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## **KBRA Comments on the City of Chicago, IL's Water-Sewer Utility Tax.**

Last week the Chicago City Council passed a newly created utility tax. The tax is a key part of the City's strategy to address and stabilize the chronically underfunded Municipal Employee's Annuity and Benefit Fund (MEABF). The tax is one piece of a multilayered strategy that combines new dedicated revenues, amended employee contribution rates and eligibility requirements, and a movement towards actuarial pension funding, as opposed to statutorily determined pension funding. Ultimately, the strategy is intended to achieve actuarially required funding levels for the MEABF by 2022 and a funded ratio of 90% by 2057. The newly codified utility tax will appear on the combined water-sewer utility bills of Chicago residents and businesses beginning in 2017.

Kroll Bond Rating Agency (KBRA) views adoption of the new revenue source as positive, since it establishes a path to addressing MEABF funding insufficiency. Some elements of the larger plan will require the approval of the Illinois General Assembly, which the city intends to seek during the fall of 2016.

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