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F2011-364

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City Council Document Tracking Sheet

Meeting Date:	12/14/2011
Sponsor(s):	Mendoza, Susana A. (Clerk)
Type:	Communication
Title:	General Obligation Bonds Series 2011A and Taxable Project Series 2011B
Committee(s) Assignment:	

DEPARTMENT OF FINANCE

CITY OF CHICAGO

November 30, 2011

Susana A.Mendoza
City Clerk
121 North LaSalle Street
Room 107
Chicago, Illinois 60602

RE: City of Chicago, Illinois
General Obligation Bonds,
Series 2011A and Taxable Project Series 2011B

Dear Ms. Mendoza:

Attached is the Notification of Sale which is required to be filed with your office pursuant to Section 12 of the ordinance authorizing of the issuance of 2011General Obligation Bonds, which was passed by the City Council on October 5, 2011.

Please direct this filing to the City Council.

RECEIVED
CITY COUNCIL DIVISION
2011 NOV 30 PM 12: 06
OFFICE OF THE
CITY CLERK

Very Truly Yours,

Lois A. Scott
Chief Financial Officer

NOTIFICATION OF SALE

$210,640,000
GENERAL OBLIGATION BONDS,
PROJECT SERIES 2011A

$205,705,000
GENERAL OBLIGATION BONDS,
TAXABLE PROJECT SERIES 2011B

BEING ISSUED BY THE CITY OF CHICAGO

State of Illinois)
) SS
County of Cook)

To: The City Council of the City of Chicago

Please be advised that responsive to authority contained in an Ordinance (the "*Ordinance*") adopted by the City Council (the "*City Council*") of the City of Chicago (the "*City*") on October 5, 2011, authorizing the issuance of up to $500,000,000 aggregate principal amount of general obligation bonds of the City, a Bond Purchase Agreement dated November 8, 2011 (the "*Bond Purchase Agreement*"), providing for the sale of $210,640,000 aggregate principal amount of General Obligation Bonds, Project Series 2011A (the "*Series 2011A Bonds*") and $205,705,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2011B (the "*Taxable Series 2011B Bonds*," and together with the Series 2011A Bonds, the "*Bonds*") was entered into by me as the Chief Financial Officer of the City, with the concurrence of the Chairman of the Committee on Finance of the City Council, and the purchasers thereof named below (the "*Underwriters*"). The Series 2011A Bonds were sold at a purchase price of $210,287,394.22 (representing the aggregate principal amount of the Series 2011A Bonds plus original issue premium of $657,842.90, less an underwriters' discount of $1,010,448.68); and the Taxable Series 2011B Bonds, at the purchase price of $204,550,979.35 (representing the aggregate principal amount of the Taxable Series 2011B Bonds less an underwriters' discount of $1,154,020.65). The Underwriters for the Bonds are BMO Capital Markets GKST Inc, Mesirow Financial, Inc., Estrada Hinojosa & Co., Guzman & Company, Gardner Rich, LLC., Backstrom McCarley Berry & Co., LLC., KeyBanc Capital Markets Inc., Jefferies & Company, Siebert Brandford Shank & Co., L.L.C. and Lebenthal & Co., LLC. The compensation (including all fees) being paid to the Underwriters in connection with the sale of the Bonds of $2,164,469.33 represents less than 1% of the aggregate principal amount of the Bonds.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Ordinance.

The Series 2011A Bonds are being issued for the purpose of: (i) paying a portion of the costs of the Project; (ii) funding capitalized interest accrued through January 1, 2014, on the Series 2011A Bonds; and (iii) paying the costs of issuance of the Series 2011A Bonds (including the Underwriters' discount).

The Taxable Series 2011B Bonds are being issued for the purpose of: (i) paying a portion of the costs of the Project, (ii) refunding certain outstanding commercial paper notes of the City the proceeds of which have been used to pay costs of the Project; (iii) funding capitalized interest on the Taxable Series 2011B Bonds through January 1, 2014; and (iv) paying the costs of issuance of the Taxable Series 2011B Bonds (including the Underwriters' discount).

Attached hereto as *Exhibits A* and *B*, respectively, are executed copies of the Bond Purchase Agreement and the Official Statement dated November 8, 2011.

Pursuant to Section 12 of the Ordinance, the undersigned hereby makes the following determinations: (a) the principal amount of the Bonds is $416,345,000, and the designation of the Bonds and principal amount of the Series 2011A Bonds and of the Taxable Series 2011B Bonds are set forth in the first paragraph hereof, (b) the Bonds are issued as Current Interest Bonds in denominations of $5,000 or any integral multiple thereof, none of which are sold as Retail Bonds, (c) the Bonds mature and are subject to redemption as set forth in Schedules IA-B attached hereto, (d) the principal amounts and interest rates on the Current Interest Bonds is set forth in Schedules IA-B attached hereto, (e) proceeds of the Taxable Series 2011B Bonds in the amount of $86,500,000 have been used for the refunding of Outstanding Indebtedness and applied toward the payment, on November 30, 2011, of those general obligation commercial paper notes of the City described in Schedule IB, and, in connection therewith, none of the proceeds of the Bonds have been used for a payment under any Existing Interest Rate Exchange Agreement, (f) the Bonds are issued in book-entry form; the book entry depository is The Depository Trust Company, (g) the sale price of the Bonds is as set forth in the first paragraph hereof, (h) the Underwriters of the Bonds are as set forth above, and (i) the Bond Registrar for the Bonds is Wells Fargo Bank, National Association, Chicago, Illinois.

Please be further advised that there is no change resulting from the issuance of the Bonds in the disposition of the taxes levied for the years from and after 2010 for the payment of any Outstanding Indebtedness or of any Existing Interest Rate Exchange Agreement.

Pursuant to Section 7 of the Bond Ordinance the amount of taxes to be levied for the Bonds in each year will be less than the levy of taxes specified in Section 7 of the Bond Ordinance and I have determined pursuant to the Ordinance to abate the excess levy of taxes not necessary for the purpose of payment of the principal of and interest on the Bonds, as specified, together with the annual tax levy requirements for the payment of the principal and interest on the Bonds, in the Notification of Tax Abatement also filed with the City Clerk, a copy of which is attached hereto as Schedule II.

Respectfully submitted as of this 8th day of November, 2011.

Lois A. Scott
Chief Financial Officer

EXHIBITS A and B

<u>BOND PURCHASE AGREEMENT</u>

$416,345,000
CITY OF CHICAGO

$210,640,000
General Obligation Bonds,
Project Series 2011A

$205,705,000
General Obligation Bonds,
Taxable Project Series 2011B

November 8, 2011

City of Chicago
Office of the City Comptroller
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer

Ladies and Gentlemen:

The undersigned, BMO Capital Markets GKST Inc. (the "***Representative***"), on behalf of itself and the other underwriters listed below (the "***Underwriters***"), hereby offers to enter into this Bond Purchase Agreement (the "***Agreement***") with the City of Chicago (the "***City***"), for the purchase by the Underwriters, and sale by the City, of all but not less than all of the City's General Obligation Bonds, Project Series 2011A (the "***Series 2011A Bonds***") and General Obligation Bonds, Taxable Project Series 2011B (the "***Taxable Series 2011B Bonds***" and, together with the Series 2011A Bonds, the "***Bonds***"). This offer is made subject to the acceptance by the City on or before 5:00 P.M., Chicago time on the date hereof, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding on the City and the Underwriters.

The Representative is authorized, and hereby represents and warrants that it is authorized, to act as Representative of the Underwriters and to execute this Agreement and has full authority to take such action as it may deem advisable with respect to all matters pertaining to this Agreement. Each Underwriter hereby severally represents to the City that it is registered and in good standing under the Securities Exchange Act of 1934, as amended, as a municipal securities dealer.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement, as defined herein.

1. <u>Agreement to Sell and Purchase</u>.

(a) Upon the terms and conditions and based upon the representations, warranties and covenants herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the City and the City hereby agrees to sell to the Underwriters: $210,640,000 aggregate principal amount of the Series 2011A Bonds, at the purchase price of $210,287,394.22 (representing the aggregate principal amount of the Series 2011A Bonds plus original issue premium of $657,842.90, less an underwriters' discount of $1,010,448.68); and $205,705,000 aggregate principal amount of the Taxable Series 2011B Bonds, at the purchase price of $204,550,979.35 (representing the aggregate principal amount of the Taxable Series 2011B Bonds less an underwriters' discount of $1,154,020.65).

(b) It shall be a condition to the City's obligation to sell and deliver the Bonds that all the Bonds be purchased and paid for by the Underwriters at the Closing (as defined herein) and a condition to the Underwriters' obligation to purchase and pay for the Bonds that all Bonds be issued, sold and delivered by the City at the Closing.

2. The Ordinance. The Bonds are authorized by an ordinance of the City adopted by the City Council of the City (the "***City Council***") on October 5, 2011 (the "***Ordinance***") and will be issued and secured as provided thereunder. The Bonds will mature, bear interest and have such other terms and conditions as are set forth on Schedule I hereto.

3. The Preliminary Official Statement. Attached hereto as Exhibit A is a copy of the Preliminary Official Statement of the City, dated October 31, 2011 relating to the Bonds (the "***Preliminary Official Statement***"). For purposes of Rule 15c2-12 ("***Rule 15c2-12***") of the Securities and Exchange Commission ("***SEC***"), the Preliminary Official Statement is "deemed final" by the City as of its date except for the omission of such information as is permitted by Rule 15c2-12.

4. Public Offering Price. The Underwriters have agreed to make a bona fide public offering of the Bonds at the initial offering prices set forth on Schedule I. The Representative will provide the City and Co-Bond Counsel (as defined herein) with a closing certificate confirming the reoffering yields and prices of the Bonds and the Underwriters acknowledge that the City and Co-Bond Counsel will rely on such certificate to establish the yield on the Bonds and that such reliance is material to the City in entering into this Agreement and in connection with the delivery of the Bonds.

5. The Official Statement.

(a) The City shall provide, or cause to be provided, at its expense, to the Underwriters within seven (7) business days after the City's acceptance of this Agreement, three copies of the Official Statement of the City, dated the date hereof, relating to the Bonds (the "***Official Statement***"), signed on behalf of the City by the Mayor or the Chief Financial Officer and the Official Statement so delivered shall be "final" for purposes of Rule 15c2-12. Such delivery of the Official Statement shall occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to comply with the rules of the SEC and the Municipal Securities Rulemaking Board ("***MSRB***").

(b) If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the

City, the Ordinance or the Bonds, shall occur which would cause any statement of a material fact contained in the Official Statement to be materially incorrect or materially incomplete, the City will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "end of the underwriting period" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Bonds for sale to the public. The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing, unless the Underwriters otherwise notify the City in writing prior to twenty-five (25) days after the date of the Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Bonds, in which case the end of the underwriting period shall be extended for additional periods of thirty (30) days each upon receipt of additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Bonds, but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

(c) At or prior to the Closing, the Representative shall file, or cause to be filed, the Official Statement with the MSRB in compliance with the rules of the SEC and the MSRB. Promptly after the date after which the Underwriters are no longer obligated under Rule 15c2-12(b)(4) to deliver to potential customers the Official Statement, the Representative shall notify the City of such date.

6. Representations, Warranties and Covenants of the City. The City represents and warrants to the Underwriters as of the date hereof that:

(a) The City is a municipal corporation and home rule unit of local government, existing under the Constitution and laws of the State of Illinois (the "***State***").

(b) The City Council has: (i) duly adopted the Ordinance, which remains in full force and effect; (ii) duly authorized the use of the Preliminary Official Statement prior to the date hereof in connection with the public offering and sale of the Bonds and duly authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Bonds; and (iii) duly authorized and approved the execution and delivery of the Bonds, this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "***Undertaking***").

(c) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement and the Undertaking; (iii) issue, sell and deliver the Bonds to the Underwriters pursuant to the Ordinance and as provided in this Agreement; and (iv) pay for the Bonds from the sources pledged under the Ordinance for their payment.

(d) The adoption of the Ordinance and compliance with the provisions thereof do not, and the execution and delivery of this Agreement and the Undertaking will not, in any material manner, violate any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof or of the United States of America (the "***United States***") or of any department, division, agency or instrumentality thereof, or any applicable judgment or decree to which the City is subject, or conflict with, in a material manner, or constitute a material breach of, or a material default under, any ordinance, agreement or other instrument to which the City is a party or is otherwise bound.

(e) All approvals, consents and orders of, and filings (except, if any, under applicable state "blue sky" laws) with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Undertaking, the Ordinance and the Bonds have been obtained or made.

(f) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operations of the City as of the date and for the periods therein set forth and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles as applied to governmental units, consistently applied except as otherwise noted therein.

(g) The Official Statement (excluding any description of The Depository Trust Company ("***DTC***"), information under the captions "THE BONDS - Book-Entry System," "RATINGS," "UNDERWRITING," and "TAX MATTERS," Appendix F thereto, information sourced in Appendices A, B, D, and E from sources other than the City or departments thereof, and information furnished by the Underwriters for use in the Official Statement) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

(h) The Ordinance, this Agreement, and the Undertaking, when duly executed and delivered by the parties thereto, as appropriate, will constitute legal, valid and binding obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(i) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Bonds will be duly authorized, executed and delivered and will constitute legal, valid and binding obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(j) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the validity or enforceability of the Bonds, the Ordinance, this Agreement, or the Undertaking or (ii) the excludability from federal income taxation of the interest on the Series 2011A Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

(k) The City has not taken, or omitted taking, and will not take or omit to take, any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Series 2011A Bonds under the Code.

(l) Any certificate signed by any Authorized Officer of the City and delivered to the Representative at the Closing in connection with the issuance or sale of the Bonds shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein as of the date so delivered.

(m) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offering and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 6(m) shall require the City to consent to general service of process in any state or jurisdiction other than the State of Illinois.

(n) The City will apply the proceeds of the Bonds in accordance with the Ordinance.

(o) The City acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction between the City and the Underwriters in which the Underwriters are acting solely as a principal and not acting as a municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters); and (iii) the City has consulted its own legal, account, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

7. Closing. Subject to the conditions set forth in this Agreement, the closing (the "***Closing***") of the sale of the Bonds by the City and the purchase of the Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on November 30, 2011, at the offices of Chapman & Cutler LLP, 111 W. Monroe Street, Chicago, Illinois (or at such other time, date and place as the City and the Representative mutually agree).

(a) At the Closing, the City shall deliver or cause to be delivered to DTC, as securities depository, for the account of the Underwriters one fully registered certificate for each maturity (Bonds with the same maturities but different interest rates will have separate certificates) of the

Bonds in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee for DTC.

(b) Upon delivery of the Bonds to the Representative at the Closing, the City will deliver to the Representative the closing documents as set forth in Section 10 hereof.

(c) The Representative will accept delivery of the Bonds and pay the purchase price therefor at the Closing by delivering federal funds checks or making federal funds wire transfers or otherwise confirming deposits of same day funds, as the City shall direct, to the City's account at a bank specified by the City, in an aggregate amount equal to the purchase price of the Bonds pursuant to Section 1 hereof.

8. Reliance and Further Conditions of the Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the City herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Agreement are and shall be subject to the following further condition that at the time of the Closing, the Ordinance, the Undertaking and this Agreement shall be in full force and effect and the Ordinance and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to with respect to the Official Statement pursuant to Section 5 hereof, and the City shall have duly adopted and there shall be in full force and effect such ordinances as, in the opinion of Chapman & Cutler LLP, Chicago, Illinois and Cotillas & Associates, Chicago, Illinois, as co-bond counsel ("***Co-Bond Counsel***") shall be necessary in connection with the transactions contemplated hereby and thereby.

9. Termination of Agreement.

(a) The Underwriters shall have the right to cancel their obligations to purchase the Bonds and have the further right to terminate this Agreement, without liability therefor, by written notice to the City from the Representative, if, between the date hereof and the Closing:

(i) legislation shall be introduced in or enacted by the Congress of the United States or adopted by either House thereof or shall have been introduced and favorably reported for passage to either House by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by or adopted by either House or a decision by a court of the United States or the United States Tax Court or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character of the Series 2011A Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds, or

(ii) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds, or any similar obligations of any similar public body of the general character of the City, is in violation of, or has the effect of requiring the contemplated offering, sale and distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the enactment of the Ordinance or any ordinance of similar character is in violation of the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds, or

(iii) there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 5 hereof, which will amend or supplement the Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in a material respect, or

(iv) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc., whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction, or

(v) a general banking moratorium shall have been declared by either federal, State or New York authorities having jurisdiction and be in force, or

(vi) any legislation, ordinance, rule or regulation shall be enacted by the City or State, or any department or agency thereof, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative, would have a material adverse effect on the market price or marketability of the Bonds, or

(vii) a war involving the United States, an outbreak or escalation of or adverse development in hostilities or terrorist activities or other national or international calamity or crisis shall have occurred which, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds, or

(viii) there shall be any proceeding or threatened proceeding by the SEC against the City and such proceeding or threatened proceeding, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds.

(b) If the City shall be unable to satisfy the conditions contained in this Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the City nor the Underwriters shall have any further obligations hereunder.

10. Closing Conditions.

(a) The Underwriters' obligations to purchase, to accept delivery of and to pay for the Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 7 and 8 hereof and the Underwriters' receipt of the following documents:

(i) three copies of the Official Statement manually executed by the Chief Financial Officer;

(ii) the approving opinions, dated the date of the Closing, of Co-Bond Counsel to the City, substantially in the form attached to the Official Statement as Appendix F;

(iii) the opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-1;

(iv) a letter dated the date of the closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-2;

(v) an opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of the Corporation Counsel of the City, substantially in the form attached hereto as Exhibit C;

(vi) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Duane Morris LLP, Chicago, Illinois and the Hardwick Law Firm LLC, Chicago, Illinois, co-counsel for the Underwriters (herein collectively "***Co-Underwriters' Counsel***"), substantially in the form attached hereto as Exhibit D;

(vii) a letter of Chapman and Cutler LLP, as special disclosure counsel to the City, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, with respect to the information in the Official Statement under the caption "THE CITY – Retirement Funds and Other Post-Employment Benefits" and in APPENDIX E – "Retirement Funds and Other Post-Employment Benefits," substantially in the form attached hereto as Exhibit F.

(viii) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that (A) the representations and warranties of the City herein are correct in all material respects as of the date of the Closing; and (B) there has been no material adverse change in the financial condition of the City since December 31, 2010, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

(ix) a certificate of Wells Fargo Bank, National Association, Chicago Illinois, as bond registrar and paying agent ("***Bond Registrar***"), to the effect that the Bond Registrar has full legal right, power and authority to act as the Bond Registrar under the Ordinance;

(x) a certificate, dated the date of the Closing, signed by the Representative, in form and substance satisfactory to the City and Co-Bond Counsel;

(xi) an executed copy of the Undertaking substantially in the form summarized in the Official Statement under the heading "SECONDARY MARKET DISCLOSURE";

(xii) a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Bonds;

(xiii) a copy, duly certified by the City Clerk of the City, of the Ordinance, as passed by the City Council and approved by the Mayor;

(xiv) evidence satisfactory to the Representative that the Bonds have ratings of A+ (Stable Outlook) from S&P, Aa3 (Stable Outlook) from Moody's and AA- (Stable Outlook) from Fitch; and

(xv) such additional closing certificates and agreements related to the Bonds, including such tax certifications and agreements relating to the Series 2011A Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(b) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

11. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and all expenses incident to the performance of the City's obligations hereunder, including but not limited to: (a) the cost of the preparation and printing or other reproduction of the Ordinance, the Preliminary Official Statement and the Official Statement, as well as the cost of shipping the Official Statement; (b) the cost of the preparation and printing of the Bonds; (c) the fees and disbursements of Co-Bond Counsel; (d) the fees and disbursements of any experts or consultants retained by the City; (e) the fees of DTC and the Bond Registrar; and (f) the fees for the municipal bond ratings on the Bonds. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Co-Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

12. Notices. Any notice or other communication to be given to the City under this Agreement shall be given by delivering the same in writing at the address set forth above, and any such notice or other communication to be given to the Underwriters shall be given by delivering the same in writing to the Representative at the following address:

BMO Capital Markets GKST Inc.
115 South LaSalle Street, 18th Floor
Attention: Neil Pritz

13. No Third Party Beneficiaries, Survival, Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation including any purchaser of the Bonds shall acquire or have any right hereunder or by virtue hereof. All of the representations and agreements by the City in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

14. Governing Law. The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with the laws of the State, without giving effect to the conflict of laws provisions thereof.

15. Representations and Warranties of the Underwriters. The Underwriters represent and warrant that:

(a) They have heretofore authorized the Representative to execute any document on behalf of or exercise any authority of and otherwise to act for, the Underwriters in all matters under or pertaining to this Agreement. Each Underwriter has warranted and confirmed to the Representative, and the Representative warrants and confirms to the City that: (i) it is duly registered under the Securities Exchange Act of 1934, as amended (the "***1934 Act***"), as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("***FINRA***") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds.

(b) To the knowledge of the Underwriters, no person holding office of the City, either by election or appointment, is in any manner financially interested, either directly in the officer's own name or indirectly in the name of any other person, association, trust or corporation, in any contract being entered into or the performance of any work to be carried out in connection with the issuance and sale of the Bonds upon which said officer may be called upon to act or vote.

(c) Each Underwriter severally represents to the City that neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List. Such representation shall be provided to the City in the form attached hereto as Exhibit E.

*For purposes of this representation, "**Affiliate,**" when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.*

(d) The Underwriters may enter into distribution agreements with certain financial institutions for the retail distribution of municipal securities, including the Bonds, at the public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

16. Approval. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the City.

17. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns, and will not confer any rights upon any other person. The terms "successors" and "assigns" shall not include any purchaser of any Bond or Bonds from the Underwriters merely because of such purchase.

18. Enforceability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

19. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

20. Business Relationships with City Elected Officials. Each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 and 2-156 of the Municipal Code of Chicago (the "***Municipal Code***"). Pursuant to Section 2-156-030(b) of the Municipal Code, it is illegal for any elected official of the City, or any person acting at the direction of such official, to contact, either orally or in writing, any other City official or employee with respect to any matter involving any person with whom the elected official has a business relationship, or to participate in any discussion in any City Council committee hearing or in any City Council meeting or to vote on any matter involving the person with whom an elected official has a business relationship. Violation of Section 2-156-030(b) of the Municipal Code by any elected official with respect to this Agreement shall be grounds for termination of this Agreement. The term "business relationship" shall be defined as set forth in Section 2-156-080 of the Municipal Code.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Project Series 2011A and the City of Chicago General Obligation Bonds, Taxable Project Series 2011B to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

BMO Capital Markets GKST Inc.
Estrada Hinojosa & Co., Inc.
Mesirow Financial, Inc.
Backstom McCarley Berry & Co., LLC
Gardner Rich, LLC
Guzman & Company
Jefferies & Company
KeyBanc Capital Markets Inc.
Lebenthal &Co. LLC
Siebert Brandford Shank & Co., L.L.C.

By: BMO CAPITAL MARKETS GKST INC.
As Representative

By: ______________________
Neil Pritz
Managing Director

Accepted by the City:

CITY OF CHICAGO

By: ______________________
Lois A. Scott
Chief Financial Officer

Concurred:

By: ______________________
Edward M. Burke
Chairman, Committee on
Finance of the City Council

SCHEDULE I

TERMS OF BONDS

1. Aggregate Principal Amount: $416,345,000

2. Dated: November 30, 2011

3. Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers:

General Obligation Bonds, Project Series 2011A

$19,070,000	4.625% Serial Bonds due January 1, 2032, Price 98.389%	CUSIP: 167486 NE5
$63,045,000	5.250% Term Bonds due January 1, 2035, Price 102.758%	CUSIP: 167486 NF2
$128,525,000	5.000% Term Bonds due January 1, 2040, Price 99.398%	CUSIP: 167486 NG0

General Obligation Bonds, Taxable Project Series 2011B

$205,705,000	6.034% Term Bonds due January 1, 2042, Price 100%	CUSIP: 167486 NN5

4. Redemption.

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

Optional Redemption of the Series 2011A Bonds. The Series 2011A Bonds are redeemable prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2021, and if less than all of the outstanding Series 2011A Bonds are to be redeemed, the Series 2011A Bonds to be called shall be called by lot in the manner set forth in the Official Statement, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2011A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the exclusion of interest on the Series 2011A Bonds for federal income tax purposes.

Optional Redemption of the Taxable Series 2011B Bonds with Make Whole Payment. The Taxable Series 2011B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of: (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Series 2011B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such bonds are to be redeemed, discounted to the date of redemption of the Taxable Series 2011B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points plus accrued interest on the Bonds of such series being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Taxable Series 2011B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call any of the Taxable Series 2011B Bonds for optional redemption.

Mandatory Redemption of the Bonds. The Series 2011A Bonds due January 1, 2035 and January 1, 2040, and the Taxable Series 2011B Bonds are subject to mandatory redemption prior to maturity, in each case at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Series 2011A Bonds due January 1, 2035

Year	Principal Amount
2033	$19,950,000
2034	20,995,000
2035*	22,100,000

* Final maturity.

Series 2011A Bonds due January 1, 2040

Year	Principal Amount
2036	$23,260,000
2037	24,425,000
2038	25,645,000
2039	26,925,000
2040*	28,270,000

* Final maturity.

Taxable Series 2011B Bonds due January 1, 2042

Year	Principal Amount
2041	$ 99,840,000
2042*	105,865,000

* Final maturity.

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2011

NEW ISSUE-GLOBAL BOOK ENTRY **RATINGS: See "RATINGS" herein.**

Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois ("Co-Bond Counsel"), under present law, interest on the Series 2011A Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Taxable Series 2011B Bonds is not excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$414,875,000*
CITY OF CHICAGO
$214,835,000* General Obligation Bonds, Project Series 2011A
$200,040,000* General Obligation Bonds, Taxable Project Series 2011B

Dated: Date of Delivery **Due: January 1, as shown on the inside front cover page**

The General Obligation Bonds, Project Series 2011A (the "Series 2011A Bonds") and the General Obligation Bonds, Taxable Project Series 2011B (the "Taxable Series 2011B Bonds," and together with the Series 2011A Bonds, the "Bonds") will be issuable as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. The Bonds will be issued only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing July 1, 2012. Principal of and interest on the Bonds will be paid by Wells Fargo Bank, National Association, Chicago, Illinois, as bond registrar and paying agent, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. See "THE BONDS — Book-Entry System."

The Bonds are direct and general obligations of the City of Chicago (the "City") and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount. The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds.

Proceeds of the Bonds will be used as described herein. See "PLAN OF FINANCING."

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

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

The Bonds are being offered when, as and if issued, and subject to the delivery of approving legal opinions by Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the City by its Corporation Counsel and for the Underwriters by Duane Morris LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Underwriters' Counsel. Chapman and Cutler LLP, Chicago, Illinois, will also serve in a separate capacity as Special Disclosure Counsel to the City with respect to pension disclosure matters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about ____________, 2011.

BMO Capital Markets

Estrada Hinojosa & Co., Inc. **Mesirow Financial, Inc.**

Backstrom McCarley Berry & Co., LLC **Gardner Rich, LLC** **Guzman & Company**

Jefferies & Company **KeyBanc Capital Markets Inc.**

Lebenthal &Co. LLC **Siebert Brandford Shank & Co., L.L.C.**

Dated. ____________, 2011

* Preliminary; subject to change

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

General Obligation Bonds
Project Series 2011A

$214,835,000 % Term Bonds due January 1, 2040, Price _______% CUSIP†:

General Obligation Bonds
Taxable Project Series 2011B

$200,040,000 % Term Bonds due January 1, 2042, Price _______% CUSIP†:

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* Preliminary; subject to change

CITY OF CHICAGO

MAYOR
Rahm Emanuel

CITY TREASURER
Stephanie D. Neely

CITY CLERK
Susana A. Mendoza

CITY COUNCIL
COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Lois A. Scott

CITY COMPTROLLER
Amer Ahmad

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton; Esq.

CO-BOND COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

Cotillas and Associates
Chicago, Illinois

FINANCIAL ADVISOR
A.C. Advisory, Inc.

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TABLE OF CONTENTS

Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Chicago (the "City") from The Depository Trust Company and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

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

This Official Statement, including the Appendices, except for certain information in APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION" and sourced to parties other than the City, contains certain opinions, estimates and forward-looking statements and information, including projections, that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such opinions, estimates, projections and forward-looking statements set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance of the City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on such opinions, statements or prospective financial information.

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

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST

INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

OFFICIAL STATEMENT

\$414,875,000*

CITY OF CHICAGO

\$214,835,000* General Obligation Bonds, Project Series 2011A

\$200,040,000* General Obligation Bonds, Taxable Project Series 2011B

INTRODUCTION

This Official Statement (including the cover page and Appendices hereto) is furnished by the City of Chicago (the "City") to provide information with respect to \$214,835,000* aggregate principal amount of General Obligation Bonds, Project Series 2011A (the "Series 2011A Bonds") and \$200,040,000* aggregate principal amount of General Obligation Bonds, Taxable Project Series 2011B (the "Taxable Series 2011B Bonds," and together with the Series 2011A Bonds, the "Bonds").

The proceeds from the sale of the Bonds will be used to (i) pay for a portion of the costs of the Project (as defined herein), (ii) fund capitalized interest on the Bonds, and (iii) pay the costs of issuance on the Bonds (including the underwriters' discount). See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The Bonds are authorized by an ordinance adopted by the City Council of the City (the "City Council") on October 5, 2011 (the "Ordinance").

THE CITY

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

The General Assembly of the State of Illinois (the "State") may, by a three-fifths vote of each house, limit the ability of a home rule municipality to levy taxes. The General Assembly may similarly limit the debt that the City may incur, except that the General Assembly does not have the power to limit the debt payable from property taxes to less than three percent of the assessed valuation of the taxable property in the City. To date, the General Assembly has not imposed limits on the City's ability to levy taxes under its home rule powers or to incur debt payable from real property taxes. See APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS — Property Tax Limit Considerations — State of Illinois."

For certain economic, demographic and budgetary information concerning the City, see APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION."

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* Preliminary; subject to change

Corporate Fund

The Corporate Fund of the City is used to account for all financial resources of the City except those required to be accounted for in special revenue or enterprise funds. Information for the Corporate Fund is presented in the City's basic financial statements. The basic financial statements of the City for the year ended December 31, 2010 are included as APPENDIX C to this Official Statement.

2010 Corporate Fund Operations. Under generally accepted accounting principles, actual revenues and other financing sources of approximately $3,129.9 million exceeded expenditures and other financing uses of approximately $3,047.5 million for the City's fiscal year ending December 31, 2010. On December 31, 2010, the Corporate Fund balance was approximately $135.5 million including an unreserved balance of approximately $81.2 million.

2011 Corporate Fund Budget. The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The budget totals $3,263.7 million, reflecting an increase of $84.0 million or approximately 2.6% of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full-time budgeted positions. See "—Use of Nonrecurring Revenue Sources for Budgetary Purposes" below.

Use of Nonrecurring Revenue Sources for Budgetary Purposes. Due to severe economic conditions over recent years, the City has used nonrecurring revenue sources for budgetary purposes. This use has taken the form of expending asset concession reserves. The Skyway reserve funds (the "Skyway Reserves") were established in 2005 in the amount of $975 million from the upfront proceeds received by the City in connection with the closing of the long-term concession and lease of the Chicago Skyway. The parking meter system reserve funds (the "Parking Meter Reserves") were established in 2009 in the amount of $1.15 billion from the upfront proceeds received by the City in connection with the closing of the long-term concession of the Chicago Metered Parking System. In 2010, the City made a net transfer of approximately $458 million from the Skyway Reserves and the Parking Meter Reserves to the Corporate Fund to offset declining revenues. The 2011 Corporate Fund Budget makes certain changes to the 2010 transfers of concession transaction reserve proceeds and provides for the transfer of $288 million in Skyway Reserves and Parking Meter Reserves to the Corporate Fund. The balances in the concession transaction reserves at the end of fiscal year 2011 are expected to be $500 million for the Skyway Reserves and $124 million for the Parking Meter Reserves. The 2011 Corporate Fund Budget also reflects that the City will declare a surplus in 26 tax increment financing districts within the City and generate an expected amount of $40.2 million to the Corporate Fund for 2011.

2012 Corporate Fund Budget. On October 12, 2011, the Mayor submitted his proposed budget for fiscal year 2012 to the City Council. The Mayor's proposal provides for a Corporate Fund Budget of $3,086.6 million reflecting a decrease of $177.1 million or 5.4% compared to the 2011 Corporate Fund Budget. The City expects to pass a balanced 2012 Corporate Fund Budget before December 31, 2011. The proposed Corporate Fund Budget for 2012 balances a preliminary shortfall of $635.7 million by reducing costs, better managing resources, raising certain revenues and reducing Corporate Fund-budgeted positions by more than 2,100. See APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION — 2012 Budget Proposal."

Annual Budget Process

Prior to 2011, the Budget Director would prepare by August 1 of each year the Preliminary Budget Estimate Report for the following fiscal year. The Preliminary Budget Estimate Report included a statement of expenditures and revenues for the most recently completed calendar year, a statement of the amounts received and expended during the first six months of the current calendar year, an estimate of year-end expenditures and revenues for the current calendar year, and a statement of estimated expenditures and revenues for the following fiscal year. The Preliminary Budget Estimate Report forecast a gap (or surplus) of revenues versus expenses and set the stage for the formal budget process.

On May 20, 2011, Mayor Emanuel issued Executive Order 2011-7 (the "Executive Order"). Pursuant to the Executive Order, the Budget Director was directed to issue by July 31 a long-term budget and financial analysis (the "Annual Financial Analysis") to provide the framework for the development of the City's annual operating and capital budgets for the following fiscal year. The Annual Financial Analysis was directed to be developed by the Budget Director with input from the Mayor's Economic, Budgetary, and Business Development Council; the Deputy Mayor; the Chief Financial Officer, the City Comptroller; City departments and sister agencies, elected officials; and other relevant parties.

The Annual Financial Analysis includes an historical analysis of the City's revenues and expenditures, a financial forecast and analyses of the City's reserves, capital program, debt and pensions. The City released its Annual Financial Analysis for 2012 on July 29, 2011.

In developing an annual budget recommendation, the Budget Director considers the proposed annual budgets submitted by all the departments and agencies whose budgets will become part of the City's proposed budget for the following year. The final recommendation compiles a budget recommendation that balances expenditures to forecasted available resources detailed in the Annual Financial Analysis and is submitted to the Mayor. Once approved by the Mayor, it is then submitted as the Mayor's Recommendation to City Council for consideration through the City Council's Committee on Budget and Government Operations. The City's proposed budget may be changed by the City Council through amendments made in the Committee on Budget and Governmental Operations. The Committee and then the full City Council vote on the budget and any amendments.

When the City Council has approved the proposed annual budget as the annual appropriation ordinance, it is forwarded to the Mayor for approval. Should the Mayor veto the approved annual appropriation ordinance, the City Council, with a two-thirds vote, may override the veto. The City Council may also refuse to approve the Mayor's proposed annual budget. In such a case, the appropriate process for passage of the City budget may have to be judicially determined. By law, the City must have a balanced budget approved by December 31 of the year preceding the budget year.

Collective Bargaining Agreements

The City has collective bargaining agreements with a coalition of various trade unions (including Laborers, Teamsters, Carpenters, and Electricians), representing approximately 6,600 employees. The agreements cover the period from July 1, 2007 through June 30, 2017, and provide for annual wage increases. The agreements were ratified by the City Council and went into effect on December 12, 2007.

The City also has a collective bargaining agreement with the Illinois Nurses Association, covering approximately 100 public health nurses employed by the City. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 14, 2008. The City also has a collective bargaining agreement with the American Federation of State, County and Municipal Employees, covering approximately 3,720 administrative, clerical, professional, human services and library employees. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on August 5, 2008.

The City remains in negotiations with the Public Safety Employees Bargaining Unit/Unit II (covering approximately 2,500 non-sworn, non-Fire Department public safety employees) for a successor agreement to the collective bargaining agreement covering the period July 1, 2007 through December 31, 2010, and which has remained in effect during negotiations for the successor agreement. The 2011 Corporate Fund budget includes funds for wage increases and anticipated wage increases with respect to this successor agreement.

The City reached agreements with the Police Lieutenants and Captains Associations on collective bargaining agreements covering approximately 222 Police Lieutenants and 49 Police Captains. Each agreement covers the period from July 1, 2007 through June 30, 2012. These two agreements were ratified by the City Council in February, 2010. The City concluded negotiations with the FOP, covering approximately 11,000 employees, and submitted the dispute to binding arbitration pursuant to the Illinois Public Labor Relations Act. In April 2010, the arbitrator issued his award, the terms of which were ratified by the City Council on June 30, 2010. The City also reached agreement with the Police Sergeants Association, and that agreement was also ratified by the City Council on June 30, 2010. The arbitrator's award for the FOP contract provides for wage increases effective in each of the years 2007 through 2012. The 2011 Corporate Fund budget includes funds for the 2011 wage increases mandated by the arbitrator's award. These same increases in base salary for the members of FOP will be applied to the three separate bargaining units representing approximately 1,180 Police Sergeants, 222 Police Lieutenants, and 49 Police Captains. The 2011 Corporate Fund budget includes funds for these increases in base salary for 2011 for the three separate bargaining units.

The City also has a collective bargaining agreement with the Chicago Fire Fighters Union, Local 2, covering approximately 5,000 employees. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 9, 2011.

Retirement Funds and Other Post-Employment Benefits

The City provides funding for four retirement funds (the "Retirement Funds"), which provide benefits upon retirement, death or disability to employees and beneficiaries. As described in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS," the benefits provided to members of the Retirement Funds and the City's contributions to the Retirement Funds are governed by the provisions of the Illinois Pension Code (the "Pension Code"), and the Retirement Funds' sources of funding come from the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's contributions and the employees' contributions are based upon what is established under the Pension Code and are not based on the actuarially recommended levels. The unfunded liability to the Retirement Funds poses significant financial challenges and the City is considering the options available to rectify this situation. For a description of the Retirement Funds, the manner of funding the Retirement Funds, their historical and projected funded status, and recent legislative changes affecting the Retirement Funds, see APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS." The foregoing description is qualified in its entirety by reference to APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS," which a prospective purchaser of the Bonds should read in its entirety.

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. As described in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — OTHER POST-EMPLOYMENT BENEFITS," the costs of the Health Plan are shared pursuant to a settlement agreement entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits. The Health Plan is funded on a pay-as-you-go basis and as such assets are not accumulated or dedicated to funding the Health Plan. For a description of the post-employment healthcare benefits, the manner of funding such benefits and the funded status of the benefits, see

APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — OTHER POST-EMPLOYMENT BENEFITS." The foregoing description is qualified in its entirety by reference to APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — OTHER POST-EMPLOYMENT BENEFITS," which a prospective purchaser of the Bonds should read in its entirety.

City Investment Policy

The investment of City funds is governed by the Municipal Code of Chicago (the "Municipal Code"). Pursuant to the Municipal Code, the City Treasurer has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the City Treasurer's office in the investment of City funds. See APPENDIX C — "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 — Notes (1) and (4)."

PLAN OF FINANCING

General

The proceeds from the sale of the Bonds will be used as described below. For additional information, see "SOURCES AND USES OF FUNDS."

Financing of the Project

A portion of the net proceeds of the Bonds will be used by the City to finance one or more of the following projects (collectively, the "Project"): (i) public right-of-way infrastructure improvements in City neighborhoods, including street and alley construction and improvements, lighting improvements, sidewalk improvements and replacement, and curb and gutter repairs and replacement; (ii) infrastructure improvements to enhance the development of economic activity, including industrial street construction and improvements, streetscaping, median landscaping, demolition of hazardous, vacant or dilapidated buildings that pose a threat to public safety and welfare, shoreline reconstruction, riverbank stabilization, residential and commercial infrastructure redevelopment and railroad viaduct clearance improvements; (iii) transportation improvements (to City property and facilities and to property and facilities located within the City limits which are owned by other governmental entities), including street resurfacing, bridge and freight tunnel rehabilitation, traffic signal modernization, new traffic signal installation, intersection safety improvements and transit facility improvements; (iv) grants or loans to assist not-for-profit organizations or educational or cultural institutions, or to assist other municipal corporations, units of local government, school districts, the State of Illinois or the United States of America; (v) cash flow needs of the City; (vi) the acquisition of personal property, including, but not limited to, computer hardware and software, vehicles or other capital items useful or necessary for City purposes; (vii) the duly authorized acquisition of improved and unimproved real property within the City for municipal, industrial, commercial or residential purposes, or any combination thereof, and the improvement, demolition and/or remediation of any such property; (viii) constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; (ix) the enhancement of economic development within the City by making direct grants or loans to, or deposits to funds or accounts to secure the obligations of, not-for-profit or for-profit organizations doing business or seeking to do business in the City; (x) the funding of (A) judgments entered against the City, (B) certain settlements or other payments required to be made by the City as a condition to the resolution of litigation or threatened litigation or arbitration and (C) such escrow accounts or other reserves as shall be deemed necessary for any of said purposes; (xi) the payment of certain contributions to the Policemen's Annuity and Benefit Fund, the Firemen's Annuity and Benefit Fund, the

Municipal Employees', Officers' and Officials' Annuity and Benefit Fund and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund; (xii) the provision of facilities, services and equipment to protect and enhance public safety, including, but not limited to, increased costs for police and fire protection services, emergency medical services, staffing at the City's emergency call center and other City facilities, and enhanced security measures at airports and other major City facilities; and (xiii) acquiring motor vehicles for a term of years or lease period.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of Bond proceeds.

	Series 2011A Bonds	Taxable Series 2011B Bonds	Total
SOURCE OF FUNDS:			
Principal Amount of the Bonds	$	$	$
Net Original Issue Discount/Premium			
Total Sources of Funds	$	$	$
USES OF FUNDS:			
Costs of Project	$	$	$
Capitalized Interest on the Bonds			
Costs of Issuance (including the underwriters' discount)			
Total Uses of Funds	$	$	$

THE BONDS

General

Each series of Bonds will be dated the date of issuance, will mature on January 1 of the years and in the amounts set forth on the inside front cover page of this Official Statement, and will bear interest from the date of issuance. The Bonds will be issued only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

The Bonds will bear interest at the rates set forth on the inside front cover page of this Official Statement, on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2012, to the person in whose name the Bond is registered as of the 15th day of the month next preceding any such interest payment date. Each Bond will bear interest from the later of its date of issuance or the most recent interest payment date to which interest has been paid until the principal amount of such Bond is paid.

Wells Fargo Bank, National Association, Chicago, Illinois (the "Bond Registrar"), will serve as bond registrar and paying agent for the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States at the designated corporate trust office of the Bond Registrar.

The Bonds will be initially registered through the book-entry system (the "Book-Entry System") operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Bonds when in the book-entry form and the Book-Entry System are described below under the subcaption "— Book-Entry System." Except as described under the subcaption "— Book-Entry System — General" below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of

Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a Direct or Indirect Participant (as defined below), the Direct or Indirect Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest or redemption price of the Bonds and to exercise voting rights, and (ii) the records of DTC and, if such beneficial owner is not a Direct or Indirect Participant, such beneficial owner's Direct or Indirect Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the owners of the Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form Such limits and laws may impair the ability to transfer beneficial interests in a Bond.

Payment of the Bonds

Principal of each Bond and redemption premium, if any, will be payable in lawful money of the United States upon presentation and surrender of such Bond at the designated corporate trust office of the Bond Registrar.

Payment of the installments of interest on each Bond shall be made to the registered owner of such Bond as shown on the registration books of the City maintained by the Bond Registrar at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Bond Registrar mailed to the address of such registered owner as it appears on such registration books or at such other address furnished in writing by such registered owner to the Bond Registrar or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as such registered owner shall request in writing to the Bond Registrar.

Redemption

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

Optional Redemption. The Series 2011A Bonds are redeemable prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2021,* and if less than all of the outstanding Series 2011A Bonds are to be redeemed, the Series 2011A Bonds to be called shall be called by lot in the manner hereinafter provided, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2011A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the exclusion of interest on the Series 2011A Bonds for federal income tax purposes.

Optional Redemption of the Taxable Series 2011B Bonds with Make Whole Payment. The Taxable Series 2011B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of: (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Series 2011B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such bonds are to be redeemed, discounted to the date of redemption of the Taxable Series 2011B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below)

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* Preliminary; subject to change

plus __ basis points plus accrued interest on the Bonds of such series being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Taxable Series 2011B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Taxable Series 2011B Bonds for optional redemption.

Mandatory Redemption of the Bonds. The Series 2011A Bonds and the Taxable Series 2011B Bonds are subject to mandatory redemption prior to maturity, in each case at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Series 2011A Bonds due January 1, 2040†

Year	Principal Amount
2032	$
2033	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040*	

* Final maturity.

† Preliminary; subject to change

Taxable Series 2011B Bonds due January 1, 2042[†]

Year	Principal Amount
2041	$
2042*	

* Final maturity.

Reduction of Mandatory Redemption Amounts. In connection with any mandatory redemption of Bonds of a series as described above, the principal amounts of Bonds of such series to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds of such series credited against future mandatory redemption requirements in such order of the mandatory redemption dates as an Authorized Officer may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date of Bonds of a series, the Bond Registrar may, and if directed by an Authorized Officer shall, purchase Bonds of such series required to be retired on such mandatory redemption date at such prices as an Authorized Officer shall determine. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date with respect to such series of Bonds.

Selection of Bonds for Redemption. While the Series 2011A Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of the Series 2011A Bonds, if less than all of the Series 2011A Bonds are to be redeemed prior to maturity, the particular Bonds or portions of such Series 2011A Bonds will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine. See "THE BONDS — Book-Entry System." If the Series 2011A Bonds are not registered in the book-entry system, the following procedures for the selection of Series 2011A Bonds shall apply. If fewer than all of the outstanding Series 2011A Bonds are to be optionally redeemed, the Series 2011A Bonds to be called shall be called as may be determined by an Authorized Officer by lot. In the event of the redemption of less than all Series 2011A Bonds, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof, and the Bond Registrar shall assign to each Series 2011A Bond a distinctive number for each $5,000 principal amount of such Series 2011A Bond and shall select by lot from the numbers so assigned as many numbers as, at $5,000 for each number, shall equal the principal amount of such Series 2011A Bonds to be redeemed. The Series 2011A Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Series 2011A Bond shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. The City shall, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount of Series 2011A Bonds to be redeemed.

While the Taxable Series 2011B Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series 2011B Bonds, if less than all of the Taxable Series 2011B Bonds are to be redeemed prior to maturity, the particular Taxable Series 2011B Bonds or portions thereof to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series 2011B Bonds are registered in the book-entry system, the selection for redemption of such Taxable Series 2011B Bonds will be made in accordance with the operational arrangements of DTC then in effect and, if the DTC operational arrangements do not allow for redemption on a pro-rata pass-through distribution of principal basis, the Taxable Series 2011B Bonds subject to redemption will be selected for redemption, in accordance with DTC procedures, by lot.

[†] Preliminary; subject to change

It is the City's intent that Taxable Series 2011B Bonds redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the City, the Underwriters or the Bond Registrar can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Taxable Series 2011B Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2011B Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Taxable Series 2011B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

If the Taxable Series 2011B Bonds are not registered in the book-entry system, any redemption of less than all of the Taxable Series 2011B Bonds will be allocated by the Bond Registrar among the registered owners of the Taxable Series 2011B Bonds on a pro-rata basis.

Notice of Redemption. Unless waived by any owner of the Bonds to be redeemed, notice of the call for any redemption of such Bonds will be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the registration books of the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar but the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as described in this paragraph will be conclusively presumed to have been given whether or not actually received by the addressee. With respect to an optional redemption of any series of Bonds, such notice may state that said redemption is conditioned upon the receipt by the Bond Registrar on or prior to the date fixed for redemption of moneys sufficient to pay the redemption price of Bonds of such series. If such moneys are not so received, such redemption notice will be of no force and effect, the City will not redeem such Bonds and the Bond Registrar will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the City is required to deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions thereof of such series which are to be redeemed on that date.

Notice of redemption having been given as described above, the Bonds, or portions thereof, to be redeemed shall, on the redemption date, become due and payable at the redemption price specified in such notice, and from and after such date (unless the City shall default in the payment of the redemption price or unless, in the event of a conditional notice as described above, the necessary moneys were not deposited) such Bonds, or portions thereof, shall cease to bear or accrue interest.

Book-Entry System

General

The following information concerning DTC has been furnished by DTC for use in this Official Statement and neither the City nor any Underwriter takes any responsibility for its accuracy or completeness.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. In accordance with DTC's procedures, the City has directed the

Bond Registrar to notify DTC that in the event that less than all of the Taxable Series 2011B Bonds are redeemed any such redemption shall be on a pro-rata basis.

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

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

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

Discontinued Use of Book-Entry System

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

Procedures May Change

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

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

Additional Information

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

NEITHER THE CITY NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS

NOMINEES WITH RESPECT TO THE BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS, OR ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN WITH RESPECT TO THE BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE SELECTION OF SPECIFIC BONDS FOR REDEMPTION, OR ANY OTHER ACTION TAKEN, BY DTC AS REGISTERED OWNER OF THE BONDS.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry System, and (b) notices that are to be given to registered owners will be given only to DTC.

Bonds Not Presented for Payment

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

Defeasance

If payment or provision for payment is made, to or for the registered owners of all or a portion of the Bonds, and the principal of and interest due and to become due on any Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Bond Registrar or such bank or trust company as shall be designated by an Authorized Officer (such bank or trust company hereinafter referred to as a "Defeasance Escrow Agent"), all sums of money due and to become due according to the provisions of the Ordinance, then the Ordinance and the estate and rights granted by the Ordinance shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations.

Any Bond shall be deemed to be paid within the meaning of the Ordinance when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Ordinance or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the applicable Bond Registrar or a Defeasance Escrow Agent, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2)(A) direct obligations of the United States of America; (B) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America; (C) obligations of the following agencies: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) debt obligations, Federal Home Loan Banks (FHL Banks) debt obligations, Fannie Mae debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations, and U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes; (D) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C), or (3) a combination of the investments described in clauses (1) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants). At such times as a Bond shall be deemed to be paid under the Ordinance, it shall no longer be secured by or entitled to the benefits of the Ordinance, except for the purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations.

Registration and Transfers

The books for the registration and for the transfer of each series of Bonds will be kept at the designated corporate trust office of the Bond Registrar. See "THE BONDS — Book-Entry System" for a discussion of registration and transfer of the beneficial ownership interests in Bonds while they are in the Book-Entry System. The following provisions relate to the registration and transfer of Bonds when the Bonds are in certificated form.

Upon surrender for transfer of any Bond at the designated corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or its attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees one or more fully registered Bonds of the same series, interest rate and maturity of authorized denominations, for a like principal amount. Any Bond or Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of Bonds of the same series, interest rate and maturity of other authorized denominations.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except that no such payment may be required in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

The Bond Registrar shall not be required to transfer or exchange (a) any Bond after notice calling such Bond for redemption has been mailed, or (b) any Bond during a period of 15 days next preceding mailing of a notice of redemption of such Bond.

Registered Owner Treated as Absolute Owner

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, redemption premium, if any, or interest on any Bond, as appropriate, shall be made only to or upon the order of the registered owner thereof or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECURITY FOR THE BONDS

General Obligation of the City

The Bonds are direct and general obligations of the City and shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the

Ordinance upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Property Tax Supported Bonded Debt — Debt Service Schedule." In addition to the Bonds, the City has other direct and general obligations previously issued and outstanding under separate ordinances adopted by the City Council. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Property Tax Supported Bonded Debt — Computation of Direct and Overlapping Bonded Debt."

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

If the taxes to be applied to the payment of the Bonds are not available in time to make any payments of principal of or interest on the Bonds when due, then the appropriate fiscal officers of the City are directed in the Ordinance to make such payments from any other moneys, revenues, receipts, income, assets or funds of the City that are legally available for that purpose in advancement of the collection of such taxes.

Property Tax Limit Considerations

The City. In 1993, the City Council adopted an ordinance (the "City Tax Limitation Ordinance") limiting the City's aggregate property tax levy for any one year to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of five percent or the increase in the Consumer Price Index. The City Tax Limitation Ordinance also established a safe harbor amount for each year equal to a specified 1994 base amount increased annually by the lesser of five percent or the increase in the Consumer Price Index. See APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS — Property Tax Limit Considerations — The City." Pursuant to the Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds are not subject to the limitations contained in the City Tax Limitation Ordinance.

State of Illinois. The City continues to be excluded from property tax limits imposed by the State on non-home rule units of local government in Cook County and the five adjacent counties. The property tax limitations imposed by the State differ from those contained in the City Tax Limitation Ordinance. There can be no assurance that legislation applying such property tax limitations to the City will not be enacted by the Illinois General Assembly. For additional information, see "THE CITY" and APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS — Property Tax Limit Considerations — State of Illinois."

Additional General Obligation Debt

The City may issue from time to time notes and bonds that are general obligations of the City and that are secured by the full faith and credit of the City, which may or may not be subject to the provisions of the City Tax Limitation Ordinance.

The City has entered into a note purchase agreement for the sale of $70,425,000 aggregate principal amount of City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 due December 5, 2012 (the "2011 Fixed Rate Notes"). The closing of the sale of the 2011 Fixed Rate Notes is subject to the satisfaction of conditions set forth in the note purchase agreement for the Fixed Rate Notes. Proceeds of the 2011 Fixed Rate Notes, if and when issued, will be used to pay amounts appropriated by the City for the year 2011 from the City's Chicago Public Library (Maintenance and Operations Fund) and Chicago Public Library (Building and Sites) Fund. The City also expects to issue in the fourth quarter of 2011 sales tax revenue bonds ("2011 Sales Tax Revenue Bonds"), a portion of the proceeds of which is expected to be used to refund certain outstanding general obligation debt of the City. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Debt Service Schedule."

LITIGATION

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

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

Property Tax Rate Objections: 2004-2008. The City's property tax levies for 2004 through 2008 varied between approximately $720 million and $834 million annually, excluding the School Building and Improvement Fund levy. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION—Property Tax Levies by Fund." Objections have been filed in the Circuit Court of Cook County (the "Circuit Court") to these levies, which objections remain pending. The City is unable to predict the outcome of the proceedings concerning the objections.

E2 Nightclub Litigation. The City is a defendant in 57 wrongful death and personal injury lawsuits arising out of a stampede of patrons at the E2 Nightclub on February 17, 2003. The cases allege that the City, in a number of ways, engaged in conduct that contributed to the injuries or deaths. The Circuit Court denied the City's motion to dismiss the cases, but certified three questions of law for interlocutory appeal to the Illinois appellate court. Upon review, the appellate court addressed one of the questions so certified and found that the City is immune from liability for its alleged failure to enforce laws or court orders or to provide police protection, effectively resolving all three questions in the City's favor. The plaintiffs filed a petition for leave to appeal to the Illinois Supreme Court for further review. In a September 24, 2008 order, the Supreme Court denied the plaintiff's petition and let stand the appellate court's favorable decision. Effectively, the vast majority of issues in the case have been resolved in the City's favor. There is only one issue remaining before the Circuit Court. As to that issue, the City previously filed a summary judgment motion, and the parties have fully briefed it. The City cannot predict whether the Circuit Court will grant the City's motion; regardless, the City will continue to defend each case vigorously.

Parking Meters Litigation. On December 4, 2008, the City entered into the Chicago Metered Parking System Concession Agreement (the "Agreement") with Chicago Parking Meters, LLC (the "Concessionaire"), whereby the Concessionaire paid the City approximately $1.151 billion, and the City granted the Concessionaire the right to operate the City's metered parking system, including the right to collect revenues derived from the metered parking spaces. The City Comptroller (along with the State's Comptroller) has been named as a defendant in a case brought by the Independent Voters of Illinois Independent Precinct Organization and an individual plaintiff, arguing that certain provisions of the Agreement are illegal or unconstitutional, and requesting that the City and the State be enjoined from making certain expenditures in connection with the City's metered parking system. On November 4, 2010, the Circuit Court granted in part, and denied in part, the City's motion to dismiss the plaintiffs' second amended complaint. While the City cannot predict the outcome of this litigation, the City will continue to defend the case vigorously.

Automated Red-Light Ticketing Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants in the Circuit Court. The plaintiffs allege that the State statute governing the use of automated red-light ticketing systems violates several provisions of the State Constitution, and that all such systems are therefore unlawful. The alleged grounds are that the State statute constitutes special legislation, violates the uniformity requirement, and violates equal protection because most of the State's African-American population lives in the eight counties covered by the statute. Plaintiffs seek to enjoin the operation of the City's red-light ticketing system, along with all others, and restitution of fines paid. In August 2011, the Circuit Court granted the City's motion to dismiss the case in its entirety, ruling that plaintiffs lacked standing to make certain of their claims and that other claims were legally deficient. Plaintiffs appealed this ruling and the matter is now pending in the Illinois Appellate Court. It is not known when the appeal will be decided. The City will continue to defend this matter vigorously.

Firefighter Hiring Process Litigation. A class action was filed challenging the 1995 examination the City used as the first step of the hiring process for firefighter candidates. The City admitted in the district court that the examination had a disparate impact on African-American candidates but argued that the case was filed too late. The City also defended the examination on the basis that it was job-related and valid, and that the cut-off score was consistent with business necessity. The district court rejected all these defenses and entered judgment against the City. The court of appeals reversed, agreeing that the case was filed too late. The Supreme Court then reversed and remanded the case to the court of appeals, which found that the first class of hires (21 individuals) filed their claims too late but not subsequent classes. The court of appeals remanded the case to the district court to determine damages and to oversee the plan for the hire of 111 candidate firefighters by the City.

Parking Garages Arbitration Claim. On November 3, 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "Lease Agreement") with Chicago Loop Parking, LLC ("CLP"), by which CLP was granted a 99-year concession to operate the public parking garages commonly referred to as Millennium Park, Grant Park North, Grant Park South and East Monroe (collectively the "CLP Garages"). The Lease Agreement includes a provision by which certain events can require the City to compensate CLP. One of those events is the granting of a license for the operation of a public garage that was not in existence as of the date of the Lease Agreement, within a certain distance from the CLP Garages. CLP has asserted a claim under that provision. Pursuant to the Lease Agreement, the matter is now before the American Arbitration Association for arbitration. The City is actively defending the case and cannot predict the outcome at this time.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2010, included in APPENDIX C to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX C that was modified to include a reference to other auditors and to include an emphasis of a matter paragraph related to the adoption of Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*.

RATINGS

The Bonds are rated "Aa3" (Stable Outlook) by Moody's Investors Service, Inc., "A+" (Stable Outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and "AA-" (Stable Outlook) by Fitch, Inc., based upon each rating agency's assessment of the creditworthiness of the City. A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of such rating may be obtained from such organization. There is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the price at which the Bonds may be resold.

FINANCIAL ADVISOR

The City has retained A.C. Advisory, Inc. to act as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. Under the terms of its engagement, the Financial Advisor will deliver a letter to the City regarding the fairness of the purchase price paid by the Underwriters to the City for the Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2011A Bonds at a price equal to $______________ (which represents the aggregate principal amount of the Series 2011A Bonds less an Underwriters' discount of $___________ and plus/minus a net offering premium/discount of $____________), and the Taxable Series 2011B Bonds at a price equal to $______________ (which represents the aggregate principal amount of the Taxable Series 2011B Bonds less an Underwriters' discount of $___________).

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

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc. which is a direct, wholly-owned subsidiary of BMO Financial Corp. which is itself a wholly-owned subsidiary of Bank of Montreal.

TAX MATTERS

The Series 2011A Bonds

Federal tax law contains a number of requirements and restrictions which apply to the Series 2011A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2011A Bonds to not be includable in gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2011A

Bonds to not be excludable from gross income for federal income tax purposes retroactively to the date of issuance of the Series 2011A Bonds.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Series 2011A Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2011A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Co-Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Co-Bond Counsel's opinions represent its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Series 2011A Bonds.

Ownership of the Series 2011A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 2011A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2011A Bonds is the price at which a substantial amount of such maturity of the Series 2011A Bonds is first sold to the public. The Issue Price of a maturity of the Series 2011A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Series 2011A Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2011A Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is not includable in gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Series 2011A Bonds who dispose of Series 2011A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2011A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2011A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2011A Bond is purchased at any time for a price that is less than the Series 2011A Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Series 2011A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2011A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2011A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2011A Bonds.

An investor may purchase a Series 2011A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2011A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2011A Bond. Investors who purchase a Series 2011A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2011A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2011A Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2011A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is not excludable from gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2011A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Series 2011A Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2011A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Series 2011A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2011A Bond owner who fails to provide an accurate Form W 9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2011A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The Taxable Series 2011B Bonds

Interest on the Taxable Series 2011B Bonds is not excludable from gross income of the owners thereof for federal income purposes. Ownership of the Taxable Series 2011B Bonds may result in other federal income tax consequences to certain taxpayers. Taxable Series 2011B Bondholders should consult their tax advisors with respect to the inclusion of interest on the Taxable Series 2011B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

State and Local Considerations

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinions of Co-Bond Counsel, who have been retained by, and act as, Bond Counsel to the City. Except as noted below, Co-Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that Co-Bond Counsel have, at the request and for the benefit of the City, reviewed only those portions of the Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith) and the description of the federal tax status of interest on the Bonds. This review was undertaken solely at the request of the City and did not include any obligation to establish or confirm factual matters set forth herein. Certain legal matters will be passed on for the City by its Corporation Counsel. Certain legal matters will be passed on for the Underwriters by Duane Morris LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Underwriters' Counsel. Chapman and Cutler LLP, Chicago, Illinois, will also serve in a separate capacity as Special Disclosure Counsel to the City with respect to pension disclosure matters.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Commission under the Exchange Act. The

MSRB has designated its Electronic Municipal Market Access system, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events that will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Bonds or the Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "— Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

Annual Financial Information Disclosure

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

"Annual Financial Information" means information generally consistent with that contained under the caption "THE CITY — Corporate Fund" and in APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION," APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION (except for the information in APPENDIX D under the headings "— Economic Highlights" and "— 2012 Budget Proposal") and Tables 1-11 included in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (said tables collectively referred to as the "Third-Party Sourced Retirement Fund Tables"). The information contained in the Third-Party Sourced Retirement Fund Tables is sourced from documents published by the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, and the City takes no responsibility for the accuracy and completeness of such information. If the information contained in the Third-Party Sourced Retirement Fund Tables is no longer publicly available or is not publicly available in the form, manner or time that the Annual Financial Information is required to be disseminated by the City, the City shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and to the effect that it will promptly file such information as it becomes available.

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

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

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below). Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to the Bonds, are:

(a) principal and interest payment delinquencies;

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

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

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

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

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011A Bonds, or other material events affecting the tax status of the Series 2011A Bonds;

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

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

(i) defeasances;

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

(k) rating changes;

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

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

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

Consequences of Failure of the City to Provide Information

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

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

The City is currently in compliance with undertakings previously entered into by it pursuant to the Rule. The City has had to take corrective action with respect to its undertakings for its Single Family Mortgage Revenue Bonds issued from 1996 to 2002. See "—Corrective Action Related to Certain Bond Disclosure Requirements" below.

Amendment; Waiver

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

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

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

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the City (such as the Trustee or co-bond counsel), or by approving vote of the owners of the Bonds at the time of the amendment or waiver; or

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

EMMA

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

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds. If this provision is applicable, the City shall give notice in a timely manner to the MSRB.

Additional Information

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

Corrective Action Related to Certain Bond Disclosure Requirements

While the City is currently in compliance with respect to its undertakings to file Annual Financial Information relating to all previously issued bonds and notes in accordance with the Rule, the City and the dissemination agent for the City's Collateralized Single Family Mortgage Revenue Bonds issued from 1996 to 2002 (the "Single Family Mortgage Bonds") did not distribute annual bond disclosure reports for the Single Family Mortgage Bonds in a timely manner as required by Section (b)(5) of the Rule. The City has filed current annual bond disclosure reports for the Single Family Mortgage Bonds with the trustee for the Single Family Mortgage Bonds and such trustee has disseminated such reports to each Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule with respect to those previously issued Single Family Mortgage Bonds and has complied with the Rule for Collateralized Single Family Mortgage Revenue Bonds issued subsequent to 2002.

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MISCELLANEOUS

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

The Bonds are authorized and are being issued pursuant to the City Council's approval under the powers of the City as a home rule unit under Article VII of the Illinois Constitution of 1970. This Official Statement has been authorized by the City Council.

CITY OF CHICAGO

By:____________________________
Chief Financial Officer

APPENDIX A

CITY OF CHICAGO

REAL PROPERTY TAX SYSTEM AND LIMITS

TABLE OF CONTENTS

Real Property Assessment, Tax Levy and Collection Procedures

General. Information under this caption provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County"). The following is not an exhaustive discussion, nor can there be any assurance that the procedures described under this caption will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

Substantially all (approximately 99.99 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The City was last reassessed in 2009. The suburbs in the northern and northwestern portions of the County were reassessed in 2010. The suburbs in the western and southern portions of the County are being reassessed in 2011. The City will next be reassessed in 2012.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the County's Real Property Assessment Classification Ordinance (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the "Board of Review"). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body, or to the Circuit Court of Cook County (the "Circuit Court"). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The City believes that the impact of any such case on the City would be minimal, as the City's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The City filed a petition to intervene in certain of these proceedings for the first time in 2003, but the Circuit Court denied the City's petition in early 2004. The City appealed the Circuit Court decision. On appeal, the Circuit Court decision was reversed and the matter was remanded to the Circuit Court with instructions to allow the City to proceed with its petitions to intervene. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland and undeveloped coal, in each county to the statutory requirement of 33-1/3 percent of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The Equalization Factors for each of the last 11 tax levy years, from 2000 through 2010 (the most recent years available), are listed in APPENDIX B in the table captioned "Property Tax Information."

In 1991, legislation was enacted by the State which provided that for 1992 and for subsequent years' tax levies, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation impacts taxing districts with rate limits only and currently does not apply to the City. See "— Property Tax Limit Considerations" below.

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Illinois Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation ("EAV") of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, up to a maximum reduction of $6,000. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by $4,000. An additional exemption is available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $70,000 of the Assessed Valuation. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in the property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "freeze" and each year thereafter in which the qualifying criteria are maintained.

On July 12, 2004, the Property Tax Code was amended to permit each county in the State, by enacting an ordinance within six months of the effective date of the law, to limit future increases in the taxable value of residential property in such a county to an annual increase of not more than 7% per year. This is known as the Alternative Homestead Exemption. Upon adoption of such an ordinance, homestead property will generally be entitled to an annual homestead exemption equal to the difference between the property's EAV and the property's "adjusted homestead value." The County adopted an ordinance electing to be governed by this law. The exemption provided for under this law cannot exceed $20,000 in any taxable year. The purpose of the law is to reduce the increase in the taxable value of residential property that otherwise occurs when home values rise rapidly.

In 2007, the Alternative Homestead Exemption law enacted in 2004 was allowed to sunset. Later in 2007, Public Act 95-0644 was enacted, which extended the Alternative Homestead Exemption law for an additional three years, subject to certain revisions and adjustments to the prior law. The extension enacted in 2007 expired for properties located in the City with the 2008 assessment. On May 1, 2011, Public Act 96-1418 was enacted to extend the Alternative Homestead Exemption for three more years. The maximum exemption is $20,000 for the first year, $16,000 for the second year, and $12,000 for the third year. The exemption would be applied over a three-year period: 2009 through 2011 in the City, 2010 through 2012 in the northern and northwestern portions of the County and 2011 through 2013 in the western and southern portions of the County.

In October 2004, the Chicagoland Chamber of Commerce, along with multiple other plaintiffs, filed a Complaint for Declaratory and Injunctive Relief in the Circuit Court, requesting the court to enter an order declaring the 2004 Alternative Homestead Exemption law unconstitutional and enjoining the application and enforcement of its provisions. (The Chicagoland Chamber of Commerce, et. al. v. Maria Pappas, et. al., 04 CH 16874). On April 22, 2005, the circuit court dismissed the complaint, and that ruling was appealed. On appeal, the Appellate Court affirmed the decision of the Circuit Court.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable, and educational organizations, as well as units of federal, state and local governments.

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115 percent of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150 percent of the current average assessed value for properties in the assessment district where the property is located, and (iv) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the "Units") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Board of Education of the City of Chicago, the School Finance Authority, Community College District No. 508, the Metropolitan Water Reclamation District of Greater Chicago, the County and the Forest Preserve District of Cook County.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real estate taxes, proceedings are adopted by the governing body for each Unit. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed 105 percent of the levy of the preceding year, exclusive of levies for debt service, levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105 percent of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the general obligations bonds and notes of the City.

Collection. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date during the last 10 years; the first installment penalty date has been March 2 for all years.

	Second Installment
Tax Year	**Penalty Date**
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008
2006	December 3, 2007
2005	September 1, 2006
2004	November 1, 2005
2003	November 15, 2004
2002	October 1, 2003
2001	November 1, 2002

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the City has a provision for an allowance for uncollectible taxes. The City reviews this provision annually to determine whether adjustments are appropriate. For tax year 2010, collectible in 2011, the allowance for uncollectible taxes is about four percent of the gross tax levy. For financial reporting purposes, uncollected taxes are written off by the City after four years, but are fully reserved after one year.

Property Tax Limit Considerations

State Legislation. As described above under "Real Property Assessment, Tax Levy and Collection Procedures — Exemptions," the Alternative Homestead Exemption was recently extended for an additional three years.

State of Illinois. The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County and five adjacent counties and (b) the ability of those entities to issue general obligation bonds without voter approval (collectively, the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent or the percent increase in the Consumer Price Index for the preceding year, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to "limited bonds" payable from a unit's "debt service extension base" or to "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

As a home rule unit of government, the City is not subject to the State Tax Cap. Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by the vote of three-fifths of the members of each house of the Illinois General Assembly and the concurrence of the Governor of the State of Illinois. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

State law imposes certain notice and public hearing requirements on non-home rule units of local government that propose to issue general obligation debt. These requirements do not apply to the City.

The City. In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance") limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance also provides that such limitation shall not reduce that portion of each levy attributable to the greater of: (i) for any levy year, interest and principal on general obligation notes and bonds of the City outstanding on January 1, 1994, to be paid from collections of the levy made for such levy year, or (ii) \$395,255,686, the amount of the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases.

The tax limits set forth in the City Tax Limitation Ordinance may in future years adversely affect the City's ability to finance operations at current levels and limit the ability of the City to finance capital improvement projects through the issuance of property-tax-supported bonds.

Pursuant to the Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds is not subject to the limitations contained in the City Tax Limitation Ordinance.

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APPENDIX B

CITY OF CHICAGO

FINANCIAL AND OTHER CITY INFORMATION

TABLE OF CONTENTS

The following tables reflect information for Cook County, which represents approximately 99.99 percent of the equalized assessed value of taxable property in the City, unless otherwise indicated.

PROPERTY TAX INFORMATION

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

Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2000 - 2010
(Dollars in Thousands)

Tax Levy Year[2]	Assessed Value[1]					State Equalization Factor[7]	Total Equalized Assessed Value[8]	Total Direct Tax Rate	Total Estimated Fair Cash Value[9]	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
	Class 2[3]	Class 3[4]	Class 5[5]	Other[6]	Total					
2000	8,758,682	1,966,921	8,807,444	342,943	19,875,990	2.2235	40,480,077	1.660	162,593,364	24.90
2001	8,973,796	1,923,256	8,757,366	354,036	20,008,454	2.3098	41,981,912	1.637	185,912,246	22.58
2002	9,221,622	1,865,646	8,878,142	349,372	20,314,782	2.4689	45,330,892	1.591	201,938,231	22.45
2003	12,677,199	2,233,572	10,303,732	487,680	25,702,183	2.4598	53,168,632	1.380	223,572,427	23.78
2004	12,988,216	1,883,048	10,401,429	465,462	25,738,155	2.5757	55,277,096	1.302	262,080,627	21.09
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,948	2.7320	59,304,530	1.243	283,137,884	20.95
2006	18,521,873	2,006,898	12,157,149	688,868	33,374,788	2.7076	69,511,192	1.062	329,770,733	21.08
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	1.044	320,503,503	22.98
2008	19,339,574	1,602,769	12,359,536	693,239	33,995,118	2.9786	80,977,543	1.030	310,888,609	26.05
2009	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	0.986	280,288,730	30.21
2010[10]	–	–	–	–	–	3.3000	82,087,170	1.016	–	–

[1] Source: Cook County Assessor's Office. Excludes portion of City in DuPage County
[2] Taxes for each year become due and payable in the following year For example, taxes for the 2009 tax levy became due and payable in 2010.
[3] Residential, six units and under.
[4] Residential, seven units and over and mixed-use.
[5] Industrial/commercial.
[6] Vacant, not-for-profit and industrial/commercial incentive classes.
[7] Source: Illinois Department of Revenue.
[8] Source: Cook County Clerk's Office Calculations are net of exemptions and exclude portions of the City in DuPage County Calculations also include assessment of pollution control facilities and railroad property.
[9] Source: The Civic Federation Excludes railroad property, pollution control facilities and portion of City in DuPage County.
[10] Complete 2010 information not available at time of publication

Property Taxes for All City Funds, Collections and Estimated Allowance for Uncollectible Taxes 2001 – 2010[1]

(Dollars in Thousands)

Tax Levy Year[2]	Total Tax Levy for Fiscal Year[3]	Collections within Fiscal Year: Amount	Collections within Fiscal Year: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Total Tax Collections[4]	Total Collections to Date: Percent of Total Tax Collections to Tax Levy	Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
2001	$687,381	$664,393	96.7%	$ 12,847	$677,240	98.5%	$10,141	$ -
2002	707,181	676,997	95.7	13,194	690,191	97.6	16,990	-
2003	719,695 [5]	674,325	93.7	24,845	699,170	97.1	20,525	-
2004	719,780 [5]	694,214	96.4	8,195	702,409	97.6	17,371	-
2005	718,071 [5]	694,593	96.7	6,711	701,304	97.7	16,767	-
2006	719,230 [5]	630,666	87.7	64,344	695,010	96.6	24,220	-
2007	749,351 [5]	712,008	95.0	20,970	732,978	97.8	16,078	295
2008	834,152 [5]	776,522	93.1	44,922	821,444	98.5	12,454	254
2009	834,109 [5]	700,579	84.0	122,279	822,858	98.7	2,106	9,145
2010	834,089 [5]	470,351	56.4	–	470,351	56.4	14,550	349,188

1 Source: Cook County Clerk's Office
2 Taxes for each year become due and payable in the following year. For example, taxes for the 2010 tax levy become due and payable in 2011.
3 Does not include the levy for the Special Services Areas and net of collections for Tax Increment Financing Districts.
4 Reflects tax collections through October 25, 2011.
5 Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.

Property Tax Rates By Fund Per $100 Of Equalized Assessed Valuation 2001-2010[1]

Tax Levy Year	Tax Extension (in thousands)[2]	Bond, Note Redemption and Interest[3]	Policemen's Annuity and Benefit	Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Total
2001	687,381	0.942710	0.289912	0.277774	0.126603	–	1.637
2002	707,181	0.943061	0.271463	0.259848	0.116628	–	1.591
2003	719,695 [4]	0.831169	0.230466	0.218316	0.100049	–	1.380
2004	719,780 [4]	0.760676	0.216752	0.229048	0.095524	–	1.302
2005	718,071 [4]	0.696607	0.231467	0.231683	0.083243	–	1.243
2006	719,230 [4]	0.569261	0.194953	0.197399	0.099974	–	1.062
2007	749,351 [4]	0.588843	0.191548	0.174302	0.088581	–	1.044
2008	834,152 [4]	0.602842	0.172426	0.162182	0.080787	0.011763	1.030
2009	834,109 [4]	0.570806	0.167552	0.153704	0.078184	0.015754	0.986
2010[5]	834,089 [4]	0.588724	0.170734	0.161435	0.078352	0.016705	1.016

[1] Source: Cook County Clerk's Office.
[2] Does not include levy for Special Service Areas and net of collections for Tax Increment Financing districts.
[3] Includes rates from the Chicago Public Library Bond, Note Redemption and Interest Fund
[4] Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.
[5] 2011 information not available at time of publication.

Combined Property Tax Rates of the City and Other Major Governmental Units Per $100 of Equalized Assessed Valuation 2001-2010[1]

Tax Levy Year	City	City of Chicago School Building & Improvement Fund	Chicago School Finance Authority	Board of Education	City Colleges of Chicago	Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
2001	1.637	-	0.223	3.744	0.307	0.567	0.401	0.067	0.746	7.692
2002	1.591	-	0.177	3.562	0.280	0.545	0.371	0.061	0.690	7.277
2003	1.380	-	0.151	3.142	0.246	0.464	0.361	0.059	0.630	6.433
2004	1.302	-	0.177	3.104	0.242	0.455	0.347	0.060	0.593	6.280
2005	1.243	-	0.127	3.026	0.234	0.443	0.315	0.060	0.533	5.981
2006	1.062	-	0.118	2.697	0.205	0.379	0.284	0.057	0.500	5.302
2007	1.044	-	0.091	2.583	0.159	0.355	0.263	0.053	0.446	4.994
2008	1.030	0.117	-	2.472	0.156	0.323	0.252	0.051	0.415	4.816
2009	0.986	0.112	-	2.366	0.150	0.309	0.261	0.049	0.394	4.627
2010[2]	1.016	0.116	-	2.581	0.151	0.319	0.274	0.051	0.423	4.931

[1] Source: Cook County Clerk's Office.
[2] 2011 information not available at time of publication.

CITY OF CHICAGO
PROPERTY TAX SUPPORTED BONDED DEBT
Computation of Direct and Overlapping Bonded Debt
As of October 31, 2011

(Not adjusted for the issuance of the Bonds, the 2011 Fixed Rate Notes or the use of proceeds of the 2011 Sales Tax Revenue Bonds)
(Dollars in Thousands)

Direct Debt

General Obligation Bonds and Notes[1]	$ 7,506,756
The Bonds	
Short-Term Obligations[1]	(186,981)
Net Direct Long-Term Debt	$

Overlapping Debt[2]	Net Direct Debt[3]	Percent Overlapping[4]	Debt Applicable
City Colleges of Chicago	$ -0-	100.00%	$ -0-
Board of Education	5,579,522[5]	100.00	5,579,522
Chicago School Finance Authority	-0-	100 00	-0-
Chicago Park District	924,975[5]	100.00	924,975
Metropolitan Water Reclamation District Of Greater Chicago	2,495,259	49.18	1,227,168
Cook County	3,499,615	48 17	1,685,765
Cook County Forest Preserve District	101,935	48.17	49,102
Total Overlapping Long-Term Debt			$ 9,466,532
Net Direct and Overlapping Long-Term Debt			$

[1] Includes General Obligation, General Obligation Fixed Rate and Commercial Paper Notes consisting of:

(a) Fixed Rate Notes, Taxable Series 2010 outstanding in the amounts shown below (dollars in thousands).

Amount	Series	Final Maturity
$70,425	2010	04/01/2012

(b) Commercial Paper Notes outstanding in the amounts below (dollars in thousands):

Amount	Series
$116,640	2002B (Taxable)

[2] Includes debt secured by property taxes (including "alternate bonds" and "limited tax" bonds) and PBC bonds secured by long-term lease obligations also secured by property taxes.

[3] Source: Each of the respective tax districts

[4] Source: Cook County Clerk's Office.

[5] Includes $5,249,146,617 and $475,960,000 of general obligation bonds of the Board and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Board of Education and the Chicago Park District.

Selected Debt Statistics

Population (2010)	2,695,598[1]
Total Equalized Assessed Value (2010)	$82,087,170,063[2]
Total Estimated Fair Cash Value (2009)	$280,288,729,779[3]

Percent of Total

	Amount	Per Capita	Percent of Total Estimated Fair Cash Value
Net Direct Long-Term Debt..	$	$	%
Total Net Direct and Overlapping Long-Term Debt...	$	$	%

[1] Source: U.S. Census Bureau.

[2] Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions. Includes assessment of pollution control facilities and excludes portions of the City in DuPage County.

[3] Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of the City in DuPage County.

Debt Service Schedule[1]

As of October 31, 2011

(Not adjusted for the issuance of the Bonds, the 2011 Fixed Rate Notes or the use of proceeds of the 2011 Sales Tax Revenue Bonds)

	The Bonds		General Obligation Bonds Outstanding			General Obligation Notes Outstanding	
Year	Principal	Interest	Principal	Interest[2,3]	Capitalized Interest	Debt Service[4]	Total Debt Service
2012			$ 156,646,211	$ 201,134,521	$(31,754,519)	$187,267,102	$ 513,293,315
2013			167,752,714	379,554,940	(40,437,630)		506,870,024
2014			205,826,569	371,222,203	(4,034,677)		573,014,094
2015			215,509,425	362,948,850			578,458,275
2016			228,386,371	350,884,065			579,270,437
2017			243,871,761	340,990,322			584,862,083
2018			267,126,948	330,288,412			597,415,360
2019			279,736,972	318,356,610			598,093,582
2020			290,643,700	305,455,188			596,098,888
2021			306,148,918	294,046,636			600,195,554
2022			309,397,240	279,965,125			589,362,365
2023			313,448,400	271,400,600			584,849,000
2024			305,023,320	257,671,001			562,694,320
2025			299,152,012	244,069,682			543,221,695
2026			289,668,971	230,964,316			520,633,287
2027			290,626,163	218,286,122			508,912,285
2028			286,229,720	198,975,384			485,205,104
2029			288,219,806	192,618,597			480,838,403
2030			291,969,515	176,972,506			468,942,021
2031			338,247,520	166,594,919			504,842,439
2032			265,218,596	148,938,691			414,157,287
2033			265,733,762	120,312,110			386,045,872
2034			251,761,194	106,358,117			358,119,312
2035			239,652,377	92,924,383			332,576,759
2036			207,032,607	79,619,284			286,651,891
2037			188,696,559	68,827,124			257,523,683
2038			169,577,925	58,769,393			228,347,318
2039			149,561,380	49,550,820			199,112,200
2040			158,555,000	11,269,603			169,824,603
2041			24,625,000	2,077,366			26,702,366
2042			25,645,000	1,059,901			26,704,901
Total			$7,319,691,654	$6,232,106,792	$(76,226,826)	$187,267,102	$13,662,838,722

[1] Principal and interest (including the amount of interest that has accreted on capital appreciation bonds) for each year includes amounts payable on the City's general obligation bonds and notes on July 1 of that year and January 1 of the following year, except that each year includes principal and interest payable on the General Obligation Bonds Series 2007A-K (Modern Schools Across Chicago Program), the General Obligation Bonds Series 2011 A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) on June 1 and December 1 of that year.

[2] Interest for each year includes the full amount of the interest payable on General Obligation Bonds, Taxable Project Series 2009C (Build America Bonds – Direct Payment), the General Obligation Bonds, Taxable Project Series 2009D (Recovery Zone Economic Development Bonds-Direct Payment) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) without adjustment for Subsidy Payments to be received by the City.

[3] The interest rate on $3.6 million variable rate bonds is assumed to be six percent The City has entered into interest rate hedge agreements which required the City to pay interest at a rate of 3 575 percent for $206 7 million General Obligation Variable Rate Demand Bonds (Neighborhoods Alive 21 Program), Series 2002B, 4 052 percent for $201 965 million General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2003B, 4 104 percent for $222 790 million General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2005D and 3 9982 percent for $200 million General Obligation Variable Rate Demand Bonds Refunding Series 2007E, F and G. The table includes the interest payable by the City under the interest rate hedge agreements for these four bond issues

[4] Includes outstanding Fixed Rate Notes and Commercial Paper Notes See APPENDIX B – "Financial and Other Information – Property Tax Supported Bonded Debt – Computation of Direct and Overlapping Bonded Debt – Note (1)"

Note: May not total due to rounding

PROPERTY TAX LEVIES BY FUND
For Fiscal Years Ended 2006 – 2010[1,2]
(Dollars in Thousands)

	2006	2007	Change	2008	Change	2009	Change	2010	Change
Note Redemption and Interest[3]	$ 60,116	$ 33,506	(44.26)%	$ 73,363	118.95%	$73,363	–%	$ 73,377	0.02%
Bond Redemption and Interest	316,858	381,145	20.29	414,853	8.84	409,512	(1.29)	409,979	(0.11)
Policemen's Annuity and Benefit[4]	135,528	141,080	4.10	139,640	(1.02)	141,741	1.50	140,165	(1.11)
Municipal Employees' Annuity and Benefit[4]	137,228	128,378	(6.45)	131,344	2.31	130,026	(1.00)	132,531	1.93
Firemen's Annuity and Benefit[4]	69,500	65,242	(6.13)	65,426	0.28	66,140	1.09	64,323	(2.75)
Laborers' and Retirement Board Employees' Annuity and Benefit[4]	–	–	–	9,526	–	13,327	39.90	13,714	2.90
Total	$719,230	$749,351	4.19%	$854,152	11.32%	$834,109	(0.01)%	$834,089	(0.00)

[1] Source: Cook County Clerk's Office.

[2] See APPENDIX B – "FINANCIAL AND OTHER INFORMATION – Property Taxes For All City Funds, Collections And Estimated Allowance For Uncollectible Taxes 2000-2010." Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.

[3] Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and City Relief Funds.

[4] For information regarding the City's unfunded (assets in excess of) pension benefit obligations under its Pension Plans, see the individual Pension Plans Financial Statements.

CITY OF CHICAGO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
General Fund (Corporate)
For Fiscal Years Ended 2006-2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Utility Tax	$ 475,482	$ 501,023	$ 524,842	$ 481,275	$ 467,411
Sales Tax	537,441	543,238	518,131	476,557	495,842
State Income Tax	314,559	377,727	378,545	251,820	282,011
Other Taxes	708,706	687,511	637,923	572,472	590,575
Federal/State Grants	2,802	3,366	2,347	1,714	1,735
Other Revenues[2]	729,999	822,561	813,983	777,788	773,278
Total Revenues	2,768,989	2,935,426	2,875,771	2,561,626	2,610,852
Expenditures:					
Current:					
Public Safety	1,783,993	1,845,497	1,856,634	1,862,914	1,828,984
General Government	783,059	860,976	889,266	857,626	903,890
Other[3]	328,081	349,616	356,066	288,559	296,063
Debt Service	7,069	6,930	5,318	4,978	5,004
Total Expenditures	2,902,202	3,063,019	3,107,284	3,014,077	3,033,941
Revenues Under Expenditures	(133,213)	(127,593)	(231,513)	(452,451)	(423,089)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	–	23,921	164,000	58,500	16,500
Transfers In	115,058	130,561	94,058	416,135	502,502
Transfers Out	(30,500)	(42,500)	(25,193)	(17,463)	(13,600)
Total Other Financing Sources (Uses)	84,558	111,982	232,865	457,172	505,402
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(48,655)	(15,611)	1,352	4,721	82,313
Fund Balance – Beginning of Year	110,819	62,391	44,307	48,443	54,706
Change in Inventory	227	(2,473)	2,784	1,542	(1,478)
Fund Balance – End of Year	$ 62,391	$ 44,307	$ 48,443	$ 54,706	$ 135,541

[1] Source: Table 6 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010 The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

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

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

Special Revenue Funds
For Fiscal Years Ended 2006 – 2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Property Tax	$ 302,772	$ 314,742	$ 326,334	$ 334,792	$ 316,618
Utility Tax	24,299	28,838	82,373	75,688	72,201
Sales Tax	76	5	–	–	–
State Income Tax	65,552	55,719	56,848	95,994	103,657
Other Taxes	382,232	465,533	554,096	572,651	588,717
Federal/State Grants	820,702	778,601	794,564	751,555	814,144
Other Revenues[2]	115,023	114,906	120,401	131,295	121,017
Total Revenues	1,710,656	1,758,344	1,934,616	1,961,975	2,016,354
Expenditures:					
Current:					
Public Safety	67,363	35,102	35,518	50,797	80,744
General Government	740,423	789,703	915,659	799,236	882,553
Employee Pensions	396,923	371,649	413,690	430,915	435,432
Other[3]	552,675	603,553	677,990	566,612	521,876
Capital Outlay	8,110	16,674	4,360	3,357	4,903
Debt Service	6,356	7,603	5,628	3,632	3,898
Total Expenditures	1,771,850	1,824,284	2,052,845	1,854,549	1,929,406
Revenues Under Expenditures	(61,194)	(65,940)	(118,229)	107,426	86,948
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/ Including Premium	79,250	144,614	163,628	72,925	88,018
Payment to Refunded Bond Escrow Agent	–	–	–	–	–
Transfers In	193,850	108,045	155,637	185,358	94,424
Transfers Out	(38,177)	(86,470)	(48,604)	(1,746,126)	(65,807)
Total Other Financing Sources (Uses)	234,923	166,189	270,661	(1,487,843)	116,635
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	173,729	100,249	152,432	(1,380,417)	203,583
Fund Balance – Beginning of Year	609,119	782,848	883,097	1,035,529	(344,888)
Fund Balance – End of Year	$ 782,848	$ 883,097	$1,035,529	$ (344,888)	$ (141,305)

[1] Source: Table 7 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

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

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

Debt Service Funds
For Fiscal Years Ended 2006 - 2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Property Tax	$ 363,218	$ 346,965	$ 403,489	$ 471,218	$ 437,463
Utility Tax	22,308	22,318	22,282	22,138	22,324
Sales Tax	21,639	27,684	30,440	27,395	31,162
Other Taxes	193,824	217,731	220,220	131,993	129,566
Other Revenues[2]	33,368	30,594	6,562	38,720	61,004
Total Revenues	634,357	645,292	682,993	691,464	681,519
Expenditures:					
Debt Service	693,110	625,459	1,022,156	777,725	747,061
Total Expenditures	693,110	625,459	1,022,156	777,725	747,061
Revenues Over (Under) Expenditures	(58,753)	19,833	(339,163)	(86,261)	(65,542)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	302,658	777,151	405,311	340,324	560,524
Payment to Refunded Bond Escrow Agent	(276,607)	(951,419)	(186,421)	(213,435)	(412,184)
Transfers In	8,741	63,807	33,186	684,277	44,185
Transfers Out	(509,884)	(73,325)	(141,498)	(81,291)	(110,049)
Total Other Financing Sources (Uses)	(475,092)	(183,786)	110,578	729,875	82,476
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(533,845)	(163,953)	(228,585)	643,614	16,934
Fund Balance - Beginning of Year	688,887	155,042	(8,911)	(237,496)	406,118
Fund Balance - End of Year	$155,042	$ (8,911)	$ (237,496)	$ 406,118	$ 423,052

[1] Source: Table 8 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010 The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Investment Income and Miscellaneous Revenues.

Capital Projects Funds
For Fiscal Years Ended 2006-2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Other Revenues[2]	$ 56,687	$ 76,666	$ 44,464	$ 18,240	$ 43,135
Total Revenues	56,687	76,666	44,464	18,240	43,135
Expenditures					
Capital Outlay	907,201	585,759	657,104	615,916	624,007
Total Expenditures	907,201	585,759	657,104	615,916	624,007
Revenues Under Expenditures	(850,514)	(509,093)	(612,640)	(597,676)	(580,872)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	380,925	708,195	62,493	529,553	769,348
Transfers In	352,386	29,603	10,567	16,334	6,296
Transfers Out	(10,977)	(27,521)	(96)	(3,734)	(99)
Total Other Financing Sources (Uses)	722,334	710,277	72,964	542,153	775,545
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(128,180)	201,184	(539,676)	(55,523)	194,673
Fund Balance – Beginning of Year	910,819	782,639	983,823	444,147	388,624
Fund Balance – End of Year	$ 782,639	$ 983,823	$ 444,147	$ 388,624	$ 583,297

[1] Source: Table 9 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Investment Income, Charges for Services and Miscellaneous Revenues

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2010[1]
(Dollars in Thousands)

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds[2]
REVENUES				
Property Tax	$316,618	$ –	$ –	$ 316,618
Utility Tax	72,201			72,201
Sales Tax		1,409		1,409
Transportation Tax	168,912	–	–	168,912
State Income Tax	103,657	–	–	103,657
Transaction Tax	32,687	–	–	32,687
Special Area Tax	–	113,949	–	113,949
Other Taxes	14,541	–	–	14,541
Federal/State Grants	–	–	–	–
Internal Service	21,191	–	–	21,191
Fines	13,865	–	–	13,865
Investment Income	3,542	19	1,635	5,196
Charges for Services	29,561	–	–	29,561
Miscellaneous	29,266	663	1,042	30,931
Total Revenues	806,001	116,040	2,677	924,718
EXPENDITURES				
Current:				
General Government	233,227	–	–	233,227
Health	5,704	–	–	5,704
Public Safety	3,158	–	–	3,158
Streets and Sanitation	51,405	–	–	51,405
Transportation	53,019	–	–	53,019
Cultural and Recreational	84,424	–	–	84,424
Employee Pensions	435,432	–	–	435,432
Other	869	–	–	869
Capital Outlay	–	–	66,399	66,399
Debt Service:				
Principal Retirement	–	36,535	–	36,535
Interest and Other Fiscal Charges	3,898	28,431	–	32,329
Total Expenditures	871,136	64,966	66,399	1,002,501
Revenues Over (Under) Expenditures	(65,135)	51,074	(63,722)	(77,783)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	88,018	1,443	120,647	210,108
Payment to Refunded Bond Escrow Agent	–	–	–	–
Transfers In	13,600	44,185	–	57,785
Transfers Out	(21,500)	(87,899)	–	(109,399)
Total Other Financing Sources (Uses)	80,118	(42,271)	120,647	158,494
Net Change in Fund Balances	14,983	8,803	56,925	80,711
Fund Balance – Beginning of Year	90,757	149,647	47,746	288,150
Fund Balance – End of Year	$105,740	$158,450	$104,671	$368,861

[1] Source: Schedule B-2 in the Nonmajor Governmental Funds Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010 The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] The line items under "Total Nonmajor Governmental Funds" above are identical to the line items under the column captioned "Other Governmental Funds" appearing as Exhibit 4 to the City's Basic Financial Statements for the year ended December 31, 2010 included as APPENDIX C hereto

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APPENDIX C

CITY OF CHICAGO

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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City of Chicago

Basic Financial Statements for the Year Ended December 31, 2010

Rahm Emanuel, Mayor

Lois Scott, Chief Financial Officer
Amer Ahmad, City Comptroller

CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2010
TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective January 1, 2010, the City adopted Statement No. 53 of the Government Accounting Standards Board (GASB), *Accounting and Financial Reporting for Derivative Instruments*.

The Management's Discussion and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. This supplementary information is the responsibility of the City's management. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

June 29, 2011

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Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage the readers to consider the information presented here in conjunction with other information contained within this report.

Fiscal 2010 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by $1,570.8 million (*net deficit*). Of this amount, $8,014.3 million is an unrestricted deficit, while $2,041.2 million is invested in capital assets, net of related debt and $4,402.3 million is restricted for specific purposes.
- The City's total assets and deferred outflows increased by $1,695.6 million. The increase relates to $453.1 million increase in capital assets as a result of the City's capital improvement program and $812 8 million increase in restricted cash and cash equivalents and investments primarily as a result of the City's financing of its business activities capital programs.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2010 were $7,467.1 million, a decrease of $1,123.6 million (13.1 percent) from 2009. The reduction was a result of the 2009 transfers in of $1,702.5 million when the service concession agreements fund was established.
- The General Fund, also in the fund financial statements, ended 2010 with a total Fund Balance of $135.5 million. Total Fund Balance increased from 2009 primarily because Revenues and Other Financing Sources were more than Expenditures and Other Financing Uses by $82.3 million. Fund Balance at December 31, 2010 of $36.2 million was reserved for commitments. Unreserved Fund Balance was $81.2 million at December 31, 2010, compared to a balance of $2.7 million at the end of 2009.
- The City's general obligation bonds and notes outstanding increased by $641.3 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan and certain operating expenses.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

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

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

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

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

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

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

The City maintains 20 individual governmental funds. Information for the seven funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The seven major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession Agreement Fund, the Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary funds. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, tollway and two airports operations.
Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport

Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

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

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

Financial Analysis of the City as a Whole

Net assets (deficit). As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $1,570.8 million at December 31, 2010.

A large portion of the City's net deficit, $2,041.2 million reflects its investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

City of Chicago, Illinois
Summary Statement of Net Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 6,109.4	$ 6,106.2	$ 3,939.1	$ 2,772.6	$ 10,048.5	$ 8,878.8
Capital assets	7,288.3	7,311.5	11,393.8	10,917.5	18,682.1	18,229.0
Deferred outflows	92.5	75.4	141.4	85.7	233.9	161.1
Total	13,490.2	13,493.1	15,474.3	13,775.8	28,964.5	27,268.9
Long-term liabilities outstanding	13,656.4	12,217.4	11,176.8	9,688.6	24,833.2	21,906.0
Other liabilities	1,468.7	1,448.0	853.9	782.1	2,322.6	2,230.1
Total Liabilities	15,125.1	13,665.4	12,030.7	10,470.7	27,155.8	24,136.1
Deferred Inflows	1,660.4	1,681.5	1,719.1	1,737.6	3,379.5	3,419.1
Net assets:						
Invested in capital assets,						
net of related debt	(324.3)	251.1	2,365.5	2,286.7	2,041.2	2,537.8
Restricted	3,611.5	3,735.1	790.8	821.9	4,402.3	4,557.0
Unrestricted	(6,582.5)	(5,840.0)	(1,431.8)	(1,541.1)	(8,014.3)	(7,381.1)
Total net assets (deficit)	$ (3,295.3)	$ (1,853.8)	$ 1,724.5	$ 1,567.5	$ (1,570.8)	$ (286.3)

An additional portion of the City's net assets ($4,402.3 million) represent resources that are subject to external restrictions on how they may be used.

Governmental Activities. Net assets of the City's governmental activities decreased $1,441.5 million to a deficit of $3,295.3 million. However, a significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.) net of related debt. Consequently, unrestricted net assets showed a $6,582.5 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims ($656.0 million), Municipal employees, Policemen's and Firemen's net pension obligation ($4,144.5 million) and post-employment benefits ($380.9 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of $1,660.4 million will be amortized into income over the life of the concession service agreements.

Over half of the City's revenue comes from taxes. Total taxes increased slightly. Total taxes include a decrease in property taxes of $.1 million (.01 percent). Other taxes increased by $.3 million (.01 percent) as a result of increases in sales and transaction taxes. Federal/State grants vary from year to year depending primarily on the level of spending for programs, construction and other projects.

Expenses for governmental activities in 2010 were $6,664.5 million. This reflects an increase of $447.3 million (7.2 percent) over 2009. Public Safety was the largest component of current expenses, accounting for 42.4 percent of total expenses. Expenses increased as a result of contractual wage increases and related benefits.

The cost of all governmental activities was $6,664.5 million.

- The amount that taxpayers paid for these activities through City taxes was only $2,918.8 million.
  - Some of the cost was paid by those who directly benefited from the programs ($610.4 million), or
  - By other governments and organizations that subsidized certain programs with grants and contributions ($789.6 million).

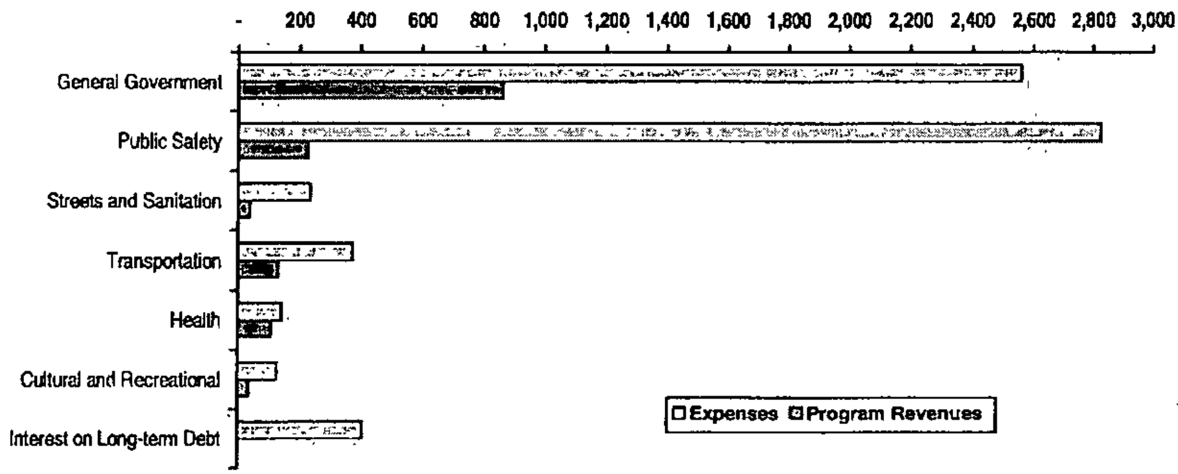
The City paid $904.2 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net assets of business-types activities were $1,724.5 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

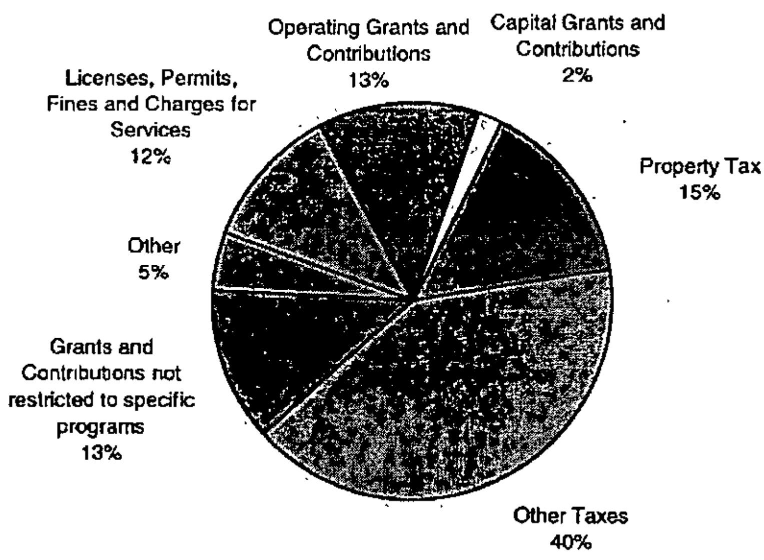
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and						
Charges for Services	$ 610.4	$ 621.9	$ 1,508 3	$ 1,332.1	$ 2,118.7	$ 1,954 0
Operating Grants and Contributions	674.7	611.3	-	-	674.7	611.3
Capital Grants and Contributions	114.9	115.3	246.3	211.2	361.2	326.5
General Revenues:						
Property Taxes	796.9	797.0	-	-	796.9	797.0
Other Taxes	2,121.9	2,121.6	-	-	2,121.9	2,121.6
Grants and Contributions not						
Restricted to Specific Programs	654.0	601.2	57.0	-	711.0	601.2
Other	250.2	250.4	-	21.3	250.2	271.7
Total Revenues	5,223.0	5,118.7	1,811.6	1,564.6	7,034.6	6,683.3
Expenses:						
General Government	2,557.7	2,364.8	-	-	2,557.7	2,364.8
Public Safety	2,824.0	2,521.1	-	-	2,824.0	2,521.1
Streets and Sanitation	235.9	297.2	-	-	235.9	297.2
Transportation	373.4	351.1	-	-	373.4	351.1
Health	142.4	166.9	-	-	142.4	166.9
Cultural and Recreational	126.9	130.0	-	-	126.9	130.0
Interest on Long-term Debt	404.2	386.1	-	-	404.2	386.1
Water	-	-	399.3	382.5	399.3	382.5
Sewer	-	-	184.9	170.0	184.9	170.0
Midway International Airport	-	-	224.5	206.6	224.5	206.6
Chicago-O'Hare International Airport	-	-	834 5	811.7	834.5	811.7
Chicago Skyway	-	-	11.3	11.8	11.3	11.8
Total Expenses	6,664.5	6,217.2	1,654 5	1,582.6	8,319.0	7,799.8
Change in Net Assets Before Transfers	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Transfers	-	-	-	-	-	-
Change in Net Assets	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Net Assets, Beginning of Year	(1,853.8)	(755.3)	1,567.4	1,585.4	(286.4)	830.1
Net Assets, End of Year	$ (3,295.3)	$ (1,853.8)	$ 1,724.5	$ 1,567.4	$ (1,570.8)	$ (286.4)

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



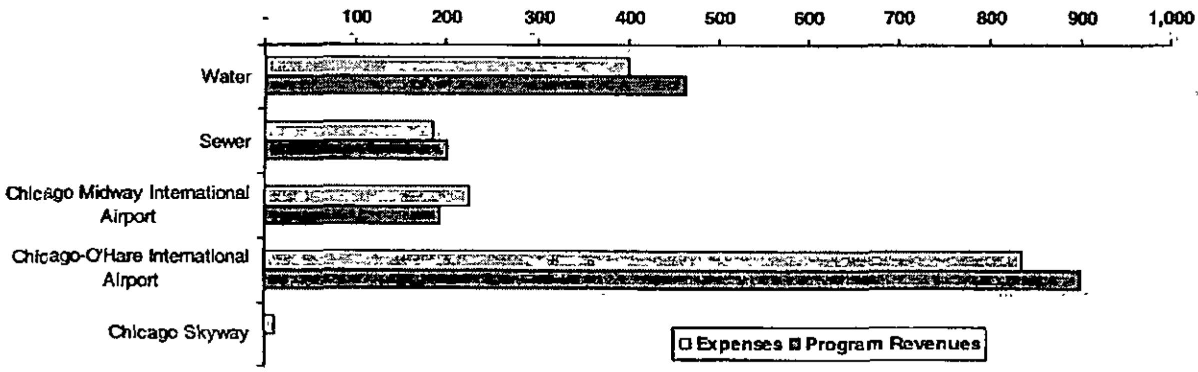
Revenues by Source - Governmental Activities



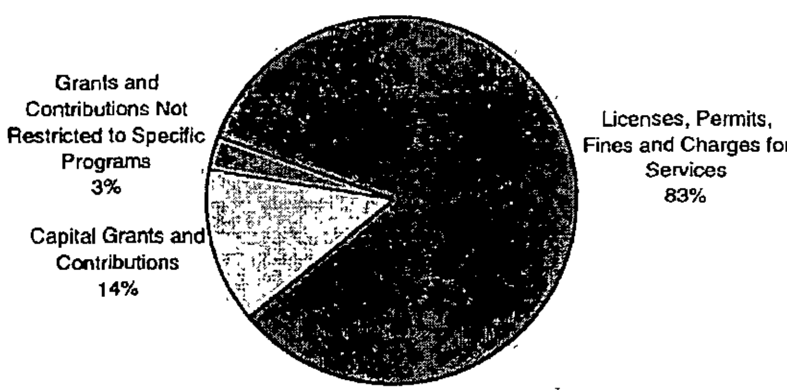
Business-type Activities. Revenues of the City's business-type activities increased by $247.0 million in 2010 due primarily to increases in charges for services, rent and investment earnings. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenues for 2010 increased by 11.8 percent from 2009 due to an increase in water rates. Operating expenses in 2010 increased by 3.4 percent primarily due to an increase in personnel and contractual services, as well as depreciation and amortization.
- The Sewer Fund's operating revenues increased 13.2 percent during fiscal year 2010, as the result of an increase in water and sewer rates. Operating expenses increased 4.7% as a result of increased personnel services, depreciation and amortization, and general fund reimbursements.
- Chicago Midway International Airport Fund's operating revenues for 2010 increased by $26.8 million compared to prior year operating revenues. Operating expenses increased by $13.8 million primarily due to an increase in personnel services, contractual services, and depreciation and amortization.
- Chicago-O'Hare International Airport Fund's operating revenues for 2010 increased by $78.2 million (12.5 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses increased by $12.7 million as a result of an increase in contractual services, repair and maintenance, and depreciation and amortization.
- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of $1.83 billion of which $446.3 million was used to advance refund all of the outstanding Skyway bonds. The upfront payment is being amortized into non-operating revenue over the period of the lease ($18.5 million annually).

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



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

At December 31, 2010, the City's governmental funds reported combined ending fund balances of $1,878.5 million, an increase of $71.6 million in comparison with the prior year. Of this total amount ($77.6 million) constitutes *undesignated fund balance.* The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($286.1 million), 2) to pay debt service ($423.1 million), 3) to provide a long-term reserve ($739.2 million), 4) for future appropriations ($326.7 million), and 5) for a variety of other restricted purposes ($25.8 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $81.2 million with a total fund balance of $135.5 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 4.5 percent of total General Fund expenditures. The fund balance of the City's General Fund increased by $80.8 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by $82.3 million. As a result of increased economically sensitive taxes and lower than expected personnel and benefit expenses.

The Federal, State and Local Grants Fund has a total fund balance of $13.1 million, $7.7 million of which is reserved for the resale of property, while there is an unreserved, undesignated fund balance of $5.4 million.

The Special Taxing Areas Fund has a total fund balance of $1,400.3 million, of which $191.2 million is reserved for encumbrances, $188.0 million is designated for future appropriations and the remaining $1,021.1 million is unreserved, undesignated. Increase in fund balance is a result of Special Area tax exceeding expenditure.

The Service Concession Agreement Fund accounts for deferred inflows from non business type long-term concession and lease transactions and has an unreserved, undesignated fund deficit of $1,660.4 million.

The Reserve Fund has a total fund balance of $877.9 million, of which $739.1 million is reserved as a long-term trust. The remaining is designated for future appropriations. Fund balance decreased as a result of transfers out.

The Bond, Note Redemption and Interest Fund have a total fund balance of $264.6 million. Fund balance was consistent with prior year.

The Community Development and Improvement Projects Fund has a total fund balance of $478.6 million, of which $37.1 million is reserved for encumbrances and the remaining $441.5 million is unreserved, undesignated. The increase in fund balance during the current year in the Community Development and Improvement Projects Fund was $137.7 million, as a result of the timing of the capital program financing.

Changes in fund balance. The City's governmental fund revenues (excluding other financing sources) increased by .9 percent or $49.4 million.

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

Unrestricted net assets of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $1,431.8 million. The total increase in unrestricted net assets related to changes in the $2,365.5 million of net assets invested in capital assets, net of related debt and the $790.8 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2010 Original General Fund Budget is $3,179.7 million. This budget reflects a decrease of $6.8 million (.2 percent) over the 2009 Budget. The City's 2010 General Fund Budget was approved by the City Council on December 2, 2009. The General Fund revenues on a budgetary basis were $49.9 million less than the final budget as a result of higher than expected taxes, offset by lower transfers in. In addition, unfavorable results occurred in internal services revenue, licenses and permits, and fines. Expenditures were $135.6 million less than budgeted as a result of favorable variances in general government, primarily as a result of lower than expected health care and personnel related expenses. Additional information on the City's budget can be found in Note #3 under Stewardship, Compliance and Accountability within this report.

The General Fund revenues and expenditures in 2010 ended the current fiscal year with an available unreserved fund balance of $81.2 million, which is a $78.5 million increase over 2009.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of December 31, 2010 amount to $18,682.1 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

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

- The City continued its LEED Strategy with the construction of three new district police stations, the 8th, the 9th, and 23rd, all totaling $78.2 million in construction cost.
- The City also completed the new LEED silver certified Vehicle Maintenance Facility with construction costs totaling $20.0 million.
- During 2010 the City completed $52.8 million in bridge and viaduct reconstruction projects, $102.1 million in street construction and resurfacing projects, and $4.2 million in street lighting and transit projects.
- During 2010 the Water Fund expended $139.7 million for capital activities. This included $4.5 million for structures and improvements, $10.3 million for equipment, $46.8 million for construction in progress, and $78.1 million for distribution plant, of which $20.4 million was for water mains; $37.3 million for in-house construction costs; $16.3 million for engineering fees; $2.5 million for capitalized interest; and $1.6 million for completed meter projects. Net completed projects totaling $96.1 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to South Water Purification Plant chlorine improvement projects ($53.3 million), CCTV, card access, camera upgrades ($4.2 million), 68th Street Pumping Station roof rehab ($4.1 million), and installation and replacements of water mains ($30.9 million). The 2010 Water Main Replacement Program completed 30 miles of water mains.
- The 2010 Sewer Main Replacement Program completed 8.6 miles of sewer mains and 37.7 miles of relining of existing sewer mains at a cost of $133.0 million.
- Chicago Midway International Airport had capital asset additions in 2010 of $28.0 million principally due to land acquisition, terminal improvements, security enhancements, parking, and runway improvements.
- Chicago-O'Hare International Airport had capital asset additions in 2010 of $475.5 million principally due to land acquisition, terminal improvements, security enhancements, runway and taxiway improvements along with heating and refrigeration, and apron improvements.

City of Chicago, Illinois
Capital Assets (net of depreciation)
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 1,382 2	$ 1,372 7	$ 864 0	$ 839 5	$ 2 246 2	$ 2,212 2
Works of Art and Historical Collections	13.1	13.1	-	-	13.1	13.1
Construction in Progress	164.6	225.3	1,419.6	1,502.5	1,584.2	1,727.8
Buildings and Other Improvements	1,677.7	1,589.8	8,767.5	8,286.6	10,445.2	9,876.4
Machinery and Equipment	320.2	335 9	342.7	288.9	662.9	624.8
Infrastructure	3,730.5	3,774.7	-	-	3,730.5	3,774.7
Total	$ 7,288.3	$ 7,311.5	$ 11,393.8	$ 10,917.5	$ 18,682.1	$ 18,229.0

Information on the City's capital assets can be found in Note #7 of this report.

Debt. *At the end of the current fiscal year, the City had $6,660.0 million in General Obligation Bonds and Notes and* $844.8 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $203.9 million in Motor Fuel Tax Revenue Bonds; $355.5 million of Sales Tax Revenue Bonds; $163.6 million in Tax Increment Financing Bonds; $1.2 million in Installment Purchase Agreements; and $10,923.7 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note No. 10 Long-term Obligations in the Basic Financial Statements.

City of Chicago, Illinois
General Obligation and Revenue Bonds
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation	$ 7,504.7	$ 6,863.4	$ -	$ -	$ 7,504.7	$ 6,863.4
Installment Purchase Agreement	1.2	3.5	-	-	1.2	3.5
Tax Increment	163.6	186.2	-	-	163.6	186.2
Revenue Bonds	559.4	564.8	10,923.7	9,532.3	11,483.1	10,097.1
Total	$ 8,228.9	$ 7,617.9	$ 10,923.7	$ 9,532 3	$ 19,152.6	$ 17,150.2

During 2010, the City issued the following:

General Obligation Bonds and Notes:

- General Obligation Bonds, Refunding Series 2009A, Taxable Project and Refunding Series 2009B, Taxable Project Series 2009C (Build America Bonds) and Taxable Project Series 2009D (Recovery Zone Economic Development Bonds) ($793.3 million)
- General Obligation Modern Schools Across Chicago Bonds, Series 2010A and Taxable Series 2010B ($150.1 million)
- General Obligation Bonds Taxable Series 2010B (Build America Bonds) ($213.6 million)
- General Obligation Short Term Notes Series 2010 ($70.4 million)
- General Obligation Commercial Paper Notes ($170.7 million)

Enterprise Fund Revenue Bonds and Notes:

- Second Lien Water Revenue Bonds, Project and Refunding Series 2010A, Taxable Project Series 2010B (Build America Bonds) and Taxable Project Series 2010C (Qualified Energy Conservation Bonds) ($313.6 million)
- Second Lien Wastewater Transmission Bonds, Revenue Refunding Series 2010A and Taxable Revenue Project Taxable Series 2010B (Build America Bonds) ($275.9 million)
- Water Commercial Paper Notes ($51.5 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A (Non-AMT), Series 2010B (Non-AMT), Taxable Series 2010C and Refunding Series 2010D (Non-AMT) ($137.7 million)
- Chicago-O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2010A (Non-AMT), Taxable Series 2010B (Build America Bonds), Series 2010C (Non-AMT), Refunding Series 2010D (AMT), Refunding Series 2010E (AMT) and Series 2010F (Non-AMT) ($1.04 billion)
- Chicago Midway Airport Second Lien Revenue Bonds, Taxable Series 2010 A-1 and Taxable Series 2010 A-2 ($80.5 million)
- Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B (Non-AMT), Taxable Series 2010C and Taxable Series 2010 D-2 ($246.5 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes ($.5 million)
- Chicago Midway International Airport General Commercial Paper Notes ($35.5 million)

At December 31, 2010 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch
General Obligation:			
City	Aa3	A+	AA-
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	Aa3	AA	AA+
Second Lien General Airport Revenue Bonds	A1	AA-	AA
Third Lien General Airport Revenue Bonds	A1	A-	A
First Lien Passenger Facility Charge (PFC)	A2	A-	A+
Midway Airport:			
First Lien	A2	A	A
Second Lien	A3	A-	A-
Water:			
First Lien	Aa2	AA	AA+
Second Lien	Aa3	AA-	AA
Wastewater:			
First Lien	Aa2	AA-	n/a
Junior Lien	Aa3	A+	AA
Sales Tax	Aa2	AAA	AA-
Motor Fuel Tax	Aa3	AA+	A-

In 2007, the City closed and extinguished the First Lien Passenger Facility Charge (PFC) bonds. All outstanding PFC bonds exist within the same lien status.

Economic Factors and Next Year's Budgets and Rates

The City's finances are closely tied with the global and national economies. Nationally, in 2010 new housing unit starts experienced a slight increase of 5.5 percent above 2009 levels. Additionally, in Chicago year to date average home prices increased 1.6 percent in 2010 over 2009 levels and real estate transaction tax collections increased by 23.8 percent from 2009 collections as a result of the Federal Homeowner Affordability and Stimulus Plan.

Additionally, 2010 sales tax collections saw a slight increase of 1 8 percent. Amusement tax collections increased by 7.72 percent in 2010 as a result of post season sporting events.

Chicago is a center of tourism and conventions Chicago's business district includes more than 30,000 hotel rooms within a five-mile range of McCormick Place, the convention facility that contains 2.6 million square feet of exhibit halls. Hotel projects completed in 2010 included the JW Marriott with 610 rooms and Hotel Palomar with 261 rooms. Hotel occupancy increased to 70 percent in 2010 and the average daily room rate increased by 1.84 percent.

The 2010 national unemployment rate reached 9.63 percent up from 9.275 percent in 2009. The City saw minimal change in 2010 as its unemployment rate increased to 10.1 percent in 2010 up from 10.0 percent in 2009.

The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The City's budget totals $3,263.7 million, reflecting an increase of $84.0 million or approximately 2.6 percent of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full time budgeted positions. Due to severe economic conditions over recent years, the City has needed to utilize nonrecurring revenue sources for budgetary purposes. This has taken the form of expending asset concession reserves and intends to utilize tax increment funds by declaring a surplus in twenty-six tax increment financing districts.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Comptroller's Office.

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Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 1,594,798	$ 225,325	$ 1,820,123
Investments	950,161	132,890	1,083,051
Cash and Investments with Escrow Agent	457,748	-	457,748
Receivables (Net of Allowances):			
Property Tax	1,423,922	-	1,423,922
Accounts	735,807	281,101	1,016,908
Internal Balances	(16,851)	16,851	-
Inventories	18,180	15,502	33,682
Restricted Assets:			
Cash and Cash Equivalents	137,363	1,376,006	1,513,369
Investments	560,246	1,396,955	1,957,201
Other Assets	247,931	494,562	742,493
Capital Assets:			
Land, Art, and Construction in Progress	1,559,949	2,283,645	3,843,594
Other Capital Assets, Net of Accumulated Depreciation	5,728,394	9,110,105	14,838,499
Total Capital Assets	7,288,343	11,393,750	18,682,093
Deferred Outflows	92,589	141,379	233,968
Total Assets and Deferred Outflows	$ 13,490,237	$ 15,474,321	$ 28,964,558
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	$ 479,047	$ 278,138	$ 757,185
Short-term Debt	672	-	672
Accrued Interest	145,788	212,366	358,154
Accrued and Other Liabilities	733,300	146,729	880,029
Unearned Revenue	109,836	216,619	326,455
Long-term Liabilities:			
Due Within One Year	275,186	186,925	462,111
Other Long-term liabilities	-	17,937	17,937
Derivative Instrument Liability	115,269	146,560	261,829
Due in More Than One Year	13,266,026	10,825,412	24,091,438
Total Liabilities	15,125,124	12,030,686	27,155,810
Deferred Inflows	1,660,426	1,719,091	3,379,517
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(324,284)	2,365,522	2,041,238
Restricted for:			
Capital Projects	99,646	174,035	273,681
Long-term Reserve	877,890	-	877,890
Debt Service	1,132,545	11,860	1,144,405
Federal, State and Local Grants	13,050	-	13,050
Special Taxing Areas	1,488,402	-	1,488,402
Passenger Facility Charges	-	179,571	179,571
Noise Mitigation Program	-	206,838	206,838
Other Purposes	-	218,577	218,577
Unrestricted (Deficit)	(6,582,562)	(1,431,859)	(8,014,421)
Total Net Assets (Deficit)	$ (3,295,313)	$ 1,724,544	$ (1,570,769)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	$ 2,557,681	$ 370,028
Public Safety	2,824,028	150,710
Streets and Sanitation	235,863	38,092
Transportation	373,437	21,640
Health	142,352	8,332
Cultural and Recreational	126,939	21,635
Interest on Long-term Debt	404,218	-
Total Governmental Activities	6,664,518	610,437
Business-type Activities:		
Water	399,347	458,395
Sewer	184,888	198,229
Chicago Midway International Airport	224,465	149,056
Chicago-O'Hare International Airport	834,487	702,603
Chicago Skyway	11,312	-
Total Business-type Activities	1,654,499	1,508,283
Total Primary Government	$ 8,319,017	$ 2,118,720

See notes to basic financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
$ 487,373	$ 4,903	$ (1,695,377)	$ -	$ (1,695,377)
75,131	-	(2,598,187)	-	(2,598,187)
-	-	(197,771)	-	(197,771)
-	109,968	(241,829)	-	(241,829)
98,287	-	(35,733)	-	(35,733)
13,886	-	(91,418)	-	(91,418)
-	-	(404,218)	-	(404,218)
674,677	114,871	(5,264,533)	-	(5,264,533)
-	3,414	-	62,462	62,462
-	3,136	-	16,477	16,477
-	43,226	-	(32,183)	(32,183)
-	196,533	-	64,649	64,649
-	-	-	(11,312)	(11,312)
-	246,309	-	100,093	100,093
$ 674,677	$ 361,180	(5,264,533)	100,093	(5,164,440)

General Revenues			
Taxes:			
Property Tax	796,928	-	796,928
Utility Tax	561,936	-	561,936
Sales Tax	260,364	-	260,364
Transportation Tax	335,235	-	335,235
Transaction Tax	227,772	-	227,772
Special Area Tax	477,241	-	477,241
Recreation Tax	158,390	-	158,390
Other Taxes	100,935	-	100,935
Grants and Contributions not Restricted to Specific Programs	654,043	-	654,043
Unrestricted Investment Earnings	100,269	6,831	107,100
Miscellaneous	149,902	50,190	200,092
Total General Revenues	3,823,015	57,021	3,880,036
Transfers	-	-	-
Change in Net Assets	(1,441,518)	157,114	(1,284,404)
Net Assets - Beginning (Deficit)	(1,853,795)	1,567,430	(286,365)
Net Assets - Ending (Deficit)	$ (3,295,313)	$ 1,724,544	$ (1,570,769)

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	$ 10,003	$ 32,990	$ 1,185,968
Investments	13,065	16,251	199,320
Cash and Investments with Escrow Agent	-	-	-
Receivables (Net of Allowances):			
Property Tax	-	-	394,374
Accounts	220,183	28,038	1,417
Due From Other Funds	254,124	29,707	6,378
Due From Other Governments	231,987	145,497	-
Inventories	18,180	-	-
Restricted Cash and Cash Equivalents	-	-	-
Restricted Investments	-	-	-
Other Assets	-	7,632	-
Total Assets	$ 747,542	$ 260,115	$ 1,787,457
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	$ 159,608	$ 134,898	$ 39,884
Bonds, Notes and Other Obligations Payable - Current	-	-	-
Accrued Interest	-	-	-
Due To Other Funds	295,566	40,850	10,657
Accrued and Other Liabilities	117,443	11,068	3,387
Claims Payable	36,505	-	-
Deferred Revenue	2,879	60,249	333,198
Total Liabilities	612,001	247,065	387,126
Deferred Inflows	-	-	-
Fund Balance:			
Reserved for Encumbrances	36,210	-	191,230
Reserved for Resale Property	-	7,632	-
Reserved for Inventory	18,180	-	-
Reserved for Debt Service	-	-	-
Reserved for Long-term Trust Fund	-	-	-
Unreserved, Designated for Future Appropriations	-	-	188,000
Unreserved, Undesignated - Major Funds	81,151	5,418	1,021,101
Unreserved, Undesignated - Special Revenue Funds	-	-	-
Unreserved, Undesignated - Capital Projects Funds	-	-	-
Total Fund Balance	135,541	13,050	1,400,331
Total Liabilities, Deferred Inflows and Fund Balance	$ 747,542	$ 260,115	$ 1,787,457

See notes to basic financial statements.

	Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
	$ -	$ 29,649	$ 50,713	$ 71,647	$ 213,828	$ 1,594,798
	-	98,659	110,230	473,690	38,946	950,161
	-	-	325,455	-	132,293	457,748
	-	-	526,556	-	502,992	1,423,922
	-	1,973	41,525	2,832	22,363	318,331
	-	50,000	1,512	68,131	94,373	504,225
	-		1,511	-	38,481	417,476
	-	-	-	-	-	18,180
	-	137,363	-	-	-	137,363
	-	560,246	-	-	-	560,246
	-	-	-	-	-	7,632
	$ -	$ 877,890	$ 1,057,502	$ 616,300	$ 1,043,276	$ 6,390,082
	$ -	$ -	$ -	$ 39,566	$ 80,206	$ 454,162
	-	-	140,248	-	6,695	146,943
	-	-	142,160	-	2,775	144,935
	-	-	-	97,910	81,010	525,993
	-	-	-	198	67,228	199,324
	-	-	-	-	-	36,505
	-	-	510,492	-	436,501	1,343,319
	-	-	792,900	137,674	674,415	2,851,181
	1,660,426	-	-	-	-	1,660,426
	-	-	-	37,148	21,486	286,074
	-	-	-	-	-	7,632
	-	-	-	-	-	18,180
	-	-	264,602	-	158,450	423,052
	-	739,166	-	-	-	739,166
	-	138,724	-	-	-	326,724
	(1,660,426)	-	-	441,478	-	(111,278)
	-	-	-	-	96,390	96,390
	-	-	-	-	92,535	92,535
	(1,660,426)	877,890	264,602	478,626	368,861	1,878,475
	$ -	$ 877,890	$ 1,057,502	$ 616,300	$ 1,043,276	$ 6,390,082

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,288,343
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds ...	1,378,564
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(13,840,695)
Net assets of governmental activities	$ (3,295,313)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	$ -	$ -	$ -
Utility Tax	467,411	-	-
Sales Tax	495,842	-	-
Transportation Tax	150,706	-	-
State Income Tax	282,011	-	-
Transaction Tax	195,085	-	-
Special Area Tax	-	-	372,577
Recreation Tax	158,390	-	-
Other Taxes	86,394	-	-
Federal/State Grants	1,735	814,144	-
Internal Service	274,574	-	-
Licenses and Permits	96,240	-	-
Fines	258,802	-	-
Investment Income (Loss)	4,200	-	2,323
Charges for Services	84,002	-	2
Miscellaneous	55,460	-	274
Total Revenues	2,610,852	814,144	375,176
Expenditures:			
Current:			
General Government	903,890	467,299	182,027
Health	35,593	112,521	59
Public Safety	1,828,984	77,180	406
Streets and Sanitation	177,950	-	3,071
Transportation	70,032	119,294	54,994
Cultural and Recreational	544	14,760	4,569
Employee Pensions	-	-	-
Other	11,944	17,187	-
Capital Outlay	-	4,903	-
Debt Service:			
Principal Retirement	3,785	-	-
Interest and Other Fiscal Charges	1,219	-	-
Total Expenditures	3,033,941	813,144	245,126
Revenues Over (Under) Expenditures	(423,089)	1,000	130,050

Continued on following pages.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 437,463	$ -	$ 316,618	$ 754,081
-	-	22,324	-	72,201	561,936
-	-	29,753	-	1,409	527,004
-	-	15,617	-	168,912	335,235
-	-	-	-	103,657	385,668
-	-	-	-	32,687	227,772
-	-	-	-	113,949	486,526
-	-	-	-	-	158,390
-	-	-	-	14,541	100,935
-	-	-	-	-	815,879
-	-	-	-	21,191	295,765
-	-	-	-	-	96,240
-	-	-	-	13,865	272,667
-	33,430	54,265	4,311	5,196	103,725
-	-	-	-	29,561	113,565
21,033	-	6,057	36,147	30,931	149,902
21,033	33,430	565,479	40,458	924,718	5,385,290
-	7	-	-	233,227	1,786,450
-	-	-	-	5,704	153,877
-	-	-	-	3,158	1,909,728
-	-	-	-	51,405	232,426
-	-	-	-	53,019	297,339
-	-	-	-	84,424	104,297
-	-	-	-	435,432	435,432
-	-	-	-	869	30,000
-	-	-	557,608	66,399	628,910
-	-	349,608	-	36,535	389,928
-	-	332,487	-	32,329	366,035
-	7	682,095	557,608	1,002,501	6,334,422
21,033	33,423	(116,616)	(517,150)	(77,783)	(949,132)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt	$ 16,500	$ -	$ -
Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	502,502	-	80,824
Transfers Out	(13,600)	(1,000)	(43,307)
Total Other Financing Sources (Uses)	505,402	(1,000)	37,517
Net Changes in Fund Balance	82,313	-	167,567
Fund Balance, Beginning of Year	54,706	13,050	1,232,764
Change in Inventory	(1,478)	-	-
Fund Balance, End of Year	$ 135,541	$ 13,050	$ 1,400,331

See notes to basic financial statements.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 559,081	$ 612,336	$ 210,108	$ 1,398,025
-	-	-	36,365	-	36,365
-	-	(412,184)	-	-	(412,184)
-	-	-	6,296	57,785	647,407
-	(457,852)	(22,150)	(99)	(109,399)	(647,407)
-	(457,852)	124,747	654,898	158,494	1,022,206
21,033	(424,429)	8,131	137,748	80,711	73,074
(1,681,459)	1,302,319	256,471	340,878	288,150	1,806,879
-	-	-	-	-	(1,478)
$ (1,660,426)	$ 877,890	$ 264,602	$ 478,626	$ 368,861	$ 1,878,475

Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	73,074
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		(31,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		30,106
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments		(657,809)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(855,569)
Change in the net assets of governmental activities	$	(1,441,518)

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:				
Utility Tax	$ 479,809	$ 479,809	$ 467,411	$ (12,398)
Sales Tax	215,312	215,312	229,202	13,890
Transportation Tax	155,661	155,661	150,706	(4,955)
Transaction Tax	172,713	172,713	195,085	22,372
Recreation Tax	154,757	154,757	158,390	3,633
Business Tax	78,146	78,146	82,960	4,814
State Income Tax	210,255	210,255	282,011	71,756
State Sales Tax	245,042	245,042	266,640	21,598
State Auto Rental	3,160	3,160	3,434	274
Federal/State Grants	2,500	2,500	1,735	(765)
Internal Service	289,328	289,328	274,574	(14,754)
Licenses and Permits	105,953	105,953	96,240	(9,713)
Fines	262,900	262,900	258,802	(4,098)
Investment Income	3,000	3,000	4,200	1,200
Charges for Services	77,543	77,543	77,694	151
Municipal Utilities	6,038	6,038	6,405	367
Leases, Rentals and Sales	19,284	19,284	17,604	(1,680)
Miscellaneous	11,150	11,150	37,759	26,609
Issuance of Debt, Net of Original Discount	16,500	16,500	16,500	-
Budgeted Prior Years' Surplus and Reappropriations	-	-	-	-
Transfers In/Out	670,694	670,694	502,502	(168,192)
Total Revenues	3,179,745	3,179,745	3,129,854	(49,891)
Expenditures:				
Current:				
General Government	1,044,147	1,044,147	919,386	124,761
Health	38,470	38,470	35,942	2,528
Public Safety	1,826,846	1,826,846	1,832,942	(6,096)
Streets and Sanitation	185,471	185,471	178,074	7,397
Transportation	79,314	79,314	72,375	6,939
Cultural and Recreational	564	564	544	20
Debt Service:				
Principal Retirement	3,785	3,785	3,785	-
Interest and Other Fiscal Charges	1,148	1,148	1,138	10
Total Expenditures	3,179,745	3,179,745	3,044,186	135,559
Revenues Over (Under) Expenditures	$ -	$ -	$ 85,668	$ 85,668

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
ASSETS AND DEFERRED OUTFLOWS						
CURRENT ASSETS:						
Unrestricted Assets:						
Cash and Cash Equivalents	$ 32,871	$ 17,999	$ 21,552	$ 150,789	$ 2,114	$ 225,325
Investments	3,840	4,803	44,917	79,177	153	132,890
Accounts Receivable (Net of Allowances)	108,154	58,831	10,660	86,067	56	263,768
Due from Other Funds	19,501	26,937	1,064	20,966	-	68,468
Due from Other Governments	-	-	1,857	15,476	-	17,333
Inventories	14,066	1,436	-	-	-	15,502
Total Unrestricted Assets	178,432	110,006	80,050	352,475	2,323	723,286
Restricted Assets:						
Cash and Cash Equivalents	146,981	137,780	228,236	863,009	-	1,376,006
Investments	186,011	112,971	189,161	908,812	-	1,396,955
Total Restricted Assets	332,992	250,751	417,397	1,771,821	-	2,772,961
Total Current Assets	511,424	360,757	497,447	2,124,296	2,323	3,496,247
NONCURRENT ASSETS:						
OTHER ASSETS	15,285	11,896	114,097	342,873	10,411	494,562
PROPERTY, PLANT AND EQUIPMENT:						
Land	5,083	560	107,287	738,472	12,609	864,011
Structures, Equipment and Improvements	3,142,354	1,737,335	1,362,200	6,389,283	490,755	13,121,927
Accumulated Depreciation	(778,115)	(387,276)	(338,401)	(2,316,486)	(191,544)	(4,011,822)
Construction Work in Progress	123,416	11,709	20,229	1,264,280	-	1,419,634
Total Property, Plant and Equipment	2,492,738	1,362,328	1,151,315	6,075,549	311,820	11,393,750
Total Noncurrent Assets	2,508,023	1,374,224	1,265,412	6,418,422	322,231	11,888,312
Deferred Outflows	77,367	49,116	14,896	-	-	141,379
Total Assets and Deferred Outflows	$ 3,096,814	$ 1,784,097	$ 1,777,755	$ 8,542,718	$ 324,554	$ 15,525,938

See notes to basic financial statements.

	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
	Business-type Activities - Enterprise Funds					
	Major Funds					
LIABILITIES						
CURRENT LIABILITIES:						
Unrestricted Liabilities:						
Voucher Warrants Payable	$ 16,173	$ 22,611	$ 16,645	$ 65,988	$ 262	$ 121,679
Due to Other Funds	26,887	13,312	6,747	4,656	15	51,617
Accrued and Other Liabilities	74,729	40,414	2,214	14,595	146	132,098
Deferred Revenue	20,774	15,914	32,908	147,023	-	216,619
Total Unrestricted Liabilities	138,563	92,251	58,514	232,262	423	522,013
Restricted Liabilities:						
Current Liabilities Payable From Restricted Assets	68,486	39,939	60,163	401,793	-	570,381
Total Current Liabilities	207,049	132,190	118,677	634,055	423	1,092,394
NONCURRENT LIABILITIES:						
Revenue Bonds Payable	1,743,732	1,112,087	1,458,667	6,510,926	-	10,825,412
Derivative Instrument Liability	77,367	49,116	20,077	-	-	146,560
Capital Lease	-	-	9,408	-	-	9,408
Long-term Purchase Obligation	8,529	-	-	-	-	8,529
Total Noncurrent Liabilities	1,829,628	1,161,203	1,488,152	6,510,926	-	10,989,909
Total Liabilities	2,036,677	1,293,393	1,606,829	7,144,981	423	12,082,303
DEFERRED INFLOWS	-	-	-	-	1,719,091	1,719,091
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	974,328	414,766	(39,755)	704,324	311,859	2,365,522
Restricted Net Assets:						
Debt Service	-	-	11,860	-	-	11,860
Capital Projects	447	11,110	11,438	151,040	-	174,035
Passenger Facility Charges	-	-	5,437	174,134	-	179,571
Contractual Use Agreement	-	-	24,744	107,842	-	132,586
Noise Mitigation Program	-	-	102,429	104,409	-	206,838
Other	-	-	34,733	51,258	-	85,991
Unrestricted Net Assets	85,362	64,828	20,040	104,730	(1,706,819)	(1,431,859)
Total Net Assets	$ 1,060,137	$ 490,704	$ 170,926	$ 1,397,737	$ (1,394,960)	$ 1,724,544

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services	$ 445,504	$ 197,455	$ 78,194	$ 458,879	$ -	$ 1,180,032
Rent	-	-	70,862	243,724	-	314,586
Other	12,891	774	-	-	-	13,665
Total Operating Revenues	458,395	198,229	149,056	702,603	-	1,508,283
Operating Expenses:						
Personal Services	102,946	17,179	42,105	147,437	-	309,667
Contractual Services	49,276	3,053	15,832	57,981	-	126,142
Repairs and Maintenance	1,587	66,584	31,942	86,463	-	186,576
Commodities and Materials	24,126	-	-	-	-	24,126
Depreciation and Amortization	44,519	23,775	52,767	185,079	11,312	317,452
General Fund Reimbursements	60,648	27,065	-	-	-	87,713
Other	40,507	-	18,457	118,747	-	177,711
Total Operating Expenses	323,609	137,656	161,103	595,707	11,312	1,229,387
Operating Income (Loss)	134,786	60,573	(12,047)	106,896	(11,312)	278,896
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	(362)	(922)	(2,682)	10,792	5	6,831
Interest Expense	(75,738)	(47,232)	(63,362)	(238,780)	-	(425,112)
Facility Charges	-	-	40,765	138,966	-	179,731
Other	530	21,448	777	8,954	18,481	50,190
Total Nonoperating Revenues (Expenses)	(75,570)	(26,706)	(24,502)	(80,068)	18,486	(188,360)
Transfers Out	-	-	-	-	-	-
Capital Grants	3,414	3,136	2,461	57,567	-	66,578
Net Income (Loss)	62,630	37,003	(34,088)	84,395	7,174	157,114
Net Assets (Deficit) - Beginning of Year	997,507	453,701	205,014	1,313,342	(1,402,134)	1,567,430
Net Assets (Deficit) - End of Year	$ 1,060,137	$ 490,704	$ 170,926	$ 1,397,737	$ (1,394,960)	$ 1,724,544

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities:						
Received from Customers	$ 433,161	$ 190,357	$ 150,038	$ 785,799	$ -	$ 1,559,355
Payments to Vendors	(91,536)	(34,077)	(67,484)	(230,806)	-	(423,903)
Payments to Employees	(102,946)	(42,644)	(33,752)	(130,823)	-	(310,165)
Transactions with Other City Funds	(82,581)	(15,345)	(6,318)	(44,779)	-	(149,023)
Cash Flows from Operating Activities	156,098	98,291	42,484	379,391	-	676,264
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds	367,532	275,865	331,020	1,177,650	-	2,152,067
Acquisition and Construction of Capital Assets	(135,212)	(101,782)	(34,512)	(433,776)	-	(705,282)
Capital Grant Receipts	-	3,136	604	45,934	-	49,674
Bond Issuance Costs	(2,244)	(1,959)	(2,041)	(8,220)	-	(14,464)
Payment to Refund Bonds	(35,580)	(29,223)	(61,360)	(295,355)	-	(421,518)
Principal Paid on Debt	(44,554)	(24,030)	(55,073)	(196,727)	-	(320,384)
Interest Paid	(79,763)	(40,567)	(55,472)	(267,910)	-	(443,712)
Passenger Facility Charges	-	-	42,600	141,952	-	184,552
Noise Mitigation Program	-	-	(3,049)	(23,759)	-	(26,808)
Deposit	-	-	(1,420)	-	12	(1,408)
Cash Flows from Capital and Related Financing Activities	70,179	81,440	161,297	139,789	12	452,717
Cash Flows from Investing Activities:						
Sale (Purchases) of Investments, Net	(101,935)	(86,729)	(97,746)	(143,553)	(116)	(430,079)
Investment Interest	859	794	1,321	14,023	5	17,002
Cash Flows from Investing Activities	(101,076)	(85,935)	(96,425)	(129,530)	(111)	(413,077)
Net Increase (Decrease) in Cash and Cash Equivalents	125,201	93,796	107,356	389,650	(99)	715,904
Cash and Cash Equivalents, Beginning of Year	54,651	61,983	142,432	624,148	2,213	885,427
Cash and Cash Equivalents, End of Year	$ 179,852	$ 155,779	$ 249,788	$ 1,013,798	$ 2,114	$ 1,601,331

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	$ 134,786	$ 60,573	$ (12,047)	$ 106,896	$ (11,312)	$ 278,896
Adjustments to Reconcile:						
Depreciation and Amortization	44,519	23,775	52,767	185,079	11,312	317,452
Provision for Uncollectible Accounts	15,862	7,936	3,369	(1,747)	-	25,420
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(24,839)	(8,296)	(1,950)	(13,511)	-	(48,596)
(Increase) Decrease in Due From Other Funds	(1,959)	8,503	2,513	(139)	-	8,918
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	(25,708)	4,212	(1,453)	6,070	-	(16,879)
Increase (Decrease) in Deferred Revenue and Other Liabilities	13,686	1,729	(715)	96,743	-	111,443
(Increase) Decrease in Inventories and Other Assets	(249)	(141)	-	-	-	(390)
Cash Flows from Operating Activities	$ 156,098	$ 98,291	$ 42,484	$ 379,391	$ -	$ 676,264

	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Supplemental Disclosure of Noncash Items:						
Capital asset additions in 2010 included in accounts payable and accrued and other liabilities	$ 16,265	$ 29,849	$ 24,271	$ 118,873	$ -	$ 189,258

See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 211,424	$ 86,955
Investments	-	53,283
Investments, at Fair Value		
Bonds and U.S. Government Obligations	2,239,582	-
Stocks	6,558,369	-
Mortgages and Real Estate	440,241	-
Other	1,604,709	-
Cash and Investments with Escrow Agent	-	16,726
Property Tax Receivable	-	103,407
Accounts Receivable, Net	844,487	109,327
Due From City	4,917	-
Invested Securities Lending Collateral	1,238,353	-
Total Assets	$ 13,142,082	$ 369,698
LIABILITIES		
Voucher Warrants Payable	$ 495,175	$ 39,434
Accrued and Other Liabilities	-	330,264
Securities Lending Collateral	1,238,353	-
Total Liabilities	1,733,528	369,698
NET ASSETS		
Reserved for Employee Benefit Plans	11,408,554	-
Total Net Assets Held in Trust for Pension Benefits	$ 11,408,554	$ -

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Total
ADDITIONS	
Contributions:	
Employees	$ 299,752
City	449,668
Total Contributions	749,420
Investment Income:	
Net Appreciation in	
Fair Value of Investments	1,158,742
Interest, Dividends and Other	230,611
Investment Expense	(47,049)
Net Investment Income	1,342,304
Securities Lending Transactions:	
Securities Lending Income	12,985
Securities Lending Expense	(3,066)
Net Securities Lending Transactions	9,919
Total Additions	2,101,643
DEDUCTIONS	
Benefits and Refunds of Deductions	1,550,776
Administrative and General	19,161
Total Deductions	1,569,937
Net Increase in Net Assets	531,706
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	10,876,848
End of Year	$ 11,408,554

See notes to basic financial statements.

1) Summary of Significant Accounting Policies

The City of Chicago (City), incorporated in 1837, is a "home rule" unit under State of Illinois (State) law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City's 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). For the year ended December 31, 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by providing for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their financial statements.

The financial reporting impact resulting from the implementation of GASB Statement No. 53 is the recognition within the financial statements of a liability for hedging and investment derivative instrument liabilities whose negative fair value at December 31, 2010 totaled $261.8 million and deferred outflows of resources of $234.0 million. The City also recorded an investment loss for the year ended December 31, 2010 of $6.0 million. In addition, beginning net assets within the statement of activities was restated as of January 1, 2010 to reflect investment losses of $21.9 million as a result of the retroactive implementation of this statement. Refer to Note No. 10 for additional disclosures related to this statement.

a) **Reporting Entity** - The City includes the Chicago Public Library and the City-related funds of the Public Building Commission. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code).

   The City's financial statements blend the following legally separate component units because they are fiscally dependent on the City and perform services primarily for City employees:

   <u>The Municipal Employees' Annuity and Benefit Fund of Chicago</u> is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

   <u>The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

   <u>The Policemen's Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

   <u>The Firemen's Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

   Financial statements for each of the pension plans may be obtained at the respective fund's office.

   Related Organizations - City officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is deferred unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Service Concession Agreement Fund accounts for deferred inflows from long-term concession and lease transactions whose proceeds are restricted to expenditure for specified purposes.

Reserve Fund accounts for a Mid-term and Long-term Reserve. The Mid-term is subject to appropriation; whereas the Long-term's principal is legally restricted. These reserves were created as a result of the Skyway Lease and Meter Parking System transactions.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities.

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water treatment facilities and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger service. Midway Airport is conveniently located ten miles from down town Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 169 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 20 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

Chicago Skyway Fund records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of $1.83 billion.

Additionally, the City reports the following fiduciary fund types:

Pension Trust Funds report expenditures for employee pensions as provided by employee and employer contributions and investment earnings.

Agency Funds account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods and services, or privileges provided, or fines, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer and skyway funds are charges to customers for sales and services. The airport funds principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

d) **Assets, liabilities, deferred inflows, and net assets or equity**

i) **Cash, Cash Equivalents and Investments** generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

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

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval. The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

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

Investments generally may not have a maturity date in excess of ten years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

State statutes and the City's Pension Plans' policies permit lending Pension Plan securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as capital assets when used (consumption method). Governmental fund inventories are accounted for using the purchases method and are offset by a reservation of fund balance to indicate that they do not represent expendable available financial resources.

iv) **Assets Held for Resale** includes land and buildings of $7.6 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.

v) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Skyway Lease Transaction legally requires the Long-term reserve's principal to be restricted.

The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

vi) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than $5,000 (not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was $848.0 million, of which $74.9 million was capitalized as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method, in the year subsequent to acquisition or when placed into service, over the following estimated useful lives:

Utility plant	25 - 100 years
Utility structures and improvements	50 - 100 years
Buildings and improvements	5 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads	5 - 40 years
Bridge infrastructure	10 - 50 years
Lighting infrastructure	25 years
Street infrastructure	10 - 25 years
Transit infrastructure	10 - 40 years
Equipment (vehicle, office, and computer)	4 - 33 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

vii) **Deferred Outflows** represent the fair value of derivative instruments that are deemed to be effective.

viii) **Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued 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. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

ix) **Judgments and claims** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.

x) **Long-term obligations** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. For existing swaps the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. All interest rate swaps and swaptions are approved by City Council.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts given on debt issued are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

Long-term purchase obligation represents an agreement with DuPage Water Commission to construct electrical generation facilities not to exceed $15.0 million. The payment of the obligation will be in the form of credits against the charges for water supplied.

xi) **Deferred inflows** represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements.

xii) **Fund equity** in the government-wide statements is classified as net assets and displayed in three components:

(1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) are legally restricted through constitutional provisions or enabling legislation. Restricted net assets for governmental activities represent restrictions associated with the nonmajor special revenue funds. Restricted net assets for business activities are provided in Exhibit #7, Statement of Net Assets, Proprietary Funds.

(3) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2) **Reconciliation of Government-wide and Fund Financial Statements**

a) **Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.**

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this $1,378.6 million are as follows (dollars in thousands):

Deferred revenue - property tax	$	1,233,483
Other assets - pension excess		169,966
Accounts payable - infrastructure retainage		(24,885)
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities	$	1,378,564

ii) Another element of that reconciliation explains that "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $13,840.7 million are as follows (dollars in thousands):

Long-term liabilities:		
Total bonds, notes and certificates payable	$	8,491,926
Pension obligation		4,216,250
Lease obligation		177,011
Pollution remediation		14,263
Claims and judgments		641,762
Total Long-term liabilities		13,541,212
Bonds, notes and other obligations payable current		(146,271)
Other assets - issuance costs		(74,115)
Accrued interest		4,635
Accrued and other liabilities - contractual wages		80,000
Accrued and other liabilities - other post employment benefits		304,483
Derivative instruments		22,680
Accrued and other liabilities - compensated absences		108,071
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities	$	13,840,695

b) **Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $31.3 million are as follows (dollars in thousands):

Capitalized asset expenditures	$	348,205
Depreciation expense		(379,115)
Loss - disposal of equipment		(410)
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(31,320)

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets." The details of this $657.8 million are as follows (dollars in thousands):

Proceeds of debt	$	(1,398,025)
Premium		(36,365)
Payment of refunded bond escrow agent		412,184
Principal retirement		389,928
Payment of cost of issuance		7,402
Interest expense		(32,933)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(657,809)

III) A third element of that reconciliation states that "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $855.6 million are as follows (dollars in thousands):

Claims and judgments	$	(14,392)
Pension benefit liability		(799,281)
Contractual Wage Settlement		(80,000)
Pollution remediation		23,106
Other post employment benefits		24,557
Vacation		951
Lease obligations		(9,032)
Inventory		(1,478)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(855,569)

3) **Stewardship, Compliance and Accountability**

a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:

I) Prior to November 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.

II) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.

III) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.

Iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request.

v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

b) **Reconciliation of GAAP Basis to Budgetary Basis** - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are reflected as reservations of fund balances for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years' resources used to cover current year budgetary expenditures are recorded as revenues For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2010 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 2,610,852
Add:	
Proceeds of Debt	16,500
Transfers In	502,502
Prior Year's Surplus Utilized	-
Revenues, Budgetary Basis	$ 3,129,854
Expenditures, GAAP Basis	$ 3,033,941
Add:	
Transfers Out	13,600
Encumbered in 2010	33,930
Deduct:	
Payments on Prior Years' Encumbrances	(25,341)
Provision for Doubtful Accounts	(11,944)
Expenditures, Budgetary Basis	$ 3,044,186

c) **Individual Fund Deficits** include the Motor Fuel Tax Fund, the Special Events, Tourism, Festivals Fund, and Service Concession Agreements Fund, which are Special Revenue Funds, and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of $6.6 million, $4.0 million, $1,660.4 million, and $1,395.0 million, respectively, which management anticipates will be funded through operations.

4) **Restricted and Unrestricted Cash, Cash Equivalents and Investments**

a) **Investments** As of December 31, 2010, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (In Years)				
	Less Than 1	1-5	6-10	More Than 10	Fair Value
City Funds					
U.S. Treasuries	$ 279,970	$ 553	$ -	$ 33,162	$ 313,685
U.S. Agencies	1,238,651	1,693,129	267,612	389,071	3,588,463
Corporate Bonds	139	-	-	96,252	96,391
Corporate Equities	451	-	-	-	451
Certificates of Deposit and Other Short-term	2,836,689	-	-	-	2,836,689
Total City Funds	$ 4,355,900	$ 1,693,682	$ 267,612	$ 518,485	$ 6,835,679
Pension Trust Funds					
U.S. and Foreign Government Agencies	$ 259,966	$ 349,527	$ 203,231	$ 512,472	$ 1,325,196
Commercial Paper	-	-	-	-	-
Corporate Bonds	54,596	424,371	292,036	342,013	1,113,016
Corporate Equities	6,272,559	-	-	-	6,272,559
Pooled Funds	1,147,016	-	-	-	1,147,016
Real Estate	430,115	-	-	-	430,115
Securities Received from Securities Lending	1,238,353	-	-	-	1,238,353
Venture Capital	439,219	-	-	-	439,219
Certificates of Deposit and Other Short-term	440,273	-	-	-	440,273
Other	83,333	-	-	-	83,333
Total Pension Trust Funds	$ 10,365,430	$ 773,898	$ 495,267	$ 854,485	$ 12,489,080
Total	$ 14,721,330	$ 2,467,580	$ 762,879	$ 1,372,970	$ 19,324,759

i) *Interest Rate Risk* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

ii) *Credit Risk* The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (dollars in thousands):

Quality Rating	City	Pension Trust Funds
Aaa/AAA	$ 6,696,722	$ 556,335
Aa/AA	72,847	93,893
A/A	-	259,145
Baa/BBB	-	324,343
Ba/BB	-	69,517
B/B	-	86,765
Caa/CCC	-	31,230
Ca	-	2,574
CC/C	-	6,627
D/D	-	6,484
Not Rated	-	234,942
Not Applicable	66,110	634,023
Total Funds	$ 6,835,679	$ 2,305,878

iii) Custodial Credit Risk – Cash and Certificates of Deposit This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City's deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories was $211.0 million. Of the bank balance, 100 percent was either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

iv) Custodial Credit Risk – Investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in corporate bonds of $96.4 million the City has no custodial credit risk exposure because the related securities are insured, registered and held by the City.

v) *Foreign Currency Risk* - In the case of the Pension Trust Funds, is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds exposure to foreign currency risk (dollars in thousands):

Foreign Currency Risk		
Australian dollar	$	92,102
Brazilian real		68,917
British pound		342,838
Canadian dollar		111,812
Chilean peso		3,839
Columbian peso		724
Czech Republic koruny		383
Danish krone		24,471
Egyptian pound		2,056
European euro		431,095
Hong Kong dollar		152,573
Hungarian forint		787
Indian rupee		36,213
Indonesian rupiah		20,445
Japanese yen		371,207
Malaysian ringgit		16,025
Mexican peso		27,979
Moroccan dirham		192
New Israeli shekel		11,134
New Taiwan dollar		17,841
New Zealand dollar		2,296
Norwegian krone		17,693
Pakistan rupees		1,033
Philippines peso		1,142
Polish zloty		5,468
Singapore dollar		35,036
South African rand		34,462
South Korean won		57,536
Swedish krona		51,322
Swiss franc		127,300
Taiwan dollar		14,697
Thailand baht		9,727
Turkish lira		10,088
Total Pension Trust Funds	$	2,100,433

vi) The following schedule summarizes the cash and investments reported in the basic financial statements (dollars in thousands):

Per Note 4:		
Investments - City	$	6,835,679
Investments - Pension Trust Funds		12,489,080
	$	19,324,759
Per Financial Statements:		
Restricted Investments	$	1,957,201
Unrestricted Investments		1,083,501
Investments with Fiduciary Funds		10,896,184
Investments with Escrow Agent		474,474
Invested Securities Lending Collateral		1,238,353
Investments included as cash and cash equivalents on the Statements of Net Assets		3,675,046
	$	19,324,759

5) **Property Tax**

The City's property tax becomes a lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into nine classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 16.0 percent for certain residential, commercial, and industrial property to 38.0 percent for other commercial and industrial property.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State (to which the Equalization Factor is not applied) to arrive at the base amount (Assessment Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Assessment Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is estimated and is 55.0 percent of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization and also reflects any changes from the prior year.

The City Council has adopted an ordinance beginning in 1994, limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index, all as defined in the ordinance. The ordinance provides a safe harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Increases in the debt service portion of each levy may, however, reduce amounts available within such levy to finance operations.

6) **Interfund Balances and Transfers**

a) The following balances at December 31, 2010 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental activities:		
General	$ 254,124	$ 295,566
Federal, State and Local Grants	29,707	40,850
Special Taxing Areas	6,378	10,657
Reserve	50,000	-
Bond, Note Redemption and Interest	1,512	-
Community Development and Improvement Projects	68,131	97,910
Nonmajor governmental funds	94,373	81,010
Total Governmental activities	504,225	525,993
Business-type activities:		
Water	19,501	26,887
Sewer	26,937	13,312
Chicago Midway International Airport	1,064	6,747
Chicago-O'Hare International Airport	20,966	4,656
Chicago Skyway	-	15
Total Business-type activities	68,468	51,617
Fiduciary activities:		
Pension Trust	4,917	-
Total Fiduciary activities	4,917	-
Total	$ 577,610	$ 577,610

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

b) The following balances at December 31, 2010 represent interfund transfers among all funds (dollars in thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental activities:		
General	$ 502,502	$ 13,600
Federal, State and Local Grants	-	1,000
Special Taxing Areas	80,824	43,307
Service Concession Agreements	-	-
Reserve	-	457,852
Bond, Note Redemption and Interest	-	22,150
Community Development and Improvement Projects	6,296	99
Nonmajor governmental funds	57,785	109,399
Total Governmental activities	647,407	647,407

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

7) **Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Disposals and Transfers	Balance December 31, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,372,742	$ 9,435	$ -	$ 1,382,177
Works of Art and Historical Collections	13,132	-	-	13,132
Construction in Progress	225,323	244,907	(305,590)	164,640
Total capital assets, not being depreciated	1,611,197	254,342	(305,590)	1,559,949
Capital assets, being depreciated:				
Buildings and Other Improvements	2,252,114	148,320	-	2,400,434
Machinery and Equipment	1,212,885	79,299	(19,831)	1,272,353
Infrastructure	6,609,112	179,967	-	6,789,079
Total capital assets, being depreciated	10,074,111	407,586	(19,831)	10,461,866
Less accumulated depreciation for:				
Buildings and Other Improvements	662,326	60,435	-	722,761
Machinery and Equipment	877,029	94,519	(19,421)	952,127
Infrastructure	2,834,423	224,161	-	3,058,584
Total accumulated depreciation	4,373,778	379,115	(19,421)	4,733,472
Total capital assets, being depreciated, net	5,700,333	28,471	(410)	5,728,394
Total governmental activities	$ 7,311,530	$ 282,813	$ (306,000)	$ 7,288,343
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 839,543	$ 24,468	$ -	$ 864,011
Construction in Progress	1,502,450	537,475	(620,291)	1,419,634
Total capital assets, not being depreciated	2,341,993	561,943	(620,291)	2,283,645
Capital assets, being depreciated:				
Buildings and Other Improvements	11,741,796	717,132	27,326	12,486,254
Machinery and Equipment	567,336	11,172	57,165	635,673
Total capital assets, being depreciated	12,309,132	728,304	84,491	13,121,927
Less accumulated depreciation for:				
Buildings and Other Improvements	3,455,184	264,077	(436)	3,718,825
Machinery and Equipment	278,466	16,237	(1,706)	292,997
Total accumulated depreciation	3,733,650	280,314	(2,142)	4,011,822
Total capital assets, being depreciated, net	8,575,482	447,990	86,633	9,110,105
Total business-type activities	$ 10,917,475	$ 1,009,933	$ (533,658)	$ 11,393,750
Total Capital Assets	$ 18,229,005	$ 1,292,746	$ (839,658)	$ 18,682,093

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General government	$	75,329
Public safety		37,193
Streets and sanitation		13,293
Transportation		226,950
Health		2,735
Cultural and recreational		23,615
Total depreciation expense - governmental activities	$	379,115
Business-type activities:		
Water	$	43,152
Sewer		23,166
Chicago Midway International Airport		44,844
Chicago-O'Hare International Airport		157,952
Chicago Skyway		11,200
Total depreciation expense - business-type activities	$	280,314

8) Leases

a) Operating Leases

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $18.8 million for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows (dollars in thousands):

2011	$	17,804
2012		16,607
2013		15,970
2014		10,671
2015		5,231
2016 - 2020		6,523
Total Future Rental Expense	$	72,806

b) Capital Leases

During 2003, the City entered into lease and lease back agreements with third parties pertaining to 911 Center Qualified Technological Equipment (QTE), with a book value of $143.3 million at December 31, 2003. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

During 2005, the City entered into sale and lease back agreements with third parties pertaining to the City owned portion of a rapid transit line with a book value of $430.8 million at December 31, 2005. Under the lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

The future minimum payments for these leases are as follows (dollars in thousands):

Year Ending December 31,	Total
2011	$ 10,216
2012	12,731
2013	9,104
2014	9,000
2015	9,000
2016 - 2020	42,983
2021 - 2025	87,018
2026 - 2030	2,000
2031 - 2032	165,164
Total Minimum Future Lease Payments	347,216
Less Interest	170,205
Present Value of Minimum Future Lease Payments	$ 177,011

c) **Lease Receivables**

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011	$ 72,282
2012	71,723
2013	71,049
2014	57,778
2015	45,711
2016 - 2020	145,091
2021 - 2025	8,302
2026 - 2030	9,591
2031 - 2035	9,564
Total Minimum Future Rental Income	$ 491,091

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to $381.6 million, including contingent rentals of $79.4 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011	$	34,469
2012		28,206
2013		4,418
2014		3,390
2015		1,124
Total Minimum Future Rental Income	$	71,607

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $86.4 million, including contingent rentals of $35.1 million.

9) **Short-term Debt**

Matured bonds represent principal due on coupon bonds in which the coupons have not been presented for payment. For the year ended December 31, 2010, there was minor activity; the balance remained at $0.7 million.

10) Long-term Obligations

a) **Long-term Debt** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Amounts Due within One Year
Governmental activities:					
Bonds, notes and certificates payable:					
General obligation debt	$ 6,863,427	$ 1,398,024	$ 756,712	$ 7,504,739	$ 144,036
Installment purchase agreement	3,500	-	2,300	1,200	1,200
Tax increment	186,158	-	22,580	163,578	23,095
Revenue	564,842	-	5,425	559,417	5,715
	7,617,927	1,398,024	787,017	8,228,934	174,046
Less unamortized debt refunding transactions	159,810	20,778	9,438	171,150	-
Add unamortized premium	173,347	36,365	10,982	198,730	-
Add accretion of capital appreciation bonds	207,878	31,663	4,129	235,412	1,421
Less converted portion of conversion bonds	3,923	-	3,923	-	-
Total bonds, notes and certificates payable	7,835,419	1,445,274	788,767	8,491,926	175,467
Other liabilities:					
Pension obligations	3,453,365	762,885	-	4,216,250	-
Lease obligations	169,282	9,032	1,303	177,011	10,216
Pollution Remediation	37,368	-	23,105	14,263	-
Claims and judgments	627,370	14,392	-	641,762	89,503
Total other liabilities	4,287,385	786,309	24,408	5,049,286	99,719
Total governmental activities	$ 12,122,804	$ 2,231,583	$ 813,175	$ 13,541,212	$ 275,186
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 1,464,839	$ 365,093	$ 76,101	$ 1,753,831	$ 42,217
Sewer	902,840	275,865	52,715	1,125,990	25,257
Chicago-O'Hare International Airport	5,898,100	1,177,650	505,230	6,570,520	107,295
Chicago Midway International Airport	1,266,515	331,020	124,155	1,473,380	7,885
	9,532,294	2,149,628	758,201	10,923,721	182,654
Less unamortized debt refunding transactions	136,755	6,661	18,148	125,268	-
Add unamortized premium	(115,952)	9,311	27,811	(134,452)	-
Add accretion of capital appreciation bonds	74,494	8,972	4,034	79,432	4,271
Total business-type activities	$ 9,585,985	$ 2,142,628	$ 716,276	11,012,337	$ 186,925
Total long-term obligations	$ 21,708,789	$ 4,374,211	$ 1,529,451	$ 24,553,549	$ 462,111

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and State Personal Property Replacement Tax revenues.

b) **Issuance of New Debt**

i) General Obligation Notes

The General Obligation Tender Notes, Series 2010 ($70.4 million) were sold in September 2010 at a fixed rate of 1.625 percent. The notes mature no later than April 1, 2012. The Series 2010 notes were issued to meet cash flow requirements of the City's Library Funds; the notes are payable from tax collections in the following year or from any other resources legally available to the City. Principal payments for the notes do not require the current appropriation and expenditure of Governmental Fund financial resources.

During 2010, the City issued $170.7 million in commercial paper notes for certain capital and operating uses.

ii) General Obligation Bonds

General Obligation Bonds, Project and Refunding Series 2009A-D ($793.3 million) were sold at a premium in January 2010. The bonds have interest rates ranging from 4.0 percent to 6.257 percent and maturity dates from January 1, 2018 to January 1, 2040. Series C bonds ($98.3 million) are Build America Bonds and Series D bonds ($133.2 million) are Recovery Zone Economic Development Bonds. Net proceeds of $812.0 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; payment of certain pension contributions; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance ($376.0 million); and to advance refund certain maturities of general obligation bonds outstanding ($412.2 million); and to fund capitalized interest ($23.8 million). The advance refunding of the bonds increased the City's total debt service payments by $51.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $9.1 million.

General Obligation Bonds (Modern Schools Across Chicago Program) Series 2010A-B ($150.1 million) were sold at a premium in August, 2010. Series B bonds ($57.8 million) are Build America Bonds. The bonds have interest rate ranging from 3.0 percent to 5 364 percent and maturity dates ranging from December 1, 2011 to December 1, 2029. Net proceeds of $160.6 million will be used to pay for a portion of the costs for construction, renovation, design and acquisition of elementary and high schools that are part of the school system operated by the Board of Education of the City of Chicago ($159.2 million) and to fund capitalized interest ($1.4 million). The bonds fund Phase II of the Modern Schools Across Chicago Program.

General Obligation Bonds, Taxable Project Series 2010B ($213.6 million) were sold in December 2010. The bonds are Build America Bonds and have an interest rate of 7.517 percent and maturity dates ranging from January 1, 2036 to January 1, 2040. Net proceeds of $213.6 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; provision of facilities, services and equipment to protect and enhance public safety, including but not limited to, increased costs for police and fire protection services, emergency medical services, staffing at the City's emergency call center and other City facilities, and enhanced security measures at airports and other major City facilities.

In June 2010, the City negotiated a novation of the fixed payer swap associated with a 75 percent portion of the General Obligation Series 2003B variable rate bonds with a current notional amount of $151.5 million from Lehman Brothers Special Financing Inc. (LBSF) to Wells Fargo Bank, N.A. due to LBSF's bankruptcy. A J.P. Morgan swap covers the remaining 25 percent balance of the bonds, with a current notional amount of $50.6 million, which remains unchanged. All economic terms of the interest rate swap remained identical and the City did not incur any cost in association with replacing the counterparty to the swap.

In November 2010, the City entered into swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with J.P. Morgan and Rice Financial Products for notional amounts of $50.6 and $151.5 million respectively. The agreements are effective March 1, 2011 through March 1, 2014, and the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR, essentially extending the $202.5 million notional amount CMS reversal in place up to March 1, 2011 with J.P. Morgan. Together with the existing underlying swaps on the bonds, in which the City pays 4.052 percent and receives 66.91 percent of 10 year LIBOR, the net effect is that the City will pay a fixed rate of 4.052 percent and receive 75 percent of one month LIBOR through March 1, 2014, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a combined upfront payment of $9.9 million in November 2010.

In December 2010, the City entered into swap overlay agreements (i.e., basis trades) associated with the General Obligation Series 2005D variable rate bonds with Rice Financial Products, Loop Financial Products and Jefferies for notional amounts of $100.0, $61.4 and $61.4 million respectively. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing swaps on the bonds, in which the City pays 4.104 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 4.104 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031, before 2014 and after 2031 the City will receive SIFMA through the expiration of the swaps (January 1, 2040). The City received a combined upfront payment of $13.7 in January 2011.

In December 2010, the City entered into two swap overlay agreements (i.e., basis trades) associated with the G.O. Series 2007 E, F&G variable rate bonds with Wells Fargo Bank, N.A. for a notional amount of $100.0 million each. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing underlying swaps on the bonds, in which the City pays 3.9982 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 3.9982 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031. Before 2014 and after 2031 the City will receive SIFMA through expiration of the swaps (January 1, 2042). The City received a combined upfront payment of $14.2 million in December 2010.

iii) Sales Tax Revenue Bonds

In August 2010, the City amended its swap agreement associated with the Sales Tax Series 2002 variable rate bonds with J.P. Morgan with a current notional amount of $114.2 million. The amendment removed J.P. Morgan's right to cancel the swap if SIFMA exceeds 7 percent for 180 consecutive days by converting the variable rate the City receives from SIFMA plus 13 basis points to 75.25 percent of three month LIBOR. The City continues to pay a fixed rate of 4.23 percent and receives 75.25 percent of three month LIBOR.

iv) Enterprise Fund Revenue Bonds and Notes

Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010A-F ($1,040.0 million) were sold at a premium in April, 2010. Series B bonds ($578.0 million) are Build America Bonds. The bonds have interest rates ranging from 1.75 percent to 6.845 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of $1,048.5 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program ($785.6 million), fund capitalized interest and debt service reserves ($214.0 million) and to advance refund certain maturities of bonds outstanding ($48.9 million). The advance refunding of the bonds decreased the Airport's total debt service payments by $3.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $2.8 million.

Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A-D ($137.7 million) were sold at a discount in May, 2010. The bonds have interest rates ranging from 2.0 percent to 6.395 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of $136.5 million and other monies of $.3 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program ($54.1 million), fund capitalized interest and debt service reserves ($68.7 million) and to advance refund certain maturities of bonds outstanding ($14.0 million). The advance refunding of the bonds decreased the Airport's total debt service payments by $1.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $.7 million.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010A1-2 ($80.5 million) were sold in May, 2010. The bonds were initially issued at a daily rate of .29 percent. The bonds have maturity dates of January 1, 2021 for Series 2010A-1 and January 1, 2025 for Series 2010A-2. Net proceeds of $80.4 will be used to advance refund certain maturities of bonds outstanding ($10.2 million), repay commercial paper and other principal due ($65.8 million) and fund capitalized interest and debt service reserves ($4.4 million). The advance refunding of the bonds increased the Airport's total debt service payments by $5.0 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of $.9 million.

At the discretion of the City the bonds may bear interest at a daily or weekly rate. Interest on bonds in the daily mode is payable on the first business day of each calendar month, commencing June 1, 2010.

The City has appointed a remarketing agent for the bonds when in a variable rate mode. The remarketing agent will use its best efforts to resell the bonds at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the notes, the City has obtained an unconditional, irrevocable letter of credit which may be drawn upon for the purchase of the bonds until the remarketing agent is able to resell the bonds.

The letters of credit securing the Series 2010A1-2 bonds totals $81.4 million and terminates no later than May 5, 2011. Advances under the letter of credit for Series 2010A-1 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate plus 3.0 percent or the Federal Funds rate plus 3.5 percent per annum (Base Rate) or 6.0 percent. Thereafter until due and payable, advances bear interest at the higher of the Base Rate plus 1.0 percent or 8.5 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 5.0 percent or 12 percent. The maximum rate of interest cannot exceed 15.0 percent. Advances under the letter of credit for Series 2010A-2 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate plus 1.5 percent or the Federal Funds rate plus 2.0 percent per annum (Base Rate) or 7.5 percent. Thereafter until due and payable, advances bear interest at the Base Rate plus 1.0 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 3.0 percent. The maximum rate of interest cannot exceed 18.0 percent. The letters of credit were issued by third-party financial institutions that are expected to be financially capable of honoring its agreements. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B, C, D-1 and D-2 ($246.5 million) were sold at a premium in October, 2010. The bonds have interest rates ranging from 3.532 percent to 7.168 percent with maturity dates from January 1, 2014 to January 1, 2041. Net proceeds of $237.8 million will be used to finance the costs of certain Airport projects ($168.8 million), fund capitalized interest and debt service reserves ($24.3 million) and to repay commercial paper ($44.7 million).

Second Lien Water Revenue Project and Refunding Bonds, Series 2010A-C ($313.6 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from November 1, 2011 to November 1, 2040. Series B bonds ($250.0 million) are Build America Bonds and Series C bonds ($29.7 million) are Qualified Energy Conservation Bonds. Net proceeds of $313.8 million will be used to finance certain costs of improvements and extensions to the water system ($277.6 million), advance refund a certain maturities of water revenue bonds outstanding ($36.2 million). The advance refunding of the bonds decreased the Water system's total debt service payments by $3.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $2.4 million.

Second Lien Wastewater Revenue Project and Refunding Bonds, Series 2010A-B ($275.9 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from January 1, 2012 to January 1, 2040. Series B bonds ($250.0 million) are Build America Bonds. Net proceeds of $275.8 million will be used to finance certain costs of improvements and extensions to the wastewater system ($248.2 million), advance refund a certain maturities of wastewater revenue bonds outstanding ($27.6 million). The advance refunding of the bonds decreased the Wastewater system's total debt service payments by $5.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $3.3 million.

During 2010, $.5 million of Chicago O'Hare International Airport Commercial Paper Notes Series A, B and C were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

During 2010, $35.5 million of Chicago Midway Airport Commercial Paper Notes Series A, B and D were issued. The proceeds were used to repay debt obligations that were in bank bond mode, finance portions of the costs of authorized airport projects and refund a portion of certain outstanding bonds.

During 2010, $51.5 million of Water Revenue Commercial Paper Notes were issued. The proceeds were used to finance portions of the costs of authorized projects.

In May 2010, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan on its swap associated with a 40 percent portion of the Midway Airport Series 2004C&D variable rate bonds with a current notional amount of $60.9 million. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of $91.3 million, and remains unchanged. The J.P. Morgan CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Both firms had the right to require a two-way CSA, but only J.P. Morgan exercised the right. Goldman Sachs waived its right as long as the swap remains unchanged. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market adjustment on the swap is against the City by more than $10 million, collateral must be posted for the difference. In August 2010, collateral was required in the amount of $1.4 million, which was funded with proceeds from Midway Commercial Paper, but as of December 31, 2010, no collateral posting was required.

v) Financial Market Related Conversions

The global economic downturn has adversely impacted the City's variable rate debt. The credit crisis and the effect on monoline insurers' credit ratings, as a result of their exposure to subprime mortgages, have resulted in downgrades by the major rating agencies. As a result, credit spreads increased on the City's variable rate debt, especially with insured bonds; therefore the City refinanced or converted many of its variable rate debt issues. In 2010, the City utilized liquidity facilities to convert two variable rate issues in the amount of $284.7 million and thereby removing the monoline insurers or impaired banks providing credit support.

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2010 are as follows (dollars in thousands):

	General Obligation		Installment Purchase		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 156,646	$ 362,307	$ 1,200	$ 47	$ 25,040	$ 8,793
2012	238,178	357,137	-	-	20,815	7,389
2013	205,827	348,585	-	-	30,264	6,212
2014	215,509	344,558	-	-	15,237	11,853
2015	237,486	338,480	-	-	8,965	3,951
2016 - 2020	1,433,028	1,514,111	-	-	45,975	9,964
2021 - 2025	1,553,090	1,185,521	-	-	10,585	840
2026 - 2030	1,444,048	838,646	-	-	-	-
2031 - 2035	981,304	498,889	-	-	-	-
2036 - 2040	691,016	190,537	-	-	-	-
2041 - 2045	25,645	1,060	-	-	-	-
	$ 7,181,777	$ 5,979,831	$ 1,200	$ 47	$ 156,881	$ 49,002

	Revenue		Business-type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2011	$ 16,295	$ 25,971	$ 236,253	$ 529,302
2012	17,150	25,121	258,162	519,266
2013	18,040	24,227	362,891	511,834
2014	18,980	23,286	371,606	496,439
2015	18,400	22,315	312,755	479,007
2016 - 2020	97,940	97,463	1,757,307	2,161,483
2021 - 2025	123,015	71,699	1,941,395	1,715,052
2026 - 2030	130,754	64,419	2,426,430	1,191,187
2031 - 2035	89,418	53,097	2,056,740	572,439
2036 - 2040	23,710	1,793	1,004,295	156,870
	$ 553,702	$ 409,391	$ 10,727,834	$ 8,332,879

Debt service requirements above exclude commercial paper issues as the timing of payments is not certain. For the requirements calculated above, interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2010. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

d) **Derivatives**

i) **Pay-Fixed, Receive-Variable Interest Rate Swaps**

(1) *Objective of the swaps.* In order to protect against the potential of rising interest rates, the City has entered into various separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt.

	Changes in Fair Value		Fair Value at December 31, 2010		Notional
	Classification	**Amount**	**Classification**	**Amount**	**Amount**
Governmental Activities					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	$ (45,058)	Deferred Outflow of Resources	$ (120,447)	$ 792,070
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	(10,848)	Investment Revenue	(24,529)	201,965
Business-type Activities					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	(34,449)	Deferred Outflow of Resources	(141,379)	973,805
Total..				$ (286,355)	

(2) *Terms, fair values, and credit risk.* The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2010, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
Hedging Instruments						
Governmental Activities:						
						Aa3/A+
		11/08/2007	Pay 3.998%; receive SIFMA	$ (15,270)	01/01/2042	A1/A+
GO VRDB (Series 2007EFG)....	$ 200,000	01/01/2014	Pay SIFMA; receive 72.5% of LIBOR *	(16,185)	01/01/2031	Aa2/AA
						A1/A
						Aa2/A+
		08/17/2005	Pay 4.104%; receive SIFMA	(21,194)	01/01/2040	Aaa/AA
GO VRDB (Series 2005D).................	222,790	01/01/2014	Pay SIFMA; receive 72.5% of LIBOR *	(18,240)	01/01/2031	Aa3/A+
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B)	206,700	10/03/2002	Pay 3.575%; receive 70% of LIBOR	(24,477)	01/01/2037	Aa1/AA- Aa3/A+
Sales Tax Revenue Refunding Bonds (VRDB Series 2002)................................	114,150	06/27/2002	Pay 4.23%; receive 75.25% of LIBOR	(17,445)	01/01/2034	Aa1/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999A)..	44,900	09/01/1999	Pay 5.084%; receive 67% of LIBOR	(7,302)	01/01/2019	Aa3/A+
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B)..........	3,975	02/10/1997	Pay 5.375%; receive SIFMA	(334)	12/01/2014	Aa3/A+
Business-type Activities:						
Chicago Midway International Airport Revenue Bonds (Series 2004C&D)..........	152,150	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	(14,896)	01/01/2035	Aa1/A Aa1/AA-
	232,260	01/03/2011	Pay 3.886%; receive 95% of 3 Mo. LIBOR (if LIBOR is < 3%) or 67% of 3 Mo. LIBOR (if LIBOR is > 3%)	(34,121)	01/01/2039	Aa3/A+
Wastewater Transmission Variable Rate Revenue Bonds (Series 2008C)......	99,670	07/29/2004	Pay 3.886%; receive SIFMA (if LIBOR is < 3%) or 67% of LIBOR (if LIBOR is > 3%)	(14,994)	01/01/2039	Aa1/AA-
Water Variable Rate Revenue Refunding Bonds (Series 2004)......	193,655	04/16/2008	Pay 3.8694%; receive SIFMA	(28,609)	11/01/2025	Aa3/A+
Water Variable Rate Revenue Refunding Bonds (Series 2004)...............	195,770	08/05/2004	Pay 3.8669%; receive SIFMA	(30,645)	11/01/2031	A1/A-
Second Lien Water Revenue Refunding Bonds (Series 2000)........... ..	100,000	04/16/2008	Pay 3.8694%; receive SIFMA	(18,114)	11/01/2030	Aa3/A+
Investment Instruments						
Governmental Activities:						
		08/07/2003	Pay 4.052%; receive 66.91% of 10 Yr LIBOR	(16,372)	01/01/2034	Aa1/AA-
			Pay 66.91% of 10 Yr LIBOR;			Aa2/AA
GO VRDB (Series 2003B).......................	202,500	03/01/2011	receive 75% of 1 Mo. LIBOR *	(8,157)	03/01/2014	Aaa/AA
Total.................	$ 1,968,520			$ (286,355)		

See Table 31 in Statistical Section for Counterparty Entities and additional details for credit ratings.
Type and objective for all the SWAPS is the same, as mentioned earlier.
* Reflects SWAP Overlay agreement.

(3) *Fair Value.* As of December 31, 2010, the swaps had a negative fair value of $286.4 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values. Note that in the statement of net assets the combination of the $248.3 million derivative liability and the unamortized interest rate swap premium balance of $38.1 million, recorded as component of unearned revenue, together represent the total fair value.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

(6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.

(7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

(8) *Swap payments and associated debt.* Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. As of December 31, 2010, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2011	$ 15,310	$ 7,914	$ 70,223	$ 93,447
2012	21,395	7,860	69,594	98,849
2013	22,645	7,784	68,775	99,204
2014	36,955	7,703	67,899	112,557
2015	37,865	7,589	66,608	112,062
2016 - 2020	325,570	35,326	302,909	663,805
2021 - 2025	452,930	29,054	232,234	714,218
2026 - 2030	372,980	22,640	161,514	557,134
2031 - 2035	439,145	14,031	84,287	537,463
2036 - 2040	217,950	4,838	22,859	245,647
2041 - 2045	22,195	222	665	23,082
	$ 1,964,940	$ 144,961	$ 1,147,567	$ 3,257,468

ii) Swaptions

(1) *Objective of the swaptions.* The City entered into several swaption contracts that provided the City upfront payments totaling $42.1 million. The term swaption refers to the City selling an option to a counterparty to execute a swap at a certain date in the future if certain conditions exist. If the conditions do not exist, the counterparty will not execute the option, no swaptions have been exercised. In the event the options are executed and the City enters into a fixed to floating rate swap, the City would be exposed to the risks as described under Swaps.

	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at December 31, 2010 Classification	Fair Value at December 31, 2010 Amount	Notional Amount
Governmental Activities					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS	Investment Revenue	$ 499	Investment Revenue	$ (17,001)	$ 471,875
Business-type Activities					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS	Investment Revenue	(1,761)	Investment Revenue	(19,813)	380,270
Total				$ (36,814)	

(2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2010, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Trade Date	Variable Rate Paid	Fixed Rate Received	Fair Values	Swap Termination Date	Up-Front Payment
GO Bonds (GO, Series 2001A; GO Series 2002A; GO, Series 2003A; and GO, Series 2004A).......	$ 318,670	12/18/2003	SIFMA+ 30bps	5.000%	$ (12,543)	01/01/2024	$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT), Series 1998B(Non-AMT); and Refunding Series 1998C(Non-AMT))..	380,270	10/27/1999	SIFMA+ 25bps	5.100	(19,813)	01/01/2030	23,500
Sales Tax Revenue Bonds (Series 1999).......................	23,285	06/21/2002	SIFMA+ 30bps	4.984	(161)	01/01/2019	728
Sales Tax Revenue Bonds (Series 1998).......................	69,275	06/21/2002	SIFMA+ 30bps	5.250	(2,420)	01/01/2028	2,562
Sales Tax Revenue Bonds (Series 1997).......................	60,645	06/21/2002	SIFMA+ 30bps	5.375	(1,877)	01/01/2027	1,964
Total..................................	$ 852,145				$ (36,814)		$ 42,138

(3) *Fair value.* As of December 31, 2010, the swaptions had a negative fair value of $36.8 million. As per industry convention, the fair values of the City's outstanding swaptions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Received, the City's swaptions had negative values. The negative value is also driven by the upfront payment received by the City upon execution of the swaption agreement. Note that in the statement of net assets the combination of the $13.5 million derivative liability and the unamortized interest rate swaption premium balance of $23.3 million, recorded as component of unearned revenue, together represent the total fair value.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaptions is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaptions also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is

exposed to basis risk on all swaptions except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaptions, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date, and it would add additional underlying cost to the transaction.

(6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the swaption transactions.

(7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

e) **Debt Covenants**

i) **Water Fund** - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2010. The Water Rate Stabilization account had a balance in restricted assets of $61.4 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien Water Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues are equal to the sum of the aggregate annual debt service requirements for the fiscal year of the outstanding senior lien bonds and 110 percent of the aggregate annual debt service requirements of the outstanding second lien bonds. This requirement was met at December 31, 2010.

ii) **Sewer Fund** - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds equal 115 percent of the current annual debt service requirements on the outstanding senior lien bonds. This requirement was met at December 31, 2010. The Sewer Rate Stabilization account had a balance in restricted assets of $24.6 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues equal 100 percent of the sum of the current maximum annual debt service requirements of the outstanding senior lien bonds and the maximum annual debt service requirements of the second lien bonds. This requirement was met at December 31, 2010.

iii) **Chicago Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway International Airport Revenue Bonds requires that the City set rates and charges for the use and operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such year not required to be deposited in any fund or account, will be at least sufficient (a) to provide for the operation and maintenance expenses for the year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien Debt Service Fund, the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on First Lien Bonds. These requirements were met at December 31, 2010.

iv) **Chicago-O'Hare International Airport Fund** - In 1983, the City Council adopted the General Airport Revenue Bond ordinance authorizing the issuance and sale of Chicago-O'Hare International Airport General Airport Revenue Bonds in unlimited series for the purpose of financing the cost of improvements and expansion of O'Hare and to redeem its existing outstanding bond obligations. The ordinance further permits the issuance of second lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the ordinance. The ordinance requires that net revenues in each year equal not less than the sum of (i) the amount required to be deposited for such year in the debt service reserve fund, the maintenance reserve fund, the special capital projects fund and the junior lien debt service fund, and (ii) 110 percent of the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on bonds. This requirement was met at December 31, 2010. The ordinance provides for the creation of separate accounts that are to be credited with revenues in a specified priority. At the end of each year, any excess funds over amounts required in accounts other than Special Capital Projects, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

The Master Indenture of Trust securing Chicago-O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and (ii) to provide for the greater of (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) 110 percent the Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien obligations or Third Lien obligations. This requirement was met at December 31, 2010.

The master indenture securing the Passenger Facility Charge (PFC) Revenue Bonds requires PFC revenues, as defined, to be deposited into the PFC Revenue Fund. The PFC Revenue Fund is required to transfer amounts no later than the twentieth day of each month to various funds, as defined, as appropriate to meet debt service and debt service reserve requirements.

f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

g) **Defeased Bonds** have been removed from the Statement of Net Assets because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2010, not including principal payments due January 1, 2011, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Emergency Telephone System - Series 1993	$ 213,730	$ 140,595
General Obligation Refunding Bonds - Series 1993B	17,535	17,535
General Obligation Refunding Bonds - Series 1995A-2	32,625	23,575
General Obligation Project and Refunding Bonds - Series 1998	338,710	18,830
General Obligation Project and Refunding Bonds - Series 1999A	252,380	10,475
General Obligation Bonds - Series 2001A	349,845	137,085
General Obligation Project and Refunding Bonds - Series 2002A	135,690	117,855
General Obligation Project and Refunding Bonds - Series 2003A	89,815	87,510
General Obligation Project Bonds - Series 2003C	87,645	77,395
General Obligation Project Bonds - Series 2004A	205,535	205,535
General Obligation Project and Refunding Bonds - Series 2005B	3,460	3,280
General Obligation Project and Refunding Bonds - Series 2005E	22,186	17,532
General Obligation Project and Refunding Bonds - Series 2006A	19,230	15,680
General Obligation Direct Access Bonds - Series 2006	4,755	4,755
General Obligation Project and Refunding Bonds - Series 2007A	10,300	10,300
Neighborhoods Alive 21 Program - Series 2001A	213,825	60,170
Neighborhoods Alive 21 Program - Series 2002A	36,820	15,870
Neighborhoods Alive 21 Program - Series 2003	90,600	86,045
Lake Millenium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Lake Millenium Project Parking Facilities Bonds - Series 1999	44,495	44,395
Near South Redevelopment Project Tax Increment - Series 1994A	23,000	9,975
Water Revenue Senior Lien Bonds - Series 2001	242,630	229,155
Special Transportation Revenue Bonds - Series 2001	118,715	103,485
Total	$ 2,703,406	$ 1,480,912

11) **Pension Trust Funds**

a) **Retirement Benefit** - Eligible City employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees'; the Laborers' and Retirement Board Employees'; the Policemen's; and the Firemen's Annuity and Benefit Funds of Chicago. Plans are administered by individual retirement boards represented by elected and appointed officials. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when payable.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fixed income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are generally valued by appraisals or other approved methods. Investments that do not have an established market are reported at estimated fair value.

The Plans have a securities lending program. At year-end, the Plans have no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the Plans. The contract with the Plans' master custodian requires it to indemnify the Plans if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the fund for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand by either the Plans or the borrower, although the average term of the loans has not exceeded 90 days. The Plans' custodian lends securities for collateral in the form of cash, irrevocable letters of credit and/or U.S. government obligations equal to at least 102 percent of the fair value of securities or international securities for collateral of 105 percent. Cash collateral is invested in the lending agents' short-term investment pool, which at year-end has a weighted average maturity that did not exceed 101 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2010 are as follows: market value of securities loaned $1,208.4 million, market value of cash collateral from borrowers $1,238.3 million and market value of non-cash collateral from borrowers $5.4 million.

The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 20 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.0 percent to 2.4 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

State law requires City contributions at statutorily, not actuarially determined rates. The City's contribution is equal to the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by 1.25 for the Municipal Employees', 1.00 for the Laborers', 2.00 for the Policemen's, and 2.26 for the Firemen's. State law also requires covered employees to contribute a percentage of their salaries.

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution rates:					
City (a)	8.5%	8.5%	9.0%	9.125%	
Plan members	8.5	8.5	9 0	9 125	
Annual required contribution	$ 483,948	$ 46,665	$ 363,625	$ 218,388	$ 1,112,626
Interest on net pension obligation	54,379	(16,509)	124,994	96,897	259,761
Adjustment to annual required contribution	(55,907)	16,973	(85,391)	(99,619)	(223,944)
Annual pension cost	482,420	47,129	403,228	215,666	1,148,443
Contributions made	154,752	15,352	174,501	80,947	425,552
Increase in net pension obligation	327,668	31,777	228,727	134,719	722,891
Net pension obligation (excess), beginning of year	679,738	(206,362)	1,562,419	1,211,208	3,247,003
Net pension obligation (excess), end of year	$ 1,007,406	$ (174,585)	$ 1,791,146	$ 1,345,927	$ 3,969,894

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:				
Investment rate of return (a)	8.0%	8.0%	8.0%	8.0%
Projected salary increases (b):				
Inflation	3.0	3.0	3.0	3.0
Seniority/Merit	(c)	(d)	(e)	(f)
Postretirement benefit increases	(g)	(g)	(h)	(h)

(a) Percentage represents amount applied to the employees account and not the total contributed.
(b) Compounded Annually
(c) Service-based increases equivalent to a level annual rate increase of 2.4 percent over a full career.
(d) Service-based increases equivalent to a level annual rate increase of 1.9 percent over a full career.
(e) Service-based increases equivalent to a level annual rate increase of 2.8 percent over a full career.
(f) Service-based increases equivalent to a level annual rate increase of 2.7 percent over a full career.
(g) 3.0 percent per year beginning at the earlier of:
1) the later of the first of January of the year after retirement and age 60;
2) the later of the first of January of the year after the second anniversary of retirement and age 53.
(h) Uses 3.0 percent per year for annuitants age 55 or over, born before 1955 with at least 20 years of service and 1.5 percent per year for 20 years for annuitants age 60 or over, born in 1955 or later.

The following tables of information assist users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each Plan is as follows (dollars in thousands):

Year	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension (Excess) Obligation
Municipal Employees':			
2008	$ 359,933	40.79%	$ 415,207
2009	412,576	35.88	679,738
2010	482,420	32.08	1,007,406
Laborers':			
2008	18,166	83.85	(225,759)
2009	34,024	42.99	(206,362)
2010	47,129	32.57	(174,585)
Policemen's:			
2008	348,273	49.63	1,360,492
2009	373,972	46.00	1,562,419
2010	403,228	43.28	1,791,146
Firemen's:			
2008	187,710	43.29	1,099,024
2009	201,397	44.30	1,211,208
2010	215,666	37.53	1,345,927

SCHEDULE OF FUNDING PROGRESS
(dollars in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees':							
2008	12/31/08	$ 6,669,502	$ 10,383,158	$3,713,656	64%	$ 1,543,977	241%
2009	12/31/09	6,295,788	10,830,119	4,534,331	58	1,551,973	292
2010	12/31/10	6,003,390	11,828,666	5,825,276	51	1,541,388	378
Laborers':							
2008	12/31/08	1,698,427	1,915,324	216,897	89	216,744	100
2009	12/31/09	1,601,352	1,975,749	374,397	81	208,626	179
2010	12/31/10	1,529,404	2,030,025	500,621	75	199,863	250
Policemen's:							
2008	12/31/08	4,093,720	8,482,574	4,388,854	48	1,023,581	429
2009	12/31/09	3,884,978	8,736,102	4,851,124	44	1,011,205	480
2010	12/31/10	3,718,955	9,210,056	5,491,101	40	1,048,084	524
Firemen's:							
2008	12/31/08	1,335,695	3,311,269	1,975,574	40	396,182	499
2009	12/31/09	1,269,231	3,428,838	2,159,607	37	400,912	539
2010	12/31/10	1,198,114	3,655,026	2,456,912	33	400,404	614

b) **Other Postemployment Benefits (OPEB)** - Under State law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and Fire pension plan participants older than age 50 with at least 10 years of service may become eligible for postemployment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants. The amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

Annual OPEB Cost and Contributions Made
For Fiscal Year Ending December 31, 2010

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution Rates City:	A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.				
Annual Required Contribution	$ 22,955	$ 3,609	$ 10,659	$ 4,428	$ 41,651
Interest on Net OPEB Obligation	1,900	164	371	243	2,678
Adjustment to Annual - Required Contribution	(2,480)	(214)	(294)	(317)	(3,305)
Annual OPEB Cost	22,375	3,559	10,736	4,354	41,024
Contributions Made	9,550	2,587	9,354	2,644	24,135
Increase in Net OPEB Obligation	12,825	972	1,382	1,710	16,889
Net OPEB Obligation, Beginning of Year	42,220	3,647	8,237	5,397	59,501
Net OPEB Obligation, End of Year	$ 55,045	$ 4,619	$ 9,619	$ 7,107	$ 76,390

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial Valuation Date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Percent, Open	Level Dollar, Open
Remaining Amortization Method	30 years	30 years	30 years	30 years
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) Inflation	3.0%	3.0%	3.0%	3.0%
Seniority / Merit	(b)	(c)	(d)	(e)
Healthcare Cost Trend Rate (f)	0.0%	0.0%	0.0%	0.0%

(a) Compounded Annually
(b) Service-based increases equivalent to a level annual rate of increase of 2.4 percent over a full career
(c) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career
(d) Service-based increases equivalent to a level annual rate of increase of 2.8 percent over a full career
(e) Service-based increases equivalent to a level annual rate of increase of 2.7 percent over a full career
(f) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY
(dollars in thousands)

	Year	Annual OPEB Cost	% of Annual OPEB Obligation	Net OPEB Obligation
Municipal Employees'	2008	$ 23,580	38.29%	$ 29,307
	2009	22,561	42.77	42,220
	2010	22,375	42.68	55,045
Laborers'	2008	3,546	66.20	2,563
	2009	3,646	70.29	3,647
	2010	3,559	72.68	4,619
Policemen's	2008	11,378	77.78	5,640
	2009	11,863	78.11	8,237
	2010	10,736	87.13	9,619
Firemen's	2008	4,281	58.09	3,723
	2009	4,319	61.24	5,397
	2010	4,354	60.74	7,107

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'	12/31/2010	$ -	$ 223,564	$ 223,564	-	$ 1,541,388	14.50
Laborers'	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's	12/31/2010	-	48,222	48,222	-	400,404	12.04

12) Other Postemployment Benefits – City Obligation

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed $65 for each Medicare eligible annuitant and $95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $64.1 million in 2010 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants plus their dependents was approximately $107.4 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

Plan Description Summary - The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective four Pension Funds (see Note 11).

Funding Policy - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of three years (the remaining years of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2010 is the *Annual OPEB Cost (expense).*

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	$ 189,328
Interest on Net OPEB Obligation	9,871
Adjustment to Annual Required Contribution	(116,325)
Annual OPEB Cost	82,874
Contributions Made	107,431
Increase in Net OPEB Obligation	(24,557)
Net OPEB Obligation, Beginning of Year	329,040
Net OPEB Obligation, End of Year	$ 304,483

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 is as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 82,874	129.6%	$ 304,483
12/31/2009	157,809	62.1	329,040
12/31/2008	218,897	44.8	269,275

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $533.4 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,547.0 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
12/31/2009	$ -	$ 533,387	$ 533,387	0%	$ 2,546,961

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2010, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 10.5 percent. Both rates included a 3 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 3 years.

Summary of Assumptions and Methods

	Settlement Health Plan
Actuarial Valuation Date	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	3 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.00%
Projected Salary Increases	2.50%
Healthcare Inflation Rate	12% initial to 10.5% ultimate

13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Assets as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2010, the total amount of non-Enterprise Fund claims was $498.5 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	2010	2009
Balance, January 1	$ 513,333	$497,527
Claims incurred on current and prior year events	632,765	605,506
Claims paid on current and prior year events	(590,813)	(589,700)
Balance, December 31	$ 555,285	$513,333

14) Commitments and Contingencies

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

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2010, the Enterprise Funds have entered into contracts for approximately $414.1 million for construction projects.

The City's pollution remediation obligation of $14.3 million is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

15) Service Concession Agreements

The major fund entitled Service Concession Agreements is used for the primary purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by city council that define the use of proceeds.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. In 2009, the City recognized $15.3 million of revenue and will continue to recognize $15.3 million for each subsequent year through 2083.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the operating lease. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. In 2007, the City recognized $5.7 million of revenue and will continue to recognize $5.7 million for each subsequent year through 2105.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the operating lease. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the operating lease. In 2005, the City recognized $18.5 million of revenue related to this transaction and will recognize $18.5 million for each subsequent year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Assets and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Assets.

16) Subsequent Events

In January 2011, the City sold General Obligation Taxable Project Bonds Series 2010C-1 ($299.3 million). The bonds were issued at an interest rate of 7.781 percent and mature January 1, 2035. Proceeds will be used to pay for a portion of the costs of various capital projects of the City.

In January 2011, Fitch Ratings downgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A" to "A-" and the General Airport Third Lien Revenue Bonds from "A+" to "A-." In April 2011, Fitch Ratings upgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A-" to "A."

The City reached a new collective bargaining agreement with Chicago Fire Fighters Union Local No. 2, effective March 9, 2011, with a stated term of July 1, 2007 through June 30, 2012. This agreement covers approximately 4,900 firefighters and paramedics in the Chicago Fire Department. The City paid $86.3 million in retroactive wages in April 2011.

In April 2011, $86.3 million of General Obligation Commercial Paper Notes, Series 2002B were issued. Proceeds will be used for operations as identified in the 2011 Annual Appropriation Ordinance.

In April 2011, the City sold Chicago O'Hare International Airport General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011A, General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011B and General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011C ($1.0 billion). The bonds were issued at interest rates ranging from 3.0 percent to 6.5 percent and maturity dates from January 1, 2014 to January 1, 2041. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program.

In April 2011, the City sold Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding (Non-AMT) Bonds Series 2011A and Passenger Facility Charge Revenue Refunding (AMT) Series 2011B Bonds ($46.0 million). The bonds were issued at interest rates ranging from 5.0 percent to 6.0 percent and maturity dates from January 1, 2017 to January 1, 2033. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program and to refund certain outstanding Passenger Facility Charge Revenue bonds.

In April 2011, the City novated its $60.9 million notional amount swap associated with the Midway Airport Series 2004C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the City pays increased from 4.174 percent to 4.247 percent, and the City will sign a one-way Credit Support Agreement (CSA) that no longer requires the City to post collateral if the mark-to-market exceeds the threshold, as previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of $91.3 million, which does not have a two-way CSA and remains unchanged.

In May 2011, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan in connection with the $397.7 million original notional amount swaption associated with the Midway Airport Series 1998 A,B&C fixed rate bonds. The CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market on the swap is against the City by more than $25 million, the City/Airport must post collateral for the difference. To mitigate the risk of posting collateral, the City obtained a $25 million Letter of Credit (LOC) as collateral. The LOC is not expected to be drawn upon as long as there is no event of default by the bank or the City. Based on the current second lien ratings at Midway Airport, if the mark-to-market on the swaption is against the City by more than the combined $25 million threshold provided in the CSA and the $25 million LOC, for a total of $50 million, the City must post collateral for the difference.

In June 2011, $221.5 million of the General Obligation Bonds Series 2005D bonds became bank bonds due to the deterioration of the liquidity support provider's credit quality. The remarketing agent continues to use best efforts to remarket the bonds out of bank mode. There is no principal due on the bank bonds within the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
Last Three Years (dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'							
2008	12/31/2008	$ -	$ 222,691	$ 222,691	- %	$ 1,543,977	14.42 %
2009	12/31/2009	-	224,173	224,173	-	1,551,973	14.44
2010	12/31/2010	-	223,564	223,564	-	1,541,388	14.50
Laborers'							
2008	12/31/2008	-	42,064	42,064	- %	216,744	19.41 %
2009	12/31/2009	-	41,738	41,738	-	208,626	20.01
2010	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's							
2008	12/31/2008	-	169,972	169,972	- %	1,023,581	16.61 %
2009	12/31/2009	-	164,800	164,800	-	1,011,205	16.30
2010	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's							
2008	12/31/2008	-	47,309	47,309	- %	396,182	11.94 %
2009	12/31/2009	-	47,933	47,933	-	400,912	11.96
2010	12/31/2010	-	48,222	48,222	-	400,404	12.04
City of Chicago							
2007	12/31/2007	-	1,062,864	1,062,864	- %	2,562,007	41.49 %
2008	12/31/2008	-	787,395	787,395	-	2,475,107	31.81
2009	12/31/2009	-	533,387	533,387	-	2,546,961	20.94

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APPENDIX D

CITY OF CHICAGO

ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION

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ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION

Set forth below is certain economic, demographic and supplemental information regarding the City Sources of information are indicated immediately following each table or section. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Economic Highlights

- Home to more than 400 corporate headquarters, numerous Fortune 500 companies, well over 1,500 foreign-based companies and more than $40 billion in foreign direct investment*
- Chicago O'Hare International Airport is the world's third busiest airport with 54 international and 148 domestic destinations
- Only U.S. city where the six largest freight railroad companies interchange traffic
- Manufacturing base employs over 400,000 workers*
- Health care and life science businesses employ over 500,000 residents*
- Home to 17% of the world's trading activity for futures, options and derivatives
- #6 on Global Cities Index based on business activity, human capital, information exchange, cultural experience and political engagement*
- Home to more than 60 public and private post-secondary educational institutions with a combined enrollment of more than 260,000 students*
- Over 30,000 hotel rooms
- Home to over 35 museums and 200 theater companies*

* Information relates to Chicago-Naperville, Illinois Metropolitan Statistical Area.

Source: *Chicago Business Overview*, World Business Chicago.

Population

The population of the City for the census years from 1980 to 2010 is set forth below.

Year	Population
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598

Source: U.S Census Bureau.

Per Capita Income

The per capita personal income of the Chicago-Naperville, Illinois metropolitan statistical area is set forth below for the years 2005 through 2009.

Year	Per Capita Income
2005	$38,439
2006	41,887
2007	43,714
2008	45,328
2009	43,727
2010	N/A

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville, Illinois Metropolitan Statistical Area N/A means not available at time of publication.

Unemployment

The unemployment rate of the Chicago-Naperville, Illinois metropolitan statistical area for the years 2006 through 2010 is set forth below.

Year	Unemployment Rate
2006	5.2%
2007	5 7
2008	6.4
2009	10.0
2010	10.1

Source: U S. Department of Commerce, Unemployment rate of Chicago-Naperville, Illinois Metropolitan Statistical Area.

Full-Time City Employees

The number of full-time employees of the City for the years 2006 through 2010 is included in the following table.

Year	Budgeted Full-Time Equivalent Positions
2006	40,297
2007	40,207
2008	39,921
2009	37,419
2010	36,889

Source: City of Chicago 2011 Program and Budget Summary, 2010 figures. Includes full-time equivalent positions in grant-related programs.

Principal Employers (Non-Government)

The companies employing the greatest number of workers in the City as of the end of 2010 are set forth below.

Employer	Number of Employees	Percentage of Total City Employment
J. P. Morgan Chase	8,094	0.81%
United Airlines	5,585	0.58
Northern Trust	5,434	0.56
Jewel Food Stores, Inc.	5,307	0.52
Bank of America	4,668	0.44
Walgreen's Co.	4,552	0.33
Accenture LLP	4,224	0.32
CVS Corporation	4,067	0.30
ABM Janitorial Midwest, INC.	3,840	0.30
American Airlines	3,153	0.27

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns

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2012 Budget Proposal

The following structural and special actions are included in Mayor Rahm Emanuel's proposed City budget for 2012 as measures intending to address the projected City budget deficit of $635.7 million for 2012. Any such actions remain subject to approval of the City Council and no assurances can be given or made that any or all such actions will be approved or, if approved, will generate the impact on the projected City budget gap for 2012 as set forth in the table below.

Proposed Budgetary Action	2012 Impact ($ millions)
Cutting Spending and Reforming Government	417.4
2011-12 reforms and department spending reductions	
517 layoffs and 2,159 vacancy reductions	
Collecting debt and protecting taxpayer resources	
City employee wellness initiative	
TIF reform	
Reforming fee waivers and refuse rebates	
Reimbursement for City Costs	32.5
CPS reimbursement for pension costs paid by the City	
Revenue Enhancements to Invest in Infrastructure and Neighborhoods	78.8
Congestion premium for CTA improvements	
Heavy vehicle sticker increase in street repair	
Hotel tax increase	
Fines for criminal activity and neighborhood safety violations	
Valet and loading zone fee adjustments	
Financing and Innovations	88.0
Refinancing existing debt and bond reimbursements	
Municipal marketing and sponsorship	
Modest Growth in 2011-12 Revenue	39.0
Subtotal	655.7
Deposit into Reserve Fund	(20.0)
Total	635.7

Source: City of Chicago Budget 2012 Overview which is available at www.chicagobudget.org.

APPENDIX E

CITY OF CHICAGO

RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS

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TABLE OF CONTENTS

Page

RETIREMENT FUNDS

General

The City provides funding for four retirement funds, which provide benefits upon retirement, death or disability to employees and beneficiaries. Such retirement funds are, in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"); (ii) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"); (iii) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF" and, together with MEABF, PABF and FABF, the "Retirement Funds").

The unfunded liability to the Retirement Funds poses significant financial challenges. The unfunded liability has consistently increased in recent years, and actuaries for MEABF and LABF indicate that the unfunded liability of those Retirement Funds will continue to increase for the foreseeable future. See "Funded Status of the Retirement Funds" and "Projection of Funded Status" herein. Furthermore, although the actuaries for PABF and FABF project that the unfunded liabilities of those Retirement Funds will decrease in the future, such a decrease will result from significantly increased contributions to those Retirement Funds as a result of the enactment of P.A. 96-1495, which is described and defined herein. As described herein, the benefits provided to members of the Retirement Funds and the City's contributions to the Retirement Funds are governed by the provisions of the Pension Code (as defined below). See "— Determination of City's Contributions" herein.

The Retirement Funds are established, administered and financed under the Illinois Pension Code (the "Pension Code"), as separate bodies politic and corporate and for the benefit of the employees of the City and their beneficiaries. The requirements of the Pension Code may be amended by legislation enacted by the State. This Appendix of the Official Statement describes, in part, the current provisions of the Pension Code applicable to the City's funding of the Retirement Funds; no assurance can be made that the Pension Code will not be amended in the future.

For purposes of this Appendix, references to "employee" or "member" are references to the employees of the City, the employees of the Retirement Funds participating in the Retirement Funds, and with regard to MEABF, certain employees and annuitants of the Chicago Public Schools who are members of MEABF as described below.

The Retirement Funds' sources of funding come from the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's contributions and the employees' contributions are based upon what is established under the Pension Code and are not based on the actuarially recommended levels. Certain aspects of the Retirement Funds, including the defined benefits and the City's contribution and employees' contribution levels, are established in the Pension Code and may be amended or terminated only by an amendment to the Pension Code. There is no mechanism in the Pension Code by which the funding can self-adjust, because contributions are not affected by a change in benefits, assets or investments, but only by a change in current payroll, as described in "— Determination of City's Contributions" below. The manner in which the City contributes to FABF and PABF will change significantly starting with the levy made by the City in 2015 (and collectible in 2016) due to a recent legislative change to the Pension Code, as described in "— Determination of City's Contributions" and "— Recent Legislative Changes — P.A. 96-1495" below.

Source Information

The information contained in this Appendix of the Official Statement relies on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the

"Source Information"). Neither the City nor the City's independent auditors have independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

Furthermore, where the tables in this Appendix of the Official Statement present aggregate information regarding the Retirement Funds, such combined information results solely from the arithmetic calculation of numbers presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board ("GASB") or the Pension Code.

The comprehensive annual financial reports of the Retirement Funds for the fiscal years ending December 31, 2001 through December 31, 2010 (each, a "CAFR" and together, the "CAFRs"), and the actuarial valuations of the Retirement Funds as of December 31 of the years 2001 through 2010 (each, an "Actuarial Valuation" and together, the "Actuarial Valuations"), may be obtained by contacting the Retirement Funds. Certain of these reports are also available on the Retirement Funds' websites (www.meabf.org; www.chipabf.org; www.labfchicago.org; and www.fabf.org); provided, however, that the content of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

Background Information Regarding the Retirement Funds

General

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the City. "Defined-benefit" refers to the fact that the Retirement Funds pay a periodic benefit to retired employees and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. See "Table 1 - Membership," "— Determination of Employee Contributions" and "— Determination of City's Contributions" below.

Section 5 of Article XIII of the Illinois Constitution provides that "[m]embership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." The benefits available under the Retirement Funds accrue throughout the time a member is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the City. The Retirement Funds also provide certain disability benefits to eligible members.

The Retirement Funds

Municipal Employees' Annuity and Benefit Fund of Chicago. MEABF is established by and administered under Article 8 of the Pension Code. MEABF is a single-employer, public employee defined-benefit pension plan. MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members. MEABF is administered under the direction of a five-member board of trustees (the "MEABF Board") that is responsible for its oversight management and administration and that has fiduciary duties to act solely in the best interest of MEABF's members.

As of December 31, 2010, MEABF had a total membership of 67,552, consisting of 30,726 active members, 13,866 inactive members entitled to benefits but not yet receiving them, and 22,960 retirees and beneficiaries currently receiving benefits. In addition to City employees, MEABF's membership includes non-instructional employees of the Chicago Public Schools ("CPS Employees"). With respect to MEABF, the terms "employee" and "member" include the CPS Employees. The CPS Employees account for almost half of MEABF's membership.

Policemen's Annuity and Benefit Fund of Chicago. PABF is established by and administered under Article 5 of the Pension Code. PABF is a single-employer, public employee defined-benefit pension plan. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children. PABF is administered by an eight-member board of trustees (the "PABF Board"). Members of the PABF Board are fiduciaries with respect to the PABF and are charged with administering the PABF under the Pension Code.

As of December 31, 2010, PABF had a total membership of 25,737, consisting of 12,737 active members, 620 inactive members entitled to benefits but not yet receiving them, and 12,380 retirees and beneficiaries currently receiving benefits.

Firemen's Annuity and Benefit Fund of Chicago. FABF is established by and administered under Article 6 of the Pension Code. FABF is a single-employer, public employee defined-benefit pension plan. FABF provides retirement and disability benefits to fire service employees and their dependents. FABF is governed by an eight-member board of trustees (the "FABF Board") whose members are fiduciaries with respect to FABF and who are statutorily mandated to discharge their duties solely in the interest of FABF's participants and beneficiaries.

As of December 31, 2010, FABF had a total membership of 9,518, consisting of 5,052 active members, 57 inactive members entitled to benefits but not yet receiving them, and 4,409 retirees and beneficiaries currently receiving benefits.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. LABF is established by and administered under Article 11 of the Pension Code. LABF is a single-employer, public employee defined-benefit pension plan that provides retirement and disability benefits for employees of the City who are employed in a title recognized by the City as labor service and for the dependents of such employees. LABF is governed by an eight-member board of trustees (the "LABF Board" and, together with the MEABF Board, the PABF Board and the FABF Board, the "Retirement Fund Boards"). The members of this board of trustees are fiduciaries with respect to LABF and are statutorily mandated to discharge their duties, as such, solely in the interest of LABF's participants and beneficiaries.

As of December 31, 2010, LABF had a total membership of 8,398, consisting of 2,956 active members, 1,446 inactive members entitled to benefits but not yet receiving them, and 3,996 retirees and beneficiaries currently receiving benefits.

As of December 31, 2010, the membership in each of the Retirement Funds was as follows:

TABLE 1 - MEMBERSHIP

Retirement Fund	Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Totals
MEABF	30,726	13,866	22,960	67,552
PABF	12,737	620	12,380	25,737
FABF	5,052	57	4,409	9,518
LABF	2,956	1,446	3,996	8,398
Total	51,471	15,989	43,745	111,205

Source: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010.

Certain Duties

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation of the Retirement Funds. The Pension Code authorizes each Retirement Fund Board to make certain autonomous decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

Each Retirement Fund Board, similar to other public bodies, is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Retirement Funds, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended or terminated only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenditures and expenses are the obligation of the Retirement Funds exclusively, as separate bodies politic and corporate.

Investments

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members of the Retirement Fund Boards, who are fiduciaries of the Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds. Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, the content of such websites is not incorporated into this Official Statement by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds for the period 2001 through 2010.

TABLE 2 - INVESTMENT RATES OF RETURN, 2001-2010[1]

	MEABF	FABF	LABF	PABF
2001	(2 3)%	(6 1)%	(0.6)%	(4.4)%
2002	(9.3)%	(13.3)%	(7.5)%	(9.6)%
2003	19.9%	28.3%	17.5%	21.0%
2004	10.6%	12.8%	11.5%	10.8%
2005	6.9%	9.5%	7 8%	7.3%
2006	13.0%	14.0%	11.2%	12.1%
2007	7.6%	11.0%	8.0%	8.8%
2008	(28.4)%	(33.8)%	(29 2)%	(27.8)%
2009	19.7%	27.8%	21.5%	21.5%
2010	14.0%	17.7%	15.5%	12.7%
5-Yr. Avg. Return	3 5%	3.6%	3.6%	3.8%
10-Yr Avg. Return	4.1%	4.4%	4.5%	4.1%
Assumed Rate[2]	8.0%	8.0%	8.0%	8 0%

Source: For FABF, the Actuarial Valuation of the FABF as of December 31 of the years 2001-2010; and for MEABF, LABF and PABF, the CAFRs of the respective Retirement Fund for the fiscal years ending December 31, 2001-2010.

(1) Investment returns are reported net of investment fees and are rounded.

(2) As of December 31, 2010, each of the Retirement Funds assumed an 8 0% return for actuarial purposes.

Oversight

The State, through the Public Pension Division (the "Public Pension Division") within its Department of Insurance, oversees public pension funds. The Public Pension Division is required to make periodic examinations and investigations of all pension funds established under the Pension Code. In lieu of making an examination and investigation, the Public Pension Division may accept and rely upon a report of audit or examination of any pension fund made by an independent certified public accountant. The Retirement Funds are required to provide the Public Pension Division with a statement including specific information set forth in the Pension Code. The annual statement must also specify the actuarial and interest tables used in the operation of the pension fund. In addition, as part of this actuarial statement, the Retirement Funds must include a complete actuarial statement prepared by an enrolled actuary, which consists of an actuarial valuation.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Retirement Funds or any act or practice which violates any provision of the Pension Code.

Determination of Employee Contributions

City employees are required to contribute as set forth in the Pension Code.

Members of MEABF contribute 8.5% of their salary to MEABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Members of PABF contribute 9.0% of their salary to PABF (consisting of a 7.0% contribution for employee benefits, a 1.5% contribution for spouse benefits and a 0.5% contribution for an annuity increase benefit). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Members of FABF contribute 9.125% of their salary to FABF (consisting of a 7.125% contribution for employee benefits, a 1.5% contribution for spouse benefits, a 0.375% contribution for an annuity increase benefit and a 0.125% contribution for disability benefits). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Members of LABF contribute 8.5% of their salary to LABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Determination of City's Contributions

Under the Pension Code, the City's contributions to fund the Retirement Funds are determined pursuant to a statutory formula on an annual basis. The Pension Code provides that the City's contributions to the Retirement Funds are to be made from the proceeds of an annual levy of property taxes for each of the Retirement Funds (collectively, the "Pension Levy") by the City for such purpose. The Pension Levy is levied solely for the purpose of contributing to the Retirement Funds, and such levy is exclusive of and in addition to the amount of tax which the City may levy for other purposes. The amount of the Pension Levy may not exceed the product of a multiplier established in the Pension Code for each Retirement Fund (the "Multiplier") and the amount contributed by the City's employees two years prior to the year in which the tax is levied (the "Contribution Limitation"). For levy year 2010, the multiplier for each Retirement Fund was as follows: 1.25 for MEABF; 2.00 for PABF; 2.26 for FABF; and 1.00 for LABF. The City's contributions are made as governed by the Pension Code and have no correlation to the Actuarially Required Contribution (as hereinafter defined). See "— The Actuarial Valuation—City's Contribution Not Related to GASB Standards."

The Pension Code provides that the Retirement Fund Boards must annually certify to the City Council a determination of the required City contribution to the Retirement Funds. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council adopt a particular tax levy rate.

In lieu of levying all or a portion of the property taxes for the statutorily required City contribution to the Retirement Funds, the City is permitted under the Pension Code to deposit with the City Treasurer other legally available funds to be used for the same purpose as the Pension Levy (collectively, the "Other Available Funds"). In recent years, the City has utilized these provisions and not levied the full amount of property taxes for the statutorily required City contribution to the Retirement

Funds by depositing with the City Treasurer certain amounts paid from the State to the City from the Personal Property Replacement Tax Fund ("PPRT") of the State pursuant to Section 12 of the Revenue Sharing Act of the State (the "Revenue Sharing Act"). The PPRT is not required to be used for this purpose but is generally available to the City for corporate purposes. Since 2002, the amount of PPRT contributed by the City to the Retirement Funds in the aggregate has averaged approximately $63.5 million annually. In 2010, the amount of PPRT contributed to the Retirement Funds in the aggregate was approximately $103.7 million. The City may or may not continue to use PPRT for this purpose in the future. For purposes of this Appendix, references to "Pension Levy" may include the Other Available Funds of the City to be used for the same purposes of the Pension Levy which the City may contribute in lieu of the required property tax revenues.

The City's contributions to the Retirement Funds are the amount required under the Pension Code and have not been in excess of that required amount.

City's Contributions to PABF and FABF Beginning with the Levy made in 2015

On December 30, 2010, Governor Quinn signed into law Public Act 096-1495 ("P.A. 96-1495") which, among other things, created a new method of determining the contribution to be made by the City to PABF and FABF (together, the "Police and Fire Funds"). P.A. 96-1495 requires that, beginning with the levy made in 2015 (and collectible in 2016), the Pension Levy for a given year will be equal to the amount necessary to achieve a Funded Ratio (as hereafter defined) of 90% in the Police and Fire Funds by the end of fiscal year 2040 (the "P.A. 96-1495 Funding Plan"). The Pension Levy will be calculated pursuant to the P.A. 96-1495 Funding Plan as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040. In the County, property taxes (including the Pension Levy) levied in one year become payable during the following year in two installments. As such, the Pension Levy for the Police and Fire Funds made in calendar year 2015 will be payable in calendar year 2016.

P.A. 96-1495 does not affect the manner in which the City contributes to MEABF and LABF.

The Actuarial Valuation

General

In addition to the process outlined above, the Pension Code requires that the Retirement Funds annually submit to the City Council an annual report containing a detailed statement of the affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Actuarially Required Contribution (as defined below) of such Retirement Fund for reporting purposes pursuant to GASB Statement No. 25 ("GASB 25").

A description of the statistics generated by the Retirement Funds' actuaries in the Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City. The references to GASB principles in this Appendix of the Official Statement do not suggest and should not be construed to suggest otherwise.

Actuaries and the Actuarial Process

In producing the Actuarial Valuations, the Retirement Funds' actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to determine, as of the valuation date, the Normal Cost (as defined below), the Actuarial Accrued Liability (as defined below), the Actuarial Value of Assets (as defined below), and the actuarial present values for the Retirement Fund. The Retirement Funds' actuaries use this data to determine the following fiscal year's Actuarially Required Contribution. The Retirement Funds' Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. Certain of these Actuarial Valuations are available on the Retirement Funds' websites; provided, however, that the content of these reports and of the Retirement Funds' websites is not incorporated herein by such reference. See "— Source Information" above.

The primary purpose of the Actuarial Valuations is to determine the "Actuarially Required Contribution,"* which is the amount that GASB standards would calculate as the City's contribution to the Retirement Funds on an annual basis for financial reporting purposes, without consideration of the Pension Code, to satisfy its current and future obligations to pay benefits to eligible members of the Retirement Funds. The Actuarially Required Contribution consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the actuarial cost method (as described in "— Actuarial Methods — Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any UAAL (as hereinafter defined). GASB standards require disclosure of an Actuarially Required Contribution, which is a financial reporting requirement but not a funding requirement.

As part of the Actuarial Valuation, the Retirement Funds' actuaries also calculate the Retirement Funds' "Actuarial Accrued Liability" and the "Actuarial Value of Assets." The Actuarial Accrued Liability is an estimate of the present value of the benefits each Retirement Fund must pay to current and retired employees as a result of their employment with the City and participation in such Retirement Fund. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by each Retirement Fund. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets, see "— Actuarial Methods" and "— Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the present value of benefits earned to date that are not covered by plan assets. In addition, the actuary will compute the "Funded Ratio," which is equal to the ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

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* GASB pronouncements refer to this concept as the Annual Required Contribution. For the convenience of the reader, this section of the Official Statement refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would calculate pursuant to GASB standards to be contributed in a given year, to differentiate it from the amount the City will be required to contribute under the Pension Code.

City's Contributions Not Related to GASB Standards

The City's contributions to the Retirement Funds do not relate to the manner of contributing to pension plans established by GASB standards. The Retirement Funds' Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period. MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. This method of calculating the Actuarially Required Contribution is acceptable under the standards promulgated by GASB. However, the statutory structure pursuant to which the City contributes to the Retirement Funds does not conform to the standards promulgated by GASB for reporting purposes. See "Table 4 - Information Regarding City's Contributions - Aggregated" below.

City's Contributions to the Police and Fire Funds under P.A. 96-1495 will Not Relate to GASB Standards

As discussed above, beginning with the levy made in 2015 (and collectible in 2016), the Pension Levy for the Police and Fire Funds will be calculated pursuant to P.A. 96-1495. The provisions of the P.A. 96-1495 Funding Plan differ from GASB standards regarding financial reporting for defined-benefit pension plans in at least two respects.

First, the goal of the P.A. 96-1495 Funding Plan is for the Police and Fire Funds to reach a Funded Ratio of 90% by 2040. The GASB standards as currently in effect amortize the entire UAAL towards attainment of a 100% Funded Ratio over the time periods described below.

Second, whereas GASB permits amortization of the UAAL over an open amortization period, the P.A. 96-1495 Funding Plan requires amortization of the UAAL over a closed period ending in 2040. A closed amortization period means that the UAAL is amortized over a fixed number of years such that the UAAL will decrease to a legally defined target (which, for the Police and Fire Funds, will be a 90% Funded Ratio by 2040 as provided in the P.A. 96-1495 Funding Plan) upon the passage of the amount of time established as the amortization period, provided required payments are made. For example, under the P.A. 96-1495 Funding Plan, the Pension Levy (applicable to the Police and Fire Funds) for fiscal year 2015 will be calculated by using a 25-year amortization period, while the Pension Levy (applicable to the Police and Fire Funds) for fiscal year 2016 will be calculated using a 24-year amortization period. Conversely, an open amortization period has no term limit and is therefore recalculated over a new 30-year period each time a valuation is performed in accordance with GASB standards. Amortizing through use of a closed period will have the effect of decreasing the UAAL at a greater rate and will allow the City to reach its funding target by fiscal year 2040, provided that all required contributions are made.

Actuarial Methods

The Retirement Funds' actuaries employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

The Retirement Funds' Actuarial Value of Assets is calculated by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20% of the investment gain or loss realized in each of the previous four years. The Asset Smoothing Method is an allowable method calculation according to GASB.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, the UAAL and the Funded Ratio that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually. Table 3 provides a comparison of the assets of the Retirement Funds (as aggregated) on a fair value basis and after application of the Asset Smoothing Method.

TABLE 3 - ASSET SMOOTHED VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS(1) - AGGREGATED

Fiscal Year	Actuarial Value of Assets(2)	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2001	$13,651,804	$12,193,357	111.96%
2002	13,453,303	10,648,141	126.34%
2003	13,297,599	12,277,994	108.30%
2004	13,108,645	12,952,096	101.21%
2005	13,086,060	13,245,445	98.80%
2006	13,435,692	14,164,347	94.86%
2007	14,254,816	14,595,514	97.67%
2008	13,797,344	9,844,339	140.16%
2009	13,051,349	10,876,846	119.99%
2010	12,449,863	11,408,555	109.13%

Source: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010.

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds.

(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method

Actuarial Accrued Liability

As the final step in the Actuarial Valuation, the actuary applies a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of Normal Cost and the Actuarial Accrued Liability. The Retirement Funds use the entry age normal actuarial cost method (the "Entry Age Normal Method") with costs allocated on the basis of earnings. The Entry Age Normal Method is a GASB-approved actuarial cost method.

Under the Entry Age Normal Method, the present value of the projected pension of each member is assumed to be funded by annual installments equal to a level percent of the member's earnings for each year between entry age and assumed exit age. The Normal Cost for the member for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the Normal Cost for the plan for the year is the sum of the normal costs of all active members.

P.A. 96-1495 requires that, beginning in 2015, the Police and Fire Funds calculate the Actuarial Accrued Liability pursuant to the projected unit credit actuarial cost method (the "Projected Unit Credit Method"). Under the Projected Unit Credit Method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. Under this method, Normal Cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Under either method, the Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date or, in other words, for past service. This value changes as the member's salary and years of service change, and as some members leave and new members are hired. Future Normal Cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

Actuarial Assumptions

The Actuarial Valuations of the Retirement Funds use a variety of assumptions to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Additional information on each Retirement Fund's actuarial assumptions is available in each Retirement Fund's Actuarial Valuation as of December 31, 2010 and CAFR for the fiscal year ending December 31, 2010. See "—Source Information" above.

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice of the actuaries. The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. As described in Table 2 above, the Retirement Funds all assumed an investment rate of return of 8.00% for the fiscal year ended December 31, 2010. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Funds on their assets may be higher or lower than the assumed rate. See Table 2 for the rates of return earned on the Retirement Funds' assets for the last ten fiscal years. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years. See "— Actuarial Methods—Actuarial Value of Assets" above.

As shown in the Actuarial Valuations, adverse market conditions resulted in negative investment returns on the Retirement Funds' assets in fiscal year 2008, resulting in a significant reduction in the Funded Ratio and a corresponding increase in the UAAL. No assurance can be given that these negative trends in investment performance will not continue into the current or future fiscal years, leading to a continued increase in the UAAL.

Funded Status of the Retirement Funds

The Pension Code requires that the City fund the Retirement Funds through the levy, collection and contribution of the Pension Levy; provided, however, that the City, pursuant to the Pension Code, may not levy all or a portion of the amount of property taxes statutorily required to make the full City contribution to the Retirement Funds if the City deposits with the City Treasurer Other Available Funds to be used for the same purpose as the Pension Levy as described in "—Determination of City's Contributions" above. The City has in recent years made its full statutorily required contribution to the Retirement Funds each year through a combination of property tax revenues and PPRT funds. However, expenses related to the Health Plan (as defined below) are paid from the funds received from the Pension Levy, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the contributions made by the City to the Retirement Funds have been lower than the cash outlays of the Retirement Funds in recent years. As a result, the Retirement Funds have used investment earnings or assets of the Retirement Funds to satisfy these cash outlays. The use of investment earnings or assets of the Retirement Funds for these purposes reduce the amount of assets on hand to pay benefits in the future and prevent the Retirement Funds from recognizing the full benefits of compounding investment returns.

Since 2001 (which is the only time period of historical data considered in this Appendix of the Official Statement), the City has contributed to the Retirement Funds as required by the Pension Code.* However, this amount has not been sufficient to fully fund the Normal Cost plus an amortized portion of the UAAL in each year as a result of the Contribution Limitation which has had the effect, and may have the effect in the future, of limiting the Pension Levy to an amount insufficient to fully fund the Retirement Funds to the amount of the Actuarially Required Contribution.

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* Pursuant to the Pension Code, the City did not make any contributions to or levy the Pension Levy for LABF in fiscal years 2001 through 2006 because LABF had funds on hand in excess of its liabilities. The Pension Code provides that the City will cease to make contributions to LABF in such a situation. The City continued to levy the Pension Levy for the other Retirement Funds during those years.

Table 4 provides information for fiscal years 2001 through 2010 on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

TABLE 4 - INFORMATION REGARDING CITY'S CONTRIBUTIONS[1] - AGGREGATED

	Actuarially Required Contribution	Actual Employer Contribution[2]	Percentage of Actuarially Required Contribution Contributed[3]
2001	$310,742	$332,176	106.9%
2002	328,055	332,491	101.4%
2003	451,239	343,291	76.1%
2004	545,232	345,398	63.3%
2005	698,185	423,515	60.7%
2006	785,111	394,899	50.3%
2007[4]	865,776	395,483	45.7%
2008[4]	886,215	416,130	47.0%
2009[4]	990,381	423,929	42.8%
2010[4]	1,112,626	425,552	38.2%

Sources: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010.

(1) In thousands of dollars Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31, 2001 through December 31, 2006, contribution information includes amounts related to OPEB (as hereinafter defined). Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to OPEB

(2) Includes the portion of the PPRT contributed to the Retirement Funds in each of the years 2002-2010.

(3) The estimated multiplier that would have been necessary for each Retirement Fund to make the full Actuarially Required Contribution in 2010 were as follows: 3.48 for MEABF; 4 98 for FABF; 2.71 for LABF; and 4 85 for PABF Beginning with the levy made in 2015 (and collectible in 2016), the City's contributions to the Police and Fire Funds will not be calculated in accordance with the Multiplier as described in "— Determination of City's Contributions" above

(4) Beginning in 2007, the information in this Table 4 does not include OPEB, which the City's Comprehensive Annual Financial Report presents separately.

The continued decline in the percentage of the Actuarially Required Contribution contributed by the City, as shown in Table 4 above, results, in part, from the fact that the Actuarial Liability continues to grow and as a result of the delayed recognition of gains and losses resulting from the Retirement Funds' use of the Asset Smoothing Method for financial reporting purposes. See "— Actuarial Methods—Actuarial Value of Assets."

As of the end of fiscal year 2010, the Retirement Funds had an aggregate UAAL of approximately $15.315 billion on a fair value basis and $14.274 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 42.7% and 46.6%. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of (i) insufficient contributions compared to the Actuarially Required Contribution and (ii) investment losses brought on by the severe global economic downturn. The impact of the economic downturn on the City and the Retirement Funds was similar to the experience of other governmental entities during the same period of time. The following tables summarize the current financial condition and the funding progress of the Retirement Funds.

TABLE 5 - FINANCIAL CONDITION OF THE MEABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$6,126,238	$5,820,766	$5,128,210	$5,922,789	$6,242,741	$6,356,888	$6,841,127	$7,010,007	$4,739,614	$5,166,224
Income -										
- Member Contributions	118,241	128,395	129,644	155,885	122,542	129,466	132,442	137,749	130,981	133,300
- City Contributions	131,440	130,966	141,883	153,919	155,067	148,332	139,552	146,803	157,698	164,302
- Investment Income[1]	(158,374)	(538,062)	961,889	578,730	402,311	778,726	485,926	(1,947,576)	778,562	638,569
- Miscellaneous Income	-	-	-	-	-	-	-	-	-	24
Total	$ 91,307	$(278,701)	$1,233,416	$ 888,534	$ 679,920	$1,056,524	$ 757,921	$(1,663,024)	$1,067,241	$ 936,195
Expenditures										
- Benefits and Refunds	392,692	409,298	434,158	538,910	560,228	565,887	582,046	599,137	632,864	660,081
- Administration[2]	4,087	4,557	4,679	29,672	5,545	6,398	6,995	7,279	7,766	6,745
Total	$ 396,779	$ 413,855	$ 438,837	$ 568,582	$ 565,773	$ 572,285	$ 589,041	$ 606,416	$ 640,630	$ 666,826
Ending Net Assets (Fair Value)	$5,820,766	$5,128,210	$5,922,789	$6,242,741	$6,356,888	$6,841,127	$7,010,007	$4,740,567	$5,166,225	$5,435,593
Actuarial Value of Assets[3]	6,466,798	6,403,982	6,384,099	6,343,076	6,332,379	6,509,146	6,890,463	6,669,502	6,295,788	6,003,390
Actuarial Accrued Liabilities[4]	6,934,176	7,577,100	7,988,637	8,808,501	9,250,212	9,476,118	9,968,747	10,383,158	10,830,119	11,828,666
UAAL (Fair Value)[5]	1,113,410	2,448,890	2,065,848	2,565,760	2,893,324	2,634,991	2,958,740	5,642,591	5,663,894	6,393,073
UAAL (Actuarial Value)[3]	467,378	1,173,118	1,604,538	2,465,425	2,917,833	2,966,972	3,078,284	3,713,656	4,534,331	5,825,276
Funded Ratio (Fair Value)[5]	83.9%	67.7%	74.1%	70.9%	68.7%	72.2%	70.3%	45.7%	47.7%	46.0%
Funded Ratio (Actuarial Value)[3]	93.3%	84.5%	79.9%	72.0%	68.5%	68.7%	69.1%	64.2%	58.1%	50.8%

Source: Actuarial Valuations of the MEABF as of December 31, 2010, and CAFRs of the MEABF for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2009, includes expenses related to other post-employment benefits See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 6 - FINANCIAL CONDITION OF THE PABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$4,033,107	$3,696,943	$3,224,037	$3,693,283	$3,865,809	$3,954,837	$4,192,076	$4,333,234	$3,000,998	$3,326,051
Income										
- Member Contributions	71,146	79,239	79,816	78,801	89,110	91,965	93,300	93,207	95,614	108,402
- City Contributions	139,411	141,935	140,735	135,669	177,911	157,689	178,678	181,526	180,511	183,835
- Investment Income[1]	(214,034)	(335,936)	627,291	367,908	261,389	447,275	349,914	(1,104,909)	567,315	369,558
- Miscellaneous Income	265	54	73	75	368	1,070	28	160	799	20
Total	$ (3,212)	$ (114,708)	$ 847,915	$ 582,453	$ 528,778	$ 697,999	$ 621,920	$ (830,016)	$ 844,239	$ 661,815
Expenditures										
- Benefits and Refunds	330,500	355,653	375,503	407,301	437,089	458,060	477,685	497,721	514,883	544,272
- Administration[2]	2,452	2,545	3,166	2,626	2,661	2,700	3,077	4,499	4,304	3,925
Total	$ 332,952	$ 358,198	$ 378,669	$ 409,927	$ 439,750	$ 460,760	$ 480,762	$ 502,220	$ 519,187	$ 548,197
Ending Net Assets (Fair Value)	$3,696,943	$3,224,037	$3,693,283	$3,865,809	$3,954,837	$4,192,076	$4,333,234	$3,000,998	$3,326,050	$3,439,669
Actuarial Value of Assets[3]	4,183,796	4,124,580	4,039,696	3,933,031	3,914,432	3,997,991	4,231,682	4,093,720	3,884,978	3,718,955
Actuarial Accrued Liabilities[4]	5,932,511	6,384,846	6,581,433	7,034,271	7,722,737	7,939,561	8,220,353	8,482,574	8,736,102	9,210,056
UAAL (Fair Value)[5]	2,235,568	3,160,809	2,888,150	3,168,462	3,767,900	3,747,485	3,887,119	5,481,576	5,410,052	5,770,387
UAAL (Actuarial Value)[3]	1,748,715	2,260,266	2,541,737	3,101,240	3,808,305	3,941,570	3,988,671	4,388,854	4,851,124	5,491,101
Funded Ratio (Fair Value)[5]	62.3%	50.5%	56.1%	55.0%	51.2%	52.8%	52.7%	35.4%	38.1%	37.3%
Funded Ratio (Actuarial Value)[3]	70.5%	64.6%	61.4%	55.9%	50.7%	50.4%	51.5%	48.3%	44.5%	40.4%

Source. Actuarial Valuations of the PABF as of December 31, 2010, and CAFRs of the PABF for the fiscal year ending December 31, 2010. Table may not add due to rounding

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits See "Other Post-Employment Benefits" below

(5) Calculated using net assets.

TABLE 7 - FINANCIAL CONDITION OF THE FABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$1,226,826	$1,104,940	$907,804	$1,109,561	$1,206,177	$1,274,659	$1,391,484	$1,469,455	$ 914,193	$1,051,644
Income										
- Member Contributions	27,615	27,622	42,665	37,734	35,697	44,222	41,120	40,480	41,605	41,730
- City Contributions	60,400	59,453	60,234	55,532	90,129	78,971	74,271	83,744	91,857	83,592
- Investment Income(1)	(73,526)	(143,541)	249,995	139,497	112,017	174,406	148,806	(484,093)	208,537	150,835
- Miscellaneous Income	63	78	84	24,322	456	87	162	107	36	30
Total	$ 14,552	$ (56,388)	$ 352,978	$ 257,085	$ 238,299	$ 297,686	$ 264,359	$(359,762)	$ 342,035	$ 276,187
Expenditures										
- Benefits and Refunds	134,462	138,789	149,174	158,372	167,527	178,214	183,304	192,644	201,146	217,565
- Administration(2)	1,976	1,959	2,047	2,097	2,290	2,647	3,084	2,856	3,439	4,187
Total	$ 136,438	$ 140,748	$ 151,221	$ 160,469	$ 169,817	$ 180,861	$ 186,388	$ 195,500	$ 204,585	$ 221,752
Ending Net Assets (Fair Value)	$1,104,940	$ 907,804	$1,109,561	$1,206,177	$1,274,659	$1,391,484	$1,469,455	$ 914,193	$1,051,643	$1,106,079
Actuarial Value of Assets(3)	1,245,130	1,209,768	1,194,008	1,182,579	1,203,654	1,264,497	1,374,960	1,335,695	1,269,231	1,198,114
Actuarial Accrued Liabilities(4)	2,068,718	2,088,706	2,517,268	2,793,524	2,882,936	3,088,124	3,215,874	3,311,269	3,428,838	3,655,026
UAAL (Fair Value)(5)	963,778	1,180,902	1,407,707	1,587,347	1,608,277	1,696,640	1,746,419	2,397,076	2,377,195	2,548,947
UAAL (Actuarial Value)(3)	823,588	878,938	1,323,260	1,610,945	1,679,282	1,823,627	1,840,914	1,975,574	2,159,607	2,456,912
Funded Ratio (Fair Value)(5)	53.4%	43.5%	44.1%	43.2%	44.2%	45.1%	45.7%	27.6%	30.7%	30.3%
Funded Ratio (Actuarial Value)(3)	60.2%	57.9%	47.4%	42.3%	41.8%	40.9%	42.8%	40.3%	37.0%	32.8%

Source: Actuarial Valuations of the FABF as of December 31, 2010, and CAFRs of the FABF for the fiscal year ending December 31, 2010. Table may not add due to rounding

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2001, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 8 - FINANCIAL CONDITION OF THE LABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$1,648,819	$1,570,708	$1,388,090	$1,552,361	$1,637,369	$1,659,061	$1,739,660	$1,782,818	$1,188,580	$1,332,929
Income										
- Member Contributions	20,017	20,189	19,798	22,591	16,257	18,791	18,413	19,419	17,538	16,320
- City Contributions	660	83	344	197	40	106	15,459	17,580	17,190	17,939
- Investment Income[1]	(19,125)	(119,447)	231,584	171,045	117,785	174,536	125,205	(510,463)	237,102	193,187
- Miscellaneous Income	-	-	22	5	-	-	-	-	-	-
Total	$ 1,552	$ (99,175)	$ 251,748	$ 193,838	$ 134,082	$ 193,433	$ 159,077	$(473,464)	$ 271,830	$ 227,446
Expenditures										
- Benefits and Refunds	77,857	81,629	85,567	105,958	109,405	110,003	112,567	117,147	123,817	129,297
- Administration[2]	1,806	1,814	1,910	2,872	2,985	2,831	3,352	3,626	3,665	3,864
Total	$ 79,663	$ 83,443	$ 87,477	$ 108,830	$ 112,390	$ 112,834	$ 115,919	$ 120,773	$ 127,482	$ 133,161
Ending Net Assets (Fair Value)	$1,570,708	$1,388,090	$1,552,361	$1,637,369	$1,659,061	$1,739,660	$1,782,818	$1,188,581	$1,332,928	$1,427,214
Actuarial Value of Assets[3]	1,756,080	1,715,073	1,679,796	1,649,959	1,635,595	1,664,058	1,757,711	1,698,427	1,601,352	1,529,404
Actuarial Accrued Liabilities[4]	1,402,138	1,540,604	1,628,563	1,674,615	1,742,300	1,767,682	1,808,295	1,915,324	1,975,749	2,030,025
UAAL (Fair Value)[5]	(168,570)	152,514	76,202	37,246	83,239	28,022	25,477	726,743	642,821	602,811
UAAL (Actuarial Value)[3]	(353,942)	(174,469)	(51,233)	24,656	106,705	103,624	50,584	216,897	374,397	500,621
Funded Ratio (Fair Value)[5]	112.0%	90.1%	95.3%	97.8%	95 2%	98 4%	98.6%	62 1%	67.5%	70.3%
Funded Ratio (Actuarial Value)[3]	125.2%	111.3%	103.1%	98.5%	93 9%	94.1%	97 2%	88.7%	81 1%	75.3%

Source: Actuarial Valuations of the LABF as of December 31, 2010, and CAFRs of the LABF for the fiscal year ending December 31, 2010. Table may not add due to rounding

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 9 - FINANCIAL CONDITION OF THE RETIREMENT FUNDS COMBINED
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$13,034,990	$12,193,357	$10,648,141	$12,277,994	$12,952,096	$13,245,445	$14,164,347	$14,595,514	$ 9,843,385	$10,876,848
Income										
- Member Contributions	237,019	255,445	271,923	295,011	263,606	284,444	285,275	290,855	285,738	299,752
- City Contributions	331,911	332,437	343,196	345,317	423,147	385,098	407,960	429,653	447,256	449,668
- Investment Income(1)	(465,059)	(1,136,986)	2,070,759	1,257,180	893,502	1,574,943	1,109,851	(4,047,041)	1,791,516	1,352,149
- Miscellaneous Income	328	132	179	24,402	824	1,157	190	267	835	74
Total	$ 104,199	$ (548,972)	$ 2,686,057	$ 1,921,910	$ 1,581,079	$ 2,245,642	$ 1,803,277	$(3,326,266)	$ 2,525,345	$ 2,101,643
Expenditures										
- Benefits and Refunds	935,511	985,369	1,044,402	1,210,541	1,274,249	1,312,164	1,355,602	1,406,649	1,472,710	1,551,215
- Administration(2)	10,321	10,875	11,802	37,267	13,481	14,576	16,508	18,260	19,174	18,721
Total	945,832	996,244	1,056,204	1,247,808	1,287,730	1,326,740	1,372,110	1,424,909	1,491,884	1,569,936
Ending Net Assets (Fair Value)	$12,193,357	$10,648,141	$12,277,994	$12,952,096	$13,245,445	$14,164,347	$14,595,514	$ 9,844,339	$10,876,846	$11,408,555
Actuarial Value of Assets(3)	13,651,804	13,453,403	13,297,599	13,108,645	13,086,060	13,435,692	14,254,816	13,797,344	13,051,349	12,449,863
Actuarial Accrued Liabilities(4)	16,337,543	17,591,256	18,715,901	20,310,911	21,598,185	22,271,485	23,213,269	24,092,325	24,970,808	26,723,773
UAAL (Fair Value)(5)	4,144,186	6,943,115	6,437,907	7,358,815	8,352,740	8,107,138	8,617,755	14,247,986	14,093,962	15,315,218
UAAL (Actuarial Value)(3)	2,685,739	4,137,853	5,418,302	7,202,266	8,512,125	8,835,793	8,958,453	10,294,981	11,919,459	14,273,910
Funded Ratio (Fair Value)(5)	74.63%	60.53%	65.60%	63.77%	61.33%	63.60%	62.88%	40.86%	43.56%	42.69%
Funded Ratio (Actuarial Value)(3)	83.56%	76 48%	71.05%	64.54%	60.59%	60.33%	61.41%	57.27%	52.27%	46.59%

Source. Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Includes expenses related to other post-employment benefits beginning in each of the fiscal years as shown in Footnote (2) in Tables 6-9 herein for each respective Retirement Fund. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 10 - SCHEDULE OF FUNDING PROGRESS - COMBINED FOR THE RETIREMENT FUNDS
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	Actuarial Accrued Liability[1]	Actuarial Value of Assets[2]	Fair Value of Net Assets	UAAL (Actuarial)[3]	UAAL (Fair Value)[4]	Funded Ratio (Actuarial)[3]	Funded Ratio (Fair Value)[4]	Payroll	UAAL to Payroll (Actuarial)[3]	UAAL to Payroll (Fair Value)[4]
2001	$16,337,543	$13,651,804	$12,193,357	$ 2,685,739	$ 4,144,186	83.6%	74.6%	$2,627.579	102.2%	157.7%
2002	17,591,256	13,453,303	10,648,141	4,137,953	6,943,115	76.5%	60.5%	2,728.898	151.6%	254.4%
2003	18,715,901	13,297,599	12,277,994	5,418,302	6,437,907	71.0%	65.6%	2,823,932	191.9%	228.0%
2004	20,310,911	13,108,645	12,952,096	7,202,266	7,358,815	64.5%	63.8%	2,683.331	268.4%	274.2%
2005	21,598,185	13,086,060	13,245,445	8,512,125	8,352,740	60.6%	61.3%	2,880,358	295 5%	290.0%
2006	22,271,485	13,435,692	14,164,347	8,835,793	8,107,138	60.3%	63.6%	3,069,479	287.9%	264.1%
2007	23,213,269	14,254,816	14,595,514	8,958,453	8,617,755	61 4%	62.9%	3,185.388	281.2%	270.5%
2008	24,092,325	13,797,344	9,844,339	10,294,981	14,247,986	57.3%	40.9%	3,180.484	323.7%	448.0%
2009	24,970,808	13,051,349	10,876,846	11,919,459	14,093,962	52.3%	43.6%	3,172.716	375 7%	444.2%
2010	26,723,773	12,449,863	11,408,555	14,273,910	15,315,218	46.6%	42.7%	3,189 739	447.5%	480 1%

Source: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010 Table may not add due to rounding.

(1) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(3) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.

(4) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the fair value of Net Assets

The cumulative value of the annual differences between the City's contribution to the Retirement Funds and the Actuarially Required Contribution is referred to by GASB as its "Net Pension Obligation" or its "Net Pension Asset." If the cumulative difference between the City's contribution and the Actuarially Required Contribution is positive, the City would have a Net Pension Asset. Conversely, if the cumulative difference is negative, the City would have a Net Pension Obligation.

As a result of the Contribution Limitation, however, the City may fulfill its obligation to contribute to the Retirement Funds under the Pension Code and still have a Net Pension Obligation for such year. The Pension Levy and the Actuarially Required Contribution differ in any given year as a result of the Contribution Limitation, as discussed in "— Determination of City's Contributions" and "— The Actuarial Valuation—City's Contributions Not Related to GASB Standards" above.

Table 11 provides a schedule of the total Net Pension Obligation or Net Pension Asset at the end of each of the last ten fiscal years for each of Retirement Funds.

TABLE 11 - NET PENSION OBLIGATION OR (ASSET)[(1)]

Fiscal Year	MEABF	FABF	LABF	PABF	Total
2001	$(319,770)	$ 537,644	$(255,311)	$ 627,036	$ 589,599
2002	(358,776)	584,562	(270,871)	635,635	590,550
2003	(342,888)	636,782	(277,880)	697,003	713,017
2004	(299,415)	717,509	(270,223)	787,639	935,510
2005	(169,895)	790,764	(258,125)	873,347	1,236,091
2006	(1,443)	878,368	(237,696)	1,017,145	1,656,374
2007	202,077	992,572	(228,692)	1,185,055	2,151,012
2008	415,207	1,099,024	(225,759)	1,360,492	2,648,964
2009	679,736	1,211,209	(206,361)	1,562,421	3,247,005
2010	1,007,404	1,345,928	(174,584)	1,791,148	3,969,896

Sources Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) In thousands of dollars

A variety of factors impact the Retirement Funds' UAAL and Funded Ratio. A lower return on investment than that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations then assumed) will have an impact on the UAAL and the Funded Ratio. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of investment returns below the assumed rate of return and insufficient contributions as compared to the Actuarially Required Contribution.

Recent Legislative Changes

P.A. 96-0889

On April 14, 2010, the Governor Quinn signed Public Act 96-0889 (the "Pension Reform Act") into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of the Retirement Funds on or after January 1, 2011, as compared to those provided to employees prior to such date. Among other changes, the Pension Reform Act:

- Increases the time required for pension benefits to vest to ten years from five years;
- Increases the minimum age at which an active employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service;
- Increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50;
- Provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months);
- Reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates compounding for employees hired after January 1, 2011, from a cost of living adjustment of 3%, compounded; and
- Caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

The Pension Reform Act does not impact persons that first became members or participants prior to its effective date of January 1, 2011. Furthermore, the Pension Reform Act applies to MEABF and LABF, but does not apply to PABF or FABF.

The Pension Reform Act does not change City or employee contributions to MEABF or LABF. The City will continue to contribute to MEABF and LABF pursuant to the respective Multiplier until and unless relevant portions of the Pension Code are amended for MEABF and LABF.

For purposes of the potential effects of the Pension Reform Act as described in this paragraph, taken independently of any other legislative or market effects, the reduced benefits afforded new hires by the Pension Reform Act is expected to reduce over time the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As the value of future benefits decreases over time, as a greater percentage of the City's workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease compared to what it would have been under previous law. Consequently, slowly over time the UAAL is expected to decrease and the Funded Ratio to improve. As the growth in the UAAL slows, the Actuarially Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases. However, no assurance can be given that these expectations will be the actual experience of MEABF or LABF going forward.

P.A. 96-1495

P.A. 96-1495 has a significant impact on the Police and Fire Funds. A description of certain provisions of P.A. 96-1495 are discussed above in "— Determination of City's Contributions—City's Contributions to PABF and FABF Beginning with the Levy made in 2015."

The P.A. 96-1495 Funding Plan will have the effect of significantly increasing the Pension Levy (applicable to the Police and Fire Funds) because (i) the Contribution Limitation will no longer serve to cap the Pension Levy (applicable to the Police and Fire Funds) at the applicable Multiplier times the employee contributions made two years prior to the year of the levy, and (ii) this type of funding plan requires a greater contribution than the current statutory structure.

In addition, P.A. 96-1495 makes changes to benefits for police officers and firefighters first participating in the Police and Fire Funds on or after January 1, 2011. Among other changes, P.A. 96-1495:

- Increases the minimum retirement eligibility age from 50 (with ten years of service) to 55 (with ten years of service);
- Provides for retirement at age 50 (with ten years of service) with the annuity reduced by .5% per month;
- Provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months);
- Reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, commencing at age 60;
- Provides that widow benefits are 66 2/3% of the employee's annuity at the date of death; and
- Caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

Projection of Funded Status

Tables 12 through 14 provide projections of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio for MEABF, LABF and the Police and Fire Funds respectively. The Retirement Funds' level of funding level has decreased in recent years, most notably due to a combination of factors including: adverse market conditions and investment returns as a result of the financial downturn experienced in 2008 and beyond; and contributions that are lower than the Actuarially Required Contribution as a result of the Contribution Limitation. The declining Funded Ratios experienced by the Retirement Funds in recent years are similar to the funding challenges faced by other large governmental pension funds in the United States.

The projections in Tables 12 through 14 are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in these tables.

TABLE 12 - PROJECTION OF FUTURE FUNDING STATUS - MEABF[(1)]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$11,918,942	$5,529,406	$ 6,389,536	46.4%
2012	12,359,984	5,093,624	7,266,360	41.2%
2013	12,806,809	5,134,244	7,672,565	40.1%
2014	13,256,021	5,063,451	8,192,570	38.2%
2015	13,703,973	4,957,569	8,746,404	36.2%
2016	14,149,698	4,812,667	9,337,031	34.0%
2017	14,589,918	4,622,794	9,967,124	31.7%
2018	15,021,046	4,381,260	10,639,786	29.2%
2019	15,439,846	4,081,467	11,358,379	26.4%
2020	15,844,795	3,718,312	12,126,483	23.5%

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection is based on actuarial data as of December 31, 2009

(1) In thousands of dollars

TABLE 13 - PROJECTION OF FUTURE FUNDING STATUS - LABF[(1)]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$2,131,248	$1,413,249	$ 717,999	66.3%
2012	2,186,657	1,310,446	876,211	59.9%
2013	2,240,989	1,332,813	908,176	59.5%
2014	2,293,847	1,320,362	973,485	57.6%
2015	2,345,292	1,301,969	1,043,323	55.5%
2016	2,395,162	1,277,091	1,118,071	53.3%
2017	2,443,573	1,245,406	1,198,167	51.0%
2018	2,489,906	1,206,103	1,283,803	48.4%
2019	2,534,078	1,158,554	1,375,524	45.7%
2020	2,575,960	1,102,279	1,473,681	42.8%

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection is based on actuarial data as of December 31, 2009.

(1) In thousands of dollars.

TABLE 14 - PROJECTION OF FUTURE FUNDING STATUS - THE POLICE AND FIRE FUNDS (COMBINED)[(1)]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$13,112,409	$4,333,372	$ 8,779,037	33.0%
2012	13,611,035	4,248,696	9,362,339	31.2%
2013	14,113,679	4,128,833	9,984,846	29.3%
2014	14,618,962	3,968,802	10,650,160	27.1%
2015	15,127,100	3,766,920	11,360,180	24.9%
2016	15,637,661	4,090,051	11,547,610	26 2%
2017	16,151,574	4,431,683	11,719,891	27.4%
2018	16,668,454	4,791,799	11,876,655	28.7%
2019	17,186,311	5,170,647	12,015,664	30.1%
2020	17,705,196	5,571,400	12,133,796	31.5%

Source. Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection is based on actuarial data as of December 31, 2009.

(1) In thousands of dollars.

As shown in Tables 12 and 13, based on the current legislative structure, actuarial projections indicate that MEABF will have a Funded Ratio of 23.5% and LABF will have a Funded Ratio of 42.8% by the end of fiscal year 2020. Furthermore, the actuary projects that the Funded Ratios of MEABF and LABF will continue to decrease beyond 2020. The lack of any corrective actions jeopardizes the solvency of MEABF and LABF.

Based on the current legislative structure, as shown in Table 14, actuarial projections indicate that the combined Funded Ratio of the Police and Fire Funds will be 31.5% by the end of fiscal year 2020. This Funded Ratio is projected to have increased from a low Funded Ratio of 24.9% at the end of fiscal year 2015. The Funded Ratios of the Police and Fire Funds are projected to begin increasing in fiscal year 2016 as a result of the implementation of the P.A. 96-1495 Funding Plan, which requires that the Police and Fire Funds receive contributions sufficient to achieve a Funded Ratio of 90% by 2040. However, prior to the implementation of the P.A. 96-1495 Funding Plan, the Funded Ratio is projected to decrease annually because the Police and Fire Funds will continue to make contributions pursuant to the respective Multiplier until that time. See "— Determination of City's Contributions" above.

The projections set forth in this Appendix were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the City or the Retirement Funds, as applicable. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with, the prospective financial information. Neither the City's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this Official Statement, which is solely the product of the City or the Retirement Funds, as applicable, and the independent auditors assume no responsibility for its content.

In spring 2011, the Illinois House of Representatives ("House") considered a complex pension-restructuring proposal in an amendment to Senate Bill 512 ("SB 512") which would have made significant reforms to MEABF and LABF. Among other changes, SB 512 would have required members of MEABF and LABF to choose between three tiers of benefits requiring different contribution rates. In addition, SB 512 would have fixed the City's contribution for MEABF and LABF to the contributions made by the City for levy year 2010. The stated goal of the bill was to enact pension reforms and address the long-term financial issues for MEABF and LABF and the City. The House suspended action on SB 512 until the fall of 2011 at the earliest. No assurance can be given that SB 512 will be enacted in its current form. Furthermore, no assurance can be given that SB 512 will not be enacted in an amended form that makes alternative changes to the Pension Code. In addition, there may be other legislation pending in either or both houses of the Illinois General Assembly that would affect the Pension Code. No assurance can be given that any such proposal will be enacted.

The City recognizes that changes are necessary to properly fund the Retirement Funds and is considering the options available to address the unfunded liability. Some or all of the options may require legislative changes to the Pension Code. In the event that a proposal is brought before the Illinois General Assembly, no assurance can be given that such proposal will be enacted.

Report and Recommendations of the Commission to Strengthen Chicago's Pension Funds

The information contained in this subsection describing the CSCP and the Final Report (each as defined herein) relies on information produced by the CSCP, including the Final Report. The Final Report is available at www.chipabf.org/6Financials/pension_commission.html; but the content of the Final Report and such website is not incorporated herein by such reference. The City makes no representation nor expresses any opinion as to the accuracy of the Final Report, the statements made or the information therein, some of which may be conflicting.

On January 11, 2008, then Mayor Richard M. Daley announced the formation of the Commission to Strengthen Chicago's Pension Funds (the "CSCP"), which was composed of a broad cross-section of City officials, union leaders, pension fund executives, and business and civic professionals. The CSCP was charged with examining the Retirement Funds and recommending ways to improve the Funded Ratio of each Retirement Fund. The CSCP met several times in 2008 through 2010, and at the CSCP's final meeting on March 24, 2010, the CSCP endorsed its final report, with three commissioners dissenting. The CSCP's final report, which included letters from the dissenting commissioners, was submitted to Mayor Daley on April 30, 2010 (the "Final Report").

The CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and, therefore, does not consider the impact of these acts on the Retirement Funds. See "— Determination of City's Contributions" and "— Recent Legislative Changes" above for additional information on these acts. As described below, certain of the CSCP's findings and recommendations as contained in the Final Report are addressed by either act.

The CSCP found that the financial health of the Retirement Funds had deteriorated due to a combination of factors, including the following: increasing liabilities due to enhanced benefits (e.g., non-recurring early retirement programs that were not properly funded); inadequate contributions, which were based upon a fixed percentage of payroll and not actuarial need (i.e., the Contribution Limitations); and adverse market conditions leading to fluctuating returns on investments (in 2000-2002 and 2007-2009) which could not keep pace with growth in liabilities. With regard to the CSCP's finding of inadequate contributions, P.A. 96-1495 addresses this finding with regard to the Police and Fire Funds. As described in "— Determination of City's Contributions" and "— Recent Legislative Changes—P.A. 96-1495" above, the City's Pension Levy applicable to the Police and Fire Funds will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040 pursuant the P.A. 96-1495 Funding Plan, which will significantly increase the City's contributions to the Police and Fire Funds beginning with the levy made in 2015 (and collectible in 2016).

The CSCP found that due to the inadequate contributions, the Retirement Funds have had to use assets to pay current benefits, which in turn put pressure on the asset bases and Funded Ratios of the Retirement Funds.

The CSCP modeled a set of scenarios for the Retirement Funds and found that, based on the actuarial assumptions in use by the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of substantial changes to the Retirement Funds' funding policy and/or benefit structure, deplete all assets in each of the Retirement Funds at different dates but all within twenty years of the date of the Final Report. However, the CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and the depletion dates as estimated in the Final Report would not have taken into account the impact of such legislation. See "— Projection of Funded Status" above for the projections based upon the current legislative structure applicable to the Retirement Funds.

The CSCP suggested that the issues related to the Retirement Funds need to be addressed as soon as possible and offered the following specific recommendations:

- The defined benefit structure used by the Retirement Funds should remain (as opposed to a defined contribution structure);
- New employees should continue to become members of the Retirement Funds;
- The Retirement Funds should be funded on an actuarial basis;
- Changes in the Retirement Funds for new members, while recognized by the CSCP as undesirable, will probably be necessary;
- Contributions to the Retirement Funds should be increased and revenue sources identified;
- Employee contributions should not exceed the value of benefits on a career basis;
- Review any provisions in current law for refunds or for alternative benefit calculations to ensure that the anticipated financial results of a reform program are actually obtained;
- In general, no changes in the Retirement Funds should be made unless financially neutral or advantageous to the Retirement Funds, now or in the future;
- A variety of other reforms should be considered, including reforming potential abuses, establishing sound reciprocity with other Illinois public pensions, implementing new structures to manage investments of the Retirement Funds, and improving administration of disability claims and benefits; and
- Any reform legislation must comprehensively and simultaneously address all aspects of the pension funding program.

CSCP's recommendations were made prior to the enactment of the Pension Reform Act and P.A. 96-1495. Certain of the CSCP's recommendations, including changes in the Retirement Funds for new members, were part of the Pension Reform Act (with regard to MEABF and LABF) and P.A. 96-1495 (with regard to the Police and Fire Funds).

Diversion of Grant Money to Police and Fire Funds Under P.A. 96-1495

P.A. 96-1495 allows the State Comptroller to divert grant money from the State intended for the City to either of the Police and Fire Funds to satisfy contribution shortfalls by the City. If the City fails to contribute to the Police and Fire Funds as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject Retirement Fund gives notice of the failure to the City and (iii) such Retirement Fund certifies to the Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount in the following proportions: (i) in fiscal year 2016, one-third of the City's State grant money, (ii) in fiscal year 2017, two-thirds of the City's State grant money, and (iii) in fiscal year 2018 and in each fiscal year thereafter, 100% of the City's State grant money

GASB Exposure Drafts

On July 8, 2011, GASB released two exposure drafts (the "Exposure Drafts") which propose to overhaul the manner in which governments and pension plans account for and report information regarding those pension plans. If enacted in their current form, the Exposure Drafts would significantly alter the financial statements produced by the City and the Retirement Funds. However, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the Exposure Drafts would not impact the contributions made by the City without legislative action. No assurance can be given that the Exposure Drafts will be adopted by GASB in their current form.

OTHER POST-EMPLOYMENT BENEFITS

General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. The costs of the Health Plan are shared pursuant to a settlement agreement (the "Settlement") entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under "— The Settlement."

The Health Plan provides health benefits to retirees. MEABF and LABF participants older than 55 with at least 20 years of service and Police and Fire Plan participants older than 50 with at least 10 years of service may become eligible for the Health Plan if they eventually become an annuitant. The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

Annuitants who participate in the Health Plan have their retiree health insurance premiums subsidized by both the City and the Retirement Fund of which they are a member. The City contributes a percentage subsidy to each eligible annuitant. Annuitants who retired prior to July 1, 2005 receive a 55% subsidy from the City, whereas annuitants retiring on or after such date receive a subsidy equal to 50%, 45%, 40% or zero percent based on the annuitant's length of actual employment with the City. The Retirement Funds contribute a fixed dollar amount monthly ($65 for each Medicare-eligible annuitant and $95 for each non-Medicare eligible annuitant) for each of their annuitants. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum of the subsidies provided by the City and the related Retirement Fund.

The subsidies provided by the Retirement Funds are paid from the Pension Levy, as provided in the Pension Code. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities. See Tables 5-9 in "Retirement Funds—Funded Status of Retirement Funds" above for Retirement Funds' statement of net assets, which incorporates the expense related to the Health Plan as part of the "Administration" line item. The City makes the subsidy payments to the Health Plan from moneys derived from the Pension Levy. The Pension Levy is described in "Retirement Funds—Determination of City's Contributions" above. In 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants and their dependents was approximately $97 million (after adjustment for certain amounts received after publication of the City's Comprehensive Annual Financial Report for the fiscal year ending December 31, 2010).

The Settlement

In 1987, the City sued the Retirement Funds with respect to the alleged obligation on the part of the City to provide healthcare benefits to certain retired City employees. The City maintained that it was not obligated to provide healthcare benefits to such retired employees. Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time. The Settlement expires on June 30, 2013. The City contributes to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the "Settlement Period").

The Settlement does not provide for continuation of the Settlement beyond the end of the Settlement Period. Therefore, barring further action by the parties to the Settlement to extend the Settlement Period, the City's obligation to subsidize a portion of its retirees' payments for healthcare benefits will cease at the end of the Settlement Period. No assurance can be given that such an extension will not occur.

City Financing of the Health Plan

The Health Plan is funded on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to funding the Health Plan. Instead, the City contributes the amount necessary to fund its share of the current year costs of the Health Plan. The City's contributions are made from funds derived from the Pension Levy, which is described above in "Retirement Funds—Determination of City's Contributions" as required by the Pension Code. See Table 16 below for a schedule of historical contributions made by the City to the Health Plan.

Actuarial Considerations

City Obligation

The City has an Actuarial Valuation completed for its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in "Retirement Funds—The Actuarial Valuation—Actuaries and the Actuarial Process." In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan.

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds' Actuarial Valuations differ significantly from the City's Actuarial Valuation for two reasons. First, unlike with respect to its retirees' pensions, the City is responsible for only a portion of the liabilities owed under the Health Plan, and the City is responsible for that portion of the liability only for the Settlement Period. Second, the Actuarial Valuations of the City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Appendix of the Official Statement addresses the funded status of the City's obligation to make payments for the post-employment healthcare benefits to be provided by the Health Plan and, therefore, the funded status of the Retirement Funds' obligation with respect to the Health Plan will not be discussed herein. For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in "Retirement Funds—Source Information" above, and Note 11(b) to the City's Basic Audited Financial Statements, appended to this Official Statement as Appendix C.

Actuarial Methods and Assumptions

The Actuarial Valuation for the City's obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in "Retirement Funds" above with respect to the Retirement Funds. The City does not use an Actuarial Method to calculate the Actuarial Value of Assets of the Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City's Actuarial Valuation employs the Projected Unit Credit Method to allocate its costs. For more information on the Projected Unit Credit Method, see "Retirement Funds—Actuarial Methods" above.

In the Actuarial Valuation for the fiscal year ended December 31, 2010, the actuarial assumptions included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 10.5%. Both rates included a 3% inflation assumption. The Health Plan has not accumulated assets and does not hold any assets, however, the moneys expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3%.

The Health Plan's UAAL is amortized over a closed 3-year period for purposes of the Actuarial Valuation, which reflects the remainder of the Settlement Period. The use of a closed, 3-year period has the effect of increasing the Actuarially Required Contribution against the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period reduces in each year as opposed to remaining at 30 years for each period going forward.

Funded Status

The following tables provide information on the financial health of the Health Plan. As the Health Plan is funded on a pay-as-you-go basis and no assets are accumulated to pay for the liabilities of the Health Plan, the Funded Ratio with respect to the Health Plan is perpetually zero. The UAAL of the Health Plan was $533.387 million as of December 31, 2009.

Table 15 summarizes the current financial condition and the funding progress of the Health Plan.

TABLE 15 - SCHEDULE OF FUNDING PROGRESS(1)

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
2006	$0	$1,307,417	$1,307,417	0%	$2,502,154	52.01%
2007	0	1,062,864	1,062,864	0%	2,562,007	41.49%
2008	0	787,395	787,395	0%	2,475,107	31.81%
2009	0	533,387	533,387	0%	2,546,961	20.94%

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending December 31, 2006-2010.

(1) In thousands of dollars The City, as required, adopted GASB Statement No. 45 in fiscal year 2007 The information provided in this table was not produced prior to 2007.

Table 16 shows the amounts actually contributed to the Health Plan by the City.

TABLE 16 - HISTORY OF CITY'S CONTRIBUTIONS(1)

	Actual City Contribution
2007	$ 97,254
2008	98,065
2009	98,000
2010	107,431

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending 2007-2010.

(1) In thousands of dollars. The City, as required, adopted GASB Statement No. 45 in fiscal year 2007. The information provided in this table was not produced prior to 2007

Retiree Health Benefits Commission

The Settlement provides for the creation of the Retiree Health Benefits Commission (the "RHBC"), which is tasked with reviewing proposed changes to retiree healthcare plans for the years 2008-2013 and for making recommendations concerning retiree health benefits after July 1, 2013. The RHBC's members are appointed by the Mayor of the City for terms that do not expire. The Settlement requires that the RHBC be composed of experts who will be objective and fair-minded as to the interest of both retirees and taxpayers, and must consist of a representative of the City and a representative of the Retirement Funds. As of the date of this Official Statement, the RHBC has not released any statement or report concerning recommendations for post-employment healthcare benefits for City employees beyond the expiration of the Settlement on June 30, 2013. The recommendations to be made by the RHBC are not predictable and are unknown by the City at this time. The recommendations of the RHBC are not binding on the City.

APPENDIX F

FORMS OF OPINIONS OF CO-BOND COUNSEL

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PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a certified copy of the record of the proceedings (the *"Proceedings"*) of the City Council of the City of Chicago (the *"City"*), including an ordinance adopted by the City Council of the City on the 5th day of October, 2011 (the *"Ordinance"*), as supplemented by a Notification of Sale (the *"Notification of Sale"*), relating to the issue of its fully registered _____% General Obligation Bonds, Project Series 2011A (the *"Bonds"*), in the aggregate principal amount of $____________, dated _______________, 2011, due on January 1, 20__, subject to mandatory redemption, in integral multiples of $5,000 selected by lot at a redemption price of par plus accrued interest to the redemption date, on January 1 of the years and in the principal amounts as follows:

The Bonds are further subject to redemption prior to maturity at the option of the City as a whole, or in part, on January 1, 20__, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided by the Ordinance and the Notification of Sale.

The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of the Ordinance, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, in the amount named herein, is valid and legally binding upon the City, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to not be excludable from gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a certified copy of the record of the proceedings (the *"Proceedings"*) of the City Council of the City of Chicago (the *"City"*), including an ordinance adopted by the City Council of the City on the 5th day of October, 2011 (the *"Ordinance"*), as supplemented by a Notification of Sale (the *"Notification of Sale"*), relating to the issue of its fully registered ____% General Obligation Bonds, Taxable Project Series 2011B (the *"Bonds"*), in the aggregate principal amount of $____________, dated ________________, 2011, due on January 1, 20__, subject to mandatory redemption, in integral multiples of $5,000, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2041, in the principal amount of $________________, and further subject to redemption prior to maturity at the option of the City upon the terms as provided by the Ordinance and the Notification of Sale.

The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of the Ordinance, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, in the amount named herein, is valid and legally binding upon the City, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that under present law, interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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EXHIBIT B-1

SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

November 8, 2011

BMO Capital Markets GKST Inc.
Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

City of Chicago
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602

Re: $210,640,000 General Obligation Bonds, Project Series 2011A
$205,705,000 General Obligation Bonds, Taxable Project Series 2011B

Ladies and Gentlemen:

This opinion is being delivered to you in connection with the authorization and sale of the above-referenced obligations (collectively, the *"Bonds"*). The Bonds have been delivered this date to the underwriters named in the Bond Purchase Agreement dated November 8, 2011 (the *"Purchase Agreement"*), between the City of Chicago (the *"City"*), and the Underwriters acting through the Representative (as defined in the Purchase Agreement), relating to the sale and purchase of the Bonds. Terms used and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

Based upon our examination of a certified copy of a record of the proceedings of the City Council of the City (the *"City Council"*) related to the issuance of the Bonds, we are of the opinion that:

1. Pursuant to an ordinance adopted by the City Council on the 5th day of October, 2011, authorizing the issuance of the Bonds (as supplemented by a Notification of Sale, the *"Bond Ordinance"*), the City has duly authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Undertaking (together with the Purchase Agreement, the *"City Documents"*), and, assuming the due authorization, execution, delivery and the binding effect on the other parties thereto, each of the City Documents constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its respective terms, except that the enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar

laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

2. Based upon our examination of such documents and questions of law as we have deemed relevant in connection with the offering and sale of the Bonds under the circumstances described in the Official Statement, we are of the opinion that, under existing law, the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Bond Ordinance is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the knowledge of the City. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion is furnished by us as Co-Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this opinion. This opinion is not intended to be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

EXHIBIT B-2

LETTER OF CO-BOND COUNSEL

November __, 2011

BMO Capital Markets GKST Inc.
Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

City of Chicago
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602

Re: City of Chicago
$210,640,000 General Obligation Bonds, Project Series 2011A
$205,705,000 General Obligation Bonds, Taxable Project Series 2011B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the sale and issuance by the City of Chicago (the *"City"*) of the above-referenced obligations (collectively, the *"Bonds"*). We have rendered our separate opinions, dated the date hereof, as to the validity, enforceability and tax status of interest on the Bonds. The Bonds have been delivered this date to the underwriters named in the Bond Purchase Agreement dated November 8, 2011, between the City and the Representative identified above (the *"Underwriters"*), relating to the sale and purchase of the Bonds.

We have not been engaged nor have we undertaken to review or verify the accuracy, completeness or sufficiency of the information contained in or appended to the Official Statement dated November 8, 2011 (the *"Official Statement"*) or other offering material relating to the Bonds, except that in our capacity as Co-Bond Counsel in connection with the issuance of the Bonds we have reviewed the information contained in the Official Statement under the captions: "The BONDS" (except for the information relating to The Depository Trust Company and its book-entry system and operations), "SECURITY FOR THE BONDS" (except for any information contained in Appendix B referenced under such caption) and APPENDIX F—"Form of Opinions of Co-Bond Counsel," solely to determine whether such information and summaries conform to the Bonds and the ordinance adopted by the City Council of the City on the 5th day of October, 2011, authorizing the issuance of the Bonds as supplemented by a Notification of Sale, the *"Bond Ordinance"*). The purpose of our professional engagement was not to establish or confirm factual matters in the Official Statement, and we have not undertaken any obligation to verify independently any of the factual matters set forth under these captions and reviewed by us. Subject to the foregoing, the summary descriptions in the Official Statement under such captions excepting those matters set forth above, as of the date of the Official Statement and as of the date hereof, insofar as such descriptions purport to describe or summarize certain provisions of the Bonds and the Bond Ordinance, are accurate summaries of such provisions in all material respects. In addition, the information in the Official Statement under the caption "TAX MATTERS" purporting to describe or summarize our opinions concerning certain federal tax matters relating to the Bonds has been reviewed by us and is an accurate summary in all material respects. Except as specifically described in this paragraph, we express no opinion herein with respect to and have not undertaken to determine independently the accuracy, fairness or completeness of any statements contained, appended or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of observations based on certain limited activities performed by specific lawyers in our firm in our role as Co-Bond Counsel to the City; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as counsel to the Underwriters for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us and the Underwriters in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to the Underwriters nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for the Underwriters' purposes.

This letter is solely for the benefit of the Underwriters and the City and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Very truly yours,

EXHIBIT C

OPINION OF CORPORATION COUNSEL OF THE CITY

November ___, 2011

BMO Capital Markets GKST Inc.
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated November 8, 2011 between such
Underwriters and the City of Chicago

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(a)(v) of that certain contract dated November 8, 2011 (the "Bond Purchase Agreement") between the City of Chicago (the "City") and BMO Capital Markets GKST Inc., as representative of a group of Underwriters, respecting the purchase of City of Chicago $210,640,000 General Obligation Bonds, Project Series 2011A, and $205,705,000 General Obligation Bonds, Taxable Project Series 2011B (collectively, the "Bonds") which are being issued pursuant to an ordinance adopted by the City Council of the City on October 5, 2011 (the "Ordinance"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In connection with the issuance of the Bonds, I have caused to be examined a certified copy of the record of proceedings of the City Council of the City pertaining to the issuance of the Bonds by the City, the Official Statement dated November 8, 2011, relating to the Bonds (the "Official Statement"), and executed counterparts, where applicable, of the following documents:

(a) the Ordinance;

(b) the Bond Purchase Agreement; and

(c) that certain Continuing Disclosure Undertaking dated the date hereof pursuant to the requirements of Section (b) (5) of Rule 15c-12 of the Securities and Exchange Commission (the "Undertaking").

On the basis of such examination and review of such other information, records and documents as was deemed necessary or advisable, I am of the opinion that:

1. The City is a home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois with full power and authority, among other things, to adopt the Ordinance, to authorize, issue and sell the Bonds, and to execute and deliver the Bond Purchase Agreement and the Undertaking.

2. The Bond Purchase Agreement and the Undertaking have been duly authorized, executed and delivered by, and the Ordinance has been duly adopted by, the City, and, assuming the due execution and delivery by the other parties thereto, as appropriate, such instruments constitute legal and valid obligations of the City in each case enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally.

3. To my knowledge, compliance with the provisions of the Bonds, the Ordinance, the Bond Purchase Agreement and the Undertaking does not conflict in a material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of Illinois, or any department, division, agency or instrumentality thereof or of the United States of America or any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

4. To my knowledge, all approvals, consents and orders of and filings (except with respect to state "blue sky" or securities laws) with any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to the performance by the City of its obligations under the Ordinance, the Bond Purchase Agreement, the Undertaking and the Bonds have been obtained.

5. There is no litigation or proceeding pending, or to my knowledge, threatened, materially affecting the existence of the City or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or contesting the validity or enforceability of the Bonds, the Ordinance, the Bond Purchase Agreement or the Undertaking, or the completeness or accuracy of the Official Statement, or the powers of the City or its authority with respect to the Bonds, the Ordinance, the Bond Purchase Agreement or the Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding information under the caption "THE BONDS - Book-Entry System," relating to The Depository Trust Company, "RATINGS," "UNDERWRITING," and "TAX MATTERS," Appendices C and F, information sourced in Appendices A, B, D and E to sources other than the City or departments thereof, any information in or omitted from the Official Statement relating to any information furnished by the Underwriters for use in the Official Statement, the financial statements and all other financial and statistical data contained in the Official Statement, including the Appendices thereto) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

No opinion is expressed as to any "blue sky" or other securities laws or as to the laws regarding taxation of any state or the United States of America, or any disclosure or compliance related thereto.

The statements contained herein are made in an official capacity and not personally and no personal responsibility shall derive from them. Further, the only opinions that are expressed are the opinions specifically set forth herein, and no opinion is implied or should be inferred as to any other matter or transaction.

No one other than you shall be entitled to rely on this opinion.

Very truly yours,

Stephen R. Patton
Corporation Counsel

EXHIBIT D

OPINION OF CO-UNDERWRITERS' COUNSEL

November __, 2011

BMO Capital Markets GKST Inc.
as Representative of the Underwriters named in the Bond Purchase Agreement, dated November 8, 2011, between such Underwriters and the City of Chicago

Re: $416,345,000 City of Chicago
General Obligation Bonds, Project Series 2011A
General Obligation Bonds, Taxable Project Series 2011B

Dear Ladies and Gentlemen:

We have acted as co-underwriter's counsel to BMO Capital Markets GKST Inc., as Representative of the Underwriters named in the Bond Purchase Agreement, dated November 8, 2011 (the "Bond Purchase Agreement") between the City of Chicago (the "City") and BMO Capital Markets GKST Inc., as Representative of the Underwriters, in connection with the purchase by the Underwriters of $416,345,000 aggregate original principal amount of General Obligation Bonds, Project Series 2011A and General Obligation Bonds, Taxable Project Series 2011B (collectively, the "Bonds"). This opinion is being rendered at the request of the Representative pursuant to Section 10(a)(vi) of the Bond Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings as defined in the Bond Purchase Agreement.

For purposes of rendering this opinion, we have examined originals or executed copies of: (i) the Bond Purchase Agreement, (ii) the Ordinance, (iii) the Undertaking, and (iv) the legal opinions, agreements and certificates delivered pursuant to Section 10(a) of the Bond Purchase Agreement (collectively, the "Documents"). We have also participated in the preparation of the Official Statement dated November 8, 2011 (the "Official Statement") relating to the Bonds. In our examinations, we have assumed the legal capacity of natural persons, the genuineness of signatures on, and the authenticity of, all documents so examined, the conformity to originals of all documents submitted to us as copies, and that all records and other information made available to us, and on which we have relied, are complete in all respects.

Based upon and subject to our examination as described above and subject to the qualifications set forth herein, we are of the opinion that:

1. No registration is required under the Securities Act of 1933, as amended, with respect to the issuance of the Bonds, and no ordinance or indenture in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended.

2. The Undertaking complies with the requirements of paragraph (b)(5) of

Regulation §240.15c2-12 (Rule 15c2-12) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect as of the date of the Closing.

3. The statements contained in the Official Statement under the captions "UNDERWRITING" and "SECONDARY MARKET DISCLOSURE" insofar as such statements purport to summarize or describe certain provisions of the Bond Purchase Agreement or the Undertaking, as the case may be, constitute a fair and accurate summary of such provisions.

We are not expressing (and cannot express) any opinion or view with respect to the authorization, issuance, delivery or validity of the Bonds, the tax exemption of the Bonds or the interest paid on the Bonds. Because the purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement, we are not passing upon and do not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Without limiting the foregoing, we assume no responsibility for, and have not independently verified, the accuracy, completeness or fairness of the financial statements, notes to financial statements, tables and other financial, economic, market and statistical data included or incorporated by reference in the Official Statement and the appendices to the Official, and we have not reviewed the accounting, financial or statistical records from which such financial statements, schedules, appendices and data are derived. We note that we are not experts within the meaning of the Securities Act of 1933, as amended, with respect to such financial statements or schedules or the other financial, economic, market, or statistical data included or incorporated by reference therein. During the preparation of the Official Statement, however, we participated in conferences with you, Co-Bond Counsel, Corporation Counsel for the City and officials, employees and agents of the City, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the foregoing, but without independent verification of factual matters, nothing has come to our attention which would lead us to believe that the Official Statement and the Appendices thereto contain any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or omits to state a material fact necessary to make the statements therein, at the time and in the light of the circumstances under which they are made, not false or misleading; provided that we express no view as to: (i) any financial or statistical information included in the Official Statement or the Appendices thereto, including Appendix B and Appendix C, Appendix D and Appendix E thereto, and (ii) the description of DTC in the Official Statement and the information included in the Official Statement under the caption "THE BONDS — Book-Entry System."

Our opinions and advice expressed herein are limited to the matters expressly stated herein and no opinion is implied or may be inferred beyond the matters expressly stated.

Our opinions and advice expressed herein are rendered as of the date hereof and are based on existing law which is subject to change. We do not undertake to advise you of any changes in the opinions and advice expressed herein from matters that may hereafter arise or be brought to our attention or to revise or supplement such opinions and advice should the present laws of any jurisdiction be changed by legislative action, judicial decision, or otherwise.

This opinion and advice are solely for the information of the addressees hereof and are not to be quoted in whole or in part or otherwise referred to (except in a list of closing documents), nor are they to be filed with any governmental agency or other person, without our prior written consent. Other than the addressees hereof, no one is entitled to rely on this opinion and advice.

Very truly yours,

EXHIBIT E

REPRESENTATION LETTER

City of Chicago Department of Finance 33 North LaSalle Street, 6th Floor Chicago, Illinois 60602 Attn.: Deputy Comptroller of Financial Policy	BMO Capital Markets GKST Inc. as Representative of the Underwriters named in the Bond Purchase Agreement, dated November 8, 2011 between such Underwriters and the City of Chicago

Pursuant to the Bond Purchase Agreement dated November 8, 2011 (the "***Purchase Agreement***") among the City of Chicago (the "***City***") and BMO Capital Markets GKST Inc. as representative (the "*Representative*") of the underwriters named therein (each an "***Underwriter***") relating to the City's $210,640,000 General Obligation Bonds, Project Series 2011A (the "***Series 2011A Bonds***"), and $205,705,000 General Obligation Bonds, Taxable Project Series 2011B (the "***Taxable Series 2011B Bonds***"), (collectively, the "***Bonds***"), each of the undersigned Underwriters severally represents to the City that:

(1) Neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List.

*For purposes of this representation, "**Affiliate,**" when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.*

(2) The undersigned Underwriters agree that in the event that any Underwriter or any of its Affiliates appears on any of the lists described in paragraph (1) above, at any time prior to the Closing (as defined in the Purchase Agreement) with respect to the Bonds, that Underwriter shall be deemed to have submitted to the Representative, Exhibit D to the Agreement Among Underwriters (Instructions, Terms And Acceptance) – Withdrawal From Agreement Among Underwriters.

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: Nov. 8, 2011

BMO CAPITAL MARKETS GKST INC.

By: ________________
Its: Managing Director

JEFFERIES & COMPANY

By: ________________
Its: ________________

ESTRADA HINOJOSA & CO., INC.

By: ________________
Its: ________________

KEYBANC CAPITAL MARKETS INC.

By: ________________
Its: ________________

MESIROW FINANCIAL, INC.

By: ________________
Its: ________________

LEBENTHAL &CO. LLC

By: ________________
Its: ________________

BACKSTOM MCCARLEY BERRY & CO., LLC

By: ________________
Its: ________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ________________
Its: ________________

GARDNER RICH, LLC

By: ________________
Its: ________________

GUZMAN & COMPANY

By: ________________
Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: Nov. 8, 2011

BMO CAPITAL MARKETS GKST INC.

By: __________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: __________________
Its: __________________

ESTRADA HINOJOSA & CO., INC.

By: __________________
Its: SVP
Ross Moring

KEYBANC CAPITAL MARKETS INC.

By: __________________
Its: __________________

MESIROW FINANCIAL, INC.

By: __________________
Its: __________________

LEBENTHAL &CO. LLC

By: __________________
Its: __________________

BACKSTOM MCCARLEY BERRY & CO., LLC
By: __________________
Its: __________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: __________________
Its: __________________

GARDNER RICH, LLC

By: __________________
Its: __________________

GUZMAN & COMPANY

By: __________________
Its: __________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: NOV. 8, 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: ____________________
Its: ____________________

ESTRADA HINOJOSA & CO., INC.

By: ____________________
Its: ____________________

KEYBANC CAPITAL MARKETS INC.

By: ____________________
Its: ____________________

MESIROW FINANCIAL, INC.

By: ____________________
Its: Sr. Managing Director

LEBENTHAL &CO. LLC

By: ____________________
Its: ____________________

BACKSTOM MCCARLEY BERRY & CO., LLC
By: ____________________
Its: ____________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ____________________
Its: ____________________

GARDNER RICH, LLC

By: ____________________
Its: ____________________

GUZMAN & COMPANY

By: ____________________
Its: ____________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: NOV. 8 , 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: ____________________
Its: ____________________

ESTRADA HINOJOSA & CO., INC.

By: ____________________
Its: ____________________

KEYBANC CAPITAL MARKETS INC.

By: ____________________
Its: ____________________

MESIROW FINANCIAL, INC.

By: ____________________
Its: ____________________

LEBENTHAL &CO. LLC

By: ____________________
Its: ____________________

BACKSTOM MCCARLEY BERRY & CO., LLC

By: Leonard Berry
Its: Managing Director

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ____________________
Its: ____________________

GARDNER RICH, LLC

By: ____________________
Its: ____________________

GUZMAN & COMPANY

By: ____________________
Its: ____________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation *Letter in connection with the Bonds to be executed by their duly authorized* representatives as of the date written below.

Dated: _November 8________, 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: ________________
Its: ________________

ESTRADA HINOJOSA & CO., INC.

By: ________________
Its: ________________

KEYBANC CAPITAL MARKETS INC.

By: ________________
Its: ________________

MESIROW FINANCIAL, INC.

By: ________________
Its: ________________

LEBENTHAL &CO. LLC

By: ________________
Its: ________________

BACKSTOM MCCARLEY BERRY & CO., LLC

By: ________________
Its: ________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ________________
Its: ________________

GARDNER RICH, LLC

By: ________________
Its: Chief Executive Officer

GUZMAN & COMPANY

By: ________________
Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: Nov. 15, 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: *Senior Managing Director*

JEFFERIES & COMPANY

By: ____________________
Its: ____________________

ESTRADA HINOJOSA & CO., INC.

By: ____________________
Its: ____________________

KEYBANC CAPITAL MARKETS INC.

By: ____________________
Its: ____________________

MESIROW FINANCIAL, INC.

By: ____________________
Its: ____________________

LEBENTHAL &CO. LLC

By: ____________________
Its: ____________________

BACKSTOM MCCARLEY BERRY & CO., LLC
By: ____________________
Its: ____________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ____________________
Its: ____________________

GARDNER RICH, LLC

By: ____________________
Its: ____________________

GUZMAN & COMPANY

By: [signature]
Its: SVP

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: NOV. 8, 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: [signature]
Its: Senior Vice President

ESTRADA HINOJOSA & CO., INC.

By: ________________
Its: ________________

KEYBANC CAPITAL MARKETS INC.

By: ________________
Its: ________________

MESIROW FINANCIAL, INC.

By: ________________
Its: ________________

LEBENTHAL &CO. LLC

By: ________________
Its: ________________

BACKSTOM MCCARLEY BERRY & CO., LLC
By: ________________
Its: ________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ________________
Its: ________________

GARDNER RICH, LLC

By: ________________
Its: ________________

GUZMAN & COMPANY

By: ________________
Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: November 29 , 2011

BMO CAPITAL MARKETS GKST INC.

By: ________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: ________________
Its: ________________

ESTRADA HINOJOSA & CO., INC.

By: ________________
Its: ________________

KEYBANC CAPITAL MARKETS INC.

By: Thomas M. Coverick
Its: Managing Director

MESIROW FINANCIAL, INC.

By: ________________
Its: ________________

LEBENTHAL &CO. LLC

By: ________________
Its: ________________

BACKSTOM MCCARLEY BERRY & CO., LLC

By: ________________
Its: ________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ________________
Its: ________________

GARDNER RICH, LLC

By: ________________
Its: ________________

GUZMAN & COMPANY

By: ________________
Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: NOV. 8, 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: ________________
Its: ________________

ESTRADA HINOJOSA & CO., INC.

By: ________________
Its: ________________

KEYBANC CAPITAL MARKETS INC.

By: ________________
Its: ________________

MESIROW FINANCIAL, INC.

By: ________________
Its: ________________

LEBENTHAL &CO. LLC

By: [signature]
Its: Senior Managing Director

BACKSTOM MCCARLEY BERRY & CO., LLC
By: ________________
Its: ________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: ________________
Its: ________________

GARDNER RICH, LLC

By: ________________
Its: ________________

GUZMAN & COMPANY

By: ________________
Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: Nov. 8, 2011

BMO CAPITAL MARKETS GKST INC.

By: ____________________
Its: Senior Managing Director

JEFFERIES & COMPANY

By: ________________
Its: ________________

ESTRADA HINOJOSA & CO., INC.

By: ________________
Its: ________________

KEYBANC CAPITAL MARKETS INC.

By: ________________
Its: ________________

MESIROW FINANCIAL, INC.

By: ________________
Its: ________________

LEBENTHAL &CO. LLC

By: ________________
Its: ________________

BACKSTOM MCCARLEY BERRY & CO., LLC
By: ________________
Its: ________________

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: Elizabeth Coolidge
Its: Managing Director

GARDNER RICH, LLC

By: ________________
Its: ________________

GUZMAN & COMPANY

By: ________________
Its: ________________

EXHIBIT F

FORM OF NEGATIVE ASSURANCES LETTER ADDRESSED TO UNDERWRITERS

November ____, 2011

BMO Capital Markets GKST Inc.,
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below
115 South LaSalle Street, 36th Floor
Chicago, Illinois 60603

Re: City of Chicago
$210,640,000 General Obligation Bonds, Project Series 2011A and
$205,705,000 General Obligation Bonds, Taxable Project Series 2011B
(collectively, the *"Bonds"*)

Ladies and Gentlemen:

We have acted as disclosure counsel to the City of Chicago (the *"City"*) solely in connection with the information contained in the section titled "THE CITY — Retirement Funds and Other Post-Employment Benefits" and in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (collectively, the *"Pension Section"*) of the Official Statement dated November 8, 2011 (the *"Official Statement"*) relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the *"Retirement Funds"*), including the representations and warranties of the City in the Bond Purchase Agreement dated November 8, 2011 between the City and BMO Capital Markets GKST Inc., on behalf of itself and the other underwriters named therein (collectively, the *"Underwriters"*). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as disclosure counsel to the City, to assist it in discharging its responsibility with respect to the Pension Section, we participated in conferences and correspondence with your representatives, representatives of the City, the City's attorneys, representatives of the Retirement Funds, co-counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as your counsel for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to you nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for your purposes.

Our firm, in its separate capacity as Co-Bond Counsel, has rendered on this date (i) separate opinions with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and (ii) a separate negative assurances letter with respect to certain other portions of the Official Statement. As such and in accordance with our understanding with the City, we express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as disclosure counsel to the City in connection with the Pension Section and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

NEW ISSUE-GLOBAL BOOK ENTRY **RATINGS: See "RATINGS" herein.**

Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois ("Co-Bond Counsel"), under present law, interest on the Series 2011A Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Taxable Series 2011B Bonds is not excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$416,345,000
CITY OF CHICAGO

$210,640,000 General Obligation Bonds, Project Series 2011A

$205,705,000 General Obligation Bonds, Taxable Project Series 2011B

Dated: Date of Delivery **Due: January 1, as shown on the inside front cover page**

The General Obligation Bonds, Project Series 2011A (the "Series 2011A Bonds") and the General Obligation Bonds, Taxable Project Series 2011B (the "Taxable Series 2011B Bonds," and together with the Series 2011A Bonds, the "Bonds") will be issuable as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. The Bonds will be issued only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing July 1, 2012. Principal of and interest on the Bonds will be paid by Wells Fargo Bank, National Association, Chicago, Illinois, as bond registrar and paying agent, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. See "THE BONDS — Book-Entry System."

The Bonds are direct and general obligations of the City of Chicago (the "City") and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount. The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds.

Proceeds of the Bonds will be used as described herein. See "PLAN OF FINANCING."

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

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

The Bonds are being offered when, as and if issued, and subject to the delivery of approving legal opinions by Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the City by its Corporation Counsel and for the Underwriters by Duane Morris LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Underwriters' Counsel. Chapman and Cutler LLP, Chicago, Illinois, will also serve in a separate capacity as Special Disclosure Counsel to the City with respect to pension disclosure matters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about November 30, 2011.

BMO Capital Markets

Estrada Hinojosa & Co., Inc. **Mesirow Financial, Inc.**

Backstrom McCarley Berry & Co., LLC **Gardner Rich, LLC** **Guzman & Company**

Jefferies & Company **KeyBanc Capital Markets Inc.**

Lebenthal & Co. LLC **Siebert Brandford Shank & Co., L.L.C.**

Dated: November 8, 2011

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIP NUMBERS

$210,640,000
General Obligation Bonds
Project Series 2011A

$19,070,000 4.625% Serial Bonds due January 1, 2032, Price 98.389% CUSIP†: 167486 NE5
$63,045,000 5.250% Term Bonds due January 1, 2035, Price 102.758%* CUSIP†: 167486 NF2
$128,525,000 5.000% Term Bonds due January 1, 2040, Price 99.398% CUSIP†: 167486 NG0

*Priced to the January 1, 2021 call date.

$205,705,000
General Obligation Bonds
Taxable Project Series 2011B

$205,705,000 6.034% Term Bonds due January 1, 2042, Price 100.000% CUSIP†: 167486 NN5

CITY OF CHICAGO

MAYOR
Rahm Emanuel

CITY TREASURER
Stephanie D. Neely

CITY CLERK
Susana A. Mendoza

CITY COUNCIL
COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Lois A. Scott

CITY COMPTROLLER
Amer Ahmad

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton, Esq.

CO-BOND COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

Cotillas and Associates
Chicago, Illinois

FINANCIAL ADVISOR
A.C. Advisory, Inc.

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TABLE OF CONTENTS

Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Chicago (the "City") from The Depository Trust Company and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

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

This Official Statement, including the Appendices, except for certain information in APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION" and sourced to parties other than the City, contains certain opinions, estimates and forward-looking statements and information, including projections, that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such opinions, estimates, projections and forward-looking statements set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance of the City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on such opinions, statements or prospective financial information.

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

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST

INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

OFFICIAL STATEMENT

$416,345,000
CITY OF CHICAGO
$210,640,000 General Obligation Bonds,
Project Series 2011A

$205,705,000 General Obligation Bonds,
Taxable Project Series 2011B

INTRODUCTION

This Official Statement (including the cover page and Appendices hereto) is furnished by the City of Chicago (the "City") to provide information with respect to $210,640,000 aggregate principal amount of General Obligation Bonds, Project Series 2011A (the "Series 2011A Bonds") and $205,705,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2011B (the "Taxable Series 2011B Bonds," and together with the Series 2011A Bonds, the "Bonds").

The proceeds from the sale of the Bonds will be used to (i) pay for a portion of the costs of the Project (as defined herein), (ii) fund capitalized interest on the Bonds, and (iii) pay the costs of issuance on the Bonds (including the underwriters' discount). See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The Bonds are authorized by an ordinance adopted by the City Council of the City (the "City Council") on October 5, 2011 (the "Ordinance").

THE CITY

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

The General Assembly of the State of Illinois (the "State") may, by a three-fifths vote of each house, limit the ability of a home rule municipality to levy taxes. The General Assembly may similarly limit the debt that the City may incur, except that the General Assembly does not have the power to limit the debt payable from property taxes to less than three percent of the assessed valuation of the taxable property in the City. To date, the General Assembly has not imposed limits on the City's ability to levy taxes under its home rule powers or to incur debt payable from real property taxes. See APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS — Property Tax Limit Considerations — State of Illinois."

For certain economic, demographic and budgetary information concerning the City, see APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION."

Corporate Fund

The Corporate Fund of the City is used to account for all financial resources of the City except those required to be accounted for in special revenue or enterprise funds. Information for the Corporate

Fund is presented in the City's basic financial statements. The basic financial statements of the City for the year ended December 31, 2010 are included as APPENDIX C to this Official Statement.

2010 Corporate Fund Operations. Under generally accepted accounting principles, actual revenues and other financing sources of approximately $3,129.9 million exceeded expenditures and other financing uses of approximately $3,047.5 million for the City's fiscal year ending December 31, 2010. On December 31, 2010, the Corporate Fund balance was approximately $135.5 million including an unreserved balance of approximately $81.2 million.

2011 Corporate Fund Budget. The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The budget totals $3,263.7 million, reflecting an increase of $84.0 million or approximately 2.6% of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full-time budgeted positions. See "—Use of Nonrecurring Revenue Sources for Budgetary Purposes" below.

Use of Nonrecurring Revenue Sources for Budgetary Purposes. Due to severe economic conditions over recent years, the City has used nonrecurring revenue sources for budgetary purposes. This use has taken the form of expending asset concession reserves. The Skyway reserve funds (the "Skyway Reserves") were established in 2005 in the amount of $975 million from the upfront proceeds received by the City in connection with the closing of the long-term concession and lease of the Chicago Skyway. The parking meter system reserve funds (the "Parking Meter Reserves") were established in 2009 in the amount of $1.15 billion from the upfront proceeds received by the City in connection with the closing of the long-term concession of the Chicago Metered Parking System. In 2010, the City made a net transfer of approximately $458 million from the Skyway Reserves and the Parking Meter Reserves to the Corporate Fund to offset declining revenues. The 2011 Corporate Fund Budget makes certain changes to the 2010 transfers of concession transaction reserve proceeds and provides for the transfer of $288 million in Skyway Reserves and Parking Meter Reserves to the Corporate Fund. The balances in the concession transaction reserves at the end of fiscal year 2011 are expected to be $500 million for the Skyway Reserves and $124 million for the Parking Meter Reserves. The 2011 Corporate Fund Budget also reflects that the City will declare a surplus in 26 tax increment financing districts within the City and generate an expected amount of $40.2 million to the Corporate Fund for 2011.

2012 Corporate Fund Budget. On October 12, 2011, the Mayor submitted his proposed budget for fiscal year 2012 to the City Council. The Mayor's proposal provides for a Corporate Fund Budget of $3,086.6 million reflecting a decrease of $177.1 million or 5.4% compared to the 2011 Corporate Fund Budget. The City expects to pass a balanced 2012 Corporate Fund Budget before December 31, 2011. The proposed Corporate Fund Budget for 2012 balances a preliminary shortfall of $635.7 million by reducing costs, better managing resources, raising certain revenues and reducing Corporate Fund-budgeted positions by more than 2,100. See APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION — 2012 Budget Proposal."

Annual Budget Process

Prior to 2011, the Budget Director would prepare by August 1 of each year the Preliminary Budget Estimate Report for the following fiscal year. The Preliminary Budget Estimate Report included a statement of expenditures and revenues for the most recently completed calendar year, a statement of the amounts received and expended during the first six months of the current calendar year, an estimate of year-end expenditures and revenues for the current calendar year, and a statement of estimated expenditures and revenues for the following fiscal year. The Preliminary Budget Estimate Report forecast a gap (or surplus) of revenues versus expenses and set the stage for the formal budget process.

On May 20, 2011, Mayor Emanuel issued Executive Order 2011-7 (the "Executive Order"). Pursuant to the Executive Order, the Budget Director was directed to issue by July 31 a long-term budget and financial analysis (the "Annual Financial Analysis") to provide the framework for the development of the City's annual operating and capital budgets for the following fiscal year. The Annual Financial Analysis was directed to be developed by the Budget Director with input from the Mayor's Economic, Budgetary, and Business Development Council; the Deputy Mayor; the Chief Financial Officer; the City Comptroller; City departments and sister agencies; elected officials; and other relevant parties.

The Annual Financial Analysis includes an historical analysis of the City's revenues and expenditures, a financial forecast and analyses of the City's reserves, capital program, debt and pensions The City released its Annual Financial Analysis for 2012 on July 29, 2011

In developing an annual budget recommendation, the Budget Director considers the proposed annual budgets submitted by all the departments and agencies whose budgets will become part of the City's proposed budget for the following year. The final recommendation compiles a budget recommendation that balances expenditures to forecasted available resources detailed in the Annual Financial Analysis and is submitted to the Mayor. Once approved by the Mayor, it is then submitted as the Mayor's Recommendation to City Council for consideration through the City Council's Committee on Budget and Government Operations. The City's proposed budget may be changed by the City Council through amendments made in the Committee on Budget and Governmental Operations. The Committee and then the full City Council vote on the budget and any amendments.

When the City Council has approved the proposed annual budget as the annual appropriation ordinance, it is forwarded to the Mayor for approval. Should the Mayor veto the approved annual appropriation ordinance, the City Council, with a two-thirds vote, may override the veto. The City Council may also refuse to approve the Mayor's proposed annual budget. In such a case, the appropriate process for passage of the City budget may have to be judicially determined. By law, the City must have a balanced budget approved by December 31 of the year preceding the budget year.

Collective Bargaining Agreements

The City has collective bargaining agreements with a coalition of various trade unions (including Laborers, Teamsters, Carpenters, and Electricians), representing approximately 6,600 employees. The agreements cover the period from July 1, 2007 through June 30, 2017, and provide for annual wage increases. The agreements were ratified by the City Council and went into effect on December 12, 2007.

The City also has a collective bargaining agreement with the Illinois Nurses Association, covering approximately 100 public health nurses employed by the City. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 14, 2008. The City also has a collective bargaining agreement with the American Federation of State, County and Municipal Employees, covering approximately 3,720 administrative, clerical, professional, human services and library employees. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on August 5, 2008.

The City remains in negotiations with the Public Safety Employees Bargaining Unit/Unit II (covering approximately 2,500 non-sworn, non-Fire Department public safety employees) for a successor agreement to the collective bargaining agreement covering the period July 1, 2007 through December 31, 2010, and which has remained in effect during negotiations for the successor agreement. The 2011 Corporate Fund budget includes funds for wage increases and anticipated wage increases with respect to this successor agreement.

The City reached agreements with the Police Lieutenants and Captains Associations on collective bargaining agreements covering approximately 222 Police Lieutenants and 49 Police Captains. Each agreement covers the period from July 1, 2007 through June 30, 2012. These two agreements were ratified by the City Council in February, 2010. The City concluded negotiations with the FOP, covering approximately 11,000 employees, and submitted the dispute to binding arbitration pursuant to the Illinois Public Labor Relations Act. In April 2010, the arbitrator issued his award, the terms of which were ratified by the City Council on June 30, 2010. The City also reached agreement with the Police Sergeants Association, and that agreement was also ratified by the City Council on June 30, 2010. The arbitrator's award for the FOP contract provides for wage increases effective in each of the years 2007 through 2012. The 2011 Corporate Fund budget includes funds for the 2011 wage increases mandated by the arbitrator's award. These same increases in base salary for the members of FOP will be applied to the three separate bargaining units representing approximately 1,180 Police Sergeants, 222 Police Lieutenants, and 49 Police Captains. The 2011 Corporate Fund budget includes funds for these increases in base salary for 2011 for the three separate bargaining units.

The City also has a collective bargaining agreement with the Chicago Fire Fighters Union, Local 2, covering approximately 5,000 employees. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 9, 2011.

Retirement Funds and Other Post-Employment Benefits

The City provides funding for four retirement funds (the "Retirement Funds"), which provide benefits upon retirement, death or disability to employees and beneficiaries. As described in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS," the benefits provided to members of the Retirement Funds and the City's contributions to the Retirement Funds are governed by the provisions of the Illinois Pension Code (the "Pension Code"), and the Retirement Funds' sources of funding come from the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's contributions and the employees' contributions are based upon what is established under the Pension Code and are not based on the actuarially recommended levels. The unfunded liability to the Retirement Funds poses significant financial challenges and the City is considering the options available to rectify this situation. For a description of the Retirement Funds, the manner of funding the Retirement Funds, their historical and projected funded status, and recent legislative changes affecting the Retirement Funds, see APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS." The foregoing description is qualified in its entirety by reference to APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS," which a prospective purchaser of the Bonds should read in its entirety.

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. As described in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — OTHER POST-EMPLOYMENT BENEFITS," the costs of the Health Plan are shared pursuant to a settlement agreement entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits. The Health Plan is funded on a pay-as-you-go basis and as such assets are not accumulated or dedicated to funding the Health Plan. For a description of the post-employment healthcare benefits, the manner of funding such benefits and the funded status of the benefits, see APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — OTHER POST-EMPLOYMENT BENEFITS." The foregoing description is qualified in its entirety by reference to APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT

BENEFITS — OTHER POST-EMPLOYMENT BENEFITS," which a prospective purchaser of the Bonds should read in its entirety.

City Investment Policy

The investment of City funds is governed by the Municipal Code of Chicago (the "Municipal Code"). Pursuant to the Municipal Code, the City Treasurer has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the City Treasurer's office in the investment of City funds. See APPENDIX C — "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 — Notes (1) and (4)."

PLAN OF FINANCING

General

The proceeds from the sale of the Bonds will be used as described below. For additional information, see "SOURCES AND USES OF FUNDS."

Financing of the Project

A portion of the net proceeds of the Bonds will be used by the City to finance one or more of the following projects (collectively, the "Project"): (i) public right-of-way infrastructure improvements in City neighborhoods, including street and alley construction and improvements, lighting improvements, sidewalk improvements and replacement, and curb and gutter repairs and replacement; (ii) infrastructure improvements to enhance the development of economic activity, including industrial street construction and improvements, streetscaping, median landscaping, demolition of hazardous, vacant or dilapidated buildings that pose a threat to public safety and welfare, shoreline reconstruction, riverbank stabilization, residential and commercial infrastructure redevelopment and railroad viaduct clearance improvements; (iii) transportation improvements (to City property and facilities and to property and facilities located within the City limits which are owned by other governmental entities), including street resurfacing, bridge and freight tunnel rehabilitation, traffic signal modernization, new traffic signal installation, intersection safety improvements and transit facility improvements; (iv) grants or loans to assist not-for-profit organizations or educational or cultural institutions, or to assist other municipal corporations, units of local government, school districts, the State of Illinois or the United States of America; (v) cash flow needs of the City; (vi) the acquisition of personal property, including, but not limited to, computer hardware and software, vehicles or other capital items useful or necessary for City purposes; (vii) the duly authorized acquisition of improved and unimproved real property within the City for municipal, industrial, commercial or residential purposes, or any combination thereof, and the improvement, demolition and/or remediation of any such property; (viii) constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; (ix) the enhancement of economic development within the City by making direct grants or loans to, or deposits to funds or accounts to secure the obligations of, not-for-profit or for-profit organizations doing business or seeking to do business in the City; (x) the funding of (A) judgments entered against the City, (B) certain settlements or other payments required to be made by the City as a condition to the resolution of litigation or threatened litigation or arbitration and (C) such escrow accounts or other reserves as shall be deemed necessary for any of said purposes; (xi) the payment of certain contributions to the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago; (xii) the provision of facilities, services and equipment to protect and enhance public safety, including, but not limited to, increased costs for police and fire protection services, emergency medical services, staffing at the City's emergency call center and other City facilities, and enhanced security measures at airports and other major City facilities; and (xiii) acquiring motor vehicles for a term of years or lease period.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of Bond proceeds.

	Series 2011A Bonds	Taxable Series 2011B Bonds	Total
SOURCE OF FUNDS:			
Principal Amount of the Bonds	$210,640,000	$205,705,000	$416,345,000
Net Issue Premium	657,843	–	657,843
Total Sources of Funds	$211,297,843	$205,705,000	$417,002,843
USES OF FUNDS:			
Costs of Project	$187,929,000	$178,470,000	$366,399,000
Capitalized Interest on the Bonds	22,092,834	25,825,858	47,918,692
Costs of Issuance (including the underwriters' discount)	1,276,009	1,409,142	2,685,151
Total Uses of Funds	$211,297,843	$205,705,000	$417,002,843

THE BONDS

General

Each series of Bonds will be dated the date of issuance, will mature on January 1 of the years and in the amounts set forth on the inside front cover page of this Official Statement, and will bear interest from the date of issuance. The Bonds will be issued only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

The Bonds will bear interest at the rates set forth on the inside front cover page of this Official Statement, on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2012, to the person in whose name the Bond is registered as of the 15th day of the month next preceding any such interest payment date. Each Bond will bear interest from the later of its date of issuance or the most recent interest payment date to which interest has been paid until the principal amount of such Bond is paid.

Wells Fargo Bank, National Association, Chicago, Illinois (the "Bond Registrar"), will serve as bond registrar and paying agent for the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States at the designated corporate trust office of the Bond Registrar.

The Bonds will be initially registered through the book-entry system (the "Book-Entry System") operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Bonds when in the book-entry form and the Book-Entry System are described below under the subcaption "— Book-Entry System." Except as described under the subcaption "— Book-Entry System — General" below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a Direct or Indirect

Participant (as defined below), the Direct or Indirect Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest or redemption price of the Bonds and to exercise voting rights, and (ii) the records of DTC and, if such beneficial owner is not a Direct or Indirect Participant, such beneficial owner's Direct or Indirect Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the owners of the Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Bond.

Payment of the Bonds

Principal of each Bond and redemption premium, if any, will be payable in lawful money of the United States upon presentation and surrender of such Bond at the designated corporate trust office of the Bond Registrar.

Payment of the installments of interest on each Bond shall be made to the registered owner of such Bond as shown on the registration books of the City maintained by the Bond Registrar at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Bond Registrar mailed to the address of such registered owner as it appears on such registration books or at such other address furnished in writing by such registered owner to the Bond Registrar or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as such registered owner shall request in writing to the Bond Registrar.

Redemption

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

Optional Redemption of the Series 2011A Bonds. The Series 2011A Bonds are redeemable prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2021, and if less than all of the outstanding Series 2011A Bonds are to be redeemed, the Series 2011A Bonds to be called shall be called by lot in the manner hereinafter provided, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2011A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the exclusion of interest on the Series 2011A Bonds for federal income tax purposes.

Optional Redemption of the Taxable Series 2011B Bonds with Make Whole Payment. The Taxable Series 2011B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of: (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Series 2011B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such bonds are to be redeemed, discounted to the date of redemption of the Taxable Series 2011B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points plus accrued interest on the Bonds of such series being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Taxable Series 2011B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Taxable Series 2011B Bonds for optional redemption.

Mandatory Redemption of the Bonds. The Series 2011A Bonds due January 1, 2035 and January 1, 2040 and the Taxable Series 2011B Bonds are subject to mandatory redemption prior to maturity, in each case at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Series 2011A Bonds due January 1, 2035

Year	Principal Amount
2033	$19,950,000
2034	20,995,000
2035*	22,100,000

* Final maturity.

Series 2011A Bonds due January 1, 2040

Year	Principal Amount
2036	$23,260,000
2037	24,425,000
2038	25,645,000
2039	26,925,000
2040*	28,270,000

* Final maturity.

Taxable Series 2011B Bonds due January 1, 2042

Year	Principal Amount
2041	$ 99,840,000
2042*	105,865,000

* Final maturity.

Reduction of Mandatory Redemption Amounts. In connection with any mandatory redemption of Bonds of a series as described above, the principal amounts of Bonds of such series to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds of such series credited against future mandatory redemption requirements in such order of the mandatory redemption dates as an Authorized Officer may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date of Bonds of a series, the Bond Registrar may, and if directed by an Authorized Officer shall, purchase Bonds of such series required to be retired on such mandatory redemption date at such prices as an Authorized Officer shall determine. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date with respect to such series of Bonds.

Selection of Bonds for Redemption. While the Series 2011A Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of the Series 2011A Bonds, if less than all of the Series 2011A Bonds are to be redeemed prior to maturity, the particular Bonds or portions of such Series 2011A Bonds will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine. See "THE BONDS — Book-Entry System." If the Series 2011A Bonds are not registered in the book-entry system, the following procedures for the selection of Series 2011A Bonds shall apply. If fewer than all of the outstanding Series 2011A Bonds are to be optionally redeemed, the Series 2011A Bonds to be called shall be called from such maturities and within any maturiy as may be determined by an Authorized Officer by lot. In the event of the redemption of less than all Series 2011A Bonds of the same maturity, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof, and the Bond Registrar shall assign to each Series 2011A Bond of such maturity a distinctive number for each $5,000 principal amount of such Series 2011A Bond and shall select by lot from the numbers so assigned as many numbers as, at $5,000 for each number, shall equal the principal amount of such Series 2011A Bonds to be redeemed. The Series 2011A Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Series 2011A Bond shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. The City shall, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount of Series 2011A Bonds to be redeemed.

While the Taxable Series 2011B Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series 2011B Bonds, if less than all of the Taxable Series 2011B Bonds are to be redeemed prior to maturity, the particular Taxable Series 2011B Bonds or portions thereof to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series 2011B Bonds are registered in the book-entry system, the selection for redemption of such Taxable Series 2011B Bonds will be made in accordance with the operational arrangements of DTC then in effect and, if the DTC operational arrangements do not allow for redemption on a pro-rata pass-through distribution of principal basis, the Taxable Series 2011B Bonds subject to redemption will be selected for redemption, in accordance with DTC procedures, by lot.

It is the City's intent that Taxable Series 2011B Bonds redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the City, the Underwriters or the Bond Registrar can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Taxable Series 2011B Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2011B Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Taxable Series 2011B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

If the Taxable Series 2011B Bonds are not registered in the book-entry system, any redemption of less than all of the Taxable Series 2011B Bonds will be allocated by the Bond Registrar among the registered owners of the Taxable Series 2011B Bonds on a pro-rata basis.

Notice of Redemption. Unless waived by any owner of the Bonds to be redeemed, notice of the call for any redemption of such Bonds will be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the registration books of the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar but the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as described in this paragraph will be conclusively presumed to have been given whether or not actually received by the addressee. With respect to an optional redemption of any series of Bonds, such notice may state that said redemption is conditioned upon the receipt by the Bond Registrar on or prior to the date fixed for redemption of moneys sufficient to pay the redemption price of Bonds of such series. If such moneys are not so received, such redemption notice will be of no force and effect, the City will not redeem such Bonds and the Bond Registrar will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the City is required to deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions thereof of such series which are to be redeemed on that date.

Notice of redemption having been given as described above, the Bonds, or portions thereof, to be redeemed shall, on the redemption date, become due and payable at the redemption price specified in such notice, and from and after such date (unless the City shall default in the payment of the redemption price or unless, in the event of a conditional notice as described above, the necessary moneys were not deposited) such Bonds, or portions thereof, shall cease to bear or accrue interest.

Book-Entry System

General

The following information concerning DTC has been furnished by DTC for use in this Official Statement and neither the City nor any Underwriter takes any responsibility for its accuracy or completeness.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. In accordance with DTC's procedures, the City has directed the

Bond Registrar to notify DTC that in the event that less than all of the Taxable Series 2011B Bonds are redeemed any such redemption shall be on a pro-rata basis.

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

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

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

Discontinued Use of Book-Entry System

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

Procedures May Change

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

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

Additional Information

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

NEITHER THE CITY NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS

NOMINEES WITH RESPECT TO THE BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS, OR ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN WITH RESPECT TO THE BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE SELECTION OF SPECIFIC BONDS FOR REDEMPTION, OR ANY OTHER ACTION TAKEN, BY DTC AS REGISTERED OWNER OF THE BONDS.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry System, and (b) notices that are to be given to registered owners will be given only to DTC.

Bonds Not Presented for Payment

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

Defeasance

If payment or provision for payment is made, to or for the registered owners of all or a portion of the Bonds, and the principal of and interest due and to become due on any Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Bond Registrar or such bank or trust company as shall be designated by an Authorized Officer (such bank or trust company hereinafter referred to as a "Defeasance Escrow Agent"), all sums of money due and to become due according to the provisions of the Ordinance, then the Ordinance and the estate and rights granted by the Ordinance shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations.

Any Bond shall be deemed to be paid within the meaning of the Ordinance when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Ordinance or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the applicable Bond Registrar or a Defeasance Escrow Agent, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2)(A) direct obligations of the United States of America; (B) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America; (C) obligations of the following agencies: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) debt obligations, Federal Home Loan Banks (FHL Banks) debt obligations, Fannie Mae debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations, and U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes; (D) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C), or (3) a combination of the investments described in clauses (1) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants). At such times as a Bond shall be deemed to be paid under the Ordinance, it shall no longer be secured by or entitled to the benefits of the Ordinance, except for the purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations.

Registration and Transfers

The books for the registration and for the transfer of each series of Bonds will be kept at the designated corporate trust office of the Bond Registrar. See "THE BONDS — Book-Entry System" for a discussion of registration and transfer of the beneficial ownership interests in Bonds while they are in the Book-Entry System. The following provisions relate to the registration and transfer of Bonds when the Bonds are in certificated form.

Upon surrender for transfer of any Bond at the designated corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or its attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees one or more fully registered Bonds of the same series and maturity of authorized denominations, for a like principal amount. Any Bond or Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of Bonds of the same series, interest rate and maturity of other authorized denominations.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except that no such payment may be required in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

The Bond Registrar shall not be required to transfer or exchange (a) any Bond after notice calling such Bond for redemption has been mailed, or (b) any Bond during a period of 15 days next preceding mailing of a notice of redemption of such Bond.

Registered Owner Treated as Absolute Owner

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, redemption premium, if any, or interest on any Bond, as appropriate, shall be made only to or upon the order of the registered owner thereof or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECURITY FOR THE BONDS

General Obligation of the City

The Bonds are direct and general obligations of the City and shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the

Ordinance upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Property Tax Supported Bonded Debt — Debt Service Schedule." In addition to the Bonds, the City has other direct and general obligations previously issued and outstanding under separate ordinances adopted by the City Council. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Property Tax Supported Bonded Debt — Computation of Direct and Overlapping Bonded Debt."

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

If the taxes to be applied to the payment of the Bonds are not available in time to make any payments of principal of or interest on the Bonds when due, then the appropriate fiscal officers of the City are directed in the Ordinance to make such payments from any other moneys, revenues, receipts, income, assets or funds of the City that are legally available for that purpose in advancement of the collection of such taxes.

Property Tax Limit Considerations

The City. In 1993, the City Council adopted an ordinance (the "City Tax Limitation Ordinance") limiting the City's aggregate property tax levy for any one year to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of five percent or the increase in the Consumer Price Index. The City Tax Limitation Ordinance also established a safe harbor amount for each year equal to a specified 1994 base amount increased annually by the lesser of five percent or the increase in the Consumer Price Index. See APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS — Property Tax Limit Considerations — The City." Pursuant to the Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds are not subject to the limitations contained in the City Tax Limitation Ordinance.

State of Illinois. The City continues to be excluded from property tax limits imposed by the State on non-home rule units of local government in Cook County and the five adjacent counties. The property tax limitations imposed by the State differ from those contained in the City Tax Limitation Ordinance. There can be no assurance that legislation applying such property tax limitations to the City will not be enacted by the Illinois General Assembly. For additional information, see "THE CITY" and APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS — Property Tax Limit Considerations — State of Illinois."

Additional General Obligation Debt

The City may issue from time to time notes and bonds that are general obligations of the City and that are secured by the full faith and credit of the City, which may or may not be subject to the provisions of the City Tax Limitation Ordinance.

On November 1, 2011, the City issued $70,425,000 aggregate principal amount of City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 due December 5, 2012 (the "2011 Fixed Rate Notes"). Proceeds of the 2011 Fixed Rate Notes are being used to pay amounts appropriated by the City for the year 2011 from the City's Chicago Public Library (Maintenance and Operations Fund) and Chicago Public Library (Building and Sites) Fund.

On November 1, 2011, the City entered into a bond purchase agreement for the sale of $232,905,000 aggregate principal amount of City of Chicago Sales Tax Revenue Bonds, Series 2011A, and Sales Tax Revenue Bonds, Taxable Series 2011B (the "2011 Sales Tax Revenue Bonds"). The closing of the sale of the 2011 Sales Tax Revenue Bonds, expected to occur on November 15, 2011, is subject to the satisfaction of conditions set forth in the bond purchase agreement for the 2011 Sales Tax Reveue Bonds. Proceeds of the 2011 Sales Tax Revenue Bonds, if and when issued, will be used to refund $215,931,451 par amount of outstanding general obligation debt of the City. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Debt Service Schedule."

LITIGATION

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

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

Property Tax Rate Objections: 2004-2008. The City's property tax levies for 2004 through 2008 varied between approximately $720 million and $834 million annually, excluding the School Building and Improvement Fund levy. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION—Property Tax Levies by Fund." Objections have been filed in the Circuit Court of Cook County (the "Circuit Court") to these levies, which objections remain pending. The City is unable to predict the outcome of the proceedings concerning the objections.

E2 Nightclub Litigation. The City is a defendant in 57 wrongful death and personal injury lawsuits arising out of a stampede of patrons at the E2 Nightclub on February 17, 2003. The cases allege that the City, in a number of ways, engaged in conduct that contributed to the injuries or deaths. The Circuit Court denied the City's motion to dismiss the cases, but certified three questions of law for interlocutory appeal to the Illinois appellate court. Upon review, the appellate court addressed one of the questions so certified and found that the City is immune from liability for its alleged failure to enforce laws or court orders or to provide police protection, effectively resolving all three questions in the City's favor. The plaintiffs filed a petition for leave to appeal to the Illinois Supreme Court for further review. In a September 24, 2008 order, the Supreme Court denied the plaintiff's petition and let stand the appellate court's favorable decision. Effectively, the vast majority of issues in the case have been resolved in the City's favor. There is only one issue remaining before the Circuit Court. As to that issue, the City previously filed a summary judgment motion, and the parties have fully briefed it. The City cannot predict whether the Circuit Court will grant the City's motion; regardless, the City will continue to defend each case vigorously.

Parking Meters Litigation. On December 4, 2008, the City entered into the Chicago Metered Parking System Concession Agreement (the "Agreement") with Chicago Parking Meters, LLC (the "Concessionaire"), whereby the Concessionaire paid the City approximately $1.151 billion, and the City granted the Concessionaire the right to operate the City's metered parking system, including the right to collect revenues derived from the metered parking spaces. The City Comptroller (along with the State's Comptroller) has been named as a defendant in a case brought by the Independent Voters of Illinois Independent Precinct Organization and an individual plaintiff, arguing that certain provisions of the Agreement are illegal or unconstitutional, and requesting that the City and the State be enjoined from making certain expenditures in connection with the City's metered parking system. On November 4, 2010, the Circuit Court granted in part, and denied in part, the City's motion to dismiss the plaintiffs' second amended complaint. While the City cannot predict the outcome of this litigation, the City will continue to defend the case vigorously.

Automated Red-Light Ticketing Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants in the Circuit Court. The plaintiffs allege that the State statute governing the use of automated red-light ticketing systems violates several provisions of the State Constitution, and that all such systems are therefore unlawful. The alleged grounds are that the State statute constitutes special legislation, violates the uniformity requirement, and violates equal protection because most of the State's African-American population lives in the eight counties covered by the statute. Plaintiffs seek to enjoin the operation of the City's red-light ticketing system, along with all others, and restitution of fines paid. In August 2011, the Circuit Court granted the City's motion to dismiss the case in its entirety, ruling that plaintiffs lacked standing to make certain of their claims and that other claims were legally deficient. Plaintiffs appealed this ruling and the matter is now pending in the Illinois Appellate Court. It is not known when the appeal will be decided. The City will continue to defend this matter vigorously.

Firefighter Hiring Process Litigation. A class action was filed challenging the 1995 examination the City used as the first step of the hiring process for firefighter candidates. The City admitted in the district court that the examination had a disparate impact on African-American candidates but argued that the case was filed too late. The City also defended the examination on the basis that it was job-related and valid, and that the cut-off score was consistent with business necessity. The district court rejected all these defenses and entered judgment against the City. The court of appeals reversed, agreeing that the case was filed too late. The Supreme Court then reversed and remanded the case to the court of appeals, which found that the first class of hires (21 individuals) filed their claims too late but not subsequent classes. The court of appeals remanded the case to the district court to determine damages and to oversee the plan for the hire of 111 candidate firefighters by the City.

Parking Garages Arbitration Claim. On November 3, 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "Lease Agreement") with Chicago Loop Parking, LLC ("CLP"), by which CLP was granted a 99-year concession to operate the public parking garages commonly referred to as Millennium Park, Grant Park North, Grant Park South and East Monroe (collectively the "CLP Garages"). The Lease Agreement includes a provision by which certain events can require the City to compensate CLP. One of those events is the granting of a license for the operation of a public garage that was not in existence as of the date of the Lease Agreement, within a certain distance from the CLP Garages. CLP has asserted a claim under that provision. Pursuant to the Lease Agreement, the matter is now before the American Arbitration Association for arbitration. The City is actively defending the case and cannot predict the outcome at this time.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2010, included in APPENDIX C to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX C that was modified to include a reference to other auditors and to include an emphasis of a matter paragraph related to the adoption of Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*.

RATINGS

The Bonds are rated "Aa3" (Stable Outlook) by Moody's Investors Service, Inc., "A+" (Stable Outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and "AA-" (Stable Outlook) by Fitch, Inc., based upon each rating agency's assessment of the creditworthiness of the City. A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of such rating may be obtained from such organization. There is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the price at which the Bonds may be resold.

FINANCIAL ADVISOR

The City has retained A.C. Advisory, Inc. to act as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. Under the terms of its engagement, the Financial Advisor will deliver a letter to the City regarding the fairness of the purchase price paid by the Underwriters to the City for the Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2011A Bonds at a price equal to $210,287,394.22 (which represents the aggregate principal amount of the Series 2011A Bonds less an Underwriters' discount of $1,010,448.68 and plus a net offering premium of $657,842.90), and the Taxable Series 2011B Bonds at a price equal to $204,550,979.35 (which represents the aggregate principal amount of the Taxable Series 2011B Bonds less an Underwriters' discount of $1,154,020.65).

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

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc. which is a direct, wholly-owned subsidiary of BMO Financial Corp. which is itself a wholly-owned subsidiary of Bank of Montreal.

TAX MATTERS

The Series 2011A Bonds

Federal tax law contains a number of requirements and restrictions which apply to the Series 2011A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2011A Bonds to not be includable in gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2011A Bonds to not be excludable from gross income for federal income tax purposes retroactively to the date of issuance of the Series 2011A Bonds.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Series 2011A Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2011A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Co-Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Co-Bond Counsel's opinions represent its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Series 2011A Bonds.

Ownership of the Series 2011A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 2011A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2011A Bonds is the price at which a substantial amount of such maturity of the Series 2011A Bonds is first sold to the public. The Issue Price of a maturity of the Series 2011A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Series 2011A Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2011A Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is not includable in gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year.

Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Series 2011A Bonds who dispose of Series 2011A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2011A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2011A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2011A Bond is purchased at any time for a price that is less than the Series 2011A Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Series 2011A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2011A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2011A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2011A Bonds.

An investor may purchase a Series 2011A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2011A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2011A Bond. Investors who purchase a Series 2011A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2011A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2011A Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2011A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is not excludable from gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2011A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Series 2011A Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2011A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Series 2011A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2011A Bond owner who fails to provide an accurate Form W 9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2011A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The Taxable Series 2011B Bonds

Interest on the Taxable Series 2011B Bonds is not excludable from gross income of the owners thereof for federal income purposes. Ownership of the Taxable Series 2011B Bonds may result in other federal income tax consequences to certain taxpayers. Taxable Series 2011B Bondholders should consult their tax advisors with respect to the inclusion of interest on the Taxable Series 2011B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

State and Local Considerations

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinions of Co-Bond Counsel, who have been retained by, and act as, Bond Counsel to the City. Except as noted below, Co-Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that Co-Bond Counsel have, at the request and for the benefit of the City, reviewed only those portions of the Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith) and the description of the federal tax status of interest on the Bonds. This review was undertaken solely at the request of the City and did not include any obligation to establish or confirm factual matters set forth herein. Certain legal matters will be passed on for the City by its Corporation Counsel. Certain legal matters will be passed on for the Underwriters by Duane Morris LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Underwriters' Counsel. Chapman and Cutler LLP, Chicago, Illinois, will also serve in a separate capacity as Special Disclosure Counsel to the City with respect to pension disclosure matters.

SECONDARY MARKET DISCLOSURE

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

A failure by the City to comply with the Undertaking will not constitute a default under the Bonds or the Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "— Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

Annual Financial Information Disclosure

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

"Annual Financial Information" means information generally consistent with that contained under the caption "THE CITY — Corporate Fund" and in APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION," APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION (except for the information in APPENDIX D under the headings "— Economic Highlights" and "— 2012 Budget Proposal") and Tables 1-11 included in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (said tables collectively referred to as the "Third-Party Sourced Retirement Fund Tables"). The information contained in the Third-Party Sourced Retirement Fund Tables is sourced from documents published by the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, and the City takes no responsibility for the accuracy and completeness of such information. If the information contained in the Third-Party Sourced Retirement Fund Tables is no longer publicly available or is not publicly available in the form, manner or time that the Annual Financial Information is required to be disseminated by the City, the City shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and to the effect that it will promptly file such information as it becomes available.

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

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

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below). Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to the Bonds, are:

(a) principal and interest payment delinquencies;

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

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

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

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

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011A Bonds, or other material events affecting the tax status of the Series 2011A Bonds;

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

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

(i) defeasances;

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

(k) rating changes;

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

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

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

Consequences of Failure of the City to Provide Information

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

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

The City is currently in compliance with undertakings previously entered into by it pursuant to the Rule. The City has had to take corrective action with respect to its undertakings for its Single Family Mortgage Revenue Bonds issued from 1996 to 2002. See "—Corrective Action Related to Certain Bond Disclosure Requirements" below.

Amendment; Waiver

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

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

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

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the City (such as the Trustee or co-bond counsel), or by approving vote of the owners of the Bonds at the time of the amendment or waiver; or

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

EMMA

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

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds. If this provision is applicable, the City shall give notice in a timely manner to the MSRB.

Additional Information

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

Corrective Action Related to Certain Bond Disclosure Requirements

While the City is currently in compliance with respect to its undertakings to file Annual Financial Information relating to all previously issued bonds and notes in accordance with the Rule, the City and the dissemination agent for the City's Collateralized Single Family Mortgage Revenue Bonds issued from 1996 to 2002 (the "Single Family Mortgage Bonds") did not distribute annual bond disclosure reports for the Single Family Mortgage Bonds in a timely manner as required by Section (b)(5) of the Rule. The City has filed current annual bond disclosure reports for the Single Family Mortgage Bonds with the trustee for the Single Family Mortgage Bonds and such trustee has disseminated such reports to each Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule with respect to those previously issued Single Family Mortgage Bonds and has complied with the Rule for Collateralized Single Family Mortgage Revenue Bonds issued subsequent to 2002.

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MISCELLANEOUS

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

The Bonds are authorized and are being issued pursuant to the City Council's approval under the powers of the City as a home rule unit under Article VII of the Illinois Constitution of 1970. This Official Statement has been authorized by the City Council.

CITY OF CHICAGO

By: /s/ Lois A. Scott
Chief Financial Officer

MISCELLANEOUS

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CITY OF CHICAGO

By: ______________________
Chief Financial Officer

APPENDIX A

CITY OF CHICAGO

REAL PROPERTY TAX SYSTEM AND LIMITS

TABLE OF CONTENTS

Real Property Assessment, Tax Levy and Collection Procedures

General. Information under this caption provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County"). The following is not an exhaustive discussion, nor can there be any assurance that the procedures described under this caption will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

Substantially all (approximately 99.99 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The City was last reassessed in 2009. The suburbs in the northern and northwestern portions of the County were reassessed in 2010. The suburbs in the western and southern portions of the County are being reassessed in 2011. The City will next be reassessed in 2012.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the County's Real Property Assessment Classification Ordinance (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the "Board of Review"). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body, or to the Circuit Court of Cook County (the "Circuit Court"). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The City believes that the impact of any such case on the City would be minimal, as the City's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The City filed a petition to intervene in certain of these proceedings for the first time in 2003, but the Circuit Court denied the City's petition in early 2004. The City appealed the Circuit Court decision. On appeal, the Circuit Court decision was reversed and the matter was remanded to the Circuit Court with instructions to allow the City to proceed with its petitions to intervene. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland and undeveloped coal, in each county to the statutory requirement of 33-1/3 percent of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The Equalization Factors for each of the last 11 tax levy years, from 2000 through 2010 (the most recent years available), are listed in APPENDIX B in the table captioned "Property Tax Information."

In 1991, legislation was enacted by the State which provided that for 1992 and for subsequent years' tax levies, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation impacts taxing districts with rate limits only and currently does not apply to the City. See "— Property Tax Limit Considerations" below.

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Illinois Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation ("EAV") of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, up to a maximum reduction of $6,000. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by $4,000. An additional exemption is available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $70,000 of the Assessed Valuation. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in the property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "freeze" and each year thereafter in which the qualifying criteria are maintained

On July 12, 2004, the Property Tax Code was amended to permit each county in the State, by enacting an ordinance within six months of the effective date of the law, to limit future increases in the taxable value of residential property in such a county to an annual increase of not more than 7% per year. This is known as the Alternative Homestead Exemption. Upon adoption of such an ordinance, homestead property will generally be entitled to an annual homestead exemption equal to the difference between the property's EAV and the property's "adjusted homestead value." The County adopted an ordinance electing to be governed by this law. The exemption provided for under this law cannot exceed $20,000 in any taxable year. The purpose of the law is to reduce the increase in the taxable value of residential property that otherwise occurs when home values rise rapidly.

In 2007, the Alternative Homestead Exemption law enacted in 2004 was allowed to sunset. . Later in 2007, Public Act 95-0644 was enacted, which extended the Alternative Homestead Exemption law for an additional three years, subject to certain revisions and adjustments to the prior law. The extension enacted in 2007 expired for properties located in the City with the 2008 assessment. On May 1, 2011, Public Act 96-1418 was enacted to extend the Alternative Homestead Exemption for three more years. The maximum exemption is $20,000 for the first year, $16,000 for the second year, and $12,000 for the third year. The exemption would be applied over a three-year period: 2009 through 2011 in the City, 2010 through 2012 in the northern and northwestern portions of the County and 2011 through 2013 in the western and southern portions of the County.

In October 2004, the Chicagoland Chamber of Commerce, along with multiple other plaintiffs, filed a Complaint for Declaratory and Injunctive Relief in the Circuit Court, requesting the court to enter an order declaring the 2004 Alternative Homestead Exemption law unconstitutional and enjoining the application and enforcement of its provisions. (The Chicagoland Chamber of Commerce, et. al. v. Maria Pappas, et. al., 04 CH 16874). On April 22, 2005, the circuit court dismissed the complaint, and that ruling was appealed. On appeal, the Appellate Court affirmed the decision of the Circuit Court.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable, and educational organizations, as well as units of federal, state and local governments.

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115 percent of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150 percent of the current average assessed value for properties in the assessment district where the property is located, and (iv) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the "Units") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Board of Education of the City of Chicago, the School Finance Authority, Community College District No. 508, the Metropolitan Water Reclamation District of Greater Chicago, the County and the Forest Preserve District of Cook County.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real estate taxes, proceedings are adopted by the governing body for each Unit. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed 105 percent of the levy of the preceding year, exclusive of levies for debt service, levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105 percent of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the general obligations bonds and notes of the City.

Collection. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date during the last 10 years; the first installment penalty date has been March 2 for all years.

Second Installment

Tax Year	Penalty Date
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008
2006	December 3, 2007
2005	September 1, 2006
2004	November 1, 2005
2003	November 15, 2004
2002	October 1, 2003
2001	November 1, 2002

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the City has a provision for an allowance for uncollectible taxes. The City reviews this provision annually to determine whether adjustments are appropriate. For tax year 2010, collectible in 2011, the allowance for uncollectible taxes is about four percent of the gross tax levy. For financial reporting purposes, uncollected taxes are written off by the City after four years, but are fully reserved after one year.

Property Tax Limit Considerations

State Legislation. As described above under "Real Property Assessment, Tax Levy and Collection Procedures — Exemptions," the Alternative Homestead Exemption was recently extended for an additional three years.

State of Illinois. The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County and five adjacent counties and (b) the ability of those entities to issue general obligation bonds without voter approval (collectively, the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent or the percent increase in the Consumer Price Index for the preceding year, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to "limited bonds" payable from a unit's "debt service extension base" or to "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

As a home rule unit of government, the City is not subject to the State Tax Cap. Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by the vote of three-fifths of the members of each house of the Illinois General Assembly and the concurrence of the Governor of the State of Illinois. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

State law imposes certain notice and public hearing requirements on non-home rule units of local government that propose to issue general obligation debt. These requirements do not apply to the City.

The City. In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance") limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance also provides that such limitation shall not reduce that portion of each levy attributable to the greater of: (i) for any levy year, interest and principal on general obligation notes and bonds of the City outstanding on January 1, 1994, to be paid from collections of the levy made for such levy year, or (ii) $395,255,686, the amount of the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases.

The tax limits set forth in the City Tax Limitation Ordinance may in future years adversely affect the City's ability to finance operations at current levels and limit the ability of the City to finance capital improvement projects through the issuance of property-tax-supported bonds.

Pursuant to the Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds is not subject to the limitations contained in the City Tax Limitation Ordinance.

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APPENDIX B

CITY OF CHICAGO

FINANCIAL AND OTHER CITY INFORMATION

TABLE OF CONTENTS

The following tables reflect information for Cook County, which represents approximately 99.99 percent of the equalized assessed value of taxable property in the City, unless otherwise indicated.

PROPERTY TAX INFORMATION

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

Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2000 - 2010

(Dollars in Thousands)

	Assessed Value[1]									
Tax Levy Year[2]	Class 2[3]	Class 3[4]	Class 5[5]	Other[6]	Total	State Equalization Factor[7]	Total Equalized Assessed Value[8]	Total Direct Tax Rate	Total Estimated Fair Cash Value[9]	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
2000	8,758,682	1,966,921	8,807,444	342,943	19,875,990	2.2235	40,480,077	1.660	162,593,364	24.90
2001	8,973,796	1,923,256	8,757,366	354,036	20,008,454	2.3098	41,981,912	1.637	185,912,246	22 58
2002	9,221,622	1,865,646	8,878,142	349,372	20,314,782	2.4689	45,330,892	1.591	201,938,231	22.45
2003	12,677,199	2,233,572	10,303,732	487,680	25,702,183	2.4598	53,168,632	1.380	223,572,427	23.78
2004	12,988,216	1,883,048	10,401,429	465,462	25,738,155	2.5757	55,277,096	1.302	262,080,627	21.09
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,948	2.7320	59,304,530	1.243	283,137,884	20.95
2006	18,521,873	2,006,898	12,157,149	688,868	33,374,788	2.7076	69,511,192	1.062	329,770,733	21.08
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	1.044	320,503,503	22.98
2008	19,339,574	1,602,769	12,359,536	693,239	33,995,118	2.9786	80,977,543	1.030	310,888,609	26.05
2009	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	0.986	280,288,730	30.21
2010[10]	–	–	–	–	–	3.3000	82,087,170	1.016	–	–

[1] Source: Cook County Assessor's Office. Excludes portion of City in DuPage County
[2] Taxes for each year become due and payable in the following year. For example, taxes for the 2009 tax levy became due and payable in 2010.
[3] Residential, six units and under.
[4] Residential, seven units and over and mixed-use.
[5] Industrial/commercial.
[6] Vacant, not-for-profit and industrial/commercial incentive classes.
[7] Source. Illinois Department of Revenue
[8] Source· Cook County Clerk's Office. Calculations are net of exemptions and exclude portions of the City in DuPage County Calculations also include assessment of pollution control facilities and railroad property.
[9] Source. The Civic Federation Excludes railroad property, pollution control facilities and portion of City in DuPage County.
[10] Complete 2010 information not available at time of publication.

Property Taxes for All City Funds, Collections and Estimated Allowance for Uncollectible Taxes 2001 – 2010[1]

(Dollars in Thousands)

Tax Levy Year[2]	Total Tax Levy for Fiscal Year[3]	Collections within Fiscal Year: Amount	Collections within Fiscal Year: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Total Tax Collections[4]	Total Collections to Date: Percent of Total Tax Collections to Tax Levy	Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
2001	$687,381	$664,393	96.7%	$ 12,847	$677,240	98.5%	$10,141	$ -
2002	707,181	676,997	95.7	13,194	690,191	97.6	16,990	-
2003	719,695 [5]	674,325	93.7	24,845	699,170	97.1	20,525	-
2004	719,780 [5]	694,214	96.4	8,195	702,409	97.6	17,371	-
2005	718,071 [5]	694,593	96.7	6,711	701,304	97.7	16,767	-
2006	719,230 [5]	630,666	87.7	64,344	695,010	96.6	24,220	-
2007	749,351 [5]	712,008	95.0	20,970	732,978	97.8	16,078	295
2008	834,152 [5]	776,522	93.1	44,922	821,444	98.5	12,454	254
2009	834,109 [5]	700,579	84.0	122,279	822,858	98.7	2,106	9,145
2010	834,089 [5]	665,573	79.8	–	665,573	79.8	6,741	161,775

[1] Source. Cook County Clerk's Office
[2] Taxes for each year become due and payable in the following year. For example, taxes for the 2010 tax levy become due and payable in 2011.
[3] Does not include the levy for the Special Services Areas and net of collections for Tax Increment Financing Districts.
[4] Reflects tax collections through November 8, 2011.
[5] Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.

Property Tax Rates By Fund Per $100 Of Equalized Assessed Valuation 2001-2010[1]

Tax Levy Year	Tax Extension (in thousands)[2]	Bond, Note Redemption and Interest[3]	Policemen's Annuity and Benefit	Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Total
2001	687,381	0.942710	0.289912	0.277774	0.126603	–	1.637
2002	707,181	0.943061	0.271463	0.259848	0.116628	–	1.591
2003	719,695 [4]	0.831169	0.230466	0.218316	0.100049	–	1.380
2004	719,780 [4]	0.760676	0.216752	0.229048	0.095524	–	1.302
2005	718,071 [4]	0.696607	0.231467	0.231683	0.083243	–	1.243
2006	719,230 [4]	0.569261	0.194953	0.197399	0.099974	–	1.062
2007	749,351 [4]	0.588843	0.191548	0.174302	0.088581	–	1.044
2008	834,152 [4]	0.602842	0.172426	0.162182	0.080787	0.011763	1.030
2009	834,109 [4]	0.570806	0.167552	0.153704	0.078184	0.015754	0.986
2010[5]	834,089 [4]	0.588724	0.170734	0.161435	0.078352	0.016705	1.016

[1] Source: Cook County Clerk's Office.
[2] Does not include levy for Special Service Areas and net of collections for Tax Increment Financing districts
[3] Includes rates from the Chicago Public Library Bond, Note Redemption and Interest Fund
[4] Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.
[5] 2011 information not available at time of publication.

Combined Property Tax Rates of the City and Other Major Governmental Units Per $100 of Equalized Assessed Valuation 2001-2010[1]

Tax Levy Year	City	City of Chicago School Building & Improvement Fund	Chicago School Finance Authority	Board of Education	City Colleges of Chicago	Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
2001	1.637	-	0.223	3.744	0.307	0.567	0.401	0.067	0.746	7.692
2002	1.591	-	0.177	3.562	0.280	0.545	0.371	0.061	0.690	7.277
2003	1.380	-	0.151	3.142	0.246	0.464	0.361	0.059	0.630	6.433
2004	1.302	-	0.177	3.104	0.242	0.455	0.347	0.060	0.593	6.280
2005	1.243	-	0.127	3.026	0.234	0.443	0.315	0.060	0.533	5.981
2006	1.062	-	0.118	2.697	0.205	0.379	0.284	0.057	0.500	5.302
2007	1.044	-	0.091	2.583	0.159	0.355	0.263	0.053	0.446	4.994
2008	1.030	0.117	-	2.472	0.156	0.323	0.252	0.051	0.415	4.816
2009	0.986	0.112	-	2.366	0.150	0.309	0.261	0.049	0.394	4.627
2010[2]	1.016	0.116	-	2.581	0.151	0.319	0.274	0.051	0.423	4.931

[1] Source: Cook County Clerk's Office.
[2] 2011 information not available at time of publication.

CITY OF CHICAGO
PROPERTY TAX SUPPORTED BONDED DEBT
Computation of Direct and Overlapping Bonded Debt
As of November 8, 2011[1]

(Adjusted for the issuance of the Bonds and the use of proceeds from the 2011 Sales Tax Revenue Bonds)
(Dollars in Thousands)

Direct Debt:

General Obligation Bonds and Notes[2]	$7,361,284
The Bonds	416,345
Short-Term Obligations[2]	(257,524)
Net Direct Long-Term Debt	$7,520,105

Overlapping Debt[3]	Net Direct Debt[4]	Percent Overlapping[5]	Debt Applicable
City Colleges of Chicago	$ -0-	100 00%	$ -0-
Board of Education	5,981,932[6]	100.00	5,981,932
Chicago School Finance Authority	-0-	100.00	-0-
Chicago Park District	924,975[6]	100.00	924,975
Metropolitan Water Reclamation District Of Greater Chicago	2,495,259	49.18	1,227,168
Cook County	3,841,130	48.17	1,850,272
Cook County Forest Preserve District	101,935	48.17	49,102
Total Overlapping Long-Term Debt			$10,033,449
Net Direct and Overlapping Long-Term Debt			$17,553,555

[1] See "SECURITY FOR THE SERIES 2011 BONDS — Additional General Obligation Debt" in this Official Statement.

[2] Includes General Obligation Fixed Rate and Commercial Paper Notes consisting of:

(a) Fixed Rate Notes, Taxable Series 2010 outstanding in the amounts shown below (dollars in thousands).

Amount	Series	Final Maturity
$70,425	2010	04/01/2012

(b) Fixed Rate Notes, Taxable Series 2011 outstanding in the amounts shown below (dollars in thousands):

Amount	Series	Final Maturity
$70,425	2011	12/05/2012

(c) Commercial Paper Notes outstanding in the amounts below (dollars in thousands):

Amount	Series
$116,674*	2002B (Taxable)

*A portion of the Commercial Paper Notes is expected to be refunded with a portion of the Bonds.

[3] Includes debt secured by property taxes (including "alternate bonds" and "limited tax" bonds) and PBC bonds secured by long-term lease obligations also secured by property taxes

[4] Source: Each of the respective tax districts.

[5] Source: Cook County Clerk's Office.

[6] Includes $5,651,556,617 and $475,960,000 of general obligation bonds of the Board and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Board of Education and the Chicago Park District

Selected Debt Statistics

Population (2010)	2,695,598[1]
Total Equalized Assessed Value (2010)	*$82,087,170,063*[2]
Total Estimated Fair Cash Value (2009)	$280,288,729,779[3]

Percent of Total

	Amount	Per Capita	Percent of Total Estimated Fair Cash Value
Net Direct Long-Term Debt..	$ 7,520,105,203	$2,789.77	2.68%
Total Net Direct and Overlapping Long-Term Debt...	$17,553,554,607	$6,511.93	6.26%

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1 Source: U.S. Census Bureau.

2 Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions. Includes assessment of pollution control facilities and excludes portions of the City in DuPage County.

3 Source. The Civic Federation. Excludes railroad property, pollution control facilities and portion of the City in DuPage County.

Debt Service Schedule[1]

As November 8, 2011[2]

(Adjusted for the issuance of the Bonds and the use of proceeds from 2011 Sales Tax Revenue Bonds)

	The Bonds			General Obligation Bonds Outstanding			General Obligation Notes Outstanding	
Year	Principal	Interest	Capitalized Interest	Principal	Interest[3,4]	Capitalized Interest	Debt Service[5,6]	Total Debt Service
2012				$ 58,699,761	$ 184,583,967	$(31,754,519)	$258,426,712	$ 469,955,921
2013		$ 25,013,508	$(25,013,508)	165,892,714	373,106,872	(40,437,630)		498,561,956
2014		23,030,340	(23,030,340)	204,661,569	364,830,913	(4,034,677)		565,457,804
2015		23,030,340		214,279,425	356,621,803			593,931,567
2016		23,030,340		227,006,371	344,624,845			594,661,556
2017		23,030,340		242,411,761	334,807,002			600,249,102
2018		23,030,340		265,591,948	324,182,239			612,804,527
2019		23,030,340		278,131,972	312,331,570			613,493,881
2020		23,030,340		291,308,700	299,515,258			613,854,298
2021		23,030,340		304,473,918	288,134,384			615,638,642
2022		23,030,340		307,632,240	274,146,323			604,808,902
2023		23,030,340		311,583,400	265,681,930			600,295,669
2024		23,030,340		303,053,320	252,058,141			578,141,800
2025		23,030,340		297,067,012	238,568,595			558,665,947
2026		23,030,340		287,463,971	225,581,511			536,075,822
2027		23,030,340		288,301,163	213,028,417			524,359,919
2028		23,030,340		283,769,720	193,849,259			500,649,318
2029		23,030,340		283,939,806	187,631,677			494,601,823
2030		23,030,340		287,464,515	172,216,736			482,711,591
2031		23,030,340		327,997,520	162,082,494			513,110,354
2032	$ 19,070,000	23,030,340		256,408,596	144,952,441			443,461,377
2033	19,950,000	22,148,352		256,453,762	116,795,598			415,347,712
2034	20,995,000	21,100,977		241,981,194	103,336,417			387,413,589
2035	22,100,000	19,998,740		229,337,377	90,440,583			361,876,699
2036	23,260,000	18,838,490		198,757,607	77,702,809			318,558,906
2037	24,425,000	17,675,490		179,961,559	67,365,774			289,427,823
2038	25,645,000	16,454,240		160,362,925	57,788,468			260,250,633
2039	26,925,000	15,171,990		145,366,380	49,076,720			236,540,090
2040	28,270,000	13,825,740		154,130,000	11,026,228			207,251,967
2041	99,840,000	12,412,240		24,625,000	2,077,366			138,954,606
2042	105,865,000	6,387,894		25,645,000	1,059,901			138,957,795
Total	$416,345,000	$626,604,114	$(48,043,848)	$7,103,760,203	$6,089,206,241	$(76,226,826)	$258,426,712	$14,370,071,596

[1] Principal and interest (including the amount of interest that has accreted on capital appreciation bonds) for each year includes amounts payable on the City's general obligation bonds and notes on July 1 of that year and January 1 of the following year, except that each year includes principal and interest payable on the General Obligation Bonds Series 2007A-K (Modern Schools Across Chicago Program), the General Obligation Bonds Series 2011 A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) on June 1 and December 1 of that year

[2] See "SECURITY FOR THE SERIES 2011 BONDS — Additional General Obligation Debt" in this Official Statement

[3] Interest for each year includes the full amount of the interest payable on General Obligation Bonds, Taxable Project Series 2009C (Build America Bonds - Direct Payment), the General Obligation Bonds, Taxable Project Series 2009D (Recovery Zone Economic Development Bonds-Direct Payment) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) without adjustment for Subsidy Payments to be received by the City.

[4] The interest rate on $3.6 million variable rate bonds is assumed to be six percent. The City has entered into interest rate hedge agreements which required the City to pay interest at a rate of 3.575 percent for $206.7 million General Obligation Variable Rate Demand Bonds (Neighborhoods Alive 21 Program), Series 2002B, 4 052 percent for $201 965 million General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2003B, 4 104 percent for $222.790 million General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2005D and 3.9982 percent for $200 million General Obligation Variable Rate Demand Bonds Refunding Series 2007E, F and G The table includes the interest payable by the City under the interest rate hedge agreements for these four bond issues

[5] Includes outstanding Fixed Rate Notes and Commercial Paper Notes. See APPENDIX B – "Financial and Other Information – Property Tax Supported Bonded Debt – Computation of Direct and Overlapping Bonded Debt – Note (1)."

[6] A portion of the Commercial Paper Notes is expected to be refunded with a portion of the proceeds of the Bonds

Note: May not total due to rounding.

PROPERTY TAX LEVIES BY FUND
For Fiscal Years Ended 2006 – 2010[1,2]
(Dollars in Thousands)

	2006	2007	Change	2008	Change	2009	Change	2010	Change
Note Redemption and Interest[3]	$ 60,116	$ 33,506	(44.26)%	$ 73,363	118.95%	$73,363	–%	$ 73,377	0.02%
Bond Redemption and Interest	316,858	381,145	20.29	414,853	8.84	409,512	(1.29)	409,979	(0.11)
Policemen's Annuity and Benefit[4]	135,528	141,080	4.10	139,640	(1.02)	141,741	1.50	140,165	(1.11)
Municipal Employees' Annuity and Benefit[4]	137,228	128,378	(6.45)	131,344	2.31	130,026	(1.00)	132,531	1.93
Firemen's Annuity and Benefit[4]	69,500	65,242	(6.13)	65,426	0.28	66,140	1.09	64,323	(2.75)
Laborers' and Retirement Board Employees' Annuity and Benefit[4]	–	–	–	9,526	–	13,327	39.90	13,714	2.90
Total	$719,230	$749,351	4.19%	$834,152	11.32%	$834,109	(0.01)%	$834,089	(0.00)

[1] Source: Cook County Clerk's Office.

[2] See APPENDIX B – "FINANCIAL AND OTHER INFORMATION – Property Taxes For All City Funds, Collections And Estimated Allowance For Uncollectible Taxes 2000-2010." Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.

[3] Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and City Relief Funds.

[4] For information regarding the City's unfunded (assets in excess of) pension benefit obligations under its Pension Plans, see the individual Pension Plans Financial Statements.

CITY OF CHICAGO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
General Fund (Corporate)
For Fiscal Years Ended 2006-2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Utility Tax	$ 475,482	$ 501,023	$ 524,842	$ 481,275	$ 467,411
Sales Tax	537,441	543,238	518,131	476,557	495,842
State Income Tax	314,559	377,727	378,545	251,820	282,011
Other Taxes	708,706	687,511	637,923	572,472	590,575
Federal/State Grants	2,802	3,366	2,347	1,714	1,735
Other Revenues[2]	729,999	822,561	813,983	777,788	773,278
Total Revenues	2,768,989	2,935,426	2,875,771	2,561,626	2,610,852
Expenditures:					
Current:					
Public Safety	1,783,993	1,845,497	1,856,634	1,862,914	1,828,984
General Government	783,059	860,976	889,266	857,626	903,890
Other[3]	328,081	349,616	356,066	288,559	296,063
Debt Service	7,069	6,930	5,318	4,978	5,004
Total Expenditures	2,902,202	3,063,019	3,107,284	3,014,077	3,033,941
Revenues Under Expenditures	(133,213)	(127,593)	(231,513)	(452,451)	(423,089)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	–	23,921	164,000	58,500	16,500
Transfers In	115,058	130,561	94,058	416,135	502,502
Transfers Out	(30,500)	(42,500)	(25,193)	(17,463)	(13,600)
Total Other Financing Sources (Uses)	84,558	111,982	232,865	457,172	505,402
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(48,655)	(15,611)	1,352	4,721	82,313
Fund Balance – Beginning of Year	110,819	62,391	44,307	48,443	54,706
Change in Inventory	227	(2,473)	2,784	1,542	(1,478)
Fund Balance – End of Year	$ 62,391	$ 44,307	$ 48,443	$ 54,706	$ 135,541

[1] Source: Table 6 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010 The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

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

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

Special Revenue Funds
For Fiscal Years Ended 2006 – 2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Property Tax	$ 302,772	$ 314,742	$ 326,334	$ 334,792	$ 316,618
Utility Tax	24,299	28,838	82,373	75,688	72,201
Sales Tax	76	5	–	–	–
State Income Tax	65,552	55,719	56,848	95,994	103,657
Other Taxes	382,232	465,533	554,096	572,651	588,717
Federal/State Grants	820,702	778,601	794,564	751,555	814,144
Other Revenues[2]	115,023	114,906	120,401	131,295	121,017
Total Revenues	1,710,656	1,758,344	1,934,616	1,961,975	2,016,354
Expenditures:					
Current:					
Public Safety	67,363	35,102	35,518	50,797	80,744
General Government	740,423	789,703	915,659	799,236	882,553
Employee Pensions	396,923	371,649	413,690	430,915	435,432
Other[3]	552,675	603,553	677,990	566,612	521,876
Capital Outlay	8,110	16,674	4,360	3,357	4,903
Debt Service	6,356	7,603	5,628	3,632	3,898
Total Expenditures	1,771,850	1,824,284	2,052,845	1,854,549	1,929,406
Revenues Under Expenditures	(61,194)	(65,940)	(118,229)	107,426	86,948
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/ Including Premium	79,250	144,614	163,628	72,925	88,018
Payment to Refunded Bond Escrow Agent	–	–	–	–	–
Transfers In	193,850	108,045	155,637	185,358	94,424
Transfers Out	(38,177)	(86,470)	(48,604)	(1,746,126)	(65,807)
Total Other Financing Sources (Uses)	234,923	166,189	270,661	(1,487,843)	116,635
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	173,729	100,249	152,432	(1,380,417)	203,583
Fund Balance – Beginning of Year	609,119	782,848	883,097	1,035,529	(344,888)
Fund Balance – End of Year	$ 782,848	$ 883,097	$1,035,529	$ (344,888)	$ (141,305)

[1] Source: Table 7 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

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

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

Debt Service Funds
For Fiscal Years Ended 2006 - 2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Property Tax	$ 363,218	$ 346,965	$ 403,489	$ 471,218	$ 437,463
Utility Tax	22,308	22,318	22,282	22,138	22,324
Sales Tax	21,639	27,684	30,440	27,395	31,162
Other Taxes	193,824	217,731	220,220	131,993	129,566
Other Revenues[2]	33,368	30,594	6,562	38,720	61,004
Total Revenues	634,357	645,292	682,993	691,464	681,519
Expenditures:					
Debt Service	693,110	625,459	1,022,156	777,725	747,061
Total Expenditures	693,110	625,459	1,022,156	777,725	747,061
Revenues Over (Under) Expenditures	(58,753)	19,833	(339,163)	(86,261)	(65,542)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	302,658	777,151	405,311	340,324	560,524
Payment to Refunded Bond Escrow Agent	(276,607)	(951,419)	(186,421)	(213,435)	(412,184)
Transfers In	8,741	63,807	33,186	684,277	44,185
Transfers Out	(509,884)	(73,325)	(141,498)	(81,291)	(110,049)
Total Other Financing Sources (Uses)	(475,092)	(183,786)	110,578	729,875	82,476
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(533,845)	(163,953)	(228,585)	643,614	16,934
Fund Balance - Beginning of Year	688,887	155,042	(8,911)	(237,496)	406,118
Fund Balance - End of Year	$155,042	$ (8,911)	$ (237,496)	$ 406,118	$ 423,052

[1] Source: Table 8 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Investment Income and Miscellaneous Revenues.

Capital Projects Funds
For Fiscal Years Ended 2006-2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Other Revenues[2]	$ 56,687	$ 76,666	$ 44,464	$ 18,240	$ 43,135
Total Revenues	56,687	76,666	44,464	18,240	43,135
Expenditures					
Capital Outlay	907,201	585,759	657,104	615,916	624,007
Total Expenditures	907,201	585,759	657,104	615,916	624,007
Revenues Under Expenditures	(850,514)	(509,093)	(612,640)	(597,676)	(580,872)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	380,925	708,195	62,493	529,553	769,348
Transfers In	352,386	29,603	10,567	16,334	6,296
Transfers Out	(10,977)	(27,521)	(96)	(3,734)	(99)
Total Other Financing Sources (Uses)	722,334	710,277	72,964	542,153	775,545
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(128,180)	201,184	(539,676)	(55,523)	194,673
Fund Balance – Beginning of Year	910,819	782,639	983,823	444,147	388,624
Fund Balance – End of Year	$ 782,639	$ 983,823	$ 444,147	$ 388,624	$ 583,297

[1] Source: Table 9 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Investment Income, Charges for Services and Miscellaneous Revenues

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2010[1]
(Dollars in Thousands)

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds[2]
REVENUES				
Property Tax	$316,618	$ –	$ –	$ 316,618
Utility Tax	72,201	–	–	72,201
Sales Tax	–	1,409	–	1,409
Transportation Tax	168,912	–	–	168,912
State Income Tax	103,657	–	–	103,657
Transaction Tax	32,687	–	–	32,687
Special Area Tax	–	113,949	–	113,949
Other Taxes	14,541	–	–	14,541
Federal/State Grants	–	–	–	–
Internal Service	21,191	–	–	21,191
Fines	13,865	–	–	13,865
Investment Income	3,542	19	1,635	5,196
Charges for Services	29,561	–	–	29,561
Miscellaneous	29,266	663	1,042	30,931
Total Revenues	806,001	116,040	2,677	924,718
EXPENDITURES				
Current:				
General Government	233,227	–	–	233,227
Health	5,704	–	–	5,704
Public Safety	3,158	–	–	3,158
Streets and Sanitation	51,405	–	–	51,405
Transportation	53,019	–	–	53,019
Cultural and Recreational	84,424	–	–	84,424
Employee Pensions	435,432	–	–	435,432
Other	869	–	–	869
Capital Outlay	–	–	66,399	66,399
Debt Service:				
Principal Retirement	–	36,535	–	36,535
Interest and Other Fiscal Charges	3,898	28,431	–	32,329
Total Expenditures	871,136	64,966	66,399	1,002,501
Revenues Over (Under) Expenditures	(65,135)	51,074	(63,722)	(77,783)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	88,018	1,443	120,647	210,108
Payment to Refunded Bond Escrow Agent	–	–	–	–
Transfers In	13,600	44,185	–	57,785
Transfers Out	(21,500)	(87,899)	–	(109,399)
Total Other Financing Sources (Uses)	80,118	(42,271)	120,647	158,494
Net Change in Fund Balances	14,983	8,803	56,925	80,711
Fund Balance – Beginning of Year	90,757	149,647	47,746	288,150
Fund Balance – End of Year	$105,740	$158,450	$104,671	$368,861

1 Source: Schedule B-2 in the Nonmajor Governmental Funds Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller

2 The line items under "Total Nonmajor Governmental Funds" above are identical to the line items under the column captioned "Other Governmental Funds" appearing as Exhibit 4 to the City's Basic Financial Statements for the year ended December 31, 2010 included as APPENDIX C hereto.

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APPENDIX C

CITY OF CHICAGO

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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Deloitte.

City of Chicago

Basic Financial Statements
for the Year Ended December 31, 2010

Rahm Emanuel, Mayor

Lois Scott, Chief Financial Officer
Amer Ahmad, City Comptroller

CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2010
TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective January 1, 2010, the City adopted Statement No. 53 of the Government Accounting Standards Board (GASB), *Accounting and Financial Reporting for Derivative Instruments*.

The Management's Discussion and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. This supplementary information is the responsibility of the City's management. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

June 29, 2011

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Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage the readers to consider the information presented here in conjunction with other information contained within this report.

Fiscal 2010 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by $1,570.8 million (*net deficit*). Of this amount, $8,014.3 million is an unrestricted deficit, while $2,041.2 million is invested in capital assets, net of related debt and $4,402.3 million is restricted for specific purposes.
- The City's total assets and deferred outflows increased by $1,695.6 million. The increase relates to $453.1 million increase in capital assets as a result of the City's capital Improvement program and $812 8 million increase in restricted cash and cash equivalents and investments primarily as a result of the City's financing of its business activities capital programs.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2010 were $7,467.1 million, a decrease of $1,123.6 million (13.1 percent) from 2009. The reduction was a result of the 2009 transfers in of $1,702.5 million when the service concession agreements fund was established.
- The General Fund, also in the fund financial statements, ended 2010 with a total Fund Balance of $135.5 million. Total Fund Balance increased from 2009 primarily because Revenues and Other Financing Sources were more than Expenditures and Other Financing Uses by $82.3 million. Fund Balance at December 31, 2010 of $36.2 million was reserved for commitments. Unreserved Fund Balance was $81.2 million at December 31, 2010, compared to a balance of $2.7 million at the end of 2009.
- The City's general obligation bonds and notes outstanding increased by $641.3 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan and certain operating expenses.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

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

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

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

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

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

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

The City maintains 20 individual governmental funds. Information for the seven funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The seven major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession Agreement Fund, the Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary funds. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, tollway and two airports operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport

Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

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

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

Financial Analysis of the City as a Whole

Net assets (deficit). As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $1,570.8 million at December 31, 2010.

A large portion of the City's net deficit, $2,041.2 million reflects its investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 6,109.4	$ 6,106.2	$ 3,939.1	$ 2,772.6	$ 10,048.5	$ 8,878.8
Capital assets	7,288.3	7,311.5	11,393.8	10,917.5	18,682.1	18,229.0
Deferred outflows	92.5	75.4	141.4	85.7	233.9	161.1
Total	13,490.2	13,493.1	15,474.3	13,775.8	28,964.5	27,268.9
Long-term liabilities outstanding	13,656.4	12,217.4	11,176.8	9,688.6	24,833.2	21,906 0
Other liabilities	1,468.7	1,448.0	853.9	782.1	2,322.6	2,230.1
Total Liabilities	15,125.1	13,665.4	12,030.7	10,470.7	27,155.8	24,136.1
Deferred Inflows	1,660.4	1,681.5	1,719.1	1,737.6	3,379.5	3,419.1
Net assets:						
Invested in capital assets,						
net of related debt	(324.3)	251.1	2,365.5	2,286.7	2,041.2	2,537.8
Restricted	3,611.5	3,735.1	790.8	821.9	4,402.3	4,557.0
Unrestricted	(6,582.5)	(5,840.0)	(1,431.8)	(1,541.1)	(8,014.3)	(7,381.1)
Total net assets (deficit)	$ (3,295.3)	$ (1,853.8)	$ 1,724.5	$ 1,567.5	$ (1,570.8)	$ (286.3)

An additional portion of the City's net assets ($4,402.3 million) represent resources that are subject to external restrictions on how they may be used.

Governmental Activities. Net assets of the City's governmental activities decreased $1,441.5 million to a deficit of $3,295.3 million. However, a significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.) net of related debt. Consequently, unrestricted net assets showed a $6,582.5 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims ($656.0 million), Municipal employees, Policemen's and Firemen's net pension obligation ($4,144.5 million) *and post-employment benefits ($380.9 million). The City will include these amounts in future years' budgets as they* come due. In addition, the remaining deferred inflow of $1,660.4 million will be amortized into income over the life of the concession service agreements.

Over half of the City's revenue comes from taxes. Total taxes increased slightly. Total taxes include a decrease in property taxes of $.1 million (.01 percent). Other taxes increased by $.3 million (.01 percent) as a result of increases in sales and transaction taxes. Federal/State grants vary from year to year depending primarily on the level of spending for programs, construction and other projects.

Expenses for governmental activities in 2010 were $6,664.5 million. This reflects an increase of $447.3 million (7.2 percent) over 2009. Public Safety was the largest component of current expenses, accounting for 42.4 percent of total expenses. Expenses increased as a result of contractual wage increases and related benefits.

The cost of all governmental activities was $6,664.5 million.

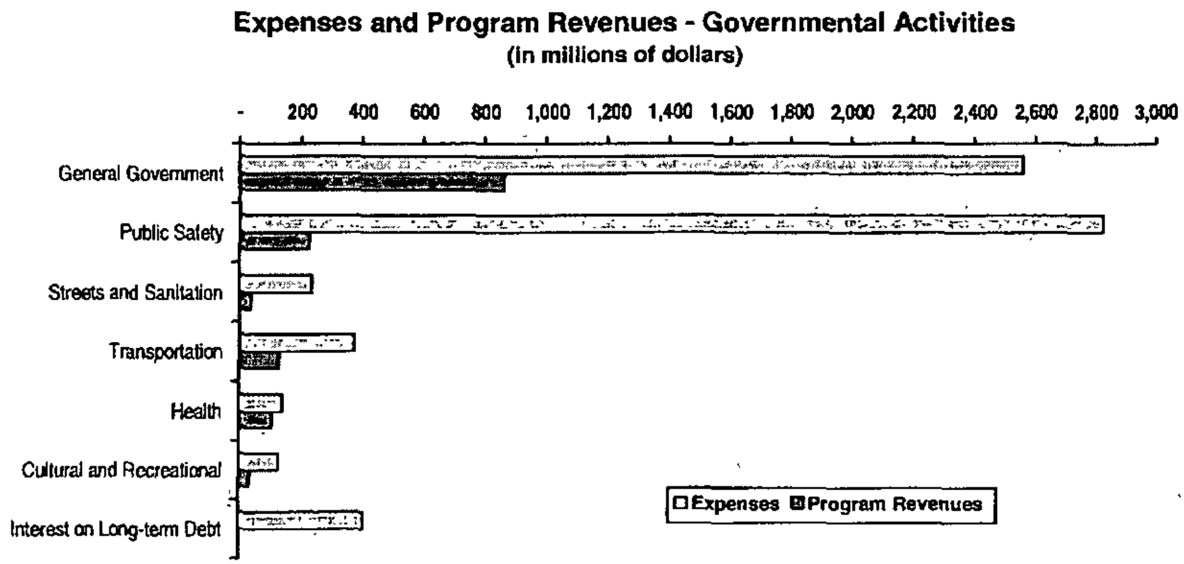
- The amount that taxpayers paid for these activities through City taxes was only $2,918.8 million.
    - *Some of the cost was paid by those who directly benefited from the programs ($610.4 million), or*
    - By other governments and organizations that subsidized certain programs with grants and contributions ($789.6 million).

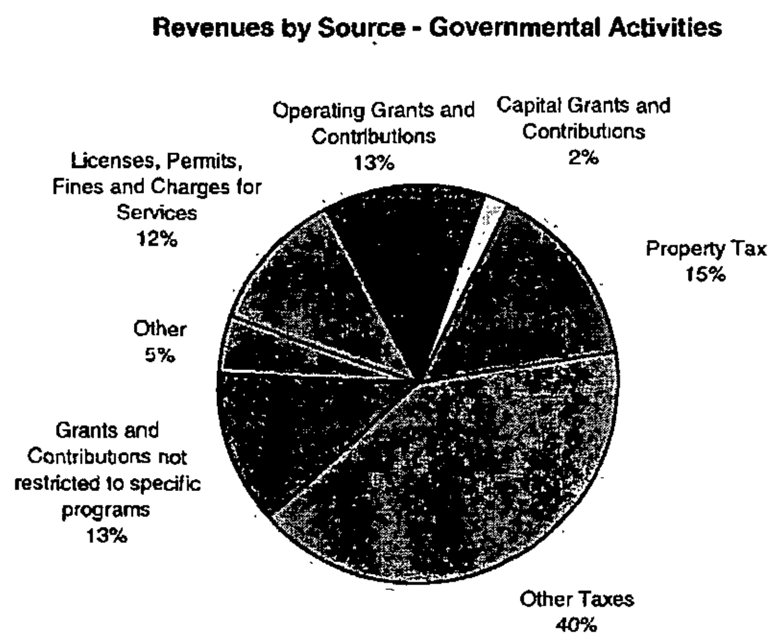
The City paid $904.2 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net assets of business-types activities were $1,724.5 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and						
Charges for Services	$ 610.4	$ 621.9	$ 1,508 3	$ 1,332.1	$ 2,118.7	$ 1,954 0
Operating Grants and Contributions	674.7	611.3	-	-	674.7	611.3
Capital Grants and Contributions	114.9	115.3	246.3	211.2	361.2	326.5
General Revenues:						
Property Taxes	796.9	797.0	-	-	796.9	797.0
Other Taxes	2,121.9	2,121.6	-	-	2,121.9	2,121.6
Grants and Contributions not						
Restricted to Specific Programs	654.0	601.2	57.0	-	711.0	601.2
Other	250.2	250.4	-	21.3	250.2	271.7
Total Revenues	5,223.0	5,118.7	1,811.6	1,564.6	7,034.6	6,683.3
Expenses:						
General Government	2,557.7	2,364 8	-	-	2,557.7	2,364.8
Public Safety	2,824.0	2,521.1	-	-	2,824.0	2,521.1
Streets and Sanitation	235.9	297.2	-	-	235 9	297.2
Transportation	373.4	351.1	-	-	373 4	351.1
Health	142.4	166.9	-	-	142.4	166.9
Cultural and Recreational	126.9	130.0	-	-	126.9	130.0
Interest on Long-term Debt	404.2	386.1	-	-	404.2	386.1
Water	-	-	399.3	382.5	399.3	382.5
Sewer	-	-	184.9	170.0	184.9	170.0
Midway International Airport	-	-	224.5	206.6	224.5	206.6
Chicago-O'Hare International Airport	-	-	834 5	811.7	834 5	811.7
Chicago Skyway	-	-	11.3	11.8	11.3	11.8
Total Expenses	6,664.5	6,217.2	1,654.5	1,582.6	8,319.0	7,799.8
Change in Net Assets Before Transfers	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Transfers	-	-	-	-	-	-
Change in Net Assets	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Net Assets, Beginning of Year	(1,853.8)	(755.3)	1,567.4	1,585.4	(286.4)	830 1
Net Assets, End of Year	$ (3,295.3)	$ (1,853.8)	$ 1,724.5	$ 1,567.4	$ (1,570.8)	$ (286.4)

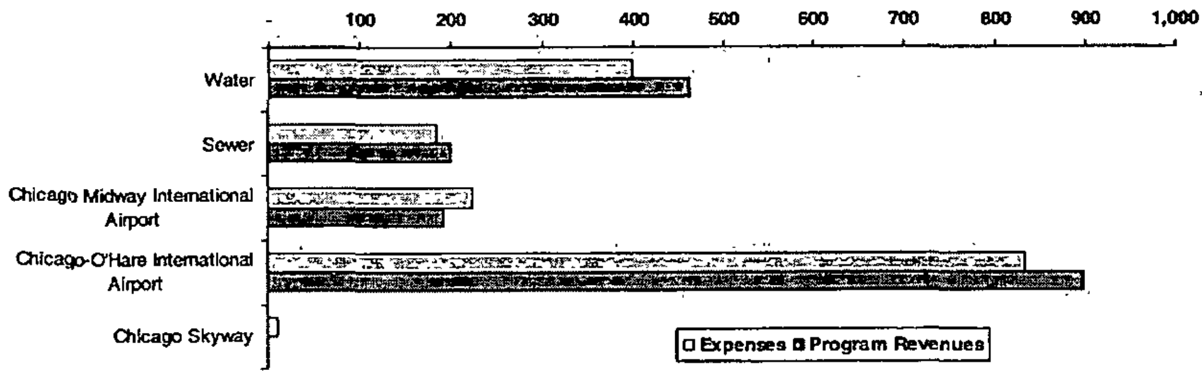

Expenses and Program Revenues - Governmental Activities
(in millions of dollars)
- 200 400 600 800 1,000 1,200 1,400 1,600 1,800 2,000 2,200 2,400 2,600 2,800 3,000
General Government
Public Safety
Streets and Sanitation
Transportation
Health
Cultural and Recreational
Interest on Long-term Debt
Expenses
Program Revenues


Revenues by Source - Governmental Activities
Operating Grants and Contributions 13%
Capital Grants and Contributions 2%
Licenses, Permits, Fines and Charges for Services 12%
Property Tax 15%
Other 5%
Grants and Contributions not restricted to specific programs 13%
Other Taxes 40%

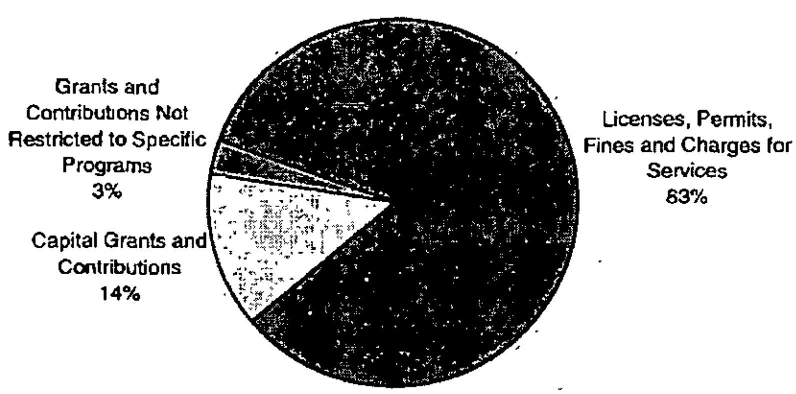
Business-type Activities. Revenues of the City's business-type activities increased by $247.0 million in 2010 due primarily to increases in charges for services, rent and investment earnings. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenues for 2010 increased by 11.8 percent from 2009 due to an increase in water rates. Operating expenses in 2010 increased by 3.4 percent primarily due to an increase in personnel and contractual services, as well as depreciation and amortization.
- The Sewer Fund's operating revenues increased 13.2 percent during fiscal year 2010, as the result of an increase in water and sewer rates. Operating expenses increased 4 7% as a result of increased personnel services, depreciation and amortization, and general fund reimbursements.
- Chicago Midway International Airport Fund's operating revenues for 2010 increased by $26.8 million compared to prior year operating revenues. Operating expenses increased by $13.8 million primarily due to an increase in personnel services, contractual services, and depreciation and amortization.
- Chicago-O'Hare International Airport Fund's operating revenues for 2010 increased by $78.2 million (12.5 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses increased by $12.7 million as a result of an increase in contractual services, repair and maintenance, and depreciation and amortization.
- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of $1.83 billion of which $446.3 million was used to advance refund all of the outstanding Skyway bonds. The upfront payment is being amortized into non-operating revenue over the period of the lease ($18.5 million annually).

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



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

At December 31, 2010, the City's governmental funds reported combined ending fund balances of $1,878.5 million, an increase of $71.6 million in comparison with the prior year. Of this total amount ($77.6 million) constitutes *undesignated fund balance*. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($286.1 million), 2) to pay debt service ($423.1 million), 3) to provide a long-term reserve ($739.2 million), 4) for future appropriations ($326.7 million), and 5) for a variety of other restricted purposes ($25.8 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $81.2 million with a total fund balance of $135.5 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 4.5 percent of total General Fund expenditures. The fund balance of the City's General Fund increased by $80.8 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by $82.3 million. As a result of increased economically sensitive taxes and lower than expected personnel and benefit expenses.

The Federal, State and Local Grants Fund has a total fund balance of $13.1 million, $7.7 million of which is reserved for the resale of property, while there is an unreserved, undesignated fund balance of $5.4 million.

The Special Taxing Areas Fund has a total fund balance of $1,400.3 million, of which $191.2 million is reserved for encumbrances, $188.0 million is designated for future appropriations and the remaining $1,021.1 million is unreserved, undesignated. Increase in fund balance is a result of Special Area tax exceeding expenditure.

The Service Concession Agreement Fund accounts for deferred inflows from non business type long-term concession and lease transactions and has an unreserved, undesignated fund deficit of $1,660.4 million.

The Reserve Fund has a total fund balance of $877.9 million, of which $739.1 million is reserved as a long-term trust. The remaining is designated for future appropriations. Fund balance decreased as a result of transfers out.

The Bond, Note Redemption and Interest Fund have a total fund balance of $264.6 million. Fund balance was consistent with prior year.

The Community Development and Improvement Projects Fund has a total fund balance of $478.6 million, of which $37.1 million is reserved for encumbrances and the remaining $441.5 million is unreserved, undesignated. The increase in fund balance during the current year in the Community Development and Improvement Projects Fund was $137.7 million, as a result of the timing of the capital program financing.

Changes in fund balance. The City's governmental fund revenues (excluding other financing sources) increased by .9 percent or $49.4 million.

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

Unrestricted net assets of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $1,431.8 million. The total increase in unrestricted net assets related to changes in the $2,365.5 million of net assets invested in capital assets, net of related debt and the $790.8 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2010 Original General Fund Budget is $3,179.7 million. This budget reflects a decrease of $6.8 million (.2 percent) over the 2009 Budget. The City's 2010 General Fund Budget was approved by the City Council on December 2, 2009. The General Fund revenues on a budgetary basis were $49.9 million less than the final budget as a result of higher than expected taxes, offset by lower transfers in. In addition, unfavorable results occurred in internal services revenue, licenses and permits, and fines. Expenditures were $135.6 million less than budgeted as a result of favorable variances in general government, primarily as a result of lower than expected health care and personnel related expenses. Additional information on the City's budget can be found in Note #3 under Stewardship, Compliance and Accountability within this report.

The General Fund revenues and expenditures in 2010 ended the current fiscal year with an available unreserved fund balance of $81.2 million, which is a $78.5 million increase over 2009.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of December 31, 2010 amount to $18,682.1 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

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

- The City continued its LEED Strategy with the construction of three new district police stations, the 8th, the 9th, and 23rd, all totaling $78.2 million in construction cost.
- The City also completed the new LEED silver certified Vehicle Maintenance Facility with construction costs totaling $20.0 million.
- During 2010 the City completed $52.8 million in bridge and viaduct reconstruction projects, $102.1 million in street construction and resurfacing projects, and $4.2 million in street lighting and transit projects.
- During 2010 the Water Fund expended $139.7 million for capital activities. This included $4.5 million for structures and improvements, $10.3 million for equipment, $46.8 million for construction in progress, and $78.1 million for distribution plant, of which $20.4 million was for water mains; $37.3 million for in-house construction costs; $16.3 million for engineering fees; $2.5 million for capitalized interest; and $1.6 million for completed meter projects. Net completed projects totaling $96.1 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to South Water Purification Plant chlorine improvement projects ($53.3 million), CCTV, card access, camera upgrades ($4.2 million), 68th Street Pumping Station roof rehab ($4.1 million), and installation and replacements of water mains ($30.9 million). The 2010 Water Main Replacement Program completed 30 miles of water mains.
- The 2010 Sewer Main Replacement Program completed 8.6 miles of sewer mains and 37.7 miles of relining of existing sewer mains at a cost of $133.0 million.
- Chicago Midway International Airport had capital asset additions in 2010 of $28.0 million principally due to land acquisition, terminal improvements, security enhancements, parking, and runway improvements..
- Chicago-O'Hare International Airport had capital asset additions in 2010 of $475.5 million principally due to land acquisition, terminal improvements, security enhancements, runway and taxiway improvements along with heating and refrigeration, and apron improvements.

City of Chicago, Illinois
Capital Assets (net of depreciation)
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 1,382 2	$ 1,372.7	$ 864 0	$ 839.5	$ 2,246 2	$ 2,212 2
Works of Art and Historical Collections	13.1	13.1	-	-	13.1	13.1
Construction in Progress	164.6	225.3	1,419.6	1,502.5	1,584.2	1,727.8
Buildings and Other Improvements	1,677.7	1,589.8	8,767.5	8,286 6	10,445.2	9,876.4
Machinery and Equipment	320.2	335 9	342.7	288.9	662.9	624.8
Infrastructure	3,730.5	3,774 7	-	-	3,730.5	3,774.7
Total	$ 7,288.3	$ 7,311.5	$ 11,393.8	$ 10,917.5	$ 18,682.1	$ 18,229.0

Information on the City's capital assets can be found in Note #7 of this report.

Debt. At the end of the current fiscal year, the City had $6,660.0 million in General Obligation Bonds and Notes and $844.8 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $203.9 million in Motor Fuel Tax Revenue Bonds; $355.5 million of Sales Tax Revenue Bonds; $163.6 million in Tax Increment Financing Bonds; $1.2 million in Installment Purchase Agreements; and $10,923.7 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note No. 10 Long-term Obligations in the Basic Financial Statements.

City of Chicago, Illinois
General Obligation and Revenue Bonds
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation	$ 7,504.7	$ 6,863.4	$ -	$ -	$ 7,504.7	$ 6,863.4
Installment Purchase Agreement	1.2	3.5	-	-	1.2	3.5
Tax Increment	163.6	186.2	-	-	163.6	186.2
Revenue Bonds	559.4	564.8	10,923.7	9,532.3	11,483.1	10,097.1
Total	$ 8,228.9	$ 7,617.9	$ 10,923.7	$ 9,532 3	$ 19,152.6	$ 17,150.2

During 2010, the City issued the following:

General Obligation Bonds and Notes:

- General Obligation Bonds, Refunding Series 2009A, Taxable Project and Refunding Series 2009B, Taxable Project Series 2009C (Build America Bonds) and Taxable Project Series 2009D (Recovery Zone Economic Development Bonds) ($793.3 million)
- General Obligation Modern Schools Across Chicago Bonds, Series 2010A and Taxable Series 2010B ($150.1 million)
- General Obligation Bonds Taxable Series 2010B (Build America Bonds) ($213.6 million)
- General Obligation Short Term Notes Series 2010 ($70.4 million)
- General Obligation Commercial Paper Notes ($170.7 million)

Enterprise Fund Revenue Bonds and Notes:

- Second Lien Water Revenue Bonds, Project and Refunding Series 2010A, Taxable Project Series 2010B (Build America Bonds) and Taxable Project Series 2010C (Qualified Energy Conservation Bonds) ($313.6 million)
- Second Lien Wastewater Transmission Bonds, Revenue Refunding Series 2010A and Taxable Revenue Project Taxable Series 2010B (Build America Bonds) ($275.9 million)
- Water Commercial Paper Notes ($51.5 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A (Non-AMT), Series 2010B (Non-AMT), Taxable Series 2010C and Refunding Series 2010D (Non-AMT) ($137.7 million)
- Chicago-O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2010A (Non-AMT), Taxable Series 2010B (Build America Bonds), Series 2010C (Non-AMT), Refunding Series 2010D (AMT), Refunding Series 2010E (AMT) and Series 2010F (Non-AMT) ($1.04 billion)
- Chicago Midway Airport Second Lien Revenue Bonds, Taxable Series 2010 A-1 and Taxable Series 2010 A-2 ($80.5 million)
- Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B (Non-AMT), Taxable Series 2010C and Taxable Series 2010 D-2 ($246.5 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes ($.5 million)
- Chicago Midway International Airport General Commercial Paper Notes ($35.5 million)

At December 31, 2010 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch
General Obligation:			
City	Aa3	A+	AA-
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	Aa3	AA	AA+
Second Lien General Airport Revenue Bonds	A1	AA-	AA
Third Lien General Airport Revenue Bonds	A1	A-	A
First Lien Passenger Facility Charge (PFC)	A2	A-	A+
Midway Airport:			
First Lien	A2	A	A
Second Lien	A3	A-	A-
Water:			
First Lien	Aa2	AA	AA+
Second Lien	Aa3	AA-	AA
Wastewater:			
First Lien	Aa2	AA-	n/a
Junior Lien	Aa3	A+	AA
Sales Tax	Aa2	AAA	AA-
Motor Fuel Tax	Aa3	AA+	A-

In 2007, the City closed and extinguished the First Lien Passenger Facility Charge (PFC) bonds. All outstanding PFC bonds exist within the same lien status.

Economic Factors and Next Year's Budgets and Rates

The City's finances are closely tied with the global and national economies. Nationally, in 2010 new housing unit starts experienced a slight increase of 5.5 percent above 2009 levels. Additionally, in Chicago year to date average home prices increased 1.6 percent in 2010 over 2009 levels and real estate transaction tax collections increased by 23.8 percent from 2009 collections as a result of the Federal Homeowner Affordability and Stimulus Plan.

Additionally, 2010 sales tax collections saw a slight increase of 1 8 percent. Amusement tax collections increased by 7.72 percent in 2010 as a result of post season sporting events.

Chicago is a center of tourism and conventions. Chicago's business district includes more than 30,000 hotel rooms within a five-mile range of McCormick Place, the convention facility that contains 2.6 million square feet of exhibit halls. Hotel projects completed in 2010 included the JW Marriott with 610 rooms and Hotel Palomar with 261 rooms. Hotel occupancy increased to 70 percent in 2010 and the average daily room rate increased by 1.84 percent.

The 2010 national unemployment rate reached 9.63 percent up from 9.275 percent in 2009. The City saw minimal change in 2010 as its unemployment rate increased to 10.1 percent in 2010 up from 10.0 percent in 2009.

The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The City's budget totals $3,263.7 million, reflecting an increase of $84.0 million or approximately 2.6 percent of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full time budgeted positions. Due to severe economic conditions over recent years, the City has needed to utilize nonrecurring revenue sources for budgetary purposes. This has taken the form of expending asset concession reserves and intends to utilize tax increment funds by declaring a surplus in twenty-six tax increment financing districts.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Comptroller's Office.

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Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 1,594,798	$ 225,325	$ 1,820,123
Investments	950,161	132,890	1,083,051
Cash and Investments with Escrow Agent	457,748	-	457,748
Receivables (Net of Allowances):			
Property Tax	1,423,922	-	1,423,922
Accounts	735,807	281,101	1,016,908
Internal Balances	(16,851)	16,851	-
Inventories	18,180	15,502	33,682
Restricted Assets:			
Cash and Cash Equivalents	137,363	1,376,006	1,513,369
Investments	560,246	1,396,955	1,957,201
Other Assets	247,931	494,562	742,493
Capital Assets:			
Land, Art, and Construction in Progress	1,559,949	2,283,645	3,843,594
Other Capital Assets, Net of Accumulated Depreciation	5,728,394	9,110,105	14,838,499
Total Capital Assets	7,288,343	11,393,750	18,682,093
Deferred Outflows	92,589	141,379	233,968
Total Assets and Deferred Outflows	$ 13,490,237	$ 15,474,321	$ 28,964,558
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	$ 479,047	$ 278,138	$ 757,185
Short-term Debt	672	-	672
Accrued Interest	145,788	212,366	358,154
Accrued and Other Liabilities	733,300	146,729	880,029
Unearned Revenue	109,836	216,619	326,455
Long-term Liabilities:			
Due Within One Year	275,186	186,925	462,111
Other Long-term liabilities	-	17,937	17,937
Derivative Instrument Liability	115,269	146,560	261,829
Due in More Than One Year	13,266,026	10,825,412	24,091,438
Total Liabilities	15,125,124	12,030,686	27,155,810
Deferred Inflows	1,660,426	1,719,091	3,379,517
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(324,284)	2,365,522	2,041,238
Restricted for:			
Capital Projects	99,646	174,035	273,681
Long-term Reserve	877,890	-	877,890
Debt Service	1,132,545	11,860	1,144,405
Federal, State and Local Grants	13,050	-	13,050
Special Taxing Areas	1,488,402	-	1,488,402
Passenger Facility Charges	-	179,571	179,571
Noise Mitigation Program	-	206,838	206,838
Other Purposes	-	218,577	218,577
Unrestricted (Deficit)	(6,582,562)	(1,431,859)	(8,014,421)
Total Net Assets (Deficit)	$ (3,295,313)	$ 1,724,544	$ (1,570,769)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	$ 2,557,681	$ 370,028
Public Safety	2,824,028	150,710
Streets and Sanitation	235,863	38,092
Transportation	373,437	21,640
Health	142,352	8,332
Cultural and Recreational	126,939	21,635
Interest on Long-term Debt	404,218	-
Total Governmental Activities	6,664,518	610,437
Business-type Activities:		
Water	399,347	458,395
Sewer	184,888	198,229
Chicago Midway International Airport	224,465	149,056
Chicago-O'Hare International Airport	834,487	702,603
Chicago Skyway	11,312	-
Total Business-type Activities	1,654,499	1,508,283
Total Primary Government	$ 8,319,017	$ 2,118,720

See notes to basic financial statements.

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	$ 487,373	$ 4,903	$ (1,695,377)	$ -	$ (1,695,377)
	75,131	-	(2,598,187)	-	(2,598,187)
	-	-	(197,771)	-	(197,771)
	-	109,968	(241,829)	-	(241,829)
	98,287	-	(35,733)	-	(35,733)
	13,886	-	(91,418)	-	(91,418)
	-	-	(404,218)	-	(404,218)
	674,677	114,871	(5,264,533)	-	(5,264,533)
	-	3,414	-	62,462	62,462
	-	3,136	-	16,477	16,477
	-	43,226	-	(32,183)	(32,183)
	-	196,533	-	64,649	64,649
	-	-	-	(11,312)	(11,312)
	-	246,309	-	100,093	100,093
	$ 674,677	$ 361,180	(5,264,533)	100,093	(5,164,440)
General Revenues					
Taxes:					
Property Tax			796,928	-	796,928
Utility Tax			561,936	-	561,936
Sales Tax			260,364	-	260,364
Transportation Tax			335,235	-	335,235
Transaction Tax			227,772	-	227,772
Special Area Tax			477,241	-	477,241
Recreation Tax			158,390	-	158,390
Other Taxes			100,935	-	100,935
Grants and Contributions not Restricted to Specific Programs			654,043	-	654,043
Unrestricted Investment Earnings			100,269	6,831	107,100
Miscellaneous			149,902	50,190	200,092
Total General Revenues			3,823,015	57,021	3,880,036
Transfers			-	-	-
Change in Net Assets			(1,441,518)	157,114	(1,284,404)
Net Assets - Beginning (Deficit)			(1,853,795)	1,567,430	(286,365)
Net Assets - Ending (Deficit)			$ (3,295,313)	$ 1,724,544	$ (1,570,769)

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	$ 10,003	$ 32,990	$ 1,185,968
Investments	13,065	16,251	199,320
Cash and Investments with Escrow Agent	-	-	-
Receivables (Net of Allowances):			
Property Tax	-	-	394,374
Accounts	220,183	28,038	1,417
Due From Other Funds	254,124	29,707	6,378
Due From Other Governments	231,987	145,497	-
Inventories	18,180	-	-
Restricted Cash and Cash Equivalents	-	-	-
Restricted Investments	-	-	-
Other Assets	-	7,632	-
Total Assets	$ 747,542	$ 260,115	$ 1,787,457
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	*$ 159,608*	*$ 134,898*	*$ 39,884*
Bonds, Notes and Other Obligations Payable - Current	-	-	-
Accrued Interest	-	-	-
Due To Other Funds	295,566	40,850	10,657
Accrued and Other Liabilities	117,443	11,068	3,387
Claims Payable	36,505	-	-
Deferred Revenue	2,879	60,249	333,198
Total Liabilities	612,001	247,065	387,126
Deferred Inflows	-	-	-
Fund Balance:			
Reserved for Encumbrances	36,210	-	191,230
Reserved for Resale Property	-	7,632	-
Reserved for Inventory	18,180	-	-
Reserved for Debt Service	-	-	-
Reserved for Long-term Trust Fund	-	-	-
Unreserved, Designated for Future Appropriations	-	-	188,000
Unreserved, Undesignated - Major Funds	81,151	5,418	1,021,101
Unreserved, Undesignated - Special Revenue Funds	-	-	-
Unreserved, Undesignated - Capital Projects Funds	-	-	-
Total Fund Balance	135,541	13,050	1,400,331
Total Liabilities, Deferred Inflows and Fund Balance	$ 747,542	$ 260,115	$ 1,787,457

See notes to basic financial statements.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 29,649	$ 50,713	$ 71,647	$ 213,828	$ 1,594,798
-	98,659	110,230	473,690	38,946	950,161
-	-	325,455	-	132,293	457,748
-	-	526,556	-	502,992	1,423,922
-	1,973	41,525	2,832	22,363	318,331
-	50,000	1,512	68,131	94,373	504,225
-		1,511	-	38,481	417,476
-	-	-	-	-	18,180
-	137,363	-	-	-	137,363
-	560,246	-	-	-	560,246
-	-	-	-	-	7,632
$ -	$ 877,890	$ 1,057,502	$ 616,300	$ 1,043,276	$ 6,390,082
$ -	$ -	$ -	$ 39,566	$ 80,206	$ 454,162
-	-	140,248	-	6,695	146,943
-	-	142,160	-	2,775	144,935
-	-	-	97,910	81,010	525,993
-	-	-	198	67,228	199,324
-	-	-	-	-	36,505
-	-	510,492	-	436,501	1,343,319
-	-	792,900	137,674	674,415	2,851,181
1,660,426	-	-	-	-	1,660,426
-	-	-	37,148	21,486	286,074
-	-	-	-	-	7,632
-	-	-	-	-	18,180
-	-	264,602	-	158,450	423,052
-	739,166	-	-	-	739,166
-	138,724	-	-	-	326,724
(1,660,426)	-	-	441,478	-	(111,278)
-	-	-	-	96,390	96,390
-	-	-	-	92,535	92,535
(1,660,426)	877,890	264,602	478,626	368,861	1,878,475
$ -	$ 877,890	$ 1,057,502	$ 616,300	$ 1,043,276	$ 6,390,082

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,288,343
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds ...	1,378,564
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(13,840,695)
Net assets of governmental activities	$ (3,295,313)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	$ -	$ -	$ -
Utility Tax	467,411	-	-
Sales Tax	495,842	-	-
Transportation Tax	150,706	-	-
State Income Tax	282,011	-	-
Transaction Tax	195,085	-	-
Special Area Tax	-	-	372,577
Recreation Tax	158,390	-	-
Other Taxes	86,394	-	-
Federal/State Grants	1,735	814,144	-
Internal Service	274,574	-	-
Licenses and Permits	96,240	-	-
Fines	258,802	-	-
Investment Income (Loss)	4,200	-	2,323
Charges for Services	84,002	-	2
Miscellaneous	55,460	-	274
Total Revenues	2,610,852	814,144	375,176
Expenditures:			
Current:			
General Government	903,890	467,299	182,027
Health	35,593	112,521	59
Public Safety	1,828,984	77,180	406
Streets and Sanitation	177,950	-	3,071
Transportation	70,032	119,294	54,994
Cultural and Recreational	544	14,760	4,569
Employee Pensions	-	-	-
Other	11,944	17,187	-
Capital Outlay	-	4,903	-
Debt Service:			
Principal Retirement	3,785	-	-
Interest and Other Fiscal Charges	1,219	-	-
Total Expenditures	3,033,941	813,144	245,126
Revenues Over (Under) Expenditures	(423,089)	1,000	130,050

Continued on following pages.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 437,463	$ -	$ 316,618	$ 754,081
-	-	22,324	-	72,201	561,936
-	-	29,753	-	1,409	527,004
-	-	15,617	-	168,912	335,235
-	-	-	-	103,657	385,668
-	-	-	-	32,687	227,772
-	-	-	-	113,949	486,526
-	-	-	-	-	158,390
-	-	-	-	14,541	100,935
-	-	-	-	-	815,879
-	-	-	-	21,191	295,765
-	-	-	-	-	96,240
-	-	-	-	13,865	272,667
-	33,430	54,265	4,311	5,196	103,725
-	-	-	-	29,561	113,565
21,033	-	6,057	36,147	30,931	149,902
21,033	33,430	565,479	40,458	924,718	5,385,290
-	7	-	-	233,227	1,786,450
-	-	-	-	5,704	153,877
-	-	-	-	3,158	1,909,728
-	-	-	-	51,405	232,426
-	-	-	-	53,019	297,339
-	-	-	-	84,424	104,297
-	-	-	-	435,432	435,432
-	-	-	-	869	30,000
-	-	-	557,608	66,399	628,910
-	-	349,608	-	36,535	389,928
-	-	332,487	-	32,329	366,035
-	7	682,095	557,608	1,002,501	6,334,422
21,033	33,423	(116,616)	(517,150)	(77,783)	(949,132)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt	$ 16,500	$ -	$ -
Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	502,502	-	80,824
Transfers Out	(13,600)	(1,000)	(43,307)
Total Other Financing Sources (Uses)	505,402	(1,000)	37,517
Net Changes in Fund Balance	82,313	-	167,567
Fund Balance, Beginning of Year	54,706	13,050	1,232,764
Change in Inventory	(1,478)	-	-
Fund Balance, End of Year	$ 135,541	$ 13,050	$ 1,400,331

See notes to basic financial statements.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 559,081	$ 612,336	$ 210,108	$ 1,398,025
-	-	-	36,365	-	36,365
-	-	(412,184)	-	-	(412,184)
-	-	-	6,296	57,785	647,407
-	(457,852)	(22,150)	(99)	(109,399)	(647,407)
-	(457,852)	124,747	654,898	158,494	1,022,206
21,033	(424,429)	8,131	137,748	80,711	73,074
(1,681,459)	1,302,319	256,471	340,878	288,150	1,806,879
-	-	-	-	-	(1,478)
$ (1,660,426)	$ 877,890	$ 264,602	$ 478,626	$ 368,861	$ 1,878,475

Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	73,074
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		(31,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		30,106
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments		(657,809)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(855,569)
Change in the net assets of governmental activities	$	(1,441,518)

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:				
Utility Tax	$ 479,809	$ 479,809	$ 467,411	$ (12,398)
Sales Tax	215,312	215,312	229,202	13,890
Transportation Tax	155,661	155,661	150,706	(4,955)
Transaction Tax	172,713	172,713	195,085	22,372
Recreation Tax	154,757	154,757	158,390	3,633
Business Tax	78,146	78,146	82,960	4,814
State Income Tax	210,255	210,255	282,011	71,756
State Sales Tax	245,042	245,042	266,640	21,598
State Auto Rental	3,160	3,160	3,434	274
Federal/State Grants	2,500	2,500	1,735	(765)
Internal Service	289,328	289,328	274,574	(14,754)
Licenses and Permits	105,953	105,953	96,240	(9,713)
Fines	262,900	262,900	258,802	(4,098)
Investment Income	3,000	3,000	4,200	1,200
Charges for Services	77,543	77,543	77,694	151
Municipal Utilities	6,038	6,038	6,405	367
Leases, Rentals and Sales	19,284	19,284	17,604	(1,680)
Miscellaneous	11,150	11,150	37,759	26,609
Issuance of Debt, Net of Original Discount	16,500	16,500	16,500	-
Budgeted Prior Years' Surplus and Reappropriations	-	-	-	-
Transfers In/Out	670,694	670,694	502,502	(168,192)
Total Revenues	3,179,745	3,179,745	3,129,854	(49,891)
Expenditures:				
Current:				
General Government	1,044,147	1,044,147	919,386	124,761
Health	38,470	38,470	35,942	2,528
Public Safety	1,826,846	1,826,846	1,832,942	(6,096)
Streets and Sanitation	185,471	185,471	178,074	7,397
Transportation	79,314	79,314	72,375	6,939
Cultural and Recreational	564	564	544	20
Debt Service:				
Principal Retirement	3,785	3,785	3,785	-
Interest and Other Fiscal Charges	1,148	1,148	1,138	10
Total Expenditures	3,179,745	3,179,745	3,044,186	135,559
Revenues Over (Under) Expenditures	$ -	$ -	$ 85,668	$ 85,668

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
ASSETS AND DEFERRED OUTFLOWS						
CURRENT ASSETS:						
Unrestricted Assets:						
Cash and Cash Equivalents	$ 32,871	$ 17,999	$ 21,552	$ 150,789	$ 2,114	$ 225,325
Investments	3,840	4,803	44,917	79,177	153	132,890
Accounts Receivable (Net of Allowances)	108,154	58,831	10,660	86,067	56	263,768
Due from Other Funds	19,501	26,937	1,064	20,966	-	68,468
Due from Other Governments	-	-	1,857	15,476	-	17,333
Inventories	14,066	1,436	-	-	-	15,502
Total Unrestricted Assets	178,432	110,006	80,050	352,475	2,323	723,286
Restricted Assets:						
Cash and Cash Equivalents	146,981	137,780	228,236	863,009	-	1,376,006
Investments	186,011	112,971	189,161	908,812	-	1,396,955
Total Restricted Assets	332,992	250,751	417,397	1,771,821	-	2,772,961
Total Current Assets	511,424	360,757	497,447	2,124,296	2,323	3,496,247
NONCURRENT ASSETS:						
OTHER ASSETS	15,285	11,896	114,097	342,873	10,411	494,562
PROPERTY, PLANT AND EQUIPMENT:						
Land	5,083	560	107,287	738,472	12,609	864,011
Structures, Equipment and Improvements	3,142,354	1,737,335	1,362,200	6,389,283	490,755	13,121,927
Accumulated Depreciation	(778,115)	(387,276)	(338,401)	(2,316,486)	(191,544)	(4,011,822)
Construction Work in Progress	123,416	11,709	20,229	1,264,280	-	1,419,634
Total Property, Plant and Equipment	2,492,738	1,362,328	1,151,315	6,075,549	311,820	11,393,750
Total Noncurrent Assets	2,508,023	1,374,224	1,265,412	6,418,422	322,231	11,888,312
Deferred Outflows	77,367	49,116	14,896	-	-	141,379
Total Assets and Deferred Outflows	$ 3,096,814	$ 1,784,097	$ 1,777,755	$ 8,542,718	$ 324,554	$ 15,525,938

See notes to basic financial statements.

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
LIABILITIES						
CURRENT LIABILITIES:						
Unrestricted Liabilities:						
Voucher Warrants Payable	$ 16,173	$ 22,611	$ 16,645	$ 65,988	$ 262	$ 121,679
Due to Other Funds	26,887	13,312	6,747	4,656	15	51,617
Accrued and Other Liabilities	74,729	40,414	2,214	14,595	146	132,098
Deferred Revenue	20,774	15,914	32,908	147,023	-	216,619
Total Unrestricted Liabilities	138,563	92,251	58,514	232,262	423	522,013
Restricted Liabilities:						
Current Liabilities Payable From Restricted Assets	68,486	39,939	60,163	401,793	-	570,381
Total Current Liabilities	207,049	132,190	118,677	634,055	423	1,092,394
NONCURRENT LIABILITIES:						
Revenue Bonds Payable	1,743,732	1,112,087	1,458,667	6,510,926	-	10,825,412
Derivative Instrument Liability	77,367	49,116	20,077	-	-	146,560
Capital Lease	-	-	9,408	-	-	9,408
Long-term Purchase Obligation	8,529	-	-	-	-	8,529
Total Noncurrent Liabilities	1,829,628	1,161,203	1,488,152	6,510,926	-	10,989,909
Total Liabilities	2,036,677	1,293,393	1,606,829	7,144,981	423	12,082,303
DEFERRED INFLOWS	-	-	-	-	1,719,091	1,719,091
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	974,328	414,766	(39,755)	704,324	311,859	2,365,522
Restricted Net Assets:						
Debt Service	-	-	11,880	-	-	11,880
Capital Projects	447	11,110	11,438	151,040	-	174,035
Passenger Facility Charges	-	-	5,437	174,134	-	179,571
Contractual Use Agreement	-	-	24,744	107,842	-	132,586
Noise Mitigation Program	-	-	102,429	104,409	-	206,838
Other	-	-	34,733	51,258	-	85,991
Unrestricted Net Assets	85,362	64,828	20,040	104,730	(1,706,819)	(1,431,859)
Total Net Assets	$ 1,060,137	$ 490,704	$ 170,926	$ 1,397,737	$ (1,394,960)	$ 1,724,544

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services	$ 445,504	$ 197,455	$ 78,194	$ 458,879	$ -	$ 1,180,032
Rent	-	-	70,862	243,724	-	314,586
Other	12,891	774	-	-	-	13,665
Total Operating Revenues	458,395	198,229	149,056	702,603	-	1,508,283
Operating Expenses:						
Personal Services	102,946	17,179	42,105	147,437	-	309,667
Contractual Services	49,276	3,053	15,832	57,981	-	126,142
Repairs and Maintenance	1,587	66,584	31,942	86,463	-	186,576
Commodities and Materials	24,126	-	-	-	-	24,126
Depreciation and Amortization	44,519	23,775	52,767	185,079	11,312	317,452
General Fund Reimbursements	60,648	27,065	-	-	-	87,713
Other	40,507	-	18,457	118,747	-	177,711
Total Operating Expenses	323,609	137,656	161,103	595,707	11,312	1,229,387
Operating Income (Loss)	134,786	60,573	(12,047)	106,896	(11,312)	278,896
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	(362)	(922)	(2,682)	10,792	5	6,831
Interest Expense	(75,738)	(47,232)	(63,362)	(238,780)	-	(425,112)
Facility Charges	-	-	40,765	138,966	-	179,731
Other	530	21,448	777	8,954	18,481	50,190
Total Nonoperating Revenues (Expenses)	(75,570)	(26,706)	(24,502)	(80,068)	18,486	(188,360)
Transfers Out	-	-	-	-	-	-
Capital Grants	3,414	3,136	2,461	57,567	-	66,578
Net Income (Loss)	62,630	37,003	(34,088)	84,395	7,174	157,114
Net Assets (Deficit) - Beginning of Year	997,507	453,701	205,014	1,313,342	(1,402,134)	1,567,430
Net Assets (Deficit) - End of Year	$ 1,060,137	$ 490,704	$ 170,926	$ 1,397,737	$ (1,394,960)	$ 1,724,544

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities						
Received from Customers	$ 433,161	$ 190,357	$ 150,038	$ 785,799	$ -	$ 1,559,355
Payments to Vendors	(91,536)	(34,077)	(67,484)	(230,806)	-	(423,903)
Payments to Employees	(102,946)	(42,644)	(33,752)	(130,823)	-	(310,165)
Transactions with Other City Funds	(82,581)	(15,345)	(6,318)	(44,779)	-	(149,023)
Cash Flows from Operating Activities	156,098	98,291	42,484	379,391	-	676,264
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds	367,532	275,865	331,020	1,177,650	-	2,152,067
Acquisition and Construction of Capital Assets	(135,212)	(101,782)	(34,512)	(433,776)	-	(705,282)
Capital Grant Receipts	-	3,136	604	45,934	-	49,674
Bond Issuance Costs	(2,244)	(1,959)	(2,041)	(8,220)	-	(14,464)
Payment to Refund Bonds	(35,580)	(29,223)	(61,360)	(295,355)	-	(421,518)
Principal Paid on Debt	(44,554)	(24,030)	(55,073)	(196,727)	-	(320,384)
Interest Paid	(79,763)	(40,567)	(55,472)	(267,910)	-	(443,712)
Passenger Facility Charges	-	-	42,600	141,952	-	184,552
Noise Mitigation Program	-	-	(3,049)	(23,759)	-	(26,808)
Deposit	-	-	(1,420)	-	12	(1,408)
Cash Flows from Capital and Related Financing Activities	70,179	81,440	161,297	139,789	12	452,717
Cash Flows from Investing Activities:						
Sale (Purchases) of Investments, Net	(101,935)	(86,729)	(97,746)	(143,553)	(116)	(430,079)
Investment Interest	859	794	1,321	14,023	5	17,002
Cash Flows from Investing Activities	(101,076)	(85,935)	(96,425)	(129,530)	(111)	(413,077)
Net Increase (Decrease) in Cash and Cash Equivalents	125,201	93,796	107,356	389,650	(99)	715,904
Cash and Cash Equivalents, Beginning of Year	54,651	61,983	142,432	624,148	2,213	885,427
Cash and Cash Equivalents, End of Year	$ 179,852	$ 155,779	$ 249,788	$ 1,013,798	$ 2,114	$ 1,601,331

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	$ 134,786	$ 60,573	$ (12,047)	$ 106,896	$ (11,312)	$ 278,896
Adjustments to Reconcile:						
Depreciation and Amortization	44,519	23,775	52,767	185,079	11,312	317,452
Provision for Uncollectible Accounts	15,862	7,936	3,369	(1,747)	-	25,420
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(24,839)	(8,296)	(1,950)	(13,511)	-	(48,596)
(Increase) Decrease in Due From Other Funds	(1,959)	8,503	2,513	(139)	-	8,918
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	(25,708)	4,212	(1,453)	6,070	-	(16,879)
Increase (Decrease) in Deferred Revenue and Other Liabilities	13,686	1,729	(715)	96,743	-	111,443
(Increase) Decrease in Inventories and Other Assets	(249)	(141)	-	-	-	(390)
Cash Flows from Operating Activities	$ 156,098	$ 98,291	$ 42,484	$ 379,391	$ -	$ 676,264

	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Supplemental Disclosure of Noncash Items:						
Capital asset additions in 2010 included in accounts payable and accrued and other liabilities	$ 16,265	$ 29,849	$ 24,271	$ 118,873	$ -	$ 189,258

See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 211,424	$ 86,955
Investments	-	53,283
Investments, at Fair Value		
Bonds and U.S. Government Obligations	2,239,582	-
Stocks	6,558,369	-
Mortgages and Real Estate	440,241	-
Other	1,604,709	-
Cash and Investments with Escrow Agent	-	16,726
Property Tax Receivable	-	103,407
Accounts Receivable, Net	844,487	109,327
Due From City	4,917	-
Invested Securities Lending Collateral	1,238,353	-
Total Assets	$ 13,142,082	$ 369,698
LIABILITIES		
Voucher Warrants Payable	$ 495,175	$ 39,434
Accrued and Other Liabilities	-	330,264
Securities Lending Collateral	1,238,353	-
Total Liabilities	1,733,528	369,698
NET ASSETS		
Reserved for Employee Benefit Plans	11,408,554	-
Total Net Assets Held in Trust for Pension Benefits	$ 11,408,554	$ -

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

		Total
ADDITIONS		
Contributions:		
Employees	$	299,752
City		449,668
Total Contributions		749,420
Investment Income:		
Net Appreciation in Fair Value of Investments		1,158,742
Interest, Dividends and Other		230,611
Investment Expense		(47,049)
Net Investment Income		1,342,304
Securities Lending Transactions:		
Securities Lending Income		12,985
Securities Lending Expense		(3,066)
Net Securities Lending Transactions		9,919
Total Additions		2,101,643
DEDUCTIONS		
Benefits and Refunds of Deductions		1,550,776
Administrative and General		19,161
Total Deductions		1,569,937
Net Increase in Net Assets		531,706
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year		10,876,848
End of Year	$	11,408,554

See notes to basic financial statements.

1) Summary of Significant Accounting Policies

The City of Chicago (City), incorporated in 1837, is a "home rule" unit under State of Illinois (State) law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City's 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). For the year ended December 31, 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by providing for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their financial statements.

The financial reporting impact resulting from the implementation of GASB Statement No. 53 is the recognition within the financial statements of a liability for hedging and investment derivative instrument liabilities whose negative fair value at December 31, 2010 totaled $261.8 million and deferred outflows of resources of $234.0 million. The City also recorded an investment loss for the year ended December 31, 2010 of $6.0 million. In addition, beginning net assets within the statement of activities was restated as of January 1, 2010 to reflect investment losses of $21.9 million as a result of the retroactive implementation of this statement. Refer to Note No. 10 for additional disclosures related to this statement.

a) **Reporting Entity** - The City includes the Chicago Public Library and the City-related funds of the Public Building Commission. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code).

   The City's financial statements blend the following legally separate component units because they are fiscally dependent on the City and perform services primarily for City employees:

   <u>The Municipal Employees' Annuity and Benefit Fund of Chicago</u> is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

   <u>The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

   <u>The Policemen's Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

   <u>The Firemen's Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

   Financial statements for each of the pension plans may be obtained at the respective fund's office.

   Related Organizations - City officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is deferred unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Service Concession Agreement Fund accounts for deferred inflows from long-term concession and lease transactions whose proceeds are restricted to expenditure for specified purposes.

Reserve Fund accounts for a Mid-term and Long-term Reserve. The Mid-term is subject to appropriation; whereas the Long-term's principal is legally restricted. These reserves were created as a result of the Skyway Lease and Meter Parking System transactions.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities.

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water treatment facilities and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger service. Midway Airport is conveniently located ten miles from down town Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 169 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 20 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

Chicago Skyway Fund records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of $1.83 billion.

Additionally, the City reports the following fiduciary fund types:

Pension Trust Funds report expenditures for employee pensions as provided by employee and employer contributions and investment earnings.

Agency Funds account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods and services, or privileges provided, or fines, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer and skyway funds are charges to customers for sales and services. The airport funds principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

d) **Assets, liabilities, deferred inflows, and net assets or equity**

i) **Cash, Cash Equivalents and Investments** generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

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

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval. The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

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

Investments generally may not have a maturity date in excess of ten years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

State statutes and the City's Pension Plans' policies permit lending Pension Plan securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as capital assets when used (consumption method). Governmental fund inventories are accounted for using the purchases method and are offset by a reservation of fund balance to indicate that they do not represent expendable available financial resources.

iv) **Assets Held for Resale** includes land and buildings of $7.6 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.

v) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Skyway Lease Transaction legally requires the Long-term reserve's principal to be restricted.

The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

vi) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than $5,000 (not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was $848.0 million, of which $74.9 million was capitalized as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method, in the year subsequent to acquisition or when placed into service, over the following estimated useful lives:

Utility plant	25 - 100 years
Utility structures and improvements	50 - 100 years
Buildings and improvements	5 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads	5 - 40 years
Bridge infrastructure	10 - 50 years
Lighting infrastructure	25 years
Street infrastructure	10 - 25 years
Transit infrastructure	10 - 40 years
Equipment (vehicle, office, and computer)	4 - 33 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

vii) **Deferred Outflows** represent the fair value of derivative instruments that are deemed to be effective.

viii) **Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued 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. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

ix) **Judgments and claims** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.

x) **Long-term obligations** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. For existing swaps the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. All interest rate swaps and swaptions are approved by City Council.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts given on debt issued are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

Long-term purchase obligation represents an agreement with DuPage Water Commission to construct electrical generation facilities not to exceed $15.0 million. The payment of the obligation will be in the form of credits against the charges for water supplied.

xi) **Deferred Inflows** represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements.

xii) **Fund equity** in the government-wide statements is classified as net assets and displayed in three components:

(1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) are legally restricted through constitutional provisions or enabling legislation. Restricted net assets for governmental activities represent restrictions associated with the nonmajor special revenue funds. Restricted net assets for business activities are provided in Exhibit #7, Statement of Net Assets, Proprietary Funds.

(3) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2) **Reconciliation of Government-wide and Fund Financial Statements**

a) **Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.**

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of *this $1,378.6 million are as follows (dollars in thousands):*

Deferred revenue - property tax	$	1,233,483
Other assets - pension excess		169,966
Accounts payable - infrastructure retainage		(24,885)
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities	$	1,378,564

ii) Another element of that reconciliation explains that "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $13,840.7 million are as follows (dollars in thousands):

Long-term liabilities:		
Total bonds, notes and certificates payable	$	8,491,926
Pension obligation		4,216,250
Lease obligation		177,011
Pollution remediation		14,263
Claims and judgments		641,762
Total Long-term liabilities		13,541,212
Bonds, notes and other obligations payable current		(146,271)
Other assets - issuance costs		(74,115)
Accrued interest		4,635
Accrued and other liabilities - contractual wages		80,000
Accrued and other liabilities - other post employment benefits		304,483
Derivative instruments		22,680
Accrued and other liabilities - compensated absences		108,071
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities	$	13,840,695

b) **Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $31.3 million are as follows (dollars in thousands):

Capitalized asset expenditures	$	348,205
Depreciation expense		(379,115)
Loss - disposal of equipment		(410)
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(31,320)

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets." The details of this $657.8 million are as follows (dollars in thousands):

Proceeds of debt	$	(1,398,025)
Premium		(36,365)
Payment of refunded bond escrow agent		412,184
Principal retirement		389,928
Payment of cost of issuance		7,402
Interest expense		(32,933)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(657,809)

III) A third element of that reconciliation states that "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $855.6 million are as follows (dollars in thousands):

Claims and judgments	$	(14,392)
Pension benefit liability		(799,281)
Contractual Wage Settlement		(80,000)
Pollution remediation		23,106
Other post employment benefits		24,557
Vacation		951
Lease obligations		(9,032)
Inventory		(1,478)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(855,569)

3) **Stewardship, Compliance and Accountability**

a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:

i) Prior to November 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.

ii) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.

iii) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.

iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request.

v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

b) **Reconciliation of GAAP Basis to Budgetary Basis** - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are reflected as reservations of fund balances for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years' resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2010 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 2,610,852
Add:	
Proceeds of Debt	16,500
Transfers In	502,502
Prior Year's Surplus Utilized	-
Revenues, Budgetary Basis	$ 3,129,854
Expenditures, GAAP Basis	$ 3,033,941
Add:	
Transfers Out	13,600
Encumbered in 2010	33,930
Deduct:	
Payments on Prior Years' Encumbrances	(25,341)
Provision for Doubtful Accounts	(11,944)
Expenditures, Budgetary Basis	$ 3,044,186

c) **Individual Fund Deficits** include the Motor Fuel Tax Fund, the Special Events, Tourism, Festivals Fund, and Service Concession Agreements Fund, which are Special Revenue Funds, and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of $6.6 million, $4.0 million, $1,660.4 million, and $1,395.0 million, respectively, which management anticipates will be funded through operations.

4) **Restricted and Unrestricted Cash, Cash Equivalents and Investments**

a) **Investments** As of December 31, 2010, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (In Years)				
	Less Than 1	1-5	6-10	More Than 10	Fair Value
City Funds					
U.S. Treasuries	$ 279,970	$ 553	$ -	$ 33,162	$ 313,685
U.S. Agencies	1,238,651	1,693,129	267,612	389,071	3,588,463
Corporate Bonds	139	-	-	96,252	96,391
Corporate Equities	451	-	-	-	451
Certificates of Deposit and Other Short-term	2,836,689	-	-	-	2,836,689
Total City Funds	$ 4,355,900	$ 1,693,682	$ 267,612	$ 518,485	$ 6,835,679
Pension Trust Funds					
U.S. and Foreign Government Agencies	$ 259,966	$ 349,527	$ 203,231	$ 512,472	$ 1,325,196
Commercial Paper	-	-	-	-	-
Corporate Bonds	54,596	424,371	292,036	342,013	1,113,016
Corporate Equities	6,272,559	-	-	-	6,272,559
Pooled Funds	1,147,016	-	-	-	1,147,016
Real Estate	430,115	-	-	-	430,115
Securities Received from Securities Lending	1,238,353	-	-	-	1,238,353
Venture Capital	439,219	-	-	-	439,219
Certificates of Deposit and Other Short-term	440,273	-	-	-	440,273
Other	83,333	-	-	-	83,333
Total Pension Trust Funds	$ 10,365,430	$ 773,898	$ 495,267	$ 854,485	$ 12,489,080
Total	$ 14,721,330	$ 2,467,580	$ 762,879	$ 1,372,970	$ 19,324,759

i) *Interest Rate Risk* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

ii) *Credit Risk* The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (dollars in thousands):

Quality Rating	City	Pension Trust Funds
Aaa/AAA	$ 6,696,722	$ 556,335
Aa/AA	72,847	93,893
A/A	-	259,145
Baa/BBB	-	324,343
Ba/BB	-	69,517
B/B	-	86,765
Caa/CCC	-	31,230
Ca	-	2,574
CC/C	-	6,627
D/D	-	6,484
Not Rated	-	234,942
Not Applicable	66,110	634,023
Total Funds	$ 6,835,679	$ 2,305,878

iii) *Custodial Credit Risk – Cash and Certificates of Deposit* This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City's deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories was $211.0 million. Of the bank balance, 100 percent was either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

iv) *Custodial Credit Risk – Investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in corporate bonds of $96.4 million the City has no custodial credit risk exposure because the related securities are insured, registered and held by the City.

v) *Foreign Currency Risk* - In the case of the Pension Trust Funds, is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds exposure to foreign currency risk (dollars in thousands):

Foreign Currency Risk	
Australian dollar	$ 92,102
Brazilian real	68,917
British pound	342,838
Canadian dollar	111,812
Chilean peso	3,839
Columbian peso	724
Czech Republic koruny	383
Danish krone	24,471
Egyptian pound	2,056
European euro	431,095
Hong Kong dollar	152,573
Hungarian forint	787
Indian rupee	36,213
Indonesian rupiah	20,445
Japanese yen	371,207
Malaysian ringgit	16,025
Mexican peso	27,979
Moroccan dirham	192
New Israeli shekel	11,134
New Taiwan dollar	17,841
New Zealand dollar	2,296
Norwegian krone	17,693
Pakistan rupees	1,033
Philippines peso	1,142
Polish zloty	5,468
Singapore dollar	35,036
South African rand	34,462
South Korean won	57,536
Swedish krona	51,322
Swiss franc	127,300
Taiwan dollar	14,697
Thailand baht	9,727
Turkish lira	10,088
Total Pension Trust Funds	$ 2,100,433

vi) The following schedule summarizes the cash and investments reported in the basic financial statements (dollars in thousands):

Per Note 4:		
Investments - City	$	6,835,679
Investments - Pension Trust Funds		12,489,080
	$	19,324,759
Per Financial Statements:		
Restricted Investments	$	1,957,201
Unrestricted Investments		1,083,501
Investments with Fiduciary Funds		10,896,184
Investments with Escrow Agent		474,474
Invested Securities Lending Collateral		1,238,353
Investments included as cash and cash equivalents on the Statements of Net Assets		3,675,046
	$	19,324,759

5) **Property Tax**

The City's property tax becomes a lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into nine classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 16.0 percent for certain residential, commercial, and industrial property to 38.0 percent for other commercial and industrial property.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State (to which the Equalization Factor is not applied) to arrive at the base amount (Assessment Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Assessment Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is estimated and is 55.0 percent of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization and also reflects any changes from the prior year.

The City Council has adopted an ordinance beginning in 1994, limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index, all as defined in the ordinance. The ordinance provides a safe harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Increases in the debt service portion of each levy may, however, reduce amounts available within such levy to finance operations.

6) Interfund Balances and Transfers

a) The following balances at December 31, 2010 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental activities:		
General	$ 254,124	$ 295,566
Federal, State and Local Grants	29,707	40,850
Special Taxing Areas	6,378	10,657
Reserve	50,000	-
Bond, Note Redemption and Interest	1,512	-
Community Development and Improvement Projects	68,131	97,910
Nonmajor governmental funds	94,373	81,010
Total Governmental activities	504,225	525,993
Business-type activities:		
Water	19,501	26,887
Sewer	26,937	13,312
Chicago Midway International Airport	1,064	6,747
Chicago-O'Hare International Airport	20,966	4,656
Chicago Skyway	-	15
Total Business-type activities	68,468	51,617
Fiduciary activities:		
Pension Trust	4,917	-
Total Fiduciary activities	4,917	-
Total	$ 577,610	$ 577,610

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

b) The following balances at December 31, 2010 represent interfund transfers among all funds (dollars in thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental activities:		
General	$ 502,502	$ 13,600
Federal, State and Local Grants	-	1,000
Special Taxing Areas	80,824	43,307
Service Concession Agreements	-	-
Reserve	-	457,852
Bond, Note Redemption and Interest	-	22,150
Community Development and Improvement Projects	6,296	99
Nonmajor governmental funds	57,785	109,399
Total Governmental activities	647,407	647,407

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

7) Capital Assets

a) **Capital Assets** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Disposals and Transfers	Balance December 31, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,372,742	$ 9,435	$ -	$ 1,382,177
Works of Art and Historical Collections	13,132	-	-	13,132
Construction in Progress	225,323	244,907	(305,590)	164,640
Total capital assets, not being depreciated	1,611,197	254,342	(305,590)	1,559,949
Capital assets, being depreciated:				
Buildings and Other Improvements	2,252,114	148,320	-	2,400,434
Machinery and Equipment	1,212,885	79,299	(19,831)	1,272,353
Infrastructure	6,609,112	179,967	-	6,789,079
Total capital assets, being depreciated	10,074,111	407,586	(19,831)	10,461,866
Less accumulated depreciation for:				
Buildings and Other Improvements	662,326	60,435	-	722,761
Machinery and Equipment	877,029	94,519	(19,421)	952,127
Infrastructure	2,834,423	224,161	-	3,058,584
Total accumulated depreciation	4,373,778	379,115	(19,421)	4,733,472
Total capital assets, being depreciated, net	5,700,333	28,471	(410)	5,728,394
Total governmental activities	$ 7,311,530	$ 282,813	$ (306,000)	$ 7,288,343
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 839,543	$ 24,468	$ -	$ 864,011
Construction in Progress	1,502,450	537,475	(620,291)	1,419,634
Total capital assets, not being depreciated	2,341,993	561,943	(620,291)	2,283,645
Capital assets, being depreciated:				
Buildings and Other Improvements	11,741,796	717,132	27,326	12,486,254
Machinery and Equipment	567,336	11,172	57,165	635,673
Total capital assets, being depreciated	12,309,132	728,304	84,491	13,121,927
Less accumulated depreciation for:				
Buildings and Other Improvements	3,455,184	264,077	(436)	3,718,825
Machinery and Equipment	278,466	16,237	(1,706)	292,997
Total accumulated depreciation	3,733,650	280,314	(2,142)	4,011,822
Total capital assets, being depreciated, net	8,575,482	447,990	86,633	9,110,105
Total business-type activities	$ 10,917,475	$ 1,009,933	$ (533,658)	$ 11,393,750
Total Capital Assets	$ 18,229,005	$ 1,292,746	$ (839,658)	$ 18,682,093

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General government	$	75,329
Public safety		37,193
Streets and sanitation		13,293
Transportation		226,950
Health		2,735
Cultural and recreational		23,615
Total depreciation expense - governmental activities	$	379,115
Business-type activities:		
Water	$	43,152
Sewer		23,166
Chicago Midway International Airport		44,844
Chicago-O'Hare International Airport		157,952
Chicago Skyway		11,200
Total depreciation expense - business-type activities	$	280,314

8) Leases

a) Operating Leases

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $18.8 million for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows (dollars in thousands):

2011	$	17,804
2012		16,607
2013		15,970
2014		10,671
2015		5,231
2016 - 2020		6,523
Total Future Rental Expense	$	72,806

b) Capital Leases

During 2003, the City entered into lease and lease back agreements with third parties pertaining to 911 Center Qualified Technological Equipment (QTE), with a book value of $143.3 million at December 31, 2003. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

During 2005, the City entered into sale and lease back agreements with third parties pertaining to the City owned portion of a rapid transit line with a book value of $430.8 million at December 31, 2005. Under the lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

The future minimum payments for these leases are as follows (dollars in thousands):

Year Ending December 31,	Total
2011	$ 10,216
2012	12,731
2013	9,104
2014	9,000
2015	9,000
2016 - 2020	42,983
2021 - 2025	87,018
2026 - 2030	2,000
2031 - 2032	165,164
Total Minimum Future Lease Payments	347,216
Less Interest	170,205
Present Value of Minimum Future Lease Payments	$ 177,011

c) **Lease Receivables**

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011	$ 72,282
2012	71,723
2013	71,049
2014	57,778
2015	45,711
2016 - 2020	145,091
2021 - 2025	8,302
2026 - 2030	9,591
2031 - 2035	9,564
Total Minimum Future Rental Income	$ 491,091

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to $381.6 million, including contingent rentals of $79.4 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011	$	34,469
2012		28,206
2013		4,418
2014		3,390
2015		1,124
Total Minimum Future Rental Income	$	71,607

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $86.4 million, including contingent rentals of $35.1 million.

9) Short-term Debt

Matured bonds represent principal due on coupon bonds in which the coupons have not been presented for payment. For the year ended December 31, 2010, there was minor activity; the balance remained at $0.7 million.

10) **Long-term Obligations**

a) **Long-term Debt** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Amounts Due within One Year
Governmental activities:					
Bonds, notes and certificates payable:					
General obligation debt	$ 6,863,427	$ 1,398,024	$ 756,712	$ 7,504,739	$ 144,036
Installment purchase agreement	3,500	-	2,300	1,200	1,200
Tax increment	186,158	-	22,580	163,578	23,095
Revenue	564,842	-	5,425	559,417	5,715
	7,617,927	1,398,024	787,017	8,228,934	174,046
Less unamortized debt refunding transactions	159,810	20,778	9,438	171,150	-
Add unamortized premium	173,347	36,365	10,982	198,730	-
Add accretion of capital appreciation bonds	207,878	31,663	4,129	235,412	1,421
Less converted portion of conversion bonds	3,923	-	3,923	-	-
Total bonds, notes and certificates payable	7,835,419	1,445,274	788,767	8,491,926	175,467
Other liabilities:					
Pension obligations	3,453,365	762,885	-	4,216,250	-
Lease obligations	169,282	9,032	1,303	177,011	10,216
Pollution Remediation	37,368	-	23,105	14,263	-
Claims and judgments	627,370	14,392	-	641,762	89,503
Total other liabilities	4,287,385	786,309	24,408	5,049,286	99,719
Total governmental activities	$ 12,122,804	$ 2,231,583	$ 813,175	$ 13,541,212	$ 275,186
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 1,464,839	$ 365,093	$ 76,101	$ 1,753,831	$ 42,217
Sewer	902,840	275,865	52,715	1,125,990	25,257
Chicago-O'Hare International Airport	5,898,100	1,177,650	505,230	6,570,520	107,295
Chicago Midway International Airport	1,266,515	331,020	124,155	1,473,380	7,885
	9,532,294	2,149,628	758,201	10,923,721	182,654
Less unamortized debt refunding transactions	136,755	6,661	18,148	125,268	-
Add unamortized premium	(115,952)	9,311	27,811	(134,452)	-
Add accretion of capital appreciation bonds	74,494	8,972	4,034	79,432	4,271
Total business-type activities	$ 9,585,985	$ 2,142,628	$ 716,276	11,012,337	$ 186,925
Total long-term obligations	$ 21,708,789	$ 4,374,211	$ 1,529,451	$ 24,553,549	$ 462,111

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and State Personal Property Replacement Tax revenues.

b) **Issuance of New Debt**

i) General Obligation Notes

The General Obligation Tender Notes, Series 2010 ($70.4 million) were sold in September 2010 at a fixed rate of 1.625 percent. The notes mature no later than April 1, 2012. The Series 2010 notes were issued to meet cash flow requirements of the City's Library Funds; the notes are payable from tax collections in the following year or from any other resources legally available to the City. Principal payments for the notes do not require the current appropriation and expenditure of Governmental Fund financial resources.

During 2010, the City issued $170.7 million in commercial paper notes for certain capital and operating uses.

ii) General Obligation Bonds

General Obligation Bonds, Project and Refunding Series 2009A-D ($793.3 million) were sold at a premium in January 2010. The bonds have interest rates ranging from 4.0 percent to 6.257 percent and maturity dates from January 1, 2018 to January 1, 2040. Series C bonds ($98.3 million) are Build America Bonds and Series D bonds ($133.2 million) are Recovery Zone Economic Development Bonds. Net proceeds of $812.0 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; payment of certain pension contributions; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance ($376.0 million); and to advance refund certain maturities of general obligation bonds outstanding ($412.2 million); and to fund capitalized interest ($23.8 million). The advance refunding of the bonds increased the City's total debt service payments by $51.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $9.1 million.

General Obligation Bonds (Modern Schools Across Chicago Program) Series 2010A-B ($150.1 million) were sold at a premium in August, 2010. Series B bonds ($57.8 million) are Build America Bonds. The bonds have interest rate ranging from 3.0 percent to 5.364 percent and maturity dates ranging from December 1, 2011 to December 1, 2029. Net proceeds of $160.6 million will be used to pay for a portion of the costs for construction, renovation, design and acquisition of elementary and high schools that are part of the school system operated by the Board of Education of the City of Chicago ($159.2 million) and to fund capitalized interest ($1.4 million). The bonds fund Phase II of the Modern Schools Across Chicago Program.

General Obligation Bonds, Taxable Project Series 2010B ($213.6 million) were sold in December 2010. The bonds are Build America Bonds and have an interest rate of 7.517 percent and maturity dates ranging from January 1, 2036 to January 1, 2040. Net proceeds of $213.6 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; provision of facilities, services and equipment to protect and enhance public safety, including but not limited to, increased costs for police and fire protection services, emergency medical services, staffing at the City's emergency call center and other City facilities, and enhanced security measures at airports and other major City facilities.

In June 2010, the City negotiated a novation of the fixed payer swap associated with a 75 percent portion of the General Obligation Series 2003B variable rate bonds with a current notional amount of $151.5 million from Lehman Brothers Special Financing Inc. (LBSF) to Wells Fargo Bank, N.A. due to LBSF's bankruptcy. A J.P. Morgan swap covers the remaining 25 percent balance of the bonds, with a current notional amount of $50.6 million, which remains unchanged. All economic terms of the interest rate swap remained identical and the City did not incur any cost in association with replacing the counterparty to the swap.

In November 2010, the City entered into swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with J.P. Morgan and Rice Financial Products for notional amounts of $50.6 and $151.5 million respectively. The agreements are effective March 1, 2011 through March 1, 2014, and the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR, essentially extending the $202.5 million notional amount CMS reversal in place up to March 1, 2011 with J.P. Morgan. Together with the existing underlying swaps on the bonds, in which the City pays 4.052 percent and receives 66.91 percent of 10 year LIBOR, the net effect is that the City will pay a fixed rate of 4.052 percent and receive 75 percent of one month LIBOR through March 1, 2014, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a combined upfront payment of $9.9 million in November 2010.

In December 2010, the City entered into swap overlay agreements (i.e., basis trades) associated with the General Obligation Series 2005D variable rate bonds with Rice Financial Products, Loop Financial Products and Jefferies for notional amounts of $100.0, $61.4 and $61.4 million respectively. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing swaps on the bonds, in which the City pays 4.104 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 4.104 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031, before 2014 and after 2031 the City will receive SIFMA through the expiration of the swaps (January 1, 2040). The City received a combined upfront payment of $13.7 in January 2011.

In December 2010, the City entered into two swap overlay agreements (i.e., basis trades) associated with the G.O. Series 2007 E, F&G variable rate bonds with Wells Fargo Bank, N.A. for a notional amount of $100.0 million each. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing underlying swaps on the bonds, in which the City pays 3.9982 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 3.9982 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031. Before 2014 and after 2031 the City will receive SIFMA through expiration of the swaps (January 1, 2042). The City received a combined upfront payment of $14.2 million in December 2010.

iii) Sales Tax Revenue Bonds

In August 2010, the City amended its swap agreement associated with the Sales Tax Series 2002 variable rate bonds with J.P. Morgan with a current notional amount of $114.2 million. The amendment removed J.P. Morgan's right to cancel the swap if SIFMA exceeds 7 percent for 180 consecutive days by converting the variable rate the City receives from SIFMA plus 13 basis points to 75.25 percent of three month LIBOR. The City continues to pay a fixed rate of 4.23 percent and receives 75.25 percent of three month LIBOR.

iv) Enterprise Fund Revenue Bonds and Notes

Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010A-F ($1,040.0 million) were sold at a premium in April, 2010. Series B bonds ($578.0 million) are Build America Bonds. The bonds have interest rates ranging from 1.75 percent to 6.845 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of $1,048.5 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program ($785.6 million), fund capitalized interest and debt service reserves ($214.0 million) and to advance refund certain maturities of bonds outstanding ($48.9 million). The advance refunding of the bonds decreased the Airport's total debt service payments by $3.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $2.8 million.

Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A-D ($137.7 million) were sold at a discount in May, 2010. The bonds have interest rates ranging from 2.0 percent to 6.395 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of $136.5 million and other monies of $.3 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program ($54.1 million), fund capitalized interest and debt service reserves ($68.7 million) and to advance refund certain maturities of bonds outstanding ($14.0 million). The advance refunding of the bonds decreased the Airport's total debt service payments by $1.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $.7 million.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010A1-2 ($80.5 million) were sold in May, 2010. The bonds were initially issued at a daily rate of .29 percent. The bonds have maturity dates of January 1, 2021 for Series 2010A-1 and January 1, 2025 for Series 2010A-2. Net proceeds of $80.4 will be used to advance refund certain maturities of bonds outstanding ($10.2 million), repay commercial paper and other principal due ($65.8 million) and fund capitalized interest and debt service reserves ($4.4 million). The advance refunding of the bonds increased the Airport's total debt service payments by $5.0 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of $.9 million.

At the discretion of the City the bonds may bear interest at a daily or weekly rate. Interest on bonds in the daily mode is payable on the first business day of each calendar month, commencing June 1, 2010.

The City has appointed a remarketing agent for the bonds when in a variable rate mode. The remarketing agent will use its best efforts to resell the bonds at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the notes, the City has obtained an unconditional, irrevocable letter of credit which may be drawn upon for the purchase of the bonds until the remarketing agent is able to resell the bonds.

The letters of credit securing the Series 2010A1-2 bonds totals $81.4 million and terminates no later than May 5, 2011. Advances under the letter of credit for Series 2010A-1 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate plus 3.0 percent or the Federal Funds rate plus 3.5 percent per annum (Base Rate) or 6.0 percent. Thereafter until due and payable, advances bear interest at the higher of the Base Rate plus 1.0 percent or 8.5 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 5.0 percent or 12 percent. The maximum rate of interest cannot exceed 15.0 percent. Advances under the letter of credit for Series 2010A-2 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate plus 1.5 percent or the Federal Funds rate plus 2.0 percent per annum (Base Rate) or 7.5 percent. Thereafter until due and payable, advances bear interest at the Base Rate plus 1.0 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 3.0 percent. The maximum rate of interest cannot exceed 18.0 percent. The letters of credit were issued by third-party financial institutions that are expected to be financially capable of honoring its agreements. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B, C, D-1 and D-2 ($246.5 million) were sold at a premium in October, 2010. The bonds have interest rates ranging from 3.532 percent to 7.168 percent with maturity dates from January 1, 2014 to January 1, 2041. Net proceeds of $237.8 million will be used to finance the costs of certain Airport projects ($168.8 million), fund capitalized interest and debt service reserves ($24.3 million) and to repay commercial paper ($44.7 million).

Second Lien Water Revenue Project and Refunding Bonds, Series 2010A-C ($313.6 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from November 1, 2011 to November 1, 2040. Series B bonds ($250.0 million) are Build America Bonds and Series C bonds ($29.7 million) are Qualified Energy Conservation Bonds. Net proceeds of $313.8 million will be used to finance certain costs of improvements and extensions to the water system ($277.6 million), advance refund a certain maturities of water revenue bonds outstanding ($36.2 million). The advance refunding of the bonds decreased the Water system's total debt service payments by $3.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $2.4 million.

Second Lien Wastewater Revenue Project and Refunding Bonds, Series 2010A-B ($275.9 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from January 1, 2012 to January 1, 2040. Series B bonds ($250.0 million) are Build America Bonds. Net proceeds of $275.8 million will be used to finance certain costs of improvements and extensions to the wastewater system ($248.2 million), advance refund a certain maturities of wastewater revenue bonds outstanding ($27.6 million). The advance refunding of the bonds decreased the Wastewater system's total debt service payments by $5.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $3.3 million.

During 2010, $.5 million of Chicago O'Hare International Airport Commercial Paper Notes Series A, B and C were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

During 2010, $35.5 million of Chicago Midway Airport Commercial Paper Notes Series A, B and D were issued. The proceeds were used to repay debt obligations that were in bank bond mode, finance portions of the costs of authorized airport projects and refund a portion of certain outstanding bonds.

During 2010, $51.5 million of Water Revenue Commercial Paper Notes were issued. The proceeds were used to finance portions of the costs of authorized projects.

In May 2010, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan on its swap associated with a 40 percent portion of the Midway Airport Series 2004C&D variable rate bonds with a current notional amount of $60.9 million. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of $91.3 million, and remains unchanged. The J.P. Morgan CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Both firms had the right to require a two-way CSA, but only J.P. Morgan exercised the right. Goldman Sachs waived its right as long as the swap remains unchanged. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market adjustment on the swap is against the City by more than $10 million, collateral must be posted for the difference. In August 2010, collateral was required in the amount of $1.4 million, which was funded with proceeds from Midway Commercial Paper, but as of December 31, 2010, no collateral posting was required.

v) Financial Market Related Conversions

The global economic downturn has adversely impacted the City's variable rate debt. The credit crisis and the effect on monoline insurers' credit ratings, as a result of their exposure to subprime mortgages, have resulted in downgrades by the major rating agencies. As a result, credit spreads increased on the City's variable rate debt, especially with insured bonds; therefore the City refinanced or converted many of its variable rate debt issues. In 2010, the City utilized liquidity facilities to convert two variable rate issues in the amount of $284.7 million and thereby removing the monoline insurers or impaired banks providing credit support.

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2010 are as follows (dollars in thousands):

	General Obligation		Installment Purchase		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 156,646	$ 362,307	$ 1,200	$ 47	$ 25,040	$ 8,793
2012	238,178	357,137	-	-	20,815	7,389
2013	205,827	348,585	-	-	30,264	6,212
2014	215,509	344,558	-	-	15,237	11,853
2015	237,486	338,480	-	-	8,965	3,951
2016 - 2020	1,433,028	1,514,111	-	-	45,975	9,964
2021 - 2025	1,553,090	1,185,521	-	-	10,585	840
2026 - 2030	1,444,048	838,646	-	-	-	-
2031 - 2035	981,304	498,889	-	-	-	-
2036 - 2040	691,016	190,537	-	-	-	-
2041 - 2045	25,645	1,060	-	-	-	-
	$ 7,181,777	$ 5,979,831	$ 1,200	$ 47	$ 156,881	$ 49,002

	Revenue		Business-type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2011	$ 16,295	$ 25,971	$ 236,253	$ 529,302
2012	17,150	25,121	258,162	519,266
2013	18,040	24,227	362,891	511,834
2014	18,980	23,286	371,606	496,439
2015	18,400	22,315	312,755	479,007
2016 - 2020	97,940	97,463	1,757,307	2,161,483
2021 - 2025	123,015	71,699	1,941,395	1,715,052
2026 - 2030	130,754	64,419	2,426,430	1,191,187
2031 - 2035	89,418	53,097	2,056,740	572,439
2036 - 2040	23,710	1,793	1,004,295	156,870
	$ 553,702	$ 409,391	$ 10,727,834	$ 8,332,879

Debt service requirements above exclude commercial paper issues as the timing of payments is not certain. For the requirements calculated above, interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2010. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

d) **Derivatives**

i) Pay-Fixed, Receive-Variable Interest Rate Swaps

(1) *Objective of the swaps.* In order to protect against the potential of rising interest rates, the City has entered into various separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt.

	Changes in Fair Value		Fair Value at December 31, 2010		Notional
	Classification	Amount	Classification	Amount	Amount
Governmental Activities					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	$ (45,058)	Deferred Outflow of Resources	$ (120,447)	$ 792,070
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	(10,848)	Investment Revenue	(24,529)	201,965
Business-type Activities					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	(34,449)	Deferred Outflow of Resources	(141,379)	973,805
Total..				$ (286,355)	

(2) *Terms, fair values, and credit risk.* The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2010, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
Hedging Instruments						
Governmental Activities:						
GO VRDB (Series 2007EFG)	$ 200,000	11/08/2007	Pay 3.998%; receive SIFMA	$ (15,270)	01/01/2042	Aa3/A+ A1/A+
		01/01/2014	Pay SIFMA; receive 72.5% of LIBOR *	(16,185)	01/01/2031	Aa2/AA
GO VRDB (Series 2005D)	222,790	08/17/2005	Pay 4.104%; receive SIFMA	(21,194)	01/01/2040	A1/A Aa2/A+ Aaa/AA
		01/01/2014	Pay SIFMA; receive 72.5% of LIBOR *	(18,240)	01/01/2031	Aa3/A+
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B)	206,700	10/03/2002	Pay 3.575%; receive 70% of LIBOR	(24,477)	01/01/2037	Aa1/AA- Aa3/A+
Sales Tax Revenue Refunding Bonds (VRDB Series 2002)	114,150	06/27/2002	Pay 4.23%; receive 75.25% of LIBOR	(17,445)	01/01/2034	Aa1/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999A)	44,900	09/01/1999	Pay 5.084%; receive 67% of LIBOR	(7,302)	01/01/2019	Aa3/A+
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B)	3,975	02/10/1997	Pay 5.375%; receive SIFMA	(334)	12/01/2014	Aa3/A+
Business-type Activities:						
Chicago Midway International Airport Revenue Bonds (Series 2004C&D)	152,150	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	(14,896)	01/01/2035	Aa1/A Aa1/AA-
	232,260	01/03/2011	Pay 3.886%; receive 95% of 3 Mo. LIBOR (if LIBOR is < 3%) or 67% of 3 Mo. LIBOR (if LIBOR is > 3%)	(34,121)	01/01/2039	Aa3/A+
Wastewater Transmission Variable Rate Revenue Bonds (Series 2008C)	99,670	07/29/2004	Pay 3.886%; receive SIFMA (if LIBOR is < 3%) or 67% of LIBOR (if LIBOR is > 3%)	(14,994)	01/01/2039	Aa1/AA-
Water Variable Rate Revenue Refunding Bonds (Series 2004)	193,655	04/16/2008	Pay 3.8694%; receive SIFMA	(28,609)	11/01/2025	Aa3/A+
Water Variable Rate Revenue Refunding Bonds (Series 2004)	195,770	08/05/2004	Pay 3.8669%; receive SIFMA	(30,645)	11/01/2031	A1/A-
Second Lien Water Revenue Refunding Bonds (Series 2000)	100,000	04/16/2008	Pay 3.8694%; receive SIFMA	(18,114)	11/01/2030	Aa3/A+
Investment Instruments						
Governmental Activities:						
		08/07/2003	Pay 4.052%; receive 66.91% of 10 Yr LIBOR	(16,372)	01/01/2034	Aa1/AA-
GO VRDB (Series 2003B)	202,500	03/01/2011	Pay 66.91% of 10 Yr LIBOR; receive 75% of 1 Mo. LIBOR *	(8,157)	03/01/2014	Aa2/AA Aaa/AA
Total	$1,968,520			$ (286,355)		

See Table 31 in Statistical Section for Counterparty Entities and additional details for credit ratings.
Type and objective for all the SWAPS is the same, as mentioned earlier.
* Reflects SWAP Overlay agreement.

(3) *Fair Value.* As of December 31, 2010, the swaps had a negative fair value of $286.4 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values. Note that in the statement of net assets the combination of the $248.3 million derivative liability and the unamortized interest rate swap premium balance of $38.1 million, recorded as component of unearned revenue, together represent the total fair value.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

(6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.

(7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

(8) *Swap payments and associated debt.* Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. As of December 31, 2010, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2011	$ 15,310	$ 7,914	$ 70,223	$ 93,447
2012	21,395	7,860	69,594	98,849
2013	22,645	7,784	68,775	99,204
2014	36,955	7,703	67,899	112,557
2015	37,865	7,589	66,608	112,062
2016 - 2020	325,570	35,326	302,909	663,805
2021 - 2025	452,930	29,054	232,234	714,218
2026 - 2030	372,980	22,640	161,514	557,134
2031 - 2035	439,145	14,031	84,287	537,463
2036 - 2040	217,950	4,838	22,859	245,647
2041 - 2045	22,195	222	665	23,082
	$ 1,964,940	$ 144,961	$ 1,147,567	$ 3,257,468

ii) Swaptions

(1) *Objective of the swaptions.* The City entered into several swaption contracts that provided the City upfront payments totaling $42.1 million. The term swaption refers to the City selling an option to a counterparty to execute a swap at a certain date in the future if certain conditions exist. If the conditions do not exist, the counterparty will not execute the option, no swaptions have been exercised. In the event the options are executed and the City enters into a fixed to floating rate swap, the City would be exposed to the risks as described under Swaps.

	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at December 31, 2010 Classification	Fair Value at December 31, 2010 Amount	Notional Amount
Governmental Activities					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS	Investment Revenue	$ 499	Investment Revenue	$ (17,001)	$ 471,875
Business-type Activities					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS	Investment Revenue	(1,761)	Investment Revenue	(19,813)	380,270
Total				$ (36,814)	

(2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2010, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Trade Date	Variable Rate Paid	Fixed Rate Received	Fair Values	Swap Termination Date	Up-Front Payment
GO Bonds (GO, Series 2001A; GO Series 2002A; GO, Series 2003A; and GO, Series 2004A)	$ 318,670	12/18/2003	SIFMA+ 30bps	5.000%	$ (12,543)	01/01/2024	$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT); Series 1998B(Non-AMT); and Refunding Series 1998C(Non-AMT))	380,270	10/27/1999	SIFMA+ 25bps	5.100	(19,813)	01/01/2030	23,500
Sales Tax Revenue Bonds (Series 1999)	23,285	06/21/2002	SIFMA+ 30bps	4.984	(161)	01/01/2019	728
Sales Tax Revenue Bonds (Series 1998)	69,275	06/21/2002	SIFMA+ 30bps	5.250	(2,420)	01/01/2028	2,562
Sales Tax Revenue Bonds (Series 1997)	60,645	06/21/2002	SIFMA+ 30bps	5.375	(1,877)	01/01/2027	1,964
Total	$ 852,145				$ (36,814)		$ 42,138

(3) *Fair value.* As of December 31, 2010, the swaptions had a negative fair value of $36.8 million. As per industry convention, the fair values of the City's outstanding swaptions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Received, the City's swaptions had negative values. The negative value is also driven by the upfront payment received by the City upon execution of the swaption agreement. Note that in the statement of net assets the combination of the $13.5 million derivative liability and the unamortized interest rate swaption premium balance of $23.3 million, recorded as component of unearned revenue, together represent the total fair value.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaptions is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaptions also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is

exposed to basis risk on all swaptions except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaptions, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date, and it would add additional underlying cost to the transaction.

(6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the swaption transactions.

(7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

e) **Debt Covenants**

i) **Water Fund** - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2010. The Water Rate Stabilization account had a balance in restricted assets of $61.4 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien Water Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues are equal to the sum of the aggregate annual debt service requirements for the fiscal year of the outstanding senior lien bonds and 110 percent of the aggregate annual debt service requirements of the outstanding second lien bonds. This requirement was met at December 31, 2010.

ii) **Sewer Fund** - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds equal 115 percent of the current annual debt service requirements on the outstanding senior lien bonds. This requirement was met at December 31, 2010. The Sewer Rate Stabilization account had a balance in restricted assets of $24.6 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues equal 100 percent of the sum of the current maximum annual debt service requirements of the outstanding senior lien bonds and the maximum annual debt service requirements of the second lien bonds. This requirement was met at December 31, 2010.

iii) **Chicago Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway International Airport Revenue Bonds requires that the City set rates and charges for the use and operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such year not required to be deposited in any fund or account, will be at least sufficient (a) to provide for the operation and maintenance expenses for the year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien Debt Service Fund, the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on First Lien Bonds. These requirements were met at December 31, 2010.

iv) **Chicago-O'Hare International Airport Fund** - In 1983, the City Council adopted the General Airport Revenue Bond ordinance authorizing the issuance and sale of Chicago-O'Hare International Airport General Airport Revenue Bonds in unlimited series for the purpose of financing the cost of improvements and expansion of O'Hare and to redeem its existing outstanding bond obligations. The ordinance further permits the issuance of second lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the ordinance. The ordinance requires that net revenues in each year equal not less than the sum of (i) the amount required to be deposited for such year in the debt service reserve fund, the maintenance reserve fund, the special capital projects fund and the junior lien debt service fund, and (ii) 110 percent of the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on bonds. This requirement was met at December 31, 2010. The ordinance provides for the creation of separate accounts that are to be credited with revenues in a specified priority. At the end of each year, any excess funds over amounts required in accounts other than Special Capital Projects, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

The Master Indenture of Trust securing Chicago-O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and (ii) to provide for the greater of (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) 110 percent the Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien obligations or Third Lien obligations. This requirement was met at December 31, 2010.

The master indenture securing the Passenger Facility Charge (PFC) Revenue Bonds requires PFC revenues, as defined, to be deposited into the PFC Revenue Fund. The PFC Revenue Fund is required to transfer amounts no later than the twentieth day of each month to various funds, as defined, as appropriate to meet debt service and debt service reserve requirements.

f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

g) **Defeased Bonds** have been removed from the Statement of Net Assets because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2010, not including principal payments due January 1, 2011, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Emergency Telephone System - Series 1993	$ 213,730	$ 140,595
General Obligation Refunding Bonds - Series 1993B	17,535	17,535
General Obligation Refunding Bonds - Series 1995A-2	32,625	23,575
General Obligation Project and Refunding Bonds - Series 1998	338,710	18,830
General Obligation Project and Refunding Bonds - Series 1999A	252,380	10,475
General Obligation Bonds - Series 2001A	349,845	137,085
General Obligation Project and Refunding Bonds - Series 2002A	135,690	117,855
General Obligation Project and Refunding Bonds - Series 2003A	89,815	87,510
General Obligation Project Bonds - Series 2003C	87,645	77,395
General Obligation Project Bonds - Series 2004A	205,535	205,535
General Obligation Project and Refunding Bonds - Series 2005B	3,460	3,280
General Obligation Project and Refunding Bonds - Series 2005E	22,186	17,532
General Obligation Project and Refunding Bonds - Series 2006A	19,230	15,680
General Obligation Direct Access Bonds - Series 2006	4,755	4,755
General Obligation Project and Refunding Bonds - Series 2007A	10,300	10,300
Neighborhoods Alive 21 Program - Series 2001A	213,825	60,170
Neighborhoods Alive 21 Program - Series 2002A	36,820	15,870
Neighborhoods Alive 21 Program - Series 2003	90,600	86,045
Lake Millenium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Lake Millenium Project Parking Facilities Bonds - Series 1999	44,495	44,395
Near South Redevelopment Project Tax Increment - Series 1994A	23,000	9,975
Water Revenue Senior Lien Bonds - Series 2001	242,630	229,155
Special Transportation Revenue Bonds - Series 2001	118,715	103,485
Total	$ 2,703,406	$ 1,480,912

11) Pension Trust Funds

a) **Retirement Benefit** - Eligible City employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees'; the Laborers' and Retirement Board Employees'; the Policemen's; and the Firemen's Annuity and Benefit Funds of Chicago. Plans are administered by individual retirement boards represented by elected and appointed officials. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when payable.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fixed income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are generally valued by appraisals or other approved methods. Investments that do not have an established market are reported at estimated fair value.

The Plans have a securities lending program. At year-end, the Plans have no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the Plans. The contract with the Plans' master custodian requires it to indemnify the Plans if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the fund for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand by either the Plans or the borrower, although the average term of the loans has not exceeded 90 days. The Plans' custodian lends securities for collateral in the form of cash, irrevocable letters of credit and/or U.S. government obligations equal to at least 102 percent of the fair value of securities or international securities for collateral of 105 percent. Cash collateral is invested in the lending agents' short-term investment pool, which at year-end has a weighted average maturity that did not exceed 101 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2010 are as follows: market value of securities loaned $1,208.4 million, market value of cash collateral from borrowers $1,238.3 million and market value of non-cash collateral from borrowers $5.4 million.

The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 20 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.0 percent to 2.4 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

State law requires City contributions at statutorily, not actuarially determined rates. The City's contribution is equal to the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by 1.25 for the Municipal Employees', 1.00 for the Laborers', 2.00 for the Policemen's, and 2.26 for the Firemen's. State law also requires covered employees to contribute a percentage of their salaries.

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution rates:					
City (a)	8.5%	8.5%	9.0%	9.125%	
Plan members	8 5	8.5	9 0	9 125	
Annual required contribution	$ 483,948	$ 46,665	$ 363,625	$ 218,388	$ 1,112,626
Interest on net pension obligation	54,379	(16,509)	124,994	96,897	259,761
Adjustment to annual required contribution	(55,907)	16,973	(85,391)	(99,619)	(223,944)
Annual pension cost	482,420	47,129	403,228	215,666	1,148,443
Contributions made	154,752	15,352	174,501	80,947	425,552
Increase in net pension obligation	327,668	31,777	228,727	134,719	722,891
Net pension obligation (excess), beginning of year	679,738	(206,362)	1,562,419	1,211,208	3,247,003
Net pension obligation (excess), end of year	$ 1,007,406	$ (174,585)	$ 1,791,146	$ 1,345,927	$ 3,969,894

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:				
Investment rate of return (a)	8.0%	8.0%	8.0%	8.0%
Projected salary increases (b):				
Inflation	3.0	3.0	3.0	3.0
Seniority/Merit	(c)	(d)	(e)	(f)
Postretirement benefit increases	(g)	(g)	(h)	(h)

(a) Percentage represents amount applied to the employees account and not the total contributed.
(b) Compounded Annually
(c) Service-based increases equivalent to a level annual rate increase of 2.4 percent over a full career.
(d) Service-based increases equivalent to a level annual rate increase of 1.9 percent over a full career.
(e) Service-based increases equivalent to a level annual rate increase of 2.8 percent over a full career.
(f) Service-based increases equivalent to a level annual rate increase of 2.7 percent over a full career.
(g) 3.0 percent per year beginning at the earlier of:
1) the later of the first of January of the year after retirement and age 60;
2) the later of the first of January of the year after the second anniversary of retirement and age 53.
(h) Uses 3.0 percent per year for annuitants age 55 or over, born before 1955 with at least 20 years of service and 1.5 percent per year for 20 years for annuitants age 60 or over, born in 1955 or later.

The following tables of information assist users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each Plan is as follows (dollars in thousands):

Year	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension (Excess) Obligation
Municipal Employees':			
2008	$ 359,933	40.79%	$ 415,207
2009	412,576	35.88	679,738
2010	482,420	32.08	1,007,406
Laborers':			
2008	18,166	83.85	(225,759)
2009	34,024	42.99	(206,362)
2010	47,129	32.57	(174,585)
Policemen's:			
2008	348,273	49.63	1,360,492
2009	373,972	46.00	1,562,419
2010	403,228	43.28	1,791,146
Firemen's:			
2008	187,710	43.29	1,099,024
2009	201,397	44.30	1,211,208
2010	215,666	37.53	1,345,927

SCHEDULE OF FUNDING PROGRESS
(dollars in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees':							
2008	12/31/08	$ 6,669,502	$ 10,383,158	$3,713,656	64%	$ 1,543,977	241%
2009	12/31/09	6,295,788	10,830,119	4,534,331	58	1,551,973	292
2010	12/31/10	6,003,390	11,828,666	5,825,276	51	1,541,388	378
Laborers':							
2008	12/31/08	1,698,427	1,915,324	216,897	89	216,744	100
2009	12/31/09	1,601,352	1,975,749	374,397	81	208,626	179
2010	12/31/10	1,529,404	2,030,025	500,621	75	199,863	250
Policemen's:							
2008	12/31/08	4,093,720	8,482,574	4,388,854	48	1,023,581	429
2009	12/31/09	3,884,978	8,736,102	4,851,124	44	1,011,205	480
2010	12/31/10	3,718,955	9,210,056	5,491,101	40	1,048,084	524
Firemen's:							
2008	12/31/08	1,335,695	3,311,269	1,975,574	40	396,182	499
2009	12/31/09	1,269,231	3,428,838	2,159,607	37	400,912	539
2010	12/31/10	1,198,114	3,655,026	2,456,912	33	400,404	614

b) **Other Postemployment Benefits (OPEB)** - Under State law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and Fire pension plan participants older than age 50 with at least 10 years of service may become eligible for postemployment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants. The amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

Annual OPEB Cost and Contributions Made
For Fiscal Year Ending December 31, 2010

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution Rates City:	A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.				
Annual Required Contribution	$ 22,955	$ 3,609	$ 10,659	$ 4,428	$ 41,651
Interest on Net OPEB Obligation	1,900	164	371	243	2,678
Adjustment to Annual - Required Contribution	(2,480)	(214)	(294)	(317)	(3,305)
Annual OPEB Cost	22,375	3,559	10,736	4,354	41,024
Contributions Made	9,550	2,587	9,354	2,644	24,135
Increase in Net OPEB Obligation	12,825	972	1,382	1,710	16,889
Net OPEB Obligation, Beginning of Year	42,220	3,647	8,237	5,397	59,501
Net OPEB Obligation, End of Year	$ 55,045	$ 4,619	$ 9,619	$ 7,107	$ 76,390

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial Valuation Date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Percent, Open	Level Dollar, Open
Remaining Amortization Method	30 years	30 years	30 years	30 years
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) Inflation	3.0%	3.0%	3.0%	3.0%
Seniority / Merit	(b)	(c)	(d)	(e)
Healthcare Cost Trend Rate (f)	0.0%	0.0%	0.0%	0.0%

(a) Compounded Annually
(b) Service-based increases equivalent to a level annual rate of increase of 2.4 percent over a full career
(c) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career
(d) Service-based increases equivalent to a level annual rate of increase of 2.8 percent over a full career
(e) Service-based increases equivalent to a level annual rate of increase of 2.7 percent over a full career
(f) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY
(dollars in thousands)

	Year	Annual OPEB Cost	% of Annual OPEB Obligation	Net OPEB Obligation
Municipal Employees'	2008	$ 23,580	38.29%	$ 29,307
	2009	22,561	42.77	42,220
	2010	22,375	42.68	55,045
Laborers'	2008	3,546	66.20	2,563
	2009	3,646	70.29	3,647
	2010	3,559	72.68	4,619
Policemen's	2008	11,378	77.78	5,640
	2009	11,863	78.11	8,237
	2010	10,736	87.13	9,619
Firemen's	2008	4,281	58.09	3,723
	2009	4,319	61.24	5,397
	2010	4,354	60.74	7,107

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'	12/31/2010	$ -	$ 223,564	$ 223,564	-	$ 1,541,388	14.50
Laborers'	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's	12/31/2010	-	48,222	48,222	-	400,404	12.04

12) Other Postemployment Benefits – City Obligation

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed $65 for each Medicare eligible annuitant and $95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $64.1 million in 2010 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants plus their dependents was approximately $107.4 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

Plan Description Summary - The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective four Pension Funds (see Note 11).

Funding Policy - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of three years (the remaining years of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2010 is the *Annual OPEB Cost (expense)*.

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	$ 189,328
Interest on Net OPEB Obligation	9,871
Adjustment to Annual Required Contribution	(116,325)
Annual OPEB Cost	82,874
Contributions Made	107,431
Increase in Net OPEB Obligation	(24,557)
Net OPEB Obligation, Beginning of Year	329,040
Net OPEB Obligation, End of Year	$ 304,483

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 is as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 82,874	129.6%	$ 304,483
12/31/2009	157,809	62.1	329,040
12/31/2008	218,897	44.8	269,275

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $533.4 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,547.0 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
12/31/2009	$ -	$ 533,387	$ 533,387	0%	$ 2,546,961

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2010, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 10.5 percent. Both rates included a 3 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 3 years.

Summary of Assumptions and Methods

	Settlement Health Plan
Actuarial Valuation Date	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	3 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.00%
Projected Salary Increases	2.50%
Healthcare Inflation Rate	12% initial to 10.5% ultimate

13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Assets as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2010, the total amount of non-Enterprise Fund claims was $498.5 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	2010	2009
Balance, January 1	$ 513,333	$497,527
Claims incurred on current and prior year events	632,765	605,506
Claims paid on current and prior year events	(590,813)	(589,700)
Balance, December 31	$ 555,285	$513,333

14) Commitments and Contingencies

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

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2010, the Enterprise Funds have entered into contracts for approximately $414.1 million for construction projects.

The City's pollution remediation obligation of $14.3 million is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

15) Service Concession Agreements

The major fund entitled Service Concession Agreements is used for the primary purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by city council that define the use of proceeds.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. In 2009, the City recognized $15.3 million of revenue and will continue to recognize $15.3 million for each subsequent year through 2083.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the operating lease. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. In 2007, the City recognized $5.7 million of revenue and will continue to recognize $5.7 million for each subsequent year through 2105.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the operating lease. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the operating lease. In 2005, the City recognized $18.5 million of revenue related to this transaction and will recognize $18.5 million for each subsequent year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Assets and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Assets.

16) Subsequent Events

In January 2011, the City sold General Obligation Taxable Project Bonds Series 2010C-1 ($299.3 million). The bonds were issued at an interest rate of 7.781 percent and mature January 1, 2035. Proceeds will be used to pay for a portion of the costs of various capital projects of the City.

In January 2011, Fitch Ratings downgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A" to "A-" and the General Airport Third Lien Revenue Bonds from "A+" to "A-." In April 2011, Fitch Ratings upgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A-" to "A."

The City reached a new collective bargaining agreement with Chicago Fire Fighters Union Local No. 2, effective March 9, 2011, with a stated term of July 1, 2007 through June 30, 2012. This agreement covers approximately 4,900 firefighters and paramedics in the Chicago Fire Department. The City paid $86.3 million in retroactive wages in April 2011.

In April 2011, $86.3 million of General Obligation Commercial Paper Notes, Series 2002B were issued. Proceeds will be used for operations as identified in the 2011 Annual Appropriation Ordinance.

In April 2011, the City sold Chicago O'Hare International Airport General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011A, General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011B and General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011C ($1.0 billion). The bonds were issued at interest rates ranging from 3.0 percent to 6.5 percent and maturity dates from January 1, 2014 to January 1, 2041. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program.

In April 2011, the City sold Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding (Non-AMT) Bonds Series 2011A and Passenger Facility Charge Revenue Refunding (AMT) Series 2011B Bonds ($46.0 million). The bonds were issued at interest rates ranging from 5.0 percent to 6.0 percent and maturity dates from January 1, 2017 to January 1, 2033. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program and to refund certain outstanding Passenger Facility Charge Revenue bonds.

In April 2011, the City novated its $60.9 million notional amount swap associated with the Midway Airport Series 2004C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the City pays increased from 4.174 percent to 4.247 percent, and the City will sign a one-way Credit Support Agreement (CSA) that no longer requires the City to post collateral if the mark-to-market exceeds the threshold, as previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of $91.3 million, which does not have a two-way CSA and remains unchanged.

In May 2011, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan in connection with the $397.7 million original notional amount swaption associated with the Midway Airport Series 1998 A,B&C fixed rate bonds. The CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market on the swap is against the City by more than $25 million, the City/Airport must post collateral for the difference. To mitigate the risk of posting collateral, the City obtained a $25 million Letter of Credit (LOC) as collateral. The LOC is not expected to be drawn upon as long as there is no event of default by the bank or the City. Based on the current second lien ratings at Midway Airport, if the mark-to-market on the swaption is against the City by more than the combined $25 million threshold provided in the CSA and the $25 million LOC, for a total of $50 million, the City must post collateral for the difference.

In June 2011, $221.5 million of the General Obligation Bonds Series 2005D bonds became bank bonds due to the deterioration of the liquidity support provider's credit quality. The remarketing agent continues to use best efforts to remarket the bonds out of bank mode. There is no principal due on the bank bonds within the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
Last Three Years (dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'							
2008	12/31/2008	$ -	$ 222,691	$ 222,691	- %	$ 1,543,977	14.42 %
2009	12/31/2009	-	224,173	224,173	-	1,551,973	14.44
2010	12/31/2010	-	223,564	223,564	-	1,541,388	14.50
Laborers'							
2008	12/31/2008	-	42,064	42,064	- %	216,744	19.41 %
2009	12/31/2009	-	41,738	41,738	-	208,626	20.01
2010	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's							
2008	12/31/2008	-	169,972	169,972	- %	1,023,581	16.61 %
2009	12/31/2009	-	164,800	164,800	-	1,011,205	16.30
2010	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's							
2008	12/31/2008	-	47,309	47,309	- %	396,182	11.94 %
2009	12/31/2009	-	47,933	47,933	-	400,912	11.96
2010	12/31/2010	-	48,222	48,222	-	400,404	12.04
City of Chicago							
2007	12/31/2007	-	1,062,864	1,062,864	- %	2,562,007	41.49 %
2008	12/31/2008	-	787,395	787,395	-	2,475,107	31.81
2009	12/31/2009	-	533,387	533,387	-	2,546,961	20.94

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APPENDIX D

CITY OF CHICAGO

ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION

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ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION

Set forth below is certain economic, demographic and supplemental information regarding the City. Sources of information are indicated immediately following each table or section. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Economic Highlights

- Home to more than 400 corporate headquarters, numerous Fortune 500 companies, well over 1,500 foreign-based companies and more than $40 billion in foreign direct investment*
- Chicago O'Hare International Airport is the world's third busiest airport with 54 international and 148 domestic destinations
- Only U.S. city where the six largest freight railroad companies interchange traffic
- Manufacturing base employs over 400,000 workers*
- Health care and life science businesses employ over 500,000 residents*
- Home to 17% of the world's trading activity for futures, options and derivatives
- #6 on Global Cities Index based on business activity, human capital, information exchange, cultural experience and political engagement*
- Home to more than 60 public and private post-secondary educational institutions with a combined enrollment of more than 260,000 students*
- Over 30,000 hotel rooms
- *Home to over 35 museums and 200 theater companies**

* Information relates to Chicago-Naperville, Illinois Metropolitan Statistical Area.

Source: *Chicago Business Overview*, World Business Chicago.

Population

The population of the City for the census years from 1980 to 2010 is set forth below.

Year	Population
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598

Source: U.S. Census Bureau.

Per Capita Income

The per capita personal income of the Chicago-Naperville, Illinois metropolitan statistical area is set forth below for the years 2005 through 2009.

Year	Per Capita Income
2005	$38,439
2006	41,887
2007	43,714
2008	45,328
2009	43,727
2010	N/A

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville, Illinois Metropolitan Statistical Area
N/A means not available at time of publication.

Unemployment

The unemployment rate of the Chicago-Naperville, Illinois metropolitan statistical area for the years 2006 through 2010 is set forth below.

Year	Unemployment Rate
2006	5.2%
2007	5.7
2008	6.4
2009	10.0
2010	10.1

Source: U.S. Department of Commerce, Unemployment rate of Chicago-Naperville, Illinois Metropolitan Statistical Area.

Full-Time City Employees

The number of full-time employees of the City for the years 2006 through 2010 is included in the following table.

Year	Budgeted Full-Time Equivalent Positions
2006	40,297
2007	40,207
2008	39,921
2009	37,419
2010	36,889

Source: City of Chicago 2011 Program and Budget Summary, 2010 figures. Includes full-time equivalent positions in grant-related programs.

Principal Employers (Non-Government)

The companies employing the greatest number of workers in the City as of the end of 2010 are set forth below.

Employer	Number of Employees	Percentage of Total City Employment
J. P. Morgan Chase	8,094	0.81%
United Airlines	5,585	0.58
Northern Trust	5,434	0.56
Jewel Food Stores, Inc.	5,307	0.52
Bank of America	4,668	0.44
Walgreen's Co.	4,552	0.33
Accenture LLP	4,224	0.32
CVS Corporation	4,067	0.30
ABM Janitorial Midwest, INC.	3,840	0.30
American Airlines	3,153	0.27

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns

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2012 Budget Proposal

The following structural and special actions are included in Mayor Rahm Emanuel's proposed City budget for 2012 as measures intending to address the projected City budget deficit of $635.7 million for 2012. Any such actions remain subject to approval of the City Council and no assurances can be given or made that any or all such actions will be approved or, if approved, will generate the impact on the projected City budget gap for 2012 as set forth in the table below.

Proposed Budgetary Action	2012 Impact ($ millions)
Cutting Spending and Reforming Government	417.4
2011-12 reforms and department spending reductions	
517 layoffs and 2,159 vacancy reductions	
Collecting debt and protecting taxpayer resources	
City employee wellness initiative	
TIF reform	
Reforming fee waivers and refuse rebates	
Reimbursement for City Costs	32.5
CPS reimbursement for pension costs paid by the City	
Revenue Enhancements to Invest in Infrastructure and Neighborhoods	78.8
Congestion premium for CTA improvements	
Heavy vehicle sticker increase in street repair	
Hotel tax increase	
Fines for criminal activity and neighborhood safety violations	
Valet and loading zone fee adjustments	
Financing and Innovations	88.0
Refinancing existing debt and bond reimbursements	
Municipal marketing and sponsorship	
Modest Growth in 2011-12 Revenue	39.0
Subtotal	655.7
Deposit into Reserve Fund	(20.0)
Total	635.7

Source: City of Chicago Budget 2012 Overview which is available at www.chicagobudget.org.

APPENDIX E

CITY OF CHICAGO

RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS

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TABLE OF CONTENTS

RETIREMENT FUNDS

General

The City provides funding for four retirement funds, which provide benefits upon retirement, death or disability to employees and beneficiaries. Such retirement funds are, in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"); (ii) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"); (iii) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF" and, together with MEABF, PABF and FABF, the "Retirement Funds").

The unfunded liability to the Retirement Funds poses significant financial challenges. The unfunded liability has consistently increased in recent years, and actuaries for MEABF and LABF indicate that the unfunded liability of those Retirement Funds will continue to increase for the foreseeable future. See "Funded Status of the Retirement Funds" and "Projection of Funded Status" herein. Furthermore, although the actuaries for PABF and FABF project that the unfunded liabilities of those Retirement Funds will decrease in the future, such a decrease will result from significantly increased contributions to those Retirement Funds as a result of the enactment of P.A. 96-1495, which is described and defined herein. As described herein, the benefits provided to members of the Retirement Funds and the City's contributions to the Retirement Funds are governed by the provisions of the Pension Code (as defined below). See "— Determination of City's Contributions" herein.

The Retirement Funds are established, administered and financed under the Illinois Pension Code (the "Pension Code"), as separate bodies politic and corporate and for the benefit of the employees of the City and their beneficiaries. The requirements of the Pension Code may be amended by legislation enacted by the State. This Appendix of the Official Statement describes, in part, the current provisions of the Pension Code applicable to the City's funding of the Retirement Funds; no assurance can be made that the Pension Code will not be amended in the future.

For purposes of this Appendix, references to "employee" or "member" are references to the employees of the City, the employees of the Retirement Funds participating in the Retirement Funds, and with regard to MEABF, certain employees and annuitants of the Chicago Public Schools who are members of MEABF as described below.

The Retirement Funds' sources of funding come from the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's contributions and the employees' contributions are based upon what is established under the Pension Code and are not based on the actuarially recommended levels. Certain aspects of the Retirement Funds, including the defined benefits and the City's contribution and employees' contribution levels, are established in the Pension Code and may be amended or terminated only by an amendment to the Pension Code. There is no mechanism in the Pension Code by which the funding can self-adjust, because contributions are not affected by a change in benefits, assets or investments, but only by a change in current payroll, as described in "— Determination of City's Contributions" below. The manner in which the City contributes to FABF and PABF will change significantly starting with the levy made by the City in 2015 (and collectible in 2016) due to a recent legislative change to the Pension Code, as described in "— Determination of City's Contributions" and "— Recent Legislative Changes — P.A. 96-1495" below.

Source Information

The information contained in this Appendix of the Official Statement relies on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the

"Source Information"). Neither the City nor the City's independent auditors have independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

Furthermore, where the tables in this Appendix of the Official Statement present aggregate information regarding the Retirement Funds, such combined information results solely from the arithmetic calculation of numbers presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board ("GASB") or the Pension Code.

The comprehensive annual financial reports of the Retirement Funds for the fiscal years ending December 31, 2001 through December 31, 2010 (each, a "CAFR" and together, the "CAFRs"), and the actuarial valuations of the Retirement Funds as of December 31 of the years 2001 through 2010 (each, an "Actuarial Valuation" and together, the "Actuarial Valuations"), may be obtained by contacting the Retirement Funds. Certain of these reports are also available on the Retirement Funds' websites (www.meabf.org; www.chipabf.org; www.labfchicago.org; and www.fabf.org); provided, however, that the content of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

Background Information Regarding the Retirement Funds

General

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the City. "Defined-benefit" refers to the fact that the Retirement Funds pay a periodic benefit to retired employees and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. See "Table 1 - Membership," "— Determination of Employee Contributions" and "— Determination of City's Contributions" below.

Section 5 of Article XIII of the Illinois Constitution provides that "[m]embership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." The benefits available under the Retirement Funds accrue throughout the time a member is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the City. The Retirement Funds also provide certain disability benefits to eligible members.

The Retirement Funds

Municipal Employees' Annuity and Benefit Fund of Chicago. MEABF is established by and administered under Article 8 of the Pension Code. MEABF is a single-employer, public employee defined-benefit pension plan. MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members. MEABF is administered under the direction of a five-member board of trustees (the "MEABF Board") that is responsible for its oversight management and administration and that has fiduciary duties to act solely in the best interest of MEABF's members

As of December 31, 2010, MEABF had a total membership of 67,552, consisting of 30,726 active members, 13,866 inactive members entitled to benefits but not yet receiving them, and 22,960 retirees and beneficiaries currently receiving benefits. In addition to City employees, MEABF's membership includes non-instructional employees of the Chicago Public Schools ("CPS Employees"). With respect to MEABF, the terms "employee" and "member" include the CPS Employees. The CPS Employees account for almost half of MEABF's membership.

Policemen's Annuity and Benefit Fund of Chicago. PABF is established by and administered under Article 5 of the Pension Code. PABF is a single-employer, public employee defined-benefit pension plan. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children. PABF is administered by an eight-member board of trustees (the "PABF Board"). Members of the PABF Board are fiduciaries with respect to the PABF and are charged with administering the PABF under the Pension Code.

As of December 31, 2010, PABF had a total membership of 25,737, consisting of 12,737 active members, 620 inactive members entitled to benefits but not yet receiving them, and 12,380 retirees and beneficiaries currently receiving benefits.

Firemen's Annuity and Benefit Fund of Chicago. FABF is established by and administered under Article 6 of the Pension Code. FABF is a single-employer, public employee defined-benefit pension plan. FABF provides retirement and disability benefits to fire service employees and their dependents. FABF is governed by an eight-member board of trustees (the "FABF Board") whose members are fiduciaries with respect to FABF and who are statutorily mandated to discharge their duties solely in the interest of FABF's participants and beneficiaries.

As of December 31, 2010, FABF had a total membership of 9,518, consisting of 5,052 active members, 57 inactive members entitled to benefits but not yet receiving them, and 4,409 retirees and beneficiaries currently receiving benefits.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. LABF is established by and administered under Article 11 of the Pension Code. LABF is a single-employer, public employee defined-benefit pension plan that provides retirement and disability benefits for employees of the City who are employed in a title recognized by the City as labor service and for the dependents of such employees. LABF is governed by an eight-member board of trustees (the "LABF Board" and, together with the MEABF Board, the PABF Board and the FABF Board, the "Retirement Fund Boards"). The members of this board of trustees are fiduciaries with respect to LABF and are statutorily mandated to discharge their duties, as such, solely in the interest of LABF's participants and beneficiaries.

As of December 31, 2010, LABF had a total membership of 8,398, consisting of 2,956 active members, 1,446 inactive members entitled to benefits but not yet receiving them, and 3,996 retirees and beneficiaries currently receiving benefits.

As of December 31, 2010, the membership in each of the Retirement Funds was as follows:

TABLE 1 - MEMBERSHIP

Retirement Fund	Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Totals
MEABF	30,726	13,866	22,960	67,552
PABF	12,737	620	12,380	25,737
FABF	5,052	57	4,409	9,518
LABF	2,956	1,446	3,996	8,398
Total	51,471	15,989	43,745	111,205

Source. Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010.

Certain Duties

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation of the Retirement Funds. The Pension Code authorizes each Retirement Fund Board to make certain autonomous decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

Each Retirement Fund Board, similar to other public bodies, is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Retirement Funds, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended or terminated only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenditures and expenses are the obligation of the Retirement Funds exclusively, as separate bodies politic and corporate.

Investments

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members of the Retirement Fund Boards, who are fiduciaries of the Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds. Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, the content of such websites is not incorporated into this Official Statement by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds for the period 2001 through 2010.

TABLE 2 - INVESTMENT RATES OF RETURN, 2001-2010[1]

	MEABF	FABF	LABF	PABF
2001	(2.3)%	(6.1)%	(0.6)%	(4.4)%
2002	(9.3)%	(13.3)%	(7.5)%	(9.6)%
2003	19.9%	28.3%	17.5%	21.0%
2004	10.6%	12.8%	11.5%	10.8%
2005	6.9%	9.5%	7 8%	7.3%
2006	13.0%	14.0%	11.2%	12.1%
2007	7.6%	11.0%	8.0%	8.8%
2008	(28.4)%	(33.8)%	(29.2)%	(27.8)%
2009	19.7%	27.8%	21.5%	21.5%
2010	14.0%	17.7%	15.5%	12.7%
5-Yr. Avg. Return	3.5%	3.6%	3.6%	3.8%
10-Yr Avg. Return	4.1%	4.4%	4.5%	4.1%
Assumed Rate[2]	8.0%	8.0%	8.0%	8.0%

Source. For FABF, the Actuarial Valuation of the FABF as of December 31 of the years 2001-2010, and for MEABF, LABF and PABF, the CAFRs of the respective Retirement Fund for the fiscal years ending December 31, 2001-2010

(1) Investment returns are reported net of investment fees and are rounded.

(2) As of December 31, 2010, each of the Retirement Funds assumed an 8.0% return for actuarial purposes

Oversight

The State, through the Public Pension Division (the "Public Pension Division") within its Department of Insurance, oversees public pension funds. The Public Pension Division is required to make periodic examinations and investigations of all pension funds established under the Pension Code. In lieu of making an examination and investigation, the Public Pension Division may accept and rely upon a report of audit or examination of any pension fund made by an independent certified public accountant. The Retirement Funds are required to provide the Public Pension Division with a statement including specific information set forth in the Pension Code. The annual statement must also specify the actuarial and interest tables used in the operation of the pension fund. In addition, as part of this actuarial statement, the Retirement Funds must include a complete actuarial statement prepared by an enrolled actuary, which consists of an actuarial valuation.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Retirement Funds or any act or practice which violates any provision of the Pension Code.

Determination of Employee Contributions

City employees are required to contribute as set forth in the Pension Code.

Members of MEABF contribute 8.5% of their salary to MEABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Members of PABF contribute 9.0% of their salary to PABF (consisting of a 7.0% contribution for employee benefits, a 1.5% contribution for spouse benefits and a 0.5% contribution for an annuity increase benefit). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Members of FABF contribute 9.125% of their salary to FABF (consisting of a 7.125% contribution for employee benefits, a 1.5% contribution for spouse benefits, a 0.375% contribution for an annuity increase benefit and a 0.125% contribution for disability benefits). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Members of LABF contribute 8.5% of their salary to LABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit). If an employee leaves without qualifying for an annuity, accumulated contributions are refunded with interest.

Determination of City's Contributions

Under the Pension Code, the City's contributions to fund the Retirement Funds are determined pursuant to a statutory formula on an annual basis. The Pension Code provides that the City's contributions to the Retirement Funds are to be made from the proceeds of an annual levy of property taxes for each of the Retirement Funds (collectively, the "Pension Levy") by the City for such purpose. The Pension Levy is levied solely for the purpose of contributing to the Retirement Funds, and such levy is exclusive of and in addition to the amount of tax which the City may levy for other purposes. The amount of the Pension Levy may not exceed the product of a multiplier established in the Pension Code for each Retirement Fund (the "Multiplier") and the amount contributed by the City's employees two years prior to the year in which the tax is levied (the "Contribution Limitation"). For levy year 2010, the multiplier for each Retirement Fund was as follows: 1.25 for MEABF; 2.00 for PABF; 2.26 for FABF; and 1.00 for LABF. The City's contributions are made as governed by the Pension Code and have no correlation to the Actuarially Required Contribution (as hereinafter defined). See "— The Actuarial Valuation—City's Contribution Not Related to GASB Standards."

The Pension Code provides that the Retirement Fund Boards must annually certify to the City Council a determination of the required City contribution to the Retirement Funds. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council adopt a particular tax levy rate.

In lieu of levying all or a portion of the property taxes for the statutorily required City contribution to the Retirement Funds, the City is permitted under the Pension Code to deposit with the City Treasurer other legally available funds to be used for the same purpose as the Pension Levy (collectively, the "Other Available Funds"). In recent years, the City has utilized these provisions and not levied the full amount of property taxes for the statutorily required City contribution to the Retirement

Funds by depositing with the City Treasurer certain amounts paid from the State to the City from the Personal Property Replacement Tax Fund ("PPRT") of the State pursuant to Section 12 of the Revenue Sharing Act of the State (the "Revenue Sharing Act"). The PPRT is not required to be used for this purpose but is generally available to the City for corporate purposes. Since 2002, the amount of PPRT contributed by the City to the Retirement Funds in the aggregate has averaged approximately $63.5 million annually. In 2010, the amount of PPRT contributed to the Retirement Funds in the aggregate was approximately $103.7 million. The City may or may not continue to use PPRT for this purpose in the future. For purposes of this Appendix, references to "Pension Levy" may include the Other Available Funds of the City to be used for the same purposes of the Pension Levy which the City may contribute in lieu of the required property tax revenues.

The City's contributions to the Retirement Funds are the amount required under the Pension Code and have not been in excess of that required amount.

City's Contributions to PABF and FABF Beginning with the Levy made in 2015

On December 30, 2010, Governor Quinn signed into law Public Act 096-1495 ("P.A. 96-1495") which, among other things, created a new method of determining the contribution to be made by the City to PABF and FABF (together, the "Police and Fire Funds"). P.A. 96-1495 requires that, beginning with the levy made in 2015 (and collectible in 2016), the Pension Levy for a given year will be equal to the amount necessary to achieve a Funded Ratio (as hereafter defined) of 90% in the Police and Fire Funds by the end of fiscal year 2040 (the "P.A. 96-1495 Funding Plan"). The Pension Levy will be calculated pursuant to the P.A. 96-1495 Funding Plan as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040. In the County, property taxes (including the Pension Levy) levied in one year become payable during the following year in two installments. As such, the Pension Levy for the Police and Fire Funds made in calendar year 2015 will be payable in calendar year 2016.

P.A. 96-1495 does not affect the manner in which the City contributes to MEABF and LABF.

The Actuarial Valuation

General

In addition to the process outlined above, the Pension Code requires that the Retirement Funds annually submit to the City Council an annual report containing a detailed statement of the affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Actuarially Required Contribution (as defined below) of such Retirement Fund for reporting purposes pursuant to GASB Statement No. 25 ("GASB 25").

A description of the statistics generated by the Retirement Funds' actuaries in the Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City. The references to GASB principles in this Appendix of the Official Statement do not suggest and should not be construed to suggest otherwise.

Actuaries and the Actuarial Process

In producing the Actuarial Valuations, the Retirement Funds' actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to determine, as of the valuation date, the Normal Cost (as defined below), the Actuarial Accrued Liability (as defined below), the Actuarial Value of Assets (as defined below), and the actuarial present values for the Retirement Fund. The Retirement Funds' actuaries use this data to determine the following fiscal year's Actuarially Required Contribution. The Retirement Funds' Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. Certain of these Actuarial Valuations are available on the Retirement Funds' websites; provided, however, that the content of these reports and of the Retirement Funds' websites is not incorporated herein by such reference. See "— Source Information" above.

The primary purpose of the Actuarial Valuations is to determine the "Actuarially Required Contribution,"* which is the amount that GASB standards would calculate as the City's contribution to the Retirement Funds on an annual basis for financial reporting purposes, without consideration of the Pension Code, to satisfy its current and future obligations to pay benefits to eligible members of the Retirement Funds. The Actuarially Required Contribution consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the actuarial cost method (as described in "— Actuarial Methods — Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any UAAL (as hereinafter defined). GASB standards require disclosure of an Actuarially Required Contribution, which is a financial reporting requirement but not a funding requirement.

As part of the Actuarial Valuation, the Retirement Funds' actuaries also calculate the Retirement Funds' "Actuarial Accrued Liability" and the "Actuarial Value of Assets." The Actuarial Accrued Liability is an estimate of the present value of the benefits each Retirement Fund must pay to current and retired employees as a result of their employment with the City and participation in such Retirement Fund. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by each Retirement Fund. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets, see "— Actuarial Methods" and "— Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the present value of benefits earned to date that are not covered by plan assets. In addition, the actuary will compute the "Funded Ratio," which is equal to the ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

* GASB pronouncements refer to this concept as the Annual Required Contribution. For the convenience of the reader, this section of the Official Statement refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would calculate pursuant to GASB standards to be contributed in a given year, to differentiate it from the amount the City will be required to contribute under the Pension Code.

City's Contributions Not Related to GASB Standards

The City's contributions to the Retirement Funds do not relate to the manner of contributing to pension plans established by GASB standards. The Retirement Funds' Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period. MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. This method of calculating the Actuarially Required Contribution is acceptable under the standards promulgated by GASB. However, the statutory structure pursuant to which the City contributes to the Retirement Funds does not conform to the standards promulgated by GASB for reporting purposes. See "Table 4 - Information Regarding City's Contributions - Aggregated" below.

City's Contributions to the Police and Fire Funds under P.A. 96-1495 will Not Relate to GASB Standards

As discussed above, beginning with the levy made in 2015 (and collectible in 2016), the Pension Levy for the Police and Fire Funds will be calculated pursuant to P.A. 96-1495. The provisions of the P.A. 96-1495 Funding Plan differ from GASB standards regarding financial reporting for defined-benefit pension plans in at least two respects.

First, the goal of the P.A. 96-1495 Funding Plan is for the Police and Fire Funds to reach a Funded Ratio of 90% by 2040. The GASB standards as currently in effect amortize the entire UAAL towards attainment of a 100% Funded Ratio over the time periods described below.

Second, whereas GASB permits amortization of the UAAL over an open amortization period, the P.A. 96-1495 Funding Plan requires amortization of the UAAL over a closed period ending in 2040. A closed amortization period means that the UAAL is amortized over a fixed number of years such that the UAAL will decrease to a legally defined target (which, for the Police and Fire Funds, will be a 90% Funded Ratio by 2040 as provided in the P.A. 96-1495 Funding Plan) upon the passage of the amount of time established as the amortization period, provided required payments are made. For example, under the P.A. 96-1495 Funding Plan, the Pension Levy (applicable to the Police and Fire Funds) for fiscal year 2015 will be calculated by using a 25-year amortization period, while the Pension Levy (applicable to the Police and Fire Funds) for fiscal year 2016 will be calculated using a 24-year amortization period. Conversely, an open amortization period has no term limit and is therefore recalculated over a new 30-year period each time a valuation is performed in accordance with GASB standards. Amortizing through use of a closed period will have the effect of decreasing the UAAL at a greater rate and will allow the City to reach its funding target by fiscal year 2040, provided that all required contributions are made.

Actuarial Methods

The Retirement Funds' actuaries employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

The Retirement Funds' Actuarial Value of Assets is calculated by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20% of the investment gain or loss realized in each of the previous four years. The Asset Smoothing Method is an allowable method calculation according to GASB.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, the UAAL and the Funded Ratio that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually. Table 3 provides a comparison of the assets of the Retirement Funds (as aggregated) on a fair value basis and after application of the Asset Smoothing Method.

TABLE 3 - ASSET SMOOTHED VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS(1) - AGGREGATED

Fiscal Year	Actuarial Value of Assets(2)	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2001	$13,651,804	$12,193,357	111.96%
2002	13,453,303	10,648,141	126.34%
2003	13,297,599	12,277,994	108.30%
2004	13,108,645	12,952,096	101.21%
2005	13,086,060	13,245,445	98.80%
2006	13,435,692	14,164,347	94.86%
2007	14,254,816	14,595,514	97.67%
2008	13,797,344	9,844,339	140.16%
2009	13,051,349	10,876,846	119.99%
2010	12,449,863	11,408,555	109.13%

Source: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds.

(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method.

Actuarial Accrued Liability

As the final step in the Actuarial Valuation, the actuary applies a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of Normal Cost and the Actuarial Accrued Liability. The Retirement Funds use the entry age normal actuarial cost method (the "Entry Age Normal Method") with costs allocated on the basis of earnings. The Entry Age Normal Method is a GASB-approved actuarial cost method.

Under the Entry Age Normal Method, the present value of the projected pension of each member is assumed to be funded by annual installments equal to a level percent of the member's earnings for each year between entry age and assumed exit age. The Normal Cost for the member for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the Normal Cost for the plan for the year is the sum of the normal costs of all active members.

P.A. 96-1495 requires that, beginning in 2015, the Police and Fire Funds calculate the Actuarial Accrued Liability pursuant to the projected unit credit actuarial cost method (the "Projected Unit Credit Method"). Under the Projected Unit Credit Method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. Under this method, Normal Cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Under either method, the Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date or, in other words, for past service. This value changes as the member's salary and years of service change, and as some members leave and new members are hired. Future Normal Cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

Actuarial Assumptions

The Actuarial Valuations of the Retirement Funds use a variety of assumptions to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Additional information on each Retirement Fund's actuarial assumptions is available in each Retirement Fund's Actuarial Valuation as of December 31, 2010 and CAFR for the fiscal year ending December 31, 2010. See "— Source Information" above.

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice of the actuaries. The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. As described in Table 2 above, the Retirement Funds all assumed an investment rate of return of 8.00% for the fiscal year ended December 31, 2010. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Funds on their assets may be higher or lower than the assumed rate. See Table 2 for the rates of return earned on the Retirement Funds' assets for the last ten fiscal years. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years. See "— Actuarial Methods—Actuarial Value of Assets" above.

As shown in the Actuarial Valuations, adverse market conditions resulted in negative investment returns on the Retirement Funds' assets in fiscal year 2008, resulting in a significant reduction in the Funded Ratio and a corresponding increase in the UAAL. No assurance can be given that these negative trends in investment performance will not continue into the current or future fiscal years, leading to a continued increase in the UAAL.

Funded Status of the Retirement Funds

The Pension Code requires that the City fund the Retirement Funds through the levy, collection and contribution of the Pension Levy; provided, however, that the City, pursuant to the Pension Code, may not levy all or a portion of the amount of property taxes statutorily required to make the full City contribution to the Retirement Funds if the City deposits with the City Treasurer Other Available Funds to be used for the same purpose as the Pension Levy as described in "—Determination of City's Contributions" above. The City has in recent years made its full statutorily required contribution to the Retirement Funds each year through a combination of property tax revenues and PPRT funds. However, expenses related to the Health Plan (as defined below) are paid from the funds received from the Pension Levy, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the contributions made by the City to the Retirement Funds have been lower than the cash outlays of the Retirement Funds in recent years. As a result, the Retirement Funds have used investment earnings or assets of the Retirement Funds to satisfy these cash outlays. The use of investment earnings or assets of the Retirement Funds for these purposes reduce the amount of assets on hand to pay benefits in the future and prevent the Retirement Funds from recognizing the full benefits of compounding investment returns.

Since 2001 (which is the only time period of historical data considered in this Appendix of the Official Statement), the City has contributed to the Retirement Funds as required by the Pension Code.* However, this amount has not been sufficient to fully fund the Normal Cost plus an amortized portion of the UAAL in each year as a result of the Contribution Limitation which has had the effect, and may have the effect in the future, of limiting the Pension Levy to an amount insufficient to fully fund the Retirement Funds to the amount of the Actuarially Required Contribution.

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* Pursuant to the Pension Code, the City did not make any contributions to or levy the Pension Levy for LABF in fiscal years 2001 through 2006 because LABF had funds on hand in excess of its liabilities The Pension Code provides that the City will cease to make contributions to LABF in such a situation. The City continued to levy the Pension Levy for the other Retirement Funds during those years.

Table 4 provides information for fiscal years 2001 through 2010 on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

TABLE 4 - INFORMATION REGARDING CITY'S CONTRIBUTIONS[1] - AGGREGATED

	Actuarially Required Contribution	Actual Employer Contribution[2]	*Percentage of* Actuarially Required Contribution Contributed[3]
2001	$310,742	$332,176	106.9%
2002	328,055	332,491	101.4%
2003	451,239	343,291	76.1%
2004	545,232	345,398	63.3%
2005	698,185	423,515	60.7%
2006	785,111	394,899	50.3%
2007[4]	865,776	395,483	45.7%
2008[4]	886,215	416,130	47.0%
2009[4]	990,381	423,929	42.8%
2010[4]	1,112,626	425,552	38.2%

Sources: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31, 2001 through December 31, 2006, contribution information includes amounts related to other post-employment benefits. Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits

(2) Includes the portion of the PPRT contributed to the Retirement Funds in each of the years 2002-2010.

(3) The estimated multiplier that would have been necessary for each Retirement Fund to make the full Actuarially Required Contribution in 2010 were as follows: 3.48 for MEABF; 4.98 for FABF; 2.71 for LABF; and 4.85 for PABF. Beginning with the levy made in 2015 (and collectible in 2016), the City's contributions to the Police and Fire Funds will not be calculated in accordance with the Multiplier as described in "— Determination of City's Contributions" above

(4) Beginning in 2007, the information in this Table 4 does not include other post-employment benefits, which the City's Comprehensive Annual Financial Report presents separately.

The continued decline in the percentage of the Actuarially Required Contribution contributed by the City, as shown in Table 4 above, results, in part, from the fact that the Actuarial Liability continues to grow and as a result of the delayed recognition of gains and losses resulting from the Retirement Funds' use of the Asset Smoothing Method for financial reporting purposes. See "— Actuarial Methods— Actuarial Value of Assets."

As of the end of fiscal year 2010, the Retirement Funds had an aggregate UAAL of approximately $15.315 billion on a fair value basis and $14.274 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 42.7% and 46.6%. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of (i) insufficient contributions compared to the Actuarially Required Contribution and (ii) investment losses brought on by the severe global economic downturn. The impact of the economic downturn on the City and the Retirement Funds was similar to the experience of other governmental entities during the same period of time. The following tables summarize the current financial condition and the funding progress of the Retirement Funds.

TABLE 5 - FINANCIAL CONDITION OF THE MEABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$6,126,238	$5,820,766	$5,128,210	$5,922,789	$6,242,741	$6,356,888	$6,841,127	$7,010,007	$4,739,614	$5,166,224
Income										
- Member Contributions	118,241	128,395	129,644	155,885	122,542	129,466	132,442	137,749	130,981	133,300
- City Contributions	131,440	130,966	141,883	153,919	155,067	148,332	139,552	146,803	157,698	164,302
- Investment Income[1]	(158,374)	(538,062)	961,889	578,730	402,311	778,726	485,926	(1,947,576)	778,562	638,569
- Miscellaneous Income	-	-	-	-	-	-	-	-	-	24
Total	$ 91,307	$(278,701)	$1,233,416	$ 888,534	$ 679,920	$1,056,524	$ 757,921	$(1,663,024)	$1,067,241	$ 936,195
Expenditures										
- Benefits and Refunds	392,692	409,298	434,158	538,910	560,228	565,887	582,046	599,137	632,864	660,081
- Administration[2]	4,087	4,557	4,679	29,672	5,545	6,398	6,995	7,279	7,766	6,745
Total	$ 396,779	$ 413,855	$ 438,837	$ 568,582	$ 565,773	$ 572,285	$ 589,041	$ 606,416	$ 640,630	$ 666,826
Ending Net Assets (Fair Value)	$5,820,766	$5,128,210	$5,922,789	$6,242,741	$6,356,888	$6,841,127	$7,010,007	$4,740,567	$5,166,225	$5,435,593
Actuarial Value of Assets[3]	6,466,798	6,403,982	6,384,099	6,343,076	6,332,379	6,509,146	6,890,463	6,669,502	6,295,788	6,003,390
Actuarial Accrued Liabilities[4]	6,934,176	7,577,100	7,988,637	8,808,501	9,250,212	9,476,118	9,968,747	10,383,158	10,830,119	11,828,666
UAAL (Fair Value)[5]	1,113,410	2,448,890	2,065,848	2,565,760	2,893,324	2,634,991	2,958,740	5,642,591	5,663,894	6,393,073
UAAL (Actuarial Value)[5]	467,378	1,173,118	1,604,538	2,465,425	2,917,833	2,966,972	3,078,284	3,713,656	4,534,331	5,825,276
Funded Ratio (Fair Value)[5]	83.9%	67.7%	74.1%	70.9%	68.7%	72.2%	70.3%	45.7%	47.7%	46.0%
Funded Ratio (Actuarial Value)[5]	93.3%	84.5%	79.9%	72.0%	68.5%	68.7%	69.1%	64.2%	58.1%	50.8%

Source: Actuarial Valuations of the MEABF as of December 31, 2010, and CAFRs of the MEABF for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2009, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 6 - FINANCIAL CONDITION OF THE PABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$4,033,107	$3,696,943	$3,224,037	$3,693,283	$3,865,809	$3,954,837	$4,192,076	$4,333,234	$3,000,998	$3,326,051
Income										
- Member Contributions	71,146	79,239	79,816	78,801	89,110	91,965	93,300	93,207	95,614	108,402
- City Contributions	139,411	141,935	140,735	135,669	177,911	157,689	178,678	181,526	180,511	183,835
- Investment Income[1]	(214,034)	(335,936)	627,291	367,908	261,389	447,275	349,914	(1,104,909)	567,315	369,558
- Miscellaneous Income	265	54	73	75	368	1,070	28	160	799	20
Total	$ (3,212)	$ (114,708)	$ 847,915	$ 582,453	$ 528,778	$ 697,999	$ 621,920	$ (830,016)	$ 844,239	$ 661,815
Expenditures										
- Benefits and Refunds	330,500	355,653	375,503	407,301	437,089	458,060	477,685	497,721	514,883	544,272
- Administration[2]	2,452	2,545	3,166	2,626	2,661	2,700	3,077	4,499	4,304	3,925
Total	$ 332,952	$ 358,198	$ 378,669	$ 409,927	$ 439,750	$ 460,760	$ 480,762	$ 502,220	$ 519,187	$ 548,197
Ending Net Assets (Fair Value)	$3,696,943	$3,224,037	$3,693,283	$3,865,809	$3,954,837	$4,192,076	$4,333,234	$3,000,998	$3,326,050	$3,439,669
Actuarial Value of Assets[3]	4,183,796	4,124,580	4,039,696	3,933,031	3,914,432	3,997,991	4,231,682	4,093,720	3,884,978	3,718,955
Actuarial Accrued Liabilities[4]	5,932,511	6,384,846	6,581,433	7,034,271	7,722,737	7,939,561	8,220,353	8,482,574	8,736,102	9,210,056
UAAL (Fair Value)[5]	2,235,568	3,160,809	2,888,150	3,168,462	3,767,900	3,747,485	3,887,119	5,481,576	5,410,052	5,770,387
UAAL (Actuarial Value)[5]	1,748,715	2,260,266	2,541,737	3,101,240	3,808,305	3,941,570	3,988,671	4,388,854	4,851,124	5,491,101
Funded Ratio (Fair Value)[5]	62.3%	50.5%	56.1%	55.0%	51.2%	52.8%	52.7%	35.4%	38.1%	37.3%
Funded Ratio (Actuarial Value)[5]	70.5%	64.6%	61.4%	55 9%	50.7%	50.4%	51.5%	48 3%	44 5%	40.4%

Source: Actuarial Valuations of the PABF as of December 31, 2010, and CAFRs of the PABF for the fiscal year ending December 31, 2010 Table may not add due to rounding

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below

(5) Calculated using net assets.

TABLE 7 - FINANCIAL CONDITION OF THE FABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$1,226,826	$1,104,940	$907,804	$1,109,561	$1,206,177	$1,274,659	$1,391,484	$1,469,455	$ 914,193	$1,051,644
Income										
- Member Contributions	27,615	27,622	42,665	37,734	35,697	44,222	41,120	40,480	41,605	41,730
- City Contributions	60,400	59,453	60,234	55,532	90,129	78,971	74,271	83,744	91,857	83,592
- Investment Income(1)	(73,526)	(143,541)	249,995	139,497	112,017	174,406	148,806	(484,093)	208,537	150,835
- Miscellaneous Income	63	78	84	24,322	456	87	162	107	36	30
Total	$ 14,552	$ (56,388)	$ 352,978	$ 257,085	$ 238,299	$ 297,686	$ 264,359	$(359,762)	$ 342,035	$ 276,187
Expenditures										
- Benefits and Refunds	134,462	138,789	149,174	158,372	167,527	178,214	183,304	192,644	201,146	217,565
- Administration(2)	1,976	1,959	2,047	2,097	2,290	2,647	3,084	2,856	3,439	4,187
Total	$ 136,438	$ 140,748	$ 151,221	$ 160,469	$ 169,817	$ 180,861	$ 186,388	$ 195,500	$ 204,585	$ 221,752
Ending Net Assets (Fair Value)	$1,104,940	$ 907,804	$1,109,561	$1,206,177	$1,274,659	$1,391,484	$1,469,455	$ 914,193	$1,051,643	$1,106,079
Actuarial Value of Assets(3)	1,245,130	1,209,768	1,194,008	1,182,579	1,203,654	1,264,497	1,374,960	1,335,695	1,269,231	1,198,114
Actuarial Accrued Liabilities(4)	2,068,718	2,088,706	2,517,268	2,793,524	2,882,936	3,088,124	3,215,874	3,311,269	3,428,838	3,655,026
UAAL (Fair Value)(5)	963,778	1,180,902	1,407,707	1,587,347	1,608,277	1,696,640	1,746,419	2,397,076	2,377,195	2,548,947
UAAL (Actuarial Value)(5)	823,588	878,938	1,323,260	1,610,945	1,679,282	1,823,627	1,840,914	1,975,574	2,159,607	2,456,912
Funded Ratio (Fair Value)(5)	53.4%	43.5%	44.1%	43.2%	44.2%	45.1%	45.7%	27.6%	30.7%	30.3%
Funded Ratio (Actuarial Value)(5)	60.2%	57.9%	47.4%	42.3%	41.8%	40.9%	42.8%	40.3%	37.0%	32.8%

Source: Actuarial Valuations of the FABF as of December 31, 2010, and CAFRs of the FABF for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2001, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 8 - FINANCIAL CONDITION OF THE LABF
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$1,648,819	$1,570,708	$1,388,090	$1,552,361	$1,637,369	$1,659,061	$1,739,660	$1,782,818	$1,188,580	$1,332,929
Income										
- Member Contributions	20,017	20,189	19,798	22,591	16,257	18,791	18,413	19,419	17,538	16,320
- City Contributions	660	83	344	197	40	106	15,459	17,580	17,190	17,939
- Investment Income[1]	(19,125)	(119,447)	231,584	171,045	117,785	174,536	125,205	(510,463)	237,102	193,187
- Miscellaneous Income	-	-	22	5	-	-	-	-	-	-
Total	$ 1,552	$ (99,175)	$ 251,748	$ 193,838	$ 134,082	$ 193,433	$ 159,077	$(473,464)	$ 271,830	$ 227,446
Expenditures										
- Benefits and Refunds	77,857	81,629	85,567	105,958	109,405	110,003	112,567	117,147	123,817	129,297
- Administration[2]	1,806	1,814	1,910	2,872	2,985	2,831	3,352	3,626	3,665	3,864
Total	$ 79,663	$ 83,443	$ 87,477	$ 108,830	$ 112,390	$ 112,834	$ 115,919	$ 120,773	$ 127,482	$ 133,161
Ending Net Assets (Fair Value)	$1,570,708	$1,388,090	$1,552,361	$1,637,369	$1,659,061	$1,739,660	$1,782,818	$1,188,581	$1,332,928	$1,427,214
Actuarial Value of Assets[3]	1,756,080	1,715,073	1,679,796	1,649,959	1,635,595	1,664,058	1,757,711	1,698,427	1,601,352	1,529,404
Actuarial Accrued Liabilities[4]	1,402,138	1,540,604	1,628,563	1,674,615	1,742,300	1,767,682	1,808,295	1,915,324	1,975,749	2,030,025
UAAL (Fair Value)[5]	(168,570)	152,514	76,202	37,246	83,239	28,022	25,477	726,743	642,821	602,811
UAAL (Actuarial Value)[5]	(353,942)	(174,469)	(51,233)	24,656	106,705	103,624	50,584	216,897	374,397	500,621
Funded Ratio (Fair Value)[5]	112.0%	90.1%	95.3%	97.8%	95.2%	98.4%	98.6%	62.1%	67.5%	70.3%
Funded Ratio (Actuarial Value)[5]	125.2%	111.3%	103.1%	98.5%	93.9%	94.1%	97.2%	88.7%	81.1%	75.3%

Source. Actuarial Valuations of the LABF as of December 31, 2010, and CAFRs of the LABF for the fiscal year ending December 31, 2010 Table may not add due to rounding

(1) Investment income is shown net of fees and expenses

(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below

(5) Calculated using net assets.

TABLE 9 - FINANCIAL CONDITION OF THE RETIREMENT FUNDS COMBINED
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$13,034,990	$12,193,357	$10,648,141	$12,277,994	$12,952,096	$13,245,445	$14,164,347	$14,595,514	$ 9,843,385	$10,876,848
Income										
- Member Contributions	237,019	255,445	271,923	295,011	263,606	284,444	285,275	290,855	285,738	299,752
- City Contributions	331,911	332,437	343,196	345,317	423,147	385,098	407,960	429,653	447,256	449,668
- Investment Income[1]	(465,059)	(1,136,986)	2,070,759	1,257,180	893,502	1,574,943	1,109,851	(4,047,041)	1,791,516	1,352,149
- Miscellaneous Income	328	132	179	24,402	824	1,157	190	267	835	74
Total	$ 104,199	$ (548,972)	$ 2,686,057	$ 1,921,910	$ 1,581,079	$ 2,245,642	$ 1,803,277	$(3,326,266)	$ 2,525,345	$ 2,101,643
Expenditures	-	-	-	-	-	-	-	-	-	-
- Benefits and Refunds	935,511	985,369	1,044,402	1,210,541	1,274,249	1,312,164	1,355,602	1,406,649	1,472,710	1,551,215
- Administration[2]	10,321	10,875	11,802	37,267	13,481	14,576	16,508	18,260	19,174	18,721
Total	945,832	996,244	1,056,204	1,247,808	1,287,730	1,326,740	1,372,110	1,424,909	1,491,884	1,569,936
Ending Net Assets (Fair Value)	$12,193,357	$10,648,141	$12,277,994	$12,952,096	$13,245,445	$14,164,347	$14,595,514	$ 9,844,339	$10,876,846	$11,408,555
Actuarial Value of Assets[3]	13,651,804	13,453,403	13,297,599	13,108,645	13,086,060	13,435,692	14,254,816	13,797,344	13,051,349	12,449,863
Actuarial Accrued Liabilities[4]	16,337,543	17,591,256	18,715,901	20,310,911	21,598,185	22,271,485	23,213,269	24,092,325	24,970,808	26,723,773
UAAL (Fair Value)[5]	4,144,186	6,943,115	6,437,907	7,358,815	8,352,740	8,107,138	8,617,755	14,247,986	14,093,962	15,315,218
UAAL (Actuarial Value)[3]	2,685,739	4,137,853	5,418,302	7,202,266	8,512,125	8,835,793	8,958,453	10,294,981	11,919,459	14,273,910
Funded Ratio (Fair Value)[5]	74.63%	60 53%	65 60%	63.77%	61.33%	63.60%	62.88%	40.86%	43.56%	42.69%
Funded Ratio (Actuarial Value)[3]	83.56%	76.48%	71.05%	64.54%	60.59%	60.33%	61.41%	57.27%	52.27%	46.59%

Source: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Includes expenses related to other post-employment benefits beginning in each of the fiscal years as shown in Footnote (2) in Tables 6-9 herein for each respective Retirement Fund. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 10 - SCHEDULE OF FUNDING PROGRESS - COMBINED FOR THE RETIREMENT FUNDS
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

Fiscal Year	Actuarial Accrued Liability(1)	Actuarial Value of Assets(2)	Fair Value of Net Assets	UAAL (Actuarial)(3)	UAAL (Fair Value)(4)	Funded Ratio (Actuarial)(3)	Funded Ratio (Fair Value)(4)	Payroll	UAAL to Payroll (Actuarial)(3)	UAAL to Payroll (Fair Value)(4)
2001	$16,337,543	$13,651,804	$12,193,357	$ 2,685,739	$ 4,144,186	83.6%	74 6%	$2,627,579	102 2%	157.7%
2002	17,591,256	13,453,303	10,648,141	4,137,953	6,943,115	76.5%	60.5%	2,728,898	151.6%	254.4%
2003	18,715,901	13,297,599	12,277,994	5,418,302	6,437,907	71.0%	65.6%	2,823,932	191.9%	228.0%
2004	20,310,911	13,108,645	12,952,096	7,202,266	7,358,815	64.5%	63 8%	2,683,331	268 4%	274 2%
2005	21,598,185	13,086,060	13,245,445	8,512,125	8,352,740	60.6%	61.3%	2,880,358	295 5%	290.0%
2006	22,271,485	13,435,692	14,164,347	8,835,793	8,107,138	60.3%	63.6%	3,069,479	287.9%	264.1%
2007	23,213,269	14,254,816	14,595,514	8,958,453	8,617,755	61.4%	62.9%	3,185,388	281.2%	270.5%
2008	24,092,325	13,797,344	9,844,339	10,294,981	14,247,986	57.3%	40.9%	3,180,484	323.7%	448.0%
2009	24,970,808	13,051,349	10,876,846	11,919,459	14,093,962	52.3%	43.6%	3,172,716	375.7%	444.2%
2010	26,723,773	12,449,863	11,408,555	14,273,910	15,315,218	46 6%	42.7%	3,189,739	447.5%	480 1%

Source. Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010 Table may not add due to rounding.

(1) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods—Actuarial Value of Assets" above

(3) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.

(4) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the fair value of Net Assets.

The cumulative value of the annual differences between the City's contribution to the Retirement Funds and the Actuarially Required Contribution is referred to by GASB as its "Net Pension Obligation" or its "Net Pension Asset." If the cumulative difference between the City's contribution and the Actuarially Required Contribution is positive, the City would have a Net Pension Asset. Conversely, if the cumulative difference is negative, the City would have a Net Pension Obligation.

As a result of the Contribution Limitation, however, the City may fulfill its obligation to contribute to the Retirement Funds under the Pension Code and still have a Net Pension Obligation for such year. The Pension Levy and the Actuarially Required Contribution differ in any given year as a result of the Contribution Limitation, as discussed in "— Determination of City's Contributions" and "— The Actuarial Valuation—City's Contributions Not Related to GASB Standards" above.

Table 11 provides a schedule of the total Net Pension Obligation or Net Pension Asset at the end of each of the last ten fiscal years for each of Retirement Funds.

TABLE 11 - NET PENSION OBLIGATION OR (ASSET)[1]

Fiscal Year	MEABF	FABF	LABF	PABF	Total
2001	$(319,770)	$ 537,644	$(255,311)	$ 627,036	$ 589,599
2002	(358,776)	584,562	(270,871)	635,635	590,550
2003	(342,888)	636,782	(277,880)	697,003	713,017
2004	(299,415)	717,509	(270,223)	787,639	935,510
2005	(169,895)	790,764	(258,125)	873,347	1,236,091
2006	(1,443)	878,368	(237,696)	1,017,145	1,656,374
2007	202,077	992,572	(228,692)	1,185,055	2,151,012
2008	415,207	1,099,024	(225,759)	1,360,492	2,648,964
2009	679,736	1,211,209	(206,361)	1,562,421	3,247,005
2010	1,007,404	1,345,928	(174,584)	1,791,148	3,969,896

Sources: Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. Table may not add due to rounding.

(1) In thousands of dollars.

A variety of factors impact the Retirement Funds' UAAL and Funded Ratio. A lower return on investment than that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of investment returns below the assumed rate of return and insufficient contributions as compared to the Actuarially Required Contribution.

Recent Legislative Changes

P.A. 96-0889

On April 14, 2010, the Governor Quinn signed Public Act 96-0889 (the "Pension Reform Act") into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of the Retirement Funds on or after January 1, 2011, as compared to those provided to employees prior to such date. Among other changes, the Pension Reform Act:

- Increases the time required for pension benefits to vest to ten years from five years;
- Increases the minimum age at which an active employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service;
- Increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50;
- Provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months);
- Reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates compounding for employees hired after January 1, 2011, from a cost of living adjustment of 3%, compounded; and
- Caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

The Pension Reform Act does not impact persons that first became members or participants prior to its effective date of January 1, 2011. Furthermore, the Pension Reform Act applies to MEABF and LABF, but does not apply to PABF or FABF.

The Pension Reform Act does not change City or employee contributions to MEABF or LABF. The City will continue to contribute to MEABF and LABF pursuant to the respective Multiplier until and unless relevant portions of the Pension Code are amended for MEABF and LABF.

For purposes of the potential effects of the Pension Reform Act as described in this paragraph, taken independently of any other legislative or market effects, the reduced benefits afforded new hires by the Pension Reform Act is expected to reduce over time the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As the value of future benefits decreases over time, as a greater percentage of the City's workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease compared to what it would have been under previous law. Consequently, slowly over time the UAAL is expected to decrease and the Funded Ratio to improve. As the growth in the UAAL slows, the Actuarially Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases. However, no assurance can be given that these expectations will be the actual experience of MEABF or LABF going forward.

P.A. 96-1495

P.A. 96-1495 has a significant impact on the Police and Fire Funds. A description of certain provisions of P.A. 96-1495 are discussed above in "— Determination of City's Contributions—City's Contributions to PABF and FABF Beginning with the Levy made in 2015."

The P.A. 96-1495 Funding Plan will have the effect of significantly increasing the Pension Levy (applicable to the Police and Fire Funds) because (i) the Contribution Limitation will no longer serve to cap the Pension Levy (applicable to the Police and Fire Funds) at the applicable Multiplier times the employee contributions made two years prior to the year of the levy, and (ii) this type of funding plan requires a greater contribution than the current statutory structure.

In addition, P.A. 96-1495 makes changes to benefits for police officers and firefighters first participating in the Police and Fire Funds on or after January 1, 2011. Among other changes, P.A. 96-1495:

- Increases the minimum retirement eligibility age from 50 (with ten years of service) to 55 (with ten years of service);
- Provides for retirement at age 50 (with ten years of service) with the annuity reduced by .5% per month;
- Provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months);
- Reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, commencing at age 60;
- Provides that widow benefits are 66 2/3% of the employee's annuity at the date of death; and
- Caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

Projection of Funded Status

Tables 12 through 14 provide projections of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio for MEABF, LABF and the Police and Fire Funds respectively. The Retirement Funds' level of funding level has decreased in recent years, most notably due to a combination of factors including: adverse market conditions and investment returns as a result of the financial downturn experienced in 2008 and beyond; and contributions that are lower than the Actuarially Required Contribution as a result of the Contribution Limitation. The declining Funded Ratios experienced by the Retirement Funds in recent years are similar to the funding challenges faced by other large governmental pension funds in the United States.

The projections in Tables 12 through 14 are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in these tables.

TABLE 12 - PROJECTION OF FUTURE FUNDING STATUS - MEABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$11,918,942	$5,529,406	$ 6,389,536	46.4%
2012	12,359,984	5,093,624	7,266,360	41.2%
2013	12,806,809	5,134,244	7,672,565	40.1%
2014	13,256,021	5,063,451	8,192,570	38.2%
2015	13,703,973	4,957,569	8,746,404	36.2%
2016	14,149,698	4,812,667	9,337,031	34.0%
2017	14,589,918	4,622,794	9,967,124	31.7%
2018	15,021,046	4,381,260	10,639,786	29.2%
2019	15,439,846	4,081,467	11,358,379	26.4%
2020	15,844,795	3,718,312	12,126,483	23.5%

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection is based on actuarial data as of December 31, 2009.

(1) In thousands of dollars.

TABLE 13 - PROJECTION OF FUTURE FUNDING STATUS - LABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$2,131,248	$1,413,249	$ 717,999	66.3%
2012	2,186,657	1,310,446	876,211	59.9%
2013	2,240,989	1,332,813	908,176	59.5%
2014	2,293,847	1,320,362	973,485	57.6%
2015	2,345,292	1,301,969	1,043,323	55.5%
2016	2,395,162	1,277,091	1,118,071	53.3%
2017	2,443,573	1,245,406	1,198,167	51.0%
2018	2,489,906	1,206,103	1,283,803	48.4%
2019	2,534,078	1,158,554	1,375,524	45.7%
2020	2,575,960	1,102,279	1,473,681	42.8%

Source. Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection is based on actuarial data as of December 31, 2009.

(1) In thousands of dollars.

TABLE 14 - PROJECTION OF FUTURE FUNDING STATUS - THE POLICE AND FIRE FUNDS (COMBINED)[1]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$13,112,409	$4,333,372	$ 8,779,037	33.0%
2012	13,611,035	4,248,696	9,362,339	31.2%
2013	14,113,679	4,128,833	9,984,846	29.3%
2014	14,618,962	3,968,802	10,650,160	27.1%
2015	15,127,100	3,766,920	11,360,180	24.9%
2016	15,637,661	4,090,051	11,547,610	26.2%
2017	16,151,574	4,431,683	11,719,891	27.4%
2018	16,668,454	4,791,799	11,876,655	28.7%
2019	17,186,311	5,170,647	12,015,664	30.1%
2020	17,705,196	5,571,400	12,133,796	31.5%

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection is based on actuarial data as of December 31, 2009.

(1) In thousands of dollars.

As shown in Tables 12 and 13, based on the current legislative structure, actuarial projections indicate that MEABF will have a Funded Ratio of 23.5% and LABF will have a Funded Ratio of 42.8% by the end of fiscal year 2020. Furthermore, the actuary projects that the Funded Ratios of MEABF and LABF will continue to decrease beyond 2020. The lack of any corrective actions jeopardizes the solvency of MEABF and LABF.

Based on the current legislative structure, as shown in Table 14, actuarial projections indicate that the combined Funded Ratio of the Police and Fire Funds will be 31.5% by the end of fiscal year 2020. This Funded Ratio is projected to have increased from a low Funded Ratio of 24.9% at the end of fiscal year 2015. The Funded Ratios of the Police and Fire Funds are projected to begin increasing in fiscal year 2016 as a result of the implementation of the P.A. 96-1495 Funding Plan, which requires that the Police and Fire Funds receive contributions sufficient to achieve a Funded Ratio of 90% by 2040. However, prior to the implementation of the P.A. 96-1495 Funding Plan, the Funded Ratio is projected to decrease annually because the Police and Fire Funds will continue to make contributions pursuant to the respective Multiplier until that time. See "— Determination of City's Contributions" above.

The projections set forth in this Appendix were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the City or the Retirement Funds, as applicable. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with, the prospective financial information. Neither the City's independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this Official Statement, which is solely the product of the City or the Retirement Funds, as applicable, and the independent auditors assume no responsibility for its content.

In spring 2011, the Illinois House of Representatives ("House") considered a complex pension-restructuring proposal in an amendment to Senate Bill 512 ("SB 512") which would have made significant reforms to MEABF and LABF. Among other changes, SB 512 would have required members of MEABF and LABF to choose between three tiers of benefits requiring different contribution rates. In addition, SB 512 would have fixed the City's contribution for MEABF and LABF to the contributions made by the City for levy year 2010. The stated goal of the bill was to enact pension reforms and address the long-term financial issues for MEABF and LABF and the City. The House suspended action on SB 512 until the fall of 2011 at the earliest. No assurance can be given that SB 512 will be enacted in its current form. Furthermore, no assurance can be given that SB 512 will not be enacted in an amended form that makes alternative changes to the Pension Code. In addition, there may be other legislation pending in either or both houses of the Illinois General Assembly that would affect the Pension Code. No assurance can be given that any such proposal will be enacted.

The City recognizes that changes are necessary to properly fund the Retirement Funds and is considering the options available to address the unfunded liability. Some or all of the options may require legislative changes to the Pension Code. In the event that a proposal is brought before the Illinois General Assembly, no assurance can be given that such proposal will be enacted.

Report and Recommendations of the Commission to Strengthen Chicago's Pension Funds

The information contained in this subsection describing the CSCP and the Final Report (each as defined herein) relies on information produced by the CSCP, including the Final Report. The Final Report is available at www.chipabf.org/6Financials/pension_commission.html; but the content of the Final Report and such website is not incorporated herein by such reference. The City makes no representation nor expresses any opinion as to the accuracy of the Final Report, the statements made or the information therein, some of which may be conflicting.

On January 11, 2008, then Mayor Richard M. Daley announced the formation of the Commission to Strengthen Chicago's Pension Funds (the "CSCP"), which was composed of a broad cross-section of City officials, union leaders, pension fund executives, and business and civic professionals. The CSCP was charged with examining the Retirement Funds and recommending ways to improve the Funded Ratio of each Retirement Fund. The CSCP met several times in 2008 through 2010, and at the CSCP's final meeting on March 24, 2010, the CSCP endorsed its final report, with three commissioners dissenting. The CSCP's final report, which included letters from the dissenting commissioners, was submitted to Mayor Daley on April 30, 2010 (the "Final Report").

The CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and, therefore, does not consider the impact of these acts on the Retirement Funds. See "— Determination of City's Contributions" and "— Recent Legislative Changes" above for additional information on these acts. As described below, certain of the CSCP's findings and recommendations as contained in the Final Report are addressed by either act.

The CSCP found that the financial health of the Retirement Funds had deteriorated due to a combination of factors, including the following: increasing liabilities due to enhanced benefits (e.g., non-recurring early retirement programs that were not properly funded); inadequate contributions, which were based upon a fixed percentage of payroll and not actuarial need (i.e., the Contribution Limitations); and adverse market conditions leading to fluctuating returns on investments (in 2000-2002 and 2007-2009) which could not keep pace with growth in liabilities. With regard to the CSCP's finding of inadequate contributions, P.A. 96-1495 addresses this finding with regard to the Police and Fire Funds. As described in "— Determination of City's Contributions" and "— Recent Legislative Changes—P.A. 96-1495" above, the City's Pension Levy applicable to the Police and Fire Funds will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040 pursuant the P.A. 96-1495 Funding Plan, which will significantly increase the City's contributions to the Police and Fire Funds beginning with the levy made in 2015 (and collectible in 2016).

The CSCP found that due to the inadequate contributions, the Retirement Funds have had to use assets to pay current benefits, which in turn put pressure on the asset bases and Funded Ratios of the Retirement Funds.

The CSCP modeled a set of scenarios for the Retirement Funds and found that, based on the actuarial assumptions in use by the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of substantial changes to the Retirement Funds' funding policy and/or benefit structure, deplete all assets in each of the Retirement Funds at different dates but all within twenty years of the date of the Final Report. However, the CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and the depletion dates as estimated in the Final Report would not have taken into account the impact of such legislation. See "— Projection of Funded Status" above for the projections based upon the current legislative structure applicable to the Retirement Funds.

The CSCP suggested that the issues related to the Retirement Funds need to be addressed as soon as possible and offered the following specific recommendations:

- The defined benefit structure used by the Retirement Funds should remain (as opposed to a defined contribution structure);
- New employees should continue to become members of the Retirement Funds;
- The Retirement Funds should be funded on an actuarial basis;
- Changes in the Retirement Funds for new members, while recognized by the CSCP as undesirable, will probably be necessary;
- Contributions to the Retirement Funds should be increased and revenue sources identified;
- Employee contributions should not exceed the value of benefits on a career basis;
- Review any provisions in current law for refunds or for alternative benefit calculations to ensure that the anticipated financial results of a reform program are actually obtained;
- In general, no changes in the Retirement Funds should be made unless financially neutral or advantageous to the Retirement Funds, now or in the future;
- A variety of other reforms should be considered, including reforming potential abuses, establishing sound reciprocity with other Illinois public pensions, implementing new structures to manage investments of the Retirement Funds, and improving administration of disability claims and benefits; and
- Any reform legislation must comprehensively and simultaneously address all aspects of the pension funding program.

CSCP's recommendations were made prior to the enactment of the Pension Reform Act and P.A. 96-1495. Certain of the CSCP's recommendations, including changes in the Retirement Funds for new members, were part of the Pension Reform Act (with regard to MEABF and LABF) and P.A. 96-1495 (with regard to the Police and Fire Funds).

Diversion of Grant Money to Police and Fire Funds Under P.A. 96-1495

P.A. 96-1495 allows the State Comptroller to divert grant money from the State intended for the City to either of the Police and Fire Funds to satisfy contribution shortfalls by the City. If the City fails to contribute to the Police and Fire Funds as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject Retirement Fund gives notice of the failure to the City and (iii) such Retirement Fund certifies to the Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount in the following proportions: (i) in fiscal year 2016, one-third of the City's State grant money, (ii) in fiscal year 2017, two-thirds of the City's State grant money, and (iii) in fiscal year 2018 and in each fiscal year thereafter, 100% of the City's State grant money.

GASB Exposure Drafts

On July 8, 2011, GASB released two exposure drafts (the "Exposure Drafts") which propose to overhaul the manner in which governments and pension plans account for and report information regarding those pension plans. If enacted in their current form, the Exposure Drafts would significantly alter the financial statements produced by the City and the Retirement Funds. However, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the Exposure Drafts would not impact the contributions made by the City without legislative action. No assurance can be given that the Exposure Drafts will be adopted by GASB in their current form.

OTHER POST-EMPLOYMENT BENEFITS

General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. The costs of the Health Plan are shared pursuant to a settlement agreement (the "Settlement") entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under "— The Settlement."

The Health Plan provides health benefits to retirees. MEABF and LABF participants older than 55 with at least 20 years of service and Police and Fire Plan participants older than 50 with at least 10 years of service may become eligible for the Health Plan if they eventually become an annuitant. The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

Annuitants who participate in the Health Plan have their retiree health insurance premiums subsidized by both the City and the Retirement Fund of which they are a member. The City contributes a percentage subsidy to each eligible annuitant. Annuitants who retired prior to July 1, 2005 receive a 55% subsidy from the City, whereas annuitants retiring on or after such date receive a subsidy equal to 50%, 45%, 40% or zero percent based on the annuitant's length of actual employment with the City. The Retirement Funds contribute a fixed dollar amount monthly ($65 for each Medicare-eligible annuitant and $95 for each non-Medicare eligible annuitant) for each of their annuitants. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum of the subsidies provided by the City and the related Retirement Fund.

The subsidies provided by the Retirement Funds are paid from the Pension Levy, as provided in the Pension Code. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities. See Tables 5-9 in "Retirement Funds—Funded Status of Retirement Funds" above for Retirement Funds' statement of net assets, which incorporates the expense related to the Health Plan as part of the "Administration" line item. The City makes the subsidy payments to the Health Plan from moneys derived from the Pension Levy. The Pension Levy is described in "Retirement Funds—Determination of City's Contributions" above. In 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants and their dependents was approximately $97 million (after adjustment for certain amounts received after publication of the City's Comprehensive Annual Financial Report for the fiscal year ending December 31, 2010).

The Settlement

In 1987, the City sued the Retirement Funds with respect to the alleged obligation on the part of the City to provide healthcare benefits to certain retired City employees. The City maintained that it was not obligated to provide healthcare benefits to such retired employees. Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time. The Settlement expires on June 30, 2013. The City contributes to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the "Settlement Period").

The Settlement does not provide for continuation of the Settlement beyond the end of the Settlement Period. Therefore, barring further action by the parties to the Settlement to extend the Settlement Period, the City's obligation to subsidize a portion of its retirees' payments for healthcare benefits will cease at the end of the Settlement Period. No assurance can be given that such an extension will not occur.

City Financing of the Health Plan

The Health Plan is funded on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to funding the Health Plan. Instead, the City contributes the amount necessary to fund its share of the current year costs of the Health Plan. The City's contributions are made from funds derived from the Pension Levy, which is described above in "Retirement Funds—Determination of City's Contributions" as required by the Pension Code. See Table 16 below for a schedule of historical contributions made by the City to the Health Plan.

Actuarial Considerations

City Obligation

The City has an Actuarial Valuation completed for its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in "Retirement Funds—The Actuarial Valuation—Actuaries and the Actuarial Process." In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan.

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds' Actuarial Valuations differ significantly from the City's Actuarial Valuation for two reasons. First, unlike with respect to its retirees' pensions, the City is responsible for only a portion of the liabilities owed under the Health Plan, and the City is responsible for that portion of the liability only for the Settlement Period. Second, the Actuarial Valuations of the City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Appendix of the Official Statement addresses the funded status of the City's obligation to make payments for the post-employment healthcare benefits to be provided by the Health Plan and, therefore, the funded status of the Retirement Funds' obligation with respect to the Health Plan will not be discussed herein. For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in "Retirement Funds—Source Information" above, and Note 11(b) to the City's Basic Audited Financial Statements, appended to this Official Statement as Appendix C.

Actuarial Methods and Assumptions

The Actuarial Valuation for the City's obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in "Retirement Funds" above with respect to the Retirement Funds. The City does not use an Actuarial Method to calculate the Actuarial Value of Assets of the Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City's Actuarial Valuation employs the Projected Unit Credit Method to allocate its costs. For more information on the Projected Unit Credit Method, see "Retirement Funds—Actuarial Methods" above.

In the Actuarial Valuation for the fiscal year ended December 31, 2010, the actuarial assumptions included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 10.5%. Both rates included a 3% inflation assumption. The Health Plan has not accumulated assets and does not hold any assets, however, the moneys expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3%.

The Health Plan's UAAL is amortized over a closed 3-year period for purposes of the Actuarial Valuation, which reflects the remainder of the Settlement Period. The use of a closed, 3-year period has the effect of increasing the Actuarially Required Contribution against the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period reduces in each year as opposed to remaining at 30 years for each period going forward.

Funded Status

The following tables provide information on the financial health of the Health Plan. As the Health Plan is funded on a pay-as-you-go basis and no assets are accumulated to pay for the liabilities of the Health Plan, the Funded Ratio with respect to the Health Plan is perpetually zero. The UAAL of the Health Plan was $533.387 million as of December 31, 2009.

Table 15 summarizes the current financial condition and the funding progress of the Health Plan.

TABLE 15 - SCHEDULE OF FUNDING PROGRESS[1]

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
2006	$0	$1,307,417	$1,307,417	0%	$2,502,154	52.01%
2007	0	1,062,864	1,062,864	0%	2,562,007	41.49%
2008	0	787,395	787,395	0%	2,475,107	31.81%
2009	0	533,387	533,387	0%	2,546,961	20.94%

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending December 31, 2006-2010.

(1) In thousands of dollars. The City, as required, adopted GASB Statement No 45 in fiscal year 2007. The information provided in this table was not produced prior to 2007.

Table 16 shows the amounts actually contributed to the Health Plan by the City.

TABLE 16 - HISTORY OF CITY'S CONTRIBUTIONS[1]

	Actual City Contribution
2007	$ 97,254
2008	98,065
2009	98,000
2010	107,431

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending 2007-2010.

(1) In thousands of dollars The City, as required, adopted GASB Statement No. 45 in fiscal year 2007 The information provided in this table was not produced prior to 2007

Retiree Health Benefits Commission

The Settlement provides for the creation of the Retiree Health Benefits Commission (the "RHBC"), which is tasked with reviewing proposed changes to retiree healthcare plans for the years 2008-2013 and for making recommendations concerning retiree health benefits after July 1, 2013. The RHBC's members are appointed by the Mayor of the City for terms that do not expire. The Settlement requires that the RHBC be composed of experts who will be objective and fair-minded as to the interest of both retirees and taxpayers, and must consist of a representative of the City and a representative of the Retirement Funds. As of the date of this Official Statement, the RHBC has not released any statement or report concerning recommendations for post-employment healthcare benefits for City employees beyond the expiration of the Settlement on June 30, 2013. The recommendations to be made by the RHBC are not predictable and are unknown by the City at this time. The recommendations of the RHBC are not binding on the City.

APPENDIX F

FORMS OF OPINIONS OF CO-BOND COUNSEL

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PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a certified copy of the record of the proceedings (the *"Proceedings"*) of the City Council of the City of Chicago (the *"City"*), including an ordinance adopted by the City Council of the City on the 5th day of October, 2011 (the *"Ordinance"*), as supplemented by a Notification of Sale (the *"Notification of Sale"*), relating to the issue of its fully registered General Obligation Bonds, Project Series 2011A (the *"Bonds"*), in the aggregate principal amount of $210,640,000, dated November 30, 2011, due on January 1 of the years and in the amounts and bearing interest as follows:

2032	$ 19,070,000	4.625%
2035	63,045,000	5.250%
2040	128,525,000	5.000%

The Bonds due on January 1, 2035, are subject to mandatory redemption, in integral multiples of $5,000 selected by lot at a redemption price of par plus accrued interest to the redemption date, as provided by the Ordinance and the Notification of Sale, on January 1 of the years and in the principal amounts as follows:

2033	$19,950,000
2034	20,995,000

The Bonds due on January 1, 2040, are subject to mandatory redemption, in integral multiples of $5,000 selected by lot at a redemption price of par plus accrued interest to the redemption date, as provided by the Ordinance and the Notification of Sale, on January 1 of the years and in the principal amounts as follows:

2036	$23,260,000
2037	24,425,000
2038	25,645,000
2039	26,925,000

The Bonds are further subject to redemption prior to maturity at the option of the City as a whole, or in part, on January 1, 2021, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided by the Ordinance and the Notification of Sale.

The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of the Ordinance, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, in the amount named herein, is valid and legally binding upon the City, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to not be excludable from gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a certified copy of the record of the proceedings (the *"Proceedings"*) of the City Council of the City of Chicago (the *"City"*), including an ordinance adopted by the City Council of the City on the 5th day of October, 2011 (the *"Ordinance"*), as supplemented by a Notification of Sale (the *"Notification of Sale"*), relating to the issue of its fully registered 6.034% General Obligation Bonds, Taxable Project Series 2011B (the *"Bonds"*), in the aggregate principal amount of $205,705,000, dated November 30, 2011, due on January 1, 2042, subject to mandatory redemption, in integral multiples of $5,000, at a redemption price of par plus accrued interest to the redemption date, on January 1, 2041, in the principal amount of $99,840,000, and further subject to redemption prior to maturity at the option of the City upon the terms as provided by the Ordinance and the Notification of Sale.

The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of the Ordinance, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, in the amount named herein, is valid and legally binding upon the City, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that under present law, interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

SCHEDULE IA

TERMS AND AUTHORIZATION

$210,640,000 GENERAL OBLIGATION BONDS
PROJECT SERIES 2011A

1. *Aggregate Principal Amount:* $210,640,000

2. *Dated.* November 30, 2011

3. *Principal Amounts, Interest Rate, Maturity, Price and CUSIP Number:*

$19,070,000	4.625% Serial Bonds due January 1, 2032,	Price 98.389%	CUSIP: 167486 NE5
$63,045,000	5.250% Term Bonds due January 1, 2035,	Price 102.758%	CUSIP: 167486 NF2
$128,525,000	5.000% Term Bonds due January 1, 2040,	Price 99.398%	CUSIP: 167486 NG0

4. *Interest Payment Dates.*

July 1, 2012, and semiannually thereafter on each January 1 and July 1.

5. *Redemption*

The Series 2011A Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Series 2011A Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of the Series 2011A Bonds. The Series 2011A Bonds are redeemable prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2021, and if less than all of the outstanding Series 2011A Bonds are to be redeemed, the Series 2011A Bonds to be called shall be called by lot and in accordance with the procedures of the Depository Trust Company ("DTC"), at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2011A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the exclusion of interest on the Series 2011A Bonds for federal income tax purposes.

Mandatory Redemption of the Series 2011A Bonds. The Series 2011A Bonds due January 1, 2035, and January 1, 2040, are subject to mandatory redemption prior to maturity, in each case at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts, and, if less than all of the Series 2011A

Bonds are to be redeemed prior to maturity, the Series 2011A Bonds being redeemed, or portions thereof to be redeemed, will be selected by lot and in accordance with the procedures of DTC.

Series 2011A Bonds due January 1, 2035

Year	Principal Amount
2033	$19,950,000
2034	20,995,000

Series 2011A Bonds due January 1, 2040

Year	Principal Amount
2036	$23,260,000
2037	24,425,000
2038	25,645,000
2039	26,925,000

SCHEDULE IB

TERMS AND AUTHORIZATION

$205,705,000 GENERAL OBLIGATION BONDS
TAXABLE PROJECT SERIES 2011B

1. *Aggregate Principal Amount:* $205,705,000

2. *Dated* November 30, 2011

3. *Maturity, Interest Rate, Price and CUSIP Number:*

   Term Bonds due January 1, 2042, 6.034%, Price 100%, CUSIP: 167486 NN5

4. *Interest Payment Dates.*

   July 1, 2012, and semiannually thereafter on each January 1 and July 1.

5. *Redemption*

The Taxable Series 2011B Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Taxable Series 2011B Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of the Taxable Series 2011B Bonds with Make Whole Payment. The Taxable Series 2011B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of: (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Series 2011B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such bonds are to be redeemed, discounted to the date of redemption of the Taxable Series 2011B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points, plus accrued interest on the Bonds of such series being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Taxable Series 2011B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Taxable Series 2011B Bonds for optional redemption.

Mandatory Redemption of the Taxable Series 2011B Bonds. The Taxable Series 2011B Bonds are subject to mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on January 1 of the following year and in the following principal amount:

Year	**Principal Amount**
2041	$99,840,000

Selection of Taxable Series 2011B Bonds for Redemption. If less than all of the Taxable Series 2011B Bonds are to be redeemed prior to maturity, the Taxable Series 2011B Bonds being redeemed, or portions thereof to be redeemed, will be selected on a pro-rata pass-through distribution of principal basis to the extent permitted by and in accordance with procedures of The Depository Trust Company ("DTC"). If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2011B Bonds on a pro-rata pass-through distribution of principal basis, then the Taxable Series 2011B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

6. *Refunded Commercial Paper Notes*

Commercial Paper Notes 2002 Program Series B (Taxable)

Maturity	Issue Date	Maturity Amount
10/13/2011	12/14/2011	$86,500,000

SCHEDULE II

NOTIFICATION OF TAX ABATEMENT

NOTIFICATION OF TAX ABATEMENT

CITY OF CHICAGO

$ 210,640,000
GENERAL OBLIGATION BONDS,
PROJECT SERIES 2011A

$205,705,000
GENERAL OBLIGATION BONDS,
TAXABLE PROJECT SERIES 2011B

State of Illinois)
) SS
County of Cook)

To: The City Council of the City of Chicago

Please be advised that responsive to authority contained in an Ordinance (the "*Ordinance*") adopted by the City Council (the "*City Council*") of the City of Chicago (the "*City*") on October 5, 2011, authorizing the issuance of up to $500,000,000 aggregate principal amount of general obligation bonds of the City, the City issued its $210,640,000 aggregate principal amount of General Obligation Bonds, Project Series 2011A (the "*Series 2011A Bonds*") and $205,705,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2011B (the "*Taxable Series 2011B Bonds*," and together with the Series 2011A Bonds, the "*Bonds*"), pursuant to a Bond Purchase Agreement entered into with BMO Capital Markets GKST Inc., as representative of certain underwriters on November 8, 2011, providing for the sale of the Bonds, by the City's Chief Financial Officer, with the concurrence of the Chairman of the Committee on Finance of the City Council, each of the Bonds being dated their date of issuance.

Capitalized terms used herein without definition have the meanings assigned to such terms in the Ordinance.

Notification of the sale of the Bonds to the City Council and of the determinations made by the Chief Financial Officer of the City with respect to the sale of the Bonds, the filing of the Bond Purchase Agreement, and the Official Statement for the Bonds, all as provided for or required by the Ordinance was made by the filing with the City Clerk of a Notification Of Sale issued by the Chief Financial Officer on the date of issuance of each of the Bonds and dated November 30, 2011.

Pursuant to Section 12 of the Ordinance, please be further advised that the amount of the annual tax levy requirements for the payment of the principal of and interest on the Bonds will be less than the levy of taxes authorized in Section 7 of the Ordinance. Such amounts and the disposition of collections of the tax levy authorized in Section 7 of the Ordinance in excess of any amount required for the payment of the principal of and interest on the Bonds are specified in Exhibit 1 attached hereto.

Respectfully submitted as of this 8th day of November, 2011.

Lois A. Scott
Chief Financial Officer

EXHIBIT 1

LEVY YEAR	AMOUNT OF TAX LEVIED IN BOND ORDINANCE	EXCESS LEVY TO BE ABATED	TAX WHICH IS TO BE EXTENDED FOR PAYMENT OF THE BONDS
2011	$150,000,000.00	$150,000,000.00	$0.00
2012	150,000,000 00	150,000,000.00	0 00
2013	150,000,000 00	126,969,660.30	23 030,339 70
2014	150,000,000.00	126,969,660.30	23,030,339 70
2015	150,000,000.00	126,969,660.30	23,030,339.70
2016	150,000,000.00	126,969,660.30	23,030,339.70
2017	150,000,000.00	126,969,660.30	23,030,339.70
2018	150,000,000.00	126,969,660.30	23,030,339.70
2019	150,000,000.00	126,969,660.30	23,030,339.70
2020	150,000,000.00	126,969,660.30	23,030,339.70
2021	150,000,000.00	126,969,660.30	23,030,339.70
2022	150,000,000.00	126,969,660.30	23,030,339.70
2023	150,000,000.00	126,969,660.30	23,030,339.70
2024	150,000,000.00	126,969,660.30	23,030,339.70
2025	150,000,000.00	126,969,660.30	23,030,339.70
2026	150,000,000.00	126,969,660.30	23,030,339.70
2027	150,000,000 00	126,969,660.30	23,030,339.70
2028	150,000,000.00	126,969,660.30	23,030,339.70
2029	150,000,000.00	126,969,660.30	23,030,339.70
2030	150,000,000.00	107,899,660.30	42,100,339.70
2031	150,000,000.00	107,901,647.80	42,098,352.20
2032	150,000,000.00	107,904,022.80	42,095,977.20
2033	150,000,000.00	107,901,260.30	42,098,739.70
2034	150,000,000.00	107,901,510.30	42,098,489.70
2035	150,000,000.00	107,899,510.30	42,100,489.70
2036	150,000,000.00	107,900,760.30	42,099,239.70
2037	150,000,000.00	107,903,010.30	42,096,989.70
2038	150,000,000 00	107,904,260.30	42,095,739.70
2039	150,000,000.00	37,747,760.30	112,252,239.70
2040	150,000,000.00	37,747,105 90	112,252,894.10
2041	150,000,000.00	150,000,000.00	0.00
2042	150,000,000.00	150,000,000.00	0.00
2043	150,000,000.00	150,000,000.00	0.00
2044	150,000,000.00	150,000,000.00	0.00
2045	150,000,000.00	150,000,000.00	0.00
2046	150,000,000.00	150,000,000.00	0.00
2047	150,000,000.00	150,000,000.00	0.00
2048	150,000,000.00	150,000,000.00	0.00
2049	150,000,000.00	150,000,000.00	0.00
2050	150,000,000.00	150,000,000.00	0.00
2051	150,000,000.00	150,000,000.00	0.00

ACKNOWLEDGMENT OF FILING NOTIFICATION OF SALE

The foregoing Notification of Sale of $210,640,000 aggregate principal amount of General Obligation Bonds, Project Series 2011A and $205,705,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2011B of the City of Chicago (the "City") has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

IN WITNESS WHEREOF, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this 30th day of November, 2011.

Susana A. Mendoza

Susana A. Mendoza,
City Clerk

[Seal]