

City of Chicago

Department of Water Management Sewer Fund

(An Enterprise Fund of the City of Chicago)

Annual Comprehensive Financial Report For the Year Ended December 31, 2025



Brandon Johnson, Mayor

Michael Belsky, City Comptroller

Alfonzo Conner, Jr. Commissioner

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**2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE CHICAGO SEWER FUND**

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PART I

INTRODUCTORY SECTION

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CITY OF CHICAGO



DEPARTMENT OF WATER MANAGEMENT

June 30, 2026

To the Honorable Mayor Brandon Johnson,

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

I am pleased to submit to you the Annual Comprehensive Financial Report (ACFR) for the City of Chicago Department of Water Management (DWM) Sewer Fund for the year ended December 31, 2025. Responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with DWM management. The purpose of the ACFR is to provide complete and accurate information in compliance with the requirements of the Municipal Code of the City of Chicago.

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

REPORTING ENTITY

The Sewer Fund is a separate enterprise fund of the City of Chicago (City) which funds operations and maintenance of the City's sewer system. On January 1, 2003, the Sewer Department merged with the Water Department to form the Department of Water Management. The sewer system collects and transports sanitary and industrial waste and storm water to the interceptor sewers of the Metropolitan Water Reclamation District of Greater Chicago. The system provides sewage and drainage collection and conveyance through approximately 4,500 miles of sewers, 205,000 collection structures, 146,000 manholes, and a service area of roughly 230 square miles inhabited by approximately 2.7 million people.

ECONOMIC CONDITION AND OUTLOOK

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

Because of its rate structure, the Sewer Fund revenue is largely dependent upon water usage. Since January 1, 2015, the sewer service charge is set at 100 percent of the water service charge. As of January 1, 2025, the metered water rate is set at \$35.10 per 1,000 per cubic feet, and effective June 1, 2025, the rate increased to \$36.51 per 1,000 cubic feet, and effective June 1, 2026, the rate increased to \$37.18 per 1,000 cubic feet. There are no large industrial or commercial users that account for more than five percent of sewer system revenues. It is not expected that there will be a significant change in the population base of the City that would lead to a significant change in revenues.

MAJOR INITIATIVES

Five-Year Capital Improvement Program - The Department of Water Management's, Sewer Division's Five-Year Capital Improvement Program (CIP) for the years 2026 – 2030 is forecasted to be approximately \$3.1 billion. The CIP addresses the aggressive efforts to increase the renewal and replacement of the sewer system's infrastructure and continues to focus on two major areas: sewer replacement and sewer lining.

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

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

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

PROPRIETARY OPERATIONS

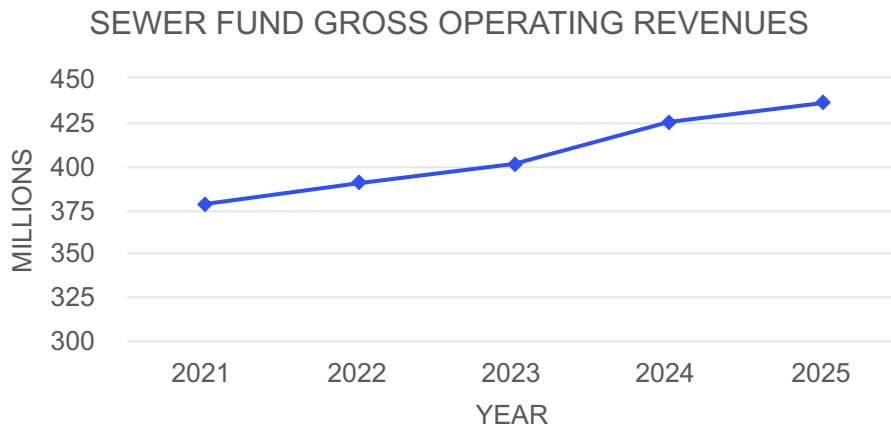
The Sewer Fund is responsible for implementing and maintaining an internal control structure to ensure the integrity of the Sewer Fund's operations and to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The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

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

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

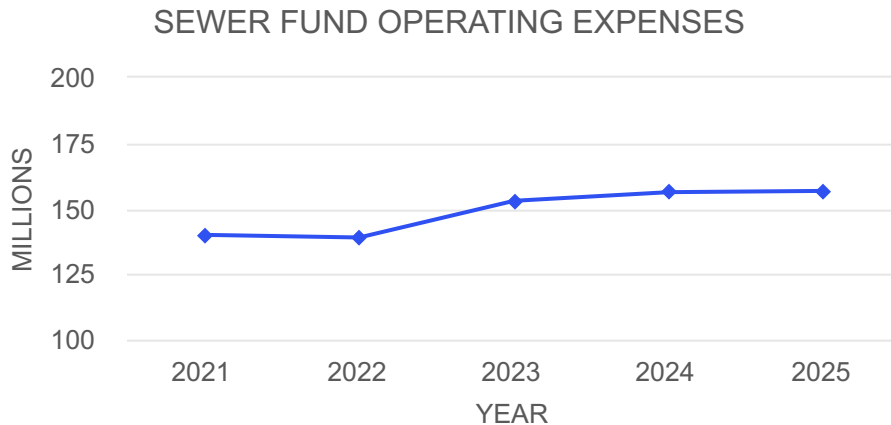
OPERATING REVENUES

Gross operating revenue for 2025 increased by \$12.3 million (2.9%) over 2024. This is primarily due to the 4.0% sewer rate increased effective June 1, 2025. The following graph illustrates gross operating revenues for the years 2021 through 2025.



OPERATING EXPENSES

Operating expenses before depreciation and amortization increased by \$0.5 million (0.3%) during 2025 primarily due to the increase in repairs and maintenance expenses, offset by decrease in administrative and general expenses of \$1.1 million. The following graph illustrates operating expenses for the years 2021 through 2025.



DEBT ADMINISTRATION

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

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

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

LONG TERM FINANCIAL PLANNING

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

INDEPENDENT AUDIT

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

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sewer Fund, an Enterprise Fund of the City of Chicago, for its ACFR, for the fiscal year ended December 31, 2024. This was the thirtieth year that the government has achieved this prestigious award, which is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,

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

Alfonzo Conner Jr.

Commissioner



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

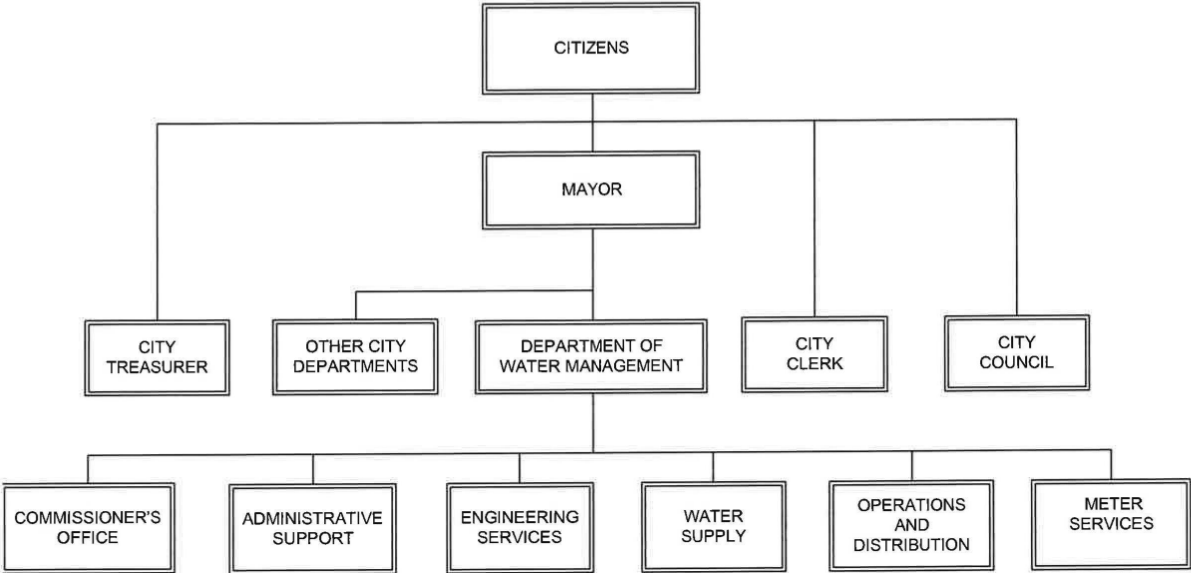
December 31, 2024

Christopher P. Morrell

Executive Director/CEO

CITY OF CHICAGO
DEPARTMENT OF WATER MANAGEMENT

12/31/2025



List of Principal Officials

Brandon Johnson	Mayor
Alfonzo Conner, Jr	Commissioner

PART II

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sewer Fund ("Sewer Fund"), an enterprise fund of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Sewer Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Sewer Fund of the City of Chicago, as of December 31, 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the basic financial statements present only the Sewer Fund, an enterprise fund of the City, and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not

include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

June 30, 2026

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025**

The following discussion and analysis of the City of Chicago, Illinois (the "City"), Sewer Fund's ("Sewer Fund") financial performance provides an introduction and overview of the Sewer Fund's basic financial activities for the fiscal year ended December 31, 2025. Please read this discussion in conjunction with the Sewer Fund's basic financial statements and the notes to basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- Total gross operating revenues for 2025 increased by \$12.3 million (2.9%). This increase is primarily due to a rate increase of 4.0% as of June 1, 2025.
- Operating expenses before depreciation and amortization increased by \$0.5 million (0.3%) during 2025 primarily due to the increase in repairs and maintenance expenses, offset by a decrease in administrative and general expenses of \$(1.1) million (6.6%).
- The Sewer Fund's net position at December 31, 2025, was \$1,254.0 million. This is an increase of \$138.1 million over net position at December 31, 2024.
- Utility plant additions in 2025 were \$134.6 million due to the continuing capital improvement program upgrades.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025**

FINANCIAL ANALYSIS

At December 31, 2025, the Sewer Fund's financial position continues to be strong with total assets and deferred outflows of \$4,152.8 million, total liabilities and deferred inflows of \$2,898.8 million, and net position of \$1,254.0 million. A comparative condensed summary of the Sewer Fund's net position at December 31, 2025 and 2024, is as follows (dollars in thousands):

	Net Position	
	2025	2024
Current assets	\$ 731,545	\$ 690,041
Restricted and other assets—noncurrent	57,123	126,466
Capital assets - net	3,346,779	3,316,347
Total assets	<u>4,135,447</u>	<u>4,132,854</u>
Deferred outflows	17,334	34,358
Total assets and deferred outflows	<u>4,152,781</u>	<u>4,167,212</u>
Current liabilities	405,997	406,942
Pension liability	418,821	442,001
Compensated absences liability	1,703	1,430
Lease Liability	627	23,203
Subscription Liability	288	—
Long-term liabilities	2,007,318	2,103,371
Total liabilities	<u>2,834,754</u>	<u>2,976,947</u>
Deferred inflows	64,070	74,420
Total liabilities and deferred inflows	<u>2,898,824</u>	<u>3,051,367</u>
Net position:		
Net investment in capital assets	1,264,189	1,136,366
Restricted for capital projects	81,499	60,426
Unrestricted	(91,731)	(80,947)
Total net position	<u>\$ 1,253,957</u>	<u>\$ 1,115,845</u>

Current assets increased by \$41.5 million (6.0%) which was primarily due to an increase in cash and cash equivalents of \$187.6 million, offset by a decrease in investments of \$160.5 million. Noncurrent restricted investments and other assets decreased by \$69.3 million (54.8%). Accounts receivable-net, Due from other funds, and Inventory increased by \$2.1 million, \$13.3 million and \$0.5 million, respectively.

Capital assets —net increased by \$30.4 million (0.9%) due primarily to capital activities for sewer construction and rehabilitation projects funded by the restricted investments. During 2025, the Sewer Fund lined an additional 8 miles of sewers.

Current liabilities decreased by \$0.9 million (0.2%) which was primarily due to an increase in restricted accounts payables of \$9.7 million (37.0%) and unrestricted accrued liabilities of \$36.9 million (182.3%), offset by due to other city funds of \$18.7 million (15.0%). Long term debt decrease by \$96.1 million (4.6%). Net pension liability in the amount of \$418.8 million decreased by \$23.2 million (5.2%) compared to 2024 primarily as a result of changes in assumptions and impacts of the global market volatility on investment income.

Deferred outflows decreased by \$17.0 million (49.5%) and deferred inflows decreased by \$10.4 million (13.9%) during 2025 compared with 2024 due to amortization and the changes in assumptions of pensions.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025**

As of December 31, 2025, total net position was \$1,254.0 million, an increase of \$138.1 million (12.4%) from 2024.

A summary of revenues, expenses, and changes in net position for the years ended December 31, 2025 and 2024 is as follows (dollars in thousands):

	Revenues, Expenses, and Changes in Net Position	
	2025	2024
Revenues:		
Operating revenues:		
Sewer service—net	\$ 407,143	\$ 396,774
Other operating revenues	1,205	691
Total operating revenues	<u>408,348</u>	<u>397,465</u>
Operating expenses:		
Repairs	33,821	31,758
General Fund reimbursements	55,595	56,217
Pension expense (Note 6)	26,065	26,585
Maintenance	17,218	16,532
Engineering	9,071	9,157
Administrative and general	15,010	16,078
Depreciation and amortization	83,198	84,727
Total operating expenses	<u>239,978</u>	<u>241,054</u>
Operating income	<u>168,370</u>	<u>156,411</u>
Nonoperating revenues	43,699	38,247
Nonoperating expenses	(73,837)	(90,549)
Total nonoperating expenses/revenues	<u>(30,138)</u>	<u>(52,302)</u>
Transfers out	<u>(120)</u>	<u>(120)</u>
Change in net position	138,112	103,989
Net position beginning of year	<u>1,115,845</u>	<u>1,011,856</u>
Net position end of year	<u><u>\$ 1,253,957</u></u>	<u><u>\$ 1,115,845</u></u>

Net sewer service revenues for the years ended 2025 and 2024 were \$407.1 million and \$396.8 million, respectively. Other revenue, which consists primarily of inspection fees and house drain fees, for the years ended 2025 and 2024 was \$1.2 million and \$0.7 million, respectively. The increase in 2025 net sewer service revenue of \$10.4 million is primarily due to an increase in annual sewer rates by 4.00% as of June 1, 2025, based on the annual CPI adjustment, offset by an decrease in allowance for doubtful accounts due to timing differences of collections.

Pension expense decrease to \$26.1 million in 2025 due to changes in assumptions and impacts from pension fund investments due to global market volatility.

In 2025, net non-operating expenses of \$30.1 million was composed of net investment income, interest expense, and other revenue that relates to the Build America Bonds federal program subsidy. The net non-operating expenses decreased by \$22.2 million as compared to prior year.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025**

A comparative summary of the Sewer Fund's operating expenses, as classified in the basic financial statements, for the years ended December 31, 2025 and 2024, is as follows (dollars in thousands):

	Operating Expenses	
	2025	2024
Repairs	\$ 33,821	\$ 31,758
Pension expense	26,065	26,585
General Fund reimbursements	55,595	56,217
Maintenance	17,218	16,532
Engineering	9,071	9,157
Administrative and general	15,010	16,078
Operating expenses before depreciation and amortization	156,780	156,327
Depreciation and amortization	83,198	84,727
Total operating expenses	<u>\$ 239,978</u>	<u>\$ 241,054</u>

Overall, operating expenses before depreciation and amortization for 2025 increased \$0.5 million compared to prior year primarily due to repairs, maintenance and pension. Depreciation and amortization decreased slightly in the amount of \$1.5 million.

A comparative summary of the Sewer Fund's cash flows for the years ended December 31, 2025 and 2024, is as follows (dollars in thousands):

	Cash Flows	
	2025	2024
Cash from activities:		
Operating	\$ 244,669	\$ 179,932
Capital and related financing	(316,178)	(196,642)
Investing	259,063	55,345
Net change in cash and cash equivalents	187,554	38,635
Cash and cash equivalents:		
Beginning of year	183,297	144,662
End of year	<u>\$ 370,851</u>	<u>\$ 183,297</u>

As of December 31, 2025, the Sewer Fund's unrestricted and restricted cash and cash equivalents of \$370.9 million represented an increase of \$187.6 million from December 31, 2024, primarily due to investment related activities in 2025. Total unrestricted cash and cash equivalents at December 31, 2025 and 2024, was \$112.2 million and \$23.7 million, respectively.

UTILITY PLANT AND DEBT ADMINISTRATION

At the end of 2025 and 2024, the Sewer Fund had net utility plant of \$3,324.6 million and \$3,271.8 million, respectively. During 2025, the Sewer Fund had capital additions being depreciated of \$134.6 million, and completed projects totaling \$67.9 million were transferred from construction in progress to applicable facilities and structures capital accounts.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025

The Sewer Fund's net utility plant at December 31, 2025 and 2024 is summarized as follows (dollars in thousands):

	Net Utility Plant at Year-End	
	2025	2024
Utility plant not depreciated:		
Land and land rights	\$ 560	\$ 560
Construction in progress	129,034	130,952
Total utility plant not depreciated	129,594	131,512
Utility plant being depreciated:		
Facilities and structures	4,198,900	4,093,124
Furniture and equipment	41,030	32,426
Total utility plant being depreciated	4,239,930	4,125,550
Less accumulated depreciation:		
Facilities and structures	(1,012,686)	(953,896)
Furniture and equipment	(32,224)	(31,357)
Total accumulated depreciation	(1,044,910)	(985,253)
Total utility plant being depreciated—net	3,195,020	3,140,297
Total utility plant—net	<u>\$ 3,324,614</u>	<u>\$ 3,271,809</u>

The Sewer Fund's capital activities are funded through Sewer Fund revenue bonds, Illinois Environmental Protection Agency Loans, and Sewer Fund revenues. Additional information on the Sewer Fund's capital assets is presented in Note 5 of the notes to basic financial statements. The Sewer Fund's outstanding debt at December 31, 2025 and 2024 is summarized as follows (dollars in thousands):

	Long-Term Outstanding Debt at Year-End	
	2025	2024
Revenue bonds	\$ 1,944,813	\$ 2,029,840
Add:		
Interest accretion on Series 1998 capital appreciation bonds	54,041	50,875
Unamortized net bond discount/premium	99,651	109,771
Outstanding debt—net	<u>\$ 2,098,505</u>	<u>\$ 2,190,486</u>

Additional information on the Sewer Fund's long-term debt is presented in Note 4 of the notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025

The Sewer Fund's revenue bonds at December 31, 2025, have underlying credit ratings with each of the four major rating agencies as follows:

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

At December 31, 2025, the Sewer Fund was in compliance with the debt covenants as stated within the bond ordinances.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2025
(Dollars in thousands)**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 112,206
Investments (Note 2)	178,849
Accounts receivable—net of allowance for doubtful accounts of approximately \$239,987 in 2025	129,050
Due from other City funds	48,764
Inventories	1,443
Cash and cash equivalents—restricted (Note 2)	258,645
Interest Receivable—restricted (Note 2)	2,588
Total current assets	<u>731,545</u>

NONCURRENT ASSETS:

Investments—restricted (Note 2)	53,942
Other assets	3,181

Capital Assets:

Right of use lease asset - net (Note 5)	21,659
Right of use subscription assets - net (Note 5)	506

Utility plant (Note 5):

Land and land rights	560
Facilities and Structures	4,198,900
Furniture and equipment	41,030
Construction in progress	129,034

Total utility plant 4,369,524

Less accumulated depreciation (1,044,910)

Utility plant—net 3,324,614

Capital assets - net 3,346,779

Total noncurrent assets 3,403,902

Total assets 4,135,447

DEFERRED OUTFLOWS (Note 9) 17,334

TOTAL ASSETS AND DEFERRED OUTFLOWS \$ 4,152,781

See notes to basic financial statements.

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2025
(Dollars in thousands)**

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 8,907
Due to other City funds	106,101
Accrued liabilities unrestricted	57,091
Compensated absences liability	825
Lease liability (Note 10)	22,595
Subscription Liability (Note 10)	223
Liabilities payable from restricted assets:	
Accounts payable	35,785
Accrued liabilities	42,035
Current portion of long-term debt (Note 4)	91,187
Interest payable	41,248
Total current liabilities	<u>405,997</u>

NONCURRENT LIABILITIES:

Lease liability (Note 10)	627
Subscription liability (Note 10)	288
Compensated absences liability	1,703
Net pension liability (Note 6)	418,821
Long-term debt—net of current maturities (Note 4)	<u>2,007,318</u>
Total noncurrent liabilities	<u>2,428,757</u>
Total liabilities	<u>2,834,754</u>

DEFERRED INFLOWS (Note 9)	<u>64,070</u>
---------------------------------	---------------

NET POSITION :

Net investment in capital assets (deficit)	1,264,189
Restricted for capital projects	81,499
Unrestricted	<u>(91,731)</u>
Total net position	<u>1,253,957</u>

TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u><u>\$ 4,152,781</u></u>
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See notes to basic financial statements.

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CITY OF CHICAGO, ILLINOIS
SEWER FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET (DEFICIT) POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025
(Dollars in thousands)

OPERATING REVENUES:

Sewer service:	
Sewer service—gross	\$ 435,951
Less provision for doubtful accounts	(28,808)
Sewer service—net	407,143
Other operating revenues	1,205
Total operating revenues	<u>408,348</u>

OPERATING EXPENSES:

Repairs	33,821
General Fund reimbursements	55,595
Pension expense (Note 6)	26,065
Maintenance	17,218
Engineering	9,071
Administrative and general	15,010
Total operating expenses before depreciation and amortization	<u>156,780</u>
Depreciation and amortization	83,198
Total operating expenses	<u>239,978</u>

OPERATING INCOME	<u>168,370</u>
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NONOPERATING REVENUE (EXPENSES):

Investment income	27,920
Interest expense	(73,837)
Other nonoperating revenue - net	15,779
Total nonoperating revenue (expenses) — net	<u>(30,138)</u>

TRANSFERS OUT	<u>(120)</u>
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CHANGE IN NET POSITION	138,112
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TOTAL NET POSITION—Beginning of year	1,115,845
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TOTAL NET POSITION—End of year	<u><u>\$ 1,253,957</u></u>
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See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(Dollars in thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	\$ 406,256
Transactions with other City funds	(87,721)
Payments to vendors	(15,677)
Payments to employees	(58,189)
Net cash provided by operating activities	<u>244,669</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	\$ (136,476)
Proceeds from issuance of bonds	1,640
Interest paid on revenue bonds	(87,639)
Subsidy from federal program	15,779
Principal payment on leases and subscriptions	(22,816)
Principal paid on bonds	(86,666)
Net cash used in capital and related financing activities	<u>(316,178)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale (purchases) of investments—net	238,669
Investment interest	20,394
Net cash provided by in investing activities	<u>259,063</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	187,554
CASH AND CASH EQUIVALENTS—Beginning of year	183,297
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 370,851</u>

See notes to basic financial statements.

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(Dollars in thousands)**

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

Unrestricted	\$ 112,206
Restricted	258,645
TOTAL	<u>\$ 370,851</u>

RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM
OPERATING ACTIVITIES:

Operating income	\$ 168,370
Adjustments to reconcile:	
Depreciation and amortization	60,128
Noncash lease expense	23,070
Provision for uncollectible accounts	28,808
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Due from other City funds	(13,305)
Accounts receivable	(30,900)
Inventories	(515)
Deferred inflows	(8,238)
Lease Liability	1,015
Compensated absences Liability	554
Accrued liabilities	36,871
Due to other City funds	(18,821)
Accounts payable	(2,368)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 244,669</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:

Capital asset additions in 2025 of \$78,517 have outstanding accounts payable and accrued liabilities.

The accretion adjustment of Series 1998 capital appreciation bonds for the year ended December 31, 2025, was \$3,616.

The net fair value adjustment loss to investments for 2025 was \$278.

See notes to basic financial statements.

(Concluded)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

CITY OF CHICAGO, ILLINOIS
SEWER FUND

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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

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

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

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

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

Revenue Recognition—Sewer service revenue is billed as 100% of the City's water billings and is recorded as revenue when the water is consumed by the customers. Of the accounts receivable balances, \$37.5 million represent revenue recognized on sewer service that had not yet been billed to customers at December 31, 2025.

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

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

Leases—The Sewer Fund follows GASB Statement No. 87, *Leases*, which defines the leasing arrangement as the right to use an underlying asset as a lessor or lessee. As lessee, the Sewer Fund recognizes a lease liability and an intangible right of use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. The right to use lease assets are measured based on the net present value of the future lease payments at inception using the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The Sewer Fund calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. The Sewer Fund leases equipment from other vendors. These leases have terms between three and five years. Amortization is provided on straight-line basis over the term of the lease and begins in the first year of the contract term.

Adopted Accounting Standards—

GASB Statement	Impact
GASB Statement No. 102, Certain Risk Disclosures ("GASB 102")	GASB Statement No. 102, Certain Risk Disclosures ("GASB 102") This statement's primary objective is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Sewer Fund adopted GASB 102 as of and for the year ended December 31, 2025. The adoption of GASB 102 had no impact to the basic financial statements.

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

GASB Accounting Standard	Required Year of Adoption
GASB Statement No. 103, <i>Financial Reporting Model Improvements</i> ("GASB 103")	2026
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i> ("GASB 104")	2026
GASB Statement No. 105, <i>Subsequent Events</i> ("GASB 105")	2027

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

2. RESTRICTED AND UNRESTRICTED CASH EQUIVALENTS AND INVESTMENTS

Cash Equivalents and Investments—As of December 31, 2025, the Sewer Fund had the following cash equivalents and investments (dollars in thousands):

Investment Type	Maturities (in Years)				Fair Value
	Less than 1	1-5	6-10	More than 10	
U.S. Agencies	\$ 28,899	\$ 25,043	\$ —	\$ —	\$ 53,942
Corporate bonds	10,225	95,822	24,655	—	130,702
Money market funds	370,851	—	—	—	370,851
Municipal bonds	—	—	21,825	26,322	48,147
Total	<u>\$ 409,975</u>	<u>\$ 120,865</u>	<u>\$ 46,480</u>	<u>\$ 26,322</u>	<u>\$ 603,642</u>

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

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

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

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

Level 3—Unobservable Inputs

The investments measured at fair value as of December 31, 2025, were (dollars in thousands):

	Level 1	Level 2	Level 3
U.S. Agencies	\$ —	\$ 53,942	\$ —
Corporate Bonds	—	130,702	—
Municipal bonds	—	48,147	—
Total investments at fair value	<u>\$ —</u>	<u>\$ 232,791</u>	<u>\$ —</u>

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

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than the external investment pools are measured at amortized cost and are not reflected in the table above. The total of these investments at amortized cost for Sewer are \$370.9 million as of December 31, 2025.

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

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

- (1) Interest-bearing general obligations of the United States and the State of Illinois;
- (2) United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
- (3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;
- (4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;
- (5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;
- (6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in Custodial Credit Risk—Cash and Certificates of Deposit below;
- (7) Bankers' acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;
- (8) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
- (9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;
- (10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
- (11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;
- (12) Bonds of companies organized in the United States with assets exceeding \$500 million that, at the time of purchase, are rated not less than two ratings above investment grade, or equivalent rating, by at least two accredited ratings agencies;

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

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

Total holdings across all funds held by the Sewer Fund shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies. A schedule summarizing the Sewer Fund's exposure to credit risk as of December 31, 2025, is as follows (dollars in thousands):

Quality Rating

AAA	\$ 370,851
AA	119,388
A	33,936
BBB	<u>79,467</u>
 Total	 <u><u>\$ 603,642</u></u>

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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

The bank balance of cash and certificates of deposit with the City's various municipal depositories was \$322.5 million. 100.0% of the bank balance was either insured or collateralized with securities held by City agents in the City's name. There were no uncollateralized bank balances at December 31, 2025.

A schedule summarizing the investments reported in the basic financial statements as of December 31, 2025, is as follows (dollars in thousands):

Per Note 2:

Investments—Sewer Fund	\$	603,642
	\$	<u>603,642</u>

Per financial statements:

Restricted investments--current	\$	—
Restricted investments--noncurrent		53,942
Unrestricted investments		178,849
Investments included as cash and cash equivalents on the statements of net position		<u>370,851</u>
	\$	<u>603,642</u>

3. RESTRICTED ASSETS AND ACCOUNTS

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

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

CITY OF CHICAGO, ILLINOIS
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NOTES TO BASIC FINANCIAL STATEMENTS
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Bond Principal and Interest Account—No later than 10 days prior to each principal or interest payment date, an amount to pay principal; premium, if any; and interest becoming due, whether upon maturity, redemption, or otherwise.

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

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

Wastewater Revenue Bonds, Series 2024, 2023, 2017, 2015, 2010, 2008, 2001 (the “Second Lien Bonds”).

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

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

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

For accounts established by ordinances with balances, the amounts at December 31, 2025, are as follows (dollars in thousands):

Construction	\$	139,339
Bond principal and interest		132,435
Sewer rate stabilization		40,814
Total	\$	<u>312,588</u>

The 2025 Sewer rate stabilization balance above includes a fair value adjustment of (\$.06) million.

At December 31, 2025, management is not aware of any instances of noncompliance with the above terms of the ordinances.

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**NOTES TO BASIC FINANCIAL STATEMENTS
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4. LONG-TERM DEBT

Long-term debt at December 31, 2025, consisted of the following (dollars in thousands)

First Lien:

\$62,423 Series 1998A Wastewater Transmission Revenue Bonds issued April 7, 1998, due through 2028; interest at 4.55% to 5.0%	\$ 16,256
Total First Lien	<u>16,256</u>

Second Lien:

\$73,100 Series 2001 Wastewater Transmission Revenue Bonds issued December 6, 2001, due through 2030; interest at 4.0% to 5.5%	36,485
\$332,230 Series 2008C Wastewater Transmission Revenue Bonds (2004A Refunded) issued October 16, 2008, due through 2039; interest rate at 4.0% to 5.0%	—
\$250,000 Series 2010B Wastewater Transmission Revenue Bonds issued November 16, 2010, due through 2040; interest 6.9%	250,000
\$87,080 Series 2015 Wastewater Transmission Revenue Bonds issued October 19, 2015 due through January 1, 2039; interest at 2.59% to 6.04%	66,220
\$180,590 Series 2017A Wastewater Transmission Revenue Bonds issued June 21, 2017, due through 2052; interest at 4.0% to 5.25%	165,260
\$215,485 Series 2017B Wastewater Transmission Revenue Bonds issued June 21, 2017, due through 2044; interest at 5.0%	139,270
\$260,105 Series 2023A Second Lien Wastewater Transmission Revenue Bonds issued May 9, 2023 due through 2062, interest at 5.25% to 5.5%	260,105
\$192,470 Series 2023B Second Lien Wastewater Transmission Revenue Refunding Bonds issued May 9, 2023 due through 2039, interest at 5.0%	192,470
\$227,925 Series 2024A Second Lien Wastewater Transmission Revenue Refunding Bonds Issued April 17, 2024 due through 2044, interest rate at 5.0%	218,195
\$138,260 Series 2024B Second Lien Wastewater Transmission Revenue Refunding Bonds Issued December 4, 2004 due through 2039, interest rate at 5.0%	<u>138,260</u>
Total Second Lien Bonds	<u>\$ 1,466,265</u>

IEPA Loans:

\$1,546 Illinois Environmental Protection Agency Loan Agreement signed May 28, 2008, due through 2027; interest at 2.50%	\$ 181
\$15,000 Illinois Environmental Protection Agency Loan Agreement signed January 20, 2010, due through 2031; interest at 0%	4,208
\$17,812 Illinois Environmental Protection Agency Loan Agreement signed October 8, 2010, due through 2032; interest at 1.25%	6,897
17,564 Illinois Environmental Protection Agency Loan Agreement signed September 22, 2011, due through 2033; interest at 1.25%	7,265
\$15,000 Illinois Environmental Protection Agency Loan Agreement signed October 2, 2012, due through 2034; interest at 2.295%	7,597
\$54,170 Illinois Environmental Protection Agency Loan Agreement signed October 22, 2013, due through 2035; interest at 1.93%	30,331

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Long-Term Debt - Concluded:

IEPA Loans - concluded

\$56,198 Illinois Environmental Protection Agency Loan Agreement signed October 8, 2014, due through 2036; interest at 1.99%	33,025
\$4,291 Illinois Environmental Protection Agency Loan Agreement signed January 22, 2016, due through 2036; interest at 1.86%	2,622
\$6,703 Illinois Environmental Protection Agency Loan Agreement signed November 4, 2016, due through 2037; interest at 1.75%	4,397
\$63,808 Illinois Environmental Protection Agency Loan Agreement signed May 17, 2016, due through 2038; interest at 1.86%	42,695
\$27,370 Illinois Environmental Protection Agency Loan Agreement signed May 16, 2017, due through 2038; interest at 1.75%	18,985
\$18,033 Illinois Environmental Protection Agency Loan Agreement signed Apr 5, 2018, due through 2039; interest at 1.76%	12,988
\$59,960 Illinois Environmental Protection Agency Loan Agreement signed Apr 5, 2018, due through 2039; interest at 1.76%	43,050
\$28,824 Illinois Environmental Protection Agency Loan Agreement signed May 25, 2018 due through 2039; interest at 1.76%	22,411
\$31,402 Illinois Environmental Protection Agency Loan Agreement signed March 18, 2019 due through 2040; interest at 1.84%	24,764
\$60,347 Illinois Environmental Protection Agency Loan Agreement signed December 14, 2020 due through 2040; interest at 1.84%	47,719
\$54,588 Illinois Environmental Protection Agency Loan Agreement signed September 30, 2020 due through 2042; interest at 1.35%	47,283
\$10,230 Illinois Environmental Protection Agency Loan Agreement signed January 23, 2020 due through 2042; interest at 2.00%	9,279
\$13,350 Illinois Environmental Protection Agency Loan Agreement signed September 30, 2020 due through 2042; interest at 1.35%	12,129
\$15,785 Illinois Environmental Protection Agency Loan Agreement signed February 15, 2022 due through 2044; interest at 1.11%	14,738
\$14,685 Illinois Environmental Protection Agency Loan Agreement signed February 15, 2022 due through 2044; interest at 1.11%	13,903
\$58,450 Illinois Environmental Protection Agency Loan Agreement signed September 2, 2022 due through 2044; interest at 1.11%	55,825
Total IEPA Loans	462,292
Total revenue bonds and IEPA loans	\$ 1,944,813
Add accretion of Series 1998A Capital Appreciation Bonds	54,041
Add unamortized net bond premium (discount)	99,651
Less current portion (payable from restricted assets)	(91,187)
Long-term portion—net	\$ 2,007,318

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Long-term debt during the year ended December 31, 2025, changed as follows (dollars in thousands):

	Balance January 1,	Additions	Reductions	Balance December 31,	Due within One Year
Revenue bonds and loans	\$2,029,840	\$ 1,639	\$ (86,666)	\$ 1,944,813	\$ 72,214
Accretion of Series 1998 capital appreciation bonds	50,875	3,616	(450)	54,041	18,973
Unamortized net discount/premium ...	109,771	—	(10,120)	99,651	—
Total revenue bonds and loans	<u>\$2,190,486</u>	<u>\$ 5,255</u>	<u>\$ (97,236)</u>	<u>\$ 2,098,505</u>	<u>\$ 91,187</u>

Interest expense includes amortization of the loss on bond refunding for 2025 of \$8.3 million; net of amortization of bond discount/premium of \$10.1 million; and accretion of Series 1998A capital appreciation bonds of \$3.6 million.

Rate Increases—Sewer service rates are set by ordinance. The sewer service charge is established in an amount designed to pay the costs of Sewer Fund operations and capital improvements, including any related debt service. The rate charged for water, effective June 1, 2025, increased to \$36.51 per 1,000 cubic feet.

Issuance of Debt—A loan agreement was signed on February 26, 2022, with the Illinois Environment Protection Agency as part of the City's multi-years rehabilitation program. For this loan, approximately 32,000 lineal feet of 42-inch to 72-inch diameter sewer main will be replaced at various locations throughout the City. The amount drawn from the loan agreement by the Sewer Fund in 2025 was \$15.8 million. The loan agreement has an interest rate of 1.11% with maturity from December 14, 2024 to June 14, 2044.

A loan agreement was signed on April 22, 2022, with the Illinois Environment Protection Agency as part of the City's multi-years rehabilitation program. The funds will be specifically to be used for the installation of 12,400 lineal feet of 72-inch to 90-inch diameter sewer main. In 2025, the Sewer Fund drew an additional \$1.6 million. Total funds drawn from this loan are \$14.7 million. The loan agreement has an interest rate of 1.11% with maturity from December 3, 2024 to June 3, 2044.

**CITY OF CHICAGO, ILLINOIS
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**NOTES TO BASIC FINANCIAL STATEMENTS
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The following is a schedule of debt service requirements to maturity (dollars in thousands):

December 31	Principal	Interest	Total Debt Service
2026	\$ 72,214	\$ 104,543	\$ 176,757
2027	68,529	102,626	171,155
2028	74,743	100,617	175,360
2029	91,367	78,025	169,392
2030	102,747	74,100	176,847
2031-2035	567,891	299,378	867,269
2036-2040	523,296	166,199	689,495
2041-2045	166,546	87,411	253,957
2046-2050	97,070	58,558	155,628
2051-2055	88,390	34,783	123,173
2056-2060	69,825	14,522	84,347
2061-2064	22,195	1,237	23,432
Total	\$ 1,944,813	\$ 1,121,999	\$ 3,066,812

Defeased Bonds—Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts, together with interest earned thereon, will provide an amount sufficient for payment of all principal and interest. Defeased bonds at December 31, 2025 are as follows (dollars in thousands):

	Defeased	Outstanding
Second Lien Wastewater Transmission Revenue Bonds, Series 2008C	\$ 182,475	\$ —
Total	\$ 182,475	\$ —

Debt Covenants—The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, shall each fiscal year be at least equal to: (A) 115% of the aggregate debt service requirement for the fiscal year on the outstanding senior lien bonds, plus (B) the sum of the aggregate annual debt service requirements for the fiscal year on the outstanding second lien bonds, plus (C) 115% of the aggregate outstanding debt service requirements for the fiscal year on the outstanding IEPA loans, plus (D) annual debt service requirement for the fiscal year on aggregate outstanding debt service on any outstanding wastewater line of credit and commercial paper notes. This requirement was met at December 31, 2025.

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

Capital assets during the year ended December 31, 2025, the total amount of right-of-use lease assets by major class, and the related accumulated amortization, disclosed separately from other capital assets, is as follows (dollars in thousands):

	Balance January 1	Additions	Disposals and Transfers	Balance December 31,
Utility plant not depreciated:				
Land and land rights	\$ 560	\$ —	\$ —	\$ 560
Construction in progress	130,952	69,797	(71,715)	129,034
Total utility plant not depreciated	131,512	69,797	(71,715)	129,594
Utility plant being depreciated:				
Facilities and structures	4,093,124	125,666	(19,890)	4,198,900
Furniture and equipment	32,426	8,885	(281)	41,030
Total utility plant being depreciated	4,125,550	134,551	(20,171)	4,239,930
Less accumulated depreciation:				
Facilities and structures	(953,896)	(59,025)	235	(1,012,686)
Furniture and equipment	(31,357)	(1,103)	236	(32,224)
Total accumulated depreciation	(985,253)	(60,128)	471	(1,044,910)
Utility plant being depreciated—net	3,140,297	74,423	(19,700)	3,195,020
Utility plant—net	<u>\$ 3,271,809</u>	<u>\$ 144,220</u>	<u>\$ (91,415)</u>	<u>\$ 3,324,614</u>
Leased assets being amortized:				
Right of use lease asset	\$ 111,039	\$ 21	\$ 4,868	\$ 106,192
Right of use subscription assets	857	675	857	675
Total ROU assets	111,896	696	5,725	106,867
Less accumulated amortization:				
Right of use lease asset	(66,501)	(22,900)	(4,868)	(84,533)
Right of use subscription assets	(857)	(169)	(857)	(169)
Total accumulated amortization	(67,358)	(23,069)	(5,725)	(84,702)
Total—net of accumulated amortization	44,538	(22,373)	\$ —	22,165
Total—Net Capital Assets	<u>\$ 3,316,347</u>	<u>\$ 121,847</u>	<u>\$ (91,415)</u>	<u>\$ 3,346,779</u>

6. PENSION PLANS

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

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

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

Employees Covered by Benefit Terms—At December 31, 2025, the following City employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Total
Inactive employees or beneficiaries currently receiving benefits	25,771	3,488	29,259
Inactive employees entitled to but not yet receiving benefits	28,888	1,408	30,296
Active employees	39,379	2,780	42,159
	<u>94,038</u>	<u>7,676</u>	<u>101,714</u>

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

The City's contributions are budgeted in the same year as the applicable levy year for the property taxes funding the contributions. The City's contributions are then paid to the pension funds in the following year (which is when the levy property taxes are collected and paid to the City by the Cook County Treasurer). The Sewer Fund's proportion of the contribution was determined based on the rates of Sewer Fund's salaries within each corresponding pension plan to the total budgeted salaries for 2025.

**CITY OF CHICAGO, ILLINOIS
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The contribution to the two pension plans from the Sewer Fund was \$34.3 million for the year ended December 31, 2025.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2025, the Sewer Fund reported a liability of \$418.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

The change in the single discount rate and other assumptions decreased the net pension liability by \$2.2 million for Laborers' and \$4.5 million for Municipal Employees'. These changes are being amortized into expense/(benefit) over a 4 year period for Laborers' and Municipal Employees'.

The Sewer Fund's proportion of the net pension liability was determined based on the rates of budgeted Sewer Fund's salaries within each corresponding pension plan to the total budgeted salaries for 2025. At December 31, 2025, the Sewer Fund's proportion was 1.5% of the Municipal Employees' Plan and 10.9% of the Laborers' Plan.

For the year ended December 31, 2025, the Sewer Fund recognized pension expenses of \$26.1 million.

At December 31, 2025, the Sewer Fund reported total deferred outflows of resources of \$14.8 million, and deferred inflows of resources of \$18.0 million related to pensions from the following sources:

Municipal Employees' (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,774	\$ —
Changes of assumptions	3,173	8,638
Net difference between projected and actual earnings on pension plan investments	—	2,385
Total	<u>\$ 6,947</u>	<u>\$ 11,023</u>

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

**Years Ending
December 31**

2026	\$ 1,457
2027	(1,412)
2028	(2,895)
2029	(1,226)
Total	<u>\$ (4,076)</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,877	\$ 1,216
Changes of assumptions	5,953	2,915
Net difference between projected and actual earnings on pension plan investments	—	2,894
Total	<u>\$ 7,830</u>	<u>\$ 7,025</u>

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

**Years Ending
December 31**

2026	\$ 5,890
2027	(333)
2028	(2,585)
2029	(2,156)
2030	(11)
Total	<u>\$ 805</u>

Deferred Inflows and Related to Changes in Proportionate Share of Contributions—The Sewer's proportion of the net pension liability was determined based on the rates of the Sewer's salaries within each corresponding pension plan to the total budgeted salaries for 2025. The changes in the Sewer's proportionate share results in a deferred inflow or deferred outflow depending on the current year's actuarial report. For the year ended December 31, 2025, the Sewer Fund reported pension benefit of \$10.9 million related to changes in proportionate share of contributions. As of December 31, 2025, the Sewer Fund reported deferred inflows of \$19.7 million, and deferred outflows of \$2.6 million related to changes in its proportionate share of contributions. This deferred amount will be recognized as a pension charge/(benefit) over a period of five years as follows:

Year ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 2,091	\$ 9,007
2027	466	7,843
2028	—	2,628
2029	—	251
2030	—	—
Total	<u>\$ 2,557</u>	<u>\$ 19,729</u>

**CITY OF CHICAGO, ILLINOIS
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**NOTES TO BASIC FINANCIAL STATEMENTS
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Actuarial Assumptions—The total pension liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

(a) Varying by years of service and employer

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

(c) Net of investment expense

Mortality Assumptions

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

The mortality actuarial assumptions used in the December 31, 2025 valuation were based on the results of actuarial experience study for the period as noted below:

Municipal Employees'

January 1, 2017 - December 31, 2021

Laborers'

January 1, 2017 - December 31, 2019

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2025 are summarized in the following table:

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	Target Allocation		Return	
	Municipal Employees'	Laborers'	Municipal Employees'	Laborers'
Asset Class:				
Domestic equity	25.0 %	— %	4.7 %	— %
U.S. equity	—	22.0	—	5.5
Non U.S. equity	—	15.0	—	5.5
Global low volatility equity	4.0	4.0	3.1	3.4
International equity	17.0	—	4.8	—
Fixed income	22.0	26.0	2.1	1.1
Hedge funds	10.0	8.0	3.0	3.4
Infrastructure	3.0	—	4.6	—
Private debt	4.0	6.0	6.3	6.6
Private equity	4.0	6.0	7.4	7.7
Real estate	8.0	8.0	4.1	4.4
Cash	3.0	2.0	(0.2)	—
Private real assets	—	3.0	—	5.0
Total	100.0 %	100.0 %		

Discount Rate

Municipal Employees'— A Single Discount Rate used to measure the total pension liability as of December 31, 2025 was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 100-0023, with an additional supplemental contribution of \$80.6 million during 2025. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members in all years. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to projected benefits for all periods to determine the total pension liability.

Laborers'—A Single Discount Rate of 6.70% was used to measure the total pension liability as of December 31, 2025. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 4.83% (based on the daily rate closest to but not later than the measurement date of the Bond Buyer "20-Bond GO Index"). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2083. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2083, and the municipal bond rate was applied to all benefit payments after that date.

**CITY OF CHICAGO, ILLINOIS
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**NOTES TO BASIC FINANCIAL STATEMENTS
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Sensitivity of the Sewer Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Municipal Employees'—The following presents the Sewer Fund's allocated share of the net pension liability as of December 31, 2025, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate (dollars in thousands):

Net Pension Liability	Current		
	1% Decrease	Discount Rate	1% Increase
Municipal Employees' discount rate	5.75 %	6.75 %	7.75 %
Municipal Employees' net pension liability	\$ 265,240	\$ 227,600	\$ 196,089

Laborers'—The following presents the Sewer Fund's allocated share of the net pension liability as of December 31, 2025, calculated using the discount rate of 6.70%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower 5.70% or 1 percentage point higher (7.70%) than the current rate (dollars in thousands):

Net Pension Liability	Current		
	1% Decrease	Discount Rate	1% Increase
Laborers' discount rate	5.70 %	6.70 %	7.70 %
Laborers' net pension liability	\$ 230,716	\$ 191,221	\$ 158,029

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

7. RELATED-PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the General Fund of the City for services provided by other City departments, employee fringe benefits, and certain payments on behalf of the Sewer Fund. Such reimbursements amounted to \$81.7 million in 2025.

8. COMMITMENTS AND CONTINGENCIES

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

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. Changes in the claims liability amount for the years ended December 31, 2025 are as follows (dollars in thousands):

Balance—January 1	\$	31,556
Claims incurred on current and prior-year events		13,889
Claims paid on current and prior-year events		<u>(14,850)</u>
Balance—December 31	\$	<u>30,595</u>

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

At December 31, 2025, the Sewer Fund had entered into contracts with outstanding commitments of approximately \$208.6 million for construction projects.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

	2025
	(Dollars in thousands)
Deferred outflows of resources:	
Deferred outflows from pension activities	\$ 14,777
Changes in proportionate share of pension contribution	2,557
Total deferred outflows of resources	<u>\$ 17,334</u>
Deferred inflows of resources:	
Unamortized deferred bond refunding costs	(26,293)
Deferred inflows from pension activities	(18,048)
Changes in proportionate share of pension contribution	(19,729)
Total deferred inflows of resources	<u>\$ (64,070)</u>

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

10. LEASES

As Lessee:

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

The lease liability activity for the year ended December 31, 2025 is summarized as follows (dollars in thousands):

	Balance at January 1	Additions	Reductions	Balance at December 31	Current Portion
Lease liability	\$ 45,006	\$ 22	\$ (21,806)	\$ 23,222	\$ 22,595
Subscription Liability	—	675	(164)	511	223
Total Subscription and Lease Liability	<u>\$ 45,006</u>	<u>\$ 697</u>	<u>\$ (21,970)</u>	<u>\$ 23,733</u>	<u>\$ 22,818</u>

The expected future principal and interest payments that are included in the measurement of the lease liability as of December 31, 2025 are as follows (dollars in thousands):

Years Ending December 31	Principal	Interest	Amount
2026	\$ 22,595	\$ 492	\$ 23,087
2027	618	9	627
2028	4	7	11
2029	4	1	5
2030	1	—	1
Total	<u>\$ 23,222</u>	<u>\$ 509</u>	<u>\$ 23,731</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

11. SUBSEQUENT EVENTS

The Sewer Fund has evaluated events occurring subsequent to December 31, 2025, and through June 30, 2026, the date the financial statements were available to be issued. The City did not identify any subsequent events to be disclosed apart from those discussed below.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

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

	2025	2024	2023
MUNICIPAL EMPLOYEES':			
Total pension liability:			
Service cost	\$ 373,274	\$ 344,821	\$ 316,247
Interest	1,323,455	1,272,351	1,242,052
Benefit changes	—	—	—
Differences between expected and actual experience	129,163	104,089	155,758
Assumption changes	(293,176)	(543,345)	442,725
Benefit payments including refunds	(1,173,303)	(1,141,513)	(1,095,929)
Pension plan administrative expenses	—	—	—
Net change in total pension liability	359,413	36,403	1,060,853
Total pension liability—beginning	20,205,143	20,168,740	19,107,887
Total pension liability—ending (a)	20,564,556	20,205,143	20,168,740
Plan fiduciary net position:			
Contributions—employer **	\$ 1,123,999	\$ 1,118,398	\$ 1,077,258
Contributions—employee	238,904	220,416	194,174
Net investment income	554,652	385,713	359,991
Benefit payments including refunds of employee contribution	(1,173,303)	(1,141,513)	(1,095,929)
Administrative expenses	(6,845)	(6,374)	(6,651)
Other	—	—	—
Net change in plan fiduciary net position	737,407	576,640	528,843
Plan fiduciary net position—beginning	5,057,271	4,480,631	3,951,788
Plan fiduciary net position—ending (b)	5,794,678	5,057,271	4,480,631
NET PENSION LIABILITY—Ending (a)–(b)	<u>\$ 14,769,878</u>	<u>\$ 15,147,872</u>	<u>\$ 15,688,109</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>28.18 %</u>	<u>25.03 %</u>	<u>22.22 %</u>
ALLOCATED COVERED PAYROLL *	<u>\$ 42,716</u>	<u>\$ 38,401</u>	<u>\$ 39,554</u>
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF ALLOCATED COVERED PAYROLL	<u>532.82 %</u>	<u>582.59 %</u>	<u>658.28 %</u>
ALLOCATED NET PENSION LIABILITY	<u>\$ 227,600</u>	<u>\$ 223,719</u>	<u>\$ 260,375</u>
ALLOCATED PERCENTAGE	<u>1.54 %</u>	<u>1.48 %</u>	<u>1.66 %</u>

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

** Includes City's supplemental pension contribution starting in 2023. The contribution were \$101.6 million in 2023, \$178.1 million in 2024 and \$168.7 million in 2025.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

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

2022	2021	2020	2019	2018	2017	2016
\$ 263,993	\$ 246,066	\$ 236,302	\$ 228,465	\$ 223,528	\$ 572,534	\$ 619,743
1,269,645	1,228,905	1,190,694	1,159,253	1,123,348	915,711	878,369
—	—	—	—	—	—	—
84,258	121,988	100,938	16,676	95,540	(177,755)	(127,119)
143,996	—	—	—	—	(7,431,191)	(578,920)
(1,055,585)	(1,010,191)	(973,478)	(952,652)	(916,198)	(888,174)	(859,672)
—	—	—	—	—	—	—
706,307	586,768	554,456	451,742	526,218	(7,008,875)	(67,599)
18,401,580	17,814,812	17,260,356	16,808,614	16,282,396	23,291,271	23,358,870
19,107,887	18,401,580	17,814,812	17,260,356	16,808,614	16,282,396	23,291,271
\$ 959,550	\$ 573,198	\$ 496,992	\$ 418,269	\$ 349,574	\$ 261,764	\$ 149,718
176,339	163,411	157,798	146,645	138,400	134,765	130,391
(429,912)	498,299	335,403	560,940	(204,975)	610,515	281,419
(1,055,585)	(1,010,191)	(973,478)	(952,652)	(916,198)	(888,174)	(859,672)
(6,873)	(6,687)	(7,118)	(6,740)	(6,639)	(6,473)	(7,056)
—	—	—	—	—	5,394	—
(356,481)	218,030	9,597	166,462	(639,838)	117,791	(305,200)
4,308,269	4,090,239	4,080,642	3,914,180	4,554,018	4,436,227	4,741,427
3,951,788	4,308,269	4,090,239	4,080,642	3,914,180	4,554,018	4,436,227
\$15,156,099	\$14,093,311	\$13,724,573	\$13,179,714	\$12,894,434	\$11,728,378	\$18,855,044
20.68 %	23.41 %	22.96 %	23.64 %	23.29 %	27.97 %	19.05 %
\$ 36,832	\$ 35,795	\$ 33,432	\$ 36,266	\$ 35,136	\$ 34,446	\$ 32,293
699.67 %	704.25 %	737.13 %	731.07 %	743.37 %	695.41 %	1,144.85 %
\$ 257,701	\$ 252,089	\$ 246,437	\$ 265,128	\$ 261,188	\$ 239,542	\$ 369,711
1.70 %	1.79 %	1.80 %	2.01 %	2.03 %	2.04 %	1.96 %

CITY OF CHICAGO, ILLINOIS
SEWER FUND

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

	2025	2024	2023
LABORERS':			
Total pension liability:			
Service cost *	\$ 43,554	\$ 42,336	\$ 35,725
Interest	204,227	200,343	197,214
Benefit changes	—	—	—
Differences between expected and actual experience	(11,236)	3,850	43,615
Assumption changes	(20,059)	(3,343)	158,524
Benefit payments including refunds	(189,964)	(183,828)	(180,947)
Pension plan administrative expense	(3,738)	(3,482)	(3,396)
Net change in total pension liability	22,784	55,876	250,735
Total pension liability—beginning	3,127,453	3,071,577	2,820,842
Total pension liability—ending (a)	3,150,237	3,127,453	3,071,577
Plan fiduciary net position:			
Contributions—employer ***	155,996	\$ 147,466	123,796
Contributions—employee	22,772	24,229	19,136
Net investment income	144,063	91,803	98,494
Benefit payments including refunds of employee contribution	(189,964)	(183,828)	(180,947)
Administrative expenses	(3,738)	(3,482)	(3,396)
Other	—	—	—
Net change in plan fiduciary net position	129,129	76,188	57,083
Plan fiduciary net position—beginning	1,260,169	1,183,981	1,126,898
Plan fiduciary net position—ending (b)	1,389,298	1,260,169	1,183,981
NET PENSION LIABILITY—Ending (a)–(b)	<u>\$ 1,760,939</u>	<u>\$ 1,867,284</u>	<u>\$ 1,887,596</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>44.10 %</u>	<u>40.29 %</u>	<u>38.55 %</u>
ALLOCATED COVERED PAYROLL **	<u>\$ 28,721</u>	<u>\$ 29,558</u>	<u>\$ 28,085</u>
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF ALLOCATED COVERED PAYROLL	<u>665.79 %</u>	<u>738.49 %</u>	<u>790.70 %</u>
ALLOCATED NET PENSION LIABILITY	<u>\$ 191,221</u>	<u>\$ 218,282</u>	<u>\$ 222,069</u>
ALLOCATED PERCENTAGE	<u>10.86 %</u>	<u>11.69 %</u>	<u>11.76 %</u>

* Includes pension plan administrative expense.

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

*** Includes City's supplemental pension contribution starting in 2023. The contributions were \$12.1 million in 2023, \$20.3 million in 2024 and \$20.2 million in 2025.

CITY OF CHICAGO, ILLINOIS
SEWER FUND

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

2022	2021	2020	2019	2018	2017	2016
\$ 39,331	\$ 40,411	\$ 39,216	\$ 38,522	\$ 40,801	\$ 80,232	\$ 82,960
193,347	192,343	191,099	188,347	183,135	154,047	150,166
—	—	—	—	—	150	—
(27,236)	(31,083)	(18,992)	(8,820)	15,143	(62,178)	(30,428)
(109,355)	21,870	44,034	32,846	(11,788)	(1,074,754)	(62,905)
(177,162)	(172,514)	(169,056)	(164,959)	(160,061)	(157,050)	(154,683)
(3,607)	(3,837)	(3,616)	(3,691)	(3,933)	(3,985)	(4,080)
(84,682)	47,190	82,685	82,245	63,297	(1,063,538)	(18,970)
2,905,524	2,858,334	2,775,649	2,693,404	2,630,107	3,693,645	3,712,615
2,820,842	2,905,524	2,858,334	2,775,649	2,693,404	2,630,107	3,693,645
116,176	84,969	73,744	59,346	47,844	35,457	12,603
19,069	17,637	18,064	18,143	17,837	17,411	17,246
(161,680)	138,105	163,057	184,027	(75,219)	207,981	57,997
(177,162)	(172,514)	(169,056)	(164,959)	(160,061)	(157,050)	(154,683)
(3,607)	(3,837)	(3,616)	(3,691)	(3,933)	(3,985)	(4,080)
—	—	—	—	661	—	—
(207,204)	64,360	82,193	92,866	(172,871)	99,814	(70,917)
1,334,102	1,269,742	1,187,549	1,094,683	1,267,554	1,167,740	1,238,657
1,126,898	1,334,102	1,269,742	1,187,549	1,094,683	1,267,554	1,167,740
\$1,693,944	\$1,571,422	\$1,588,592	\$1,588,100	\$1,598,721	\$1,362,553	\$2,525,905
39.95 %	45.92 %	44.42 %	42.78 %	40.64 %	48.19 %	31.61 %
\$ 23,319	\$ 24,331	\$ 23,479	\$ 25,989	\$ 25,462	\$ 23,415	\$ 24,328
791.24 %	740.81 %	766.71 %	750.49 %	755.96 %	653.68 %	1213.47 %
\$ 184,510	\$ 180,246	\$ 180,018	\$ 195,045	\$ 192,479	\$ 153,060	\$ 295,214
10.89 %	11.47 %	11.33 %	12.28 %	12.04 %	11.23 %	11.69 %

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

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

Municipal Employees'

Years Ended December 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll *	Contributions as a Percentage of Covered Payroll
2016	961,770	149,718	812,052	1,646,939	9.09 %
2017	1,005,457	261,764	743,693	1,686,533	15.52
2018	1,049,916	349,574	700,342	1,734,596	20.15
2019	1,117,388	418,269	699,119	1,802,790	23.20
2020	1,167,154	496,992	670,162	1,861,905	26.69
2021	1,218,361	573,198	645,163	2,001,181	28.64
2022	1,262,413	959,550	302,863	2,166,182	44.30
2023	1,273,345	1,077,258	196,087	2,383,203	45.20
2024	1,238,711	1,118,398	120,313	2,600,118	43.01
2025	1,283,237	1,123,999	159,238	2,771,982	40.55

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

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

Laborers'

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll **	Contributions as a Percentage of Covered Payroll
2016	\$ 117,033	\$ 12,603	\$ 104,430	\$ 208,155	6.05 %
2017	124,226	35,457	88,769	208,442	17.01
2018	129,247	47,844	81,403	211,482	22.62
2019	148,410	59,346	89,064	211,608	28.05
2020	155,794	73,744	82,050	207,195	35.59
2021	155,245	84,969	70,276	212,122	40.06
2022	153,023	116,176	36,847	214,083	54.27
2023	153,405	123,796	29,609	238,725	51.86
2024	168,828	147,466	21,362	252,856	58.32
2025	170,345	155,996	14,349	264,486	58.98

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

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

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

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

SCHEDULE OF CONTRIBUTIONS

Actuarial Methods and Assumptions	Municipal Employees'	Laborers'
Actuarial valuation date	December 31, 2024	December 31, 2024
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:		
Inflation	2.50%	2.25%
Salary increases	2.50% - 14.00% (a)	3.00% (b)
Investment rate of return	6.75% (c)	6.75% (d)
Retirement age	(e)	(f)
Mortality	(g)	(h)
Other information	(i)	(j)

(a) Varying by years of service and employer.

(b) Varying by years of service and employer.

(c) Net of investment expense.

(d) Net of investment expense, including inflation.

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

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

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

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

(i) Other assumptions: Same as those used in the December 31, 2024, actuarial funding valuation.

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

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PART III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL INFORMATION

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

Contents

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

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

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

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

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 1
NET POSITION BY COMPONENT
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

	2016	2017	2018
NET POSITION:			
Net investment in			
capital assets	\$ 648,644	\$ 735,564	\$ 827,773
Restricted for capital projects	117,295	116,376	115,576
Unrestricted	(353,467)	(364,239)	(358,293)
TOTAL NET POSITION	<u>\$ 412,472</u>	<u>\$ 487,701</u>	<u>\$ 585,056</u>
	*		

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 1
NET POSITION BY COMPONENT
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

2019	2020	2021	2022	2023	2024	2025
\$ 862,065	\$ 931,047	\$ 1,062,584	\$ 1,087,602	\$ 999,722	\$ 1,136,366	\$ 1,264,189
139,618	205,696	171,985	69,193	233,401	60,426	81,499
(324,272)	(363,033)	(371,377)	(219,460)	(221,267)	(80,947)	(91,731)
<u>\$ 677,411</u>	<u>\$ 773,710</u>	<u>\$ 863,192</u>	<u>\$ 937,335</u>	<u>\$ 1,011,856</u>	<u>\$ 1,115,845</u>	<u>\$ 1,253,957</u>

CITY OF CHICAGO, ILLINOIS
SEWER FUND

Table 2
CHANGES IN NET POSITION
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)

	2016	2017	2018
OPERATING REVENUES:			
Sewer sales	\$ 384,140	\$ 377,286	\$ 380,822
Provision for doubtful accounts	(16,320)	(20,813)	(12,611)
Other operating revenues	1,146	1,150	1,492
Total operating revenues	368,966	357,623	369,703
OPERATING EXPENSES:			
Repairs	36,408	41,881	43,654
General Fund reimbursements	50,760	47,522	51,188
Pension expense	104,864	34,397	18,938
Maintenance	21,941	24,660	24,909
Engineering	2,158	2,466	3,664
Administrative and general	11,801	12,591	13,472
Total operating expenses before depreciation and amortization	227,932	163,517	155,825
Depreciation and amortization	40,734	48,171	48,504
Total operating expenses	268,666	211,688	204,329
OPERATING INCOME	100,300	145,935	165,374
NONOPERATING REVENUES (EXPENSES):			
Interest income (loss)	1,025	4,348	2,436
Interest expense	(81,722)	(81,359)	(77,619)
Other	112	6	5,010
Transfers out	(120)	(120)	(120)
Grants	16,639	6,419	2,274
Swap termination fee	—	—	—
Total nonoperating revenue (expenses)-net	(64,066)	(70,706)	(68,019)
CHANGE IN NET POSITION	36,234	75,229	97,355
TOTAL NET POSITION—Beginning of year	376,238	412,472	487,701
TOTAL NET POSITION—End of year	\$ 412,472	\$ 487,701	\$ 585,056

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 2
CHANGES IN NET POSITION
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

2019	2020	2021	2022	2023	2024	2025
\$ 373,902	\$ 356,267	\$ 377,514	\$ 390,059	\$ 401,366	\$ 423,682	\$ 435,951
(23,849)	(22,792)	(12,297)	(23,183)	(20,834)	(26,908)	(28,808)
1,023	484	1,052	836	837	691	1,205
351,076	333,959	366,269	367,712	381,369	397,465	408,348
41,614	47,398	44,066	27,513	36,030	31,758	33,821
53,688	54,467	55,937	55,478	54,624	56,217	55,595
3,266	(23,853)	(4,979)	21,466	25,200	26,585	26,065
22,958	24,405	25,861	14,406	16,923	16,532	17,218
3,515	4,776	5,328	6,162	6,894	9,157	9,071
12,367	12,320	13,891	14,093	13,295	16,078	15,010
137,408	119,513	140,104	139,118	152,966	156,327	156,780
52,933	53,140	55,749	78,728	78,226	84,727	83,198
190,341	172,653	195,853	217,846	231,192	241,054	239,978
160,735	161,306	170,416	149,866	150,177	156,411	168,370
11,663	8,381	(733)	(17,178)	11,691	27,864	27,920
(79,992)	(80,346)	(82,979)	(80,612)	(93,449)	(90,549)	(73,837)
74	3,747	2,898	22,187	6,222	10,383	15,779
(120)	(120)	(120)	(120)	(120)	(120)	(120)
(5)	3,331	—	—	—	—	—
—	—	—	—	—	—	—
(68,380)	(65,007)	(80,934)	(75,723)	(75,656)	(52,422)	(30,258)
92,355	96,299	89,482	74,143	74,521	103,989	138,112
585,056	677,411	773,710	863,192	937,335	1,011,856	1,115,845
<u>\$ 677,411</u>	<u>\$ 773,710</u>	<u>\$ 863,192</u>	<u>\$ 937,335</u>	<u>\$ 1,011,856</u>	<u>\$ 1,115,845</u>	<u>\$ 1,253,957</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 3
HISTORICAL FINANCIAL OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

	2016	2017	2018
OPERATING REVENUES:			
Sewer sales	\$ 384,140	\$ 377,286	\$ 380,822
Less provision for bad debt	(16,320)	(20,813)	(12,611)
Other operating revenue	1,146	1,150	1,492
Total operating revenues	368,966	357,623	369,703
OPERATING EXPENSES:			
Repairs	36,408	41,881	43,654
Maintenance	21,941	24,660	24,909
Administrative and general	11,801	12,591	13,472
General Fund reimbursements ⁽¹⁾	155,624	81,919	70,126
Pension expense	—	—	—
Engineering	2,158	2,466	3,664
Total operating expenses	227,932	163,517	155,825
NONOPERATING REVENUES	1,137	4,354	7,446
NET REVENUES—As defined	\$ 142,171	\$ 198,460	\$ 221,324

Source: City of Chicago Comptroller's Office.

Note:

⁽¹⁾ The pension expense for 2025 is \$26.1 million. The allocable portion of Sewer's pension contribution is \$8.2 million in 2025 pursuant to GASB 68, accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratio. The \$34.3 million is the pension expense that is recognized for the debt service coverage ratio for Sewer Fund in 2025.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 3
HISTORICAL FINANCIAL OPERATIONS
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

2019	2020	2021	2022	2023	2024	2025
\$ 373,902	\$ 356,267	\$ 377,514	\$ 390,059	\$ 401,366	\$ 423,682	\$ 435,951
(23,849)	(22,792)	(12,297)	(23,183)	(20,834)	(26,908)	(28,808)
1,023	484	1,052	836	837	691	1,205
351,076	333,959	366,269	367,712	381,369	397,465	408,348
41,614	47,398	44,066	27,513	36,030	31,758	33,821
22,958	24,405	25,861	14,406	16,923	16,532	17,218
12,367	12,320	13,891	14,093	13,295	16,078	15,010
56,954	30,614	50,958	55,478	54,624	56,217	55,595
—	—	—	21,466	25,200	26,585	26,065
3,515	4,776	5,328	6,162	6,894	9,157	9,071
137,408	119,513	140,104	139,118	152,966	156,327	156,780
11,737	12,128	2,165	(15,801)	17,913	38,247	43,699
<u>\$ 225,405</u>	<u>\$ 226,574</u>	<u>\$ 228,330</u>	<u>\$ 212,793</u>	<u>\$ 246,316</u>	<u>\$ 279,385</u>	<u>\$ 295,267</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

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

	Amount of Sales									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CPD-Bessemer Park	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$5,777	\$ —	\$ —
Department of										
Aviation	\$4,498	\$4,025	\$4,504	\$5,198	\$3,138	\$3,343	\$5,169	\$4,292	\$ 4,250	\$ 5,702
Humboldt Park	—	759	—	—	—	—	—	—	—	—
WR Grace and										
Company	—	—	589	—	1,314	1,322	1,521	1,589	—	—
Calumet Park	—	—	—	—	—	—	—	—	—	—
CPD—Lincoln Park	1,267	1,325	675	771	1,169	1,679	2,899	1,406	1,993	2,341
Cook County										
Sheriff	846	—	—	—	—	—	—	—	—	—
Target Stores #942	—	—	—	—	—	—	—	991	—	—
Uniquema	—	—	—	622	590	—	—	—	—	—
Ford Motor Co	912	995	1,311	1,304	1,499	—	1,166	—	—	—
Chicago Housing Authority	—	—	—	—	—	—	—	—	4,051	3,875
University of										
Illinois at Chicago	—	—	—	—	—	1,377	—	—	2,056	3,136
University of Illinois	—	—	—	—	—	—	—	—	1,770	2,042
Hometown	546	551	560	567	—	1,383	2,242	—	—	—
Total	<u>\$8,069</u>	<u>\$7,655</u>	<u>\$7,639</u>	<u>\$8,462</u>	<u>\$7,710</u>	<u>\$9,104</u>	<u>\$12,997</u>	<u>\$14,055</u>	<u>\$14,120</u>	<u>\$17,096</u>

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

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

	Amount of Sales									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential	\$246,997	\$242,899	\$248,622	\$243,311	\$242,255	\$250,148	\$268,927	\$257,114	\$277,849	\$289,288
Industrial/ commercial	109,655	99,620	98,054	93,167	84,473	91,412	92,719	99,729	102,495	104,446
Governmental	28,634	35,917	35,638	38,447	30,023	37,006	24,705	30,326	24,168	28,510
Total	<u>\$385,286</u>	<u>\$378,436</u>	<u>\$382,314</u>	<u>\$374,925</u>	<u>\$356,751</u>	<u>\$378,566</u>	<u>\$386,351</u>	<u>\$387,169</u>	<u>\$404,512</u>	<u>\$422,244</u>

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 6
RECENT SEWER SERVICE RATES**

Years	Gross Water Rate per 1,000 Gallons	Gross Water Rate per 1,000 Cubic Feet	Sewer Rate Percent of Water Bill	Per 1,000 Cubic Feet
January 1, 2016	\$ 3.81	\$ 28.52	100 %	29
January 1, 2017	3.88	29.04	100	29
January 1, 2018	3.95	29.49	100	29
January 1, 2019	3.98	29.73	100	30
June 1, 2020	4.08	30.46	100	30
June 1, 2021	4.13	30.79	100	31
June 1, 2022	4.33	32.33	100	32
June 1, 2023	4.55	33.95	100	34
June 1, 2024	4.70	35.10	100	35
June 1, 2025	4.89	36.51	100	37

Sources: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 7
SEWER SYSTEM ACCOUNTS
TEN YEARS ENDED DECEMBER 31, 2016-2025**

Years Ended December 31	Water Accounts			Exempt	Sewer Accounts
	Non-metered	Metered	Total		
2016	206,913	287,351	494,264	67,130	427,134
2017	190,276	303,877	494,153	66,995	427,158
2018	180,608	313,758	494,366	66,982	427,384
2019	178,348	316,262	494,610	66,889	427,721
2020	177,641	316,783	494,424	63,608	430,816
2021	176,931	317,398	494,329	62,680	431,649
2022	172,048	322,226	494,274	60,006	434,268
2023	170,456	323,928	494,384	58,904	435,480
2024	169,009	325,450	494,459	57,956	436,503
2025	167,189	327,496	494,685	57,631	437,054

Sources: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 8
REVENUE BOND COVERAGE
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

**Combined prior Bonds, Senior Lien, and Second Lien
Debt Service Calculation**

	2016	2017
REVENUES AVAILABLE FOR BONDS:		
Net revenues—as defined	\$ 142,171	\$ 198,460
Pension expense other than contribution ⁽¹⁾	100,447	24,921
Transfer to sewer rate stabilization account	—	(1,281)
Other available funds ⁽²⁾	133,501	200,990
Net revenues available for bonds	376,119	423,090
PRIOR LIEN DEBT SERVICE REQUIREMENT	—	—
NET REVENUES AVAILABLE FOR BONDS	376,119	423,090
DEBT SERVICE REQUIREMENTS:		
Senior lien debt service requirements	—	—
Senior lien debt service coverage (1.15 required)	—	—
DEBT SERVICE REQUIREMENTS:		
2001 second lien bonds	6,947	6,951
2004A and B second lien bonds	—	—
2006A and B second lien bonds	12,364	2,734
2008A second lien bonds	11,535	8,031
2008C second lien bonds	31,907	31,809
IEPA Loans	4,934	10,612
2010A & B second lien bonds	21,646	21,654
2012A & B second lien bonds	17,485	17,480
2014 second lien bonds	19,180	19,188
2015 second lien bonds	—	6,902
2017A & B second lien bonds	—	16,751
2023A & B second lien bonds	—	—
2024A second lien	—	—
2024B second lien	—	—
Second lien debt service requirement	125,999	142,112
COMBINED SENIOR AND SECOND LIEN DEBT SERVICE REQUIREMENTS	\$ 125,999	\$ 142,112
COMBINED SENIOR AND SECOND LIEN DEBT SERVICE COVERAGE (1.15 REQUIRED) ..	2.99	2.98
SEWER RATE STABILIZATION ACCOUNT YEAR-END BALANCE	\$ 32,629	\$ 32,196
TOTAL CUSTOMER ACCOUNTS	427,134	427,158
TOTAL REVENUE BONDS AND NOTES	\$ 1,692,820	\$ 1,861,381
LONG TERM DEBT PER CUSTOMER SERVED	\$ 3,963	\$ 4,358

Source: City of Chicago Comptroller's Office.

⁽¹⁾ \$34.3 million is the portion of the City's pension cash contribution payable in 2025 to the pension funds and allocable to the Sewer Fund. Accordingly, this portion is included in Operating Expenses for purposes of calculation of the debt service coverage ratio.

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 8
REVENUE BOND COVERAGE
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

2018	2019	2020	2021	2022	2023	2024	2025
\$ 221,324	\$ 225,405	\$ 226,574	\$ 228,330	\$ 212,793	\$ 246,316	\$ 279,385	\$ 295,267
6,191	(12,572)	(40,972)	(24,917)	(7,552)	(7,283)	(7,208)	(8,238)
—	—	—	—	—	—	—	—
221,509	234,799	255,980	263,437	207,660	141,857	202,522	283,099
449,024	447,632	441,582	466,850	412,901	380,890	474,699	570,128
—	—	—	—	—	—	—	—
449,024	447,632	441,582	466,850	412,901	380,890	474,699	570,128
—	10,525	13,654	13,720	13,720	13,688	595	24,680
—	42.53	32.34	34.03	30.09	27.83	797.81	23.10
6,957	6,964	2,304	2,304	2,301	2,306	2,302	8,521
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
4,421	4,448	—	—	—	—	—	—
32,023	24,375	30,775	24,445	30,491	20,643	35,888	—
12,933	18,117	21,727	27,387	28,724	32,087	28,011	38,542
21,785	17,245	17,250	17,250	17,250	17,241	17,250	17,244
17,482	17,477	17,482	17,482	17,482	193	108	—
19,192	19,192	19,215	19,215	19,221	19,220	6,526	—
6,849	6,810	7,012	6,915	6,909	7,017	7,031	7,032
25,634	28,045	29,484	29,483	29,507	29,488	32,610	26,914
—	—	—	—	—	6,148	23,384	9,620
—	—	—	—	—	—	17,771	17,779
—	—	—	—	—	—	—	14,005
147,276	142,673	145,249	144,481	151,885	134,343	170,881	139,657
\$ 147,276	\$ 153,198	\$ 158,903	\$ 158,201	\$ 165,605	\$ 148,031	\$ 171,476	\$ 164,337
3.05	2.92	2.78	2.95	2.49	2.57	2.77	3.47
\$ 36,902	\$ 36,902	\$ 40,814	\$ 40,814	\$ 40,814	\$ 40,814	\$ 40,814	\$ 40,814
427,384	427,721	430,816	431,649	434,268	435,480	436,503	437,054
\$ 1,893,561	\$ 1,895,495	\$ 1,953,134	\$ 1,895,795	\$ 1,876,190	\$ 2,035,448	\$ 2,029,840	\$ 1,944,813
\$ 4,431	\$ 4,432	\$ 4,534	\$ 4,392	\$ 4,320	\$ 4,674	\$ 4,650	\$ 4,450

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 9
LONG-TERM DEBT
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

	2016	2017	2018
First lien	\$ 35,168	\$ 35,168	\$ 35,168
Second lien	1,548,696	1,660,490	1,527,810
Subordinate lien—IEPA loan	108,956	165,723	330,583
Total revenue bonds and notes	1,692,820	1,861,381	1,893,561
Unamortized premium (discount)	77,642	113,074	104,893
Accretion of Series 1998 CAB	59,018	64,105	69,465
Sub-total	136,660	177,179	174,358
Total revenue bonds payable—net of unamortized premium (discount)	<u>\$ 1,829,480</u>	<u>\$ 2,038,560</u>	<u>\$ 2,067,919</u>
Customer accounts	<u>427,134</u>	<u>427,158</u>	<u>427,384</u>
Total outstanding debt per customer served	<u>\$ 4,283</u>	<u>\$ 4,772</u>	<u>\$ 4,839</u>

Source: City of Chicago Comptroller's Office.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 9
LONG-TERM DEBT
TEN YEARS ENDED DECEMBER 31, 2016-2025
(In thousands)**

2019	2020	2021	2022	2023	2024	2025
\$ 35,168	\$ 31,792	\$ 27,634	\$ 23,670	\$ 19,939	\$ 16,402	\$ 16,256
1,562,610	1,518,165	1,474,695	1,429,105	1,590,040	1,522,095	1,466,265
297,717	403,177	393,466	423,415	425,469	491,343	462,292
1,895,495	1,953,134	1,895,795	1,876,190	2,035,448	2,029,840	1,944,813
97,004	89,361	81,926	74,790	102,551	109,771	99,651
75,114	73,356	68,806	63,529	57,573	50,875	54,041
172,118	162,717	150,732	138,319	160,124	160,646	153,692
<u>\$ 2,067,613</u>	<u>\$ 2,115,851</u>	<u>\$ 2,046,527</u>	<u>\$ 2,014,509</u>	<u>\$ 2,195,572</u>	<u>\$ 2,190,486</u>	<u>\$ 2,098,505</u>
<u>427,721</u>	<u>430,816</u>	<u>431,649</u>	<u>434,268</u>	<u>435,480</u>	<u>436,503</u>	<u>437,054</u>
<u>\$ 4,834</u>	<u>\$ 4,911</u>	<u>\$ 4,741</u>	<u>\$ 4,639</u>	<u>\$ 5,042</u>	<u>\$ 5,018</u>	<u>\$ 4,801</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 10
CAPITAL IMPROVEMENT PROGRAM, 2026-2030
(In thousands)**

Years	Amount
2026	\$ 289,236
2027	397,837
2028	549,226
2029	586,082
2030	1,247,905
Total	<u><u>\$ 3,070,286</u></u>

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

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 11
FULL-TIME EQUIVALENT SEWER FUND EMPLOYEES BY FUNCTION
TEN YEARS ENDED DECEMBER 31, 2016-2025**

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Agency management	4	4	5	5	4	4	4	4	4	4
Capital design and construction services ..	24	25	26	26	27	26	26	27	26	27
Inspection services	24	24	24	24	24	24	24	24	25	25
Systems installation	9	8	8	8	8	8	8	8	8	8
Systems maintenance and evaluations	515	426	412	412	368	358	352	358	357	358
Communications and coordination.....	15	13	13	13	8	8	11	11	11	10
Total	<u>591</u>	<u>500</u>	<u>488</u>	<u>488</u>	<u>439</u>	<u>428</u>	<u>425</u>	<u>432</u>	<u>431</u>	<u>432</u>

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

Note: Schedule includes only Department of Water Management employees.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 12
OPERATING INDICATORS BY FUNCTION**

	2023	2024	2025
Catch basins repaired	<u>1,880</u>	<u>1,591</u>	<u>1,484</u>

CITY OF CHICAGO, ILLINOIS
SEWER FUND

Table 13
CAPITAL ASSET STATISTICS BY FUNCTION
(In miles)

	2023	2024	2025
Sewers lined	48.2	17.1	7.7
New construction	3.3	2.4	4.7

Source: City of Chicago Department of Water Management.

CITY OF CHICAGO, ILLINOIS

Table 14
POPULATION OF SERVICE AREA
LAST FIVE CENSUS PERIODS

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

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

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

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

Employer	2025 ⁽¹⁾			2016		
	Number of Employees	Rank	Percentage of Total City Employment ⁽²⁾	Number of Employees	Rank	Percentage of Total City Employment
Amazon.Com Inc.	32,000	1	2.26 %			
Advocate Health Care ⁽³⁾	31,761	2	2.25	18,930	1	1.48%
Northwestern Medicine	31,615	3	2.24	15,747	3	1.23
University of Chicago	23,044	4	1.63	16,374	2	1.28
Endeavor Health ⁽⁴⁾	21,808	5	1.54			
United Airlines Holdings Inc. ⁽⁵⁾	18,000	6	1.27	15,157	5	1.18
Walmart Inc.	17,400	7	1.23			
Target Corp.	17,186	8	1.22			
Rush University Systems for Health	15,138	9	1.07			
JPMorgan Chase & Co. ⁽⁶⁾	14,058	10	0.99	15,229	4	1.19
Walgreens Boots Alliance Inc. ⁽⁷⁾				12,685	6	0.99
Northwestern University				10,241	7	0.80
Presence Health				10,183	8	0.79
Abbott Laboratories				9,800	9	0.76
Jewel Food Stores, Inc.				9,660	10	0.75

NOTES:

- (1) Source: Reprinted with permission from the February 23, 2026 issue of Crain's Chicago Business.
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- (2) Source: Bureau of Labor Statistics data used in calculation of Total City Employment.
- (3) Advocate Health formerly known as Advocate Aurora Health.
- (4) Endeavor Health formerly known as Northshore - Edward-Elmhurst Health.
- (5) United Airlines Holdings Inc. formerly known as United Continental Holdings Inc.
- (6) JPMorgan Chase & Co. formerly known as J.P. Morgan Chase.
- (7) In 2014, Walgreens purchased Alliance Boots forming Walgreens Boots Alliance, Inc.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**Table 16
POPULATION AND INCOME STATISTICS
TEN YEARS ENDED DECEMBER 31, 2016-2025**

Year	Population (1)	Median Age (2)	Number of Households (2)	City Employment	Unemployment Rate (3)	Per Capita Income (4)	Total Income
2016	2,695,598	34.4	1,053,986	1,282,117	5.4 %	\$ 55,621	\$149,931,856,358
2017	2,695,598	34.6	1,047,695	1,289,325	4.7	58,315	157,193,797,370
2018	2,695,598	34.9	1,077,886	1,288,755	4.0	61,089	164,671,386,222
2019	2,695,598	35.2	1,080,345	1,286,484	3.2	65,306	176,038,722,988
2020	2,695,598	34.8	1,081,143	1,165,441	8.2	67,671	182,413,812,258
2021	2,746,388	35.8	1,139,537	1,247,060	4.1	71,992	197,717,964,896
2022	2,746,388	35.8	1,159,424	1,319,764	4.2	72,512	199,146,086,656
2023	2,746,388	36.4	1,179,081	1,310,713	4.0	77,429	212,650,076,452
2024	2,746,388	35.9	1,172,455	1,414,221	4.5	79,964	219,612,170,032
2025	2,746,388	N/A (5)	N/A (5)	1,413,045	4.6	N/A (5)	N/A (5)

Notes:

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

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

(3) Source: Bureau of Labor Statistics 2024, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area. Due to COVID-19 protocols the U.S. Census Bureau - ACS 1-year data for Median Age and Number of Households are not available for 2020. The reported values above are from the ACS 5-year data.

(4) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Updated 2025 Per Capita Personal Income by County.

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