



**THE CIVIC FEDERATION
BOARD OF DIRECTORS ANNUAL MEETING**

MINUTES

Thursday, November 5, 2020

8:00 a.m.

Via Video Conference

- Trustees:** Peter Bowe, Lew Collens, Lori Healy, William Kunkler III, Sarah Pang
- Council:** Chris Berndt, Myer Blank, Duane DesParte, Martin Eisenberg, Peter Glick, Hill Hammock, James Kane, Karen Kane, Carol Portman, Christopher Schafer, Keith Staats, Joseph Starshak, Matthew Tully, Jerrold Wolf
- In Attendance:** Steven Abbey, William Abolt, James Anderson, Kristopher Anderson, Robert Barry, Matthew Berry, Jeffrey Bethke, Patricia Bidwill, Scott Bremer, Whitney Carlisle, Jonathan Casiano, Victor Chang, Robert Christie, Richard Ciccarone, Nancy Clawson, Elizabeth Coolidge, Jason Coyle, Omar Daghestani, Gillian Darlow, Barrett Davie, Mark Davis, Raymond Drake, Brian Fabes, Craig Falduto, Robert Fernandez, Clayton Frick, Stephen Friedman, Charles Gardner, Daniel Goldwin, Susan Gordon, Andrew Gottschalk, Philip Hale, Christine Hoagland, Nicholas Jordan, Catherine Krawitz, Daniel Leary, Dave Lundy, Daniel Lynch, William Mack, Dorri McWhorter, Monica Mueller, Randy Nornes, Bert Nuehring, Michael O'Brien, Greg O'Leary, Donovan Pepper, Neil Pritz, Joseph Prochaska, Anthony Reinhart, Aaron Rudberg, Scott Saef, Rebecca Scheinfeld, Zach Schrantz, Harry Seigle, Joseph Seliga, Brian Septon, Matthew Summy, Kent Swanson, Sarfraz Taj, Carol Thompson, Kathy Thompson, David Vitale, Daniel Wagner, Leon Walker, Meghan Woltman
- Speaker:** Jennie Bennett, Chief Financial Officer, City of Chicago
- Guests:** Charles Bernardini, Hardik Bhatt, Jenai Booker, Adam Chepenik, Robert Christmas, John Coan, Bridgt Flint, Dora Gonzalez, Susannah Heitger, Justin Hoogendorn, Dana Levenson, Martha Linsley, Paul Newman, Jeremy Newtonson, Lawrence Richardson, Armando Saleh, Matthew Szafranski
- Staff:** Katy Broom, Roland Calia, Laurie Cohen, Jacki Cuevas, Isabella del Hierro, Lauracyn Duncan, Carol Frenda, Jaye Hobart, Annie McGowan, Laurence Msall, Mark Patoska, Jaime Watts, Sarah Wetmore

I. Welcome and Approval of Meeting Minutes

Civic Federation Chair Monica Mueller called the meeting to order at approximately 8:00 a.m. She welcomed Trustees, Board members and guests. The Board approved the meeting minutes of the Board of Directors meeting held on October 14, 2020 and the previous year's Annual Meeting held on November 7, 2019.

II. Chair's Report

Ms. Mueller gave the Chair's Report, highlighting several accomplishments during 2020 including the release of a recommendations report for the Cook County Clerk of the Circuit Court co-authored with Chicago Appleseed and the Chicago Council of Lawyers, higher than ever social media followers and website engagement and the release of a position statement calling on the Illinois General Assembly to authorize remote legislating. She also noted that the Civic Federation held board and committee meetings with federal, state and local government leaders and called for additional federal assistance for state and local governments in light of the COVID-19 pandemic. She then gave special recognition to the chairs of the Civic Federation Trustees, Board and Council.

III. Nominating Committee Report

Kent Swanson presented the Nominating Committee report.

- Election of Officers: The Board approved all proposed FY2021 Civic Federation Officers. They are:
 - Monica Mueller, Chair
 - Jeffrey Bethke, Vice Chair
 - Donovan Pepper, Vice Chair
 - Jill Wolowitz, Vice Chair
 - Cathy Krawitz, Treasurer
 - Laurence Msall, President
 - Sarah Wetmore, Vice President
- Election of Executive Committee: The Board approved the FY2021 Executive Committee, including one new member: Sarfraz Taj.
- Election of the Chair's Council: The Board approved the Past Chair's Council.
- Election of Board of Directors: The Board approved the FY2021 Board of Directors, including 17 new members:
 - William Abolt
 - Jonathan Casiano
 - Gillian Darlow
 - John DeBlasio
 - Raymond Drake
 - John Dunn
 - William Eager
 - Craig Falduto

- Robert Fernandez
 - Daniel Goldwin
 - Nicholas Jordan
 - Larry Lewis
 - Randy Nornes
 - Neil Pritz
 - Rebekah Scheinfeld
 - Steven Shaw
 - Meghan Woltman
- Election of Trustees: The Board approved the FY2021 proposed Trustees, including one new member: Lori Healy.
- Election of the Council: The Board approved the proposed FY2021 Council members, including 26 new members:
 - Brian Bernadoni
 - Chris Berndt
 - Ronald Cope
 - Kevork Derderian
 - Jon DeVries
 - Thomas Fahey
 - Brian Fabes
 - Anthony Gedeller
 - David Grady
 - Jane Hays
 - Kevin Hoecker
 - Gregory Hosbein
 - Rahul Kalsi
 - James Kane
 - Susan McKeever
 - Michael Nehf
 - Holly O'Connor
 - Liza Pappas
 - Christopher Schafer
 - Judson Smith
 - Margaret Houlihan Smith
 - Matthew Tully
 - Thomas Vanden Berk
 - John Ward
 - Jerrold Wolf
 - Corinne Wood

IV. Treasurer's Report

Cathy Krawitz presented the Treasurer's report. She thanked her predecessor Kandace Lenti for her tenure as Treasurer. She said Ms. Lenti and her team were instrumental in assisting the Civic Federation staff with securing Payroll Protection Program funding and that Ms. Lenti stepped down as Treasurer in June to avoid any appearances of conflict of interest. Ms. Krawitz reported on the Civic Federation's finances, which saw a surplus of \$200,000 in FY2020 due to a successful virtual Annual Civic Awards Event, continued support from Foundation Partners and new member recruitment. She said an audit of

2020 financial activities will begin on November 30. She thanked Audit Committee Chairman Bert Nuehring and committee members for their oversight.

Ms. Krawitz reported that the Investment Committee chaired by Greg O’Leary convened frequently to monitor the uncertainty of the economic situation. The Federation ended the fiscal year with \$3.4 million in reserves, an increase of 2% compared to the same time last year.

Regarding the FY2021 budget, Ms. Krawitz said the budget projects revenue growth of 5% and expense growth of 7% over this year. The FY2021 budget shows a \$41,000 surplus if revenue expectations are met. The Board then approved the FY2021 budget.

V. Research and Legislative Agenda Reports

Daniel Lynch presented the FY2021 research agenda for approval. Mr. Lynch provided members with an overview of the projects completed during the current year including 25 blog posts about coronavirus between March and September, research on the federal CARES Act and the Federal Reserve Bank Municipal Liquidity Facility, a blog post series on the graduated income tax amendment and annual budget analyses. He said the FY2021 research agenda continues work on the key priorities of government and pension consolidation and the financial impact of the pandemic on state and local government.

Tony Reinhart presented the FY2021 legislative agenda for approval, which he said prioritizes high-priority legislative issues. He highlighted three legislative initiatives the Federation supports:

- The Illinois General Assembly’s authorization of remote legislating;
- Consolidation of local pension funds; and
- Making the Office of the Clerk of the Circuit Court of Cook County subject to the Illinois Freedom of Information Act.

The Board approved the FY2021 research and legislative agendas.

VI. Guest Speaker: Jennie Bennett, Chief Financial Officer, City of Chicago

Ms. Mueller introduced Jennie Bennett, the Chief Financial Officer of the City of Chicago.

Ms. Bennett began by discussing challenges presented by the coronavirus pandemic and efforts the City has made to assist small businesses and address the digital divide for Chicago Public Schools students. She said the City has issued \$868 million in loans to small businesses through the largest small business grant and loan program in the country. Through the Chicago Connected program, the City ensured the delivery of free high-speed internet access to 100,000 CPS students for four years. Ms. Bennett said these programs represent the transformative work the City has been able to accomplish through funding and partnerships.

The COVID-19 pandemic caused a loss of \$886 million in City revenue in 2020 and a loss of \$783 million in projected 2021 revenue. Ms. Bennett said stimulating economic growth will be key to a speedy economic recovery. She said the results of the City’s initial work in response to the pandemic have shown positive results. She referenced a Brookings Institute benchmark indicator that found Chicago ranks first in the country for the number of small businesses open and number two in the country for work trips made during the pandemic. She said a Bank of America study found that Chicago ranks between second and fifth in the country in consumer credit card spending. In specific industries, Chicago was ranked first nationally for spending on brick and mortar retail and furniture and second for spending on restaurants and bars. Ms. Bennett said Chicago leads in several other positive indicators including home base number

of employees, unemployment reduction, increases in median home price sales, commercial property remaining stable over the market long-term and corporate relocations to Chicago that have continued during the pandemic. Despite these positive indicators, she said, there are still large financial and economic challenges.

As part of addressing the \$1.2 million budget gap, the Mayor focused on finding efficiencies. Ms. Bennett said the 2020 budget included \$500 million in structural solutions, of which \$144 million were savings and efficiencies. The 2021 budget includes \$168 million in efficiencies and another \$262 million in improved financial management. Ms. Bennett summarized several initiatives aimed at addressing efficiency and financial management:

- The Mayor appointed a Chief Risk Officer to address the cost of settlements and judgments, which cost the city up to \$145 million annually. The City has instituted a new driving training program for police officers to reduce the cost of settlements in police car chases, which have cost \$50 million over the last three years, as well as training on execution of search warrants and use of body cameras. Initial results show that the cost of settlements and judgements in 2020 is \$19 million below budget.
- To address workers compensation, the program was moved out of the Committee on Finance to a third-party administrator with experienced claims administration personnel. This effort has contributed to 30% fewer incidents converted to claims in 2020 and increased reserves from 10% to 30%.
- Regarding procurement, a new contract management team was established to review contract terms and ensure procurement amounts are adhered to. This effort has identified unneeded contracts and efficiencies.
- To address accounts receivable, in 2020 the City is improving existing databases to better identify and track vendors that owe debt to the City and require vendors to pay debts before any payments are made to those vendors. The City also created an online payment system.

Despite these efforts, however, Ms. Bennett said the City had to make hard choices to close the budget deficit that included a \$93 million property tax increase. The property tax increase, she explained, includes three components: \$43 million levied as a result of law suit in which the City was found to owe loss in collections for pension payments, a \$35 million CPI increase and \$16 million in new property. She noted that the increase is modest and critical to reaching structural budget balance. Ms. Bennett said the City for years did not increase property taxes until a \$543 million increase was approved in 2015. She said there has been a lack of predictability and stability related to property taxes. The City is proposing to increase the property tax rate by the rate of inflation annually, which Ms. Bennett said is also done by other governments including Chicago Public Schools and the Chicago Park District. Ms. Bennett said that a credit rating affirmation by Fitch and Moody's shows that the City's 2021 budget strikes the right balance and avoids reliance on additional federal funding.

VII. Questions and Answers

Harry Seigle asked Ms. Bennett about the challenge related to total liabilities of \$74 billion being significantly higher than total assets of \$44 billion based on the City's FY2019 balance sheet. Ms. Bennett responded that the reason for the large liabilities is the unfunded liability reported for the City's four pension funds. She said this is a major challenge that rating agencies and the Civic Federation point to. She noted that Chicago Public Schools has secured a dedicated pension funding revenue stream that improves the District's ability to pay into its pension fund. The City started funding pensions on an actuarial schedule, she said, but funding is an issue that needs to be worked through.

Randy Nornes asked, given the continued financial problems for the foreseeable future, if the City could negotiate or outsource to create leverage with labor unions. Ms. Bennett said leverage is an ongoing conversation. She said the pension reform solutions are known, including changing pension benefits pension consolidation as proposed by the Civic Federation. These solutions require State legislation and she said the City is actively engaged in conversations in Springfield.

Hardik Bhatt asked about the Mayor's proposal to consolidate IT functions and facilities management to deliver services more efficiently. Ms. Bennett said this is still in early stages but that the City is undertaking a strategic review of IT infrastructure to find efficiencies. Part of the challenge, she said, is the City's lack of investment. She pointed out the current initiative to consolidate accounts receivable databases as an example of ongoing work related to this issue.

Victor Chang asked how Ms. Bennett assessed the execution risk associated with the City's debt restructuring proposal and whether alternative funding options were explored. Ms. Bennett responded that the \$1.2 billion budget gap could not be closed with structural fixes in one year or cuts, which would create permanent damage. She said the City needed some level of one-time resources as a bridge and the restructuring serves that purpose. She said the revenue loss of \$783 million in 2021 is one time in nature. She said the City considered federal funding or the use of reserves. Reserves were ruled out because they are necessary to prevent further credit rating downgrades and they serve as a cushion in case of further losses. Federal funding, she said, would be the first choice, but it is uncertain whether additional funding will come through. Ms. Bennett said the debt restructuring is being planned to account for the possibility of federal assistance.

Rich Ciccarone said he is concerned about the transition back to a normal economy and potential commercial moves away from downtown Chicago and asked Ms. Bennett about the commercial real estate indicators she mentioned previously. Ms. Bennett replied that Chicago is exceeding the rate of recovery compared to other cities. She said while there has been a softening of the market, there has not been a significant shift in long-term rentals and leases. She said it is too early to tell whether shifts and corporate moves are a long-term problem or only a temporary COVID-related blip. She said Chicago has a unique competitive advantage in terms of having a high percentage of college graduates, affordable housing and a competitive wage base.

Kent Swanson said there are significant challenges associated with commercial real estate given the delay factor of market reaction. He asked what impact the Graduated Income Tax proposal failing to pass will have on the City. Ms. Bennett said the tax was supposed to generate \$1.2 billion in the 2021 fiscal year, but she is confident the State will adjust. She said the City and the State's finances are intertwined. Local Government Distributive Funding is tied to State revenue and funding to municipalities needs to return to historical levels, she said. She also pointed out that other City agencies like CPS and the CTA rely on State funding. She said there is a broader question of how the State will reach structural balance and reaching a grand bargain is a challenge everyone needs to consider to resolve the State's financial issues. Other municipalities, she said, do not have the ability to capture revenue like the City of Chicago does. Regarding commercial real estate, she said it is too early to tell the long-term impact.

Mr. Msall closed by thanking Ms. Bennett for addressing the Civic Federation Board.

VIII. President's Report

Mr. Msall thanked members for attending. He called for a moment of silence to remember Civic Federation members and leaders we lost this year, including Civic Federation Board Members Al Hanna, Jim Spiotto, Ted Swain and Bob Vihon, as well as longtime Civic Federation supporters Arnie Weber and Merrily Ketchum.

Mr. Msall said the Civic Federation will continue calling on the federal government to assist state and local governments with economic recovery and will continue pushing the State of Illinois and City of Chicago to address their financial challenges. He said the Civic Federation would be producing its annual analysis of the City of Chicago budget later that month, and the Local Government Committee would be meeting to discuss the difficult decisions facing the City including scoop and toss and potential layoffs. He said budget cuts alone would not be enough to fill the magnitude of the deficit caused by the level of economic disruption of the pandemic.

He thanked Board Chair Monica Mueller for her leadership guiding the Federation through an exceptional year. He reminded members about several upcoming meetings and events including the annual Motorola Solutions Foundation Excellence in Public Service Award event, tentatively planned to be held in early 2021.

IX. Adjourn

Ms. Mueller adjourned the meeting at approximately 9:30 a.m.

Respectfully submitted,

Annie McGowan