Series 2003B Bonds" and, together with the Series 2002B Bonds and the Series 2005D Bonds, the "Additional Reoffered Bonds") from variable rate to fixed rate bonds (the "Series 2003B Fixed Rate Conversion" and, together with the Series 2002B Fixed Rate Conversion and the Series 2005D Fixed Rate Conversion, the "Additional Fixed Rate Conversions"). The Series 2007EFG Fixed Rate Conversion is not dependent upon the occurrence of any of the Additional Fixed Rate Conversions and none of the Additional Reoffered Bonds are being reoffered by this Reoffering Circular. See "PLAN OF FINANCING―Additional Fixed Rate Conversions."

On May 12, 2015 Moody's Investor Service, the bond credit rating service of Moody's Corporation ("Moody's") downgraded its rating of the City's outstanding general obligation bonds, triggering defaults under certain letters of credit, lines of credit and interest rate swap agreements to which the City is a party. In response, the City has entered into Forbearance Agreements (as defined herein) with the providers of such agreements. See "INVESTMENT CONSIDERATIONS — Effect of Potential Ratings Downgrades — *Termination of Swaps*" and "— *Defaults Under Credit Agreements*."

THE CITY

General

Chicago is the third largest city in the United States with a population of approximately 2.7 million. The City, located on the shores of Lake Michigan in the Midwestern United States, is the commercial and cultural center of a large and diverse regional economy that produced a gross domestic product of $590 billion in 2013. Trade, professional and business services, real estate, finance and insurance, and education services and health care are among the Chicago region's largest industry sectors. The City's transportation and distribution network includes Chicago O'Hare International Airport, ranked fifth worldwide and second in the United States in 2013 in terms of total passengers, rail traffic interchanges for the country's six largest freight railroad companies, and two ports capable of handling ocean-going ships and barges. Tourism and business travel to Chicago accounted for an estimated 48 million visitors in 2013. See APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION."

Government

The City was incorporated in 1837. The City is a municipal corporation and home rule unit of local government under the Illinois Constitution of 1970 and as such, "may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt" except that it can "impose taxes upon or measured by income or earnings or upon occupation" only if authorized by statute.

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* Preliminary; subject to change

The Mayor and the City Council govern the City. The City Clerk and the City Treasurer along with the Mayor are the only three citywide elected officials. The City is divided into fifty legislative districts, or wards. Each ward is represented by an alderman who is elected by their constituency. The citywide officials and the fifty aldermen are elected to serve coterminous four-year terms. The aldermen comprise the 50-person City Council, which serves as the legislative branch of government of the City. The legislative powers of the City Council are granted by the State legislature and by home rule provisions of the Illinois Constitution.

As the legislative body of the City, the City Council usually meets once every month to exercise general and specific powers delegated by state law. The City Council votes on loans extended by the City that exceed certain limits, appropriations of grants, bond issues, the City's short term borrowing programs (whether general obligation or revenue), land acquisitions and sales, zoning changes, traffic control issues, certain mayoral appointees, and financial appropriations. Its standing committees work with individual departments on the execution of City activities, and review proposed ordinances, resolutions and orders before they are voted on by the full City Council.

The Committee on Finance of the City Council considers ordinances, orders or resolutions that are referred or submitted to the Committee on Finance by aldermen, the Office of the Mayor, various City departments, and the general public. The Committee on Finance has jurisdiction over financial matters, including tax levies; general obligation bonds and revenue bonds; the financing of municipal services and capital improvements; matters generally affecting the Department of Finance, the City Comptroller, and the City Treasurer; claims under the Workmen's Compensation Act; the Condominium Refuse Rebate Program; and all pecuniary claims against the City.

THE BONDS

Prior Actions

The City originally issued each Series of the Series 2007EFG Bonds in the aggregate principal amount of $200,000,000 on November 8, 2007 under the authority granted to the City as a home rule unit of local government under the Illinois Constitution, the Original Ordinance and a separate Trust Indenture related to such Series of the Series 2007EFG Bonds, each dated as of November 1, 2007 (each an "Original Indenture" and collectively, the "Original Indentures"), between the City and the Trustee. The Series 2007EFG Bonds were issued to refund all or a portion of certain outstanding general obligation bonds of the City and pay costs of issuance of the Series 2007EFG Bonds and of such refunding. For information on the actual use of proceeds from the Series 2007EFG Bonds, see "PLAN OF FINANCING—Original Use of Proceeds." Initially, (i) the Series 2007EFG Bonds were issued as variable rate demand bonds with interest payable in a weekly mode, (ii) funds required to pay the purchase price of each Series of the Series 2007EFG Bonds tendered for purchase and not remarketed were available under a separate standby bond purchase agreement (each a "2007 Liquidity Facility" and collectively, the "2007 Liquidity Facilities"), and (iii) payment of the principal of and interest on each Series of the Bonds was insured under a separate municipal bond insurance policy (each a "2007 Insurance Policy" and collectively, the "2007 Insurance Policies").

On October 21, 2008, pursuant to separate Amended and Restated Indentures each dated as of October 1, 2008 and entered into for each Series of the Series 2007EFG Bonds, (i) each 2007 Liquidity Facility was replaced with a separate standby bond purchase agreement (each a "2008 Liquidity Facility" and collectively, the "2008 Liquidity Facilities") and (ii) the 2007 Insurance Policies were cancelled.

On April 18, 2012, pursuant to separate Second Amended and Restated Trust Indentures for each Series of the Series 2007EFG Bonds, (i) the interest rate payable on the Series 2007EFG Bonds was

converted to a daily mode and (ii) the 2008 Liquidity Facilities were replaced with separate and substantially similar letters of credit, providing credit and liquidity support for each Series of the Series 2007EFG Bonds (the "2012 Letters of Credit").

Series 2007EFG Fixed Rate Conversion

On the date the Series 2007EFG Bonds are converted to fixed rate bonds (the "Series 2007EFG Fixed Rate Conversion Date") (i) the interest rates payable on outstanding Series 2007EFG Bonds will be converted to fixed interest rates until maturity and (ii) the 2012 Letters of Credit will be terminated and cancelled. The Series 2007EFG Fixed Rate Conversion is authorized under the Amendment Authorization Ordinance and will be effected under the Second Amended and Restated Trust Indentures. On and after the Series 2007EFG Fixed Rate Conversion Date, each Series of the Series 2007EFG Bonds will be subject to the terms and conditions of the respective Indenture. In conjunction with the Series 2007EFG Fixed Rate Conversion, a portion of the Series 2007EFG Bonds may be redeemed and not reoffered in order that the annual debt service on the Bonds remains below the property tax levy established in the Original Ordinance. See "PLAN OF FINANCING—Series 2007EFG Fixed Rate Conversion."

General

The Bonds mature on January 1 of the years and in the amounts set forth on the inside front cover page of this Reoffering Circular. The Bonds are fully registered bonds in denominations of $5,000 or any integral multiple thereof.

The Bonds will bear interest at the rates set forth on the inside front cover page of this Reoffering Circular, on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2015, to the person in whose name the Bond is registered as of the Record Date next preceding any such Interest Payment Date. Each Bond will bear interest from the later of the Series 2007EFG Fixed Rate Conversion Date or the most recent Interest Payment Date to which interest has been paid until the principal amount of such Bond is paid.

The Trustee will serve as bond registrar and paying agent for the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States at the Designated Corporate Trust Office of the Trustee.

The Bonds are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Bonds when in the book-entry only system are described below under the subcaption "—Book-Entry System." Except as described under the subcaption "— Book-Entry System—*General*" below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and will not be or be considered to be the Registered Owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC "Direct Participant" or "Indirect Participant" (as defined below), the Direct or Indirect Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest or Redemption Price of the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Direct or Indirect Participant, such beneficial owner's Direct or Indirect Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the Registered Owner of the Bonds, references herein to Bondholders or Registered Owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Bond.

Payment of the Bonds

Principal of the Bonds will be payable in lawful money of the United States upon presentation and surrender of such Bonds at the Designated Corporate Trust Office of the Trustee.

Interest on the Bonds shall be paid by check mailed on the Interest Payment Date to the persons appearing on the Bond Register as the Registered Owners thereof as of the close of business of the Trustee on the Record Date at the addresses of such Registered Owners as they appear on the Bond Register, or at such other addresses as are furnished to the Trustee in writing by the Registered Owners not later than the Record Date. Payment of interest on any Bond shall be made to the Registered Owner of $1,000,000 or more in aggregate principal amount of Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States of America to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

Redemption

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption

The Series 2007E Bonds maturing on and after January 1, 20__ are subject to optional redemption in such principal amounts and from such maturities as the City shall determine, and by lot within a single maturity, on or after January 1, 20__ at a Redemption Price of 100 percent of the principal amount thereof plus accrued interest, if any, to the date of redemption. Any redemption of less than all of the Series 2007E Bonds Outstanding shall be made in such a manner that all Series 2007E Bonds Outstanding after such redemption are in Authorized Denominations. If fewer than all Series 2007E Bonds Outstanding are to be optionally redeemed, the Series 2007E Bonds to be called shall be called from such maturities and interest rates as may be determined by an Authorized Officer.

The Series 2007F Bonds maturing on and after January 1, 20__ are subject to optional redemption in such principal amounts and from such maturities as the City shall determine, and by lot within a single maturity, on or after January 1, 20__ at a Redemption Price of 100 percent of the principal amount thereof plus accrued interest, if any, to the date of redemption. Any redemption of less than all of the Series 2007F Bonds Outstanding shall be made in such a manner that all Series 2007F Bonds Outstanding after such redemption are in Authorized Denominations. If fewer than all Series 2007F Bonds Outstanding are to be optionally redeemed, the Series 2007F Bonds to be called shall be called from such maturities and interest rates as may be determined by an Authorized Officer.

The Series 2007G Bonds maturing on and after January 1, 20__ are subject to optional redemption in such principal amounts and from such maturities as the City shall determine, and by lot within a single maturity, on or after January 1, 20__ at a Redemption Price of 100 percent of the principal amount thereof plus accrued interest, if any, to the date of redemption. Any redemption of less than all of the Series 2007G Bonds Outstanding shall be made in such a manner that all Series 2007G Bonds Outstanding after such redemption are in Authorized Denominations. If fewer than all Series 2007G Bonds Outstanding are to be optionally redeemed, the Series 2007G Bonds to be called shall be called from such maturities and interest rates as may be determined by an Authorized Officer.

The City is authorized to sell or waive any right the City may have to call any of the Bonds for optional redemption, in whole or in part, provided that such sale or waiver will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

Mandatory Redemption

The Series 2007E Bonds maturing on January 1, 20__ are subject to mandatory redemption prior to maturity at a Redemption Price equal to 100 percent of the principal amount thereof on January 1 of the years and in the amounts set forth below, plus accrued interest to the date fixed for redemption:

Series 2007E Bonds due January 1, 20__

Year	Principal Amount
	(maturity)

The Series 2007F Bonds maturing on January 1, 20__ are subject to mandatory redemption prior to maturity at a Redemption Price equal to 100 percent of the principal amount thereof on January 1 of the years and in the amounts set forth below, plus accrued interest to the date fixed for redemption:

Series 2007F Bonds due January 1, 20__

Year	Principal Amount
	(maturity)

The Series 2007G Bonds maturing on January 1, 20__ are subject to mandatory redemption prior to maturity at a Redemption Price equal to 100 percent of the principal amount thereof on January 1 of the years and in the amounts set forth below, plus accrued interest to the date fixed for redemption:

Series 2007G Bonds due January 1, 20__	
Year	**Principal Amount**
	(maturity)

Reduction of Mandatory Redemption Amounts

The principal amount of the Bonds of a Series to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the sixtieth day preceding any mandatory redemption date, the Trustee may, and if directed by the City shall, purchase Bonds of a Series required to be retired on such mandatory redemption date. Any such Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

Selection of Bonds for Redemption

While the Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole Registered Owner of the Bonds, if less than all of the Bonds of a Series are to be redeemed prior to maturity, the particular Bonds of such Series will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine. See "THE BONDS—Book-Entry System." If the Bonds are not registered in the book-entry system, the following procedures for the selection of the Bonds shall apply.

If less than all the Bonds of a Series shall be called for redemption under any provision of the Indenture permitting such partial redemption, (i) such redemption shall be by lot in such manner as the Trustee may determine among such Bonds, and (ii) subject to other applicable provisions of the Indenture, the portion of any Bond of such Series to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Registered Owner of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Registered Owner of the Redemption Price of the integral multiple of the Authorized Denomination of principal amount called for redemption, and (b) delivery to such Registered Owner of a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Registered Owner thereof without charge therefor.

Notice of Redemption

Unless waived by any owner of Bonds to be redeemed, notice of the call for any such redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at

least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as provided under the Indenture shall be conclusively presumed to have been given whether or not actually received by the addressee. All notices of redemption shall state: (1) the redemption date, (2) the Redemption Price, (3) if less than all outstanding Bonds of a Series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and interest rates) of the Bonds of such Series to be redeemed, (4) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue or compound from and after said date, (5) the place where such Bonds are to be surrendered for payment of the Redemption Price, and (6) such other information as shall be deemed necessary by the Trustee at the time such notice is given to comply with law, regulation or industry standard.

With respect to an optional redemption of Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the Redemption Price of the Bonds. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Bonds and such failure to deposit such funds shall not constitute an Event of Default under the Indenture. The Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for the Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds or portions thereof which are to be redeemed on that date.

Book-Entry System

General

The following information concerning DTC has been furnished by DTC for use in this Reoffering Circular and neither the City nor the Underwriters take any responsibility for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers

and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed. In accordance with DTC's procedures, the City has directed the Trustee to notify DTC that in the event that less than all of the Bonds are redeemed any such redemption shall be on a pro-rata basis.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice

is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Discontinued Use of Book-Entry System

The City may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Procedures May Change

Although DTC has agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, DTC is under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by DTC.

The information in this section concerning DTC and the Book-Entry System has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.

Additional Information

For every transfer and exchange of the Bonds, DTC, the Trustee and the Participants may charge the beneficial owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS, OR ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN WITH RESPECT TO THE BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE SELECTION OF SPECIFIC BONDS FOR REDEMPTION, OR ANY OTHER ACTION TAKEN, BY DTC AS REGISTERED OWNER OF THE BONDS.

In reading this Reoffering Circular it should be understood that while the Bonds are in the Book-Entry System, references in other sections of this Reoffering Circular to Registered Owners should be read to include the person for which a Participant acquires an interest in the Bonds, but (a) all rights of

ownership must be exercised through DTC and the Book-Entry System, and (b) notices that are to be given to Registered Owners will be given only to DTC.

Bonds Not Presented for Payment

If any Bond is not presented for payment when the principal amount thereof becomes due, either at maturity or at a date fixed for redemption thereof or otherwise, and if moneys sufficient to pay such Bond are held by the Trustee for the benefit of the Registered Owner of such Bond, the Trustee shall hold such moneys for the benefit of the Registered Owner of such Bond without liability to the Registered Owner for interest. The Registered Owner of such Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Bond.

Registration and Transfers

The Bond Register for the registration and for the transfer of the Bonds will be kept at the Designated Corporate Trust Office of the Trustee, as the registrar for the City in connection with the Bonds. See "THE BONDS—Book-Entry System" for a discussion of registration and transfer of the beneficial ownership interests in Bonds while they are in the Book-Entry System. The following provisions relate to the registration and transfer of Bonds when the Bonds are in certificated form.

Upon surrender for registration of transfer of any Bond at the Designated Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing in such form and with guarantee of signature as will be satisfactory to the Trustee, the City will execute, and the Trustee will authenticate and deliver, in the name of the transferee or transferees, a new Bond or Bonds of like date and tenor in Authorized Denominations of the same Maturity Date for the aggregate principal amount which the Registered Owner is entitled to receive bearing numbers not contemporaneously Outstanding. Bonds may be exchanged at such times at such Designated Corporate Trust Office of the Trustee upon surrender thereof together with an assignment duly executed by the Registered Owner thereof or such Registered Owner's attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of Bonds of like date and tenor of any Authorized Denomination as the Bonds surrendered for exchange bearing numbers not contemporaneously Outstanding.

No service charge will be imposed upon the Registered Owners for any exchange or transfer of Bonds. The City and the Trustee may, however, require payment by the person requesting an exchange or transfer of Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption in part.

The Trustee will not be required to transfer or exchange such Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Bond and ending on such Interest Payment Date, or to transfer or exchange such Bond after the mailing of notice calling such Bond for redemption has been made as herein provided or during the period of 15 days next preceding the giving of notice of redemption of Bonds of the same Maturity Date and interest rate which were converted on the same date.

Bonds delivered upon any registration of transfer or exchange will be valid general obligations of the City, evidencing the same debt as the Bonds surrendered, will be secured by the Indenture and will be entitled to all of the security and benefits of the Indenture to the same extent as the Bond surrendered.

Registered Owner Treated as Absolute Owner

The City, the Trustee and any Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond will be overdue, and will not be bound by any notice to the contrary. All payments of or on account of the principal of and interest on any such Bond as provided in the Indenture will be made only to or upon the written order of the Registered Owner thereof or such Registered Owner's legal representative, but such registration may be changed as provided in the Indenture. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECURITY FOR THE BONDS

General Obligation of the City

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds shall also be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the Original Ordinance (the "Bond Property Tax Levy") upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The Bond Property Tax Levy was filed with the Cook County Clerk upon the issuance of the Series 2007EFG Bonds in 2007. The amount of the Bond Property Tax Levy will not change as a result of the Reoffering. See "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes" and APPENDIX D—"PROPERTY TAXES."

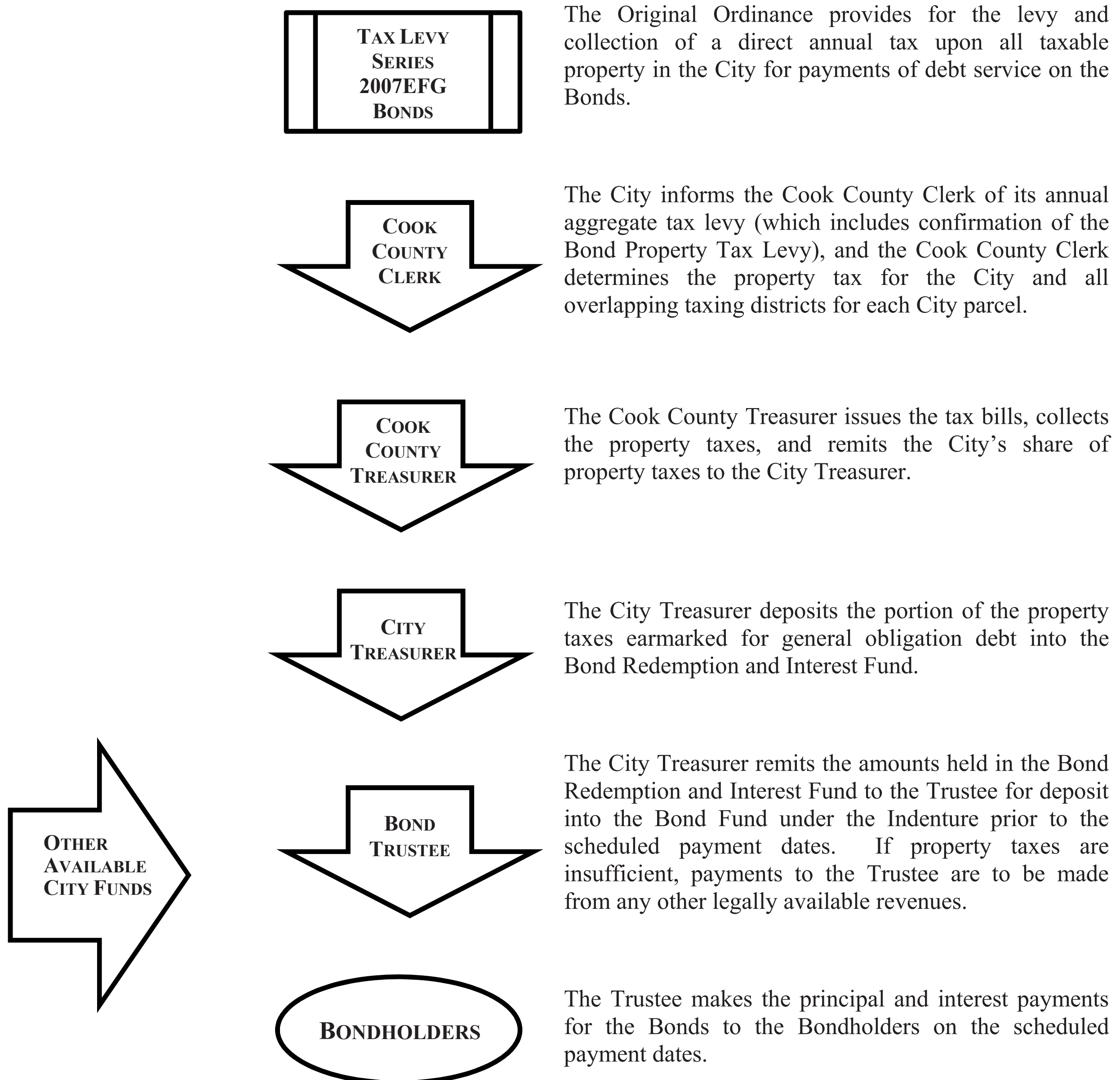
The City has pledged its full faith and credit to the payment of the Bonds. Under the Original Ordinance, the City is obligated to appropriate amounts sufficient to pay principal of and interest on the Bonds for the years such amounts are due, and the City covenants in the Original Ordinance to take timely action as required by law to carry out such obligation; however, if for any such year the City fails to do so, the Original Ordinance constitutes a continuing appropriation of such amounts without any further action by the City.

If the revenues raised by the Bond Property Tax Levy would not be available in time to make any payments of principal of or interest on the Bonds when due, then the appropriate fiscal officers of the City are directed in the Original Ordinance to make such payments from any other moneys, revenues, receipts, income, assets or funds of the City that are legally available for that purpose in advance of the collection of the Bond Property Tax Levy.

Property Tax Collection Process for the Bonds

The City's annual aggregate property tax levy is used primarily to pay debt service on the City's general obligation debt and to fund City contributions to the City's pension plans. See "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes." The Bond Property Tax Levy is included in the calculation of the City's annual aggregate tax property tax levy.

Set forth below is a general schematic of the process by which the property taxes for payment of the principal of and interest on the Bonds are levied, billed, collected and remitted to the City and, ultimately, to the Trustee.



As shown above, when property taxes are remitted by the Cook County Treasurer to the City, the property taxes for debt service are deposited and held in the Bond Redemption and Interest Fund maintained by the City Treasurer. The Bond Redemption and Interest Fund is used for the payment of debt service on the City's general obligation bonds for which a property tax levy has been pledged, such as the Bonds, and is one of a number of governmental funds used by the City to account for its governmental activities. The Bond Redemption and Interest Fund is not held by a separate trustee and is not pledged to the payment of the Bonds. Bondholders do not have a statutory lien on the Bond

Redemption and Interest Fund. See "INVESTMENT CONSIDERATIONS—Uncertain Enforcement Remedies."

There is no guarantee that the flow of revenues from the Bond Property Tax Levy will always be maintained as described above. The City Council could alter the Bond Property Tax Levy or use the funds held in the Bond Redemption and Interest Fund for other uses besides debt service. If the amount of property tax revenue is insufficient to pay debt service on the Bonds, the City would still be obligated to find other sources of funds to remit to the Trustee for the payment of principal of and interest on the Bonds when due.

For additional information on real property assessment, tax levies and collections, see APPENDIX D—"REAL PROPERTY."

Additional General Obligation Debt

The City may from time to time issue debt and incur other obligations that are general obligations of the City, including commercial paper and borrowings under revolving credit agreements which comprise the City's short-term borrowing facilities (the "Short Term Borrowing Program"), all of which are secured by the full faith and credit of the City. The City expects to issue additional general obligation bonds in 2015 consistent with historical practice. See "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

PLAN OF FINANCING

Original Use of Proceeds

The original proceeds of the Series 2007EFG Bonds were used to refund certain outstanding general obligation bonds of the City. All of the proceeds of the Series 2007EFG Bonds have been expended.

Series 2007EFG Fixed Rate Conversion

The Series 2007EFG Bonds are variable rate demand bonds that prior to the Series 2007EFG Fixed Rate Conversion Date bear interest at daily rates. Each Series of Series 2007EFG Bonds is secured by a letter of credit that is drawn to pay the principal or redemption price of and interest on that Series of Series 2007EFG Bonds. The letters of credit securing the Series 2007E Bonds and Series 2007G Bonds are provided by Barclays Bank PLC and the letter of credit securing the Series 2007F Bonds is provided by JPMorgan Chase Bank, National Association (together with the Barclays Bank PLC, the "Series 2007EFG Credit Facility Providers"). See "GENERAL OBLIGATION DEBT—Letter of Credit Facilities."

The Series 2007EFG Bonds are subject to mandatory tender upon the conversion of their interest rate mode to a fixed rate. The City has notified the Trustee and the remarketing agent for the Series 2007EFG Bonds that the City intends to convert the Series 2007EFG Bonds to fixed rate bonds on the Series 2007EFG Fixed Rate Conversion Date. The City will, if necessary, direct the Trustee to redeem a portion of the Series 2007EFG Bonds in order that the annual debt service on the Bonds remains under the amount provided for in the Bond Property Tax Levy. All Series 2007EFG Bonds will either be converted or redeemed. Costs of the Reoffering are expected to be paid from Bond proceeds if the Bonds are sold at a net premium, and/or the Short Term Borrowing Program.

The Trustee has provided the Registered Owners of the Series 2007EFG Bonds with notice of mandatory tender and redemption. On the Series 2007EFG Fixed Rate Conversion Date, the Trustee will draw upon the applicable letter of credit to pay the redemption price, including accrued interest, of the Series 2007EFG Bonds to be redeemed on the Series 2007EFG Fixed Rate Conversion Date, and the Underwriters will purchase the Series 2007EFG Bonds of each Series mandatorily tendered and reoffer the Series 2007EFG Bonds as fixed rate bonds. The City will reimburse the Series 2007EFG Credit Facility Providers for the draws under the letters of credit from borrowings under the Short Term Borrowing Program and other legally available funds of the City. Upon the Series 2007EFG Fixed Rate Conversion, the letters of credit securing the Series 2007EFG Bonds will be terminated and cancelled.

The Series 2007EFG Fixed Rate Conversion will reduce the outstanding principal amount of the City's variable rate demand bonds and lessen the City's exposure to (i) variable interest rates on its long-term debt, and (ii) potential accelerated reimbursement obligations under the letter of credit reimbursement agreements with the Series 2007EFG Credit Facility Providers due to default or non-renewal or non-extension of the letters of credit for the Series 2007EFG Bonds. See "GENERAL OBLIGATION DEBT—Letter of Credit Facilities."

Additional Fixed Rate Conversions

The City intends to convert its Series 2005D Bonds from variable rate to fixed rate bonds concurrently with the Series 2007EFG Fixed Rate Conversion, and intends to convert the Series 2002B Bonds and the Series 2003B Bonds from variable rate to fixed rate bonds on or about May 29, 2015; however, the Series 2007EFG Fixed Rate Conversion is not dependent upon the occurrence of any of the Additional Fixed Rate Conversions. As part of the Additional Fixed Rate Conversions the respective letters of credit associated with the Additional Reoffered Bonds would be terminated by the City. As part of the Series 2005D Fixed Rate Conversion, the interest rate swaps associated with the Series 2005D Bonds would be terminated by the City. The City terminated one of the interest rate swaps associated with the Series 2005D Bonds on May 19, 2015 and will terminate the five remaining interest rate swaps associated with the Series 2005D Bonds on or prior to the date of the Series 2005D Fixed Rate Conversion. See "GENERAL OBLIGATION DEBT – Interest Rate Swaps" and "–Letter of Credit Facilities."

The Additional Reoffered Bonds are not being reoffered by this Reoffering Circular and prospective purchasers of the Additional Reoffered Bonds should not rely on this Reoffering Circular for purchases thereof. The reoffering of the Additional Reoffered Bonds as fixed rate bonds would be made pursuant to separate reoffering circulars prepared exclusively for such bonds. No assurance can be given that the City will in fact convert any of the Additional Reoffered Bonds to fixed rate bonds as planned.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds from the Reoffering and the related financial transactions described under "PLAN OF FINANCING."

	Amount
SOURCE OF FUNDS:	
Principal Amount of the Bonds from Reoffering	$
Net Reoffering Premium	
Other Legally Available City Funds	
Draws under the Short Term Borrowing Program[1]	
Total Sources of Funds	$
USES OF FUNDS:	
Purchase Price of Tendered Series 2007EFG Bonds	$
Reimbursement of Series 2007EFG Credit Facility Providers[2]	
Costs of Reoffering (including the Underwriters' discount)	
Total Uses of Funds	$

[1] Interest rate swaps associated with the Series 2007EFG Bonds were previously terminated on May 13 and 14, 2015 with borrowings under the Short Term Borrowing Program and therefore are not included in the sources and uses of funds for the Reoffering. See "GENERAL OBLIGATION DEBT—Interest Rate Swaps."

[2] Represents the redemption price, including accrued interest, with respect to Series 2007EFG Bonds redeemed from draws under the letters of credit provided by the Series 2007EFG Credit Facility Providers.

FINANCIAL DISCUSSION AND ANALYSIS

Annual Budget

Budget Process

Each year, the City prepares an annual budget that accounts for revenue from taxes and other sources and sets forth a plan for how the City intends to utilize those resources over the course of the following year. In accordance with the Illinois Municipal Code, the City produces a balanced budget, meaning that its appropriated expenditures do not exceed the amount of resources it estimates will be available for that year.

The budget process begins each summer, when City departments inform the Office of Budget and Management ("OBM") of their personnel and non-personnel needs for the upcoming year. OBM then prepares a preliminary budget based on the requests submitted by the departments and the resources OBM expects will be available to fund those needs.

Throughout the remainder of the summer, OBM continues the process of reviewing each department's operating and programmatic needs and developing detailed departmental budgets. OBM also estimates citywide expenses, pension contributions, employee health care and debt service. In addition, OBM prepares estimates on the amount of revenue that the City expects to collect in the following year.

In the fall, the Mayor's Office and OBM work with departments to develop one final budget for the entire City government. OBM then compiles and balances the Mayor's proposed budget, which is introduced to the City Council on or before October 15 of each year. The City Council holds committee

and public hearings on the Mayor's proposed budget and may propose amendments to it. Once the proposed budget, as amended, is adopted by the City Council, and approved by the Mayor, it becomes the Annual Appropriation Ordinance.

Budget Documents

The documents that are prepared as part of the City's budget process are set forth below. *Such documents are not prepared for investors in securities issued by the City, or as a basis for making investment decisions with respect to any bonds, notes, or other debt obligations of the City, including the Bonds. Prospective purchasers of the Bonds are cautioned not to rely on any of the information in the budget documents in connection with the Reoffering.*

Annual Budget Documents

Document	Purpose
Budget Overview	Provides a summary of the proposed budget and detailed information on the City's anticipated revenues, expenditures, and personnel.
Budget Recommendations	Constitutes the Mayor's proposed budget to the City Council in accordance with Illinois state law.
Consolidated Plan & Action Plan	The five-year plan setting forth priorities for the City's housing and non-housing community needs based on housing and community development assessments.
Annual Appropriation Ordinance	The City's line-item budget as passed by the City Council.
Capital Improvement Program	A comprehensive list of capital improvements scheduled to occur in the City over the next five years.

Budget Calendar

The general budget calendar of the City is presented in the following table.

Annual Budget Calendar

Month	Action
June	Departments submit preliminary revenue and expense estimates to OBM.
August/September	OBM receives detailed budget requests from City departments and holds a series of meetings with each department regarding the department's needs for the coming year. OBM works with the Mayor's Office to match expenses with available resources and balance the next year's budget.
October	On or before October 15, the Mayor submits a proposed budget to the City Council, and the City Council conducts hearings on the budget, including at least one public hearing to gather comments on the proposed budget.

November/December	Additions or changes to the proposed budget are considered. The City Council must approve a balanced budget by December 31, at which point the Budget Recommendations become the Annual Appropriation Ordinance. The final Consolidated Plan and final Action Plan are submitted to the U.S. Department of Housing and Urban Development for funding consideration.
January	The City's Annual Appropriation Ordinance goes into effect.
Throughout The Year	Throughout the year, OBM manages the resources allocated through the Annual Appropriation Ordinance. OBM regularly reviews revenues, expenditures, and any trends or events that may affect City finances. On an ongoing basis, City departments provide information about the performance of City programs to ensure that City resources are used in a manner that maximizes taxpayer value and provides the highest quality services.

City Fund Structure

The City organizes its activities by funds, each of which is accounted for separately. Each fund has a specific set of revenue sources, which are utilized to support a specific set of city services and functions. Descriptions of the City's major governmental funds and its special revenue and proprietary funds are set forth below.

City Funds

Fund	Purpose
General Fund	The General Fund is the City's general operating fund and supports essential City services and activities, such as police and fire protection, trash collection, and public health programs. General Fund revenues come primarily from a variety of local and intergovernmental taxes, fees, and fines. See "—General Fund" below.
Federal, State and Local Grants Fund	Grant funding, largely from the state and federal governments, makes up a significant and recurring source of revenue for the City and is utilized to provide a range of City services and certain capital improvements.
Special Taxing Areas Fund	The Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas, including tax increment financing districts.

Service Concession & Reserve Fund	Established in connection with the long-term lease/concession of City assets to create reserves for unexpected contingencies, emergencies, or revenue shortfalls. These reserves are not included in the City's annual operating budget. See "—Service Concession and Reserve Fund" below.
Bond, Note Redemption and Interest Fund	Accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.
Community Development and Improvement Projects Fund	The Community Development and Improvement Projects Fund accounts for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities. See "—Capital Improvements" below.
Special Revenue Funds	The City's special revenue funds (the "Special Revenue Funds") are used to account for revenue from specific sources that by law are designated to finance particular functions, such as road repair, snow removal, the library system, emergency management, and special events and tourism promotion.
Proprietary Funds	The City's proprietary funds (the "Enterprise Funds") include the water fund, the sewer fund, and a separate fund for each of the City's major airports. These funds are self-supporting, in that each fund derives its revenue from charges and associated user fees.

The revenue sources of the Federal, State and Local Grants Fund, the Community Development and Improvement Projects Fund and the Enterprise Funds are restricted as to use by law and those of the Special Revenue Funds are largely dedicated to specific services and functions. The revenues from these funds are not otherwise available to pay for general citywide expenses, including debt service on the City's general obligation bonds (including the Bonds) and the City's pension costs exceeding amounts properly allocable to the funds.

General Fund

The City has historically presented information on the City's Corporate Fund in connection with its general obligation bond issues. The Corporate Fund comprises approximately 99.0 percent of the City's General Fund, which is the City's primary operating fund and accounts for all of the City's sources and uses of general operating revenue. The General Fund, and not the Corporate Fund, is included in the City's basic financial statements. The City is presenting information in this Reoffering Circular about the General Fund in order to facilitate the reader's review of the City's basic financial statements. See APPENDIX C—"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013."

The General Fund does not account for the portion of the City's pension obligations that are paid from the City's property tax levy or the Enterprise Funds, nor does it account for the principal and interest payments on the City's long-term general obligation bonds that are paid from the property tax levy. For information regarding the use of the City's property taxes for the payment of pension costs and general obligation bond debt service, see "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes—*Use of City Property Tax Levy*."

General Fund resources have changed since 2008. In 2009, 59 percent of General Fund resources came from tax revenues, 26 percent from other revenues, and 15 percent from other financing sources. This compares to 2013, when 69 percent of General Fund resources came from tax revenues, 30 percent from other revenues, and 1 percent from other financing sources. In the period from 2009 through 2011, an average of $487 million each year, or 15 percent of General Fund resources, came from non-recurring revenue sources including transfers in from the Service Concession and Reserve Fund. Beginning with the 2012 budget, the City phased out the use of reserves to subsidize the operating budget.

Selected Financial Information

The following table sets forth revenues and other financing sources (collectively, "resources") and expenditures and other financing uses for the General Fund on a historical basis for the years 2009 to 2013. The financial information is based on the modified accrual basis of accounting for the General Fund as reported in the City's audited basic financial statements for the years 2009 to 2013, respectively. This table should be read in conjunction with the financial information set forth in APPENDIX C—"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013."

General Fund[1]
For Fiscal Years Ended 2009-2013
($ in thousands)

	2009	2010	2011	2012	2013
Revenues:					
Utility Tax	$ 481,275	$ 467,411	$ 467,630	$ 462,475	$ 456,869
Sales Tax	476,557	495,842	536,281	572,185	583,681
State Income Tax	251,820	282,011	236,521	282,779	308,899
Other Taxes	572,472	590,575	618,385	694,383	749,742
Federal/State Grants	1,714	1,735	1,294	1,074	1,871
Other Revenues[2]	777,788	773,278	921,056	907,760	929,429
Total Revenues	2,561,626	2,610,852	2,781,166	2,920,656	3,030,491
Expenditures:					
Current:					
Public Safety	1,862,914	1,828,984	1,895,404	1,956,152	1,953,572
General Government	857,626	903,890	863,622	864,556	885,268
Other[3]	288,559	296,063	278,561	258,501	267,852
Debt Service	4,978	5,004	2,849	2,160	2,382
Total Expenditures	3,014,077	3,033,941	3,040,436	3,081,369	3,109,074
Revenues Under Expenditures	(452,451)	(423,089)	(259,270)	(160,713)	(78,583)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	58,500	16,500	95,000	55,000	-
Transfers In	416,135	502,502	372,744	31,617	21,018
Transfers Out	(17,463)	(13,600)	(14,357)	(26,965)	(10,583)
Total Other Financing Sources (Uses)	457,172	505,402	453,387	59,652	10,435
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,721	82,313	194,117	(101,061)	(68,148)
Fund Balance – Beginning of Year	48,443	54,706	135,541	335,533	231,302
Change in Inventory	1,542	(1,478)	5,875	(3,170)	3,903
Fund Balance – End of Year	$ 54,706	$ 135,541	$ 335,533	$ 231,032	$ 167,057

Source: City of Chicago Comprehensive Annual Financial Report (the "City CAFR"), Exhibit 4 for the respective years. The City CAFR is available upon request from the Department of Finance.

[1] The General Fund is the chief operating fund of the City. It is comprised of the Corporate Fund as well as other non-major operating funds where fund balance is not restricted or committed as defined by the Government Accounting Standards Board (GASB).

[2] Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services and Miscellaneous Revenues.

[3] Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Current Expenditures.

General Fund Revenue

The General Fund's revenue sources consist of utility taxes, sales taxes, state income taxes, other taxes, federal and state grants and other revenues. With the exception of federal and state grants, which are less than 1 percent of overall General Fund revenues, the various sources of General Fund revenues are described below.

Utility Taxes. Utility taxes consist of taxes on the purchase of telecommunications services, electricity, natural gas, and cable television. The following table sets forth the sources of utility tax revenue for the years 2009 through 2013:

Utility Tax Revenue 2009-2013
($ in thousands)

	2009	**2010**	**2011**	**2012**	**2013**
Gas	$126,759	$114,254	$113,681	$98,791	$122,139
Electric	93,685	99,265	98,100	98,015	98,557
Commonwealth Edison	86,908	91,714	90,655	90,814	90,602
Telecommunication	152,472	139,516	140,998	149,336	119,348
Infrastructure Maintenance	6	0	65	7	0
Fiber Optics	0	0	0	0	23
Cable Television	21,445	22,662	24,131	25,512	26,200
Total Utility Tax	$481,275	$467,411	$467,630	$462,475	$456,869

Source: City of Chicago Comprehensive Annual Financial Report, Schedule A-1 for the respective years.

These combined taxes have constituted 14 percent to 16 percent of total General Fund resources between 2009 and 2013. In 2009, utility taxes were $481.3 million, declining to $456.9 million in 2013. The reasons for fluctuations within the major categories of utility taxes are discussed below. Infrastructure maintenance, fiber optics and cable television are excluded from the discussion because the amounts are immaterial.

<u>Gas Tax</u>. The City imposes natural gas-related taxes, the revenues of which are dependent upon weather conditions and price. Colder weather increases consumption and associated tax revenues, as natural gas is used to heat homes and buildings. In 2009, natural gas-related taxes generated $126.8 million, accounting for 4 percent of total General Fund resources. Prices averaged 55.1 cents per therm during 2009 and dropped to an average of 35.3 cents per therm in 2012. Natural gas prices began to rise in 2013, up more than 30 percent over 2012. These rising prices, together with a colder than normal fall and winter and the resulting increase in usage, contributed to natural gas tax revenues of $122.1 million in 2013, a 24 percent increase over 2012. Because the natural gas utility tax rate is a percentage of gross revenues as opposed to a per unit rate, these revenues are more directly impacted by price than electricity taxes, which are imposed entirely on a per unit basis.

Electric and Commonwealth Edison Taxes. The City's electricity taxes (shown in the table above under Electric and Commonwealth Edison) are charged based on the number of kilowatt hours of electricity used. Revenues from electricity taxes are dependent upon consumption and also weather conditions, particularly summer temperatures due to the electricity needed to cool homes and buildings. Electricity tax revenues have been 6 percent, on average, of total General Fund resources over the past five years, averaging $187.7 million each year and have held relatively constant in recent years.

Telecommunications Tax. Revenue from telecommunications taxes, which are levied by the City on charges for telephone services in the City, has declined over the past decade, reflecting trends in the industry and consumer preferences. In 2009, telecommunications tax revenue was $152.5 million and made up 5 percent of General Fund resources. By 2013, telecommunications tax revenue had dropped to $119.3 million, accounting for 4 percent of total General Fund resources. The overall decline in revenues was due in part to the continuing reduction in the use of landlines as more customers rely solely on wireless services, and also a decline in the number of wireless accounts as use of online communication services such as Skype or other technologies increase. In addition, federal law exempts most wireless data services, such as mobile broadband, from taxation. Consequently, growth in the market for such wireless services has not resulted in increased telecommunications tax revenues for the City.

Sales Taxes. The following table sets forth sources of sales tax revenue for the years 2009 through 2013:

Sales Taxes 2009-2013
($ in thousands)

	2009	2010	2011	2012	2013
Local Sales Taxes......................	$224,887	$229,202	$252,530	$272,312	$267,576
State Sales Taxes.......................	251,670	266,640	283,751	299,873	316,105
Total Sales Tax.....................	$476,557	$495,842	$536,281	$572,185	$583,681

Source: City of Chicago Comprehensive Annual Financial Report, Schedule A-1 for the respective years.

Local Sales Taxes. Local sales tax revenues, as set forth in the table above, consist of four separate taxes imposed by the City pursuant to its home rule powers, the Municipal Code and state law (collectively, the "Local Sales Taxes"):

HOME RULE MUNICIPAL RETAILERS' OCCUPATION TAX. The Home Rule Municipal Retailers' Occupation Tax is a 1.25 percent tax imposed on the sale of most items of nontitled tangible personal property by retailers in the City. This tax is authorized by the Home Rule Municipal Retailers' Occupation Tax Act of the State. The tax must be imposed in increments of 0.25 percent, and can only be imposed if the City also imposes a municipal service occupation tax.

HOME RULE MUNICIPAL SERVICE OCCUPATION TAX. The Home Rule Municipal Service Occupation Tax is a 1.25 percent tax imposed on the selling price of most items of tangible personal property acquired as an incident to the purchase of a service from service providers in the City. This tax is authorized by the Home Rule Municipal Service Occupation Tax Act of the State and must be imposed at the same rate as the Home Rule Municipal Retailers Occupation Tax described above.

HOME RULE MUNICIPAL USE TAX ON TITLED PERSONAL PROPERTY. The Home Rule Municipal Use Tax on Titled Personal Property is a 1.25 percent tax imposed on the privilege of using within the City titled personal property that is purchased from a retailer and that is titled or registered at a location in the City. This tax is authorized by the Home Rule Municipal Use Tax Act of the State.

HOME RULE MUNICIPAL USE TAX ON NONTITLED PERSONAL PROPERTY. The Home Rule Municipal Use Tax on Nontitled Personal Property is a 1.0 percent tax imposed on the privilege of using within the City most items of nontitled personal property that are purchased from a retailer located outside the City. This tax is authorized by the Home Rule Municipal Use Tax Act of the State. The tax must be imposed in increments of 0.25 percent up to the maximum rate of 1.0 percent.

Currently there is no legal limit on the rate at which the City may impose the Home Rule Municipal Retailers' Occupation Tax, the Home Rule Municipal Service Occupation Tax or the Home Rule Municipal Use Tax on Titled Personal Property. Except for the Home Rule Municipal Use Tax on Nontitled Personal Property, the Local Sales Taxes are collected by the State on behalf of the City.

For purchases subject to the Home Rule Municipal Retailer's Occupation Tax and the Home Rule Municipal Use Tax on Titled Personal Property, most are subject to a combined tax rate that includes, in addition to the Local Sales Taxes and the state rate of 6.25 percent, a Regional Transportation Authority sales tax rate of 1.0 percent and a Cook County sales tax rate of .75 percent.

Revenue from the Local Sales Taxes that has been allocated to the General Fund after provision for sales tax revenue bonds debt service has accounted for an average of approximately 8 percent of total General Fund revenues between 2009 and 2013. Beginning in the fall of 2008, receipts from Local Sales Taxes began to decline due to the recession, with revenues of $224.9 million by 2009. Moderate growth continued from 2009 until 2012, with a modest decline in 2013, due to a larger portion of Local Sales Taxes allocated to sales tax bond debt service payments. Local Sales Taxes allocated to the General Fund were $267.6 million in 2013, accounting for 9 percent of General Fund revenues.

State Sales Taxes. The City's share of state sales tax revenues, as set forth in the table above, consist of four separate taxes imposed by the State as follows (collectively, the "State Sales Taxes"):

ILLINOIS RETAILERS' OCCUPATION TAX. The Illinois Retailers' Occupation Tax is imposed by the State at the rate of 6.25 percent on the sale of most items of nontitled tangible personal property by retailers. The City receives 1 percent on the sale of such items by retailers in the City, representing 16 percent of the net receipts of this tax attributable to sales occurring in the City. With respect to tax on grocery food, drugs and medical appliances, the City receives 1 percent of the net receipts on the sale of grocery food, drugs and medical appliances, representing 100 percent of the net receipts of this tax attributable to sales occurring in the City.

ILLINOIS SERVICE OCCUPATION TAX. The Illinois Service Occupation Tax is imposed by the State at the rate of 6.25 percent on the sale of most items of nontitled tangible personal property by service providers. The City receives 1 percent on the sale of such items by retailers in the City, representing 16 percent of the net receipts of this tax attributable to sales occurring in the City. With respect to tax on grocery food, drugs and medical appliances, the City receives 1 percent of the net receipts on the sale of grocery food, drugs and medical appliances, representing 44.44 percent of the net receipts of this tax attributable to sales occurring in the City.

ILLINOIS USE TAX. The Illinois Use Tax is imposed by the State at the rate of 6.25 percent on the privilege of using most items of personal property purchased outside of the State. The City receives 4 percent of the net receipts of this tax collected on most items of nontitled personal property purchased outside of the State, subject to annual appropriation by the Illinois General Assembly. Subject to annual appropriation by the Illinois General Assembly, the City receives 20 percent of the net receipts of this tax imposed at the rate of 1 percent on grocery food, drugs and medical appliances purchased outside of the State.

ILLINOIS SERVICE USE TAX. The City currently receives 4 percent of the net receipts of the Illinois Service Use Tax which is imposed by the State at the rate of 6.25 percent on the privilege of using most items of tangible personal property acquired as an incident to the purchase of a service from a service provider in the State, subject to annual appropriation by the Illinois General Assembly. The City also receives 20 percent of the net receipts of this tax imposed at the rate of one percent on grocery food, drugs and medical appliances acquired as an incident to the purchase of a service from a service provider in the State, subject to annual appropriation by the Illinois General Assembly.

Except as noted above, the City currently receives its share of State Sales Tax revenues without annual appropriation by the Illinois General Assembly. Any change in the tax rates or amount of net tax receipts allocated to the City from State Sales Tax revenues would require the enactment of legislation by the Illinois General Assembly.

Revenue from the State Sales Taxes has accounted for an average of approximately 9 percent of total General Fund resources between 2009 and 2013. Beginning in the fall of 2008, receipts began to decline due to the recession, with revenues of $251.7 million by 2009. Steady growth has continued since 2009, with State Sales Tax revenues increasing to $316.1 million in 2013, accounting for 10 percent of total General Fund resources.

State Income Tax. State income tax revenues consist of the City's share of the state income taxes, including personal property replacement taxes. The following table sets forth sources of state income tax revenue received by the General Fund for the years 2009 through 2013:

State Income Tax 2009-2013
($ in thousands)

	2009	**2010**	**2011**	**2012**	**2013**
Income Taxes	$201,025	$231,531	$200,341	$245,193	$275,979
Personal Property Replacement Taxes	50,795	50,480	36,180	37,586	32,920
Total State Income Tax	$251,820	$282,011	$236,521	$282,779	$308,899

Source: City of Chicago Comprehensive Annual Financial Report, Schedule A-1 for the respective years.

Income Tax. Like the Local Sales Taxes and the State Sales Taxes, the City's share of state income tax revenues experienced growth in pre-recession years and then, with the decline in the economy, the City's share of this tax declined to $201.0 million in 2009. The state income tax revenues received by the City increased in 2010 to $231.5 million, but then declined again in 2011 due to a combination of factors, including continued high state unemployment rates, the decline in population under the 2010 Census, a timing difference in the receipt of state distributions to the City and changes in 2010 to the Internal Revenue Code regarding bonus depreciation.

Collections for 2013 were increased by a one-time rise in payments associated with businesses and individuals selling assets or receiving early dividends or bonuses in anticipation of higher federal tax rates. Consequently, income tax revenues ended 2013 at $276.0 million.

In 2011, the State increased the personal income tax rate from 3 percent to 5 percent and the corporate income tax rate from 4.8 percent to 7 percent. However, municipalities did not receive a share of this increase because the State, concurrently with increasing tax rates, reduced the percentage of total income tax receipts that flow into the local government distribution fund from which municipalities are paid their share of state income tax revenue. As of January 1, 2015 the personal income tax rate was reduced to 3.75 percent and the corporate income tax rate was reduced to 5.25 percent.

Personal Property Replacement Tax. The personal property replacement tax is levied on corporations, partnerships, and utility companies, based on income. The tax is collected by the State and paid to local governments in order to replace revenues that were lost when the State eliminated the authority of local governments to collect personal property taxes on business entities. The City has historically utilized its personal property replacement tax revenue in part to support the General Fund and in part to pay for the City's share of pension contributions. Beginning in 2015, the City has changed the way it records personal property replacement tax revenues in the General Fund. See "—*Financial Forecasts*—2015 General Fund Budget" below.

As personal property replacement tax is an income-based tax, these revenues have generally followed the same patterns as income tax revenues, increasing through 2008 and then declining during the recession years. However, the anticipated increase in these revenues, due to the recovering economy, has been negated in part by legislation enacted by the State in 2011 that allows the State to reallocate personal property replacement tax revenue for employment-related costs of certain State Board of Education personnel and state officials.

Other Taxes. Other tax revenues consist of various taxes imposed by the City, such as transportation taxes, transaction taxes, recreation taxes, business taxes as well as the City's share of the state auto rental tax. The following table sets forth sources of other tax revenue for the years 2009 through 2013.

Other Taxes 2009-2013
($ in thousands)

	2009	**2010**	**2011**	**2012**	**2013**
Transportation Tax					
Parking	$ 93,126	$ 92,306	$ 93,449	$119,169	$124,384
Vehicle Fuel	53,892	49,800	49,367	49,818	49,089
Ground Transportation	8,833	8,600	9,111	8,903	9,070
Transaction Tax					
Real Property	61,911	81,302	85,986	102,571	141,907
Personal Property Lease	112,156	108,357	123,523	132,503	140,227
Motor Vehicle Lessor	5,574	5,426	5,753	6,037	6,249
Recreation Tax					
Amusement	79,071	85,682	86,055	87,843	96,739
Automatic Amusement	1,159	990	913	869	631
Liquor	32,054	31,508	31,584	32,620	32,048
Boat Mooring	1,356	1,317	1,439	1,361	1,275
Cigarette	20,973	19,326	18,666	18,015	16,268
Off Track Betting	1,311	929	837	694	604
Soft Drink	18,114	18,638	19,934	21,792	21,564
Business Tax					
Hotel	50,140	54,348	60,082	85,634	89,851
Employers Expense	23,918	23,479	23,496	17,853	11,261
Foreign Fire Insurance	5,499	5,133	4,598	4,791	4,601
State Auto Rental Tax	3,385	3,434	3,591	3,910	3,974
Total Other Taxes	$572,472	$590,575	$618,384	$694,383	$749,742

Source: City of Chicago Comprehensive Annual Financial Report, Schedule A-1 for the respective years.

With the exception of state auto rental taxes, which are immaterial, the various sources of other taxes are described below.

Transportation Taxes. Transportation tax revenues consist primarily of parking and vehicle fuel taxes. Parking taxes, which are imposed on parking garage operators, have consistently made up the largest portion of this category of revenues. Rate adjustments in 2009 and 2012 contributed to greater revenue growth in those years, with an overall increase from $93.1 million in 2009 to $124.4 million in 2013. Pursuant to a change in state law, the City changed this tax from a tiered flat rate structure to a percentage-based rate effective July 1, 2013, reducing the effective tax rate for low cost parking while increasing the effective rate for high cost parking.

The vehicle fuel tax is a 5 cent per gallon tax on the sale of vehicle fuel to a retailer doing business in the City, or who purchases fuel for use in the City. Vehicle fuel tax revenues declined from $53.9 million in 2009 to $49.1 million in 2013, due largely to declines in fuel consumption as gasoline prices rose, fuel economy standards became more stringent, and fuel-efficient vehicles became more prevalent.

Transaction Taxes. Transaction taxes include taxes on the transfer of real estate, the lease or rental of personal property, and the short-term lease of motor vehicles within the city. Combined transaction taxes have constituted between 4 and 6 percent of total General Fund resources between 2009 and 2013. Fluctuations in these revenue sources track closely with the economy and the real estate market.

In the years leading up to the recession, real property transfer tax collections reached record levels. The decline in the real estate market reduced these collections to $61.9 million in 2009. While commercial real estate activity started to increase in 2010 and continued to improve in 2011, the residential real estate market was slower to recover and did not show sustained growth until 2012. By 2013, home sales increased and median home prices also increased beginning in 2012, bringing overall real property transfer tax revenues to $141.9 million in 2013.

As with other transaction and consumer-driven tax revenues, collections of personal property lease transaction taxes, imposed on the lease or rental of personal property at a rate of 8 percent of the lease or rental price declined from 2009 to 2013 due to the recession's impact on personal and business consumption. In 2009, personal property lease transaction taxes generated $112.2 million. This revenue continued to grow, starting in 2011, mainly due to enforcement efforts. Personal property lease tax revenues were $140.2 million in 2013, accounting for 5 percent of total General Fund resources.

Recreation Taxes. Recreation taxes include taxes on amusement activities and devices, liquor, the mooring of boats, cigarettes, off-track betting and non-alcoholic beverages. In 2009, recreation taxes generated $154.0 million for the City, accounting for 5 percent of total General Fund resources. By 2013, this had grown to $169.1 million, accounting for 6 percent of total General Fund resources, primarily due to the increase in amusement tax revenues. Amusement tax revenues for 2013 represent 57 percent of total recreation tax revenues.

Amusement taxes apply to most large sporting events, theater, and musical performances in the City. The overall increase in these revenues was due in part to a one percent increase in 2009. Amusement tax revenues also vary significantly from year to year based on the relative success of Chicago's professional sports teams and ticket prices for such sporting events.

Business Taxes. The City's business tax revenues consist primarily of taxes on hotel accommodations, and the employers' expense tax until it was phased out at the end of 2013. Revenues from the hotel tax experienced a sharp decline in 2009 and remained low into early 2011, coinciding with the recession's impact on tourism, business, and convention-related travel. In 2009, hotel tax revenues were $50.1 million. The second half of 2011, however, saw hotel sales and the related tax revenues begin

to rebound, with strong growth in 2012, and further growth in 2013. In 2013, hotel tax revenues were $89.9 million accounting for 3 percent of total General Fund resources.

Other Revenues. Other revenues consist of internal service, licenses and permits, fines, investment income, charges for services, municipal utilities, leases, rentals and sales, and miscellaneous revenues. The following table sets forth the sources of other revenues for the years 2009 through 2013.

Other Revenues 2009-2013
($ in thousands)

	2009	**2010**	**2011**	**2012**	**2013**
Internal Service	$289,100	$274,574	$306,126	$302,924	$306,523
Licenses and Permits	100,458	96,240	102,702	117,568	123,633
Fines	252,483	258,802	263,288	290,799	313,506
Investment Income	3,011	4,200	3,378	5,439	1,436
Charges for Services	87,520	77,694	132,587	124,606	119,857
Municipal Utilities	9,120	6,405	9,060	8,415	6,429
Leases, Rentals and Sales	10,683	17,604	22,595	14,747	19,008
Miscellaneous	25,413	37,759	81,320	43,262	39,037
Total Other Revenues	$777,788	$773,278	$921,056	$907,760	$929,429

Source: City of Chicago Comprehensive Annual Financial Report, Schedule A-1 for the respective years.

With the exception of investment income and municipal utilities, which are immaterial sources, the various categories of other revenues, including major revenue types within the categories, are described below.

Internal Service. Internal service revenues are transfers to the General Fund for services provided to other City funds and departments, such as police, fire, and sanitation services provided to the City's Enterprise Funds. Such transfers constitute an average of 10 percent of General Fund resources, and have ranged from $289.1 million in 2009 to $306.5 million in 2013.

Licenses and Permits. License and permit-related revenue is generated through fees for business licenses, building permits, and various other licenses and permits. License and permit activity often reflects economic health, with more construction commencing and businesses starting up when the economy is strong.

In 2009, license and permit revenue was $100.5 million, decreasing from prior year levels as construction activity in the City declined during the recession. Permit activity and related revenues began to recover in 2012 and increased again in 2013 to $123.6 million.

Fines. Fines consist of fines, forfeitures, and penalties, including parking tickets, red-light and speed camera tickets, and fines for items such as building code violations. These revenues have increased steadily from $252.5 million in 2009 to $313.5 million in 2013. In 2013, these revenues accounted for 10 percent of total 2013 General Fund resources. This steady increase in revenues is partly a result of the increased use of technology, including the implementation of on-line bill payment systems and additional parking enforcement field technology. Increases in fine and penalty rates and improved debt collection have also impacted overall fine, forfeiture, and penalty revenues.

Charges for Services. Charges for services include revenues generated by charging for activities such as inspections, public information requests, police services, and other services for private benefit. In

2009, these activities generated $87.5 million, increasing to $119.9 million in 2013, due largely to increased reimbursement for police services and emergency medical service fee increases.

Leases, Rentals and Sales. Leases, rentals and sales include revenues generated from activities such as the sale of vacant land and buildings, city-owned property that has been leased to the public, and sale of materials that are not used by the City. In 2009, these activities generated $10.7 million, increasing to $19.0 million in 2013, due primarily to the increase in the rental and lease of city-owned property.

Miscellaneous. Miscellaneous revenues include infrequent or one-time sources of revenues, such as insurance recoveries, settlements, and cash received from fund closeouts, as well as other revenues that do not fall into one of the revenue categories mentioned above, such as municipal marketing fees and tax increment financing ("TIF") surpluses. These activities generated $25.4 million in 2009 and $39.0 million in 2013. The amount of revenue varies from year to year primarily due to the availability of TIF surpluses.

General Fund Expenditures

Total General Fund expenditures, including other financing uses, have ranged from $3.03 billion in 2009 to $3.12 billion in 2013. Generally, the relative proportion of total General Fund spending devoted to different activities and expense types has remained fairly consistent from year to year. Across all departments and city services, personnel-related expenditures (including salaries and wages and employee healthcare costs) make up the largest portion of the General Fund budget, averaging 83 percent of total General Fund expenditures from 2009 through 2013.

General Fund expenditures consist of current operating expenditures and debt service. Debt service expenditures in the General Fund relate to debt service payments with respect to an issuance by the City in 1997 of certain building acquisition certificates which are not paid from property taxes and are not material. General Fund current expenditures are described below.

Public Safety. Each year, the largest portion of General Fund expenditures is dedicated to public safety functions, and includes departments such as Police, Fire, and the Office of Emergency Management and Communications. This also includes the activities of (i) the Department of Buildings, which ensures the safety of residential and commercial buildings in the City by enforcing design, construction, and maintenance standards and promoting conservation and rehabilitation through permitting and inspection processes, and (ii) the Department of Business Affairs and Consumer Protection, such as business licensing and support and consumer protection activities, including the regulation of the local taxicab industry. Public safety has remained a primary driver of expenditures, growing as a percentage of General Fund expenditures, from 61 percent in 2009 to 63 percent in 2013.

General Government. General government expenditures support functions necessary to provide essential city services, including accounting and finance, contract management, human resources, legal advice, administrative services, vehicle and facilities maintenance, community services, city development, technology and systems expertise. These expenditures consistently have accounted for 28 percent of General Fund expenditures, on average, from 2009 through 2013.

Other Current Expenditures. The following table sets forth the other current expenditures of the General Fund by function for the years 2009 through 2013.

Other Current Expenditures 2009-2013
($ in thousands)

	2009	2010	2011	2012	2013
Health	$ 41,044	$ 35,593	$ 32,390	$ 24,371	$ 26,552
Streets and Sanitation	219,485	177,950	175,829	178,065	186,992
Transportation	26,976	70,032	69,683	53,815	52,420
Cultural and Recreational	700	544	420	13	0
Other	354	11,944	239	2,237	1,888
Total Other Current Expenditures	$288,559	$296,063	$278,561	$258,501	$267,852

Source: City of Chicago Comprehensive Annual Financial Report, Schedule A-1 for the respective years.

With the exception of Cultural and Recreational and Other expenditures set forth in the table above, which are immaterial in amounts, the categories of Other Current Expenditures are described below.

Health. Health expenditures support the operations of the Department of Public Health, including providing health education to residents, access to care, guiding public health initiatives and monitoring and inspecting food establishments. Department of Public Health expenditures have accounted for, on average, 1 percent of General Fund expenditures from 2009 through 2013.

Streets and Sanitation. Streets and sanitation expenditures support the operations of the Department of Streets and Sanitation, including garbage and recycling collection, sweeping and plowing of streets, graffiti removal, cleaning of vacant lots, demolition of garages, towing of illegally parked vehicles, abatement of rodents and planting, trimming and removal of trees. Expenditures related to the Department of Streets and Sanitation have accounted for, on average, 6 percent of General Fund expenditures from 2009 through 2013.

Transportation. Transportation expenditures support the operations of the Department of Transportation and have averaged approximately 2 percent of annual General Fund expenditures between 2009 and 2013. These funds are used to build, repair, and maintain streets, sidewalks, and bridges and complete the planning and engineering behind the City's infrastructure. Much of the City's major infrastructure construction is funded through state and federal grants, general obligation bond financing, TIF revenues and other sources, and thus is not represented as a General Fund expenditure.

General Fund Financial Forecasts

This section includes a discussion of the City's year-end estimates for 2014 and budget projections for the years 2015 through 2017 for the General Fund. The estimates and projections are based on expectations and assumptions which existed at the time such projections were prepared, including, among other factors, evaluations of historical revenue and expenditure data, known changes or events, analyses of economic trends and current and anticipated laws and legislation affecting the City's finances. While the City believes that the numerous assumptions underlying the estimates and projections are reasonable, they are subject to certain contingencies and periodic revisions which may involve substantial change. The City makes no representation or warranty that these estimates and projections will be realized. The estimates and projections discussed below and elsewhere herein were not prepared with a view towards compliance with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. The estimates and projections

assume that no substantive changes are made to city operations or the cost of city services. No cost-saving initiatives are incorporated into the estimates and projections. The estimates and projections are likely to change as future decisions are made in response to actual events, new or changing needs and citywide priorities. No assurance can be given that actual results will conform to the estimates and projections provided. This prospective information is not fact and should not be relied upon as being necessarily indicative of future results. Purchasers of the Bonds are cautioned not to place undue reliance on this prospective financial information. See "INVESTMENT CONSIDERATIONS—Forward-Looking Statements."

General Fund Resources and Expenditures
($ in millions)

	2014 Estimated[1]	**2015 Budget**[2]
Tax Revenue		
Utility Taxes and Fees	$ 473.5	$ 451.9
Transaction Taxes	316.0	326.4
Transportation Taxes	185.1	188.0
Recreation Taxes	193.7	205.0
Business Taxes	104.8	110.9
Sales Taxes	620.3	647.9
State Income Taxes	278.0	420.0
Other Intergovernmental	6.5	5.8
Total Tax Revenue	2,177.9	2,355.9
Non-Tax Revenue		
Licenses and Permits	119.9	136.9
Fines, Forfeitures and Penalties	338.4	369.5
Charges for Services	134.6	132.4
Municipal Parking	7.2	6.5
Leases, Rentals, Sales	24.2	30.2
Reimbursement, Interest & Other	344.6	470.2
Total Non-Tax Revenue	968.9	1,145.7
Proceeds and Transfers In	50.8	33.1
Total Revenue	3,197.6	3,534.7
Additional savings/Unassigned Balance	53.4	0.0
Total General Fund Resources	$3,251.0	$3,534.7
Total Expenditures	$3,250.1	$3,534.7

(1) Source: City of Chicago, Office of Budget and Management.
(2) Source: City of Chicago, 2015 Annual Appropriation, as amended.

2014 General Fund Year-End Estimates.

2014 Year-End Resources. Total General Fund resources for 2014 are estimated to end the year at $3,251.0 million. This includes $53.4 million carried over from prior years, which was included in the 2014 budget and is attributable in part to the controls, cuts, and initiatives implemented during the course of 2012 and 2013.

General Fund revenues are expected to finish 2014 approximately 1 percent, or $40 million, below 2014 budgeted revenues. These year-end estimates reflect an increase in utility tax revenues due to the extreme winter weather, as well as growth in many of the City's economically sensitive transaction tax revenues such as sales and real property transfer taxes, offset by revenues that came in below budget

from major local non-tax categories such as fines. Major categories of revenue and trends are discussed below.

Utility tax revenues are expected to come in more than 5 percent above budget for 2014, as natural gas usage and prices increased with the colder than normal winter and spring. These increases offset the continued decline in telecommunications tax revenue due in part to changing consumer preferences and in part to the payment of certain credits to telecom service providers for taxes charged on services that were later determined to be non-taxable.

Transportation taxes, including the parking and vehicle fuel tax, are anticipated to finish 2014 approximately 1 percent above budget, as parking garages in the second half of the year recovered losses from less traffic during the first and second quarters due to the weather.

The City's economically sensitive transaction taxes are expected to finish 2014 above budget. Real property transfer tax revenues are expected increase more than 13 percent above budget for the year as the commercial real estate market continues to perform well and increases in housing prices continue to catch up with the growth in housing sales seen in the City in 2012 and 2013. Growth is also projected for the City's sales tax and personal property lease tax revenues, as consumer confidence improves with the labor and housing markets; these consumer-driven taxes are expected to outperform budgeted expectations by 4 percent and 10 percent, respectively.

The City's share of state income tax revenues, however, are expected to end 2014 approximately 5 percent below budget, due in part to the after effect of the one-time rise in payments in 2013 associated with businesses and individuals selling assets or receiving early dividends in anticipation of higher federal tax rates, which moved certain collections into 2013 that would otherwise have been expected in 2014. No revenue will be received from the employers' expense tax, which was completely phased out beginning January 1, 2014.

In spite of severe winter weather, hotel tax revenue outperformed budgeted revenues by 3 percent, partly bolstered by revenue from legal settlements related to online hotel sales. Amusement tax revenues are estimated to exceed the budget by 9 percent, impacted by ticket price increases and playoff appearances by the Bulls and Blackhawks. Amusement tax revenues also reflect the 2014 reduction in the partial exemption from this tax that cable television companies had received in prior years.

The local non-tax revenues are expected to end 2014 approximately 10 percent below budget. The majority of this decline in revenues is from fines, which are projected to end the year significantly below budget. The phased implementation of automated speed enforcement near parks and schools and the greater than anticipated effectiveness of the program due to changed driver behavior has resulted in lower than expected rates of violation. In addition, revenue from licenses and permits is expected to end 2014 by approximately 9 percent below budget.

2014 Year-End Expenditures. General Fund expenditures are currently expected to end the year approximately 1 percent below budget at $3,250.1 million. This estimate is based on year-to-date spending, incorporating payroll trends, market pricing for relevant commodities, and any known changes or events that have had an impact on expenditures during 2014.

The year-end expenditure projections reflect increased overtime costs related to the severe winter weather as well as overages in public safety overtime costs. It is anticipated that these overtime expenses will be offset by reduced healthcare costs and certain contractual and personnel savings.

It is estimated that the General Fund will finish the year with expenditures approximately even with revenues. The City will continue to closely monitor its revenues and expenditures, and final audited

numbers will be presented in the City Comprehensive Annual Financial Report (the "City CAFR") for 2014.

2015 General Fund Budget. Each year, the City projects revenues and expenses for the coming year as part of its preliminary budget process. Any shortfall between revenue and expenses is referred to as the "budget gap." The budget gap is closed each year prior to the passage of the Annual Appropriation Ordinance, in which expenditures are balanced with forecasted available resources.

Set forth below are the budget gaps that were projected for fiscal years 2012 through 2015.

Budget Gaps 2012- 2015
($ in millions)

Year	**Amount**
2012	$635.7
2013	369.0
2014	338.7
2015	297.3

Source: City of Chicago, Office of Budget and Management.

The decreasing size of the gap from 2012 through 2015 is the result of the recovering economy's impact on revenues, as well as the cost reductions made as part of the past three budgets. Initiatives such as the introduction of managed competitions for city services, the transition to grid-based garbage collection, the review and renegotiation of major contractual costs, and reforms that have reduced the City's healthcare costs have all decreased the City's structural deficit, bringing the City's expenses more closely in line with revenues. Notwithstanding the gains achieved by the City in recent years in addressing its structural budget deficit, the budget gap in coming years is likely to widen from the 2015 level due largely to growing salaries and wages and funding requirements for City pension plans. See "—2016-2017 General Fund Outlook" below.

The General Fund gap of $297.3 million for 2015 was less than had been projected by the City before the 2015 budget process began. The 2015 budget gap was closed in the Annual Appropriation Ordinance through cost savings, closing tax loopholes and revenue enhancements and natural growth in economically sensitive revenues.

The 2015 budget projects that General Fund resources will total $3,534.7 million, an increase of $283.7 million or almost 9 percent over the current 2014 year-end estimate of $3,251.0 million; $128.8 million of this increase is the result of a change in the way that the City budgets its personal property replacement tax revenue, as discussed below. Excluding this amount, the growth in General Fund resources totals $154.9 million, or almost 5 percent over 2014 year-end estimates.

Utility taxes are expected to total $451.9 million in 2015, $21.6 million lower than the 2014 year-end estimate of $473.5 million, and account for 13 percent of total projected General Fund revenues. The decline is due primarily to the assumption of normal weather conditions for 2015.

Business taxes, including hotel taxes, are expected to generate $110.9 million in 2015, an increase of $6.1 million over the 2014 year-end estimate of $104.8 million. Projections for 2015 anticipate an approximately 2 percent increase in hotel occupancy and a more than 6 percent increase in daily room rates. In addition, the 2015 budget includes current and prior year revenues from online resellers of hotel rooms, contributing to an overall increase of 6 percent over 2014 year-end estimates.

As a result of closing a loophole related to the collection of Local Sales Taxes and State Sales Taxes, the revenues collected from these taxes allocated to the General Fund is expected to total $647.9 million in 2015, an increase of $27.6 million over the 2014 year-end estimate of $620.3 million. Other transaction tax revenues, including real property transfer taxes and personal property lease taxes, are expected to increase at the rate of approximately 3 percent in 2015, in line with market and consumer sentiment.

State income tax and personal property replacement tax revenue is expected to total $420.0 million in 2015. Much of the increase in 2015 income tax revenue is the result of a change in how the City budgets its personal property replacement tax revenue, all of which will be reflected in the General Fund in 2015. A portion of the projected increase is, however, due to actual anticipated growth in revenues as wages, capital gains, and corporate profits are expected to increase in 2015. These increases will be offset in part by the State's increasing use of personal property replacement tax revenues to pay for its own obligations, decreasing the anticipated disbursement to the City by approximately $10.6 million in 2015.

Local non-tax revenues are budgeted at $1,145.7 million in 2015, an 18 percent increase over anticipated 2014 local non-tax revenues of $967.5 million. Total revenue from licenses and permits is projected to total $136.9 million in 2015, an increase of $17.0 million over the 2014 year-end estimate of $119.9 million. Building permit fee revenues are expected to increase in 2015 by approximately 7 percent compared to 2014, reflecting the continued rebounding of the housing market. The 2015 budget assumes a 9 percent growth from fines revenue to a projected $369.5 million, as the City works to improve vehicle sticker enforcement and the collection of other debt. Revenues from charges for services are expected to decrease by 2 percent in 2015 to $132.4 million. The 2015 projection for reimbursements, interest, and other revenues is $470.2 million, an increase of $127.0 million, or 37 percent over the 2014 estimate of $343.2 million.

Budgeted expenditures for 2015 increased approximately 7 percent over 2014 budgeted expenditures, balancing with budgeted resources at $3,534.7 million. Public safety expenditures are expected to increase by approximately 6 percent from 2014 budgeted public safety expenditures. Budgeted expenditures account for actual changes to salaries and wages governed by collective bargaining agreements, employee benefits, contractual services and utilities and motor fuel. The City has included increased contributions of $89.1 million to the MEABF and LABF (each as hereafter defined) pension plans in its 2015 budget based on enacted pension reforms.

In 2015, the City has changed the way it budgets the non-property tax portion of its pension contributions. Historically, the City's pension contributions not paid from property taxes have been paid from personal property replacement tax revenues, which were recorded directly into the respective Retirement Funds (as hereafter defined) and did not flow through the General Fund. See APPENDIX E—"RETIREMENT FUNDS—Determination of City's Contributions." Going forward, the total receipt of personal property replacement tax revenues will be deposited into the General Fund, and a portion of the City's share of pension contributions will be paid out of the General Fund to the Retirement Funds. This change has the effect of increasing General Fund revenues by the amount of the personal property replacement taxes deposited into the General Fund. Another change relates to the way the Enterprise Funds pay their allocable share of pension fund costs. See APPENDIX E—"RETIREMENT FUNDS—Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs." Historically, the City's pension contributions allocable to each of the Enterprise Funds were reimbursed by those Enterprise Funds to the General Fund. Going forward, the Enterprise Funds' allocable portions of the City's pension cost will be paid by the Enterprise Funds to the Retirement Funds.

2016-2017 General Fund Outlook. The City projects operating budget gaps for the General Fund of $430.2 million and $587.7 million for the years 2016 and 2017, respectively. Estimated contributions to the MEABF and LABF pension funds are included in the projected operating budget gaps for 2016 and 2017. Statutory obligations to the PABF and FABF pension funds will, in the absence of legislation modifying the City's contributions to these funds, increase the projected budget gaps for 2016 and 2017 by more than $500 million, with the estimated City contribution growing each year thereafter. Further, general obligation debt service obligations that impact the General Fund may increase significantly from 2015 levels in succeeding years due to growth from anticipated issuances and the way in which the City's debt is restructured. See "INVESTMENT CONSIDERATIONS—Structural Deficit and Debt Restructuring."

The City projects General Fund revenue growth of approximately 1.5 percent over the prior year in both 2016 and 2017. The revenue growth assumptions do not take into account the change in the personal property replacement tax revenue allocation to the General Fund, as discussed above. Many economically sensitive revenues have now returned to pre-recession levels, and a conservative approach is taken in these projections in line with the assumption that the economy will continue to experience only moderate growth going forward.

These projections are based on the continuation of similar trends as discussed above with respect to 2015 for most revenue sources, including recreation taxes, transportation taxes, Local Sales Taxes, State Sales Taxes and most local non-tax revenues, adjusting for anticipated variations in certain cases. A slightly lower rate of growth in real property transfer tax revenue is expected in 2016 and 2017, as the real estate market stabilizes following rapid growth during the recovery years. Utility taxes are expected to return to normal growth trends. Hotel tax revenues are projected to grow with increased occupancy and revenue per available room, and state income tax revenues are projected to increase at approximately 2.5 percent each year in line with an improving labor market.

General Fund operating expenditures are projected to outpace General Fund revenue growth during this period, increasing at an average annual rate of 5.3 percent to $3.69 billion in 2016 and $3.90 billion in 2017. These expenditures do not take into account the change in how the City budgets its pension contributions from personal property replacement taxes. Most categories of expenditures, including contractual services, worker's compensation, motor fuel, and utilities, are assumed to grow at their long-term historical average rates. Less predictable expenditures, such as settlement and judgment-related and other miscellaneous expenses, are based on the average of recent annual expenditure amounts. Salary and wage and healthcare expenditures, by far the largest portion of the City's operating expenses, are projected based on the assumption that the number of full-time equivalent positions will remain approximately flat, meaning, no significant hiring, layoffs, or vacancy eliminations will occur, and that the costs associated with those positions will experience growth in line with long-term historical trends. In addition, under P.A. 98-641 (as defined and described herein) with respect to the MEABF and LABF pension funds, contributions will increase by approximately $50 million in 2016 and $75 million in 2017, and the General Fund portion of these payments is incorporated into the projected budget gaps for those years.

Service Concession and Reserve Fund

The City has set aside reserves for unexpected contingencies, emergencies, or revenue shortfalls. These reserves, recorded in the Service Concession and Reserve Fund, are not included in the City's annual operating budget.

In 2005, the City entered into a 99-year lease of the Chicago Skyway (the "Skyway Lease"), under which a private company was granted the right to collect and retain toll revenue from the Skyway.

In return, the City received an upfront payment of $1.83 billion. The City established long-term reserves of $500 million with a portion of this upfront payment. The interest earned on the Skyway lease reserves was intended to be used for city operating expenses and has been utilized as planned. The principal balance remains $500 million and the earned interest has been transferred to the General Fund each year, with the dollar amount of the transfer reflecting variations in interest rates.

In 2009, the City entered into a 75-year concession agreement with respect to its metered parking system (the "Metered Parking Concession Agreement"), under which a private company was granted the right to operate and collect revenue from the metered parking system. In return, the City received an upfront payment of $1.15 billion. The City established $400 million in reserves with a portion of this upfront payment. These reserves were created to replace revenues that would have been generated from parking meters by transferring interest earnings on the reserves to the General Fund, with the principal remaining intact at $400 million. However, starting in 2009, the City began utilizing these long-term reserves to subsidize the City's operating budget. In 2009, $20 million was transferred to the General Fund, and in 2010, $160 million was used for City operating expenses. The 2011 budget included a $140 million transfer from the reserves for operating purposes. Utilizing these reserves reduced the principal balance substantially below the initial deposit and accordingly reduced the interest earnings generated by the reserves. The ordinance establishing the reserves directed that an annual transfer of $20 million be made from the reserve fund into the General Fund to replace lost meter revenue. In order to maintain these reserves, the City amended the ordinance in 2012 to state that only interest generated from the reserves, and not principal, must be transferred for this purpose. In addition, the City began to rebuild the reserves with a $20 million deposit in 2012, a $15 million deposit in 2013, and a $5 million deposit in 2014.

Set forth in the table below is information about the City's long-term reserves as of December 31 of the years 2009 through 2014.

Long-Term Reserves 2009-2014
($ in millions)

Year	Skyway	Metered Parking System	Total[(1)]
2009	$500	$380	$880
2010	500	220	720
2011	500	80	580
2012	500	100	600
2013	500	115	615
2014	500	120	620

Source: City of Chicago, Office of Budget and Management.
(1) The amounts presented are based on cost of funds held in the Service Concession and Reserve Fund. The market value of the funds may vary depending on the market value of investments.

Capital Improvements

The City's capital improvement program (see "—Annual Budget—*Budget Documents*") funds the physical improvement or replacement of city-owned infrastructure and facilities with long useful lives, such as roads, buildings and green spaces. The capital improvements program is funded from general obligation bond issuances, revenue bond issuances (largely for water, sewer, and aviation improvements), state and federal funding, tax increment financing, and private funding through public/private ventures.

From 2004 to 2013, the City utilized proceeds from the issuance of general obligation bonds and motor fuel tax revenue bonds (together referred to as "local bonds") to fund $1.85 billion in capital improvements. Local bonds were utilized to support the types of projects described in the table below.

Capital Improvement Projects[1]

Project	Description
Greening	Green ways, medians, trees, fountains, community gardens, neighborhood parks, wetlands, and other natural areas.
Facilities	Improvement and construction of City buildings and operating facilities, police and fire stations, health clinics, senior centers, and libraries.
Infrastructure	Construction and maintenance of streets, viaducts, alleys, lighting, ramps, sidewalks, bridge improvements, traffic signals, bike lanes, streetscapes, and shoreline work.
Aldermanic menu projects	Selected by members of City Council, each of whom is allotted $1.32 million of general obligation bond funding to be spent at their discretion on a specific menu of improvements in their respective wards. Over the past eight years, these funds have been used primarily for sidewalks, residential street resurfacing, street lighting, and curb and gutter replacement, with portions of these funds contributed to the Chicago Park District ($13.5 million), Board of Education of the City of Chicago ($2.6 million), and the Chicago Transit Authority ($500,000).

[1] Local bonds have also funded a limited number of other uses, which are discussed under "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

Set forth in the following table are the capital uses of local bonds from 2009 through 2013.

Capital Uses of Local Bonds 2009-2013
($ in millions)

	2009	2010	2011	2012	2013
Greening	$ 19.0	$ 15.7	$ 5.8	$ 4.2	$ 4.4
Facilities	35.8	40.0	24.9	12.7	3.6
Infrastructure	36.8	28.9	26.0	33.1	36.3
Aldermanic Menu	94.4	81.4	102.0	84.0	84.0
Total	$185.9	$166.0	$158.7	$134.1	$128.3

Source: City of Chicago, Office of Budget and Management.

Local bond-funded capital improvements has decreased since 2009 as the debt service associated with the City's long-term general obligation debt has grown and the City has made efforts to cut overall costs.

The City's estimated expenditures for the capital improvement program over the period 2014 through 2018 is $1.3 billion. The City has not determined how much of its capital expenditures over the next five years will be paid from local bonds.

Property Taxes

The City levies ad valorem real property taxes pursuant to its authority as a home rule unit of local government under the Illinois Constitution of 1970. Real property taxes represent the single largest revenue source for the City. As part of the City's budget process each year, the City determines the aggregate property tax levy that will be levied in the next fiscal year and collected in the following year.

EAV and Property Taxes

The City's aggregate property tax levy is divided by the equalized assessed value ("EAV") of all property in the City to determine the tax rate that will be applied to an individual taxpayer's property. The tax rate is applied to the EAV of the taxpayer's property to determine the tax bill. Changes in EAV do not affect the amount of the City's property tax revenue because the City's property taxes are levied at a flat dollar amount. For information on real property assessment, tax levy and tax collection in Cook County, see APPENDIX D—"PROPERTY TAXES."

The following tables present statistical data regarding the City's property tax base, tax rates, tax levies and tax collections from 2003 through 2013.

Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2003 – 2013
($ in thousands)

Tax Levy Year[2]	Assessed Value[1] Class 2[3]	Class 3[4]	Class 5[5]	Other[6]	Total	State Equalization Factor[7]	Total Equalized Assessed Value[8]	Total Direct Tax Rate	Total Estimated Fair Cash Value[9]	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
2003	$12,677,199	$2,233,572	$10,303,732	$487,680	$25,702,183	2.4598	$53,168,632	1.380	$223,572,427	23.78%
2004	12,988,216	1,883,048	10,401,429	465,462	25,738,155	2.5757	55,277,096	1.302	262,080,627	21.09
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,948	2.7320	59,304,530	1.243	283,137,884	20.95
2006	18,521,873	2,006,898	12,157,149	688,868	33,374,788	2.7076	69,511,192	1.062	329,770,733	21.08
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	1.044	320,503,503	22.98
2008	19,339,574	1,602,769	12,359,536	693,239	33,995,118	2.9786	80,977,543	1.030	310,888,609	26.05
2009	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	0.986	280,288,730	30.21
2010	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	1.016	231,986,396	35.38
2011	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	1.110	222,856,064	33.71
2012	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	1.279	206,915,723	31.53
2013[10]	-	-	-	-	-	2.6621	62,363,876	1.343	-	-

(1) Source: Cook County Assessor's Office. Excludes the portion of the City in DuPage County.
(2) Taxes for each year become due and payable in the following year. For example, taxes for the 2013 tax levy became due and payable in 2014.
(3) Residential, six units and under.
(4) Residential, seven units and over and mixed use.
(5) Industrial/commercial.
(6) Vacant, not-for-profit and industrial/commercial incentive classes.
(7) Source: Illinois Department of Revenue.
(8) Source: Cook County Clerk's Office. Calculations are net of exemptions and exclude portions of the City in DuPage County. Calculations also include assessment of pollution control facilities and railroad property.
(9) Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of the City in DuPage County.
(10) Complete 2013 information not available at time of publication.

Property Taxes for All City Funds, Collections and Estimated Allowance for Uncollectible Taxes 2005 - 2014[1]
($ in thousands)

Tax Levy Year [2]	Total Tax Levy for Fiscal Year [3][4]	Collections within Fiscal Year: Amount	Collections within Fiscal Year: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Total Tax Collections [5]	Total Collections to Date: Percent of Total Tax Collections to Tax Levy	Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
2005	$718,071	$694,593	96.7%	$ 6,090	$700,683	97.6%	$17,388	-
2006	719,230	630,666	87.7	59,978	690,644	96.0	28,586	-
2007	749,351	712,008	95.0	13,191	725,199	96.8	24,152	-
2008	834,152	776,522	93.1	32,574	809,096	97.0	25,056	-
2009	834,109	700,579	84.0	104,872	805,451	96.6	28,658	-
2010	834,089	790,141	94.7	21,434	811,575	97.3	22,514	-
2011	833,948	800,582	96.0	12,103	812,685	97.5	20,880	$ 383
2012	834,636	804,245	96.4	21,072	825,317	98.9	9,133	186
2013	838,254	798,095	95.2	10,966	809,061	96.5	28,317	876
2014[5]	860,736[6]	421,692	49.0	-	421,692	49.0	34,429	404,615

(1) Source: Cook County Clerk's Office.
(2) Taxes for each year become due and payable in the following year. For example, taxes for the 2013 tax levy become due and payable in 2014.
(3) Does not include levy for Special Service Areas and net of collections for TIF districts.
(4) Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.
(5) Reflects tax collections through April 30, 2015.
(6) Estimated; actual amount not available from the Cook County Clerk's Office at time of publication.

Use of City Property Tax Levy

Revenue from the City' property tax levy has been utilized primarily to pay the City's debt service and employer pension contributions. A small amount of the levy is allocated to the library system.

The amounts and tax rates of the City's property tax levy for debt service and employer pension contribution by Retirement Fund are set forth in the following tables for the years indicated.

Property Tax Levies 2009-2013[1]
($ in thousands)

	2009	2010	Change	2011	Change	2012	Change	2013	Change
Note Redemption and Interest[2]	$ 73,363	$ 73,377	0.02%	$ 73,377	0.00%	$ 73,481	0.14%	$ 74,231	1.02%
Bond Redemption and Interest	409,512	409,979	0.11	411,905	0.47	411,489	(0.10)	411,807	0.08
PABF[3]	141,741	140,165	(1.11)	143,785	2.58	143,865	0.06	138,146	(3.98)
MEABF[3]	130,026	132,531	1.93	126,997	(4.18)	129,138	1.69	122,066	(5.48)
FABF[3]	66,140	64,323	(2.75)	66,125	2.80	65,461	(1.00)	81,518	24.53
LABF[3]	13,327	13,714	2.90	11,759	(14.26)	11,202	(4.74)	10,486	(6.39)
Total	$834,109	$834,089	(0.00)%	$833,948	(0.02)%	$834,636	0.08%	$838,254	0.43%

Source: Cook County Clerk's Office. Information for 2014 not available at time of publication.
(1) Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.
(2) Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and City Relief Funds.
(3) For information regarding the City's unfunded pension obligations, see "—Pensions—Funded Status of the Retirement Funds.

Property Tax Rates Per $100
Of Equalized Assessed Valuation 2004-2013

Tax Levy Year	Tax Extension[1][2] (in thousands)	Bond, Note Redemption and Interest[3]	Policemen's Annuity and Benefit	Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Total
2004	$719,780	$0.760676	$0.216752	$0.229048	$0.095524	-	$1.302
2005	718,071	0.696607	0.231467	0.231683	0.083243	-	1.243
2006	719,230	0.569261	0.194953	0.197399	0.099974	-	1.062
2007	749,351	0.588843	0.191548	0.174302	0.088581	-	1.044
2008	834,152	0.602842	0.172426	0.162182	0.080787	$0.011763	1.030
2009	834,109	0.570806	0.167552	0.153704	0.078184	0.015754	0.986
2010	834,089	0.588774	0.170734	0.161435	0.078352	0.016705	1.016
2011	833,948	0.645918	0.191381	0.169036	0.088014	0.015651	1.110
2012	834,636	0.743122	0.220459	0.197892	0.100313	0.017166	1.279
2013	838,254	0.778719	0.221494	0.195703	0.130700	0.016813	1.343

Source: Cook County Clerk's Office. Information for 2014 not available at time of publication.
[1] Does not include levy for Special Service Areas and net of collections for TIF districts.
[2] Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.
[3] Includes rates from the Chicago Public Library Bond, Note Redemption and Interest Fund.

As shown above, the aggregate property tax levies over the period 2008 through 2013 remained relatively constant. The estimated total tax levies for fiscal years 2014 and 2015 are approximately $859.5 million and $868.2 million, respectively. The increases in 2014 and 2015 are due to property tax surpluses from TIF district terminations and do not represent increases in the total tax levy for those years. See "—*TIF Districts*" below.

As the City's debt service and pension expenses have increased, these costs have exceeded the City's property tax levy. From 2005 through 2014, an increasing portion of the pension contributions were paid with personal property replacement tax revenue and a portion of such year's long-term debt service was covered using other resources. In addition, since at least 2007, the City has issued general obligation refunding bonds in part to restructure some of its outstanding general obligation bonds. This has allowed the City to reduce the property tax levies for the refunded bonds and keep the aggregate property tax levy below a desired level for that year. Such debt restructuring has extended the property tax levies into the future in order to repay the refunding bonds.

The City is one of several taxing districts reflected on a Chicago resident's property tax bill. The amount of property taxes collected by Cook County is divided among these districts, with the City allocated approximately 20 percent of the total bill. For information on property taxes levied on real property within the City by overlapping taxing districts, see "—*Overlapping Taxing Districts*" below.

TIF Districts

In addition to the revenues the City receives from its general property tax levy, the City derives property tax revenue from the City's TIF districts. TIF revenue must be utilized for specific types of

expenses in specific districts and is not available for non-specified governmental uses. The City's TIF program began in 1984 with the goal of promoting business, industrial, and residential development in areas of the City that struggled to attract or retain housing, jobs, or commercial activity. The program is governed by a state law that allows municipalities to capture property tax revenues derived from the EAV growth above the base EAV that existed before an area was designated as a TIF district for the term of the TIF district, and to use that money (the tax increment) for job training, public improvements and incentives to attract private investment to the area.

When a TIF district expires, terminates, is repealed, or the City, under certain circumstances, declares a surplus in the TIF district, the City returns the surplus funds to the Cook County Treasurer for distribution to the overlapping taxing districts based upon each district's share under the applicable tax code. Such surplus declaration occurs typically during the City's annual budget process.

Set forth in the following table is information about the amount of money returned to taxing districts from declared surplus or the expiration, repeal or termination of TIF districts from 2009 through 2014.

TIF Surplus 2009-2014
($ in millions)

	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Declared	$ 0.00	$0.00	$188.00	$82.90	$25.00	$39.10
Expiration	15.40	0.02	15.10	13.70	8.40	25.40
Repeal	2.30	0.00	73.30	0.00	0.50	0.00
Termination	6.90	0.02	0.00	0.00	9.60	0.60
Total	$24.60	$0.04	$276.40	$96.60	$43.50	$65.10

Source: City of Chicago, Office of Budget and Management.

The City receives approximately 20 percent of all surplus dollars distributed by the Cook County Treasurer to the overlapping taxing districts.

Upon the expiration, repeal or termination of TIF districts, the incremental EAV of the district becomes a part of the aggregate EAV that is available to all overlapping taxing districts. Taxing districts, including the City, have the ability to recover their portion of the revenue from the incremental EAV by adding it to their levy following a TIF district's dissolution. This practice yielded the City $1.1 million from three TIF districts in 2012 and $3.3 million from 12 TIF districts in 2013. The City will continue to receive TIF surplus on an annual basis as TIF districts are repealed, terminated or expire.

Overlapping Taxing Districts

Various governmental entities operate as separate, independent units of government and have authority to issue bonds and levy taxes on real property within the City. These governmental entities, or overlapping taxing districts, are the Board of Education of the City of Chicago ("CBOE"), Cook County, Illinois ("Cook County"), the Metropolitan Water Reclamation District of Greater Chicago ("MWRD"), the Chicago Park District (the "Park District"), Community College District Number 508, County of Cook and State of Illinois ("City Colleges"), and the Cook County Forest Preserve District ("Forest Preserve").

The combined property tax rates of the City and overlapping taxing districts are set forth in the following table for the years 2004 to 2013.

Combined Property Tax Rates of the City and Other Major Governmental Units Per $100 of Equalized Assessed Valuation 2004-2013

Tax Levy Year	City	City of Chicago School Building & Improvement Fund	Chicago School Finance Authority	Chicago Board of Education	City Colleges of Chicago	Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
2004	$1.302	-	$0.177	$3.104	$0.242	$0.455	$0.347	$0.060	$0.593	$6.280
2005	1.243	-	0.127	3.026	0.234	0.443	0.315	0.060	0.533	5.981
2006	1.062	-	0.118	2.697	0.205	0.379	0.284	0.057	0.500	5.302
2007	1.044	-	0.091	2.583	0.159	0.355	0.263	0.053	0.446	4.994
2008	1.030	$0.117	-	2.472	0.156	0.323	0.252	0.051	0.415	4.816
2009	0.986	0.112	-	2.366	0.150	0.309	0.261	0.049	0.394	4.627
2010	1.016	0.116	-	2.581	0.151	0.319	0.274	0.051	0.423	4.931
2011	1.110	0.119	-	2.875	0.165	0.346	0.320	0.058	0.462	5.455
2012	1.279	0.146	-	3.422	0.190	0.395	0.370	0.063	0.531	6.396
2013	1.343	0.152	-	3.671	0.199	0.420	0.417	0.069	0.560	6.832

Source: Cook County Clerk's Office. Information for 2014 not available at time of publication.

The aggregate long-term general obligation debt of the City and the bonded debt of the overlapping taxing districts as of December 31 of the years 2005 through 2014 and as of May 20, 2015 is set forth below.

Long-Term General Obligation Debt of the City and Bonded Debt of Overlapping Taxing Districts
As of December 31 of the Years 2005-2014 and May 20, 2015
($ in thousands, except Net Direct Debt Per Capita)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	5/20/2015
CBOE	$ 4,339,727	$ 4,652,371	$ 4,719,935	$ 4,623,026	$ 5,295,249	$ 5 ,596,922	$ 5,907,450	$ 6,365,573	$ 6,207,790	$ 6,038,973	$ 6,269,518
Park District	976,835	842,660	855,270	814,290	814,290	944,565	924,170	874,710	865,665	844,460	806,690
City Colleges of Chicago	56,105	31,695	-	-	-	-	-	-	250,000	250,000	250,000
Cook County	1,322,815	1,303,909	1,422,459	1,320,897	1,436,563	1,617,172	1,786,751	1,783,542	1,715,011	1,670,473	1,670,473
Chicago School Finance Authority	268,075	187,985	127,795	66,645	-	-	-	-	-	-	-
Forest Preserve	57,314	47,437	58,404	53,225	50,670	48,419	45,706	92,847	86,091	85,454	87,108
MWRD	554,079	684,826	720,321	651,276	942,299	951,165	1,213,007	1,267,749	1,213,933	1,224,149	1,323,380
Net Overlapping Long-term Debt	7,574,949	7,750,882	7,904,183	7,529,358	8,539,071	9,158,243	9,877,084	10,384,421	10,338,489	10,113,510	10,407,171
City of Chicago GO Bonds	5,123,729	5,422,232	5,805,921	6,126,295	6,866,270	7,328,452	7,628,222	7,939,682	7,6703,298	8,339,626	8,122,072
Net Direct and Overlapping long-term debt	$ 12,698,678	$ 13,173,114	$ 13,710,104	$ 13,655,653	$ 15,405,341	$ 16,486,695	$ 17,505,306	$ 18,324,103	$ 18,008,787	$ 18,453,136	$ 18,529,242
Net Direct Debt Per Capita[1]	$ 4,384.88	$ 4,548.70	$ 4,734.13	$ 4,715.32	$ 5,319.49	$ 6,116.16	$ 6,494.03	$ 6,797.79	$ 6,680.81	$ 6,845.66	$ 6,873.89
Total Est. Fair Cash Value[2]	$283,137,884	$329,770,733	$320,503,503	$310,888,609	$280,288,730	$231,986,396	$222,856,064	$206,915,723	$206,915,723	$206,915,723	$206,915,723
Ratio of Debt to Fair Cash Value[3]	4.48%	3.99%	4.28%	4.39%	5.50%	7.11%	7.85%	8.86%	8.70%	8.92%	8.95%

Source: Debt of overlapping taxing districts from the respective districts.

(1) Population source: U.S. Census Bureau. From 2005 through 2009, per capita is based on the 2000 population of 2,896,016. From 2010 through 2015, per capita is based on the 2010 population of 2,695,598.

(2) Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of City in DuPage County.

(3) Calculations for 2013, 2014 and as of May 20, 2015, are based on 2012 estimated fair cash value.

City Workforce

The City has decreased its workforce across all funds from 39,654 positions (41,550 full-time equivalents, or "FTEs") in 2004 to 32,280 positions (34,045 FTEs) in 2014, a decrease of approximately 17 percent. Approximately 90 percent of the City's workforce is represented by unions. The City is party to collective bargaining agreements with more than 40 different unions.

The two largest bargaining units are the Fraternal Order of Police ("FOP") and the Chicago Firefighters Union, currently with 16,065 combined sworn public safety positions. When police captains, lieutenants, and sergeants are included, the number of unionized sworn public safety positions comes to 17,507.

The next largest group of positions is associated with the Coalition of Union Public Employees ("COUPE"), which currently represents 6,640 trades positions (7,129 FTEs). The American Federation of State, County, and Municipal Employees ("AFSCME") is the fourth largest group, representing 3,505 positions (3,679 FTEs) that provide administrative support for City government and services, and the Service Employees International Union ("SEIU") currently represents 1,912 public safety civilian positions (2,238 FTEs), such as traffic control aides, detention aides, and police communication operators.

The collective bargaining agreements with each of these unions include regular salary increases, resulting in higher personnel costs each year. The most recent collective bargaining agreement with FOP, ratified in October 2014, provides for an 11% salary increase over the five-year period between 2012 and 2017. An agreement with the Chicago Firefighters Union, also providing for an 11% increase over the period 2012 to 2017, was ratified by the union in June 2014. The most recent agreement with COUPE provides for wage rates set at the prevailing rates established regularly by the Illinois Department of Labor for construction trades employees; for employees not subject to prevailing rate schedules, the agreement provides for 2% increases each year from 2013 through 2017. The most recent agreement with AFSCME, ratified in June 2014, provides for a 10% increase over the five-year period 2012 to 2017. The current SEIU agreement, ratified in August 2012, includes a 6% increase between 2011 and 2016. Agreements ratified by the unions representing police sergeants, lieutenants and captains in late 2013 and early 2014, each provide for an 8% salary increase between 2012 and 2016.

These increases are in addition to the raises based on time in service that most employees receive. Historically, non-union employees received salary increases equal to those negotiated for civilian positions; however, since 2009, the majority of non-represented employees have not received salary increases beyond normal step increases for time in service.

Pensions

The following is a summary of certain aspects of the City's Retirement Funds. Additional information regarding the Retirement Funds is available in APPENDIX E—"RETIREMENT FUNDS."

General

The City contributes to the four defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to City employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Illinois Pension Code (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The four Retirement Funds are: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"), which covers most civil servant employees of the City and non-teacher employees of the CBOE; (ii) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

("LABF"), which covers City employees who are employed in a title recognized as labor service; (iii) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"), which covers the City's sworn firefighters and paramedics; and (iv) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"), which covers the City's sworn police officers, captains, lieutenants and sergeants. As of the end of 2013, there were over 110,000 members in the plans, including active and inactive employees, retirees and beneficiaries.

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consists of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, both the City and the City's employees make contributions to the Retirement Funds. The Retirement Funds invest these contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds.

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions and funded status of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions and funded status. The assumptions and methods used by the actuary have an extraordinary impact on the measures of financial position of the Retirement Funds and are further described in APPENDIX E—"RETIREMENT FUNDS."

Funded Status of the Retirement Funds

The Retirement Funds are presently significantly underfunded. The funding status of the Retirement Funds at the end of 2013 is set forth in the following table.

Funding Status of the Retirement Funds
as of December 31, 2013[1]
($ in millions)

	Total Assets	**Actuarial Accrued Liability[2]**	**Unfunded Actuarial Accrued Liability[3]**	**Funded Ratio[4]**
MEABF....	$ 5,421.7	$13,828.9	$ 8,407.2	39.2%
LABF	1,457.7	2,383.5	925.8	61.2
PABF	3,265.2	10,282.3	7,017.1	31.8
FABF	1,116.7	4,128.7	3,012.0	27.0
Total	$11,261.3	$30,623.5	$19,362.2	36.8%

Source: Comprehensive Annual Financial Reports of the respective Retirement Funds for the fiscal year ended December 31, 2013.
(1) Amounts measured at fair market value where applicable. Columns may not sum due to rounding. For information regarding LABF as of December 31, 2014 see APPENDIX E—"RETIREMENT FUNDS—Table 8."
(2) "Actuarial Accrued Liability" is the dollar value of plan liabilities (as determined by an actuary). See APPENDIX E—"RETIREMENT FUNDS—Actuarial Methods—*Actuarial Accrued Liability*."
(3) Unfunded Actuarial Accrued Liability" or "UAAL" is the dollar value by which the plan's liabilities (as determined by an actuary) exceed the assets of such pension plan. See APPENDIX E—"RETIREMENT FUNDS—The Actuarial Valuation—*Actuaries and the Actuarial Process*."
(4) "Funded Ratio" represents the plan's assets divided by its liabilities (as assets and liabilities are determined by an actuary). See APPENDIX E—"RETIREMENT FUNDS—The Actuarial Valuation—A*ctuaries and the Actuarial Process."*

The funded status of the Retirement Funds has deteriorated steadily over time, demonstrated in the table below.

Funded Status of the Retirement Funds 2004-2014[(1)]
($ in millions)

	MEABF		PABF		FABF		LABF		TOTAL	
Year	UAAL	Funded Ratio	UAAL	Funded Ratio	UAAL	Funded Ratio	UAAL	Funded Ratio	UAAL	Funded Ratio
2004	$2,565.8	70.9%	$3,168.5	55.0%	$1,587.3	43.2%	$37.2	97.8%	$7,358.8	63.8%
2005	2,893.3	68.7	3,767.9	51.2	1,608.2	44.2	83.2	95.2	8,352.7	61.3
2006	2,635.0	72.2	3,747.5	52.8	1,696.6	45.1	28.0	98.4	8,107.1	63.6
2007	2,958.7	70.3	3,887.1	52.7	1,746.4	45.7	25.5	98.6	8,617.8	62.9
2008	5,642.6	45.7	5,481.6	35.4	2,397.1	27.6	726.7	62.1	14,248.0	40.9
2009	5,663.9	47.7	5,410.1	38.1	2,377.2	30.7	642.8	67.5	14,094.0	43.6
2010	6,393.1	46.0	5,770.4	37.3	2,548.9	30.3	602.8	70.3	15,315.2	42.7
2011	7,239.7	41.1	6,346.9	33.4	2,858.1	25.8	839.3	61.0	17,284.0	37.9
2012	8,292.7	38.5	6,839.4	32.0	2,987.7	25.7	965.1	58.7	19,083.9	36.1
2013	8,407.2	39.2	7,017.1	31.8	3,012.0	27.0	925.8	61.2	19,362.2	36.8
2014	Not Available		Not Available		Not Available		723.6[(2)]	65.7[(2)]	Not Available	

Source: The Comprehensive Annual Financial Reports for the Retirement Funds (the "Retirement Fund CAFRs") for fiscal years 2004 through 2013 and the Actuarial Valuation of LABF for fiscal year 2014.
[(1)] All calculations based on the fair market value of assets.
[(2)] Reduction in LABF UAAL and increase in Funded Ratio are due in large part to the enactment of P.A. 98-641. See APPENDIX E – "RETIREMENT FUNDS – Legislative Changes – *P.A. 98-641*"

The City believes that the decrease in the Retirement Funds' funding levels over the past ten years is due to adverse economic factors (resulting in investment returns below assumed levels combined with a decreasing asset base), inadequacy of legislatively-mandated employee and City contributions, automatic annual increases ("AAIs") and changes in benefit levels, changes in actuarial assumptions and the changed demographic of both the City's workforce and retirees of the Funds.

Adverse Economic Factors. The financial downturns of 2001 and 2008 resulted in significant drops in the asset values of the Retirement Funds. From 2000 to 2002, the combined aggregate funded ratio of the Retirement Funds declined from approximately 87 percent to approximately 62 percent, due primarily to investment losses. Investment performance improved in the mid-2000s, but this growth was on a smaller asset pool due to prior losses. During 2008, the Retirement Funds sustained a more than $4.0 billion loss in asset value, and the combined Retirement Funds' funded ratio decreased from approximately 63 percent to approximately 41 percent. Although the investment performance of the Retirement Funds has recovered since 2008, the Retirement Funds' funded ratio continued to decline to approximately 37 percent in 2013.

Contribution Levels. City employees contribute a fixed percentage of their salary to the Retirement Funds. Historically, the City's contributions to the Retirement Funds had been determined on the basis of a formula established in the Pension Code. This formula required the City to contribute an amount equal to the employee contributions two years prior multiplied by a factor established by statute for each Retirement Fund (the "Multiplier"). The Multiplier is not related to the contribution which would be determined by an actuary pursuant to an actuarial valuation or the benefits actually earned by employees. Furthermore, the Multiplier does not adjust for changes in the economy affecting returns on

pension fund investments, changes in demographics, inflation, or changes in benefits. As a result, the Multiplier for each Retirement Fund has been significantly lower than the Multiplier which would have been necessary to fully fund the Retirement Funds on an actuarial basis in recent years.

The following table compares the City's statutory contributions pursuant to the Pension Code to the amounts calculated by the Retirement Funds' actuaries to be needed to fully fund the Retirement Funds for the years 2004 through 2013.

Retirement Funds
City Contribution Requirements 2004-2013
($ in thousands)

Fiscal Year	Actuarially Required Contribution	Actual City Contribution[1]	Percentage of Actuarially Required Contribution Contributed[2]
2004	$ 545,232	$345,398	63.3%
2005	698,185	423,515	60.7
2006	785,111	394,899	50.3
2007	865,776	395,483	45.7
2008	886,215	416,130	47.0
2009	990,381	423,929	42.8
2010	1,112,626	425,552	38.2
2011	1,321,823	416,693	31.5
2012	1,470,905	440,120	29.9
2013	1,695,278	442,970	26.1

Sources: Actuarial Valuations of the Retirement Funds as of December 31 for the years 2010 through 2013 and the Retirement Fund CAFRs for 2010 through 2013.

Note: For information regarding contributions made to LABF for December 31, 2014, see APPENDIX E – "RETIREMENT FUNDS – Table 8."

(1) Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31 for the years 2003 through 2006, contribution information includes amounts related to other post-employment benefits. Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits. The City began to report other post-employment benefits separately in the City CAFR beginning in 2006.

(2) Includes the portion of the personal property replacement tax contributed to the Retirement Funds in each year.

Changes in Benefits. Over time, additional benefits have accrued under or been written into the Pension Code. Most notably, AAIs written into the Pension Code significantly increased the cost of benefits. AAIs provide annual increases in pension payments regardless of the then prevailing inflation rates. Legislation passed by the State in 2010 reduced the AAIs and instituted other cost saving provisions for all four pension funds for employees hired on or after January 1, 2011. See APPENDIX E—"RETIREMENT FUNDS—Legislative Changes—P.A. 96-0889."

Legislative changes to the Pension Code also increased the total cost of benefits owed, though to a lesser degree than the automatic AAIs. Among other changes, certain benefit minimums were raised and the definition of pensionable pay was expanded.

Workforce and Retiree Demographics. In addition to investment losses and benefit increases, the makeup of the City's workforce and retirees has added to the unfunded liability of the Retirement Funds. The statutorily-set employee and employer contribution percentages did not change to account for shifts in basic demographic factors such as the longer lifespans of retirees and the projected future benefit

costs. In addition, the City's prior early retirement incentive plans increased the number of retirees drawing benefits and decreased the number of employees contributing to the Retirement Funds.

Changes to PABF and FABF

In late 2010, Public Act 096-1495 ("P.A. 96-1495"), which made changes to the Pension Code for PABF and FABF, was signed into law. The law affects approximately 34,645 active members and retirees. In addition to making some changes to benefits for PABF and FABF employees beginning employment on or after January 1, 2011, P.A. 96-1495 alters the manner in which the City contributes to PABF and FABF beginning in 2016. P.A. 96-1495 removes the Multiplier from the funding calculation, instead requiring the City to contribute to PABF and FABF the amount actuarially required to achieve a funded ratio of 90% by fiscal year 2040. P.A. 96-1495 will significantly increase the City's contributions to PABF and FABF in 2016 and will impose a significant financial burden on the City. See APPENDIX E—"RETIREMENT FUNDS—Legislative Changes—P.A. 96-1495."

The following table sets forth a projection of the funded ratios of and City contributions to PABF and FABF in future fiscal years.

Projected Funded Ratios and Contributions
PABF AND FABF[(1)]
($ in millions)

	PABF		FABF	
Year	**Funded Ratio**	**Employer Contribution[(2)]**	**Funded Ratio**	**Employer Contribution[(2)]**
2014	30.0%	$ 188.9	25.5%	$106.2
2015	31.0	188.4	26.4	112.2
2016	32.2	592.9	27.3	246.1
2017	33.4	613.1	28.3	253.2
2018	34.7	634.8	29.2	260.4
2019	36.0	655.9	30.2	268.3
2020	37.3	677.3	31.2	276.7
2025	44.8	792.1	37.5	324.8
2030	55.2	928.5	48.5	379.3
2035	69.9	1,017.5	65.6	410.6
2040	90.0	1,080.8	90.0	433.0

Source: The Actuarial Valuations of PABF and FABF as of December 31, 2014.
(1) Projections are calculated on an accrual basis.
(2) Data based on the year the employer contribution is actually made, rather than the preceding budget year.

Based on the amounts budgeted by the City for the 2015 contribution and the 2013 actuarial reports with respect to the projected 2016 contribution, the City's required contribution to PABF and FABF will increase by $549 million for 2016. Actuarial reports for 2014 have not yet been released by PABF or FABF. However, beginning with the actuarial valuation for the fiscal year ended December 31, 2014, PABF reduced its assumed investment rate of return from 7.75% to 7.50% and changed the mortality table used by its actuary to RP-2014, which projects longer lives for PABF members. As a result, the contribution to be made to PABF in fiscal year 2017 and future contribution years is projected to increase by approximately an incremental $62 million. FABF did not substantially alter its actuarial assumptions for the actuarial valuation for the fiscal year ended December 31, 2014.

The City is currently in discussions with unions representing participants in PABF and FABF concerning potential amendments to P.A. 96-1495 that, if enacted by the Illinois General Assembly, could materially impact the contributions required to be made by the City. These amendments may include, among other changes, extending the period by which the unfunded liabilities of PABF and FABF are amortized to a 90% Funded Ratio (the "Revised Amortization Period") and a phase-in period (the "Phase-in Period"). A Revised Amortization Period would reduce the annual funding obligation required to reach a 90% Funded Ratio, but extend the number of years over which such payments would need to be made. Enactment of a Phase-in Period would reduce the City's required payment in the initial years to allow for a more gradual phase-in of the requirements of P.A. 96-1495. The General Assembly may also consider other proposed legislation that could affect the City payment obligations for PABF and FABF and/or funding sources for those obligations, including a City-owned casino. The City makes no representation whether or when any such legislation would be enacted.

The City expects that the City Council will consider options for addressing its pension funding requirement for PABF and FABF, including improvements in operating efficiencies and incremental revenues, after the Illinois General Assembly concludes its spring session, currently scheduled for May 31, 2015. If an increase in property taxes were the sole source of incremental City contributions to PABF and FABF, and those contributions were not reduced by a Revised Amortization Period or Phase-in Period, the projected amount of the increase for payment in 2016 would be $549 million on a total estimated 2015 aggregate tax levy of $4.2 billion, including the City and overlapping taxing jurisdictions. The City is required to file its levy requirement with Cook County by no later than the last Tuesday of December 2015, and the property taxes from the levy would be collected in two installments in the spring and fall of the year following the levy.

Changes to MEABF and LABF

In June 2014, Public Act 098-0641 ("P.A. 98-641"), which makes changes to the Pension Code with respect to MEABF and LABF, was signed into law. The law was supported by the City and developed with input from labor organizations. P.A. 98-641 affects approximately 62,500 active members and retirees. Among other changes, P.A. 98-641 increases employee contribution rates, makes changes to AAIs and provides for AAIs to be skipped in 2017, 2019 and 2025. Furthermore, P.A. 98-641 modifies the manner in which the City contributes to MEABF and FABF. P.A. 98-641 retains the Multiplier, with stepped increases in the applicable Multipliers, as the method of calculating the City's contribution through 2020. Beginning in 2021, the City will be required to contribute to MEABF and LABF the amount necessary, as determined by an actuary, to achieve a funded ratio of 90% by 2055.

P.A. 98-641 is designed to address the underfunding, and projected insolvency, of MEABF and LABF through a combination of increases in the City's contributions, increases in employee contributions, and decreases in the AAI adjustments. See APPENDIX E—"RETIREMENT FUNDS—Legislative Changes—P.A. 98-641."

The following table sets forth a projection of the Funded Ratios of and employer contributions by the City to MEABF and LABF in future fiscal years.

Projected Funded Ratios and Contributions
MEABF AND LABF[1]
($ in millions)

	MEABF		LABF	
Year	**Funded Ratio**	**Employer Contribution**	**Funded Ratio**	**Employer Contribution**
2015	38.5%	$156.1	63.5%	$ 14.5
2016	37.6	242.7	61.7	24.0
2017	36.8	290.1	60.0	28.5
2018	35.8	361.2	58.9	37.8
2019	35.4	442.1	57.7	46.2
2020	35.6	533.0	57.0	56.1
2021	35.9	585.6	56.7	68.5
2022	36.2	600.3	56.5	70.4
2030	38.8	724.7	54.9	54.9
2040	45.0	917.4	57.3	206.8
2050	68.7	1,184.5	74.9	128.0
2055	90.0	1,332.2	90.0	140.0

Source: With respect to MEABF, Gabriel Roeder Smith & Company, based on actuarial data as of December 31, 2013. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. With respect to LABF, the Actuarial Valuation as of December 31, 2013.

(1) Projections calculated on a cash basis.

City and State Pension Litigation

City Pension Litigation. P.A. 98-641 is currently subject to challenge in a lawsuit alleging its unconstitutionality. See “LITIGATION–City Pension Litigation” below and APPENDIX E–“RETIREMENT FUNDS–Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional.

State Pension Litigation. On May 8, 2015, the Illinois Supreme Court affirmed the decision of the Sangamon County Circuit Court that Public Act 98-0599 (the “State Pension Reform Act”) is unconstitutional. The State Pension Reform Act would have provided for certain cost-saving and other reforms to the State’s four largest pension plans. The State Pension Reform Act was challenged on behalf of various classes of annuitants, current and former workers, and labor organizations alleging, among other things, that the legislation violates Section 5 of Article XIII of the Illinois Constitution. See APPENDIX E—“RETIREMENT FUNDS—Background Information Regarding the Retirement Funds—*Overlapping Taxing Bodies*—State Pension Reform Act and Litigation.”

Allocation of Pension Costs Among City Funds

The City allocates to the Special Revenue Funds and Enterprise Funds their share of the City’s annual contribution to the Retirement Funds. For further information, see APPENDIX E—“RETIREMENT FUNDS—Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs.”

Overlapping Taxing Districts

The overlapping taxing districts within the City maintain five pension funds for their respective employees that are supported by local property taxes. Statistical data for the four City pension funds and the five overlapping taxing district’s pension funds is set forth in the table below.

City and Overlapping Taxing Districts
Pension Funds Supported by Local Property Taxes 2013[1]

	Unfunded Actuarial Accrued Liability ($ in millions)	Unfunded Liability Per Capita[2]	Funded Ratio
Overlapping Taxing Districts			
MWRD	$ 1,006.4	$ 192	54.1%
Cook County	5,255.1	1,003	61.5
Forest Preserve	95.0	18	65.8
CBOE[3]	9,458.4	3,479	51.5
Park District	483.7	178	45.5
Subtotal	$16,298.6	$ 4,870	
City Pension Funds	$19,362.2	$ 7,122	36.8%
TOTAL	$35,660.8	$11,992	

Source: Most recent audited financial statements or Retirement Fund CAFRs.
(1) Excludes City Colleges, the employees of which are members of the State Universities Retirement System which is funded by the State of Illinois; excludes the Chicago Transit Authority pension fund which is supported by local sales taxes, real estate transfer taxes, subsidies from the Regional Transportation Authority and fares.
(2) Per capita amounts are based on the U.S. Census Bureau's 2013 population estimate of the City (2,718,782) and of Cook County (5,240,780) as described in APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION—Population." The City's population was used to calculate the per capita numbers for the City and for the CBOE and the Park District, each of which has boundaries coterminous with the City. Cook County's population was used to calculate the per capita numbers for Cook County, the Forest Preserve, which has boundaries coterminous with Cook County, and MWRD which, though not coterminous with Cook County, has boundaries which overlap in excess of 98% with the boundaries of Cook County, measured by EAV.
(3) CBOE makes contributions to the Chicago Teachers' Fund.

The information set forth in the preceding table may not incorporate the various reforms that have been adopted for certain of these pension funds, and should not be relied upon for the financial condition of the funds currently. The information is presented only to provide an indication of the magnitude of the unfunded pension liabilities of the overlapping taxing districts when combined with the unfunded pension liabilities of the City.

Long-Term Leases, Concessions of City Facilities

In addition to the Skyway Lease and the Metered Parking Concession Agreement, in 2006 the City entered into a 99-year lease for four City-owned downtown public parking garages (the "Parking Garages Lease"), under which a private company was granted the right to operate and collect revenue from the garages in return for an upfront payment of $563 million to the City. Under each of the Skyway Lease, the Metered Parking Concession Agreement and the Parking Garages Lease, the lessee/concessionaire has the right to terminate the transaction and receive payment from the City for the fair market value of the City facility in the event that the City, Cook County or the State were to take certain actions which materially adversely affected the value of the respective City facility. Further, under the Parking Garages Lease, the City recently paid that lessee an amount of approximately $62 million as compensation for granting a public garage license within a specified area near the four leased garages. In addition, the Parking Garages Lease transaction is in litigation; plaintiffs have challenged the validity of that lease agreement. See "LITIGATION – Parking Garages Litigation."

Other Matters

The City is party from time to time to discrete financing arrangements relating to economic development, public health, education, sports facilities, environmental remediation and other matters. These financing transactions can result in direct or unanticipated costs on the City. Set forth below is a description of outstanding matters that have or could have a material budgetary impact on the City.

USX South Works

The City entered into a tax-increment financing redevelopment agreement dated December 23, 2010 (the "Lakeside TIF Agreement") in connection with the redevelopment of the currently vacant former U.S. Steel plant along the shore of Lake Michigan on the southeast side of the City. The terms of the Lakeside TIF Agreement require the City, upon the fulfillment by the developer of certain specified leasing, sale, financing and other conditions, to issue a series of general obligation bonds secured by or otherwise payable from citywide property taxes and a series of special assessment bonds secured by or otherwise payable from a special assessment levy on the redevelopment project site. Pursuant to the Lakeside TIF Agreement, the proceeds of such general obligation and special assessment bonds may be used to pay for certain costs of the redevelopment project, located in the Chicago Lakeside Development–Phase 1 TIF Redevelopment Project Area (the "TIF Area"), including public infrastructure. If and when the general obligation and special assessment bonds are issued, the Lakeside TIF Agreement provides that such bonds will be paid from the incremental taxes collected in the TIF Area to the extent available rather than from citywide property taxes. The debt service on the general obligation bonds will be based on the first 50% of the incremental taxes projected at the time of issuance and have a first lien on the incremental taxes; the debt service on the special assessment bonds will be based on the second 50% of the incremental taxes projected at the time of issuance and have a second lien on the incremental taxes. If the incremental taxes are insufficient to pay the debt service on the general obligation and special assessments bonds: (1) debt service on the general obligation bonds will be paid first by a letter of credit posted by the developer in an amount equal to 100% of maximum annual debt service on the general obligation bonds and then if necessary by citywide property taxes; and (2) debt service on the special assessment bonds will be paid by the special assessment levy. The Lakeside TIF Agreement estimated that there will be approximately $96,000,000 of redevelopment project costs eligible to be paid with the proceeds of the general obligation and special assessment bonds but did not otherwise estimate the principal amounts of the general obligation and special assessment bonds.

Michael Reese

In 2009, the City purchased the former Michael Reese Hospital campus in connection with the City's bid for the 2016 Summer Olympics. The purchase was implemented by a note issued by the City to the seller and is currently outstanding in the amount of $91,000,000 (the "MRL Financing LLC Promissory Note"), which is a general obligation of the City not supported by a property tax levy. Interest payments for the first five years were not required to be paid until June 30, 2014, at which time the City was required to either pay the accrued interest or add it to the outstanding principal amount. At that time, the City was also required to begin making quarterly interest payments and annual principal payments. The City used the Short Term Borrowing Program to make the accrued interest payment of $19.9 million on June 30, 2014, and the first regularly scheduled interest payment of $1.36 million in September, 2014. The quarterly interest amounts of $1.36 million for December, 2014, and $1.33 million for March, 2015, were paid from funds available in the General Fund. The City anticipates using the amounts available from the General Fund and/or the Short Term Borrowing Program to make continued debt service payments due under the MRL Financing LLC Promissory Note until such time as the property is sold, given that the funding costs of the Short Term Borrowing Program are less than having interest capitalized at the interest rate on the MRL Financing LLC Promissory Note (5.95%). When the

property is sold, in whole or in part, the City currently expects to use such sale proceeds to pay the MRL Financing LLC Promissory Note and/or the associated outstanding Short Term Borrowing Program debt.

Illinois Sports Facilities Authority

The Illinois Sports Facilities Authority ("ISFA") is a state agency authorized to construct and operate sports facilities and provide financial assistance for governmental owners of sports facilities or their tenants. Beginning in 1980, the ISFA issued various series of bonds (and refunding bonds) for the development of U.S. Cellular Field and a portion of the Chicago lakefront including Soldier Field. The ISFA bonds are payable from State and City annual subsidy payments of $5 million each, with the City's subsidy taken from the City's share of the local government distributive fund, and a 2% hotel tax imposed by the ISFA (the "ISFA Hotel Tax"). The State advances to the ISFA certified annual operating expenses less the amount of the subsidies. The State withholds collections from the ISFA Hotel Tax to repay advanced amounts. If the ISFA Hotel Tax is not sufficient to repay the State advance, the deficiency is automatically withdrawn from the City's share of the local government distributive fund. During 2011, the ISFA hotel tax was inadequate to fully repay the State advance, and the deficiency of $185,009 was deducted from the City's share of the local government distributive fund. This is the only payment the City has made to date. Future City payments are dependent on hotel occupancy rates.

City Investment Policy

The investment of City funds is governed by the Municipal Code of Chicago (the "Municipal Code"). Pursuant to the Municipal Code, the City Treasurer has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the City Treasurer's office in the investment of City funds. See APPENDIX C—"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013—Notes (1) and (4)."

GENERAL OBLIGATION DEBT

Long-Term General Obligation Bonds

The City's long-term general obligation bonds, including the Bonds, are backed by the full faith and credit of the City, and all taxable property within the City is subject to the levy of taxes to pay the principal of and interest on general obligation bonds without regard to rate or amount.

The City has three types of long-term general obligation bonds outstanding. For a significant portion of the City's long-term general obligation bonds (including the Bonds), an annual property tax levy has been established and pledged to the payment of debt service on such bonds ("Tax Levy Bonds"). For certain other long-term general obligation bonds issued by the City (which make up a small subset of the City's general obligation bonds), either (i) an annual property tax levy has been established but is annually abated if certain other specified revenues are available that year for payment of debt service ("Alternative Revenue Bonds"), or (ii) no annual property tax levy has been established for debt service and payments of debt service are appropriated from sources of revenue other than property taxes ("Pledge Bonds"). Alternative Revenue Bonds include the City's General Obligation Bonds (Modern Schools Across Chicago Program), Series 2007 A-K, Series 2010A and Series 2010B, and General Obligation Bonds (Emergency Telephone System), Series 1999 and Series 2004. Pledge Bonds include the City's Buildings Acquisition Certificates (Limited Tax), Series 1997 Bonds and the MRL Financing LLC Promissory Note. All other long-term general obligation bonds of the City are Tax Levy Bonds.

General obligation bonds (excluding for this discussion the Short Term Borrowing Program) are generally issued annually by the City to pay for capital projects, general obligation refundings for savings, general obligation debt restructuring, legal settlements and judgments, and, from time to time, the retroactive employment wage and salary increases (including related pension costs).

Over the last five years, the City has issued approximately $350 million of general obligation bonds per year to fund capital improvements and legal judgments and settlements. For information on the use of general obligation bonds for capital projects, see "FINANCIAL DISCUSSION AND ANALYSIS―Capital Improvements." The City currently intends to curtail the use of general obligation bonds to fund settlements and judgments in future budgets.

Since 2007, proceeds from general obligation bonds in the range of $90 million to $170 million per year have been used to fund the City's general obligation annual debt service. The City expects to use approximately $220 million of proceeds of long-term general obligation bonds to fund general obligation debt service in levy year 2015 for debt service payable in 2016. The City currently plans to completely eliminate the use of general obligation bonds to pay general obligation debt service by 2019. See "INVESTMENT CONSIDERATIONS—Structural Deficit and Debt Restructuring."

Following are selected debt statistics regarding the City's long-term general obligation bonds from 2005 through 2014.

Long-Term General Obligation Bonds
Selected Debt Statistics 2005-2014

Year	Aggregate Debt ($ in thousands)[1]	Total Est. Fair Cash Value[2] ($ in thousands)	Ratio of Debt to Fair Cash Value[2]	Per Capita[3]
2005	$5,123,729	$283,137,884	1.81%	$1,769.23
2006	5,422,232	329,770,733	1.64	1,872.31
2007	5,805,921	320,503,503	1.81	2,004.80
2008	6,126,295	310,888,609	1.97	2,115.42
2009	6,866,270	280,288,730	2.45	2,370.94
2010	7,328,452	231,986,396	3.16	2,718.67
2011	7,628,222	222,856,064	3.42	2,829.88
2012	7,939,682	206,915,723	3.84	2,945.43
2013	7,670,298	206,915,723	3.71	2,845.49
2014	8,339,626	206,915,723	4.03	3,093.79

(1) Source: City of Chicago, Department of Finance.
(2) Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of City in DuPage County. 2013 and 2014 information is not available at time of publication. The ratios of debt to fair cash value for 2013 and 2014 are based on 2012 estimated fair cash value.
(3) Population source: U.S. Census Bureau. From 2005 through 2009, per capita calculation is based on the 2000 population of 2,896,016. From 2010 through 2014, per capita calculation is based on the 2010 population of 2,695,598.

The City's long-term general obligation debt service schedule for 2015 to 2043 is set forth in the following table.

Long-Term General Obligation Bonds
Debt Service Schedule[1][2]
As of May 20, 2015

	The Bonds		Tax Levy Bonds[3]			Alternate Revenue Bonds		Pledge Bonds		General Obligation Total		
Year	Principal	Interest	Principal	Interest[4][5]	Capitalized Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015			$ 32,256,371	$ 384,865,456	$(29,497,478)	$ 42,215,000	$ 26,173,240	$11,030,000	$ 4,257,908	$ 85,501,371	$ 385,799,126	$ 471,300,497
2016			193,716,761	406,119,629	-	46,220,000	24,032,432	11,135,000	4,934,751	251,071,761	435,086,813	686,158,574
2017			210,626,948	397,951,107	-	52,665,000	21,712,085	11,245,000	4,295,980	274,536,948	423,959,172	698,496,119
2018			219,846,972	388,854,481	-	55,955,000	19,118,526	11,350,000	3,638,700	287,151,972	411,611,707	698,763,679
2019			227,928,700	379,061,723	-	59,215,000	16,258,775	9,100,000	2,975,750	296,243,700	398,296,248	694,539,948
2020			235,233,918	370,982,951	-	66,340,000	13,223,135	9,100,000	2,427,649	310,673,918	386,633,735	697,307,653
2021			245,622,240	360,580,999	-	58,870,000	9,852,726	9,100,000	1,892,850	313,592,240	372,326,575	685,918,814
2022			250,833,400	355,384,964	-	57,405,000	6,799,766	9,100,000	1,351,400	317,338,400	363,536,130	680,874,529
2023			261,258,320	344,922,693	-	38,295,000	3,815,148	9,100,000	809,950	308,653,320	349,547,791	658,201,110
2024			274,597,012	333,526,883	-	20,760,000	1,907,452	9,100,000	267,766	304,457,012	335,702,101	640,159,113
2025			279,573,971	321,668,426	-	6,945,000	864,187			286,518,971	322,532,613	609,051,584
2026			286,826,163	309,514,517	-	7,665,000	511,912			294,491,163	310,026,429	604,517,592
2027			305,919,720	290,417,242	-	675,000	120,154			306,594,720	290,537,396	597,132,116
2028			313,354,806	283,035,830	-	715,000	83,947			314,069,806	283,119,777	597,189,583
2029			330,244,515	266,076,352	-	850,000	45,594			331,094,515	266,121,946	597,216,461
2030			342,657,520	253,727,054	-					342,657,520	253,727,054	596,384,574
2031			360,543,596	235,841,338	-					360,543,596	235,841,338	596,384,934
2032			393,923,762	202,459,220	-					393,923,762	202,459,220	596,382,982
2033			372,676,194	181,964,477	-					372,676,194	181,964,477	554,640,671
2034			320,437,377	162,481,405	-					320,437,377	162,481,405	482,918,782
2035			290,017,607	145,133,381	-					290,017,607	145,133,381	435,150,989
2036			242,156,559	130,233,346	-					242,156,559	130,233,346	372,389,905
2037			236,632,925	117,049,993	-					236,632,925	117,049,993	353,682,918
2038			249,831,380	103,859,532	-					249,831,380	103,859,532	353,690,912
2039			258,780,000	59,742,168	-					258,780,000	59,742,168	318,522,168
2040			273,540,000	44,981,635	-					273,540,000	44,981,635	318,521,635
2041			288,970,000	29,557,581	-					288,970,000	29,557,581	318,527,581
2042			101,745,000	13,254,033	-					101,745,000	13,254,033	114,999,033
2043			108,170,000	6,829,854	-					108,170,000	6,829,854	114,999,854
Total			$7,507,921,735	$6,880,078,271	$(29,497,478)	$514,790,000	$144,519,079	$99,360,000	$26,852,703	$8,122,071,735	$7,021,952,575	$15,144,024,310

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(1) Principal and interest (including the amount of interest that has accreted on capital appreciation bonds) for each year includes amounts payable on the City's general obligation bonds and notes on July 1 of that year and January 1 of the following year, except that each year includes principal and interest payable on the General Obligation Bonds Series 2007A-K (Modern Schools Across Chicago Program), the General Obligation Bonds Series 2010 A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds, Taxable Series 2010B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) on June 1 and December 1 of that year.

(2) Excludes debt service on the Short Term Borrowing Program.

(3) Includes the Series 2002B Bonds at an assumed rate of 3.5750 percent, the Series 2003B Bonds at an assumed rate of 4.0520 percent and the Series 2007EFG Bonds at an assumed rate of 3.9982 percent. The Series 2002B Bonds and Series 2003B Bonds are expected to be converted to bear interest at a fixed rate prior to the Series 2007EFG Fixed Rate Conversion.

(4) Interest for each year includes the full amount of the interest payable on the General Obligation Bonds, Taxable Project Series 2009C (Build America Bonds – Direct Payment), the General Obligation Bonds, Taxable Project Series 2009D (Recovery Zone Economic Development Bonds Direct Payment), the General Obligation Bonds, Taxable Series 2010B (Modern Schools Across Chicago Program (Build America Bonds – Direct Payment) and the General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds – Direct Payment) without adjustment for federal subsidy payments to be received by the City.

(5) The City has interest rate swaps which require the City to pay interest at a rate of 4.1040 percent for the Series 2005D Bonds. The table includes the interest payable by the City under the interest rate swaps for the Series 2005D Bonds. The interest rate swaps for the Series 2007EFG Bonds were terminated on May 13 and 14, 2015. One of the interest rate swaps for the Series 2005D was terminated on May 19, 2015. The five remaining interest rate swaps for the Series 2005D Bonds will be terminated in connection with the Series 2005D Fixed Rate Conversion. See "GENERAL OBLIGATION DEBT—Interest Rate Swaps."

Note: May not total due to rounding.

Letter of Credit Facilities

Prior to 2008, the City issued from time to time certain series of outstanding general obligation bonds that pay variable rates of interest and are subject to tender. The variable rate demand bonds are supported by letter of credit facilities provided by banks for the payment of debt service and/or tender prices for the bonds. The City is obligated to reimburse the banks for any payments or draws under the letter of credit facilities.

Set forth in the following table is information about the City's letter of credit facilities for the outstanding general obligation variable rate demand bonds. A reduction in the City's long-term general obligation debt rating below what is shown in the "Ratings Thresholds" column would constitute an event of default under the related bank agreements.

If an event of default is triggered due to a ratings downgrade of the City or for any other reason, the subject bank would have the right to provide the bond trustee with a notice directing a mandatory tender of the related bonds. For such mandatory tender, the bond trustee would draw upon the letter of credit facility to fund the purchase price for such bonds. In such case, the bonds would be owned by the bank and would be immediately repayable at the option of the bank.

On May 12, 2015, Moody's downgraded its rating on the City's outstanding general obligation bonds, which triggered an event of default under the facilities listed in the following table. In response, the City has entered into Forbearance Agreements for each of such facilities that extend through the Series 2007EFG Fixed Rate Conversion Date and the Additional Fixed Rate Conversions. In connection with the Series 2007EFG Fixed Rate Conversion and the Additional Fixed Rate Conversions each of these facilities will be terminated. See "INVESTMENT CONSIDERATIONS—Effect of Potential Future Rating Downgrades—*Defaults under Credit Agreements*" and "PLAN OF FINANCING – Series 2007EFG Fixed Rate Conversion" and "– Additional Fixed Rate Conversions."

Letter of Credit Facilities
As of May 20, 2015

General Obligation Issue	Series	Principal Outstanding	Expiration or Termination	Bond Maturity Date	Bank	Ratings Thresholds[1] Fitch	Moody's	S&P
Neighborhoods Alive 21 Program[2]	2002 B-3	$ 100,500,000	10/02/15	01/01/37	Royal Bank of Canada	BBB-	Baa3	BBB-
Neighborhoods Alive 21 Program[2]	2002 B-4	50,250,000	10/02/15	01/01/37	Bank of New York Mellon	BBB-	Baa3	BBB-
Neighborhoods Alive 21 Program[2]	2002 B-5	50,250,000	10/02/15	01/01/37	Bank of New York Mellon	BBB-	Baa3	BBB-
Refunding[4]	2007E	100,000,000	11/30/15	01/01/42	Barclays	BBB-	Baa3	BBB-
Refunding[4]	2007G	20,000,000	11/30/15	01/01/42	Barclays	BBB-	Baa3	BBB-
Project & Refunding[2].....................	2003 B-1	90,920,000	09/25/17	01/01/34	JPMorgan	BBB-	Baa3	BBB-
Project & Refunding[2].....................	2003 B-2	45,465,000	09/25/17	01/01/34	JPMorgan	BBB-	Baa3	BBB-
Project & Refunding[2].....................	2003 B-3	45,465,000	09/25/17	01/01/34	JPMorgan	BBB-	Baa3	BBB-
Refunding[4]	2007F	80,000,000	12/31/17	01/01/42	JPMorgan	BBB-	Baa3	BBB-
Project & Refunding[3].....................	2005 D-1	111,395,000	01/12/18	01/01/40	Bank of Montreal	BBB-	Baa3	BBB-
Project & Refunding[3].....................	2005 D-2	111,395,000	01/12/18	01/01/40	Northern Trust	BBB-	Baa3	BBB-

[1] A rating by any rating agency below what is shown in the "Ratings Threshold" column would constitute an event of default under the agreements with the related banks. The City has entered into Forbearance Agreements with the banks listed above in response to the May 12, 2015 downgrade by Moody's of its rating on the City's outstanding general obligation bonds. See "INVESTMENT CONSIDERATIONS–Effect of Potential Future Rating Downgrades–*Defaults under Credit Agreements*."

[2] The credit facility will terminate in connection with the Series 2002B Fixed Rate Conversion or the Series 2003B Fixed Rate Conversion, as applicable. See "PLAN OF FINANCING – Additional Fixed Rate Conversions".

[3] The credit facility would terminate on or prior to the Series 2005D Fixed Rate Conversion Date. See "PLAN OF FINANCING—Series 2005D Fixed Rate Conversion."

[4] The credit facility would terminate in connection with the Series 2007EFG Fixed Rate Conversion. See "PLAN OF FINANCING—Additional Fixed Rate Conversions."

Interest Rate Swaps

The City is authorized to enter into interest rate swaps with counterparties in connection with its general obligation bonds. Interest rate swaps, or options to enter into such agreements, can provide the City with (i) an interest rate basis, cash flow basis, or other basis different from that provided in the related City indebtedness for the payment of interest, or (ii) with respect to a future delivery of general obligation bonds, notes or commercial paper, one or more of a guaranteed interest rate, interest rate basis, cash flow basis or purchase price. Interest rate swaps can include, without limitation, agreements or contracts commonly known as interest rate exchange agreements, swaps, including forward starting swaps, collars, caps, or derivative agreements, forward payment conversion agreements, interest rate locks, forward bond purchase agreements, bond warrant agreements, or bond purchase option agreements. Interest rate swaps can also include agreements granting to the City or a counterparty an option to enter into any of the foregoing and agreements or contracts providing for payments based on levels of or changes in interest rates, including a change in an interest rate index, to exchange cash flows or a series of payments, or to hedge payment, rate spread or similar exposure.

The stated aggregate notional amount (net of offsetting transactions) under all interest rate swaps related to certain City indebtedness cannot exceed the principal amount of the indebtedness to which such interest rate swaps relate. An "offsetting transaction" is any transaction which is intended to hedge, modify or otherwise affect another outstanding transaction or its economic results. The offsetting transaction need not be based on the same index or rate option as the related City indebtedness or the transaction being offset and need not be with the same counterparty as the transaction being offset. Examples of offsetting transactions include, without limitation, a floating to fixed rate interest rate swap being offset by a fixed to floating rate interest rate swap, and a fixed to floating rate interest rate swap being offset by a floating to fixed rate interest rate swap or an interest rate cap or floor or a floating to floating interest rate swap.

Since 2012, the City terminated twelve swaps (or options on swaps) associated with the City's general obligation bonds with an aggregate notional amount of approximately $1,389.1 million, including swaps related to the Series 2002B Bonds that were terminated in 2014, swaps related to the Series 2003B Bonds that were terminated on May 5 and 6, 2015, swaps related to the Series 2007EFG Bonds that were terminated on May 13 and 14, 2015 and one swap related to the Series 2005D Bonds that was terminated on May 19, 2015. The City has made aggregate termination payments of approximately $139.5 million to the counterparties for the swaps associated with the City's general obligation bonds, in each case from borrowings under the Short Term Borrowing Program or other legally available funds of the City. The City has also reduced the risk of early termination events by renegotiating the rating thresholds for five outstanding swaps with an aggregate notional amount of $553.46 million. The City intends to terminate the five remaining interest rate swaps related to the Series 2005D Bonds on or before the Series 2005D Fixed Rate Conversion Date. Upon conversion of the Series 2005D Bonds, all of the City's outstanding interest rate swaps associated with its general obligation debt would be terminated. See "PLAN OF FINANCING—Additional Fixed Rate Conversions."

The following table sets forth information about the current interest rate swaps associated with the City's outstanding general obligation variable rate demand bonds. A reduction in the long-term general obligation debt rating below what is shown in the "City ATE Level" column by either Moody's or S&P would result in a termination event under one or more swaps and give the counterparties the right to terminate the swaps. If an interest rate swap is terminated, the City may be liable for a termination payment based on the then-applicable market value of the swap. The City is not obligated to post collateral under any of its interest rate swaps.

On May 12, 2015, Moody's downgraded its rating on the City's outstanding general obligation bonds, which triggered an event of default under each of the interest rate swaps listed below. In response, the City entered into Forbearance Agreements for each of these interest rate swaps that extend through the date of the Series 2005D Fixed Rate Conversion. In connection with the Series 2005D Fixed Rate Conversion each of these interest rate swap agreements will be terminated. See "INVESTMENT CONSIDERATIONS–Effect of Potential Future Rating Downgrades–*Termination of Swaps*."

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Variable Rate General Obligation Bonds
Interest Rate Swaps

Issue Name	Original Notional Amount	Current Notional Amount	Counterparty	City ATE Level (below level shown)	Counterparty Notional Amount	Type	City Pays	City Receives	Effective Date	Termination Date	Individual Mark-to-Market	Total Mark-to-Markets[1] (unaudited)
General Obligation Series 2005D[2]	$222,790,000	$222,790,000	Goldman Sachs	Baa3 / BBB-	$155,953,000	Floating-to-Fixed	4.104%	SIFMA	8/17/2005	7/1/2020	$(24,511,193)	$(59,693,388)
			Bank of Montreal	Baa3 / BBB-	66,837,000	Floating-to-Fixed	4.104%	SIFMA	8/17/2005	1/2/2040	(23,655,320)	
			Deutsche Bank	Baa3 / BBB-	61,395,000	Floating-to-Floating	SIFMA	72.5% of USD-LIBOR	1/1/2014	1/1/2031	(2,828,993)	
			Deutsche Bank AG, NY	Baa3 / BBB-	61,395,000	Floating-to-Floating	SIFMA	72.5% of USD-LIBOR	1/1/2014	1/1/2031	(2,828,993)	
			PNC	Baa3 / BBB-	207,880,000	Floating-to-Floating	SIFMA + .05%	72.5% of USD-LIBOR	1/1/2031	1/1/2040	(5,868,889)	

(1) Amounts represent mid-market valuations as of March 31, 2015.

(2) The City has entered into Forbearance Agreements with each of the providers listed above in response to the May 12, 2015 downgrade by Moody's of its rating on the City's outstanding general obligation bonds. The interest rate swaps will be terminated by the City on or prior to date of the Series 2005D Fixed Rate Conversion. See "INVESTMENT CONSIDERATIONS-Effect of Potential Future Rating Downgrades-*Termination of Swaps*."

Capital Leases

The City received grant funding from the federal government in the 1980s to build a train line (the "Grant-Funded Track") connecting Midway Airport with the rail system of the Chicago Transit Authority ("CTA"). The Grant-Funded Track is owned by the City and is operated and maintained by the CTA as part of its Orange Line. In 2005, the City entered into a sale/leaseback agreement with a trust (the "Trust") pertaining to the Grant-Funded Track, with lease term ending in 2031. In connection with the sale/leaseback transaction, the City has posted as collateral a letter of credit (which varies in amount up to a maximum $180.7 million) issued by PNC Bank expiring on February 13, 2018. The letter of credit provides collateral for repayment of the investment by the Trust's equity investor in the sale/leaseback transaction. An event of default is triggered under the letter of credit reimbursement agreement with PNC Bank if the City's general obligation rating falls below BBB- by Fitch, Baa3 by Moody's or BBB- by S&P. Also, a covenant to use reasonable efforts to replace the letter of credit within 30 days is triggered if the rating is below Baa1 or BBB+ by Moody's or S&P, respectively. Due to the February 27, 2015 downgrade by Moody's, the City was required under the agreement with PNC Bank to use reasonable efforts to replace the PNC letter of credit with other collateral by March 29, 2015. On March 23, 2015, the letter of credit reimbursement agreement with PNC Bank was amended to change the applicable rating threshold for the 30-day covenant to below Baa2 or BBB+ by Moody's or S&P, respectively. On May 12, 2015, Moody's downgraded its rating on the City's outstanding general obligation bonds, which triggered a default under the letter of credit reimbursement agreement. In response, the City entered into a Forbearance Agreement with PNC Bank. See "INVESTMENT CONSIDERATIONS—Effect of Potential Future Rating Downgrades—*Defaults under Credit Agreements.*"

Short Term Borrowing Program

The City issues commercial paper notes and maintains revolving lines of credit as part of the Short Term Borrowing Program for working capital in anticipation of receipt of other revenue. For example, the City borrows under its Short Term Borrowing Program from time to time to support library operations pending collection of property and other taxes. The City also uses draws under the Short Term Borrowing Program for capital projects, debt refinancing or restructuring and the payment of non-capital expenditures such as settlements and judgments, which are typically repaid from proceeds of later issuances of general obligation bonds.

Borrowings under the Short Term Borrowing Program are general obligations of the City but are not supported by a City property tax levy.

The City has increased its borrowing capacity under the Short Term Borrowing Program over time. By ordinance, the current maximum aggregate principal amount of debt that can be outstanding under the Short Term Borrowing Program is $1 billion. The borrowing capacity under the Short Term Borrowing Program is presently $700 million, comprised of $100 million of commercial paper and $600 million of revolving lines of credit. The City sizes its borrowing capacity for interim funding in anticipation of receiving revenues or issuing long-term general obligation bonds and to cover approximately two months of General Fund operating expenses.

The following table shows the City's lowest and highest outstanding balances and the total available borrowings under the Short Term Borrowing Program for 2010 through 2014.

Short-Term Borrowings 2010-2014
($ in thousands)

Year	Lowest Outstanding Principal Amount	Highest Outstanding Principal Amount	Total Available Principal Amount
2010	$27,448	$198,101	$200,000
2011	30,092	198,112	200,000
2012	32,676	166,513	300,000
2013	72,517	415,256	500,000
2014	77,294	415,294	900,000

Source: City of Chicago, Department of Finance.

Set forth in the following table is information about the credit components of the Short Term Borrowing Program as of May 20, 2015. A long term general obligation debt rating below what is shown in the "Ratings Thresholds" column would constitute an event of default under the corresponding agreement. A default would give the subject bank the right to terminate the facility and require the City to immediately pay all outstanding amounts.

On May 12, 2015, Moody's downgraded its rating on the City's outstanding general obligation bonds, which triggered defaults in the agreements constituting the Short Term Borrowing Program. The banks participating in the Short Term Borrowing Program have entered into Forbearance Agreements agreeing not to exercise their respective rights and remedies as a result of such default for a period ending on September 30, 2015. The City is negotiating with the participating banks for extensions of their respective agreement expiration dates or forbearance periods, as applicable, past September 30, 2015. See "INVESTMENT CONSIDERATIONS—Effect of Potential Future Rating Downgrades—*Defaults under Credit Agreements.*"

Short Term Borrowing Program
($ in thousands)

Facility	Series or Year	Borrowing Authority	Amount Outstanding (May 20, 2015)	Expiration or Termination	Bank	Ratings Thresholds[1] Fitch	Moody's	S&P
Commercial Paper	2002C/D	100,000	-	9/30/2015	BMO Harris	n/a	Baa3	BBB-
Line of Credit	2013	200,000	$189,540	11/30/2015	Bank of America	BBB-	Baa3	BBB-
Line of Credit	2014	100,000	100,000	6/30/2016	Morgan Stanley	BBB-	Baa3	BBB-
Line of Credit	2014	100,000	98,865	9/30/2015	Barclays Bank	BBB-	Baa3	BBB-
Line of Credit	2014	200,000	200,000	4/25/2016	JPMorgan	BBB-	Baa3	BBB-
Total		$700,000	$588,405					

Source: City of Chicago, Department of Finance.
(1) A rating by any rating agency below what is shown in the "Ratings Threshold" column would constitute an event of default under the agreements with the related banks. The City has entered into Forbearance Agreements with the banks listed above in response to the May 12, 2015 downgrade by Moody's of its rating on the City's outstanding general obligation bonds. See "INVESTMENT CONSIDERATIONS–Effect of Potential Future Rating Downgrades–*Defaults Under Credit Agreements*."

The City, in the ordinary course, has ongoing discussions with its liquidity providers to extend the commercial paper and line of credit facilities that have near term expiration dates.

The City is presently in discussions with various banks to increase the current borrowing levels under the Short Term Borrowing Program. On May 19, the City received a commitment from JPMorgan Chase Bank, National Association ("JPMorgan") to provide a $200 million line of credit, in addition to its previous commitment, for the purpose of paying the redemption prices of any of the Series 2005D Bonds and Additional Reoffered Bonds to be redeemed. On May 20, the City received a commitment from Morgan Stanley Bank, N.A. ("Morgan Stanley"), to increase its line of credit to $300 million from $100 million. The Morgan Stanley line of credit can be used for any City purpose. When the City, JPMorgan and Morgan Stanley reach definitive agreements on the respective line of credit increases, the aggregate borrowing capacity under the Short Term Borrowing Program of $1.1 billion will exceed the City's authorized amount of $1.0 billion. The City will adjust its borrowings with the liquidity providers to keep within the $1.0 billion authorized for the Short Term Borrowing Program.

The City has made aggregate termination payments of approximately $139.5 million to the counterparties for the swaps associated with the City's general obligation bonds, in each case from borrowings under the Short Term Borrowing Program or other legally available funds of the City. See "GENERAL OBLIGATION DEBT – Interest Rate Swaps." The City also intends to reimburse its banks for the accrued interest and redemption price, if any, paid with respect to the Series 2007EFG Bonds and the Additional Reoffered Bonds from draws under related letters of credit, and make termination payments under the five remaining interest rate swaps for the Series 2005D Bonds, from funds available under the Short Term Borrowing Program or other legally available funds of the City. See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING—Additional Fixed Rate Conversions."

INVESTMENT CONSIDERATIONS

The following discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Bonds. Any one or more of the investment considerations discussed herein could lead to a decrease in the market value and the liquidity of the Bonds or, ultimately, a payment default on the Bonds. There can be no assurance that other factors not discussed herein will not become material in the future.

Effect of Potential Future Ratings Downgrades

On February 27, 2015, Moody's downgraded to Baa2 from Baa1 its rating on the City's general obligation bonds and placed the rating on negative outlook. On May 12, 2015, Moody's downgraded to Ba1 from Baa2 its rating on the City's outstanding general obligation bonds and placed the rating on negative outlook. Moody's May 12, 2015 rating action cited the Illinois Supreme Court's decision on May 8, 2015, which found the State Pension Reform Act unconstitutional, as limiting the City's options for addressing its unfunded pension liabilities. Moody's stated in the rating action that the negative outlook reflects the near term and long term credit challenges facing the City and indicated further downgrades could result if P.A. 98-641, the State law which changed the Pension Code for MEABF and LABF, is found unconstitutional; there is continued growth in the debt and/or unfunded pension liabilities of the City and/or overlapping governments; or there is a narrowing of the City's fund balances and liquidity.

On May 14, 2015, S&P lowered its rating to A- from A+ on the City's outstanding long term fixed rate general obligation bonds, and placed the rating on credit watch with negative implications. The rating action on the City's long-term general obligation bonds cited short-term challenges facing the City due to the Moody's downgrade, which triggered defaults under the City's credit and liquidity agreements, and indicated that future liquidity issues could lead to further downgrades.

On May 15, 2015, Fitch downgraded its rating on the City's general obligation bonds to BBB+ from A- and placed the rating on negative watch. In the rating release, Fitch indicated the downgrade reflected the increased fiscal pressures on the City following the Illinois Supreme Court decision and the downgrade of the City's credit to below investment grade by Moody's. Fitch stated that the negative watch stemmed from the near-term uncertainty regarding the City's liquidity position, and that a further rating downgrade could be triggered by the City's failure to reach agreement with current or new lenders under its Short Term Borrowing Program; failure to remarket the Bonds and the Additional Reoffered Bonds; draws upon the City's reserves; and lack of pension solutions.

On March 24, 2015, Kroll Bond Rating Agency ("Kroll") assigned a long-term rating of A- with a stable outlook to the City's general obligation bonds. The rating report from Kroll cites a number of factors that could result in further ratings downgrades of the City's credit. The factors that were identified include: (i) failure to propose and implement a pension solution by the end of 2015, (ii) Illinois court rulings declaring the recent reforms for MEABF and LABF pensions to be unconstitutional, (iii) an increase in the City's unfunded pension liabilities, (iv) widening budget gaps apart from the City's increasing pension burden, (v) growth in the outstanding debt of the City and the overlapping taxing districts, (vi) loss of liquidity due to defaults under its credit arrangements, or (vii) a depletion of the City's financial reserves. Certain financial consequences could result from further downgrades of the City's credit ratings, as discussed below.

Increased Borrowing Costs

The interest rate the City pays on new issuances of general obligation debt is highly dependent on the City's credit ratings, and downward changes in the City's ratings could result in significantly higher interest rates payable by the City on future bond issuances and other borrowings.

Termination of Swaps

In the past, the City entered into interest rate swaps with respect to its variable rate general obligation bonds. The interest rate swaps provide the City with synthetic fixed rates on its variable rate debt or alter the index used to calculate the underlying variable rate on the bonds. Downgrades to the City's credit ratings below the thresholds set forth in the swaps could result in the termination of the swaps and result in termination payments by the City to the swap counterparties. The City has significantly reduced its exposure to interest rate swaps in recent years by terminating swaps and renegotiating the rating thresholds for its remaining swaps. The City terminated the swaps associated with the Series 2002B Bonds in 2014, the swaps associated with the Series 2003B Bonds on May 5 and 6, 2015, the swaps associated with the Series 2007EFG Bonds on May 13 and 14, 2015, and one of the swaps associated with the Series 2005D Bonds on May 19, 2015. The City expects to terminate the five remaining interest rate swaps associated with the Series 2005D Bonds in connection with the Series 2005D Fixed Rate Conversion. See "GENERAL OBLIGATION DEBT—Interest Rate Swaps."

Defaults Under Credit Agreements

Moody's May 12, 2015 rating downgrade resulted in events of default under the City's letter of credit facilities associated with its outstanding variable rate general obligation bonds and its commercial paper and lines of credit comprising the Short Term Borrowing Program. The downgrade also triggered a termination event under the interest rate swaps for the Series 2005D Bonds, one of which has since been terminated, and Series 2007EFG Bonds, all of which have since been terminated. See "GENERAL OBLIGATION DEBT—Letter of Credit Facilities;" "—Interest Rate Swaps" and "—Short Term Borrowing Program." In addition, the May 12, 2015 Moody's downgrade was an event of default under

the letter of credit reimbursement agreement with PNC Bank relating to the City's sale/leaseback of the Orange Line. See "GENERAL OBLIGATION DEBT—Capital Leases."

On May 18, 2015, the City elected to terminate its letter of credit with Wells Fargo Bank, N.A., which had no amounts outstanding at the time of the Moody's downgrade. All other banks and counterparties (the "Providers") that are parties to the letter of credit agreements and interest rate swaps associated with the City's outstanding general obligation variable rate demand bonds, and the credit agreements supporting the Short Term Borrowing Program and the Orange Line sale/leaseback transaction (collectively, the "Credit Agreements") have agreed to forbear from exercising their respective rights resulting from the Moody's May 12, 2015 downgrade (the "Forbearance Agreements").

The Forbearance Agreements are intended to enable the City to complete conversion of all its outstanding general obligation variable rate demand bonds to fixed rate bonds; to terminate in an orderly fashion the City's letter of credit agreements and remaining interest rate swaps associated with those general obligation variable rate demand bonds; and to continue the Short Term Borrowing Program. The forbearance periods under the Forbearance Agreements extend through the Series 2007EFG Fixed Rate Conversion Date and the dates of the Additional Fixed Rate Conversions scheduled bond conversion dates, and for those providers which have Credit Agreements under the Short Term Borrowing Program, the forbearance periods extend to September 30, 2015. The forbearance period under each Forbearance Agreement can terminate earlier if: (i) there are any other events of default by the City under the related Credit Agreement, (ii) the City fails to complete Series 2007EFG Fixed Rate Conversion and the Additional Fixed Rate Conversions by June 8, 2015; (iii) there are further downgrades by Moody's of its rating on the City's general obligation bonds by Moody's, or (iv) the forbearance period in one of the other Forbearance Agreements terminates prior to its scheduled end date. Upon the occurrence of any of the foregoing events, the standstill periods under the Forbearance Agreements are automatically terminated and banks and counterparties may exercise their rights under their respective agreements. In such event the City's liquidity position may be adversely affected and, to meet its obligations, additional forbearances and/or alternative funding arrangements or other measures may be required. See "PLAN OF FINANCING – Additional Fixed Rate Conversions" and "GENERAL OBLIGATION DEBT - Letter of Credit Facilities," "– Capital Leases" and – "Short Term Borrowing Program."

Unfunded Pensions

The Retirement Funds have significant unfunded liabilities and low funding ratios. Under current law, the City's required contributions to PABF and FABF will significantly increase beginning in 2016. The City has not identified the sources of funds to meet the City's pension obligations for PABF and FABF in 2016 or thereafter, and it is likely that, without further changes to the Pension Code, the City will have to seek increases in taxes or implement cutbacks in City services or some combination thereof to meet its obligations to such pension funds. If the City were to raise taxes substantially or reduce and/or eliminate essential city services, residents or businesses may choose to relocate to states or municipalities with a lower tax burden or better services. A drop in population or business activity could have an adverse impact on the City's economy.

A number of overlapping taxing districts whose jurisdictional limits overlap with the City have the power to raise property taxes. The City does not control the amount or timing of the taxes levied by these overlapping taxing districts. Depending on the amount of such increase(s), an increase in the amount of property taxes by these overlapping taxing districts could potentially be harmful to the City's economy and/or may make it more difficult for the City to increase property taxes to pay for its unfunded pensions. See "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes—*Overlapping Taxing Districts*."

Pension Reform Litigation

On May 8, 2015, the Illinois Supreme Court determined that the State Pension Reform Act is unconstitutional. See "FINANCIAL DISCUSSION—Pensions—City and State Pension Litigation—State Pension Litigation." P.A. 98-641, the law which modified required contribution and benefit amounts for MEABF and LABF, remains subject to litigation which may be affected by the decision of the Supreme Court. See "LITIGATION-Pension Litigation." The City believes P.A. 98-641 is distinguishable from the State Pension Reform Act. As a threshold matter, the City's position is that P.A. 98-641 does not violate the Pension Clause of the Illinois Constitution and protects benefits being paid from two funds that are projected to be insolvent in approximately 10 and 13 years for MEABF and LABF, respectively. P.A. 98-641 was developed in consultation with numerous affected collective bargaining units.

If the courts determine that P.A. 98-641 is constitutional, the City would be required to make increased pension payments as set forth in APPENDIX E—"RETIREMENT FUNDS—Determination of City's Contributions—City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641." If the courts determine that P.A. 98-641 is unconstitutional, the City's obligation to fund MEABF and LABF would revert to the prior, lower levels of funding based on the multiplier formula set forth in the prior law. In that instance, the unfunded liabilities of MEABF and LABF would remain unresolved. See APPENDIX E—"RETIREMENT FUNDS—Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional."

Structural Deficit and Debt Restructuring

Over the past ten years, the City has experienced an imbalance of tax revenues relative to operating expenditures resulting in operating budget gaps. Since 2012, the City has reduced the budget gap each year through targeted cuts, revenue enhancements, and improved operating efficiencies. However, the City projects large budget gaps in 2016 and 2017 due to operating budget shortfalls and increased pension obligations. See "FINANCIAL DISCUSSION AND ANALYSIS—General Fund—*Financial Forecasts*—2016-2017 General Fund Outlook."

Since at least 2007, the City has used proceeds from general obligation bonds to fund a portion of the City's general obligation annual debt service. The City expects to use approximately $220 million of general obligation bonds to fund general obligation debt service in levy year 2015 for debt service payable in 2016. See "GENERAL OBLIGATION DEBT—Long Term General Obligation Bonds." This practice has the effect of extending and increasing the City's overall debt levels. Unless the City is able to pay its annual general obligation debt service from recurring revenue sources, the City's interest costs and outstanding debt are likely to continue to rise. The City currently plans to completely eliminate the use of general obligation bonds to pay general obligation debt service by 2019.

Recurring operating budget gaps and increases in the City's debt burden could result in the need for new or enhanced revenue sources, including tax increases, or reduction of essential city services.

Financial Condition of Chicago Public Schools

CBOE, which is responsible for the governance, organizational and financial oversight of Chicago Public Schools ("CPS"), has reported an estimated budget deficit for CPS of $1.1 billion for 2016 and increasing deficits in subsequent years, due in large part to CBOE's pension funding obligations. See "FINANCIAL DISCUSSION AND ANALYSIS—Pensions—*Overlapping Taxing Districts*." While CBOE is a separate governmental entity and the City has no legal obligation to contribute financially to CBOE or CPS, the failure to resolve the current and future CPS deficits or

resolving them by budget cuts and/or increases in property taxes alone, and without State assistance, could have an adverse effect on the City's economy and/or property tax base.

Reduction in State Revenues

State tax revenue received by the City includes the City's local share of the State's sales and use taxes, income tax and personal property replacement tax. The State is itself facing a substantial budget deficit and Governor Rauner has made a number of proposals to close the State's budget gap. Among them is a reduction in the local government distributive share of the State's income tax from 8 percent to 4 percent. If such a reduction were to become law, the City would lose significant income tax receipts. This proposal, or any other that reduces the State taxes received by the City, would have an immediate and adverse effect on the City's budget.

Cap on Property Taxes

The Illinois Property Tax Code establishes a State Tax Cap for non-home rule units of local government. As a home rule unit of government, the City is not subject to the State Tax Cap. The application of the State Tax Cap to the City would require a three-fifths vote of each house of the General Assembly and concurrence by the Governor. If the City were to become subject to a State-imposed property tax limitation restriction in the future, such limitations could adversely affect the City's ability to levy property taxes in amounts needed for its future funding needs.

Adverse Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City's ability to raise taxes, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the City or the taxing authority of the City, which could materially adversely affect the City's operations or financial condition.

Bankruptcy

Municipalities cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit municipalities in Illinois to file for bankruptcy; however, legislation was recently introduced in the General Assembly of the State which, if enacted, would permit Illinois municipalities to file for bankruptcy under the U.S. Bankruptcy Code. No assurance can be provided as to whether the General Assembly of the State may adopt any such legislation that would permit municipalities such as the City to file for bankruptcy.

Uncertain Enforcement Remedies

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to levy to pay the debt service on the Bonds. The Bonds are not secured by a lien on the Bond Interest and Redemption Fund, any real property in the City or any physical assets of the City. The maturity of the Bonds cannot be accelerated in the event that the City fails to pay any installment of interest on, or principal of, the Bonds when due.

The remedies available to bondholders upon nonpayment of principal of or interest on the Bonds are uncertain and in many respects dependent upon discretionary judicial actions. There currently is no established judicial precedent addressing the rights of bondholders to compel the City to levy taxes or any other bondholder remedy. See APPENDIX A—"SUMMARY OF THE INDENTURE—Default and Remedies."

Force Majeure Events

There are certain unanticipated events beyond the City's control that could have a material adverse impact on the City's operations and financial conditions if they were to occur. These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the City's operations and financial condition.

Forward-Looking Statements

This Reoffering Circular contains certain statements relating to future results that are forward-looking statements. When used in this Reoffering Circular, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City, or which would restrain or enjoin the remarketing or delivery of the Bonds, or which concerns the proceedings of the City taken in connection with the Bonds or the City's pledge of its full faith, credit and resources to the payment of the Bonds.

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, discrimination, civil rights actions and other matters. The City believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

Property *Tax Rate Objections: 2005 and following.* The City's property tax levies for 2005 and following have varied between approximately $720 million and $835 million annually, excluding the School Building and Improvement Fund levy. Objections have been filed in the Circuit Court of Cook County (the "Circuit Court") to these levies, which objections remain pending. The City is unable to predict the outcome of the proceedings concerning the objections.

E2 Nightclub Litigation. The City was a defendant in 57 wrongful death and personal injury lawsuits arising out of a stampede of patrons at the E2 Nightclub on February 17, 2003. The sole remaining claim against the City in this litigation was that police officers blocked, locked, or jammed

access to the entry-exit door, causing a stampede of patrons to pile up on the only stairway leading to the door. On April 11, 2012, the Circuit Court granted the City's motion for summary judgment and dismissed the sole remaining claim against the City with prejudice. The City does not know whether the plaintiffs will appeal the issuance of summary judgment. If the plaintiffs do appeal, the City will vigorously defend the Circuit Court's judgment in the appellate court.

Automated Traffic Enforcement Ticketing Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants to challenge the City's use since 2003 of an automated red-light ticketing system. The plaintiffs allege, among other things, that the 2006 statute authorizing eight Illinois counties to enact red-light camera ordinances is unconstitutional local legislation and that the City lacks home-rule authority to enact a red-light camera ordinance and adjudicate violations administratively. The plaintiffs sought an injunction against the operation of the City's red-light ticketing system and restitution of fines paid. The Circuit Court granted the City's motion to dismiss the case; the Illinois Appellate Court affirmed in an unpublished decision. The Illinois Supreme Court took the case, but two justices recused themselves and a majority of the remaining justices did not reach a consensus. This had the effect of affirming the Appellate Court decision. While the appeal was pending, the same attorney filed another putative class action case in the Circuit Court, with different named plaintiffs raising similar claims about the automated red-light ticketing system. The City has filed a motion to dismiss that case, which is pending in the Circuit Court. The City will continue to defend this matter vigorously. On March 23, 2015, individual plaintiffs, seeking to maintain a class action, filed a separate lawsuit alleging that the City has exceeded its home rule authority and has violated Illinois state law and City ordinances by issuing notices of violation and determinations of liability for automated speed enforcement violations and automated red-light violations that allegedly do not comply with state and local requirements. They seek declaratory judgment, injunctive relief and, in an unjust enrichment claim, seek restitution of fines paid. The City filed a motion to dismiss on May 6 and will continue to defend this case vigorously.

Parking Garages Litigation. On November 3, 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "Garages Lease Agreement") with Chicago Loop Parking, LLC ("CLP"), by which CLP was granted a 99-year concession to operate four downtown public parking garages owned by the City. On February 13, 2013, Independent Voters of Illinois Independent Precinct Organization and an individual plaintiff filed a complaint challenging the facial validity of the Garages Lease Agreement. The plaintiffs allege that certain compensation provisions in the Garages Lease Agreement violate the legal prohibition against the delegation, by a governmental entity, of its police powers to a private party. On January 16, 2014, the Circuit Court dismissed the case, on motions by both the City and CLP. Plaintiffs have appealed; the appeal is pending. The City will continue to defend this case vigorously.

HUD Certifications Litigation. This is a False Claims Act case in which Albert C. Hanna (the "Relator") has sued the City in federal district court for the Northern District in Illinois (the "District Court") seeking to recover funds on behalf of the U.S. government. The Relator alleges that the City has an affirmative obligation to dismantle racial and ethnic segregation in housing under Title VI of the Civil Rights Act of 1964 and the Fair Housing Act and that the City has falsely claimed to do so in certifications made by the City to the U.S. Department of Housing and Urban Development ("HUD") as a condition of receiving federal funding through certain HUD-funded grant programs. The Relator seeks the return to the federal government of approximately $880 million in funds received by the City under these programs and asks the court to treble that amount, as allowed by statute. The City has moved to dismiss the complaint and the District Court dismissed it with leave to amend. The plaintiff filed an amended complaint and the City has moved to dismiss that complaint. The City will continue to vigorously defend this case.

Pension Litigation. P.A. 98-0641, which became law on June 9, 2014, reforms two of the City's four pension funds through a combination of increased employer contributions and changes to employee contributions and retiree benefits. In December 2014, shortly before P.A. 98-0641 was to go into effect, two lawsuits were filed by plaintiffs, who are individual participants in the two affected pension funds and (in one of the lawsuits) unions representing participants, in the Circuit Court challenging the constitutionality of P.A. 98-0641. Plaintiffs argue that P.A. 98-0641 violates the Pension Clause of the Illinois Constitution and seek a preliminary and permanent injunction prohibiting its enforcement. The City was allowed to intervene to defend the constitutionality of P.A. 98-0641. On February 19, 2015, the Circuit Court entered an order staying the preliminary injunction proceedings pending further court order and pending the outcome of the Illinois Supreme Court's review of the State Pension Reform Act. On May 13, 2015, the City requested and the Circuit Court granted a briefing schedule for cross motions for summary judgment. The Circuit Court ordered a schedule whereby briefing would be concluded by July 2, 2015, and oral arguments would be heard on July 9, 2015. The City expects the case to be appealed directly to the Illinois Supreme Court upon a decision of the Circuit Court. The City has been defending and will continue to defend this matter vigorously.

Retiree Healthcare Litigation. In *Underwood v. City of Chicago,* retired employees of the City filed suit in State court to challenge planned changes to the healthcare benefits of retirees. The complaint advanced state law claims, including alleged violation of the Pension Clause of the Illinois Constitution, and federal law claims. The City removed the case to federal court based on the federal law claims. The federal district court dismissed the case in its entirety. As to plaintiffs' claim that the planned changes violate the Pension Clause, the district court predicted that the Illinois Supreme Court would rule in a separate case then pending before the Illinois Supreme Court that the healthcare benefits are not protected by the Pension Clause. Thereafter, the Illinois Supreme Court ruled in that separate case that the healthcare benefits in question, which were promised to State retirees, are protected under the Pension Clause. The City argued on appeal to the federal appellate court that it should affirm the district court dismissal, including the state law claims, on an alternative ground. On February 25, 2015, the federal appellate court affirmed the dismissal of the federal law claims and declined to rule on the state law claims on the ground that the state law claims involved a question of Illinois state law, which it ordered returned to the Illinois state court for decision. The City has been defending and will continue to defend this matter vigorously.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2013, included in APPENDIX C to this Reoffering Circular, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX C, which includes an emphasis of a matter as beginning net position was restated due to the City's adoption of Statement No. 65 of the Governmental Accounting Standards Board ("GASB"), *Items Previously Reported as Assets and Liabilities*.

RATINGS

As of the Series 2007EFG Fixed Rate Conversion Date, the Bonds will be rated "___" (__________ outlook) by S&P, "___" (__________ outlook) by Fitch, and "___" (__________ outlook) by Kroll.

A rating reflects only the view of the rating agency giving such rating. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time. An explanation of the significance of such rating may be obtained from such organization. There is no

assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have adverse consequences for the City or an adverse effect on the price at which the Bonds may be resold. See "INVESTMENT CONSIDERATIONS—Effect of Potential Further Ratings Downgrades."

FINANCIAL ADVISOR AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR

The City has retained Columbia Capital Management, LLC to act as financial advisor (the "Financial Advisor") in connection with the reoffering of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Reoffering Circular. The Financial Advisor is a "*municipal advisor*" as defined in Rule 15Ba1-1 of the Commission.

The City has retained Martin J. Luby LLC as its independent registered municipal advisor (the "IRMA") pursuant to Rule 15Ba1-1-(d)(3)(vi) of the Commission to evaluate financing proposals and recommendations in connection with the City's various bond issuance programs and other financing ideas being considered by the City; however, the IRMA will not advise on the investment of City funds held by the Office of the City Treasurer. The IRMA's compensation is not dependent on the reoffering of the Bonds.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative on behalf of itself and the other underwriters listed on the cover of this Reoffering Circular (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Bonds at a price equal to $______________ (which represents the aggregate principal amount of the Bonds plus a net reoffering premium of $___________ less the Underwriters' discount of $___________).

The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in a Bond Purchase Agreement between the Underwriters and the City. The Underwriters are obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the City in connection with such activities and services.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment

recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., an underwriter of the Series 2007EFG Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, has a general obligation revolving line of credit with the City. See "GENERAL OBLIGATION DEBT-Short Term Borrowing Program."

TAX MATTERS

In the historical tax disclosure quoted below, the term "Series 2007EFG Bonds" should be understood to refer both to the Series 2007EFG Bonds prior to the Series 2007EFG Fixed Rate Conversion Date and to the continuation of the Series 2007EFG Bonds as the Bonds on and after the Series 2007EFG Fixed Rate Conversion Date. The tax effect of the Series 2007EFG Fixed Rate Conversion itself is covered by the opinions of 2015 Co-Bond Counsel; the historical tax opinions do not address any such tax effect of the conversion.

As described under "PLAN OF FINANCING—Additional Fixed Rate Conversions," the City intends to convert its Series 2005D Bonds from variable rate to fixed rate bonds concurrently with the Series 2007EFG Fixed Rate Conversion, and to convert the Series 2002B Bonds and the Series 2003B Bonds from variable rate to fixed rate bonds on or about May 29, 2015. As a result of these concurrent and nearly concurrent conversions, it is possible that, following such conversions, the Internal Revenue Service will treat the Series 2007EFG Bonds as part of a single "issue" for federal income tax purposes with the Series 2005D Bonds, the Series 2002B Bonds and the Series 2003B Bonds. In that case, the exclusions from gross income and alternative minimum taxable income of interest on the Series 2007EFG Bonds described below may be dependent, in part, on the exclusion from gross income and alternative minimum taxable income of interest on such other Series of Bonds with which the Series 2007EFG Bonds are so combined.

Opinions of Initial Co-Bond Counsel

On November 8, 2007, Katten Muchin Rosenman LLP and the Charity & Associates, P.C., Co-Bond Counsel (the "Initial Co-Bond Counsel") issued approving opinions with respect to the Series 2007EFG Bonds. Copies of the approving opinions issued by Initial Co-Bond Counsel are set forth in APPENDIX F. Each such approving opinion spoke only as of its date. Initial Co-Bond Counsel has not been engaged to advise on the correctness of such opinions as of any date other than the date thereof, or to revise or supplement such opinions to reflect any facts or circumstances that may have come to its attention since the date thereof or any change in law that may have occurred since the date thereof. The inclusion of such opinions in this Reoffering Circular shall not constitute any reissuance or republication of such opinions. The Initial Co-Bond Counsel addressed the following tax considerations in rendering such opinions on November 8, 2007.

Initial Co-Bond Counsel expressed their opinions that (i) under law existing on the date of issuance of such opinions, if there is continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2007EFG Bonds will not be includable in gross income for federal income tax purposes; (ii) the Series 2007EFG Bonds are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing "alternative minimum taxable income; (iii) interest on the Series 2007EFG Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax; and (iv) interest on the Series 2007EFG Bonds is not exempt from Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2007EFG Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2007EFG Bonds. These requirements relate to the use and investment of the proceeds of the Series 2007EFG Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2007EFG Bonds and the use of the property financed with the proceeds of the Series 2007EFG Bonds.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2007EFG Bonds. Among these requirements are the following:

A. Limitations on Private Use. The Code includes limitations on the amount of Series 2007EFG Bond proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

B. Investment Restrictions. Except during certain "temporary periods," proceeds of the Series 2007EFG Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" (⅛ of one percent) than the yield on the Series 2007EFG Bonds.

C. Rebate of Arbitrage Profit. Unless the City qualifies for one of several exemptions, earnings from the investment of the "gross proceeds" of the Series 2007EFG Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2007EFG Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Series 2007EFG Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2007EFG Bonds.

Covenants to Comply

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2007EFG Bonds.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Series 2007EFG Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Series 2007EFG Bonds. In such event, there is no

requirement that the payment of principal of, or interest on, the Series 2007EFG Bonds be accelerated or that any additional interest or penalties to the owners of the Series 2007EFG Bonds be paid.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series 2007EFG Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2007EFG Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2007EFG BONDS.

A. In General. Owners of the Series 2007EFG Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2007EFG Bonds. As discussed below, special allocation rules apply to financial institutions.

B. Corporate Owners. Interest on the Series 2007EFG Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2007EFG Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

C. Individual Owners. Receipt of interest on the Series 2007EFG Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

D. Property or Casualty Insurance Companies. Receipt of interest on the Series 2007EFG Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

E. Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Series 2007EFG Bonds.

F. Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 2007EFG Bonds held by such a company is properly allocable to the shareholder.

The opinions of Initial Co-Bond Counsel and the descriptions of the tax law contained therein are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law that were in existence on the date of issuance on the Series 2007EFG Bonds. Initial Co-Bond Counsel gave no assurance that such law or the interpretation thereof will not be changed or that provisions of law not in existence on the date of issuance of the Series 2007EFG Bonds would not be enacted or promulgated at any time while the Series 2007EFG Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership on the Series 2007EFG Bonds.

Opinions of 2008 Co-Bond Counsel

On October 21, 2008, Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel (the "2008 Co-Bond Counsel"), delivered their opinions to the effect that the change in the Interest Mode of the Bonds to the Daily Mode would not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinions of 2008 Co-Bond Counsel spoke only as of their date. 2008 Co-Bond Counsel have not been engaged to advise on the correctness of such opinions as of any date other than the date thereof, or to revise or supplement such opinions to reflect any facts or circumstances that may have come to their attention since the date thereof or any change in law that may have occurred since the date thereof. The inclusion of such opinions in this Reoffering Circular shall not constitute any reissuance or republication of such opinions.

Opinions of 2012 Co-Bond Counsel

On April 18, 2012, Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel (the "2012 Co-Bond Counsel") issued their opinions that (i) the replacement of the 2008 Liquidity Agreements with the 2012 Letters of Credit; and (ii) the execution and delivery of the Second Amended and Restated Indenture, in and of themselves, did not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Series 2007EFG Bonds was otherwise entitled.

The opinions of 2012 Co-Bond Counsel spoke only as of their date. 2012 Co-Bond Counsel have not been engaged to advise on the correctness of such opinions as of any date other than the date thereof, or to revise or supplement such opinions to reflect any facts or circumstances that may have come to their attention since the date thereof or any change in law that may have occurred since the date thereof. The inclusion of such opinions in this Reoffering Circular shall not constitute any reissuance or republication of such opinions.

See APPENDIX F for the opinions delivered by 2012 Co-Bond Counsel prior to the Reoffering.

Opinions of 2015 Co-Bond Counsel in Connection With the Series 2007EFG Fixed Rate Conversion

On the Series 2007EFG Fixed Rate Conversion Date, Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois ("2015 Co-Bond Counsel") will issue their opinions that (i) the execution and delivery of the Indenture, and (ii) the delivery by the City to the Bondholders of new fixed rate Bonds reflecting the provisions of the Indenture, taken collectively, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, to the extent such exclusion is otherwise available to the Bonds.

Series 2007EFG Bonds Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2007EFG Bonds is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Series 2007EFG Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2007EFG Bond, the difference between the two is known as "*bond premium*;" if the Offering Price is lower than the maturity value of a Series 2007EFG Bond, the difference between the two is known as "*original issue discount*."

Bond premium and original issue discount are amortized over the term of a Series 2007EFG Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned on the Series 2007EFG Bond during such period and is subtracted from the owner's tax basis in the Series 2007EFG Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Series 2007EFG Bond for Federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Series 2007EFG Bond. A Series 2007EFG Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Series 2007EFG Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2007EFG Bond).

Owners who purchase Series 2007EFG Bonds at a price other than the Offering Price after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Series 2007EFG Bonds. In addition, owners of Series 2007EFG Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2007EFG Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

See APPENDIX G for the form of opinions to be delivered by 2015 Co-Bond Counsel in connection with the Series 2007EFG Fixed Rate Conversion.

APPROVAL OF LEGAL MATTERS

In addition to the opinions to be delivered by 2015 Co-Bond Counsel, certain legal matters will be passed on for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Reoffering Circular, Pugh, Jones & Johnson, P.C., Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Reoffering Circular, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Ice Miller LLP, Chicago, Illinois.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Commission under the Exchange Act. The MSRB has designated its Electronic Municipal Market Access system, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events that will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Bonds or the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "— Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and

must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB. The City is required to deliver such information so that the MSRB receives the information by the dates specified in the Undertaking.

"Annual Financial Information" means information generally consistent with that contained in (i) the financial table "General Fund" under the caption "FINANCIAL DISCUSSION AND ANALYSIS—General Fund—*Selected Financial Information*;" (ii) the financial tables included under the caption "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes—*EAV and Property Taxes*," and "—*Use of City Property Tax Levy*;" (iii) the financial tables included under the caption "GENERAL OBLIGATION DEBT" (except for the table "Short Term Borrowing 2010-2014"); (iv) APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION" (except for the information in APPENDIX B under the headings "— Economy," "— Percentage of Total Non-Farm Employment by Major Industry Sector" and "— Housing Market," and information relating to population, per capita personal income employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA), and (v) tables 1-10 included in APPENDIX E—"RETIREMENT FUNDS" (said tables collectively referred to as the "Third-Party Sourced Retirement Fund Tables"). The information contained in the Third-Party Sourced Retirement Fund Tables is sourced from documents published by the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, and the City takes no responsibility for the accuracy and completeness of such information. If the information contained in the Third-Party Sourced Retirement Fund Tables is no longer publicly available or is not publicly available in the form, manner or time that the Annual Financial Information is required to be disseminated by the City, the City shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and to the effect that it will promptly file such information as it becomes available.

"Audited Financial Statements" means the audited basic financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB not more than 210 days after the last day of the City's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed within 30 days of availability to the City.

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below). Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as

materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to the Bonds, are:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of security holders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the securities, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the City (considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if the jurisdiction of the City has been assumed by leaving the City Council and the City's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the City to comply with any provision of the Undertaking, the Beneficial Owner of any Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertaking shall not be deemed a default under the Bonds, the Bond Ordinance or the Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or type of business conducted;

(ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the Reoffering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Beneficial Owners of the Bonds, as determined by a party unaffiliated with the City (such as the Trustee or Co-Bond Counsel), or by approving vote of the Beneficial Owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

EMMA

All documents submitted to the MSRB through EMMA pursuant to the Undertaking shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule. All documents submitted to the MSRB through EMMA will be word-searchable PDFs, configured to permit documents to be saved, viewed, printed and electronically retransmitted.

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance or the Indenture.

Additional Information

Nothing in the Undertaking will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event.

Corrective Action Related to Certain Bond Disclosure Requirements

The City is in compliance in all material respects with undertakings previously entered into by it pursuant to the Rule, except insofar as any of the following paragraphs describe material non-compliance.

During the period from 1996 through 2007, the City issued multiple series of Collateralized Single Family Mortgage Revenue Bonds (the "Single Family Bonds"). The trustees for the respective series of the Single Family Bonds are responsible for continuing disclosure filings as the City's dissemination agent under the applicable continuing disclosure undertakings. A material event notice was not filed with respect to a tender offer occurring on June 29, 2011 with respect to the following series: 2006C, 2006I, 2007A, 2007G, 2007-2A, 2007-2C and 2007-2E.

No annual report was filed by the City in 2010 with respect to one subseries of the City's General Obligation Direct Access Bonds. Annual reports were not filed by the City in 2010 with respect to one series of the City's Chicago O'Hare International Airport General Airport Revenue Bonds and one series of its Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds. Annual reports were not filed by the City in 2011 and 2012 with respect to two series of such bonds.

With respect to the City's Collateralized Single Family Mortgage Revenue Bonds, Series 2006A (the "Series 2006A Bonds"), S&P lowered its rating on the Series 2006A Bonds from "AA+" to "AA" and placed the Series 2006A Bonds on "Credit Watch with negative implications" effective December 16, 2011. The City did not cause the trustee as dissemination agent to file a notice of a reportable event with EMMA at that time. Subsequently, S&P upgraded the rating on the Series 2006A Bonds from "AA" to "AA+" effective March 12, 2012. On March 18, 2012, S&P removed the "Credit Watch with negative implications" characterization from the Series 2006A Bonds. The City caused the trustee, as dissemination agent, for the Series 2006A Bonds to file a notice of a reportable event with EMMA on March 26, 2012 disclosing the downgrade and subsequent upgrade of the Series 2006A Bonds by S&P.

With respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2011, American Airlines is an "obligated person" with respect to such bonds. On November 29, 2011, AMR Corporation (the parent company of American Airlines and American Eagle) and certain of its United States-based subsidiaries (including American Airlines and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York. The City filed a notice with EMMA with respect to this event on March 30, 2012 (not within the ten business-day deadline imposed by the Rule). On December 9, 2013, American Airlines merged with US Airways. The City filed a notice with EMMA with respect to this event on August 25, 2014.

With respect to the City's Outstanding Motor Fuel Tax Revenue Bonds, the City's pledge of Additional City Revenues to the payment of such bonds (in addition to the pledge of Motor Fuel Tax Revenues) became effective as of March 19, 2013. The City filed a notice with EMMA describing the pledge of this additional source of revenue on May 16, 2013.

With respect to the City's Outstanding O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013, Simply Wheelz, LLC d/b/a Advantage Rent A Car ("Advantage") is an "obligated person" with respect to such bonds. Advantage filed a voluntary bankruptcy petition in the Southern District of Mississippi on November 5, 2013. The City filed a notice with EMMA with respect to this event on December 5, 2013.

The Rating Agencies took certain rating actions with respect to the ratings of Ambac Assurance Corporation and Financial Security Assurance Inc. (collectively, the "Bond Insurers"). The Bond Insurers

provided municipal bond insurance policies relating to certain series of the City's Chicago Midway Airport revenue bonds. Event notices with respect to such rating changes were not filed with EMMA. The City made such filings on May 22, 2014.

Ambac provided a municipal bond insurance policy relating to the City's Motor Fuel Tax Revenue Bonds, Series 2003A and Assured Guaranty Corp. provided municipal bond insurance policies relating to the City's Motor Fuel Tax Revenue Bonds, Series 2008. Event notices with respect to the rating changes taken by the Rating Agencies with respect to these insurers were not filed. The City made filings with EMMA on June 3, 2014 and August 22, 2014 with respect to these rating changes.

The City failed to file material event notices with respect to certain rating changes affecting the City's bonds subject to the Rule and for which the City is an "obligated person" under the Rule (collectively, the "Prior Bonds") or affecting bond insurance companies which insured any Prior Bonds (collectively, the "Bond Insurers"). The City filed with EMMA on August 29, 2014 a notice with respect to all rating changes, known to the City and affecting the Prior Bonds (including certain Senior Lien Bonds and Second Lien Bonds), occurring over the prior ten years. The City filed with EMMA on August 27, 2014 a notice with respect to all rating changes, known to the City and affecting the Bond Insurers, occurring during the prior seven years.

MISCELLANEOUS

The summaries or descriptions contained herein of provisions of the Indenture and the Undertaking and all references to other materials not purporting to be quoted in full, are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of these documents may be obtained from the Comptroller of the City.

The Bonds are authorized and are being issued pursuant to the City Council's approval under the powers of the City as a home rule unit under Article VII of the Illinois Constitution.

CITY OF CHICAGO

By: ______________________________
Comptroller

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APPENDIX A

SUMMARY OF THE INDENTURE

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SUMMARY OF THE INDENTURES

The following is a summary of certain provisions of the Indentures to which reference is made for a complete statement of the provisions and contents of such document. Copies of the Indentures are available for review prior to the reoffering and delivery of the Bonds at the office of the City's Chief Financial Officer and thereafter at the office of the Trustee.

Glossary of Terms

The following are definitions of certain terms used in the Indentures and this Reoffering Circular. This glossary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. All references herein to terms defined in the Indentures are qualified—in their entirety by the definitions set forth in the Indenture.

"Amendment Authorization Ordinance" means the ordinance duly adopted by the City Council on February 5, 2014 with respect to general obligation bonds of the City.

"Authorized Denomination" means $5,000 and any integral multiple thereof.

"Authorized Officer" means (a) the Mayor, the Chief Financial Officer, the City Comptroller or any other official of the City so designated by a Certificate signed by the Mayor or Chief Financial Officer and filed with the Trustee for so long as such designation shall be in effect, and (b) the City Clerk with respect to the certification of any ordinance or resolution of the City Council or any other document filed in his or her office.

"Bond Counsel" means one or more firms of nationally recognized bond counsel designated by the Corporation Counsel of the City.

"Bond Fund" means the fund of that name established and described in each Indenture.

"Bondholder," "holder," or "owner of the Bonds" means the registered or beneficial owner of any Bond of the applicable Series, as the case may be.

"Bond Ordinance" means collectively the Original Ordinance and the Amendment Authorization Ordinance.

"Bond Register" means the registration books of the City kept by the Trustee to evidence the registration and transfer of Bonds of the applicable Series.

"Bond Registrar" means the Trustee.

"Bond Year" means a 12-month period commencing on January 2 of each calendar year and ending on January 1 of the next succeeding calendar year.

"Bonds" means, as applicable: (i) the General Obligation Bonds, Refunding Series 2007E, (ii) the General Obligation Bonds, Refunding Series 2007F or (iii) the General Obligation Bonds, Refunding Series 2007G, each reissued pursuant to the Indentures.

"Business Day" means any day other than (a) a Saturday or Sunday, (ii) a day on which banks located in the city where the Designated Corporate Trust Office is located are authorized or required by law to close, and (iii) a day on which The New York Stock Exchange, Inc., is closed.

"Certificate" means an instrument of the City in writing signed by an Authorized Officer. Any such instrument in writing and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, respectively, unless the officer signing such instrument knows that the opinion or representation with respect to the matters upon which such instrument may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel or accountant or other persons, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture or any Supplemental Indenture, but different officers, counsel, accountants or other persons may certify to different facts, respectively.

"Chief Financial Officer" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy exists in the office of the Chief Financial Officer.

"City" means the City of Chicago, a municipal corporation and home rule unit of local government, organized and existing under the Constitution and laws of the State.

"City Clerk" means the duly qualified and acting City Clerk of the City or any Deputy City Clerk or other person that may lawfully take a specific action or perform a specific duty prescribed for the City Clerk pursuant to the Amendment Authorization Ordinance.

"City Comptroller" means the City Comptroller of the City.

"City Council" means the City Council of the City.

"Code" means the United States Internal Revenue Code of 1986. References to the Code and to Sections of the Code shall include relevant final, temporary or proposed regulations thereunder as in effect from time to time and as applicable to obligations issued on the Date of Issuance.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any other depository performing similar functions.

"Date of Issuance" means the date of the Indenture, which is the fixed rate conversion date with respect to the Series 2007EFG Bonds under the Second Amended and Restated Trust Indentures.

"Defaulted Interest" means interest on any Bond which is payable but not duly paid on the date due.

"Defeasance Obligations" means: (1) moneys sufficient to make such payment or (2) (A) direct obligations of the United States of America, (B) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America, (C) obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) debt obligations, Federal Home Loan Banks (FHL Banks) debt obligations, Fannie Mae debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations, and U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes, (D) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions

have been given by the obligor to call on the date specified in the notice, or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C); or (3) a combination of the investments described in clauses (1) and (2) above.

"Delivery Office" shall mean the following office of the Trustee:

If by Mail: U.S. Bank National Association
P.O. Box 64111
St. Paul, MN 55164-0111

If by hand or
overnight mail: U.S. Bank National Association
Corporate Trust Services
111 Filmore Avenue B
St. Paul, MN 55107-1402

"Designated Corporate Trust Office" means the corporate trust office of the Trustee located at the address of the Trustee set forth in the definition of "Delivery Office" herein, as such address may be changed from time to time by the Trustee.

"Federal Obligation" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

"Fitch" means Fitch Ratings Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated, or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"Indenture" means each Original Indenture as previously amended, and as further amended by the applicable Second Amended and Restated Trust Indenture, together with all Supplemental Indentures.

"Interest Payment Date" means each January 1 and July 1. The initial Interest Payment Date following the fixed rate conversion of the Bonds reflected in the Third Amended and Restated Trust Indentures shall be July 1, 2015.

"Kroll" means Kroll Bond Rating Agency, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Kroll" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"Maturity Date" means the applicable maturity date set forth on the inside front cover.

"Mayor" means the Mayor of the City.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel in form and substance acceptable to the City.

"Original Ordinance" means the ordinance duly adopted by the City Council on September 27, 2007, authorizing the issuance of the Series 2007EFG Bonds and the Bonds.

"Outstanding," means, when used with reference to any Bonds, all of such obligations issued under the Indenture that are unpaid, provided that such term does not include:

(a) Bonds canceled at or prior to such date or delivered to or acquired by the Trustee or Paying Agent at or prior to such date for cancellation;

(b) matured or redeemed Bonds which have not been presented for payment in accordance with the provisions of the Indenture and for the payment of which the City has deposited funds with the Trustee or the Paying Agent;

(c) Bonds for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Bonds;

(d) Bonds in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(e) Bonds owned by the City and tendered to the Trustee for cancellation.

"Participant," when used with respect to any Securities Depository, means any participant of such Securities Depository.

"Paying Agent" means any Paying Agent designated by the Trustee and any successor thereto.

"Permitted Investments" means any of the following obligations or securities permitted under State law:

(a) interest-bearing general obligations of the United States of America, the State or the City;

(b) United States treasury bills and other non-interest bearing general obligations of the United States of America when offered for sale in the open market at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;

(c) short-term discount obligations of the United States Government or United States Government agencies;

(d) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State 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;

(e) banker's acceptances of banks and commercial paper of banks whose senior obligations are rated in the top two short-term rating categories by at least two national rating agencies and maintaining such rating during the term of such investment;

(f) tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;

(g) domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid; and

(h) 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.

"Principal and Interest Account" means the Account of that name established within the Bond Fund.

"Principal and Interest Account Requirement" means an amount, equal to the total principal installment and interest due on such Bonds as of each January 1 and July 1 (including any mandatory redemption of the Bonds), which amount shall be deposited in the Principal and Interest Account not later than the Business Day prior to such January 1 and July 1.

"Qualified Collateral" means:

(a) Federal Obligations;

(b) direct and general obligations of any state of the United States of America or any political subdivision of the State which are rated not less than "AA" or "Aa2" or their equivalents by any Rating Agency; and

(c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"Rating Agency" means any of Fitch, S&P and Kroll, or another rating agency that has a credit rating assigned to the Bonds at the request of the City.

"Record Date" means each December 15 and June 15.

"Redemption Price" means with respect to the Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bonds or any Supplemental Indenture applicable thereto or such other redemption price as may be specified in such Bonds or Supplemental Indenture.

"Registered Owner" or "Owner" means the person or persons in whose name or names a Bond shall be registered in the Bond Register.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Bonds.

"S&P" means Standard & Poor's Financial Services LLC, a division of McGraw Hill Financial, Inc., its successors and assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform the

functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"State" means the State of Illinois.

"Supplemental Indenture" means any indenture modifying, altering, amending, supplementing or confirming an Indenture duly entered into in accordance with the terms thereof.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indentures.

"Trustee" means U.S. Bank National Association, a national banking association with trust powers, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee under the Indenture.

Source of Payment of Bonds

The Bonds constitute direct and general obligations of the City payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose. The City has pledged its full faith and credit to, and has levied a direct annual tax upon all taxable property in the City for, the payment of the Bonds. See "SECURITY FOR THE BONDS."

Funds and Accounts

Bond Fund

Pursuant to each Original Indenture, the City established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Refunding Series 2007_ Bond Fund" (each a "Bond Fund"). At each such time as required under the Indenture, the City shall deposit into each Bond Fund, from funds of the City legally available therefor, an amount sufficient to satisfy the Principal and Interest Account Requirement. Money on deposit in each Bond Fund shall be applied by the Trustee to pay the principal and mandatory Redemption Price of and interest on the applicable Series of Bonds as the same become due. Pending the use of moneys held in each Bond Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of the Chief Financial Officer or any person designated by the Chief Financial Officer. Income from such investments shall be credited to the applicable Bond Fund. The Indenture also provides that an account within each Bond Fund be established with the Trustee, designated as the "Series 2007_ Principal and Interest Account" (each a "Principal and Interest Account").

Not later than the Business Day prior to each Interest Payment Date (each such date referred to herein as the "Deposit Date") there shall be on deposit in each Bond Fund an amount equal to the applicable Principal and Interest Account Requirement (such amount with respect to any Deposit Date being referred to herein as the "Deposit Requirement").

In addition to the applicable Deposit Requirement, there shall be deposited into each Bond Fund any other moneys received by the Trustee under and pursuant to the corresponding Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into such Bond Fund and to one or more accounts therein.

Upon calculation by the Trustee of each Deposit Requirement, the Trustee shall notify the City of each Deposit Requirement and the Deposit Date to which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Supplemental Indentures

A Supplemental Indenture may be authorized at any time by ordinance of the City Council and shall be fully effective in accordance with its terms and not subject to consent by the Owners of the applicable Series of Bonds for the following purposes (among others): (a) to add to the covenants and agreements of the City in the corresponding Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with such Indenture as theretofore in effect; (b) to add to the limitations and restrictions in such Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with such Indenture as theretofore in effect; (c) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of such Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in such Indenture; (d) to confirm, as further assurance, the pledge under such Indenture, and the subjection of, additional properties, taxes or other collateral to any lien, claim or pledge created or to be created by, such Indenture; (e) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in such Indenture; (f) to insert such provisions clarifying matters or questions arising under such Indenture as are necessary or desirable and are not contrary to or inconsistent with such Indenture as theretofore in effect; or (g) to provide additional duties of the Trustee under such Indenture.

No Indenture shall be modified or amended in any respect except as provided therein. Nothing in an Indenture shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any ordinance, resolution, act or other instrument pursuant to the provisions of the Indenture or the right or obligation of the City to execute and deliver to the Trustee any instrument which is required to be delivered to the Trustee pursuant to such Indenture.

Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the City Council and executed by the City in accordance with the provisions of the applicable Indenture, is authorized or permitted by such Indenture, and will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms.

The Trustee is authorized to enter into, execute and deliver a Supplemental Indenture and to make all further agreements and stipulations which may be therein contained, and the Trustee in taking such action shall be fully protected in relying on an opinion of counsel that such Supplemental Indenture is authorized or permitted by the provisions of the applicable Indenture.

No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

No Supplemental Indenture unless and until there has been delivered to the Trustee an Opinion of Bond Counsel to the effect that such Supplemental Indenture does not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

Supplemental Indentures Requiring Bondholder Consent

At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, subject to consent by the owners of Bonds in accordance with and subject to

the provisions of the applicable Indenture, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions of such Indenture, and upon execution and delivery of such Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Any modification or amendment of an Indenture or of any Supplemental Indenture or of the rights and obligations of the City and of the owners of the applicable Series of Bonds, in particular, which requires the consent of the applicable Bondholders, may be made by a Supplemental Indenture, with the written consent given as provided in such Indenture: (a) of the Owners of a majority in principal amount of the applicable Series of Bonds Outstanding at the time such consent is given; or (b) in case less than all of the then outstanding Bonds of such Series are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding Bonds of such Series so affected. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bonds of such Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, without the consent of the Owner of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. A Bond shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of such Bond.

Default and Remedies

Each of the following events is an "Event of Default" under an Indenture:

(a) payment of the principal or Redemption Price, if any, of any of the applicable Series of Bonds shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(b) payment of any installment of interest on any such Bonds shall not be made when and as the same shall become due; or

(c) the City shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in such Bonds, which materially affects the rights of the owners of the such Bonds and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of such Outstanding Bonds; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all diligence.

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default (beyond the time periods specified therein) specified in paragraph (c) of above, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of such Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights of the owners of such Bonds by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of such Bonds including the right to require the City to receive and collect

taxes adequate to carry out the covenants and agreements as to such taxes and to require the City to carry out any other covenant or agreement with the owners of the Bonds and to perform its duties under the Indenture;

(ii) by bringing suit upon such Bonds;

(iii) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of such Bonds; and/or

(iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of such Bonds.

In the enforcement of any rights and remedies under an Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the applicable Series of Bonds for principal, Redemption Price, interest or otherwise, under any provision of the Indenture or of such Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the owners of such Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Under no circumstance may the Trustee declare the principal of or interest on a Series of Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default under the applicable Indenture.

Resignation or Removal of the Trustee; Successors

The Trustee may at any time resign and be discharged of its duties and obligations created by an Indenture by giving not fewer than 60 days' written notice to the City and to the owners of the applicable Series of Bonds at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation shall take effect upon the appointment and acceptance of appointment of a successor by the City or the Owners of such Bonds as provided in the Indenture.

The Trustee may be removed at any time by the Owners of a majority in principal amount of a Series of the Bonds then Outstanding, excluding any such Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners of Bonds or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause (or upon 30 days' notice for any reason) as shall be determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to the Owners of such Bonds at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee shall take effect upon the appointment and acceptance of appointment of a successor Trustee.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the

Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of a Series of the Bonds then Outstanding, excluding any such Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of such Bonds as herein authorized. The City shall mail notice to Owners of such Bonds of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of such Bonds. If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the City written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, any Owner of such Bonds may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any Trustee appointed shall be a bank, trust company or national banking association, in any such case having corporate trust powers, doing business and having a corporate trust office in the City.

Any successor Trustee appointed under an Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the City, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

Defeasance

If the City will pay to the Registered Owners of a Series of Bonds, or provide for the payment of, the principal, premium, if any, and interest to become due on such Bonds, then the applicable Indenture will be fully discharged and satisfied. Upon the satisfaction and discharge of such Indenture, the Trustee will, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries will pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to such Indenture which are not required for the payment or redemption of such Bonds. If payment or provision for payment is made, to or for the registered owners of all or a portion of such Bonds, of the principal of and interest due and to become due on any such Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Trustee, all sums of money due and to become due according to the provisions of the Indenture, then these presents and the estate and rights hereby granted shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of such Bonds and any such payment from such moneys or obligations. Any such Bond will be deemed to be paid when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the applicable Indenture or otherwise), either (a) will have been made or caused to have been made in accordance with

the terms thereof, or (b) will have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2) Defeasance Obligations, or (3) a combination of the investments described in clauses (1) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants). If the City will pay and discharge a portion of such Bonds as aforesaid, such portion shall cease to be entitled to any lien, benefit or security under such Indenture. The liability of the City with respect to such Bonds will continue, but the Registered Owners thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the Defeasance Obligations deposited with the Trustee under the Indenture.

No deposit pursuant to the paragraph above shall be made or accepted and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any of such Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code or any successor provision thereto.

A defeasance deposit of escrow securities may be subject to a subsequent sale of such escrow securities and reinvestment of all or a portion of the proceeds of that sale in escrow securities which, together with money to remain so held in trust, shall be sufficient to provide for payment of principal, redemption premium, if any, and interest on any of such defeased Bonds. Amounts held by the Trustee in excess of the amounts needed so to provide for payment of such defeased Bonds may be subject to withdrawal by the City.

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APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION

ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City. Sources of information are set forth in footnotes at the end of this Appendix. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Economy

The Chicago metropolitan area has a population of 9.5 million people, 4.0 million employees, and over 265,000 businesses.[1] Chicago's large and diverse economy contributed to a gross regional product of more than $590 billion in 2013.[2]

Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves over 1.5 million tons of freight, mail, and goods annually.[3]

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality and manufacturing.[4]

Population

Chicago is home to over 2.7 million people that live in more than one million households.[5] The City's population increased nearly 0.9% since the 2010 Census.[6]

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimate for 2013 is set forth below.

Population[7]
1980—2013

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2013 Estimate	316,497,531	12,890,552	5,246,635	2,718,782

34.2 percent of Chicago's residents have bachelor's degrees, which is higher than the national average of 28.8 percent.[8]

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago MSA is set forth below for the years 2004 through 2013.

Per Capita Income[9]
2004—2013

Year	United States	State of Illinois	Cook County	Chicago
2004	$34,300	$36,180	$38,479	$38,558
2005	35,888	37,697	40,648	40,470
2006	38,127	40,184	43,701	43,276
2007	39,804	42,260	46,436	45,459
2008	40,873	43,327	47,046	46,138
2009	39,379	41,545	44,824	43,847
2010	40,144	42,033	45,213	44,186
2011	42,332	44,169	47,966	46,279
2012	44,200	46,009	48,948	48,447
2013	44,765	46,980	49,661	49,071

Chicago's median household income is $47,270, compared to $56,797 in Illinois and $53,046 in the U.S., and Chicago ranks 36th among other major metropolitan areas on the cost of living index. [10, 11]

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2004 through 2014 is set forth below.

Employment (in thousands)[12]
2004 – 2014

Year	Chicago	Cook County	Chicago MSA	State of Illinois
2004	1,212	2,414	4,414	5,816
2005	1,199	2,393	4,461	5,862
2006	1,228	2,453	4,519	5,933
2007	1,249	2,491	4,557	5,980
2008	1,238	2,461	4,528	5,949
2009	1,172	2,327	4,291	5,657
2010	1,117	2,301	4,246	5,613
2011	1,120	2,316	4,305	5,677
2012	1,141	2,359	4,375	5,751
2013	1,144	2,365	4,443	5,805
2014	1,185	2,450	4,502	5,873

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for February 2015 is shown in the following table.

Percentage of Total Non-Farm Employment by Major Industry Sector
February 2015[13]

Sector	Chicago MSA	Illinois	United States
Trade, Transportation and Utilities	20.2%	20.0%	19.0%
Government	12.4	14.0	15.5
Education and Health Services	15.7	15.2	15.5
Professional and Business Services	17.6	15.7	13.8
Leisure and Hospitality	9.4	9.5	10.7
Manufacturing	9.1	9.8	8.7
Financial Activities	6.4	6.2	5.7
Construction	3.1	3.6	4.5
Other Services	4.3	4.3	4.0
Information	1.8	1.7	2.0
Mining and Logging	0.0	0.2	0.6
Total	100.0%	100.0%	100.0%

The City of Chicago's average annual unemployment rate decreased from 11.2 percent in 2010 to 7.7 percent in 2014, while statewide, Illinois' unemployment rate dropped from 10.4 percent in 2010 to 7.1 percent in 2014.[14] In March 2015, the Chicago MSA's preliminary unemployment rate before seasonal adjustment was 6.4 percent.[15]

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2004 through year-to-date for 2015.

Annual Unemployment Rates[16]
2003—2015

Year	Chicago	Cook County	Chicago MSA	State of Illinois	United States
2004	7.6%	6.7%	6.4%	6.2%	5.5%
2005	7.1	6.4	5.9	5.7	5.1
2006	5.4	4.9	4.6	4.5	4.6
2007	5.8	5.3	4.9	5.0	4.6
2008	7.0	6.4	6.1	6.3	5.8
2009	11.1	10.5	10.2	10.2	9.3
2010	11.2	10.9	10.6	10.4	9.6
2011	10.8	10.4	9.9	9.7	8.9
2012	10.0	9.6	9.1	9.0	8.1
2013	10.0	9.6	9.0	9.1	7.4
2014	7.7	7.4	7.0	7.1	6.2
2015*	6.9	6.6	6.4	6.3	5.6

* March 2015 data.

Employers

The companies employing the greatest number of workers in the City as of the end of 2013 are set forth below.

Chicago's Largest Employers[17]
2013

Employer	Number of Employees	Percentage of Total City Employment
J.P. Morgan Chase Bank, N.A.	8,499	0.78%
United Airlines	8,199	0.75
Accenture LLP	5,821	0.53
Northern Trust Corporation	5,353	0.49
Ford Motor Company	5,103	0.47
Jewel Food Stores, Inc.	4,441	0.41
ABM Janitorial Services – North Central	3,399	0.31
Bank of America NT & SA	3,392	0.31
Walgreen's Co.	2,869	0.26
American Airlines	2,749	0.25

Top Tax Payers

The top property tax payers in the City in 2012 based on 2012 EAV are shown in the following table.

Top Ten Property Tax Payers 2012[18]
($ in thousands)

Rank	Property	2012 EAV	% of Total EAV
1	Willis Tower	$ 386,267	0.59%
2	AON Center	255,346	0.39
3	One Prudential Plaza	234,963	0.36
4	Blue Cross Blue Shield Tower	205,275	0.31
5	Water Tower Place	201,246	0.31
6	Chase Tower	200,707	0.31
7	AT&T Corp. Center	192,983	0.30
8	Three First National Plaza	187,451	0.29
9	Citadel Center	184,597	0.28
10	300 N. LaSalle	179,804	0.28
	Total	$2,228,640	3.42%

As shown in the table, the top ten taxpayers account for less than 4% of the City's total tax base.

Transportation

According to statistics compiled by Airports Council International in 2013, O'Hare ranked fifth worldwide and second in the United States in terms of total passengers while Midway ranked 25th in the United States. According to the Chicago Department of Aviation, O'Hare and Midway had 70 and 20.5

million in total passenger volume in 2013, respectively. O'Hare supports substantial international service with international passengers constituting approximately 15% of total enplaned passengers in 2014.[19]

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,865 buses operating over 128 routes and 1,354 route miles, making 19,000 trips per day and serving 11,104 bus stops; 1,356 rail cars operating over eight routes and 224 miles of track, making 2,250 trips each day and serving 146 stations; and 1.7 million rides on an average weekday and over 529 million rides a year (bus and train combined).[20]

Schools

The Chicago Public School system is the third largest school district in the nation, serving approximately 396,000 students.[21] CPS is comprised of 420 elementary schools, 96 high schools, 6 combination schools (schools that serve both elementary and high school grade levels), 9 contract high schools, and 131 charter school campuses.[22] The City Colleges of Chicago operate seven colleges and serve approximately 114,000 students.[23]

Government

The number of full-time employees of the City for the years 2006 through 2013 is included in the following table.

City Full-Time Employees[24]
2006—2013

Year	Budgeted Full-Time Equivalent Positions
2006	40,297
2007	40,207
2008	39,921
2009	37,419
2010	36,889
2011	36,448
2012	33,708
2013	33,563

Housing Market

The monthly home sales and the median home sale prices for Chicago for the years 2009 through March, 2015 are shown below.

Chicago Monthly Home Sales[25]
2009—March, 2015

	2009	2010	2011	2012	2013	2014	2015
January	917	1,202	1,034	1,123	1,485	1,383	1,295
February	866	1,225	1,056	1,250	1,378	1,361	1,448
March	1,212	1,814	1,450	1,664	1,894	1,819	2,118
April	1407	1,984	1,466	1,816	2,331	2,210	
May	1,557	2,057	1,703	2,125	2,762	2,390	
June	1,981	2,526	1,841	2,332	2,623	2,761	
July	1,975	1,588	1,655	2,164	2,838	2,664	
August	1,927	1,486	1,787	2,293	2,797	2,414	
September	1,918	1,403	1,498	1,906	2,352	2,187	
October	2,012	1,216	1,312	2,076	2,231	2,082	
November	1,859	1,144	1,429	1,798	1,800	1,632	
December	1,767	1,444	1,576	1,849	2,080	1,992	

Chicago Median Home Sale Prices[26]
2009—March, 2015

	2009	2010	2011	2012	2013	2014	2015
January	$205,000	$195,000	$150,000	$148,000	$159,000	$200,750	$222,000
February	218,625	176,500	150,000	140,000	158,000	175,000	212,000
March	219,000	209,000	163,200	172,000	187,500	237,000	235,000
April	218,000	225,000	169,000	182,000	222,000	250,000	
May	225,000	230,000	190,000	200,000	234,000	270,000	
June	242,050	234,250	207,000	217,000	254,900	275,000	
July	245,000	196,500	210,000	200,000	250,000	270,000	
August	229,900	200,000	192,500	200,000	245,000	270,000	
September	225,000	180,000	190,000	188,400	231,000	250,000	
October	215,000	183,000	162,000	175,000	218,500	237,500	
November	215,000	182,500	157,000	180,000	200,000	230,000	
December	210,000	166,250	155,000	185,000	210,000	229,250	

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[1] U.S. Census, "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2013," http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml.
[2] U.S. Bureau of Economic Analysis, "Table 1. Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area," www.bea.gov (accessed May 1, 2015).
[3] Chicago Department of Aviation, "Monthly Operations, Passengers, Cargo Summary By Class, December 2014," www.flychicago.com.
[4] U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary, February 26, 2015," www.bls.gov/ro5.
[5] U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed May 1, 2015).
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[7] U.S. Census Bureau, "State and County QuickFacts—USA," http://quickfacts.census.gov/qfd/states; "State and County QuickFacts—Cook County, Illinois," http://quickfacts.census.gov/qfd/states; "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed May 1, 2015).

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[9] U.S. Bureau of Economic Analysis, "Interactive Data," http://www.bea.gov/iTable/index.cfm (accessed May 1, 2015).

[10] U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed May 1, 2015).

[11] U.S. Census Bureau, "Table 728. Cost of Living Index--Selected Urban Areas: Annual Average 2010" http://www.census.gov/compendia/statab/cats/prices/consumer_price_indexes_cost_of_living_index.html (accessed May 1, 2015).

[12] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed May 1, 2015).

[13] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed May 1, 2015).

[14] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed May 1, 2015).

[15] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed May 1, 2015).

[16] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed May 1, 2015).

[17] Chicago Comprehensive Annual Financial Report for the year ended December 31, 2013, http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements/2013-financial-statements.html.

[18] Chicago Comprehensive Annual Financial Report for the year ended December 31, 2013, http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements/2013-financial-statements.html

[19] Chicago Department of Aviation Airport Budget Statistics, "Air Traffic Data," http://www.flychicago.com/business/en/budget/Airport-Budget-Statistics.aspx.

[20] Chicago Transit Authority, "CTA Facts at a Glance, Spring 2014," http://www.transitchicago.com/about/facts.aspx (accessed May 1, 2015).

[21] Chicago Public Schools, "Stats and Facts," http://cps.edu/About_CPS/At-a-glance/Pages/Stats_and_facts.aspx (accessed May 1, 2015).

[22] Chicago Public Schools, "Stats and Facts," http://cps.edu/About_CPS/At-a-glance/Pages/Stats_and_facts.aspx (accessed May 1, 2015).

[23] City Colleges of Chicago, "Fiscal Year 2013 Statistical Digest," http://www.ccc.edu/menu/pages/facts-statistics.aspx.

[24] Chicago Comprehensive Annual Financial Report for the year ended December 31, 2013, http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements/2013-financial-statements.html.

[25] Illinois Association of Realtors, "Illinois Market Stats Archives," http://www.illinoisrealtor.org/marketstats/archives (accessed May 1, 2015).

[26] Illinois Association of Realtors, "Illinois Market Stats Archives," http://www.illinoisrealtor.org/marketstats/archives (accessed May 1, 2015).

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APPENDIX C

CITY OF CHICAGO

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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Deloitte.

City of Chicago

Basic Financial Statements
for the Year Ended December 31, 2013

Rahm Emanuel, Mayor

Lois A. Scott, Chief Financial Officer
Daniel Widawsky, City Comptroller

CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2013
TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS 3-15

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Exhibit	1	Statement of Net Position	17
Exhibit	2	Statement of Activities	18-19

Fund Financial Statements:

Exhibit	3	Balance Sheet - Governmental Funds	20-21
Exhibit	4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22-25
Exhibit	5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Exhibit	6	Statement of Revenues and Expenditures - Budget and Actual - General Fund (Budgetary Basis)	27
Exhibit	7	Statement of Net Position - Proprietary Funds	28-29
Exhibit	8	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	30
Exhibit	9	Statement of Cash Flows - Proprietary Funds	31-32
Exhibit	10	Statement of Fiduciary Net Position - Fiduciary Funds	33
Exhibit	11	Statement of Changes in Plan Net Position, Fiduciary Funds - Pension Trust Funds	34

NOTES TO BASIC FINANCIAL STATEMENTS 35-81

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS 82

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INDEPENDENT AUDITORS' REPORT

To the Honorable Rahm Emanuel, Mayor
and Members of the City Council
City of Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

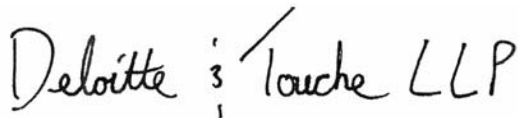
Emphasis of Matter

As discussed in Note 1 to financial statements, beginning net position was restated due to the City's adoption of Statement No. 65 of the Governmental Accounting Standards Board (GASB), *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified as to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 and other auditors 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.



Chicago, IL
June 30, 2014

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. We encourage the readers to consider the information presented here in conjunction with information contained within this report. Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* in fiscal year 2013, as described in Note 17 to the basic financial statements, 2012 numbers within the MD&A have been restated retroactively.

2013 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by $5,371.1 million (*net deficit*). Of this amount, $10,399.2 million is an unrestricted deficit, while $2,203.4 million is net investment in capital assets and $2,824.7 million is restricted for specific purposes.
- The City's total assets increased by $534.6 million. The increase primarily relates to a $820.7 million increase in capital assets as a result of the City's capital improvement program, offset by a $302.1 million decrease in cash and cash equivalents and investments primarily as a result of the City's financing of its operations.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2013 were $5,962.6 million, a decrease of $610.2 million (9.3 percent) from 2012 due to a decrease in the amount of bonds issued, offset by increases in taxes.
- The General Fund, also in the fund financial statements, ended 2013 with a total Fund Balance of $167.1 million. Total Fund Balance decreased from 2012 primarily because Revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by $68.1 million. Fund Balance at December 31, 2013 of $108.4 million was assigned. Unassigned Fund Balance was $33.9 million at December 31, 2013 and remained stable compared to 2012.
- The City's general obligation bonds and notes outstanding increased by $235.4 million during the current fiscal year. The proceeds from the increase in commercial paper were used to finance the City's capital plan and certain operating expenses.
- The General Fund expenditures on a budgetary basis were $33.1 million less than budgeted as a result of favorable variances in general government expenditures, offset by unfavorable variances in public safety primarily as a result of higher than expected personnel related expenses.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means such statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

The government-wide financial statements include two statements:

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. To

assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The *statement of activities* presents information showing how the government's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected taxes, and earned but unused vacation). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and sanitation, transportation, health, and cultural and recreation. The business-type activities of the City include water, sewer, tollway and airport services.

The government-wide financial statements present information about the City as a primary government, which includes the Chicago Public Library. The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds and governmental activities*.

The City maintains 19 individual governmental funds. Information for the six funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The six major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession and Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriation budget for its general and certain special revenue funds on a non-GAAP budgetary basis. A budgetary comparison statement has been provided for the General Fund, the only major fund with an appropriation budget, to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statements.

Proprietary funds. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between

the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, Skyway, and two airports operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds. Fiduciary funds are used primarily to account for resources held for the benefit of parties outside the primary government. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund basic financial statements can be found immediately following the proprietary fund financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of data provided in the government–wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund basic financial statements.

Financial Analysis of the City as a whole

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $5,371.1 million at December 31, 2013.

A large portion of the City's net position, $2,203.4 million, reflects its investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

City of Chicago, Illinois
Summary Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 5,311.5	$ 5,735.8	$ 4,227.5	$ 4,089.3	$ 9,539.0	$ 9,825.1
Capital assets	7,993.6	7,869.7	13,212.3	12,515.5	21,205.9	20,385.2
Total Assets	13,305.1	13,605.5	17,439.8	16,604.8	30,744.9	30,210.3
Deferred outflows	266.1	394.4	274.1	376.2	540.2	770.6
Total	13,571.2	13,999.9	17,713.9	16,981.0	31,285.1	30,980.9
Long-term liabilities outstanding	18,069.6	17,033.4	13,094.8	12,619.2	31,164.4	29,652.6
Other liabilities	1,326.6	1,245.8	904.3	1,065.3	2,230.9	2,311.1
Total Liabilities	19,396.2	18,279.2	13,999.1	13,684.5	33,395.3	31,963.7
Deferred Inflows	1,597.3	1,618.4	1,663.6	1,682.1	3,260.9	3,300.5
Net Position:						
Net investment in capital assets	(242.8)	(269.2)	2,446.2	2,231.5	2,203.4	1,962.3
Restricted	1,940.9	1,908.5	883.8	737.3	2,824.7	2,645.8
Unrestricted	(9,120.4)	(7,537.0)	(1,278.8)	(1,354.4)	(10,399.2)	(8,891.4)
Total net (deficit) position	$ (7,422.3)	$ (5,897.7)	$ 2,051.2	$ 1,614.4	$ (5,371.1)	$ (4,283.3)

An additional portion of the City's net position ($2,824.7 million) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities. Net position of the City's governmental activities decreased $1,524.6 million to a deficit of $7,422.3 million. However, a significant portion of net position is either restricted as to the purpose they can be used for or they are classified as net investment in capital assets (buildings, roads, bridges, etc.) Consequently, unrestricted net position showed a $9,120.4 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims ($879.8 million) and Municipal employees, Laborers', Policemen's and Firemen's net pension obligation and other post-employment benefits ($7,589.9 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of $1,597.3 million will be amortized into income over the life of the concession service agreements.

Revenues for all governmental activities in 2013 were $5,556.3 million, with over half of the City's revenues derived from taxes. Total tax receipts increased by $129.1 million (4.4 percent). Total tax revenue includes an increase in property taxes received of $10.4 million (1.2 percent). Other taxes increased by $118.7 million (5.7 percent) as a result of increases in sales and transaction taxes and increased tourism. Federal/State grants vary from year to year depending primarily on the level of spending for programs, construction and other projects.

Expenses for governmental activities in 2013 were $7,080.9 million. This reflects an increase of $77.4 million (1.1 percent) over 2012. Public Safety accounted for approximately 43.0 percent of total expenses.

The cost of all governmental activities was $7,080.9 million. The amount that taxpayers paid for these activities through City taxes was only $3,092.8 million. Some of the cost was paid by those who directly benefited from the programs ($773.4 million), or by other governments and organizations that subsidized certain programs with grants and contributions ($818.8 million).

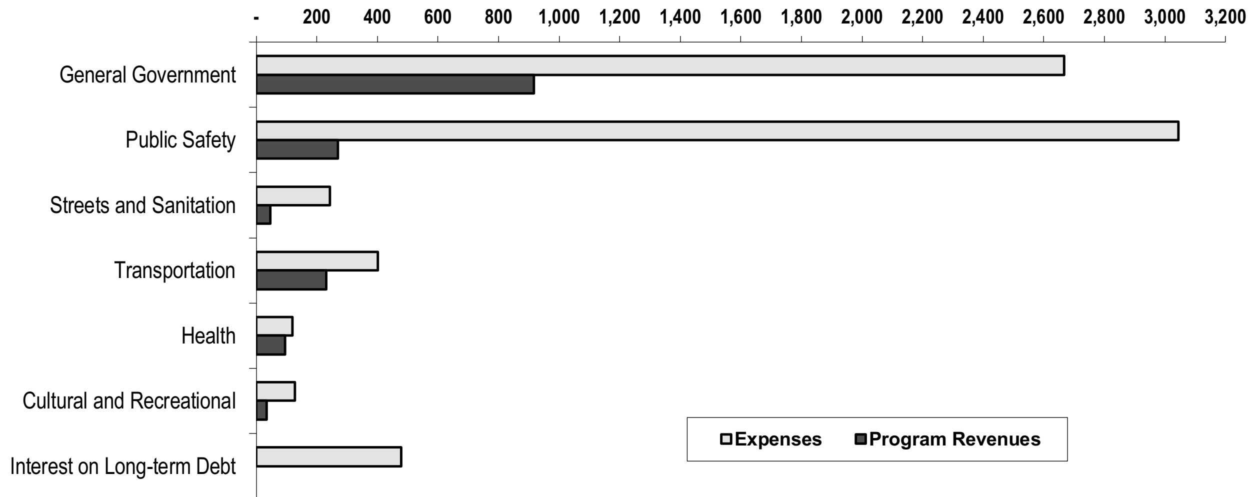
The City paid $871.3 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net position of business-types activities was $2,051.2 million, these resources cannot be used to make up for the deficit in net position in governmental activities. The City generally can only use this net position to finance the continuing operations of the water, sewer, Skyway, and airports activities.

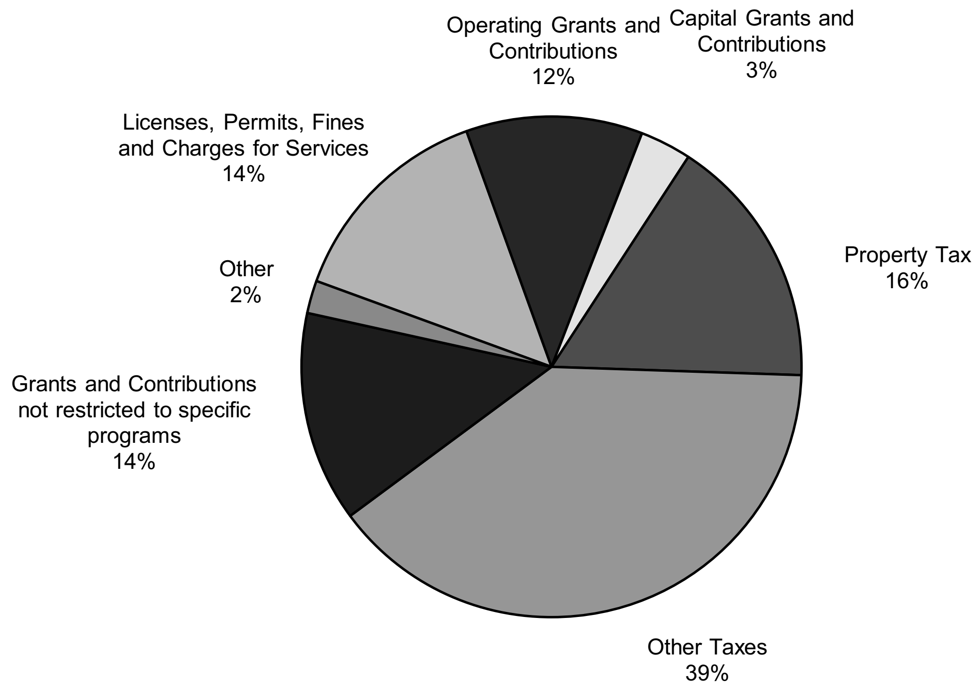
City of Chicago, Illinois
Changes in Net Position
Years Ended December 31,
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and Charges for Services	$ 773.4	$ 750.2	$ 2,021.3	$ 1,889.1	$ 2,794.7	$ 2,639.3
Operating Grants and Contributions	634.4	748.3	-	-	634.40	748.3
Capital Grants and Contributions	184.4	172.5	213.0	83.2	397.40	255.7
General Revenues:						
Property Taxes	906.7	896.3	-	-	906.70	896.3
Other Taxes	2,186.1	2,067.4	-	-	2,186.10	2,067.4
Grants and Contributions not Restricted to Specific Programs	754.7	692.2	-	-	754.70	692.2
Other	116.6	227.6	34.1	64.0	150.70	291.6
Total Revenues	5,556.3	5,554.5	2,268.4	2,036.3	7,824.7	7,590.8
Expenses:						
General Government	2,667.2	2,751.9	-	-	2,667.2	2,751.9
Public Safety	3,044.8	2,910.2	-	-	3,044.8	2,910.2
Streets and Sanitation	242.5	228.6	-	-	242.5	228.6
Transportation	400.5	383.5	-	-	400.5	383.5
Health	119.7	123.1	-	-	119.7	123.1
Cultural and Recreational	128.3	146.3	-	-	128.3	146.3
Interest on Long-term Debt	477.9	459.9	-	-	477.9	459.9
Water	-	-	442.5	419.7	442.5	419.7
Sewer	-	-	216.6	197.3	216.6	197.3
Midway International Airport	-	-	241.1	239.5	241.1	239.5
Chicago-O'Hare International Airport	-	-	920.8	968.0	920.8	968.0
Chicago Skyway	-	-	10.6	10.6	10.6	10.6
Total Expenses	7,080.9	7,003.5	1,831.6	1,835.1	8,912.5	8,838.6
Change in Net Position	(1,524.6)	(1,449.0)	436.8	201.2	(1,087.8)	(1,247.8)
Net (Deficit) Position, Beginning of Year, as restated	(5,897.7)	(4,448.7)	1,614.4	1,413.2	(4,283.3)	(3,035.5)
Net (Deficit) Position, End of Year	$ (7,422.3)	$ (5,897.7)	$ 2,051.2	$ 1,614.4	$ (5,371.1)	$ (4,283.3)

Expenses and Program Revenues - Governmental Activities
(in millions of dollars)



Revenues by Source - Governmental Activities



Business-type Activities. Revenues of the City's business-type activities increased by $436.8 million in 2013 mostly from an increase in the charges for services and rental income revenues as well as funding from capital grants.

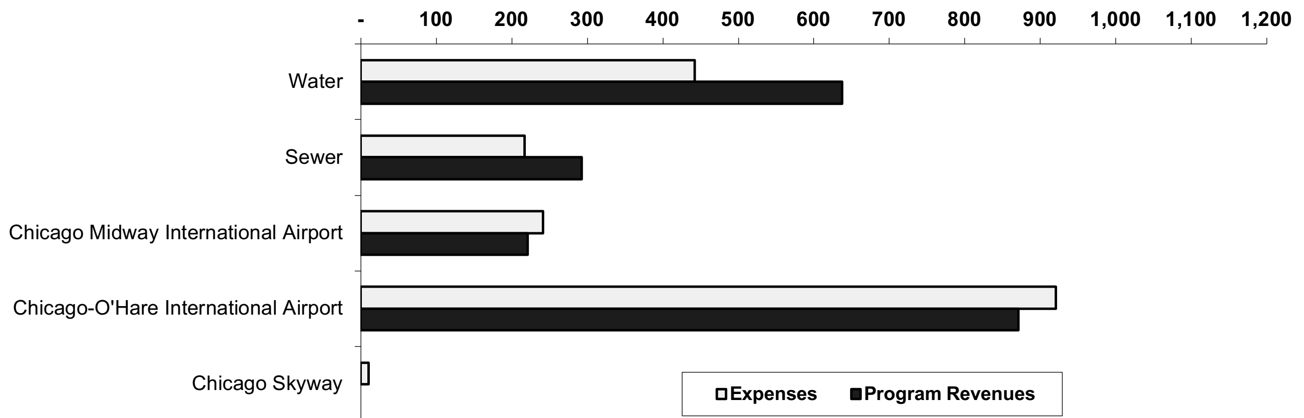
- The Water Fund's operating revenue increased by $60.8 million (10.6%) from 2012 due to a 15% increase in water rates, offset by a decrease in consumption and the conversion in 2013 of 17,427 accounts from non-metered to metered. Operating expenses before depreciation and amortization for the year ended 2013 increased by $11.1 million (3.8%) from the year ended 2012 mainly due to overtime and natural gas and electric charges resulting from an extremely cold winter; offset by an increase in capitalized in-house construction costs and a decrease in fuel consumption.

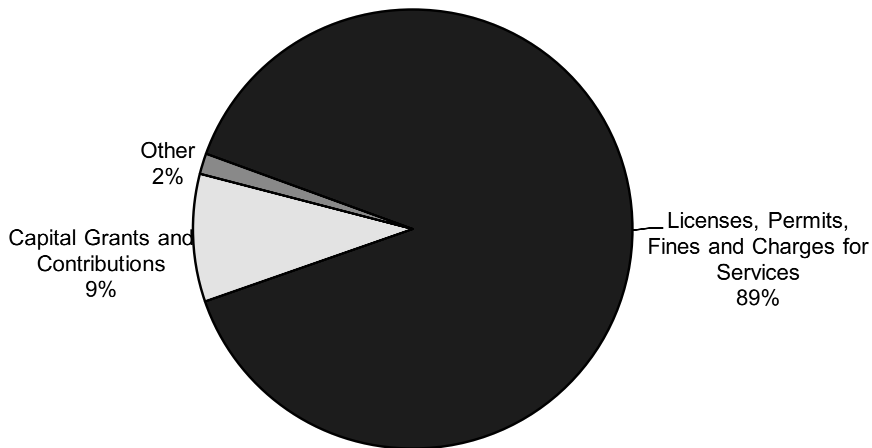
- The Sewer Fund's operating revenue increased in 2013 by $38.4 million (15.1%) primarily due to an increase in sewer rates. Operating expenses before depreciation and amortization for 2013 increased $8.2 million (7.2%) from the year ended 2012 due to an increase in repairs, maintenance and administrative and general.

- Chicago Midway International Airport's operating revenues for 2013 increased by $17.4 million (11.0%) from 2012 primarily due to increased landing fees, and terminal area use charges. Concessions increased by $4.4 million primarily due to an increase in auto parking, restaurants, and auto rental offset by a decrease in other concessions. Operating expenses before depreciation and amortization increased by $6.8 million (5.9%) compared to 2012, primarily due to an increase in professional and engineering services and other operating expenses.

- Chicago O'Hare International Airport's operating revenues for 2013 increased by $15.1 million (2.2%) compared to 2012 primarily due to increased rents, concessions and other revenues. Operating expenses before depreciation, amortization and capital asset impairment costs decreased by $24.1 million (5.4%) compared to 2012 primarily due to decreased salaries and wages, repairs and maintenance and other operating expenses, offset by increased professional and engineering fees.

- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of $1.83 billion of which $446.3 million was used to advance refund all of the outstanding Skyway bonds. The upfront payment is being amortized into non-operating revenue over the period of the lease ($18.5 million annually).


Expenses and Program Revenues - Business-type Activities
(in millions of dollars)
-
100
200
300
400
500
600
700
800
900
1,000
1,100
1,200
Water
Sewer
Chicago Midway International Airport
Chicago-O'Hare International Airport
Chicago Skyway
Expenses
Program Revenues


Revenues by Source - Business-type Activities
Other
2%
Capital Grants and
Contributions
9%
Licenses, Permits,
Fines and Charges for
Services
89%

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2013, the City's governmental funds reported combined ending fund balances of $1,226.6 million, a decrease of $366.8 million in comparison with the prior year. Of this total amount $699.1 million was committed to specific expenditures, $108.4 million was assigned to anticipated uses, a deficit of $1,867.7 million was unassigned, $2,262.0 million was restricted in use by legislation, and $24.8 million was nonspendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $33.9 million with a total fund balance of $167.1 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 5.4 percent of total General Fund expenditures. The fund balance of the City's General Fund decreased by approximately $64.2 million during the current fiscal year mainly due to an increase in personnel expenditures in public safety. The General Fund also provided $15.0 million to the Service Concession and Reserve Fund as appropriated for in the 2013 Budget.

The Federal, State and Local Grants Fund has a total deficit fund balance of $286.4 million. This is $80.3 million lower than 2012 primarily due to slower reimbursement of expenditures.

The Special Taxing Areas Fund has a total fund balance of $1,522.7 million, which is all restricted to specific expenditures.

The Service Concession and Reserve Fund accounts for deferred inflows from non-business type long-term concession and lease transactions and has $590.2 million committed to specific expenditures. The unassigned deficit of $1,597.3 million results from the deferred inflows from long-term asset leases.

The Bond, Note Redemption and Interest Fund has a total fund balance of $197.0 million. This is $149.7 million lower than 2012 as bonds were not issued in 2013 and only commercial paper was issued.

The Community Development and Improvement Projects Fund has a total fund balance of $363.6 million. This is $36.8 million lower than 2012 due to increased capital improvement efforts.

Changes in fund balance. The fund balance for the City's governmental funds decreased by $366.8 million in 2013. This includes an increase in inventory of $3.9 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $1,278.8 million. The unrestricted net position deficit decreased by $75.6 million due to an increase in the unrestricted assets in the Water Fund, Sewer Fund and Chicago Midway International Airport. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2013 Original General Fund Budget was $3,159.0 million. This budget reflects an increase of $54.7 million (1.8 percent) over the 2012 Budget. The City's 2013 General Fund Budget was approved by the City Council on

November 15, 2012. The General Fund revenues on a budgetary basis were $33.1 million less than the final budget as a result of no debt issuance, lower miscellaneous revenue and collection of fines and lower than expected use of budgeted prior years' surplus, offset by higher than expected taxes. Expenditures were $33.1 million less than budgeted as a result of favorable variances in general government expenditures, offset by unfavorable variances in public safety primarily as a result of higher than expected personnel related expenses. Additional information on the City's budget can be found in Note 3 under Stewardship, Compliance and Accountability within this report.

The General Fund revenues and expenditures in 2013 ended the current fiscal year with an unassigned fund balance of $33.9 million.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of December 31, 2013 amount to $21,205.9 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

Major capital asset events during the current fiscal year included the following:

- The City continues its commitment to sustainable design in new construction projects utilizing the Leadership in Energy & Environmental Design (LEED) strategy. Completed construction in 2013 totaled $55.9 million including; Humboldt Park Library totaling $ 9.7 million, Edgewater Library totaling $12.5 million, Whitney Young Library totaling $4.4 million and the City Hall renovations totaling $11.3 million.

- During 2013, title to the Crown Fountain in Millennium Park was given to the City totaling $17 million. This was recorded as a donated capital asset addition in Works of Art.

- During 2013, the City completed $769.1 million in infrastructure projects including $395.8 million street construction and resurfacing projects, $222.8 million in bridge and viaduct reconstruction projects, and $150.5 million in street lighting and transit projects. At year end, Infrastructure projects still in process had expenses totaling nearly $239.6 million.

- At the end of 2013 and 2012, the Water Fund had $3,181.9 million and $2,861.3 million, respectively, invested in utility plant, net of accumulated depreciation. During 2013, the Water Fund expended $377.4 million on capital activities. This included $0.4 million for structures and improvements, $156.5 million for distribution plant, $7.3 million for equipment, and $213.1 million for construction in progress.

- During 2013, net completed projects totaling $153.3 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to installation and replacements of water mains ($92.0 million), auto meter reading installation project ($39.6 million), and Lexington pumping station electrical generation and capital improvements ($14.1 million).

- At the end of 2013, the Sewer Fund totaled capital assets of $1,838.3 million. During 2013, the Sewer Fund had capital additions being depreciated of $212.5 million, and completed projects totaling $33.0 million were transferred from construction in progress to applicable facilities and structures capital accounts. The 2013 Sewer Main Replacement Program completed 19.0 miles of sewer mains and 45.6 miles of relining of existing sewer mains at a cost of $212.5 million.

- At the end of 2013, Chicago-Midway International Airport totaled $1,169.9 million, invested in net capital assets. During 2013, the Airport had additions of $45.6 million related to capital activities. This included $1.0 million for land acquisition and the balance of $44.7 million for construction projects relating to terminal improvements, parking and roadway enhancements, and runway improvements.

- At the end of 2013, Chicago-O'Hare International Airport totaled $6.7 billion, invested in net capital assets. During 2013, the Airport had additions of $421.6 million related to capital activities. This included $1.5 million for land acquisition and the balance of $420.1 million for terminal improvements, road and sidewalk

enhancements, runway and taxiway improvements, along with general parking enhancements. During 2013, completed projects totaling $757.7 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway improvements, heating and refrigeration, road and sidewalk enhancements, electrical, water drainage, fuel system enhancements and terminal improvements.

City of Chicago, Illinois
Capital Assets (net of depreciation)
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 1,392.6	$ 1,404.5	$ 1,016.6	$ 1,024.7	$ 2,409.2	$ 2,429.2
Works of Art and Historical Collections	30.8	13.2	-	-	30.8	13.2
Construction in Progress	260.2	644.3	1,207.8	1,548.3	1,468.0	2,192.6
Buildings and Other Improvements	1,668.0	1,677.7	10,651.6	9,618.2	12,319.6	11,295.9
Machinery and Equipment	225.8	255.6	336.3	324.3	562.1	579.9
Infrastructure	4,416.2	3,874.4	-	-	4,416.2	3,874.4
Total	$ 7,993.6	$ 7,869.7	$ 13,212.3	$ 12,515.5	$ 21,205.9	$ 20,385.2

Information on the City's capital assets can be found in Note 7 Capital Assets in this report.

Debt. At the end of the current fiscal year, the City had $7,226.9 million in General Obligation Bonds and $773.4 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $187.2 million in Motor Fuel Tax Revenue Bonds; $566.0 million of Sales Tax Revenue Bonds; $88.4 million in Tax Increment Financing Bonds; and $12,526.5 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note 10 Long-term Obligations in the Basic Financial Statements.

City of Chicago, Illinois
General Obligation and Revenue Bonds
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation	$ 8,000.3	$ 8,011.8	$ -	$ -	$ 8,000.3	$ 8,011.8
Tax Increment	88.4	112.2	-	-	88.4	112.2
Revenue Bonds	753.2	770.3	12,526.5	11,967.8	13,279.7	12,738.1
Total	$ 8,841.9	$ 8,894.3	$ 12,526.5	$ 11,967.8	$ 21,368.4	$ 20,862.1

During 2013, the City issued the following:

General Obligation Bonds:

- General Obligation Commercial Paper Notes ($235.4 million)

Enterprise Fund Revenue Bonds and Notes:

- Chicago-O'Hare International General Airport Senior Lien Revenue Bonds, Series 2013A (Alternative Minimum Tax - AMT), Series 2013B (AMT), Series 2013C (AMT), and Series 2013D (Non-AMT) ($897.9 million).
- Chicago-O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013 ($248.8 million).
- Chicago-O'Hare International Airport General Commercial Paper Notes ($20.0 million).
- Chicago Midway International Airport Second Lien Revenue Refunding Bonds, Series 2013A (AMT), Series 2013B (Non-AMT),and Series 2013C (Taxable) ($334.0 million).
- Chicago Midway International Airport Commercial Paper Notes ($57.7 million).

At December 31, 2013 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch
General Obligation:			
City	A3	A+	A-
Revenue Bonds:			
O'Hare Airport:			
Senior Lien General Airport Revenue Bonds	A2	A-	A-
Senior Lien Passenger Facility Charge (PFC)	A2	A-	A
Customer Facility Charge (CFC)	Baa1	BBB	NR
Midway Airport:			
First Lien	A2	A	A
Second Lien	A3	A-	A-
Water:			
First Lien	A1	AA	AA+
Second Lien	A2	AA-	AA
Wastewater:			
First Lien	A1	AA-	NR
Second Lien	A2	A+	AA
Sales Tax	A3	AAA	A-
Motor Fuel Tax	Baa1	AA+	BBB+

See Subsequent Events in the footnotes for ratings changes in 2014.

Economic Factors and Next Year's Budgets and Rates

The City's finances are closely tied with the local, national, and global economies. Throughout 2013, the local and national economies continued to experience moderate growth with the recovery from the economic downturn. The commercial real estate market remained strong, and growth in the housing market picked up significantly. Home sales increased by 20 percent over 2012, and median home prices, which had been slower to recover, were 17 percent over 2012. In 2013, nationwide, retail sales grew 4 percent over 2012, with consumer confidence showing consistent improvement. The average national unemployment rate decreased from 8.1 percent in 2012 to 7.3 percent in 2013, and Chicago's unemployment rate was above 2012 during early and mid-2013 but began to tick downward during the fourth quarter. Tourism, business, and convention travel to Chicago remained strong in 2013, with 48.4 million visitors to the City, up 4 percent from 2012, and revenue per available room up 2 percent in 2013 from 2012.

The City's 2014 General Fund budget, totaling $3,290 million, was approved by a 45 to 5 vote of City Council on November 26, 2013. The 2014 budget balanced a preliminary budget shortfall of $339 million by cutting spending, increasing efficiencies, and implementing targeted revenue increases. The 2014 budget shortfall was the smallest preliminary budget deficit since the recession, demonstrating the progress and reforms made in the 2012 and 2013 budgets. The 2014 budget built on that progress, investing in youth, public safety, and critical infrastructure without the heavy reliance on nonrecurring revenue sources seen prior to 2012. The 2014 budget also commits an additional $5 million to the City's long-term reserves, following provisions of $20 million in 2012 and $15 million in 2013.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government'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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Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
December 31, 2013
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 695,927	$ 21,025	$ 716,952
Investments	1,307,700	352,361	1,660,061
Cash and Investments with Escrow Agent	462,837	-	462,837
Receivables (Net of Allowances):			
Property Tax	1,207,362	-	1,207,362
Accounts	1,039,145	308,480	1,347,625
Internal Balances	(39,359)	39,359	-
Inventories	24,788	23,106	47,894
Restricted Assets:			
Cash and Cash Equivalents	89,572	1,214,127	1,303,699
Investments	503,738	2,168,558	2,672,296
Other Assets	19,821	100,501	120,322
Capital Assets:			
Land, Art, and Construction in Progress	1,683,554	2,224,463	3,908,017
Other Capital Assets, Net of Accumulated Depreciation	6,310,028	10,987,873	17,297,901
Total Capital Assets	7,993,582	13,212,336	21,205,918
Total Assets	13,305,113	17,439,853	30,744,966
Deferred Outflows	266,041	274,124	540,165
Total Assets and Deferred Outflows	$ 13,571,154	$ 17,713,977	$ 31,285,131
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	$ 473,893	$ 366,190	$ 840,083
Short-term Debt	672	-	672
Accrued Interest	209,399	247,543	456,942
Accrued and Other Liabilities	389,694	156,143	545,837
Line of Credit Payable	144,673	-	144,673
Unearned Revenue	108,242	134,436	242,678
Long-term Liabilities:			
Due Within One Year	259,534	284,504	544,038
Derivative Instrument Liability	123,887	149,097	272,984
Due in More Than One Year	17,686,162	12,661,205	30,347,367
Total Liabilities	19,396,156	13,999,118	33,395,274
Deferred Inflows	1,597,326	1,663,636	3,260,962
Total Liabilities and Deferred Inflows	20,993,482	15,662,754	36,656,236
NET POSITION			
Net Investment in Capital Assets	(242,862)	2,446,242	2,203,380
Restricted for:			
Capital Projects	-	159,457	159,457
Debt Service	418,225	49,037	467,262
Special Taxing Areas	1,522,686	-	1,522,686
Passenger Facility Charges	-	133,234	133,234
Contractual Use Agreement	-	148,216	148,216
Airport Development Fund	-	261,027	261,027
Customer Facility Charges	-	84,915	84,915
Other Purposes	-	47,872	47,872
Unrestricted (Deficit)	(9,120,377)	(1,278,777)	(10,399,154)
Total Net Position	$ (7,422,328)	$ 2,051,223	$ (5,371,105)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	$ 2,667,205	$ 467,423
Public Safety	3,044,811	196,344
Streets and Sanitation	242,500	45,629
Transportation	400,506	46,076
Health	119,678	2,023
Cultural and Recreational	128,302	15,947
Interest on Long-term Debt	477,959	-
Total Governmental Activities	7,080,961	773,442
Business-type Activities:		
Water	442,474	637,114
Sewer	216,587	292,290
Chicago Midway International Airport	241,080	221,205
Chicago-O'Hare International Airport	920,781	870,654
Chicago Skyway	10,585	-
Total Business-type Activities	1,831,507	2,021,263
Total Primary Government	$ 8,912,468	$ 2,794,705

See notes to basic financial statements.

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	$ 449,381	$ -	$ (1,750,401)	$ -	$ (1,750,401)
	73,800	-	(2,774,667)	-	(2,774,667)
	-	-	(196,871)	-	(196,871)
	-	184,415	(170,015)	-	(170,015)
	93,848	-	(23,807)	-	(23,807)
	17,355	-	(95,000)	-	(95,000)
	-	-	(477,959)	-	(477,959)
	634,384	184,415	(5,488,720)	-	(5,488,720)
	-	2,056	-	196,696	196,696
	-	2,500	-	78,203	78,203
	-	4,975	-	(14,900)	(14,900)
	-	203,536	-	153,409	153,409
	-	-	-	(10,585)	(10,585)
	-	213,067	-	402,823	402,823
	$ 634,384	$ 397,482	(5,488,720)	402,823	(5,085,897)
General Revenues					
Taxes:					
Property Tax			906,740	-	906,740
Utility Tax			547,651	-	547,651
Sales Tax			307,837	-	307,837
Transportation Tax			381,080	-	381,080
Transaction Tax			344,493	-	344,493
Special Area Tax			306,057	-	306,057
Recreation Tax			169,129	-	169,129
Other Taxes			129,822	-	129,822
Grants and Contributions not Restricted to Specific Programs			754,716	-	754,716
Unrestricted Investment Earnings			(6,259)	(13,243)	(19,502)
Loss on capital assets			(16,886)		(16,886)
Miscellaneous			139,710	47,354	187,064
Total General Revenues			3,964,090	34,111	3,998,201
Change in Net Assets			(1,524,630)	436,934	(1,087,696)
Net Position - Beginning, as restated (Note 17)			(5,897,698)	1,614,289	(4,283,409)
Net Position - Ending			$ (7,422,328)	$ 2,051,223	$ (5,371,105)

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	$ 1,000	$ -	$ 614,600
Investments	77,543	47,723	493,981
Cash and Investments with Escrow Agent	-	-	-
Receivables (Net of Allowances):			
Property Tax	-	-	304,453
Accounts	196,042	6,133	3,029
Due From Other Funds	222,774	21,759	434,211
Due From Other Governments	237,221	438,962	-
Inventories	24,788	-	-
Restricted Cash and Cash Equivalents	389	3,220	1
Restricted Investments	-	-	-
Other Assets	-	4,075	-
Total Assets	$ 759,757	$ 521,872	$ 1,850,275
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	$ 166,614	$ 139,742	$ 40,359
Bonds, Notes and Other Obligations Payable - Current	-	-	-
Accrued Interest	-	-	-
Due To Other Funds	280,411	266,218	14,707
Accrued and Other Liabilities	115,232	8,383	5,129
Claims Payable	29,487	-	-
Unearned Revenue	956	61,049	-
Total Liabilities	592,700	475,392	60,195
Deferred Inflows	-	332,876	267,394
Fund Balance:			
Nonspendable	24,788	-	-
Restricted	-	5,880	1,522,686
Committed	-	-	-
Assigned	108,424	-	-
Unassigned	33,845	(292,276)	-
Total Fund Balance	167,057	(286,396)	1,522,686
Total Liabilities, Deferred Inflows and Fund Balance	$ 759,757	$ 521,872	$ 1,850,275

See notes to basic financial statements.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
$ 219	$ 28,187	$ 9,914	$ 42,007	$ 695,927
40	90,546	411,596	186,271	1,307,700
-	369,595	-	93,242	462,837
-	469,742	-	433,167	1,207,362
450	41,687	20,924	27,629	295,894
-	66	92,610	98,660	870,080
-	2,467	-	64,601	743,251
-	-	-	-	24,788
85,751	-	211	-	89,572
503,738	-	-	-	503,738
-	-	-	-	4,075
$ 590,198	$ 1,002,290	$ 535,255	$ 945,577	$ 6,205,224
$ -	$ -	$ 45,921	$ 50,410	$ 443,046
-	97,004	-	8,270	105,274
-	206,484	-	2,915	209,399
-	47,900	123,872	212,593	945,701
-	-	1,871	18,925	149,540
-	-	-	-	29,487
-	46,237	-	-	108,242
-	397,625	171,664	293,113	1,990,689
1,597,326	407,664	-	382,684	2,987,944
-	-	-	-	24,788
-	189,883	363,591	179,988	2,262,028
590,198	7,118	-	101,757	699,073
-	-	-	-	108,424
(1,597,326)	-	-	(11,965)	(1,867,722)
(1,007,128)	197,001	363,591	269,780	1,226,591
$ 590,198	$ 1,002,290	$ 535,255	$ 945,577	$ 6,205,224

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,993,582
Other long-term assets are not available to pay for current-period expenditures and therefore are recorded as deferred inflows in the funds	1,390,618
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(18,033,119)
Net position of governmental activities	$ (7,422,328)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	$ -	$ -	$ -
Utility Tax	456,869	-	-
Sales Tax (Local)	267,576	-	-
Transportation Tax	182,543	-	-
State Income Tax	308,899	-	-
State Sales Tax	316,105	-	-
Transaction Tax	288,383	-	-
Special Area Tax	-	-	332,040
Recreation Tax	169,129	-	-
Other Taxes	109,687	-	-
Federal/State Grants	1,871	706,831	-
Internal Service	306,523	-	-
Licenses and Permits	123,633	-	-
Fines	313,506	-	-
Investment Income	1,436	-	10,167
Charges for Services	126,286	-	22
Miscellaneous	58,045	-	928
Total Revenues	3,030,491	706,831	343,157
Expenditures:			
Current:			
General Government	885,268	339,898	277,420
Health	26,552	98,934	8
Public Safety	1,953,572	76,709	183
Streets and Sanitation	186,992	-	138
Transportation	52,420	250,329	70,989
Cultural and Recreational	-	16,790	1,007
Employee Pensions	-	-	-
Other	1,888	1,276	3,597
Capital Outlay	-	7,187	-
Debt Service:			
Principal Retirement	1,735	-	-
Interest and Other Fiscal Charges	647	-	
Total Expenditures	3,109,074	791,123	353,342
Revenues (Under) Over Expenditures	(78,583)	(84,292)	(10,185)

Continued on following pages.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 451,570	$ -	$ 414,579	$ 866,149
-	22,324	-	68,458	547,651
-	40,261	-	-	307,837
-	17,398	-	181,139	381,080
-	-	-	127,841	436,740
-	-	-	-	316,105
-	-	-	56,110	344,493
-	-	-	-	332,040
-	-	-	-	169,129
-	2	-	20,133	129,822
-	-	-	-	708,702
-	-	-	18,078	324,601
-	-	-	-	123,633
-	-	-	15,954	329,460
(20,650)	(9,812)	(1,060)	808	(19,111)
-	-	-	35,107	161,415
21,033	16,282	4,151	22,271	122,710
383	538,025	3,091	960,478	5,582,456
	-	-	331,972	1,834,558
-	-	-	1,105	126,599
-	-	-	4,432	2,034,896
-	-	-	54,657	241,787
-	-	-	69,461	443,199
-	-	-	79,690	97,487
-	-	-	444,748	444,748
-	-	-	920	7,681
-	-	268,002	65,292	340,481
-	244,223	-	51,194	297,152
-	436,104	-	27,836	464,587
-	680,327	268,002	1,131,307	6,333,175
383	(142,302)	(264,911)	(170,829)	(750,719)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt	$ -	$ -	$ -
Issuance of Line of Credit	-	-	-
Transfers In	21,018	3,984	79,088
Transfers Out	(10,583)	-	(45,631)
Total Other Financing Sources (Uses)	10,435	3,984	33,457
Net Changes in Fund Balance	(68,148)	(80,308)	23,272
Fund Balance, Beginning of Year	231,302	(206,088)	1,499,414
Change in Inventory	3,903	-	-
Fund Balance, End of Year	$ 167,057	$ (286,396)	$ 1,522,686

See notes to basic financial statements.

Service Concession Agreements and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 4	$ 81,490	$ 153,873	$ 235,367
-	-	144,673	-	144,673
-	-	1,930	54,302	160,322
(14,000)	(7,420)	(1)	(82,687)	(160,322)
(14,000)	(7,416)	228,092	125,488	380,040
(13,617)	(149,718)	(36,819)	(45,341)	(370,679)
(993,511)	346,719	400,410	315,121	1,593,367
-	-	-	-	3,903
$ (1,007,128)	$ 197,001	$ 363,591	$ 269,780	$ 1,226,591

Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds	$	(370,679)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		130,060
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		165,088
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments		(88,352)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(1,360,747)
Change in the net position of governmental activities	$	(1,524,630)

See notes to basic financial statements.

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:				
Utility Tax	$ 444,222	$ 444,222	$ 456,869	$ 12,647
Sales Tax	260,200	260,200	267,576	7,376
Transportation Tax	180,600	180,600	182,543	1,943
Transaction Tax	225,000	225,000	288,383	63,383
Recreation Tax	162,740	162,740	169,129	6,389
Business Tax	103,190	103,190	105,713	2,523
State Income Tax	260,604	260,604	308,899	48,295
State Sales Tax	302,858	302,858	316,105	13,247
State Auto Rental	3,800	3,800	3,974	174
Federal/State Grants	1,320	1,320	1,871	551
Internal Service	313,504	314,275	306,523	(7,752)
Licenses and Permits	110,157	110,157	123,633	13,476
Fines	330,620	330,620	313,506	(17,114)
Investment Income	3,500	3,500	1,436	(2,064)
Charges for Services	124,372	124,372	119,857	(4,515)
Municipal Utilities	9,048	9,048	6,429	(2,619)
Leases, Rentals and Sales	21,720	23,026	19,008	(4,018)
Miscellaneous	66,100	67,350	39,037	(28,313)
Issuance of Debt, Net of Original Discount	40,000	40,000	-	(40,000)
Budgeted Prior Years' Surplus and Reappropriations	177,000	177,000	77,241	(99,759)
Transfers In/Out	18,000	18,000	21,018	3,018
Total Revenues	3,158,555	3,161,882	3,128,750	(33,132)
Expenditures:				
Current:				
General Government	966,366	969,693	896,993	72,700
Health	29,317	29,317	28,538	779
Public Safety	1,905,429	1,905,429	1,961,803	(56,374)
Streets and Sanitation	199,486	199,486	186,731	12,755
Transportation	55,578	55,578	52,306	3,272
Debt Service:				
Principal Retirement	1,735	1,735	1,735	-
Interest and Other Fiscal Charges	644	644	644	-
Total Expenditures	3,158,555	3,161,882	3,128,750	33,132
Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
ASSETS AND DEFERRED OUTFLOWS						
CURRENT ASSETS:						
Cash and Cash Equivalents	$ 3,616	$ 1,558	$ 13,879	$ 1,206	$ 766	$ 21,025
Investments	129,496	59,476	55,621	107,447	321	352,361
Accounts Receivable (Net of Allowances)	136,367	78,735	10,679	66,631	56	292,468
Interest Receivable	77	-	46	181	-	304
Due from Other Funds	19,435	26,927	1,517	34,716	-	82,595
Due from Other Governments	-	-	68	15,640	-	15,708
Inventories	21,839	1,267	-	-	-	23,106
Total Current Assets	310,830	167,963	81,810	225,821	1,143	787,567
RESTRICTED ASSETS:						
Cash and Cash Equivalents	32,915	43,148	157,055	981,009	-	1,214,127
Investments	184,367	161,623	176,564	1,639,993	-	2,162,547
Interest Receivable	719	353	252	4,687	-	6,011
Total Restricted Assets	218,001	205,124	333,871	2,625,689	-	3,382,685
NONCURRENT ASSETS:						
Other Assets	5,134	4,442	6,644	74,206	10,075	100,501
Property, plant, and equipment:						
Land	5,083	560	113,747	884,636	12,609	1,016,635
Structures, Equipment and Improvements	3,774,083	2,285,083	1,500,776	7,769,955	490,818	15,820,715
Accumulated Depreciation	(914,396)	(463,609)	(473,507)	(2,757,985)	(223,345)	(4,832,842)
Construction Work in Progress	317,086	16,294	28,953	845,495	-	1,207,828
Total Property, Plant and Equipment ...	3,181,856	1,838,328	1,169,969	6,742,101	280,082	13,212,336
Total Noncurrent Assets	3,186,990	1,842,770	1,176,613	6,816,307	290,157	13,312,837
Total Assets	3,715,821	2,215,857	1,592,294	9,667,817	291,300	17,483,089
DEFERRED OUTFLOWS	111,907	74,973	24,270	62,974	-	274,124
Total Assets and Deferred Outflows	$ 3,827,728	$ 2,290,830	$ 1,616,564	$ 9,730,791	$ 291,300	$ 17,757,213

See notes to basic financial statements.

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
LIABILITIES						
CURRENT LIABILITIES:						
Voucher Warrants Payable	$ 22,227	$ 4,793	$ 21,689	$ 66,114	$ 98	$ 114,921
Due to Other Funds	15,217	14,925	7,017	6,062	15	43,236
Accrued and Other Liabilities	78,396	28,004	691	12,226	-	119,317
Unearned Revenue	21,250	16,730	6,237	90,219	-	134,436
Total Current Liabilities	137,090	64,452	35,634	174,621	113	411,910
PAYABLE FROM RESTRICTED ASSETS:						
Current Liabilities Payable From Restricted Assets	110,753	127,851	73,133	508,405	-	820,142
Total payable from restricted assets ..	110,753	127,851	73,133	508,405	-	820,142
NONCURRENT LIABILITIES:						
Revenue Bonds Payable	2,054,662	1,411,509	1,474,668	7,720,366	-	12,661,205
Derivative Instrument Liability	78,246	52,705	18,146	-	-	149,097
Total Noncurrent Liabilities	2,132,908	1,464,214	1,492,814	7,720,366	-	12,810,302
Total Liabilities	2,380,751	1,656,517	1,601,581	8,403,392	113	14,042,354
DEFERRED INFLOWS	-	-	-	-	1,663,636	1,663,636
NET POSITION:						
Net Investement in Capital Assets	1,233,185	481,946	(131,057)	582,086	280,082	2,446,242
Restricted Net Position:						
Debt Service	-	-	29,349	19,688	-	49,037
Capital Projects	719	73,858	7,148	77,732	-	159,457
Passenger Facility Charges	-	-	6,901	126,333	-	133,234
Contractual Use Agreement	-	-	25,944	122,272	-	148,216
Air Development Fund	-	-	-	261,027	-	261,027
Customer Facility Charge	-	-	21,403	63,512	-	84,915
Other	-	-	8,682	39,190	-	47,872
Unrestricted Net Position	213,073	78,509	46,613	35,559	(1,652,531)	(1,278,777)
Total Net Position	$ 1,446,977	$ 634,313	$ 14,983	$ 1,327,399	$ (1,372,449)	$ 2,051,223

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services	$ 620,498	$ 291,110	$ 90,002	$ 442,934	$ -	$ 1,444,544
Rent	-	-	85,187	274,746	-	359,933
Other	16,616	1,180	-	-	-	17,796
Total Operating Revenues	637,114	292,290	175,189	717,680	-	1,822,273
Operating Expenses:						
Personal Services	111,529	24,469	43,998	162,233	-	342,229
Contractual Services	55,398	3,267	19,144	81,070	-	158,879
Repairs and Maintenance	1,560	61,914	39,606	85,484	-	188,564
Commodities and Materials	25,276	-	-	-	-	25,276
Depreciation and Amortization	49,630	31,280	41,538	196,352	10,585	329,385
Capital Asset Impairment	-	-	-	205	-	205
General Fund Reimbursements	68,491	32,144	-	-	-	100,635
Other	38,338	-	18,368	97,262	-	153,968
Total Operating Expenses	350,222	153,074	162,654	622,606	10,585	1,299,141
Operating Income (Loss)	286,892	139,216	12,535	95,074	(10,585)	523,132
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	420	(4,965)	(1,000)	(7,699)	1	(13,243)
Interest Expense	(92,252)	(63,513)	(64,142)	(270,528)	-	(490,435)
Passenger Facility Charges	-	-	39,470	118,076	-	157,546
Customer Facility Charges	-	-	6,546	34,898	-	41,444
Noise Mitigation Costs	-	-	(11,859)	(19,639)	-	(31,498)
Cost of Issuance	-	-	(2,425)	(8,008)	-	(10,433)
Other	(1,513)	2,211	1,083	27,071	18,502	47,354
Total Nonoperating Revenues (Expenses)	(93,345)	(66,267)	(32,327)	(125,829)	18,503	(299,265)
Capital Grants	2,056	2,500	4,975	203,536	-	213,067
Net Income (Loss)	195,603	75,449	(14,817)	172,781	7,918	436,934
Net Position (Deficit) - Beginning of Year as restated (Note 17)	1,251,374	558,864	29,800	1,154,618	(1,380,367)	1,614,289
Net Position (Deficit) - End of Year	$ 1,446,977	$ 634,313	$ 14,983	$ 1,327,399	$ (1,372,449)	$ 2,051,223

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities:						
Received from Customers	$ 596,613	$ 270,903	$ 173,066	$ 705,690	$ -	$ 1,746,272
Payments to Vendors	(113,227)	(32,455)	(75,701)	(215,266)	-	(436,649)
Payments to Employees	(111,528)	(43,249)	(35,563)	(157,461)	-	(347,801)
Transactions with Other City Funds	(61,653)	(39,208)	(8,745)	(47,576)	-	(157,182)
Cash Flows Provided By Operating Activities	310,205	155,991	53,057	285,387	-	804,640
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds	276	36,535	367,833	1,165,706	-	1,570,350
Acquisition and Construction of Capital Assets	(369,685)	(210,071)	(44,443)	(356,561)	-	(980,760)
Capital Grant Receipts	-	2,500	4,907	206,168	-	213,575
Bond Issuance Costs	(418)		(2,425)	(8,008)	-	(10,851)
Payment to Refund Bonds		-	(279,880)	(472,310)	-	(752,190)
Principal Paid on Debt	(42,439)	(29,690)	(23,475)	(111,085)	-	(206,689)
Interest Paid	(107,900)	(63,627)	(74,698)	(362,658)	-	(608,883)
Passenger Facility Charges	-	-	38,834	120,447	-	159,281
Customer Facility Charges	-	-	6,546	34,898	-	41,444
Other	-		1,083	27,072	14	28,169
Cash Flows (Used in) Provided By Capital and Related Financing Activities	(520,166)	(264,353)	(5,718)	243,669	14	(546,554)
Cash Flows from Non Capital Financing Activities:						
Noise Mitigation Program	-	-	(11,859)	(19,639)	-	(31,498)
Cash Flows Used in Non Capital Financing Activities	-	-	(11,859)	(19,639)	-	(31,498)
Cash Flows from Investing Activities:						
Sale (Purchases) of Investments, Net	125,764	66,427	(1,458)	(344,343)	(86)	(153,696)
Investment Income (Loss)	(2,803)	(2,297)	2,604	14,232	1	11,737
Cash Flows Provided By (Used in) Investing Activities	122,961	64,130	1,146	(330,111)	(85)	(141,959)
Net Increase (Decrease) in Cash and Cash Equivalents	(87,000)	(44,232)	36,626	179,306	(71)	84,629
Cash and Cash Equivalents, Beginning of Year	123,531	88,938	134,308	802,909	837	1,150,523
Cash and Cash Equivalents, End of Year	$ 36,531	$ 44,706	$ 170,934	$ 982,215	$ 766	$ 1,235,152

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	$ 286,892	$ 139,216	$ 12,535	$ 95,074	$ (10,585)	$ 523,132
Adjustments to Reconcile:						
Depreciation and Amortization	49,630	31,280	41,539	196,352	10,585	329,386
Capital Asset Impairment				205		205
Provision for Uncollectible Accounts	25,400	12,460	109	-	-	37,969
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(35,005)	(17,730)	(1,974)	(5,226)	-	(59,935)
(Increase) Decrease in Due From Other Funds	1,172	(8,086)	12,387	(6,234)	-	(761)
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	(4,005)	1,177	(12,641)	6,057	-	(9,412)
Increase (Decrease) in Unearned Revenue and Other Liabilities	(9,396)	(2,522)	(367)	(6,765)	-	(19,050)
(Increase) Decrease in Inventories and Other Assets	(4,483)	196	1,469	5,924	-	3,106
Cash Flows from Operating Activities	$ 310,205	$ 155,991	$ 53,057	$ 285,387	$ -	$ 804,640
Supplemental Disclosure of Noncash Items:						
Capital asset additions in 2013 have outstanding accounts payable and accrued and other liabilities	$ 42,834	$ 64,452	$ 20,709	$ 121,429	$ -	$ 249,424

See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 268,679	$ 110,006
Investments	-	89,458
Investments, at Fair Value		
Bonds and U.S. Government Obligations	2,288,921	-
Stocks	5,614,189	-
Mortgages and Real Estate	691,438	-
Other	2,013,084	-
Cash and Investments with Escrow Agent	-	8,303
Property Tax Receivable	-	91,209
Accounts Receivable, Net	668,328	62,639
Due From City	36,262	-
Property, Plant, Equipment and other	807	
Invested Securities Lending Collateral	1,214,601	-
Total Assets	$ 12,796,309	$ 361,615
Deferred Outflows	$ 92	
LIABILITIES		
Voucher Warrants Payable	$ 320,547	$ 38,153
Accrued and Other Liabilities	-	323,462
Securities Lending Collateral	1,214,601	-
Total Liabilities	1,535,148	$ 361,615
NET POSITION		
Held in Trust for Employees	11,261,253	
Total Net Position	$ 11,261,253	

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2013
(Amounts are in Thousands of Dollars)

	Total
ADDITIONS	
Contributions:	
Employees	$ 283,774
City	466,916
Total Contributions	750,690
Investment Income:	
Net Appreciation in	
Fair Value of Investments	1,371,750
Interest, Dividends and Other	224,257
Investment Expense	(51,449)
Net Investment Income	1,544,558
Securities Lending Transactions:	
Securities Lending Income	3,616
Securities Lending Expense	689
Net Securities Lending Transactions	4,305
Total Additions	2,299,553
DEDUCTIONS	
Benefits and Refunds of Deductions	1,819,856
Administrative and General	18,046
Total Deductions	1,837,902
Net Increase in Net Position	461,651
Net Position:	
Beginning of Year	10,799,602
End of Year	$ 11,261,253

See notes to basic financial statements.

1) Summary of Significant Accounting Policies

The City of Chicago (City), incorporated in 1837, is a "home rule" unit under State of Illinois (State) law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City's 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Effective January 1, 2013, the City adopted the following GASB Statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The financial reporting impact resulting from the implementation of GASB 65 is primarily the change in presentation of certain balances from Deferred Revenue to Deferred Inflows, primarily property tax and grant revenues deferred due to time availability restrictions and from contra-long term liabilities to Deferred Outflows for unamortized loss on refundings. Bond issuance costs and noise mitigation costs, which were recorded as other assets, have been recorded as outflows of resources as they no longer meet the asset or deferred outflows definition as of January 1, 2013. GASB 65 was effective for the City's financial statements for the fiscal year ended December 31, 2013. Beginning Net Position was restated as a result of implementation of this standard (see Note 17).

GASB Statement No. 66, *Technical Corrections -2012- an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"). The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* There was no impact on the City's Financial Statements as a result of the implementation of GASB 66.

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. GASB 68 will be effective for the City beginning with its year ending December 31, 2015. GASB 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB 69 will be effective for the City beginning with its year ending December 31, 2014. GASB 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"), establishes accounting and financial reporting standards for financial guarantees that are

nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. GASB 70 will be effective for the City beginning with its year ending December 31, 2014. GASB 70 requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* ("GASB 71"), relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB 71 will be effective for the City beginning with its year ending December 31, 2015. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

a) **Reporting Entity** - The City includes the Chicago Public Library. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code).

The City's financial statements include the following legal entities as fiduciary trust funds:

The Municipal Employees' Annuity and Benefit Fund of Chicago is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

The Policemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

The Firemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

Financial statements for each of the pension plans may be obtained at the respective fund's office.

Related Organizations - City officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no financial accountability or fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Building Commission, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

b) **Government-wide and fund financial statements -** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these

statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is recorded as deferred inflows unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Service Concession and Reserve Fund accounts for monies committed for mid and long term uses. The Mid-term portion is subject to appropriation for neighborhood human infrastructure programs, health, and other initiatives, whereas the Long-term portion is committed for future budgetary and credit rating stabilization. These reserves were created as a result of the Skyway Lease and Parking Meter System transactions. The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of the leases.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities.

Within the governmental fund types, fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

Restricted - includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (i.e, City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. The City's highest level of decision-making authority is held by the City Council. The City Council passes Ordinances to commit their fund balances.

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the City Council itself; or b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. The Budget Director or Comptroller have authority to assign amounts related to certain legal obligations outside of the appropriation process within the General Fund. Within the other governmental fund types (special revenue, debt service, capital projects) resources are assigned in accordance with the established fund purpose and approved appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned – includes the residual fund balance that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water treatment facilities and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger services. Midway Airport is conveniently located 10 miles from downtown Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 169 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 20 gates and five

remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

Chicago Skyway Fund records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of $1.83 billion.

Additionally, the City reports the following fiduciary funds:

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

Agency Funds account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods and services, or privileges provided, or fines, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The airport funds' principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities 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. Accordingly, actual results could differ from those estimates.

d) **Assets, liabilities, deferred inflows, deferred outflows, and net position or equity**

i) Cash, Cash Equivalents and Investments generally are held with the City Treasurer as required by 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 City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

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

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval. The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

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 that are pledged to secure these agreements have a fair value equal to the cost of the repurchase agreements plus accrued interest.

Investments generally may not have a maturity date in excess of ten years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

State statutes and the City's Pension Plans' policies permit lending Pension Plan securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and represent nonspendable resources because they do not represent expendable available financial resources.

iv) **Assets Held for Resale** includes land and buildings of $4.1 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.

v) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted or committed in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or specific City Council action.

The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

vi) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than $5,000 (not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was $1,061.8 million, of which $106.8 million was capitalized as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method, in the year subsequent to acquisition or when placed into service, over the following estimated useful lives:

Asset	Useful life
Utility plant	25 - 100 years
Utility structures and improvements	50 - 100 years
Buildings and improvements	15 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads	5 - 30 years
Bridge infrastructure	10 - 40 years
Lighting infrastructure	25 years
Street infrastructure	10 - 25 years
Transit infrastructure	40 years
Equipment (vehicle, office, and computer)	5 - 20 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

vii) **Deferred Outflows** represent the fair value of derivative instruments that are deemed to be effective hedges and unamortized loss on bond refundings.

viii) **Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be partially 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. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. Third-party administrators who maintain the investment portfolio administer the Plan. 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 of Illinois 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. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

ix) **Judgments and claims** are included in the government-wide financial statements and proprietary fund types. 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 of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.

x) **Long-term obligations** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life 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.

The City enters into interest rate swap agreements to modify interest rates and/or cash flows on outstanding debt. For existing swaps, the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. Interest rate swaps and swaptions are approved through the bond ordinance by City Council. Certain bond ordinances, approved by City Council, provide that an authorized officer, such as the Mayor or Chief Financial Officer, can execute and deliver or modify swap agreements. For swaps related to O'Hare Bonds, airline approval is also required before entering into a swap agreement.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts given on debt issued are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

Long-term purchase obligation represents an agreement with DuPage Water Commission to construct electrical generation facilities not to exceed $15.0 million. The payment of the obligation will be in the form of credits against the charges for water supplied. There were no outstanding LTPO as of December 31, 2013.

The City's contributions to the four Pension Plans primarily serving City employees is set by State law. In recent years, those contributions have been lower than the actuarially required amounts which increased the long-term unfunded actuarial liabilities of those Plans. Recurring cash inflows from all sources to the Plans (including City contributions, employee contributions, and investment earnings) have been lower than the cash outlays of the Plans in some recent years. As a result, the Plans have liquidated investments and used assets of the Plans to satisfy their respective current payment obligations in those years. The use of assets by the Plans for these purposes reduces the amount of assets on hand to pay benefits or earn investment returns in the future.

Current State law, including recently enacted legislation for the Municipal Employees' and Laborers' Plans known as Public Act 98-641 (P.A. 98-641), requires the City to significantly increase contributions to all four Plans beginning in 2016 until contributions reach the actuarially required amounts by 2021. P.A. 98-641 also makes certain modifications to the annual adjustment of benefits for those Plans' approximately 78,000 members (including current retirees and all employees) and requires substantial increases in employee contributions toward the cost of their retirement benefits. The increased contributions for Municipal Employees and Laborers pension plans would be in addition to increased contributions required to fund Police and Fire pension plans that were passed into law in 2010.

xi) **Deferred inflows** represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements. In the fund financials, grants that meet all of the eligibility criteria except for time availability and property taxes levied for a future period are also included in deferred inflows.

xii) **Fund equity** in the government-wide statements is classified as net position and displayed in three components:

(1) Net investement in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or are legally restricted through constitutional provisions or enabling legislation.

Restricted net position for business activities are provided in Exhibit 7, Statement of Net Position, Proprietary Funds.

(3) Unrestricted - All other net position that do not meet the definition of "restricted" or "net investement in capital assets."

2) **Reconciliation of Government-wide and Fund Financial Statements**

a) **Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position**.

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this $1,390.6 million are as follows (dollars in thousands):

Deferred inflows - property tax	$ 1,057,742
Deferred inflows - grants	332,876
Net adjustment to increase fund balance - total governmental funds - to arrive at net position - governmental activities	$ 1,390,618

ii) Another element of that reconciliation explains that "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $18,033.1 million are as follows (dollars in thousands):

Long-term liabilities:	
Total bonds, notes and certificates payable	$ 9,295,727
Pension and other postemployment benefits	7,589,929
Lease obligation	171,674
Pollution remediation	8,598
Claims and judgments	879,768
Total Long-term liabilities	17,945,696
Accounts payable - infrastructure retainage	30,847
Bonds, notes and other obligations payable current	(104,602)
Other assets - issuance costs (bond insurance)	(16,499)
Deferred outflows-unamortized loss on refunding	(160,442)
Line of credit payable	144,673
Accrued interest	753
Derivative instrument liability	18,288
Accrued and other liabilities - contractual obligations	85,036
Accrued and other liabilities - compensated absences	89,369
Net adjustment to reduce fund balance - total governmental funds - to arrive at net position - governmental activities	$ 18,033,119

b) **Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**.

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net

position - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $130.1 million are as follows (dollars in thousands):

Capitalized asset expenditures	$	499,038
Donated assets		17,000
Depreciation expense		(369,092)
Loss - disposal of land, equipment		(16,886)
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	$	130,060

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position." The details of this decrease of $88.4 million are as follows (dollars in thousands):

Proceeds of debt	$	(235,367)
Principal retirement		297,152
Proceeds of line of credit		(144,673)
Interest expense		(5,464)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	$	(88,352)

iii) A third element of that reconciliation states that "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this decrease of $1,360.7 million are as follows (dollars in thousands):

Claims and judgments	$	8,825
Pension and other post employment benefit liabilities		(1,282,759)
Pollution remediation		(225)
Vacation		3,206
Lease obligations		(8,661)
Contractual obligations		(85,036)
Inventory		3,903
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	$	(1,360,747)

3) **Stewardship, Compliance and Accountability**

a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:

i) Prior to November 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.

ii) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.

iii) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.

iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request.

v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

b) **Reconciliation of GAAP Basis to Budgetary Basis -** The City’s budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are included in “Unassigned” fund balance for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years’ resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2013 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 3,030,491
Add:	
Transfers In	21,018
Prior Year's Surplus Utilized	77,241
Revenues, Budgetary Basis	$ 3,128,750
Expenditures, GAAP Basis	$ 3,109,074
Add:	
Transfers Out	10,583
Encumbered in 2013	28,491
Deduct:	
Payments on Prior Years' Encumbrances	(13,927)
Provision for Doubtful Accounts and Other	(5,471)
Expenditures, Budgetary Basis	$ 3,128,750

c) **Individual Fund Deficits** includes the Chicago Skyway Fund, an Enterprise Fund, has a fund deficit of $1,372.4 million which management anticipates will be funded through recognition of deferred inflows. Federal State and Local Grants, a governmental fund, has a deficit of $286.4 million and will be funded by the recognition of deferred grant inflows. Also, the Service Concession and Reserve Fund, a Special Revenue Fund, has a deficit fund balance of $1007.1 million which will be funded through the recognition of deferred inflows.

4) **Restricted and Unrestricted Cash, Cash Equivalents and Investments**

a) **Investments** As of December 31, 2013, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
	Less Than 1	1-5	6-10	More Than 10	Total
City Funds					
U.S. Treasuries	$ -	$ -	$ 40,908	$ -	$ 40,908
U.S. Agencies*	332,124	2,685,494	591,306	102,007	3,710,931
Commercial Paper	127,555	-	-	-	127,555
Corporate Bonds	25,537	235,426	46,131	86,474	393,568
Corporate Equities	898	-	-	-	898
Municipal Bonds	31,272	283,408	114,233	12,496	441,409
Certificates of Deposit and Other Short-term	1,830,238	-	-	-	1,830,238
Total City Funds	$ 2,347,624	$ 3,204,328	$ 792,578	$ 200,977	$ 6,545,507

*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

Pension Trust Funds	Less Than 1	1-5	6-10	More Than 10	Total
U.S. and Foreign Government Agencies	$ 304,062	$ 348,959	$ 132,147	$ 396,773	$ 1,181,941
Corporate Bonds	1,037,068	500,284	380,075	256,425	2,173,852
Corporate Equities	6,074,216	-	-	-	6,074,216
Pooled Funds	173,939	3,136	23,638	-	200,713
Real Estate	651,102	-	-	-	651,102
Securities Received from Securities Lending	1,214,602	-	-	-	1,214,602
Venture Capital	450,870	-	-	-	450,870
Certificates of Deposit and Other Short-term	107,590	-	-	-	107,590
Other	35,539				35,539
Total Pension Trust Funds	$ 10,048,988	$ 852,379	$ 535,860	$ 653,198	$ 12,090,425
Total	$ 12,396,612	$ 4,056,707	$ 1,328,438	$ 854,175	$ 18,635,932

i) *Interest Rate Risk – A*s a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

ii) *Credit Risk* – The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 percent by marketable U.S. government securities marked to market at least monthly; or 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 maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (in thousands):

Quality Rating	City	Quality Rating	Pension Trust Funds
Aaa/AAA.......................	$ 123,592	Aaa/AAA.........................	$ 104,764
Aa/AA............................	4,065,391	Aa/AA.............................	170,509
A/A................................	255,212	A/A..................................	275,089
Baa/BBB.......................	10,019	Baa/BBB.........................	351,145
Ba/BB............................	-	Ba/BB.............................	148,296
B/B................................	25,809	B/B..................................	133,811
Caa/CCC.......................	-	Caa/CCC........................	32,020
Ca.................................	-	Ca...................................	1,466
C/CC.............................	-	C/CC...............................	527
D/D................................	-	D/D.................................	2,475
P1/A1............................	209,346	Not Rated.......................	338,363
Not Rated*....................	1,856,138	Other...............................	802,088
Total Funds...................	$ 6,545,507		$ 2,360,553

* Not rated is primarily composed of money market mutual funds

iii) *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 deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 102 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories was $490.6 million. 99.2 percent of the bank balance was either insured or collateralized with securities held by City agents in the City's name. $4.0 million was uncollateralized at December 31, 2013, and thus was subject to custodial credit risk.

iv) *Custodial Credit Risk – Investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no custodial credit risk exposure because investment securities are insured, registered and held by the City.

v) *Foreign Currency Risk* - In the case of the Pension Trust Funds, is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds exposure to foreign currency risk (in thousands):

Foreign Currency Risk	
Australian dollar	$ 82,653
Brazilian real	60,256
British pound	375,432
Canadian dollar	82,303
Chilean peso	2,126
Chinese yuan	314
Columbian peso	2,840
Czech Republic koruna	2,765
Danish krone	26,049
Egyptian pound	339
European euro	455,810
Hong Kong dollar	184,498
Hungarian forint	342
Indian rupee	32,830
Indonesian rupiah	12,710
Japanese yen	343,169
Keyan shilling	165
Malaysian ringgit	9,964
Mexican peso	26,976
Moroccan dirham	4
New Israeli shekel	9,114
New Taiwan dollar	24,879
New Zealand dollar	5,462
Nigeria Naira	2,063
Norwegian krone	22,885
Pakistan rupee	334
Philippines peso	4,521
Polish zloty	2,644
Qatari riyal	1,235
Singapore dollar	21,359
South African rand	36,978
South Korean won	62,838
Swedish krona	45,289
Swiss franc	105,653
Taiwan dollar	5,708
Thailand baht	7,721
Turkish lira	11,920
United Arab Emirates dirham	4,702
Total Pension Trust Funds	$ 2,076,850

vi) The following schedule summarizes the cash and investments reported in the basic financial statements(dollars in thousands):

Per Note 4:		
Investments - City	$	6,545,507
Investments - Pension Trust Funds		12,090,425
	$	18,635,932
Per Financial Statements:		
Restricted Investments	$	2,672,296
Unrestricted Investments		1,660,061
Investments with Fiduciary Funds		10,697,090
Investments with Escrow Agent		471,140
Invested Securities Lending Collateral		1,214,601
Investments Included as Cash and Cash Equivalents on the Statements of Net Position		1,920,744
	$	18,635,932

5) **Property Tax**

The City's property tax becomes lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into nine classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 16.0 percent for certain residential, commercial, and industrial property to 38.0 percent for other commercial and industrial property.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State (to which the Equalization Factor is not applied) to arrive at the base amount (Assessment Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Assessment Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is estimated and is 55.0 percent of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization and also reflects any changes from the prior year.

The City Council has adopted an ordinance beginning in 1994, limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index, all as defined in the ordinance. The ordinance provides a safe

harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Increases in the debt service portion of each levy may, however, reduce amounts available within such levy to finance operations.

6) **Interfund Balances and Transfers**

a) The following balances at December 31, 2013 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental Funds:		
General	$ 222,774	$ 280,411
Federal, State and Local Grants	21,759	266,218
Special Taxing Areas	434,211	14,707
Bond, Note Redemption and Interest	66	47,900
Community Development and Improvement Projects	92,610	123,872
Nonmajor Governmental Funds	98,660	212,593
Total Governmental Funds	870,080	945,701
Enterprise Funds:		
Water	19,435	15,217
Sewer	26,927	14,925
Chicago Midway International Airport	1,517	7,017
Chicago-O'Hare International Airport	34,716	6,062
Chicago Skyway	-	15
Total Enterprise Funds	82,595	43,236
Fiduciary activities:		
Pension Trust	36,262	-
Total Fiduciary activities	36,262	-
Total	$ 988,937	$ 988,937

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

b) The following balances at December 31, 2013 represent interfund transfers among all funds (dollars in thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental Funds:		
General	$ 21,018	$ 10,583
Federal, State and Local Grants	3,984	-
Special Taxing Areas	79,088	45,631
Service Concession and Reserve	-	14,000
Bond, Note Redemption and Interest	-	7,420
Community Development and Improvement Projects	1,930	1
Nonmajor Governmental Funds	54,302	82,687
Total Governmental Funds	$ 160,322	$ 160,322

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

7) **Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2013 was as follows (dollars in thousands):

	Balance January 1, 2013	Additions	Disposals and Transfers	Balance December 31, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,404,501	$ 1,879	$ (13,767)	$ 1,392,613
Works of Art and Historical Collections	13,183	17,566	-	30,749
Construction in Progress	644,325	433,787	(817,920)	260,192
Total capital assets, not being depreciated	2,062,009	453,232	(831,687)	1,683,554
Capital assets, being depreciated:				
Buildings and Other Improvements	2,489,846	55,853	-	2,545,699
Machinery and Equipment	1,365,645	46,764	(30,864)	1,381,545
Infrastructure	7,379,871	771,962	-	8,151,833
Total capital assets, being depreciated	11,235,362	874,579	(30,864)	12,079,077
Less accumulated depreciation for:				
Buildings and Other Improvements	812,211	65,484	-	877,695
Machinery and Equipment	1,110,005	73,430	(27,745)	1,155,690
Infrastructure	3,505,486	230,178	-	3,735,664
Total accumulated depreciation	5,427,702	369,092	(27,745)	5,769,049
Total capital assets, being depreciated, net	5,807,660	505,487	(3,119)	6,310,028
Total governmental activities	$ 7,869,669	$ 958,719	$ (834,806)	$ 7,993,582
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,024,680	$ 2,450	$ (10,495)	$ 1,016,635
Construction in Progress	1,548,291	694,153	(1,034,616)	1,207,828
Total capital assets, not being depreciated	2,572,971	696,603	(1,045,111)	2,224,463
Capital assets, being depreciated:				
Buildings and Other Improvements	13,801,351	1,222,159	114,617	15,138,127
Machinery and Equipment	653,800	11,047	17,741	682,588
Total capital assets, being depreciated	14,455,151	1,233,206	132,358	15,820,715
Less accumulated depreciation for:				
Buildings and Other Improvements	4,183,103	304,984	(1,559)	4,486,528
Machinery and Equipment	329,501	19,979	(3,166)	346,314
Total accumulated depreciation	4,512,604	324,963	(4,725)	4,832,842
Total capital assets, being depreciated, net	9,942,547	908,243	137,083	10,987,873
Total business-type activities	$ 12,515,518	$ 1,604,846	$ (908,028)	$ 13,212,336
Total Capital Assets	$ 20,385,187	$ 2,563,565	$ (1,742,834)	$ 21,205,918

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General Government	$	64,072
Public Safety		21,021
Streets and Sanitation		12,943
Transportation		238,941
Health		1,029
Cultural and Recreational		31,086
Total Depreciation Expense - Governmental Activities	$	369,092
Business-type Activities:		
Water	$	49,212
Sewer		30,433
Chicago Midway International Airport		42,959
Chicago-O'Hare International Airport		191,886
Chicago Skyway		10,473
Total Depreciation Expense - Business-type Activities	$	324,963

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $18.3 million for the year ended December 31, 2013.

The future minimum lease payments for these leases are as follows (dollars in thousands):

2014	$	12,876
2015		7,920
2016		3,515
2017		2,324
2018		1,986
2019 - 2023		8,857
2024 - 2028		343
2029 - 2033		288
2034 - 2038		216
2039 - 2042		109
Total Future Rental Expense	$	38,434

b) **Capital Leases**

During 2003, the City entered into lease and lease back agreements with third parties pertaining to 911 Center Qualified Technological Equipment (QTE), with a book value of $143.3 million at December 31, 2003. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

During 2005, the City entered into sale and lease back agreements with third parties pertaining to the City owned portion of a rapid transit line with a book value of $430.8 million at December 31, 2005. Under the lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

The future minimum payments for these leases are as follows (dollars in thousands):

Year Ending December 31,	Total
2014	$ 9,000
2015	9,000
2016	9,000
2017	9,000
2018	18,977
2019 - 2023	86,167
2024 - 2028	8,858
2029 - 2032	165,164
Total Minimum Future Lease Payments	315,166
Less Interest	143,492
Present Value of Minimum Future Lease Payments	$ 171,674

c) **Lease Receivables**

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2013 (dollars in thousands):

2014	$ 94,624
2015	77,337
2016	77,334
2017	77,613
2018	76,162
2019 - 2023	103,171
Total Minimum Future Rental Income	$ 506,241

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to $376.2 million, including contingent rentals of $92.1 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2013 (dollars in thousands):

2014	$	38,527
2015		34,990
2016		34,282
2017		26,763
2018		26,609
2019 - 2023		133,045
2024 - 2028		133,045
Total Minimum Future Rental Income	$	427,261

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $99.0 million, including contingent rentals of $46.0 million.

9) **Short-term Debt**

a) **Matured bonds** represent principal due on coupon bonds in which the coupons have not been presented for payment. For the year ended December 31, 2013, there was minor activity; the balance remained at $0.7 million.

b) **Line of Credit** In 2013, the City borrowed $144.7 million from its line of credit, to pay for specific capital projects in 2013. This was paid off in early 2014 with the issuance of the 2014 General Obligation Bonds. The City's line of credit outstanding at December 31, 2013 is as follows (dollars in thousands):

Governmental Activities:	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
Line of Credit	$ -	$ 144,673	$ -	$ 144,673

The City had the intent and the ability to refinance the line of credit on a long term basis, thus the line of credit was not classified as a liability in the fund financials and was classified as a long term liability in the government-wide statement of net position.

10) **Long-term Obligations**

a) **Long-term Debt** activity for the year ended December 31, 2013 was as follows (in thousands):

	Balance January 1, 2013*	Additions	Reductions	Balance December 31, 2013	Amounts Due within One Year
Governmental activities:					
Bonds, notes and commercial paper payable:					
General obligation debt and commercial paper......	$ 8,011,830	$ 235,367	$ 246,832	$ 8,000,365	$ 95,662
Tax increment	112,151	-	23,754	88,397	17,562
Revenue	770,312	-	17,150	753,162	18,040
	8,894,293	235,367	287,736	8,841,924	131,264
Add unamortized premium	175,820	-	15,806	160,014	-
Add accretion of capital appreciation bonds	283,010	32,821	22,042	293,789	27,599
Total bonds, notes and certificates payable	9,353,123	268,188	325,584	9,295,727	158,863
Other liabilities:					
Pension and other postemployment benefits obligations	6,364,927	1,247,172	22,170	7,589,929	
Lease obligations	163,013	8,765	104	171,674	9,000
Pollution Remediation	8,373	225	-	8,598	-
Claims and judgments	888,593	120,631	129,456	879,768	91,671
Total other liabilities	7,424,906	1,376,793	151,730	8,649,969	100,671
Total governmental activities	$ 16,778,029	$ 1,644,981	$ 477,314	$ 17,945,696	$ 259,534
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 2,030,177	$ 9,121	$ 42,440	$ 1,996,858	$ 43,846
Sewer	1,363,774	35,375	29,690	1,369,459	37,929
Chicago-O'Hare International Airport	7,132,561	1,146,655	614,011	7,665,205	168,895
Chicago Midway International Airport	1,441,329	357,034	303,355	1,495,008	24,665
	11,967,841	1,548,185	989,496	12,526,530	275,335
Add unamortized premium	309,284	61,725	40,987	330,022	
Add accretion of capital appreciation bonds	88,809	9,098	8,749	89,158	9,170
Total business-type activities	$ 12,365,934	$ 1,619,008	$ 1,039,232	$ 12,945,710	$ 284,505
Total long-term obligations	$ 29,143,963	$ 3,263,989	$ 1,516,546	$ 30,891,406	$ 544,039

** Due to the implementation of GASB 65, the balance related to unamortized loss on refunding has been removed from the beginning balance and presented as deferred outflows*

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and State Personal Property Replacement Tax revenues.

b) **Issuance of New Debt**

i) Commercial Paper Notes

During 2013, the City issued $235.4 million in commercial paper notes for certain capital and operating uses. The City has excluded commercial paper from current liabilities, as it intends and has the ability to refinance the obligation on a long-term basis.

ii) General Obligation Bonds

In January 2013, the City entered into two swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with PNC Bank, N.A. (PNC) for a notional amount of $48.2 million and The Bank of New York Mellon (BNYM) for a notional amount of $144.6 million. The agreement with PNC is effective March 1, 2014 through January 1, 2019 and the agreement with BNYM is effective November 1, 2014 through January 1, 2019. Under both agreements the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR. Together with the existing underlying swaps on the bonds, in which the City pays 4.052 percent and receives 66.91 percent of 10 year LIBOR, the net effect is that the City will pay a fixed rate of 4.052 percent and receive 75 percent of one month LIBOR through January 1, 2019, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a total upfront payment of $7.5 million.

In June 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to complete the Wacker Drive Reconstruction Project. The loan amount of $98.66 million will fund the Chicago Riverwalk along the main branch of the Chicago River. The interest rate is 3.33% and the final maturity of the loan is January 1, 2048. There have been no loan disbursements made to the City as of December 31, 2013.

iii) Enterprise Fund Revenue Bonds and Notes

Chicago O'Hare International Airport General Airport Senior Lien Revenue and Revenue Refunding Bonds, Series 2013A-D ($897.9 million) were sold at a premium in October 2013. The bonds have interest rates ranging from 2.0 percent to 5.5 percent and maturity dates from January 1, 2014 to January 1, 2044. Net proceeds of $940.7 million will be used to fund certain projects ($267.9 million), repay certain outstanding Commercial Paper ($77.7 million), to refund certain General Airport Revenue Bonds maturities of bonds outstanding ($485.7 million), to fund debt service reserves ($82.6 million), and to fund capitalized interest ($26.9 million). The current refunding of the bonds decreased the City's total debt service payments by $1.8 million, resulted in a net economic gain of approximately $56.9 million and a book loss of approximately $18.1 million.

Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013 ($248.8 million) were sold at a premium in August 2013. The bonds have interest rates ranging from 3.5 percent to 5.75 percent and maturity dates from January 1, 2018 to January 1, 2043. Net proceeds of $247.2 million will be used to fund certain projects ($183.4 million), to fund debt service reserves ($18.3 million), and to fund capitalized interest ($45.5 million).

In August 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to fund a portion of Consolidated Rental Car Facility at O'Hare, additions, extensions and improvements to the airport transit system (ATS) including the purchase of new ATS vehicles and certain public parking facilities. The loan amount of $288.1 million is subordinate to the O'Hare Customer Facility Charge Senior Lien Revenue Bonds, Series 2013. The interest rate is 3.86% and the final maturity of the loan is January 1, 2052. There have been no loan disbursements made to the City as of December 31, 2013.

Chicago Midway International Airport Senior Lien Revenue Refunding Bonds, Series 2013A-C ($334.0 million) were sold at a premium in November 2013. The bonds have interest rates ranging from 0.74 percent to 5.5 percent and maturity dates from January 1, 2015 to January 1, 2035. Net proceeds of $342.1 million and other monies ($4.0 million) will be used to refund certain General Airport Revenue Bonds maturities of bonds outstanding ($290.2 million), to fund debt service reserves ($25.8 million), and to retire Midway Commercial Paper Notes ($30.1 million). The current refunding of the bonds increased the City's total debt service payments by $130.2 million, resulted in a net economic gain of approximately $10.4 million and a book loss of approximately $0.9 million.

In 2013, the Water Fund drew $3.0 million from the Illinois Environment Protection Agency loan agreement to install water meters. The loan has an interest rate of 1.25% with maturity dates from November 1, 2013, to November 1, 2032. In addition, the Water Fund drew $6.0 million from the Illinois Environment Protection Agency loan agreement. The loan has an interest rate of 1.25% with maturity dates from December 27, 2013 to December 27, 2032.

In 2013, the Sewer Fund drew $17.6 million from the Illinois Environment Protection Agency loan agreement line existing sewer pipes throughout the city. The loan has an interest rate of 1.25% with maturity dates from March 20, 2014 to March 20, 2033. In addition, the Sewer Fund drew $17.8 million from the Illinois Environment Protection Agency loan agreement. The loan has an interest rate of 1.25% with maturity dates from December 30, 2013 to December 30, 2032.

In 2013, $46.8 million of Chicago O'Hare International Airport Commercial Paper Notes were issued, and $77.7 million were paid. Outstanding Chicago O'Hare Commercial Paper Notes at December 31, 2013 were $20.0 million. The proceeds were used to finance portions of the costs of authorized airport projects.

In 2013, $23.0 million of Chicago Midway International Airport Commercial Paper Notes were issued. Outstanding Midway Commercial Paper Notes at December 31, 2013 were $57.7 million. The proceeds were used to finance portions of the costs of authorized airport projects.

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2014 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2013 are as follows (dollars in thousands):

	General Obligation		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest
2014....................	$ 214,374	$ 408,993	$ 14,602	$ 11,819
2015....................	236,206	402,999	8,965	3,951
2016....................	251,617	392,331	11,160	3,400
2017....................	274,802	380,857	11,685	2,666
2018....................	287,337	368,156	14,940	1,971
2019-2023...........	1,558,492	1,646,914	18,775	2,767
2024-2028...........	1,447,882	1,304,010	-	-
2029-2033...........	1,607,686	931,247	-	-
2034-2038...........	1,056,011	514,159	-	-
2039-2041...........	726,480	82,165	-	-
	$7,660,887	$6,431,831	$ 80,127	$ 26,574

	Revenue		Business-type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2014	$ 18,980	$ 35,200	$ 301,366	$ 617,753
2015	18,400	34,229	380,749	599,255
2016	18,135	33,288	378,252	582,817
2017	18,525	32,355	430,280	565,569
2018	19,450	31,434	437,313	545,698
2019-2023	112,160	142,191	2,046,955	2,441,073
2024-2028	139,367	115,143	2,558,116	1,914,188
2029-2033	111,985	142,708	2,811,919	1,210,382
2034-2038	203,060	49,783	2,199,210	546,539
2039-2041	75,060	5,675	675,625	76,520
	$ 735,122	$ 622,006	$ 12,219,785	$ 9,099,794

Debt service requirements above exclude commercial paper issues as the timing of payments is not certain. For the requirements calculated above, interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2013. Standby bond purchase agreements or letters of credit were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

The City's variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate, or the fixed rate as determined by the remarketing agent, in consultation with the City. An irrevocable letter of credit provides for the timely payment of principal and interest. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit agreements expire without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on the potential term loans within the next fiscal year.

d) **Derivatives**

i) Pay-Fixed, Receive-Variable Interest Rate Swaps

(1) *Objective of the swaps*. In order to protect against the potential of rising interest rates and/or changes in cash flows, the City has entered into various separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt. The notional amounts related to bonds maturing on January 1, 2014 have been excluded in the following table because funds for their payment have been provided for.

	Changes in Fair Value		Fair Value at December 31, 2013		Notional
	Classification	**Amount**	**Classification**	**Amount**	**Amount**
Governmental Activities					
Hedges:					
Pay-fixed Interest Rate Swaps......	Deferred Outflow of Resources	$ 118,020	Deferred Outflow of Resources	$ (142,478)	$ 777,845
Investment Derivative Instruments:					
Pay-fixed Interest Rate Swaps......	Investment Income	8,665	Investment Revenue	(27,646)	195,975
Business-type Activities					
Hedges:					
Pay-fixed Interest Rate Swaps......	Deferred Outflow of Resources	104,023	Deferred Outflow of Resources	(149,097)	943,055
Total..				$ (319,221)	

(2) *Terms, fair values, and credit risk*. The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2013, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. The notional amounts related to bonds maturing on January 1, 2014 have been excluded below because funds for their payment have been provided for. Under the swaps, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The terms, including fair values of the swaptions as of December 31, 2013, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termi-nation Date	Counter-party Credit Rating
Hedging Instruments						
Governmental Activities:						
	$ 150,000	11/8/2007	Pay 3.9982%; receive SIFMA	$ (14,632)	1/1/2042	A2/A
	50,000	11/8/2007	Pay 3.9982%; receive SIFMA	(4,572)	1/1/2042	Baa2/A-
GO VRDB (Series 2007EFG).....................	200,000	1/1/2014	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(23,982)	1/1/2042	Aa3/AA-
	155,953	8/17/2005	Pay 4.104%; receive SIFMA	(17,456)	1/1/2040	Baa1/A-
	66,837	8/17/2005	Pay 4.104%; receive SIFMA	(7,542)	1/1/2040	Aa3/A+
	100,000	1/1/2014	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(7,985)	1/1/2031	Aa2/AA-
	61,395	1/1/2014	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(4,805)	1/1/2031	A2/A
	61,395	1/1/2014	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(4,805)	1/1/2031	A2/A
GO VRDB (Series 2005D)..........................	207,880	1/1/2031	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(7,123)	1/1/2040	A2/A
GO VRDB (Neighborhoods Alive 21	155,025	10/3/2002	Pay 3.575%; receive 70% of 1 Mo. LIBOR	(20,769)	1/1/2037	Aa3/A+
Program, Series 2002B)............................	51,675	10/3/2002	Pay 3.575%; receive 70% of 1 Mo. LIBOR	(7,111)	1/1/2037	A2/A
Sales Tax Revenue Refunding Bonds (VRDB Series 2002)...................................	112,755	6/27/2002	Pay 4.23%; receive 75.25% of 3 Mo. LIBOR	(17,233)	1/1/2034	Aa3/A+
Tax Increment Allocation Bonds (Near North TIF, Series 1999A)................	35,600	9/1/1999	Pay 5.084%; receive 67% of 1 Mo. LIBOR	(4,463)	1/1/2019	A2/A
Business-type Activities:						
Chicago Midway International Airport	86,805	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	(10,484)	1/1/2035	Baa1/A-
Revenue Bonds (Series 2004C&D)...........	57,870	4/21/2011	Pay 4.247%; receive SIFMA Plus .05%	(7,663)	1/1/2035	Aa3/AA-
	232,560	1/3/2011	Pay 3.886%; receive 95% of 3 Mo. LIBOR (if LIBOR is < 3%) or 67% of 3 Mo. LIBOR (if LIBOR is > 3%)	(36,187)	1/1/2039	A2/A
Wastewater Transmission Variable	49,835	7/29/2004	Pay 3.886%; receive SIFMA (if LIBOR is < 3%)	(8,368)	1/1/2039	A2/A
Rate Revenue Bonds (Series 2008C)........	49,835	7/29/2004	or 67% of 1 Mo. LIBOR (if LIBOR is > 3%)	(8,150)	1/1/2039	Aa3/A+
	179,690	8/5/2004	Pay 3.8694%; receive 67% of 1 Mo. Libor	(28,148)	11/1/2031	A2/A
Water Variable Rate Revenue Refunding Bonds (Series 2004)................	186,460	8/5/2004	Pay 3.8669%; receive 67% of 1 Mo. Libor	(30,124)	11/1/2031	Aa3/AA-
Second Lien Water Revenue Refunding Bonds (Series 2000)................	100,000	4/16/2008	Pay 3.8694%; receive 67% of 1 Mo. Libor	(19,974)	11/1/2030	A2/A
Investment Instruments						
Governmental Activities:						
	146,980	8/7/2003	Pay 4.052%; receive 75% of 1 Mo. LIBOR	(10,755)	1/1/2034	Aa3/AA-
	48,995	3/1/2011	Pay 66.91% of 10 Yr USD ISDA Swap Rate;	(3,564)	3/1/2014	Aa3/AA-
	48,995	11/1/2014	receive 75% of 1 Mo. LIBOR *	-	1/1/2019	Aa2/AA-
	146,980	3/1/2011	Pay 66.91% of 10 Yr USD ISDA Swap Rate;	(695)	3/1/2014	Aa2/AA-
	144,570	3/1/2011	receive 75% of 1 Mo. LIBOR *	(1,980)	11/1/2014	A2/A
	48,195	3/1/2014	receive 75% of 1 Mo. LIBOR *	(3,132)	1/1/2019	A2/A
GO VRDB (Series 2003B)..........................	144,570	11/1/2014	receive 75% of 1 Mo. LIBOR *	(7,519)	1/1/2019	Aa2/AA-
Total..	$ 3,080,855			$ (319,221)		

See Table 31 in Statistical Section for Counterparty Entities and additional details for credit ratings.
See Footnote 18 – Subsequent Events for amendments to agreements effective in 2014.
Type and objective for all the Swaps is the same, as mentioned earlier.
* Reflects Swap Overlay agreement.
VRDB means variable rate demand bonds.

(3) *Fair Value*. As of December 31, 2013, the swaps had a negative fair value of $319.2 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values. Note that the combination of the negative fair value of $319.2 million less the unamortized interest rate swap premium balance of $9.4 million related to investment derivative instruments and $36.9 million related to governmental cash flow hedges represent the total fair value of the derivative liability in the statement of net position.

(4) *Credit Risk*. The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

(6) *Tax Risk*. The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.

(7) *Termination Risk*. The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

(8) *Swap payments and associated debt*. Bonds maturing and interest payable January 1, 2014 have been excluded because funds for their payment have been provided for. As of December 31, 2013, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2014	$ 36,320	$ 4,955	$ 70,602	$ 111,877
2015	37,865	4,994	69,307	112,166
2016	57,465	4,925	67,719	130,109
2017	60,150	4,699	65,622	130,471
2018	66,465	4,465	63,426	134,356
2019 - 2023	416,980	18,619	277,278	712,877
2024 - 2028	368,215	11,896	200,601	580,712
2029 - 2033	480,835	6,855	129,656	617,346
2034 - 2038	297,100	2,098	47,857	347,055
2039 - 2042	83,560	60	5,930	89,550
	$ 1,904,955	$ 63,566	$ 997,998	$ 2,966,519

e) **Debt Covenants**

i) Water Fund - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2013. The Water Rate Stabilization account had a balance in restricted assets of $88.4 million at December 31, 2013.

The ordinances authorizing the issuance of outstanding Second Lien Water Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues are equal to the sum of the aggregate annual debt service requirements for the fiscal year of the outstanding senior lien bonds and 110 percent of the aggregate annual debt service requirements of the outstanding second lien bonds. This requirement was met at December 31, 2013.

ii) Sewer Fund - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds equal 115 percent of the current annual debt service requirements on the outstanding senior lien bonds. This requirement was met at December 31, 2013. The Sewer Rate Stabilization account had a balance in restricted assets of $32.6 million at December 31, 2013.

The ordinances authorizing the issuance of outstanding Second Lien 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 equal 100 percent of the sum of the current maximum annual debt service requirements of the outstanding senior lien bonds and the maximum annual debt service requirements of the second lien bonds. This requirement was met at December 31, 2013.

iii) Chicago Midway International Airport Fund - The master indenture securing the issuance of Chicago Midway International Airport Revenue Bonds requires that the City set rates and charges for the use and operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such year not required to be deposited in any fund or account, will be at least sufficient (a) to provide for the operation and maintenance expenses for the year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien

Debt Service Fund, the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on First Lien Bonds. These requirements were met at December 31, 2013.

iv) **Chicago-O'Hare International Airport Fund** - In 1983, the City Council adopted the General Airport Revenue Bond ordinance authorizing the issuance and sale of Chicago-O'Hare International Airport General Airport Revenue Bonds in unlimited series for the purpose of financing the cost of improvements and expansion of O'Hare and to redeem its existing outstanding bond obligations. The ordinance further permits the issuance of second lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the ordinance. The ordinance requires that net revenues in each year equal not less than the sum of (i) the amount required to be deposited for such year in the debt service reserve fund, the maintenance reserve fund, the special capital projects fund and the junior lien debt service fund, and (ii) 110 percent of the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on bonds. This requirement was met at December 31, 2013. The ordinance provides for the creation of separate accounts that are to be credited with revenues in a specified priority. At the end of each year, any excess funds over amounts required in accounts other than Special Capital Projects, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

The Master Indenture of Trust securing Chicago-O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and (ii) to provide for the greater of (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) 110 percent the Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien obligations or Third Lien obligations. This requirement was met at December 31, 2013.

The master indenture securing the Passenger Facility Charge (PFC) Revenue Bonds requires PFC revenues, as defined, to be deposited into the PFC Revenue Fund. The PFC Revenue Fund is required to transfer amounts no later than the twentieth day of each month to various funds, as defined, as appropriate to meet debt service and debt service reserve requirements.

f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

g) **Defeased Bonds** have been removed from the Statement of Net Position because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2013, not including principal payments due January 1, 2014, are as follows (dollars in thousands): table below needs update

	Amount Defeased	Outstanding
General Obligation Emergency Telephone System - Series 1993	$ 213,730	$ 113,610
General Obligation Project and Refunding Bonds - Series 1998	345,770	4,240
General Obligation Bonds - Series 2001A	404,131	131,515
General Obligation Project Bonds - Series 2004A	276,620	6,640
General Obligation Project and Refunding Bonds - Series 2005B	8,725	2,270
General Obligation Direct Access Bonds - Series 2005E	22,186	8,275
General Obligation Project and Refunding Bonds - Series 2006A	23,775	9,615
General Obligation Project and Refunding Bonds - Series 2007A	10,505	9,410
General Obligation Neighborhoods Alive 21 Program - Series 2001A	213,825	60,170
Lakefront Millennium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Special Transportation Revenue Bonds - Series 2001	118,715	93,935
Midway Series 1996B	19,110	19,110
Midway Series 1998A&B	32,145	32,145
Midway Series 2001 A&B	68,050	68,050
Midway 2nd Lien Series 2010A-1&A-2	76,575	76,575
Midway 2nd Lien Series 2010B	84,000	84,000
Midway 2nd Lien Series 2010D-1	4,435	4,435
Midway 2nd Lien Series 2010D-2	16,460	16,460
Total	$ 2,088,637	$ 784,335

11) **Pension Trust Funds**

a) **Retirement Benefit**-Eligible City employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees'; the Laborers' and Retirement Board Employees'; the Policemen's; and the Firemen's Annuity and Benefit Funds of Chicago. Plans are administered by individual retirement boards represented by elected and appointed officials. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when payable.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fixed income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are generally valued by appraisals or other approved methods. Investments that do not have an established market are reported at estimated fair value.

The Plans have a securities lending program. At year-end, the Plans have no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the Plans. The contract with the Plans' master custodian requires it to indemnify the Plans if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the fund for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand by either the Plans or the borrower, although the average term of the loans has not exceeded 128 days. The Plans' custodian lends securities for collateral in the form of cash, irrevocable letters of credit and/or U.S. government obligations equal to at least 102 percent of the fair value of securities or international securities for collateral of 105 percent. Cash collateral is invested in the lending agents' short-term investment pool, which at year-end has a weighted average maturity that did not exceed 46 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2013 are as follows: market value of securities loaned $1,197.0 million, market value of cash collateral from borrowers $1,214.6 million and market value of non-cash collateral from borrowers $12.4 million.

The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 20 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.0 percent to 2.4 percent 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.

Historically, State law requires City contributions at statutorily, not actuarially determined rates. The City's contribution has been equal to the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by (in recent years) 1.25 for the Municipal Employees', 1.00 for the Laborers', 2.00 for the Policemen's, and 2.26 for the Firemen's. State law also requires covered employees to contribute a percentage of their salaries.

Beginnning in 2016, State law requires significantly increased contributions by the City to the Policemen's and Firemen's Plans. This is projected to require an increase in the City's contributions to the Policemen's and Firemen's Plans by more than $538.4 million starting in 2016 and increasing by approximately three percent

each year thereafter. Also beginning in 2016, State law requires significantly increased contributions by the City to the Municipal Employees' and Laborers' Plans. This is projected to require an increase in the City's contributions to the Municpal Employees' and Laborers' Plans of more than $89.1 million starting in 2016 and increasing by approximately three percent each year thereafter.

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution rates:					
City (a)	(a)	(a)	(a)	(a)	n/a
Plan members	8.5%	8.5%	9%	9.125%	n/a
Annual required contribution	$ 820,023	$ 106,199	$ 474,178	$ 294,878	$ 1,695,278
Interest on net pension obligation	150,641	(4,778)	182,182	135,734	463,779
Adjustment to annual required contribution	(158,201)	5,018	(125,005)	(139,548)	(417,736)
Annual pension cost	812,463	106,439	531,355	291,064	1,741,321
Contributions made	148,197	11,583	179,521	103,669	442,970
Increase in net pension obligation	664,266	94,856	351,834	187,395	1,298,351
Net pension obligation (excess), beginning of year	2,008,546	(63,708)	2,350,739	1,696,679	5,992,256
Net pension obligation, end of year	$ 2,672,812	$ 31,148	$ 2,702,573	$ 1,884,074	$ 7,290,607

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2013	12/31/2013	12/31/2013	12/31/2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:				
Investment rate of return (a)	7.5%	7.5%	7.75%	8.0%
Projected salary increases (a):				
Inflation	3.0	3.0	3.0	3.0
Seniority/Merit	(b)	(c)	(d)	(e)
Postretirement benefit increases	(f)	(f)	(g)	(g)

(a) Proceeds from a tax levy not more than the amount equal to the total amount of contributions by the employees to the Fund made in the calendar year, two years prior to the year for which the annual applicable tax is levied multiplied by 1.25 for Municipal, 1.00 for Laborers', 2.00 Policemen's and 2.26 for Firemen's

(b) Service-based increases equivalent to a level annual rate increase of 1.4 percent over a full career.

(c) Service-based increases equivalent to a level annual rate increase of 1.2 percent over a full career.

(d) Service-based increases equivalent to a level annual rate increase of 1.8 percent over a full career.

(e) Service-based increases equivalent to a level annual rate increase of 1.8 percent over a full career.

(f) 3.0 percent per year beginning at the earlier of:
1) the later of the first of January of the year after retirement and age 60;
2) the later of the first of January of the year after the second anniversary of retirement and age 53.

(g) Uses 3.0 percent per year for annuitants age 55 or over, born before 1955 with at least 20 years of service and 1.5 percent per year for 20 years for annuitants age 60 or over, born in 1955 or later.

The following tables of information assist users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each Plan is as follows (dollars in thousands):

Year	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension (Asset) / Obligation
Municipal Employees':			
2011..........................	$ 609,491	24.12 %	$ 1,469,886
2012..........................	687,519	21.65	2,008,546
2013..........................	812,463	18.24	2,672,812
Laborers':			
2011..........................	57,651	22.17	(129,712)
2012..........................	77,857	15.22	(63,707)
2013..........................	106,439	10.88	31,148
Policemen's:			
2011..........................	448,153	38.83	2,065,266
2012..........................	483,359	40.94	2,350,739
2013..........................	531,355	33.79	2,702,573
Firemen's:			
2011..........................	247,031	33.55	1,510,089
2012..........................	268,112	30.41	1,696,679
2013..........................	291,064	35.62	1,884,074

SCHEDULE OF FUNDING PROGRESS
(dollars in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees':							
2011.....................	12/31/11	$ 5,552,291	$ 12,292,930	$ 6,740,639	45 %	$ 1,605,993	420 %
2012.....................	12/31/12	5,073,320	13,475,377	8,402,057	38	1,590,794	528
2013.....................	12/31/13	5,114,208	13,828,920	8,714,712	37	1,580,289	551
Laborers':							
2011.....................	12/31/11	1,422,414	2,152,854	730,440	66	195,238	374
2012.....................	12/31/12	1,315,914	2,336,189	1,020,275	56	198,790	513
2013.....................	12/31/13	1,354,261	2,383,499	1,029,238	57	200,352	514
Policemen's:							
2011.....................	12/31/11	3,444,690	9,522,395	6,077,705	36	1,034,403	588
2012.....................	12/31/12	3,148,930	10,051,827	6,902,897	31	1,015,171	680
2013.....................	12/31/13	3,053,882	10,282,339	7,228,457	30	1,015,426	712
Firemen's:							
2011.....................	12/31/11	1,101,742	3,851,919	2,750,177	29	425,385	647
2012.....................	12/31/12	993,284	4,020,138	3,026,854	25	418,965	722
2013.....................	12/31/13	991,213	4,128,735	3,137,522	24	416,492	753

The unfunded liability to the Plans poses significant financial challenges. The unfunded liability has consistently increased in recent years, but will begin to decrease in the future. Such a decrease is expected to result from significantly increased City contributions to the Plans, beginning in 2016, as required by State law (see Note 1). These increased contributions to the Plans are expected to pose a substantial burden on the City's financial condition.

b) **Other Post Employment Benefits (OPEB)** - Under State law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and pension plan participants older than age 50 with at least 10 years of service may become eligible for postemployment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants. The amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

Annual OPEB Cost and Contributions Made
For Fiscal Year Ended December 31, 2013

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution Rates City:	A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.				
Annual Required Contribution	$ 14,376	$ 3,091	$ 10,429	$ 4,214	$ 32,110
Interest on Net OPEB Obligation	3,229	268	516	467	4,480
Adjustment to Annual - Required Contribution	(4,216)	(350)	(409)	(610)	(5,585)
Annual OPEB Cost	13,389	3,009	10,536	4,071	31,005
Contributions Made	9,508	2,518	9,847	2,551	24,424
Increase in Net OPEB Obligation	3,881	491	689	1,520	6,581
Net OPEB Obligation, Beginning of Year	71,756	5,951	11,461	10,382	99,550
Net OPEB Obligation, End of Year	$ 75,637	$ 6,442	$ 12,150	$ 11,902	$ 106,131

Actuarial Method and Assumptions - For the Settlement Plan benefits provided by the Pension Funds, the actuarial valuation for the fiscal year ended December 31, 2013 was determined using the Entry Age Normal actuarial cost method. The actuarial method was changed in 2013 from Projected Unit Credit due to the phase out of the Settlement Plan over three years, with annual subsidy modifications and a final sunset of subsidies at December 31, 2016 (see Note 12 for further information). Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial Valuation Date	12/31/2013	12/31/2013	12/31/2013	12/31/2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Percent, Open	Level Dollar, Open
Remaining Amortization Method	30 years	30 years	30 years	30 years
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) Inflation	3.0%	3.0%	3.0%	3.0%
Seniority / Merit	(b)	(c)	(d)	(e)
Healthcare Cost Trend Rate (f)	0.0%	0.0%	0.0%	0.0%

(a) Compounded Annually
(b) Service-based increases equivalent to a level annual rate of increase of 1.4 percent over a full career
(c) Service-based increases equivalent to a level annual rate of increase of 1.2 percent over a full career
(d) Service-based increases equivalent to a level annual rate of increase of 1.8 percent over a full career
(e) Service-based increases equivalent to a level annual rate of increase of 1.8 percent over a full career
(f) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY
(dollars in thousands)

	Year	Annual OPEB Cost	% of Annual OPEB Obligation	Net OPEB Obligation
Municipal Employees	2011	$ 22,047	43.16 %	$ 67,575
	2012	13,703	69.49	71,756
	2013	13,389	71.01	75,637
Laborers'	2011	3,479	74.15	5,519
	2012	2,994	85.56	5,951
	2013	3,009	83.67	6,442
Policemen's	2011	10,627	90.25	10,654
	2012	10,573	92.37	11,461
	2013	10,536	93.46	12,150
Firemen's	2011	4,372	60.12	8,850
	2012	4,154	63.13	10,382
	2013	4,071	62.66	11,902

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a) / c)
Municipal Employees'	12/31/2013	$ -	$ 27,573	$ 27,573	-	$ 1,580,289	1.74 %
Laborers'	12/31/2013	-	7,074	7,074	-	200,352	3.53
Policemen's	12/31/2013	-	28,376	28,376	-	1,015,426	2.79
Firemen's	12/31/2013	-	7,692	7,692	-	416,492	1.85

12) **Other Post Employment Benefits – City Obligation**

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement, known as the "Settlement Plan". The pension funds contributed $65 per month for each Medicare eligible annuitant and $95 per month for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $66.6 million in 2013 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The City of Chicago originally subsidized retiree health benefits for employees and retired former employees until June 30, 2013 under a settlement agreement entered in 2003. The City subsidized a portion of the cost (based upon service) for hospital and medical coverage for eligible retired employees and their dependents based upon a sunset of June 30, 2013.

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to employees who retired before August 23, 1989 with a contribution from the City of up to 55% of the cost of that plan; and (ii) beginning January 1, 2014, provide employees who retired on or after August 23, 1989 with healthcare benefits but with significant changes to the terms provided by the Health Plan, including increases in premiums and deductibles, reduced benefits and the phase-out of the entire Health Plan for such employees by the end of December 2016.

The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2013, the net expense to the City for providing these benefits to approximately 24,408 annuitants plus their dependents was approximately $97.5 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

Plan Description Summary - The City of Chicago was party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. Although the agreement did not extend continuation of the Plans after June 30, 2013, a phase out of three years to end the program was announced in 2013, with annual subsidy modifications and a final sunset of subsidies at December 31, 2016, for all but the Korshak class of members. As a result of the extension, the post settlement plan subsidized retiree medical benefits will cease for members as of December 31, 2016, except for the Korshak class who shall have lifetime benefits. Duty Disabled retirees who have statutory pre-63/65 coverage will continue to have fully subsidized coverage under the active health plan.

The City administers a single employer, self-funded defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. The City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the post settlement benefit program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, recently revised to end December 31, 2016. The percentage subsidies were revised to reduce by approximately 25% in 2014. Additional step downs in subsidy levels for 2015 and 2016 have not yet been decided.

In addition, State Law authorizes the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through December 31, 2016. After that date, no supplements are authorized. The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the NPO actuarial valuation reports of the respective four Pension Funds under GASB 43 (see Note 11).

Special Benefits under the Collective Bargaining Agreements (CBA) - Under the terms of the collective bargaining agreements for the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF), certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. These retirees do not contribute towards the cost of coverage, but the Police pension fund contributes $95 per month towards coverage for police officers (which is assumed to continue); the Fire Pension Fund does not contribute.

Both of these agreements which provide pre-65 coverage originally expired at June 30, 2012, but consistent with the extension permitted for the post Settlement plan benefits, these benefits have been renegotiated to continue through 2016. This valuation assumes that the CBA special benefits, except for those who will have already retired as of December 31, 2016, will cease on December 31, 2016. The renegotiated agreements also provided that retirees will contribute 2% of their pension toward the cost of their health care coverage.

Funding Policy - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of one year (the remaining year of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan and CBA Special Benefits, the amount actually contributed to the plan and changes in the City's net OPEB obligation. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Position as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost that is recorded in the Statement of Changes in Net Position for 2013 is the Annual OPEB Cost (expense).

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan	CBA Special Benefits	Total
Contribution Rates:			
City	Pay As You Go	Pay As You Go	Pay As You Go
Plan Members	N/A	N/A	N/A
Annual Required Contribution	$ 83,045	51,038	$ 134,083
Interest on Net OPEB Obligation	3,870	4,744	8,614
Adjustment to Annual Required Contribution	(11,471)	(14,060)	(25,531)
Annual OPEB Cost	75,444	41,722	117,166
Contributions Made	111,994	27,342	139,336
Decrease in Net OPEB Obligation	(36,550)	14,380	(22,170)
Net OPEB Obligation, Beginning of Year	96,760	118,601	215,361
Net OPEB Obligation, End of Year	$ 60,210	132,981	$ 193,191

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 is as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Settlement Plan			
12/31/2013	$ 75,444	148.4%	$ 60,210
12/31/2012	37,444	260.5	96,760
12/31/2011	48,954	202.4	254,345
CBA Special Benefits			
12/31/2013	$ 41,722	65.5%	$ 132,981
12/31/2012	39,533	46.6	118,601
Total			
12/31/2013	$ 117,166	118.9%	$ 193,191
12/31/2012	76,977	150.6	215,361
12/31/2011	48,954	202.4	254,345

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $997.3 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,385.2 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 41.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Settlement Plan						
12/31/2012	$ -	$ 608,633	$ 608,633	0%	$ 2,385,198	25.5 %
CBA Special Benefits						
12/31/2012	$ -	$ 388,648	$ 388,648	0%	$ 1,388,732	28.0 %
Total						
12/31/2012	$ -	$ 997,281	$ 997,281	0%	$ 2,385,198	41.8 %

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Settlement Plan benefits (not provided by the Pension Funds), the actuarial valuation for the fiscal year ended December 31, 2013 was determined using the Entry Age Normal actuarial cost method. The actuarial method was changed in 2013 from Projected Unit Credit due to the phase out of the Settlement Plan. The actuarial assumptions included an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% in 2031. The range of rates included a 3.0% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0%. The Unfunded Accrued Actuarial Liability is amortized as a level dollar amount over ten years. The benefits include an extension of the Settlement Plan sunset so as to completely phase out in December 2016. The Korshak category is entitled to lifetime benefits. Also included in the Non-CBA benefits are the duty disability benefits under the active health plan payable to age 63/65.

For the Special Benefits under the CBA for Police and Fire, the renewed contract expiration date of June 30, 2016 is reflected, such that liabilities are included only for payments beyond 2016 on behalf of early retirees already retired and in pay status as of December 31, 2016. The entry age normal method was selected. The actuarial method was changed in 2013 from Projected Unit Credit due to the extension of the Special Benefits in the new CBA agreement until June 30, 2016.The actuarial assumptions included an annual healthcare cost trend rate of 9.5% in 2013, reduced by decrements to an ultimate rate of 5.0% in 2031. Rates included a 3.0% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years.

Summary of Assumptions and Methods

	Settlement Health Plan	CBA Special Benefits
Actuarial Valuation Date	December 31, 2012	December 31, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, open	Level Dollar, open
Remaining Amortization Period	10 years	10 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	3.0%	3.0%
Projected Salary Increases	3.0%	3.0%
Healthcare Inflation Rate	9.5% initial to 5.0% in 2031	9.5% initial to 5.0% in 2031

13) **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. 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 of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Position as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2013, the total amount of non-Enterprise Fund claims was $493.2 million and Enterprise Fund was $54.5 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	2013	2012
Balance, January 1	$ 608,485	$ 554,797
Claims incurred and change in estimates	699,582	755,278
Claims paid on current and prior year events	(760,393)	(701,590)
Balance, December 31	547,674	$ 608,485

14) **Expenditure of Funds and Appropriation of Fund Balances**

The City expends funds by classification as they become available, and "Restricted" funds are expended first. If/when City Council formally sets aside or designates funds for a specific purpose, they are considered "*Committed*". The Mayor (or his/her designee) may in this capacity, also set aside or designate funds for specific purposes and all of these funds will be considered "*Assigned*". Any remaining funds, which are not specifically allocated in one or more of the previous three categories, are considered "*Unassigned*" until such allocation is completed.

In addition to the categories above, any amounts which will be used to balance a subsequent year's budget will be considered *"Assigned"* as Budgetary Stabilization funds. The amounts may vary from fiscal year to fiscal year or depending on the City's budgetary condition, or may not be designated at all. The funds may be assigned by the Mayor or his designee, up to the amount of available *"Unassigned"* fund balance at the end of the previous fiscal year.

a) **Fund Balance Classifications**

On the fund financial statements, the Fund Balance consists of the following (dollars in thousands):

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development Improvement Projects	Other Governmental Funds
Nonspendable Purpose:							
Inventory	$ 24,788			-			
Restricted Purpose:							
TIF and Special Service Area Programs and Redevelopment			1,522,686				
Capital Projects						363,591	51,957
Grants		5,880					
Debt Service					189,883		123,740
General Government							4,291
Committed Purpose:							
Debt Service					7,118		
Budget and Credit Rating Stabilization				590,198			
Repair, Maintenance and City Services							101,757
Assigned Purpose:							
Future obligations	85,036						
Special Projects	28,491						
Unassigned	28,742	(292,276)		(1,597,326)			(11,965)
Total Government Fund Balance	$ 167,057	$ (286,396)	$ 1,522,686	$ (1,007,128)	$ 197,001	$ 363,591	$ 269,780

At the end of the fiscal year, total encumbrances for the General Operating Fund amounted to $28.5 million, $76.6 million for the Special Taxing Areas Fund, $54.1 million for the Capital Projects Fund and $10.0 million for the Non Major Special Revenue Fund.

15) **Commitments and Contingencies**

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, alleged discrimination, civil rights actions and other matters. City management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2013, the Enterprise Funds have entered into contracts for approximately $1,166.2 million for construction projects.

The City's pollution remediation obligation of $8.4 million is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

16) **Concession Agreements**

The major fund entitled Service Concession and Reserve Fund is used for the purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by City Council that define the use of proceeds.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. The City recognizes $15.3 million of revenue for each year through 2083.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the agreement. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. The City recognizes $5.7 million of revenue for each year through 2105.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the agreement. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the agreement. The City recognizes $18.5 million of revenue related to this transaction for each year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Position and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Position.

17) **Restatement Due to Implementation of New Accounting Standards**

As a result of implementing GASB 65, net position/(deficit) was restated at January 1, 2013. With the adoption of GASB 65, the City is reporting the deferred loss on bond refunding as a deferred outflow. Bond issuance costs (excluding the portion related to bond insurance) are expensed and no longer amortized annually. In addition, for O'Hare and Midway, noise mitigation costs are expensed and no longer amortized annually as other assets. The following is a reconciliation of the total net position as previously reported at January 1, 2013, to the restated net position (dollars in thousands):

Reconciliation of Net (Deficit) Position	Total Net (Deficit) Position
Governmental Activities:	
January 1, 2013, as previously reported	$ (5,844,502)
Adjustment for GASB 65	(53,196)
January 1, 2013, as restated	(5,897,698)
Business Type Activities:	
Water Fund	
January 1, 2013, as previously reported	$ 1,262,449
Adjustment for GASB 65	(11,075)
January 1, 2013, as restated	1,251,374
Sewer Fund	
January 1, 2013, as previously reported	$ 565,645
Adjustment for GASB 65	(6,781)
January 1, 2013, as restated	558,864
Chicago Midway International Airport	
January 1, 2013, as previously reported	$ 159,429
Adjustment for GASB 65	(129,629)
January 1, 2013, as restated	29,800
Chicago O'Hare International Airport	
January 1, 2013, as previously reported	$ 1,409,099
Adjustment for GASB 65	(254,481)
January 1, 2013, as restated	1,154,618
Total Business Type Activities (including Skyway):	
January 1, 2013, as previously reported	$ 2,016,255
Adjustment for GASB 65	(401,966)
January 1, 2013, as restated	1,614,289

Reclassifications – in the fund financials, property taxes levied for future years and grants that have met the eligibility criteria except for time availability have been reclassified from liabilities to deferred inflows of resources at January 1, 2013. In the government wide financials for governmental and business-type activities, the unamortized loss on refundings has been reclassed from long-term debt to deferred outflows.

18) **Subsequent Events**

Ratings
In March 2014, Moody's Investors Service downgraded the ratings of the City's General Obligation bonds and Sales Tax revenue bonds from A3 to Baa1, the City's Water and Wastewater senior lien revenue bonds from A1 to A2, and the City's Water and Wastewater second lien revenue bonds from A2 to A3, each with a negative outlook.

Bonds
In January 2014, the City redeemed $8.6 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 1998B.

In March 2014, the City sold General Obligation Bonds Project and Refunding Series 2014A and General Obligation Taxable Project and Refunding Series 2014B ($883.4 million). The bonds were issued at interest rates ranging from 4.0 percent to 6.314 percent and maturity dates from January 1, 2018 to January 1, 2044. Proceeds will be used to pay for a portion of the costs of various capital projects of the City, fund certain settlements and judgments, refund certain outstanding General Obligation bonds and commercial paper notes, fund capitalized interest and pay costs of issuance.

In June 2014, the City sold Midway Airport Second Lien Revenue and Revenue Refunding Bonds, Series 2014A (AMT) and 2014B (Non-AMT) and Revenue Refunding Series 2014C (AMT) ($896.5 million). The Series 2014A and 2014B bonds were issued at interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from January 1, 2019 to January 1, 2041. The Series 2014C bonds are variable rate bonds in the weekly mode. The initial interest rate was 0.08 percent and mandatory sinking fund payments due January 1, 2041 to January 1, 2043 and a final maturity of January 1, 2044. Proceeds of the Series 2014A and B bonds will be used to pay for a portion of the costs of various capital projects of the Airport, refund certain outstanding first and second lien Midway Airport bonds and commercial paper notes, fund capitalized interest, fund debt service reserve deposits and pay costs of issuance. Proceeds of the Series 2014C bonds will be used to refund the outstanding variable rate Second Lien Series 1998A and B bonds and to pay costs of issuance.

In June 2014, the City sold Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014) ($105.9 million). The bonds were issued at interest rates ranging from 2.0 percent to 5.0 percent and maturity dates from January 1, 2015 to January 1, 2033. Proceeds will be used to refund the outstanding Series 2003 Motor Fuel Tax Bonds and pay costs of issuance.

Commercial Paper
As of December 31, 2013, the outstanding balance for Chicago General Obligation Commercial Paper Notes (G.O. CP) was $270.3 million. Since January 2014, the City has refinanced $193.1 million of Chicago G.O. CP on a long term basis and has issued $0.1 million to fund rolled interest on outstanding G.O. CP. The current amount of G.O. CP outstanding is approximately $101.3 million.

In May 2014, the City issued $30.0 million aggregate principal amount of Midway CP Notes. The proceeds will be used to finance a portion of the cost of authorized airport projects. After applying proceeds of the 2014 Midway Second Lien Bonds (below) the $57.7 million of Midway CP Notes outstanding will be repaid and there will be no Midway CP Notes outstanding.

In June 2014, the City issued $31.0 million aggregate principal amount of Chicago O'Hare International Airport Commercial Paper Notes (O'Hare CP Notes). The proceeds of these O'Hare CP Notes will be used to finance a portion of the costs of authorized airport projects.

Swaps
In March 2014, the City modified two swaps. The first modification was with respect to the $50.0 million notional amount on the G.O. Bonds Series 2007 E,F & G Morgan Stanley swap. The Additional Termination Event (ATE) rating threshold was reduced from below Baa1 by Moody's or BBB+ by S&P to below Baa3 or BBB- by Moody's and S&P respectively and the Termination Date was changed from 1/1/2042 to 8/1/2018. The second modification was for the $156 million notional amount of the Goldman Sachs swap on the G.O. Bonds Series 2005D. The ATE rating threshold was reduced from below Baa1 by Moody's or BBB+ by S&P to below Baa3 or BBB- by Moody's and S&P respectively and the Termination Date was changed from 1/1/2040 to 7/1/2020.

In April 2014, the City modified one swap overlay related to the G.O. Bonds Series 2005D. In conjunction with the modification, the credit support provider, The Bank of New York Mellon replaced Rice Financial as the counterparty. The swap was modified to reduce the rating threshold for the Additional Termination Event (ATE) from below Baa1 by Moody's or BBB+ by S&P to below Baa2 or BBB by Moody's and S&P respectively. As a result, the amount the City pays increases from SIFMA to SIFMA plus .045%, effective May 1, 2014 through the Termination Date.

Letters and Lines of Credit
In February 2014, the City secured a letter of credit (LOC) with PNC Bank for the benefit of The Prudential Insurance Company of America in connection with the Orange Line sale/leaseback transaction entered into in 2005. The City is required to post cash or a letter of credit as collateral since the City's General Obligation rating fell below A2 by Moody's or A by Standard and Poor's. The collateral posting requirement was triggered in July 2013 when Moody's downgraded the City's General Obligation bond rating to A3. The amount of the LOC initially is approximately $158.7 million and the amount will increase or decrease based on a schedule in the letter of credit. The LOC amount increased in April 2014 to $164.7 million. The LOC expires February 13, 2015.

In February 2014, the City entered into a Revolving Credit Agreement with Morgan Stanley Bank, N.A. which allows the City to draw on the line of credit in an aggregate amount not to exceed $100 million. This agreement expanded the G.O. CP and Line of Credit program capacity to $600 million of the authorized $1 billion total short-term borrowing capacity. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires February 20, 2016.

In April 2014, the City entered into a Revolving Credit Agreement with J.P. Morgan Chase Bank, National Association, which allows the City to draw on the line of credit in an aggregate amount not to exceed $200 million. This agreement expanded the G.O. CP and Line of Credit program capacity to $800 million of the authorized $1 billion total short-term borrowing capacity. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires April 25, 2016.

In May 2014, the City entered into a Revolving Credit Agreement with Barclays Bank PLC, which allows the City to draw on the line of credit in an aggregate amount not to exceed $100 million. This agreement expanded the G.O. CP and Line of Credit program capacity to $900 million of the authorized $1 billion total short-term borrowing capacity. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires November 30, 2015.

Other Financings

In June 2014, the City terminated two lease/leaseback transactions relating to its 911 and 311 systems (QTE-1 and QTE-2). Under the termination agreements, the leases are terminated and the City regains unrestricted title to its 911 and 311 systems. Under the termination agreement relating to QTE-1, the City will pay a gross amount of $1.0 million to Bank of America N.A. There was also a related secondary loan with Dexia Credit Local that was simultaneously terminated with a net gain to the City of $0.03 million. As such, the net cost to the City of terminating this lease transaction (QTE-1) was $0.97 million. To terminate the QTE-2 transaction, the City will make a net payment of $1.3 million to SMBC Leasing Investment LLC on June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
Last Three Years (dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a) / c)
Municipal Employees'							
2011	12/31/2011	$ -	$ 163,242	$ 163,242	- %	$ 1,605,993	10.16 %
2012	12/31/2012	-	162,083	162,083	-	1,590,794	10.19
2013	12/31/2013	-	27,573	27,573	-	1,580,289	1.74
Laborers'							
2011	12/31/2011	-	38,328	38,328	- %	195,238	19.63 %
2012	12/31/2012	-	38,654	38,654	-	198,790	19.44
2013	12/31/2013	-	7,074	7,074	-	200,352	3.53
Policemen's							
2011	12/31/2011	-	165,955	165,955	- %	1,034,404	16.04 %
2012	12/31/2012	-	168,811	168,811	-	1,015,171	16.63
2013	12/31/2013	-	28,376	28,376	-	1,015,426	2.79
Firemen's							
2011	12/31/2011	-	46,980	46,980	- %	425,385	11.04 %
2012	12/31/2012	-	46,206	46,206	-	418,965	11.03
2013	12/31/2013	-	7,692	7,692	-	416,492	1.85
City of Chicago							
2011	12/31/2010	-	390,611	390,611	- %	2,475,080	15.78 %
2012	12/31/2011	-	470,952	470,952	-	2,518,735	18.70
2013	12/31/2012	-	997,281	997,281	-	2,385,198	41.81

APPENDIX D

PROPERTY TAXES

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PROPERTY TAXES

Real Property Assessment, Tax Levy and Collection Procedures

General

Information under this caption provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County"). The following is not an exhaustive discussion, nor can there be any assurance that the procedures described under this caption will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

Substantially all (approximately 99.99 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Reoffering Circular with respect to taxable property in the City does not reflect the portion situated in DuPage County.

Assessment

The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The City was last reassessed in 2012. The suburbs in the northern and northwestern portions of the County were reassessed in 2013. The suburbs in the western and southern portions of the County are being reassessed in 2014. The City will next be reassessed in 2015.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the County's Real Property Assessment Classification Ordinance (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the "Board of Review"). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body, or to the Circuit Court of Cook County (the "Circuit Court"). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The City believes that the impact of any such case on the City would be minimal, as the City's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The City filed a petition to intervene in certain of these proceedings for the first time in 2003, but the Circuit Court denied the City's petition in early 2004. The City appealed the Circuit Court decision. On appeal, the Circuit Court decision was reversed and the matter was remanded to the Circuit Court with instructions to allow the City to proceed with its petitions to intervene. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization

After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, in each county to the statutory requirement of 33-1/3 percent of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The Equalization Factors for each of the last 11 tax levy years, from 2003 through 2013 (the most recent years available), are listed in this Reoffering Circular under "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes" (see the table captioned "Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2003-2013").

In 1991, legislation was enacted by the State which provided that for 1992 and for subsequent years' tax levies, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation impacts taxing districts with

rate limits only and currently does not apply to the City. See "— Property Tax Limit Considerations" below.

Exemptions

The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Illinois Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation ("EAV") of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, currently up to a maximum reduction of $7,000 in Cook County and $6,000 in all other counties. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by $5,000. There is also an exemption available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $70,000 of the Assessed Valuation. An additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by $2,000. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in the property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "freeze" and each year thereafter in which the qualifying criteria are maintained. Each year applicants for the Senior Citizens Assessment Freeze Homestead Exemption must file the appropriate application and affidavit with the chief county assessment office.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable (including qualifying not-for-profit hospitals), and educational organizations, as well as units of federal, state and local governments.

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Exemption Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115 percent of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150 percent of the current average assessed value for properties in the assessment district where the property is located, (iv) whose property has a market value for assessment purposes of $300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code.

Tax Levy

There are over 800 units of local government (the "Units") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Board of Education of the City of Chicago, the School Finance Authority, Community College District No. 508, the Metropolitan Water Reclamation District of Greater Chicago, the County and the Forest Preserve District of Cook County.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real estate taxes, proceedings are adopted by the governing body for each Unit. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105 percent of the levy of the preceding year, exclusive of levies for debt service, levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105 percent of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the general obligations bonds and notes of the City.

Collection

Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date for the tax years 2004 to 2013; the first installment penalty date has been March 2 for all years.

Second Installment

Tax Year	Penalty Date
2013	August 1, 2014
2012	August 1, 2013
2011	November 1, 2012
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008
2006	December 3, 2007
2005	September 1, 2006
2004	November 1, 2005

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue interest at the rate of 1.5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the City has a provision for an allowance for uncollectible taxes. The City reviews this provision annually to determine whether adjustments are appropriate. For tax year 2013, collectible in 2014, the allowance for uncollectible taxes is about four percent of the estimated gross tax levy. For financial reporting purposes, uncollected taxes are written off by the City after four years, but are fully reserved after one year.

Property Tax Limit Considerations

State of Illinois. The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County and five adjacent counties and (b) the ability of those entities to issue general obligation bonds without voter approval (collectively, the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent or the percent increase in the Consumer Price Index for the preceding year, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to "limited bonds" payable from a unit's "debt service extension base" or to "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

As a home rule unit of government, the City is not subject to the State Tax Cap. Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by the vote of three-fifths of the members of each house of the Illinois General Assembly and the concurrence of the Governor of the State of Illinois. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

As a home rule unit of government, the City is not limited as to the amount of debt it may issue payable from ad valorem property taxes. The General Assembly may limit by law the amount and require referendum approval of such debt, but only to the extent such debt, in the aggregate, exceeds three percent of the assessed value of all taxable property in the City.

State law imposes certain notice and public hearing requirements on non-home rule units of local government that propose to issue general obligation debt. These requirements do not apply to the City.

The City. In 1993, the City Council of the City adopted an ordinance (the "Chicago Property Tax Limitation Ordinance") limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The Chicago Property Tax Limitation Ordinance also provides that such limitation shall not reduce that portion of each levy attributable to the greater of: (i) for any levy year, interest and principal on general obligation notes and bonds of the City outstanding on January 1, 1994, to be paid from collections of the levy made for such levy year, or (ii) the amount of the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases.

Pursuant to the Original Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds are not subject to the limitations contained in the City Property Tax Limitation Ordinance.

APPENDIX E

RETIREMENT FUNDS

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RETIREMENT FUNDS

TABLE OF CONTENTS

Page

General E-1
Source Information E-2
Background Information Regarding the Retirement Funds E-3
    General E-3
    The Retirement Funds E-4
    Overlapping Taxing Bodies E-5
    Certain Duties E-6
    Investments E-6
Determination of Employee Contributions E-7
Determination of City's Contributions E-8
    City Contributions to FABF E-9
    City's Required Contributions to PABF and FABF Beginning in 2016 ....E-9
    City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641 ....E-10
The Actuarial Valuation E-11
    General E-11
    Actuaries and the Actuarial Process E-11
    City's Contributions Not Related to GASB Standards E-12
    City's Contributions under P.A. 96-1495 and P.A. 98-641
        Will Not Conform to GASB Financial Reporting Benchmarks E-12
Actuarial Methods E-13
    Actuarial Value of Assets E-13
    Actuarial Accrued Liability E-14
Actuarial Assumptions E-15
    Assumed Investment Rate of Return E-15
Funded Status of the Retirement Funds E-16
Projection of Funded Status E-25
Legislative Changes E-31
    P.A. 96-0889 ....E-31
    P.A. 96-1495 ....E-31
    P.A. 98-641 ....E-32
Diversion of Grant Money to the Retirement Funds Under P.A. 96-1495 and P.A. 98-641 ....E-35
Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional E-36
Pension Reform E-39
Report and Recommendations of the Commission to Strengthen Chicago's Pension Funds E-39
Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs E-41
Impact of Retirement Funds' Unfunded Liability on the City's Bond Ratings E-41
GASB Statements 67 and 68 ....E-42
PAYMENT FOR OTHER POST-EMPLOYMENT BENEFITS E-43
General E-43

The Settlement E-44
City Financing of the Health Plan E-44
Actuarial Considerations E-44
    City Obligation E-44
    Actuarial Methods and Assumptions E-45
Funded Status E-45
Retiree Health Benefits Commission E-46
Status of Healthcare Benefits After the Settlement Period E-47

RETIREMENT FUNDS

General

Pursuant to the Illinois Pension Code, as revised from time to time (the "Pension Code"), the City contributes to four retirement funds, which provide benefits upon retirement, death or disability to members of these retirement funds. Such retirement funds are, in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"); (ii) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"); (iii) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF" and, together with MEABF, PABF and FABF, the "Retirement Funds").

The Retirement Funds are established, administered and financed under the Pension Code, as separate bodies politic and corporate and for the benefit of the members of the Retirement Funds. The City's contributions to the Retirement Funds, and benefits for members of the Retirement Funds, are governed by the provisions of the Pension Code. See "— Determination of City's Contributions" below. This Appendix describes, among other things, the current provisions of the Pension Code applicable to the City's funding of the Retirement Funds. No assurance can be made that the Pension Code will not be amended in the future.

The Retirement Funds' funding sources are the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's and employees' contribution levels are determined pursuant to the Pension Code.

The Retirement Funds have been actuarially determined to be significantly underfunded. See "— Funded Status of the Retirement Funds" and "— Projection of Funded Status" below. The funded status of the Retirement Funds has adversely impacted, and threatens to further negatively impact, the City and its taxpayers in several ways, certain of which are described in this paragraph and throughout this Appendix. First, the City's bond ratings have declined based, according to the reports of the rating agencies issued with respect to such downgrades, in part on the size of the Retirement Funds' unfunded liabilities and the projected impact of future City contributions to the Retirement Funds on the City. See "Impact of Retirement Funds' Unfunded Liabilities on the City's Bond Ratings" below. In addition, as described in the following paragraphs, the magnitude of the Retirement Funds' underfunding has prompted the Illinois General Assembly to pass legislation which would, as currently constituted, significantly increase the City's contributions to the Retirement Funds. Such additional contributions are expected to substantially burden the City's financial condition. Further, the governmental units with which the tax base of the City overlaps, which include, but are not limited to, the Chicago Board of Education of the City of Chicago (the "Board of Education"), the Chicago Park District ("CPD"), the County of Cook (the "County") and the State of Illinois (the "State") (collectively, all such other units are referred to herein as the "Governmental Units"), as defined and described herein, have overlapping tax bases with the City and are also experiencing significant pension plan underfunding which, in combination with the current financial position of the Retirement Funds, places a substantial potential burden on the City's taxpayers who bear the burden of funding a portion of the contributions of the City and the Governmental Units. See "—Background Information Regarding the Retirement Funds—Overlapping Tax Bodies" below.

As noted above, in an effort to improve the funded status of the Retirement Funds, the Illinois General Assembly passed two statutes designed to improve the funding levels of the Retirement Funds: P.A. 98-641 (which is defined and described herein), which modifies provisions of the Pension Code

related to MEABF and LABF, and P.A. 96-1495 (which is defined and described herein), which modifies provisions of the Pension Code with respect to PABF and FABF.

P.A. 98-641 significantly increases the City's contributions to MEABF and LABF and makes other adjustments that caused the unfunded liabilities of MEABF and LABF to decrease on its effective date and will cause such unfunded liabilities to decrease further over time. See "— Determination of City's Contributions – City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641" below. Information regarding projected future City contributions to LABF and MEABF pursuant to P.A. 98-641 is set forth in "TABLE 11–Projection of Future Funding Status–MEABF," "TABLE 12–Projection of Future Funding Status–LABF" and "TABLE 16 – Projected Contributions: MEABF and LABF" below. P.A. 98-641 is currently being challenged as to its constitutionality in two separate lawsuits. See "Legislative Changes—P.A. 98-641" below.

P.A. 96-1495 is expected to reduce the unfunded liabilities of PABF and FABF because it significantly increased future City contributions to be made by the City to PABF and FABF. See "—Determination of City's Contributions – City's Required Contributions to PABF and FABF Beginning in 2016" below. P.A. 96-1495 has been projected to require an increase in the City's contributions to PABF and FABF from approximately \$300 million in 2015 to approximately \$838 million in 2016, with increase of approximately three percent each year thereafter. See "TABLE 13 – PROJECTION OF FUTURE FUNDING STATUS – FABF" and "TABLE 14 – PROJECTION OF FUTURE FUNDING STATUS – PABF" below. In addition, as a result of certain changes to PABF's actuarial assumptions beginning with the 2014 Actuarial Valuation (as defined and described herein), the City's contributions to PABF are expected to increase by approximately \$62 million for the 2017 contribution. The City expects that the increases in the City's contributions to PABF and FABF mandated by P.A. 96-1495 will substantially burden the City's financial condition. Taken together with the increase in City contributions under P.A. 98-641, the burden on the City's financial condition would be even greater.

Certain statements made in this Appendix are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in this Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Source Information

The information contained in this Appendix relies in part on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the "Source Information"). Neither the City nor the City's independent auditors have independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

Furthermore, where the tables in this Appendix present aggregate information regarding the Retirement Funds, such combined information results solely from the arithmetic calculation of numbers

presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board ("GASB") or the Pension Code.

Certain of the comprehensive annual financial reports of the Retirement Funds (each a "CAFR" and together the "CAFRs"), and certain of the actuarial valuations of the Retirement Funds (each, an "Actuarial Valuation" and together, the "Actuarial Valuations"), may be obtained by contacting the Retirement Funds. Certain of these reports may also be available on the Retirement Funds' websites (www.meabf.org; www.chipabf.org; www.labfchicago.org; and www.fabf.org); provided, however, that the contents of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

The Retirement Funds typically release their Actuarial Valuations in the April or May following the close of their fiscal year on December 31. LABF has released its 2014 Actuarial Valuation. MEABF, PABF and FABF have yet to release their Actuarial Valuations.

Background Information Regarding the Retirement Funds

General

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the City. "Defined-benefit" refers to the fact that the Retirement Funds pay a periodic benefit to employees upon retirement and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. See "Table 1 - Membership," "— Determination of Employee Contributions" and "— Determination of City's Contributions" below.

The benefits available under the Retirement Funds accrue throughout the time an employee is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the City. The Retirement Funds also provide certain disability benefits and, until the later of the date on which the City no longer provides a health care plan for the annuitants or December 31, 2016, retiree healthcare benefits to eligible members.

Section 5 of Article XIII of the Illinois Constitution (the "Pension Clause") provides as follows:

> "Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

For a discussion of the Pension Clause in the context of possible pension reform related to the Retirement Funds, see "— Pension Reform" below.

References in this Appendix to "member" are references to the active, inactive and retired employees of the City and their beneficiaries, the active, inactive and retired employees of the Retirement Funds participating in the Retirement Funds and their beneficiaries, and with regard to MEABF, certain employees of the Board of Education who are members of MEABF as described below, and their beneficiaries.

The Retirement Funds

Municipal Employees' Annuity and Benefit Fund of Chicago. MEABF is established by and administered under Article 8 of the Pension Code. MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members. MEABF is administered under the direction of a five-member board of trustees (the "MEABF Board"), whose members are responsible for managing and administering MEABF for the benefit of its members. In addition to City and Retirement Fund employees, former employees and survivors, MEABF's membership includes non-instructional employees of the Board of Education ("CBOE Employees"). With respect to MEABF, the terms "employee" and "member" include the CBOE Employees. The CBOE Employees account for almost half of MEABF's membership. The Mayor of the City, the City Clerk, the City Treasurer, and members of the City Council may participate in MEABF if such persons file, while in office, written application to the MEABF Board.

Policemen's Annuity and Benefit Fund of Chicago. PABF is established by and administered under Article 5 of the Pension Code. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children. PABF is administered by an eight-member board of trustees (the "PABF Board"). Members of the PABF Board are charged with administering the PABF under the Pension Code for the benefit of its members.

Firemen's Annuity and Benefit Fund of Chicago. FABF is established by and administered under Article 6 of the Pension Code. FABF provides retirement and disability benefits to fire service employees and their survivors. FABF is governed by an eight-member board of trustees (the "FABF Board"). Members of the FABF Board are statutorily mandated to discharge their duties solely in the interest of FABF's members.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. LABF is established by and administered under Article 11 of the Pension Code. LABF provides retirement and disability benefits for employees of the City who are employed in a title recognized by the City as labor service and for the survivors of such employees. LABF is governed by an eight-member board of trustees (the "LABF Board" and, together with the MEABF Board, the PABF Board and the FABF Board, the "Retirement Fund Boards"). Members of the LABF Board are statutorily mandated to discharge their duties solely in the interest of LABF's members.

The membership of MEABF, PABF and FABF as of December 31, 2013, and of LABF as of December 31, 2014, was as follows:

TABLE 1 – MEMBERSHIP

Retirement Fund	Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Totals
MEABF	30,647	14,254	25,042	69,943
PABF	12,161	654	13,159	25,974
FABF	4,685	57	4,640	9,382
LABF	2,837	1,449	3,902	8,188
Total	50,330	16,414	46,743	113,487

Source: Actuarial Valuations of MEABF, PABF and FABF as of December 31, 2013 and the Actuarial Valuation of LABF as of December 31, 2014.

Overlapping Taxing Bodies

The City's tax base overlaps with the Governmental Units, which includes, but is not limited to, the Board of Education, the CPD, the County and the State. Certain of the Governmental Units maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential burden on the City's taxpayers, who bear the burden of funding a portion of the contributions of the Governmental Units.

State Pension Reform Act and Litigation. On May 8, 2015, the Illinois Supreme Court affirmed the decision of the Sangamon County Circuit Court that Public Act 98-0599 (the "State Pension Reform Act") is unconstitutional. The State Pension Reform Act would have provided for certain cost-saving and other reforms to the State's four largest pension plans, including, but not limited to, changes to the employee and employer contribution formula, cost of living adjustments, retirement ages and employee contributions. The State Pension Reform Act was challenged on behalf of various classes of annuitants, current and former workers, and labor organizations, alleging, among other things, that the legislation violates the Pension Clause.

Chicago Park District Pension Reform. On January 7, 2014, then Governor Pat Quinn signed Public Act 98-0622 into law (the "CPD Pension Reform Act"). The CPD Pension Reform Act provides for certain cost-saving and other reforms to CPD's pension plan, including, but not limited to, changes to the employee and employer contribution formula, cost of living adjustments, retirement ages and employee contributions. Such changes became effective on June 1, 2014. The City is not aware of any lawsuit that has been filed challenging the CPD Pension Reform Act. The City makes no prediction as to whether any lawsuit will be filed challenging the CPD Pension Reform Act, or whether the filing of any such lawsuit or its outcome would impact the City's pension reform efforts, nor does the City make any prediction as to whether the Illinois Supreme Court decision with respect to the State Pension Reform Act will impact the CPD Pension Reform Act.

For more information on these Other Retirement Funds, please refer to the State's Commission on Government Forecasting and Accountability ("COGFA") website at http://cgfa.ilga.gov/home.aspx; provided, however, that the contents of the COGFA website are not incorporated herein by such reference. The City believes the information on COGFA's website to be reliable; however, the City takes no responsibility for the continued accuracy of the Internet address or for the accuracy or timeliness of information posted on that website.

Certain Duties

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation of the Retirement Funds. The Pension Code authorizes each Retirement Fund Board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

Each Retirement Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Retirement Funds, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenses are the obligation of the Retirement Funds exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Retirement Funds or any act or practice which violates any provision of the Pension Code.

Investments

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members of the Retirement Fund Boards, who are fiduciaries of the Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds. Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, that the contents of such websites are not incorporated into this Appendix by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds.

TABLE 2 – INVESTMENT RATES OF RETURN, 2003-2014

Fiscal Year	MEABF	FABF	LABF	PABF
2003	19.6%	28.3%	17.5%	21.2%
2004	10.3	12.8	11.5	11.0
2005	6.6	9.5	7.8	7.3
2006	12.7	14.0	11.2	12.1
2007	7.3	11.0	8.0	8.8
2008	(28.7)	(33.8)	(29.2)	(27.8)
2009	19.4	23.7	21.5	21.5
2010	13.7	17.7	15.5	12.7
2011	0.1	(2.0)	(0.3)	0.8
2012	12.9	16.2	14.6	12.4
2013	14.9	19.5	15.8	13.7
2014	Not Available	Not Available	3.8	Not Available
Assumed Rate[(1)]	7.5	8.0	7.5	7.75[(2)]

Source: The audited financial statements of the FABF for the fiscal years 2003-2012. For MEABF, LABF and PABF, the Fund CAFRs for the fiscal years 2003-2012. Fiscal Year 2013 information is from the Actuarial Valuations of the Retirement Funds as of December 31, 2013. Fiscal Year 2014 information with respect to LABF is from the Actuarial Valuation of LABF as of December 31, 2014.

(1) Reflects the assumed rate of return of the Retirement Funds as of December 31, 2013, as discussed in further detail under "Actuarial Assumptions—Assumed Investment Rate of Return" below.

(2) PABF has reduced its assumed rate of return assumption to 7.50% beginning with the Actuarial Valuation to be performed as of December 31, 2014.

Determination of Employee Contributions

Employees are required to contribute to their respective Retirement Fund as set forth in the Pension Code.

Prior to the implementation of P.A. 98-641 on January 1, 2015, MEABF employees contributed 8.5% of their salary to MEABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit). For a summary of the increases in employee contributions that took take effect under P.A. 98-641, see "— Legislative Changes — P.A. 98-641."

PABF employees contribute 9.0% of their salary to PABF (consisting of a 7.0% contribution for employee benefits, a 1.5% contribution for spouse benefits and a 0.5% contribution for an annuity increase benefit).

FABF employees contribute 9.125% of their salary to FABF (consisting of a 7.125% contribution for employee benefits, a 1.5% contribution for spouse benefits, a 0.375% contribution for an annuity increase benefit and a 0.125% contribution for disability benefits).

Prior to the implementation of P.A. 98-641 on January 1, 2015, LABF employees contributed8.5% of their salary to LABF (consisting of a 6.5% contribution for employee benefits, a 1.5%

contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit). For a summary of the increases in employee contributions that took effect under P.A. 98-641, see "— Legislative Changes — P.A. 98-641."

For each Retirement Fund, if an employee leaves without qualifying for an annuity, accumulated employee contributions are refunded.

Determination of City's Contributions

Under the Pension Code, the City's contributions to the Retirement Funds are determined pursuant to a statutory formula on an annual basis. Currently, the City's contributions equal the Multiplier Funding (as defined below) and certain other amounts as required by the Pension Code. "Multiplier Funding" is equal to the product of a multiplier established by the Pension Code for each Retirement Fund (each, a "Multiplier") and the amount contributed by the City's employees two years prior to the year in which the tax is levied. With respect to the City's 2015 contribution, the Multiplier for each Retirement Fund is as follows: 1.25 for MEABF; 2.00 for PABF; 2.26 for FABF; and 1.00 for LABF. The City's contributions are made as governed by the Pension Code and are not based on the Actuarially Required Contribution (as hereinafter defined). See "— The Actuarial Valuation—City's Contributions Not Related to GASB Standards" below. However, pursuant to P.A. 96-1495, beginning in 2016, the City's contributions to PABF and FABF will be determined pursuant to the P.A. 96-1495 Funding Plan (as hereinafter defined) rather than the Multiplier Funding system. See "—City's Contributions to PABF and FABF Beginning in 2016" below. Furthermore, beginning in 2021, P.A. 98-641 requires that the City's contributions to MEABF and LABF be determined pursuant to the P.A. 98-641 Funding Plan (as hereinafter defined) rather than the Multiplier Funding system. See "—City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641" below.

The Pension Code provides that the Retirement Fund Boards must each annually certify to the City Council a determination of the required City contribution to the Retirement Funds. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council levy for a particular contribution amount. The City has generally paid the amounts so requested. See "City Contributions to FABF" below.

The City's contributions to the Retirement Funds have historically been made primarily from the proceeds of an annual levy of property taxes for each of the Retirement Funds (collectively, the "Pension Levy") by the City solely for such purpose, as provided by the Pension Code. However, the Pension Code allows the City to use any other legally available funds (collectively, the "Other Available Funds," as described below) in lieu of the Pension Levy to make its contributions to the Retirement Funds. The amount of the Pension Levy, like any City property tax levy, must be approved by the City Council. The Pension Levy is exclusive of and in addition to the amount of property taxes which the City levies for other purposes.

If Other Available Funds are being utilized to pay a portion of the City's contributions, such funds are to be deposited with the City Treasurer to be used for the same purpose as the Pension Levy. The City's practice has been to deposit a portion of the City's Personal Property Replacement Tax revenue ("PPRT") with the City Treasurer for this purpose. PPRT revenue is paid by the State of Illinois (the "State") to the City from the Personal Property Replacement Tax Fund of the State pursuant to Section 12 of the Revenue Sharing Act of the State. The City's distributive share of PPRT is not required to be used for this purpose but it can be used by the City for corporate purposes. Since 2003, the amount of PPRT contributed by the City to the Retirement Funds in the aggregate has averaged approximately $78,387,000 annually. In 2011, 2012 and 2013, the amounts of PPRT contributed to the Retirement

Funds in the aggregate were approximately $108,153,000, $101,875,000 and $126,639,000, respectively. For those same years, the City's total distributive share of PPRT was $144,333,000, $139,461,000 and $159,559,000, respectively.

The contributions to the Retirement Funds in accordance with the Pension Code, which have been generally lower than the Actuarially Required Contribution, have contributed to the significant underfunding of the Retirement Funds. Moreover, the contributions to the Retirement Funds in accordance with the Pension Code have had the effect of deferring the funding of the Retirement Funds' liabilities, which increases the costs of such liabilities and the associated financial risks, including the risk that each Retirement Fund will not be able to pay its obligations as they become due. Any significant increases in the City's contributions (such as those scheduled to occur under P.A. 96-1495 and P.A. 98-641 if determined to be constitutional) to the Retirement Funds can be expected to place significant strain on the City's finances. As shown in "Table 13—Projection of Future Funding Status—FABF" and "Table 14—Projection of Future Funding Status—PABF" herein, the City's contributions to FABF and PABF are projected to increase in fiscal year 2016, when compared to fiscal year 2015, by approximately $134.0 million and $404.4 million, respectively, pursuant to the provisions of P.A. 96-1495. In addition, as shown in "TABLE 11–Projection of Future Funding Status–MEABF," "TABLE 12–Projection of Future Funding Status–LABF" and "TABLE 16—Projected Contributions: MEABF and LABF" herein, the City's contributions to MEABF and LABF are projected to increase in fiscal year 2016, when compared to the City's contributions in fiscal year 2015, by approximately $85.3 million and $9.6 million, respectively pursuant to the provisions of P.A. 98-641, if such act is determined to be constitutional.

City's Contributions to FABF

With respect to the contribution to be made in 2015, the FABF has requested certain amounts which the City has determined are not required by the Pension Code. The amount requested by the FABF Board in excess of the amount the City has determined to be the statutory requirement for 2014 was $18,147,000. The FABF Board has made similar requests for amounts in excess of the amount the City has determined to be the statutory requirement in each of the last several years. In each such year, including the current year, the City has indicated that it will not contribute amounts in excess of the amount the City has determined to be the statutory contribution requirement for the City to FABF.

City's Required Contributions to PABF and FABF Beginning in 2016

Public Act 096-1495 ("P.A. 96-1495") was signed into law on December 30, 2010. Among other things, P.A. 96-1495 created a new method of determining the contributions to be made by the City to PABF and FABF. P.A. 96-1495 requires that, beginning in 2016, the City's contributions each year for PABF and FABF (the "P.A. 96-1495 Contribution") will be equal to the amount necessary to achieve a Funded Ratio (as hereafter defined) of 90% in PABF and FABF by the end of fiscal year 2040 (the "P.A. 96-1495 Funding Plan").

Pursuant to the P.A. 96-1495 Funding Plan, the P.A. 96-1495 Contribution for PABF and FABF will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040. In Cook and DuPage Counties (in which the City is located), property taxes levied in one year become payable during the following year in two installments. As such, any property tax to be levied by the City for the purpose of raising the P.A. 96-1495 Contribution to be made by the City in 2016 would be levied in calendar year 2015 and collected in calendar year 2016.

Unless amended by the Illinois General Assembly, the P.A. 96-1495 Funding Plan will significantly increase the City's required contributions to PABF and FABF beginning in 2016 and will

impose a significant financial burden on the City. Based on the amounts budgeted by the City for the 2015 contribution to PABF and FABF and the 2013 Actuarial Valuation for PABF and FABF, the City's required contribution to PABF and FABF is expected to increase by approximately $549 million in 2016 when compared to the budgeted contribution for 2015. This contribution is expected to increase by an additional $62 million for fiscal year 2017 as a result of new assumptions to be used by the actuary for PABF beginning with the 2014 Actuarial Valuation. See —"Funded Status of the Retirement Funds" herein.

The City is currently in discussions with unions representing participants in PABF and FABF concerning potential amendments to P.A. 96-1495 that, if enacted by the Illinois General Assembly, could materially impact the contributions required to be made by the City. These amendments may include, among other changes, an extension of the period by which the unfunded liabilities of PABF and FABF are amortized to a 90% Funded Ratio when compared to the P.A. 96-1495 Funding Plan (the "Revised Amortization Period") and a phase-in of the increases in the City's contributions to PABF and FABF required by the P.A. 96-1495 Funding Plan over a period of years (the "Phase-in Period"). Any change to the P.A. 96-1495 Funding Plan which would reduce the contributions required of the City, such as a Revised Amortization Period or a Phase-in Period, would have the effect of increasing the unfunded liabilities and decreasing the Funded Ratios of PABF and FABF when compared to the projected unfunded liabilities and Funded Ratios of such Retirement Funds set forth in Tables 13 and 14 below. Furthermore, any such change would require legislative action by the Illinois General Assembly. In addition to, or in lieu of, a Revised Amortization Period or a Phase-in Period, the General Assembly may consider other legislation that could affect the City's future contributions to PABF and FABF or the funding sources for such contributions, including, but no limited to, establishing a City-owned casino.

The City makes no representation whether or when any such legislation would be enacted into law.

The City expects that the City Council will consider options for addressing its pension funding requirement for PABF and FABF, including improvements in operating efficiencies and incremental revenues, after the Illinois General Assembly concludes its spring session, currently scheduled for May 31, 2015. If an increase in property taxes were the sole source of incremental City contributions to PABF and FABF, and those contributions were not reduced by a Revised Amortization Period or Phase-in Period, the projected increase in the City's contribution to such Retirement Funds in 2016 would be $549 million, as described above, on a total estimated 2015 aggregate tax levy of $4.2 billion, including the City and overlapping taxing jurisdictions.

City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641

P.A. 98-641, which became law on June 9, 2014, modifies the manner in which the City's contributions to LABF and MEABF are calculated. For payment years 2016 through 2020, P.A. 98-641 retains the Multiplier Funding system as the method of calculating the City's contributions to LABF and MEABF (unless the amount determined pursuant to the Multiplier Funding system for any year is more than the Normal Cost (as hereinafter defined) for such year plus the amount, determined on a level percentage of payroll basis, that is sufficient to achieve a Funded Ratio of 90% by the end of contribution year 2055), but increases the Multiplier as follows: for the contribution made in 2016, 1.60 (LABF) and 1.85 (MEABF); for the contribution made in 2017, 1.90 (LABF) and 2.15 (MEABF); for the contribution made in 2018, 2.20 (LABF) and 2.45 (MEABF); for the contribution made in 2019, 2.50 (LABF) and 2.75 (MEABF); and for the contribution made in 2020, 2.80 (LABF) and 3.05 (MEABF). Beginning in 2021, the City's contributions for LABF and MEABF will equal the Normal Cost for such year plus the amount, determined on a level percentage of payroll basis, that is sufficient to achieve a Funded Ratio of 90% in LABF and MEABF by the end of contribution year 2055 (the "P.A. 98-641 Funding Plan").

P.A. 98-641 is currently the subject of multiple legal challenges as to its constitutionality. See "Legislative Changes—P.A. 98-641" below. If P.A. 98-641 is overturned by a court, the concomitant reversion to the Pension Code provisions effective prior to its enactment would have the effect of increasing the UAAL and decreasing the Funded Ratio of MEABF and LABF. See "— Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional" below for additional information regarding the effect of P.A. 98-641 being overturned on the funded status of MEABF and LABF.

The Actuarial Valuation

General

In addition to the process outlined above, the Pension Code requires that the Retirement Funds annually submit to the City Council a report containing a detailed statement of the affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Actuarially Required Contribution of such Retirement Fund for reporting purposes pursuant to GASB Statement No. 25 ("GASB 25"). Beginning with the fiscal year ending December 31, 2014, such Actuarial Valuations will incorporate the provisions of GASB Statement No. 67.

A description of the statistics generated by the Retirement Funds' actuaries in the Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City. The references to GASB principles in this Appendix do not suggest and should not be construed to suggest otherwise.

Actuaries and the Actuarial Process

GASB 25 required disclosure of an "Actuarially Required Contribution," which is a financial reporting requirement but not a funding requirement. One of the purposes of the Actuarial Valuation under GASB 25 was to determine the Actuarially Required Contribution, which was the GASB 25 method for calculating the annual amounts needed to fully fund the Retirement Funds. GASB pronouncements refer to this concept as the "Annual Required Contribution"; however, this Appendix refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would calculate pursuant to GASB standards to be contributed in a given year, to differentiate it from the amount the City will be required to contribute under the Pension Code.

The Actuarially Required Contribution as defined in GASB 25 consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the actuarial cost method (as described in "— Actuarial Methods — Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any UAAL (defined below).

In producing the Actuarial Valuations, the Retirement Funds' actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to calculate, as of the valuation date, the Normal Cost, the Actuarial Accrued Liability (defined below), the Actuarial Value of Assets (defined below), and the actuarial present values for the

Retirement Fund. The Retirement Funds' actuaries use this data to determine the following fiscal year's Actuarially Required Contribution. The Retirement Funds' Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. See "— Source Information" above.

The Actuarial Accrued Liability is an estimate of the present value of the benefits each Retirement Fund must pay to members as a result of past employment with the City and participation in such Retirement Fund. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age and mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by each Retirement Fund. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets, see "— Actuarial Methods" and "— Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

City's Contributions Not Related to GASB Standards

The City's contributions to the Retirement Funds are not based on the contribution calculations promulgated by GASB for reporting purposes. Instead, the City's contributions are calculated pursuant to the formulas established in the Pension Code. Beginning in 2016 with respect to PABF and FABF and not later than 2021 with respect to MEABF and LABF, the City will contribute an actuarially determined amount, as opposed to the current, non-actuarial, multiplier-based approach, as set forth in the Pension Code. See "— Determination of City's Contributions" above.

The difference between the City's actual contributions and the Actuarially Required Contribution (as calculated by the Retirement Funds' actuaries) for fiscal years 2004-2013 is shown in "Table 4 - Information Regarding City's Contributions - Aggregated" below. Each Retirement Fund's Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period. MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. P.A. 98-641 requires amortization for LABF and MEABF on a level percent of payroll basis. Both methods of calculating the Actuarially Required Contribution are acceptable under the standards promulgated by GASB.

City's Contributions under P.A. 96-1495 and P.A. 98-641 Will Not Conform to GASB Financial Reporting Benchmarks

As discussed above, beginning in 2016, the City's contributions to PABF and FABF are required to be calculated pursuant to P.A. 96-1495. The P.A. 98-641 Funding Plan governs actuarial calculation of the City's contributions to LABF and MEABF beginning no later than 2021. The P.A. 96-1495 Funding Plan and the P.A. 98-641 Funding Plan differ from the manner of calculation GASB requires for financial reporting purposes. The primary difference between GASB's financial reporting standards and these funding plans is that the goal of such funding plans is to reach a Funded Ratio in the respective Retirement Funds of 90%. GASB's financial reporting standards require amortization of the entire UAAL towards attainment of a 100% Funded Ratio.

Actuarial Methods

The Retirement Funds' actuaries employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

The Retirement Funds calculate their respective Actuarial Value of Assets by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20% of the investment gain or loss realized in that year and each of the previous four years. The Asset Smoothing Method is an allowable method of calculation according to GASB.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the UAAL and the Funded Ratio, that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that differs from the market value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

Table 3 provides a comparison of the assets of the Retirement Funds (as aggregated) on a fair value basis and after application of the Asset Smoothing Method.

TABLE 3 – ASSET SMOOTHED VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS – AGGREGATED(1)

Fiscal Year	Actuarial Value of Assets(2)	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2004	$13,108,645	$12,952,096	101.21%
2005	13,086,060	13,245,445	98.80
2006	13,435,692	14,164,347	94.86
2007	14,254,816	14,595,514	97.67
2008	13,797,344	9,844,339	140.16
2009	13,051,349	10,876,846	119.99
2010	12,449,863	11,408,555	109.13
2011	11,521,138	10,536,135	109.35
2012	10,531,447	10,799,603	97.51
2013	10,513,564	11,261,254	93.36

Source: 2004 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and from the Fund CAFRs for the fiscal year ended December 31, 2010. 2011, 2012 and 2013 data is sourced to the Actuarial Valuations of the Retirement Funds as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively.

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds. For information regarding the Actuarial Value of Assets and the Fair Value of Assets for LABF as of December 31, 2014, see Table 8.

(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method.

Actuarial Accrued Liability

As the final step in the calculation of actuarial liabilities, the actuary applies a cost method to allocate the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of the Actuarial Accrued Liability and the Normal Cost. Currently, all of the Retirement Funds use the entry age normal actuarial cost method (the "EAN Method") with costs allocated on the basis of earnings. The EAN Method is a GASB-approved actuarial cost method.

Under the EAN Method, the present value of each employee's projected pension is assumed to be funded by annual installments equal to a level percentage of the employee's earnings for each year between entry age and assumed exit age. Each employee's Normal Cost for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the Normal Cost for the plan for the year is the sum of the Normal Costs of all employees.

P.A. 96-1495 requires that, beginning in 2016, PABF and FABF calculate the Actuarial Accrued Liability pursuant to the projected unit credit actuarial cost method (the "PUC Method"). Under the PUC Method, Normal Cost represents the actuarial present value of that portion of an employee's projected benefit that is attributable to service in the current year, based on future compensation projected to retirement. Under this method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a member's projected benefit that is attributable to service to date, again, on the basis of future compensation projected to retirement.

Under either cost method, the Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date, i.e., for past service.

This value changes as the employee's salary changes and years of service increase, and as some employees leave and new employees are hired. Future Normal Cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

As compared to the EAN Method, the PUC Method will produce a more back-loaded growth in liabilities because the PUC Method allocates a higher portion of retirement costs closer to the time of retirement. Therefore, the PUC Method results in a slower accumulation of assets, which in turn requires smaller initial, and larger future, contributions (assuming funding is actuarially based, as under the P.A. 96-1495 Funding Plan and under P.A. 98-641). Deferring contributions in this manner increases the cost of the liabilities and the associated financial risks for PABF and FABF.

Actuarial Assumptions

The Actuarial Valuations of the Retirement Funds use a variety of assumptions in order to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Additional information on each Retirement Fund's actuarial assumptions is available in the respective 2013 Actuarial Valuation of MEABF, PABF and FABF and the 2014 Actuarial Valuation of LABF. See "— Source Information" above.

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice of the actuary for each Retirement Fund Board. The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. The average long-term investment rates of return currently assumed by the Retirement Funds are described in Table 2 above. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Funds on their assets in any year may be higher or lower than the assumed rate. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years. See "— Actuarial Methods — Actuarial Value of Assets" above.

Beginning with calendar year 2012, the Retirement Fund Boards of MEABF, LABF and PABF reduced the assumed investment rate of return to be used by their respective actuaries in preparing future actuarial valuations. For MEABF and LABF, the assumed investment rate of return has been decreased to 7.50% beginning with calendar year 2012. For PABF, the assumed investment rate of return was decreased to 7.75% for calendar year 2012. FABF continues to assume an investment rate of return of 8.0%. PABF has reduced its assumed investment rate of return to 7.50% beginning with its 2014

Actuarial Valuation. For a discussion of the rate to be used by Moody's in analyzing public pension plans, see "— Impact of Retirement Funds' Unfunded Liability on the City's Bond Ratings" below.

The assumed investment rate of return is used by each Retirement Fund's actuary as the discount rate to determine the present value of future payments to such Retirement Fund's members. Such a determination is part of the actuary's process to develop the Actuarial Accrued Liability. Reducing the assumed investment rate of return will, taken independently of other changes, produce a larger Actuarial Accrued Liability for each Retirement Fund. Furthermore, as discussed above, an increase in the Actuarial Accrued Liability will, taken independently, increase the UAAL, decrease the Funded Ratio and increase the Actuarially Required Contribution.

These changes to the assumed investment rate of return will not impact contributions by the City to Retirement Funds when such contributions are determined pursuant to the Multiplier Funding System. However, beginning in 2016, the City's contributions to PABF are expected to increase even further as a result of the change in the assumed investment rate of return, taken independently of other factors, because PABF's UAAL will increase as described above and the P.A. 96-1495 Funding Plan requires an amortization of the UAAL to reach the 90% funding target by 2040. See "–Determination of City's Contributions – City's Required Contributions to PABF and FABF Beginning in 2016" herein. Pursuant to P.A. 98-641, beginning no later than 2021, the City's contributions to LABF and MEABF will be higher as a result of the change in the respective assumed investment rates of return, taken independently of other factors, because the respective UAALs of LABF and MEABF will increase as described above and the P.A. 98-641 Funding Plan requires an amortization of the UAAL to reach the 90% funding target by 2054.

Funded Status of the Retirement Funds

In recent years, the City has contributed to the Retirement Funds the full amount of Multiplier Funding and certain other amounts determined by the City to be required by the Pension Code through a combination of property tax revenues (through the Pension Levy) and PPRT funds.* However, these amounts have not been sufficient to fully fund the Retirement Funds' Actuarially Required Contributions. Moreover, expenses related to the Health Plan (as defined below) are paid from the City's contributions, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the income from all sources (including employee contributions, City contributions and investment earnings) to the Retirement Funds has been lower than the cash outlays of the Retirement Funds in some recent years. As a result, the Retirement Funds have liquidated investments and used assets of the Retirement Funds to satisfy these cash outlays. The use of investment earnings or assets of the Retirement Funds for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Retirement Funds from recognizing the full benefits of compounding investment returns.

Table 4 provides information on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

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* As discussed under "— Determination of City's Contributions" above, the City and FABF have disagreed over whether certain amounts are required under the Pension Code. In addition, pursuant to the Pension Code, the City did not make any contributions to LABF in fiscal years 2001 through 2006 because LABF had funds on hand in excess of its liabilities. The Pension Code provides that the City will cease to make contributions to LABF in such a situation. The City continued to make contributions to the other Retirement Funds during those years.

TABLE 4 – INFORMATION REGARDING CITY'S CONTRIBUTIONS[1] – AGGREGATED

Fiscal Year	Actuarially Required Contribution	Actual Employer Contribution[2]	Percentage of Actuarially Required Contribution Contributed[3]
2004	$ 545,232	$345,398	63.3%
2005	698,185	423,515	60.7
2006	785,111	394,899	50.3
2007[4]	865,776	395,483	45.7
2008[4]	886,215	416,130	47.0
2009[4]	990,381	423,929	42.8
2010[4]	1,112,626	425,552	38.2
2011[4]	1,321,823	416,693	31.5
2012[4]	1,470,905	440,120	29.9
2013[4]	1,695,278	442,970	26.1

Sources: Actuarial Valuations of the Retirement Funds as of December 31, 2010, December 31, 2011, December 31, 2012, and December 31, 2013, the Fund CAFRs for the fiscal year ended December 31, 2010, and the City CAFRs for the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013.

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31, 2003 through December 31, 2006, contribution information includes amounts related to other post-employment benefits. Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits.

(2) Includes the portion of the PPRT contributed to the Retirement Funds in each year.

(3) The estimated multipliers that would have been necessary for each Retirement Fund to make the full Actuarially Required Contribution in 2013 were as follows: 4.52 for MEABF; 6.45 for FABF; 5.26 for LABF; and 6.92 for PABF. Beginning in 2016, the City's contributions to PABF and FABF will not be calculated in accordance with the Multiplier Funding system. Pursuant to P.A. 98-641, the City's contributions to LABF and MEABF will not be calculated in accordance with the Multiplier Funding system beginning in 2021. See "— Determination of City's Contributions" above.

(4) Beginning in 2006, as a result of a change in GASB standards, the information in this Table 4 does not include other post-employment benefits, which the City's Comprehensive Annual Financial Report presents separately.

LABF has released its Actuarial Valuation as of December 31, 2014. The Actuarially Required Contribution for fiscal year 2014 was $82,252,473, the actual employer contribution was $14,520,515 and the percentage of the Actuarially Required Contribution contributed was 17.65%.

PABF has changed certain actuarial assumptions beginning with the fiscal year ended December 31, 2014. Specifically, PABF reduced its assumed investment rate of return from 7.75% to 7.50% and changed the mortality table used by its actuary to RP-2014, which projects longer lives for PABF members. Considered independently of other factors, these changes are expected to increase the GASB 25 Actuarial Accrued Liability, and will therefore also increase PABF's UAAL and Actuarially Required Contribution. With respect to the City's 2017 contribution to PABF, these changes are expected to result in an additional contribution of $62 million.

The continued decline in the percentage of the Actuarially Required Contribution contributed by the City, as shown in Table 4 above, results, in part, from the fact that the actuarial liability continues to grow due to the delayed recognition of gains and losses resulting from the Retirement Funds' use of the

Asset Smoothing Method for financial reporting purposes. See "— Actuarial Methods—Actuarial Value of Assets" above.

As of the end of fiscal year 2010, the Retirement Funds had an aggregate UAAL of approximately $15.315 billion on a fair value basis and $14.274 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 42.7% and 46.6%. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of (i) insufficient contributions compared to the Actuarially Required Contribution and (ii) investment losses brought on by the severe global economic downturn.

As of the end of fiscal year 2011, the Retirement Funds had an aggregate UAAL of approximately $17.284 billion on a fair value basis and $16.299 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 37.9% and 41.4%.

As of the end of fiscal year 2012, the Retirement Funds had an aggregate UAAL of approximately $19.084 billion on a fair value basis and $19.352 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 36.1% and 35.2%.

As of the end of fiscal year 2013, the Retirement Funds had an aggregate UAAL of approximately $19.362 billion on a fair value basis and $20.110 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 36.8% and 34.3%.

The following tables summarize the financial condition and the funding trends of the Retirement Funds.

TABLE 5 – FINANCIAL CONDITION OF THE MEABF
FISCAL YEARS 2004-2013
($ IN THOUSANDS)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	$ 5,922,789	$ 6,242,741	$ 6,356,888	$ 6,841,127	$ 7,010,007	$ 4,739,614	$ 5,166,224	$ 5,435,593	$ 5,053,249	$ 5,182,670
Income										
- Employee Contributions	155,885	122,542	129,466	132,442	137,749	130,981	133,300	132,596	130,266	131,532
- City Contributions	153,919	155,067	148,332	139,552	146,803	157,698	164,302	156,525	158,381	157,705
- Investment Income(1)	578,730	402,311	778,726	485,926	(1,947,576)	778,562	638,569	31,583	589,198	735,272
- Miscellaneous Income	-	-	-	-	-	-	24	-	-	-
Total	$ 888,534	$ 679,920	$ 1,056,524	$ 757,921	$ (1,663,024)	$ 1,067,241	$ 936,195	$ 320,705	$ 877,845	$ 1,024,509
Expenditures										
- Benefits and Refunds(2)	538,910	560,228	565,887	582,046	599,137	632,864	660,081	695,674	741,583	779,003
- Administration	29,672	5,545	6,398	6,995	7,279	7,766	6,745	7,375	6,841	6,499
Total	$ 568,582	$ 565,773	$ 572,285	$ 589,041	$ 606,416	$ 640,630	$ 666,826	$ 703,050	$ 748,425	$ 785,502
Ending Net Assets (Fair Value)	$ 6,242,741	$ 6,356,888	$ 6,841,127	$ 7,010,007	$ 4,740,567	$ 5,166,225	$ 5,435,593	$ 5,053,249	$ 5,182,670	$ 5,421,676
Actuarial Value of Assets(3)	$ 6,343,076	$ 6,332,379	$ 6,509,146	$ 6,890,463	$ 6,669,502	$ 6,295,788	$ 6,003,390	$ 5,552,291	$ 5,073,320	$ 5,114,208
Actuarial Accrued Liabilities(4)	8,808,501	9,250,212	9,476,118	9,968,747	10,383,158	10,830,119	11,828,666	12,292,930	13,475,376	13,828,920
UAAL (Fair Value)(5)	2,565,760	2,893,324	2,634,991	2,958,740	5,642,591	5,663,894	6,393,073	7,239,681	8,292,706	8,407,244
UAAL (Actuarial Value)(3)	2,465,425	2,917,833	2,966,972	3,078,284	3,713,656	4,534,331	5,825,276	6,740,639	8,402,057	8,714,712
Funded Ratio (Fair Value)(5)	70.9%	68.7%	72.2%	70.3%	45.7%	47.7%	46.0%	41.1%	38.5%	39.2%
Funded Ratio (Actuarial Value)(3)	72.0%	68.5%	68.7%	69.1%	64.2%	58.1%	50.8%	45.2%	37.6%	37.0%

Source: 2004 through 2010 data is from the Actuarial Valuation of the MEABF as of December 31, 2010, and the CAFR of the MEABF for the fiscal year ended December 31, 2010. 2011, 2012 and 2013 data is from the Actuarial Valuations of the MEABF as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Beginning in fiscal year 2009, includes expenses related to other post-employment benefits. See “Payment for Other Post-Employment Benefits” below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “— Actuarial Methods — Actuarial Value of Assets” above.
(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See “Payment for Other Post-Employment Benefits” below.
(5) Calculated using net assets.

TABLE 6 – FINANCIAL CONDITION OF THE PABF
FISCAL YEARS 2004-2013
($ IN THOUSANDS)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	$ 3,693,283	$ 3,865,809	$ 3,954,837	$ 4,192,076	$ 4,333,234	$ 3,000,998	$ 3,326,051	$ 3,439,669	$ 3,175,509	$ 3,213,432
Income										
- Employee Contributions	78,801	89,110	91,965	93,300	93,207	95,614	108,402	98,222	95,892	93,329
- City Contributions	135,669	177,911	157,689	178,678	181,526	180,511	183,835	183,522	207,228	188,889
- Investment Income[1]	367,908	261,389	447,275	349,914	(1,104,909)	567,315	369,558	33,656	353,176	415,294
- Miscellaneous Income	75	368	1,070	28	160	799	20	104	423	479
Total	$ 582,453	$ 528,778	$ 697,999	$ 621,920	$ (830,016)	$ 844,239	$ 661,815	$ 315,504	$ 656,719	$ 697,991
Expenditures										
- Benefits and Refunds[2]	407,301	437,089	458,060	477,685	497,721	514,883	544,272	575,305	613,907	641,926
- Administration	2,626	2,661	2,700	3,077	4,499	4,304	3,925	4,359	4,888	4,298
Total	$ 409,927	$ 439,750	$ 460,760	$ 480,762	$ 502,220	$ 519,187	$ 548,197	$ 579,664	$ 618,795	$ 646,224
Ending Net Assets (Fair Value)	$ 3,865,809	$ 3,954,837	$ 4,192,076	$ 4,333,234	$ 3,000,998	$ 3,326,050	$ 3,439,669	$ 3,175,509	$ 3,213,433	$ 3,265,200
Actuarial Value of Assets[3]	$ 3,933,031	$ 3,914,432	$ 3,997,991	$ 4,231,682	$ 4,093,720	$ 3,884,978	$ 3,718,955	$ 3,444,690	$ 3,148,930	$ 3,053,882
Actuarial Accrued Liabilities[4]	7,034,271	7,722,737	7,939,561	8,220,353	8,482,574	8,736,102	9,210,056	9,522,395	10,051,827	10,282,339
UAAL (Fair Value)[5]	3,168,462	3,767,900	3,747,485	3,887,119	5,481,576	5,410,052	5,770,387	6,346,886	6,839,394	7,017,139
UAAL (Actuarial Value)[3]	3,101,240	3,808,305	3,941,570	3,988,671	4,388,854	4,851,124	5,491,101	6,077,705	6,902,898	7,228,457
Funded Ratio (Fair Value)[5]	55.0%	51.2%	52.8%	52.7%	35.4%	38.1%	37.3%	33.4%	32.0%	31.8%
Funded Ratio (Actuarial Value)[3]	55.9%	50.7%	50.4%	51.5%	48.3%	44.5%	40.4%	36.2%	31.3%	29.7%

Source: 2004 through 2010 data is from the Actuarial Valuation of the PABF as of December 31, 2010, and CAFR of the PABF for the fiscal year ended December 31, 2010. 2011, 2012 and 2013 data is from the Actuarial Valuations of the PABF as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Payment for Other Post-Employment Benefits" below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.
(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Payment for Other Post-Employment Benefits" below.
(5) Calculated using net assets.

TABLE 7 – FINANCIAL CONDITION OF THE FABF
FISCAL YEARS 2004-2013
($ IN THOUSANDS)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	$ 1,109,561	$ 1,206,177	$ 1,274,659	$ 1,391,484	$ 1,469,455	$ 914,193	$ 1,051,644	$ 1,106,078	$ 993,774	$ 1,032,423
Income										
- Employee Contributions	37,734	35,697	44,222	41,120	40,480	41,605	41,730	51,918	56,718	42,520
- City Contributions	55,532	90,129	78,971	74,271	83,744	91,857	83,592	85,498	84,144	106,220
- Investment Income(1)	139,497	112,017	174,406	148,806	(484,093)	208,537	150,835	(22,434)	135,203	190,536
- Miscellaneous Income	24,322	456	87	162	107	36	30	17	8	(60)
Total	$ 257,085	$ 238,299	$ 297,686	$ 264,359	$ (359,762)	$ 342,035	$ 276,187	$ 114,999	$ 276,073	$ 339,216
Expenditures										
- Benefits and Refunds(2)	158,372	167,527	178,214	183,304	192,644	201,146	217,565	223,580	233,840	251,819
- Administration	2,097	2,290	2,647	3,084	2,856	3,439	4,187	3,723	3,584	3,115
Total	$ 160,469	$ 169,817	$ 180,861	$ 186,388	$ 195,500	$ 204,585	$ 221,752	$ 227,303	$ 237,424	$ 254,934
Ending Net Assets (Fair Value)	$ 1,206,177	$ 1,274,659	$ 1,391,484	$ 1,469,455	$ 914,193	$ 1,051,643	$ 1,106,079	$ 993,774	$ 1,032,423	$ 1,116,705
Actuarial Value of Assets(3)	$ 1,182,579	$ 1,203,654	$ 1,264,497	$ 1,374,960	$ 1,335,695	$ 1,269,231	$ 1,198,114	$ 1,101,742	$ 993,284	$ 991,213
Actuarial Accrued Liabilities(4)	2,793,524	2,882,936	3,088,124	3,215,874	3,311,269	3,428,838	3,655,026	3,851,919	4,020,138	4,128,735
UAAL (Fair Value)(5)	1,587,347	1,608,277	1,696,640	1,746,419	2,397,076	2,377,195	2,548,947	2,858,145	2,987,715	3,012,030
UAAL (Actuarial Value)(3)	1,610,945	1,679,282	1,823,627	1,840,914	1,975,574	2,159,607	2,456,912	2,750,177	3,026,854	3,137,522
Funded Ratio (Fair Value)(5)	43.2%	44.2%	45.1%	45.7%	27.6%	30.7%	30.3%	25.8%	25.7%	27.0%
Funded Ratio (Actuarial Value)(3)	42.3%	41.8%	40.9%	42.8%	40.3%	37.0%	32.8%	28.6%	24.7%	24.0%

Source: 2004 through 2010 data is from the Actuarial Valuation of the FABF as of December 31, 2010, and CAFR of the FABF for the fiscal year ended December 31, 2010. 2011, 2012 and 2013 data is from the Actuarial Valuations of FABF as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2001, includes expenses related to other post-employment benefits. See "Payment for Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Payment for Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 8 – FINANCIAL CONDITION OF THE LABF
FISCAL YEARS 2004-2014
($ IN THOUSANDS)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Beginning Net Assets (Fair Value)	$ 1,552,361	$ 1,637,369	$ 1,659,061	$ 1,739,660	$ 1,782,818	$ 1,188,580	$ 1,332,929	$ 1,427,214	$ 1,313,604	$ 1,371,077	$ 1,457,673
Income											
- Employee Contributions	22,591	16,257	18,791	18,413	19,419	17,538	16,320	16,069	16,559	16,393	16,359
- City Contributions	197	40	106	15,459	17,580	17,190	17,939	15,359	14,415	14,101	14,520
- Investment Income[1]	171,045	117,785	174,536	125,205	(510,463)	237,102	193,187	(4,511)	173,460	207,344	53,393
- Miscellaneous Income	5	-	-	-	-	-	-	-	-	-	0
Total	$ 193,838	$ 134,082	$ 193,433	$ 159,077	$ (473,464)	$ 271,830	$ 227,446	$ 26,917	$ 204,434	$ 237,838	$ 84,272
Expenditures											
- Benefits and Refunds[2]	105,958	109,405	110,003	112,567	117,147	123,817	129,297	136,533	142,215	147,108	150,018
- Administration	2,872	2,985	2,831	3,352	3,626	3,665	3,864	3,994	4,746	4,134	3,835
Total	$ 108,830	$ 112,390	$ 112,834	$ 115,919	$ 120,773	$ 127,482	$ 133,161	$ 140,527	$ 146,961	$ 151,242	$ 153,853
Ending Net Assets (Fair Value)	$ 1,637,369	$ 1,659,061	$ 1,739,660	$ 1,782,818	$ 1,188,581	$ 1,332,928	$ 1,427,214	$ 1,313,604	$ 1,371,077	$ 1,457,673	$ 1,388,092
Actuarial Value of Assets[3]	$ 1,649,959	$ 1,635,595	$ 1,664,058	$ 1,757,711	$ 1,698,427	$ 1,601,352	$ 1,529,404	$ 1,422,414	$ 1,315,914	$ 1,354,261	$ 1,357,451
Actuarial Accrued Liabilities[4]	1,674,615	1,742,300	1,767,682	1,808,295	1,915,324	1,975,749	2,030,025	2,152,854	2,336,189	2,383,499	2,111,704
UAAL (Fair Value)[5]	37,246	83,239	28,022	25,477	726,743	642,821	602,811	839,250	965,112	925,826	723,612
UAAL (Actuarial Value)[3]	24,656	106,705	103,624	50,584	216,897	374,397	500,621	730,440	1,020,276	1,029,238	754,253
Funded Ratio (Fair Value)[5]	97.8%	95.2%	98.4%	98.6%	62.1%	67.5%	70.3%	61.0%	58.7%	61.2%	65.7%
Funded Ratio (Actuarial Value)[3]	98.5%	93.9%	94.1%	97.2%	88.7%	81.1%	75.3%	66.1%	56.3%	56.8%	64.3%

Source: 2004 through 2010 data is from the Actuarial Valuation of the LABF as of December 31, 2010, and CAFR of the LABF for the fiscal year ended December 31, 2010. 2011, 2012, 2013 and 2014 data is from the Actuarial Valuations of the LABF as of December 31, 2011, December 31, 2012, December 31, 2013 and December 31, 2014, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See “Payment for Other Post-Employment Benefits” below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “— Actuarial Methods — Actuarial Value of Assets” above.
(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See “Payment for Other Post-Employment Benefits” below.
(5) Calculated using net assets.

TABLE 9 – FINANCIAL CONDITION OF THE RETIREMENT FUNDS COMBINED FISCAL YEARS 2004-2013 ($ IN THOUSANDS)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	$ 12,277,994	$ 12,952,096	$ 13,245,445	$ 14,164,347	$ 14,595,514	$ 9,843,385	$ 10,876,848	$ 11,408,554	$ 10,536,136	$ 10,799,603
Income										
- Employee Contributions	295,011	263,606	284,444	285,275	290,855	285,738	299,752	298,805	299,435	283,774
- City Contributions	345,317	423,147	385,098	407,960	429,653	447,256	449,668	440,904	464,168	466,915
- Investment Income(1)	1,257,180	893,502	1,574,943	1,109,851	(4,047,041)	1,791,516	1,352,149	38,295	1,251,037	1,548,446
- Miscellaneous Income	24,402	824	1,157	190	267	835	74	121	431	419
Total	$ 1,921,910	$ 1,581,079	$ 2,245,642	$ 1,803,277	$ (3,326,266)	$ 2,525,345	$ 2,101,643	$ 778,125	$ 2,015,071	$ 2,299,554
Expenditures	-	-	-	-	-	-	-	-		
- Benefits and Refunds(2)	1,210,541	1,274,249	1,312,164	1,355,602	1,406,649	1,472,710	1,551,215	1,631,093	1,731,545	1,819,856
- Administration	37,267	13,481	14,576	16,508	18,260	19,174	18,721	19,452	20,059	18,046
Total	$ 1,247,808	$ 1,287,730	$ 1,326,740	$ 1,372,110	$ 1,424,909	$ 1,491,884	$ 1,569,936	$ 1,650,544	$ 1,751,604	$ 1,837,902
Ending Net Assets (Fair Value)	$ 12,952,096	$ 13,245,445	$ 14,164,347	$ 14,595,514	$ 9,844,339	$ 10,876,846	$ 11,408,555	$ 10,536,135	$ 10,799,603	$ 11,261,254
Actuarial Value of Assets(3)	$ 13,108,645	$ 13,086,060	$ 13,435,692	$ 14,254,816	$ 13,797,344	$ 13,051,349	$ 12,449,863	$ 11,521,138	$ 10,531,448	$ 10,513,564
Actuarial Accrued Liabilities(4)	20,310,911	21,598,185	22,271,485	23,213,269	24,092,325	24,970,808	26,723,773	27,820,098	29,883,532	30,623,493
UAAL (Fair Value)(5)	7,358,815	8,352,740	8,107,138	8,617,755	14,247,986	14,093,962	15,315,218	17,283,963	19,083,929	19,362,239
UAAL (Actuarial Value)(3)	7,202,266	8,512,125	8,835,793	8,958,453	10,294,981	11,919,459	14,273,910	16,298,960	19,352,084	20,109,929
Funded Ratio (Fair Value)(5)	63.77%	61.33%	63.60%	62.88%	40.86%	43.56%	42.69%	37.87%	36.1%	36.8%
Funded Ratio (Actuarial Value)(3)	64.54%	60.59%	60.33%	61.41%	57.27%	52.27%	46.59%	41.41%	35.2%	34.3%

Source: 2004 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ended December 31, 2010. 2011, 2012 and 2013 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively. Table may not add due to rounding.

Note: For fiscal year 2014 asset, liability, UAAL and Funded Ratio information for LABF, see Table 8. Fiscal Year 2014 information has yet to be released for MEABF, PABF and FABF.

(1) Investment income is shown net of fees and expenses.

(2) Includes expenses related to other post-employment benefits beginning in each of the fiscal years as shown in Footnote (2) in Tables 6-9 herein for each respective Retirement Fund. See "Payment for Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Payment for Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 10 – SCHEDULE OF FUNDING PROGRESS – COMBINED FOR THE RETIREMENT FUNDS
FISCAL YEARS 2004-2013
($ IN THOUSANDS)

Fiscal Year	Actuarial Accrued Liability[(1)]	Actuarial Value of Assets[(2)]	Fair Value of Net Assets	UAAL (Actuarial)[(3)]	UAAL (Fair Value)[(4)]	Funded Ratio (Actuarial)[(3)]	Funded Ratio (Fair Value)[(4)]	Payroll	UAAL to Payroll (Actuarial)[(3)]	UAAL to Payroll (Fair Value)[(4)]
2004	$ 20,310,911	$ 13,108,645	$ 12,952,096	$ 7,202,266	$ 7,358,815	64.5%	63.8%	$ 2,683,331	268.4%	274.2%
2005	21,598,185	13,086,060	13,245,445	8,512,125	8,352,740	60.6	61.3	2,880,358	295.5	290.0
2006	22,271,485	13,435,692	14,164,347	8,835,793	8,107,138	60.3	63.6	3,069,479	287.9	264.1
2007	23,213,269	14,254,816	14,595,514	8,958,453	8,617,755	61.4	62.9	3,185,388	281.2	270.5
2008	24,092,325	13,797,344	9,844,339	10,294,981	14,247,986	57.3	40.9	3,180,484	323.7	448.0
2009	24,970,808	13,051,349	10,876,846	11,919,459	14,093,962	52.3	43.6	3,172,716	375.7	444.2
2010	26,723,773	12,449,863	11,408,555	14,273,910	15,315,218	46.6	42.7	3,189,739	447.5	480.1
2011	27,233,004	11,521,138	10,536,135	16,298,960	16,696,869	41.4	37.9	3,261,021	499.8	512.0
2012	29,883,532	10,531,448	10,799,603	19,352,084	19,083,929	35.2	36.1	3,223,720	600.0	592.0
2013	30,623,493	10,513,564	11,261,254	20,109,929	19,362,239	34.3	36.8	3,212,558	626.0	602.7

Source: 2004 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ended December 31, 2010. 2011, 2012 and 2013 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2011, December 31, 2012, and December 31, 2013, respectively. Table may not add due to rounding.

Note: For fiscal year 2014 asset, liability, UAAL and Funded Ratio information for LABF, see Table 8. Fiscal year 2014 information has yet to be released for MEABF, PABF and FABF.

(1) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Payment for Other Post-Employment Benefits" below.

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.

(3) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.

(4) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the fair value of Net Assets.

A variety of factors impact the Retirement Funds' UAAL and Funded Ratio. A lower return on investment than that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio.

Projection of Funded Status

The Retirement Funds' funding level has decreased in recent years due to a combination of factors, including: adverse market conditions and investment returns as a result of the financial downturns experienced in 2001 and in 2008 and beyond; and contributions that are lower than the Actuarially Required Contribution.

The following projections (collectively, the "Projections") are based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection.

The Projections are based on data as of December 31, 2013, with the exception of the Projection for LABF which is based on data as of December 31, 2014, and are provided to indicate expected trends in the funded status of the Retirement Funds under the applicable law. The Projections reflect P.A. 96-1495 and P.A. 98-641. As described herein, P.A. 98-641 is presently subject to legal challenge as to its constitutionality. For projections regarding MEABF and LABF under the law in effect prior to the enactment of P.A. 98-641, see "— Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional" herein.

TABLE 11 – PROJECTION OF FUTURE FUNDING STATUS – MEABF[1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[2] ($)
2014	$ 12,462,848	$ 5,277,155	$ 7,185,693	42.3%	$ 156,234
2015	12,781,076	5,107,006	7,674,070	40.0	156,091
2016	13,101,666	5,001,423	8,100,243	38.2	242,700
2017	13,443,468	4,942,395	8,501,073	36.8	290,099
2018	13,786,024	4,937,449	8,848,575	35.8	361,163
2019	14,134,950	5,007,104	9,127,846	35.4	442,075
2020	14,479,558	5,146,804	9,332,754	35.5	532,996
2021	14,816,132	5,318,937	9,497,195	35.9	585,637
2022	15,144,601	5,487,221	9,657,380	36.2	600,338
2023	15,462,160	5,649,339	9,812,821	36.5	615,080
2024	15,779,927	5,817,275	9,962,652	36.9	630,119
2025	16,095,262	5,989,098	10,106,164	37.2	645,296
2026	16,401,150	6,158,659	10,242,491	37.6	660,725
2027	16,693,758	6,323,110	10,370,648	37.9	676,487
2028	16,973,157	6,483,512	10,489,645	38.2	692,536
2029	17,237,883	6,639,155	10,598,728	38.5	708,556
2030	17,486,699	6,789,919	10,696,780	38.8	724,731
2031	17,720,098	6,937,654	10,782,444	39.2	741,351
2032	17,939,359	7,085,146	10,854,213	39.5	758,503
2033	18,146,486	7,235,904	10,910,582	39.9	776,086
2034	18,343,990	7,394,252	10,949,738	40.3	794,305
2035	18,534,371	7,564,696	10,969,675	40.8	813,232
2036	18,720,136	7,751,737	10,968,399	41.4	832,724
2037	18,903,754	7,960,045	10,943,709	42.1	852,841
2038	19,087,778	8,194,666	10,893,112	42.9	873,683
2039	19,274,960	8,460,863	10,814,097	43.9	895,143
2040	19,468,243	8,764,470	10,703,773	45.0	917,360

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection derived from actuarial data as of December 31, 2013.

(1) In thousands of dollars. Projections calculated on a cash basis.

(2) Represents contributions expected to be made by the City during the fiscal year.

TABLE 12 – PROJECTION OF FUTURE FUNDING STATUS – LABF[1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[2] ($)
2014	$2,111,704	$1,388,093	$ 723,611	65.7%	$14,521
2015	2,145,052	1,363,097	781,955	63.5	14,472
2016	2,175,622	1,342,036	833,586	61.7	24,019
2017	2,208,991	1,325,498	883,493	60.0	28,536
2018	2,231,152	1,314,693	916,459	58.9	37,768
2019	2,273,671	1,311,023	962,648	57.7	46,280
2020	2,304,497	1,313,146	991,351	57.0	56,096
2021	2,333,490	1,324,203	1,009,287	56.7	68,520
2022	2,360,554	1,333,970	1,026,584	56.5	70,398
2023	2,385,406	1,342,241	1,043,165	56.3	72,308
2024	2,407,534	1,348,670	1,058,864	56.0	74,296
2025	2,429,710	1,356,183	1,073,527	55.8	76,371
2026	2,449,606	1,362,569	1,087,037	55.6	78,462
2027	2,466,633	1,367,354	1,099,279	55.4	80,560
2028	2,480,723	1,370,612	1,110,111	55.3	82,695
2029	2,491,848	1,372,411	1,119,437	55.1	84,830
2030	2,500,071	1,372,908	1,127,163	54.9	86,915
2031	2,505,962	1,372,824	1,133,138	54.8	89,060
2032	2,510,086	1,372,877	1,137,209	54.7	91,245
2033	2,513,040	1,373,840	1,139,200	54.7	93,475
2034	2,515,720	1,376,709	1,139,011	54.7	95,647
2035	2,518,676	1,381,940	1,136,736	54.9	97,562
2036	2,522,349	1,390,066	1,132,283	55.1	99,442
2037	2,527,430	1,401,875	1,125,555	55.5	101,274
2038	2,534,183	1,417,752	1,116,431	55.9	103,084
2039	2,542,950	1,438,244	1,104,706	56.6	104,922
2040	2,554,422	1,464,246	1,090,176	57.3	106,793

Source: Actuarial Valuation of LABF as of December 31, 2014.

(1) In thousands of dollars. Projections calculated on a cash basis.

(2) Represents contributions expected to be made by the City during the fiscal year.

TABLE 13 –- PROJECTION OF FUTURE FUNDING STATUS – FABF[1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[2] ($)
2014	$ 4,225,089	$ 1,075,899	$ 3,149,190	25.5%	$ 106,220
2015	4,360,451	1,151,244	3,209,207	26.4	112,169[3]
2016	4,493,997	1,228,083	3,265,914	27.3	246,132
2017	4,627,415	1,308,900	3,318,515	28.3	253,201
2018	4,756,606	1,390,934	3,365,672	29.2	260,425
2019	4,880,732	1,474,650	3,406,082	30.2	268,308
2020	4,999,515	1,560,688	3,438,827	31.2	276,737
2021	5,113,491	1,650,085	3,463,406	32.3	285,445
2022	5,222,832	1,744,194	3,478,638	33.4	294,115
2023	5,327,614	1,845,044	3,482,570	34.6	303,384
2024	5,427,336	1,953,846	3,473,490	36.0	313,868
2025	5,522,162	2,072,117	3,450,045	37.5	324,809
2026	5,612,668	2,201,689	3,410,979	39.2	336,114
2027	5,698,370	2,345,817	3,352,553	41.2	347,685
2028	5,778,147	2,506,373	3,271,774	43.4	359,377
2029	5,852,755	2,683,046	3,169,709	45.8	370,304
2030	5,923,952	2,875,431	3,048,521	48.5	379,314
2031	5,990,906	3,082,710	2,908,196	51.5	387,355
2032	6,053,664	3,305,508	2,748,156	54.6	393,836
2033	6,112,722	3,545,346	2,567,376	58.0	399,775
2034	6,169,734	3,804,297	2,365,437	61.7	405,703
2035	6,226,073	4,084,259	2,141,814	65.6	410,627
2036	6,282,292	4,386,722	1,895,570	69.8	415,213
2037	6,340,833	4,715,323	1,625,510	74.4	419,169
2038	6,403,348	5,073,492	1,329,856	79.2	423,542
2039	6,471,937	5,464,928	1,007,009	84.4	428,171
2040	6,546,019	5,891,417	654,602	90.0	432,956

Source: The Actuarial Valuation of FABF as of December 31, 2013.

(1) In thousands of dollars. Projections are calculated by GRS on an accrual basis. However, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year.

(2) Represents contributions expected to be made by the City during the fiscal year.

(3) The City's budgeted contribution for 2015 is $96,300 (rounded to thousands of dollars).

TABLE 14 – PROJECTION OF FUTURE FUNDING STATUS – PABF[1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[2] ($)
2014	$ 10,401,796	$ 3,116,381	$ 7,285,415	30.0%	$ 188,889
2015	10,729,870	3,331,205	7,398,665	31.0	188,431[3]
2016	11,062,868	3,559,011	7,503,857	32.2	592,863
2017	11,409,721	3,810,987	7,598,734	33.4	613,138
2018	11,760,065	4,077,395	7,682,670	34.7	634,824
2019	12,111,074	4,357,100	7,753,974	36.0	655,923
2020	12,460,807	4,650,079	7,810,728	37.3	677,323
2021	12,807,516	4,956,243	7,851,273	38.7	699,118
2022	13,150,495	5,277,247	7,873,248	40.1	721,134
2023	13,488,428	5,613,787	7,874,641	41.6	744,034
2024	13,820,165	5,968,320	7,851,845	43.2	767,240
2025	14,144,765	6,343,147	7,801,618	44.8	792,087
2026	14,461,365	6,740,553	7,720,812	46.6	818,071
2027	14,768,889	7,162,785	7,606,104	48.5	844,860
2028	15,068,056	7,614,943	7,453,113	50.5	872,392
2029	15,346,057	8,097,936	7,248,121	52.8	901,827
2030	15,602,859	8,610,245	6,992,614	55.2	928,497
2031	15,838,748	9,150,449	6,688,299	57.8	951,481
2032	16,058,874	9,719,291	6,339,583	60.5	970,499
2033	16,264,244	10,318,876	5,945,368	63.4	987,603
2034	16,456,853	10,952,376	5,504,477	66.6	1,003,483
2035	16,641,419	11,626,336	5,015,083	69.9	1,017,489
2036	16,820,971	12,345,734	4,475,237	73.4	1,031,361
2037	16,999,574	13,117,020	3,882,554	77.2	1,043,923
2038	17,179,866	13,945,618	3,234,248	81.2	1,056,617
2039	17,363,605	14,837,009	2,526,596	85.4	1,068,641
2040	17,551,592	15,796,433	1,755,159	90.0	1,080,783

Source: The Actuarial Valuation of PABF as of December 31, 2013.

(1) In thousands of dollars. Projections are calculated by GRS on an accrual basis. However, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year.

(2) Represents contributions expected to be made by the City during the fiscal year.

(3) The City's budgeted contribution for 2015 is $194,122 (rounded to thousands of dollars).

TABLE 15 – PROJECTION OF FUTURE FUNDING STATUS – AGGREGATE[1][2]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[3] ($)
2014	$29,201,437	$10,857,528	$18,343,909	37.2%	$ 465,864
2015	30,016,449	10,952,552	19,063,897	36.5	471,163
2016	30,834,153	11,130,553	19,703,600	36.1	1,105,714
2017	31,689,595	11,387,780	20,301,815	35.9	1,184,974
2018	32,533,847	11,720,471	20,813,376	36.0	1,294,180
2019	33,400,427	12,149,877	21,250,550	36.4	1,412,586
2020	34,244,377	12,670,717	21,573,660	37.0	1,543,152
2021	35,070,629	13,249,468	21,821,161	37.8	1,638,720
2022	35,878,482	13,842,632	22,035,850	38.6	1,685,985
2023	36,663,608	14,450,411	22,213,197	39.4	1,734,806
2024	37,434,962	15,088,111	22,346,851	40.3	1,785,523
2025	38,191,899	15,760,545	22,431,354	41.3	1,838,563
2026	38,924,789	16,463,470	22,461,319	42.3	1,893,372
2027	39,627,650	17,199,066	22,428,584	43.4	1,949,592
2028	40,300,083	17,975,440	22,324,643	44.6	2,007,000
2029	40,928,543	18,792,548	22,135,995	45.9	2,065,517
2030	41,513,581	19,648,503	21,865,078	47.3	2,119,457
2031	42,055,714	20,543,637	21,512,077	48.8	2,169,247
2032	42,561,983	21,482,822	21,079,161	50.5	2,214,083
2033	43,036,492	22,473,966	20,562,526	52.2	2,256,939
2034	43,486,297	23,527,634	19,958,663	54.1	2,299,138
2035	43,920,539	24,657,231	19,263,308	56.1	2,338,910
2036	44,345,748	25,874,259	18,471,489	58.3	2,378,740
2037	44,771,591	27,194,263	17,577,328	60.7	2,417,207
2038	45,205,175	28,631,528	16,573,647	63.3	2,456,926
2039	45,653,452	30,201,044	15,452,408	66.2	2,496,877
2040	46,120,276	31,916,566	14,203,710	69.2	2,537,892

Source: The aggregated information presented in this table is derived from the projections presented in Tables 11-14. Please refer to Tables 11-14 for source information.

(1) In thousands of dollars. Projections for MEABF and LABF are calculated on a cash basis. Projections for PABF and FABF are calculated on an accrual basis, however, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year.

(2) Aggregate data presented in this table includes data for all four Retirement Funds.

(3) Represents contributions expected to be made by the City during the fiscal year.

The projections in Tables 13 and 14 show that the assets of both FABF and PABF will, under current law, begin to increase in 2016. This increase assumes the implementation of the P.A. 96-1495 Funding Plan. This projection does not consider the impact of any bill delaying the impact of P.A. 96-1495. See "– Determination of City's Contributions – City's Required Contributions to PABF and FABF Beginning in 2016" herein. The City projects that, should such a delay bill be enacted, the purpose of such bill would be to alleviate the strain of the contributions currently projected to occur pursuant to P.A. 96-1495, which would most likely have the effect of delaying the increases in the Funded Ratio with respect to such Retirement Funds during the period in which the contributions established pursuant to such delay bill are lower than those under P.A. 96-1495. See "– Determination of City's Contributions – City's Required Contributions to PABF and FABF Beginning in 2016" herein.

The statements made in this subsection are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in this Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Legislative Changes

P.A. 96-0889

On April 14, 2010, then Governor Quinn signed Public Act 96-0889 (the "Pension Reform Act") into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of MEABF and LABF on or after January 1, 2011 ("Tier II Members") as compared to those provided to employees prior to such date ("Tier I Members"). The Pension Reform Act does not impact persons who first became employees prior to its effective date of January 1, 2011.

Among other changes, the Pension Reform Act: (i) increases the minimum age at which an employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service; (ii) increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the annual cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates compounding for employees hired after January 1, 2011, compared with a cost of living adjustment of 3%, compounded, under prior law; and (v) caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

The Pension Reform Act as described in this subsection, taken independently of any other legislative or market effects, is expected to reduce benefits afforded new hires and therefore reduce over time the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution for MEABF and LABF. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As the value of future benefits decreases over time, and as a greater percentage of the City's workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease compared to what it would have been under previous law. Consequently, the UAAL is expected to grow more slowly and the Funded Ratio to increase. As the growth in the UAAL slows, the Actuarially Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases. However, no assurance can be given that these expectations will be the actual experience going forward.

P.A. 96-1495

P.A. 96-1495 has a significant impact on PABF and FABF. Certain provisions of P.A. 96-1495 are discussed above in "— Determination of City's Contributions — City's Required Contributions to PABF and FABF Beginning in 2016." The P.A. 96-1495 Funding Plan will have the effect of

significantly increasing the City's contributions to PABF and FABF because, among other things, such contributions will no longer be determined pursuant to the Multiplier Funding system and because the P.A. 96-1495 Funding Plan is designed to require larger contributions by the City. The greater contributions projected to be required under the P.A. 96-1495 Funding Plan are expected to pose a substantial burden for the City's financial condition beginning in 2016. See "—Projection of Funded Status" above.

In addition, P.A. 96-1495 makes changes to benefits for police officers and firefighters first participating in PABF and FABF on or after January 1, 2011. Among other changes, P.A. 96-1495: (i) increases the minimum eligibility age for unreduced retirement benefits from 50 (with ten years of service) to 55 (with ten years of service); (ii) provides for retirement at age 50 (with ten years of service) with the annuity reduced by 0.5% per month; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers ("CPI-u"), whichever is lower, commencing at age 60; (v) provides that widow benefits are 66 2/3% of the employee's annuity at the date of death; and (vi) caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

While the reforms discussed in this sub-section are expected to contribute to a reduction in the respective UAALs of PABF and FABF over time, such reforms are not expected to materially reduce such UAALs in the near future.

P.A. 98-641

P.A. 98-641 makes significant changes to LABF and MEABF. Certain provisions relating to the City's contributions to LABF and MEABF under P.A. 98-641 are discussed above in "— Determination of City's Contributions — City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641." The P.A. 98-641 Funding Plan will have the effect of significantly increasing the City's contributions to LABF and MEABF.

In addition, with respect to LABF and MEABF, P.A. 98-641:

- Skips automatic annual increases ("AAI") in 2017, 2019 and 2025 for retired members that would otherwise be entitled to receive them and who have an annuity greater than $22,000;

- Provides that members who retire after the effective date of P.A. 98-641 are not eligible to receive an AAI until one full year after they otherwise would have;

- Reduces the AAI rate for Tier I Members to the lesser of 3.0% or 50% of the CPI-u, except that retirees with an annual annuity of less than $22,000 will receive at least a 1% AAI in each year, including in the AAI skip years described above;

- Reduces for Tier II Members the minimum eligibility age for unreduced retirement benefits to 65 with 10 years of service and, for reduced retirement benefits, to age 60 with 10 years of service;

- Increases employee contribution rates for both Tier I Members and Tier II Members to 9.0% in calendar year 2015, 9.5% in calendar year 2016, 10.0% in calendar year 2017, 10.5% in calendar year 2018 and 11.0% for calendar year 2019 and after until the

respective Retirement Fund reaches a 90% Funded Ratio, at which point the employee contribution rate is reduced to 9.75%; and

- Institutes the Recapture Provisions with respect to MEABF and LABF.

The consulting actuary for MEABF and LABF has prepared projections of City contributions and funded status of LABF and MEABF based on the enactment of P.A. 98-641. Such projections are based on the data, assumptions and methods used in the actuarial valuations for LABF and MEABF as of December 1, 2013. Tables 16 and 17 provide such projections as compared to projected results under current Pension Code provisions.

TABLE 16 – PROJECTED CONTRIBUTIONS: MEABF AND LABF[1]

	LABF			MEABF		
Contribution Year	Contributions to LABF Before P.A. 98-641	Contributions to LABF Under P.A. 98-641	Increase in Contributions to LABF Under P.A. 98-641	Contributions to MEABF Before P.A. 98-641	Contributions to MEABF Under P.A. 98-641	Increase in Contributions to MEABF Under P.A. 98-641
2015	$ 14.5	$ 14.5	$ 0.0	$ 156.1	$ 156.1	$ 0.0
2016	14.4	24.0	9.6	157.4	242.7	85.3
2017	15.4	30.5	15.1	161.9	290.1	128.2
2018	15.7	38.2	22.5	167.1	361.2	194.1
2019	16.2	47.1	30.9	172.6	442.1	269.5
2020	16.7	57.3	40.6	178.2	533.0	354.8
2021	17.2	67.7	50.5	184.0	585.6	401.6
2022	17.8	69.6	51.8	189.9	600.3	410.4
2030	232.6	86.2	(146.4)	1,325.3	724.7	(600.6)
2040	244.8	105.5	(139.3)	1,598.9	917.4	(681.5)
2050	217.1	124.3	(92.8)	1,530.1	1,184.5	(345.6)
2055	218.1	135.3	(82.8)	1,519.9	1,332.2	(187.7)

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection derived from actuarial data as of December 31, 2013.

(1) In millions of dollars. Projections are calculated on a cash basis.

TABLE 17 – PROJECTED FUNDED RATIOS: MEABF AND LABF[1]

	LABF		MEABF	
Contribution Year	Funded Ratio Before P.A. 98-641	Funded Ratio Under P.A. 98-641	Funded Ratio Before P.A. 98-641	Funded Ratio Under P.A. 98-641
2015	53.9%	62.5%	33.1%	38.5%
2016	52.8	62.3	31.3	37.6
2017	50.9	61.7	29.1	36.8
2018	48.0	60.5	26.3	35.8
2019	44.9	59.5	23.3	35.4
2020	41.6	59.0	20.1	35.6
2021	38.1	58.7	16.6	35.9
2022	34.3	58.5	12.9	36.2
2030	0.0	57.2	0.0	38.8
2040	0.0	60.2	0.0	45.0
2050	0.0	76.5	0.0	68.7
2055	0.0	90.0	0.0	90.0

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection derived from actuarial data as of December 31, 2013.

(1) In millions of dollars. Projections are calculated on a cash basis.

P.A. 98-641 also provides that, beginning on January 1, 2015, the Retirement Board of LABF or MEABF may bring a mandamus action to compel the City to make the contributions required by the Pension Code, in addition to other remedies that may be available by law. P.A. 98-641 further provides

that the court may order a reasonable payment schedule to enable the City to make payments without imperiling the City's public health, safety, or welfare.

Under P.A. 98-641, such payments are expressly subordinated to the payment of the principal, interest, premium, if any, and other payments on or related to any bonded debt obligation of the City, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from any funds collected or received by the City or collected or received on behalf of the City. Per P.A. 98-641, such payments on bonded debt obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law, City ordinance, or bond indentures, into debt service funds or accounts of the City related to such bonded debt obligations, consistent with the payment schedules associated with such obligations.

In December 2014, shortly before P.A. 98-641 was to take effect, two lawsuits were filed in the Circuit Court of Cook County, Illinois (the "Circuit Court") challenging the constitutionality of P.A. 98-641. Plaintiffs argue that P.A. 98-641 violates the Pension Clause and seek a preliminary and permanent injunction prohibiting its enforcement. The City was allowed to intervene to defend the constitutionality of P.A. 98-641. On February 19, 2015, the Circuit Court entered an order staying the preliminary injunction proceedings pending further court order and pending the outcome of the Illinois Supreme Court's review of the State Pension Reform Act. On May 13, 2015, the City requested and the Circuit Court granted a briefing schedule for cross motions for summary judgment. The Circuit Court ordered a schedule whereby briefing would be concluded by July 2, 2015, and oral arguments would be heard on July 9, 2015. The City expects the case to be appealed directly to the Illinois Supreme Court upon a decision of the Circuit Court. The City has been defending and will continue to defend this matter vigorously.

Should P.A. 98-641 be determined by a court to be unconstitutional and the provisions of the Pension Code in effect prior to P.A. 98-641 become effective again, MEABF and LABF have been projected to become insolvent beginning in 2026 and 2029, respectively. See "— Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional" herein below for additional information. Should P.A. 98-641 be found unconstitutional, it is not clear whether or how the unfunded status or insolvency of MEABF and LABF might be resolved or what, if any, impact such a resolution may have on the City.

Diversion of Grant Money to the Retirement Funds Under P.A. 96-1495 and P.A. 98-641

P.A. 96-1495 and P.A. 98-641 allow the State Comptroller to divert State grant money intended for the City to the Retirement Funds to satisfy contribution shortfalls by the City (the "Recapture Provisions"). If the City fails to contribute to the Retirement Funds as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject Retirement Fund gives notice of the failure to the City, and (iii) such Retirement Fund certifies to the State Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount in the following proportions: (i) in fiscal year 2016, one-third of the City's State grant money, (ii) in fiscal year 2017, two-thirds of the City's State grant money, and (iii) in fiscal year 2018 and in each fiscal year thereafter, 100% of the City's State grant money. Should the Recapture Provisions in either of P.A. 96-1495 or P.A. 98-641 be invoked as a result of the City's failure to contribute all or a portion of its required contribution, a reduction in State grant money may have a significant adverse impact on the City's finances.

Effect on MEABF and LABF if P.A. 98-641 Found Unconstitutional

As described in "Legislative Changes—P.A. 98-641" above, P.A. 98-641 is currently subject to legal challenge as to its constitutionality. If P.A. 98-641 is not upheld upon a legal challenge to its validity and the law in effect prior to the enactment of P.A. 98-641 is again effective, the City's consulting actuaries project that MEABF and LABF will not have assets on hand to make payments to beneficiaries beginning in 2026 and 2029, respectively. The following tables provide current projections of the Actuarial Accrued Liability, Market Value of Assets, UAAL, Funded Ratio and Employer Contribution with respect to MEABF and LABF in the absence of P.A. 98-641.

Certain statements made in this Appendix are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in this Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

TABLE 18 – PROJECTION OF FUTURE FUNDING STATUS – MEABF[1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[2] ($)
2014	$ 14,322,312	$ 5,277,156	$ 9,045,156	35.3%	$ 156,234
2015	14,788,983	5,088,720	9,700,263	33.1	156,091
2016	15,257,262	4,855,643	10,401,619	31.3	157,427
2017	15,736,491	4,585,770	11,150,721	29.1	161,916
2018	16,213,945	4,264,599	11,949,346	26.3	167,069
2019	16,686,091	3,885,513	12,800,578	23.3	172,600
2020	17,149,388	3,441,412	13,707,976	20.1	178,248
2021	17,600,400	2,925,154	14,675,246	16.6	184,018
2022	18,038,164	2,331,452	15,706,712	12.9	189,873
2023	18,459,401	1,652,472	16,806,929	9.0	195,848
2024	18,874,417	893,662	17,980,755	4.7	201,863
2025	19,269,819	36,495	19,233,324	0.2	208,088
2026	19,644,224	-	19,644,224	0.0	214,489
2027	19,996,084	-	19,996,084	0.0	220,984
2028	20,324,749	-	20,324,749	0.0	227,654
2029	20,628,151	-	20,628,151	0.0	234,442
2030	20,904,445	-	20,904,445	0.0	241,387
2031	21,153,680	-	21,153,680	0.0	248,481
2032	21,376,674	-	21,376,674	0.0	255,727
2033	21,574,935	-	21,574,935	0.0	263,007
2034	21,750,671	-	21,750,671	0.0	270,436
2035	21,906,148	-	21,906,148	0.0	278,088
2036	22,043,770	-	22,043,770	0.0	285,948
2037	22,166,160	-	22,166,160	0.0	293,986
2038	22,275,941	-	22,275,941	0.0	302,297
2039	22,376,201	-	22,376,201	0.0	310,857
2040	22,470,299	-	22,470,299	0.0	319,656

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Such projections assume that the City will continue to contribute to MEABF pursuant to the Multiplier Funding system upon the insolvency of MEABF. Projection derived from actuarial data as of December 31, 2013.

(1) In thousands of dollars. Projections calculated on a cash basis.

(2) Represents contributions expected to be made by the City during the fiscal year.

TABLE 19 – PROJECTION OF FUTURE FUNDING STATUS – LABF[1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) ($) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution[2] ($)
2014	$ 2,448,874	$ 1,436,908	$ 1,011,966	55.7%	$ 14,032
2015	2,504,477	1,408,178	1,096,299	53.9	14,472
2016	2,558,009	1,371,220	1,186,789	52.8	14,411
2017	2,612,627	1,329,444	1,283,183	50.9	15,387
2018	2,665,643	1,279,237	1,386,406	48.0	15,722
2019	2,716,750	1,219,905	1,496,845	44.9	16,168
2020	2,765,274	1,150,320	1,614,954	41.6	16,675
2021	2,811,041	1,069,824	1,741,217	38.1	17,228
2022	2,853,770	977,541	1,876,229	34.3	17,813
2023	2,892,919	872,303	2,020,616	30.2	18,431
2024	2,929,006	753,999	2,175,007	25.7	19,075
2025	2,961,105	620,990	2,340,115	21.0	19,752
2026	2,988,935	472,234	2,516,701	15.8	20,462
2027	3,012,165	306,567	2,705,598	10.2	21,185
2028	3,030,629	122,928	2,907,701	4.1	21,941
2029	3,044,169	-	3,044,169	0.0	22,725
2030	3,052,779	-	3,052,779	0.0	23,521
2031	3,056,992	-	3,056,992	0.0	24,337
2032	3,057,367	-	3,057,367	0.0	25,179
2033	3,054,510	-	3,054,510	0.0	26,018
2034	3,049,319	-	3,049,319	0.0	26,845
2035	3,042,417	-	3,042,417	0.0	27,688
2036	3,034,418	-	3,034,418	0.0	28,540
2037	3,026,025	-	3,026,025	0.0	29,395
2038	3,017,590	-	3,017,590	0.0	30,184
2039	3,009,528	-	3,009,528	0.0	30,909
2040	3,002,648	-	3,002,648	0.0	31,610

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Such projections assume that the City will continue to contribute to LABF pursuant to the Multiplier Funding system upon the insolvency of LABF. Projection derived from actuarial data as of December 31, 2013.

(1) In thousands of dollars. Projections calculated on a cash basis.
(2) Represents contributions expected to be made by the City during the fiscal year.

The City cannot predict the impact that the insolvency of MEABF or LABF would have on its contributions to these Retirement Funds. Under the current provisions of the Pension Code, the City would revert to contributing the Multiplier Funding amount to MEABF and LABF. The contributions calculated pursuant to Multiplier Funding most likely would be insufficient to make all necessary payments to beneficiaries. One possibility upon insolvency of MEABF or LABF would be changes in the Pension Code to provide for pay-as-you-go funding. Under pay-as-you-go funding, the employer contribution equals the amount necessary, when added to other income, specifically employee contributions, to fund the current year benefits to be paid by the retirement fund. Gabriel Roeder Smith & Company (*"GRS"*) projects that, should the City be required to adopt pay-as-you-go funding to ensure that payments to beneficiaries are made to MEABF and LABF beneficiaries following the insolvency of such Retirement Funds, the City's contributions to such Retirement Funds would increase substantially.

With respect to MEABF, GRS projects that pay-as-you-go funding would increase the City's contribution from approximately $208 million in 2025 to $1.107 billion in 2026, $1.607 billion in 2042 and $1.581 billion in 2060. With respect to LABF, GRS projects that pay-as-you-go funding would increase the City's contribution from approximately $21.9 million in 2028 to $99.6 million in 2029, $248 million in 2036 and $231 million in 2060. Such large increases in the City's contributions would likely have a material adverse impact on the City's financial condition.

Additionally, the City cannot predict if or when changes to the Pension Code or judicial decisions relevant to its contributions will be enacted or decided, respectively, and the impact any such legislation or judicial decisions would have on the manner in which it contributes to the Retirement Funds. Contributing pursuant to Multiplier Funding or pay-as-you-go funding, as discussed in this subsection, represent two possible outcomes; however, the City can make no representation that some other method of determining contributions, including payments that are possibly even larger than pay-as-you-go funding, would not be required.

Pension Reform

The City continues to believe that significant legislative changes, such as those applicable to MEABF and LABF under P.A. 98-641, are required to properly fund the Retirement Funds and continues to consider the options available to address the unfunded liabilities of FABF and PABF. See "– Determination of City's Contributions – City's Required Contributions to PABF and FABF Beginning in 2016" herein. Based on its work in developing pension reform proposals and other analysis, the City believes that the unfunded liabilities of FABF and PABF and, if P.A. 98-641 is found unconstitutional, MEABF and LABF, cannot be adequately and practically addressed through increases in the City's contributions alone. If the City attempted to fund such increased contributions through an increase in taxes, the increase would be larger than any increase in recent history, politically difficult to enact, and harmful to the City's financial condition and, likely, its economy. If the City attempted to fund such increased contributions through expenditure cuts, essential City services, including, but not limited to, public health and safety, would be jeopardized. Furthermore, the amount that could be derived from the sale of City assets would be inconsequential when compared to the Retirement Funds' unfunded liabilities. Finally, a combination of revenue increases and expenditure cuts likely would not be practical to address the unfunded liabilities, given their magnitude. This is true both when considering the Retirement Funds on their own, and when viewed collectively with the unfunded liabilities of the Other Retirement Funds, whose sponsoring Governmental Units have tax bases that overlap with the City's tax base. See "—Overlapping Tax Bodies."

No assurance can be given that further legislation addressing the needs of FABF and PABF, and if P.A. 98-641 is found unconstitutional, MEABF and LABF, will be enacted, and no assurance can be given that such legislation, if adopted, will be upheld upon a legal challenge.

Report and Recommendations of the Commission to Strengthen Chicago's Pension Funds

The information contained in this subsection describing the CSCP and the Final Report (each as defined herein) relies on information produced by the CSCP, including the Final Report. The Final Report is available at http://www.chipabf.org/ChicagoPolicePension/PDF/Financials/pension_commission/CSCP_Final_Report_Vol.1_4.30.2010.pdf; however, the content of the Final Report and such website are not incorporated herein by such reference. The City makes no representation nor expresses any opinion as to the accuracy of the Final Report, the statements made or the information therein, some of which may be conflicting. Furthermore, information about the Final Report is being provided for historical purposes only.

On January 11, 2008, then Mayor Richard M. Daley announced the formation of the Commission to Strengthen Chicago's Pension Funds (the "CSCP"), which was composed of a broad cross-section of City officials, union leaders, pension fund executives, and business and civic professionals. The CSCP was charged with examining the Retirement Funds and recommending ways to improve the Funded Ratio of each Retirement Fund. The CSCP met several times in 2008 through 2010, and at the CSCP's final meeting on March 24, 2010, the CSCP endorsed its final report, with three commissioners dissenting. The CSCP's final report, which included letters from the dissenting commissioners, was submitted to Mayor Daley on April 30, 2010 (the "Final Report").

The CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act, P.A. 96-0889, P.A. 96-1495 and P.A. 98-641; the Final Report, accordingly, does not consider the impact of these acts on the Retirement Funds. See "— Determination of City's Contributions" above and "— Legislative Changes" above for additional information on these acts. As described below, certain of the CSCP's findings and recommendations as contained in the Final Report are addressed by these acts.

The CSCP found that the financial health of the Retirement Funds had deteriorated due to a combination of factors, including the following: increasing liabilities due to enhanced benefits (e.g., non-recurring early retirement programs that were not properly funded); inadequate contributions, which were based upon a fixed percentage of payroll and not actuarial need (i.e., the Multiplier Funding); and adverse market conditions leading to fluctuating returns on investments (in 2000-2002 and 2007-2009) which could not keep pace with growth in liabilities. P.A. 96-1495 and P.A. 98-641 address the CSCP's finding of inadequate contributions to the Retirement Funds. See "— Determination of City's Contributions" above for information on the significant increases to the City's contributions to PABF and FABF pursuant to P.A. 96-1495 and to MEABF and LABF pursuant to P.A. 98-641.

The CSCP found that due to the inadequate contributions, the Retirement Funds have had to use assets to pay current benefits, which in turn put pressure on the asset bases and Funded Ratios of the Retirement Funds.

The CSCP modeled a set of scenarios for the Retirement Funds and found that, based on the actuarial assumptions in use by the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of substantial changes to the Retirement Funds' funding policy and/or benefit structure, deplete all assets in each of the Retirement Funds at different dates but all within twenty years of the date of the Final Report. However, the CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act, P.A. 96-1495 and P.A. 98-641, and the depletion dates as estimated in the Final Report would not have taken into account the impact of such legislation. See "— Projection of Funded Status" above for the projections based upon the current legislative structure applicable to the Retirement Funds.

The CSCP suggested that the issues related to the Retirement Funds need to be addressed as soon as possible and offered the following specific recommendations: (i) the defined benefit structure used by the Retirement Funds should remain (as opposed to a defined contribution structure); (ii) new employees should continue to become members of the Retirement Funds; (iii) the Retirement Funds should be funded on an actuarial basis; (iv) changes in the Retirement Funds for new employees, while recognized by the CSCP as undesirable, will probably be necessary; (v) contributions to the Retirement Funds should be increased and revenue sources identified; (vi) employee contributions should not exceed the value of benefits on a career basis; (vii) any provisions in current law for refunds or for alternative benefit calculations should be reviewed to ensure that the anticipated financial results of a reform program are actually obtained; (viii) in general, no changes in the Retirement Funds should be made unless financially neutral or advantageous to the Retirement Funds, now or in the future; (ix) a variety of other reforms should be considered, including reforming potential abuses, establishing sound reciprocity with other

Illinois public pensions, implementing new structures to manage investments of the Retirement Funds, and improving administration of disability claims and benefits; and (x) any reform legislation must comprehensively and simultaneously address all aspects of the pension funding program.

CSCP's recommendations were made prior to the enactment of the Pension Reform Act, P.A. 96-0889, P.A. 96-1495 and P.A. 98-641. Certain of the CSCP's recommendations, including changes in the Retirement Funds for new members, were part of the Pension Reform Act and P.A. 98-641 (with regard to MEABF and LABF) and P.A. 96-1495 (with regard to PABF and FABF).

Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs

The City allocates to its special revenue and enterprise funds their share of the City's annual contribution to the Retirement Funds based upon the amount of services provided by City employees to the functions or enterprises related to or paid out of those funds. The special revenue and enterprise funds account for their allocable share of the City's contributions to the Retirement Funds as operating and maintenance expenses. For budget year 2015, the City has budgeted for the special revenue and enterprise funds to reimburse the City approximately $74 million for their allocable share of the City's pension contribution.

The allocations described in this subsection are not required by statute but represent the City's current method of allocating its pension costs. The City may alter the manner in which it allocates its pension costs to these funds at any time.

Impact of Retirement Funds' Unfunded Liability on the City's Bond Ratings

The financial health of the Retirement Funds and the projected impact of the Retirement Funds' underfunding on future contributions to be made by the City has impacted the rating agencies' determination of the City's creditworthiness. On April 17, 2013, Moody's Investors Service ("Moody's") issued a release (the "Release") announcing a new approach to analyzing state and local government pensions. The method of evaluating public pension plans established in the Release is intended to be a method of standardizing information among public pension plans and does not impact the City's required contributions, the value of the Retirement Funds' assets, or the liabilities owed by the Retirement Funds. The City does not endorse the method of analysis adopted by Moody's in the Release.

Moody's new pension analysis appears to include, among other things, adjusting pension plan Actuarial Accrued Liabilities by using certain common assumptions, such as the discount rate and amortization period. Certain other actuarial assumptions, such as mortality and salary growth rates, were not standardized across governmental plans. To accomplish its review, Moody's stated that it will use a discount rate based on Citibank's Pension Liability Index discount rate as of a pension plan's valuation date. Such a discount rate will be lower than the discount rate currently used by the Retirement Funds and is closer to the discount rate for a typical pension plan in the private sector. The City estimates that Moody's new method of analysis would result in the following Funded Ratios of the Retirement Funds (based on projected December 31, 2014 assets and liabilities provided in the actuarial valuations of the Retirement Funds as of December 31, 2013): 27.4% for MEABF, 43.5% for LABF, 18.8% for PABF, and 15.5% for FABF. See Tables 5 through 8 above for information on the Retirement Funds' historical Funded Ratios. For information regarding the Retirement Funds' discount rate, see "— Actuarial Assumptions —Assumed Investment Rate of Return" above. The Release can be obtained from Moody's; provided, however, that the Release is not incorporated herein by such reference.

On May 12, 2015, Moody's issued a ratings action report (the "Rating Report") downgrading the ratings of the City's general obligation bonds and sales tax revenue bonds from "Baa2" to "Ba1," the

City's water and sewer senior lien revenue bonds from "A3" to "Baa2," and the City's water and sewer second lien revenue bonds from "Baa1" to "Baa3," and placed all such ratings on negative outlook. This follows previous downgrades of the City's ratings by Moody's on February 27, 2015, March 4, 2014, and July 17, 2013. Moody's indicated in the Rating Report that the May 12, 2015 downgrades reflected the expected continued growth in the unfunded liabilities of the Retirement Funds and the narrowing of the City's options for curbing such growth as a result of the Illinois Supreme Court's decision finding the State Pension Reform Act unconstitutional. Moody's indicated that further downgrades could follow if, among other things, (i) P.A. 98-641 was found to be unconstitutional, or (ii) the Retirement Funds' UAAL continues to grow. The City makes no prediction as to whether the Moody's rating action described above will result in additional downgrades, or the impact that the financial condition of the Retirement Funds will have on Moody's or any other rating agency's judgment of the City's creditworthiness or on the City's future financing costs. The Rating Report can be obtained from Moody's; provided, however, that the report is not incorporated herein by such reference.

On May 14, 2015, Standard & Poor's Ratings Group ("S&P") downgraded the City's general obligation bond rating from "A+" to "A-" and placed the rating on negative watch. In downgrading the City's general obligation bond rating, S&P cited, among other things, the City's pension liabilities and the impact on the City's budget of scheduled future increases in pension contributions.

On May 15, 2015, Fitch Ratings, Inc. ("Fitch") downgraded the City's general obligation bond and sales tax bond ratings from "A-" to "BBB+" and the City's commercial paper note rating from "BBB+," to "BBB-," and placed each rating on negative watch. In announcing these ratings affirmations, Fitch cited, among other things, increased fiscal pressures as a result of the Illinois Supreme Court's decision finding the State Pension Reform Act unconstitutional. Fitch further indicated that a determination that P.A. 98-641 is unconstitutional would likely lead to additional downgrades.

In addition, other rating agencies may have established, or may establish in the future, methods for evaluating the financial health of the Retirement Funds and their impact on the City's creditworthiness that are different from the information provided in this Appendix. Further downgrades of the City's bond ratings may have a material adverse impact on the City's finances. See "INVESTMENT CONSIDERATIONS—Effect of Future Ratings Downgrades" for additional information.

GASB Statements 67 and 68

On June 25, 2012, GASB adopted GASB Statement No. 67 ("GASB 67") and GASB Statement No. 68 (together, the "New GASB Standards") to replace GASB 25 and GASB Statement No. 27 (together, the "Prior GASB Standards"), respectively. GASB 67 is applicable to fiscal years beginning after June 15, 2013. GASB 68 is applicable to fiscal years beginning after June 15, 2014. The following is a summary of certain provisions created by the new GASB standards.

Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans. Instead, the New GASB Standards provide standards solely for financial reporting and accounting related to pension plans. The New GASB Standards require calculation and disclosure of a "Net Pension Liability," which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the "Total Pension Liability") and the fair market value of the pension plan's assets (referred to as the "Fiduciary Net Position"). This concept is similar to the UAAL, which was calculated under the Prior GASB Standards, but most likely will differ from the UAAL on any calculation date because the Fiduciary Net Position is calculated at fair market value and because of the differences in the manner of

calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards.

Furthermore, the New GASB Standards employ a rate, referred to in such statements as the "Discount Rate," which is used to discount projected benefit payments to their actuarial present values. The Discount Rate may be a blended rate comprised of (1) a long-term expected rate of return on a Retirement Fund's investments (to the extent that such assets are projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of a Retirement Fund are not expected to be sufficient to pay the projected benefits of such Retirement Fund, the Discount Rate calculated pursuant to the New GASB Standards may differ from the assumed investment rate of return used in reporting pursuant to the Prior GASB Standards.

Finally, the New GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheets of the employer. In addition, the New GASB Standards require an expense (the "Pension Expense") to be recognized on the income statement of the City. The recognition of the Net Pension Liability and the Pension Expense do not measure the manner in which a Retirement Fund is funded and therefore do not conflict with the various manners of funding the Retirement Funds described in this Appendix.

As stated above, GASB 67 is applicable to all fiscal years beginning after June 15, 2013. Therefore, GASB 67 will first be employed by the Retirement Funds for the fiscal year ended December 31, 2014. The City expects that the Actuarial Valuations of each of the Retirement Funds for such fiscal year will be released by June 15, 2015. As such, the City expects to supplement the disclosures made in this Appendix as necessary given the release of these Actuarial Valuations.

The City expects that the New GASB Standards may significantly alter the financial statements produced by the City and the Retirement Funds; however, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the New GASB Statements will not materially impact the contributions made by the City without legislative action.

PAYMENT FOR OTHER POST-EMPLOYMENT BENEFITS

General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. Prior to June 30, 2013, the costs of the Health Plan were shared pursuant to a settlement agreement (as amended, the "Settlement") entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under "— The Settlement."

MEABF and LABF participants older than 55 with at least 20 years of service and PABF and FABF participants older than 50 with at least 10 years of service may become eligible for the Health Plan

if they eventually become an annuitant.[4] The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

The City contributes a percentage toward the cost of the Health Plan for each eligible annuitant. Annuitants who retired prior to July 1, 2005 receive a 55% subsidy from the City, whereas annuitants retiring on or after such date receive a subsidy equal to 50%, 45%, 40% or zero percent based on the annuitant's length of actual employment with the City. The Retirement Funds contribute a fixed dollar amount monthly ($65 for each Medicare-eligible annuitant and $95 for each non-Medicare eligible annuitant) for each of their annuitants. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum of the subsidies provided by the City and the related Retirement Fund.

The Retirement Funds' subsidies are paid from the City contribution, as provided in the Pension Code and described in "Retirement Funds — Determination of City's Contributions" above. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities. See Tables 5-9 in "Retirement Funds—Funded Status of Retirement Funds" above for Retirement Funds' statement of net assets, which incorporates the expense related to the Health Plan as part of the "Administration" line item.

The Settlement

In 1987, the City sued the Retirement Funds asserting, among other things, that the City was not obligated to provide healthcare benefits to certain retired City employees. Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time. The City contributed to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the "Settlement Period"). The Settlement expired on June 30, 2013. For the status of the Health Plan after the Settlement Period, see "— Status of Healthcare Benefits After the Settlement Period" below.

City Financing of the Health Plan

The City funds its share of the Health Plan's costs on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to funding the Health Plan. Instead, the City contributes the amount necessary to fund its share of the current year costs of the Health Plan. See Table 21 below for a schedule of historical contributions made by the City to the Health Plan.

Actuarial Considerations

City Obligation

The City has an Actuarial Valuation completed for its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in "Retirement Funds — The Actuarial Valuation — Actuaries and the Actuarial Process." In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan.

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[4] Under their respective collective bargaining agreements, which were renegotiated in 2012, certain retired PABF and FABF participants are eligible to enroll themselves and their dependents in the City's healthcare plan for active members until they reach the age of Medicare eligibility ("Special CBA Benefit"). These members do not contribute towards the cost of coverage for this plan. PABF contributes $95 per month for these members; FABF does not contribute for these members. The Special CBA Benefit expires in 2016, at which time the City expects it will be phased out permanently.

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds' Actuarial Valuations differ significantly from the City's Actuarial Valuation for two reasons. First, the City's Actuarial Valuation only reflects the portion of liabilities the City owes under the Settlement. Second, the Actuarial Valuations of the City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Appendix addresses the funded status of the City's obligation to make payments for the Health Plan. For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in "Retirement Funds — Source Information" above, and Note 11(b) to the City's Basic Audited Financial Statements, which are available on the City's website at http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html; provided, however, that the contents of the City's website are not incorporated herein by such reference.

Actuarial Methods and Assumptions

The Actuarial Valuation for the City's obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in "Retirement Funds" above with respect to the Retirement Funds. The City does not use an Actuarial Method to calculate the Actuarial Value of Assets of the Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City's 2012 Actuarial Valuation ("2012 Actuarial Valuation") amortizes the City's retiree healthcare UAAL over a closed 1-year period, in order to reflect the remainder of the Settlement Period and the Special CBA Benefit that was set to expire in 2012 under collective bargaining agreements that were in place at that time. The use of a closed, 1-year period has the effect of increasing the Actuarially Required Contribution as compared to the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period is one year as opposed to repeating 30-year periods. The 2012 Actuarial Valuation employed the PUC Method to allocate the City's retiree healthcare obligations. For more information on the PUC Method, see "Retirement Funds — Actuarial Methods" above.

The City's 2013 Actuarial Valuation ("2013 Actuarial Valuation") amortizes the City's retiree healthcare UAAL over a closed 10-year period, in order to reflect (i) the City's extension of healthcare coverage for members that had participated in the Settlement (with such coverage varying based on retirement date), and (ii) the provision of the Special CBA Benefit. For details on the Health Plan after the Settlement Period, see "— Status of Healthcare Benefits After the Settlement Period" below. The use of a closed, 10-year period rather than a closed, 1-year period has the effect of decreasing the Actuarially Required Contribution because the period of time over which the UAAL will be amortized is longer. In addition, the 2013 Actuarial Valuation employed the EAN Method, rather than the PUC Method, to allocate the City's retiree healthcare obligations. For more information on the EAN Method and the PUC Method, see "Retirement Funds — Actuarial Methods" above.

Funded Status

The following tables provide information on the financial health of the Health Plan. The Health Plan is funded on a pay-as-you-go basis, which means no assets are accumulated to pay for the liabilities of the Health Plan. As such, the Funded Ratio with respect to the Health Plan is perpetually zero.

Table 20 summarizes the current financial condition and the funding progress of the Health Plan.

TABLE 20 – SCHEDULE OF FUNDING PROGRESS[1][2]

Actuarial Valuation Date (Dec. 31)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
2007	$0	$1,062,864	$1,062,864	0%	$2,562,007	41.5%
2008	0	787,395	787,395	0	2,475,107	31.8
2009	0	533,387	533,387	0	2,546,961	20.9
2010	0	390,611	390,611	0	2,475,000	15.8
2011	0	470,952	470,952	0	2,518,735	18.7
2012	0	997,281	997,281	0	2,385,198	41.8

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending December 31, 2010-2013.
[1] In thousands of dollars.
[2] The City, as required, adopted GASB Statement No. 45 in fiscal year 2007. The information provided in this table was produced in 2007 or later.

Table 21 shows the amounts actually contributed to the Health Plan by the City.

TABLE 21 – HISTORY OF CITY'S CONTRIBUTIONS[1]

	Actual City Contribution
2008	$ 98,065
2009	98,000
2010	107,431
2011	99,091
2012	97,531
2013	97,500

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending 2008-2013.
[1] In thousands of dollars. 2013 contribution amount is approximate.

Retiree Health Benefits Commission

The Settlement provided for the creation of the Retiree Health Benefits Commission (the "RHBC"), which was tasked with, among other things, making recommendations concerning retiree health benefits after June 30, 2013. The RHBC's members were appointed by the Mayor for terms that do not expire. The Settlement required that the RHBC be composed of experts who will be objective and fair-minded as to the interest of both retirees and taxpayers, and include a representative of the City and a representative of the Retirement Funds.

On January 11, 2013, the RHBC released its "Report to the Mayor's Office on the State of Retiree Healthcare" (the "RHBC Report"). The RHBC Report can be found on the City's website at http://www.cityofchicago.org/city/en/depts/fin/provdrs/ben/alerts/2013/jan/retiree_healthcarebenefits commissionreporttothemayor.html; provided, however, that the contents of the RHBC Report and of the City's website are not incorporated herein by such reference.

The RHBC Report concluded that maintaining the funding arrangement then in place for the Health Plan was untenable, would prevent the City from continuing to provide the current level of

benefits to retirees in the future, and could result in other financial consequences, such as changes to the City's bond rating and its creditworthiness. The RHBC Report presented several options for the Mayor to consider which would reduce the level of spending with respect to the Health Plan from approximately $108 million annually to between $90 million and $12.5 million annually depending on the option.

Status of Healthcare Benefits After the Settlement Period

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to employees who retired before August 23, 1989 with a contribution from the City of up to 55% of the cost of that plan; and (ii) beginning January 1, 2014, provide employees who retired on or after August 23, 1989 with healthcare benefits but with significant changes to the terms provided by the Health Plan, including increases in premiums and deductibles, reduced benefits and the phase-out of the entire Health Plan for such employees by the beginning of 2017. If the City prevails in the Lawsuit (defined below), it expects a reduction in expenses of approximately $90 to $95 million annually beginning in 2017 as a result of the phase-out of the Health Plan.

On May 30, 2013, the General Assembly passed Senate Bill 1584, which was signed into law by the Governor on June 28, 2013. Senate Bill 1584 extends the Retirement Funds' subsidies for retiree healthcare costs until such time as the City no longer provides a health care plan for annuitants or December 31, 2016, whichever comes first.

After the June 30, 2013 expiration of the Settlement, on July 5, 2013, certain participants in the Health Plan filed a motion to "re-activate" the 1987 litigation covered by the Settlement. On July 17, 2013, the Circuit Court denied that motion. On July 23, 2013, certain of the participants filed a new lawsuit, *Underwood v. Chicago* (the "Lawsuit"), in the Circuit Court against the City and the Trustees of each of the four Retirement Fund Boards, seeking to bring a class action on behalf of former and current City employees who previously contributed or now contribute to one of the four Retirement Funds.

The complaint advanced state law claims, including alleged violation of the Pension Clause, and federal law claims. The City removed the case to federal court based on the federal law claims. The federal district court dismissed the case in its entirety. As to plaintiffs' claim that the planned changes violate the Pension Clause, the district court predicted that the Illinois Supreme Court would rule in a separate case, *Kanerva v. Weems* ("Kanerva"), then pending before the Illinois Supreme Court that healthcare benefits are not protected by the Pension Clause. However, on July 3, 2014, the Supreme Court of Illinois issued an opinion in Kanerva determining that retiree healthcare benefits provided to State retirees are protected under the Pension Clause. The City argued on appeal to the federal appellate court that it should affirm the district court dismissal, including the state law claims, on an alternative ground. On February 25, 2015, the federal appellate court affirmed the dismissal of the federal law claims and declined to rule on the state law claims on the ground that the state law claims involved a question of State law, which it ordered returned to the Illinois state court for decision. The City can give no assurance as to the ultimate outcome of the Lawsuit.

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APPENDIX F

OPINIONS DELIVERED BY CO-BOND COUNSEL PRIOR TO THE REOFFERING*

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* The legal opinions issued by Initial Co-Bond Counsel, 2008 Co-Bond Counsel and 2012 Co-Bond Counsel are set forth hereafter. Each such opinion spoke only as of its date. None of Initial Co-Bond Counsel, 2008 Co-Bond Counsel or 2012 Co-Bond Counsel have been engaged to advise on the correctness of such opinions as of any date other than the date thereof, or to revise or supplement such opinion to reflect any facts or circumstances that may have come to their attention since the date thereof or any change in law that may have occurred since the date thereof. The inclusion of such opinions in this Reoffering Circular shall not constitute any reissuance or republication of such opinions.

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November 8, 2007

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $100,000,000 aggregate principal amount of General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Bonds"), of the City of Chicago (the "City"). The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on September 27, 2007 (the "Bond Ordinance") and a Trust Indenture Securing City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007E, dated November 1, 2007 (the "Indenture") from the City to Deutsche Bank National Trust Company, as trustee.

The Bonds mature on January 1, 2042 and bear interest at rates that vary from time to time under the terms and conditions contained in the Indenture. The Bonds are issued only as registered bonds without coupons in the authorized denominations referred to in the Indenture. The Bonds are subject to optional and mandatory purchase and to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Indenture.

In connection with the issuance of the Bonds, we have examined the following: (a) the Constitution of the State of Illinois and such other laws as we have deemed relevant to this opinion, (b) a certified copy of the Bond Ordinance, (c) executed counterparts of the Indenture, and (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based on our examination of the foregoing, we are of the opinion that :

1. The Bonds are valid and legally binding general obligations of the City of Chicago and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

2. The Indenture has been duly authorized, executed and delivered by the City, constitutes a legal, valid and binding obligation of the City and is enforceable against the City in accordance with its terms.

3. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning

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A limited liability partnership including professional corporations

of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance and the Indenture to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas, CPA LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinions, we advise you that the enforceability (but not the binding effect) of the Bonds and the Indenture (1) may be limited by any applicable bankruptcy or other laws affecting the rights or remedies of creditors now or hereafter in effect, and (ii) is subject to principles of equity in the event equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

LG/EFW/be

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CHARITY & ASSOCIATES, P.C.

ATTORNEYS AT LAW

November 8, 2007

City of Chicago
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The Bonds mature on January 1, 2042 and bear interest at rates that vary from time to time under the terms and conditions contained in the Indenture. The Bonds are issued only as registered bonds without coupons in the authorized denominations referred to in the Indenture. The Bonds are subject to optional and mandatory purchase and to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Indenture.

In connection with the issuance of the Bonds, we have examined the following: (a) the Constitution of the State of Illinois and such other laws as we have deemed relevant to this opinion, (b) a certified copy of the Bond Ordinance, (c) executed counterparts of the Indenture, and (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

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With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas, CPA LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinions, we advise you that the enforceability (but not the binding effect) of the Bonds and the Indenture (1) may be limited by any applicable bankruptcy or other laws affecting the rights or remedies of creditors now or hereafter in effect, and (ii) is subject to principles of equity in the event equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

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November 8, 2007

City of Chicago
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We have examined a record of proceedings relating to the issuance of $80,000,000 aggregate principal amount of General Obligation Variable Rate Demand Bonds, Refunding Series 2007F (the "Bonds"), of the City of Chicago (the "City"). The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on September 27, 2007 (the "Bond Ordinance") and a Trust Indenture Securing City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007F, dated November 1, 2007 (the "Indenture") from the City to Deutsche Bank National Trust Company, as trustee.

The Bonds mature on January 1, 2042 and bear interest at rates that vary from time to time under the terms and conditions contained in the Indenture. The Bonds are issued only as registered bonds without coupons in the authorized denominations referred to in the Indenture. The Bonds are subject to optional and mandatory purchase and to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Indenture.

In connection with the issuance of the Bonds, we have examined the following: (a) the Constitution of the State of Illinois and such other laws as we have deemed relevant to this opinion, (b) a certified copy of the Bond Ordinance, (c) executed counterparts of the Indenture, and (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based on our examination of the foregoing, we are of the opinion that :

1. The Bonds are valid and legally binding general obligations of the City of Chicago and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

2. The Indenture has been duly authorized, executed and delivered by the City, constitutes a legal, valid and binding obligation of the City and is enforceable against the City in accordance with its terms.

3. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning

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The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance and the Indenture to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas, CPA LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

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In rendering the foregoing opinions, we advise you that the enforceability (but not the binding effect) of the Bonds and the Indenture (1) may be limited by any applicable bankruptcy or other laws affecting the rights or remedies of creditors now or hereafter in effect, and (ii) is subject to principles of equity in the event equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

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November 8, 2007

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We have examined a record of proceedings relating to the issuance of $20,000,000 aggregate principal amount of General Obligation Variable Rate Demand Bonds, Refunding Series 2007G (the "Bonds"), of the City of Chicago (the "City"). The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on September 27, 2007 (the "Bond Ordinance") and a Trust Indenture Securing City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007G, dated November 1, 2007 (the "Indenture") from the City to Deutsche Bank National Trust Company, as trustee.

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In connection with the issuance of the Bonds, we have examined the following: (a) the Constitution of the State of Illinois and such other laws as we have deemed relevant to this opinion, (b) a certified copy of the Bond Ordinance, (c) executed counterparts of the Indenture, and (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

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2. The Indenture has been duly authorized, executed and delivered by the City, constitutes a legal, valid and binding obligation of the City and is enforceable against the City in accordance with its terms.

3. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax

preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance and the Indenture to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas, CPA LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinions, we advise you that the enforceability (but not the binding effect) of the Bonds and the Indenture (1) may be limited by any applicable bankruptcy or other laws affecting the rights or remedies of creditors now or hereafter in effect, and (ii) is subject to principles of equity in the event equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

LG/EFW/be

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Charity & Associates, P.C.

Attorneys at Law

November 8, 2007

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $20,000,000 aggregate principal amount of General Obligation Variable Rate Demand Bonds, Refunding Series 2007G (the "Bonds"), of the City of Chicago (the "City"). The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on September 27, 2007 (the "Bond Ordinance") and a Trust Indenture Securing City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007G, dated November 1, 2007 (the "Indenture") from the City to Deutsche Bank National Trust Company, as trustee.

The Bonds mature on January 1, 2042 and bear interest at rates that vary from time to time under the terms and conditions contained in the Indenture. The Bonds are issued only as registered bonds without coupons in the authorized denominations referred to in the Indenture. The Bonds are subject to optional and mandatory purchase and to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Indenture.

In connection with the issuance of the Bonds, we have examined the following: (a) the Constitution of the State of Illinois and such other laws as we have deemed relevant to this opinion, (b) a certified copy of the Bond Ordinance, (c) executed counterparts of the Indenture, and (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based on our examination of the foregoing, we are of the opinion that :

1. The Bonds are valid and legally binding general obligations of the City of Chicago and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

2. The Indenture has been duly authorized, executed and delivered by the City, constitutes a legal, valid and binding obligation of the City and is enforceable against the City in accordance with its terms.

3. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance and the Indenture to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas, CPA LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinions, we advise you that the enforceability (but not the binding effect) of the Bonds and the Indenture (1) may be limited by any applicable bankruptcy or other laws affecting the rights or remedies of creditors now or hereafter in effect, and (ii) is subject to principles of equity in the event equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

Chapman + Cutler, P.C.

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525 W. Monroe Street
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312.902.5200 tel
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October 21, 2008

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the constitution and laws of the State of Illinois (the "City"), on November 8, 2007 (the "Date of Issuance"), pursuant to the terms of a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). On the Date of Issuance, the City (i) obtained a financial guaranty insurance policy from MBIA Insurance Corporation (the "Insurer") guaranteeing the payment of principal of and interest on the Bonds when due (the "Policy") and (ii) entered into a Standby Bond Purchase Agreement dated as of November 1, 2007 (the "Initial Agreement"), with Fortis Bank, S.A./N.V., acting through its New York Branch (the "Initial Bank"), and the Trustee, pursuant to which the Initial Bank agreed to purchase tendered Bonds under the circumstances set forth therein. Subsequently, the City and the Trustee entered into a First Amendment to Trust Indenture dated as of September 1, 2008 (the "First Amendment") to clarify the rights of the Insurer in the event of a cancellation of the Policy. Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

The City has elected, by notice to the owners of the Bonds, to convert the interest rate borne by the Bonds from the Weekly Mode to the Daily Mode, wholly in accordance with the terms of the Indenture, which requires a mandatory tender of the Bonds by the current Bondholders; thereafter (i) the Trustee, pursuant to direction from the owners of 100% in aggregate principal amount of the Bonds, will cancel the Policy; (ii) the City and the Trustee will enter into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Amended and Restated Indenture"), primarily to reflect the cancellation of the Policy; (iii) the City, Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch and the Trustee will enter into a Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Replacement Agreement"), to replace the Initial Agreement and to reflect the cancellation of the Policy; and (iv) the City will deliver to the Bondholders new Bonds reflecting the provisions of the Amended and Restated Indenture in exchange for the Bonds then outstanding. The actions described in the preceding sentence are hereinafter collectively referred to as the "Transaction". No changes to the terms of the Bonds, the Indenture or the Agreement, other than those contained in the First Amendment, the Amended and Restated Indenture and the Replacement Agreement have been made or are currently contemplated to be made in the future.

In order to render the opinion expressed in the next sentence, as required by Section 4.01(g)(ii) of the Indenture and requested by you, we have examined the Indenture, the Initial Agreement, the First Amendment, the Amended and Restated Indenture, the Replacement Agreement, and the Approval of the City with respect to the conversion from the Weekly Mode to the Daily Mode, as required by Section 4.01(g)(ii) of the Indenture. In reliance on the foregoing documents and such other matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity and enforceability of the Bonds in accordance with their terms or (b) the exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Katten Muchin Rosenman LLP

EFW/hf/60679806

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_(312) 541-8603_

October 21, 2008

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the constitution and laws of the State of Illinois (the "City"), on November 8, 2007 (the "Date of Issuance"), pursuant to the terms of a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). On the Date of Issuance, the City (i) obtained a financial guaranty insurance policy from MBIA Insurance Corporation (the "Insurer") guaranteeing the payment of principal of and interest on the Bonds when due (the "Policy") and (ii) entered into a Standby Bond Purchase Agreement dated as of November 1, 2007 (the "Initial Agreement"), with Fortis Bank, S.A./N.V., acting through its New York Branch (the "Initial Bank"), and the Trustee, pursuant to which the Initial Bank agreed to purchase tendered Bonds under the circumstances set forth therein. Subsequently, the City and the Trustee entered into a First Amendment to Trust Indenture dated as of September 1, 2008 (the "First Amendment") to clarify the rights of the Insurer in the event of a cancellation of the Policy. Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

The City has elected, by notice to the owners of the Bonds, to convert the interest rate borne by the Bonds from the Weekly Mode to the Daily Mode, wholly in accordance with the terms of the Indenture, which requires a mandatory tender of the Bonds by the current Bondholders; thereafter (i) the Trustee, pursuant to direction from the owners of 100% in aggregate principal amount of the Bonds, will cancel the Policy; (ii) the City and the Trustee will enter into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Amended and Restated Indenture"), primarily to reflect the cancellation of the Policy; (iii) the City, Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch and the Trustee will enter into a Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Replacement Agreement"), to replace the Initial Agreement and to reflect the cancellation of the Policy; and (iv) the City will deliver to the Bondholders new Bonds reflecting the provisions of the Amended and Restated Indenture in exchange for the Bonds then outstanding. The actions described in the preceding sentence are hereinafter collectively referred to as the "Transaction". No changes to

the terms of the Bonds, the Indenture or the Agreement, other than those contained in the First Amendment, the Amended and Restated Indenture and the Replacement Agreement have been made or are currently contemplated to be made in the future.

In order to render the opinion expressed in the next sentence, as required by Section 4.01(g)(ii) of the Indenture and requested by you, we have examined the Indenture, the Initial Agreement, the First Amendment, the Amended and Restated Indenture, the Replacement Agreement, and the Approval of the City with respect to the conversion from the Weekly Mode to the Daily Mode, as required by Section 4.01(g)(ii) of the Indenture. In reliance on the foregoing documents and such other matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity and enforceability of the Bonds in accordance with their terms or (b) the exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Burke Burns & Pinelli, Ltd

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KattenMuchinRosenman LLP

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312.902.5200 tel
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October 21, 2008

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007F (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the constitution and laws of the State of Illinois (the "City"), on November 8, 2007 (the "Date of Issuance"), pursuant to the terms of a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). On the Date of Issuance, the City (i) obtained a financial guaranty insurance policy from MBIA Insurance Corporation (the "Insurer") guaranteeing the payment of principal of and interest on the Bonds when due (the "Policy") and (ii) entered into a Standby Bond Purchase Agreement dated as of November 1, 2007 (the "Agreement"), with Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch (the "Bank"), and the Trustee, pursuant to which the Bank agreed to purchase tendered Bonds under the circumstances set forth therein. Subsequently, the City and the Trustee entered into a First Amendment to Trust Indenture dated as of September 1, 2008 (the "First Amendment") to clarify the rights of the Insurer in the event of a cancellation of the Policy. Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

The City has elected, by notice to the owners of the Bonds, to convert the interest rate borne by the Bonds from the Weekly Mode to the Daily Mode, wholly in accordance with the terms of the Indenture, which requires a mandatory tender of the Bonds by the current Bondholders; thereafter (i) the Trustee, pursuant to direction from the owners of 100% in aggregate principal amount of the Bonds, will cancel the Policy; (ii) the City and the Trustee will enter into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Amended and Restated Indenture"), primarily to reflect the cancellation of the Policy; (iii) the City, the Bank and the Trustee will enter into an Amended and Restated Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Amended Agreement"), primarily to reflect the cancellation of the Policy; and (iv) the City will deliver to the Bondholders new Bonds reflecting the provisions of the Amended and Restated Indenture in exchange for the Bonds then outstanding. The actions described in the preceding sentence are hereinafter collectively referred to as the "Transaction". No changes to the terms of the Bonds, the Indenture or the Agreement, other than those contained in the First Amendment, the Amended and Restated Indenture and the Amended Agreement have been made or are currently contemplated to be made in the future.

In order to render the opinion expressed in the next sentence, as required by Section 4.01(g)(ii) of the Indenture and requested by you, we have examined the Indenture, the Agreement, the First Amendment, the Amended and Restated Indenture, the Amended Agreement, and the Approval of the City with respect to the conversion from the Weekly Mode to the Daily Mode, as required by Section 4.01(g)(ii) of the Indenture. In reliance on the foregoing documents and such other matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity and enforceability of the Bonds in accordance with their terms or (b) the exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Katten Muchin Rosenman LLP

EFW/hf/60679807

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(312) 541-8600

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October 21, 2008

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate <u>Demand Bonds, Refunding Series 2007F (the "Bonds")</u>

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the constitution and laws of the State of Illinois (the "City"), on November 8, 2007 (the "Date of Issuance"), pursuant to the terms of a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). On the Date of Issuance, the City (i) obtained a financial guaranty insurance policy from MBIA Insurance Corporation (the "Insurer") guaranteeing the payment of principal of and interest on the Bonds when due (the "Policy") and (ii) entered into a Standby Bond Purchase Agreement dated as of November 1, 2007 (the "Agreement"), with Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch (the "Bank"), and the Trustee, pursuant to which the Bank agreed to purchase tendered Bonds under the circumstances set forth therein. Subsequently, the City and the Trustee entered into a First Amendment to Trust Indenture dated as of September 1, 2008 (the "First Amendment") to clarify the rights of the Insurer in the event of a cancellation of the Policy. Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

The City has elected, by notice to the owners of the Bonds, to convert the interest rate borne by the Bonds from the Weekly Mode to the Daily Mode, wholly in accordance with the terms of the Indenture, which requires a mandatory tender of the Bonds by the current Bondholders; thereafter (i) the Trustee, pursuant to direction from the owners of 100% in aggregate principal amount of the Bonds, will cancel the Policy; (ii) the City and the Trustee will enter into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Amended and Restated Indenture"), primarily to reflect the cancellation of the Policy; (iii) the City, the Bank and the Trustee will enter into an Amended and Restated Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Amended Agreement"), primarily to reflect the cancellation of the Policy; and (iv) the City will deliver to the Bondholders new Bonds reflecting the provisions of the Amended and Restated Indenture in exchange for the Bonds then outstanding. The actions described in the preceding sentence are hereinafter collectively referred to as the "Transaction". No changes to the terms of the Bonds, the Indenture or the Agreement,

other than those contained in the First Amendment, the Amended and Restated Indenture and the Amended Agreement have been made or are currently contemplated to be made in the future.

In order to render the opinion expressed in the next sentence, as required by Section 4.01(g)(ii) of the Indenture and requested by you, we have examined the Indenture, the Agreement, the First Amendment, the Amended and Restated Indenture, the Amended Agreement, and the Approval of the City with respect to the conversion from the Weekly Mode to the Daily Mode, as required by Section 4.01(g)(ii) of the Indenture. In reliance on the foregoing documents and such other matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity and enforceability of the Bonds in accordance with their terms or (b) the exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Burke Burns & Pinelli, Ltd.

Katten
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525 W. Monroe Street
Chicago, IL 60661-3693
312.902.5200 tel
312.902.1061 fax

October 21, 2008

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007G (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the constitution and laws of the State of Illinois (the "City"), on November 8, 2007 (the "Date of Issuance"), pursuant to the terms of a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). On the Date of Issuance, the City (i) obtained a financial guaranty insurance policy from MBIA Insurance Corporation (the "Insurer") guaranteeing the payment of principal of and interest on the Bonds when due (the "Policy") and (ii) entered into a Standby Bond Purchase Agreement dated as of November 1, 2007 (the "Agreement"), with Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch (the "Bank"), and the Trustee, pursuant to which the Bank agreed to purchase tendered Bonds under the circumstances set forth therein. Subsequently, the City and the Trustee entered into a First Amendment to Trust Indenture dated as of September 1, 2008 (the "First Amendment") to clarify the rights of the Insurer in the event of a cancellation of the Policy. Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

The City has elected, by notice to the owners of the Bonds, to convert the interest rate borne by the Bonds from the Weekly Mode to the Daily Mode, wholly in accordance with the terms of the Indenture, which requires a mandatory tender of the Bonds by the current Bondholders; thereafter (i) the Trustee, pursuant to direction from the owners of 100% in aggregate principal amount of the Bonds, will cancel the Policy; (ii) the City and the Trustee will enter into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Amended and Restated Indenture"), primarily to reflect the cancellation of the Policy; (iii) the City, the Bank and the Trustee will enter into an Amended and Restated Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Amended Agreement"), primarily to reflect the cancellation of the Policy; and (iv) the City will deliver to the Bondholders new Bonds reflecting the provisions of the Amended and Restated Indenture in exchange for the Bonds then outstanding. The actions described in the preceding sentence are hereinafter collectively referred to as the "Transaction". No changes to the terms of the Bonds, the Indenture or the Agreement, other than those contained in the First Amendment, the Amended and Restated Indenture and the Amended Agreement have been made or are currently contemplated to be made in the future.

In order to render the opinion expressed in the next sentence, as required by Section 4.01(g)(ii) of the Indenture and requested by you, we have examined the Indenture, the Agreement, the First Amendment, the Amended and Restated Indenture, the Amended Agreement, and the Approval of the City with respect to the conversion from the Weekly Mode to the Daily Mode, as required by Section 4.01(g)(ii) of the Indenture. In reliance on the foregoing documents and such other matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity and enforceability of the Bonds in accordance with their terms or (b) the exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Katten Muchin Rosenman LLP

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TELEPHONE
(312) 541-8600

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October 21, 2008

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
<u>Demand Bonds, Refunding Series 2007G (the "Bonds")</u>

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the constitution and laws of the State of Illinois (the "City"), on November 8, 2007 (the "Date of Issuance"), pursuant to the terms of a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). On the Date of Issuance, the City (i) obtained a financial guaranty insurance policy from MBIA Insurance Corporation (the "Insurer") guaranteeing the payment of principal of and interest on the Bonds when due (the "Policy") and (ii) entered into a Standby Bond Purchase Agreement dated as of November 1, 2007 (the "Agreement"), with Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch (the "Bank"), and the Trustee, pursuant to which the Bank agreed to purchase tendered Bonds under the circumstances set forth therein. Subsequently, the City and the Trustee entered into a First Amendment to Trust Indenture dated as of September 1, 2008 (the "First Amendment") to clarify the rights of the Insurer in the event of a cancellation of the Policy. Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

The City has elected, by notice to the owners of the Bonds, to convert the interest rate borne by the Bonds from the Weekly Mode to the Daily Mode, wholly in accordance with the terms of the Indenture, which requires a mandatory tender of the Bonds by the current Bondholders; thereafter (i) the Trustee, pursuant to direction from the owners of 100% in aggregate principal amount of the Bonds, will cancel the Policy; (ii) the City and the Trustee will enter into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Amended and Restated Indenture"), primarily to reflect the cancellation of the Policy; (iii) the City, the Bank and the Trustee will enter into an Amended and Restated Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Amended Agreement"), primarily to reflect the cancellation of the Policy; and (iv) the City will deliver to the Bondholders new Bonds reflecting the provisions of the Amended and Restated Indenture in exchange for the Bonds then outstanding. The actions described in the preceding sentence are hereinafter collectively referred to as the "Transaction". No changes to the terms of the Bonds, the Indenture or the Agreement,

other than those contained in the First Amendment, the Amended and Restated Indenture and the Amended Agreement have been made or are currently contemplated to be made in the future.

In order to render the opinion expressed in the next sentence, as required by Section 4.01(g)(ii) of the Indenture and requested by you, we have examined the Indenture, the Agreement, the First Amendment, the Amended and Restated Indenture, the Amended Agreement, and the Approval of the City with respect to the conversion from the Weekly Mode to the Daily Mode, as required by Section 4.01(g)(ii) of the Indenture. In reliance on the foregoing documents and such other matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity and enforceability of the Bonds in accordance with their terms or (b) the exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Burke Burns & Pinelli, Ltd.

April 18, 2012

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the Constitution and laws of the State of Illinois (the "City"), on November 8, 2007, pursuant to the terms of a Trust Indenture dated as of November 1, 2007, by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee").

On October 21, 2008, the City and the Trustee entered into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Existing Indenture"), primarily to reflect the cancellation of the insurance policy for the Bonds and the replacement of the then existing liquidity facility for the Bonds with a Substitute Liquidity Facility consisting of a Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Liquidity Agreement"), among the City, the Trustee and Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch. Terms used herein that are defined in the Existing Indenture have the meanings ascribed thereto in the Existing Indenture.

The City now desires to replace the Liquidity Agreement with a Substitute Liquidity Facility consisting of an irrevocable transferable direct pay letter of credit (the "Letter of Credit") issued by Barclays Bank PLC (the "Bank") pursuant to a Reimbursement Agreement dated as of April 1, 2012 (the "Reimbursement Agreement"), between the City and the Bank (the "Transaction"). In connection therewith, the City and the Trustee are entering into a Second Amended and Restated Trust Indenture dated as of April 1, 2012 relating to the Bonds (the "New Indenture"), primarily to reflect various terms pertaining to direct pay letters of credit for the Bonds.

In order to render the opinion expressed in the next sentence, as required by Section 6.01(c)(ii) of the Existing Indenture and requested by you, we have examined the Existing Indenture, the Letter of Credit, the Reimbursement Agreement, the New Indenture and the Tax Compliance Certificate of the City dated this date relating to the Bonds. In reliance on the foregoing documents and such other documents and matters as we have deemed appropriate under the circumstances, we are of the opinion that the Transaction, in and of itself, will not adversely affect (a) the continued validity of the Bonds in accordance with their terms or (b) the

exclusion from gross income for Federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Katten Muchin Rosenman LLP

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April 18, 2012

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
<u>Demand Bonds, Refunding Series 2007E (the "Bonds")</u>

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the Constitution and laws of the State of Illinois (the "City"), on November 8, 2007, pursuant to the terms of a Trust Indenture dated as of November 1, 2007, by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee").

On October 21, 2008, the City and the Trustee entered into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Existing Indenture"), primarily to reflect the cancellation of the insurance policy for the Bonds and the replacement of the then existing liquidity facility for the Bonds with a Substitute Liquidity Facility consisting of a Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Liquidity Agreement"), among the City, the Trustee and Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch. Terms used herein that are defined in the Existing Indenture have the meanings ascribed thereto in the Existing Indenture.

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Respectfully submitted,

Burke Burns & Pinelli, Ltd.

EFW/ms/60968609

Katten
KattenMuchinRosenman LLP

April 18, 2012

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
Demand Bonds, Refunding Series 2007F (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the Constitution and laws of the State of Illinois (the "City"), on November 8, 2007, pursuant to the terms of a Trust Indenture dated as of November 1, 2007, by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee").

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The City now desires to replace the Liquidity Agreement with a Substitute Liquidity Facility consisting of an irrevocable transferable direct pay letter of credit (the "Letter of Credit") issued by JPMorgan Chase Bank, National Association (the "Bank") pursuant to a Reimbursement Agreement dated as of April 1, 2012 (the "Reimbursement Agreement"), between the City and the Bank (the "Transaction"). In connection therewith, the City and the Trustee are entering into a Second Amended and Restated Trust Indenture dated as of April 1, 2012 relating to the Bonds (the "New Indenture"), primarily to reflect various terms pertaining to direct pay letters of credit for the Bonds.

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Respectfully submitted,

Katten Muchin Rosenman LLP

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April 18, 2012

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
Demand Bonds, Refunding Series 2007F (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the Constitution and laws of the State of Illinois (the "City"), on November 8, 2007, pursuant to the terms of a Trust Indenture dated as of November 1, 2007, by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee").

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Respectfully submitted,

Burke Burns & Pinelli, Ltd.

EFW/ms/60968883

Katten
KattenMuchinRosenman LLP

April 18, 2012

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007G (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the Constitution and laws of the State of Illinois (the "City"), on November 8, 2007, pursuant to the terms of a Trust Indenture dated as of November 1, 2007, by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee").

On October 21, 2008, the City and the Trustee entered into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Existing Indenture"), primarily to reflect the cancellation of the insurance policy for the Bonds and the replacement of the then existing liquidity facility for the Bonds with a Substitute Liquidity Facility consisting of a Amended and Restated Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Liquidity Agreement"), among the City, the Trustee and Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch. Terms used herein that are defined in the Existing Indenture have the meanings ascribed thereto in the Existing Indenture.

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Respectfully submitted,

Katten Muchin Rosenman LLP

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April 18, 2012

City of Chicago
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
Demand Bonds, Refunding Series 2007G (the "Bonds")

Ladies and Gentlemen:

The Bonds were issued by the City of Chicago, a municipal corporation and home rule unit of government organized and existing under the Constitution and laws of the State of Illinois (the "City"), on November 8, 2007, pursuant to the terms of a Trust Indenture dated as of November 1, 2007, by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee").

On October 21, 2008, the City and the Trustee entered into an Amended and Restated Trust Indenture dated as of October 1, 2008 (the "Existing Indenture"), primarily to reflect the cancellation of the insurance policy for the Bonds and the replacement of the then existing liquidity facility for the Bonds with a Substitute Liquidity Facility consisting of a Amended and Restated Standby Bond Purchase Agreement dated as of October 1, 2008 (the "Liquidity Agreement"), among the City, the Trustee and Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch. Terms used herein that are defined in the Existing Indenture have the meanings ascribed thereto in the Existing Indenture.

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The opinion set forth above is limited to the matters expressly stated therein. Except as stated above, we have not been requested, nor have we undertaken, to review any matters relating to the Transaction or the tax-exempt status of interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future.

Respectfully submitted,

Burke Burns & Pinelli, Ltd.

EFW/ms/60968609

APPENDIX G

OPINIONS OF 2015 CO-BOND COUNSEL IN CONNECTION WITH THE SERIES 2007EFG FIXED RATE CONVERSION

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[Letterhead of Co-Bond Counsel]

[Date of Delivery]

City of Chicago
Chicago, Illinois

U.S. Bank National Association
as Trustee
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate Demand Bonds, Refunding Series 2007E (the "Bonds")

Ladies and Gentlemen:

We have examined executed counterparts of the Third Amended and Restated Trust Indenture dated June ___, 2015 (the "Indenture"), from the City of Chicago (the "City") to U.S. Bank National Association, as successor to Deutsche Bank National Trust Company, as trustee (the "Trustee") which amends and restates the Second Amended and Restated Trust Indenture dated as of April 1, 2012, as amended by the First Amendment to Second Amended and Restated Trust Indenture dated May 4, 2015 (together, the "Second Amended and Restated Trust Indenture"), each from the City to the Trustee. In addition to the foregoing examination, we have examined such legal opinions, certificates, records, other documents and laws as we have deemed appropriate for purposes of this opinion. Terms which are not otherwise defined herein shall have the meanings given them in the Indenture.

This letter is being delivered to you in satisfaction of the requirements of Article XI of the Second Amended and Restated Trust Indenture in connection with the execution and delivery of the Indenture.

Based upon the examinations stated above, it is our opinion that the Indenture (i) has been duly and lawfully authorized by the City Council of the City and executed by the City in accordance with the provisions of the Second Amended and Restated Trust Indenture, (ii) is authorized or permitted by the Second Amended and Restated Trust Indenture, (iii) will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms and (iv) will not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The City has converted $_____ principal amount of the Bonds from a Daily Mode to a Fixed Mode on the date hereof (the "Fixed Rate Conversion"). As required by the Second Amended and Restated Trust Indenture, we hereby confirm, as of this date, the matters stated in our opinion dated May 5, 2015 previously provided to you to the effect that said Fixed Rate Conversion (i) is authorized or permitted by the Second Amended and Restated Trust Indenture, (ii) will not adversely affect the validity or enforceability of any Bond, and (iii) will not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

No one other than the addressees hereof shall be entitled to rely hereon without our express prior written consent.

Respectfully yours,

[Letterhead of Co-Bond Counsel]

[Date of Delivery]

City of Chicago
Chicago, Illinois

U.S. Bank National Association
as Trustee
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
Demand Bonds, Refunding Series 2007F (the "Bonds")

Ladies and Gentlemen:

We have examined executed counterparts of the Third Amended and Restated Trust Indenture dated June ___, 1, 2015 (the "Indenture"), from the City of Chicago (the "City") to U.S. Bank National Association, as successor to Deutsche Bank National Trust Company, as trustee (the "Trustee") which amends and restates the Second Amended and Restated Trust Indenture dated as of April 1, 2012, as amended by the First Amendment to Second Amended and Restated Trust Indenture dated May 4, 2015 (together, the "Second Amended and Restated Trust Indenture"), each from the City to the Trustee. In addition to the foregoing examination, we have examined such legal opinions, certificates, records, other documents and laws as we have deemed appropriate for purposes of this opinion. Terms which are not otherwise defined herein shall have the meanings given them in the Indenture.

This letter is being delivered to you in satisfaction of the requirements of Article XI of the Second Amended and Restated Trust Indenture in connection with the execution and delivery of the Indenture.

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The City has converted $_____ principal amount of the Bonds from a Daily Mode to a Fixed Mode on the date hereof (the "Fixed Rate Conversion"). As required by the Second Amended and Restated Trust Indenture, we hereby confirm, as of this date, the matters stated in our opinion dated May 5, 2015 previously provided to you to the effect that said Fixed Rate Conversion (i) is authorized or permitted by the Second Amended and Restated Trust Indenture, (ii) will not adversely affect the validity or enforceability of any

Bond, and (iii) will not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

No one other than the addressees hereof shall be entitled to rely hereon without our express prior written consent.

Respectfully yours,

[Letterhead of Co-Bond Counsel]

[Date of Delivery]

City of Chicago
Chicago, Illinois

U.S. Bank National Association
as Trustee
Chicago, Illinois

Re: City of Chicago General Obligation Variable Rate
Demand Bonds, Refunding Series 2007G (the "Bonds")

Ladies and Gentlemen:

We have examined executed counterparts of the Third Amended and Restated Trust Indenture dated June ___, 2015 (the "Indenture"), from the City of Chicago (the "City") to U.S. Bank National Association, as successor to Deutsche Bank National Trust Company, as trustee (the "Trustee") which amends and restates the Second Amended and Restated Trust Indenture dated as of April 1, 2012, as amended by the First Amendment to Second Amended and Restated Trust Indenture dated May 4, 2015 (together, the "Second Amended and Restated Trust Indenture"), each from the City to the Trustee. In addition to the foregoing examination, we have examined such legal opinions, certificates, records, other documents and laws as we have deemed appropriate for purposes of this opinion. Terms which are not otherwise defined herein shall have the meanings given them in the Indenture.

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No one other than the addressees hereof shall be entitled to rely hereon without our express prior written consent.

Respectfully yours,

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CITY OF CHICAGO • Reoffering of General Obligation Bonds, Refunding Series 2007E, Refunding Series 2007F and Refunding Series 2007G