EXHIBITS TO SECTION 1

UNFAIR DISCRIMINATION CLAIM

EXHIBIT 1.A

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Austin View Civic Ass'n v. City of Palos Heights

Appellate Court of Illinois, First District, Fourth Division

May 22, 1980, Filed

No. 79-532

Reporter
85 Ill. App. 3d 89 *; 405 N.E.2d 1256 **; 1980 Ill. App. LEXIS 3029 ***; 40 Ill. Dec. 164 ****

AUSTIN VIEW CIVIC ASSOCIATION et al., Plaintiffs-Appellants, v. THE CITY OF PALOS HEIGHTS, Defendant-Appellee

Subsequent History: [*1]** Rehearing Denied June 19, 1980.

Prior History: Appeal from the Circuit Court of Cook County; the Hon. ARTHUR L. DUNNE, Judge, presiding.

Disposition: Reversed and remanded.

Core Terms

residents, classification, rational basis, plaintiffs', affirmative matter, unreasonable discrimination, nonresidents, rates, water rate, common law right, motion to dismiss, charging, water supply, trial court, ordinance, costs, unincorporated area, supplied, equal protection violation, private water company, allegations, consumers, defeat, denial of equal protection, municipal corporation, conclusions of law, pipes, fail to state a cause of action, grounds for dismissal, legislative purpose

Case Summary

Procedural Posture
Plaintiff nonresidents filed a class action against defendant city seeking a declaratory judgment, an injunction, and an accounting, alleging that the city discriminated against the nonresidents by charging them higher water rates and that the discrimination violated equal protection. The Circuit Court of Cook County (Illinois) granted the city's motions to dismiss. The nonresidents filed an appeal.

Overview
The city enacted a water ordinance that provided that the nonresidents pay 25 percent more for water. The city filed a motion under Ill. Rev. Stat. ch. 110, para. 45, 48(1)(i) (1977) to strike paragraphs of the complaint and to dismiss based on affirmative matter defeating the claim. On appeal, the court found that the city could have asserted that it had a rational basis for the classification scheme under § 48(1)(i) to defeat the nonresidents' claim of denial of equal protection because the nonresidents were not members of a suspect class and were not asserting the denial of a fundamental right. However, this allegation was not an affirmative matter under § 48(1)(i) because the rational basis test was not applicable to the common law right preventing unreasonable discrimination in water rates. The question of common law discrimination for a utility was always a question of fact based solely on the evidence presented. The court held that the contract alone did not establish a rational basis for the classification. It was improper for the trial court to strike certain paragraphs of the complaint because each paragraph did not have to state a complete claim.

Outcome
The court reversed and remanded the grant of dismissal for the city.

LexisNexis® Headnotes

Civil Procedure > ... > Responses > Defenses, Demurrers & Objections > Motions to Dismiss

Contracts Law > Statute of Frauds > General Overview

HN1[] **Defenses, Demurrers & Objections, Motions to Dismiss**

Ill. Rev. Stat. ch. 110, para. 48(1)(i) (1977) reads as follows: (1) Defendant may, within the time for pleading, file a motion for dismissal of the action or for other appropriate relief upon any of the following grounds. If the grounds do not appear on the face of the pleading attacked the motion shall be supported by affidavit:(i) That the claim or demand asserted against defendant is barred by other affirmative matter avoiding the legal effect of or defeating the claim or demand.

Civil Procedure > ... > Responses > Defenses, Demurrers & Objections > Motions to Dismiss

HN2[] Defenses, Demurrers & Objections, Motions to Dismiss

The limits of Ill. Rev. Stat. ch. 110, para. 48(1)(i) (1977) are determined by the basic rule that governs all motions to dismiss. That rule says that a motion to dismiss admits all well-pleaded facts, but it does not admit conclusions of law, nor does it admit conclusions of fact unsupported by allegations of specific fact upon which such conclusions rest. Because of this rule, § 48(1)(i) is not intended to be used in place of a motion for summary judgment. Also, because of the rule, courts hold that if the alleged affirmative matter under § 48(1)(i) is nothing more than evidence offered to refute a well-pleaded fact stated in the complaint, then the alleged matter is not "affirmative matter" that warrants a dismissal under § 48(1)(i), since the well-pleaded fact must be taken as true for the purposes of a motion to dismiss. But if the alleged affirmative matter is something in the nature of a defense that negates the cause of action completely or refutes crucial conclusions of law or conclusions of material fact unsupported by allegations of specific fact contained in or inferred from the complaint, then the alleged affirmative matter is a proper grounds for dismissal under § 48(1)(i).

Governments > Public Improvements > Sanitation & Water

HN3[] Public Improvements, Sanitation & Water

When a municipal corporation owns and operates a water system for the purpose of selling water to consumers, it is acting in a business capacity and is generally to be treated as if it was a private utility company. The business of supplying water belongs to that class of enterprises upon which the public interest is impressed.

Governments > Local Governments > Claims By & Against

Torts > Public Entity Liability > Immunities > General Overview

HN4[] Local Governments, Claims By & Against

As a matter of constitutional law, a municipal corporation is not immune from claims alleging violations of common law rights unless such immunity is provided by statute. *Ill. Const. art. 13, § 4*. (1979).

Constitutional Law > Equal Protection > Nature & Scope of Protection

Constitutional Law > Equal Protection > Judicial Review > Standards of Review

HN5[] Equal Protection, Nature & Scope of Protection

A rational basis for the classification scheme can be asserted as affirmative matter under Ill. Rev. Stat. ch. 110, para. 48(1)(i) (1977) to defeat plaintiffs' claim of denial of equal protection of the law.

Constitutional Law > Equal Protection > Nature & Scope of Protection

Constitutional Law > Equal Protection > Judicial Review > Standards of Review

HN6[] Equal Protection, Nature & Scope of Protection

The constitutional right to equal protection of the law prevents a government body from setting up a classification scheme that distinguishes between members of the public and unreasonably discriminates against certain of those members. Not every classification scheme is invalid. Only those that result in unreasonable discrimination are invalid. In cases not involving a classification based on a "suspect class," such as race, or one that denies a specific class of people a fundamental right, such as freedom of speech, there is a strong presumption that a classification scheme established by statute or ordinance is valid. In cases where the presumption prevails, a party asserting unconstitutional discrimination resulting from a classification scheme has the burden of showing that the classification bears no rational relationship to a legitimate legislative purpose. If any state of facts may reasonably be conceived to justify the classification, then the court will uphold the classification as valid.

Constitutional Law > Equal Protection > Judicial Review > Standards of Review

HN7[] Judicial Review, Standards of Review

Under the "rational basis" test, a court may act independent of the arguments of the parties, and, on its own, reasonably conceive of facts that justify the classification scheme.

Constitutional Law > Equal Protection > Judicial Review > Standards of Review

Energy & Utilities Law > ... > Rates > Ratemaking Factors > General Overview

Energy & Utilities Law > Administrative Proceedings > Judicial Review > General Overview

HN8[] **Judicial Review, Standards of Review**

When a privately owned utility is charged with unreasonable discrimination in rates, the test used for deciding the validity of the difference in rates is to determine whether the difference is reasonable, and not arbitrary, based on a consideration of such factors as differences in the amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs. If the difference in rates is reasonably related to a difference in the costs of providing the service, there is no unreasonable discrimination.

Constitutional Law > Equal Protection > Judicial Review > Standards of Review

HN9[] **Judicial Review, Standards of Review**

A party cannot justify a classification scheme by merely declaring the classes are different. Something more is required to show that a rational basis exists for the classification scheme.

Civil Procedure > ... > Responses > Defenses, Demurrers & Objections > Defects of Form

Civil Procedure > ... > Defenses, Demurrers & Objections > Motions to Strike > General Overview

Civil Procedure > ... > Defenses, Demurrers & Objections > Motions to Strike > Immaterial Matters

HN10[] **Defenses, Demurrers & Objections, Defects of Form**

Under Ill. Rev. Stat. ch. 110, para. 45(1) (1977), a party may object to pleadings by a motion asking that a pleading or portion thereof be stricken because substantially insufficient in law, or that the action be dismissed, or that a pleading be made more definite and certain in a specified particular, or that designated immaterial matter be stricken out, or that necessary parties be added, or that designated misjoined parties be dismissed, and so forth.

Civil Procedure > ... > Justiciability > Standing > General Overview

HN11[] **Justiciability, Standing**

In order for a plaintiff to have standing to sue, the plaintiff himself must have a personal interest in the controversy, meaning that plaintiff himself must suffer, or be in immediate danger of suffering, an injury caused or about to be caused by the defendant. The court may allow a not-for-profit corporation in some cases to assert the rights of its members, but it could only do so if both the corporate plaintiff and its members have suffered or are about to suffer an injury.

Counsel: Joseph J. Kozlowski and John A. Smith, both of Chicago (Kozlowski and Smith, of counsel), for appellants.

Warren L. Swanson, of Chicago, for appellee.

Judges: Presiding Justice Linn delivered the opinion of the court. Jiganti and Romiti, JJ., concur.

Opinion by: LINN

Opinion

[*90] [1259] [****167]** Plaintiffs brought this class action in the circuit court of Cook County seeking a declaratory judgment, an injunction, and an accounting. Defendant, City of Palos Heights, is a municipal corporation owning and operating a combined waterworks and sewerage system that supplies water to both the residents of Palos Heights and nonresidents such as plaintiffs. The crux of plaintiffs' complaint is that defendant is discriminating against them by charging them higher water rates than residents of Palos Heights are charged. Following defendant's combined motions to dismiss under sections 45 and 48 of the Civil Practice Act (Ill. Rev. Stat. 1977, ch. 110, pars. 45, 48), the trial court dismissed the action with prejudice. The **[***2]** issue on appeal is whether the trial court erred in dismissing the action.

We reverse and remand.

Plaintiffs' complaint alleged the following facts.

Plaintiff corporations, Austin View Civic Association, Blue Crest Community Association, and Palos Gardens Civic Association, are not-for-profit corporations who brought this action on behalf of all residents living in their respective subdivisions, the Austin View Subdivision, the Blue Crest Subdivision, and the Palos Gardens Subdivision. Plaintiffs Lee

Roy Erickson, Harley Bauch and Louis Rysdon are individuals residing in Worth Township. All of the plaintiffs reside in an unincorporated area located in Cook County between the city of Palos Heights and the village of Alsip. All of the members of the alleged class also reside in this area.

[*91] The village of Alsip, a municipal corporation, is located outside the southwest boundary of the city of Chicago. Alsip receives its water supply through pipes connected to pipes belonging to the city of Chicago. The unincorporated area is located directly west of Alsip. From 1957 until 1968, this area was provided with water by two private water companies located in the unincorporated **[***3]** **[**1260]** **[****168]** area. These companies received their water through pipes connected to pipes belonging to Alsip.

Defendant, city of Palos Heights, is located directly west of the unincorporated area. In 1967, defendant, in order to provide water for its residents and pursuant to its power as a municipal corporation under section 11 -- 139 -- 2 of the Illinois Municipal Code (Ill. Rev. Stat. 1977, ch. 24, par. 11 -- 139 -- 2), purchased the two private water companies that were supplying water to the residents of the unincorporated area. Simultaneously, defendant entered into a contract with Alsip which allowed defendant to connect pipes to the water system previously owned by the two private water companies so that water could flow through to defendant's residents. Thus, the water used by defendant's residents originated in Chicago, came through Alsip and the unincorporated area, and ended up in Palos Heights. Under the contract with Alsip, defendant was to continue providing water to the residents of the unincorporated area.

On February 27, 1968, defendant enacted a water rate ordinance. Basically, the ordinance provided that nonresidents of Palos Heights were to pay **[***4]** 25% more for water than residents of Palos Heights. The ordinance also provided that residents of Palos Heights over the age of 65 were to receive a 25% discount on their water charges. On May 17, 1977, defendant enacted a second ordinance that increased water rates, with nonresidents paying 30% more than residents.

Based on the above, plaintiffs alleged the following: (1) that defendant was unlawfully discriminating against them by charging them higher water rates than residents of Palos Heights because the difference in rates was arbitrary and bore no reasonable relationship to a difference in the cost of providing water to residents and nonresidents, and (2) that the ordinance was unconstitutional as a denial of equal protection of the law (*Ill. Const. 1970, art. I, § 2*; *U.S. Const., amend. XIV*), as applied to plaintiffs and others living in the unincorporated area. [1]

[*5]** Defendant filed a motion to dismiss the plaintiffs' complaint, claiming the corporate plaintiffs lacked standing to sue and, additionally, that the class action suit was a legally inappropriate proceeding in this case. This **[*92]** motion was denied and defendant then filed a combined motion to dismiss under sections 45 and 48(1)(i) of the Civil Practice Act (Ill. Rev. Stat. 1977, ch. 110, pars. 45, 48(1)(i)).

Under section 45, defendant moved to strike certain paragraphs of plaintiffs' complaint as failing to state a cause of action. Particularly, defendant moved to strike those paragraphs of the complaint that described the factual background leading up to and including the purchase of the private water companies of Palos Heights, and further moved to strike a part of one paragraph that said that the ordinance provided for a water rate discount to residents over 65.

Under section 48(1)(i), defendant moved to dismiss the complaint based on affirmative matter defeating the claim or demand. The affirmative matter asserted was the contract, verified by affidavit, entered into between Palos Heights and Alsip. Under the terms of this contract Palos Heights was to charge all nonresident **[***6]** users of water "extended" from the Palos Heights' water system $ .05 per thousand gallons more than residents of Palos Heights, and to pay over this excess amount to Alsip. Also, this contract was subject to the terms of a contract for the supply of water that Alsip had entered into with the city of Chicago. Under the Alsip-city of Chicago contract, Alsip, and, in turn, Palos Heights were charged a set rate for water they received from Chicago, but Alsip also had to pay to the city of Chicago a 50% surcharge **[**1261]** **[****169]** for all water Alsip or Palos Heights provided to residents of unincorporated areas. Thus, in turn, Palos Heights was required to pay Alsip this surcharge for any water Palos Heights provided to unincorporated areas so that Alsip could pay the city of Chicago. Defendant alleged that the terms of its contract with Alsip proved it cost defendant more to supply water to plaintiffs than to its own residents, [2] and thus defendant had a rational basis for charging plaintiffs more for water than it charged residents of Palos Heights.

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[1] Plaintiffs also alleged that the difference in water rates was unconstitutional as an unequal tax (see *Ill. Const. 1970, art. 9, § 2*), but, as defendant has indicated, water rates charged by municipalities to consumers are not considered to be taxes. (*Wagner v. City of Rock Island (1893), 146 Ill. 139, 34 N.E. 545*.) Thus, we find no need to further consider the question of whether there exists unequal taxation in this case.

[2] The formulas used for showing how the $ .05 per thousand gallons and the 50% surcharge accounted for the 25% and 30% differences in rates established by the two Palos Heights' ordinances were discussed by both parties during the proceedings in the trial court. We will assume for the purposes of appeal that the extra amount charged plaintiffs is the amount needed to meet the contract charges.

[*7]** After a hearing, the trial court granted defendant's combined motions to dismiss with prejudice and adopted all of defendant's reasons as grounds for dismissal of plaintiffs' complaint. Following the denial of plaintiffs' motion to vacate the order of dismissal, the plaintiffs appealed.

Opinion

I

The major issue presented in this case is whether the trial court erred in dismissing plaintiffs' complaint under section 48(1)(i) of the Civil **[*93]** Practice Act (Ill. Rev. Stat. 1977, ch. 110, par. 48(1)(i)). Before discussing this issue, we find it necessary to briefly discuss the general nature of section 48(1)(i) and also discuss exactly what has been alleged in plaintiffs' complaint and exactly what defendant alleged as affirmative matter under section 48(1)(i).

Section 48(1)(i)

Much of section 48 allows for dismissal of an action based on several specified affirmative defenses such as bar by a prior judgment, incapacity to sue, or unenforceability under the Statute of Frauds (see Ill. Rev. Stat. 1977, ch. 110, par. 48(1)(a through h)), but section 48(1)(i) provides for dismissal based on many matters which are not necessarily classified as affirmative defenses. ***HN1***[⬆] Section **[***8]** 48(1)(i) reads as follows:

> "(1) Defendant may, within the time for pleading, file a motion for dismissal of the action or for other appropriate relief upon any of the following grounds. If the grounds do not appear on the face of the pleading attacked the motion shall be supported by affidavit:
> * * *
> (i) That the claim or demand asserted against defendant is barred by other affirmative matter avoiding the legal effect of or defeating the claim or demand."

Though on its face section 48(1)(i) appears to be all-encompassing it has certain limits. ***HN2***[⬆] Its limits are determined by the basic rule that governs all motions to dismiss. That rule says that a motion to dismiss admits all well-pleaded facts, but it does not admit conclusions of law, nor does it admit conclusions of fact unsupported by allegations of specific fact upon which such conclusions rest. (*Village of Niles v. City of Chicago (1980), 82 Ill. App. 3d 60, 401 N.E.2d 1235*; *Martin v. Po-Jo, Inc. (1969), 104 Ill. App. 2d 462, 244 N.E.2d 851*.) Because of this rule, section 48(1)(i) is not intended to be used in place of a motion for summary judgment (*McNeil v. Allstate Insurance Co. (1966), 69 Ill. App. **[***9]** 2d 270, 216 N.E.2d 3*; see also *Kramer v. McDonald's System, Inc. (1978), 61 Ill. App. 3d 947, 378 N.E.2d 522*, *aff'd* (1979), *77 Ill. 2d 323, 396 N.E.2d 504*; *Doran v. Pullman Standard Car Manufacturing Co. (1977), 45 Ill. App. 3d 981, 360 N.E.2d 440*). Also, because of the rule, it has been held that if the alleged affirmative matter under section 48(1)(i) is nothing more than evidence offered to refute a well-pleaded fact stated in the complaint, then the alleged matter is not "affirmative matter" that warrants a dismissal under section 48(1)(i), since the well-pleaded fact must be taken as true for the purposes of a motion to dismiss. (*Dangeles v. Marcus (1978), 57 Ill. App. 3d 662, **[*94]** 373 N.E.2d **[**1262]** **[****170]** 645*; *House of Realty, Inc. v. Ziff (1973), 9 Ill. App. 3d 419, 292 N.E.2d 71*.) But if the alleged affirmative matter is something in the nature of a defense that negates the cause of action completely or refutes crucial conclusions of law or conclusions of material fact unsupported by allegations of specific fact contained in or inferred from the complaint, then the alleged affirmative matter is a proper grounds for dismissal under section **[***10]** 48(1)(i). See *John v. Tribune Co. (1962), 24 Ill. 2d 437, 181 N.E.2d 105*; *Meeker v. Webner (1977), 51 Ill. App. 3d 716, 366 N.E.2d 539*; *Millan v. Seibt (1977), 49 Ill. App. 3d 506, 364 N.E.2d 521*; *Millsaps v. Bankers Life Co. (1976), 35 Ill. App. 3d 735, 342 N.E.2d 329*; *Ingersoll v. Klein (1969), 106 Ill. App. 2d 330, 245 N.E.2d 288*.

Keeping the foregoing rules in mind, we now turn to a discussion of what plaintiffs have alleged in their complaint.

Plaintiffs' Allegations

Plaintiffs, in separate paragraphs of their complaint, have alleged two conclusions. In certain paragraphs, they allege that for defendant to charge nonresidents such as plaintiffs more for water than residents of Palos Heights results in unlawful discrimination because the difference in rates bears no reasonable relationship to a difference in the costs to defendant of supplying water to the two classes. In other paragraphs, plaintiffs have alleged that the difference in rates results in discrimination in violation of equal protection of the law. Plaintiffs support both of these conclusions with specific factual allegations outlining the history of the water supply system in the area, which **[***11]** allegations tend to support their conclusions. Defendant has assumed throughout this case that the above two conclusions are really one and the same, in that plaintiffs are alleging only that they have been denied equal protection of the law. Defendant's assumption is incorrect. Equal protection of the law is not the only right involved in this case. Plaintiffs also have a common law right that prevents defendant from engaging in unreasonable discrimination.

HN3[⬆] When a municipal corporation owns and operates a water system for the purpose of selling water to consumers, it is acting in a business capacity and is generally to be treated as if it were a private utility company. (*Baltis v. Village of Westchester (1954), 3 Ill. 2d 388, 121 N.E.2d 495*; *Village of Niles v. City of Chicago (1980), 82 Ill. App. 3d 60, 401 N.E.2d 1235*.) The business of supplying water belongs to that class of enterprises upon which the public interest is impressed. (*City of Chicago v.*

Northwestern Mutual Life Insurance Co. (1905), 218 Ill. 40, 75 N.E. 803; *Village of Niles v. City of Chicago (1980), 82 Ill. App. 3d 60, 401 N.E.2d 1235*.) At common law, such an enterprise, because it had a monopoly **[***12]** on the service provided in the area, was prohibited from charging exorbitant **[*95]** rates and was required to serve all of its consumers without unreasonable discrimination in rates or manner of service. (See *Terminal Railroad Association v. Public Utilities Com. (1922), 304 Ill. 312, 136 N.E. 797*; *Snell v. Clinton Electric Light, Heat & Power Co. (1902), 196 Ill. 626, 63 N.E. 1082*; *Wagner v. City of Rock Island (1893), 146 Ill. 139, 34 N.E. 545*; *Foltz v. City of Indianapolis (1955), 234 Ind. 656, 130 N.E.2d 650*; *64 Am. Jur. 2d Public Utilities § 16* (1972).) Today, private utility companies are prevented from charging exorbitant rates or from engaging in unreasonable discrimination in rates or manner of service by statute, and are no longer subject to the common law. (See Ill. Rev. Stat. 1977, ch. 111 2/3, pars. 32, 38).) Though there is no statute that prevents municipal corporations that operate public utilities from acting in an unreasonably discriminatory manner, there is still the common law duty that prevents them from doing so. [3]

[*13]** *HN4*[↑]

[1263]** **[****171]** As a matter of constitutional law, a municipal corporation is not immune from claims alleging violations of common law rights unless such immunity is provided by statute. (*Ill. Const. 1970, art. 13, § 4*.) In the present case, there is no statute providing immunity to defendant when it treats consumers in an unreasonably discriminatory manner. Thus, plaintiffs can assert that defendant violated their common law right prohibiting unreasonable discrimination in water rates.

As already noted, plaintiffs alleged in certain paragraphs of their complaint two separate conclusions. They alleged in some paragraphs that the defendant's charging them higher water rates than residents of Palos Heights was a discriminatory act in violation of equal protection of the law. In other paragraphs, they alleged that defendant was unlawfully discriminating against them by charging them higher rates because the difference in rates was arbitrary and bore no reasonable relationship to a difference in the costs to defendant of providing water to Palos Heights' residents and to nonresidents such as plaintiffs. We believe this latter allegation, along with the specific facts to **[***14]** support it, sufficiently states a violation of plaintiffs' common law right prohibiting unreasonable discrimination in water rates.

Thus, there are two rights involved in this case, a constitutional right and a common law right. As we will discuss, the fact that there are two rights is important to a decision involving section 48(1)(i) of the Civil **[*96]** Practice Act (Ill. Rev. Stat. 1977, ch. 110, par. 48(1)(i)), but first we turn to an explanation of what defendant has alleged under section 48(1)(i).

Defendant's Affirmative Matter

Defendant has alleged that the contract entered into between defendant and Alsip is "affirmative matter" as that term is used under section 48(1)(i) because it proves that defendant had a rational basis for charging plaintiffs more for water than it charged residents of Palos Heights. Defendant misunderstands what is meant by "affirmative matter avoiding the legal effect of or defeating the claim or demand" as those words are used in section 48(1)(i). He has confused evidence that is used to prove the affirmative matter with what is the affirmative matter.

As previously noted, "affirmative matter" as that term is used in section 48(1)(i) is **[***15]** something in the nature of a defense that negates an alleged cause of action completely or refutes crucial conclusions of law or conclusions of material fact unsupported by allegations of specific fact contained in or inferred from the complaint. An allegation that a contract exists is not something in the nature of a defense, but an allegation that defendant had a rational basis for its classification scheme may be something in the nature of a defense. Thus, the contract can only be evidence offered to prove the alleged affirmative matter that a rational basis for the classification scheme exists. The situation here is similar to a party asserting unenforceability under the Statute of Frauds as a basis for dismissal under section 48(1)(g) (Ill. Rev. Stat. 1977, ch. 110, par. 48(1)(g)). The Statute of Frauds is many times asserted as an affirmative defense and then is usually supported by affidavits or other factual proof showing the defense exists.

Thus, it is defendant's allegation that it had a rational basis for the classification scheme that is being asserted here as affirmative matter under section 48(1)(i) and the contract is evidence offered to prove that a rational basis **[***16]** exists.

Now that we have determined the rights involved in this case, the meaning of section 48(1)(i), and what defendant is alleging under that section, we turn to a discussion of what we believe are the major issues in this case, which are: (a) whether defendant's allegation that it had a rational basis for its **[**1264]** **[****172]** classification scheme could itself be grounds for dismissal under section 48(1)(i) of plaintiffs' claim based on denial of equal protection of the law or of plaintiffs' claim of denial of its common law right preventing unreasonable

[3] We note that there appears to be a statutory provision that prevents a municipal corporation owning and operating a combined waterworks and sewerage system from charging exorbitant rates. Section 11 -- 139 -- 8 of the Illinois Municipal Code (Ill. Rev. Stat. 1977, ch. 24, par. 11 -- 139 -- 8) allows a municipal corporation to charge its residents only a "reasonable compensation" for the use of water. This same rule applies to water a municipal corporation supplies to nonresidents extended from its system. Ill. Rev. Stat. 1977, ch. 24, par. 11 -- 149 -- 2.

discrimination in water rates; and (b) whether defendant's contract with Alsip was alone sufficient to establish that defendant had a rational basis for its classification scheme.

[*97] II

The first issue we consider is whether defendant's assertion that it had a rational basis for the classification scheme could be grounds for dismissal under section 48(1)(i) of plaintiffs' claim that they were denied equal protection of the law. We hold that HN5[] a rational basis for the classification scheme can be asserted as affirmative matter under section 48(1)(i) to defeat plaintiffs' claim of denial of equal protection of the **[***17]** law.

HN6[] The constitutional right to equal protection of the law prevents a government body from setting up a classification scheme that distinguishes between members of the public and unreasonably discriminates against certain of those members. Not every classification scheme is invalid. Only those that result in unreasonable discrimination are invalid. In cases not involving a classification based on a "suspect class," such as race, or one that denies a specific class of people a fundamental right, such as freedom of speech, there is a strong presumption that a classification scheme established by statute or ordinance is valid. (See *Spaulding v. Illinois Community College Board (1976), 64 Ill. 2d 449, 356 N.E.2d 339*; *People v. Mayberry (1976), 63 Ill. 2d 1, 345 N.E.2d 97*, *cert. denied* (1976); *Hurley v. Illinois, 429 U.S. 828, 50 L. Ed. 2d 92, 97 S. Ct. 87*; *S. Bloom, Inc. v. Mahin (1975), 61 Ill. 2d 70, 329 N.E.2d 213*; *People v. Sherman (1974), 57 Ill. 2d 1, 309 N.E.2d 562*.) In cases where the presumption prevails, a party asserting unconstitutional discrimination resulting from a classification scheme has the burden of showing that the classification bears **[***18]** no rational relationship to a legitimate legislative purpose. (*S. Bloom, Inc. v. Mahin (1975), 61 Ill. 2d 70, 329 N.E.2d 213*.) If any state of facts may reasonably be *conceived* to justify the classification, then the classification will be upheld as valid. (*Friedman & Rochester, Ltd. v. Walsh (1977), 67 Ill. 2d 413, 367 N.E.2d 1325*; *People v. Mayberry (1976), 63 Ill. 2d 1, 345 N.E.2d 97*, *cert. denied* (1976); *Hurley v. Illinois, 429 U.S. 828, 50 L. Ed. 2d 92, 97 S. Ct. 87*.) The foregoing is the so-called "rational basis" or "minimum scrutiny" test.

As our supreme court has indicated, HN7[] under the "rational basis" test, a court may act independent of the arguments of the parties, and, on its own, reasonably conceive of facts that justify the classification scheme. (See *Friedman & Rochester, Ltd. v. Walsh (1977), 67 Ill. 2d 413, 367 N.E.2d 1325*.) As a result, when the rational basis test applies, the question of whether there is unreasonable discrimination in violation of equal protection of the law caused by a classification scheme established by a government body is really one of law for the court to determine. Therefore, when a plaintiff asserts in his **[***19]** complaint that he has been subjected to unreasonable discrimination in violation of equal protection of the law, he is making a conclusion of law, even though he may support **[*98]** this allegation with specific facts. Since a conclusion of law is not admitted for the purposes of a motion to dismiss, affirmative matter that defeats the conclusion of law that a plaintiff has been subjected to unreasonable discrimination in violation of equal protection of the law can be asserted under section 48(1)(i) as a grounds for dismissal of the complaint. The affirmative matter that one can assert in such a case is that there is a rational basis for the classification scheme, meaning the classification scheme bears a rational relationship to a legitimate legislative purpose. This is so because the allegation that there is a rational basis for the classification scheme is something in the nature of a defense that legally defeats a plaintiff's conclusion of law that he has been subjected **[**1265]** [****173]** to unreasonable discrimination in violation of equal protection of the law.

Accordingly, since plaintiffs here are not members of a suspect class and are not asserting the denial **[***20]** of a fundamental right, we hold that defendant could assert as affirmative matter under section 48(1)(i) that it had a rational basis for charging nonresidents of Palos Heights more for water than it charged residents, at least as far as plaintiffs alleged they were denied the right to equal protection of the law.

III

The next issue we consider is whether the allegation that defendant had a rational basis for the classification scheme could itself be grounds for dismissal, under section 48(1)(i), of plaintiffs' claim that they were denied their common law right preventing unreasonable discrimination in water rates. We hold that a rational basis for the classification scheme could not be asserted as affirmative matter under section 48(1)(i) to defeat plaintiffs' common law right.

The allegation that defendant had a rational basis for its classification scheme would not be affirmative matter under section 48(1)(i) because the rational basis test that applies to plaintiffs' claim of denial of equal protection is not applicable to their common law right preventing unreasonable discrimination in water rates. When it comes to the extent of plaintiffs' protection under their common law **[***21]** right, our supreme court has noted that consumers of municipally owned utilities "are just as completely protected from exorbitant rates and unjust discrimination as the consumers are under the Public Utilities Act [Ill. Rev. Stat. 1977, ch. 111 2/3, par. 1 *et seq.*]." (*Springfield Gas & Electric Co. v. City of Springfield (1920), 292 Ill. 236, 252-53, 126 N.E. 739, 746*.) Thus, the test to be applied in determining whether there has been a violation of plaintiffs' common law right is the same test used to determine whether a privately owned utility company is acting in an unreasonably

discriminatory **[*99]** manner in violation of the Public Utilities Act when it charges different rates to different consumers.

HN8[] When a privately owned utility is charged with unreasonable discrimination in rates, the test used for deciding the validity of the difference in rates is to determine whether the difference is reasonable, and not arbitrary, based on a consideration of such factors as differences in the amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs. (See Citizens Utilities Co. v. Illinois **[***22]** Commerce Com. (1971), 50 Ill. 2d 35, 276 N.E.2d 330; City of St. Charles v. Illinois Commerce Com. (1961), 21 Ill. 2d 259, 172 N.E.2d 353.) If the difference in rates is reasonably related to a difference in the costs of providing the service, there is no unreasonable discrimination.

Though the foregoing test appears to be similar to the rational basis test applied to cases involving claims of denial of equal protection of the law, there is at least one significant difference. As previously noted, under the rational basis test, the question of whether unreasonable discrimination in violation of equal protection of the law exists, that is, the question of whether a classification scheme is rationally related to a legitimate legislative purpose, is always one of law; but when a privately owned utility company is charged with unreasonable discrimination in rates in violation of the Public Utilities Act, the question of whether such discrimination exists, that is, the question of whether the difference in rates is reasonably related to a difference in the costs of providing the service, is always one of fact to be based solely on the evidence presented (see Produce Terminal Corp. **[***23]** v. Illinois Commerce Com. (1953), 414 Ill. 582, 112 N.E.2d 141; Village of Niles v. City of Chicago (1980), 82 Ill. App. 3d 60, 401 N.E.2d 1235). It is this difference in the tests that precludes defendant from asserting as affirmative matter under section 48(1)(i) that it had a rational basis for charging different rates.

[1266]** **[****174]** Since plaintiffs' alleged violation of their common law right is to be determined by use of the same test that is used for privately owned utility companies charged with unreasonable discrimination, then, in the present case, the question of whether there is unreasonable discrimination in water rates is one of fact to be based solely on the evidence presented. Thus, when plaintiffs alleged in their complaint that defendant's rate structure was arbitrary and discriminatory because it bore no reasonable relationship to a difference in the costs of providing water to Palos Heights' residents and to nonresidents such as plaintiffs, though they were alleging a conclusion, it was a conclusion of fact, and since this conclusion was supported by allegations of specific fact tending to show that there was no difference in costs, it had to **[***24]** be accepted as true for the purposes of **[*100]** the motion to dismiss. This conclusion was, of course, the same thing as concluding that there was unreasonable discrimination in water rates. When defendant asserted as affirmative matter under section 48(1)(i) that it had a rational basis for its classification scheme, that was the same as asserting that there was no unreasonable discrimination. Thus, defendant was merely attempting to refute a well-pleaded fact alleged in the complaint, and this he could not do under section 48(1)(i) as far as plaintiffs' alleged violation of their common law right prohibiting unreasonable discrimination in water rates.

Accordingly, we hold that defendant could not assert as affirmative matter under section 48(1)(i) that it had a rational basis for its classification scheme as grounds for dismissal of plaintiffs' common law right prohibiting unreasonable discrimination in water rates.

IV

The next issue for consideration is whether the contract entered into between defendant and Alsip was sufficient in itself to prove that defendant had a rational basis for the classification scheme, and thus sufficient to defeat plaintiffs' claim of denial **[***25]** of equal protection of the law. We hold that the contract alone was insufficient to establish a rational basis for defendant's classification scheme.

Under the rational basis test all that need be found is that defendant's classification scheme was rationally related to a legitimate legislative purpose. (*S.* Bloom, Inc. v. Mahin (1975), 61 Ill. 2d 70, 329 N.E.2d 213.) Defendant has a legitimate legislative purpose in charging water rates because it is required by law to establish rates for the sale of water that are sufficient to cover all of its costs in supplying water to its consumers, whether such consumers are residents or nonresidents of Palos Heights. (See Ill. Rev. Stat. 1977, ch. 24, pars. 11 -- 139 -- 8, 11 -- 149 -- 2.) Defendant's charging of higher rates to nonresidents of Palos Heights than to residents could be justified as rationally related to its legislative purpose if the higher rates reflected a difference in the costs to defendant of supplying such water.

On its face, the contract between defendant and Alsip shows that it costs defendant more to supply water to plaintiffs than to residents of Palos Heights. One term of the contract requires that defendant **[***26]** charge nonresidents "extended" from its system $ .05 per thousand gallons more for water than residents of Palos Heights. The trial court made no attempt to determine whether this contract term applied to plaintiffs, who do not at the moment appear to be nonresidents that were "extended" from defendant's system, since they were already being supplied with water by the two private water companies when defendant purchased them. But since it does not appear that this contract term accounts for the bulk of **[*101]** plaintiffs' higher rates, we will assume for the purposes of

argument that plaintiffs were subject to this $ .05 per thousand gallons extra charge. The most crucial term of the contract, and that which evidently accounts for most of plaintiffs' higher rates, is the requirement that defendant must pay Alsip, who in turn must pay the city of Chicago, a 50% surcharge **[**1267]** **[****175]** over the normal price for water for all water Palos Heights supplies to nonresidents of Palos Heights.

Though the contract shows that defendant incurs greater costs in supplying water to plaintiffs, defendant has assumed a fact that we are not able to assume. Defendant has assumed that, **[***27]** as a matter of law, the contract itself is valid and the entering into the contract was a legitimate exercise of legislative power. Defendant has the power to enter into a contract with another municipal corporation for the purpose of procuring a supply of water under section 11 -- 124 -- 1 of the Illinois Municipal Code (Ill. Rev. Stat. 1977, ch. 24, par. 11 -- 124 -- 1), but defendant does not have the power to enter into any contract that would deny third persons, not parties to that contract, the equal protection of the law.

Keeping the foregoing in mind, we examine the substance of defendant's argument. Defendant has enacted two ordinances establishing higher rates for water supplied to nonresidents of Palos Heights, such as plaintiffs, than for water supplied to residents. On its face, the ordinances offer no reasons why nonresidents are charged more. To justify these ordinances, defendant presents us with a contract which says defendant must charge more for water supplied to nonresidents of Palos Heights, such as plaintiffs, than for water supplied to residents. On its face, the contract offers no reasons why nonresidents are charged more. Thus, the substance of defendant's **[***28]** argument is that it is justified in charging nonresidents, such as plaintiffs, more for water than residents merely because they are nonresidents. *HN9*[↑] A classification scheme cannot be justified by merely declaring the classes are different. (See *Begich v. Industrial Com. (1969), 42 Ill. 2d 32, 245 N.E.2d 457*.) Something more is required to show that a rational basis exists for the classification scheme.

Since the substance of defendant's argument is that it can charge more for water supplied to nonresidents, such as plaintiffs, than for water supplied to residents merely because they are nonresidents, we must necessarily hold that the contract alone was insufficient to establish a rational basis for defendant's classification scheme. This is not to say that the ordinances or the contract are invalid. Defendant, Alsip, or the city of Chicago, may have many valid reasons for charging plaintiffs more for water -- and plaintiffs have the burden of showing no valid reasons exist --but when defendant moved to dismiss under section 48(1)(i), it presented no reasons to justify its classification. Thus, it was improper to dismiss plaintiffs' claim of denial of equal protection of the **[***29]** law based solely on **[*102]** the allegation that the contract proved a rational basis for the classification scheme existed.

We note that since the question of whether there is a rational basis for the classification scheme, that is, the question of whether there is unreasonable discrimination in violation of equal protection of the law, is one of law, this court has the power to determine, on its own, if any state of facts can reasonably be conceived to justify the classification scheme. Though we have this power, we find no basis to exercise it since we have not been asked to determine if a rational basis exists. We have only been asked to determine if the contract alone was sufficient to establish a rational basis, a question we have answered in the negative.

V

The next issue we consider is whether the trial court's striking certain paragraphs of the complaint pursuant to defendant's motion to dismiss under section 45 of the Civil Practice Act (Ill. Rev. Stat. 1977, ch. 110, par. 45) was proper.

The trial court, pursuant to defendant's motion, struck several paragraphs of plaintiffs' complaint as failing to state a cause of action. Those paragraphs included the following **[***30]** factual allegations: (1) that plaintiffs had been provided with water for many years by the two private water companies prior to their purchase by defendant; (2) that defendant purchased the two private water companies and then attached new pipes to the already existing pipes of **[**1268]** **[****176]** the two private water companies so that defendant could provide water to its residents; and (3) that as far as the manner of supplying water to plaintiffs was concerned, nothing changed after defendant purchased and then operated the two water companies. Defendant was also allowed to strike, as failing to state a cause of action, a part of one paragraph in plaintiffs' complaint alleging that residents of Palos Heights over the age of 65 were receiving a 25% discount for water supplied to them.

HN10[↑] Under section 45 a party may object to pleadings by a motion asking "that a pleading or portion thereof be stricken because substantially insufficient in law, or that the action be dismissed, or that a pleading be made more definite and certain in a specified particular, or that designated immaterial matter be stricken out, or that necessary parties be added, or that designated misjoined parties **[***31]** be dismissed, and so forth." Ill. Rev. Stat. 1977, ch. 110, par. 45(1).

The procedure employed by defendant in his motion under section 45 was inappropriate. Defendant moved to strike specific paragraphs of the complaint as themselves failing to state a cause of action. It appears that defendant incorrectly assumed that each and every paragraph of **[*103]** plaintiffs' complaint had to state a cause of action independent of the

other paragraphs in the complaint. Paragraphs in a complaint are used to set out facts that when read together state a cause of action, but each paragraph of the complaint is not in itself required to state a cause of action. (See Ill. Rev. Stat. 1977, ch. 110, par. 33.) If defendant wanted certain paragraphs stricken as being immaterial, then he should have alleged they were immaterial. If defendant wanted the complaint dismissed as failing to state a cause of action, then he should have moved to dismiss the entire count of the complaint.

Accordingly, we conclude it was improper for the trial court to strike specific paragraphs of the complaint as themselves failing to state a cause of action.

VI

The last issue we resolve is raised by defendant who **[***32]** contends the trial court erred in denying defendant's original motion to dismiss as far as it alleged the corporate plaintiffs lacked legal standing to bring the cause of action on behalf of their members. The trial court found that in spite of the fact that the corporate plaintiffs did not themselves allege that they purchased water from plaintiff, they still had standing to sue solely on behalf of their members who did purchase water from defendant. We agree with defendant that the corporate plaintiffs lacked standing to sue solely on behalf of their members.

Though the case was not cited by either party, we find that our supreme court's decision in *Underground Contractors Association v. City of Chicago (1977), 66 Ill. 2d 371, 362 N.E.2d 298*, is directly on point and completely disposes of this issue. In that case, plaintiff, a not-for-profit corporation, brought an action on behalf of its members for declaratory relief against the city of Chicago. In its complaint, plaintiff alleged that its members, several construction companies who did business with defendant, were being treated illegally by the defendant, city of Chicago, in the manner in which defendant chose whose **[***33]** bid would be accepted for certain city projects. Defendant moved to dismiss alleging that plaintiff lacked standing to bring the suit since the corporation itself did no business with the city of Chicago. The trial court denied the motion, and defendant was granted leave to file a direct appeal to the supreme court.

In reviewing the decision of the trial court, the supreme court held that, *HN11*[↑] in order for a plaintiff to have standing to sue, the plaintiff himself must have a personal interest in the controversy, meaning that plaintiff himself must have suffered, or be in immediate danger of suffering, an injury caused or about to be caused by the defendant. The court concluded that, though a not-for-profit corporation may in some cases be allowed to assert the rights of its members, it could only do so if both the **[*104]** **[**1269]** **[****177]** corporate plaintiff and its members have suffered or are about to suffer an injury. Since the corporate plaintiff was not able to show that it suffered or was about to suffer injury in its individual capacity, it could not bring suit solely on the basis of alleged injury to its members.

Therefore, in the present case, unless the three **[***34]** corporate plaintiffs can allege and prove that they have suffered an injury in their individual capacities, they lack standing to sue on behalf of their members.

Accordingly, for the reasons stated, we reverse the decisions of the trial court and remand the cause for further proceedings consistent with the conclusions reached herein.

Reversed and remanded.

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EXHIBIT 1.B

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY

KATHRYN FARMER, Individually and as Representative of a Class of Similarly Situated Persons and Entities, Plaintiff,	)	Case No.: 2021 CH 04583
v.	)	Calendar 3
CITY OF CHICAGO, an Illinois Municipal Corporation Defendant.	)	Judge Allen P. Walker

MEMORANDUM OPINION AND ORDER

This matter comes before the Court on Defendant City of Chicago's motion pursuant to 735 ILCS 5/2-615 to dismiss Counts IX and X of Plaintiff's Fourth Amended Complaint ("FAC"). Counts IX and X allege, respectively, that the City's water and sewer rates are unjustly discriminatory and exorbitant/unreasonable under Illinois common law. For the reasons set forth below, the City's motion to dismiss is denied.

BACKGROUND

This matter comes before the Court on Defendant City of Chicago's motion to dismiss Counts IX and X of Plaintiff Kathryn Farmer's Fourth Amended Complaint ("FAC") pursuant to 735 ILCS 5/2-615. These are the only remaining claims in the case and concern the legality of the City's water and sewer rates from 2017 to the present.

Plaintiff filed the original complaint on April 29, 2021, and has since amended it multiple times. On March 25, 2024, the Court dismissed the corresponding counts in Plaintiff's Third Amended Complaint ("TAC") for failure to state a claim. In that order, the Court found that the TAC lacked concrete allegations demonstrating that the rates charged were unreasonable or discriminatory at the time of their establishment, and that it failed to allege facts necessary to support equitable relief. (Mar. 25, 2024, Order at 5).

On February 26, 2024, Plaintiff filed the FAC, which is now the operative pleading. It asserts two counts: Count IX alleges that the City's exemption of certain customers—including City departments, sister agencies, and nonprofit organizations—from water and sewer charges results in unjustified rate discrimination. *FAC* ¶¶ 173–215. Count X alleges that the City inflates the overall "Revenue Requirement" charged to ratepayers by embedding unrelated or excessive costs—such as indirect overhead and pension allocations—into the rate base. *FAC* ¶¶ 223–231, 235, 239–290. The FAC includes over 150 new factual paragraphs and references supporting

exhibits, including budget line items and comparative cost estimates. *FAC* ¶¶ 174, 223–231, 235, 239–290.

The City has moved to dismiss the FAC under Section 2-615, contending that the claims remain legally insufficient and that the rate-setting practices described in the FAC reflect legitimate governmental objectives and standard municipal budgeting discretion. The motion is fully briefed and submitted for decision.

2-615 MOTION TO DISMISS STANDARD

A motion brought under 735 ILCS 5/2-615 challenges the legal sufficiency of a pleading and admits all well-pleaded facts. A claim will survive dismissal if the facts alleged, when viewed in the light most favorable to the plaintiff, set forth a legally cognizable cause of action. *Doe-3 v. McLean County Unit Dist. No. 5*, 2012 IL 112479, ¶ 15.

DISCUSSION

I. Count IX – Unreasonable Rate Discrimination

Plaintiff alleges that the City of Chicago has created an unreasonably discriminatory rate structure by exempting certain categories of customers (the "Exempt Customers") from paying water and sewer charges, thereby shifting the financial burden to all remaining customers (the "Non-Exempt Customers"). *Plaintiff's Response Brief in Opposition to City's MTD FAC*, at 6–7. These Exempt Customers are identified in Chicago Municipal Code § 11-12-540 and include City-owned or City-occupied properties, Chicago Public Schools, City Colleges, certain hospitals, armories, and nonprofit entities. *Id. FAC* ¶¶ 17, 27, 207–215.

The FAC alleges that these exemptions result in a rate of $0—or a significantly reduced rate—for certain favored entities, while ordinary residents and businesses must pay full price for the same water and sewer services. *Plaintiff's Response Brief,* at 6–7; *FAC* ¶¶ 17, 62, 223. Plaintiff further contends that the cost to the City of delivering these services is the same for both classes of users, but because Exempt Customers do not contribute to the City's revenue requirement, their share of the system's costs is indirectly paid by the Non-Exempt Customers. *Id.* The FAC quantifies this shift at more than $50 million annually. *See id.*; see also *FAC* ¶¶ 17, 61–62, 207–215, 223.

Plaintiff asserts that there is no cost-based justification for these exemptions. *Plaintiff's Response Brief,* at 6–7; *FAC* ¶¶ 220–223. The FAC explicitly alleges that the disparity in treatment is not grounded in any demonstrated difference in the cost of service and instead reflects the City's policy choices to subsidize certain customers at the expense of others. *Id.*, at 7. The FAC further alleges that "[b]ecause the City does not receive payments from the Exempt Customers to cover those costs, those costs are necessarily covered by the Rates paid by the Non-Exempt Customers." *FAC* ¶ 223. Plaintiff argues that this creates a preference and corresponding disadvantage that meets the common-law definition of unjust discrimination. *FAC* ¶¶ *41–43, 46; see also Plaintiff's Response Brief, at pp. 2–4, 7.*

The City argues in response that exemptions from payment are not equivalent to rate discrimination. It contends that all customers are subject to the same nominal per-unit rate for water and sewer services and that the exemption scheme merely reflects a decision not to collect payments from certain users. *City's Reply in Support of MTD FAC*, at 3–4.

The City also relies heavily on *Village of Niles v. City of Chicago*, 201 Ill. App. 3d 651 (1st Dist. 1990), to argue that exemptions, by themselves, do not establish unreasonable discrimination unless the plaintiff can show that such exemptions rendered the rates charged to others unreasonably high. The City asserts that in *Niles*, the plaintiffs did not prevail because they failed to quantify how free or discounted services to others affected their rates. Here, the City argues that Plaintiff has similarly failed to plead facts that support a finding that the exemptions caused Plaintiff's rates to exceed the City's cost of providing service. *City's Reply,* at 5–6.

The City further dismisses Plaintiff's reliance on *Austin View Civic Ass'n v. City of Palos Heights*, 85 Ill. App. 3d 89 (1st Dist. 1980), noting that *Austin View* involved a straightforward comparison of different rates charged to different geographic customer classes and did not involve an exemption-based challenge. *City's Reply*, at 3.

Under Illinois law, utility rates must be reasonable and not unjustly discriminatory. While municipal utilities are not subject to the Illinois Public Utilities Act, common-law principles governing rate reasonableness and discrimination remain applicable. As the court in *Austin View* explained, "whether there has been discrimination in the application of water rates is a question of fact to be determined from the evidence presented." *Austin View, 85 Ill. App. 3d at 95.*. The court also noted that rate differentials are not impermissible per se, but "must be supported by differences in the cost of furnishing the service." *Id.*

The Illinois Appellate Court in *Niles* reaffirmed this standard and explained that, to prevail on a discrimination claim, plaintiffs must show that they paid rates that exceeded the City's cost of service "to the point of unreasonableness." *Niles,* 201 Ill. App. 3d at 672–73. The court in *Niles* ultimately denied relief because the plaintiffs did not quantify the burden imposed by exemptions or establish a nexus between those exemptions and the rates charged to paying customers.

Plaintiff's allegations, taken as true at the pleading stage, go beyond the level of generality found deficient in *Niles*. *Niles,* 201 Ill. App. 3d at 673–74. Unlike the plaintiffs in Niles, Plaintiff here identifies both the scope of the Exemptions and the estimated cost impact—over $50 million per year—borne by paying customers. *Plaintiff's Response Brief,* at 6; *FAC* ¶¶ 17, 27, 62, 207–215, 223. The FAC further alleges that there is no cost-of-service distinction between Exempt and Non-Exempt Customers that would justify this treatment. *FAC* ¶¶ *220–223*. The structure described—a zero or discounted rate applied to some, while others pay full cost—is precisely the sort of economic preference that courts have found to be potentially unlawful under common law standards. *FAC* ¶ 43.

Plaintiff's reliance on *Austin View* is also not misplaced. While that case involved geographic discrimination, the central inquiry—whether similarly situated customers are charged differently without cost justification—applies equally here. Plaintiff has alleged that she and other

Non-Exempt Customers pay higher effective rates than Exempt Customers, despite receiving the same service and imposing the same costs on the system. *Plaintiff's Response Brief,* at 7.

Finally, whether the City's policy goals in providing exemptions are sound is not at issue at the pleading stage. What matters is whether Plaintiff has alleged facts that, if proven, would support a finding that the resulting rate structure imposes unjust discrimination. Plaintiff has done so here. *Doe v. Coe,* 2019 IL 123521, ¶ 20 ("we accept as true all well-pleaded facts and all reasonable inferences that may be drawn from those facts. We also construe the allegations in the complaint in the light most favorable to the plaintiff.").

Plaintiff has adequately stated a claim for unreasonable rate discrimination. The FAC identifies two customer classes, alleges unequal economic treatment not justified by differences in cost, and quantifies the impact of that treatment. Whether the City's justifications can be substantiated is a question for a later stage. For present purposes, Plaintiff has alleged facts sufficient to survive a motion to dismiss under Illinois common law standards. Accordingly, the motion to dismiss Count IX is denied.

II. Count X – Exorbitant and Unreasonable Rates

Plaintiff alleges that the City of Chicago has imposed water and sewer rates that are exorbitant and unreasonable because they grossly exceed the actual cost of providing those services. According to the FAC and supporting brief, each year the City calculates a "Revenue Requirement" that informs how much must be collected from ratepayers. Plaintiff does not challenge the concept of recovering legitimate costs—such as operations, maintenance, and fair administrative allocations—but contends that the Revenue Requirement includes inflated or illegitimate costs that substantially pad the rate base and result in overcharging customers. *FAC* ¶¶ 6–7, 12, 19–20, 28–30, 53–68.

Two principal categories of alleged padding are identified. First, the City's allocation of "indirect costs" from central administration is, according to Plaintiff, vastly overstated. The FAC cites a 2022 Maximus study that found the Water Fund's fair share of central service costs to be approximately $21.7 million, while the City's 2022 budget allocated $69.3 million—more than three times the calculated fair share. Similarly, the Sewer Fund was allocated $37.7 million, though Maximus estimated its share should be only $1.5 million. *FAC* ¶ 245. Plaintiff characterizes this as a covert tax on utility customers used to fund unrelated City operations. *FAC* ¶¶ 239–245.

Second, the FAC alleges that the City unfairly burdened the Water and Sewer Funds with pension obligations that far exceed their proportional share of pension-eligible employees. For instance, in 2021, the Water Fund was charged $36.9 million toward the Municipal Employees' pension fund, while the Corporate Fund—which covers the bulk of City employees—was charged $49.7 million. *FAC* ¶¶ 294–304. Plaintiff asserts that the Water Department does not comprise a proportionate share of the workforce to justify such allocations. Moreover, the City has continued to collect these overcharges despite a dedicated utility tax enacted in 2017 to fund pensions. *FAC* ¶¶ 19, 294–304.

Plaintiff also alleges that the rate-setting structure, codified by ordinance in 2016, locked in annual increases indexed to inflation, effectively perpetuating and compounding the excessive baseline rates set at that time. *FAC* ¶¶ 64–68. According to Plaintiff, the rate ordinance baked the excesses into the structure, and subsequent inflationary increases merely carried forward the unjustified charges.

The City responds that Plaintiff improperly relies on post-2016 data—such as the Maximus study and recent budget figures—to challenge rates set nearly a decade ago. Citing *West v. City of Batavia*, the City argues that utility rate reasonableness must be assessed at the time the rates are set and not through hindsight using more recent evidence. *West v. City of Batavia*, 155 Ill. App. 3d 925, 928 (2d Dist. 1987) ("Judicial review of rates which were unilaterally established by a municipal utility may not take intervening circumstances or after-acquired information into account").

The City further contends that municipalities have some flexibility in setting rates, including the ability to build modest reserves or earn a return akin to depreciation. The City suggests that even if the allocations are not perfectly precise, they do not rise to the level of unreasonableness required to state a claim.

Illinois courts have consistently held that municipal utility rates must reflect reasonable compensation for services rendered. In *Village of Niles v. City of Chicago*, the court stated that "the ultimate question is whether the rates charged the plaintiffs are reasonably related to the cost of service." *Village of Niles v. City of Chicago*, 201 Ill. App. 3d 661 (1st Dist. 1990). The court further explained that "[i]f the rates charged to plaintiffs are discriminatorily high or exceed the cost of service to the point of unreasonableness, plaintiffs are entitled to relief." *Id.* at 673. Likewise, the Illinois Municipal Code mandates that municipalities may charge only "reasonable compensation for the use and service of the combined waterworks and sewerage system." 65 ILCS 5/11-139-8.

The FAC meets the applicable pleading standard by alleging that the City's rates were unreasonable at the time of their adoption and remain unreasonable due to the embedded cost inflators. Plaintiff alleges that by 2016, the City had already included excessive indirect costs and pension allocations in its rate structure, and those costs were carried forward under the inflation-indexed increases adopted by ordinance. *FAC* ¶¶ 60–66, 224–225, 288, 297–298. The 2016 Appropriation Ordinance included specific line items for "General Fund Reimbursements" and "Pension Expense" in the water and sewer budgets, demonstrating that the challenged categories were part of the rates as originally set.

While the Maximus study and 2021–2022 budget data are more recent, they illustrate the scale of the alleged overcharges and reinforce the claim that similar overcharges existed in 2016. Importantly, the Maximus study analyzed 2020 figures—closer in time to the rate-setting date—making its findings probative of the conditions at issue. Plaintiff uses these later data points to support a reasonable inference that the same flawed practices were present earlier.

The magnitude of the alleged overcharges—more than $40 million annually in indirect costs alone, plus substantial pension over-allocations—far exceeds what might reasonably be

attributed to reserves or returns on investment. Plaintiff alleges the rates generate over $100 million in surplus annually, suggesting not incidental misallocation but systemic overcharging for unrelated City obligations. If proven, such practices amount to a hidden tax imposed through utility billing—a practice the Illinois Supreme Court has cautioned against. *East St. Louis v. Union Electric Co.*, 37 Ill. 2d 537, 542–43 (1967) ("On a literal and superficial view it might appear as if the utility tax ordinance imposed a tax burden upon the Company, but on examination it is evident that the burden was placed on the consumers.... Adoption of the Company's argument would give it the best of possible worlds.... The Company cannot plead that it has the burden of the utility tax and then pass it on to its consumers and in the same voice relieve itself of its obligations.... Plainly, such a construction would be unreasonable.").

Plaintiff also points to violations of municipal ordinances governing the use of utility revenues. Section 3-12-010 of the Municipal Code restricts the use of the sewer fund to sewer-related purposes, and Section 11-12-260 similarly mandates that water rates must cover the system's needs. Allegations that revenues have been siphoned to the City's Corporate Fund or to pay general pension obligations bolster the claim that the rates are not grounded in legitimate cost recovery.

Finally, Plaintiff's allegations align with Section 11-139-8 of the Illinois Municipal Code, which limits water/sewer charges to "reasonable compensation." The combination of specific factual allegations, quantitative data, and citations to statutory and municipal limits all support a plausible claim that the rates far exceed the cost of service. *FAC* ¶¶ 4, 45–46, 58, 59–60.

Count X of the Fourth Amended Complaint adequately pleads a cause of action for exorbitant and unreasonable rates. Plaintiff has alleged that the rates, as established in 2016 and perpetuated thereafter, include cost inflators—such as overstated indirect costs and disproportionate pension allocations—that collectively impose a burden far beyond the legitimate cost of service. The use of recent data does not undermine the claim because the FAC ties the overcharges to the original rate-setting period and uses current figures illustratively.

Whether the City can justify these charges will depend on the evidence presented later in the case. But at the pleading stage, Plaintiff's detailed and data-driven allegations are sufficient. Accordingly, the City's motion to dismiss Count X is denied.

In its March 25, 2024 Order, the Court dismissed Counts IX–XII of the Third Amended Complaint for lack of factual detail supporting a good-faith claim of rate discrimination or unreasonableness, noting the absence of allegations linking the challenged rates to their establishment period or to actual costs. *MTD 4th Amd. Comp.,* at 3–5.

CONCLUSION

Accordingly, the City of Chicago's Motion to Dismiss Counts IX and X of the Fourth Amended Complaint pursuant to 735 ILCS 5/2-615 is hereby denied. This matter is set for status August 4, 2025 at 10:00AM.

Dated: __7/11/2025_____ ENTERED:

Hon. Judge Allen P. Walker

Associate Judge
Allen Price Walker

JUL 11 2025

Circuit Court-2071

EXHIBIT 1.C

Hearing Date: No hearing scheduled
Location: <<CourtRoomNumber>>
Judge: Calendar, 3

FILED DATE: 9/9/2025 10:56 AM 2021CH04583

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION

KATHRYN FARMER., Individually, and as Representative of a Class of Similarly Situated Persons and Entities,

Plaintiff,

v.

CITY OF CHICAGO, an Illinois Municipal Corporation,

Defendant.

Case No. 2021 CH 04583

Judge Allen Price Walker

Calendar No. 3

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DEFENDANT'S ANSWER & AFFIRMATIVE DEFENSES TO PLAINTIFF'S FOURTH AMENDED COMPLAINT

The City of Chicago ("City") answers Plaintiff's Fourth Amended Complaint as follows:

INTRODUCTION

1. This is an action challenging a variety of unlawful taxes and charges the City imposes and collects from citizens whose properties in the City receive water and sewer services from the City. The City foists these illegal exactions upon its water and sewer customers in the City in order to collect—and then divert—hundreds of millions of dollars to general municipal purposes having nothing to do with providing water and sewer services.

Answer: The City admits this action was brought as a challenge to the City's water and sewer rates and taxes and admits that it charges for water and sewer services received in the City. The City denies this paragraph's remaining allegations.

2. The City also exempts tens of thousands of water and sewer customers from payment of water and/or sewer charges, which forces the non-exempt customers to pay more to cover the City's costs of providing water and sewer services to the exempt customers.

Answer: The City admits that, pursuant to ordinance, it exempts certain customers from some or all water and sewer charges. The City denies this paragraph's remaining allegations.

3. The City's actions have resulted in massive overcharges to its citizens for these most essential municipal services.

Answer: The City denies this paragraph's allegations.

4. Under governing water and sewer rate-making principles, the City's ordinances, and common law, the City may not treat its proprietary water and sewer funds as piggy-banks that

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finance the City's general governmental obligations. Simply put, the City is **required** to charge its water and sewer customers **only** for the water and sewer services and use the resulting revenues only for water and sewer purposes. *See* City Ordinance Section 3-12-010, City Ordinance Section 11-12-260.

Answer: The City admits it sells water and sewer services and is subject to the City's ordinances and the common law. The City denies that it treats the water and sewer funds as "piggy banks to finance the City's general governmental obligations." The City admits that Chicago Municipal Code section 3-12-010 states that "The revenues of the sewer revenue fund shall be reserved and utilized exclusively for the operation, maintenance, rehabilitation or reconstruction of the sewer system of the City of Chicago." The City denies that it has used water and sewer revenues for any improper purposes and denies this paragraph's remaining allegations.

5. Each year, the City purports to determine how much it must spend to provide water and sewer service to residents and businesses. This is the City's water and sewer "Revenue Requirement."

Answer: The City admits that as part of its annual budgeting process every City department prepares estimated operating and capital costs for upcoming year(s). The City denies this paragraph's remaining allegations.

6. The City uses this Revenue Requirement as a starting point for setting its Water and Sewer Rates (hereinafter, sometimes simply referred to as the "Rates" or the "Charges").

Answer: The City denies this paragraph's allegations.

7. In this case, Plaintiff alleges that the City has improperly and unlawfully set its Revenue Requirement too high because the City is (1) collecting more money than it needs to provide water and sewer service (i.e., more than its actual Revenue Requirement), and (2) is collecting that money from too few people, which necessarily overburdens the people who pay for the benefit of the people who do not pay, without any legal justification for determining who pays more and why.

Answer: The City admits that Plaintiff has alleged the City has improperly and unlawfully set its Revenue Requirement too high. The City denies this paragraph's remaining allegations.

8. In FY 2022 alone, the City overcharged its paying water customers by at least $96 million by both grossly inflating the Revenue Requirement and recovering the Revenue Requirement from too few customers. *See* ¶¶ 59 through 62, *infra*. The amount of this overcharge that the City diverted to non-water related purposes exceeds $76 million. There were similar overcharges included in the City's Sewer Rates.

Answer: The City denies this paragraph's allegations.

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9. A simplified analogy demonstrates the City's wrongdoing.

a. Imagine if the City decided to issue bonds to pay for a new stadium for the Chicago Bears at a cost of $76 million (interest and principal payments) per year.

b. Instead of using taxes or other revenue sources to pay the debt services on the bonds, the City directly allocated the $76 million annual cost to its Water Rates, thus forcing its water customers to fully fund the $76 million in annual costs to build the new stadium (a cost wholly unrelated to the City's water service costs). That would be an absurd abuse of power.

c. It is, however, no different from the circumstances facing Plaintiff and the Class. The overcharges Plaintiff complains about in this case are just as arbitrary, unreasonable, and unlawful as forcing Plaintiff and the Class to pay for a new football stadium by incorporating the cost into the Water Rates.

Answer: Subsections a. and b. of this paragraph contain a hypothetical situation to which no response is required. To the extent a response is required, City denies these allegations and denies this paragraph's remaining allegations.

10. Consider the following bar graph. The blue portion of each bar represents the total cost the City actually incurs to provide water service. The other portions represent the additional cost components the City includes in its water rates, which have nothing to do with providing water service:

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Answer: This paragraph contemplates a hypothetical situation, to which no response is required. To the extent a response is required, denies this paragraph's allegations.

11. By way of another example, if the City needs $100 to pay for water, but it then adds a random $10 expense, that increases the per ratepayer cost by adding an arbitrary charge unrelated to water service. Similarly, if the City needs $100 to pay for water, but then decrees that 10% of the residents do not have to pay for that water, its decree necessarily increases the per-rate payer cost to those who do pay.

Answer: This paragraph contemplates a hypothetical situation, to which no response is required. To the extent a response is required, the City denies this paragraph's allegations.

12. The City knows what its actual Revenue Requirement for water service is at the time it sets its Rates each year**, yet it still implements Rates that overcharge its water and sewer customers in the methods described above**—first by incorporating costs unrelated to water and sewer service (in violation of its own ordinances and proper ratemaking practices) and second by arbitrarily reallocating these inflated rates so as to benefit certain water and sewer customers to the financial detriment of others, but nevertheless with an overall benefit to the City.

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Thus, the City's Water and Sewer Rates are unreasonable and excessive at the time they are set, not merely in hindsight.

Answer: The City denies this paragraph's allegations.

13. The City is only able to implement and profit from these overcharges because of the unique status that municipal utilities enjoy in the State of Illinois, which allows them virtually unchecked power. Municipal utilities, like the City's Water and Sewer Department, enjoy completely unregulated monopolies over services that are essential to the health and welfare of the public. As the City informed prospective bond investors in 2023, "**[n]o regulation by any administrative agency applies to the Water System rates**." *See* Exhibit 1 hereto at p. 4 (emphasis added). Indeed, the City boasted in an April 2023 "Financial Update" that the City Council has "**unlimited home rule authority to raise rates**." *See* Exhibit 2 hereto at p. 13 (emphasis added).

Answer: The City admits that the quoted language appears in the sources cited. The City denies this paragraph's remaining allegations. The City further denies the allegations in footnote 2 to this paragraph. The City is able to set water and sewer rates pursuant its home rule authority. Limitations as to the reasonableness of rates do not lessen or preempt home rule authority.

14. Indeed, the City's water and sewer "customers" **must** buy their services and **must** pay the price set by the City's municipal monopoly. Customers have no realistic alternative. Residents whose homes and businesses are serviced by the City's water and sewer lines are required to hook up to those facilities. As a result, people who want to use their showers, sinks, and toilets must pay the City *whatever price* the City requires for that "privilege." And if they don't "pay up" for these indispensable services, the City ultimately will take their house or business through a forced tax sale.

Answer: The City admits that water service in the City is provided by the City's municipal water utility and that that Municipal Code of Chicago ("MCC") Section 18-29-701.2 states: "Every building in which plumbing fixtures are installed and every premises having drainage piping shall be connected to a public sewer, where available." The City further admits that customers are required to pay the rates for water and sewer service that are set by ordinance. The City denies this paragraph's remaining allegations.

15. This compulsory and, from the City's perspective, extraordinarily lucrative financial relationship, is virtually unheard-of in the private sector. Indeed, outside of the municipal utility monopoly context, one would be hard-pressed to identify any sellers of goods and services that: (1) provide an essential good or service that their customers must have to survive, (2) have a customer base that is required to buy from them and cannot buy from another provider, (3) have the unfettered ability to charge the captive customers any price they determine, *and* (4) have a security interest in their customer's real property in order to ensure the full payment of the charges they unilaterally impose.

Answer: The City admits that the City's waterworks system is the provider of water service to consumers of water in the City. The denies any implication that there is a "relationship"

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that is "extraordinarily lucrative" and denies any implication that the City has "unfettered ability" to charge its customer any price or that it has an inherent "security interest" in its customers' real property. The City lacks knowledge or information sufficient to form a belief as to the truth this paragraph's remaining allegations. Therefore, the City neither admits nor denies this paragraph's remaining allegations.

16. The Courts are the only line of defense for municipal utility customers. Plaintiff's challenge to the City's abuses of these awesome powers can be summarized as follows: **First**, Plaintiff challenges the "Water and Sewer Taxes" which are part of the "Water and Sewer Charges" imposed by the City. The City has extracted hundreds of millions of dollars from the payers of the Water and Sewer Taxes that it has used to finance the City's general governmental obligations unrelated to providing water and sewer services — namely, the funding of its general municipal pension obligations. Currently, the Water and Sewer Taxes imposed by the City exceed **$215 million** per year.

Answer: The City admits Plaintiff has challenged the City's water and sewer taxes. The City admits payments collected since the taxes were implemented have funded the City's Municipal Employees Annuity and Benefit Fund, as required by ordinance. The City admits that for the most current full year (2024), the Water and Sewer Taxes collected were more than $215 million. The City denies this paragraph's remaining allegations.

17. **Second**, independent of the Water and Sewer Taxes, the City's Water and Sewer Charges to Plaintiff and the Class have been unreasonably discriminatory because the City has illegally and arbitrarily exempted various types of similarly-situated water and sewer customers (owning or occupying tens of thousands of properties serviced by the City's water and sewer system) from their obligation to pay the City's Water and/or Sewer Charges (the "Exempt Customers"). This practice has resulted in dramatically higher Rates and Charges being assessed against Plaintiff and the Class (a/k/a the "Non-Exempt Customers"), who are not exempt from payment (the "Unjust Discrimination Claims" a/k/a the "Unreasonable Discrimination Claims"). Because of the Exemptions, Non-Exempt Customers pay over $50 million more per year for water and sewer services than they would pay in the absence of the Exemptions.

Answer: The City denies this paragraph's allegations.

18. **Third**, this action challenges the City's overcharges to Water and Sewer Customers and its improper transfer—without consideration—of tens of millions of dollars of revenues garnered from Water and Sewer Charges to the City's general corporate fund for general governmental use and to two of the City's pension funds to finance the City's obligations to those funds. The City accomplishes these overcharges and misappropriation of Water and Sewer Funds in at least two ways: (a) by grossly over-allocating the alleged indirect (but phantom) costs of other City departments to the Water and Sewer Fund (the "Excessive Cost Allocations"); and (b), by charging the Water & Sewer Funds tens of millions of dollars per year in additional phantom costs to allegedly cover the Water and Sewer Funds' proportionate share of the City's total annual contribution to the Municipal Employees' Annuity and Benefit Fund and the Laborers' and Retirement Board Annuity and Benefit Fund (the "Pension Overcharges").

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Answer: The City denies this paragraph's allegations.

19. By virtue of the annual inclusion of tens of millions of dollars of these phantom expenses, the City's Water and Sewer Rates and Charges have been, and continue to be, completely untethered to the City's actual costs of providing water and sewer services to its citizenry. Collectively, the claims arising out of the Excessive Cost Allocations and the Pension Overcharges are referred to herein as the "Exorbitant Rate Claims."

Answer: The City denies this paragraph's allegations.

20. Collectively, the (a) Water and Sewer Taxes, (b) the subsidy provided to the Exempt Properties through the City's unreasonable rate discrimination, (c) the Excessive Cost Allocations, and (d) the Pension Overcharges have transformed the City's Water and Sewer Funds into an illicit financial engine which unlawfully generates a massive General Fund and pension fund revenue stream — while simultaneously rendering the necessities of water and sewer service oppressively unaffordable for many of the most vulnerable Chicagoans.

Answer: The City denies this paragraph's allegations.

21. These "regressive" taxes and charges fall most heavily on the City's lower income residents. The hardships visited upon the lower income residents of Chicago were extensively documented in a recent report compiled by media outlet WBEZ (Exhibit 5 hereto), and with interactive graphics at: *https://interactive.wbez.org/waterdebt/*), which provided the following grim statistics: Chicago homeowners have racked up over $421 million dollars in water debt. More than 60% of the debt is concentrated in the city's majority Black ZIP codes. [Exhibit 5, pp. 6, 11.]

> The city's debt collection system has moved delinquent water bills into the hands of private debt collectors, with little transparency. At least $60 million of the city's water revenue has gone to pay private debt collectors. *Id.* p. 11.
>
> Chicagoans have had millions of dollars in earnings garnished from their paychecks to help settle water debt and many others have faced judgments and statutory liens in an effort to collect water debt. *Id.*

Answer: The City admits that Exhibit 5 contains the quoted language and described graphics and discusses the effect of taxes on certain City residents. The City denies this paragraph's remaining allegations.

SUMMARY OF THE CLAIMS BASED ON THE WATER AND/OR SEWER TAXES

22. Counts I through VIII of this Complaint challenge the Water and/or Sewer Taxes on various grounds. The claims in Counts I through VIII are collectively referred to herein as the "Unlawful Tax Claims."

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Answer: The Court granted summary judgment in the City's favor on counts I-VI on and dismissed Counts VII and VIII with prejudice. The City denies this paragraph's allegations.

23. Counts I and II of Complaint allege that the Water Taxes are unlawful taxes imposed by the City in violation of Illinois statutory law because they are sales taxes or other taxes "on the use, sale or purchase of tangible personal property based on the gross receipts from such sales or the selling or purchase price of said tangible personal property," and thus are preempted by 65 ILCS 5/8-11-6a.

Answer: The Court granted summary judgment in the City's favor on Counts I and II of the complaint. The City denies this paragraph's allegations.

24. Counts III-IV of the Complaint allege that in addition to violating 65 ILCS 5/8-11-6a, the Water and Sewer Taxes violate common law principles applicable to municipal utility rates because the City includes the Water and Sewer Taxes in its water and sewer rate structure and then diverts those tax revenues to purposes unrelated to providing water and sewer services, and therefore the resulting Water and Sewer Rates are unreasonable.

Answer: The Court granted summary judgment in the City's favor on Counts III-IV of the complaint. The City denies this paragraph's allegations.

25. Counts V and VI of the Complaint assert that the City, by incorporating the Water and Sewer Taxes into its water and sewer charge structure, has violated 65 ILCS 5/11-139-8, which requires that the City only "charge the inhabitants thereof **a reasonable compensation** for the use and service of the combined waterworks and sewage system and to establish rates for that purpose" (emphasis added).

Answer: The Court granted summary judgment in the City's favor on Counts V and VI of the complaint. The City denies this paragraph's allegations.

26. Counts VII and VIII of the Complaint assert that the Water and Sewer Taxes violate the Uniformity Clause of the Illinois Constitution, which provides: "In any law classifying the subjects or objects of nonproperty taxes or fees, the classes shall be reasonable and the subjects and objects within each class shall be taxed uniformly. Exemptions, deductions, credits, refunds and other allowances shall be reasonable." Ill. Const. 1970, art. IX, Sec. 2. The Water and Sewer Taxes violate the Uniformity Clause because (1) they are not based on a real and substantial difference between the people taxed and those not taxed, and (2) they do not bear a reasonable relationship to the object of the Taxes or to public policy.

Answer: The Court dismissed Counts VII and VIII with prejudice. The City denies this paragraph's allegations.

SUMMARY OF THE UNREASONABLE DISCRIMINATION CLAIMS

27. Count IX of the Complaint alleges that, independent of the Water and Sewer Taxes, the City's Water and Sewer Charges to Plaintiff and the Class have been unreasonably

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discriminatory because: (a) the City does not charge the Exempt Customers and therefore necessarily overcharges Plaintiff and the Class, and (b) there is no cost-based justification for creating a distinction between Plaintiff and the Class, on the one hand, and the Exempt Customers, on the other hand. Since September 2016, the unlawful Exemptions have forced Plaintiff and the Class to pay over $250 million more to the City for their water and sewer services than they would have paid in the absence of the Exemptions.

Answer: The City denies this paragraph's allegations.

SUMMARY OF THE EXORBITANT RATE CLAIMS

28. Count X of the Complaint alleges that the City's incorporation of the Excessive Cost Allocations and Pension Overcharges into its Water and Sewer Rates necessarily means that these Rates are excessive and that Plaintiff and the Class are inherently overcharged in each water and sewer bill.

Answer: The City denies this paragraph's allegations.

29. Since September 2016, because the City has fraudulently incorporated these phantom expenses and overcharges into the City's water and sewer rate structure, Plaintiff and the Class collectively have overpaid the City for water and sewer services by at least $350 million in addition to the $250 million overcharge for their water and sewer services under the Unreasonable Discrimination claim.

Answer: The City denies this paragraph's allegations.

30. In sum, through the foregoing wrongful rate practices, Plaintiff and the Class have been forced to pay unreasonable Water and Sewer Rates.

Answer: The City denies this paragraph's allegations.

SUMMARY OF THE RELIEF SOUGHT

31. The City must be enjoined from continuing to collect the Water and Sewer Taxes and must refund all Water and Sewer Taxes it has received since it began imposing the Water and Sewer Taxes in March 2017 as well as refund all Water and Sewer Taxes it receives during the pendency of this lawsuit.

Answer: The City denies this paragraph's allegations.

32. Moreover, the City should also be enjoined from continuing to unfairly discriminate against Plaintiff and the Class by arbitrarily excluding the Exempt Customers from the obligation to pay for water and sewer services and refund all Water and Sewer Charges it has received in excess of a lawful amount since September 9, 2016 – the date that is five years prior to the filing of this case – and any additional unlawful amounts it receives during the pendency of this lawsuit.

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Answer: The City denies this paragraph's allegations.

33. Lastly, the City should also be enjoined from grossly over-allocating the indirect costs of the other City departments to its Water and Sewer Fund (Excessive Cost Allocations) and enjoined from imposing and collecting the Pension Overcharges. The City should be required to refund all Water and Sewer Charges it has received in excess of a lawful amount since September 9, 2016 and any additional unlawful amounts it receives during the pendency of this lawsuit.

Answer: The City denies this paragraph's allegations.

VENUE AND JURISDICTION

34. Plaintiff is a water and sewer customer residing in the City who receives water and sewer service from the City, has directly paid the Water and Sewer Charges at issue, including the Water and Sewer Taxes, is a "customer" within the meaning of City Ordinance 3-80, and seeks to act as class representative for all similarly situated persons.

Answer: The City denies Plaintiff was a water or sewer customer before 2019. The City denies Plaintiff is a proper class representative. The City admits this paragraph's remaining allegations.

35. Defendant City of Chicago (the "City") is a home rule municipality located in Cook County, Illinois.

Answer: The City admits this paragraph's allegations.

36. Venue and jurisdiction are proper in the Cook County Circuit Court pursuant to 735 ILCS 5/2-103 because the City's principal offices are located in Cook County and because the actions which give rise to Plaintiff' claims occurred in Cook County.

Answer: The City admits venue and jurisdiction are proper but denies it engaged in any wrongdoing Plaintiff alleges in her pleadings.

THE CITY'S WATERWORKS SYSTEM

37. The City operates a water and sewer utility, the Chicago Waterworks System, under the statutory authority provided to it pursuant to 65 ILCS 5/11-139-1 *et seq*.

Answer: The City admits it operates a water and sewer utility, sometimes referred to as the Chicago Waterworks System. The City denies this paragraph's remaining allegations.

38. The City's water supply system serves customers within the City itself, as well as approximately 125 suburban communities, referred to as "wholesale customers." The total annual revenues received by the City from its the water supply system operations are roughly split equally between charges imposed upon the City customers and the wholesale customers.

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Answer: The City admits this paragraph's allegations.

39. The City's sewer system provides sewage and drainage collection and conveyance for a service area roughly 230 square miles inhabited by approximately 2.67 million people. The sewer system is not responsible for, and does not include any facilities for, the treatment or disposal of sewage. It is limited to collecting and conveying wastewater to the interceptor sewers of the Metropolitan Water Reclamation District (the "MWRD"), an independent government entity with exclusive responsibility for sewage treatment, sewage disposal and flood control in the City and neighboring suburbs. The MWRD finances its operations primarily through the imposition of an ad valorem tax in the area that it serves.

Answer: The City admits this paragraph's allegations.

40. The City's sewer system serves only customers within the City itself. All (or virtually all) of the revenues received by the City from its sewer system operations are paid by the sewer customers in the City. The City admits that "[t]here are no significant areas of the City without sewer service and, except for a very limited number of industrial users who have direct connections to the Water Reclamation District's interceptors, connection to the sewer system is the only feasible means of wastewater disposal for nearly all City users." *See* Exhibit 13 hereto (Preliminary Official Statement dated March 28, 2024 at p. 24).

Answer: The City denies that the quoted language appears in Exhibit 13. The City admits this paragraph's remaining allegations.

41. The City holds a monopoly over water and sewer service in the City, sells water and sewer services in a proprietary, not governmental, capacity and is subject to the same rules that apply to a privately owned utility—including the requirement that utility rates be reasonable and not exorbitant. *See e.g. Village of Niles v. City of Chicago*, 82 Ill App 3d 60, 68; 37 Ill Dec 142; 401 NE2d 1235 (1980); *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 40 Ill Dec 164; 405 NE2d 1256 (1980).

Answer: The City admits the Department sells water and sewer services in a proprietary, not governmental capacity, and is subject to some of the same rules that apply to a privately owned utility, including the requirement that utility rates be reasonable and not excessive or exorbitant. The City denies this paragraph's remaining allegations.

42. The City has admitted that it "sells water and sewer services in a proprietary, not governmental, capacity and is subject to the same rules that apply to a privately owned utility – including the requirement that utility rates be reasonable and not exorbitant." *See* City's Answer to Paragraph 9 of the original Complaint. *See also Id*. at ¶ 12 ("The City admits that pursuant to governing common law, the Department's water and sewer rates may not be excessive").

Answer: The City admits this paragraph's allegations.

43. In addition, by law, the City is precluded from imposing unjustly discriminatory rates and charges on certain of its water and sewer customers. A utility rate scheme is unjustly

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discriminatory when differences in rates assessed to two groups of customers are not justified by differences in costs to serve those two groups of customers. *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89; 40 Ill Dec 164; 405 NE2d 1256 (1980). The test used for deciding the validity of the difference in rates is to determine whether the difference is reasonable, and not arbitrary, based on a consideration of such factors as differences in the amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs. If the difference in rates is not reasonably related to a difference in the costs of providing the service, there is unreasonable discrimination. *Austin View* at p. 99.

Answer: The City admits that under Illinois common law, water and sewer rates must be reasonable and not excessive. The City denies that operating costs are the only basis for determining whether a difference in rates is reasonable and not excessive and denies this paragraph's remaining allegations.

44. The City's ordinances, Chapter 11-12, entitled Water Supply and Service, govern the City's operation and maintenance of its waterworks system, including determining the rates for water and service. *See* Ordinance 11-12-260 *et seq*. The City's ordinance, Chapter 3-12-010 et seq., entitled Sewer Revenue Fund, governs the rates and charges for sewer service.

Answer: The City admits this paragraph's allegations.

45. 65 ILCS 5/11-139-8 authorizes the City to establish rates for water and sewer services to the City's water and sewer customers and imposes the express limitation that the City only "charge the inhabitants thereof a reasonable compensation for the use and service of the combined waterworks and sewage system and to establish rates for that purpose."

Answer: The City admits 65 ILCS 5/11-139-8 authorizes municipalities to establish rates for water and sewer services to their water and sewer customers, and that it imposes the express limitation that a municipality "charge the inhabitants thereof a reasonable compensation for the use and service of the combined waterworks and sewage system and to establish rates for that purpose." The Court has granted summary judgment on Plaintiff's claim that the limitations contained in 65 ILCS 5/11-139-8 restrict the authority of home-rule units. The City denies this paragraph's remaining allegations.

46. Pursuant to 65 ILCS 5/11-139-8 and governing common law, the City's water and sewer rate revenues cannot be excessive, and the charges imposed upon the City's water and sewer customers must be for the actual use of the City's water and sewer system. *See e.g. Ross v Geneva*, 43 Ill App 3d 976, 980-81; 2 Ill Dec 609; 357 NE2d 829 (1976); *Norwick v Winfield*, 81 Ill App 2d 197, 200; 225 NE2d 30 (1967).

Answer: The City admits that pursuant to governing common law, the Department's water and sewer rates may not be excessive. The City denies this paragraph's remaining allegations.

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47. The City's methodology for establishing Water and Sewer Rates is completely arbitrary. This allegation is demonstrated by the fact that eschewing industry rate-making standards, the City has never conducted a true "cost of service" study.

Answer: The City denies this paragraph's allegations.

48. Such "cost of service" studies are routinely utilized by municipal utilities to determine the "Revenue Requirements" of their water and sewer systems – *i.e.*, the costs and expenses the City incurs to operate, maintain and improve those systems – and to derive fair and equitable Rates and Charges to cover the Revenue Requirements.

Answer: The City lacks knowledge or information sufficient to form a belief as to the practices of other municipal utilities. The City neither admits nor denies this paragraph's allegations.

49. Instead of performing a "cost of service" study as industry standards would dictate, like clockwork, since June 2016, the City has merely increased its Water and Sewer Rates by the lesser of 5% or the rate of inflation every year. This fact alone demonstrates the arbitrary nature of the City's Rates—and specifically shows that the City's increases to its Water and Sewer Rates are completely untethered to the actual expenses of the City's Water and Sewer Funds.

Answer: The City admits that, pursuant to ordinance, it has increased its water and sewer rates by 5% or the rate of inflation, whichever is less, each year since 2016. The City denies this paragraph's remaining allegations.

50. In 2023, the City represented that, beginning in 2030, the City would start to charge its suburban water customers (but not water customers in the City) a "Cost-of-Service Water Rate" based upon the "M1 Manual" published by the American Water Works Association ("AWWA"). *See* Exhibit 14 hereto at p. 42. By doing so, the City again admitted facts that go to the core of Plaintiffs claims by acknowledging the efficacy of a "cost of service" study.

Answer: The City denies this paragraph's allegations.

51. Here, the City admits that the "**M1 Manual is considered to be the industry standard for setting water rates by public water suppliers nationally** and is used by peer entities such as Great Lakes Water Authority, Metropolitan Water District of Southern California, the City of Houston, the City of Philadelphia, San Francisco Public Utilities Commission, and San Diego County Water Authority." *Id.* (emphasis added). The City further admitted that:

> **AWWA provides transparency** to customers; cost of service requires detailed accounting of components of the system and allocates cost of service to each customer. *See* Exhibit 2 hereto at p. 23 (City's "Financial Update" dated April 23, 2023) (emphasis in original).

Answer: The City denies that the following quoted language ("M1 Manual is considered to be the industry standard for setting water rates by public water suppliers nationally and is used by peer entities such as Great Lakes Water Authority, Metropolitan Water District of

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Southern California, the City of Houston, the City of Philadelphia, San Francisco Public Utilities Commission, and San Diego County Water Authority." appears in the source cited (Ex. 14). The City admits that the following quoted language ("AWWA provides transparency to customers; cost of service requires detailed accounting of components of the system and allocates cost of service to each customer.") appears in the sources cited (Ex. 2). The City denies this paragraph's remaining allegations.

52. Notwithstanding the City's admissions, the City has never conducted a true cost-of-service study for its Water or Sewer Systems, much less utilized the M1 Manual or implemented rates and charges that were consistent with the methodology set forth in the M1 Manual. Stated simply, the City has never even attempted to devise Water and Sewer Rates that comply with the "industry standard."

Answer: The City admits it has not completed a cost of service study for its water and sewer systems. The City denies this paragraph's remaining allegations.

THE REASONS THAT THE EXEMPTIONS AND THE OVERCHARGES HAVE CAUSED PLAINTIFF AND THE CLASS TO PAY EXORBITANT RATES

53. The first step in establishing Water and Sewer Rates and Charges is to determine the total Revenue Requirement associated with the municipality's water supply system and sewage disposal system (i.e., the revenues necessary to cover the costs of the entire system). The Revenue Requirement is a summation of the operation, maintenance and capital costs that a utility must recover during the time period for which the Rates will be in place.

Answer: The City admits rates need to produce revenues necessary to cover the costs of the water and sewer system. The City denies any suggestion that the City has not taken the revenue needed to cover the costs into account in setting the rates and denies this paragraph's remaining allegations.

54. The City's ordinances require the City's Department of Water Management to prepare an annual budget ordinance setting forth the Rates for the water and sewer service for the coming year. *See, e.g.*, Ordinance Section 11-12-260 (Exhibit 3 hereto) ("The department shall … prepare an ordinance, for submission to the city council, establishing the rates to be charged for water service in the following year"); Ordinance Section 3-12-010 (Exhibit 4 hereto) (proving that "the sewer revenue fund shall be supported by sewer usage fees established from time to time by the city council").

Answer: The City denies the paragraph's selectively edited and inaccurately quoted language sets forth the City's obligations regarding setting rates for water and sewer services. The City denies the paragraph's remaining allegations.

55. Another City Ordinance Section 2-32-180 (Exhibit 6 hereto) confirms that the improper expenses that form the basis for Plaintiff's Exorbitant Rate claims necessarily are included in the City's Water and Sewer Rates on a prospective basis:

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> The comptroller shall, on or before the first day of December of each year preceding the year for which the estimates are made, **submit to the city council a report of the estimates of the funds necessary to defray the expenses of the city government during the fiscal year about to begin**. **He shall in such report classify the different objects and branches of the city expenditures, giving, as nearly as may be, the amount required for each.** …
>
> > He shall, in such report, show the aggregate income of the preceding fiscal year from all sources, the amount of liabilities outstanding upon which interest is to be paid, and of bonds and city debts payable during the coming year, when due and where payable, **together with all such information as may be necessary to enable the city council to prepare and pass the annual appropriation ordinance in the manner prescribed by statute**, and so that the city council may fully understand the money exigencies and demands of the city **for the year for which appropriations are to be made**. [emphasis added].

Answer: The City admits that the quoted language appears in the source cited. The City denies this paragraph's remaining allegations.

56. The foregoing ordinance provisions make clear that all Water and Sewer expenses for each coming year must be reflected in the "annual appropriation ordinance" enacted by the City for each coming year. The improper charges that form the basis for the Exorbitant Rate claims **are** set forth in the City's annual appropriation ordinances.

Answer: The City admits that Water and Sewer Fund expenses are reflected in the City's annual appropriation fund ordinance and denies this paragraph's remaining allegations.

57. The City seemingly complies with the foregoing ordinance provisions in paragraphs 54 and 55 above by including line-item financial information for the Water and Sewer Fund in its Annual Appropriation Ordinances. The Rates and Charges imposed by the City pursuant to the Annual Appropriation Ordinance are intended to recover the Revenue Requirement for the coming year. The higher the Revenue Requirement, the higher the Rates and Charges imposed on paying customers have to be in order to recover the Revenue Requirement.

Answer: The City admits that its annual appropriation ordinances include line items for the Water and Sewer Funds. The City admits that its water and sewer rates are set at a level that, when taken with the other variables in its revenue-requirement formula, is sufficient to recover its revenue requirement each year. The City denies this paragraph's remaining allegations.

58. Importantly however, in establishing Rates, the City's Ordinances also prohibit the City from using water and sewer revenues for purposes unrelated to providing water and sewer service. *See* City Ordinance Section 3-12-010 ("The revenues of the sewer revenue fund shall be reserved and utilized **exclusively** for the operation, maintenance, rehabilitation or reconstruction of the sewer system of the City of Chicago") (emphasis added) and City Ordinance Section 11-12-260 ("The fees, charges, and rates established by said ordinance shall be sufficient in all times to

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pay the cost of operation and maintenance of the water system, to make principal and interest payments on any outstanding bonds, and to establish and maintain any reserve funds and accounts as may be covenanted for in bond ordinances authorizing the issuance of the bonds").

Answer: The City admits the quoted language appears in the sources cited. The City denies any suggestion that the City is using water and sewer revenues for any improper purpose and denies this paragraph's remaining allegations.

59. The Rates actually imposed by the City have traditionally garnered revenues consistent with the **purported** Revenue Requirements determined by the City. For example, in 2022, the City's budget for the Water Fund projected $777,831,000 in revenues from Water Charges and the City's financial statements for the Water Fund for that year show $779,814,000 in revenues from Water Charges. *See* Exhibit 7 hereto at p. 23 (excerpts from 2022 Annual Appropriation Ordinance) and Exhibit 8 hereto at p. 14 (excerpts from Water Fund 2022 Financial Statements).

Answer: The City admits that the Water Fund's total operating revenue in 2022 was $779,814,000 (Ex. 8). The City denies this paragraph's remaining allegations.

60. The problem is that the City grossly inflates its Revenue Requirement by including tens of millions of dollars of expenses **unrelated** to providing water and sewer services in contravention of City Ordinance Section 3-12-010 and City Ordinance Section 11-12-260. These improper, unrelated expenses are listed as line-items in the budgets of the Water and Sewer Funds which are included in the Annual Appropriation Ordinances and are **actually paid** by the Water and Sewer Funds to other City funds. *See* Exhibits 9 and 10 hereto (Summary General Ledgers for Water Fund and Sewer Fund for 2021 showing "actual YTD activity" and demonstrating that the Pension Overcharges and the Excessive Cost Allocations were actually paid from those Funds). Thus, there is no question that these improper unrelated expenses are intentionally included on a prospective basis annually in the City's Water and Sewer Rates and therefore are actually paid by Plaintiff and the Class.

Answer: The City denies this paragraph's allegations.

61. Then, the City causes Plaintiff and the Class (i.e., the Non-Exempt Customers) to pay the portion of the Revenue Requirement applicable to the cost of servicing Exempt Customers, which further increases the overcharges to Plaintiff and the Class.

Answer: The City denies this paragraph's allegations.

62. The following illustrates the minimum Water Overcharge to Plaintiff and the Class and the City's other customers for 2022 (this does not include Sewer Overcharges):

Total Budgeted Water Charge Revenues – $777,831,000. *See* Exhibit 7 hereto.
Total actual Water Charge Revenues – $779,814,000. *See* Exhibit 8 hereto.

Overcharges included in Water Rates:

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Excessive cost allocations – $46,000,000. *See* paras. 239-274 *infra*.
Pension overcharges – $30,000,000. *See* paras. 294-315 *infra*.

Actual Water Revenue Requirement for 2022 – $701,831,000

Value of exemptions (i.e., costs to serve Exempt Customers covered by Non-Exempt Customers – $20,188,000. *See* Exhibit 11 hereto at p. D021258.

Total charges to Non-Exempt customers in 2022 should have been – $681,643,000
Total 2022 Revenue Requirement Used By City – $777,831,000

Total Water Overcharge for 2022 – **$96,188,000**

Answer: The City denies this paragraph's allegations.

63. The foregoing facts amply demonstrate that "the rates exceed the legitimate costs of providing these services," and that "they were unreasonable or discriminatory **at the time of their establishment.**" *See* March 25 Order at p. 5 (emphasis added).

Answer: The City denies this paragraph's allegations.

64. The fact that, effective June 2016, the City implemented a policy of annually increasing its water and sewer rate by the rate of inflation does not translate to reasonable Rates or otherwise demonstrate that the Rates imposed were not discriminatory "at the time of their establishment" for a number of reasons.

Answer: The City denies this paragraph's allegations.

65. First, all of the Overcharges claimed in this Complaint were already included in the City's Rates as of January 2016 – before the City's new policy went into effect. *See* Exhibit 12 hereto (City's Annual Appropriation Ordinance for 2016 at pp. 267-268 and 332-333). *See also* Paragraphs 224-225, 288 and 297-298 *infra*. The City's application of an inflation factor in subsequent years merely continued the Overcharges that were already baked-into the Rates, albeit at ever increasing amounts.

Answer: The City denies this paragraph's allegations.

66. Second, the City's new policy did not obviate the requirements in its Ordinance requiring the Department of Water Management to "prepare an ordinance, for submission to the city council, establishing the rates to be charged for water service in the following year." Ordinance Section 11-12-260. Consistent with those requirements, the City's annual appropriation ordinances specifically include the Overcharges in the City's water and sewer fund budgets, which are recovered through the Rates and Charges paid by Plaintiff and the Class.

Answer: The City denies this paragraph's allegations.

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67. Third, the City admits that "the City Council may take action at any time to alter the then-current schedule of water rates." *See* Exhibit 13 hereto (Preliminary Official Statement dated March 28, 2024 at p. 3).

Answer: The City admits this paragraph's allegations.

68. Fourth, the City's Rate ordinance tying annual increases to the rate of inflation cannot trump the City's common law obligations to impose reasonable and nondiscriminatory rates. *See, e.g., Niles I*, 82 Ill App 3d at 68 ("Municipal officers . . . cannot discriminate in rates or make exorbitant and unjust rates to consumers . . . . **All their rates and charges fixed by ordinances or resolutions are subject to review by the courts** . . . .") (emphasis added) (quoting *Springfield Gas & Elec. Co. v. City of Springfield*, 292 Ill. 236, 253, 126 N.E. 739 (1920)). In fact, the City's failure to conduct a legitimate cost-of-service study – and its blind reliance on inflation rates instead of actual cost data to annually increase the Water and Sewer Rates – are themselves arbitrary, capricious and unreasonable practices.

Answer: The City admits that the quoted language appears in the authority cited. The City denies the rates are unreasonable and discriminatory and denies this paragraph's remaining allegations.

CLASS ALLEGATIONS

69. Plaintiff brings this action as a class action, pursuant to 735 ILCS 5/2-801 et seq., individually and on behalf of two proposed classes: (1) for Counts I through VIII a class consisting of all persons or entities who have received water and/or sewer services in the City and who/which are "purchasers" under Ordinance 3-80 and who/which have incurred or paid Water and/or Sewer Taxes on or after March 1, 2017 and (2) for Counts IX through X a class consisting of all persons or entities who have received water and/or sewer service within the City and who/which have incurred or paid Water and/or Sewer Rates and Charges on or after September 9, 2016 and who are not "Exempt Customers."

Answer: On September 2, 2022, The Court granted summary judgment in the City's favor on Counts I-VI of the complaint. The Court dismissed Counts VII and VIII with prejudice on March 25, 2024. The City thus denies that Counts I-VIII can be the basis for class allegations. The City further denies Plaintiff is a proper representative for water and sewer customers before 2019 and Plaintiff was not a water and sewer customer before 2019. The City denies it engaged in any wrongdoing and denies Plaintiff or any putative class members are entitled to any relief. The City admits that Plaintiff purports to be bringing class allegations pursuant to 735 ILCS 5/2-801 et seq.,

70. The members of the Class are so numerous that joinder of all members is impracticable.

Answer: The City admits that the proposed members of the proposed class would be so numerous that joinder of all members would be impracticable.

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71. Plaintiff's claims are typical of the claims of members of the Class. Plaintiff is a member of the Class she seeks to represent, Plaintiff was injured by the same wrongful conduct that injured the other members of the Class, and the City has acted wrongfully in the same basic manner as to the entire class.

Answer: The City lacks knowledge or information sufficient to admit or deny the allegations that Plaintiff's claims are typical of the claims of proposed members of the proposed class and that Plaintiff is a member of the class she seeks to represent. The City denies this paragraph's remaining allegations.

72. There are questions of law and fact common to all Class Members that predominate over any questions, which, if they even exist, affect only individual Class Members, including:

a. whether Ordinance 3-80, which establishes the Water and Sewer Taxes, is preempted by Illinois statute and thus unlawful and unauthorized;
b. whether the Water and/or Sewer Taxes imposed by the City are unlawful and unauthorized under Illinois common law;
c. whether the Water and Sewer Taxes are imposed for, or related to, the actual use of the City's waterworks and sewer systems;
d. whether the Water Taxes have been imposed in violation of 65 ILCS 5/8-11-6a;
e. whether the Water and Sewer Taxes violate the Uniformity Clause of the Illinois Constitution, Ill. Const. 1970, art. IX, Sec. 2;
f. whether the City's exemption of the Exempt Properties from payment of the Water and Sewer Rates and Charges constitutes unfair discrimination, rendering the City's Water and Sewer Rates unreasonably discriminatory;
g. whether the City grossly over-allocates the indirect costs of the City's other departments to the Water and Sewer Fund;
h. whether the City's unfair cost allocation methods have rendered the Water and Sewer Rates unreasonable or exorbitant;
i. whether the City's Pension Overcharge render the Water and Sewer Rates unreasonable or exorbitant; and
j. whether the City should be required to disgorge and refund to its water and sewer customers all Water and Sewer Taxes, and the other wrongfully collected Water and Sewer Charges described herein.

Answer: The City denies the allegations in this paragraph.

73. Plaintiff will fairly and adequately protect the interests of the Class, and Plaintiff has no interests antagonistic to those of the Class. Plaintiff is committed to the vigorous prosecution of this action and has retained competent and experienced counsel to prosecute this action.

Answer: The City denies this paragraph's allegations.

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74. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. The prosecution of separate actions would create a risk of inconsistent or varying adjudications. Furthermore, the prosecution of separate actions would substantially impair and impede the ability of individual class members to protect their interests. In addition, since individual refunds may be relatively small for most members of the class, the burden and expense of prosecuting litigation of this nature makes it unlikely that members of the class would prosecute individual actions. Plaintiff anticipates no difficulty in the management of this lawsuit as a class action.

Answer: The City denies this paragraph's allegations.

COUNT I

ASSUMPSIT-MONEY HAD AND RECEIVED FOR VIOLATION OF 65 ILCS 5/8-11-6a

WATER TAX

[Summary Judgment was granted on Count I in Plaintiff's original Complaint ("Complaint"). To the extent Plaintiff's improperly amended allegations are an attempt to preserve Count I, the City incorporates it Answers to Complaint, Count I]

75. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, and 34-40, inclusive, as if fully set forth herein.

76. In 2016, the City was in dire financial straits due to the gross underfunding of the City's pension obligations. Actuaries for the City had reported that if the City did not increase its payments to the City's Municipal Employees' Annuity and Benefit Fund (the "Benefit Fund"), that the Benefit Fund would be out of money by 2025.

77. On September 14, 2016, the City's Council approved a tax on water and sewer usage in order to increase its payments to the Benefit Fund. As stated by the City:

> The Chicago City Council and Mayor Emanuel approved a four-year phase-in of a water and sewer utility tax. The revenue from this tax will be used to make certain mandated pension payments. These mandated pension payments will support the retirements of many municipal employees, including our snow plow drivers, our librarians, and CPS non-teaching staff, such as classroom aides. *See* Exhibit 14, the City's Water-Sewer Tax FAQ.

78. To implement the new tax, the City's Council passed Ordinance 3-80, entitled "Chicago Water and Sewer Tax." Under the ordinance, the tax is expressly imposed upon: "(1) the use and consumption in the City of water that is purchased from the Department of Water Management and (2) the transfer of wastewater to the City sewer system from property located in the City. The ultimate incidence and liability for payment of the tax is upon the Purchaser." *See* Exhibit 3, Ordinance 3-80 at § 3-80-030.

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79. Pursuant to Ordinance 3-80 the Water and Sewer Taxes were to be phased in over a period of four years. Exhibit 14, the City's Water-Sewer Tax FAQ; Exhibit 15, Ordinance 3-80 at § 380-040.

80. Specifically, starting in March 2017, the City began to impose the Water and Sewer Taxes at the rate of $.295 per 1,000 gallons of water and per 1,000 gallons of sewer—for a total of $.59 per 1,000 gallons of water-sewer use. Over the next three years the Water and Sewer Taxes climbed to $2.51 per 1,000 gallons of water and per 1,000 gallons of sewer used.

Rate per 1,000 gallons (approximately)

YEAR	TAX ON WATER PORTION	TAX ON SEWER PORTION	TOTAL TAX (WATER & SEWER)	Y-O-Y TAX RATE INCREASE
2017	$.295	$.295	$.59	7.7%
2018	$.64	$.64	$1.28	8.4%
2019	$1.005	$1.005	$2.01	8.2%
2020	$1.255	$1.255	$2.51	5.2%
2021	$1.255	$1.255	$2.51	0.0%

See Exhibit 14, the City's Water-Sewer Tax FAQ; Exhibit 15, Ordinance 3-80 at § 3-80-040.

81. If water-sewer customers, like Plaintiff, fail to pay the Water and Sewer Taxes, a penalty accrues at a rate of 1.25% per month. Exhibit 14, the City's Water-Sewer Tax FAQ; Exhibit 15, Ordinance 3-80 at § 3-80-060. Moreover, Article V of the City's Water and Sewer Ordinances, § 11-12-330 *et seq.* entitled Assessing and Collecting Charges permits the City to, among other actions: pursue unpaid water and sewer charges via collection action (§ 11-12-330); assess late payment penalties (§ 11-12-420); and authorizes the City to terminate service and shut off water should the customer fall into arrears on water bills that are unpaid after a period of 30 days (§ 11-12-480). *See* Exhibit 4 hereto.

82. In addition, state statutes provide the City with broad powers to enforce and collect unpaid water and sewer charges. 65 ILCS 5/11-139-8 creates a lien in favor of a municipality to secure payment of water and sewer charges, and further authorizes municipalities to bring civil actions to recovery unpaid water and sewer charges and gives the municipalities the right to recover their attorneys' fees in such actions. Payment of the Water and Sewer Taxes therefore is not voluntary.

83. The City began imposing the Water and Sewer Taxes upon its water and sewer customers expressly as a means of generating additional revenue to finance its general governmental obligation of funding its pension benefit obligations.

84. Thus, the Water and Sewer Taxes imposed by Ordinance No. 3-80 are not for or related to Plaintiff's actual use of the City's water and sewer system. Accordingly, the Water and Sewer Taxes are unlawful and unauthorized charges upon Plaintiff and those water and sewer customers in the City who/which have incurred or paid the Water and Sewer Taxes and are similarly situated.

85. Pursuant to Ill Const. art. VII § 6(a), the City is automatically conferred "home rule" status because it has a population of more than 25,000 residents.

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86. Traditional municipalities are political subdivisions of the state and may only exercise the authority the state expressly grants to them. In contrast, home rule municipalities like the City govern more independently from the state and may exercise any power and perform any function unless it is expressly prohibited from doing so by state law. *See generally* Ill Const. art. VII § 6 and specifically Ill Const. art. VII § 6 (i).

87. Thus, as a home rule municipality, the City enjoys legislative autonomy and has the power to tax, subject to express state laws that regulate the type of taxes the City may impose.

88. Illinois statute 65 ILCS 5/8-11-6a, entitled "Home Rule Municipalities; Preemption of Certain Taxes" provides in relevant part:

> Except as provided in Sections 8-11-1, 8-11-5, 8-11-6, 8-11-6b, 8-11-6c, 8-11-23, and 11-74.3-6 on and after September 1, 1990, no home rule municipality has the authority to impose, pursuant to its home rule authority, a retailer's occupation tax, service occupation tax, use tax, **sales tax or other tax on the use, sale or purchase of tangible personal property based on the gross receipts from such sales or the selling or purchase price of said tangible personal property**.
>
> Notwithstanding the foregoing, this Section does not preempt any home rule imposed tax such as the following:

****

> (7) other taxes not based on the selling or purchase price or gross receipts from the use, sale or purchase of tangible personal property.

****

This Section is a limitation, pursuant to subsection (g) of Section 6 of Article VII of the Illinois Constitution, on the power of home rule units to tax. [emphasis added].

89. The overarching legislative purpose of § 8-11-6a is to restrict a home rule municipality's power to tax. *See Iwan Ries & Co v City of Chicago*, 160 NE3d 916, 922 (2019) ("clear legislative intent to limit a home rule unit's authority to impose certain taxes").

90. The Water Tax is a tax on the purchase of tangible personal property—water—that is based on the cost of the amount of water purchased by the City's water customers, and thus is a tax based upon the gross receipts from the sale of, or the selling or purchase price of, water by the City to its water customers in violation of 65 ILCS 5/8-11-6a.

91. The City's Ordinance No. 3-80 is thus preempted by 65 ILCS 5/8-11-6a and as such, the Water Tax is an unlawful and unauthorized tax upon Plaintiff and those of the City's water customers that have incurred or paid the Water Tax and are thus similarly situated.

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92. 65 ILCS 5/8-11-6a restricts the City's power to tax, expressly prohibiting imposition of a use tax, sales tax or other tax on the use, sale, or purchase of tangible personal property based on the gross receipts from such sales or the sales price.

93. The Water Tax, first imposed by the City in March 2017, is a use tax, sales tax and/or other tax on the use, sale, and/or purchase of tangible personal property (water) that is also based on the gross receipts from such sales and/or the sales price.

94. 65 ILCS 5/8-11-6a preempts the Water Tax's enacting ordinance, Ord. No. 3-80.

95. The Water Tax is unlawful, invalid, and unauthorized under Illinois law, specifically 65 ILCS 5/8-11-6a.

96. As a direct and proximate result of the City's unlawful and improper conduct in imposing and collecting the Water Taxes, the City has collected millions of dollars to which it is not entitled.

97. A claim to recover amounts paid to a governmental unit in excess of the amount allowed under law is properly filed as an equitable action in assumpsit for money had and received.

98. By virtue of the City's imposition of the Water Tax, the City has collected amounts in excess of the amounts it was legally entitled to collect. Therefore, Plaintiff is entitled to maintain an equitable action of assumpsit to recover back the amount of the illegal exaction.

99. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water Tax, Plaintiff and the Class have conferred a benefit upon on [sic.] the City.

100. Under equitable principles, the City should be required to disgorge the amounts it unlawfully collected through its unlawful imposition of the Water Tax.

COUNT II

UNJUST ENRICHMENT FOR VIOLATION OF 65 ILCS 5/8-11-6a

WATER TAX

[Summary Judgment was granted on Count II in Plaintiff's original Complaint ("Complaint"). To the extent Plaintiff's improperly amended allegations are an attempt to preserve Count I, the City incorporates it Answers to Complaint, Count II]

101. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, and 76-96, inclusive, as if fully set forth herein.

102. 65 ILCS 5/8-11-6a, restricts the City's power to tax, expressly prohibiting imposition of a use tax, sales tax or other tax on the use, sale, or purchase of tangible personal property based on the gross receipts from such sales or the sales price.

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103. The Water Tax, first imposed by the City in March 2017, is a use tax, sales tax and/or other tax on the use, sale, and/or purchase of tangible personal property (water) that is also based on the gross receipts from such sales.

104. 65 ILCS 5/8-11-6a preempts the Water Tax's enacting ordinance, Ord. No. 3-80.

105. The Water Tax is unlawful, invalid, and unauthorized under Illinois law, specifically 65 ILCS 5/8-11-6a.

106. As a direct and proximate result of the City's unlawful and improper conduct in imposing and collecting the Water Taxes, the City has collected millions of dollars to which it is not entitled.

107. By virtue of the City's imposition of the Water Tax, the City has collected amounts in excess of amounts it was legally entitled to collect.

108. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water Tax, Plaintiff and the Class have conferred a benefit upon on [sic.] the City and it would be inequitable for the City to retain that benefit.

109. Under equitable principles, the City should be required to disgorge the amounts it unlawfully collected through its unlawful imposition and collection of the Water Tax.

COUNT III

ASSUMPSIT-MONEY HAD AND RECEIVED – UNREASONABLE WATER AND SEWER RATES

WATER AND SEWER TAXES

[Summary Judgment was granted on Count III in Plaintiff's original Complaint ("Complaint"). To the extent Plaintiff's improperly amended allegations are an attempt to preserve Count III, the City incorporates it Answers to Complaint, Count III]

110. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, and 76 through 96, inclusive, as if fully set forth herein.

111. Under Illinois common law, Water and Sewer Rates must be reasonable and all charges imposed must relate to the actual use of the water and sewer system. *See e.g. Village of Niles v. City of Chicago*, 82 Ill App 3d 60, 68; 37 Ill Dec 142; 401 NE2d 1235 (1980); *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 40 Ill Dec 164; 405 NE2d 1256 (1980).

112. Water and Sewer Taxes are not for or related to Plaintiff's actual use of the City's water and sewer system, but are imposed to increase payments to the City's Municipal Employees' Annuity and Benefit Fund.

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113. The City's Water and Sewer Taxes, when incorporated into the City's Water and Sewer Rates, render these rates arbitrary, capricious, and unreasonable.

114. A claim to recover amounts paid to a governmental unit in excess of the amount allowed under law is properly filed as an equitable action in assumpsit for money had and received.

115. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

116. By virtue of the City's imposition of the Water and Sewer Taxes, the City has collected amounts in excess of the amounts it was legally entitled to collect. Therefore, Plaintiff is entitled to maintain an equitable action of assumpsit to recover back the amount of the illegal exaction.

117. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water and Sewer Taxes, Plaintiff and the Class have conferred a benefit upon on [sic.] the City.

COUNT IV

UNJUST ENRICHMENT – UNREASONABLE WATER AND SEWER RATES

WATER AND SEWER TAXES

[Summary Judgment was granted on Count IV in Plaintiff's original Complaint ("Complaint"). To the extent Plaintiff's improperly amended allegations are an attempt to preserve Count IV, the City incorporates it Answers to Complaint, Count IV]

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118. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, and 76 through 96, inclusive, as if fully set forth herein.

119. Under Illinois common law, Water and Sewer Rates must be reasonable and all charges imposed must relate to the actual use of the water and sewer system. *See e.g. Village of Niles v. City of Chicago*, 82 Ill App 3d 60, 68; 37 Ill Dec 142; 401 NE2d 1235 (1980); *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 40 Ill Dec 164; 405 NE2d 1256 (1980).

120. The Water and Sewer Taxes are not for or related to Plaintiff's actual use of the City's water and sewer system but are imposed to increase payments to the City's Municipal Employees' Annuity and Benefit Fund.

121. The City's Water and Sewer Taxes, when incorporated into the City's Water and Sewer Rates, render these rates arbitrary, capricious, and unreasonable.

122. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water and Sewer Taxes, Plaintiff and the Class have conferred a benefit upon on [sic.] the City.

123. By virtue of the City's inclusion of the Water and Sewer Taxes in its water and sewer rates, the City has collected amounts in excess of the amounts it was legally entitled to collect.

124. The City has been unjustly enriched because it received the Water and Sewer Tax revenues to which it was not entitled, and it would be unfair for the City to retain the Water and Sewer Taxes under the circumstances.

125. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

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126. The City should be required to disgorge the amounts by which it has been unjustly enriched.

COUNT V

ASSUMPSIT-MONEY HAD AND RECEIVED – VIOLATION OF 65 ILCS 5/11-139-8

WATER AND SEWER TAXES

[Summary Judgment was granted on Count V in Plaintiff's original Complaint ("Complaint"). To the extent Plaintiff's improperly amended allegations are an attempt to preserve Count V, the City incorporates it Answers to Complaint, Count V]

127. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, and 76 through 96, inclusive, as if fully set forth herein.

128. 65 ILCS 5/11-139-8 authorizes the City to establish rates for water and sewer services to the City's water and sewer customers, and imposes the express limitation that the City only "charge the inhabitants thereof a reasonable compensation for the use and service of the combined waterworks and sewage system and to establish rates for that purpose."

129. By including the Water and Sewer Taxes in the City's water and sewer rates, the City has failed to charge its inhabitants "a reasonable compensation for the use and service of the combined waterworks and sewage system" in violation of 65 ILCS 5/11-139-8.

130. The City's Water and Sewer Taxes, when incorporated into the City's Water and Sewer Rates, render these rates arbitrary, capricious, and unreasonable.

131. A claim to recover amounts paid to a governmental unit in excess of the amount allowed under law is properly filed as an equitable action in assumpsit for money had and received.

132. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield*

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(1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

133. By virtue of the City's imposition of the Water and Sewer Taxes, the City has collected amounts in excess of the amounts it was legally entitled to collect. Therefore, Plaintiff is entitled to maintain an equitable action of assumpsit to recover back the amount of the illegal exaction.

134. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water and Sewer Taxes, Plaintiff and the Class have conferred a benefit upon on [sic.] the City.

COUNT VI

UNJUST ENRICHMENT – VIOLATION OF 65 ILCS 5/11-139-8

WATER AND SEWER TAXES

[Summary Judgment was granted on Count VI in Plaintiff's original Complaint ("Complaint"). To the extent Plaintiff's improperly amended allegations are an attempt to preserve Count VI, the City incorporates it Answers to Complaint, Count VI]

135. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, 76 through 96, and 128 through 134, inclusive, as if fully set forth herein.

136. 65 ILCS 5/11-139-8 authorizes the City to establish rates for water and sewer services to the City's water and sewer customers and imposes the express limitation that the City only "charge the inhabitants thereof a reasonable compensation for the use and service of the combined waterworks and sewage system and to establish rates for that purpose."

137. By including the Water and Sewer Taxes in the City's water and sewer rates, the City has failed to charge its inhabitants "a reasonable compensation for the use and service of the combined waterworks and sewage system" in violation of 65 ILCS 5/11-139-8.

138. The City's Water and Sewer Taxes, when incorporated into the City's Water and Sewer Rates, render these rates arbitrary, capricious, and unreasonable.

139. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water and Sewer Taxes, Plaintiff and the Class have conferred a benefit upon on [sic.] the City.

140. By virtue of the City's inclusion of the Water and Sewer Taxes in its water and sewer rates, the City has collected amounts in excess of the amounts it was legally entitled to collect.

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143. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

142. The City has been unjustly enriched because it received the Water and Sewer Tax revenues to which it was not entitled, and it would be unfair for the City to retain the Water and Sewer Taxes under the circumstances.

143. The City should be required to disgorge the amounts by which it has been unjustly enriched.

COUNT VII

ACTION FOR REPARATIONS-MONEY HAD AND RECEIVED FOR VIOLATION OF UNIFORMITY CLAUSE OF ILLINOIS CONSTITUTION

WATER AND SEWER TAXES

[Count VII has been dismissed with prejudice]

144. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, and 76 through 96, inclusive, as if fully set forth herein.

145. The Uniformity Clause of the Illinois Constitution provides: "In any law classifying the subjects or objects of nonproperty taxes or fees, the classes shall be reasonable and the subjects and objects within each class shall be taxed uniformly. Exemptions, deductions, credits, refunds and other allowances shall be reasonable." Ill. Const. 1970, art. IX, Sec. 2.

146. The Water and Sewer Taxes are not property taxes. For a nonproperty tax classification to survive scrutiny under the uniformity clause, the classification must (1) be based on a real and

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substantial difference between the people taxed and those not taxed, **and** (2) bear some reasonable relationship to the object of the legislation or to public policy. *Milwaukee Safeguard Ins. Coc. v. Selcke*, 179 Ill.2d 94, 98, 688 N.E.2d 68 (1997). The tax "must meet **both** prongs of the uniformity test to pass constitutional muster." *U.S.G. Italian Marketcaffe v. City of Chicago*, 332 Ill. App. 3d 1008, 1015, 775 N.E.2d 47 (1st Dist. 2002) (emphasis added).

147. The Uniformity Clause was intended to be a broader limitation on legislative power to classify for nonproperty tax purposes than the limitation of the equal protection clause (*Searle Pharmaceuticals, Inc. v. Dept. of Revenue*, 117 Ill.2d 454, 469, 512 N.E.2d 1240 (1987)) and was meant to insure that taxpayers would receive added protection in the state constitution based upon a standard of reasonableness that is more rigorous than that contained in the federal constitution (*Milwaukee Safeguard*, 179 Ill.2d at 102). As a result, the party attacking a tax classification is not required to negate every conceivable basis that might support it. *Searle*, 117 Ill.2d at 468. The reasonable relationship test requires some meaningful linkage between the tax and the object of the legislation establishing the tax.

148. The Water and Sewer Taxes violate the Uniformity Clause because (1) they are not based on a real and substantial difference between the people taxed and those not taxed, and (2) they do not bear a reasonable relationship to the object of the legislation or to public policy.

149. First, there is no "real and substantial" difference between water and sewer customers who pay the Taxes, and other groups of citizens and property owners in the City who do not pay the Taxes. The Taxes are used to fund the City's pension obligations owed to the Municipal Employees' Fund, which includes employees whose employment services benefit the City and its citizens generally. Water and Sewer customers do not cause or contribute to the City's need to fund pensions in any manner different than other citizens in the City who are not water and sewer customers, including but not limited to the owners and occupiers of properties (like vacant lots and parking lots) that do not have water and sewer service.

150. The City's decision to finance hundreds of millions of dollars of pension contributions to the Municipal Employees' Fund through taxes imposed only on water and sewer customers is completely arbitrary. The City clearly cannot justify the tax classification by arguing that the Taxes support **only** the pensions of employees of the Water Fund or Sewer Funds. Indeed, Water Fund employees represent just 6.4% of the covered payroll of all employees covered by the Municipal Employees' Fund and Sewer Fund employees represent just 3.1% of that covered payroll. Therefore, over 90% of the employees covered by the Municipal Employees' Fund – representing 90% of the expense of that Fund – are not associated with the Water or Sewer Funds.

151. Even worse for the City, the annual contributions to the Municipal Employees' Fund attributable to the Water and Sewer Funds are already funded by the City's water and sewer usage Charges, which are completely separate from the Water and Sewer Taxes. According to the City, the pension costs are to be allocated based upon each City fund's percentage of the total "covered payroll" of all City funds with employees in the Municipal Employees' Fund. For 2020, the total "covered payroll" of all of the applicable City funds was $1,861,905,000. *See* Exhibit 16 hereto. In 2022, for example, the City allocated $59,725,000 of the total City contribution to the Municipal Employees' Fund to the Water Fund. *See* Exhibit 7 hereto. That $59,725,000 – which,

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again, was **in addition to** the $200+ million in Water and Sewer Taxes currently being paid by the very same group of water and sewer customers – was incorporated into the City's Water Rates being paid by its water customers.

152. All properties and citizens in the City that are not water or sewer customers of the City are not subject to the Water and Sewer Taxes. While it may be tempting to equate the class of water and sewer customers in the City with the class of all property owners in the City, that would be a mistake. Among the Chicago citizens who do not pay Water and Sewer Taxes are owners of parking lots, vacant land and any other properties or structures that are not hooked up to the City's water and sewer system. Those properties receive the benefit of the City's increased pension funding for City employees in the Municipal Employees' Fund. Yet, the City proffers no justification for its exemptions extended to those properties and citizens.

153. In addition, there is no "real and substantial" difference between water and sewer customers who pay the Taxes and the Exempt Customers. Both groups receive the very same treated water from the City and both groups receive the very same sewage disposal services. The only difference between the two groups is that the City has arbitrarily chosen to excuse the Exempt Customers from their obligation to pay the Taxes.

154. Second, the City's method of imposing and collecting the Taxes does not bear a reasonable relationship to the object of the legislation or to public policy.

155. The "object" of the City's ordinance imposing the Water and Sewer Taxes is to finance pension benefits for general employees of the City. *See* "Water and Sewer Tax FAQ (Exhibit 14 hereto) ("The revenue from this tax will be used to make certain mandated pension payments" that "will support the retirements of many municipal employees, including our snow plow drivers, our librarians, and CPS non-teaching staff, such as classroom aides"); City Ordinance Section 3-80-070 (Exhibit 3 hereto) ("All proceeds resulting from the imposition of the tax imposed by this chapter, including any interest or penalties relating to the tax, shall be deposited in the City's Corporate Fund and shall be used to meet the City's funding obligations to the Municipal Employees' Annuity and Benefit Fund of Chicago").

156. A tax on only some water and sewer customers has no "reasonable relationship" to that object – *i.e.*, there is no linkage between water and sewer usage by the City's water and sewer customers who incur and pay the Water and Sewer Taxes and the City's obligation to fund the pensions. This is particularly true given that the amount of the Water and Sewer Taxes paid by the persons subject to the tax is based upon how much water they use. Not only does water usage in general have no reasonable relationship to the object of funding municipal pensions but the fact that the amount each water and sewer customer must contribute to the funding of the pensions based upon, for example, how long they shower every morning and/or how much they water their lawn makes the relationship even more attenuated. In sum, the class of taxpayers subject to the tax is not part of the class which is regulated or benefitted by the pension contributions financed with the tax proceeds and the measure of the Tax renders the claimed relationship even more unreasonable. This is particularly true given that water and sewer customers already finance the pension benefits of retired water and sewer employees through their water and sewer rates.

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157. In order to be "reasonably related" to the object of the Taxes, each payer of the Taxes need not personally benefit from the use of the tax proceeds and it is permissible for persons who do not pay the tax to benefit, but the class of taxpayers subject to the tax must be part of the class which is regulated or benefitted by the program financed (at least in part) with the tax proceeds.

158. The Water and Sewer Tax is unlawful, invalid, and unauthorized under Illinois law, specifically the Uniformity Clause.

159. As a direct and proximate result of the City's unlawful and improper conduct in imposing and collecting the Water and Sewer Taxes, the City has collected millions of dollars to which it is not entitled.

160. A claim to recover amounts paid to a governmental unit in excess of the amount allowed under law is properly filed as an equitable action.

161. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

162. By virtue of the City's imposition of the Water and Sewer Taxes, the City has collected amounts in excess of the amounts it was legally entitled to collect. Therefore, Plaintiff is entitled to maintain an equitable action to recover back the amount of the illegal exaction.

163. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water Tax, Plaintiff and the Class have conferred a benefit upon on [sic.] the City.

164. Under equitable principles, the City should be required to disgorge the amounts it unlawfully collected through its unlawful imposition of the Water Tax.

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COUNT VIII

UNJUST ENRICHMENT FOR VIOLATION OF UNIFORMITY CLAUSE OF THE ILLINOIS CONSTITUTION

WATER AND SEWER TAXES

[Count VIII has been dismissed with prejudice]

165. Plaintiff incorporates each of the preceding paragraphs 1, 16, 20 through 26, 31, 34 through 40, 76 through 96, and 145 through 164, inclusive, as if fully set forth herein.

166. The Water and Sewer Tax is unlawful, invalid, and unauthorized under Illinois law, specifically the Uniformity Clause.

167. As a direct and proximate result of the City's unlawful and improper conduct in imposing and collecting the Water and Sewer Taxes, the City has collected millions of dollars to which it is not entitled.

168. By virtue of the City's imposition of the Water and Sewer Taxes, the City has collected amounts in excess of amounts it was legally entitled to collect.

169. A claim to recover amounts paid to a governmental unit in excess of the amount allowed under law is properly filed as an equitable action.

170. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

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171. Plaintiff and the Class have conferred a benefit upon the City and it would be inequitable for the City to retain that benefit.

172. Under equitable principles, the City should be required to disgorge the amounts it unlawfully collected through its unlawful imposition and collection of the Water Taxes.

COUNT IX

UNJUST DISCRIMINATION IN WATER AND SEWER RATES AND CHARGES

173. Plaintiff incorporates each of the preceding paragraphs 1 through 21, and 27 through 74, inclusive, as if fully set forth herein.

Answer: The City incorporates its answers to each of the preceding paragraphs 1 through 21, and 27 through 74, inclusive, as if fully set forth herein.

174. This Count sets forth a single cause of action – unjust rate discrimination in violation of Illinois common law and 65 ILCS 5/11-139-8, which imposes the express limitation that the City only "charge the inhabitants thereof a reasonable compensation for the use and service of the combined waterworks and sewage system and to establish rates for that purpose."

Answer: The City admits that Count IX is a single cause of action. The City denies this paragraph's remaining allegations.

175. Separate and independent of the Water and Sewer Taxes, the City's Water and Sewer Charges to Plaintiff and the Class have been unreasonably discriminatory because the City has illegally exempted thousands of similarly-situated water and sewer customer locations from their obligation to pay the City's Water and Sewer Rates and Charges, which has resulted in dramatically higher Rates and Charges being assessed against Plaintiff and the Class.

Answer: The City denies this paragraph's allegations.

176. Plaintiff's unfair discrimination claims described in this Count are based upon common law principles (described in detail below) which prohibit unreasonable rate discrimination and not upon the equal protection provisions of the Illinois Constitution. *See, e.g., Greater Peoria Sanitary & Sewage Disposal Dist. v. Kellstedt*, 130 Ill. App. 3d 1002, 1004-1005, 474 N.E.2d 1267 (3d Dist. 1985) (explaining that common law unreasonable discrimination claims are different than equal protection claims and subject to a more lenient standard).

Answer: The City admits that the claims describing in the count purports to be based on the common law and not equal protection but denies that they adequately set forth a cause of action. The City denies the parenthetical's description of *Kellstedt*'s rule being that common-law unreasonable discrimination claims are "subject to a more lenient standard" than equal-protection claims are.

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177. Further, while the Uniformity Clause claims in Counts VII and VIII are based upon the City's imposition of the Water and Sewer **Taxes**, and therefore the "exemptions" that are part of the uniformity challenge are "exemptions" from those **Taxes**, the Unfair Discrimination Claims are based upon City exemptions of various users, including certain senior citizens, from payment of **water and/or sewer usage charges**. The Unfair Discrimination Claims are not judged by or subject to the standards of the Uniformity Clause, but rather by the common law principles and other limitations applicable to water and sewer charges imposed by municipal utilities.

Answer: The City admits that dismissed counts VII and VIII were based on Water and Sewer Taxes and further admits that this Count does not reference the Uniformity Clause. The City denies that the standards applicable to claims of discrimination under the Uniformity Clause are irrelevant to the claims in this count or that this paragraph accurately states the applicable standards for Plaintiff's claims.

178. The City is precluded from imposing unjustly discriminatory rates and charges on certain of its water and sewer customers. A utility rate scheme is unjustly discriminatory when differences in rates assessed to two groups of customers are not justified by differences in costs to serve those two groups of customers. *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89; 40 Ill Dec 164; 405 NE2d 1256 (1980). The test used for deciding the validity of the difference in rates is to determine whether the difference is reasonable, and not arbitrary, based on a consideration of such factors as differences in the amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs. If the difference in rates is not reasonably related to a difference in the costs of providing the service, there is unreasonable discrimination. *Austin View* at p. 99.

Answer: The City denies that this paragraph accurately states the elements of a rate discrimination claim. The City admits Plaintiff is complaining about the City's water and sewer rates but denies it engaged in any wrongdoing and denies this paragraph's remaining allegations.

179. The City's Ordinance creates a number of total and partial payment exemptions (the "Exemptions") for various types of properties which receive water and/or sewer services from the City (the "Exempt Customers"). The Exempt Customers include the City itself, the Chicago Public Schools, City College, certain hospitals and certain nonprofit organizations. Section 11-12-540 of the Ordinance (Exhibit 4 hereto) creates these exemptions and provides as follows:

> (a) The comptroller shall exempt from the payment of water rates the property enumerated in this subsection (a) if the account for such property is controlled by meter, as follows. If the account for such property is not controlled by meter, no exemption shall apply.
>
> (1) Any property of the State of Illinois that is used as an armory by the state or federalized national guard shall be exempt from payment of 100% of the water service charge.
> (2) All property owned or leased or occupied by the City of Chicago shall be exempt from payment of 100% of the water service charge, unless said City,

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either as lessee or lessor, shall enter into an agreement for the payment of rates by the other party.

(3) All property owned or leased or occupied by the Chicago Public Schools shall be exempt from payment of 100% of the water service charge, unless said entity, either as lessee or lessor, shall enter into an agreement for the payment of rates by the other party.

(4) All property owned or leased or occupied by the City Colleges of Chicago shall be exempt from payment of 100% of the water service charge, unless said entity, either as lessee or lessor, shall enter into an agreement for the payment of rates by the other party.

(5) Hospitals located within the corporate limits of the City that are operated by the Cook County government shall be exempt from payment of 100% of the water service charge.

(6) Except as otherwise provided in paragraph (5) of this subsection (a), not-forprofit disproportionate share hospitals located within the corporate limits of the City shall be exempt from payment of 60% of the water service charge in 2012, 40% of the water service charge in 2013, and at least 25% of the water service charge in 2014 and thereafter, if such not-for-profit hospital qualifies for a disproportionate share adjustment consistent with Section 148.120 of Subchapter d of Chapter I of Title 89 of the Illinois Administrative Code, as amended, codified at 89 Ill. Adm. Code § 148.120. Provided, however, that in 2014 and thereafter, if such disproportionate share hospital has net assets or fund balances of:

(i) Less than One Million Dollars ($1,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such disproportionate share hospital shall be exempt from payment of 100% of the water service charge:

(ii) One Million Dollars ($1,000,000.00) or more but less than Ten Million Dollars ($10,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such disproportionate share hospital shall be exempt from payment of 60% of the water service charge.

(7) Public museums shall be exempt from payment of 20% of the water service charge, if such public museum is eligible to receive funds for capital development under subdivision (7) of § 1-25 of the Department of Natural Resources Act, as amended, codified at 20 ILCS 801/1-1 et seq.

(8) Not-for-profit organizations as defined in subparagraph (8)(v) of this subsection (a), other than any entity identified in paragraphs (1) through (7) of this subsection (a), that adopt a water conservation plan and perform within the corporate limits of the city charitable work benefiting the public shall be exempt in 2013 and thereafter from payment of the water service charge for water supplied to premises owned and used and occupied exclusively by such not-for-profit organization, as follows:

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(i) If the not-for-profit organization has net assets or fund balances of less than One Million Dollars ($1,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for-profit organization shall be exempt from payment of 100% of the water service charge;
(ii) If the not-for-profit organization has net assets or fund balances of One Million Dollars ($1,000,000.00) or more but less than Ten Million Dollars ($10,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for-profit organization shall be exempt from payment of 60% of the water service charge;
(iii) If the not-for-profit organization has net assets or fund balances of Ten Million Dollars ($10,000,000.00) or more but less than Two Hundred Fifty Million Dollars ($250,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for- profit organization shall be exempt from payment of 25% of such water service charge;
(iv) If the not-for-profit organization has net assets or fund balances of Two Hundred Fifty Million Dollars ($250,000,000.00) or more at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for- profit organization shall be not be* entitled to any exemption from payment of the water service charge and shall be required to pay 100% of the water service charge.
(v) As used in this paragraph (8), the term "not-for-profit organization" means an Illinois corporation organized and existing under the General Not For Profit Corporation Act of 1986 in good standing with the State and having been granted status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986.

(b) (1) The supply to all premises enumerated in this section on which water may be taken from the waterworks system of the City of Chicago shall be controlled by meter, and the cost of meter, its installation, connections and vaults thereof, and the erection, construction and maintenance thereof shall be paid for and be borne by the institution or owner thereof. Nothing contained in this paragraph shall be held to exempt property of the United States, of the State of Illinois, or of any of its political subdivisions except as hereinbefore mentioned.

(2) If, at the determination of the City, a vault is required to be built on the public right of way prior to the installation of a water meter at a location owned by a not-forprofit organization as defined in subparagraph (8)(v) of subsection (a) of this section, and such not-for- profit organization demonstrates to the satisfaction of the comptroller that the organization will suffer undue financial hardship if the organization is required to pay the costs associated with installing the vault and water meter, including any additional costs that may be incurred by the City in connection with the excavation of the associated structure, the comptroller may enter into a written installment plan agreement with such not- for-profit

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organization allowing the organization to pay such costs over an extended period of time in substantially equal installments. Failure to comply with the terms of the installment plan agreement may result, if applicable, in loss of the not-for-profit organization's exemption under paragraph (8) of subsection (a) of this section from payment of the water service charge.

Each installment plan shall be in a form prescribed by the comptroller, and shall state the organization's total indebtedness to the City for such costs, the amount of the initial installment, the amount of each subsequent installment, the date by which each installment is due, the penalty for delinquency under the installment plan, and such other provisions as the comptroller may require. Provided, however, that the comptroller may deny any application where it is determined that the applicant has committed fraud or has failed to make a good faith effort to comply with this section. Any recommendation, action or decision of the comptroller regarding the existence of financial hardship or the financial hardship process shall be within the sole discretion of the comptroller. Nothing in this subsection (b)(2) shall be construed to prohibit a not-for-profit organization from voluntarily making an initial minimum payment or monthly installment payment in an amount greater than provided in the installment plan agreement.

As used in this subsection (b)(2), the term "comptroller" means the comptroller of the City of Chicago or the comptroller's designee.

(c) The comptroller may fix such reasonable amounts of water as the comptroller, following consultation with the commissioner of water management, may deem to be sufficient for the requirements of said premises, and the exemption from payment of water rates shall be limited to said reasonable amounts so fixed. All use of water in excess of said reasonable amounts shall be paid for at the rates for metered water hereinafter fixed in Section 11-12-310.

(d) Accounts against the property of any entity exempted under the provisions of items (1), (2), (3), (4), (5), (6), (7) or (8) of subsection (a) of this section shall be kept in the usual manner. Upon receipt of the initial application for such exemption, such account, which shall be metered, shall be inspected by authorized personnel from the department of water management, who shall certify to the comptroller whether the entity so inspected is eligible for the exemption under this section being claimed by such entity.

Answer: The City admits that it provides exemptions from water and sewer taxes to certain individuals and entities in Chicago Municipal Code Section 11-12-540. The City denies that Section 11-12-540 contains the exact language quoted.

180. In all, over 6800 water accounts receive partial or total Exemptions from the payment of Water Charges. *See* Exhibit 11 hereto. The partial or total Exemptions are not based on a consideration of such factors as differences in the amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs to

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serve the Exempt Customers and the Non-Exempt Customers. *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89; 40 Ill Dec 164; 405 NE2d 1256 (1980).

Answer: The City lacks knowledge sufficient to form a belief as to truth of the allegations in the first sentence of this paragraph and therefore neither admits or denies the allegations. The City's investigation continues. The City denies that this paragraph sets forth the relevant factors for granting, by ordinance, partial or total exemptions from the payment of water charges and therefore denies this paragraph's remaining allegations.

181. First, the treated water provided to the Exempt Customers is of the same quality as the treated water provided to Non-Exempt Customers. Thus, the Exemptions from Water Charges cannot be justified on the grounds that the treated water supplied to Exempt Customers is less valuable or of a lower quality than the treated water provided to Non-Exempt Customers.

Answer: The City admits the first sentence of this paragraph. The City admits that a difference in water quality would not be a basis for the Exemptions. The City denies the implication that the City must justify the Exemptions based on a difference in service and denies the remaining allegations in this paragraph.

182. Similarly, the operations, maintenance and capital expenses incurred by the City to supply a gallon of water are the same for all water customers. The City's financial statements for its Water Fund identify the following types of operating and maintenance expenses: (1) "Source of Supply," (2) "Power and Pumping," (3) "Purification," (4) "Transmission and Distribution," (5) "Customer Accounting and Collection," (6) "Administrative and General," (7) "Central Services and General Fund Reimbursements," and (8) "Pension expense." *See* Exhibit 8 hereto.

Answer: The City denies that it calculates the operations, maintenance, and capital expenses needed to supply one gallon of water to one customer. The City admits that page 15 of the Annual Comprehensive Financial Report for the City of Chicago Department of Water Management Water Fund for the year ended December 31, 2022 (Ex. 8) lists the expenses Plaintiff cites, but that list of operating expenses is a mere summary of the Water Fund's operating expenses in total for that year and explains nothing about the costs of supplying water to different types of customers. To the extent further response is required, the City denies this paragraph's allegations.

183. The City's Source of Supply expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

184. The City's Power and Pumping expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

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185. The City's Purification expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

186. The City's Transmission and Distribution expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

187. The City's Customer Accounting and Collection expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculated expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

188. The City's Administrative and General expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

189. The City's Central Services and General Fund Reimbursement expenses on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

190. The capital costs associated with the City's Water System on a per gallon basis are the same for Exempt and Non-Exempt Water Customers.

Answer: The City denies that it allocates costs on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

191. The monetary value of the Exemptions from Water Charges is enormous:

Answer: The City denies this paragraph's allegations.

192. In 2017, the Exempt Properties received partial or total Exemptions from Water Charges in the total amount of $19,789,872.91.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

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193. In 2018, the Exempt Properties received partial or total Exemptions from Water Charges in the amount of $19,141,084.44.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

194. In 2019, the Exempt Properties received partial or total Exemptions from Water Charges in the amount of $19,096,680.69.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

195. In 2020, the Exempt Properties received partial or total Exemptions from Water Charges in the total amount of $15,665,355.84.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

196. In 2021, the Exempt Properties received partial or total Exemptions from Water Charges in the total amount of $20,188,266.78.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

197. The total monetary value of the Exemptions from Water Charges between January 1, 2017 and December 31, 2021 exceeds $93 million. *See* Exhibit 11 hereto.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

198. Section 3-12-020 of the Ordinance further exempts the Exempt Customers (fully or partially) from payment of Sewer Charges. *See* Exhibit 3 hereto. The total monetary value of all of these Exemptions between January 1, 2017 and December 31, 2021 exceeds $40 million. *See* Exhibit 11 hereto.

Answer: The City admits that Section 3-12-020 provides total and partial exemptions from payment of sewer charges to certain customers who are also exempt, totally or partially, from payment of water charges. The City lacks knowledge sufficient to form a belief as to the truth of this paragraph's remaining allegations and therefore does not admit or deny them. The City's investigation continues.

199. Finally, Section 3-12-050 totally exempts qualified sewer customers 65 and over from payment of the Sewer Charges (the "Senior Sewer Exemption"). *See* Exhibit 3 hereto. In order to receive the Senior Sewer Exemption, a person must (1) be 65 years of age or older, (2) be the owner of the residential unit receiving sewer service, (3) occupy the residence as his or her

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principal place of residence and (4) have a residence with a separate water meter or assessed account. *Id*.

Answer: The City admits this paragraph's allegations.

200. The Senior Sewer Exemption is in no way based on financial need – *i.e.*, wealth or income. In fact, it requires that the person claiming the exemption OWN the residence receiving sewer service and also use it as their principal residence. This means they are a homeowner (and not a renter), which is a further indication that they are not indigent. This also leads to the nonsensical result that an 85-year old low-income renter must pay for sewer services but a 65-year old high-income homeowner is Exempt from the obligation to pay for those same services.

Answer: The City denies the first sentence of this paragraph. The City admits that one of the necessary conditions for qualifying for the exemption is ownership of the property that would be assessed sewer charges. The City denies the remaining allegations of this paragraph, including the assertion that a person cannot be "indigent" simply because they own a home and the suggestion that a renter, rather than the renter's landlord, would necessarily be responsible for sewer charges for a rental property.

201. Persons who receive the Senior Sewer Exemption are included within the definition of "Exempt Customers" herein.

Answer: The City admits Plaintiff purports to include persons receiving the Senior Sewer Exemption in its defined term "Exempt Customers" as Plaintiff uses that term in this paragraph of the complaint.

202. Over 62,000 sewer customers of the City receive the Senior Sewer Exemption. Between January 1, 2017 and December 31, 2021, the monetary value of the Senior Sewer Exemption has exceeded $110 million. *See* Exhibit 11 hereto.

Answer: The City lacks knowledge sufficient to form a belief as to the truth of this allegation and therefore does not admit or deny it. The City's investigation continues.

203. Like the Exemptions for Water Charges, the partial or total Exemptions for Sewer Charges (including for customers who receive the Senior Sewer Exemption) are not based upon any differences in costs to serve the Exempt Customers and the Non-Exempt Customers. *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89; 40 Ill Dec 164; 405 NE2d 1256 (1980).

Answer: The City denies this paragraph accurately cites or summarizes the referenced authority. The City denies this paragraph accurately sets forth the process water customers seeking partial or total exemptions must undergo to be considered for and ultimately receive a partial or total exemption. The City admits Exemptions for Sewer Charges are not based on costs but denies a difference in costs is determinative in deciding whether Exemptions are illegal. *Village of Niles v. City of Chicago*, 201 Ill. App. 3d 651, 680 (1st Dist. 1980 ("if the rates charged to plaintiffs are not excessive, there is no unreasonable discrimination").

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204. First, the assumed characteristics of the sewage generated by Exempt Customers is the same as the assumed characteristics of the sewage generated by Non-Exempt Customers. Thus, the Exemptions cannot be justified on the grounds that sewage generated by Non-Exempt Customers is more costly to collect, convey or treat. This is particularly true because the City incurs no treatment costs for the sewage that originates in the City. All the City's sewage is ultimately conveyed to the Metropolitan Water Reclamation District of Greater Chicago (the "MWRD"), a public utility not affiliated with the City, which provides the treatment. The MWRD treatment costs for the inhabitants of Chicago (including Plaintiff and the Class) are not included in the City's Sewer Rates but are instead financed through separate property taxes.

Answer: The City denies the implication that the City must justify the Exemptions based on "assumed characteristics" and a difference in cost and therefore denies the allegations in the first two sentences of this paragraph. The City admits the MWRD provides the treatment for the City's sewage but denies that it makes anything "particularly true." The City admits that MWRD costs are financed by property taxes and not by the Sewer Fund.

205. The City's Sewer Fund incurs only the costs associated with collecting and conveying the sewage to the MWRD and operating, maintaining and improving the physical infrastructure (sewer pipes, etc.) that are used to collect and convey the sewage from structures in the City to the MWRD.

Answer: The City admits this paragraph's allegations.

206. The operations, maintenance and capital expenses incurred by the City to dispose of a gallon of sewage are the same for all customers. The City's financial statements for the Sewer Fund set forth the following types of operating and maintenance expenses: (1) "Repairs," (2) "General Fund Reimbursements," (3) "Pension Expense," (4) "Maintenance," (5) "Engineering," and (6) "Administrative and General." *See* Exhibit 17 hereto.

Answer: The City does not calculate the operations, maintenance and capital expenses to transfer waste on a per gallon basis and denies the allegations in the first sentence of this paragraph. The City admits that in the Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended December 31, 2022 (Ex. 17), the listed expenses are included under "Operating Expenses."

207. The City's Repair expenses on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

208. The City's General Fund Reimbursement expenses on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

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209. The City's Pension Expense on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

210. The City's Maintenance expenses on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

211. The City's Engineering expenses on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

212. The City's Administrative and General expenses on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

213. The capital costs associated with the City's Sewer System on a per gallon basis are the same for Exempt and Non-Exempt Sewer Customers.

Answer: The City denies that it calculates expenses on a per gallon basis. To the extent further response is required, the City denies this paragraph's allegations.

214. The total monetary value of all of the Exemptions for 2017 through 2021 is as follows:

2017 -- $54,060,941
2018 -- $53,146,258
2019 -- $44,217,399
2020 -- $45,067,146
2021 -- $54,789,761 [Exhibit 11 hereto]

Answer: The City lacks knowledge sufficient to form a belief as to truth of the allegations in this paragraph and therefore neither admits or denies the allegations. The City's investigation continues.

215. The total monetary value of all of the Exemptions for the time period from January 1, 2017 through December 31, 2021 exceeds $250 million. Obviously, the harm to Plaintiff and the Class from the unlawful Exemptions has continued after December 31, 2021, and will continue until the Court prohibits the City from granting these illegal Exemptions.

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Answer: The City lacks knowledge sufficient to form a belief as to truth of the allegations in the first sentence in this paragraph and therefore neither admits or denies the allegations. The City's investigation continues. City denies this paragraph's remaining allegations.

216. The payment Exemptions provided by the City's Ordinances are arbitrary and capricious and in no way is the difference in Water and Sewer Rates and Charges reasonably related to any difference in the cost of providing service to the Exempt Customers. In all material respects, the Exempt Customers are similarly-situated to the Non-Exempt Customers.

Answer: The City denies its exemptions are arbitrary and capricious. The City admits that the Exemptions are not based on a difference in cost but denies that the Exemptions have caused unreasonable or excessive rates and denies this paragraph's remaining allegations.

217. The Exemptions are not based on a consideration of such factors as differences in the quality or amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs. Because the difference in rates created by the Exemptions is not reasonably related to a difference in the costs of providing the service, there is unreasonable discrimination.

Answer: . The City admits that the Exemptions are not based on a difference in costs but denies that the Exemptions have caused unreasonable or excessive rates The City denies it engages in "unreasonable discrimination" and denies this paragraph's remaining allegations.

218. "When it comes to the extent of plaintiffs' protection under their common law right, our supreme court has noted that consumers of municipally owned utilities 'are just as completely protected from exorbitant rates and unjust discrimination as the consumers are under the Public Utilities Act' [Ill. Rev. Stat. 1977, ch. 111 2/3, par. 1 *et seq*.]. (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 252-53, 126 N.E. 739, 746). *See also Greater Peoria Sanitary & Sewage Disposal Dist. v. Kellstedt*, *supra*, 130 Ill. App. 3d at 1004-1005 ("a city operating a utility is in the same position as a private utility and is precluded from unjust discrimination in ratemaking"). Thus, the test to be applied in determining whether there has been a violation of plaintiffs' common law right is **the same test** used to determine whether a privately owned utility company is acting in an unreasonably discriminatory manner in violation of the Public Utilities Act when it charges different rates to different consumers." *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 40 Ill Dec 164; 405 NE2d 1256 (1980) (emphasis added).

Answer: The City denies that all the quoted language in the first sentence of this paragraph appears in the source cited. The City admits that the quoted language in the *Greater Peoria Sanitary* citation sentence appears in *Greater Peoria Sanitary*. The City admits that the language beginning from "Thus, the test to be applied" and ending with the closing quotation marks immediately before the *Austin View* citation appears in *Austin View*. The City admits that under common law, Plaintiff must establish that the rates are not excessive. The City denies this paragraph's remaining allegations.

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219. Section 9-241 of the Public Utility Act provides:

> **No public utility shall, as to rates or other charges, services, facilities or in other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage**. No public utility shall establish or maintain any unreasonable difference as to rates or other charges, services, facilities, or in any other respect, either as between localities or as between classes of service. [220 ILCS 5/9-241 (emphasis added)]

Answer: The City admits that the quoted language appears in the source cited.

220. In *Mountain States Legal Foundation v. Public Utilities Commission*, 197 Colo. 56, 590 P.2d 495 (Colo. 1979) (Exhibit 18 hereto), the Colorado Supreme Court, interpreting a nearly identical provision of the Colorado Public Utilities Act, held that the Colorado Public Utilities Commission engaged in unlawful rate discrimination by requiring certain utilities to provide discounted rates to low-income elderly and disabled customers of the utilities: Section 40-3-106(1), C.R.S. 1973, prohibits public utilities from granting preferential rates to any person, and section 40-3-102, C.R.S. 1973, requires the PUC to prevent unjust discriminatory rates. **When the PUC ordered the utility companies to provide a lower rate to selected customers unrelated to the cost or type of the service provided, it violated section 40-3-106(1)'s prohibition against preferential rates. In this instance, the discount rate benefits an unquestionably deserving group, the low-income elderly and the low-income disabled. This, unfortunately, does not make the rate less preferential**. To find otherwise would empower the PUC, an appointed, non-elected body, to create a special rate for any group it determined to be deserving. The legislature clearly provided against such discretionary power when it prohibited public utilities from granting "any preference." In addition, section 40- 3-102, C.R.S. 1973, directs the PUC to prevent unjust discriminatory rates. Establishing a discount gas rate plan which differentiates between economically needy individuals who receive the same service is unjustly discriminatory. [197 Colo. at 59-60 (emphasis added).]

Answer: The City admits the cited authority held as alleged but denies that the cited authority involves a "nearly identical provision." The City admits the language beginning "Section 4-3-106(1), C.R.S.1973, prohibits public utilities" to the end of the paragraph appears in the source cited. The City denies the cited authority supports Plaintiff's claims. The City denies this paragraph's remaining allegations.

221. By arbitrarily exempting the Exempt Customers from payment of the Water and Sewer Charges, the City has established unfair preferences and therefore has unjustly discriminated against Plaintiff and the Class in violation of the City's common law obligations.

Answer: The City denies this paragraph's allegations.

222. Plaintiff and the Class have been harmed by the illegal discrimination because they have necessarily paid higher Water and Sewer Charges by being forced to subsidize the system costs associated with the Exempt Customers.

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Answer: The City denies this paragraph's allegations.

223. The City incurs costs in providing water and sewer services to the Exempt Customers, which costs necessarily are part of the City's actual Revenue Requirement for water and sewer services. Because the City does not receive payments from the Exempt Customers to cover those costs, those costs are necessarily covered by the Rates paid by the Non-Exempt Customers.

Answer: The City admits that it incurs costs to provide water and sewer services to all its customers, including customers exempt from water or sewer charges. The City denies this paragraph's remaining allegations.

224. The fact that, effective June 2016, the City implemented a policy of annually increasing its Water and Sewer Rates by the rate of inflation does not mean that the Rates were not discriminatory "at the time of their establishment" because, among other reasons, the Exemptions were already in place and therefore were part of the City's Rate structure long before June 2016. In fact, the Water and Sewer Exemptions have been in place since at least 2012. *See* Exhibit 19 hereto (December 12, 2012 amendment to Ordinance 11-12-540). The Senior Sewer Exemptions have been in place since at least 2014. *See* Exhibit 20 hereto (October 8, 2014 amendment to Ordinance 3-12-050).

Answer: The City admits that the water and sewer exemptions were in place before June 2016. The City admits that exemptions from water charges have been in place since at least 2012. The City admits that the exemption provided by Section 3-12-050 has been in place since at least 2014. The City denies that the rates were first established in June 2016 and denies this paragraph's remaining allegations.

225. The City's application of an inflation factor in subsequent years merely increased the monetary value of the Exemptions and therefore continued the Overcharges that were already baked into the Rates, albeit at ever increasing amounts.

Answer: The City denies this paragraph's allegations.

226. During the Class Period through 2021, the Exempt Customers have been excused from paying over $250 million that they should have paid for water and sewer services. If the City had charged the Exempt Customers during that period of time, the City would have been required to charge the Non-Exempt Customers over $250 million less during that period of time. By excusing the Exempt Customers from payment, the City has forced the Non-Exempt Customers to overpay for their water and sewer services by over $250 million.

Answer: The City denies that it has forced any customers to overpay for their water and sewer services at any time. The City lacks knowledge or information sufficient to form a belief as to the truth this paragraph's remaining allegations and thus neither admits nor denies this paragraph's remaining allegations. The City's investigation continues.

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227. The excessiveness of the City's charges to Plaintiff and the class—*i.e.*, the disfavored customers—is proven by the example the City itself provided at pp. 10-11 of its Motion to Dismiss (filed on July 21, 2022), which illustrates the unlawful subsidy almost perfectly. The City posits a water utility with annual costs of $100,000 and 100 residents, each of whom uses the same amount of water. Absent any exemptions, each of the 100 residents would pay $1000 for their water. If, however, as the City further posits, 20 of the 100 residents were exempt, "each of the 80 non-exempt residents would have to pay $1,250 a year in order to cover the department's costs." City Motion at pp. 10-11. While the implications of its example appear to be lost on the City, the example shows that, in the absence of the unfair discrimination each customer would pay $1000, but because of the unfair discrimination, the 80 disfavored Non-Exempt Customers must pay $1250 to cover the costs of providing water to the 20 Exempt Customers. The additional $250 is thus excessive because that amount does not pay for the water provided to the Non-Exempt Customers but instead pays for the water provided to the Exempt Customers.

Answer: The City denies this paragraph's allegations.

228. At the end of the day, it is just math. Given a certain Revenue Requirement for, say, the Water Fund, the fewer customers who must finance the Revenue Requirement, the more those customers must pay.

Answer: The City denies this paragraph's allegations.

229. A claim to recover amounts paid to a governmental unit in excess of the amount allowed under law is properly filed as an equitable action.

Answer: The City denies this paragraph's allegations.

230. The City has been unjustly enriched by the Exemptions because, among other reasons, the City does not pay for the water and sewer services it receives for its own facilities. Because of the Exemptions, the City has not paid for millions of dollars of water and sewer services it has received during the Class Period. As a result, the costs associated with the City's own water and sewer services have been paid by the Non-Exempt Customers. Clearly, Plaintiff and the Class have conferred an unjust benefit on the City through such payments which the City should not be allowed to retain.

Answer: The City denies this paragraph's allegations.

231. Even if the City has not been unjustly enriched in the aggregate by the Exemptions, Illinois law still requires the City to refund the excess monies it collected from Non-Exempt customers. Because of the Exemptions, the City has funds which in right and justice belong to Plaintiff and the Class and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate. The right to the remedy of "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

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> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

Answer: The City admits that the quoted language appears in the source cited but denies that cited source supports Plaintiff's claims. The City denies this paragraph's remaining allegations

232. By virtue of the City's unfair discrimination, the City has collected amounts in excess of the amounts it was legally entitled to collect. Therefore, Plaintiff is entitled to maintain an equitable action to recover back the amount of the illegal exaction.

Answer: The City denies this paragraph's allegations.

233. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars from Plaintiff and the Class to which it is not entitled. By paying the Water and Sewer Rates and Charges, Plaintiff and the Class have conferred a benefit upon the City.

Answer: The City denies this paragraph's allegations.

COUNT X

UNREASONABLE AND EXORBITANT WATER AND SEWER RATES

234. Plaintiff incorporates each of the preceding paragraphs 1 through 21, and 27 through 74, inclusive, as if fully set forth herein.

Answer: The City incorporates its answers to each of the preceding paragraphs 1 through 21, and 27 through 74, inclusive, as if fully set forth herein.

235. This Count sets forth a single cause of action – unreasonable and exorbitant Rates imposed in violation of the common law and 65 ILCS 5/11-139-8, which imposes the express limitation that the City only "charge the inhabitants thereof a reasonable compensation for the use

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and service of the combined waterworks and sewage system and to establish rates for that purpose."

Answer: The City admits that this Count purports to state a common law claim for unreasonable and exorbitant rates. The City states that the Court has previously held that the quoted language in 65 ILCS 5/11-139-8 does not establish a cause of action against the City and denies this paragraph's remaining allegations.

236. A municipality, such as the City, which sells water and sewer service, does so in a proprietary rather than in a governmental capacity. The business of supplying water belongs to that class of enterprises upon which the public interest is impressed. The City is subject to the same rules that would apply to a privately owned utility including those forbidding unreasonableness and discrimination in utility rates.

Answer: The City admits it sells water and sewer services in a proprietary capacity and that some of the rules that apply to privately owned utilities apply to municipal utilities including a prohibition against discrimination that results in unreasonably excessive and exorbitant rates. The City admits the statement "The business of supplying water belongs to that class of enterprises upon which the public interest is impressed, which" is quoted from *Austin View Civic Ass'n v. City of Palos Heights.*, 85 Ill. App. 3d 89, 94 (1st Dist. 1980). The City denies this paragraph's remaining allegations.

237. Under Illinois common law, Water and Sewer Rates must be reasonable and all charges imposed must relate to the actual use of the water and sewer system. *See e.g. Village of Niles v. City of Chicago*, 82 Ill App 3d 60, 68; 37 Ill Dec 142; 401 NE2d 1235 (1980); *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 40 Ill Dec 164; 405 NE2d 1256 (1980). The City's Ordinances also impose this requirement. *See* City Ordinance Sections 3-12-010 and 11-12-260.

Answer: The City admits that, under Illinois common law, water and sewer rates must be reasonable and not excessive. The City denies the remaining allegations of this paragraph and denies the cited sources support Plaintiff's claims.

238. The City's Water and Sewer Rates have been unreasonable and exorbitant because (1) the City fraudulently allocates the alleged indirect costs of other City departments to its Water and Sewer Fund, recovers those phantom expenses through Water and Sewer Rates and then transfers those monies to other City funds to be used for purposes unrelated to the water and sewer system (the "Excessive Cost Allocations") and (2) the City overcharges the Water Fund and Sewer Fund tens of millions of additional dollars per year, purportedly to cover the Water Fund's and the Sewer Fund's proportionate share of the City's total annual contribution to the Municipal Employees' Annuity and Benefit Fund (the "Municipal Employees' Fund") and the Laborers' and Retirement Board Annuity and Benefit Fund (the "Laborers' Fund") which overcharges are also incorporated into the Water and Sewer Rates (the "Pension Overcharges").

Answer: The City denies this paragraph's allegations.

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THE EXCESSIVE COST ALLOCATIONS

239. The Excessive Cost Allocations are included in the City's Rates on a prospective basis and the City intends to collect the revenues associated with the Excessive Cost Allocations on an annual basis. In the absence of the Excessive Cost Allocations, the City's Water and Sewer Charges could be set to generate tens of millions of dollars less in annual revenues.

Answer: The City denies this paragraph's allegations.

240. The City has persisted in diverting hundreds of millions of dollars of water and sewer funds to uses unrelated to water and sewer utility services.

Answer: The City denies this paragraph's allegations.

241. For example, the City included $69,335,000.00 in its 2022 Water Fund budget "to reimburse the Corporate Fund for Indirect Costs Chargeable to the Fund." *See* Exhibit 7 hereto at p. 277.

Answer: The City admits this paragraph's allegations.

242. Similarly, the City included $37,658,000.00 in its 2022 Sewer Fund budget "to reimburse the Corporate Fund for Indirect Costs Chargeable to the Fund.

Answer: The City admits this paragraph's allegations.

243. The City's Water and Sewer Funds transfer money to the City's Corporate Fund annually to cover the allocations of purported indirect costs. In addition to the transfers "to reimburse the Corporate Fund for indirect costs chargeable" to the Water and Sewer Funds, the City also allocates tens of millions of dollars of "direct" expense of other City departments to the Water and Sewer Funds.

Answer: The City admits that the Water and Sewer Funds transfer money to the Corporate Fund to cover the indirect costs for services chargeable to the Water and Sewer Funds and admits that the City also allocates direct expense of other City Departments in varying amounts to the Water and Sewer Funds as shown in the annual Budget Ordinances. The City denies this paragraph's remaining allegations.

244. On a periodic basis, the City engages an outside consultant, Maximus, to prepare a "cost allocation plan." The purpose of a cost allocation plan is distribute the so-called "indirect" costs of "central services" departments to other City funds and departments which benefit from goods or services provided by the "central services" departments. Central services are those administrative units that mainly provide service to other government departments and not to the general public. Examples include finance, treasury, human resources, information technology and building maintenance.

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Answer: The City admits that it regularly engages Maximus as a consultant and that one of the services Maximus provides to the City is the preparation of indirect cost allocation plans for use in the City budgeting process. The City admits that "central services" refers to government services provided by government departments to other government departments and admits the departments in the last sentence are examples of departments that can provide "central services." The City admits that Maximus's full cost allocation plans in each year are prepared to enable the City to allocate central services costs to other city funds and departments. The City denies this paragraph's remaining allegations.

245. Maximus prepared a Central Services Cost Allocation study (which was completed in 2022 but covered the year 2020). Maximus determined that, at most, the City may properly allocate $21,709,348 in indirect "central services" costs (as opposed to the $69 million the City actually allocated) to the Water Fund and may only allocate $1,509,684 in indirect "central services" costs (as opposed to the $37 million the City actually allocated) to the Sewer Fund for 2022. *See* Exhibit 21 hereto at page C-6.

Answer: The City denies the allegations of this paragraph.

246. Thus, for **just 2022**, even after applying a 2% annual inflation factor to Maximus' 2020 indirect cost calculation, the City has allocated over $46 million in phantom "indirect costs" to the Water Fund and has further allocated over $35 million in phantom "indirect costs" to the Sewer Fund. There are similar phantom cost allocations in prior years.

Answer: The City denies this paragraph's allegations.

247. Collectively, the Excessive Cost Allocations to the Water and Sewer Funds for 2017 through 2023 that were funded by the Rates and Charges imposed just upon water and sewer customers in the City (including Plaintiff and the Class) and other customers exceeded $400 million.

Answer: The City denies this paragraph's allegations.

248. It potentially can be appropriate to charge and recover from the Water and Sewer Funds the so-called "indirect" costs of "central services" departments which provide goods and services to the Water and Sewer Funds. Central services are those administrative units that mainly provide service to other government departments and not to the general public. Examples include finance, treasury, human resources, information technology and building maintenance. The problem is that the City's transfers are grossly excessive because they do not reflect the proper "indirect" costs that should be attributable to the Water and Sewer Funds.

Answer: The City admits that "central services" refers to government services provided by government departments to other government departments and admits the departments in the last sentence are examples of departments that can provide "central services." The City admits that it is appropriate to allocate to the Water and Sewer Funds the indirect costs of departments that provide services to the Water and Sewer Funds. The City denies this paragraph's remaining allegations.

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249. The City's allocation of phantom "indirect expenses" violates well-established principles of water and sewer utility rate-making. The American Water Works Association's policy statement on Financing, Accounting and Rates states that '**Water and wastewater utility funds should not be diverted to uses unrelated to water and wastewater utility services**. Reasonable taxes, payments in lieu of taxes, and/or payments for services rendered to the water utility by a local government or other divisions of the owning entity may be included in the utility's revenue requirements after taking into account the contribution for fire protection and other services furnished by the utility to the local government or to other divisions of the owning entity' (AWWA 2015)." [AWWA Manual of Water Supply Practices M1 (Seventh Ed) (the "M1 Manual") at p. 13 (emphasis added)]]

Answer: The City admits that the quoted language, without the bold typeface, appears in the General Concepts section of the M1 Manual at p. 13. The City denies this paragraph's remaining allegations.

250. "Accordingly, payments made to a municipality's general fund should reimburse the general fund for the **necessary cost** of goods and/or services required by the water utility to provide water service." *Id*. (emphasis added).

Answer: The City admits that the quoted language, without the bold typeface, appears in the M1 Manual at p. 13.

251. The City admitted that the "**M1 Manual is considered to be the industry standard for setting water rates by public water suppliers nationally** and is used by peer entities such as **Great Lakes Water Authority, Metropolitan Water District of Southern California, the City of Houston, the City of Philadelphia, San Francisco Public Utilities Commission, and San Diego County Water Authority." *See* Exhibit 1 at p. 42 (emphasis added). The City stated:**

> **AWWA provides transparency** to customers; cost of service requires detailed accounting of components of the system and allocates cost of service to each customer. *See* Exhibit 2 hereto at p. 23 (City's "Financial Update" dated April 23, 2023) (emphasis in original).

Answer: The City admits that in the Official Statement (Ex. 1), it made the quoted statement, without the bold typeface. The City admits that in the Financial Update (Ex. 2), included the quoted statement. The City denies this paragraph's remaining allegations.

252. Notwithstanding the City's admissions, the City has never conducted a true cost-of service study for its Water or Sewer Systems, much less utilized the M1 Manual or implemented rates and charges that were consistent with the methodology set forth in the M1 Manual. Stated simply, the City has never even attempted to devise Water and Sewer Rates that comply with the "industry standard."

Answer: The City admits that it has not finalized a cost of service study and denies this paragraph's remaining allegations.

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253. A major reason the City's cost allocations are excessive is because the City allocates tens of millions of dollars of the expenses of its Police and Fire Departments to the Water and Sewer Fund each year. The methodology used to derive the cost allocations is set forth in certain Full Cost Allocation Plans authored by Maximus, which are separate from the Central Services Cost Allocation Plans.

Answer: The denies this paragraph's allegations.

254. The Cost Allocation Plans have historically been based on the City's actual financial results and then used to compile future budgets. For example, the Cost Allocation Plans the City used for its 2022 Budget were prepared by Maximus based upon the City's results for 2019. *See* Exhibit 22 hereto. The City applies a 2% annual inflation factor to the prior years' numbers in order to reflect presumed increases in costs in later years. *See* Exhibit 29 hereto. The City annually transfers to other City funds all or substantially all of the amounts that Maximus determines are allocable to the Water and Sewer Funds.

Answer: The City admits the allegations in the first two sentences of this paragraph except that it denies Exhibit 22 makes any reference to allocations for the City's 2022 budget. The City denies the allegations in the third sentence of this paragraph. The City admits that the Water and Sewer Funds reimburse the Corporate Fund for indirect costs and that the amounts are determined using Maximus's reports. The City denies this paragraph's remaining allegations.

255. Maximus allocates the police and fire costs to the Water and Sewer Fund based upon the "Plant Value" of the City's water and sewer infrastructure assets as a percentage of the City's "full property value." Using this methodology, the City allocates 1.327% of certain purported Police and fire expenses to the Water Fund and 0.9929% of certain purported Police and Fire expenses to the Sewer Fund. *See* Exhibit 22 at p. C-639, C-642 and C-736.

Answer: The City admits that this paragraph accurately summarizes the referenced portions of the cited exhibit, and admits this paragraph describes the process used to allocate police and fire funds to the Water and Sewer Funds for year 2019. The City denies this paragraph's remaining allegations.

256. For 2019, Maximus allocated $35.8 million of police expenses and $13.1 million of fire department expenses to the Water Fund, and further allocated $26.8 million of police expenses and $9.8 million in fire expenses to the Sewer Funds. *See* Exhibit 22 hereto at pp. C-643 and C-737. All or substantially all of these amounts were included in the Water and Sewer Rates, and the revenues derived were actually transferred from the Water and Sewer Funds to the City's Corporate Fund. Because these funds were not restricted, or even earmarked, the City was able to use the monies for general municipal purposes.

Answer: The City admits the paragraph's first sentence accurately summarizes Maximus's determinations on the cited pages of Exhibit 22 to the complaint. The City admits that the indirect costs for Police and Fire in Exhibit 22 were among the costs used to determine amounts to be transferred to the Corporate Fund in 2022. The City admits that the funds

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were not restricted but denies any implication that the funds were used improperly. The City denies this paragraph's remaining allegations.

257. The City's allocation of police and fire expenses to the Water Fund and the Sewer Fund is illegal and improper for the following reasons.

Answer: The City denies this paragraph's allegations.

258. First and foremost, the allocation of **any** police and fire expense to the Water and Sewer Funds is arbitrary and capricious because it is improper ratemaking to allocate the costs of funds or departments which serve the general public to enterprise funds. Maximus itself has recognized this. In a presentation it authored, Maximus included in "unallowed costs," the "General Costs of Government," which are the "costs of other general types of government services normally provided to the general public, **such as fire and police**, unless provided for as a direct cost under a program statute or regulation." *See* Exhibit 23 hereto.

Answer: The City denies this paragraph's allegations.

259. In addition, the City already directly allocates over $1 million of police expenses annually to the Water Fund. *See* Exhibit 24 hereto (excerpts from City's 2023 Water Fund budget) at p. 279. This amount – determined by the City via an unknown methodology – presumably reflects the fair value of the services provided by the Police Department to the Water Fund. As Maximus has stated (Exhibit 22 at p. A-4), directly-paid costs must be credited in the cost allocation methodology, but the City does not do so.

Answer: The City admits that the 2023 Budget Ordinance appropriated $1,470,301 from the Water Fund under the line item "Transfer for Services Provided by the Department of Police." The City denies this paragraph's remaining allegations.

260. It is also arbitrary and capricious for the City to create non-existent departments – *i.e.*, "Police General" and "Fire General,"— pack those departments with billions of dollars of police and fire expenses, and then allocate a percentage of those costs to only the Water and Sewer Funds. Maximus states that the purpose of the Full Costs Allocation Plan is to allocate the costs of "central services departments" to other departments (*see* Exhibit 22 at p. A-4), but the Police Department and the Fire Department are in no sense "central services departments" providing indirect services to the Water and Sewer Fund.

Answer: The City denies this paragraph's allegations.

261. Second, assuming that the allocation of **some** police and fire expense to the Water and Sewer Funds is appropriate, the City's methodology for allocating those costs is arbitrary and capricious because it does not result in a fair allocation to Water and Sewer. This is true for at least two reasons: (1) the methodology uses a nonsensical assumption about asset values to allocate police and fire expenses to the Water and Sewer Funds and (2) the alleged police and fire expenses allocated to the Water and Sewer Fund are grossly inflated.

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Answer: The City denies this paragraph's allegations.

262. Initially, the Maximus methodology uses the total water and sewer "plant value" as a percentage of the total value of all real property in the City. *See* Exhibit 22 at pp. C-639 and C-647. But that is a nonsensical methodology because the purpose of cost allocation is to allocate the costs in reasonable proportion to each benefited fund's actual use of the service.

Answer: The City admits that the Water and Sewer Funds cost-allocation analysis in the cited exhibit was based on "the ten-year historical average of utility plant value for the Water and the Sewer Funds to the City's full market value, adjusted for the current Water and Sewer fund size relative to the historical ten-year average fund size." Ex. 22, p. C-639. The City denies this paragraph's remaining allegations.

263. Maximus states that the allocations should be made using "a statistical measure that is relevant to the service provided and the benefit received." 2019 Maximus Report (Exhibit 22 hereto) at p. A-4. *See also Id*. ("Consideration is given to determining the measurement that most appropriately demonstrates its relationship to the receiving units").

Answer: The City denies the allegation that Exhibit 22 states how allocations *should* be made when it states how the allocations *were* made. The full sentence Plaintiff quotes reads: "The costs are then broken into subparts or activities such that each activity can be allocated on a statistical measure that is relevant to the service provided and the benefit received." Ex. 22, p. A-4. Additionally, the sentence preceding the sentence Plaintiff quotes in parentheses provides critical context: "MAXIMUS evaluates available statistical measurements to establish the most equitable and meaningful basis for allocating each activity within each Central Service Department. Consideration is given to determining the measurement that most appropriately demonstrates its relationship to the receiving units." Ex. 22, p. A-4. Ultimately, pages A-1 through A-6 of Exhibit 22 are an explanation of Maximus's allocation methodology, not a statement of allocation rules, and the City denies the suggestion that the statements on those pages should be interpreted as anything other than an explanation of Maximus's allocation methodology. The City denies this paragraph's remaining allegations.

264. The City's allocation of police and fire expenses to the Water and Sewer Funds has no connection to any service provided or benefit received by those Funds. There is no basis to believe that the Water and Sewer Funds "use" $60 million worth of police services and $35 million of fire services every year. In comparison, the City has over 200 full-time police officers dedicated to O'Hare Airport, yet the City charges the Water Fund more than twice the amount that the City charges O'Hare for police "services." *See* Exhibit 7 hereto at p. 12 (showing Police Department charges of $27,559,020 to O'Hare for 2022).

Answer: The City denies this paragraph's allegations, including the allegation that Exhibit 7 has information about how many police officers were dedicated to O'Hare Airport in 2022 or includes the amount alleged for police charges.

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265. Further, assuming that the allocation of **some** police and fire expense to the Water and Sewer Funds is appropriate, the City's methodology for allocating those costs is arbitrary and capricious for several reasons.

Answer: The City denies this paragraph's allegations.

266. First, the City uses inflated budget numbers for both the Police and Fire Departments in allocating a percentage of each budget to the Water and Sewer Funds. For example, the Maximus cost allocation plan for 2019 allocates a portion of purported expenses the City characterizes as "Police General" to the Water Fund. The City allocates 1.327 percent of the "Police General" expenses to the Water Fund. Thus, the higher the total "Police General" expenses, the higher the allocation of those expenses to the Water Fund. The City, through Maximus, allocates expenses from the following City departments in the following amounts:

"Emerg Mngmt & Comm 58" -- $58,705,450
"Police-Administration" -- $10,586,804
"Police-Patrol Svcs" -- $2,114,954,119
"Police-Detectives" -- $358,635,803
"Police-Organized Crime" -- $156,601,398
Total -- **$2,699,483,575** [Exhibit 22 hereto at p. C-640]

Answer: The City admits Maximus's 2019 full cost allocation contains the calculation of Police General expenses at page C-640. The City denies this paragraph's remaining allegations.

267. The City thus allocates $2.7 billion in purported annual Police Department costs to "Police General."

Answer: The City admits Maximus calculated $2,699,483.575, which is approximately $2.7 million, was to be allocated for Police-General in the 2019 full cost allocation plan Maximus. The City denies this paragraph's allegation as to other years and denies any implication that the allocation in 2019 was incorrect.

268. The City's financial statements for 2019, however, paint a very different picture.

Answer: The City denies this paragraph's allegations.

269. According to Maximus' own cost allocation plan, based on the City's financial statements, here are the City's corresponding actual costs for these same departments for 2019:

"Emerg Mngmt & Comm 58" -- $25,379,768
"Police-Administration" -- $113,679,641
"Police-Patrol Svcs" -- $1,094,154,983
"Police-Detectives" -- $194,339,632
"Police-Organized Crime" -- $85,206,499
Total -- $1,512,760,523 [Exhibit 22 at p. C-16]

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Answer: The portion of Ex. 22 cited in this paragraph makes no reference to "actual cost" but is an excerpt from the Summary of Allocated Costs. The City admits the quoted portions were taken directly from the cited section of Exhibit 22 but denies that Plaintiff has accurately characterized those cited portions' meaning and thus denies this paragraph's allegations.

270. The total costs the City stuffs into its fictitious "Police General" department are grossly inflated because (1) the City includes hundreds of millions of annual pension fund contributions in the expenses; and (2) the City "double-dips" by including certain police expenses twice in the calculation.

Answer: The City denies this paragraph's allegations.

271. The inclusion of pension fund contributions in the calculation is improper because the City already funds those contributions through dedicated tax revenues and through direct contributions from other funds, including the O'Hare Airport Fund and the Midway Airport Fund. The inclusion of the same expenses twice has the effect of charging Water and Sewer customers twice to recover the same purported cost, further increasing the overcharge.

Answer: The City denies this paragraph's allegations.

272. Further, the types of police-related costs the City includes in its allocations to the Water Fund are on their face ridiculous and unfounded. For example, the City charges Water and Sewer customers over $3.3 million per year to pay the costs of the Police Department's Organized Crime Division (approximately 2.3% of $156,601,398)—a charge that is completely untethered to reality unless the mafia had somehow infiltrated the City's water and sewer system, and this infiltration somehow necessitated the dedication of the resources of this division. But clearly, the City's Water and Sewer Department has had no need for the investigative services of the City's Organized Crime Division.

Answer: The City denies this paragraph's allegations.

273. The City imposes similar overcharges based upon fictitious and duplicative "Fire General" charges.

Answer: The City denies this paragraph's allegations.

274. In addition to the improper "indirect" cost allocations, the City also fraudulently inflates the cost allocations by **directly** charging portions of the budgets of other departments to the Water and Sewer Funds. These allocations ostensibly are intended to reflect direct services provided by those other departments to the Water and Sewer Funds. But these direct allocations, like the indirect allocations, are grossly inflated because they do not reflect the fair value of any services provided by those departments to the Water and Sewer Funds.

Answer: The City denies this paragraph's allegations.

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275. For example, the City includes the costs of **19** full time employees of the OIG in the Water and Sewer Fund budgets (12 to the Water Fund and 7 to the Sewer Fund). The total cost is **$2 million** per year, paid by W&S customers through their water and sewer rates.

Answer: Th City admits that some of its budgets include the costs of 19 employees of the OIG in the Water and Sewer Fund budgets (12 to the Water Fund; 7 to the Sewer Fund). The City denies this paragraph's remaining allegations.

276. The OIG is basically the "watchdog" for the entire City, charged with ferreting out bad behavior by the City's employees, agents and representatives. The OIG's "mission" is described as follows: "OIG's mission is to promote economy, effectiveness, efficiency, and integrity in the administration of programs and the operation of City government. OIG accomplishes its mission through investigations of misconduct, performance audits, evaluations and reviews, data analysis and visualization, and other inquiries."

Answer: The City admits this paragraph's allegations.

277. Allocation of $2 million of annual OIG costs to W&S could only be justified if the OIG actually devoted 19 full time employees to "investigations of misconduct, performance audits, evaluations and reviews, data analysis and visualization, and other inquiries" relating to the Water and Sewer Funds. But this is clearly not the case.

Answer: The City denies this paragraph's allegations.

278. The OIG issues quarterly reports detailing its activities.

Answer: The City admits the OIG issues quarterly reports. The City denies the quarterly reports fully detail the OIG's activities.

279. The OIG reports divide its activities into four categories: (1) Intakes, (2)

Investigations, (3) Public Safety, and (4) Reports and Monitoring Activity.

Answer: The City denies that all OIG reports are divided into these four categories and thus denies this paragraph's allegations.

280. Intakes are reports of misconduct by City officials and employees. The OIG typically refers intakes it deems worthy of further consideration to the affected City department.

Answer: The City admits that an intake can include the reports stated in first sentence of this paragraph. The City admits the OIG occasionally will refer an intake to a separate department. The City denies this paragraph's remaining allegations.

281. Investigations are OIG investigations into the conduct of City officers, employees, and other entities, including contractors, subcontractors, and lobbyists. "Sustained Administrative Investigations" are detailed in the reports.

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Answer: The City admits the OIG has authority pursuant to ordinance to conduct investigations into City officers, employees, and other entities, including contractors, subcontractors, and lobbyists. The City admits the OIG issues reports containing summaries of its sustained administrative investigations. The City denies this paragraph's remaining allegations.

282. The OIG's Public Safety activities consist of conducting independent, objective evaluations and reviews of Chicago Police Department, Civilian Office of Police Accountability ("COPA") and the Police Board, as well as inspections of closed disciplinary investigations conducted by COPA and the Police Department's Bureau of Internal Affairs.

Answer: The City admits that the "Public Safety" section of the OIG Quarterly Reports detail the OIG's recent efforts conducting independent, objective evaluations and reviews of CPD, COPA, and the Police Board, as well as inspections of closed disciplinary investigations conducted by COPA and CPD's Bureau of Internal Affairs. The City denies this paragraph's remaining allegations.

283. Reports and Monitoring Activity consists of (a) audits and follow-ups, (b) advisories and department notification letters, and (c) other reports and activities.

Answer: The City admits that the OIG Quarterly Reports' "Reports and Monitoring Activity" sections contain sub-sections called "Audits and Follow-Ups," "Advisories and Department Notification Letters," and "Other Reports and Activities," in addition to a sub-section called "Monitoring Employment Actions." The City denies this paragraph's remaining allegations.

284. Here are what the reports reveal about the activities of the OIG relating to Water and Sewer:

1. Fourth Quarter 2022
   A. Intakes – **1,842** received. **6** referred to Department of Water Management
   B. Investigations – **227** open investigations. **None** identified relating to Water or Sewer
   C. Public Safety – **No** activities identified relating to Water or Sewer
   D. Reports and Monitoring Activity – OIG monitored **one** "hiring sequence" of the Department of Water Management.
2. First Quarter 2023
   A. Intakes – **2,397** received. **14** referred to Department of Water Management
   B. Investigations – **231** open investigations. **One** identified as relating to Water or Sewer. A W&S employee was caught living outside of the City, in violation of residency restrictions.
   C. Public Safety – **No** activities identified relating to Water or Sewer
   D. Reports and Monitoring Activity – **No** activities identified relating to Water or Sewer.
3. Second Quarter 2023
   A. Intakes – **1,986** received. **2** referred to Department of Water Management
   B. Investigations – **242** open investigations. **None** identified as relating to Water or Sewer.
   C. Public Safety – **No** activities identified as relating to Water or Sewer

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D. Reports and Monitoring Activity – OIG monitored **2** "hiring sequences" of the Department of Water Management.

4. Third Quarter 2023
   A. Intakes – **2098** received. **None** referred to the Department of Water Management.
   B. Investigations – **249** open investigations. **One** identified as relating to Water or Sewer. Another W&S employee was caught living outside of the City, in violation of residency restrictions.
   C. Public Safety – **No** activities identified as relating to Water or Sewer.
   D. Reports and Monitoring Activity – **No** activities identified as relating to Water or Sewer.

Answer: The City denies that the four quarterly reports referenced in this paragraph accurately capture all of the OIG's functions related to City personnel and departments involved in ensuring the City's provision of water and sewer services to its customers. The City admits that the Fourth Quarter 2022 OIG Quarterly Report shows the OIG had 1,482 intakes, six of which it referred to the Department of Water Management. The City admits that the Fourth Quarter 2022 OIG Quarterly Report shows the OIG had 227 open investigations, none of which are identified as specifically relating to water or sewer operations or personnel. The City admits that in the "Public Safety" section of the Fourth Quarter 2022 OIG Quarterly Report, neither of the summaries of the two selected Public Safety reports concerned water or sewer operations or personnel. The City admits that in the "Public Safety" section of the Fourth Quarter 2022 OIG Quarterly Report, nothing in the "Review of Closed Disciplinary Investigations" sub-section, which details BIA and COPA cases, is noted as concerning any water or sewer operations or personnel. The City admits that in the "Reports and Monitoring Activity" section of the Fourth Quarter 2022 OIG Quarterly Report, one of the summaries of the three selected reports concerned water or sewer operations or personnel.

The City admits that the First Quarter 2023 OIG Quarterly Report shows the OIG had 2,397 intakes, 14 of which it referred to the Department of Water Management. The City admits that the First Quarter 2023 OIG Quarterly Report shows the OIG had 231 open investigations, one of which is identified as specifically relating to a Department of Water Management employee violating the City's residency requirement. The City admits that in the "Public Safety" section of the First Quarter 2023 OIG Quarterly Report, nothing in the summary of the selected Public Safety report concerned water or sewer operations or personnel. The City admits that in the "Public Safety" section of the First Quarter 2023 OIG Quarterly Report, nothing in the "Review of Closed Disciplinary Investigations" sub-section, which details BIA and COPA cases, is noted as concerning any water or sewer operations or personnel. The City admits that in the "Reports and Monitoring Activity" section of the First Quarter 2023 OIG Quarterly Report, none of the summaries of the two selected reports concerned water or sewer operations or personnel.

The City admits that the Second Quarter 2023 OIG Quarterly Report shows the OIG had 1,986 intakes, two of which referred to the Department of Water Management. The City admits that the Second Quarter 2023 OIG Quarterly Report shows the OIG had 242 open investigations, none of which are identified as specifically relating to water or sewer

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operations or personnel. The City admits that in the "Public Safety" section of the Second Quarter 2023 OIG Quarterly Report, none of the summaries of the three selected Public Safety reports concerned water or sewer operations or personnel. The City admits that in the "Public Safety" section of the Second Quarter 2023 OIG Quarterly Report, nothing in the "Review of Closed Disciplinary Investigations" sub-section, which details BIA and COPA cases, is noted as concerning any water or sewer operations or personnel. The City admits that the "Reports and Monitoring Activity" section of the Second Quarter 2023 OIG Quarterly Report shows that the OIG monitored two "interview sets" in the Department of Water Management.

The City admits that the Third Quarter 2023 OIG Quarterly Report shows the OIG had 2,098 intakes, none of which it referred to the Department of Water Management. The City admits that the Third Quarter 2023 OIG Quarterly Report shows the OIG had 249 open investigations, one of which is identified as specifically relating to a Department of Water Management employee violating the City's residency requirement. The City admits that in the "Public Safety" section of the Third Quarter 2023 OIG Quarterly Report, none of the summaries of the three selected Public Safety reports concerned water or sewer operations or personnel. The City admits that in the "Public Safety" section of the Third Quarter 2023 OIG Quarterly Report, nothing in the "Review of Closed Disciplinary Investigations" sub-section, which details BIA and COPA cases, is noted as concerning any water or sewer operations or personnel. The City admits that in the "Reports and Monitoring Activity" section of the Third Quarter 2023 OIG Quarterly Report, none of the summaries of the three selected reports concerned water or sewer operations or personnel.

The City denies this paragraph's remaining allegations.

285. So, to summarize, in the one-year period ending September 30, 2023, the OIG referred only **22** intakes to the Department of Water Management, identified only **2** investigations relating to water and sewer, had **zero** public safety activities involving water and sewer, and identified only **3** instances of reports and monitoring activity relating to W&S. Yet water and sewer customers paid $2 million to support the OIG.

Answer: The City denies that the four quarterly reports referenced in paragraphs 284 and 285 accurately capture all of the OIG's functions related to City personnel and departments involved in ensuring the City's provision of water and sewer services to its customers. The City admits that from the fourth quarter of 2022 to the third quarter of 2023, the OIG referred 22 intakes to the Department of Water Management and had two open investigations identified as specifically relating to Department of Water Management employees. The City admits that from the fourth quarter of 2022 to the third quarter of 2023, none of the selected Public Safety reports published in the Quarterly Reports concerned water or sewer operations or personnel, that one of the Reports and Monitoring summaries concerned water or sewer operations or personnel, and that the OIG monitored two "interview sets" in the Department of Water Management. The City denies this paragraph's remaining allegations.

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286. And it gets worse. The OIG published in January 2023 its "Audit and Program Review Section Annual Plan." The Plan identified "potential projects for the upcoming fiscal year" which were "based on OIG's prioritization criteria." The Plan shows that the OIG did not plan **any** audit or program review activities for all of 2023 relating to water and sewer. So, the City not only did not actually conduct any audits of the Water and Sewer Fund in the last year, but the City never even **planned** to conduct any such audits. Yet, 5 full time employees were supposedly dedicated to "audit and program review" of the Water and Sewer Funds.

Answer: The City denies the annual plan referenced in this paragraph accurately captures all the OIG's functions related to City personnel and departments involved in ensuring the City's provision of water and sewer services to its customers. The City admits that in January 2023 the OIG published its Audit and Program Review Section 2023 Annual Plan. The City admits that the Plan identified potential projects for the upcoming fiscal year based on OIG's prioritization criteria. The City admits that while the Plan shows that the OIG's audit and review agenda, subject to change, included an audit to determine "whether the City responds appropriately to [water-usage] overbilling cases and also [to] examine the City's management of water service disconnection for vacant properties," it did not include any audit or program review activities relating to the Water or Sewer Funds for 2023. The City denies this paragraph's remaining allegations.

287. The OIG divides its personnel into six categories: (1) Operations, (2) Legal, (3) Investigations, (4) Audit and Program Review, (5) Public Safety Audit, and (6) Information Technology and Analytics.

Total "Legal" employees -- 24

Total "Legal" employees charged to W&S – 6

Percent charged to W&S – 24%

Total "Audit and Program Review" employees – 16

Total "Audit and Program Review" employees charged to W&S – 5

Percent charged to W&S – 31% (yet no audits done)

Total "Investigations" employees – 28

Total "Investigations" employees charged to W&S – 5

Percent charged to W&S – 18% (yet only 2 investigations)

Answer: The City admits the OIG does categorize its employees into the six categories listed. The City lacks knowledge sufficient to form a belief as to the truth of the remaining allegations in this paragraph as this paragraph contains no information as to where this data originated.

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288. The fact that, effective June 2016, the City implemented a policy of annually increasing its water and sewer Rates by the rate of inflation does not mean that the Rates were reasonable "at the time of their establishment" because the Excessive Cost Allocations were already included in the City's Rates long before June 2016 – before the City's new policy went into effect. *See* Exhibit 12 hereto (City's Annual Appropriation Ordinance for 2016 at pp. 267-268 and 332-333) and Exhibit 25 hereto (Maximus cost allocation plan utilizing actual 2015 expenditures and showing Excessive Cost Allocations for Police and Fire). The City's application of an inflation factor in subsequent years merely continued the Overcharges that were already baked-into the Rates, albeit at ever increasing amounts.

Answer: The city denies the "Rates" (as used in this paragraph of the complaint) were established in 2016 and denies that the 2016 Appropriations Ordinance and the 2015 Maximus cost allocation plan establish that cost allocations that were in effect when the rates were established. The City denies this paragraph's remaining allegations.

289. The City's over-allocation of the City's purported general fund expenses is fraudulent because it has no factual basis, grossly inflates the Water and Sewer Rates imposed upon Plaintiff and the Class, and as such, necessarily renders these Rates as arbitrary, capricious and unreasonable.

Answer: The City denies this paragraph's allegations.

290. With respect to the Exorbitant Rate Claims, the City's own ordinances confirm that the City is precluded from imposing Water Rates to finance the general costs of government unrelated to providing water and sewer services. In this regard, City Ordinance Section 3-12-010 provides that "revenues of the sewer revenue fund shall be reserved and utilized exclusively for the operation, maintenance, rehabilitation or reconstruction of the sewer system of the City of Chicago." *See* Exhibit 3 hereto. Further, with respect to Water Rates and Charges, City Ordinance Section 11-12-260 provides:

> **11-12-260 Annual statement – Rate establishment.**
>
> At the close of each fiscal year, the department of water management shall prepare a statement of the revenues and expenditures of the water system of the city and a balance sheet thereof. The department shall then prepare an ordinance, for submission to the city council, establishing the rates to be charged for water service in the following year. **The fees, charges, and rates established by said ordinance shall be sufficient in all times to pay the cost of operation and maintenance of the water system, to make principal and interest payments on any outstanding bonds, and to establish and maintain any reserve funds or accounts as may be covenanted for in bond ordinances authorizing the issuance of outstanding bonds**. [Exhibit 4 hereto]

Answer: The City admits that the quoted language appears in the sources cited. The City denies that it imposed water rates for any improper purpose and denies this paragraph's remaining allegations.

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291. In *Ross v. Geneva*, 43 Ill. App. 3d 976, 357 N.E.2d 829 (1976), the Court held that a charge imposed on a municipal electric utility's customers to finance a parking garage was an unlawful exaction. The court described the nature of the contested charge as follows:

> [T]he charge made of each commercial user is, with minor variations in the formula, directly linked to the amount of electricity used by the commercial customer. The narrow question presented by this case is, therefore, whether a municipally owned utility has the authority to charge its commercial electric customers a fee, based on their electrical consumption, to be used solely for city parking facilities.

Answer: The City admits that the quoted language appears in the source cited at page 979. The City denies this paragraph's remaining allegations and denies the cited source supports Plaintiff's claims.

292. In holding that the charge was illegal, the *Ross* court relied upon a state statute, which closely mirrored the City's Ordinance Section 11-12-260. The Court found that, because the statute – like the City's Ordinance here – required the municipality to use utility charges only for utility purposes, the city there could not finance the parking garage with utility charges. The Court stated:

> The charging for services was formerly governed by section 49 -- 12 of the Revised Cities and Villages Act (Ill. Rev. Stat. 1959, ch. 24, par. 49 -- 12) which has been succeeded by section 11 -- 117 -- 2 of the Illinois Municipal Code (Ill. Rev. Stat. 1973, ch. 24, par. 11 -- 117 -- 12). Both sections contain the following language:
>
> "The *charges fixed for the product supplied or the service rendered* by any municipality *shall be sufficient at least* to bear all costs of *maintenance* and *operation*, to meet *interest charges* on the bonds and certificates issued on account thereof, and to permit the accumulation of a surplus or *sinking fund* to meet all unpaid bonds or certificate at maturity." (Emphasis added.)
>
> **We find no statutory authority whatever therein to charge fees for the creation of an isolated fund unrelated to the cost of the products supplied or the services rendered. The parking fund in this case is just such an unrelated, isolated fund.** The trial court correctly found the ordinances purporting to create it void for want of statutory authority. [Emphasis added]

Answer: The City admits that the authority cited contains substantially the same language as quoted. The City admits that the language of the statute at issue in *Ross* is similar to the language of Section 11-12-260. The City denies this paragraph's remaining allegations and denies the cited source supports Plaintiff's claims.

293. Plaintiff and the Class have been harmed by the City's practice of grossly over allocating indirect costs from the City's general fund budgets to the Water and Sewer Funds. Initially, they have necessarily paid higher Water and Sewer Charges and have been forced to

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subsidize tens of millions of dollars of general fund expenses that should be paid for through general taxation revenues. The City's practice has unjustly enriched the City at the expense of Plaintiff and the Class.

Answer: The City denies this paragraph's allegations.

THE PENSION OVERCHARGE

294. Separate and apart from the wrongdoing described in the foregoing paragraphs, the City overcharges the Water Fund and Sewer Fund tens of millions of additional dollars per year, purportedly to cover the Water Fund's and the Sewer Fund's proportionate share of the City's total annual contribution to the Municipal Employees' Annuity and Benefit Fund (the "Municipal Employees' Fund") and the Laborers' and Retirement Board Annuity and Benefit Fund (the "Laborers' Fund").

Answer: The City denies this paragraph's allegations.

295. The Pension Overcharges are included in the City's Rates on a prospective basis and the City intends to collect the revenues associated with the Pension Overcharges on an annual basis.

Answer: The City denies this paragraph's allegations.

296. In the absence of the Pension Overcharges, the City's Water and Sewer Charges could be set to generate tens of millions of dollars less in annual revenues.

Answer: The City denies this paragraph's allegations.

297. The fact that, effective June 2016, the City implemented a policy of annually increasing its water and sewer rate by the rate of inflation does not mean that the Rates were not unreasonable or discriminatory "at the time of their establishment" because the Pension Overcharges claimed in this Complaint were already included in the City's Rates as of January 2016 – before the City's new policy went into effect. *See* Exhibit 12 hereto (City's Annual Appropriation Ordinance for 2016 at pp. 24-25).

Answer: The City denies this paragraph's allegations.

298. The City's application of an inflation factor in subsequent years merely continued the Pension Overcharges that were already baked-into the Rates, albeit at ever increasing amounts.

Answer: The City denies this paragraph's allegations.

299. The Water and Sewer Funds annually transfer money to the Municipal Employees' Fund and the Laborers' Fund to cover the required annual contributions set forth in the City's budgets, which budgeted contributions greatly exceed the amounts the Water and Sewer Funds should be contributing to the Funds.

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Answer: The City admits that the Water and Sewer Funds annually transfer money to the Municipal Employees' Annuity and Benefit Fund and the Laborers' and Retirement Board Annuity and Benefit Fund to cover the funds' shares of the statutorily required annual contributions. The City denies the Water and Sewer Funds' budgeted contributions exceed the amounts the Funds should be contributing to the pension funds. The City denies this paragraph's remaining allegations.

300. This "Pension Overcharge" to the Water and Sewer Funds, which is then incorporated into the Water and Sewer Rates, is wholly independent from and imposed in addition to the wrongful and inflated cost allocations described above. The Pension Overcharge is also wholly independent from and imposed in addition to the Water and Sewer Taxes, which also finance the City's contributions to the Municipal Employees' Fund.

Answer: The City denies it overcharged the funds for their contribution to the City's pension liability and thus denies this paragraph's allegations.

301. Here, pension costs for the Municipal Employees' Fund and the Laborers' Fund are to be allocated based upon each department's percentage of the total "covered payroll" of all departments with employees in the Municipal Employee's Fund and the Laborers' Fund.

Answer: The City admits that the annual allocation of the City's Municipal Employees Fund's and Laborer's Fund's pension liability to the Water and Sewer Funds has its basis in the Funds' proportionate shares of the total covered payroll of the employees in those funds for the year at issue. The City denies this paragraph's remaining allegations.

302. For example, the City's financial statements provide that the Water Fund's allocation to the City's net pension liability should be "determined based on the rates of Water Fund salaries within each corresponding pension plan to the total budgeted salaries for 2020 and 2019." *See* Exhibit 26 hereto at pp. 42-43 (2020 Water Fund financial statement excerpts).

Answer: The City admits that the quoted language quoted appears in the source cited and admits that the source states how the Water Fund's allocation to the City's net pension liability in 2019 and 2020 should be and was determined.

303. As of December 31, 2020 and 2019, the Water Fund's proportion was 6.6% and 7.2% of the Municipal Employees plan, respectively. *See* Exhibit 26 hereto at p. 43. These percentages are used to determine the Water Fund's percentage of the total City contribution to the Plan.

Answer: The City admits that the first sentence is quoted directly from page 43 of Exhibit 26. The City admits that the percentages represent the Water Fund's percentage shares of the City's total required contribution to the Plan. The City denies this paragraph's remaining allegations.

304. For 2022, the City's budget forecasted that the total contributions to the Municipal Employees Fund to be $967,016,000. *See* Exhibit 7 hereto at p. 4.

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Answer: The City admits that, for 2022, $967,016,000 was the City's statutorily required contribution to the Municipal Employees' Annuity and Benefit Fund in 2022. The City denies this paragraph's remaining allegations.

305. In 2022, the City allocated $59,725,000 to the Water Fund (Exhibit 7 at p. 277) which represents approximately 6.2% of the **total** contributions and thus, seemingly approximates the appropriate Water Fund percentage.

Answer: The City admits that $59,725,000 was appropriated from the Water Fund for the Municipal Employees' Annuity and Benefit Fund in 2022. The City admits that $59,725,000 is approximately 6.2% of $967,016,000. The City denies this paragraph's remaining allegations.

306. However, the City's allocation is grossly excessive because it fails to consider that almost $500 Million of the $967 Million of total annual contributions to the Municipal Employees Fund is contributed from taxes (including the Water and Sewer Taxes) and employee contributions. *See* Exhibit 28 hereto at p. 25.

Answer: The City denies that Exhibit 28 contains a page 25. The City denies its allocations are grossly excessive. In particular, the City denies that the Water and Sewer Funds' allocation should be based on anything less than the City's 2022 liability to the Municipal Employees' Fund and denies this paragraph's remaining allegations.

307. Here, specifically, only $470 Million is being contributed by the City using its operating funds. Put another way, only $470 Million is being contributed from the City itself from non-tax sources—and thus, the proper amount that should be allocated among the various City funds, including the Water Fund and the Sewer Fund, for contribution to the Municipal Employees Fund is $470 Million.

Answer: The City denies this paragraph's allegations.

308. When the appropriate amount of $470 Million is used for the contribution calculation, the Water Fund's proportionate share of its contribution for 2022 is dramatically reduced. Indeed, the allocation to the Water Fund drops to just $29,177,200, instead of $59,725,000. This means that for 2022, the City's Pension Overcharge to the Water Fund exceeded $30 Million. Even if one used the 6.6% percentage set forth in the financial statements, the 2022 Pension Overcharge to the Water Fund exceeded $28 million.

Answer: The City denies this paragraph's allegations.

309. Again, the pension costs are to be allocated based upon each City fund's percentage of the total "covered payroll" of all City funds with employees in the Municipal Employees' Fund. For 2020, the total "covered payroll" of all of the applicable City funds was $1,861,905,000. The total covered payroll of the Water Fund was $123,184,000 or 6.6% of the total "covered payroll" of all applicable City funds. Therefore, the Water Fund at most should have been allocated 6.6%

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of the total contribution to the Fund **not covered by tax revenues** – *i.e.,* 6.6% of $470,600,000 or $31,059,600.

Answer: The City denies this paragraph's allegations.

310. The City's budget documents show that the City is over-allocating pension costs to enterprise and other funds (e.g., the Water Fund, Sewer Fund, Midway Fund, O'Hare Fund and the Emergency Communication Fund) in order to reduce the pension cost allocation to the City's Corporate Fund. The total covered payroll of the Corporate Fund and other funds not listed above represents over 80% of the total covered payroll of all City funds with employees in the Municipal Employees' Fund. Again, the total covered payroll of the Water Fund is just 6.6% of the total. Yet, in 2021, the City allocated just $49,773,000 of the pension costs for the Municipal Employees' Fund to the Corporate Fund, while it allocated $36,954,000 of those costs to the Water Fund. *See* Exhibit 27 hereto at p. 27.

Answer: The City denies the allegation that the Corporate Fund's allocation was the total amount that the Corporate Fund contributed to the City's statutorily-required pension liability in 2021 and denies this paragraph's remaining allegations.

311. The City's records show that between January 1, 2018 and December 31, 2022, the Pension Overcharges for the Municipal Employees' Fund to just the Water Fund total over $110 million. At least half of that amount was funded by Rates and Charges paid by water customers in the City (*i.e.,* Plaintiff and the Class).

Answer: The City this paragraph's allegations.

312. A computation of the Pension Overcharges for the Municipal Employees Fund to just the Water Fund since 2018 (assuming the Water Fund is properly charged 6.6% of the total pension charges not covered by tax revenues or employee contributions) is based upon Exhibit 28 hereto and appears below:

2018

Total City Contribution – $402,200,000
Total Contribution Funded by Taxes – $247,022,000
Total Remaining Contribution To Be Funded By All City Departments -- $155,178,000
Water Fund required 6.6% Contribution -- $10,241,748
Water Fund Actual Contribution – $24,451,000
Overcharge to Water Fund -- **$14,209,252**

2019

Total City Contribution – $471,002,000
Total Contribution Funded by Taxes -- $298,840,000
Total Remaining Contribution to be funded By All City Departments -- $172,162,000
Water Fund required 6.6% Contribution -- $11,362,692

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Water Fund Actual Contribution – $30,353,000
Overcharge to Water Fund -- **$18,990,308**

2020

Total City Contribution – $524,534,000
Total Contribution Funded By Taxes -- $341,274,000
Total Remaining Contribution to be funded by All City Departments -- $183,260,000
Water Fund required 6.6% Contribution -- $12,095,160
Water Fund Actual Contribution – $33,014,000
Overcharge to Water Fund -- **$20,918,840**

2021

Total City Contribution – $582,886,000
Total Contribution Funded by Taxes and Employee Contributions-- $415,431,000
Total Remaining Contribution to be funded by All City Departments -- $167,455,000
Water Fund required 6.6% Contribution -- $11,052,030
Water Fund Actual Contribution – $36,954,000
Overcharge to Water Fund -- **$25,901,970**

2022

Total Contribution – $967,016,000
Total Contribution Funded by Taxes and Employee Contributions -- $496,416,000
Total Remaining Contribution to be funded by All City Departments - $470,600,000
Water Fund required 6.6% Contribution -- $31,059,600
Water Fund Actual Contribution – $59,725,000
Overcharge to Water Fund -- **$28,665,400**

Answer: The City denies this paragraph's allegations.

313. These overcharges have continued through filing of this Complaint, and will continue in the future unless enjoined by this Court.

Answer: The City denies this paragraph's allegations.

314. The City also imposes additional overcharges to the Water Fund relating to the Laborers' Fund, because that Fund also is tax-supported and the City's allocations do not consider those tax revenues.

Answer: The City denies this paragraph's allegations.

315. In addition, the City imposes similar Pension Overcharges to fund contributions to both the Municipal Employees' Plan and the Laborers' Plan by the Sewer Fund. Finally, the City also includes tens of millions of dollars in unexplained "indirect" pension costs in the Water and

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Sewer Rates, further increasing the amount of the Pension Overcharge. All of those Overcharges were funded by Rates and Charges paid by sewer customers in the City.

Answer: The City this paragraph's allegations.

316. Inclusion of the Pension Overcharges (which are untethered to the actual cost of providing water and sewer service) in the Water and Sewer Rates necessarily renders these Rates arbitrary, capricious and unreasonable.

Answer: The City denies this paragraph's allegations.

317. Plaintiff and the Class have been harmed by the City's practice of including the Pension Overcharges in the Water and Sewer Rates. Plaintiff and the Class have necessarily paid higher Water and Sewer Charges and have been forced to over-subsidize the City's pension expenses. The City's practice has unjustly enriched the City at the expense of Plaintiff and the Class.

Answer: The City denies this paragraph's allegations.

318. The City's Excessive Allocations and Pension Overcharges, when incorporated into the City's Water and Sewer Rates, render these rates arbitrary, capricious, and unreasonable because the City's rates include cost components that are untethered to the customer's actual use of the water and sewer system.

Answer: The City denies this paragraph's allegations.

319. Plaintiff and the Class have been harmed by the City's Excessive Allocation and Pension Overcharge practice. Plaintiff and the Class have necessarily paid higher Water and Sewer Charges and have been forced to subsidize general fund expenses that should be paid for through general taxation revenues.

Answer: The City denies this paragraph's allegations.

320. The City has been unjustly enriched by the Excessive Cost Allocations and the Pension Overcharges because the City has been able to use those monies – hundreds of millions of dollars – to fund governmental functions and activities unrelated to providing water and sewer services. In the absence of the Excessive Cost Allocations and/or the Pension Overcharges, the City would be required to find other sources of funding for the functions and activities paid for by the revenues generated by the Excessive Cost Allocations and the Pension Overcharges. Instead, the City has impermissibly foisted those costs upon its Water and Sewer customers, including Plaintiff and the Class. Plaintiff and the Class therefore have conferred an unjust benefit upon the City and the City should not be allowed to retain that benefit.

Answer: The City denies this paragraph's allegations.

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321. Even if the City has not been unjustly enriched, Illinois law still requires the City to refund the excess monies it collected from Plaintiff and the Class. Because of the Excessive Cost Allocations and Pension Overcharges, the City has funds which in right and justice belong to Plaintiff and the Class and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate. The right to "reparations" under these circumstances was recognized by the Court in *West v. City of Batavia*, 155 Ill. App. 3d 925, 508 N.E.2d 1124 (2d Dist. 1987):

> We agree with plaintiff that a cause of action for reparations may lie against a municipally owned utility. **At common law, there existed a right to recover reparations for unreasonable charges by a utility or common carrier**. (*Terminal R.R. Association v. Public Utilities Com.* (1922), 304 Ill. 312, 317, 136 N.E. 797; *Chicago, Burlington & Quincy R.R. Co. v. Jones* (1894), 149 Ill. 361, 374.) **This action was based upon the theory that the defendant had funds which in right and justice belonged to the plaintiff and which it ought to restore because it received the funds by charging a rate in excess of the lawful rate.** (*A.L. Jones Co. v. Chicago, Milwaukee & St. Paul Ry. Co.* (1919), 213 Ill. App. 283, 288.) Although the common law right to recover reparations from a public utility has been superseded by the Public Utilities Act … that act was not intended to apply to municipally owned utilities (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 240, 126 N.E. 739, *aff'd* (1921), 257 U.S. 66, 66 L. Ed. 131, 42 S. Ct. 24). **We conclude that a cause of action for reparations may lie against Batavia based upon the operation of its utility**. [155 Ill. App. 3d at 928 (emphasis added).]

Answer: The City denies it has collected excess monies from Plaintiff or the putative class, denies it has charged an unlawfully excessive rate. The City admits that the authority cited contains substantially the same language as quoted. The City denies the cited authority supports Plaintiff's claims. The City denies the remaining allegations of this paragraph.

322. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled. By paying the Water and Sewer Rates and Charges, Plaintiff and the Class have conferred a benefit upon on the City.

Answer: The City denies this paragraph's allegations.

AFFIRMATIVE DEFENSES

First Defense: Lack of Standing

1. Plaintiff was not a City water and sewer customer prior to 2019.

2. "A challenge to standing in a civil case is an affirmative defense." *U.S. Bank, N.A. v. Kosterman*, 2015 IL App (1st) 133627, ¶ 10.

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3. The doctrine of standing requires that a party have a "real interest" in the resolution of the case. *In re Estate of Wellman*, 174 Ill. 2d 335, 344 (1996).

4. Because Plaintiff was not paying water or sewer rates before 2019, she does not have a real interest in the resolution of this case to the extent it concerns water and sewer rates for years before 2019, and therefore, does not have standing to challenge the City's water or sewer rates for years 2016, 2017 and 2018.

Second Defense: Statute of Limitations

1. The statute of limitations on Plaintiff's claims is five years.

2. Plaintiff cannot seek relief for claims prior to 2019 because she was not a City water and sewer customer prior to 2019.

3. Claims about water and sewer rates in 2016, 2017 and 2018 are now more than five years old

4. Plaintiff's claims for 2016, 2017, and 2018 are barred by the statute of limitations.

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Dated: September 9, 2025

Respectfully submitted,

Mary Richardson-Lowry, Corporation Counsel for the City of Chicago

By:

Attorney No. 90909

/s/ Susan P. Jordan
/s/ Scott M. Crouch
/s/ Sunny Tompkins Baxter

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Counsel for Defendant, City of Chicago

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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

KATHRYN FARMER, Individually, and as Representative of a Class of Similarly-Situated Persons and Entities,	)	Case No. 2021 CH 04583
Plaintiff,	)	
v.	)	
CITY OF CHICAGO, an Illinois Municipal Corporation,	)	Judge Allen Price Walker
Defendant.	)	

AFFIDAVIT PURSUANT TO 735 ILCS 5/2-610(B)

I, Susan Jordan, state as follows:

1. I am Deputy Corporation Counsel for the Revenue Litigation Division of the City of Chicago ("City") Department of Law. I represent the City in this matter and speak on its behalf in this affidavit.

2. The City's Answer to the Plaintiff's Fourth Amended Complaint ("Complaint') contains responses to several of Plaintiff's allegations that state the City lacks knowledge sufficient to admit or deny the allegations contained in the Complaint.

3. The City's statements in its Answer that it lacks knowledge sufficient to admit or deny the allegations contained in the Complaint are true.

4. Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, I certify by my signature below that the statements set forth in this instrument are true and correct, except as to matters herein stated to be on the information and belief, and as to such statements, I certify that as aforesaid I verily believe the same to be true.

Date: 9/9/25

Susan Jordan

EXHIBIT 1.D

NEW ISSUE—BOOK-ENTRY ONLY

$227,925,000
CITY OF CHICAGO
Second Lien Wastewater Transmission
Revenue Bonds, Refunding Series 2024A

DATED: Date of Delivery **Due: January 1 as shown on the inside cover page**

RATINGS	A+ (Stable Outlook) Fitch Ratings AA- (Stable Outlook) Kroll Bond Rating Agency A+ (Stable Outlook) S&P Global Ratings AA (Stable Outlook) S&P Global Ratings (Insured Bonds)
ISSUANCE	The City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2024A (the *"Bonds"*) which will be issued pursuant to a Master Indenture of Trust dated as of May 1, 2023, as supplemented by a Second Supplemental Indenture dated as of April 1, 2024 (relating to certain technical corrections) (the *"Master Indenture"*), as supplemented by a Third Supplemental Indenture dated as of April 1, 2024 (relating to the issuance of the Bonds) (together with the Master Indenture, the *"Indenture"*) from the City to Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the *"Trustee"*). See **"INTRODUCTION— Authorization."**
TAX EXEMPTION	Subject to the accuracy of certain representations and continuing compliance by the City with certain covenants, in the respective opinions of Co-Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based upon gross income. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals. Interest on the Bonds is included in computing the adjusted financial statement income of those corporations subject to the corporate alternative income tax. Interest on the Bonds is not exempt from present Illinois income taxes. See **"TAX MATTERS."**
SECURITY	The Bonds are limited obligations of the City having a claim for payment of principal and interest solely from Second Lien Bond Revenues on an equal and ratable basis with all other Second Lien Bonds that are Outstanding from time to time. The Bonds, together with any other Outstanding Second Lien Bonds, are secured by and payable from certain moneys and securities held by the Trustee under the Indenture, including but not limited to, any amounts on deposit in Second Lien Construction Accounts. The claim of the Bonds, together with any other Outstanding Second Lien Bonds, to Net Revenues Available for Bonds is junior and subordinate to the claim of the City's Outstanding Senior Lien Bonds. See **"SECURITY FOR THE BONDS."**
LIMITED OBLIGATIONS	**THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS. THE BONDS DO NOT HAVE A CLAIM FOR PAYMENT FROM ANY TAXES OF THE CITY. THE BONDS ARE NOT SECURED BY A LIEN ON OR A SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE SEWER SYSTEM. THE CITY SHALL NOT BE OBLIGATED TO PAY THE BONDS EXCEPT FROM THE REVENUES PLEDGED TO THEIR PAYMENT.**
BOND INSURANCE	The scheduled payment of principal of and interest on the Bonds maturing on January 1 of the years 2029 through 2044, inclusive (the *"Insured Bonds"*), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").
REDEMPTION	The Bonds maturing on or after January 1, 2035 are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2034 at a redemption price equal to 100% of the outstanding amount of such Bonds. The Bonds are not subject to mandatory sinking fund redemption prior to maturity. The redemption provisions are more fully described in this Official Statement. See **"DESCRIPTION OF THE BONDS—Redemption.**
PURPOSES	The City will use the proceeds from the sale of the Bonds to (i) refund certain Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City, and (ii) pay costs of issuance of the Bonds. See **"PLAN OF FINANCE."**
DENOMINATIONS	The Bonds will be issued in denominations of $5,000 or any integral multiple thereof.
INTEREST PAYMENTS	Interest on the Bonds is payable on each January 1 and July 1, with the first interest payment date being July 1, 2024.
BOOK-ENTRY FORM	The Bonds will be issuable as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (*"DTC"*). See **"DESCRIPTION OF THE BONDS—Book-Entry-Only Form"**
DELIVERY	It is expected that the Bonds will be available for delivery through the facilities of DTC on or about April 17, 2024.
CERTAIN LEGAL MATTERS	The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to delivery of separate approving legal opinions by ArentFox Schiff LLP, Chicago, Illinois, and Zuber Lawler LLP, Chicago, Illinois, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the City by (i) its Corporation Counsel, and (ii) in connection with the preparation of this Official Statement, Charity & Associates, P.C., Chicago, Illinois, and BurgherGray LLP, Chicago, Illinois, Co-Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Katten Muchin Rosenman LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois. See **"CERTAIN LEGAL MATTERS."**

Loop Capital Markets **BofA Securities**

Blaylock Van, LLC **Cabrera Capital Markets LLC** **Estrada Hinojosa** **San Blas Securities**

Dated: April 4, 2024

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

$227,925,000
Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2024A

Maturity (January 1)	Principal Amount ($)	Interest Rate	Price	Yield	CUSIP†
2025	9,730,000	5.000%	100.968	3.590%	167727 G59
2026	6,875,000	5.000	102.657	3.380	167727 G67
2027	7,225,000	5.000	104.519	3.240	167727G75
2028	7,600,000	5.000	106.598	3.100	167727 G83
2029	7,985,000	5.000	108.849	2.970	167727 G91
2030	8,395,000	5.000	110.467	2.990	167727 H25
2031	8,830,000	5.000	112.126	2.990	167727 H33
2032	9,285,000	5.000	113.296	3.050	167727 H41
2033	9,760,000	5.000	114.559	3.080	167727 H58
2034	10,265,000	5.000	115.724	3.110	167727 H66
2035	10,790,000	5.000	115.091C	3.180	167727 H74
2036	11,350,000	5.000	114.462C	3.250	167727 H82
2037	11,930,000	5.000	113.748C	3.330	167727 H90
2038	17,545,000	5.000	112.686C	3.450	167727 J23
2039	13,240,000	5.000	111.986C	3.530	167727 J31
2040	13,915,000	5.000	110.686C	3.680	167727 J49
2041	14,635,000	5.000	109.658C	3.800	167727 J56
2042	15,385,000	5.000	109.234C	3.850	167727 J64
2043	16,175,000	5.000	108.727C	3.910	167727 J72
2044	17,010,000	5.000	108.307C	3.960	167727 J80

C – Priced to the first call date.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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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 reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This 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, contains certain opinions, estimates and forward-looking statements and information 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.

Build America Mutual Assurance Company ("Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under the heading "BOND INSURANCE" and "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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 and forward-looking statements contained herein. The City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Official Statement, including any estimates, disclaim any association with such prospective financial information, and have not, nor have any other independent auditors, expressed any opinion or any other form of assurance on such information or its achievability.

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

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

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OFFICIAL STATEMENT

$227,925,000
CITY OF CHICAGO
Second Lien Wastewater Transmission
Revenue Bonds, Refunding Series 2024A

INTRODUCTION

This Official Statement, including the cover page, inside cover pages, and the Appendices, sets forth certain information in connection with the sale of $227,925,000 Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2024A (the "Bonds"), of the City of Chicago (the "City"), which are to be issued pursuant to the Bond Ordinance (defined herein). All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings provided in APPENDIX A—"GLOSSARY OF CERTAIN TERMS." Certain information regarding the Bonds appears on the cover and in this Introduction section for ease of reference. Any prospective investor should read this Official Statement in its entirety before making an investment decision.

Purposes

The proceeds from the sale of the Bonds will be used to (i) refund certain Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City, and (ii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE."

Authorization

The Bonds are being issued pursuant to the constitutional home rule powers of the City. The Bonds were authorized under an ordinance adopted by the City Council on January 24, 2024 (the "Bond Ordinance"). The Bonds are being issued pursuant to a Master Indenture of Trust dated as of May 1, 2023, as supplemented by a Second Supplemental Indenture dated as of April 1, 2024 (relating to certain technical corrections) (the "*Master Indenture*"), as supplemented by a Third Supplemental Indenture dated as of April 1, 2024 (relating to the issuance of the Bonds) (together with the Master Indenture, the "Indenture") from the City to Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "*Trustee*").

Security for the Bonds

The Bonds are limited obligations of the City having a claim for payment of principal and interest solely from the Second Lien Bond Revenues derived by the City from its ownership and operation of the Sewer System, all on an equal and ratable basis with any other Second Lien Bonds, including those that were issued prior to the effectuation of the Indenture and remain outstanding. The Bonds are secured by and payable from certain moneys and securities held by the Trustee under the Indenture. The Bonds, together with any other Second Lien Bonds, are also secured by and payable from any amounts on deposit in the Second Lien Construction Accounts. The claim of the Bonds to the Net Revenues Available for Bonds is junior and subordinate to the claim of the City's Senior Lien Bonds. See "SECURITY FOR THE BONDS — General" and "— Flow of Funds," "OUTSTANDING DEBT AND ANNUAL DEBT SERVICE" and APPENDIX B — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Source of Payment; Pledge of Second Lien Bond Revenues."

THE BONDS ARE NOT SECURED BY A LIEN ON OR SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE SEWER SYSTEM. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR

STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS, AND NEITHER THE FULL FAITH AND CREDIT NOR TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION OF THE STATE OF ILLINOIS IS PLEDGED TO THE PAYMENT OF THE BONDS.

Bond Insurance

Concurrently with the issuance of the Bonds maturing on January 1 of the years 2029 through 2044, inclusive (the "*Insured Bonds*"), BAM will issue the Policy for the Insured Bonds. The Policy guarantees scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement. For additional information on the Insurer and the Policy, see "BOND INSURANCE" and APPENDIX H — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Redemption

The Bonds are subject to redemption prior to maturity as described under the caption "DESCRIPTION OF THE BONDS – Redemption."

Rate Covenant

As more specifically described in the Indenture, the City covenants that it will establish, maintain and collect at all times fees, charges and rates for the use and service of the Sewer System sufficient at all times to

(a) pay Operation and Maintenance Costs,

(b) for Senior Lien Bonds, produce Net Revenues Available for Bonds sufficient in each Fiscal Year at least equal to one hundred fifteen percent (115%) of the sum required to pay promptly when due the Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding, and to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Senior Lien Bonds then Outstanding from time to time and to establish and maintain the Bond Principal and Interest Account and the Bond Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, and

(c) for Second Lien Bonds, produce Second Lien Bond Revenues sufficient in each Fiscal Year at least be equal to one hundred ten percent (110%) of the sum required to pay promptly when due the Second Lien Bonds Debt Service Requirement for the Fiscal Year on Second Lien Bonds, and to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Second Lien Bonds then Outstanding from time to time.

(d) The amount of Net Revenues Available for Bonds that exceeds one hundred percent (100%) of the sum required to pay promptly when due the Bond Debt Service Requirement for any Fiscal Year on all Senior Lien Bonds Outstanding may be included in determining compliance with the requirements of clauses (b) and (c) above for such Fiscal Year.

The foregoing covenants are collectively referred to herein as the "Rate Covenant." See "SECURITY FOR THE BONDS — Rate Covenant," "FINANCIAL OPERATIONS — Annual Budget Review and Implementation of Annual Budget", and APPENDIX B — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Additional Second Lien Parity Bonds."

The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the Rate Covenant. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the Rate Covenant, the City shall prepare or will have prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the Rate Covenant and the Office of Budget and Management of the City and the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant.

City of Chicago Sewer System

The City's wastewater transmission system (the "Sewer System") consists of approximately 4,400 miles of sewer mains, more than 350,000 sewer structures, and a service area of roughly 230 square miles inhabited by approximately 2.67 million people. The City's Department of Water Management (the "Department") does not operate any sewage treatment facilities. The Sewer System collects and transmits wastewater to the interceptors and treatment facilities of an independent governmental body, the Metropolitan Water Reclamation District of Greater Chicago (the "Water Reclamation District"). See "DEPARTMENT OF WATER MANAGEMENT" and "SEWER SYSTEM."

Sewer System Rates

The City Council has authority to make adjustments to sewer service rates. No regulation by any administrative agency applies to the Sewer System rates. Under certain conditions, the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant. See "SECURITY FOR THE BONDS – Rate Covenant."

The Sewer System rates for all accounts located within the City are a percentage of the Water System rates. Metered water rates are based on a dollar rate per thousand cubic feet. The assessment of non-metered users is based on a formula related to the size of the relevant property and other use-related factors. Because the Sewer System rates are calculated as a percentage of the Water System rates, Sewer System rates also increase when Water System rates increase. Annual Water System rates are required to be increased, pursuant to the Municipal Code, by applying to the previous year's rates the rate of inflation, calculated based on the Consumer Price Index – Urban Wage Earners and Clerical Workers (Chicago All Items) published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1 up to a maximum increase of 5%. Such increases do not require further action by the City Council, but the City Council may take action at any time to alter the then-current schedule of water rates. Under certain conditions, the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant. See "FINANCIAL OPERATIONS – Sewer Service Rates."

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PLAN OF FINANCE

Estimated Sources and Uses of Funds

The following table sets forth the estimated application of the proceeds of the Bonds:

Source of Funds	
Principal Amount of Bonds	$227,925,000.00
Net Original Issue Premium	23,898,651.05
Other Available Bonds Funds	7,273.03
Total Sources of Funds	$251,830,924.08
Use of Funds	
Deposit for Refunding	$249,285,562.75
Costs of Issuance (including Underwriters' discount and bond insurance premium)	2,545,361.33
Total Uses of Funds	$251,830,924.08

Refunding of Refunded Bonds

The proceeds from the sale of the Bonds will be used to (i) refund certain of the Outstanding Series 2012 Second Lien Bonds (the "Series 2012 Refunded Bonds") and certain of the Outstanding Series 2014 Second Lien Bonds (the "Series 2014 Refunded Bonds," and together with the Series 2012 Refunded Bonds, the "Refunded Bonds"), and (ii) pay costs of issuance of the Bonds. See APPENDIX G – "THE REFUNDED BONDS."

In order to provide for the refunding of the Refunded Bonds, the City will use the net proceeds of the Bonds in such amounts sufficient to pay the principal of and accrued interest on the Refunded Bonds to and including the redemption date (which is anticipated to be no more than 90 days after the delivery date of the Bonds). The amounts described in the preceding sentence will be used to purchase Defeasance Obligations to be held in separate escrow trust accounts (the "*Escrow Accounts*") established pursuant to an Escrow Agreement (relating to the Series 2012 Refunded Bonds) and an Escrow Agreement (relating to the Series 2014 Refunded Bonds), each by and between the City and Amalgamated Bank of Chicago, for the respective benefit of the holders of the Refunded Bonds. From and after the funding of the Escrow Accounts, the Refunded Bonds shall be deemed paid and the pledge, assignment and lien of the Indenture shall be discharged and satisfied with respect to such Refunded Bonds. Holders of the Bonds will have no claim to the Escrow Accounts.

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DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of their delivery and will bear interest from that date until paid, payable semiannually on each January 1 and July 1, commencing July 1, 2024. The Bonds will bear interest at the rates per year, and mature in the principal amounts on January 1 in each year, as set forth on the inside cover page of this Official Statement. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Bonds are subject to redemption prior to maturity, as described below under the heading "—Redemption."

Principal of and interest on the Bonds will be paid by the Trustee. If any payment on any Bond is due on a day other than a Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

The Bonds initially will be issued through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC").

Redemption

Optional Redemption.

The Bonds maturing on or after January 1, 2035 are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2034 (and if in part, in such principal amounts as the City shall determine and to be selected by lot in such manner as may be designated by the Trustee) at a redemption price equal to the outstanding principal amount of such Bond, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption.

The Bonds are not subject to mandatory sinking fund redemption prior to maturity.

General Redemption Procedures.

The Bonds may be called for redemption by the Trustee upon receipt by the Trustee at least 45 days prior to the redemption date (or such shorter period as shall be acceptable to the Trustee) of a written request of the City requesting such redemption. Term Bonds shall be called for redemption by the Trustee without further request or direction from the City or any other party.

Unless waived by any owner of Bonds to be redeemed, notice of the call for any optional redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 45 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Bond to be redeemed shall not affect the validity of the proceedings for the redemption of any other Bond to be redeemed. Any notice of redemption mailed as provided herein shall be conclusively presumed to have been given whether or not actually received by the addressee.

All notices of redemption shall specify, at a minimum: (i) the series name and designation and certificate numbers of Bonds being redeemed, (ii) the CUSIP numbers of the Bonds being redeemed, (iii) the principal amount of the Bonds being redeemed and the redeemed amount for each certificate (for partial calls), (iv) the redemption date, (v) the redemption price, (vi) the date of issuance of the Bonds being redeemed, (vii) the interest rate and maturity date of the Bonds being redeemed, (viii) the date of mailing of notices to Registered Owners and information services (if required), and (ix) the name of the employee of the Trustee who may be contacted

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

Notice of redemption having been given as aforesaid, the Bonds, or portions thereof, so to be redeemed shall, on the redemption date (unless the redemption has been canceled), become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal. If any Bond, or portion thereof, called for redemption shall not be so paid upon surrender for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by such Bond, or portion thereof, so called for redemption.

Selection of Bonds for Redemption.

If fewer than all the Bonds of the same interest rate and maturity are to be redeemed, the aggregate principal amount thereof to be redeemed shall be in an Authorized Denomination, and the Trustee shall assign to each Bond of such interest rate and maturity a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such Bonds to be redeemed. The 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 Bond shall be redeemed as shall equal such minimum Authorized Denomination for each number assigned to it and so selected. For purposes of any redemption of fewer than all of the outstanding Bonds of a single interest rate and maturity, the particular Bonds or portions thereof to be redeemed shall be selected not more than 60 days prior to the redemption date by the Trustee.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond while in the book-entry only system, see "—Book-Entry Only System" below. Subject to the limitations described below, the Bonds are transferable upon surrender thereof at the Principal Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's authorized agent duly authorized in writing. Any Bond, upon surrender of such Bond at the Principal Office of the Trustee together with an assignment executed by the Bondholder or its duly authorized agent, may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of any Authorized Denomination bearing interest at the same interest rate and maturity as the Bond being surrendered. The Trustee may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Bond.

Book-Entry Only Form

A full description of the Book-Entry Only Form and of DTC is contained in APPENDI C – "BOOK-ENTRY ONLY SYSTEM."

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, in the aggregate principal amount of such maturity, and will be deposited with DTC.

Details of payments of the Bonds when in the book-entry form and the book-entry only system are described in APPENDIX C – "BOOK ENTRY ONLY SYSTEM". Except as described in APPENDIX C, 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 Owners thereof. Accordingly, each beneficial owner must rely upon (i) the procedures of DTC and, if such beneficial owner is not a "DTC Participant" (as defined below), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal of and interest on the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner's Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered Owner of the Bonds, references herein to Bondholders or Owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds. See APPENDIX C – "BOOK ENTRY ONLY SYSTEM".

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

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, certificates for the Bonds will be printed and delivered to DTC.

General Provisions of the Bonds When Not in Book-Entry Only System

The Owners of the Bonds have no right to the appointment or retention of a securities depository for the Bonds. If (i) the City determines, or (ii) the City receives notice that the securities depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Bonds of a given series, that the securities depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Bond certificates for such series. The City shall have no obligation to make any determination described in this paragraph.

If, following a determination or event specified in the preceding paragraph, the City discontinues the maintenance of the Bonds in book-entry form with the then-current securities depository, the City will issue replacement Bonds to the replacement securities depository, if any, or, if no replacement securities depository is selected for the Bonds, directly to the Participants as shown on the records of the former securities depository or, to the extent requested by any Participant, to the beneficial owners of the Bonds shown on the records of such Participant. The City and the Trustee may conclusively rely upon (i) a certificate of the securities depository as to the identity of the participants in the book-entry system and (ii) a certificate of such participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the beneficial owners. Replacement Bonds shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of the Bonds by check mailed to each Owner at the address of such Owner as it appears on the Bond Register or at the option of any Owner of not less than $1,000,000 principal amount of Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Owner as of such Record Date, if such Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Bonds, are payable only upon presentation and surrender of such replacement Bond or Bonds at the designated corporate trust office of the Trustee.

SECURITY FOR THE BONDS

General

As described below, the Bonds, together with the Outstanding Second Lien Bonds, including those issued and outstanding prior to the effective date of the Indenture and any Second Lien Parity Bonds issued from time to time in the future (which are expected to be issued under the Indenture), are secured by a pledge of Second Lien Bond Revenues that are derived from the Net Revenues Available for Bonds (as defined below) in the City's Sewer Revenue Fund, which claim is junior and subordinate to the claim of the Outstanding Senior Lien Bonds and any Senior Lien Parity Bonds. See "Flow of Funds —4. The Second Lien Bonds Account," below. In the Indenture, other than the Outstanding Senior Lien Bonds, the City covenants and agrees not to issue any additional Senior Lien Parity Bonds (other than solely for refunding purposes).

"Net Revenues Available for Bonds" means that portion of the Net Revenues remaining in any period, minus any amounts deposited during that period in the Sewer Rate Stabilization Account plus the amounts allocated from the Sewer Rate Stabilization Account as provided in the Indenture plus the amounts allocated from the Residual Account at the direction of the Chief Financial Officer as provided in the Indenture. "Net Revenues" means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs. The terms "Gross Revenues" and "Operation and Maintenance Costs" have the meanings set forth in APPENDIX A—"GLOSSARY OF CERTAIN TERMS."

The Bonds are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations as to indebtedness. The Bonds have no claim to be paid from taxes of the City.

Pledge of Second Lien Bond Revenues

The Bonds are payable on a parity basis as to Second Lien Bond Revenues with all other Outstanding Second Lien Bonds, including those issued and outstanding prior to the effective date of the Indenture and any Second Lien Parity Bonds issued from time to time in the future (which are expected to be issued under the Indenture). Second Lien Bond Revenues consist of all Net Revenues Available for Bonds deposited into the Second Lien Bonds Account pursuant to the Bond Ordinance and the ordinances authorizing each prior series of Outstanding Second Lien Bonds and each series of Outstanding Second Lien Parity Bonds. On the Business Day immediately preceding each January 1 and July 1, the Authorized Officer is required to transfer to the Trustee for deposit into the Second Lien Bonds Account the amounts required by the Indenture and any ordinance authorizing the issuance of Second Lien Bonds. Pursuant to the Indenture and the prior respective indentures governing Second Lien Bonds issued prior to the effective date of the Indenture, such Second Lien Bond Revenues are pledged to the payment of the principal of and interest on the Bonds and all other Outstanding Second Lien Bonds, without priority or distinction of one series of Second Lien Bonds over any other series of Second Lien Bonds. See "Flow of Funds —4. The Second Lien Bonds Account," below.

Pledge of Amounts in Second Lien Construction Accounts

The Bonds, together with any other Outstanding Second Lien Bonds, are also secured by and payable from any amounts on deposit in the Second Lien Construction Accounts.

Flow of Funds

The City maintains the Sewer Revenue Fund as a separate fund of the City to, among other things, carry out the provisions of the ordinances authorizing the Senior Lien Bonds, the Second Lien Bonds, any Subordinate Lien Obligations, any Commercial Paper Notes or any Line of Credit Notes. All Gross Revenues of the Sewer System are credited as they are collected to the Sewer Revenue Fund, which is held by a depository bank which

is currently not the depository for the City's General Fund. The Sewer Revenue Fund is separate, distinct and segregated from the City's General Fund and is not encumbered by any liens, claims, security interests or obligations of the City relating to its General Fund. Net Revenues Available for Bonds are required by ordinance to be deposited in the following accounts in the following order of priority:

1. **The Bond Principal and Interest Account** is used to pay principal of, redemption premium, if any, and interest on the Outstanding Senior Lien Bonds and amounts owed on Interest Rate Hedge Agreements for Outstanding Senior Lien Bonds. At least 10 days before each date that debt service payments are due with respect to Senior Lien Bonds, sufficient amounts to make such payments shall be deposited into this Account.

2. **The Bond Debt Service Reserve Account** is used to pay principal of, redemption premium, if any, and interest on the Outstanding Senior Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Bond Principal and Interest Account (after any available amounts in the Sewer Rate Stabilization Account and the Residual Account have first been applied to that purpose, excluding amounts in excess of the Bond Debt Service Reserve Requirement for Outstanding Senior Lien Bonds), except to the extent required to be credited to the Senior Lien Rebate Account.

3. **The Senior Lien Rebate Account** is used to make required rebates of arbitrage to the United States with respect to any Senior Lien Bonds.

4. **The Second Lien Bonds Account** is used to pay the principal of and interest on the Bonds and any other Outstanding Second Lien Bonds. The City also is required to make deposits in the Second Lien Bonds Account to meet other payment obligations under the Indenture and any ordinance or indenture authorizing Outstanding Second Lien Bonds. The City will make debt service and other deposits as required by the Indenture and by any ordinance or indenture authorizing Outstanding Second Lien Bonds. Moneys deposited in the Second Lien Bonds Account shall be transferred by the Authorized Officer on the date so deposited to the Trustee and the trustee or paying agent for each series of Second Lien Bonds in order to satisfy the debt service and other payment obligations, including with respect to Interest Rate Hedge Agreements, under the Indenture and any ordinance or indenture authorizing such Outstanding Second Lien Bonds. Moneys on deposit in the Second Lien Bonds Account shall be applied without priority as to any particular series of Outstanding Second Lien Bonds.

The City has established Debt Service Reserve Accounts for certain Series of Outstanding Second Lien Bonds. Each Debt Service Reserve Account secures only the Series of Outstanding Second Lien Bonds for which it was established. The Second Lien Bonds Debt Service Reserve Requirement for certain Series of Outstanding Second Lien Bonds is or will be met by separate municipal bond debt service reserve fund policies and by cash deposits.

5. **The Second Lien Bonds Debt Service Reserve Account** is used to pay principal of, redemption premium, if any, and interest on the Outstanding Second Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Second Lien Bonds Account (after any available amounts in the Sewer Rate Stabilization Account and the Residual Account have first been applied to that purpose, excluding amounts in excess of the Second Lien Bonds Debt Service Reserve Requirement for Outstanding Second Lien Bonds), except to the extent required to be credited to the Second Lien Rebate Account. The Second Lien Bonds Debt Service Reserve Requirement for the Bonds is $0.00.

6. **The Second Lien Rebate Account** is used to make required rebates of arbitrage to the United States with respect to any Second Lien Bonds.

7. **The Subordinate Lien Obligations Account** is used to make debt service payments and other required deposits with respect to any outstanding Subordinate Lien Obligations. As of the date of this Official Statement, the only Subordinate Lien Obligations outstanding are certain loans to the City made by the Illinois Environmental Protection Agency ("IEPA"). See "OUTSTANDING DEBT AND ANNUAL DEBT SERVICE–Subordinate Lien Obligations." The City is obligated to make required debt service and other deposits in the Subordinate Lien Obligations Account on the Business Day immediately preceding each January 1 and July 1. Moneys on deposit in the Subordinate Lien Obligations Account shall be applied without priority to any subaccounts established in the Subordinate Lien Obligations Account, as directed by a certificate of the Authorized Officer.

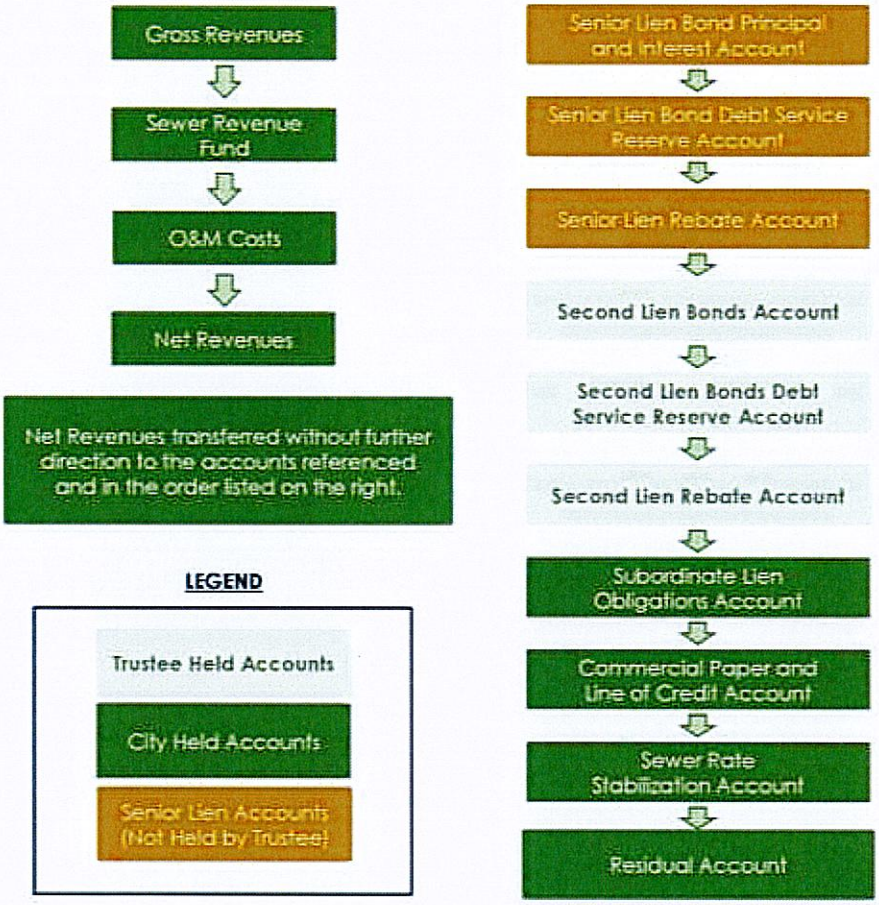
8. **The Commercial Paper and Line of Credit Account** is used for the purpose of paying such amounts as may be required to be paid by the related trust indentures governing Commercial Paper Notes, and for the purpose of paying such amounts as may be required to be paid by the related line of credit agreement governing such Line of Credit Notes.

9. **The Sewer Rate Stabilization Account** is funded by transfers from the Sewer Revenue Fund from Net Revenues and deposited to the credit of the Sewer Rate Stabilization Account the amounts as shall be required for the balance in the Sewer Rate Stabilization Account to equal at least ninety (90) Days' Cash On Hand as of January 1 of each year. The Sewer Rate Stabilization Account is used at the City's discretion, in any year, to pay any expenses of or obligations of the Sewer System, including, without limitation, Operation and Maintenance Costs, deposits in the Bond Principal and Interest Account, deposits in the Bond Debt Service Reserve Account, deposits when due in the Second Lien Bonds Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account and the Bond Debt Service Reserve Account), deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account or the Second Lien Bonds Account), deposits when due in the Commercial Paper and Line of Credit Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Second Lien Bonds Account, or the Subordinate Lien Obligations Account), the costs of any Interest Rate Hedge Agreements or other similar arrangement or any costs of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System. The Sewer Rate Stabilization Account must be used to make all required deposits to the Bond Principal and Interest Account and the Bond Debt Service Reserve Account when no other funds are available for that purpose. Any Net Revenues remaining in any period and not required to be deposited in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, or the Commercial Paper and Line of Credit Account may be transferred to the Sewer Rate Stabilization Account at any time upon the direction of the Authorized Officer. The Sewer Rate Stabilization Account shall be maintained in a separate bank account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. For more information concerning the Sewer Rate Stabilization Account, see "FINANCIAL OPERATIONS — Historical and Projected Operations."

10. **The Residual Account** is funded by transfers from the Sewer Revenue Fund from Net Revenues Available for Bonds and deposited to the credit of the Residual Account such amounts as are not otherwise required for the purposes specified in paragraphs (1) through (9) above or as required by the Indenture. The Residual Account shall be maintained in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. In any year the City may withdraw any amounts from the Residual Account and use those amounts for (i) paying any expenses or obligations of the Sewer System, including, without limitation, any Operation and Maintenance Costs, (ii) making deposits when due in the accounts described under Flow of Funds (but only if and to the extent no amounts are required to be deposited in an account with a higher priority in the Flow of Funds), (iii) any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System or (iv)) any other

cost or expense relating to the Sewer System or the financing or refinancing of the Sewer System. The Chief Financial Officer may allocate from the Residual Account to Net Revenues Available for Bonds, the amount determined by the CFO of the City of Chicago to be allocated for such purpose.

The following chart demonstrates the flow of funds from the Sewer Revenue Fund as described above.



Any funds available in the Sewer Revenue Fund after the requirements above have been satisfied or which are not necessary to satisfy such requirements may be used for any lawful purpose of the Sewer System.

The Series 2010B Second Lien Bonds are qualified "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), which allows the City to receive Federal Subsidies from the United States Treasury in connection with such bonds. As provided in the Indenture, Gross Revenues exclude Federal Subsidies unless the Chief Financial Officer designates such Federal Subsidies as amounts to be deposited into the Sewer Revenue Fund and subject to the lien of the Indenture. The City may designate the Federal Subsidies associated with the Series 2010B Second Lien Bonds to be deposited into the Sewer Revenue Fund and subject to the lien of the Indenture and provides certain projections herein assuming such designation. However, such designation has not been made and there is no assurance that such designation will be made in the future. Accordingly, unless or until such Federal Subsidies are designated to be deposited into the Sewer Revenue Fund and subject to the lien of the Indenture, such Federal Subsidies do not constitute security for, and are not available for payment of, the Bonds or any other Second Lien Bonds, nor any Senior Lien Bonds, Subordinate Lien Obligations, or Short Term Obligations.

Payment of Debt Service on the Bonds

The Indenture establishes the 2024 Second Lien Bonds Revenue Fund to be held and administered by the Trustee. Under the Indenture, the Authorized Officer is required on the Business Day preceding each January 1 and July 1 to transfer to the Trustee for deposit in the 2024 Second Lien Bonds Revenue Fund the amounts required to be deposited in such 2024 Second Lien Bonds Revenue Fund from amounts on deposit in the Second Lien Bonds Account. The Indenture establishes a 2024 Principal and Interest Account within the 2024 Second Lien Bonds Revenue Fund. Moneys on deposit in the 2024 Principal and Interest Account will be held by the Trustee for the sole and exclusive benefit of the Bonds and used for the purpose of paying the principal of and interest on such Bonds as it becomes due.

Rate Covenant

In the Indenture, the City covenants that it will establish, maintain and collect at all times fees, charges and rates for the use and service of the Sewer System sufficient at all times to

(a) pay Operation and Maintenance Costs,

(b) produce Net Revenues Available for Bonds sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Senior Lien Bonds then Outstanding from time to time and to establish and maintain the Bond Principal and Interest Account and the Bond Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall in each Fiscal Year at least equal to one hundred fifteen percent of the sum required to pay promptly when due the Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding, and

(c) produce Second Lien Bond Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Second Lien Bonds then Outstanding from time to time, which Second Lien Bond Revenues shall in each Fiscal Year at least be equal to one hundred ten percent of the sum required to pay promptly when due the Second Lien Bonds Debt Service Requirement for the Fiscal Year on Second Lien Bonds.

The amount of Net Revenues Available for Bonds that exceeds one hundred percent of the sum required to pay promptly when due the Bond Debt Service Requirement for any Fiscal Year on all Senior Lien Bonds Outstanding may be included in determining compliance with the requirements of clauses (b) and (c) of the preceding sentence for such Fiscal Year. The foregoing covenants are collectively referred to herein and heretofore defined as the "Rate Covenant."

The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the Rate Covenant. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the Rate Covenant, the City shall prepare or have prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the Rate Covenant and the Office of Budget and Management of the City and the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant.

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Additional Bonds

Additional Second Lien Parity Bonds may be issued, as provided in the Indenture, for any lawful purpose of the Sewer System, including to refund Outstanding Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, Commercial Paper Notes, or Line of Credit Notes, in each case upon compliance with certain conditions set forth in the Indenture. See APPENDIX B — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Additional Second Lien Parity Bonds." In the Indenture, other than the Outstanding Senior Lien Bonds, the City covenants and agrees not to issue any additional Senior Lien Parity Bonds (other than solely for refunding purposes).

Additional Information

For an additional description of the requirements that must be satisfied for the City to issue Second Lien Parity Bonds and other terms of the Indenture, see APPENDIX B — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Deficiencies and Excesses

In the event of a deficiency on any Interest Payment Date in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, the Second Lien Rebate Account, the Subordinate Lien Obligations Account or the Commercial Paper and Line of Credit Account, the City shall transfer an amount from the Residual Account in the amount of such deficiency for deposit into the related deficient account. In addition, the amount of any deficiency shall be included in the amount to be transferred from the Sewer Revenue Fund and deposited into such account during the next 12-month period or succeeding Fiscal Year, as required by this Indenture.

Cash and Investments

Any cash or investments in the Bond Debt Service Reserve Account and Senior Lien Rebate Account shall be held pursuant to depository agreements in separate bank accounts and in separately identifiable investments as described below under the heading "—Investment of Funds." The remainder of all amounts in the Sewer Revenue Fund, including amounts for payment of debt service on the Bonds and any Senior Lien Parity Bonds and Second Lien Parity Bonds prior to their deposit in the Bond Principal and Interest Account or the Second Lien Bonds Account, is deposited in segregated bank accounts. Since 2019, the City has maintained all cash and investments of the Sewer Fund in separate bank accounts from the City's general accounts, including those of the Corporate Fund of the City. Gross Revenues of the Sewer System are deposited directly in the segregated accounts after they are allocated from the Unified Bill (as defined in Financial Operations, Collections and Delinquencies). As part of the Financial Policies, the City intends to continue maintaining all cash and investment of the Sewer Fund in segregated bank accounts.

The investment of City funds is governed by the City's Municipal Code, which provides that neither the City Comptroller nor the City Treasurer has the authority, without City Council approval, to "... (i) invest in arrangements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities or (ii) borrow against or otherwise obligate City investments for the purpose of investment." See APPENDIX D—"CITY OF CHICAGO, ILLINOIS SEWER FUND BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021, AND INDEPENDENT AUDITORS' REPORT—Notes (1) and (2)." In the Bond Ordinance, the City Council granted such approval in connection with the plan of financing for the Bonds. In accordance with the requirements of the Public Funds Investment Act enacted by the State, the City Council has authorized the City Treasurer to adopt a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the Office of the City Treasurer in the investment of City funds in accordance with the Municipal Code.

Investment of Funds

Funds in the Accounts established under the Indenture and part of the Sewer Revenue Fund as described above under the heading "Flow of Funds", are required to be invested in Permitted Investments upon the direction of the Authorized Officer. All amounts in the Bond Debt Service Reserve Account and each Senior Lien Rebate Account must be invested in Permitted Investments that are held separate and distinct from those of any other Funds or Accounts. Investments must be scheduled to mature before needed for the respective purposes of each of such accounts. All Investment Earnings on any such accounts so invested are credited to the Sewer Revenue Fund and are considered Gross Revenues; provided, however, that earnings on the investment of amounts on deposit in the Senior Lien Rebate Accounts shall not be Investment Earnings, shall not be considered Gross Revenues, and will be retained in the respective Senior Lien Rebate Accounts, except to the extent no longer required for rebate purposes.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Insured Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Insured Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the

terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $500.0 million, $230.7 million and $269.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OUTSTANDING SENIOR LIEN BONDS AND SECOND LIEN BONDS

The following table reflects the Outstanding Senior Lien Bonds and Outstanding Second Lien Bonds after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds. The outstanding indebtedness of the Sewer System consists of $16.4 million aggregate principal amount of Outstanding Senior Lien Bonds and, after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds, approximately $1.54 billion aggregate principal amount of Outstanding Second Lien Bonds. The City has covenanted in the Indenture that it will not issue additional Senior Lien Bonds (other than for refunding purposes), which covenant will continue to remain effective once there are no longer any Senior Lien Bonds outstanding.

Series	Final Maturity Date	New Money Bonds Issued [1]	Refunding Bonds Issued [1]	Principal Amount Outstanding [2]
Senior Lien				
1998A	1/1/2028	-	$62,423,423	$16,401,899
Subtotal			$62,423,423	$16,401,899
Second Lien				
2001	1/1/2030	-	$73,100,000	$36,765,000
2008C	1/1/2039	-	332,230,000	178,135,000
2010B (Taxable)	1/1/2040	$250,000,000	-	250,000,000
2012[2]	1/1/2038	276,470,000	-	-
2014[2]	1/1/2044	292,405,000	-	-
2015 (Taxable)	1/1/2039	87,080,000	-	69,260,000
2017A	1/1/2052	180,590,000	-	168,135,000
2017B	1/1/2038	-	215,485,000	153,340,000
2023A	1/1/2062	260,105,000	-	260,105,000
2023B	1/1/2039	-	192,470,000	192,470,000
2024A	1/1/2044	-	227,925,000	227,925,000
Subtotal		$1,346,650,000	$1,041,210,000	$1,536,135,000
Total		$1,346,650,000	$1,103,633,423	$1,552,536,899

1. Aggregate original principal amount.
2. After giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds.

OUTSTANDING DEBT AND ANNUAL DEBT SERVICE

The debt service of the Senior Lien Bonds and the Second Lien Bonds, after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds, is as shown in the following table, which also includes the debt service of Subordinate Lien Obligations that are described below.

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SENIOR LIEN, SECOND LIEN, AND SUBORDINATE LIEN OUTSTANDING ANNUAL DEBT SERVICE[1]

			2024A Bonds						
Fiscal Year	Outstanding Senior Lien Bonds*	Outstanding Second Lien Bonds[2]*	Principal	Interest	Total	Total Second Lien Debt Service	Total Senior Lien and Second Lien Debt Service Requirements	Outstanding Subordinate Lien Obligations[3]	Total Debt Service Requirements[3]
2024	$595,000	$103,558,433	$9,730,000	$8,040,688	$17,770,688	$121,329,121	$121,924,121	$26,467,959	$148,392,080
2025	24,680,000	84,711,561	6,875,000	10,909,750	17,784,750	102,496,311	127,176,311	31,133,861	158,310,172
2026	24,680,000	91,594,547	7,225,000	10,566,000	17,791,000	109,385,547	134,065,547	31,133,861	165,199,408
2027	24,680,000	96,469,573	7,600,000	10,204,750	17,804,750	114,274,323	138,954,323	31,118,492	170,072,815
2028		115,374,634	7,985,000	9,824,750	17,809,750	133,184,384	133,184,384	31,033,176	164,217,560
2029		123,679,790	8,395,000	9,425,500	17,820,500	141,500,290	141,500,290	31,033,176	172,533,466
2030		123,469,933	8,830,000	9,005,750	17,835,750	141,305,683	141,305,683	31,033,176	172,338,859
2031		123,425,796	9,285,000	8,564,250	17,849,250	141,275,046	141,275,046	30,650,651	171,925,697
2032		123,026,677	9,760,000	8,100,000	17,860,000	140,886,677	140,886,677	30,268,126	171,154,803
2033		122,775,554	10,265,000	7,612,000	17,877,000	140,652,554	140,652,554	28,727,160	169,379,714
2034		122,334,584	10,790,000	7,098,750	17,888,750	140,223,334	140,223,334	28,215,314	168,438,648
2035		121,861,606	11,350,000	6,559,250	17,909,250	139,770,856	139,770,856	27,278,831	167,049,687
2036		112,180,337	11,930,000	5,991,750	17,921,750	130,102,087	130,102,087	22,178,255	152,280,342
2037		106,638,925	17,545,000	5,395,250	22,940,250	129,579,175	129,579,175	20,162,732	149,741,907
2038		95,081,913	13,240,000	4,518,000	17,758,000	112,839,913	112,839,913	17,832,986	130,672,899
2039		62,342,523	13,915,000	3,856,000	17,771,000	80,113,523	80,113,523	10,021,926	90,135,449
2040		31,592,075	14,635,000	3,160,250	17,795,250	49,387,325	49,387,325	7,203,909	56,591,234
2041		31,595,713	15,385,000	2,428,500	17,813,500	49,409,213	49,409,213	3,122,064	52,531,277
2042		31,591,550	16,175,000	1,659,250	17,834,250	49,425,800	49,425,800	3,122,064	52,547,864
2043		31,595,513	17,010,000	850,500	17,860,500	49,456,013	49,456,013		49,456,013
2044		31,594,400				31,594,400	31,594,400		31,594,400
2045		31,596,425				31,596,425	31,596,425		31,596,425
2046		31,594,263				31,594,263	31,594,263		31,594,263
2047		31,595,863				31,595,863	31,595,863		31,595,863
2048		31,598,000				31,598,000	31,598,000		31,598,000
2049		31,596,863				31,596,863	31,596,863		31,596,863
2050		31,600,475				31,600,475	31,600,475		31,600,475
2051		31,596,463				31,596,463	31,596,463		31,596,463
2052		20,722,850				20,722,850	20,722,850		20,722,850
2053		20,722,000				20,722,000	20,722,000		20,722,000
2054		20,723,875				20,723,875	20,723,875		20,723,875
2055		20,721,375				20,721,375	20,721,375		20,721,375
2056		20,722,663				20,722,663	20,722,663		20,722,663
2057		20,725,375				20,725,375	20,725,375		20,725,375
2058		12,017,150				12,017,150	12,017,150		12,017,150
2059		12,018,650				12,018,650	12,018,650		12,018,650
2060		12,020,725				12,020,725	12,020,725		12,020,725
2061		12,021,725				12,021,725	12,021,725		12,021,725
Total	$74,635,000	$2,280,090,370	$227,925,000	$133,770,938	$361,695,938	$2,641,786,308	$2,716,421,308	$441,737,719	$3,158,159,027

Note: The applicable footnotes for the preceding table are shown on the following page.

FOOTNOTES FOR THE PRECEDING TABLE ENTITLED "SENIOR LIEN, SECOND LIEN, AND SUBORINDATE LIEN OUTSTANDING ANNUAL DEBT SERVICE"

FOOTNOTES FOR THE PRECEDING TABLE ENTITLED "SENIOR LIEN, SECOND LIEN, AND SUBORINDATE LIEN OUTSTANDING ANNUAL DEBT SERVICE"

*Outstanding Senior Lien Bonds and outstanding Second Lien Bonds are governed by the terms of the respective trust indentures relating to such bonds on a parity basis.

(1) After giving effect to the issuance of the Bonds and the Refunding of the Refunded Bonds. 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 wastewater transmission revenue bonds on July 1 of that year and January 1 of the following year. All of the City's outstanding wastewater transmission revenue bonds bear interest at a fixed rate.

(2) Interest for each year includes the full amount of interest payable on the City's Series 2010B Second Lien Bonds without adjustment for certain direct payment subsidies expected by the City to be received from the U.S. Treasury. Debt service is net of capitalized interest, as applicable.

(3) Reflects only Subordinate Lien Obligations that have final loan amounts with the IEPA, but do not reflect initial awards that are still drawing funds from the IEPA.
Totals may not add due to rounding.

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Subordinate Lien Obligations

The City has applied for and received funding from the IEPA Clean Water Initiative State Revolving Loan Fund Program for Sewer System projects, with executed loan agreements as shown in the following table. Each loan constitutes a Subordinate Lien Obligation. It is anticipated that the City will enter into additional IEPA loans in the future. Subordinate Lien Obligations, including the IEPA loans, have a claim to payments from amounts in the Sewer Revenue Fund that is subordinate to the claim of the Senior Lien Bonds, Second Lien Bonds, and the Bonds. As of March 1, 2024, there were $388.8 million outstanding aggregate principal amount of Subordinate Lien Obligations in the form of loans from the IEPA.

IEPA SEWER REVENUE FUND LOANS OUTSTANDING[1]

IEPA Loans in Repayment	Final Maturity Date	Interest Rate (%)	Amount of Loan Outstanding[2]
L17-2509	8/28/2027	2.50	$367,085
L17-3629	6/21/2031	0.00	5,737,875
L17-4565	12/30/2032	1.25	8,759,650
L17-4682	3/20/2033	1.25	9,089,657
L17-4863	3/4/2034	2.295	9,084,820
L17-5006	7/21/2035	1.93	34,398,190
L17-5224	8/18/2036	1.86	2,939,650
L17-5230	6/9/2036	1.995	38,571,526
L17-5323	11/3/2037	1.75	5,044,870
L17-5328	5/30/2038	1.86	48,654,599
L17-5396	11/7/2038	1.75	21,542,161
L17-5397	4/26/2039	1.76	14,345,097
L17-5398	1/15/2040	1.76	21,604,750
L17-5413	12/19/2038	1.76	48,845,305
L17-5560	4/9/2040	1.84	42,798,491
L17-5561	10/7/2040	1.84	26,095,228
L17-5653	8/9/2042	1.35	50,959,141
Total Outstanding Principal Balance			$388,838,095

(1) Outstanding principal amounts as of March 1, 2024.
(2) Totals may not add due to rounding.

The City has also signed initial loan agreements pertaining to an additional $171.8 million of IEPA loans. Disbursements for these loans are ongoing and the final amounts of the loans may change based on project needs. The interest rates on these initial loan agreements range from 1.11 to 2.00 percent and expected maturity dates range from July 5, 2041 to January 15, 2044, as set out in the initial loan agreements, but may change when the final loan agreements are signed following the final disbursement of each loan.

Historically, the IEPA program provides loans for a twenty-year repayment term in most instances with shorter repayment schedules negotiated under certain project circumstances. Under newly proposed rules the repayment terms would be for a thirty-year term. The loans are provided at simple interest and payback does not begin until the completion of the construction. Interest rates for the program are established annually and are calculated and applied at one-half the Bond Market Interest Rate, defined as the mean interest rate of the *Bond Buyer* 20 Bond General Obligation Index for the preceding fiscal year. The interest rate in effect at the time of origination remains fixed for the life of the loan.

The Series 2012 Bond Ordinance authorized the issuance from time to time of Commercial Paper Notes and Line of Credit Notes for the purposes of financing or refinancing capital improvements to the Sewer System or providing funds to meet the cash flow needs of the Sewer System, among others. The maximum aggregate principal amount of all Commercial Paper Notes and Line of Credit Notes outstanding at any one time may not exceed $150,000,000, without further authorization from the City Council. The claim of any Commercial Paper Notes or Line of Credit Notes for payment from moneys in the Sewer Revenue Fund is subordinate to the claim of the Bonds. The City has no Commercial Paper Notes nor Line of Credit Notes outstanding pursuant to this authorization, however the City reserves its rights to issue Commercial Paper Notes and Line of Credit Notes in the future.

The City has no interest rate swaps in connection with the Bonds.

DEPARTMENT OF WATER MANAGEMENT

The Department is an executive department of the City with responsibility for the operation, maintenance, repair, improvement, replacement and extension of the Water System and the Sewer System. Separate water and sewer funds are maintained to comply with legal requirements.

The budgeted employment level of the Department for 2023 for Sewer System employees was 432 (this represents the total number of Sewer System employees on the City's payroll and excludes leaves of absence and duty disability). The Department includes employees with professional qualifications in the fields of engineering, law, science, construction management, public sector management and financial management, as well as skilled technical personnel. Substantially all of the Department's employees are covered by collective bargaining agreements, whose newest five-year collective bargaining agreements are effective July 1, 2022.

In 2023, the City undertook a salary compression analysis (the "Salary Study") as a managerial retention initiative. The Salary Study recommended the adjustment of certain non-represented managerial salaries, including Department non-represented managerial employees, to more accurately reflect executive functions, levels of supervision, and responsibilities. The ordinance authorizing the adjustment of managerial salaries according to the Salary Study was passed by City Council on April 19, 2023. These salary adjustments will go into effect in subsequent years.

Organization and Staffing

The chief administrator of the Department is the Commissioner, who is appointed by the Mayor with the approval of the City Council. On January 16, 2024, the Mayor appointed Alfonzo Conner, Jr. as the Department's Acting Commissioner, with the Chicago City Council confirming his permanent appointment as Commissioner in February 2024. Under the direction of the Commissioner, the Department is organized into five bureaus and the Commissioner's office as follows:

Commissioner's Office: The office is responsible for the oversight and management of general and project-specific initiatives for the other bureaus. This office also determines departmental policies and includes security and safety.

Administration: This bureau is responsible for the collection and dissemination of all financial information, procurement and contract administration, personnel, labor relations, information technology and payroll.

Operations and Distribution: This bureau is responsible for the maintenance, repair and installation of water and sewer mains and appurtenances, including valves, fire hydrants, manholes, catch basins and valve basins.

Water Supply: This bureau is responsible for the treatment, purification, pumping and monitoring the quality and purity of the water supply.

Engineering Services: This bureau is responsible for providing engineering and inspection support for the planning, design, expansion, rehabilitation, operating, monitoring and inspection of facilities and the Water and Sewer Systems.

Meter Service: This bureau is responsible for water meter installation, reading, repair, and replacement.

The City maintains a self-insurance program, including casualty coverage, general liability coverage and workers' compensation for the Department. The City also maintains replacement-cost property insurance that covers the major facilities of the Sewer System.

Description of Physical Facilities

The Sewer System consists of approximately 4,400 miles of sewer main, ranging in size from six inches to over 21 feet in diameter. The tables below provide a profile of the transmission facilities of the Sewer System by size, age and length:

WASTEWATER TRANSMISSION AND COLLECTION FACILITIES

Size (in inches)	Length (in miles)	Percent of System
6-36	3,732	83.5%
42-84	538	12.0
Larger than 84	201	4.5
Total	4,471	100.0%

Years Placed in Service	Approximate Length (in miles)	Approximate Percent of System
2021-2022	23	0.5%
2011-2020	202	4.5
2001-2010	136	3.1
1991-2000	187	4.2
1981-1990	149	3.3
1961-1980	371	8.3
1941-1960	391	8.7
1921-1940	848	19.0
1901-1920	1,024	22.9
Prior to 1900	1,141	25.5
Total	4,471	100.0%

Note: Totals may not add due to rounding.

These wastewater collection and transmission facilities primarily operate as a gravity system.

Capital Improvement Program

The City, through the Department, continually improves and rehabilitates the Sewer System. To provide for future additions to the Sewer System, replacement of facilities and rehabilitation of existing facilities, and improvement of overall hydraulic capacity the Department most recently prepared a projected capital improvement program covering a five-year period from 2022 to 2026 (the "Capital Improvement Program" or "CIP"). The City intends to publish an updated CIP later in 2024. Under the Capital Improvement Program, the City intends to construct 40 miles of sewer main, line 210 miles of existing sewers and rehabilitate 5,000 sewer structures.

The Capital Improvement Program follows the conclusion of the previous ten-year plan undertaken between 2012 to 2021, which was intended to address deferred maintenance and accelerate investment in sewer main replacement and lining. In total, the Department constructed 212 miles of sewer main, lined 546 miles of sewer main, and rehabilitated approximately 101,000 sewer structures.

The Sewer System's expenditures for 2017 through 2023 and projected expenditures for 2024 through 2026 of the Capital Improvement Program are summarized in the table below. A 2024-2028 Capital Improvement Program is anticipated to be published by the Office of Budget and Management in Q2 2024. The information presented in the table reflects the Department's expected allocations of resources to various projects, but does not necessarily represent an expectation of actual cash expenditures for these projects, which are subject to annual approval of the Office of Budget and Management. The primary sources of funds to undertake these projects are expected to be proceeds from Bonds, IEPA loans, and funding from current sewer revenue (also referred to as "Pay-Go"). In 2021 and 2022, as with other large infrastructure systems across the country, the Department experienced some project delays and increased costs due to shortages in supplies and manpower. The Department's capital improvement program, as planned over the long term, will not be materially impacted by prior years' shortages.

HISTORICAL AND PROJECTED CAPITAL IMPROVEMENT PROGRAM FUNDING BY SOURCE*

Funding Sources	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Bonds	$65.7	$81.1	$35.6	$46.5	$1.6	$27.2	$36.8	$180.6	$166.5	$163.9
Pay-Go	49.8	22.3	12.8	24.4	119.1	31.1	12.4	-	14.5	19.6
Grants	7.6	-	4.8	2.8	-	-	-	-	-	-
IEPA Loans	49.5	99.4	116.6	41.7	36.5	27.9	48.6	51.2	51.2	51.2
Totals	**$172.6**	**$202.8**	**$169.7**	**$115.4**	**$157.3**	**$86.1**	**$97.7**	**$231.8**	**$232.2**	**$234.7**

*The amounts shown are in the millions. The amounts shown for years 2017-2022 are actual cash expenditures. The 2023 amounts are unaudited cash expenditures. The amounts shown for 2024-2026 are estimates. Totals may not add due to rounding.

Area 4 Regional Sewer Master Planning. The Department is advancing the Citywide Master Planning efforts to the southside Area 4 Watershed to help address this region's flooding and local sewers surcharge and sewer backup problems. The Area 4 planning area or watershed generally stretches south of the 87th Street to the City limits, between Cicero Avenue to the west, Lake Michigan to the east, and is located within City Wards 7, 8, 9, 10, 19, and 21. This area serviced by the City's combined sewers is approximately 30 square miles which is about 15 percent of total service area of the City. The project includes regional sewer improvements for the entirety of Area 4 with verification and optimization of local sewer system as summarized in the previous Area 4 study reports. Detailed hydrologic and hydraulic modeling will be used for listing and verification/optimization of the size and location of various future connecting sewer projects to achieve a 5-year level of flood protection for Area

4. The Area 4 Tunnel will add additional conveyance capacity and relief to existing trunk sewers that are generally 36-inch and larger in diameter.

Lead Service Line Replacement Program. Sewer System revenues may not be used to fund Lead Service Line Replacement ("LSLR"). Any costs to finance LSLR required as a result of the Capital Improvement Program will be paid from alternative non-sewer funding sources. The Lead Service Line Replacement Act requires full water service line replacement whenever any lead or galvanized iron lines are broken or disturbed, including for service line leaks and breaks and water or sewer main replacement. Therefore, any lead service lines that are identified as a result of the Capital Improvement Program will have to be replaced. There are approximately 409,000 lead service lines in the City, primarily in older (pre-1986) single-family and two-flat residences. Lead is a toxin that is harmful to human health. Developing fetuses, infants and young children are especially vulnerable. Most lead ingestion, however, is via ingestion of lead paint. Due to the high concentration of lead service lines in the City, the City announced plans to replace every lead service line in the City. The City estimates that the full cost to replace all of the lead service lines in the City is $12 to $15 billion. LSLR consists of replacement of the water line running from the water main to the external water shut-off valve (sometimes called the "Buffalo-box" or "B-box") and replacement of the water line running from the external water shut-off valve into the home. On August 27, 2021, the Lead Service Line Replacement and Notification Act, 415 ILCS 5/17.12 (the "Lead Service Line Replacement Act"), was signed into state law and became effective for Chicago on January 1, 2023. Among other things, the Lead Service Line Replacement Act requires the owners and operators of community water supplies in the State to develop, implement and maintain a comprehensive water lead service line replacement plan. The legislation provides no funding for LSLR. Under the Lead Service Line Replacement Act, the City has 50 years (with the possibility of up to 15 years of extensions) to complete the LSLR work. The 50-year replacement period for the City does not begin until April 15, 2027.

US EPA

The Department receives requests for information from US EPA regarding CSOs and related issues from time to time, to which it responds. The Department and other City officials have been in conversations with US EPA and other interested environmental organizations on the renewal of the National Pollutant Discharge Elimination System ("NPDES") permit for Chicago CSO outflows. The Department, other City officials, and other interested environmental organizations reached an accord and the City worked directly with the Illinois EPA on the issuance of the new NPDES permit. The Illinois EPA issued the new NPDES permit effective April 1, 2024.

In 1975, the Water Reclamation District began the construction of its Tunnel and Reservoir Plan ("TARP") project to address combined sewer overflows ("CSOs") in the metropolitan Chicago area. Tunnel systems have been completed and TARP is the long term control plan to mitigate flooding in Chicago. The project will be completed upon the final completion of Phase 2 of the McCook reservoir, which is expected to be in 2029. In 2004, the United States Environmental Protection Agency ("US EPA") requested information from the Department concerning the City's compliance with regulatory requirements under the Clean Water Act pertaining to CSOs in Chicago area waterways. Overflows may occur when the combined flow of storm water run-off and sanitary sewage exceeds the capacity of the Sewer System and the sewage collection and treatment facilities of the Water Reclamation District.

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SEWER SYSTEM

General

The Sewer System provides sewage and drainage collection and conveyance for a service area of roughly 230 square miles inhabited by approximately 2.67 million people.

The Sewer System was designed, constructed and continues to be a combined system to provide for collection and conveyance of both sanitary sewage and storm water run-off in common sewer conduits. The Sewer System is not responsible for, and does not include any facilities for, the treatment or disposal of sewage. It is limited to collecting and conveying wastewater to the interceptor sewers of the Water Reclamation District, an independent government entity with exclusive responsibility for sewage treatment, sewage disposal and flood control in the City and neighboring suburbs. The Water Reclamation District is charged with providing and managing the facilities for the collection (through a network of approximately 536 miles of intercepting sewers and force mains), treatment and subsequent disposal of sewage from the City and surrounding areas. The Water Reclamation District finances its operations primarily through the imposition of an ad valorem tax in the area that it serves.

The City is solely responsible for the Sewer System except with respect to direct connections to rivers and waterways, in which case approval must be obtained from the Water Reclamation District or the U.S. Army Corps of Engineers, and direct connections to the Water Reclamation District, in which case approval must be obtained from the Water Reclamation District.

Service Areas

There are no significant areas of the City without sewer service and, except for a very limited number of industrial users who have direct connections to the Water Reclamation District's interceptors, connection to the Sewer System is the only feasible means of wastewater disposal for nearly all City users. By regulation of the Department, all sewer work performed within the City or connecting to the Sewer System or to the City's waterways, whether on public or private property, is subject to approval by the Department. For additional economic and demographic information regarding the City and the Sewer System, see APPENDIX F – "CITY OF CHICAGO ECONOMIC AND DEMOGRAPHIC INFORMATION."

The following table shows the population of the City for the past five decades:

SEWER SYSTEM SERVICE AREA POPULATION

Year	Population
1970	3,369,357
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598
2020	2,746,388

Source: U.S. Census Bureau.

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FINANCIAL OPERATIONS

Sewer Service Rates

Revenues from sewer service charges provide funds for the operation, maintenance and debt service of the Sewer System. The Sewer Revenue Fund receives no share of any state or local property or income taxes.

Sewer service rates are set by ordinance- and the City Council has authority to make adjustments to sewer service rates. No regulation by any administrative agency applies to the Sewer System rates. Under certain conditions, the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant. See "SECURITY FOR THE BONDS – Rate Covenant."

The sewer service charge is established in an amount designed to pay the costs of Sewer System operations and capital improvements, including any related debt service. The Sewer System rates for all accounts located within the City are a percentage of the Water System rates and the current charge for sewer service is an amount equal to 100 percent of the gross amount charged for water service, whether such water service is metered or nonmetered.

Metered water rates are based on a dollar rate per thousand cubic feet. The assessment of non-metered users is based on a formula related to the size of the relevant property and other use-related factors. Because the Sewer System rates are calculated as a percentage of the Water System rates, Sewer System rates also increase when Water System rates increase. Annual Water System rates are required to be increased, pursuant to the Municipal Code, by applying to the previous year's rates the rate of inflation, calculated based on the Consumer Price Index – Urban Wage Earners and Clerical Workers (Chicago All Items) published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1 up to a maximum increase of 5%. Such increases do not require further action by the City Council, but the City Council may take action at any time to alter the then-current schedule of water rates. Under certain conditions, the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant.

On June 1, 2023, the water rate increased by 5.0 percent to $4.55 per 1,000 gallons; on June 1, 2024, the water rate is scheduled to increase by 3.4 percent to $4.70 per 1,000 gallons. See "SECURITY FOR THE BONDS – Rate Covenant."

The historical sewer rates are shown in the following table.

HISTORICAL SEWER RATES

Effective Date	Gross Water Rate Per 1,000 Gallons	Water Rate Increases	Percentage of Water Bill	Per 1,000 Gallons	Percentage Change
June 1, 2018	$3.95	1.54%	100%	$3.95	1 .54%
June 1, 2019	3.98	0.82%	100%	3.98	0.82%
June 1, 2020	4.08	2.45%	100%	4.08	2.45%
June 1, 2021	4.13	1.10%	100%	4.13	1.10%
June 1, 2022	4.33	5.00%	100%	4.33	5.00%
June 1, 2023	4.55	5.00%	100%	4.55	5.00%
June 1, 2024	4.70	3.77%	100%	4.70	3.77%

Sewer Accounts

As of December 31, 2022, the Sewer System supplied 494,274 accounts. As shown in the table below, of these 494,274 accounts, 60,006 were exempt accounts, resulting in a total of 434,268 revenue paying sewer accounts. Senior citizens age 65 and older who reside in their own single-family residences with a separate water meter or water charge may apply for an exemption from payment of the sewer service charge. Senior citizens age 65 and older living in condominiums are eligible to apply for an annual rebate of $50 on sewer service charges.

The following table reflects the total accounts of the Sewer System, nonmetered and metered, net of exempt accounts, for the years 2018 through 2022.

Water System and Sewer System Accounts

	Water Accounts			Sewer Accounts	
Year Ended December 31	Non-metered	Metered	Total	Exempt	Revenue Paying Sewer Accounts
2018	180,608	313,758	494,366	66,982	427,384
2019	178,348	316,262	494,610	66,889	427,721
2020	177,641	316,783	494,424	63,608	430,816
2021	176,931	317,398	494,329	62,680	431,649
2022	172,048	322,226	494,274	60,006	434,268

During 2022, residential accounts represented approximately 70 percent of Sewer System revenues and industrial and commercial accounts represented approximately 24 percent of such revenues. The remaining 6 percent of revenues were derived from governmental and not-for-profit organizations. During the same period, residential non-metered accounts were approximately 30 percent of Sewer System revenues and residential metered accounts were approximately 70 percent of such revenues. All industrial and commercial accounts are metered. There are no large industrial or commercial users that account for more than five percent of Sewer System revenues. The five largest accounts of the Sewer System are shown on the following table.

Fiscal Year 2022 Five Largest Sewer Accounts by Revenue

Customer	Revenue (dollars in thousands)
City of Chicago Department of Aviation	$5,169
CPD – Lincoln Park	2,899
Hometown	2,242
WR Grace and Company	1,521
Ford Motor Co	1,166
Total of Top 5	**$12,997**
% of Sewer Sales	**3.36**
Total Billed Sewer Fees[1]	**$386,351**

Source: City of Chicago, Department of Water Management

(1) Actual amounts billed during calendar year; differs from Sewer Fund Basic Financial Statements which include charges accrued for calendar year regardless of year in which billed.

Collections and Delinquencies

The Department of Finance follows the same collection strategy for collecting water accounts and sewer accounts, as described below. The Department of Finance bills most large industrial, commercial and wholesale municipal accounts each month, with a few exceptions that are billed quarterly. Metered residential accounts and smaller accounts are generally billed once every two months, unless a customer enters into a payment arrangement or enrolls in the UBR Program (as defined below), in which case they are billed monthly. As of December 2020, non-metered accounts are billed monthly.

On September 14, 2016, the City Council approved a tax on the use or consumption of water in the City, and on the transfer of wastewater to the Sewer System from properties located in the City (subject to certain exceptions) (the "Chicago Water and Sewer Tax"). The Chicago Water and Sewer Tax revenues are not Gross Revenues of the Sewer System and will not be utilized for the operations of the Sewer System, and the Chicago Water and Sewer Tax revenues will not be pledged to the repayment of the Bonds. The Chicago Water and Sewer Tax current rate is $1.255 per 1,000 gallons. The Chicago Water and Sewer Tax appears as a separately stated item on the Unified Bill (as defined below) for City-provided water, sewer and refuse collection services.

Chicago residents receiving both water and sewer service from the City, as well as refuse collection services provided by the City's Department of Streets and Sanitation, are sent a unified utility bill which details the charges for each service (a "Unified Bill"). Pursuant to the City's Municipal Code, payments on the Unified Bills are allocated pro rata among the charges shown on the bills, with oldest unpaid amounts being paid first. The first Unified Bills, which included refuse collection services, were sent between April and September 2016 to City residents. Beginning in March 2017, the Unified Bills also included the Chicago Water and Sewer Tax as a separate charge. To date, the allocation of partial payments on the Unified Bills to water accounts, Chicago Water and Sewer Tax and refuse collection services has not had a material adverse effect on the collection of sewer charges by the City.

Payments on both metered and non-metered accounts are due 21 days after the bills are issued. A late payment penalty assessed at a monthly rate of one and one-fourth percent is imposed on all charges in excess of $10.00 for which payment in full is not received within 30 calendar days from the date the bill was issued.

Delinquency notices, which were generated at an average rate of 6,564 per week in 2022, are sent to delinquent account holders when their balances are 30 days past due. A second delinquency notice is sent after 60 days. A third delinquency notice is sent after 90 days. After an active account reaches 365 days past due with a balance greater than $1,000, the account is referred to an outside law firm for collections. Inactive accounts (those that do not currently have water or sewer service) that are 91 days past due with balances of $200 or greater are referred to an outside law firm for collection. The outside law firm may pursue collection by obtaining a judgment at the City of Chicago Department of Administrative Hearings, by recording a lien against the property, or by additional legal collection actions. Additionally, by ordinance, when a property is transferred, a deed cannot be recorded with the Cook County Clerk's Recording Division unless the Department of Finance certifies that all service charges and penalties due and owing on the Unified Bill for service to that property have been paid in full.

Utility Billing Relief Program

In 2019, the City implemented a moratorium on water shutoffs for non-payment. In April 2020, in order to address issues with water affordability for low-income residents, the City launched the Utility Billing Relief Program (the "UBR Program"). The UBR Program provides low-income City residents with a reduced rate on their water rate, sewer rate, and Chicago Water and Sewer Tax as well as debt relief for those who demonstrate they can manage the reduced rate bills for one year. Benefits for UBR participants include: a reduced rate on water rates, sewer rates, and Chicago Water and Sewer Tax, no late payment penalties or debt collection activity; and debt forgiveness after successfully completing one year with no past due balance. In order to be eligible for the UBR Program, an applicant must meet the income criteria for the Low Income Home Energy Assistance

Program, which currently requires that the applicant must earn income at or below 200 percent of the federal poverty level and must own and reside in the single family home or 2-unit property with which the overdue bills are associated and for which relief is sought. The UBR Program was extended April 1, 2024 to include 3-unit properties. As of December 2022, the UBR program has helped approximately 20,000 unique accountholders through reduced billing rates and an opportunity to forgive past utility debt. The UBR program, and the revenues not collected as a result of the program, have not had, and are not expected to have, any material impact on the security for the Bonds or the ability of the City to pay the debt service on the Bonds.

The amount of annual net sewer charges and cash collected from current and prior years' billings are included in the table below.

ANNUAL NET SEWER CHARGES

Year	Net Sewer Charges[1][2]	Cash Collected During Year for Current Years[1][3]	Percentage of Charges Collected
2018	$369,932	$355,535	96%
2019	363,709	348,079	96%
2020	338,123	324,999	96%
2021	363,216	348,091	96%
2022	384,818	357,530	93%

[1] Dollars in thousands.
[2] Actual amounts billed during calendar year; differs from Sewer Fund Basic Financial Statements which include charges accrued for calendar year regardless of year in which billed.
[3] Includes collections for sewer fees and other revenue related to sewer fees.

Sewer System Revenues Not Connected to the State of Illinois

The State of Illinois is obligated to make payments to the City in instances where it is a user of the Sewer System, except in situations and to the extent that the applicable State of Illinois property qualifies for an exemption. The revenue from the State as a user accounts for less than one percent (1%) of the Sewer System's annual operating revenues. No operating revenues from any users of the Sewer System flow through the State of Illinois. All such revenues are paid directly to the City.

Annual Budget Review and Implementation of Annual Budget

The Department's annual budget is developed and implemented as part of the City's annual budget and it is based upon an analysis of its historical Operation and Maintenance Costs. If projected Gross Revenues are not sufficient to satisfy the rate covenants contained in the ordinances authorizing the Bonds and Senior Lien Bonds and Second Lien Bonds, as determined by the City pursuant to its annual review of the Sewer System, the Department is required, after consultation with the Budget Director and, when appropriate, a qualified independent consulting engineer, to recommend appropriate action to the City Council to comply with the rate covenants. See "SECURITY FOR THE BONDS — Rate Covenant." If necessary, proposed rate increases will be included in the Department's proposed annual budget.

Once the Department has prepared and finalized its proposed annual budget, the Budget Director considers the Department's proposed budget along with the proposed annual budgets recommended and submitted by all of the other departments and agencies whose budgets become part of the City's proposed annual budget. Following the Budget Director's approval, the budgets must be approved by the Mayor, the City Council's Committee on Budget and Governmental Operations and the City Council. After the City Council has approved the proposed annual budget as the City's annual appropriation ordinance, it is forwarded to the Mayor for approval.

Should the Mayor veto the approved annual appropriation ordinance, the City Council may override the veto with a two-thirds vote.

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. In addition, in such case, the Sewer System would continue to operate and users would still be required to pay for service. By law, the City's budget must be approved by December 31 of the year preceding the budget year. The City's 2024 budget was approved by the City Council on November 15, 2023.

During each year, the Budget Director uses an allotment system to manage each department's expenditures against its respective annual appropriation. The Budget Director requires departments to submit quarterly allotment budgets which the Budget Director, in turn, monitors. Should any department's expenditures exceed its receipt of revenues, the Budget Director, through the quarterly budget allotment procedure, has the authority to institute economy measures against such department to ensure that its expenditures do not exceed or outpace its revenue collection. During 2023, there were no such restrictions in the Department's quarterly expenditures.

The Financial Policies of the Sewer System

The City has developed the following financial policies applicable to the Sewer System (the "Financial Policies"):

Segregation of Funds.

The City maintains all cash and investments of the Sewer Fund in separate bank accounts from the City's general accounts, including those of the Corporate Fund of the City. Gross Revenues of the Sewer System are deposited directly in the segregated accounts after they are allocated from the Unified Bill. As part of the Financial Policies, the City intends to continue maintaining all cash and investment of the Sewer Fund in segregated bank accounts.

Days Cash on Hand.

In addition to the requirement in the Indenture that the City maintain amounts in the Sewer Rate Stabilization Account equal to at least 90 Days' Cash On Hand, the City also intends to maintain at least 270 Days' Cash On Hand. For the purpose of calculating Days' Cash On Hand under the Financial Policies, the balance in the Sewer Rate Stabilization Account will be included, along with any unrestricted cash and investments and any other restricted cash and investments available for the payment of debt service. The City calculates Sewer Fund Days' Cash On Hand as of December 31, 2022 to equal 386 days, and projects that Days' Cash On Hand for the projection period will remain at comparable levels.

The Financial Policies as described above are not a legal requirement to which the City is bound but represent practices that, as of the date of this Official Statement, the City intends to follow in connection with the financial operations of the Sewer System. Subject to compliance by the City with the requirements of the Indenture, the Financial Policies may be changed, terminated in whole or in part, or disregarded in whole or in part at the City's discretion. No assurance can be given regarding future compliance by the City with the Financial Policies.

Historical and Projected Operations

The Sewer Revenue Fund is separate, distinct and segregated from the City's General Fund and is not encumbered by any liens, claims, security interests or obligations of the City relating to its General Fund. Following are the Sewer Revenue Fund's Statements of Operations, including debt service requirements, as summarized from the audited financial statements of the Sewer Revenue Fund for the years ended December 31, 2018 through December 31, 2022, together with projected financial operations and projected debt service requirements for the years ending December 31, 2023 through December 31, 2027. The projected financial operations and debt service coverage calculations also include additional assumed issuances of debt through the end of the projection period. There is no assurance of the size or timing of such future transactions or whether they will occur at all. As available, the City also intends to dedicate approximately half of net revenues after payment of debt service for Pay-Go to offset debt issuance in future years. The Sewer Fund Financial Statements for the year ended December 31, 2023 are not expected to be published until June 30, 2024. Financial results for the fiscal year ended December 31, 2023 are categorized as projected for the purposes of this section and should not be considered to be reflective of actual financial results for the period.

The Sewer Revenue Fund's operating revenues for 2022 increased by $1 million and for 2021 increased by $32.3 million compared to prior year operating revenues, the latter being an increase of 8.8 percent. The increase in 2021 is primarily due to increased consumption and a 1.1% increase in Sewer System rates that took effect on June 1, 2021. For 2022, projected operating revenues were estimated to increase by 2.5%, primarily based on a sewer rate increase of 5% on June 1, 2022, based on 2021 growth in CPI subject to a 5% maximum increase. Because the Sewer System rates are calculated as a percentage of the Water System rates, Sewer System rates also increase when Water System rates increase. Rate increases are projected to be partially offset by marginal decreases in water consumption due to water conservation efforts. Therefore, operating revenues are projected to increase at a modest rate.

The Sewer Revenue Fund's operating expenses before depreciation and amortization for 2022 increased by $13.5 million and for 2021 increased $20.6 million from the previous years due to an increase in pension expenses.

Projected operating expenses (excluding General Fund reimbursements and pension contributions) in 2023 through 2027 are reflective of an expected increase in expenses based on historical trends. Projected operating expenses also reflect an increase in each year based on growth in indirect costs being charged to the Sewer Revenue Fund as reimbursements to the General Fund. The methodology for charging these indirect costs to the Sewer Revenue Fund is prepared by a third party and is consistent with generally accepted accounting principles. The Sewer Revenue Fund has historically been charged for indirect costs properly allocable to that Fund. Direct pension contributions are budgeted at $21.5 million and $28.3 million in 2022 and 2023, respectively. Indirect pension contributions allocable to the Sewer Revenue Fund are budgeted to be $14.5 million in 2022 and $14.6 million in 2023. Pursuant to the Pension Funding Policy, the City budgeted the 2024 Advance Pension Contribution, of which the Sewer Fund's allocable share was $5.6 million. Future pension contributions are projected to grow from 2024 to 2027 based on the City's internal projections incorporating actual pension fund returns of 12.1% on average for 2022, assumed 0.0% returns in 2023, and an anticipated reduction in the discount rate used by MEABF from 7.00% to 6.75% beginning in 2023.

Water usage in the City, upon which sewer charges are based, is assumed to marginally decline throughout the projection period due to ongoing water conservation efforts. In addition to rate increases, the City could achieve compliance with its Rate Covenant in some other manner, including any combination of rate increases, decreases in operating expenses, changes in its capital improvement program or in the timing and amounts of future borrowings or changes in net transfers to or from the Sewer Rate Stabilization Account and the Residual Account.

The City has prepared the projections discussed herein and summarized in the table below. The City believes that the underlying assumptions provide a reasonable basis for the projections, and that the projections present, to the best of the City's knowledge and belief, the City's expected course of action. However, some of the assumptions upon which the projections are based inevitably will not materialize and unanticipated events and circumstances may occur. The management of the City has prepared the projected financial information set forth below to present the expected financial performance of the Sewer System.

The accompanying projected financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but in the view of the City's management was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Sewer System. Accordingly, these projections are not fact and should not be relied on as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the projected operations of the Sewer System which are contained herein.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

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CITY OF CHICAGO SEWER SYSTEM
Historical and Projected Financial Operations (Dollars in Thousands) [1]

	(Year Ended December 31)									
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Operating Revenues										
Sewer sales [2][3]	$380,822	$373,902	$356,267	$377,514	$390,059	$404,304	$419,220	$429,779	$438,455	$446,330
Less: provision for bad debt [4]	(12,611)	(23,849)	(22,792)	(12,297)	(23,183)	(20,388)	(21,140)	(21,673)	(22,110)	(22,507)
Other operating revenues	1,492	1,023	484	1,052	836	977	874	845	917	890
Total Operating Revenues	**$369,703**	**$351,076**	**$333,959**	**$366,269**	**$367,712**	**$384,894**	**$398,954**	**$408,951**	**$417,261**	**$424,712**
Operating Expenses [5]										
Repairs	$43,654	$41,614	$47,398	$44,066	$27,513	$42,891	$44,337	$45,445	$46,400	$47,328
Maintenance	24,909	22,958	24,405	25,861	$14,406	$23,633	$24,430	$25,040	$25,566	$26,078
Administrative and general	13,472	12,367	12,320	13,891	$14,093	$14,798	$15,296	$15,679	$16,008	$16,328
Engineering	3,664	3,515	4,776	5,328	$6,162	$6,470	$6,688	$6,855	$6,999	$7,139
General Fund reimbursements [6]	51,188	53,688	54,467	55,937	$55,478	$37,213	$38,467	$39,429	$40,257	$41,062
Pension expense	18,938	3,266	-23,853	-4,979	$21,466	$28,307	$30,977	$31,984	$32,252	$32,508
Advance pension contributions	-	-	-	-	-	4,176	6,053	5,900	5,524	5,112
Indirect pension contributions*	-	-	-	-	-	14,577	15,548	15,787	15,810	15,854
Total Operating Expenses	**$155,825**	**$137,408**	**$119,513**	**$140,104**	**$139,118**	**$172,065**	**$181,796**	**$186,119**	**$188,816**	**$191,408**
Nonoperating Revenues[7]	7,446	11,737	12,128	2,165	5,009	13,360	13,360	13,360	13,360	13,360
Net Revenues	**$221,324**	**$225,405**	**$226,574**	**$228,330**	**$233,603**	**$226,188**	**$230,518**	**$236,193**	**$241,806**	**$246,664**
Plus: Pension expense other than contribution	6,191	-12,572	-40,972	-24,917	-7,552	-	-	-	-	-
Transfer from (to) Sewer Rate Stabilization Account	-	-	-	-	-	-	$2,202	$2,433	$1,081	$674
Other Available Funds[8]	221,509	234,799	255,980	263,437	207,660	141,857	141,857	141,857	141,857	141,857
Net Revenues Available for Bonds	**$449,024**	**$447,632**	**$441,582**	**$466,850**	**$433,711**	**$368,045**	**$372,375**	**$378,050**	**$383,663**	**$388,521**
Sewer Rate Stabilization Account Year-End Balance	$36,902	$36,902	$40,814	$40,814	$40,814	$40,814	$43,016	$45,449	$46,530	$47,204
Net Revenues Available for Bonds[9]	**$449,024**	**$447,632**	**$441,582**	**$466,850**	**$433,711**	**$368,045**	**$372,375**	**$378,050**	**$383,663**	**$388,521**
Debt Service Requirements:[10]										
Senior Lien Debt Service Requirement	-	$10,525	$13,654	$13,720	$13,670	$13,695	$595	$24,680	$24,680	$24,680
Senior Lien Debt Service Coverage (1.15 Required)	-	42.53	32.34	34.03	30.66	26.87	625.84	15.32	15.55	15.74
Second Lien Debt Service Requirement	$134,343	$124,556	$123,522	$117,094	$123,689	$123,768	$115,636	$96,803	$106,313	$114,604
Combined Senior and Second Lien Debt Service Requirements	$134,343	$135,081	$137,176	$130,814	$137,359	$137,463	$116,231	$121,483	$130,993	$139,284
Combined Senior and Second Lien Debt Service Coverage (1.0 Required)	**3.34x**	**3.31x**	**3.22x**	**3.57x**	**3.16x**	**2.68x**	**3.20x**	**3.11x**	**2.93x**	**2.79x**
IEPA Loans Subordinate Lien Debt Service Requirement	$12,933	$18,117	$21,727	$27,387	$28,618	$38,495	$28,012	$32,061	$45,060	$50,561
Combined Senior, Second & Subordinate Lien Debt Service Requirement[11]	$147,276	$153,198	$158,903	$158,201	$165,977	$175,958	$144,243	$153,544	$176,053	$189,845
Combined Senior, Second & Subordinate Lien Debt Service Coverage (1.15 required)	**3.05x**	**2.92x**	**2.78x**	**2.95x**	**2.61x**	**2.09x**	**2.58x**	**2.46x**	**2.18x**	**2.05x**

Source: Department of Water Management

FOOTNOTES FOR THE PRECEDING TABLE ENTITLED "CITY OF CHICAGO SEWER SYSTEM - Historical and Projected Financial Operations"

(1) Totals may not add due to rounding.

(2) 2023 sewer sales are estimated to grow by 3.70%. Projections in 2024 to 2027 are based on projected inflationary trends as published by the Federal Reserve.

(3) Projected annual Sewer Sales reflect gross billings and not collections, which is in accordance with generally accepted accounting principles.

(4) Projected provision for bad debt is estimated to increase by 2% in 2023 through 2027.

(5) Non-pension operating expenditure growth is estimated to increase by 5.0% in 2023. Projections in 2024 to 2027 are based on projected inflationary trends as published by the Federal Reserve.

(6) General Fund reimbursements in 2018 through 2022 include indirect pension contributions. For 2023 and 2024, General Fund reimbursements are based on budgeted amount. For 2025 through 2027, General Fund reimbursements are projected to grow based on projected inflationary trends as published by the Federal Reserve. Direct, indirect, and advance pension contributions in 2023 and 2024 are based on budgeted amounts.

(7) In 2024 through 2026, includes projected Build America Bond Federal Subsidy receipts (net of assumed 5.7% sequestration) from the U.S. Treasury, which the City expects to receive in connection with its Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B. The Indenture permits such Federal Subsidies to be included in Gross Revenues, provided the City's Budget Director designates such amounts to be deposited in the Sewer Revenue Fund and subject to the lien of this Indenture. The City has not yet designated the Build America Bond Federal Subsidy receipts to be deposited into the Sewer Revenue Fund. The City expects to make such designation in Fiscal Year 2024, but there is no assurance that such designation will be made in Fiscal Year 2024 or in future years.

(8) Other Available Funds are equal to total current unrestricted assets net of total current liabilities included in the annual Basic Financial Statements – Statements of Net Position as of December 31 of the prior year.

(9) As provided in the Bond Ordinance, Gross Revenues remaining in any period after providing sufficient funds for Operations and Maintenance Costs, for paying required debt service on all bonds and notes secured by Sewer System revenues, for paying any required amounts into any other accounts established for any bonds or notes secured by Sewer System revenues and to make any deposits into the Sewer Rate Stabilization Account ("Other Available Funds"), can be applied to debt service for any future period. Other Available Funds is equal to total current unrestricted assets net of total current liabilities included in the annual Basic Financial Statements - Statements of Net Position as of December 31 of the prior period. From 2024 through 2027, Other Available Funds are projected to be $207.7 million per year.

(10) Reflects debt service after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds. 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 wastewater transmission revenue bonds on July 1 of that year and January 1 of the following year.

(11) Debt service includes IEPA loan debt service for loans that have been closed and does not include IEPA loan debt service for initial awards.

*Projected indirect pension contributions are allocations for indirect costs paid by each enterprise fund as part of reimbursements to the General Fund.

Pension Costs

Determination of Pension Contributions

Pension costs paid out of the Sewer Revenue Fund constitute Operation and Maintenance Costs for purposes of determining Net Revenues Available for Bonds and for the City's compliance with its covenants (including the Rate Covenant) under the Bond Ordinance and the Indenture. See "INTRODUCTION – Rate Covenant."

The City participates in four single-employer defined-benefit pension plans for City employees: the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"), the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF," and together with MEABF, the "Municipal and Laborers' Funds"), the Policemen's Annuity and Benefit Fund ("PABF"), and the Firemen's Annuity and Benefit Fund ("FABF," and together with PABF, the "Public Safety Funds," which, together with the Municipal and Laborers' Funds, are referred to herein as the "Retirement Funds"). Sewer System employees participate in the Municipal and Laborers' Funds.

Certain of the annual comprehensive financial reports of the Retirement Funds and certain of the actuarial valuations of the Retirement Funds may be obtained by contacting the Retirement Funds. Certain of these reports may also be available on the Retirement Funds' websites (www.meabf.org; www.labfchicago.org; www.chipabf.org; and www.fabf.org); provided, however, that the contents of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

Members of each Retirement Fund are eligible (individually, an "Eligible Member," and collectively, "Eligible Members") for an annual annuity payment (the "Annuity Benefits") if they meet certain age, years of service and prior service credit requirements (the "Eligibility Factors"). Benefits to each Eligible Member are statutorily established based on a combination of the Eligibility Factors and the Eligible Member's average annual salary for certain years prior to retirement (the "Annuity Factors").

Annuity Benefits for each of the Retirement Funds are funded from three sources: (i) contributions from the City (the "City Contributions") which are funded from the proceeds of a property tax levy (the "Pension Levy") on all taxable property located within the City or other available funds ("Other Pension Available Funds"), including payments from the Department on behalf of Sewer System employees, (ii) contributions from Eligible Members (the "Employee Contributions," and together with the City Contributions, the "Contributions"), and (iii) investment returns. The Department has historically contributed its pro rata share of City Contributions to the Retirement Systems (the "Department Portion") based on the Annuity Factors for the number of Sewer System employees who are Eligible Members. See APPENDIX D–"CITY OF CHICAGO, ILLINOIS SEWER FUND BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021, AND INDEPENDENT AUDITOR'S REPORT–Notes to Basic Financial Statements – 6. Pension Plans." Pension liabilities are not recorded at the fund level for the Sewer Revenue Fund.

The City Contributions and Employee Contributions are each established by the Illinois Pension Code (the "Pension Code"). Historically, the Contributions required under the Pension Code do not relate to, and in prior years were substantially less than, the contribution amounts that would have been required if the Retirement Funds were funded based on actuarial determinations of the contribution amounts necessary to fully fund the Annuity Benefits to Eligible Members of each Retirement Fund over an extended period. See "INVESTMENT CONSIDERATIONS – Unfunded Pensions" herein. In an effort to improve the funded status of the Retirement Funds, the Illinois General Assembly passed Public Act 96-1495 ("P.A. 96-1495"), which modified provisions of the Pension Code with respect to PABF and FABF, and Public Act 100-23 ("P.A. 100-23") which modified provisions of the Pension Code with respect to MEABF and LABF.

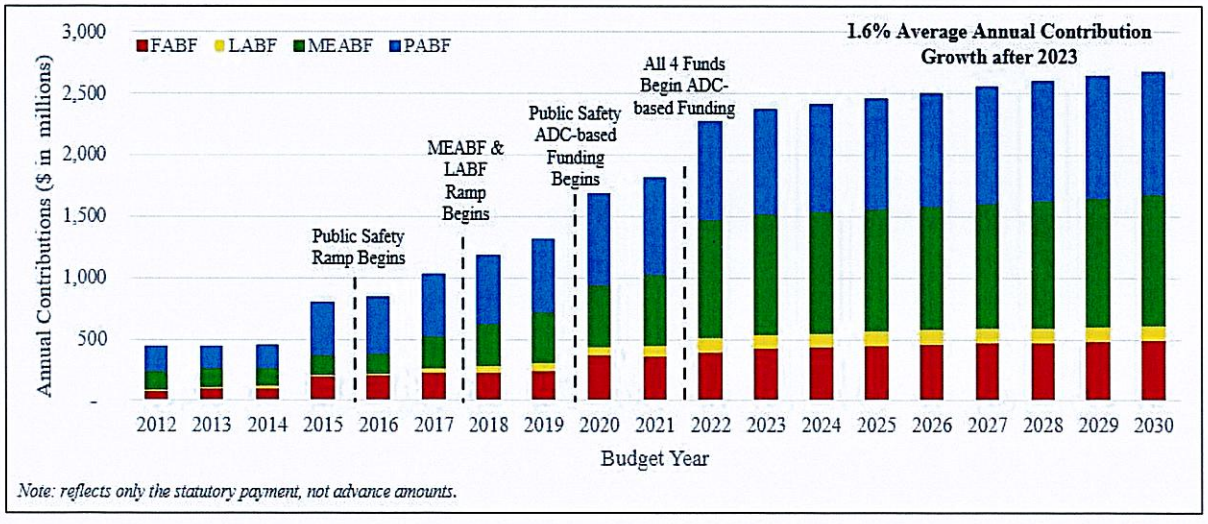
P.A. 96-1495, as later amended by Public Act 99-506, provides for the City to contribute the actuarially determined amounts necessary to achieve a 90 percent funded ratio in the Public Safety Funds by 2055, but made no changes to the Annuity Benefits for Eligible Employees hired before January 1, 2011 and established Annuity Benefits for Eligible Members hired on or after January 1, 2011 based on the Annuity Factors, but with the average annual salary capped at a certain amount, and the annual increases to the Annuity Benefits tied to the lesser of 3.0 percent or the consumer price index. Additionally, for Eligible Members hired on or after January 1, 2011, P.A. 96-1495 reduced a survivor's Annuity Benefit equal to 2/3 of the Annuity Benefits that the deceased Eligible Member was receiving at the time of his or her death.

The Pension Code establishes Annuity Benefits for Eligible Members of the Municipal and Laborers' Funds hired prior to January 1, 2011 based on the Annuity Factors, subject to 3 percent automatic annual increases after the Eligible Members' first full year of retirement and Annuity Benefits for Eligible Members hired on or after January 1, 2011 based on the Annuity Factors, but with the average annual salary capped at a certain amount, and the annual increases to the Annuity Benefits are tied to the consumer price index. Further, the Pension Code establishes the Employee Contribution for MEABF and LABF Eligible Members hired prior to January 1, 2017 at 8.5 percent of the salary of each employee on an annual basis. Pursuant to P.A. 100-23, MEABF and LABF Eligible Members hired on or after January 1, 2017 ("New Members") will contribute 11.5 percent of their salaries to their respective Retirement Funds and will be eligible for benefits at age 65 (as opposed to age 67 for Eligible Members hired between January 1, 2011 and January 1, 2017) ("Tier II Member"). In addition, Tier II Members of MEABF and LABF will be eligible to receive benefits at age 65 provided that such Tier II Members agree to contribute an additional 3.0 percent of their salaries to their respective Retirement Funds.

P.A. 100-23 requires that the City contribute the actuarially determined amounts required to achieve a 90 percent funded ratio in each of MEABF and LABF by 2058.

The City increased aggregate pension contributions by $2.2 billion from 2015 to the 2024 budgeted contributions, and by $1.3 billion from 2019 to 2024 budgeted contributions, including approximately $306.6 million contributed under the Pension Funding Policy. Aggregate contributions are expected to grow approximately 1.6% annually after 2024.

HISTORICAL AND PROJECTED BUDGETED PENSION CONTRIBUTIONS



Note: reflects only the statutory payment, not advance amounts.

2024 Budgeted Contributions

The City's Fiscal Year 2024 budget includes the following contributions to the Retirement Funds (as indicated by total annual contribution and the Sewer Revenue Fund's proportional share): (i) $1,127.8 million for MEABF, of which $16.5 million, or less than two percent, is the Sewer Revenue Fund's proportional share; and (ii) $149.9 million for LABF, of which $17.3 million, or 11.5 percent, is the Sewer Revenue Fund's proportional share. In addition, the 2024 Sewer Fund budget includes $14.6 million for indirect pension contributions chargeable to the Water Fund, and $5.6 million pursuant to the Pension Funding Policy. These 2024 budgeted contributions include the advance pension contribution described below.

Pension Funding Policy

Beginning with the 2023 Budget year, the City published a new debt and pension management policy (the "**Pension Funding Policy**") that states: "Starting in fiscal year 2023, the City will annually budget for an advance pension contribution which, in addition to the statutorily required contribution, and in the determination of the CFO, will not increase the total net pension liability of the City's four pension funds based on best efforts projections and information available at the time of budget. This total net pension liability calculation will be based on the GASB 67/68 calculation of net pension liability included annually in the City's Annual Comprehensive Financial Report and will include components of said calculation including interest cost derived from unfunded liability, normal cost, administrative costs, employee contributions and market value of the assets of the fund." It also provides that the advance contribution shall be paid on the first business day of the year in which such contributions are budgeted.

The 2024 advance pension contribution, for approximately $306.6 million, was included in the 2024 Budget adopted by the City Council on November 15, 2023 (the "**2024 Advance Pension Contribution**"). These advance pension contributions, in addition to preventing an increase in the City's net pension liability, also help avoid market losses due to asset liquidations by the pension funds. In accordance with the Pension Funding Policy, the 2024 Advance Pension Contribution was paid in January, 2024. The 2024 Advance Pension Contribution is included in the figures cited above under "2024 Budgeted Contributions." As part of the Pension Funding Policy, the Sewer Revenue Fund pays its proportionate share of the Advance Pension Contribution. For Budget Year 2024, that payment was approximately $3.2 million for MEABF and $2.4 million for LABF.

2024 ADVANCE PENSION CONTRIBUTION BY RETIREMENT FUND
($ IN MILLIONS)

Retirement Fund	Amount
MEABF	$178.1
LABF	20.3
PABF	79.9
FABF	28.3
Total:	$306.6

PROJECTED CONTRIBUTIONS UNDER EXISTING STATUTORY REQUIREMENT
AND PENSION FUNDING POLICY



The City intends to include the investment losses and gains in line with the current practices for the statutory contribution. In 2022, a 12.1% investment loss is projected to increase the 2024 pension contribution by $141 million and such losses were included in the Fiscal Year 2024 Budget and are included in the current City's out-year financial planning. Projections of future pension contributions incorporate an anticipated reduction in the discount rate used by MEABF from 7.00% to 6.75% beginning in fiscal year 2023.

Under the Pension Funding Policy, the City projects that it may contribute advance funding amounts of $1.2 billion through 2030, resulting in reduced required contributions of $3.8 billion from 2031 to 2058, resulting in a net reduction in total future pension contributions of $2.6 billion overall and of $60 million in Sewer Fund contributions. These advance contributions to all four funds will stabilize the overall level of the City's total net pension liability and prevent significant liquidation losses.

The Pension Funding Policy as described above is not a legal requirement to which the City is bound but represents practices that, as of the date of this Official Statement, the City intends to follow in connection with advance pension contributions. Subject to compliance by the City with the requirements of the Indenture and with applicable statutory requirements, the Pension Funding Policy may be changed, terminated in whole or in part, or disregarded in whole or in part at the City's discretion. In addition, any advance pension contributions in 2024 and later years contemplated by the Pension Funding Policy would be subject to approval and appropriation by the City Council. No assurance can be given regarding future compliance by the City with the Pension Funding Policy.

Accelerated Pension Payments

During calendar year 2023, due to delays in the collection and distribution of the Second Installment Pension Levy by Cook County, each of the Retirement Funds considered the liquidation of assets in order to make benefit payments to members. To avoid such asset sales, beginning in August 2023, the City began making monthly accelerated contributions to each of the Retirement Funds. Such accelerated contributions were made by the City in each of August, September, October and November 2023 in a total amount of $425.7 million. The accelerated payments to PABF (in an aggregate amount of $280.0 million), FABF (in aggregate amount of $55.4 million), and LABF (in an aggregate amount of $30.2 million) were advances on the City's required contributions to such Retirement Funds for Fiscal Year 2023. The accelerated payments to MEABF (in an aggregate amount of $60.1 million) represent payments toward the portion of the City's Fiscal Year 2024 pension contribution to that fund from Other Available Pension Funds payable in February 2024. The City will reimburse itself by the amount of these accelerated payments from the proceeds of the Second Installment Pension Levy upon disbursement thereof from the Cook County Treasurer. None of the accelerated pension contributions described in this paragraph are part of or related to the Pension Funding Policy or the 2024 Advance Pension Contribution, both of which are described in the preceding paragraphs.

INVESTMENT CONSIDERATIONS

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

Unfunded Pensions

The Retirement Funds have significant unfunded liabilities and low funding ratios. The City's required contributions to the Retirement Funds are projected to increase in future years as set forth under "FINANCIAL OPERATONS - Pension Costs." Future required contribution increases may require the City to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the services provided by the City or limit the City's ability to generate additional revenues in the future.

Environmental Regulations

The City is subject to state and federal environmental laws and regulations applicable to the Sewer System's overflows into Chicago area waterways. These laws and regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such changing laws and regulations in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil and criminal penalties, or the imposition of an injunction requiring the City to take or refrain from taking certain actions. In addition, the City may be required to remediate contamination on properties owned or operated by the City or on properties owned by others, but contaminated as a result of City operations.

Sewer services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Clean Water Act and similar state laws, and federal and state regulations issued under these laws by the EPA and IEPA. These laws and regulations establish, among other things, criteria and standards for wastewater and for discharges into the waters of the United States and nearby states. Pursuant to these laws, the Department is required to obtain various environmental permits for operations. Violations or noncompliance could result in fines or other sanctions by regulators and/or such violations or noncompliance could result in civil suits. Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While the Department

has budgeted for future capital and operating expenditures to comply with these laws and permitting requirements, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise operating costs.

Operational Security and Cybersecurity of the Sewer System

Operational Security of the Sewer System

The physical damage to the Sewer System resulting from vandalism, sabotage, natural disasters or terrorist activities may adversely affect the operations of the Sewer System. While the Department maintains robust procedures and capabilities to ensure the physical security of the System, including (i) collaboration with the City's Office of Emergency Management and Communications (OEMC), which provides the Department with access to the citywide network of video cameras to allow 24/7 surveillance of the Sewer System, (ii) as part of the Department's ongoing partnership with law enforcement agencies, including the Chicago Police Department, the US Coast Guard, the FBI and the Department of Homeland Security, and (iii) elevated enhancement of physical security of the Sewer System and sewer access points in advance of large-scale public events and/or in response to any intelligence received indicating a potential threat, there can be no complete assurance that the City's comprehensive security, emergency preparedness and response plans will completely prevent or mitigate all such potential physical damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

Cybersecurity of the Sewer System

The Department relies on information technology systems with respect to customer service and billing and accounting. In addition, the Department relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies. A loss of these systems, or major problems with the operation of these systems, could have a material adverse effect on the financial condition and the operating condition of the Department. Information technology systems may be vulnerable to damage or interruption from the following types of cybersecurity attacks or other events:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data;
- computer viruses, cyber security attacks, intentional security breaches, hacking, denial of service actions, misappropriation of data and similar events; and
- difficulties in the implementation of upgrades or modification to information technology systems.

Although the Department does not believe that its systems are at a materially greater risk of cybersecurity attacks than other similar utilities, its information technology systems may be vulnerable to damage or interruption from the types of cybersecurity attacks or other events listed above or other similar actions, and such incidents or other events may be unprecedented and may go undetected for a period of time.

Adverse Change in Laws

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

Interest on the Bonds could become subject to federal and/or State income tax as a result of changes in tax laws. For example, recent legislative tax proposals in the U.S. Congress would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds. The Bonds will not be subject to mandatory redemption, and the interest rates on the Bonds will not be subject to adjustment, in the event of any change in the tax treatment of interest on the Bonds. In such event, the market value of and ability of owners to sell the Bonds could be adversely affected. No assurance can be provided, and no predictions can be made, as to whether there will be any change in tax laws relating to state and local government bonds, including the Bonds, or to what effect.

Investors in the Bonds should consult their own financial and tax advisors in connection with their purchase of the Bonds.

Uncertain Enforcement Remedies

The remedies available to bondholders upon nonpayment of principal of or interest on the Bonds are uncertain and in many respects dependent upon discretionary judicial actions. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Remedies."

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a default in the payment of principal of and interest on the Bonds when due.

Force Majeure Events

Certain unanticipated events beyond the City's control could have a material adverse effect on the Department's and City's operations and financial conditions if they were to occur. These events include fire, flood, earthquake, pandemic, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes and unanticipated events. No assurance can be provided that such events will not occur, and, if any such events were to occur, the effect of such event or events on the Department's and City's operations and financial condition on the Net Revenues Available for Bonds cannot be predicted.

No Assurance of Secondary Market

There can be no assurances that a secondary market for the Bonds will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Bonds to maturity.

Debt Covenants

The City is obligated to comply with the Rate Covenant. Failure to comply with the Rate Covenant, if not cured or waived, could result in the City being required to repay or finance the related borrowings before their due date, limit future borrowings, cause cross-default issues, and increase borrowing costs. If forced to repay or refinance (on less favorable terms) these borrowings, the Department's business, financial condition, and results of operations could be adversely affected by increased costs and rates.

Bankruptcy

Under federal law, municipalities, including the City, are ineligible for bankruptcy unless specifically authorized to be a debtor in bankruptcy by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy. State law does not currently permit municipalities, including the City, to be debtors in bankruptcy, and therefore municipalities, including the City, are currently ineligible for bankruptcy.

As with all State law, the current prohibition on municipal bankruptcies is subject to review or change by State government. From time to time, legislation has been introduced in the Illinois General Assembly, which, if enacted, would permit Illinois municipalities to be debtors in bankruptcy. The City is unable to predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

In the event of a change in State law to provide that the City is eligible to be a debtor in bankruptcy, and that authority is acted upon, there is no guarantee that the bankruptcy court would consider the Bondholders to have a secured claim under the Bankruptcy Code with respect to Second Lien Bond Revenues and amounts on deposit in the Second Lien Construction Accounts that are derived from the remittance of Gross Revenues into the City's Sewer Revenue Fund. The Sewer Revenue Fund is not held by the Trustee, and is not subject to a statutory lien in favor of the Bondholders. In addition, the Second Lien Bond Revenues may not be "special revenues" as defined in the Bankruptcy Code.

The opinions of Co-Bond Counsel and the City's Corporation Counsel as to the enforceability of the City's obligations pursuant to the Indenture and to make payments on the Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City. See APPENDIX E – "PROPOSED FORM OF OPINION OF CO-BOND COUNSEL."

Forward-Looking Statements

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

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LITIGATION

There are no pending legal proceedings to which the City is a party or to which any of its property is subject that may materially affect the City's ability to pay the principal of and interest on the Bonds when they become due.

The City, like other large municipalities, is involved in various litigation relating principally to claims arising from contracts, personal injury, property damage, tax claims, police conduct and other matters. However, there is neither litigation pending nor, to the best of the City's knowledge, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds, or except as disclosed herein, materially adversely affecting the collection, pledge or application of any moneys or security provided for the payment of the Bonds. The City expects that the resolution of the matters disclosed below will not affect the City's obligation to satisfy the Rate Covenant.

Danahy v. City of Chicago. This case is a putative class action in federal court in the Northern District of Illinois challenging the City's use of different billing rates and procedures for water and sewer usage for metered and non-metered properties. Plaintiffs allege that the City's policies result in overcharging non-metered water customers, and they assert due process and equal protection claims on behalf of a putative class. Plaintiffs seek damages and restitution of the allegedly illegal charges. The City is vigorously defending this case.

Farmer v. City of Chicago. This case is a putative class action that was filed in the Circuit Court of Cook County, Illinois challenging the reasonableness of the City's water rates and sewer rates. The plaintiff alleged that the various exemptions for hospitals, certain government organizations and non-profits and cost allocations in the City's recent budget ordinances caused her rates to be unreasonably higher. The plaintiff requested, on behalf of a class of City water and sewer customers, "disgorgement" of the excess charges in the period 2016 to the present. The court has dismissed Plaintiff's claims without prejudice, with leave to file an amended complaint.

Grabowski v. City of Chicago. This case is a putative class action in the Circuit Court of Cook County, Illinois challenging the City's processes for refunding overpayments related to utility billing accounts. In particular, the suit seeks the return of any account credits to individuals who have moved or otherwise canceled their utility service since 2017. The City has filed a motion to dismiss. The motion has been briefed with argument pending. The City is vigorously defending this case.

Sweet Home Chicago Management LLC, Community Partners, LLC, et al v. City of Chicago. This case is a putative class action in federal court in the Northern District of Illinois that contends that City does not provide an adequate process for water customers to challenge their water bills or obtain refunds. The plaintiffs assert a due process claim and allege that the City required them to pay outsized water bills that resulted from defective water meters, and that the City refused to discount or credit them for erroneous payments. They seek unspecified damages on behalf of themselves and other Chicago water customers whose properties allegedly had defective water meters or who were allegedly denied an opportunity to challenge their water bills. In response, the City has asserted a counterclaim and an affirmative defense against the plaintiffs, seeking to recover any outstanding debt owed by the plaintiffs for water, sewer, and garbage services. Fact discovery recently began. The City is vigorously defending this case.

RATINGS

The Bonds are rated "A+" (Stable Outlook) by S&P Global Ratings ("S&P"), "A+" (Stable Outlook) by Fitch Rating, and "AA-" (Stable Outlook) by Kroll Bond Rating Agency ("KBRA"). The Insured Bonds have also been assigned a rating of "AA" (Stable Outlook) by S&P based upon the issuance of the Policy by BAM. The City did not request a rating from any other rating service for the Bonds. Any explanation of the significance of such ratings may be obtained only from the respective Rating Agencies. Certain information and materials concerning the Bonds, the City and the Sewer System were furnished to the Rating Agencies by the City and others. There is no assurance that any of the ratings will be maintained for any given period of time or that any of them may not be raised, lowered or withdrawn entirely by the respective Rating Agency, if, in its judgment, circumstances so warrant. Any change in or withdrawal of any rating may have an adverse effect on the price at which the Bonds may be resold.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the separate approving opinions of ArentFox Schiff LLP, Chicago, Illinois and Zuber Lawler LLP, Chicago, Illinois, Co-Bond Counsel. The proposed form of their respective opinions are included herein as APPENDIX E – "PROPOSED FORM OF OPINION OF CO-BOND COUNSEL."

Certain legal matters will be passed on for the City by (i) its Corporation Counsel, and (ii) in connection with the preparation of this Official Statement, Charity & Associates, P.C., Chicago, Illinois, and BurgherGray LLP, Chicago, Illinois, Co-Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriters by Katten Muchin Rosenman LLP, Chicago, Illinois and Sanchez Daniels & Hoffman LLP, Chicago, Illinois.

FINANCIAL STATEMENTS

The basic financial statements of the City of Chicago, Illinois Sewer Fund as of and for the years ended December 31, 2022 and 2021 and included by specific reference in APPENDIX D to this Official Statement (the "Audit") have been audited by Deloitte & Touche LLP, independent auditors (the "Auditor"), as stated in their report referenced herein. The City has not requested that the Auditor update any information contained in the Audit since the date of the Audit. The Auditor has not been engaged to perform, and has not performed since the date of the Audit, any procedures on the financial statements addressed in the Audit. Other than providing its consent to the inclusion of the Audit in this Official Statement, the Auditor has not performed any procedures relating to this Official Statement.

CO-FINANCIAL ADVISORS

The City has engaged The RSI Group, LLC and Baker Tilly Municipal Advisors, LLC as its financial advisors (the "Co-Financial Advisors") in connection with the issuance and sale of the Bonds. The Co-Financial Advisors have provided advice on the plan of finance and structure of the Bonds and have reviewed certain documents, including this Official Statement, with respect to financial matters.

The Co-Financial Advisors have not independently verified the factual information contained in this Official Statement but have relied on the information provided by the City and other sources. The Co-Financial Advisors make no representation, warranty, or guarantee regarding the accuracy or completeness of the information in this Official Statement. The Co-Financial Advisors will receive compensation contingent upon the sale and delivery of the Bonds and its fees are expected to be paid from proceeds of the Bonds. The Co-Financial Advisors are providing certain specific municipal advisory services to the City but are neither placement agents to the City nor brokers/dealers.

The Co-Financial Advisors are "municipal advisors" as defined in SEC Rule 15Ba1-1 (the "SEC Rule"). Baker Tilly Municipal Advisors, LLC is a controlled subsidy of Baker Tilly US, LLP, and there are other affiliates of Baker Tilly US, LLP that provide services to the City.

UNDERWRITING

Loop Capital Markets LLC, as representative on behalf of itself and the other underwriters listed on the cover of this Official Statement (the "Underwriters") has agreed, subject to certain conditions, to purchase the Bonds at a price equal to $250,605,218.53 (which represents the aggregate principal amount of the Bonds, plus an original issue premium of $23,898,651.05, less an Underwriters' discount of $1,218,432.52).

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

The Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

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

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

VERIFIER

Robert Thomas, CPA, LLC, Shawnee Mission, Kansas (the "Verifier"), upon delivery of the Bonds, will deliver to the City, Co-Bond Counsel and the Underwriters a report stating that the firm, at the request of the City and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to the sufficiency of the principal and interest received from the investment in the Defeasance Obligations, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refunded Bonds. The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Bonds.

TAX MATTERS

Federal Income Tax

Federal tax law contains a number of requirements and restrictions which apply to the 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 with them, and certain other matters. The City has covenanted to comply with all requirements and restrictions that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

In the respective opinions of Co-Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus is exempt from present Federal income taxes based upon gross income. Interest on the Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. Interest on the Bonds is included in computing the adjusted financial statement income of those corporations subject to the corporate alternative income tax. The opinions described in this paragraph assume the accuracy of certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the issuance of the Bonds and continuing compliance by the City and others with the above-referenced covenants.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations operating branches in the United States), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Co-Bond Counsel will express no opinion with respect to any such collateral consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the collateral consequences arising with respect to the Bonds described in this paragraph.

Discount and Premium

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased the 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 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers of the Bonds should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond for a price in excess of its stated principal amount at maturity. (Such Bond is referred to as a "Premium Bond"). 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 Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a Premium Bond. The amortized bond premium is treated as a reduction in the amount of tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Premium Bond.

Owners of Bonds who dispose of Bonds prior to their stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering at a price different from their issue price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors as to the federal, state or local tax consequences of such dispositions or purchases.

State and Local Taxes

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

Basis of Bond Counsel Opinions

The respective opinions of Co-Bond Counsel to be delivered concurrently with the delivery of the Bonds and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the market value or liquidity or the tax treatment of ownership of the Bonds. Co-Bond Counsel have not undertaken to provide advice with respect to any such future changes.

The opinion of Bond Counsel expresses the professional judgment of the attorneys rendering the opinion on the legal issues explicitly addressed in the opinion. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

In rendering their opinions, Co-Bond Counsel will receive and rely upon certifications and representations of facts, calculations, estimates and expectations furnished by the City and others which Co-Bond Counsel will not have verified independently.

Risk of Audit

The Internal Revenue Service ("IRS") conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of the owners of such obligations for federal income tax purposes. Whether or not the IRS will decide to audit the Bonds cannot be predicted. If the IRS begins an audit of the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer subject to the audit and the holders of the Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the Bonds is pending could adversely affect the liquidity or market price of the Bonds until the audit is concluded even if the result of the audit is favorable.

Legislation

From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to in this section, or adversely affect the market price or liquidity of tax-exempt bonds of the character of the Bonds. In some cases, these proposals have included provisions that had a retroactive effective date. It cannot be predicted whether or in what form any such proposal might be introduced in Congress or enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or

proposed federal tax legislation. Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

Backup Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in most cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner of Bonds who fails to provide an accurate Form W-9 Payers Request for Taxpayer Identification Number, or a substantially identical form, or to any such owner who is notified by the IRS of a failure to report all interest and 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.

CONTINUING 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") to enable the Underwriters to meet the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the SEC 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 which 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, the Indenture or the Bond Ordinance, and Beneficial Owners of the Bonds are limited to the remedies described in the Undertaking. See "—Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

Annual Financial Information Disclosure

The City covenants that it will disseminate to EMMA its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB, commencing with the Audited Financial Statements for the fiscal year ended December 31, 2023, prepared in accordance with generally accepted accounting principles applicable to government units (as described below).

"Annual Financial Information" means financial information and statistical data generally consistent with that contained in this Official Statement (i) under the caption "SEWER SYSTEM — General," the table captioned "Sewer System Service Area Population," (ii) under the caption "DEPARTMENT OF WATER MANAGEMENT," the table captioned "Historical and Projected Capital Improvement Program Funding by Source" (only with respect to the total amounts for the previous five years), and (iii) under the caption "FINANCIAL OPERATIONS," the table captioned "Historical Sewer Rates" (only with respect to the previous five years and only the "Per 1,000 Gallons" column), the table captioned "Water System and Sewer System Accounts," (only with respect to the Sewer System accounts for the previous five years), the table captioned

"Annual Net Sewer Charges" (only with respect to the previous five years) and the table captioned "Historical and Projected Financial Operations" (only with respect to the previous five years).

"Audited Financial Statements" means the audited basic financial statements of the Sewer Revenue Fund 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 (commencing with the Audited Financial Statements for the fiscal year ended December 31, 2023) will be provided to the MSRB on EMMA, not more than 210 days after the last day of the Sewer System's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed within 30 days of availability to the City.

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days after occurrence, 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 all Series of the Bonds, are:

(a) principal and interest payment delinquencies;

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

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

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

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

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

(g) modifications to rights of holders of the respective Series of Bonds, if material;

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

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the respective Series of Bonds, 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 Sewer System, 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;

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

(o) incurrence of a "financial obligation" of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect holders of the respective Series of Bonds, if material; or

(p) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

The term "financial obligation" as used in paragraphs (o) and (p) of the Reportable Events above means a (i) debt obligation, (ii) derivate instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of any of the foregoing. The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

Amendments; 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 Co-Bond Counsel), or by approving vote of the Beneficial Owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment or 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 under the Bond Ordinance or the Indenture.

Additional Information

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

Corrective Action Related to Certain Bond Disclosure Requirements

The City failed to comply with certain continuing disclosure undertakings previously entered into by it pursuant to the Rule as described below. Such non-compliance may or may not be material.

The City failed to file on EMMA a timely basis certain Annual Financial Information for the years 2017, 2018 and 2021, with respect to the City's Tax Increment Allocation Revenue Refunding Bonds (Pilsen Redevelopment Project), Series 2014A and Series 2014B (the "Pilsen Series 2014AB Bonds"). However, the Pilsen Series 2014AB Bonds have since matured. The City filed on EMMA the 2021 annual information for the Pilsen Series 2014AB Bonds on July 29, 2022.

In July 2019, the City filed on EMMA on a timely basis the City's 2018 audited financial statements for the General Fund for all then-outstanding general obligation bonds of the City, except with respect to the City's General Obligation Bonds, Library Series 2008D (the "Series 2008D Bonds"). On December 17, 2019, those financial statements were filed on EMMA with respect to the Series 2008D Bonds, and the City filed on EMMA a notice regarding its failure to file on a timely basis the 2018 audited financial statements with respect to the Series 2008D Bonds.

On September 14, 2020, the City filed on EMMA a notice regarding its failure to file on a timely basis certain Annual Financial Information including a certain capital improvements table for the years 2016, 2017, 2018 and 2019 in connection with the City's General Obligation Bonds, Project and Refunding Series 2014A and

Taxable Project and Refunding Series 2014B (the "Series 2014AB Bonds"). In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the years 2016, 2017, 2018 and 2019 with respect to the Series 2014AB Bonds.

On September 14, 2020, the City filed on EMMA a notice regarding its failure to file on a timely basis a certain capital improvements table for the years 2018 and 2019 in connection with the City's Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A and Refunding Series 2017B (the "Series 2017AB Bonds"). In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the years 2018 and 2019 with respect to the Series 2017AB Bonds.

On July 8, 2021, S&P Global Ratings upgraded the rating of the City's Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014), including the Riverwalk Transportation Infrastructure Finance and Innovation Act draw-down loan, from "BB+" to "BBB-." On July 27, 2021, the City filed on EMMA an event notice relating to this rating upgrade.

On November 12, 2021, the City filed on EMMA a notice regarding its failure to file on a timely basis certain Annual Financial Information including certain capital improvements tables for the year 2020 and certain third-party sourced Retirement Fund tables with respect to the Series 2014AB Bonds. In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the years 2020 and 2021 and certain third-party sourced Retirement Fund tables with respect to the Series 2014AB Bonds.

On December 8, 2021, the City filed a notice of incurrence of a financial obligation (i.e., loans incurred by the City pursuant to each of the RBC Line of Credit Agreement and the Wells Fargo Line of Credit Agreement) pertaining to the City's General Obligation Bonds, Series 2019A and General Obligation Refunding Bonds, Series 2020A. On December 8, 2021, the City also filed the redacted Wells Fargo Line of Credit Agreement with EMMA. On January 25, 2022, the City filed the redacted RBC Line of Credit Agreement with EMMA.

On August 9, 2022, the City filed on EMMA a notice regarding its failure to file on a timely basis certain Annual Financial Information in connection with the Series 2014AB Bonds and the City's General Obligation Bonds, Series 2021A and Series 2021B (the "Series 2021 Bonds"). In connection with such notice filing, the City filed Tables 1-10 on EMMA in connection with the Series 2014AB Bonds and the Series 2021 Bonds.

On August 9, 2022, the City filed on EMMA a notice regarding its failure to file on a timely basis certain Annual Financial Information in connection with the City's Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A and Refunding Series 2017B. In connection with such notice filing, the City also filed on EMMA a table titled "Historical Capital Improvement Program Funding by Source," including data from 2017 to 2021.

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MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bond Ordinance and the Indenture 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 office of the Chief Financial Officer.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the Owners thereof.

Any statements made in this Official Statement involving matters of opinion, projection or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the projections or estimates will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract with the Owners or Beneficial Owners of the Bonds.

CITY OF CHICAGO

By: /s/ Jill Jaworski
Chief Financial Officer

EXHIBIT 1.E

22-Jan-18

FROM 01-JAN-2017 ˜ ugh 01-JAN-2018

Rate	Description/Exemption Amounts	Metered Non-Metered	# of Accounts Charged	WT Charge	WT Reduction	Total Water Charge 2017	SW Charge	SW Reduction	Total Sewer Charge 2017
CH	Charitable	Metered	88	$ 475,635.20	$ (475,635.20)	$ 641,131,325.59	$ 512,526.60	$ (33,213.58)	$ 277,810,553.10
	100% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 475,635.20**	**$ (475,635.20)**		**$ 512,526.60**	**$ (33,213.58)**	
NP	Not for Profit	Metered	3,434	$ 7,860,870.99	$ (4,900,737.96)	$ 641,131,325.59	$ 7,984,401.41	$ (1,583,607.24)	$ 277,810,553.10
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 7,860,870.99**	**$ (4,900,737.96)**		**$ 7,984,401.41**	**$ (1,583,607.24)**	
NT	Not for Profit	Metered	45	$ 480,971.57	$ (96,191.89)	$ 641,131,325.59	$ 476,657.56	$ (19,994.33)	$ 277,810,553.10
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 480,971.57**	**$ (96,191.89)**		**$ 476,657.56**	**$ (19,994.33)**	
PK	Park	Metered	765	$ 7,642,486.89	$ (7,600,389.57)	$ 641,131,325.59	$ 7,599,820.99		$ 277,810,553.10
	100% Water Exemption / No Sewer Credit								
Total				**$ 7,642,486.89**	**$ (7,600,389.57)**		**$ 7,599,820.99**		
PU	Public	Metered	2,504	$ 6,716,918.29	$ (6,716,918.29)	$ 641,131,325.59	$ 6,715,139.97	$ (6,715,139.97)	$ 277,810,553.10
	100% Water Exemption / 100% Sewer Exemption	Non-Metered	8		$ -	$ 109,761,645.72	$ -	$ -	$ 91,118,315.28
Total				**$ 6,716,918.29**	**$ (6,716,918.29)**		**$ 6,715,139.97**	**$ (6,715,139.97)**	**$ 368,928,868.38**
SN	Senior Exemption	Both	66,995	$ 25,919,114.83	$ -	$ 750,892,971.31	$ 25,919,114.83	$ (25,919,114.83)	$ 277,810,553.10
	No Water Exemption/100% SW Exemption								$ 91,118,315.28
Total				**$ 25,919,114.83**	**$ -**	**$ 750,892,971.31**	**$ 25,919,114.83**	**$ (25,919,114.83)**	**$ 368,928,868.38**
Grand Total				**$ 49,095,997.77**	**$ (19,789,872.91)**	**$ 750,892,971.31**	**$ 49,207,661.36**	**$ (34,271,069.95)**	**$ 368,928,868.38**

FROM 01-JAN-2018 ˜ ugh 01-JAN-2019

Rate	Description/Exemption Amounts	Metered Non-Metered	# of Accounts Charged	WT Charge	WT Reduction	Total Water Charge 2018	SW Charge	SW Reduction	Total Sewer Charge 2018
CH	Charitable	Metered	84	$ 338,463.34	$ (338,463.34)	$ 658,677,238.81	$ 338,910.52	$ (31,482.65)	
	100% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 338,463.34**	**$ (338,463.34)**		**$ 338,910.52**	**$ (31,482.65)**	**$ 287,354,099.99**
NP	Not for Profit	Metered	3,391	$ 7,950,313.25	$ (5,015,799.26)	$ 658,677,238.81	$ 7,951,985.22	$ (1,578,365.63)	
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 7,950,313.25**	**$ (5,015,799.26)**		**$ 7,951,985.22**	**$ (1,578,365.63)**	**$ 287,354,099.99**
NT	Not for Profit	Metered	42	$ 446,816.92	$ (89,393.91)	$ 658,677,238.81	$ 442,794.41	$ (18,995.60)	
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 446,816.92**	**$ (89,393.91)**		**$ 442,794.41**	**$ (18,995.60)**	**$ 287,354,099.99**
PK	Park	Metered	765	$ 6,922,459.99	$ (6,922,473.83)	$ 658,677,238.81	$ 6,922,469.88		
	100% Water Exemption / No Sewer Credit								
Total				**$ 6,922,459.99**	**$ (6,922,473.83)**		**$ 6,922,469.88**		**$ 287,354,099.99**
PU	Public	Metered	2,517	$ 6,774,197.74	$ (6,774,954.10)	$ 658,677,238.81	$ 6,771,175.02	$ (6,772,114.53)	$ 287,354,099.99
	100% Water Exemption / 100% Sewer Exemption	Non-Metered	6		$ -	$ 101,760,258.52	$ -	$ -	$ 83,996,484.51
Total				**$ 6,774,197.74**	**$ (6,774,954.10)**	**$ 760,437,497.33**	**$ 6,771,175.02**	**$ (6,772,114.53)**	**$ 371,350,584.50**
SN	Senior Exemption	Both	66,982	$ 25,604,216.19	$ -	$ 658,677,238.81	$ 25,604,216.19	$ (25,604,216.19)	
	No Water Exemption/100% SW Exemption								
Total				**$ 25,604,216.19**	**$ -**	**$ 760,437,497.33**	**$ 25,604,216.19**	**$ (25,604,216.19)**	**$ 371,350,584.50**
Grand Total				**$ 48,036,467.43**	**$ (19,141,084.44)**	**$ 760,437,497.33**	**$ 48,031,551.24**	**$ (34,005,174.60)**	**$ 371,350,584.50**

31-Jan-20

from01-JAN-2019 Th ugh 01-JAN-2020

Rate	Description/Exemption Amounts	Metered Non-Metered	# of Accounts Charged	WT Charge	WT Reduction	Total Water Charge 2019	SW Charge	SW Reduction	Total Sewer Charge 2019
CH	Charitable	Metered	86	$ 1,422,174.79	$ (1,422,174.79)	$ 645,901,931.97	$ 1,176,732.30	$ (30,662.25)	$ 283,416,498.64
	100% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 1,422,174.79**	**$ (1,422,174.79)**		**$ 1,176,732.30**	**$ (30,662.25)**	$ 283,416,498.64
NP	Not for Profit	Metered	3,385	$ 7,295,746.94	$ (4,471,086.68)	$ 645,901,931.97	$ 7,257,368.02	$ (1,540,010.06)	$ 283,416,498.64
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 7,295,746.94**	**$ (4,471,086.68)**		**$ 7,257,368.02**	**$ (1,540,010.06)**	$ 283,416,498.64
NT	Not for Profit	Metered	42	$ 426,544.01	$ (85,357.54)	$ 645,901,931.97	$ 422,106.59	$ (18,700.26)	$ 283,416,498.64
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 426,544.01**	**$ (85,357.54)**		**$ 422,106.59**	**$ (18,700.26)**	$ 283,416,498.64
PK	Park	Metered	757	$ 6,750,991.97	$ (6,642,873.77)	$ 645,901,931.97	$ 6,617,402.23		$ 283,416,498.64
	100% Water Exemption / No Sewer Credit								
Total				**$ 6,750,991.97**	**$ (6,642,873.77)**		**$ 6,617,402.23**		
PU	Public	Metered	2,513	$ 6,475,187.91	$ (6,475,187.91)	$ 645,901,931.97	$ 6,474,471.72	$ (6,474,176.03)	$ 283,416,498.64
	100% Water Exemption / 100% Sewer Exemption	Non-Metered	7		$ -	$ 99,190,429.74	$ -	$ -	$ 81,726,742.84
Total				**$ 6,475,187.91**	**$ (6,475,187.91)**		**$ 6,474,471.72**	**$ (6,474,176.03)**	**$ 365,143,241.48**
SN	Senior Exemption	Both	66,889	$ 17,057,171.22	$ -	$ 745,092,361.71	$ 17,057,171.22	$ (17,057,171.22)	**$ 365,143,241.48**
	No Water Exemption/100% SW Exemption								
Total				**$ 17,057,171.22**		**$ 745,092,361.71**	**$ 17,057,171.22**	**$ (17,057,171.22)**	**$ 365,143,241.48**
Grand Total				**$ 39,427,816.84**	**$ (19,096,680.69)**	**$ 745,092,361.71**	**$ 39,005,252.08**	**$ (25,120,719.82)**	**$ 365,143,241.48**

15-Jan-21

from 01-JAN-2020 Thro ugh 01-JAN-2021

Rate	Description/Exemption Amounts	Metered Non-Metered	# of Accounts	WT Charge	WT Reduction	Total Water Charges 2020	SW Charge	SW Reduction	Total Sewer Charges 2020
CH	Charitable	Metered	84	$ 598,278.32	$ (598,278.32)	$ 647,924,849.96	$ 598,421.70	$ (30,241.79)	$ 269,532,145.67
	Credit								
Total				**$ 598,278.32**	**$ (598,278.32)**		**$ 598,421.70**	**$ (30,241.79)**	**$ 269,532,145.67**
NP	Not for Profit	Metered	3,526	$ 7,094,532.25	$ (4,251,879.32)	$ 647,924,849.96	$ 7,098,649.63	$ (1,359,023.06)	$ 269,532,145.67
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 7,094,532.25**	**$ (4,251,879.32)**	$ 647,924,849.96	**$ 7,098,649.63**	**$ (1,359,023.06)**	**$ 269,532,145.67**
NT	Not for Profit	Metered	42	$ 392,444.22	$ (78,496.69)		$ 387,526.07	$ (16,168.57)	$ 269,532,145.67
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 392,444.22**	**$ (78,496.69)**		**$ 387,526.07**	**$ (16,168.57)**	**$ 269,532,145.67**
PK	Park	Metered	759	$ 4,082,492.42	$ (4,082,492.42)		$ 4,082,492.42		$ 269,532,145.67
	100% Water Exemption / No Sewer Credit								
Total				**$ 4,082,492.42**	**$ (4,082,492.42)**		**$ 4,082,492.42**		**$ 269,532,145.67**
PU	Public	Metered	2,504	$ 5,942,852.63	$ (5,943,576.23)	$ 647,924,849.96	$ 5,942,340.51	$ (5,943,229.69)	$ 269,532,145.67
	Exemption	Non-Metered	7		$ -	$ 84,186,227.29	$ -	$ -	$ 70,046,669.07
Total				**$ 5,942,852.63**	**$ (5,943,576.23)**	**$ 732,111,077.25**	**$ 5,942,340.51**	**$ (5,943,229.69)**	**$ 339,578,814.74**
UB	Utility Billing Relief	Metered	3,564	$ 478,280.71	$ (239,191.62)	$ 647,924,849.96	$ 478,280.71	$ (239,191.62)	$ 269,532,145.67
	50% Water Reduction/50% SW Reduction	Non-Metered	4,713	$ 943,696.63	$ (471,441.24)	$ 84,186,227.29	$ 944,842.98	$ (472,442.04)	$ 70,046,669.07
Total				**$ 1,421,977.34**	**$ (710,632.86)**	**$ 732,111,077.25**	**$ 1,423,123.69**	**$ (711,633.66)**	**$ 339,578,814.74**
SN	Senior Exemption	Both	63,608	$ 21,341,494.25	$ -	$ 732,111,077.25	$ 21,341,494.25	$ (21,341,494.25)	$ 339,578,814.74
	No Water Exemption/100% SW Exemption								
Total				**$ 21,341,494.25**	**$ -**	**$ 732,111,077.25**	**$ 21,341,494.25**	**$ (21,341,494.25)**	**$ 339,578,814.74**
Grand Total				**$ 40,874,071.43**	**$ (15,665,355.84)**	**$ 732,111,077.25**	**$ 40,874,048.27**	**$ (29,401,791.02)**	**$ 339,578,814.74**

26-Jan-22

From 01-JAN-2021 Through 01-JAN-2022

Rate	Description/Exemption Amounts	M_NM	# of Accounts	WT Charge	WT Reduction	Total Water Charges 2021	SW Charge	SW Reduction	Total Sewer Charges 2021	Added 2025 Total Sewer Charges with Suburban Sewer
CH	Charitable	Metered	83	$ 862,652.65	$ (862,652.65)	$ 665,294,854.48	$ 862,940.33	$ (32,794.35)	$ 282,637,005.22	$ 282,637,005.22
	Credit	Non-Metered	1		$ -	$ 98,796,847.16	$ -	$ -	$ 80,578,865.74	$ 82,061,853.28
Total				**$ 862,652.65**	**$ (862,652.65)**	**$ 764,091,701.64**	**$ 862,940.33**	**$ (32,794.35)**		
NP	Not for Profit	Metered	3,527	$ 7,572,273.29	$ (4,542,053.31)	665,294,854.48	$ 7,570,663.43	$ (1,429,956.08)	$ 282,637,005.22	$ 282,637,005.22
	100% between <$1M /$1,000 Annual Sewer Credit									
	60% between $1M and $10M/$1,000 Annual Sewer Credit									
	25% between $10M and $250M/$1,000 Annual Sewer Credit									
Total				**$ 7,572,273.29**	**$ (4,542,053.31)**		**$ 7,570,663.43**	**$ (1,429,956.08)**		
NT	Not for Profit	Metered	42	$ 436,796.73	$ (87,270.27)	$ 665,294,854.48	$ 432,727.24	$ (19,357.46)	$ 282,637,005.22	$ 282,637,005.22
	20% Water Exemption / $1,000 Annual Sewer Credit									
Total				**$ 436,796.73**	**$ (87,270.27)**		**$ 432,727.24**	**$ (19,357.46)**		
PK	Park	Metered	758	$ 6,134,238.80	$ (6,134,238.80)	$ 665,294,854.48	$ 6,134,238.80		$ 282,637,005.22	$ 282,637,005.22
	100% Water Exemption / No Sewer Credit									
Total				**$ 6,134,238.80**	**$ (6,134,238.80)**		**$ 6,134,238.80**			
PU	Public	Metered	2,487	$ 6,125,011.63	$ (6,125,011.63)	$ 665,294,854.48	$ 6,124,605.14	$ (6,124,601.06)	$ 282,637,005.22	$ 282,637,005.22
	Exemption	Non-Metered	6		$ -	$ 98,796,847.16	$ -	$ -	$ 80,578,865.74	$ 82,061,853.28
Total				**$ 6,125,011.63**	**$ (6,125,011.63)**		**$ 6,124,605.14**	**$ (6,124,601.06)**		
UB	Utility Billing Relief	Metered	5,307	$ 1,341,118.31	$ (670,718.04)	$ 665,294,854.48	$ 1,341,077.59	$ (670,697.68)	$ 282,637,005.22	$ 282,637,005.22
	50% Water Reduction/50% SW Reduction	Non-Metered	8,098	$ 3,532,415.87	$ (1,766,322.08)	$ 98,796,847.16	$ 3,533,621.23	$ (1,766,985.92)	$ 80,578,865.74	$ 82,061,853.28
Total				**$ 4,873,534.18**	**$ (2,437,040.12)**		**$ 4,874,698.82**	**$ (2,437,683.60)**		
SN	Senior Exemption	Both	62,680	$ 24,557,102.64	$ -	$ 764,091,701.64	$ 24,557,102.64	$ (24,557,102.64)		
	No Water Exemption/100% SW Exemption									
Total				**$ 24,557,102.64**	**$ -**		**$ 24,557,102.64**	**$ (24,557,102.64)**		
Grand Total				**$ 50,561,609.92**	**$ (20,188,266.78)**	**$ 764,091,701.64**	**$ 50,556,976.40**	**$ (34,601,495.19)**	**$ 363,215,870.96**	**$ 364,698,858.50**

12-Jan-23

From 01-JAN-2022 Through 01-JAN-2023

Rate	Description/Exemption Amounts	M_NM	# of Accounts	WT Charge	WT Reduction	Total Water Charges 2022	SW Charge	SW Reduction	Total Sewer Charges 2022
CH	Charitable	Metered	80	$ 840,857.20	$ (840,857.20)	$ 692,826,618.90	$ 841,393.54	$ (31,792.52)	$ 302,508,546.06
	100% Water Exemption / $1,000 Annual Sewer Credit	Non-Metered	4		$ (1,698.48)	$ 100,752,835.23	$ (7,406.80)	$ (698.48)	$ 83,842,794.41
Total				**$ 840,857.20**	**$ (842,555.68)**	**$ 793,579,454.13**	**$ 833,986.74**	**$ (32,491.00)**	
NP	Not for Profit	Metered	3,561	$ 7,718,493.06	$ (4,711,679.18)	$ 692,826,618.90	$ 7,712,126.80	$ (1,465,096.99)	$ 302,508,546.06
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 7,718,493.06**	**$ (4,711,679.18)**	**$ 692,826,618.90**	**$ 7,712,126.80**	**$ (1,465,096.99)**	
NT	Not for Profit	Metered	42	$ 406,516.41	$ (81,136.37)	$ 692,826,618.90	$ 403,189.19	$ (18,121.55)	$ 302,508,546.06
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 406,516.41**	**$ (81,136.37)**	**$ 692,826,618.90**	**$ 403,189.19**	**$ (18,121.55)**	
PK	Park	Metered	759	$ 6,369,415.08	$ (6,369,415.08)	$ 692,826,618.90	$ 6,369,415.08		$ 302,508,546.06
	100% Water Exemption / No Sewer Credit								
Total				**$ 6,369,415.08**	**$ (6,369,415.08)**	**$ 692,826,618.90**	**$ 6,369,415.08**		
PU	Public	Metered	2,476	$ 6,598,947.27	$ (6,598,947.27)	$ 692,826,618.90	$ 6,598,220.97	$ (6,598,220.97)	$ 302,508,546.06
		Non-Metered	6		$ -	$ 100,752,835.23	$ -	$ -	$ 83,842,794.41
Total	100% Water Exemption / 100% Sewer Exemption			**$ 6,598,947.27**	**$ (6,598,947.27)**	**$ 793,579,454.13**	**$ 6,598,220.97**	**$ (6,598,220.97)**	**$ 386,351,340.47**
UB	Utility Billing Relief	Metered	7,287	$ 1,537,983.62	$ (769,141.63)	$ 692,826,618.90	$ 1,537,871.48	$ (769,085.55)	$ 302,508,546.06
	50% Water Reduction/50% SW Reduction	Non-Metered	10,399	$ 4,118,419.70	$ (2,059,365.27)	$ 100,752,835.23	$ 4,118,267.22	$ (2,059,348.39)	$ 83,842,794.41
Total				**$ 5,656,403.32**	**$ (2,828,506.90)**	**$ 793,579,454.13**	**$ 5,656,138.70**	**$ (2,828,433.94)**	**$ 386,351,340.47**
SN	Senior Exemption	Both	60,006	$ 22,036,553.61		$ 793,579,454.13	$ 22,036,553.61	$ (22,036,553.61)	$ 386,351,340.47
	No Water Exemption/100% SW Exemption								
Total				**$ 22,036,553.61**		**$ 793,579,454.13**	**$ 22,036,553.61**	**$ (22,036,553.61)**	**$ 386,351,340.47**
Grand Total				**$ 49,627,185.95**	**$ (21,432,240.48)**	**$ 793,579,454.13**	**$ 49,609,631.09**	**$ (32,978,918.06)**	**$ 386,351,340.47**

17-Jan-24

From 01-JAN-2023 Through 01-JAN-2024

Rate	Description/Exemption Amounts	M_NM	# of Accounts	WT Charge	WT Reduction	Total Water Charged 2023	SW Charge	SW Reduction	Total Sewer Charged 2023
CH	Charitable	Metered	71	$ 721,805.82	$ (721,805.82)	$ 695,906,995.31	$ 722,466.46	$ (27,906.55)	$ 301,580,334.57
	100% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 721,805.82**	**$ (721,805.82)**	**$ 695,906,995.31**	**$ 722,466.46**	**$ (27,906.55)**	
NP	Not for Profit	Metered	3,502	$ 8,362,003.09	$ (5,045,818.75)	$ 695,906,995.31	$ 8,364,283.50	$ (1,501,611.78)	$ 301,580,334.57
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 8,362,003.09**	**$ (5,045,818.75)**	**$ 695,906,995.31**	**$ 8,364,283.50**	**$ (1,501,611.78)**	
NT	Not for Profit	Metered	42	$ 468,615.72	$ (90,571.29)	$ 695,906,995.31	$ 465,377.97	$ (19,872.67)	$ 301,580,334.57
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 468,615.72**	**$ (90,571.29)**	**$ 695,906,995.31**	**$ 465,377.97**	**$ (19,872.67)**	
PK	Park	Metered	768	$ 11,381,869.49	$ (11,381,869.49)	$ 695,906,995.31	$ 11,381,842.26		$ 301,580,334.57
	100% Water Exemption / No Sewer Credit								
Total				**$ 11,381,869.49**	**$ (11,381,869.49)**	**$ 695,906,995.31**	**$ 11,381,842.26**		
PU	Public	Metered	2,471	$ 6,842,685.57	$ (6,842,685.57)	$ 695,906,995.31	$ 6,841,162.50	$ (6,841,162.50)	$ 301,580,334.57
	100% Water Exemption / 100% Sewer Exemption	Non-Metered	4		$ -	$ 102,123,532.20	$ -	$ -	$ 85,589,100.48
Total				**$ 6,842,685.57**	**$ (6,842,685.57)**	**$ 798,030,527.51**	**$ 6,841,162.50**	**$ (6,841,162.50)**	**$ 387,169,435.05**
UB	Utility Billing Relief	Metered	8,637	$ 2,110,479.72	$ (1,055,410.25)	$ 695,906,995.31	$ 2,110,136.66	$ (1,055,238.66)	$ 301,580,334.57
	50% Water Reduction/50% SW Reduction	Non-Metered	11,092	$ 5,105,360.87	$ (2,552,872.06)	$ 102,123,532.20	$ 5,105,212.83	$ (2,552,876.75)	$ 85,589,100.48
Total				**$ 7,215,840.59**	**$ (3,608,282.31)**	**$ 798,030,527.51**	**$ 7,215,349.49**	**$ (3,608,115.41)**	**$ 387,169,435.05**
SN	Senior Exemption	Both	58,904	$ 23,158,831.91		$ 798,030,527.51	$ 23,158,831.91	$ (23,158,831.91)	$ 387,169,435.05
	No Water Exemption/100% SW Exemption								
Total				**$ 23,158,831.91**			**$ 23,158,831.91**	**$ (23,158,831.91)**	
Grand Total				**$ 58,151,652.19**	**$ (27,691,033.23)**	**$ 4,379,689,036.26**	**$ 58,149,314.09**	**$ (35,157,500.82)**	**$ 387,169,435.05**

23-Jan-25

From 01-JAN-2024 Through 01-JAN-2025

Rate	Description/Exemption Amounts	M_NM	# of Accounts	WT Charge	WT Reduction	Total Water Charges 20	SW Charge	SW Reduction	Total Sewer Charges 2024
CH	Charitable	Metered	70	$ 982,539.81	$ (982,539.81)	$ 735,278,732.86	$ 983,287.09	$ (29,998.38)	$ 315,590,510.96
	100% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 982,539.81**	**$ (982,539.81)**	**$ 735,278,732.86**	**$ 983,287.09**	**$ (29,998.38)**	
NP	Not for Profit	Metered	3,457	$ 8,622,234.96	$ (5,086,081.52)	$ 735,278,732.86	$ 8,625,438.41	$ (1,509,590.42)	$ 315,590,510.96
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 8,622,234.96**	**$ (5,086,081.52)**	**$ 735,278,732.86**	**$ 8,625,438.41**	**$ (1,509,590.42)**	
NT	Not for Profit	Metered	43	$ 465,687.59	$ (92,580.21)	$ 735,278,732.86	$ 459,419.86	$ (19,306.64)	$ 315,590,510.96
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 465,687.59**	**$ (92,580.21)**	**$ 735,278,732.86**	**$ 459,419.86**	**$ (19,306.64)**	
PK	Park	Metered	765	$ 3,513,440.85	$ (3,513,440.85)	$ 735,278,732.86	$ 3,513,440.85		$ 315,590,510.96
	100% Water Exemption / No Sewer Credit								
Total				**$ 3,513,440.85**	**$ (3,513,440.85)**	**$ 735,278,732.86**	**$ 3,513,440.85**		
PU	Public	Metered	2,467	$ 6,619,617.67	$ (6,619,617.67)	$ 735,278,732.86	$ 6,617,338.88	$ (6,617,338.88)	$ 315,590,510.96
	100% Water Exemption / 100% Sewer Exemption	Non-Metered	3		$ -	$ 105,646,950.66	$ -	$ -	$ 88,922,266.77
Total				**$ 6,619,617.67**	**$ (6,619,617.67)**	**$ 840,925,683.52**	**$ 6,617,338.88**	**$ (6,617,338.88)**	**$ 404,512,777.73**
UB	Utility Billing Relief	Metered	9,561	$ 2,419,707.74	$ (1,210,052.36)	$ 735,278,732.86	$ 2,418,008.11	$ (1,209,202.38)	$ 315,590,510.96
	50% Water Reduction/50% SW Reduction	Non-Metered	10,956	$ 5,172,248.14	$ (2,586,003.13)	$ 105,646,950.66	$ 5,171,594.40	$ (2,586,028.80)	$ 88,922,266.77
Total				**$ 7,591,955.88**	**$ (3,796,055.49)**	**$ 840,925,683.52**	**$ 7,589,602.51**	**$ (3,795,231.18)**	**$ 404,512,777.73**
SN	Senior Exemption	Both	57,956	$ 24,172,905.92		$ 840,925,683.52	$ 24,172,905.92	$ (24,172,905.92)	$ 404,512,777.73
	No Water Exemption/100% SW Exemption								
Total				**$ 24,172,905.92**			**$ 24,172,905.92**	**$ (24,172,905.92)**	
Grand Total				**$ 51,968,382.68**	**$ (20,090,315.55)**	**$ 840,925,683.52**	**$ 51,961,433.52**	**$ (36,144,371.42)**	**$ 404,512,777.73**

10-Nov-25

From 01-JAN-2025 Through 31-OCT-2025

Rate	Description/Exemption Amounts	M_NM	# of Accounts	WT Charge	WT Reduction	Total Water Charges through 31-OCT-2025	SW Charge	SW Reduction	Total Sewer Charges through 31-OCT-2025
CH	Charitable	Metered	70	$ 780,825.26	$ (780,825.26)	$ 646,566,520.21	$ 781,629.98	$ (25,307.97)	$ 274,282,850.93
	100% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 780,825.26**	**$ (780,825.26)**		**$ 781,629.98**	**$ (25,307.97)**	
NP	Not for Profit	Metered	3,405	$ 7,124,880.24	$ (4,177,160.00)	$ 646,566,520.21	$ 7,125,412.96	$ (1,259,964.06)	$ 274,282,850.93
	100% between <$1M /$1,000 Annual Sewer Credit								
	60% between $1M and $10M/$1,000 Annual Sewer Credit								
	25% between $10M and $250M/$1,000 Annual Sewer Credit								
Total				**$ 7,124,880.24**	**$ (4,177,160.00)**		**$ 7,125,412.96**	**$ (1,259,964.06)**	
NT	Not for Profit	Metered	41	$ 379,897.37	$ (75,968.98)	$ 646,566,520.21	$ 376,979.62	$ (16,258.47)	$ 274,282,850.93
	20% Water Exemption / $1,000 Annual Sewer Credit								
Total				**$ 379,897.37**	**$ (75,968.98)**		**$ 376,979.62**	**$ (16,258.47)**	
PK	Public	Metered	766	$ 5,522,352.48	$ (5,522,352.48)	$ 646,566,520.21	$ 5,522,352.48		$ 274,282,850.93
	100% Water Exemption / 100% Sewer Exemption								
Total				**$ 5,522,352.48**	**$ (5,522,352.48)**		**$ 5,522,352.48**		
PU	Public	Metered	2,462	$ 6,763,050.56	$ (6,763,050.56)	$ 646,566,520.21	$ 6,292,850.39	$ (6,297,739.68)	$ 274,282,850.93
	100% Water Exemption / 100% Sewer Exemption	Non-Metered	4		$ (296.89)	$ 90,045,785.49	$ 285.21	$ (267.68)	$ 76,288,848.58
Total				**$ 6,763,050.56**	**$ (6,763,347.45)**		**$ 6,293,135.60**	**$ (6,298,007.36)**	
UB	Utility Billing Relief	Metered	9,776	$ 2,407,754.83	$ (1,204,091.01)	$ 646,566,520.21	$ 2,405,596.21	$ (1,203,011.40)	$ 274,282,850.93
	50% Water Reduction/50% SW Reduction	Non-Metered	10,473	$ 4,469,880.78	$ (2,235,139.53)	$ 90,045,785.49	$ 4,470,060.24	$ (2,235,229.26)	$ 76,288,848.58
Total				**$ 6,877,635.61**	**$ (3,439,230.54)**		**$ 6,875,656.45**	**$ (3,438,240.66)**	
SN	Senior Exemption	Both	57,395	$ 21,649,992.42		$ 736,612,305.70	$ 21,649,992.42	$ (21,649,992.42)	$ 274,282,850.93
	No Water Exemption/100% SW Exemption								$ 76,288,848.58
Total				**$ 21,649,992.42**			**$ 21,649,992.42**	**$ (21,649,992.42)**	
Grand Total				**$ 49,098,633.94**	**$ (20,758,884.71)**	**$ 736,612,305.70**	**$ 48,625,159.51**	**$ (32,687,770.94)**	**$ 350,571,699.51**

EXHIBIT 1.F

CHAPTER 11-12

WATER SUPPLY AND SERVICE

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ARTICLE I. SERVICE REGULATIONS (11-12-010 et seq.)

11-12-010 Definitions.

For purposes of this chapter, the following definitions shall apply:

"Commissioner" means the City's Commissioner of Water Management.

“Comptroller” means the City’s Comptroller of the Department of Finance.

"Department" means the City's Department of Water Management.

"Family" means any number of persons not to exceed 12, including children and employees.

"Full payment certificate" means a certificate issued by the Comptroller indicating that all water, sewer, and refuse charges, taxes, penalties, and fees that accrued to a water account are paid in full, transferred pursuant to Section 11-12-532, or otherwise not transferable to the subsequent owner.

"Owner" means any person who alone, or jointly or severally with others, is: (1) the legal title holder or holders to any premises, or dwelling units, with or without accompanying actual possession thereof; (2) the beneficial owner or owners of an Illinois Land Trust if legal title is held by such a trust; (3) the purchaser under a real estate installment sales contract; (4) any person serving as executor, administrator, trustee, or guardian of an estate if legal title is held by the estate; or (5) any person, including the agent of the legal title holder, who is authorized or entitled to control, manage or dispose of any premises, dwelling or dwelling unit.

"Premises" means a lot or a part of a lot, a building or a part of a building, or any other parcel or tract of land.

"Unified statement of charges" means the statement sent to the billed party showing amounts due for refuse collection, water and/or sewer charges assessed or charged under: (i) Chapter 11-12 for water taxes, rates or rents, or charges for installation or disconnection of water service; (ii) Chapter 3-12 for sewer service and sewerage usage; and (iii) Article II of Chapter 7-28 for refuse collection.

(Prior code § 185-1; Amend Coun. J. 11-16-11, p. 13798, Art. XII, § 3; Amend Coun. J. 10-28-15, p. 12062, Art. IX, § 3; Amend Coun. J. 11-26-19, p. 11514, Art. V, § 1; Amend Coun. J. 7-20-22, p. 50569, § 4; Amend Coun. J. 11-7-22, p. 55595, Art. VII, § 1; Amend Coun. J. 12-16-24, p. 22879, Art. I, § 3)

11-12-015 Termination authority of the Commissioner.

(a) The Commissioner is authorized to terminate any water service supplied by the City if:

(1) the Commissioner determines that said service is causing waste, abuse of water supply, or any danger to public health, safety, or the general well-being of the Chicago Waterworks System; or

(2) any unified statement of charges of any other municipality, industrial establishment, as defined by Section 17-17-0275, or commercial establishment, as defined by Section 17-17-0235, remains unpaid after the expiration of 30 days from the date of the unified statement of charges unless otherwise provided by contract or subject to an approved payment plan with the Department of Finance, and the service shall not be resumed until all unified statements of charges in arrears shall have been paid, including accrued penalties, and all applicable fees set out in Section 11-12-120 have been paid for termination and resumption of water supply service.

(b) The Commissioner may promulgate rules to establish procedures for enforcement of this section.

(Added Coun. J. 7-20-22, p. 50569, § 4)

Editor's note – Coun. J. 11-16-11, p. 13798, Art. XII, § 4, repealed former § 11-12-150, which pertained to definitions of commissioner and department.

11-12-020 Reserved.

Editor's note – Coun. J. 11-16-11, p. 13798, Art. XII, § 4, repealed § 11-12-150, which pertained to a definition of family.

11-12-030 Costs for installing or, disconnecting service.

The cost of installing, severing, disconnecting, cutting off or shutting off water service pipes, private supply pipes, shutoff rod boxes, including roundway stopcocks, shall be borne by the person for whose premises such water pipe is to be or has been installed, severed, disconnected, cut off or shut off.

(Prior code § 185-3)

11-12-040 Maintenance and repairs.

Except as otherwise provided in Article IX of this chapter, every person having service from the Chicago Waterworks System shall, at the person's own cost and expense, keep in repair all pipes, including private supply pipes or fire hydrants, leading from the shutoff rod box to the person's building or premises, and prevent all waste of water from such pipes. If any such pipe be permitted to remain out of repair, the Commissioner may, after a two-day prior notice in writing, cut off the water from said premises; and whenever the water is so cut off it shall not be permitted to be again turned on until such pipe or pipes have been placed in proper repair. The notice herein provided for may be served by personal service, or by mailing it to the owner or occupant, or person in possession, charge or control of the premises.

(Prior code § 185-4; Amend Coun. J. 3-28-01, p. 55444, § 4; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-7-22, p. 54984, § 10)

11-12-050 Permit to use water.

No person to whom permission is granted to make a connection with a service or supply pipe shall allow any person to take service from the new service or supply pipe unless a permit for such use has been granted by the Department of Water Management, and in the absence of such permission the new service or supply pipe shall be turned off at the curb stopcock, and such stopcock shall not again be turned on until proper permit shall be in the possession of the person about to perform such turning on.

The fees imposed by this chapter shall not apply to permits issued to the Department of Fleet and Facility Management or its contractors for work undertaken for public or governmental use.

(Prior code § 185-5; Amend Coun. J. 2-7-07, p. 97533, § 1; Amend Coun. J. 11-16-11, p. 13798, Art. III, § 2; Amend Coun. J. 11-8-12, p. 38872, § 203; Amend Coun. J. 11-26-19, p. 11390, Art. III, § 24; Amend Coun. J. 11-15-23, p. 6542, Art. I, § 24)

11-12-060 Private persons supplying water.

No person, whether owner or occupant, or in possession, charge or control of any building, structure or premises into which water service is introduced or to which water is supplied through the Chicago Waterworks System, shall be allowed to supply other persons or families, or to supply any water from such building or premises to a building, structure or premises other than the one for which such water service is introduced, unless a permit from the Commissioner shall first have been secured.

If any person, either as owner or occupant, or in possession, charge or control of any such building, structure or premises, violates any of the provisions of this section, the supply of water to the building, structure or premises of such person shall be shut off and stopped forthwith, and any amount which shall have been paid for water service shall be forfeited to the City. Where the water service shall be cut off for a violation of the provisions of this section, it shall not be turned on again until either: (1) there shall have been paid to the City such sum of money as the Commissioner shall deem properly due for the amount of water furnished or used in violation of the provisions of this section, and until the expense for cutting off the water service on account of such violation shall have been paid; or (2) the owner or occupant enters into an approved payment plan with the Department of Finance for said amounts.

(Prior code § 185-6; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-20-22, p. 50569, § 4)

11-12-070 Using hydrants or other openings.

No person shall take water from any fire plug, hydrant, valve, faucet, pipe or any other opening connected with the Chicago Waterworks System, nor shall any person open any such fire plug, hydrant, valve or faucet for the purpose of taking water, or for any purpose, unless such person shall first have made application for use of water for such purpose and have received permission from the commissioner, or unless such person is an employee of the City of Chicago, and is acting in the discharge of his duties as such. No person shall possess a hydrant key used to open any such fire plug or hydrant without the permission of the commissioner, or the permission of the Fire Commissioner.

No person to whom a permit is issued for the use of water for any purpose whatsoever, including construction purposes, tamping, irrigating, testing, flushing, domestic supply, etc., shall use or consent to the use of any water not authorized by said permit, or consent to the use of such water by any other person. Any person to whom such permit is issued shall at all times use precaution to prevent any waste of water or damage, and upon completion of the work for which such use of water is authorized, or upon the expiration of the time specified in such permit, he shall be required to close off all stopcocks and valves; provided, however, that if a permit has been issued for service from water service pipes controlled by such valves they may be allowed to remain open.

Any person who shall violate any of the provisions of this section shall, for the first offense, be fined not less than $500 nor more than $1,000 or imprisoned for not more than 20 days or both; and for such subsequent offense shall be fined $1,500 or imprisoned for not to exceed 30 days or both. Community service may be imposed in lieu of, or in addition to, the monetary fines and imprisonment provided

by this section.

(Prior code § 185-7; Amend Coun. J. 5-25-88, p. 14025; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-19-07, p. 4736, § 1; Amend Coun. J. 9-5-07, p. 6882, § 1)

11-12-080 Injuring or obstructing hydrants.

No person shall wilfully or carelessly break or injure any of the public or private hydrants, or pollute or unnecessarily waste the water at any such hydrant, or obstruct the use of any fire hydrant, or place any material in front thereof, or within five feet from either side thereof.

(Prior code § 185-8; Amend Coun. J. 3-28-01, p. 55444, § 4)

11-12-085 Theft of hydrant or parts thereof.

(a) No person, other than a duly authorized city officer or person acting at the express direction of such city officer, shall knowingly obtain or exert control over a fire hydrant or any part thereof. For purposes of this section, "obtain or exert control" shall include without limitation removing, possessing, giving, selling, accepting, purchasing, reselling or recycling.

(b) Any person who violates this section shall be subject to a fine of not less than $500.00 nor more than $1,000.00, or imprisonment not to exceed ten days, or both such fine and imprisonment, for a first offense, and shall be subject to a fine of $500.00, or imprisonment not to exceed thirty days, or both such fine and imprisonment, for each subsequent offense.

(c) In addition to the penalties provided in subsection (b) of this section, any person holding a recycling facility permit issued pursuant to Chapter 11-4, or agent or employee thereof, who violates this section shall be subject to suspension of any such permit for a first violation of this section, and shall be subject to revocation of any such permit for any subsequent violation. Any proceedings to implement such suspension or revocation shall be carried out by the commissioner of health pursuant to procedures set forth in Chapter 11-4. The remedy provided in this subsection (c) shall be in addition to any remedy otherwise available to the city under the code.

(Added Coun. J. 3-12-08, p. 22763, § 1; Amend Coun. J. 11-16-11, p. 13798, Art. II, § 6)

11-12-090 Taking water directly from tunnels or conduits.

No person shall in any manner take, draw, or use water by means of a direct connection from any water tunnel, conduit, or other bore, constructed or owned by the city, except upon express authority granted by the city council; and the terms and conditions upon which water may be so taken, drawn or used, and the rates to be charged, shall also be fixed by the city council.

(Prior code § 185-9)

11-12-100 Fraudulent representation or waste.

If after the water supply shall have been turned on to any building, structure or premises it shall be found by the commissioner, or by any officer or employee of the department, that fraudulent representations have been made by such applicant, or that water is being used in or upon such building, structure or premises for purposes not set forth in the application made for the water supply to such building, structure or premises, or that there is willful and unreasonable use or waste of water in or upon such building, structure or premises, the commissioner shall have the authority, and it shall be his duty, to cut off and stop the supply of water to such building, structure or premises forthwith, unless the person or persons responsible for such fraudulent representation, or for such use of water, or willful or unreasonable waste thereof, shall pay to the city such additional sum of money for such water supply, or on account of such unreasonable waste of water, as the commissioner shall find to be properly due the city, or such sum as would have been charged for the use of such water under the provisions of this chapter if the facts concerning the use of such water were truthfully set forth in such application.

If it shall be found that there is a waste of water in or about any building, structure or premises, to which water is supplied from the Chicago Waterworks System, through or by means of a leak in any water pipe located in any such building or structure or in or on any such premises, or by using an opening for cooling or like purposes, the commissioner shall cause the water supply to be cut off from such building, structure, or premises, unless such waste or use shall be stopped or shall cease within 24 hours after he shall have given notice to the owner, occupant or person in possession, charge or control of such building, structure or premises to stop such waste or use. Where the water supply is cut off from any building, structure or premises on account of neglect, failure or refusal of any person so notified to stop leakage, the water supply shall not again be turned on until the cost and expense to the city of cutting off and again turning on such water supply shall have been paid by such owner, occupant or person in possession, charge or control.

(Prior code § 185-10; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-110 Shutting off service supplying several places.

Whenever two or more individuals occupying separate and independent apartments, suites of rooms, or separate floors in any building, or whenever separate and independent buildings occupied by different individuals, are supplied with water from one service pipe connected with the distributing water main, the commissioner may cut off and withhold the water supply from such service pipe for failure on the part of any one of such individuals to comply with all the provisions of this chapter, or for failure on the part of any person responsible for the payment of any sum of money due to the city for water service so supplied to pay the same.

(Prior code § 185-11; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-120 Severance and restoration of service.

Where service or supply pipes are severed in accordance with the provisions of this chapter, such severing or cutting off shall be done at the water mains or as near thereto as practicable, and no water shall again be supplied to such building, structure or premises, or be

permitted to be turned on therein or thereto, until the cost and expense of such severing and also any other unpaid rates that may be still outstanding have been paid and a permit for the restoration of service has been obtained from the commissioner.

If it shall be found that the water supply has been turned on, or into any such building, structure or premises in violation of the provisions of this chapter, the commissioner shall have the authority, and it shall be his duty to sever, or to order the severing of the service or supply pipes by and through which water is supplied to such building, structure or premises.

The charges hereinbefore provided shall be paid by the person owning or occupying, or in possession, charge or control of such building, structure or premises at the time it is desired to have the water turned on or supplied thereto, irrespective of whether such person shall have been the one guilty of violating the provisions of this chapter, such person being held responsible for any tampering with the shutoff rod boxes on his premises or in his building or structure, and also being held responsible for any unlawful or unauthorized turning on of the water supply into or upon his building, structure or premises.

(Prior code § 185-12; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-125 Water supply shut off.

(a) Upon written notice of the Building Commissioner that a building is vacant and registered or required to be registered in accordance with Section 14X-12-1204 and upon the Building Commissioner's request to the Department of Water Management to shut off the water supply to the building, the Department of Water Management shall shut off the building's water service supply and provide notice to the Department of Finance that all applicable fees, including a water shut off fee, as determined by the Department of Water Management, shall be billed and collected by the Department of Finance. The Department of Finance shall thereafter cease billing and charging of all prospective fees and charges included in the unified statement of charges against the person responsible for the water account of the building from the time the water supply is shut off until such time as the water supply is restored.

(b) Upon written notice of the Department of Buildings to the Department of Water Management, or upon notice of the building owner to the Department of Water Management, that the building is no longer vacant, the Department of Water Management shall restore water supply to such building and provide notice to the Department of Finance to resume billing and charging of all fees and charges included in the unified statement of charges against the person responsible for the water account established for the building; provided, however, no water supply shall be restored unless all outstanding fees and charges included in the unified statement of charges, including a water restoration fee as determined by the Department of Finance, are paid in full, or the owner or occupant enters into an approved payment plan with the Department of Finance for said amounts.

(c) If water supply that is shut off in accordance with this section is illegally restored, the Department of Water Management shall cause an unauthorized water restoration fee to be charged in accordance with Section 11-12-485 of this Code, and the Department of Finance shall pro-rate the unified statement of charges for such building calculated in accordance with Sections 11-12-270 and 11-12-280, or 11-12-310 and 11-12-320 of this Code from the end of the last billing period prior to the water shut off.

(d) It shall be the responsibility of the owner of the vacant building to vacate, repair and maintain water supply pipes on private property leading to or located within such building.

(Added Coun. J. 11-16-11, p. 13798, Art. XII, § 2; Amend Coun. J. 7-20-22, p. 50569, § 4; Amend Coun. J. 6-12-24, p. 13412, Art. II, § 1)

11-12-130 Use of water hose.

Any hose which is connected to a pipe having service from or through the Chicago Waterworks System, shall be turned off and shall not be used: (1) for sprinkling on consecutive days between May 15 and September 15, inclusive, or (2) for sprinkling, washing windows, walks or other like purposes, except between the hours of 5:00 a.m. and 8:00 a.m. and between the hours of 7:00 p.m. and 10:00 p.m. excluding Saturdays, Sundays and holidays (irrespective of whether the water is controlled by meter or not), or (3) for the benefit of adjacent lots unless such lots have a common owner or tenant, and unless the hose is connected to a metered supply. Provided, however, that the prohibition against consecutive-day sprinkling set forth in item (1) of this section shall not apply to any newly seeded or newly sodded lawn during the 90-day period following such seeding or sodding.

Provided further, that the commissioner may, at the commissioner's discretion, authorize the use of a hose or sprinkling at any hour on public parks, boulevards, and other public grounds if, in the commissioner's judgment, such use of a hose or such sprinkling is not prejudicial to the water supply of contiguous premises.

In no case shall any person make use of a hose which is connected at a cock, faucet, valve or any other opening on premises having an unmetered service or supply, to sprinkle or serve in any way premises having a metered supply.

Each day that water or hose is used in violation of the foregoing provisions shall constitute a distinct and separate offense.

(Prior code § 185-13; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 3-1-06, p. 71320, § 1; Amend Coun. J. 11-16-16, p. 37901, Art. IV, § 2)

11-12-140 Reserved.

Editor's note – Coun. J. 10-14-21, p. 37722, Art. XIV, § 14, repealed § 11-12-140, which pertained to public drinking fountains.

11-12-150 Reserved.

Editor's note – Coun. J. 11-16-11, p. 13798, Art. VIII, § 2, repealed § 11-12-150, which pertained to water for skating rinks.

11-12-160 Obstructing access to water equipment.

No person shall in any manner obstruct, cause or permit to be obstructed, access to any stopcock, water meter, proportional, indicating

or recording device, shutoff rod box, or connection with any water main or service pipe, by any means, shift or device whatsoever, and in the event that the owner or person in possession, charge or control of such premises, after proper notification, shall fail to remove such obstruction, the commissioner may withhold water service to such building, structure or premises until the obstruction shall be removed.

(Prior code § 185-16; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

ARTICLE II. WATER MAIN EXTENSIONS (11-12-170 et seq.)

11-12-170 Advancement of costs.

The commissioner may extend water mains or expand existing distribution facilities where the person desiring such extension or expansion shall advance and pay into the city treasury a sum of money equal to the entire estimated cost of the improvement.

(Prior code § 185-17; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-29-15, p. 3537, § 1)

11-12-180 Street improvements.

Whenever an ordinance is hereafter passed by the city council for the filling, grading, curbing and paving of any street, it shall be the duty of the commissioner to ascertain whether the street or streets upon which such improvement is ordered contains a sufficient number of houses to pay a permanent annual revenue to the city of seven percent of the estimated cost of laying water main on such street or streets, and if the commissioner finds that such water main will pay such revenue to the city, he shall at once notify the city council as hereinafter provided.

(Prior code § 185-18; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-190 Authorization of extensions.

It shall be the duty of the commissioner, whenever he shall deem necessary or advisable to lay or extend any water mains in the city, and before he shall cause the same to be laid or extended, to report to the city council the proposed action and extent of the same, together with the size of pipe necessary or advisable to be laid, and the probable expense thereof. No water main shall be laid or extended by the commissioner unless upon an order of the city council directing the laying or extension of the same, fixing the location thereof, the size of pipe to be used, and the maximum cost of same; provided, however, that nothing in this section shall be construed to apply to the laying or extension of water mains where provision shall have been made for paying for the same by special assessment, or where the cost of the same shall be paid by private individuals, as provided in Section 11-12-170, or to cases of upgrading, repairing or relaying mains already laid, where the same shall have burst or otherwise become in need of upgrade or repair.

(Prior code § 185-19; Amend Coun. J. 11-10-99, p. 14998, § 7.2; Amend Coun. J. 11-17-99, p. 17487, § 7.2; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-29-15, p. 3537, § 1)

11-12-200 Special assessment refunds.

Whenever any special assessment shall be collected by or for the city for the purpose of laying or extending any water main within said city, there shall be repaid out of the moneys of the city to the credit of the water fund, to the person to whom the special assessment receipt shall be given, or upon his, order, upon production of the original receipt, 90 percent of the amount for which any such receipt was given, less the rebate previously paid and for which such receipt was given, when from the surplus of the net income from the water rates not otherwise appropriated or pledged, there is in the city treasury sufficient money therefor, and when the city comptroller shall so certify; provided, however, that no money shall be repaid unless the permanent annual water rates derived by reason of the laying of such water main for which any such receipt was given, shall at the time of such proposed repayment equal at least seven percent of the total cost of the main so laid and for which such special assessment was paid.

(Prior code § 185-20)

ARTICLE III. WATER METERS (11-12-210 et seq.)

11-12-210 Installation.

Water meters shall be required on all service pipes to all new buildings and on any new services to existing buildings in the City of Chicago, and shall be installed at the time the building is connected to the city's water system.

Water meters shall be required on service pipes supplying city water to all existing buildings, structures or premises other than private residences within the City of Chicago in which only one family resides, or in two- flat buildings in which only two families reside. Water meters shall be required on service pipes supplying city water to existing private residences in the City of Chicago in which only one family resides, and existing two-flat buildings in which only two families reside, if devices which require large quantities of water are installed therein or if a new water service of larger size is installed.

Water meters may be installed on any existing service pipe supplying city water to any existing building not otherwise required to have a meter where written request is made by the owner or agent of the premises supplied.

Water meters previously installed on service pipes to comply with the requirements of Section 11-12-210 of this chapter or water meters previously installed by the owner or agent of the premises supplied may not be removed because the requirement for the meter has been removed or because the owner or agent wishes it removed.

Except as provided in Section 11-12-540 of this chapter, the city shall furnish and maintain at its own expense all water meters authorized and required hereunder, but where a meter is required to control additional service pipes for auxiliary or emergency water supply, or where such meter is installed on service pipes to which private supply pipes are connected, or where it is so provided in this chapter, said meter shall be furnished by the owner or consumer, but it shall be maintained by the city at the cost and expense of said

owner or consumer.

Whenever leaks, waste, unauthorized or excessive use of water are found and in the judgment of the commissioner metering will effectively reduce the waste of water, the commissioner shall require installation of meters on service pipes to consumers of water not already metered as required in this Code.

All meters should be installed by the owner's plumbing contractor.

(Prior code § 185-21; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-29-15, p. 3537, § 1)

11-12-212 Voluntary Water Meter Installation Program.

(a) This section shall be known and may be cited as the "Voluntary Water Meter Installation Program". The Commissioner shall develop a program to promote the voluntary installation of water meters by the owners of single-family homes and residential two-flats.

(b) For purposes of this section, the following definitions apply:

"Dwelling unit" has the same meaning ascribed to that term in Section 17-17-0248.

"Metered rate" means the amount assessed for metered water service pursuant to Section 11-12-310, but does not include any late charges, interest, or penalties.

"Non-metered rate" means the amount assessed for non-metered water service pursuant to Sections 11-12-270 and 11-12-280, but does not include any late charges, interest, or penalties.

"Residential Building" means a building used exclusively for residential occupancy.

"Single-family home" means any single-family type structure with separate and distinct plumbing, consisting of a separate and independent means of controlling the water supply to the unit.

"Two-flat" means a residential building that contains two dwelling units.

(c) The terms of the program shall be as follows:

(1) The Commissioner is authorized to designate geographic areas dispersed within the City, as determined by the Commissioner.

(2) In those areas designated by the Commissioner pursuant to paragraph (b)(1), the owner of a single-family home or a two-flat may request the installation by the City of a water meter on the property occupied by the single-family home or two-flat.

(3) The number of yearly installations pursuant to this program shall be limited to no more than twenty-five thousand, or to the extent that funds are appropriated to it.

(4) There shall be no charge to the owner for the cost of the installation of the water meter of for any minor carpentry work required to create an access door to the service pipe. Such charges and costs shall be paid by the City.

(5) For the first seven years after the date of the installation of the water meter, the City shall bill the owner the metered rate, provided (i) that the total amount charged for the metered rate shall not exceed the annual non-metered rate for water service that would have been in effect at the property at the time of the billing if no water meter had been installed, and (ii) that subsection (5)(i) only applies if the following conditions are met during the entire seven year period:

(A) the owner does not sell or otherwise transfer the property;

(B) the owner remains current on the water bills for the property;

(C) the owner permits reasonable access to the property by the City for the purpose of installing, reading, and maintaining the water meter;

(D) the owner does not remove or tamper with the meter; and

(E) there are no leaks, broken water pipes, or other plumbing problems at the property with regard to which the owner has received notice from the City.

(6) Any owner who participates in the program will receive, subject to availability, at no cost to the owner, a water saving device or kit for the property, if the property is suitable for a water saving device; provided that if all eligible owners of a block request the installation of water meters, then an owner on the block will be eligible to receive two water saving devices or kits. For purposes of this subsection, "block" means both sides of any street between street intersections.

(7) An owner shall not remove, or request the removal of, the water meter after its installation.

(8) By participating in the voluntary water meter installation program, the owner agrees to give the City access to the property for the purpose of installing the water meter and necessary water meter related devices.

(d) The terms of the program shall not apply to any water meter installed prior to April 1, 2022.

(e) Those sections of the Municipal Code of Chicago related to water meters and water meter service, including installation, water rates, or billing, shall be applicable to this program except to the extent that those sections are inconsistent with this ordinance, in which case subsection (c)(5) shall prevail.

(f) No water meter shall be installed under this program unless the Commissioner has determined that adequate funding for such

installations has been appropriated.

(g) The Commissioner is authorized to adopt such rules as the Commissioner may deem necessary for the proper implementation, administration, and enforcement of this section.

(Added Coun. J. 5-23-22, p. 47631, § 1)

11-12-220 Metered and unmetered service for same premises.

The Commissioner shall not permit any building, structure or premises which is or are controlled by meter to have in any portion thereof a pipe connected with the City waterworks system which is not also controlled by meter.

If it shall be found that any portion of such building, structure or premises is not controlled by meter, the owner, agent or person in possession, charge or control thereof shall be notified to bring such portion under meter control within ten days from date of such notice, and upon failure to do so, the supply of water shall be shut off. The Commissioner shall assess the amount due for the water service used in violation of the provisions of this section and the cost and expense of cutting off or stopping such water supply and advise the Comptroller of the total amount assessed. No water service shall be turned on until the total amount assessed, and any late charges or other charges authorized by this code are paid, as determined by the Comptroller; or the owner or occupant enters into an approved payment plan with the Department of Finance for said amounts determined by the Comptroller.

(Prior code § 185-22; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9; Amend Coun. J. 7-20-22, p. 50569, § 4)

11-12-230 Design, type and size of meters and other appurtenances and maintenance.

Each water meter, proportional, indicating or recording device, including meters for domestic supply, for fire lines, submeters, or any other kind, which is connected or is to be connected with any pipe supplied by the Chicago Waterworks System shall be of a type, design and size recommended by the commissioner, and approved by the city council.

Except as otherwise specified in this Code, all meters or detecting devices, including vaults, whenever required, installed on any pipeline greater than one inch in diameter to be used for domestic water service, or on any pipeline to be used for combination water services, shall be constructed, installed and maintained by and at the expense of the owner or consumer.

(Prior code § 185-23; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-29-15, p. 3537, § 1)

11-12-240 Private fire protection systems.

The supply of water through any service pipe on which there are installed or maintained for fire protection purposes, and within the premises of the consumer, either standpipes, fire hydrants, pumps, fire protection tanks or any other outlets or devices from which water may be drawn to extinguish fire, shall, except as hereinafter provided in this section, be entirely controlled by a meter or meters which shall accurately measure all of the water used through said service pipe.

The commissioner may, at his discretion and in order to insure more accurate measurement of water supplied through said service pipe, require the installation of separate meters and separate lines leading from said meters to said premises, one or more of said lines to be connected only to fire protection devices and one or more of said lines to be used for supplying water for domestic or industrial purposes.

Or the commissioner may, at his discretion, require the installation of separate pipe line for the domestic or industrial uses of water and for fire protection purposes, installing on the former lines a meter or meters to register accurately all of the water used for said domestic or industrial purposes; and installing on the line or lines which are to be used only for fire protection, devices capable of detecting and recording every instance in which any water may be drawn through said fire protection lines, said devices being so constructed and installed as to permit, in case of necessity, an uninterrupted flow through said fire protection lines.

All meters or detecting devices installed on any pipeline to be used only for fire protection, including vaults, whenever required, shall be constructed, installed and maintained by and at the expense of the owner or consumer. All such meters or detecting devices installed or replaced on or after July 15, 2010, shall be equipped with remote reading technology in accordance with regulations promulgated by the commissioner.

There shall be no charge for any registration occasioned on any meter as the result of the use of water for fire purposes and the commissioner is authorized to reduce by an amount corresponding to such registration the charge for metered water against the consumer. No water for other than fire purposes shall be used through any fire line.

It shall be the duty of the commissioner to read, or cause to be read, all fire meters or detecting devices and to inspect seals on same, at least annually.

For any violation of any of the provisions of this section, the commissioner may, at his discretion, cause the water supply to be shut off.

(Prior code § 185-24; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 6-30-10, p. 95374, § 1)

11-12-250 Interference with meters or other devices.

No person shall be permitted to tamper, test, repair, remove, relocate or in any way interfere with any water meter, proportional, indicating or recording device, installed in any building, structure or premises for the control of the water supply thereto, excepting under authority granted by the commissioner. The owner of the building, structure or premises for which such meter is installed shall be held responsible for any unauthorized tampering or interference in violation of this section. Such owner shall be subject to a fine of not less than $500.00 nor more than $750.00 for each violation; and the water supply to such owner's building, structure or premises may be cut

off, and shall not again be permitted to be turned on until such owner or person shall have paid to the department of finance the cost and expense of cutting off and turning on such water supply; provided, however, where such owner can show that such tampering was done contrary to his efforts to prevent same there shall be no such cutting off of the water supply nor shall such owner be subject to a fine.

(Prior code § 185-25; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 14596, Art. IV, § 1)

ARTICLE IV. WATER CHARGES (11-12-260 et seq.)

11-12-260 Annual statement – Rate establishment.

At the close of each fiscal year, the department of water management shall prepare a statement of the revenues and expenditures of the water system of the city and a balance sheet thereof. The department shall then prepare an ordinance, for submission to the city council, establishing the rates to be charged for water service in the following year. The fees, charges, and rates established by said ordinance shall be sufficient in all times to pay the cost of operation and maintenance of the water system, to make principal and interest payments on any outstanding bonds, and to establish and maintain any reserve funds or accounts as may be covenanted for in bond ordinances authorizing the issuance of outstanding bonds.

(Prior code § 185-25.1; Added Coun. J. 12-12-84, p. 11883; Mayoral veto. 12-18-84, p. 11998; Corrected. 2-4-85, p. 13433; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-270 Nonmetered service.

The minimum amount to be charged for water service to any building, structure or premises fronted by a public street, in or to which such building, structure or premises any water supply is laid, but excepting such service which is wholly controlled by meter, shall be as follows as of January 1st of the years indicated:

	2011	*2012*	*2013*	*2014*	*2015*
	2011	*2012*	*2013*	*2014*	*2015*
For buildings having a front width of 12 feet or less	$63.01	$78.76	$90.58	$104.16	$119.79
For buildings having a front width:					
Exceeding 12 feet but not exceeding 15 feet	$87.00	$108.75	$125.06	$143.82	$165.40
Exceeding 15 feet but not exceeding 18 feet	$118.68	$148.35	$170.60	$196.19	$225.62
Exceeding 18 feet but not exceeding 21 feet	$143.31	$179.14	$206.01	$236.91	$272.45
Exceeding 21 feet but not exceeding 24	$151.95	$189.94	$218.43	$251.19	$288.87
Exceeding 24 feet but not exceeding 27 feet	$175.94	$219.93	$252.91	$290.85	$334.48
Exceeding 27 feet but not exceeding 30 feet	$206.97	$258.71	$297.52	$342.15	$393.47
Exceeding 30 feet but not exceeding 33 feet	$229.52	$286.90	$329.94	$379.43	$436.34
Exceeding 33 feet but not exceeding 36 feet	$238.31	$297.89	$342.57	$393.96	$453.05
Exceeding 36 feet but not exceeding 40 feet	$277.51	$346.89	$398.92	$458.76	$527.57
Exceeding 40 feet but not exceeding 44 feet	$295.25	$369.06	$424.42	$488.09	$561.30
Exceeding 44 feet but not exceeding 48 feet	$318.46	$398.08	$457.79	$526.45	$605.42
Exceeding 48 feet but not exceeding 52 feet	$342.76	$428.45	$492.72	$566.63	$651.62
Exceeding 52 feet but not exceeding 56 feet	$366.43	$458.04	$526.74	$605.75	$696.62
Exceeding 56 feet but not exceeding 62 feet	$391.23	$489.04	$562.39	$646.75	$743.76
Exceeding 62 feet but not exceeding 67 feet	$405.61	$507.01	$583.06	$670.52	$771.10
Exceeding 67 feet but not exceeding 72 feet	$429.77	$537.21	$617.79	$710.46	$817.03
Exceeding 72 feet but not exceeding 77 feet	$453.92	$567.40	$652.51	$750.39	$862.94
Exceeding 77 feet but not exceeding 82 feet	$478.07	$597.59	$687.23	$790.31	$908.86
Exceeding 82 feet but not exceeding 87 feet	$509.58	$636.98	$732.52	$842.40	$968.76

For each additional five feet, or major fraction thereof, in excess of 87 feet, the following charges shall be made as of January 1st of the year indicated:

2011	*2012*	*2013*	*2014*	*2015*
$24.00	$30.00	$34.50	$39.68	$45.63

Wings, bays, or projections of a depth not greater than 75 percent of the depth of the main portion of the structure shall have but one-half of their front width included in computing the front width of the building.

In applying the aforesaid schedule to buildings, structures or premises where the outline is a right-angle triangle; only two-thirds of the measurement of the base of such triangular outline shall be taken as the front width.

Where the measurement of the front width of a building of a rectangular outline is greater than the measurement of its depth, the measurement of such depth may be taken instead of the measurement of the front width in applying the schedule of frontage charge.

For each story in height of building in excess of one story, the following charges shall be made in addition to the foregoing as of January 1st of the years indicated:

2011	*2012*	*2013*	*2014*	*2015*
$38.55	$48.19	$55.42	$63.73	$73.29

The term "story" as used in the foregoing shall include:

(a) Basements containing two or more finished rooms, not including laundry rooms;

(b) Basements or attics used for business purposes, other than those used exclusively for storage, and in which no person is regularly employed;

(c) Attics containing two or more finished rooms. Outbuildings, rear buildings or buildings on alleys shall be exempt from a service charge when located in the rear of other buildings assessed such service charge; but such buildings shall not be considered as rear buildings when fronted by any street.

For the purpose of assessment, the occupancies of buildings, structures or premises shall be classified as nearly as possible as follows:

Class A. Buildings used as private residences exclusively, which are occupied by members of one family only, and in which no portion of the building is rented or maintained for rent to other persons.

Class B.

(b1) Flat or apartment buildings containing one or more flats or apartments with a minimum of one water closet, one bath and one sink.

(b2) Flat or apartment buildings not having baths for any of the flats or apartments.

The amounts to be charged for service to buildings in Class A shall be the amount heretofore specified as minimum charge for service. This charge shall include service for all ordinary domestic fixtures and openings, but shall not include service for outbuildings, air conditioning, or use of hose for sprinkling, washing or like purposes, or other devices which require large quantities of water. Such service as is not included shall be charged for additionally at rates hereinafter specified.

The amounts to be charged for service to buildings in Class B shall be the amounts heretofore specified as minimum charge for service, and this charge shall include, in Class (b1), one flat or apartment equipped with not less than one water closet, one bath and one sink, and in Class (b2), one water closet and two-family sinks, each of such sinks being open to use of not to exceed one family. If either sink is open to use of other families charges per annum, as of January 1st of the year indicated, shall be made for each such other family:

2011	*2012*	*2013*	*2014*	*2015*
$79.33	$99.16	$114.04	$131.14	$150.81

For each other flat or apartment equipped with not less than one water closet, one bath and one sink, the following charges per annum, as of January 1st of the year indicated, shall be made:

2011	*2012*	*2013*	*2014*	*2015*
$182.81	$228.51	$262.79	$302.21	$347.54

For fixtures for use of apartments having less than the above equipment, the following:

For each water closet – per annum, as of January 1st of the year indicated:

2011	*2012*	*2013*	*2014*	*2015*
$79.33	$99.16	$114.04	$131.14	$150.81

If such water closet is open to the use of more than one family, an additional charge per annum shall be made for each such family as of January 1st of the year indicated:

	2011	2012	2013	2014	2015
For each bath per annum	$79.33	$99.16	$114.04	$131.14	$150.81
For each wash basin per annum	$24.15	$30.19	$34.72	$39.92	$45.91
For each family sink which is open to the use of not more than one family per annum	$24.15	$30.19	$34.72	$39.92	$45.91

If such sink is open to the use of more than one family, additional charges per annum, as of January 1st of the year indicated, shall be made for each such family:

2011	2012	2013	2014	2015
$24.00	$30.00	$34.50	$39.68	$45.63

All openings at trays used for private laundry purposes shall be allowed with service charge, but service for outbuildings, air conditioning, use of hose for sprinkling, washing or like purposes, or other devices which require large quantities of water, shall not be included. Such service as is not included shall be charged for additionally at rates hereinafter specified.

For other special water fixtures or for any other special or unusual use of water for which no charge is specified, the commissioner shall determine the amount to be charged for such special fixtures and for such use of water, such charge to be based upon an estimate of the water used.

(Prior code § 185-26; Amend Coun. J. 12-12-84, p. 11883; Mayoral veto. 12-18-84, p. 11998; Amend Coun. J. 1-23-85, p. 12937, 4-26-89, p. 425; Amend Coun. J. 6-28-91, p. 2475; Amend Coun. J. 6-23-93, p. 34793; Amend Coun. J. 11-15-95, p. 11995; Amend Coun. J. 11-10-99, p. 14998, § 7.2; Amend Coun. J. 11-17-99, p. 17487, § 7.2; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-19-03, p. 14216, § 7.1; Amend Coun. J. 11-13-07, p. 15814, § 1; Amend Coun. J. 11-16-11, p. 14596, Art. III, § 1)

11-12-280 Additional charges.

In addition to other rates and charges assessed against any building, structure or premises the supply to which is not controlled by meter, annual rates, or rates for other periods where so specified, charges shall be assessed where fixtures, devices or occupancies are found, as follows:

For hose such as is ordinarily used for sprinkling, washing or like purposes, per season, as of January 1st of the year indicated:

	2011	2012	2013	2014	2015
	2011	2012	2013	2014	2015
For a frontage of 30 feet or less	$56.14	$70.18	$80.70	$92.81	$106.73
For a frontage exceeding 30 feet but not exceeding 50 feet	$79.33	$99.16	$114.04	$131.14	$150.81
For each additional 25 feet of frontage or major fraction thereof	$16.16	$20.20	$23.23	$26.71	$30.72
For aquariums with water connection, with a capacity not to exceed 10 cubic feet of water per season	$56.14	$70.18	$80.70	$92.81	$106.73
For each additional 10 cubic feet or major fraction thereof	$56.14	$70.18	$80.70	$92.81	$106.73
For fountains, per season:					
each jet of 1/16 of an inch or less	$127.80	$159.75	$183.71	$211.27	$242.96
exceeding 1/16 of an inch but not exceeding 1/8 of an inch	$509.58	$636.98	$732.52	$842.40	$968.76
exceeding 1/8 of an inch but not exceeding 1/4 of an inch	$1,264.54	$1,580.68	$1,817.78	$2,090.44	$2,404.01

Gardens sprinkled or irrigated which are not part of the adjoining premises:

	2011	2012	2013	2014	2015
For 3,000 square feet or less, per season	$56.14	$70.18	$80.70	$92.81	$106.73

For each additional 3,000 square feet or major fraction thereof	$24.15	$30.19	$34.72	$39.92	$45.91

For other special water fixtures, or for any other special or unusual use of water for which no charge has been heretofore specified, the commissioner shall determine the amounts to be charged for such special fixtures or for such use of water, such charge to be based upon an estimate of water used.

(Prior code § 185-27; Amend Coun. J. 12-12-84, p. 11843; Mayoral veto. 12-18-84, p. 11998; Amend Coun. J. 1-23-85, p. 12937; Amend Coun. J. 4-26-89, p. 425; Amend Coun. J. 6-28-91, p. 2475; Amend Coun. J. 6-23-93, p. 34793; Amend Coun. J. 11-15-95, p. 11995; Amend Coun. J. 11-10-99, p. 14998, § 7.2; Amend Coun. J. 11-17-99, p. 17487, § 7.2; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-19-03, p. 14216, § 7.2; Amend Coun. J. 11-13-07, p. 15814, § 1; Amend Coun. J. 12-12-07, p. 17167, § 10; Amend Coun. J. 11-16-11, p. 14596, Art. III, § 1; Amend Coun. J. 7-29-15, p. 3537, § 1)

11-12-290 Temporary use of water from a hydrant.

Persons requiring temporary use of water from a City fire hydrant shall apply to the commissioner for permission, stating in a signed, dated application the name and title of the person submitting the application, the name of the legal entity (if applicable), address, e-mail, fax and phone, and describing the particular proposed use or uses for the water. If the commissioner concludes that the proposed use of water is necessary and will not deprive regular consumers of water of the usual supply, he shall issue a permit in writing authorizing the use of water by the applicant upon such conditions and restrictions, appropriate to the circumstances, as he sees fit to impose.

When a fire hydrant is temporarily used to provide water for construction or for filling a truck, a street sweeper, a street sprinkler or a tanker, the amount charged for the water shall be $83.78 per day. The person seeking temporary water use shall pay the pertinent amount in advance to the Department of Finance. When in the commissioner's judgment the anticipated use will exceed 1,000 cubic feet a day or continue for an extended period, he is authorized to evaluate the quantity of water to be used and assess an appropriate charge. The commissioner is authorized to waive the hydrant charge for work performed for, or on behalf of, the City.

(Prior code § 185-28; Amend Coun. J. 12-12-84, p. 11883; Mayoral veto. 12-18-84, p. 11998; Amend Coun. J. 1-23-85, p. 12937; Amend Coun. J. 4-26-89, p. 425; Amend Coun. J. 6-28-91, p. 2475; Amend Coun. J. 6-23-93, p. 34793; Amend Coun. J. 11-15-95, p. 11995; Amend Coun. J. 11-10-99, p. 14998, § 7.2; Amend Coun. J. 11-17-99, p. 17487, § 7.2; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-19-03, p. 14216, § 7.3; Amend Coun. J. 11-13-07, p. 15814, § 1; Amend Coun. J. 12-12-07, p. 17167, § 11; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9; Amend Coun. J. 11-16-11, p. 14596, Art. III, § 1; Amend Coun. J. 7-29-15, p. 3537, § 1; Amend Coun. J. 11-16-16, p. 37901, Art. IV, § 3)

11-12-300 Reserved.

Editor's note – Coun. J. 7-29-15, p. 3537, § 1, repealed § 11-12-3070, which pertained to water used in improvements.

11-12-310 Metered service.

The rate for metered water shall be $30.79 per thousand cubic feet of water as of June 1, 2021, subject to increase pursuant to Section 11-12-315.

Payments shall be made to the department of finance, or its agent, or by any other means established by the department of finance. A late payment penalty assessed at a monthly rate of one and one-fourth percent shall be imposed on all water charges in excess of $10.00 for which payment in full is not received within 24 calendar days from the date the bill therefor was sent as shown by the records of the department of finance. Where the correctness of a bill is disputed and where complaint of such incorrectness has been made prior to the time a late penalty would be imposed, and where the adjusting of such complaint requires additional time, the penalty may be held in abeyance up to and including the tenth day succeeding the resending of such bill. The late payment penalty established pursuant to this section shall not be imposed upon persons who are 65 years or older, who own and reside in their own residence and who have a separate water meter or water assessment.

All revenues received for payment of water use rates, charges and penalties shall be deposited to the water revenue fund.

(Prior code § 185-31; Amend Coun. J. 12-12-84, p. 11883; Mayoral veto, 12-18-84, p. 11998; Amend Coun. J. 1-23-85, p. 12937; Amend Coun. J. 4-26-89, p. 425; Amend Coun. J. 6-28-91, p. 2475; Amend Coun. J. 6-23-93, p. 34793; Amend Coun. J. 11-15-95, p. 11995; Amend Coun. J. 11-10-99, p. 14998, § 7.2; Amend Coun. J. 11-17-99, p. 17487, § 7.2; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-19-03, p. 14216, § 7.4; Amend Coun. J. 12-14-05, p. 66648, § 1; Amend Coun. J. 11-13-07, p. 15814, § 1; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9; Amend Coun. J. 11-16-11, p. 14596, Art. III, § 1; Amend Coun. J. 11-8-12, p. 38872, § 204; Amend Coun. J. 10-27-21, p. 39543, Art. VII, § 1)

11-12-315 Inflation adjustment for water rates.

With regard to the rates set forth in the tables contained in Sections 11-12-270, 11-12-280, 11-12-290 and 11-12-310, beginning June 1, 2016, and every year thereafter, the annual rates shall be adjusted upwards, if applicable, by applying to the previous year's rates the rate of inflation, calculated based on the Consumer Price Index – Urban Wage Earners and Clerical Workers (Chicago All Items) published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1. Any such annual increase, however, shall be capped at 105% of the previous year's rate.

(Added Coun. J. 11-16-11, p. 14596, Art. III, § 1)

11-12-320 Metered billing; estimates for metered service.

City water supplied for other than fire purposes through service pipes controlled by water meter shall be charged and paid for on the basis of the amount registered by such meter, except in cases where it shall be found that such meter is registering incorrectly, has stopped registering, or has not been read before the issuance of the next bill.

In such cases, charge and payment shall be made on an estimate prepared by the Comptroller based on the average of 12 preceding readings of such meter, excluding excessive or deficient readings.

Where such meter has been installed for a lesser period than one year, or where less than 12 competent readings exist, such estimate may be based on a lesser number than 12 readings taken preceding or subsequent to such incorrect or stopped registration. Changed condition of occupancy or use, making for greater or less consumption during such period of incorrect or stopped registration, shall be taken into consideration in the preparation of such estimate.

Once a meter is again read, if it registers the amount of water consumed in the intervening period, the following bill will reflect the actual water consumption, and will account for the estimated consumption for the period between water meter readings. However, if the meter has not been read in 24 consecutive months, through no fault of the person who owns or controls the property, the bills for actual metered water will begin after a billing cycle during which the actual metered amount for the full period is recorded and only reflects that period, that is, without charging for a difference in the estimated and actual amounts for the period prior to the actual metered amount for that billing cycle.

(Prior code § 185-32; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-16-11, p. 13798, Art. XII, § 3; Amend Coun. J. 10-27-21, p. 39543, Art. VII, § 2)

ARTICLE V. ASSESSING AND COLLECTING CHARGES (11-12-330 et seq.)

11-12-330 Liability for charges.

The owner or owners of a property, location or address where water or water service is supplied shall be jointly and severally responsible for payment for any water or water service supplied. Upon a determination that any owner did not timely pay his water or sewer charges, the comptroller may institute collection action with the department of administrative hearings by forwarding a copy of a notice of violation or a notice of hearing, which has been properly served, to the department of administrative hearings. The billing statement, notice of a water service charge or notice of delinquent payment of a water service charge shall be prima facie evidence that the owner identified in the statement or notice shall be liable for such charge and any delinquent payment fee.

(Prior code § 185-33; Amend Coun. J. 3-28-01, p. 55444, § 4; Amend Coun. J. 5-2-01, p. 57409, § 3; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. XII, § 3; Amend Coun. J. 10-28-15, p. 12062, Art. IX, § 3; Amend Coun. J. 11-26-19, p. 11514, Art. V, § 1)

11-12-340 Reserved.

Editor's note – Coun. J. 11-16-16, p. 37901, Art. IV, § 4, reaffirmed the repeal of § 11-12-340, which pertained to metered service – billing. For the original repeal, see Coun. J. 12-2-09, p. 78837, Art. 5, § 5.

11-12-350 Reserved.

Editor's note – Coun. J. 12-8-04, p. 38063, § 1, repealed § 11-12-350, which pertained to metered rowhouses and townhouses – charges – shutoff.

11-12-360 Metered rowhouses and townhouses – Individual meters.

Owners of individual units are authorized to request an individual meter providing the owner modifies the plumbing at his expense in order that a meter can be installed. Remote reading devices are available at the owner's expense. Shutoff of services shall be in accordance with Section 11-12-110.

(Prior code § 185-34.2; Added Coun. J. 11-28-84, p. 11190)

11-12-370 Reserved.

Editor's note – Coun. J. 12-8-04, p. 38063, § 1, repealed § 11-12-370, which pertained to townhouses and similar structures – seller's permit.

11-12-380 Townhouses and similar structures – Right of entry – Owner responsibilities.

The commissioner may deem it necessary to enter private or public property at the owner's expense, for the purpose of correcting violations and/or to protect the public health safety, and welfare. Paraphrasing Sections 11-8-050* and 11-12-040, the owner is responsible for water piping toward the building unit from the shut-off rod box to the furthermost water outlet. In that meter vaults and vaulted sidewalks are usually on the outlet side of the shut-off rod box, it is, therefore, the owner's responsibility to construct and maintain same and to prevent frost or flood damage resulting therefrom. If the department's expenses are not paid within 30 days from the date of the first notice, the water service may be terminated at owner's expense.

(Prior code § 185-34.4; Added Coun. J. 12-18-84, p. 12090; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-8-04, p. 38063, § 1)

*** Editor's note –** Repealed by Coun. J. 3-28-01, p. 55444, § 1.

11-12-390 Townhouses and similar structures – Shared repair expenses.

Where there is incompatibility among owners, trustees, or association members, on individually owned duplexes, townhouses, condominiums, cooperatives or similar structures that share a common water service, with or without a meter, and the city is compelled to make repairs or alterations thereon, either on public or private property to protect the public health, safety and welfare the city's expenses will be shared equally by all owners being supplied by said common water service. If after 30 days' written notice one or more

owners refuses to reimburse the city for their share of said expenses, the city may terminate, at the owner's expenses, water service to those units that are in arrears.

(Prior code § 185-34.5; Added Coun. J. 12-18-84, p. 12090)

11-12-400 Determination of charges.

All assessments shall be made by the commissioner from reports of regularly qualified field assessors or rate-takers.

(Prior code § 185-35; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5)

11-12-410 False returns.

Should any field assessor, rate-taker, shutoff man or other employee make false returns as to the width, or height in stories, of a building, or as to the number of fixtures therein, or as to the character of the business which by its nature would be assessable under the tariff of rates set forth in this Code, he shall be removed from office according to law.

(Prior code § 185-36)

11-12-420 Payment of charges.

The water rates or charges established under this Code shall be billed in such time periods as established by the comptroller, and shall be added to and separately recited on a unified statement of charges.

A late payment penalty assessed at a monthly rate of one and one-fourth percent shall be imposed on all water charges for which payment in full is not received within 24 calendar days from the date the bill therefor was sent, as shown by the records of the department of finance.

All revenues received for payment of water use rates, charges and penalties shall be deposited to the water revenue fund.

Where the correctness of an inspection on which an assessment is based on or an amount of refund calculated, is disputed, and where, in the case of a late payment penalty, complaint of such correctness has been made within the period prior to the time the usual penalty would be imposed, and where the adjusting of such complaint requires additional time, the penalty may be held in abeyance up to and including the tenth day succeeding the remailing of such bill.

The late payment penalty established pursuant to this section shall not be imposed upon persons who are 65 years or older, who own and reside in their own residence and who have a separate water meter or water assessment.

(Prior code § 185-37; Amend Coun. J. 6-28-91, p. 2475; Amend Coun. J. 6-23-93, p. 34793; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-14-05, p. 66648, § 1; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9; Amend Coun. J. 10-28-15, p. 12062, Art. IX, § 3; Amend Coun. J. 11-16-16, p. 37901, Art. IV, § 5)

11-12-430 Cancelling charges for transitory or portable devices.

Where charges against any premises appear on the books of the department for devices of a transitory or of a portable nature, including hose, hydraulic motors for washing machines, etc., where it may be possible to conceal such devices if inspection is anticipated, such charge may be cancelled upon presentation of an affidavit by the owner, agent or occupant of such premises, such affidavit to be in the form prescribed by the commissioner. The chief water assessor shall then cause an inspection of said premises to be made, and where the result of such inspection verifies the claim made in such affidavit the charge for such hose or device so decreased upon affidavit shall remain cancelled.

In case the result of such inspection indicates that the affidavit was made in an endeavor to escape the payment of water rates or charges which according to the provisions of this chapter should have been paid, then the charge which has been so decreased shall be immediately restored, and a penalty equal to the amount of such charge may be collected. These charges shall become immediately due and payable.

(Prior code § 185-39; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-440 Reserved.

Editor's note – Coun. J. 11-16-16, p. 37901, Art. IV, § 4, reaffirmed the repeal of § 11-12-440, which pertained to refund because of certain nonuse. For the original repeal, see Coun. J. 12-2-09, p. 78837, Art. 5, § 5.

11-12-450 Reserved.

Editor's note – Coun. J. 3-1-06, p. 71320, § 2, repealed § 11-12-450, which pertained to refund because of vacancy.

11-12-460 Leakage.

No deduction shall be made or rebate allowed to any consumer of water under meter control by or on account of any leakage or alleged leakage in any water pipe, tank or other apparatus or device. The amount of water registered by any meter controlling the water supply to any building, structure or premises, shall be charged and paid for in full, irrespective of whether such water, after having been registered, was lost by leakage, accident or otherwise, except registration of fire meters occasioned by a fire or by evaporation as hereinbefore provided.

(Prior code § 185-42)

11-12-470 Leak Relief Pilot Program.

(a) *Title.* This section shall be known and cited as the Leak Relief Pilot Program.

(b) *Purpose.* The Leak Relief Pilot Program is intended to address unexpected City water and sewer bills for customers whose properties experience underground water leaks on their metered water service line.

(c) *Definitions.* For purposes of this section, the following definitions shall apply:

"Basis period" means either the 12-month period before the leak started or the 6-month period after the leak was repaired. If these time periods are not representative of the average amount of water supplied to the property for which relief is sought, then the basis period will be timeframe determined by the Department of Finance after review of the account and any relevant documentation.

"Comptroller" means the Comptroller of the City of Chicago, or the Comptroller's designee.

"Eligible leak" means a leak on a property owner's water service line where:

(1) the water service line is controlled by a meter located outside of the property; and

(2) the leak is located on the water service line underground between the meter and the property; and

(3) the leak impacted the property owner's utility bill; and

(4) the Department of Water Management has confirmed the location of the leak; and

(5) the leak was repaired on or after January 1, 2023.

"Eligible leak period" means the period when the Eligible Leak impacted the property owner's utility bill as determined by the Department of Finance.

"LRP" means the Leak Relief Pilot Program created by this section.

"Participant" means a participant in the LRP.

"Property owner" means the owner of a single family, two-unit, or three-unit residence, or a commercial property with a water service line of 1 inch in size or less, located in the City of Chicago.

(d) *Eligibility.* A property owner may become a participant in the LRP if:

(1) the property owner applies to the Comptroller to become a participant; and

(2) the water service line serving the property has experienced an eligible leak; and

(3) a property owner has never been granted relief under the LRP for the property in question.

The Comptroller may require the property owner to provide all documents which may be reasonably needed to support a property owner's eligibility for the LRP as a part of the application for relief.

(e) *Determination of relief.* After acceptance and enrollment in the LRP, the Department of Finance shall:

(1) review the billing history of the participant;

(2) review the history of water passing through the meter at the participant's property, and any other relevant information, to determine which service periods were likely impacted by the eligible leak;

(3) calculate the average amount of water passing through the meter during the basis period;

(4) provide a credit adjustment to reduce the amount of the charges for service during the eligible leak period to an estimated amount based on the average amount of water passing through the meter during the basis period. If the basis period average is higher than the eligible leak period average, then no adjustment shall be applied.

(f) *Rules.* The Comptroller is authorized to adopt such rules as the Comptroller may deem necessary for the proper implementation, administration, and enforcement of this section.

(g) *Property interest.* The LRP is created in the City's sole discretion, and participation in the program and any benefits that result from the program are not intended to create a property interest in any participant or in any individual eligible for the program.

(h) *Expiration.* This section shall expire and be repealed of its own accord, without further action by the City Council, on December 31, 2026.

(Added Coun. J. 5-22-24, p. 11628, § 1)

Editor's note – Coun. J. 10-28-15, p. 12062, Art. IX, § 3, repealed former § 11-12-470, which pertained to cash refunds. Coun. J. 11-16-16, p. 37901, Art. IV, § 4, reaffirmed the repeal of this section. For the original repeal, see Coun. J. 12-2-09, p. 78837, Art. 5, § 5.

11-12-480 Payment allocation.

Whenever a payment is made for charges on a unified statement of charges and such payment does not cover the full amount of the current charges or any unpaid charges from a prior unified statement of charges, any amount paid shall be allocated pro-rata among the unpaid charges, including any associated penalties, oldest statements first. For purposes of this Section 11-12-480, the term "charges" shall include the Chicago Water and Sewer Tax imposed by Chapter 3-80 of this Code.

(Prior code § 185-44; Amend Coun. J. 3-28-01, p. 55444, § 4; Amend Coun. J. 5-2-01, p. 57409, § 4; Amend Coun. J. 12-4-02, p. 99026,

§ 1.12; Amend Coun. J. 10-28-15, p. 12062, Art. IX, § 3; Amend Coun. J. 3-16-16, p. 19439, § 1; Amend Coun. J. 9-14-16, p. 29720, § 2; Amend Coun. J. 7-20-22, p. 50569, § 4)

11-12-483 Suspension of new charges.

(a) Upon the Department's termination of nonmetered water service to any building, structure, or premises, the charges for water service shall be prorated through the date of such termination, and no new charges for water service shall be assessed unless and until water service is restored. A temporary disconnection, such as a disconnection in order to perform necessary repairs or maintenance of water mains or other infrastructure, or in an emergency to allow the property owner to make repairs to the property's plumbing infrastructure, shall not be considered a termination of nonmetered water service.

(b) Assessment of charges shall resume on the date of the restoration of service.

(c) When water service has been restored without authorization of the Commissioner, and no date of restoration can be determined, charges for water service shall resume and shall be charged back to the date of shut-off.

(d) This section shall not be construed to suspend any penalties or fines on any past due amounts.

(Added Coun. J. 11-26-19, p. 11514, Art. V, § 2; Amend Coun. J. 11-24-20, p. 24619, Art. IV, Ch. 1, § 1)

Editor's note – Pursuant to Coun. J. 11-26-19, p. 11514, Art. XV, this section shall take effect on January 1, 2021.

11-12-485 Unauthorized reconnection of cut off water supply.

(a) No person, unless acting under the direction of the commissioner, shall reconnect or turn back on any water supply which has been shut off or withheld by the department. The owner of the building, structure or premises for which the water is supplied, the person in possession, charge or control thereof and any person who reconnects or turns back on the water supply, shall be subject to a $500.00 fee imposed by the department of water management.

(b) Any person against whom the department imposes a $500.00 fee pursuant to subsection (a) shall have a right to a hearing to contest the fee, if he or she files a written demand for a hearing within 14 days from the date of notice served by the department assessing the fee. Notice may be served in person or by first class mail. The date of the notice shall be the date notice is delivered, if served in person, or the date notice is deposited in the mail, if served by first class mail. A hearing shall be conducted by the department of administrative hearings within 14 days of receipt of a written demand for a hearing, unless otherwise mutually agreed by the parties. Failure to request or attend a scheduled hearing shall be deemed a waiver of the right to a hearing. A hearing held pursuant to this section shall not determine or otherwise adjudicate liability for any unpaid water rates or charges related to the department's order to shut off or withhold the water supply which was reconnected or turned back on improperly.

(c) Nothing in this section shall be interpreted as prohibiting the department from collecting any cost and expenses incurred as a result of the unauthorized use of the water supply reconnected in violation of this section and also any unpaid water rates, as provided by other applicable law.

(Added Coun. J. 3-28-01, p. 55444, § 5; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-8-12, p. 38872, § 205)

11-12-486 Annual water report.

On or before April 1 of each year, the Commissioner and Comptroller shall submit a report to the Committee on Finance and the Committee on the Budget and Government Operations concerning water shutoffs conducted pursuant to Section 11-12-015 during the prior calendar year. The report shall indicate the number of shutoffs by category of shutoff as authorized pursuant to Section 11-12-015. The report shall also indicate the total dollar amount of arrears for each of the following property classifications:

(a) Single-family dwellings;

(b) Two-unit residential structures;

(c) Three-unit residential structures;

(d) Four-unit residential structures;

(e) Five-unit residential structures;

(f) Six to 12 unit residential structures;

(g) More than 12 unit residential structures;

(h) Combination of residential and commercial structures;

(i) Commercial structures;

(j) Industrial structures.

The report shall also indicate, for each type of property classification listed above, (1) the number of metered and non-metered accounts that were shutoff; (2) the number of meters installed by the City on previously unmetered properties; and (3) the number of water accounts in arrears and dollar value in arrears at 30, 60, 90, 180, and 365+ days past due. The report shall also evaluate the Utility Billing Relief program's effectiveness in achieving its stated purpose, including by indicating the number of applicants for the program and the number of accounts enrolled in the program. The Commissioner or the Comptroller shall publish the report on the City website in a manner accessible for public review. When applicable, the report shall categorize the information by ZIP Code.

(Added Coun. J. 6-6-01, p. 59086, § 1; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9; Amend Coun. J. 7-20-22, p. 50569, § 4; Amend Coun. J. 12-16-24, p. 22879, Art. I, § 2)

Editor's note – Coun. J. 6-6-01, p. 59086, § 1, provided for inclusion of this new section, to be numbered as § 11-12-485. Because that section already existed, this section has been added as § 11-12-486 at the discretion of the editor.

11-12-490 Enforcement of lien.

When any water taxes, rates or rents assessed or charged, or service charges for installation or disconnection of water service assessed or charged, pursuant to ordinance remain unpaid, in whole or in part, the statutory lien upon the premises or real estate upon or for which the water was used or supplied, or the water service was installed or disconnected, for which such taxes, rates, charges or rents have been assessed or charged, may be enforced in the following manner:

Suit may be commenced as hereinafter provided or a claim for lien in the name of the city shall be filed in the office of the recorder of deeds of Cook County or in the office of registrar of title of Cook County if the property affected is registered under the Torrens system; provided, that at least ten days before the commencement of such suit or the filing of such claim for lien, the city shall have sent a notice by mail, postage prepaid, to the premises upon or for which water was used or supplied, or the water service was installed or disconnected, addressed as follows: "To owner or owners and party or parties interested in the premises at (insert address)", which notice shall state that the city will commence such suit or file such claim for lien if the water taxes, rates, rents or charges which have become due and payable are not paid within ten days from the date of such notice.

The claim for lien shall be verified by affidavit of the comptroller and shall consist of a brief statement of the nature of the claim including: (1) that water was furnished or water service installed or disconnected by the city; (2) a description of the premises or real property sufficient for identification upon or for which the water has been furnished or water service was installed or disconnected; (3) the quantity of water so furnished if registered by meter, or the amount of the charges for the installation or disconnection of the water service; (4) that such water was furnished at rates and charges fixed by assessment or such charges for installation or disconnection of water service were fixed as provided by ordinance if not registered by meter; (5) the amount or amounts of money due therefor; (6) the dates when such amount or amounts became due and payable; and (7) the date of mailing the notice as hereinbefore provided.

(Prior code § 185-45; Amend Coun. J. 3-28-01, p. 55444, § 4; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9)

11-12-500 Foreclosure suit.

Suit shall be commenced in the name of the city to enforce its lien by foreclosure proceedings in any court of competent jurisdiction. Any person interested in premises or real estate affected may be made a party defendant to such suit and any judgment, decree, or order of sale of the premises or real estate subject to such lien shall affect only the interests therein of the parties defendant in such suit.

(Prior code § 185-46; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-510 Cumulative remedies.

The remedy by enforcement of the lien for unpaid water bills and charges as provided in Sections 11-12-490 and 11-12-500 of this Code shall not be exclusive of any other legal remedy to collect the amount due and unpaid for water consumed or furnished to, or water service installed or disconnected for, the person liable therefor.

(Prior code § 185-46.1; Amend Coun. J. 7-20-22, p. 50569, § 4)

11-12-520 Release of lien.

Any claim for lien or suit to enforce the same shall be released, discharged or dismissed upon payment of the water taxes, rates, rents or charges for which such claim for lien or suit has been filed, together with all recording charges, court costs and all other expenditures made or incurred by the city in perfecting and enforcing its lien.

(Prior code § 185-46.2)

11-12-530 Certification of payment.

Unless otherwise provided by law or rule, a full payment certificate is required in all transfers of real property whether such transfers are subject to or exempt from the real property transfer tax pursuant to Chapter 3-33 of this Code. In order to obtain a full payment certificate, an application with an application fee of $50.00 shall be made to the comptroller. Provided, however, if the property is exempt from the real property transfer tax, the full payment certificate application fee shall not be charged. If a full payment certificate was required and such certificate was not obtained when the real property was transferred, both the transferor and the transferee will be jointly and severally liable for any outstanding water or sewer charges and penalties that have accrued to the water account.

(Prior code § 185-46.3; Added Coun. J. 6-20-84, p. 7497; Amend Coun. J. 12-18-84, p. 12088; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-13-07, p. 15812, § 1; Amend Coun. J. 11-16-11, p. 13798, Art. XII, § 3; Amend Coun. J. 11-16-16, p. 37901, Art. IV, § 4)

11-12-531 Certificate of payment – Condominiums and townhomes.

1. Before control of a property subject to the Illinois Condominium Property Act is transferred from the developer to the board of managers, a certificate of payment shall be obtained from the department upon application and payment of an application fee of fifty (50) dollars. Such certificate of payment shall be obtained within 30 days prior to the election of the first unit owner board of managers. The terms used in this section shall have the same meanings as those in the Illinois Condominium Property Act.

2. Subsequent transfers of a unit within a condominium building: require a certificate of payment based on the last regularly

scheduled reading of that building's water meter and shall be issued subject to the same regulations contained in Section 11-12-530.

3. Where a townhome or condominium development has a single meter and the respective association's assessments include the individual owner's share of the water bill, the commissioner may issue a certificate of condo or townhome owner payment upon application and payment of an application fee of fifty (50) dollars.

(Added Coun. J. 12-8-04, p. 38063, § 1; Amend Coun. J. 11-13-07, p. 15812, § 1; Amend Coun. J. 11-16-16, p. 37901, Art. IV, § 4)

11-12-532 Transfer of utility debt.

(a) *Definitions.* For the purpose of this section, the following definitions shall apply:

(1) "Comptroller", "LIHEAP" and "Participant" have the same meaning ascribed to these terms in Section 11-12-545(c).

(2) "Qualifying transferee" means a natural person, who:

(A) meets the eligibility criteria to participate in the LIHEAP with the exception of any United States citizenship requirement; provided, however, that said person does not need to participate in the LIHEAP;

(B) agrees in writing, on a form prescribed by the Comptroller, to assume responsibility for all outstanding utility debt on the subject property; and

(C) has signed an agreement to enroll in the Utility Billing Relief Program described in Section 11-12-545 for all utility debt.

(3) "Subject property" means the real property owned and occupied by the Participant that is being transferred to, or inherited by, a qualifying transferee for which a full payment certificate is sought pursuant to this Section.

(4) "Utility debt" means all water, sewer, and refuse charges, as well as all penalties, taxes, and fees that accrued to the utility account of the subject property.

(b) If a Participant transfers the subject property to a qualifying transferee, or a qualifying transferee receives the entirety of the subject property through a court-ordered settlement or other court order in a domestic relations action, or a qualifying transferee inherits the entirety of the subject property by intestate succession or as a testamentary devisee, whether such transfer is subject to or exempt from the real property transfer tax pursuant to Chapter 3-33 of this Code, a full payment certificate shall be issued without immediate payment of the outstanding utility debt.

(c) If real property is transferred or inherited pursuant to Section 11-12-532(b), the application fee specified in Section 11-12-530 shall be waived.

(Added Coun. J. 11-7-22, p. 55595, Art. VII, § 1)

11-12-540 Exemptions from charges.

(a) The Comptroller shall exempt the following properties and entities from the payment of water service charges, as specified in this section, if: (i) the property receiving the water is located within the corporate limits of the City; (ii) the property receiving the water is used exclusively by the entity; and (iii) the water account for the property receiving the water is controlled by meter. If the account for such property is not controlled by meter, no exemption shall apply.

(1) Any property of the State of Illinois that is used as an armory by the state or federalized national guard shall be exempt from payment of 100% of the water service charge.

(2) The City of Chicago shall be exempt from payment of 100% of the water service charge, unless the City, either as lessee or lessor, shall enter into an agreement for the payment of the water service charge by the other party.

(3) The Chicago Public Schools shall be exempt from payment of 100% of the water service charge, unless said entity, either as lessee or lessor, shall enter into an agreement for the payment of the water service charge by the other party.

(4) The City Colleges of Chicago shall be exempt from payment of 100% of the water service charge, unless said entity, either as lessee or lessor, shall enter into an agreement for the payment of the water service charge by the other party.

(5) Hospitals operated by the Cook County government shall be exempt from payment of 100% of the water service charge.

(6) Not-for-profit disproportionate share hospitals, except as otherwise provided in paragraph (5) of this subsection (a), shall be exempt from payment of 60% of the water service charge in 2012, 40% of the water service charge in 2013, and at least 25% of the water service charge in 2014 and thereafter, if such not-for-profit hospital qualifies for a disproportionate share adjustment consistent with Section 148.120 of Subchapter d of Chapter I of Title 89 of the Illinois Administrative Code, as amended, codified at 89 Ill. Adm. Code § 148.120. Provided, however, that in 2014 and thereafter, if such disproportionate share hospital has net assets or fund balances of:

(i) Less than One Million Dollars ($1,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such disproportionate share hospital shall be exempt from payment of 100% of the water service charge;

(ii) One Million Dollars ($1,000,000.00) or more but less than Ten Million Dollars ($10,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such disproportionate share hospital shall be exempt from payment of 60% of the water service charge.

(7) Public museums shall be exempt from payment of 20% of the water service charge if such public museum is eligible to receive funds for capital development under subdivision (7) of § 1-25 of the Department of Natural Resources Act, as amended, codified at 20

ILCS 801/1-1 et seq.

(8) Not-for-profit organizations as defined in subparagraph (8)(v) of this subsection (a), other than any entity identified in paragraphs (1) through (7) of this subsection (a), that adopt a water conservation plan and perform within the corporate limits of the City charitable work benefiting the public shall be exempt in 2013 and thereafter from payment of the water service charge, as follows:

(i) If the not-for-profit organization has net assets or fund balances of less than One Million Dollars ($1,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for-profit organization shall be exempt from payment of 100% of the water service charge;

(ii) If the not-for-profit organization has net assets or fund balances of One Million Dollars ($1,000,000.00) or more but less than Ten Million Dollars ($10,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for-profit organization shall be exempt from payment of 60% of the water service charge;

(iii) If the not-for-profit organization has net assets or fund balances of Ten Million Dollars ($10,000,000.00) or more but less than Two Hundred Fifty Million Dollars ($250,000,000.00) at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for- profit organization shall be exempt from payment of 25% of such water service charge;

(iv) If the not-for-profit organization has net assets or fund balances of Two Hundred Fifty Million Dollars ($250,000,000.00) or more at the end of the tax year or calendar year immediately preceding the calendar year in which the exemption from payment of the water service charge is being claimed, such not-for- profit organization shall be not be* entitled to any exemption from payment of the water service charge and shall be required to pay 100% of the water service charge.

* **Editor's –** As set forth in Coun. J. 5-8-13, p. 52764, § 1. Intended text is "shall not be." Future legislation will correct the provision if needed.

(v) As used in this paragraph (8), the term “not-for-profit organization” means an Illinois corporation organized and existing under the General Not For Profit Corporation Act of 1986, codified at 805 ILCS 105, in good standing with the State and having been granted status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986.

(b) *Responsibilities for installation costs and authority to enter payment agreements.*

(1) The supply to all premises enumerated in this section on which water may be taken from the waterworks system of the City shall be controlled by meter, and the cost of meter, its installation, connections, and vaults thereof, and the erection, construction, and maintenance thereof shall be paid for and be borne by the institution or owner thereof. Nothing contained in this paragraph shall be held to exempt property of the United States, of the State of Illinois, or of any of its political subdivisions except as hereinbefore mentioned.

(2) If, at the determination of the City, a vault is required to be built on the public right of way prior to the installation of a water meter at a location owned by a not-for-profit organization as defined in subparagraph (8)(v) of subsection (a) of this section, and such not-for-profit organization demonstrates to the satisfaction of the Comptroller that the organization will suffer undue financial hardship if the organization is required to pay the costs associated with installing the vault and water meter, including any additional costs that may be incurred by the City in connection with the excavation of the associated structure, the Comptroller may enter into a written installment plan agreement with such not-for-profit organization allowing the organization to pay such costs over an extended period of time in substantially equal installments. Failure to comply with the terms of the installment plan agreement may result, if applicable, in loss of the not-for-profit organization’s water service charge payment exemption under paragraph (8) of subsection (a) of this section.

Each installment plan shall be in a form prescribed by the Comptroller, and shall state the organization’s total indebtedness to the City for such costs, the amount of the initial installment, the amount of each subsequent installment, the date by which each installment is due, the penalty for delinquency under the installment plan, and such other provisions as the Comptroller may require. Provided, however, that the Comptroller may deny any application where it is determined that the applicant has committed fraud or has failed to make a good faith effort to comply with this section. Any recommendation, action, or decision of the Comptroller regarding the existence of financial hardship or the financial hardship process shall be within the sole discretion of the Comptroller. Nothing in this subsection (b)(2) shall be construed to prohibit a not-for-profit organization from voluntarily making an initial minimum payment or monthly installment payment in an amount greater than provided in the installment plan agreement.

(c) The Comptroller may fix such reasonable amounts of water as the Comptroller, following consultation with the Commissioner, may deem to be sufficient for the requirements of said premises, and the exemption from payment of water service charges shall be limited to said reasonable amounts so fixed. All use of water in excess of said reasonable amounts shall be paid for at the rates for metered water fixed in Section 11-12-310.

(d) Accounts against the property of any entity exempted under the provisions of subsection (a) of this section shall be kept in the usual manner. Upon receipt of the initial application for such exemption, such account, which shall be metered, shall be inspected by authorized personnel from the Department, who shall certify to the Comptroller whether the entity so inspected is eligible for the exemption under this section being claimed by such entity.

(Prior code § 185-47; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-14-05, p. 66648, § 1; Amend Coun, J, 11-16-11, p. 13798, Art. VIII, § 3; Amend Coun. J. 11-8-12, p. 38872, § 206; Amend Coun. J. 5-8-13, p. 52764, § 1; Amend Coun. J. 12-16-24, p. 22879, Art. I, § 4)

11-12-545 Utility billing relief program.

(a) *Title.* This section shall be known and cited as the Utility Billing Relief Program.

(b) *Purpose.* The Utility Billing Relief Program is intended to address City water and sewer bills for the most vulnerable, low-income

homeowners, especially those with past due debt.

(c) *Definitions.* For purposes of this section, the following definitions shall apply:

"Anniversary Date" means the date one year from a Participant's enrollment in the UBR.

"Comptroller" means the Comptroller of the City of Chicago, or the Comptroller's designee.

"Homeowner" means the Owner and occupant of a single family, two-unit, or three-unit residence located in the City of Chicago.

"LIHEAP" means the Low Income Home Energy Assistance Program, codified at 42 U.S.C. § 8621-8630.

"Participant" means a participant in the UBR.

"Reduced Rate" means a 50% reduction in the ordinary charges for water service imposed in Chapter 11-12, sewer service imposed in Chapter 3-12, and a corresponding reduction in the Chicago Water and Sewer Tax imposed in Chapter 3-80. Reduced Rate does not include the charge for refuse collection imposed in Article II of Chapter 7-28.

"UBR" means the Utility Billing Relief Program created by this section.

(d) *Program.*

(1) *Eligibility.* A Homeowner who is eligible to participate in the UBR and applies to the Comptroller may become a Participant. In order to become a Participant, a Homeowner must own and occupy the single-family, two-unit, or three-unit residence in the City of Chicago for which participation in the UBR is sought, and must meet the eligibility criteria to participate in the LIHEAP with the exception of any United States citizenship requirement; provided, however, that a Homeowner does not need to participate in the LIHEAP in order to be eligible for the UBR. A Homeowner who receives an exemption under Section 3-12-050 shall not be eligible to simultaneously participate in the UBR. A Participant who does not successfully complete the UBR two times shall no longer be eligible to participate in the UBR.

(2) *Billing and payment.* Upon acceptance and enrollment in the UBR, the City shall bill, and the Participant shall pay, the Reduced Rate for a period of one year in order to successfully complete the UBR. A Participant shall not be required to make any payment toward a past due balance while enrolled in the UBR. During participation in the UBR, a Participant is exempt from the assessment of additional penalties and interest on any past due charges incurred before becoming a Participant, or charges incurred while a Participant; and referral for debt collection.

(3) *Successful completion.* A Participant who has made payment for all Reduced Rate bills issued by the City during the UBR by the Anniversary Date shall have any past due balance incurred before enrollment in the UBR forgiven. A successful Participant who continues to meet enrollment eligibility requirements may re-enroll in the UBR.

(4) *Unsuccessful completion.* A Participant who has not made payment for all Reduced Rate bills issued by the City during the UBR by the Anniversary Date shall have any past due balance, including penalties and interest, incurred before enrollment in the UBR reinstated to the Participant's account, in addition to any past due balance incurred during the UBR, and the Participant shall be required to make full payment of such past due balance. Such past due balance shall not have incurred any additional penalties or interest during participation in the UBR. The Participant may be eligible to participate in a payment plan to resolve the outstanding debt. If all criteria are met, an unsuccessful Participant may be eligible to re-enroll in the UBR, provided that the Participant has not been unsuccessful in completing the UBR on two occasions.

(e) *Rules.* The Comptroller is authorized to adopt such rules as the Comptroller may deem necessary for the proper implementation, administration, and enforcement of this section.

(f) In furtherance of administering this section, the Comptroller shall have the authority to enter into an agreement with the Community and Economic Development Association of Cook County ("CEDA"), or any successor agency that administers the LIHEAP in Cook County, to administer outreach and enrollment activity for the UBR. Such agreement may contain terms and conditions that the Comptroller deems appropriate, and the Comptroller shall have the authority to perform any and all acts as shall be necessary or advisable in connection with such agreement and any renewals thereto, including the expenditure of duly appropriated funds.

(Added Coun. J. 11-26-19, p. 11514, Art. V, § 3; Amend Coun. J. 10-27-21, p. 40504, Art. III, § 1; Amend Coun. J. 7-20-22, p. 50569, § 4; Amend Coun. J. 11-15-23, p. 6700, Art. VI, § 1)

Editor's note – Pursuant to Coun. J. 11-26-19, p. 11514, Art. XV, this section shall take effect on April 1, 2020. Coun. J. 11-26-19, p. 11514, Art. V, § 3, added this section as § 11-12-550. Because that section already existed, this section has been added as § 11-12-545 at the discretion of the editor.

ARTICLE VI. USE OF SPACE IN WATER PIPE TUNNELS (11-12-550 et seq.)

11-12-550 Permit required.

No person shall use any space in any water pipe tunnel owned by the city for the purpose of installing, maintaining, or using any pipe, conduit, cable or other construction without first obtaining a permit so to do from the commissioner, and no such permit shall be issued without first being approved by the commissioner of streets and sanitation. Such permit shall not be transferred or assigned nor shall any right or privilege thereunder be transferred or assigned without the written consent of the commissioner of streets and sanitation and the commissioner.

(Prior code § 185-48; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-560 Application.

Application for any such permit shall be in writing, stating specifically the space desired and the size of the pipe, conduit, cable or other construction which it is desired to install, together with the purpose for which said pipe, conduit, cable or other construction is to be used. It shall be discretionary with the commissioner of streets and sanitation or commissioner as to whether such permit shall be issued, and nothing herein contained shall be construed as making it obligatory upon either of said officers to issue such permit when, in the judgment of either of said commissioners, such permit should be refused for causes that he deems sufficient.

(Prior code § 185-49; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-570 Plans submitted.

The location and installation of any such pipe, conduit, cable or other construction shall be in accordance with plans which shall first be submitted to the commissioner and commissioner of streets and sanitation for approval, and the work of installing any such pipe, conduit, cable or other construction shall be under the supervision of and to the satisfaction of the commissioner. The grantee in said permit shall at any time, upon written notice from the commissioner or commissioner of streets and sanitation so to do, make such changes or alterations in the construction and location of said pipe, conduit, cable or other construction as may be necessary in the judgment of either of said officials.

(Prior code § 185-50; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-580 Bond.

Before any such permit shall be issued, the applicant therefor shall file with the commissioner a bond in the penal sum of $10,000.00, with sureties to be approved by the said commissioner, conditioned upon the faithful observance and performance of each and every condition and provision of this chapter dealing with the use of space in water pipe tunnels and of said permit, and conditioned further to indemnify, keep and save harmless the city against all liabilities, judgments, costs, damages and expenses which may in any way come against the said city in consequence of the issuance of said permit, or which may accrue against, be charged to, or recovered from said city from, or by reason, or on account of the issuance of such permit including any damages which may result to said water pipe tunnel or any of the city property installed therein. The liability of the grantee in said permit shall in no way be limited to the amount of the bond herein provided for, but shall extend to the entire amount of such liability, cost, damage, or expense of said city. Said bond and the liability of the sureties thereon shall be kept in force throughout the life of said permit, and if at any time during the life of said permit such bond shall not be in full force, then the privileges therein granted shall thereupon cease.

(Prior code § 185-51; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-590 Permit fees.

As compensation for the privileges granted in such permit, the grantee shall pay to the city an annual compensation per lineal foot for the privilege granted, in accordance with the rates hereinafter set out; provided, however, that in no instance shall said annual compensation be less than $10.00.

The length of the pipe, conduit, cable or other construction shall be measured along said tunnel from center to center of shafts.

Diameter or Longest Side of Rectangle Measured Outside	*Annual Rate Per Lineal Foot*
Up to 6 inches inclusive	$0.20
Up to 12 inches inclusive	$0.60
Up to 18 inches inclusive	$1.40
Up to 24 inches inclusive	$2.40

Fractional sizes not included in the above table shall be assessed at the rate for the next larger size.

The first annual payment of said compensation shall be made in advance as of the date of the issuance of said permit, and subsequent payments shall be made annually thereafter.

(Prior code § 185-52)

11-12-600 Revocation.

Any such permit may be revoked for cause by the commissioner, and shall be revoked by him in all cases where he, in his discretion, has determined that such revocation is proper or necessary.

(Prior code § 185-53; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-610 Violation – Penalty.

Any person violating any of the provisions of this chapter dealing with the use of space in water pipe tunnels, where no other penalty is provided, shall be fined not less than $25.00 nor more than $200.00 for each offense.

(Prior code § 185-54)

ARTICLE VII. ENFORCEMENT OF CHAPTER PROVISIONS (11-12-620 et seq.)

11-12-620 Administrative powers and duties.

The commissioner, or any employee he may designate for that purpose, shall enforce the provisions of this chapter, and for that purpose shall be qualified as a special police officer in accordance with the ordinances of the city.

The commissioner is authorized to promulgate from time to time such rules and regulations as may be necessary to carry out the provisions of this chapter.

(Prior code § 185-55; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-630 Violation – Penalty.

Any person who shall violate any of the provisions of this chapter other than those dealing with the use of space in water tunnels, where no other penalty is specifically provided, shall be fined not less than $5.00 nor more than $200.00 for each offense; and the cutting off of the water supply to any premises, or the forfeiture of water rates paid, or the imposition of any liability or expense herein otherwise provided, for or on account of any violation of any of the aforesaid provisions of this chapter, shall not be held to exempt any such person from the penalty herein provided.

(Prior code § 185-56)

ARTICLE VIII. SERVICE TO PREMISES WITHOUT THE CITY (11-12-640 et seq.)

11-12-640 Out-of-city service.

The Commissioner is authorized to supply water at the City limits to premises located in any area outside the corporate limits of the City, but only when specifically in each case authorized to do so by order of the City Council. The authority herein granted to the said Commissioner shall not be extended to private persons or corporations when said service can be furnished by the city, village, township or sanitary district within the boundaries of which the private persons or corporations are located; provided, however, when said service cannot be furnished immediately then upon written notice to said Commissioner from the properly authorized officials that they have no water supply in the immediate vicinity and have no objection to the City of Chicago supplying said service, provided it meets with the other city, village, township or sanitary district's approval, then the service may be obtained after it is duly authorized so to do by an order of the City Council.

(Prior code § 185-56.1; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-7-22, p. 54948, Art. IV, § 1)

11-12-650 Application.

Application for such service shall be made to the commissioner on a form prescribed by said commissioner. The application shall contain the name and address of the applicant, the location and description of the premises to be served, the quantity of water desired, and the period of time during which such service is desired, and the applicant shall in said application covenant and agree (1) to bear the entire cost of installing, operating, maintaining and repairing all connections and private supply pipes, shutoff rod or valve boxes and valve basins, roundway stopcock or valves, meter or meters and meter basins or vaults or other appliances deemed necessary by the commissioner in connection with supplying such water service; (2) to allow the city and its representatives to make at all reasonable times tests for tightness of piping in the applicant's mains and connections; (3) to comply with all sanitary regulations of the city to safeguard the water supply; (4) to prevent excess use and waste of water; (5) to use city water exclusively; (6) not to resell or furnish water to any other person, and not to permit any connection to be made to applicant's main; (7) to abide by and conform to all of the provisions of Chapter 11-8 of this Code as though the same had been incorporated into and made a part of said application and made applicable to the supplying of city water to private persons or corporations for premises located beyond the corporate limits of the city, and to obey all rules and regulations regarding water service to the applicant's premises as are promulgated by the commissioner from time to time; (8) to install on the applicant's premises water mains and connections of the same size, type and durability as in the judgment of the commissioner are required and are provided for by provisions of this Code applicable to users of city water within the city limits; (9) that all water mains and connections laid by applicant shall become the property of the city, without cost or expense to the city, in the event the territory within which applicant's premises are located should be annexed to the City of Chicago, so as to permit the use of such mains and connections by the city as part of its municipal water system; (10) to construct, maintain and operate such water storage facilities as may from time to time be required by the commissioner. Such application shall be signed by the applicant and acknowledged before a notary public or other officer authorized to administer oaths, and if the applicant is a corporation it shall be duly signed and acknowledged by the corporate officers authorized to execute the same. In addition to the requirements stated above, and apart from and separate from any insurance requirement under this section, the applicant shall indemnify, defend and hold the City of Chicago and its assignees and employees harmless from all losses, damages, injuries, claims, demands and expenses arising from or caused by the making of the connection and the furnishing of such water supply.

(Prior code § 185-56.2; Amend Coun. J. 12-11-91, p. 10832; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 10-28-15, p. 11951, Art. VI, § 43)

11-12-660 Permit.

Upon the approval of such application by the Commissioner, said Commissioner may authorize the issuance of a permit to tap the City's water mains at a location to be designated by the Commissioner for the purpose of securing water supply for the premises of applicant, said permit to be issued to and the work therein authorized to be done by a bonded and licensed plumber in accordance with the ordinances of the City. The fee for issuing such permit shall be $100.00, plus an additional $50.00 for each connection of three inches or less in diameter and an additional $100.00 for each connection over three inches in diameter.

Such permit shall only be transferred or assigned to another person upon issuance of an updated permit to the transferee. On or before December 31 of each year, the Commissioner shall deliver a report to the City Council summarizing all transfers of out-of-city accounts.

(Prior code § 185-56.3; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 11-7-22, p. 54948, Art. IV, § 2)

11-12-670 Water meters.

Water meters shall be required on service pipes supplying all premises located outside the corporate limits of the city and the commissioner shall not permit the supplying of water to any such premises the supply of which is not controlled by meter. Such water meters and all control valves on supply lines shall be located within the city. The city shall have the right to regulate valves in order to limit the rate of flow.

If at any time the meter or meters shall fail to register correctly the quantity of water supplied, or shall fail to register the flow of water through said meter or meters, the unregistered, under-registered or over- registered amount of water shall be determined by taking an average of 12 preceding readings of such meter or meters, exclusive of deficient or excessive readings. Where the meter or meters have been installed for a period of less than one year or where less than 12 competent readings exist, such average or estimate may be based upon a lesser number than 12 readings taken preceding or subsequent to such incorrect or stopped registrations. In both instances, the commissioner shall determine which are excessive and which are deficient readings, and shall also determine the number of months upon which the estimate is to be based.

(Prior code § 185-56.4; Amend Coun. J. 12-4-02, p. 99026, § 1.12)

11-12-680 Reserved.

Editor's note – Coun. J. 11-17-99, p. 17487, § 5.3, repealed § 11-12-680, which pertained to water charges.

11-12-690 Reserved.

Editor's note – Coun. J. 11-16-16, p. 37901, Art. IV, § 4, reaffirmed the repeal of § 11-12-690, which pertained to billings. For the original repeal, see Coun. J. 12-2-09, p. 78837, Art. 5, § 5.

11-12-700 Deposit.

The applicant shall make a deposit to the comptroller in such amount of money as the commissioner may request when filing the application to insure the prompt payment of the city's water bills and any other expense to the city by reason of the furnishing of such service.

(Prior code § 185-56.7; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 12-2-09, p. 78837, Art. 5, § 5; Amend Coun. J. 11-16-11, p. 13798, Art. I, § 9)

11-12-710 Termination.

All rights and privileges of the applicant to receive such water supply and service may be terminated by the Mayor in the Mayor's discretion, and may be terminated by the Commissioner at any time upon the neglect of or refusal to comply with any provision of this Chapter applicable to such service.

(Prior code § 185-56.8; Amend Coun. J. 12-4-02, p. 99026, § 1.12; Amend Coun. J. 7-20-22, p. 50569, § 4)

ARTICLE IX. LEAD SERVICE LINE REPLACEMENT PROGRAMS (11-12-900 et seq.)

11-12-900 Creation of lead service line replacement programs.

(a) The Department of Water Management shall develop Lead Service Line Replacement Programs to promote and facilitate the replacement of full lead service lines.

(b) *Definitions.* For the purposes of this article, the following definitions shall apply:

(1) A "full lead service line" consists of both the publicly- and privately-owned portions of each lead service line, from the water main to the building.

(2) "Property" means a building located within the geographic boundaries of the City of Chicago.

(c) The Commissioner of Water Management is authorized, subject to the availability of duly appropriated funds, to create programs for the purpose of replacing full lead service lines within the City of Chicago, beyond those programs already enacted in Article IX of this Chapter, and within those programs, to:

(1) negotiate and enter into agreements, including grant agreements, with building owners, and to enter into and execute all such other related instruments and to perform any and all related acts as shall be necessary or advisable in connection with implementing the programs.

(2) fund the replacement of full lead service lines.

(3) provide a buffalo-box and water meter for buildings that meet the requirements of the programs.

(Added Coun. J. 11-24-20, p. 24619, Art. IV, Ch. 2, § 2; Amend Coun. J. 10-27-21, p. 39543, Art. VIII, § 2)

11-12-910 Owner-Initiated LSLR Program.

(a) Owners who voluntarily replace the full lead service line serving the owner's Property may apply to be part of the Owner-Initiated LSLR program.

(b) Subject to need, availability, and appropriation of funds,

(1) the Commissioner of Water Management shall provide a buffalo-box, water meter, and information on selecting contractors for the owner's lead service line replacement, to each owner voluntarily replacing the full lead service line at no cost to the owner.

(2) the permit fees and certain costs necessary to perform the full lead service line replacement, including permits and costs from the Department of Water Management, the Department of Transportation, and the Department of Buildings, shall be waived in an aggregate amount not to exceed $5,000.00. The Commissioners of Water Management, Transportation, and Buildings shall jointly issue rules specifying the types of permits, permit fees, and costs which may be waived.

(Added Coun. J. 11-24-20, p. 24619, Art. IV, Ch. 2, § 2; Amend Coun. J. 10-14-21, p. 37722, Art. XIV, § 15; Amend Coun. J. 10-27-21, p. 39543, Art. VIII, § 3; Amend Coun. J. 11-7-22, p. 55595, Art. VIII, § 2)

11-12-920 Equity LSLR Program.

(a) A Property that is the primary residence of a homeowner applicant whose maximum annual income is no more than 80 percent of area median income, as that term is determined by HUD, shall be eligible for the Equity LSLR Program. Notwithstanding any ordinance to the contrary, a homeowner with a debt due and owing to the City may participate in the Equity LSLR Program.

(b) The Commissioner of Water Management is hereby authorized, subject to availability and appropriation of funds, to:

(1) negotiate and enter into agreements, including grant agreements, with homeowners, and to enter into and execute all such other related instruments and to perform any and all related acts as shall be necessary or advisable in connection with implementing the Equity LSLR Program.

(2) fund the replacement of full lead service lines.

(3) provide a buffalo-box and water meter to each Equity LSLR Program qualified homeowner for the Property.

(Added Coun. J. 11-24-20, p. 24619, Art. IV, Ch. 2, § 2)

11-12-930 Damage to lead service line.

(a) In the event of damage to any lead service line, the person responsible for the damage shall immediately notify the Department of Water Management of the damage and cease the activity which caused the damage. The person responsible for the damage shall not attempt to repair, clamp, or constrict the damaged lead service lines unless under the supervision of the Department of Water Management.

(b) In addition to any other applicable penalty, any person who damages a lead service line, including damages caused while engaging in excavation or demolition, shall be liable for the costs and expenses associated with lead service line replacements.

(c) Nothing in this section shall be deemed to create liability or financial responsibility of the Department of Water Management or its officers and employees concerning any issuance of any permit or license required under this Code.

(Added Coun. J. 11-15-23, p. 6542, Art. VIII, § 3)

CHAPTER 11-16

PUBLIC SEWERS AND DRAINS*

*** Editor's note –** Coun. J. 2-6-02, p. 78883, amended Ch. 11-16, in its entirety, to read as herein set out. Prior to inclusion of these provisions, Ch. 11-16 pertained to similar subject matter.

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ARTICLE I. GENERAL PROVISIONS (11-16-010 et seq.)

11-16-010 Definitions.

As used in this chapter:

"A.S.T.M." means American Society for Testing Materials.

"City" means City of Chicago.

“Commissioner” means Commissioner of Water Management.

“Department” means Department of Water Management.

“Private sewer” shall have the meaning ascribed to it in Section 18-29-202.

"Videotapes" or "videotaping" means closed circuit inspection.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 12-4-02, p. 99026, § 1.13; Amend Coun. J. 12-16-24, p. 22879, Art. I, § 5)

11-16-020 Care of sewers, sewer structures and drains.

(a) *Definitions.* For purposes of this section, the following definitions shall apply:

"Building drain", "building sewer" and "public sewer" shall have the meanings ascribed to these terms in Section 18-29-202.

"Repair" means: (i) to repair or replace an existing sewer at its original location, and (ii) to maintain a sewer free from obstruction.

(b) *Responsibilities.*

(1) The city shall be responsible for repairs to the public sewer.

(2) The property owner shall be responsible for repairs to the building drain.

(3) With regard to residential buildings of more than four units and all non-residential buildings, the property owner shall be responsible for repairs to the building sewer. With regard to residential buildings of four or fewer units:

(A) The property owner shall be responsible for repairs to the part of the building sewer located on private property.

(B) The department shall be responsible for repairs to the part of the building sewer located on public property, unless: (i) the property owner, intentionally or negligently, failed to maintain the building sewer free from obstruction or otherwise caused the damage necessitating repairs; (ii) the conditions necessitating repairs occurred within three years of a new connection to the public sewer; (iii) the building sewer was reused without the approval required by Sections 18-29-301.3 and 18-29-703.4.1 of this Code; or (iv) the building is vacant, as that term is defined in Chapter 14X-2 of this Code, for more than 30 days. If any one or more of exceptions (i) through (iv) apply, the property owner shall be responsible for repairs to all parts of the building sewer.

(c) *New or relocated sewer connections.* The property owner shall be responsible for the cost of installing any new or relocated sewer connection to the public sewer, unless the commissioner confirms that the installation is necessary to avoid utility conflicts or other obstructions in the provision of utility services.

(d) *Sewer work methods.* The commissioner shall by rule establish the method and specifications for piercing and opening sewers or drains, when any connection is made to any sewer or drain within the corporate limits of the city.

(Added Coun. J. 7-29-15, p. 3537, § 2; Amend Coun. J. 1-23-19, p. 94952, Art. I, § 6; Amend Coun. J. 4-10-19, p. 100029, Art. II, § 102)

11-16-021 Reserved.

Editor's note – Coun. J. 1-23-19, p. 94952, Art. III, § 1, repealed § 11-16-021, which pertained to reuse of existing house sewer, house drain or other sewer structure.

11-16-030 Permit – Required.

No person shall build, rod, or videotape a public sewer, or line or pump into any other sewer or sewer structure or drain upon private property or the public way without first having obtained a permit from the department of buildings.

No person shall construct any drain or make any connection to any City of Chicago public sewer, private sewer or waterway without first having obtained a permit from the department of buildings, and, if required, from the general superintendent of the Metropolitan Water Reclamation District and any other applicable agencies.

No person shall excavate or make any opening upon the public way or other public place without first having obtained a permit from the department of transportation.

No person shall seal or abandon any sewer or sewer structure unless a permit is first obtained from the department of buildings.

No person shall uncover or excavate under or around any public sewer, for any purpose, without first having obtained the written consent of the department.

No person shall lay, alter or repair any part of a house drain or drains, or any part of a catch basin or strainer of a house drain or drains, or any part of a cesspool or water closet connecting with any public sewer unless a permit is first obtained from the department of buildings.

Any person who violates this section shall be fined $200.00 for the first offense, and $1,000.00 for the second and any subsequent offense. Any licensed drain layer who violates this section three or more times within any calendar year shall have his license suspended or revoked in accordance with Section 4-28-140 of this Code.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-13-07, p. 14999, Art. II, § 1; Amend Coun. J. 2-19-20, p. 14473, Art. VI, § 6)

11-16-040 Permit – Exception – Starting work without a permit.

If the work involves in kind replacement of less than 20 feet of an existing sewer system, or if the work involves rodding, a licensed drain layer may start work without first having obtained a permit if the licensed drain layer (1) calls and registers with the department prior to beginning the work; and (2) pays the permit fees no later than 30 days after the work has been completed; and (3) in the case of in kind replacement, requests an inspection by the department of buildings. If the permit fee is not paid within the required 30 day period, the fee shall double and no new permit under this chapter shall be issued to the licensee until the permit fee is paid.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-13-07, p. 14999, Art. II, § 1; Amend Coun. J. 11-8-12, p. 38872, § 207)

11-16-050 Permit – Application.

An application for any permit issued under this chapter shall be made to the building commissioner on a form provided by the department of buildings and shall be accompanied by the following:

(1) Any statements, drawings, designs, plans, specifications and related documents showing the location, configuration, dimensions and details of construction of the permitted work as the commissioner may require;

(2) The name and license number of the licensed drain layer who will perform the work, unless the work to be performed is sealing;

(3) A written agreement that the permitted work shall be done in compliance with the requirements of this Code, including, but not limited to, any requirements governing excavation in a public way or public place;

(4) An indemnification agreement as required by Section 11-16-070;

(5) The permit fee; and

(6) Any other information that the building commissioner may require.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-13-07, p. 14999, Art. II, § 1; Amend Coun. J. 2-19-20, p. 14473, Art. VI, § 7)

11-16-060 Permit – Approval of plans required.

No permit shall be issued under this chapter unless the building commissioner approves in writing any statements, drawings, plans, specifications and related documents submitted pursuant to Section 11-16-050(1) of this chapter.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-13-07, p. 14999, Art. II, § 1)

11-16-070 Permit – Indemnification agreement required.

An applicant for a permit under this chapter shall agree to indemnify, defend and hold the city harmless against all liabilities, judgements, costs and expenses which may in any way result from the issuance of any permit under this chapter.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-080 Permit – Fees.

The building commissioner is authorized to issue permits under this chapter. Permit fees shall be charged as follows:

(a) *Connections to public sewers and extensions of private drains.*

Six-inch diameter and smaller.....$75.00

Eight-inch diameter.....$125.00

Ten-inch to 16-inch diameter.....$175.00

18-inch to 21-inch diameter.....$225.00

24-inch and larger.....$300.00

Connections by public agencies of branch sewers or catch basin drains to main sewers.....$125.00 – $450.00

(b) *Repairs and/or additions to existing sewers up to 20 feet.*

Six-inch diameter and smaller.....$65.00

Eight-inch diameter.....$100.00

Over eight-inch diameter.....$125.00

Repairs or adjustment of a sewer structure in public way or on private property.....$50.00

Repair of an existing flood control system on private property.....$30.00

(c) [*Reserved.*]

(d) *Seal permits (demolition).....*$125.00

(e) *Miscellaneous permit fees:*

Sump pump only installation.....$50.00

Sump pump and drain tile installation.....$100.00

Flood control and overhead conversion.....$100.00

Inspection manholes (per manhole).....$100.00

Each townhouse/single-family residence unit of a planned development or subdivision (each house).....$65.00

Pumping water from basements of residential buildings up to six flat apartment buildings.....$30.00

Other pumping operations: the higher of: (1) the minimum charge of $100.00, or (2) a charge based on volume of discharge per gallon, as determined by the sewer service charge in Section 3-12-020 and the metered water service rate in Section 11-12-310

Minimum.....$100.00

Stubs (per stub).....$50.00

Installation of testing equipment in a manhole....$150.00

(f) *Fees for videotaping, cleaning, lining and inspections of public sewers:*

From zero to 500 linear feet of sewer.....$125.00

From 501 to 1,000 linear feet of sewer.....$200.00

Over 1,000 linear feet of sewer.....$275.00

(g) *Other fees.* For sewer-related or building drain-related work applied for pursuant to this chapter with no associated permit fee, including the approved use of a pipe diameter not specified in this section, the building commissioner is authorized to assess a permit fee for such work, based on the city's reasonable cost of issuing and administering the permit, which in no case shall be less than $450.

(h) *Exemption.* The fees imposed by this section and Section 11-16-250 shall not apply to permits issued to the City of Chicago or any City department or agency established under Title 2 of this Code or to their contractors for work undertaken for public or governmental use.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-19-03, p. 14216, § 7.6; Amend Coun. J. 11-13-07, p. 14999, Art. II, § 1; Amend Coun. J. 7-29-15, p. 3537, § 3; Amend Coun. J. 2-19-20, p. 14473, Art. VI, § 8)

ARTICLE II. OTHER PROHIBITED ACTIVITIES (11-16-090 et seq.)

11-16-090 Materials specifications – Requirements and exception.

Except where sewers are to be laid in accordance with the provisions of a special assessment or special taxation ordinance, no person shall construct, lay or rebuild any sewer in any portion of the public way of the city that does not comply with the materials specifications required by this chapter.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-100 Conformity to approved plans and specifications – Required.

Any person to whom a permit is issued under this chapter shall strictly comply with any statement, drawing, plan, design or specification submitted to and approved by the building commissioner pursuant to Sections 11-16-050(1) and 11-16-060. No alteration, change or adjustment shall be made to any statement, drawing, plan, design or specification which the building commissioner has approved without the building commissioner's written consent; nor shall any person otherwise deviate from the terms of any permit issued under this chapter without the building commissioner's written consent.

Any person who causes any repair or alteration to be made in violation of this section shall be fined $100.00 for the first and second offense; $200.00 for the third and fourth offense; and $300.00 for the fifth and sixth offense. Any seventh or subsequent offense within any calendar year shall result in suspension of the person's permit in accordance with Section 11-16-290. Any licensed drain layer who violates this section more than six times within any year shall have his license suspended or revoked in accordance with Section 4-28-140 of this Code. No permit suspended or revoked pursuant to this section shall be reinstated until all code violations relating to the suspension or revocation have been remedied and all assessed penalties and fees have been paid.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 2-19-20, p. 14473, Art. VI, § 9)

11-16-110 Obstructing or damaging sewer structures.

No person shall stop or obstruct the passage of water in any street, gutter, public sewer, culvert, water pipe or hydrant.

No person shall injure, break or remove any portion of any receiving basin covering flag, manhole, sewer or utility access, vent or drain.

No person shall place or deposit any substance or combination of substances exceeding one ton in weight upon any wharf or bulkhead through which any sewer or drain runs or upon any sewer or drain located within three feet of the surface of any street.

Any person who damages or causes damage to any sewer or sewer structure in the public way or other public place shall promptly notify the department and shall repair the damage in conformity with department standards and subject to department approval. If the damage is not repaired in compliance with the requirements of this section, the commissioner shall cause repairs to be made at the person's expense. Such person shall pay the city in full for any costs and expenses which the city incurs in connection with the performance of that work. Any person who violates this section shall be fined $500.00.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-120 Discharging prohibited substances.

No person shall discharge or cause to be discharged into any portion of the sewer system or waterway any of the following materials: any steam, chemicals, grease, oil, fatty matter, butcher's offal, garbage, dead animals, stone or dust; any waste capable of causing obstructions of any kind or of destroying or corroding masonry; any prohibited wastes as defined by the Metropolitan Water Reclamation District, the department of health or any other governmental agency charged with regulation of waste disposal; or any other material which the commissioner determines is likely to obstruct or stop the flow of wastewater in the public sewer system. A catch basin or other device approved by the commissioner shall be used to prevent any prohibited material from reaching the public sewer system.

Any person who violates this section shall promptly notify the department. Such person shall clean up and dispose of the prohibited substance subject to department approval and in conformity with the requirements of this Code, all rules and regulations promulgated thereunder and all other applicable laws. If the prohibited substance is not cleaned up and disposed of in compliance with the requirements of this section, the commissioner shall cause the prohibited substance to be cleaned up and disposed of at the person's expense. Such person shall pay the city in full for any costs and expenses which the city incurs in connection with the performance of that work.

Any person who violates this section shall be fined $500.00.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-16-11, p. 13798, Art. II, § 6)

11-16-130 Cleaning catch basins.

No person shall remove the contents of any catch basin in any public way except in a vehicle equipped with steel or iron containers having a capacity of not less than 80 cubic feet, nor more than 450 cubic feet.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-135 Discharge of waste water from shooting range facilities.

(a) For purpose of this section, the term "shooting range facility" has the meaning ascribed to that term in Section 4-151-010.

(b) The commissioner of water management shall promulgate rules and regulations pertaining to the proper discharge of waste water from a shooting range facility.

(c) In addition to any other applicable local, state or federal law or standard, no person shall discharge or cause to be discharged into any portion of the sewer system or waterway any waste water in violation of the rules and regulations promulgated under this section.

(d) Any person who violates this section shall promptly notify the department. Such person shall clean up and dispose of the prohibited substance subject to department approval and in conformity with the requirements of this Code, all rules and regulations promulgated thereunder and all other applicable laws. If the prohibited substance is not cleaned up and disposed of in compliance with the requirements of this section, the commissioner shall cause the prohibited substance to be cleaned up and disposed of at the person's expense. Such person shall pay the city in full for any costs and expenses which the city incurs in connection with the performance of that work.

(e) Any person who violates this section or any rule or regulation promulgated thereunder shall be fined $500.00.

(Added Coun. J. 7-6-11, p. 3073, § 7)

ARTICLE III. OTHER LEGAL DUTIES (11-16-140 et seq.)

11-16-140 Compliance with Code – Required.

It shall be the duty of any person who constructs or uses any private drain, sewer, cesspool, water closet pipe or any other pipe connecting with or into any city- owned sewer to do so in strict conformity with the requirements of this Code and with the orders and directions of the commissioner and the commissioner of health.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 12-4-02, p. 99026, § 1.13)

11-16-150 Duty to repair.

(a) It shall be the duty of the property owner, or property owners jointly, in a situation in which multiple persons own a portion or all of a private sewer, private drain, house sewer or other sewer structure, to maintain clean and free from obstruction any private sewer, private drain, house sewer or other sewer structure, up to the point where it connects to the City-owned sewer and to make any necessary repairs to the private sewer, private drain, house sewer or other sewer structure, except as indicated in Section 11-16-020.

(b) If the property owner violates this section, the Commissioner shall notify the owner or owners in writing of their duty to maintain or repair the private sewer, private drain, house sewer, or other sewer structure. The notification shall be sent via certified mail and shall contain the following information: (i) a statement describing the maintenance or repairs to be made; (ii) the number of days allowed for completing the maintenance or repairs; (iii) the penalty for noncompliance; and (iv) the date the notification was sent.

(c) If the maintenance or repairs described in the notification are not completed within the time period specified in the notification that is sent pursuant to subsection (b) of this section, the Commissioner may, subject to the availability of appropriated funds and subject to the owner or owners executing a right-of-entry agreement with the City, cause the maintenance or repairs to be done at the owner’s or owners’ expense. The owner or owners shall pay the City in full for any costs and expenses which the City incurs in connection with the performance of that work; provided, however, that (1) if the damage necessitating any maintenance or repair was caused by a utility company, the utility company shall be liable for any costs or expenses incurred by the City in connection with the performance of that work; and (2) the owner or owners shall not be liable to the City for any damage to any private drain, house sewer, or other sewer structure caused by the City or its employees or agents in the performance of City business.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 12-16-24, p. 22879, Art. I, § 6)

11-16-160 Duty to grant access.

No person shall refuse to grant the commissioner or his authorized agents access to any premises for any purpose described in Section 11-16-260.

(Added Coun. J. 2-6-02, p. 78883, § 1)

ARTICLE IV. MATERIALS (11-16-170 et seq.)

11-16-170 Materials – General requirements.

All sewers laid and repairs thereto in any public way shall be made of ductile iron pipe, vitrified clay pipe, reinforced concrete sewer pipe, concrete molded in place, segmented vitrified tile, corrugated wrought iron, brick or any other materials approved by the commissioner.

All underground sewer linings shall be made of materials approved by the commissioner, including, but not limited to, unsaturated

polyester resin, epoxy vinyl ester resin, an equally compatible resin, plastic or a cementitious material.

The commissioner's approval of any sewer material, or sewer lining material, shall be based on his assessment of the material's suitability to the size and location of the sewer and the signature of any effluent passing through the sewer.

Any material used in any sewer system or part thereof shall be free from defects and shall conform to the requirements of this chapter.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 7-29-15, p. 3537, § 3)

11-16-180 Cast iron.

All cast iron pipe and special casting shall conform to the latest standard specifications for cast iron pipe and special castings adopted by the American Waterworks Association.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-190 Ductile iron pipe.

All ductile iron pipe shall conform to the latest standard specifications for ductile iron pipe adopted by the American Waterworks Association.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-200 Vitrified clay pipe.

All vitrified clay pipe shall conform to the latest edition of the A.S.T.M.'s "Standard Specifications for Clay Sewer Pipe" (Serial Designation: C-4-62 or C-700-88).

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-210 Concrete sewer pipe.

All concrete sewer pipe shall conform to the latest edition of the A.S.T.M.'s "Standard Specifications for Concrete Sewer Pipe" (Serial Designation: C-14-88).

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-220 Reinforced concrete sewer pipe.

All reinforced concrete sewer pipe shall conform to the latest edition of the A.S.T.M.'s "Standard Specifications for Concrete Sewer Pipe" (Serial Designation: C-76-88).

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-230 Reinforced concrete culvert pipe.

All reinforced concrete culvert pipe shall conform to the latest edition of the A.S.T.M.'s "Standard Specifications for Concrete Sewer Pipe" (Serial Designation: C-76-88).

(Added Coun. J. 2-6-02, p. 78883, § 1)

ARTICLE V. INSPECTIONS (11-16-240 et seq.)

11-16-240 Inspection – Required.

Prior to the completion of any work on any drain pipe or sewer, and except as otherwise provided in this section, the department shall inspect the work to determine its compliance with the requirements of this Code, with all rules and regulations promulgated thereunder, and with all other applicable laws.

It shall be unlawful for any person who constructs, repairs, adjusts, seals, cleans, lines, videotapes a main sewer, or installs any drain pipe, sewer or sewer structure to cover or otherwise complete any work on any drain pipe, sewer or sewer structure without first having requested and passed an inspection by the department; provided, however, that no inspection shall be required for rodding a drain pipe or sewer. If an inspection is not requested as required by this section, the department shall order the drain pipe, sewer or sewer structure to be uncovered so that a manual or closed circuit television inspection can be conducted by or in the presence of a department inspector.

Any person who violates this section shall be fined $200.00 for the first offense and $1,000.00 for the second and any subsequent offense. Any licensed drain layer who violates this section three or more times within any calendar year shall have his license suspended or revoked in accordance with Section 4-28-140 of this Code.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-250 Inspection – Fees.

The commissioner shall cause inspections to be made as required by this chapter. All fees for such inspections shall be as set forth in this section; provided, however, that single family residences shall not be subject to an inspection fee under this chapter, nor shall any inspection fee be charged for rodding, repairing, cleaning or lining any building drain or building sewer, or for videotaping the public sewer.

Inspection fees shall be charged as follows:

Six-inch diameter and smaller, per foot.....$0.85

Eight-inch diameter, per foot.....$1.00

Ten-inch diameter, per foot.....$1.15

12-inch diameter, per foot.....$1.30

14-inch diameter, per foot.....$1.45

15-inch diameter, per foot.....$1.60

16-inch diameter, per foot.....$1.75

18-inch diameter, per foot.....$1.90

21-inch diameter, per foot.....$2.05

24-inch diameter, per foot.....$2.20

27-inch diameter, per foot.....$2.35

30-inch diameter, per foot.....$2.50

36-inch diameter, per foot.....$2.65

42-inch diameter, per foot.....$2.80

Manholes, each.....$22.00

Catch basins, each.....$22.00

Inlets, each.....$22.00

Inspections during non-regular working hours, per hour, in addition to the above, determined pursuant to relevant provision(s) of applicable collective bargaining agreement

Special inspection fee (per plant) required by the United States Department of Agriculture.....$150.00

Paving contracts involving adjustments to sewer appurtenances, per mile of street paved (or fraction thereof).....$250.00

Additional inspections required due deficiencies in work per mile (or fraction thereof).....$250.00

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 11-19-03, p. 14216, § 7.7; Amend Coun. J. 7-29-15, p. 3537, § 3)

11-16-260 Inspections – Access required.

Any day between the hours of 7:00 a.m. and 6:00 p.m., or in case of an emergency, the commissioner and his authorized agents shall have free and unobstructed access to any part of any premises where house drains, house sewers, sewer structures, cesspools or water closets are connected with or drain into any public sewer. Such access shall be limited to the following purposes: (1) inspecting the construction, condition and usage of any house drain, house sewer, sewer structures, cesspool or water closet; and (2) making necessary repairs or alterations to any house drain, house sewer, sewer structures, cesspool or water closet.

(Added Coun. J. 2-6-02, p. 78883, § 1)

ARTICLE VI. ENFORCEMENT (11-16-270 et seq.)

11-16-270 Violation – Penalty.

Except as otherwise provided in this chapter, any person who violates any of the provisions of this chapter shall be fined not less than $500.00, nor more than $1,000.00, for each offense.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-280 Stop work order.

In addition to any other penalties provided by this chapter, if any construction, alteration, repair or installation is done on any sewer or sewer structure in violation of any of the provisions of this Code, the department may issue a stop work order directing that such work cease and desist immediately.

(Added Coun. J. 2-6-02, p. 78883, § 1)

11-16-290 Permits – Suspension and revocation.

Except as otherwise provided in this chapter, the commissioner or building commissioner may suspend or revoke any permit issued under this chapter, or deny the permit application of any person, if such person is adjudged by an administrative law officer or a court of competent jurisdiction to have committed three or more violations of this chapter, or any regulations promulgated thereunder, within any calendar year. No permit suspended or revoked pursuant to this section shall be reinstated until all code violations related to the suspension or revocation have been remedied and all assessed penalties and fees have been paid.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 2-19-20, p. 14473, Art. VI, § 10)

11-16-300 Regulations.

The commissioner and building commissioner shall have the authority to promulgate rules and regulations necessary to implement the provisions of this chapter for which each is responsible.

(Added Coun. J. 2-6-02, p. 78883, § 1; Amend Coun. J. 2-19-20, p. 14473, Art. VI, § 11)

EXHIBIT 1.G

Reports

Housing Needs and Economic Conditions of Cook County's Older Adults, 2021

December 14, 2021



While the aging of the American population is one of the most critical demographic trends facing U.S cities, the Chicago region has limited data and analysis to inform current policy conversations around the housing needs of older adults.

The development of impactful policy to address the unique housing needs of Cook County's older adults requires local and timely data on changing conditions, informed by the data needs of issue-area stakeholders. This analysis leverages the local knowledge of roughly 20 Chicago-area organizations working on older adult housing issues to create a practitioner-focused resource on key demographic and socioeconomic conditions related to older-adult housing demand and economic and housing insecurity in Cook County.

Intended as a baseline resource to inform current conversations and future analysis of critical housing issues facing older adults, *Housing Needs and Economic Conditions of Cook County's Older Adults* establishes that households headed by an older adult represent a large and rapidly growing share of households in Cook County and that there is variation in both the current economic conditions and nature of older adult household growth in the city and suburbs. Critically, reflecting both the community and individual impact of systemic racial inequality and uneven economic opportunity for people of color, this analysis highlights that economic conditions such as income, cost burden, and presence of mortgage debt vary widely by older adult householder race and ethnicity and for older adults in the city and suburbs.

For information on data sources and methodology, click here. To access the data behind the figures in the report, click here.

BACKGROUND

The older adult population nationwide is growing at a faster rate than any other age group. It is projected that over the next two decades, a majority of growth in the number of households will be driven by seniors aged 65 and above. Despite this, not all communities are equipped for this significant demographic shift that will have future implications for housing.

Access to affordable, accessible, and stable housing is a key issue affecting older adults as they age. Before the COVID-19 pandemic, the number of housing cost-burdened older adults in the United States had reached an all-time high. While older adult renters are more likely to experience housing cost burdens compared to older adult homeowners, a growing share of older adult owners carry mortgage debt, and therefore additional housing costs, compared to previous decades. Among older adult renters and owners nationally, housing cost burdens were the most acute among very low-income older adults with annual incomes below $15,000. For older adults, housing cost burdens can influence their spending on essential medical care and other necessities, lowering their overall quality of life as their needs change. Income inequality among older adults has grown and has likely been exacerbated by the pandemic, with labor force projections anticipating a greater share of older adults delaying retirement throughout the next decade.

Nationally, older adults have the highest homeownership rates compared to any other age group, yet similar to the broader population, racial disparities persist. Black and Hispanic older adults have lower rates of homeownership than white older adults, and these gaps have grown since the Great Recession. Unequal access to homeownership can have implications for broader financial security into retirement years. Older adult homeowners' housing costs can be significantly reduced at mortgage payoff. However, rising property taxes can be a financial strain among older adults with lower fixed incomes. During the pandemic, homeowners nationwide saw rising house price growth, possibly putting older adult homeowners in a favorable position to tap into their home equity as a source of retirement income if needed, but also potentially increased property tax burdens.

Not all older adults will be homeowners in their lifetime. Projections estimate that the number of older adult renters will reach an all-time high by 2040, with Black and Latino renters accounting for a bulk of this growth. Housing stability and affordability are a concern for older adult renter households, who experience greater cost burdens compared to the broader renter population and whose fixed incomes make it more difficult to deal with the potential of rising rents. During the pandemic, older adult renters were not immune to hardship, and a significant number of older adults faced possible eviction. With the number of older adults experiencing homelessness on the rise, affordable housing for older adult renters is a pressing concern as cities across the nation are seeing a declining supply of affordable rentals.

The disproportionate number of COVID-19 cases in institutional care settings during the height of the pandemic prompted greater public discourse on older adult housing needs, challenges, and living arrangements more generally. For example, the number of older adults living alone is projected to rapidly grow nationwide with implications for possible increased costs and decreased quality of life. Policymakers and housing providers are assessing if current programs and policies are adequate and tailored enough to meet the unique housing needs of older adults. A growing number of municipalities are looking beyond the home to proactively create age-friendly communities. While the COVID-19 pandemic's long-term impacts on older adult housing needs remain unclear, the growing older adult population will impact the nature of housing demand and shape local housing markets for years to come.

Housing and Economic Conditions of Cook County's Older Adults

To better address the housing needs of older adults and anticipate the impact of changes in older adult population on local housing markets, Cook County practitioners and policymakers need more information on the housing and economic challenges facing older adults today. Using data from the American Community Survey (ACS) 1-Year Public-Use Microdata Sample (PUMS), this report provides an analysis of current conditions in 2019, the most recent data available in 2021, and highlights how the composition of older adult households by income, race and ethnicity, tenure, and other indicators have changed in the City of Chicago and Suburban Cook County since 2012.[1]

This report shows that Cook County is aging, but that the nature of the growth in older adult households in the City of Chicago differs from Suburban Cook County. In Chicago, older adult households are increasingly renter households, with substantial growth in both Black and Hispanic older adult households and lower-income households. Additionally, older adult renter households in Chicago are increasingly living in 2 to 4 unit buildings, a critical but threatened component of the housing stock. In Suburban Cook County, where the aging of households is a central demographic characteristic, older adult households of color and very low-income Asian older adult households are growing most rapidly but still represent a small share of the older adult population, who is mostly white. In Suburban Cook County, older adults have fewer options for housing beyond single-family homes, and Black older adult households who own their homes have much higher rates of mortgage debt compared to their peers. These dynamics bolster concerns from local practitioners in both the City of Chicago and Suburban Cook County that existing public policy and the housing stock might not fully meet the needs of a substantial and growing older adult population and that the particular needs and challenges faced by lower-income and older adults of color more broadly may not be fully addressed.

KEY FINDINGS

Cook County is aging. Between 2012 and 2019, total households in Cook County increased by 49,613 households or 2.6 percent. Nearly all of this growth occurred in the City of Chicago, where households increased by 48,810 or 4.9 percent, while total households were relatively flat in Suburban Cook County. In Cook County, nearly 80,000 older adult households aged 65 and older were added between 2012 and 2019, a 19.4 percent increase. Figures 1 and 2 show household growth by age group in the City of Chicago and suburban Cook respectively. It shows that older adult households increased by nearly 45,000 households in the City of Chicago and by roughly 35,000 households in Suburban Cook County, or 24.2 and 15.4 percent, respectively.

A growing number of older adult households, amid modest or flat growth of total households, has led to an increased share of Cook County households headed by an older adult. Figure 3 shows that while 21.3 percent of households in Cook County were headed by an older adult in 2012, nearly a quarter of households were headed by an older adult by 2019. This "aging" of total households was most significant in Suburban Cook County, where an older adult headed 28.2 percent of households in 2019, up 3.7 percentage points from 2012. While this percentage point increase in older adult-headed households was similar in the City of Chicago in 2019, just 21.8 percent of households were older adult households in 2019, up from 18.4 percent of households in 2012.

Figure 1. Net Change in Total Households by Age of Head of Householder

City of Chicago, 2012 to 2019

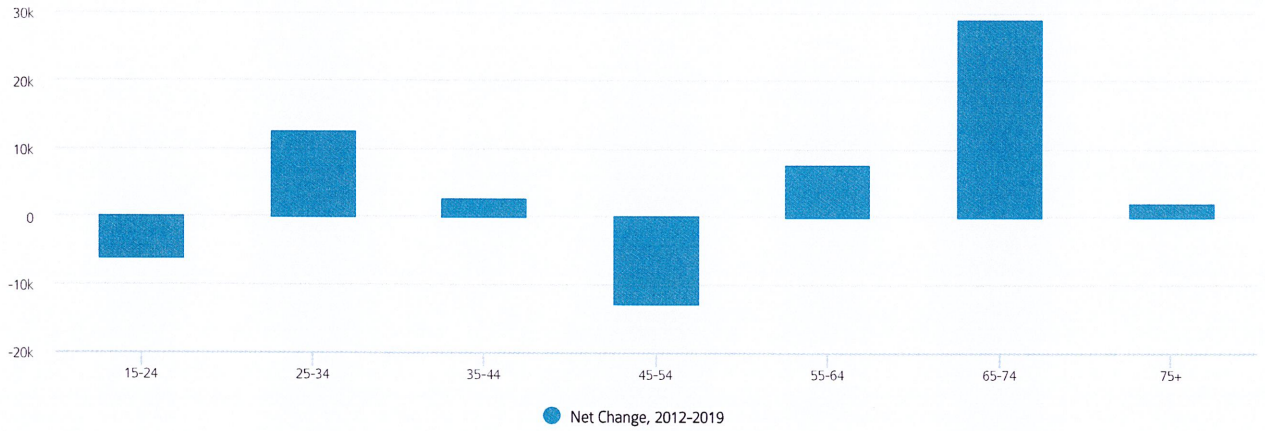


Figure 2. Net Change in Total households by Age of Head of Householder

Suburban Cook County, 2012 to 2019

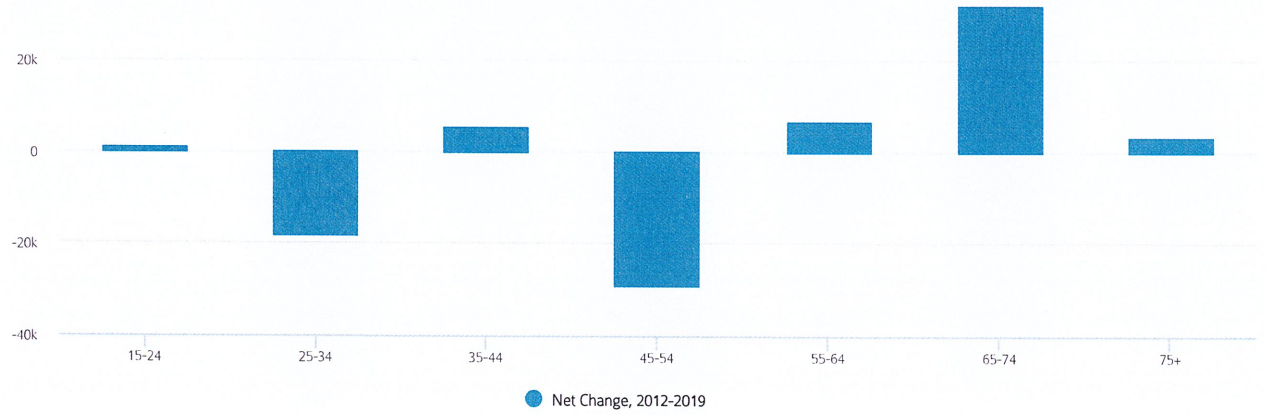
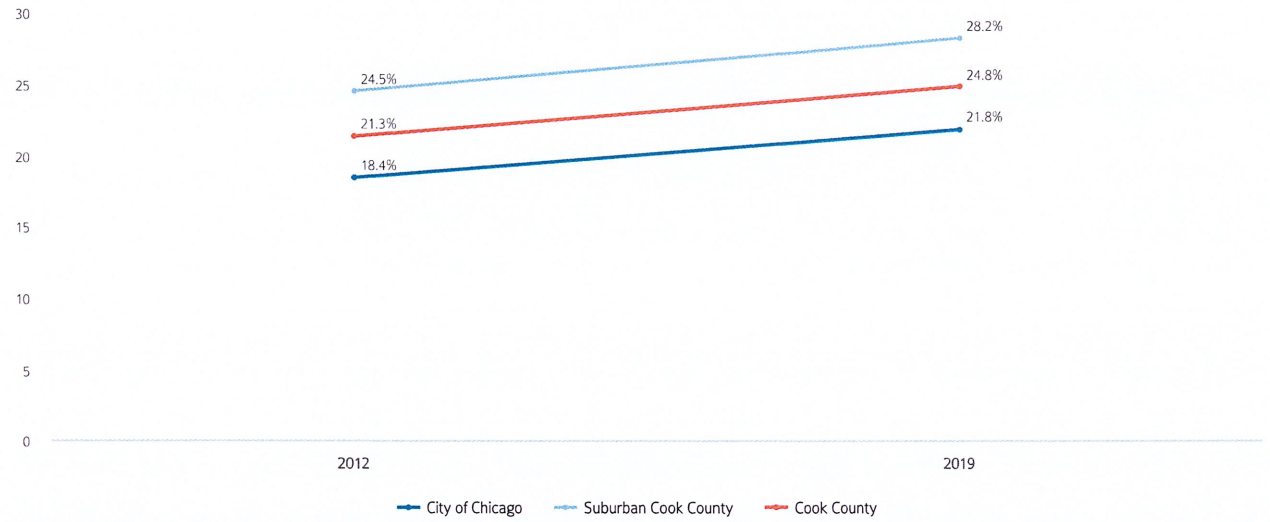


Figure 3. Share of All Households Headed by an Older Adult (65+)



Among older adult households, the number of households headed by a person of color is increasing fastest. Between 2012 and 2019, Figure 4 shows that countywide there was an 80.3 percent increase in the number of older-adult households that identify as Hispanic or Latino, a nearly 60 percent increase in Asian-identified older adult-headed households, and a 23.3 percent increase in older adult headed households that identify as Black or African American.[2] This is compared to a 9.2 percent increase in the number of older adult-headed households that identify as white. In the City of Chicago, the largest percent increase in older adult households was seen in older adult households where the head of household identifies as Hispanic or Latino, which increased by 83.6 percent during this period.[3]

Generally, the growth in older-adult households of color is more rapid in Suburban Cook County, largely due to the overall smaller numbers of older adult households of color in the suburbs. Figure 5 illustrates the current composition of older adult-headed households by householder race and ethnicity as of 2019. It shows that despite growth in older adult households of color in Suburban Cook County, the vast majority of older adult-headed households in the suburbs identify as white.

As the older adult population becomes increasingly diverse, local decision-makers may need to examine how existing and new programs can remain inclusive and reach all segments of the older adult population. During stakeholder engagement, our partners noted the need to incorporate a racial equity lens in programs and policies, as well as the importance of culturally relevant materials and language translations to expand outreach to a diversifying older adult population.

Figure 4. Percent Change in the Number of Older Adult (65+) Headed Households by Head of Householder Race/Ethnicity

Cook County, 2012 to 2019

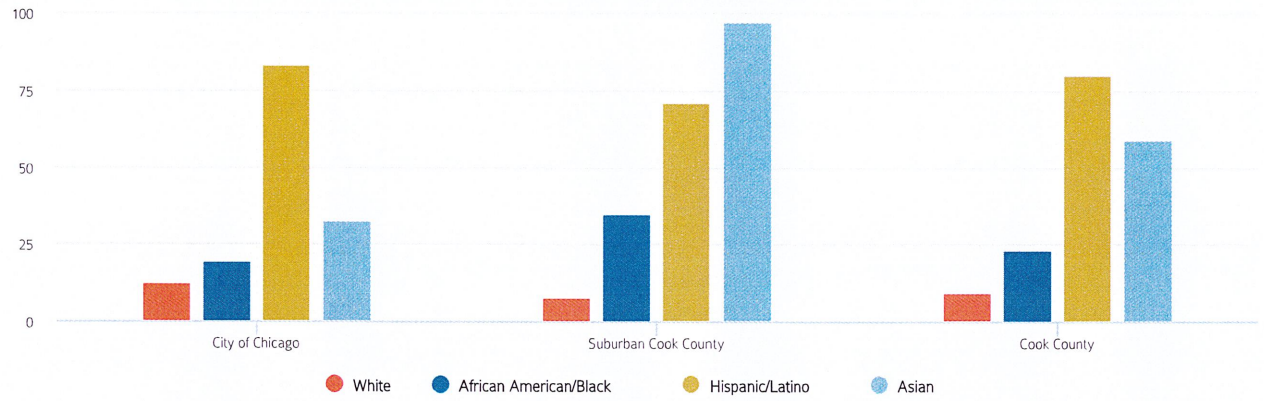
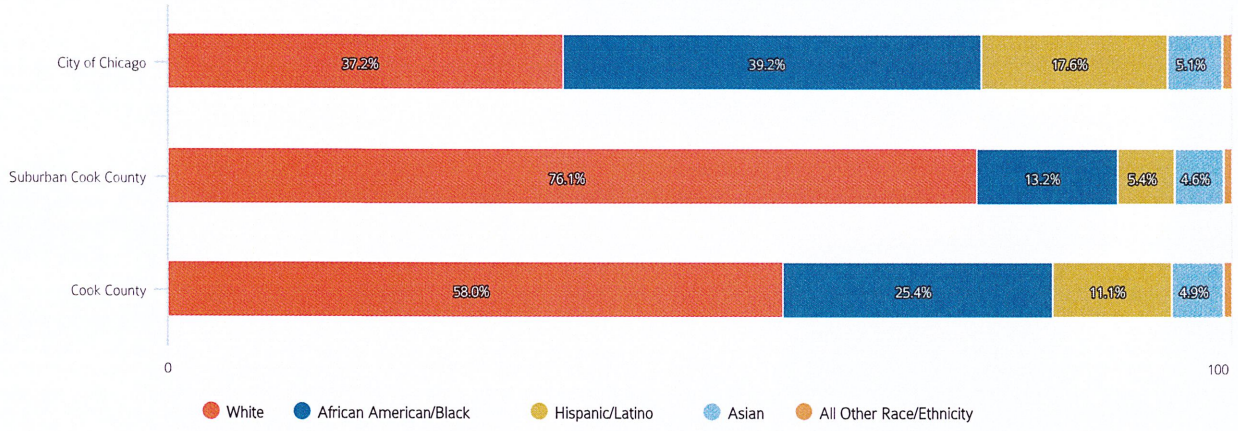


Figure 5. Distribution of Older Adult (65+) Headed Households by Head of Householder Race/Ethnicity

Cook County, 2019



In Chicago, older adult households are largely lower income. It is well documented that older adult households generally have lower incomes than households more broadly. According to the American Community Survey 5-Year estimates for 2019, the median household income for older adults in Cook County was $42,287 compared to $64,660 for all households. Similar to the broader population, there is substantial variation in the incomes of older adult households by race and ethnicity. Older adult households of color have lower incomes than white older adult households, generally.

Figure 6 illustrates the composition of older adult-headed households by race, ethnicity, and income in Chicago, and Figure 7 illustrates these same data for Suburban Cook County. Figure 6 shows that while 23.3 percent of white older adult households are very low income, far higher shares of Black, Hispanic, and Asian older adult households are very low income. Among all older adult households in the City of Chicago, 35.4 percent of households have incomes of less than 30 percent of Area Median Income (AMI) - or less than $22,614 in 2019. By comparison, just 17.3 percent of suburban Cook older adult households have incomes of less than 30 percent AMI but Black and Hispanic older adult households have much higher shares of very low income older adults than this suburban average and compared to white older adult households in particular. In 2019, Figure 7 illustrates that 24.5 and 22.3 percent of suburban Black and Hispanic older adult households were very low income compared to 15.4 and 20.9 percent of white and Asian older adult households, respectively.

Very large shares of low-income older adults are living on fixed incomes, often relying entirely on Social Security benefits. IHS partners reported that among the older populations they serve, these payments are often insufficient to fully cover necessities. As a consequence of low incomes, stakeholders reported high levels of food insecurity, particularly among very low-income older adult households earning below 30 percent of AMI.

Figure 6. Distribution of Older Adult (65+) Households by Income Range and by Head of Householder Race/Ethnicity

City of Chicago, 2019

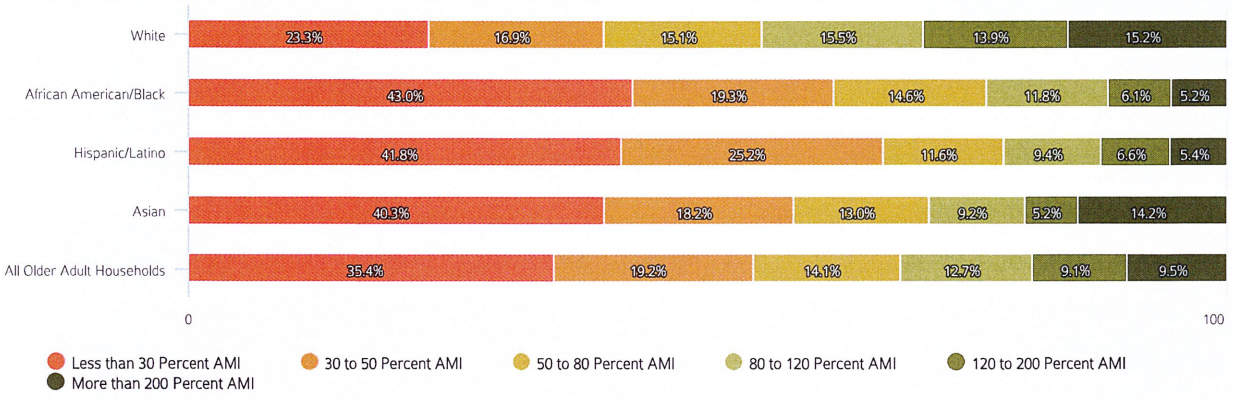
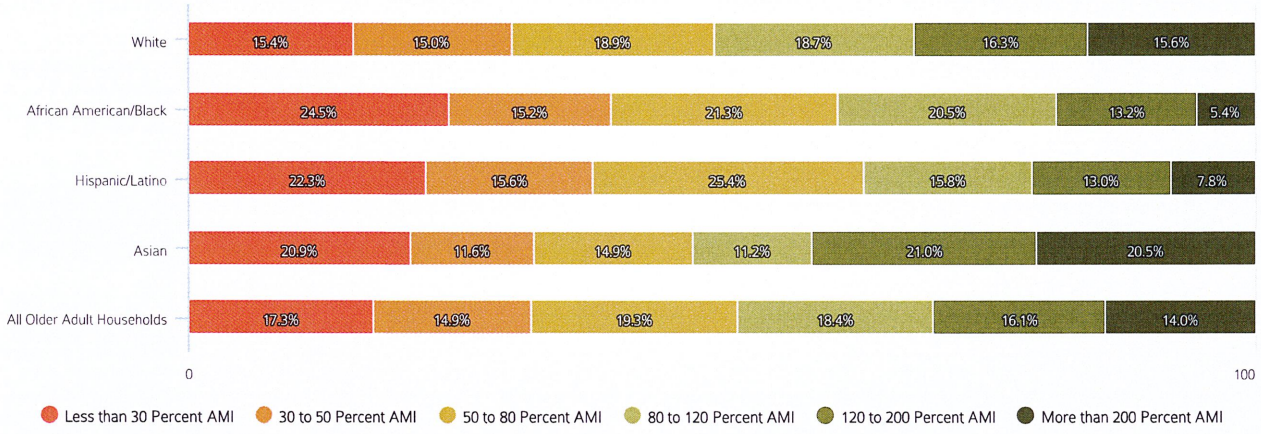


Figure 7. Distribution of Older Adult (65+) Households by Income Range and by Head of Householder Race/Ethnicity

Suburban Cook County, 2019



The City of Chicago has seen an increase in very low-income Black and Hispanic older adult households while the Suburbs have seen a growing share of Asian older adult households with very low incomes. Figure 8 shows the percentage point change in the share of older adult households with very low incomes, earning less than 30 percent of the area median income. Between 2012 and 2019, the share of older adult white households that are very low income in the City of Chicago declined by 5.8 percentage points. At the same time, the share of older adult Black and Hispanic households that are very low-income grew by 5.6 and 6.7 percentage points, respectively. Among older adult Asian households, the share that earn lower incomes declined by 1.3 percentage points. During this same time period, the share of all older adult households that are very low-income increased by 1.4 percentage points citywide.

By comparison, Figure 9 illustrates these same data for Suburban Cook County and shows that the share of suburban older adult households that are very low income is declining. Between 2012 and 2019, the share of older adult households with incomes below 30 percent AMI declined by 2.3 percentage points. However, while the share of very low-income older adult white, African American, and Hispanic older adult households declined, the share of very low-income older adult Asian households grew by 8.2 percentage points. These trends add additional, local context to national data that highlights growing income inequality among older adult households and how this trend plays out by householder race and ethnicity in the city and suburbs.

Figure 8. Percentage Point Change in Share of Older Adult Households (65+) with Incomes Less than 30 Percent AMI by Race/Ethnicity of Head of Householder

City of Chicago, 2012 to 2019

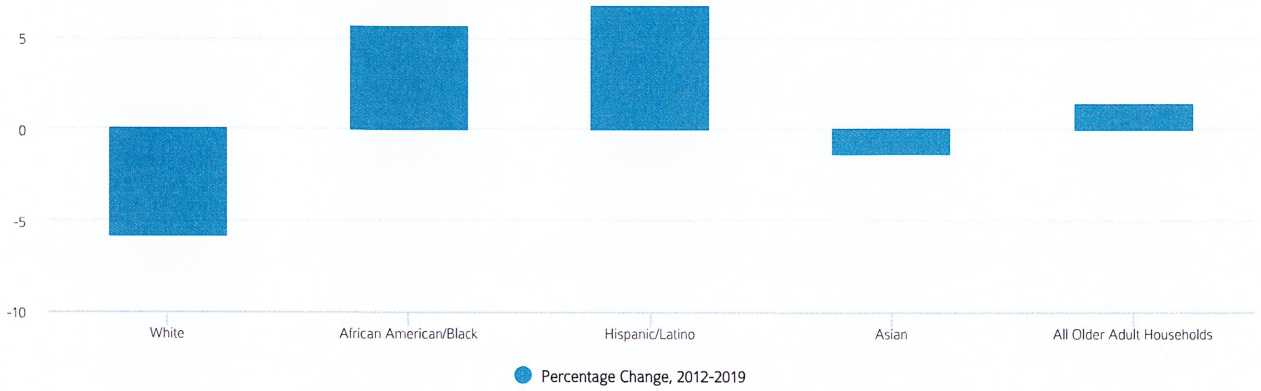
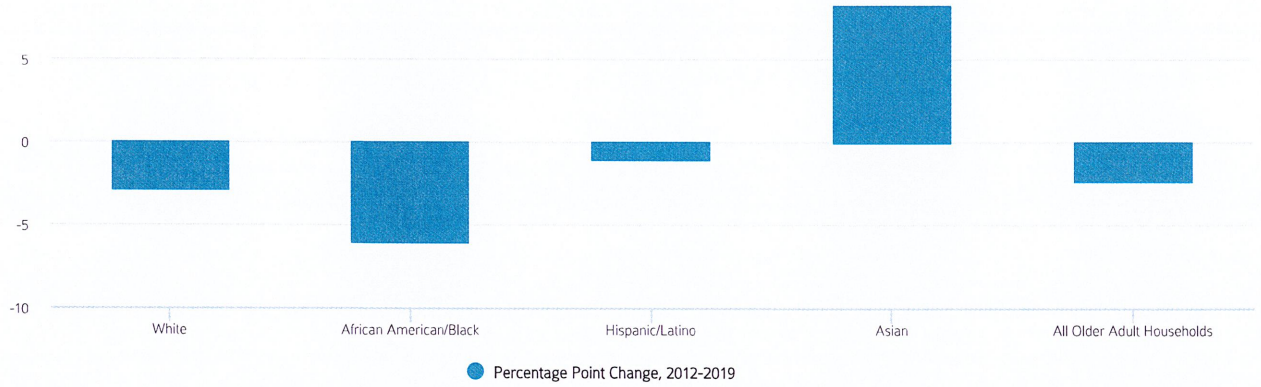


Figure 9. Percentage Point Change in Share of Older Adult Households (65+) with Incomes Less than 30 Percent AMI by Race/Ethnicity of Head of Householder

Suburban Cook County, 2012 to 2019



In Chicago, most older adult households live alone – a trend that is driving growth in single households citywide. Figure 10 compares the share of older adult households that live alone across Cook County in 2012 and 2019 and shows that while this share grew in the City of Chicago it declined in Suburban Cook County. Figure 11 shows that the number of households living alone in Chicago increased by an additional 37,576 households since 2012, from roughly 374,000 households in 2012 to over 412,000 households in 2019. Over 70 percent of the total growth in single households in Chicago came from older adult households living alone which increased by 26,643 households during this period from roughly 96,000 older adult households in 2012 to nearly 123,000 in 2019.

Nationally, the occurrence of older adults living alone is expected to grow. Single-person older adult households are more likely to require assistance with mobility and care as they age, yet these households have lower median incomes and higher housing cost burdens. During stakeholder engagement, IHS partners reported a growing practice among senior housing providers of incorporating housing units for all ages and families in their developments. Stakeholders also expressed opportunities for policies to encourage multigenerational living arrangements as a way to both alleviate cost burdens and provide additional support for older adult needs as they age.

Figure 10. Share of Older Adult (65+) Households who Live Alone in Cook County, 2012 and 2019

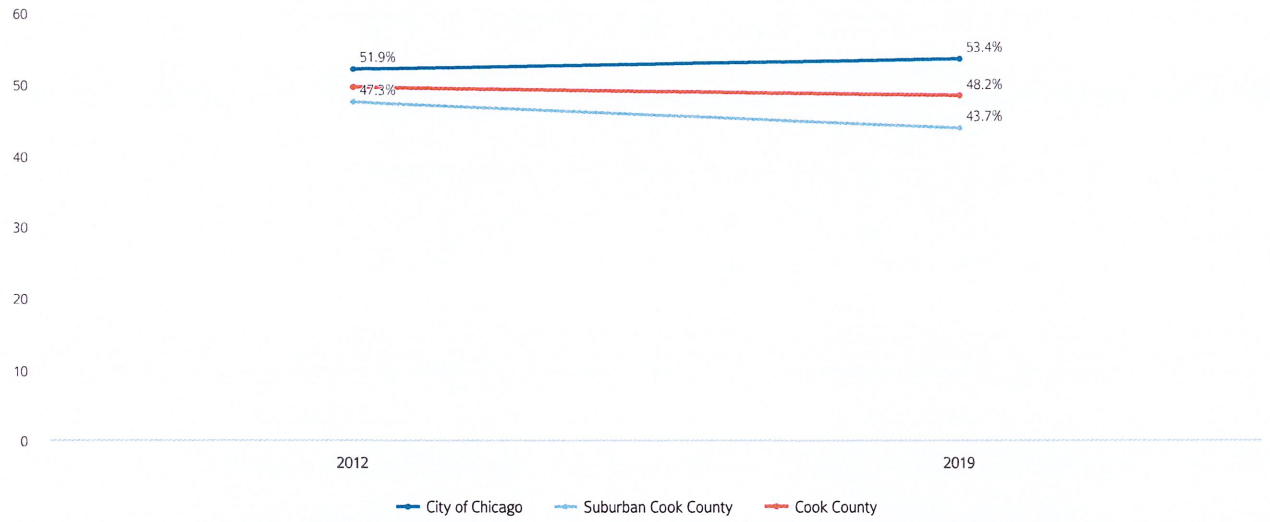
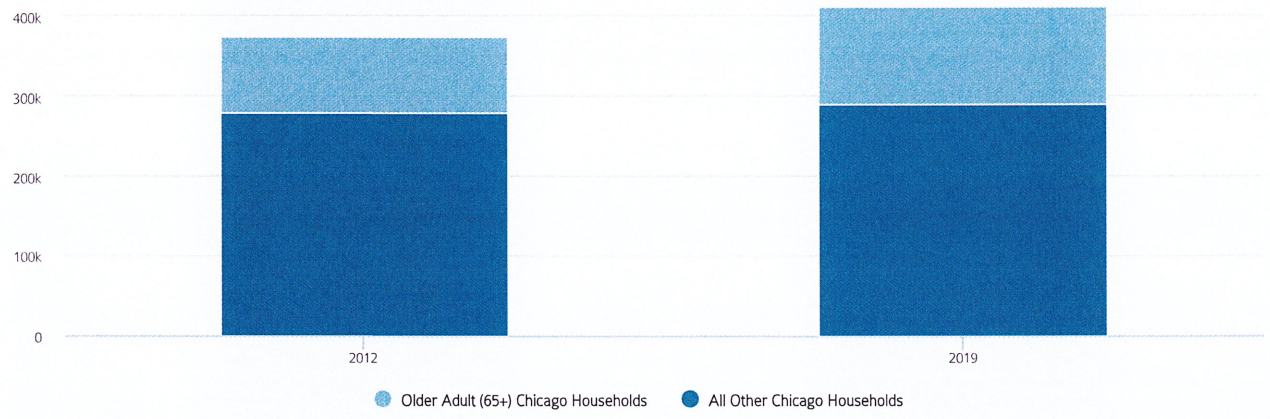


Figure 11. Number of Total Households and Older Adult (65+) Households who Live Alone

City of Chicago, 2012 and 2019



While older adult households primarily own their properties countywide, the share that rent their homes is growing rapidly in the city. As discussed above, most older adult households own their homes across the County; however, there is variation in the city and the suburbs. Figure 12 shows that roughly 83 percent of suburban older adults own their homes while just under 17 percent rent. By comparison, roughly 57 percent of older adult households own their homes in the City of Chicago while roughly 43 percent rent. Further, while the share of owner households is growing countywide, the share that rent in Chicago is growing substantially. Figure 13 shows that between 2012 and 2019, the number of older adult households that rent their homes increased by 44.1 percent while the number of older adult Chicago households that own increased by just 12.5 percent. By comparison, overall rental demand in the City of Chicago increased by just 4.4 percent and the number of owner households increased by 5.4 percent during this same period.

The growth in demand from older adult renter households in Chicago is anticipated to add pressure to the existing rental housing stock in the coming years. Among other issues, IHS partners noted the need for policies and programs to incentivize rental housing providers and property owners to incorporate accessibility features and repairs in the homes of older adult renters, who often have less control over their units compared to older adult homeowners and often have to pay for modifications without subsidy.

Figure 12. Composition of Older Adult Households (65+) by Tenure

Cook County, 2019

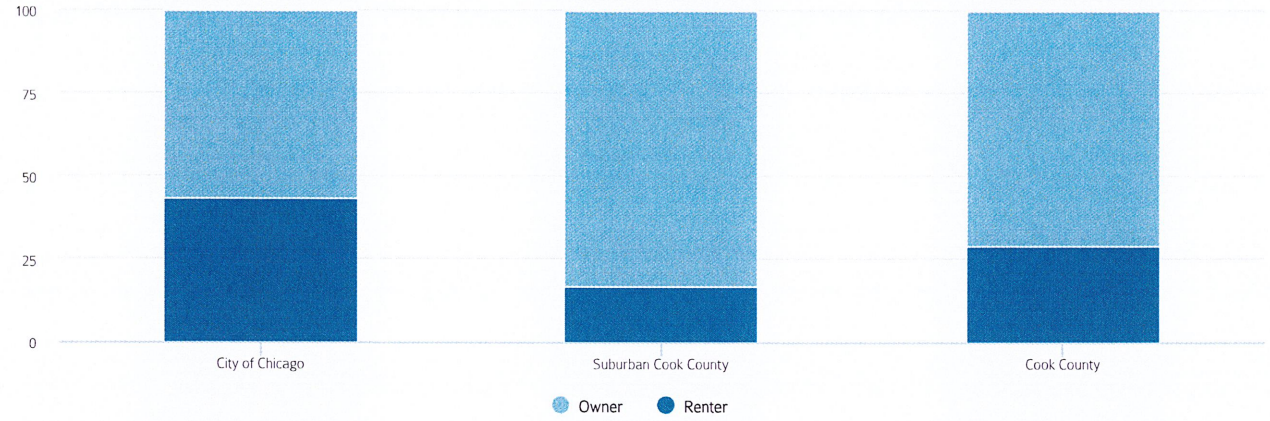


Figure 13. Percent Change in Number of Older Adult (65+) Households by Tenure

Cook County, 2012 to 2019



Roughly 60 percent of total older adult household growth in Chicago is from Black and Hispanic renter households. Figure 14 illustrates the relationship between the overall growth of older adult households and what these trends might mean for housing issues in Chicago, where a much larger share of older adult households rent. Data on these trends in Suburban Cook County are included in Figure 22, and other data for renter households in Suburban Cook are included in the report appendix.

The table below illustrates how older adult households by race and ethnicity and tenure contributed to overall increases in the City's population of older adult households. It shows that increases in older adult renters accounted for nearly 68 percent of older adult household growth in Chicago between 2012 and 2019. It also shows that increases in Black and Hispanic older adult renters were the primary drivers of this trend. Between 2012 and 2019, 60.4 percent of the total growth in older adult households in the City of Chicago was from Black and Hispanic older adult renter households – 31.6 percent from Black identified older adult renter households and 28.7 percent from Hispanic identified older adult renter households.

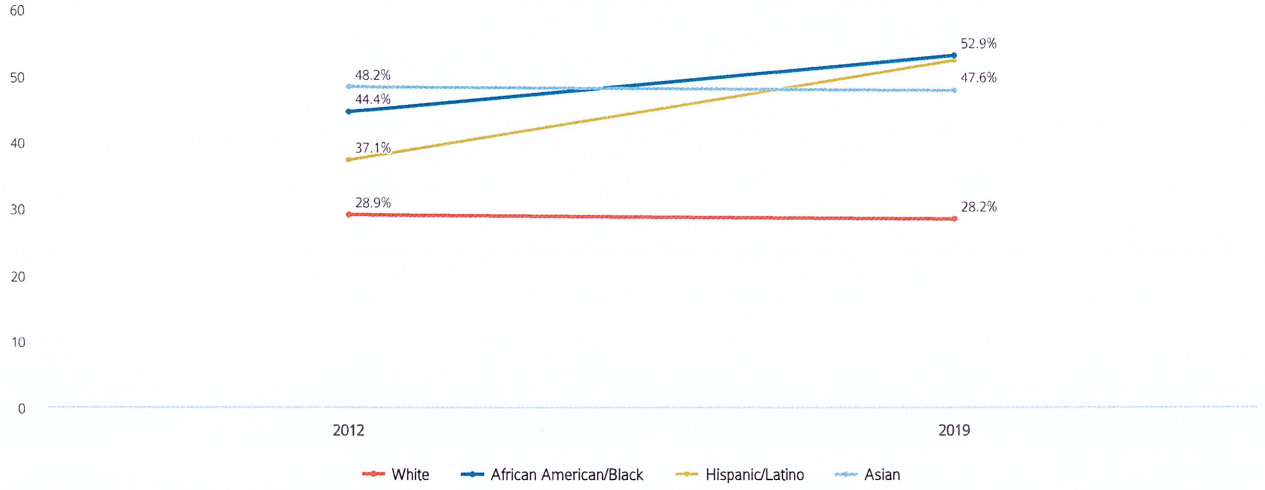
As illustrated by Figure 15, this growth led to an increase in the share of older adult households of color that rent in the City of Chicago. As of 2019, the majority of Black and Hispanic older adult households rent their homes compared to 2012, when 44.4 and 37.1 percent of older adult Black and Hispanic households rented their homes, respectively. For Black and Hispanic older adult renter households, this translates to an increase of 14,191 and 12,866 households since 2012, respectively. By comparison, the share of white and Asian older adult households that rent was roughly unchanged between 2012 and 2019 although the number of households did increase slightly. Between 2012 and 2019, older adult white households that rent increased by 2,100 households, and Asian older adult households that rent increased by 1,334 households. Data on net change are included in the report appendix.

Figure 14. Composition of Older Adult Total Household (65+) Net Change by Head of Householder Race/Ethnicity and Tenure

City of Chicago, 2012 to 2019

	White	African American/Black	Hispanic/Latino	Asian	All Other Race/Ethnicity	All Older Adult Households
Renter	4.7%	31.6%	28.7%	3%	-0.5%	67.6%
Owner	16.5%	1%	12.3%	3.5%	-0.9%	32.4%
All Older Adult Households	21.1%	32.7%	41%	6.5%	-1.3%	100%

Figure 15. Share of Older Adult (65+) Households that Rent by Head of Householder Race/Ethnicity in the City of Chicago, 2012 and 2019



A large and growing share of Chicago's older adult renter households have very low incomes. Figure 16 illustrates the composition of older adult renter households by income level in 2019. It shows that the majority of older adult households in Chicago are very low income and that roughly three-quarters of older adult renter households have incomes of less than 50 percent AMI. Further, Figure 17 below highlights that the number of lower-income older adult renters has grown substantially since 2012. It shows that the largest increase in older adult renters between 2012 and 2019 was among those earning less than 30 percent AMI which increased by over 13,300 households, or 33.3 percent. This was followed by older adult renters earning between 30 and 50 percent AMI, which increased by over 6,500 households, or 44.8 percent. Information on income ranges for 2012 and 2019 are included in the report methodology.

While the demand for and supply of affordable rental housing from lower-income households in Chicago has declined in recent years, the growth of older adult renter households with very low incomes points to an even greater need to proactively preserve and expand access to affordable rental housing, particularly units that accommodate the needs of older adults. For example, issue-area stakeholders interviewed by IHS expressed the importance of and need for increased housing subsidy to shield older adult renters with lower incomes from broader market pressures and rising housing costs.

Figure 16. Share of Older Adult Renter Households (65+) by Income Range

City of Chicago, 2019

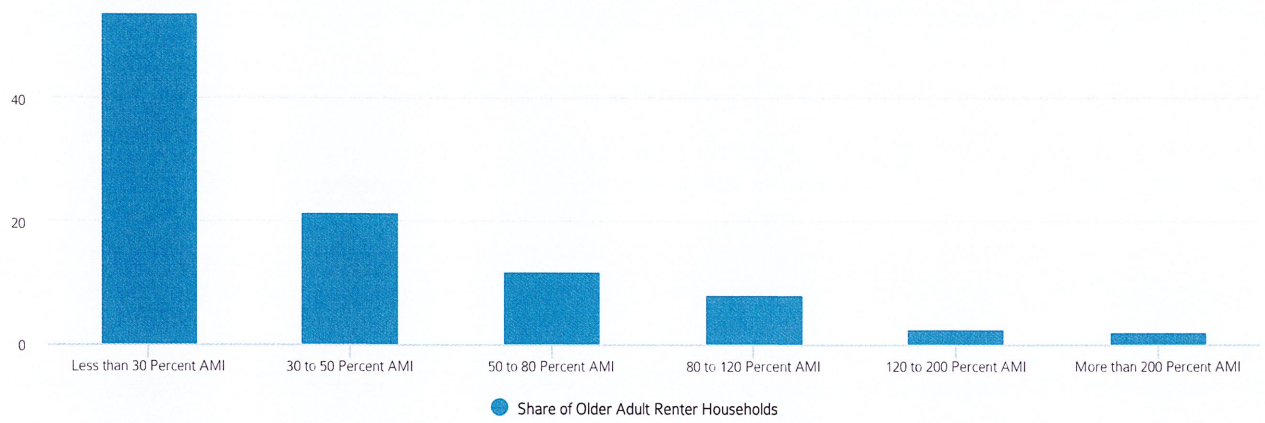
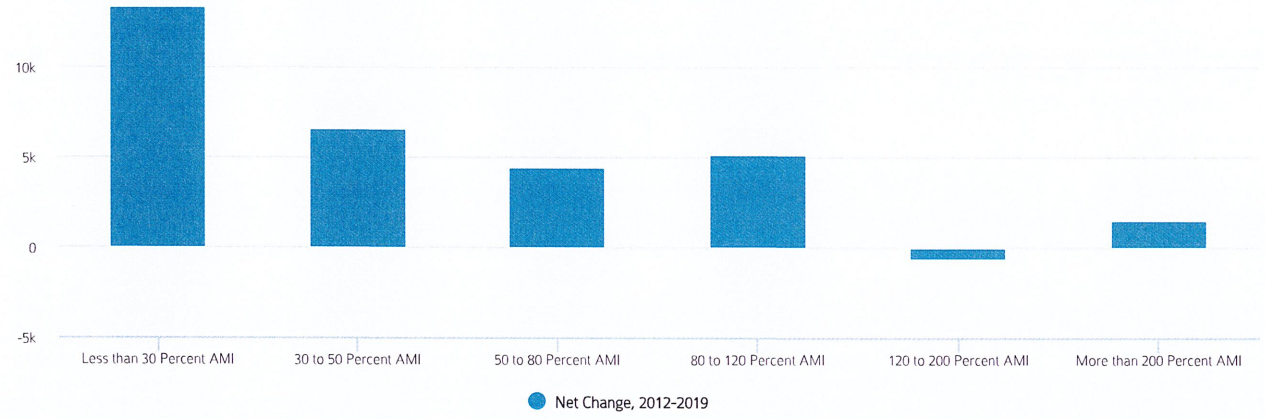


Figure 17. Net Change in Older Adult (65+) Renter Households by Income

City of Chicago, 2012 to 2019

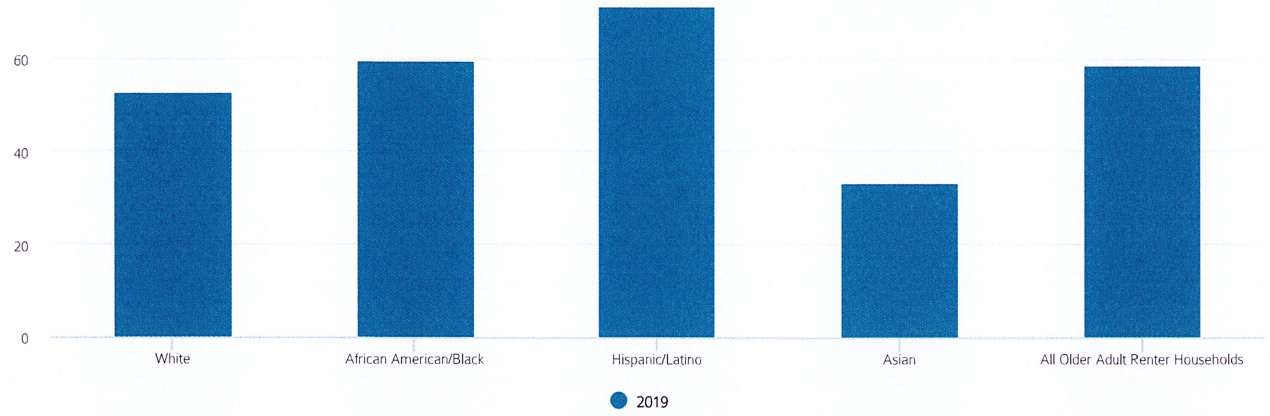


In Chicago, most older adult renter households are cost-burdened and Black and Hispanic older adult renter households have the highest levels of cost-burden. In the City of Chicago, the data show that nearly 60 percent of older adult renters are cost-burdened, meaning that they pay more than 30 percent of their income toward rent. Figure 18 shows that most older adult renter households are cost-burdened at more substantial levels than renters are more generally – 58.7 percent of Chicago older adult renter households are cost-burdened compared to 47.4 percent of all Chicago renter households.

Additionally, the data show that cost burden is much more significant for Black and Hispanic older adult renter households than white or Asian older adult renter households. As of 2019, 71.4 percent of older adult Hispanic renter households, and 59.4 percent of older adult Black renter households were cost-burdened compared to 33.2 percent of older adult Asian[4] and 52.9 percent of older adult white renter households.

Figure 18. Share of Older Adult (65+) Renter Households that Pay more than 30 Percent of Income Towards Housing

City of Chicago, 2019

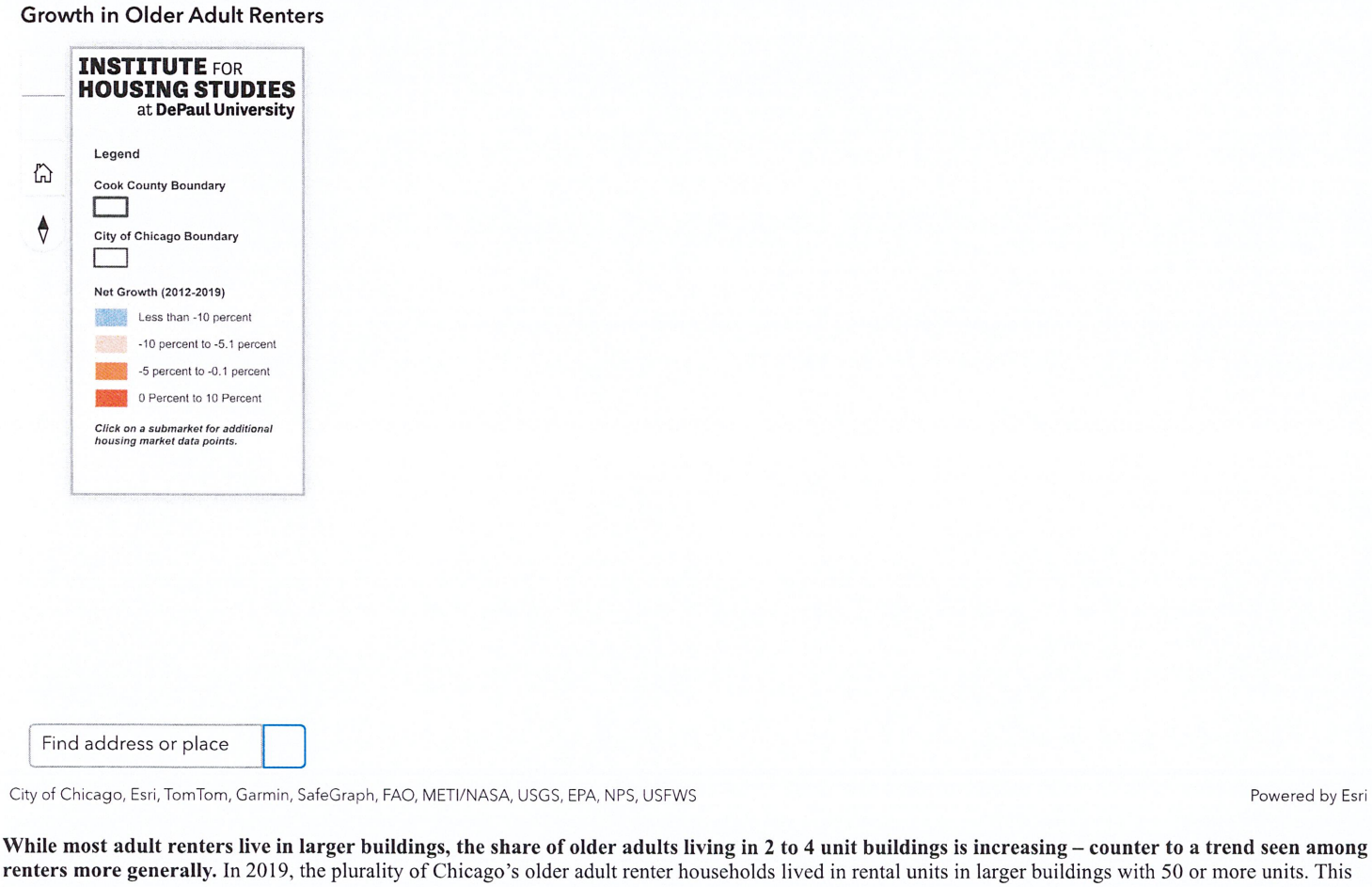


The largest growth in older adult renters is on Chicago's Southwest and West Side neighborhoods. The interactive map below illustrates the net change in the number of older adult households that rent between 2012 and 2019 for 34 Cook County submarkets. It shows that the most substantial growth in older adult renter households was seen in Southwest and West Side Chicago submarkets including Austin/Belmont Cragin, Humboldt Park/Garfield Park, Bridgeport/Brighton Park, Gage Park/West Lawn, and Englewood/Greater Grand Crossing.

Submarkets that saw a decline in older adult renter households include City of Chicago communities in and around Uptown/Rogers Park, Portage Park/Jefferson Park, and Logan Square/Avondale. Many of these same areas are experiencing overall losses in the lower-cost rental supply and are losing lower-income renters. Many parts of Suburban Cook County also lost older adult renters including much of suburban South Cook County, communities around O'Hare Airport, and Winnetka/Northbrook.

To view a full-size map, click here. Underlying data for the map can be found in the report appendix here.

Figure 19. Net Change in Older Adult Households (65+) that Rent in Cook County by Submarket, 2012 to 2019



While most adult renters live in larger buildings, the share of older adults living in 2 to 4 unit buildings is increasing – counter to a trend seen among renters more generally. In 2019, the plurality of Chicago's older adult renter households lived in rental units in larger buildings with 50 or more units. This

share is declining, however. Figure 20 shows that whereas 42.5 percent of older adult renter households lived in these types of buildings in 2012, 37.1 percent of older adult renter households lived in these types of buildings by 2019 – a 5.4 percentage point decline. Instead, the city saw growth in the share of older adult renters living in 2 to 4 unit buildings from 26.5 percent of older adult renter households in 2012 to 31.8 percent by 2019 – a 5.3 percentage point increase.

Figure 21 illustrates that the city is seeing growth in older adult renter households in all building types, led by 2 to 4 unit buildings, which saw a net increase of 13,303 older adult renter households between 2012 and 2019. This represents a 73 percent increase in the number of older adult households that rent in 2 to 4 unit buildings. Conversely, the total number of Chicago renter households living in 2 to 4 unit buildings declined by 2.9 percent during this same period.[5]

IHS research has shown that 2 to 4 unit buildings make up a critical component of Chicago's unsubsidized lower-cost housing stock, but these buildings are often older and owned by smaller, mom-and-pop landlords who may lack financial resources and incentives to make units in their properties "age-friendly" – or better able to adapt to changing older adult household mobility and quality of life needs. Additionally, stakeholders interviewed by IHS expressed that there are few existing incentives for landlords of 2 to 4s to incorporate accessibility modifications for older adult households and that resources for existing programs are inadequate to meet the current need.

Figure 20. Older Adult (65+) Renter Households by Rental Unit Building Size in the City of Chicago, 2012 to 2019

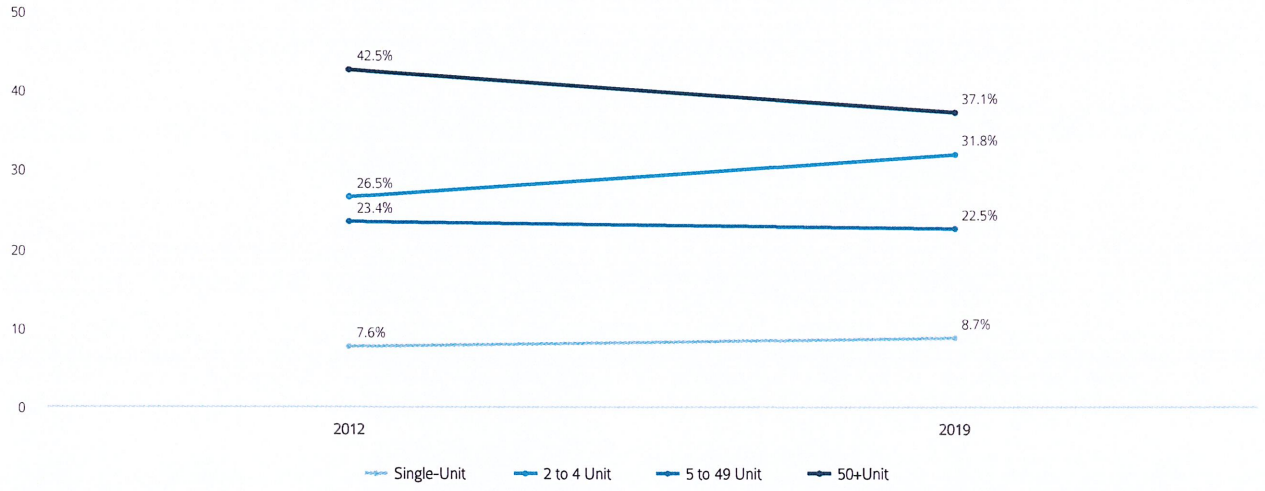
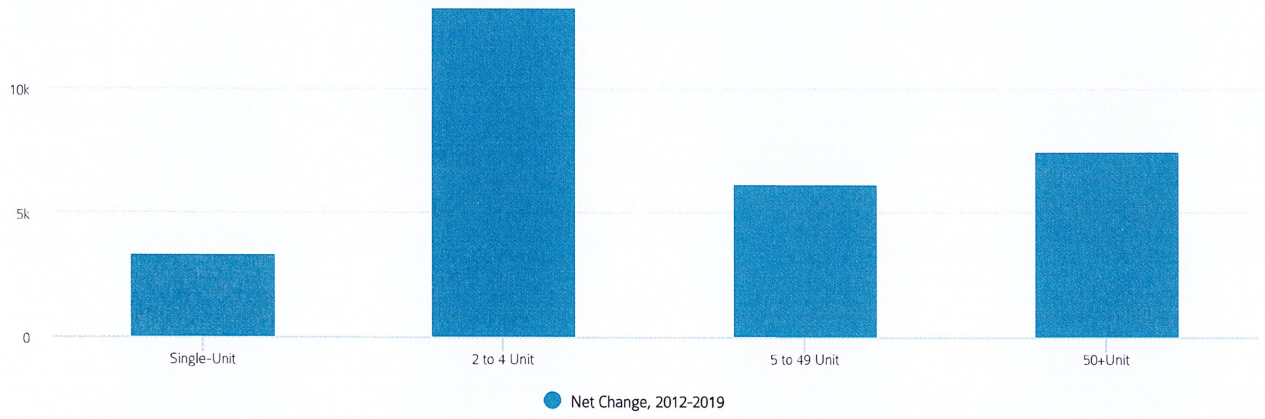


Figure 21. Net Change in Older Adult (65+) Renter Households by Rental Unit Building Size

City of Chicago, 2012 to 2019



In suburban Cook, 45.6 percent of total older adult household growth is from owner-occupied households that identify as white. Figure 22 illustrates how older adult households by race and ethnicity and tenure contributed to overall increases in the population of older adult households in Suburban Cook County. Data for the City of Chicago are included in Figure 14. The table below shows that increases in older adult owners accounted for nearly 90 percent of total older adult household growth in suburban Cook and that white households were the primary driver of this trend. Between 2012 and 2019, 45.6 percent of the total growth in older adult households in Suburban Cook County was from white older adult owner households. Notably, the second largest contributor to older adult household growth in the suburbs was from Black older adult owner households. In 2019, 17.1 percent of total suburban older adult household growth came from Black older adult owner households, this was 28.5 percentage points less than the share contributed by older adult white owner households, however.

Figure 22. Composition of Older Adult Total Household (65+) Net Change by Head of Householder Race/Ethnicity and Tenure

Suburban Cook County, 2012 to 2019

	White	African American/Black	Hispanic/Latino	Asian	All Other Race/Ethnicity	All Older Adult Households
Renter	-3.9%	8.5%	1.3%	4.3%	0%	10.3%
Owner	45.6%	17.1%	15.4%	12.7%	-1%	89.7%
All Older Adult Households	41.7%	25.6%	16.7%	17%	-1%	100%

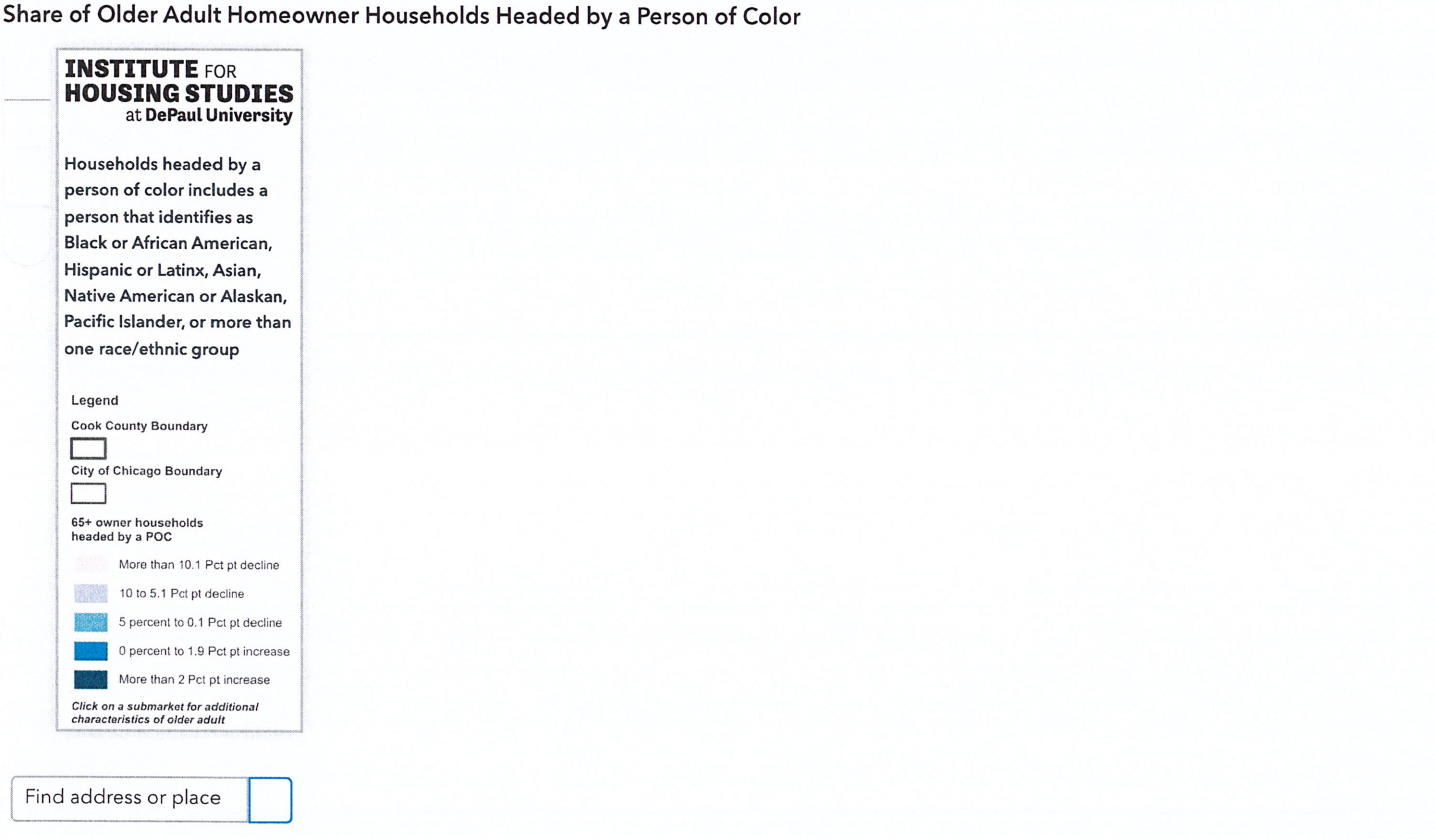
The vast majority of suburban older adults own their homes and homeownership rates are high for all households regardless of the head of householder race or ethnicity. Figure 12 showed that in 2019, 56.9 percent of Chicago's older adult households owned their homes compared to 83.2 percent of suburban older adult households. Figure 23 shows that in both the city and suburbs, the high homeownership share of older adults is driven by large shares of older adult owner households who identify as white. However, homeownership levels among older adults are high among all race and ethnic groups, particularly in the suburbs. Additionally, Figure 24 shows that the number of older adult households that own their homes increased across the county – growing fastest in Suburban Cook County and among white households.

Notably, the share of Black and Hispanic older adult households in the City of Chicago that own their homes declined below majority levels in 2019 while remaining flat for white and Asian older adult households. Through their counseling work, IHS partners reported that homeownership preservation is especially critical for Cook County's Black and Hispanic older adults. These organizations reported that among the key challenges faced by their clients were unaffordable costs of insurance and property taxes that can contribute to elevated foreclosure risk as well as a need for succession and estate planning.

Despite high levels of homeownership among older adult households, there is substantial variation across the county in the composition of older adult homeowners by head of householder race and ethnicity. Figure 25 visualizes the share of older adult homeowners that are non-white in Cook County by submarket. The interactive map includes a tooltip that allows users to explore the race and ethnic composition of older adult homeowners in each submarket.

To view a full-size map, click here. Underlying data for the map can be found in the report appendix here.

Figure 25. Share of Older Adult Households (65+) Headed by a Person of Color by Submarket, 2019



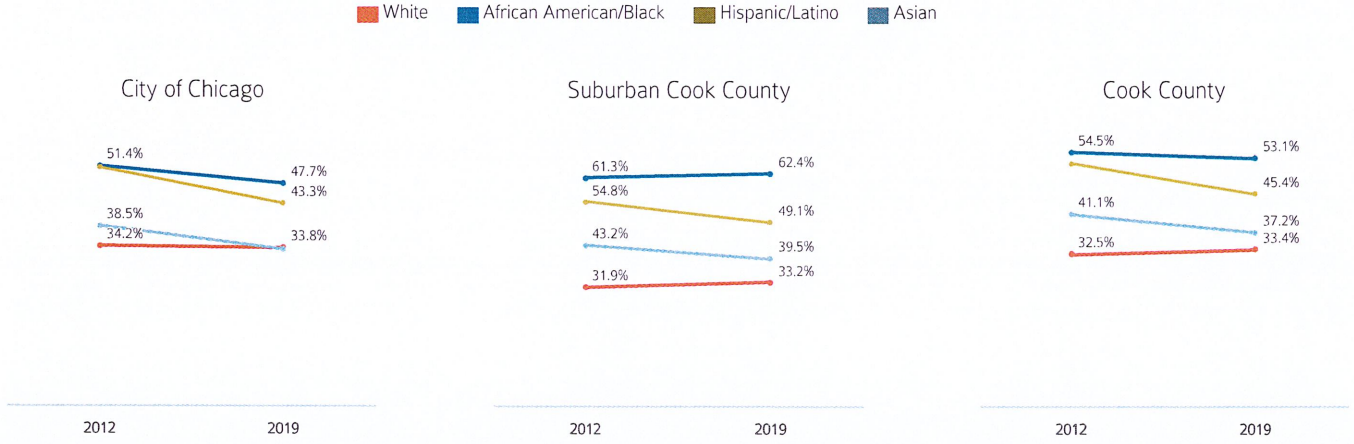
Across Cook County, Black older adult homeowners are much more likely to have a mortgage than older adults that identify as white, Hispanic, or Asian. Figure 26 examines the share of older adult owner households who had a mortgage as of 2019 in the City of Chicago and Suburban Cook County by

the head of householder's race and ethnicity. It shows that in both 2012 and 2019 in Chicago and Suburban Cook County, owner households headed by a Black older adult had the highest shares of owners with a mortgage when compared to their peers of other races and ethnicities. In 2019 in Chicago, 47.7 percent of Black older adult owner households had a mortgage, compared to 43.3 percent of Hispanic or Latino older adult owner households, 33.8 percent of white older adult owner households, and 33.5 percent of older adult Asian[6] owner households.

With the exception of white older adult owner households in Suburban Cook County, a larger share of suburban older adult households have a mortgage than their city counterparts - white suburban and white urban households have similar rates of owner households with a mortgage as of 2019. In Suburban Cook County, 62.4 percent of Black older adult owner households had a mortgage as of 2019 compared to 49.1 percent of Hispanic or Latino older adult owner households, 39.5 percent of Asian older adult owner households, and 33.2 percent of older adult owner households that identify as white. Notably, while the share of older adult households with a mortgage declined for every race and ethnic group in the City of Chicago between 2012 and 2019, the share grew for Black and white older adult households in Suburban Cook County during this same period.

For lower-income older adult owners, carrying mortgage debt into their retirement years may contribute to heightened housing insecurity. As older adult owners pay off their mortgage, housing costs can be significantly reduced. Stakeholders interviewed by IHS reported that in their homeownership counseling work, they have observed that their older adult clients in communities of color are more likely to start and pay off their mortgages later in life, impacting their ability to save and meet additional needs as they age. These partners also expressed that rising property taxes, property maintenance, unsustainable insurance, and utility costs can contribute to and compound existing housing cost burdens.

Figure 26. Share of Older Adult (65+) Owner Households with a Mortgage in Cook County, 2012 and 2019



Most older adult homeowners across Cook County live in single-family homes, and this share is growing in Suburban Cook County. Figures 27 and 29 illustrate the share of older adult homeowners who live in single-family homes, 2 to 4 unit buildings, and larger likely-condominium units in buildings with 5 to 49 and 50 or more units in Suburban Cook County and the City of Chicago, respectively. These charts show that while most older adult homeowners live in single-family homes, housing options for older adults in the suburbs appear even more limited, reflecting the homogeneity of the housing stock in Suburban Cook County.

Figure 27 shows that in 2019, 81.8 percent of suburban older adult owner households lived in single-family homes, an increase of 0.4 percentage points from the share of older adult owners who lived in single-family homes in 2012. Conversely, the share of older adult owner households in the suburbs declined for all other building types during this period. Figure 28 shows the net change in older adult owner households in each building category and illustrates that despite a declining share of older adult owner households living in 2 to 4, 5 to 49, and 50 or more unit buildings during this period, the number of households in each building type grew. The declining share of households in other building types is due to the sheer size of the increase in older adult households in single-family homes experienced during this period – between 2012 and 2019 there was an increase of 27,504 older adult households living in single-family homes in Suburban Cook County. By comparison, Figures 29 and 30 show a declining share of older adult homeowners living in single-family homes in the City of Chicago, primarily due to the growth of older adult owner households living in other building types.

During stakeholder engagement, IHS partners raised concerns about the mismatch between Cook County's existing housing stock for older adults and changing older adult housing needs and preferences. Specifically, that two-story single-family homes and multi-unit residential buildings that were built without accessibility features can limit older adults' ability to age in place and remain in a community.

Figure 27. Older Adult Owner Households by Building Size in Suburban Cook County, 2012 to 2019

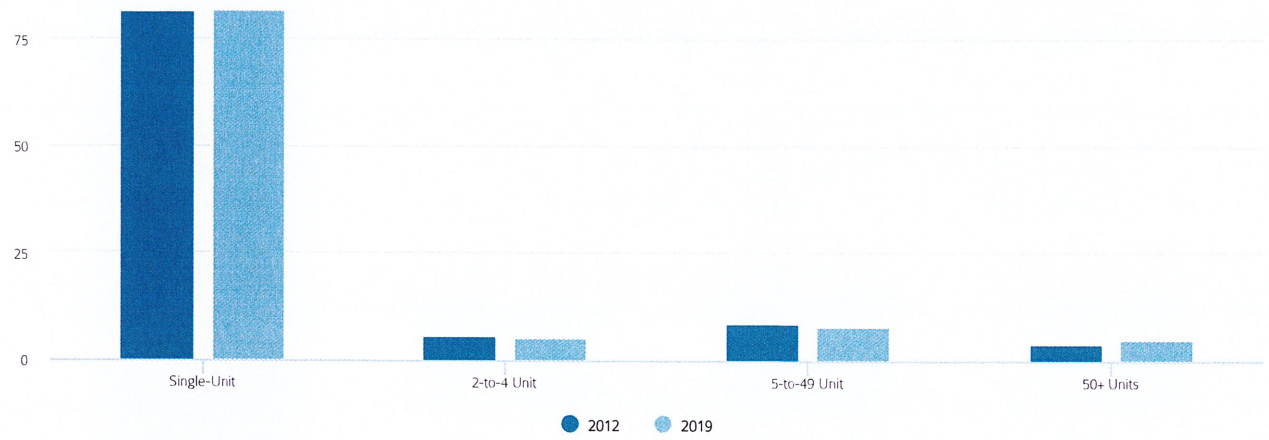


Figure 28. Net Change in Older Adult Owner Households by Building Size

Suburban Cook, 2012 to 2019

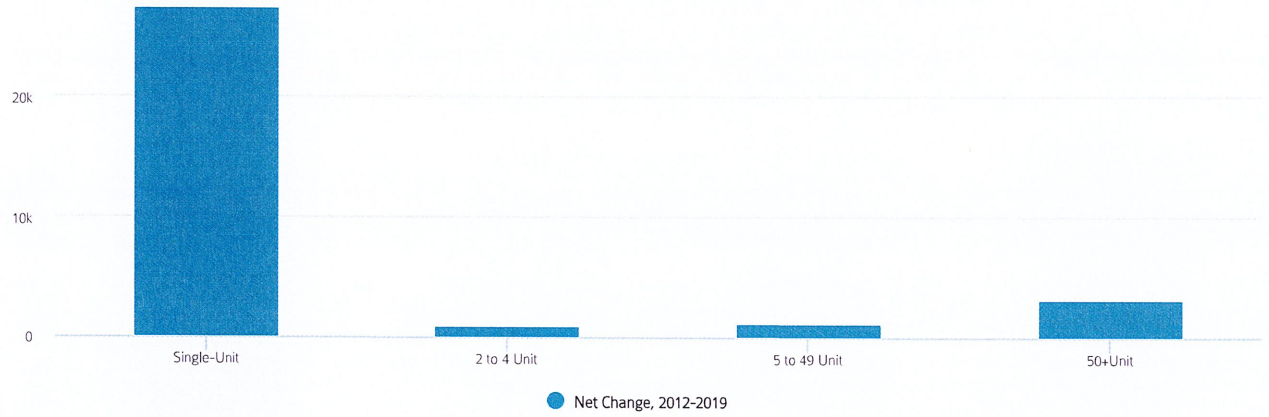


Figure 29. Older Adult Owner Households by Building Size in the City of Chicago, 2012 to 2019

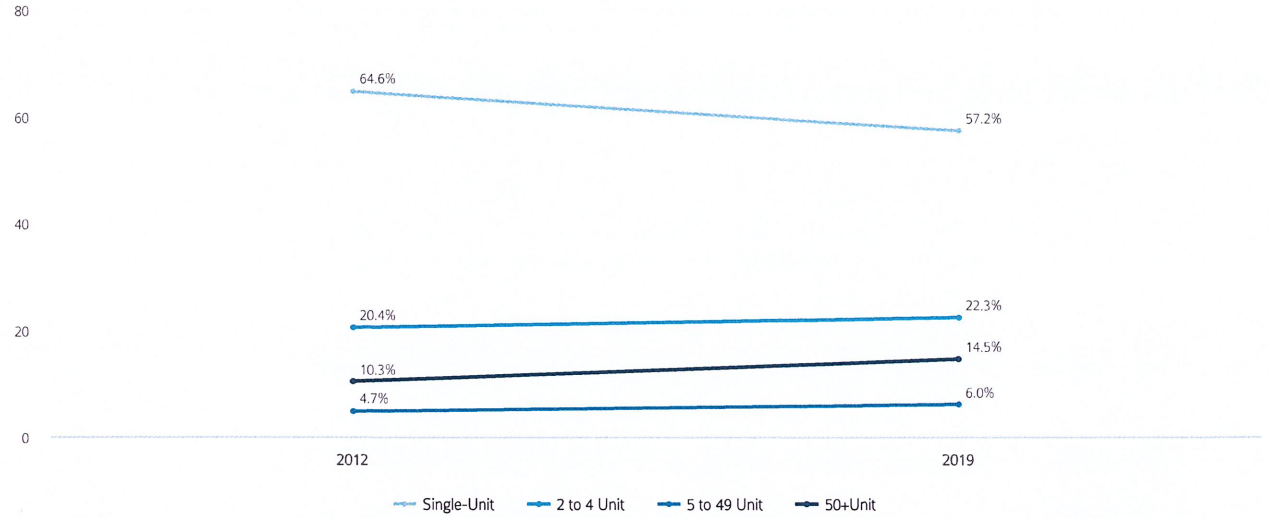
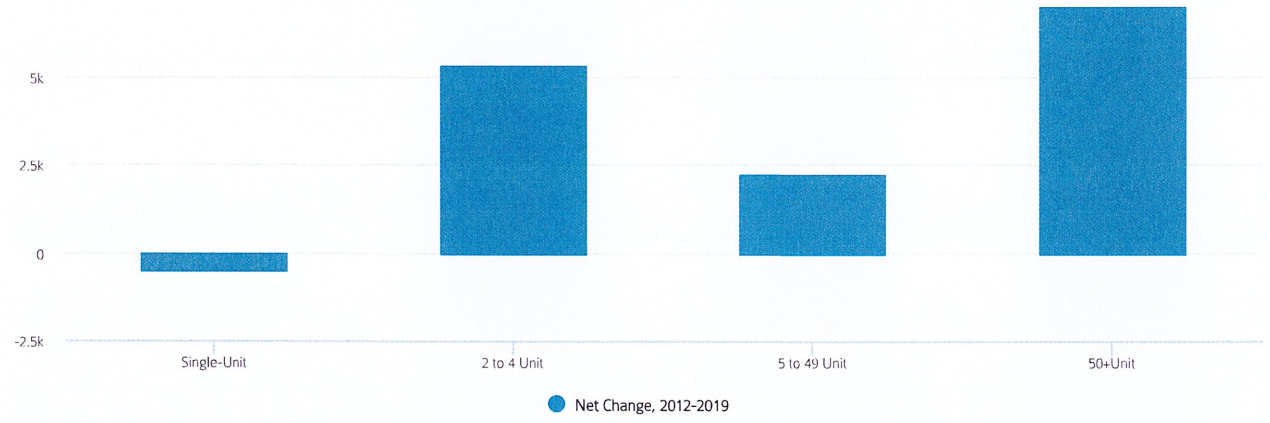


Figure 30. Net Change in Older Adult Owner Households by Building Size

City of Chicago, 2012 to 2019



DISCUSSION AND NEXT STEPS

This analysis highlights the degree to which older adult households represent a large and growing share of households in Cook County. As a key demographic shift, this report demonstrates that addressing the housing needs of older adults is critical not only to the economic security of older adult households but also to the broader housing needs of the city and suburbs.

Housing Needs and Economic Conditions of Cook County's Older Adults is intended as a baseline report to establish a collective understanding of conditions and broad housing challenges for older adults in Cook County. Understanding the nature of growth in the number of older adult households is essential for the development of impactful policy that addresses the housing security of older adults. This report complements the experience and recommendations of local stakeholders by showing that the nature of older adult household growth differs substantially among older adult households by race and ethnicity, income, tenure, and geography. Further, these findings emphasize that policy solutions must utilize a racial equity lens and address how housing security differs for owners and renters and among older adult households of different incomes in the city and suburbs.

As part of its mission, IHS will continue to engage its partners on the ground to build on this work by 1) continuing to provide technical assistance to Chicago region nonprofits working on older adult issues and 2) producing new analysis highlighting legacy and emerging issues impacting the housing security of older adults in Cook County to advance policy change. For example, this report highlights that, among other issues, additional practitioner-focused and practitioner-engaged research is needed to better understand the implications for growth in single older adult households in Chicago and the need for housing options that support multigenerational households; the levels and types of mortgage debt carried by older adult homeowners, particularly Black older adult owners who are more likely to have a mortgage than their peers; and the suitability, sustainability, and affordability of the housing stock in serving older adults as they age.

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1. Because this analysis focuses on economic conditions of older adults, this report focuses on households, not population. As such, this analysis uses the age and stated race and ethnicity of the head of household to identify both older adult households defined as households headed by a person 65 or older and older adult households by race and ethnicity. Additionally, because this analysis is focused on households, the analysis excludes older adults who live in skilled nursing facilities and in assisted living facilities where occupants are not reported as individual households. According to the American Community Survey, older adults living in these types of living situations are classified under Group Quarters and, as such, key data used in this analysis such as income, race and ethnicity, cost burden, and tenure are not reported.

2. Head of householder race and ethnicity is categorized as follows from the American Community Survey. A white person is a person who identified as white alone; a Black or African American person is a person who identified as Black or African American alone; a Hispanic or Latino person is a person who identified as Spanish/Hispanic/Latino origin; an Asian person is a person who identified as Asian alone; and a person categorized as All Other Race/Ethnicity Head of Householder is a person who identified as American Indian or Alaska Native or Native Hawaiian and Other Pacific Islander or Some Other Race or Two or More Races.

3. Future references to head of householder race and ethnicity will be simplified and generalized to refer to the household only. A household where the head of household identifies as white is referred to as 'white'; a household where the head of household identifies as Black or African American is referred to as 'Black'; a household where the head of household identifies as Hispanic or Latino is referred to as 'Hispanic'; and a household where the head of household identifies as Asian is referred to as 'Asian'.

4. According to IHS calculations for 90% confidence level margins of error (MOE), cost-burdened renter older adult households with a head of household who identifies as Asian has a high MOE. This result should be interpreted with caution.

5. Figures for overall declines in renter households living in 2 to 4 unit buildings reported in this analysis differ from declines reported in IHS's 2021 State of Rental Housing in Cook County report. This analysis examines changes in occupied rental units, while the State of Rental highlights shifts in the total stock, which includes both occupied and vacant rental units.

6. According to IHS calculations for 90% confidence level margins of error (MOE), older adult owner households with a mortgage with a head of household who identifies as Asian has a high MOE. This result should be interpreted with caution.

Related Documents

IHS_Housing Needs and Economic Conditions of Cook County's Older Adults, 2021_Methodology.pdf

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