

Presentation to MAGNY

State of Illinois and City of Chicago:

Economic Strength and Revenue Raising Capacity

Presented by:

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 **Loop Capital**

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Dear Friends and Colleagues,

I apologize for not being with you today.

I am having an ear operation Thursday afternoon and cannot fly.

Eden and Andy have been generous in allowing me to send a couple of slides.

I think the slides will help frame today's presentation for you.

Please feel free to call or email me with any comments or questions.

Sincere regards and, again, apologies.

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Illinois — A Few Popular Myths Exploded

Myth #1: Migration — People and Businesses Are Leaving Illinois in Droves

“Who Is Leaving Illinois and Why?”, KDM Consulting, March 1, 2016; confirms that “Illinois’ migration pattern is similar to those of its neighboring states” and “a larger percentage of both Indiana’s and Wisconsin’s population moves to Illinois than vice versa.”

Myth #2: Illinois’ Debt Burden Is Huge

Not true. Illinois’ state and local Debt/GSP ratio ranks lower than both its own population and GSP rank, meaning that the State is in a better competitive position. States with higher Debt/GSP rankings than both their population and GSP rank include: NY, KS, SC, NV, CT, MA, HA, KY, and more.

Myth #3: Illinois Has Reached a Limit in Its Ability to Raise Revenues

Not true. State and Local General Revenue as a percentage of Personal Income in 2015 ranked 25th, better (meaning lower governmental demand on personal income) than neighbors Wisconsin, Minnesota, Michigan and Iowa, and only 3 spots behind Indiana.

Myth #4: Illinois’ Tax Rates Are Too High

Not true. The problem with the state tax structure has more to do with complexity and administration, which has made it appear unfriendly to businesses, than it does with the level of tax rates and user fees.

Chicago Can Meet Challenges — Diverse Economy, Strategic Advantages and Management Strength

Transparency and Financial Reforms

City has discussed financial and budgetary improvements in financial documents since 2011. Eliminating payment risks on derivatives, stopping “scoop and toss”, narrowing the structural budget gap, and creation of securitization bond structure are all part of coherent plan to improve financial practices.

Housing Affordability — *“2017 Update: Median Home Price and Salary Required in 27 Major Cities”*, Advisor Perspectives; Chicago is more affordable than peer cities like San Francisco, San Diego, Los Angeles, New York, Boston, D.C., and Seattle.

Property Taxes — *“Among the selected Cook County communities, Chicago had the lowest effective tax rates for residential and commercial properties”*, The Civic Federation, January 3, 2018

Education — Chicago has 7 of 10 highest rated high schools in state. (U.S. News) City ranks 33/150, ahead of New York, Philadelphia, Los Angeles, Dallas, Houston, Phoenix and Miami. City is 3rd in number of medical schools (Wallethub.com, 2017)

Economic Diversification by MSA — 4th best in nation, ahead of all but Denver, San Antonio, and Atlanta (City-Data.com)

Income Equality — Gini Coefficient is lower (more income equality) than New York, Los Angeles, Philadelphia, Boston, Miami, San Francisco and Cleveland. Gini Coefficient is linked to “innovation economies”.

Density — Chicago is the 4th most population dense large city. Density is correlated with higher productivity, lower knowledge transfer costs, enhanced labor mobility and greater economic efficiency.

Transportation — Two major airports, access to 6 of 7 largest railroads, inland and ocean waterways, substantial surface transportation and access to all major consumer markets between the coasts.

Recent Growth — *“Downtown growth leads Chicago to highest job peak in decades”*, Crain’s

Corporate Relocations — Success in relocations from out-of-state and from suburbs (McDonalds Corporation)

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