



The Civic Federation

Research * Information * Action * Est. 1894

RECOMMENDATIONS FOR A FINANCIALLY SUSTAINABLE CITY OF CHICAGO

June 30, 2011

The Civic Federation • 177 N. State Street • Chicago, IL 60601 • civicfed.org

The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

The Civic Federation would like to express its gratitude to the following committee members for providing their expertise and insight as we composed this report:

CHAIR:
ALICIA BERG

MEMBERS:

STEVEN ABBEY
ALLAN AMBROSE
RUSS CARLSON
LEW COLLENS
OMAR DAGHESTANI
MARK DAVIS
DONALD FRANKLIN
PETER GLICK
GRAHAM GRADY
PATRICK HAGAN
DON HAIDER
M. HILL HAMMOCK

ALBERT HANNA
BENNETT JOHNSON III
RICH KINCZYK
DANA LEVENSON
GLENN MAZADE
TOM MORSCH
DONOVAN PEPPER
JOSEPH STARSHAK
KENT SWANSON
JOHN WILHELM
JERROLD WOLF
DOUGLAS YERKES

The Civic Federation would also like to express its gratitude to the following foundations, whose generous grants made the research and writing of this report possible:

The Chicago Community Trust
The John D. and Catherine T. MacArthur Foundation
The Joyce Foundation
McCormick Foundation

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
PURPOSE	8
STATEMENT OF THE PROBLEM	9
<i>Persistent Structural Deficit.....</i>	<i>9</i>
<i>Inadequate Corporate Fund Reserves.....</i>	<i>10</i>
<i>Growing Long-Term Liabilities</i>	<i>10</i>
READER’S GUIDE TO THIS REPORT	12
PERSONNEL.....	13
CORPORATE FUND	15
PUBLIC SAFETY	16
CIVIC FEDERATION CONCERNS.....	17
CIVIC FEDERATION RECOMMENDATION	18
1. <i>Develop a Plan to Reduce Personnel Count and Expenses</i>	<i>18</i>
PENSION FUNDS	19
CIVIC FEDERATION CONCERNS.....	21
CIVIC FEDERATION RECOMMENDATIONS	22
2. <i>Reduce Benefits Not Yet Earned By Current Employees</i>	<i>22</i>
3. <i>Increase Employer and Employee Contributions to Meet the Actuarially-Based Needs of the Funds</i>	<i>22</i>
4. <i>Pursue Pension Fund Consolidation</i>	<i>23</i>
5. <i>Reform Pension Board Governance</i>	<i>24</i>
6. <i>End the City Subsidy of Chicago Public Schools’ Employer Contribution to the Municipal Fund.....</i>	<i>24</i>
RETIREE HEALTH CARE.....	24
CIVIC FEDERATION CONCERNS.....	25
CIVIC FEDERATION RECOMMENDATION	26
7. <i>Create an Independent Retiree Health Care Trust Fund.....</i>	<i>26</i>
POLICE DEPARTMENT.....	27
CIVIC FEDERATION CONCERNS.....	30
CIVIC FEDERATION RECOMMENDATION	33
8. <i>Conduct an Evaluation of the Police Department for Potential Cost Savings</i>	<i>33</i>
FIRE DEPARTMENT	34
CIVIC FEDERATION CONCERNS.....	35
CIVIC FEDERATION RECOMMENDATION	38
9. <i>Conduct an Evaluation of the Fire Department Staffing Structure and Deployment</i>	<i>38</i>
PROCUREMENT	38
CIVIC FEDERATION CONCERNS.....	40
CIVIC FEDERATION RECOMMENDATIONS	41
10. <i>Pursue Strategic Sourcing</i>	<i>41</i>
11. <i>Improve Procurement Performance Metrics</i>	<i>43</i>
12. <i>Standardize Contracts</i>	<i>43</i>
13. <i>Improve Bill Payment Procedures and Incorporate Electronic-Procurement Technology.....</i>	<i>43</i>
14. <i>Pursue the Previously Proposed Waste Franchising Initiative</i>	<i>44</i>
INFRASTRUCTURE.....	45
CIVIC FEDERATION CONCERNS.....	47
CIVIC FEDERATION RECOMMENDATIONS	49
15. <i>Reorganize the City’s Infrastructure Departments to Increase Efficiency and Reduce Costs.....</i>	<i>49</i>

16. <i>Implement a Comprehensive Right-of-Way Management Program</i>	50
17. <i>Centralize Inspection Services</i>	51
WATER AND SEWER ENTERPRISE FUNDS	51
CIVIC FEDERATION CONCERNS.....	52
CIVIC FEDERATION RECOMMENDATION	53
18. <i>Develop a Water Management Plan</i>	53
ALTERNATIVE SERVICE DELIVERY	54
CIVIC FEDERATION SUPPORT FOR ALTERNATIVE SERVICE DELIVERY.....	55
CIVIC FEDERATION CONCERNS.....	56
CIVIC FEDERATION RECOMMENDATIONS	57
19. <i>Create an Alternative Service Delivery Policy</i>	57
20. <i>Restart Bidding Process to Implement a Public Private Partnership for Midway Airport</i>	57
21. <i>Pursue Revenue Collection and Enforcement Opportunities with Cook County</i>	58
TAX INCREMENT FINANCING (TIF)	59
CIVIC FEDERATION SUPPORT FOR TAX INCREMENT FINANCING.....	59
CIVIC FEDERATION CONCERNS.....	60
CIVIC FEDERATION RECOMMENDATIONS	61
22. <i>Enhance TIF Reporting</i>	61
23. <i>Limit Declaration of TIF Surplus</i>	62
24. <i>Suspend New TIF Creation Until the Completion of a Comprehensive TIF Review</i>	63
25. <i>Develop a Formal Policy on Tax Increment Financing</i>	64
PUBLIC HEALTH DEPARTMENT	65
CIVIC FEDERATION CONCERN	68
CIVIC FEDERATION RECOMMENDATION	68
26. <i>Re-evaluate the Clinical Services of the Department of Public Health</i>	68
SURPLUS PROPERTY	69
CIVIC FEDERATION CONCERNS.....	69
CIVIC FEDERATION RECOMMENDATION	70
27. <i>Create a Strategic Plan to Manage Surplus Vacant Property and Assets</i>	70
CHICAGO CITY COUNCIL	71
CIVIC FEDERATION CONCERNS.....	72
CIVIC FEDERATION RECOMMENDATIONS	75
28. <i>Reduce the Size of the City Council</i>	75
29. <i>Eliminate Ward Based Service Delivery</i>	76
30. <i>Create a Policy Analysis Office for the City Council</i>	76
CHICAGO BOARD OF ELECTION COMMISSIONERS	77
CIVIC FEDERATION CONCERNS.....	80
CIVIC FEDERATION RECOMMENDATION	80
31. <i>Transfer the City of Chicago's Election Function to Cook County</i>	80
CHICAGO CITY CLERK AND CITY TREASURER	81
CIVIC FEDERATION CONCERNS.....	82
CIVIC FEDERATION RECOMMENDATION	84
32. <i>Reform the Offices of the City Clerk and City Treasurer</i>	84
BUDGET PROCESS AND FORMAT	85
CIVIC FEDERATION CONCERNS.....	86
CIVIC FEDERATION RECOMMENDATIONS	89
33. <i>Measure and Budget the Full Cost of City Programs</i>	89

34. <i>Expand the City's Online Data Portal to Make Budget, Financial Data and Performance Measurement Sets Publicly Available</i>	90
35. <i>Add Additional Expenditure and Revenue Data in the Budget</i>	90
Report Actual Expenditure Data in the Budget.....	91
Report All Reserve Fund Revenues and Expenditures in Budget Overview and Revenue Estimates.....	91
Report All Fund Revenues by Source in Budget Overview and Revenue Estimates.....	91
Enhance Programmatic Budgeting.....	92
36. <i>Increase Transparency of Property Taxes Controlled by the City that are Provided to the City Colleges of Chicago and the Chicago Public Schools</i>	92
37. <i>Improve Budgeting of Grant Funds by Providing a Level of Detail Comparable to Local Funds</i>	92
38. <i>Reform the Capital Budgeting Process and CIP to Focus on Project Prioritization</i>	93
39. <i>Develop a Long-Term Financial Plan</i>	95
40. <i>Improve City's Budget Process</i>	97
Council Adoption of Financial Policies.....	97
Hold Separate Budget Hearings on the Proposed Budget.....	97
APPENDIX A: METHODOLOGY AND SOURCES	99
ANALYSIS OF FINANCIAL CHALLENGES.....	99
COMPILATION OF PREVIOUS RECOMMENDATIONS.....	99
EXPERT INTERVIEWS.....	99
CHICAGO FINANCE COMMITTEE.....	99
FINANCIAL DATA.....	99
APPENDIX B: CITY OF CHICAGO GOVERNMENT	100
APPENDIX C: FY2011 BUDGET GAP CLOSING MEASURES FROM OTHER U.S. CITIES	101
APPENDIX D: PERSONNEL DATA	103
APPENDIX E: PENSION FUND DATA	104
UNFUNDED LIABILITIES.....	104
CONTRIBUTIONS.....	105
PENSION BENEFITS.....	108
APPENDIX F: POLICE DEPARTMENT	112
APPENDIX G: INFRASTRUCTURE DATA	113
APPENDIX H: BUDGETING OF PROPERTY TAX REVENUES FOR CITY COLLEGES OF CHICAGO AND CHICAGO PUBLIC SCHOOLS	113
CITY COLLEGES.....	113
CHICAGO PUBLIC SCHOOLS.....	114
APPENDIX I: DATA PORTALS IN OTHER MUNICIPALITIES	115

EXECUTIVE SUMMARY

The purpose of this report is to provide the City of Chicago's Mayor and City Council with detailed recommendations on ways to address the City's serious financial challenges. On February 14, 2011, the Civic Federation released *Financial Challenges for the New Mayor* which identifies the most significant fiscal issues facing the City of Chicago.¹ *Recommendations for a Financially Sustainable City of Chicago* expands on the previous report with specific recommendations for various functions of City government. A unique opportunity for reform exists as the first new mayor of the City of Chicago in over twenty years begins his administration. Equally significant were the 2011 City Council elections, which paved the way for eighteen new aldermen to take office, representing the largest City Council turnover in decades. With collaborative efforts already initiated, the City also has a willing partner for reform in the new Cook County administration.

This report provides recommendations for creating a government that is more efficient, less costly and more accountable. It contains some recommendations that can be implemented immediately in the current fiscal year and others in FY2012 or FY2013. Cooperation between City Council and the Mayor is key to implementing all of the major recommendations contained in this report. It is also their responsibility to oversee an efficient City and address critical budgetary issues. In some cases, major efforts for reform require further cooperation from the Illinois General Assembly and Governor in order to pass needed legislation.

Mayor Rahm Emanuel and City Council members will need to make difficult choices to close the immediate budget gap of at least \$600 million and set the City on a path to long-term fiscal stability. Although the recommendations in this report in many instances go beyond the FY2012 budget gap, the Civic Federation urges the City to address both its immediate FY2012 deficit and its structural deficit with a long-term planning strategy that will cut costs, reduce the City's long-term liabilities, improve the processes with which City services are administered and make investments for future cost savings. The Civic Federation's recommendations identify the responsible officials to lead and implement these changes, a timeline for implementation and the relative financial impact. When applicable, the recommendations include key proposals outlined in Mayor Emanuel's "Chicago 2011 Transition Plan," which was released prior to his inauguration.²

The following index and matrix of the Civic Federation's recommendations provide a summary of the report and illustrate each recommendation's financial impact and relative ease of implementation. The index lists each of the Civic Federation's recommendations in the order that they appear in the report. Some of the key recommendations include:

- Addressing escalating personnel costs through actions such as layoffs, benefit reductions and changes in staffing structure, which would yield a high financial impact and could be initiated by the Mayor;
- Implementing pension reform including reducing benefits not yet earned by current employees and increasing both employer and employee contributions, which would yield a high financial impact but would require state legislation;

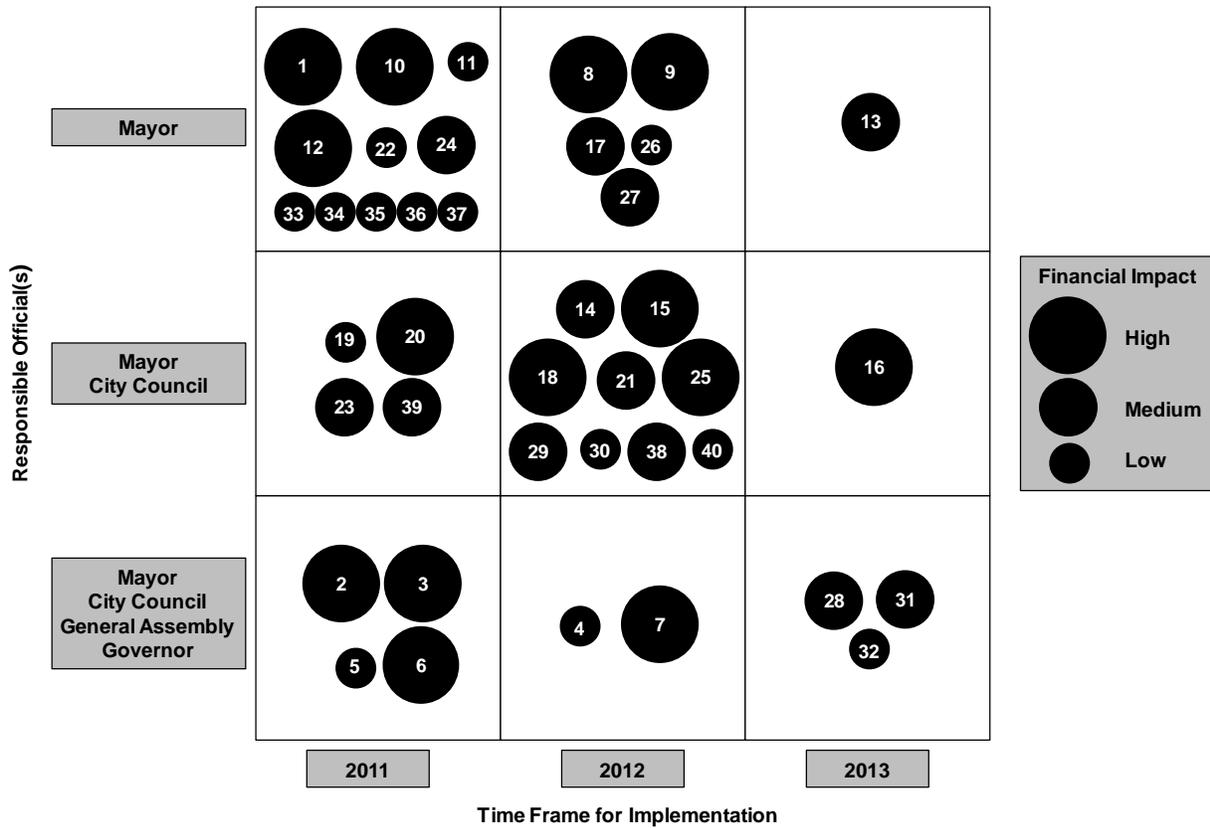
¹ The report can be accessed at www.civicfed.org/civic-federation/publications/financial-challenges-new-mayor-chicago-analysis-and-recommendations.

² The Chicago 2011 Transition Plan is available at <http://www.cityofchicago.org/content/city/en/depts/mayor.html>.

- Addressing the inefficiencies embedded in the City’s infrastructure management system, including issues related to collective bargaining and organizational structure, which would yield a high financial impact but would require the cooperation of the Mayor and City Council; and
- Implementing a number of budget format and process initiatives to make the City’s government more transparent and financially stable, which could be initiated by the Mayor and would have a low financial impact.

The Civic Federation urges Mayor Emanuel and the City Council to put Chicago on the path to long-term fiscal sustainability by implementing the recommendations included in this report. We will revisit the status of the recommendations in our annual review of the City’s budget, our testimony before the City Council and other Civic Federation publications.

Civic Federation Recommendation	
Personnel	
1	Develop a Plan to Reduce Personnel Count and Expenses
Pension Funds	
2	Reduce Pension Benefits Not Yet Earned by Current Employees
3	Increase Employer and Employee Pension Contributions
4	Pursue Pension Fund Consolidation
5	Reform Pension Board Governance
6	End the City Subsidy of CPS' Employer Contribution to the Municipal Pension Fund
Retiree Health Care	
7	Create an Independent Retiree Health Care Trust Fund
Police and Fire Departments	
8	Conduct an Evaluation of the Police Department for Potential Cost Savings
9	Conduct an Evaluation of the Fire Department Staffing Structure and Deployment
Procurement	
10	Pursue Strategic Sourcing
11	Improve Procurement Performance Metrics
12	Standardize Contracts
13	Improve Bill Payment Procedures and Incorporate E-Procurement
14	Pursue the Previously Proposed Waste Franchising Initiative
Infrastructure	
15	Reorganize the City's Infrastructure Departments
16	Implement a Comprehensive Right-of-Way Management Program
17	Centralize Inspection Services
Water and Sewer Enterprise Funds	
18	Develop a Water Management Plan
Alternative Service Delivery	
19	Create an Alternative Service Delivery Policy
20	Restart Bidding Process to Implement a Public Private Partnership for Midway Airport
21	Pursue Revenue Collection and Enforcement Opportunities with Cook County
Tax Increment Financing (TIF)	
22	Enhance TIF Reporting
23	Limit Declaration of TIF Surplus
24	Complete a Comprehensive Review of Chicago's TIF Program
25	Develop a Formal Policy on Tax Increment Financing
Public Health Department	
26	Re-evaluate the Clinical Services of the Department of Public Health
Surplus Vacant Property and Assets	
27	Create a Strategic Plan to Manage Surplus Vacant Property and Assets
Chicago City Council	
28	Reduce the Size of the City Council
29	Eliminate Ward Based Service Delivery
30	Create a Policy Analysis Office for the City Council
Chicago Board of Elections Commissioners	
31	Transfer the City of Chicago's Election Function to Cook County
Chicago City Clerk and City Treasurer	
32	Reform the Offices of the City Clerk and the City Treasurer
Budget Process and Format	
33	Measure and Budget the Full Cost of City Programs
34	Expand the City's Online Data Portal
35	Add Additional Expenditure and Revenue Data in the Budget
36	Increase Transparency of Property Taxes Controlled by the City and Provided to the City Colleges and Chicago Public Schools
37	Improve Budgeting of Grant Funds
38	Reform the Capital Budgeting Process and CIP
39	Develop a Long-Term Financial Plan
40	Enhance City's Budget Process



Key

Time Frame for Implementation:

- Within FY2011
- Within FY2012
- Within FY2013

Responsible Official(s):

- Mayor: Direction of Mayor or Executive Order and Departmental Implementation
- City Council: Passage of Ordinance
- General Assembly: Passage of State Legislation
- Governor: Signature of Governor

Financial Impact* (5-year Projection):

- Low: Less than \$5 million
- Medium: \$5-25 million
- High: More than \$25 million

*Most recommendations reflect budgetary savings but in the case of pensions, the financial impact reflects a reduction in liabilities for the City.

PURPOSE

In recent years the Civic Federation has become increasingly troubled by the condition of the City of Chicago's finances. The City's fiscal issues are structural and not just the result of the economic downturn. In its 2006 analysis of the City's FY2007 proposed budget, the Civic Federation cited serious concerns with the health of the City's pensions, its dwindling reserve levels and high debt burden.³

The problems identified in 2006 have only grown worse in recent years with the City resorting to short-term solutions in order to avoid making the necessary difficult choices. This has created new problems such as a large structural imbalance between revenues and expenditures that has grown worse with each fiscal year and the use of a significant portion of the proceeds from the leasing of City assets to close operating shortfalls. As a result, the Civic Federation has opposed three of the last four budgets proposed by the City.

However, there is now a great opportunity for change. The first new Mayor in over twenty years took office on May 16, 2011, the City Council has eighteen new aldermen and the City has a willing partner for reform in a new Cook County administration. The Civic Federation Chicago Finance Project was initiated in order to capitalize on this opportunity by outlining the scale of the challenges the City faces, generating ideas to address those challenges and building support for change. The project is focused on presenting practical solutions that will help set the City on a sound fiscal foundation and improve operational efficiency. The overlapping units of local government that are under the purview of the Mayor such as the Chicago Transit Authority and Chicago Public Schools are beyond the primary scope of this project, but also face significant fiscal issues.

The first part of the Civic Federation Chicago Finance Project was the *Financial Challenges for the New Mayor of Chicago* report released in February 2011.⁴ In that report the Civic Federation outlined the state of the City's finances and expanded on recommendations made in previous Civic Federation budget analyses. It urged the City to aggressively move to adopt best practices that would begin to address its structural deficit. In particular that report recommended that a high priority be to implement a formal long-term financial planning process that includes key policymakers and stakeholders. Mayor Emanuel issued an executive order on May 20, 2011 to conduct the fiscal analysis needed for long-range planning.⁵ Although the order does not cover all the elements needed for effective long-range planning, it represents an important first step in the process.

This report presents actionable recommendations to assist Mayor Emanuel and the City Council in addressing the City's structural deficit. These recommendations are the result of several months of research to develop ideas that go beyond what can be generated during the Civic

³ Civic Federation, *City of Chicago FY2007 Proposed Budget: Analysis and Recommendations*, November 1, 2006, pp. 4, 5.

⁴ The report can be accessed at www.civiced.org/civic-federation/publications/financial-challenges-new-mayor-chicago-analysis-and-recommendations.

⁵ City of Chicago, "Mayor Emanuel Signs Executive Order Creating a Long-Term Budgeting and Financial Planning Process for the City of Chicago," news release, May 20, 2011.

Federation's annual review of the City budget. The report's recommendations are grouped by topic and service area. In May 2011, then Mayor-Elect Rahm Emanuel released his transition report with 35 initiatives. When the transition initiatives overlap or relate to the Civic Federation recommendations they are noted in a box next to the recommendation. Each Civic Federation recommendation includes bullet points that describe the actions needed, the officials who are responsible, recommended time frame for implementation and the scale of the financial impact. The recommendations are based on data and research included in appendices and in previous Civic Federation reports.

The Civic Federation urges Mayor Emanuel and the City Council to put Chicago on the path to long-term fiscal sustainability by implementing the recommendations in this report. We will report on the status of the recommendations in our annual analysis of the City's budget and other Civic Federation publications.

STATEMENT OF THE PROBLEM

The City of Chicago suffers from several fiscal problems: a persistent structural deficit, a lack of Corporate Fund reserves and growing long-term liabilities.⁶ For an in depth analysis of the City's fiscal problems and factors that have led to its structural deficit, see the first report of the Civic Federation Chicago Finance Project: *Financial Challenges for the New Mayor of Chicago*.⁷

Persistent Structural Deficit

The City of Chicago has a structural deficit, a condition characterized by annual expenditure increases that consistently exceed recurring revenue increases during normal economic times. Over the past ten fiscal years, the City has had significant budget deficits. The budget gaps have grown from \$58.3 million in FY2002 to \$654.8 million in FY2011. For FY2012 Budget Director Alexandra Holt has estimated the deficit to be between \$600 and \$700 million.⁸ These deficits grew dramatically because the City failed to implement enough efficiencies, make deep enough spending cuts and/or utilize new or increased recurring revenues. The City closed the majority of the FY2011 deficit using a variety of non-recurring revenue sources, some of which will create greater costs in the future and all of which contribute to an enormous deficit for FY2012.

The increase in the City's annual budget deficit over time is a leading indicator that its expenses are outpacing its revenues. The City has experienced deep revenue declines in recent years due in part to the economic recession that officially ended in June 2009 and its lingering after effects.⁹ The City reported in October 2010 that it expected to lose a cumulative total of \$734.3 million in economically-sensitive revenues between the 2007 revenue peak and the end of 2010 and it

⁶ These findings have been pointed out in numerous reports in the past, including the Civic Federation's analysis of the proposed FY2011 City of Chicago budget available at <http://www.civicfed.org/civic-federation/publications/city-chicago-fy2011-proposed-budget-analysis-and-recommendations> (last visited on June 13, 2011).

⁷ The report can be accessed at <http://www.civicfed.org/civic-federation/publications/financial-challenges-new-mayor-chicago-analysis-and-recommendations>.

⁸ Hunter Clauss, "Budget Chief: No Citywide Recycling This Year," *Chicago News Cooperative*, June 7, 2011.

⁹ The National Bureau of Economic Research announced on September 20, 2010 that the recession that began in December of 2007 ended in June 2009. National Bureau of Economic Research, <http://www.nber.org/cycles/sept2010.html> (last visited on October 25, 2010).

projected an additional \$297.2 million loss for 2011.¹⁰ However, the City's deficit problem is not due solely to the recent recession. Spending has continued to rise. Between FY2007 and FY2011, net appropriations for all local funds will have increased by 8.6%, rising from \$5.7 billion to \$6.2 billion.¹¹ Corporate Fund appropriations will approach \$3.3 billion in FY2011, an increase of 5.4% or \$165.9 million from FY2007.¹²

Personnel services are the single biggest expenditure in the Corporate Fund budget, constituting 83.2% of the \$3.3 billion FY2011 adopted appropriation.¹³ Nearly two-thirds (64.5%) of the FY2011 personnel expenses are for fire, police and emergency management. Appropriations for personnel will have increased by 9.0% over five years, rising from \$2.5 billion in FY2007 to \$2.7 billion in FY2011.¹⁴ Personnel costs have been rising despite a reduction in the Corporate Fund workforce of 2,201 full-time equivalent (FTE) positions, or 7.6%, over the same time period.¹⁵

Inadequate Corporate Fund Reserves

Fund balance is an important financial indicator for governments because it measures a jurisdiction's capacity to withstand financial emergencies.¹⁶ The City has been utilizing its Corporate Fund fund balance and other reserves at a rapid rate. Between FY2000 and FY2009, the Corporate Fund unreserved fund balance dropped from \$80.7 million to just \$2.7 million. Even during times of economic stability and growth when the City could have been replenishing its Corporate Fund fund balance, it was spending it down.

Growing Long-Term Liabilities

The City of Chicago has a relatively high and growing level of bonded debt. The unfunded liabilities of the City's pension funds have also increased rapidly in recent years and will require dramatic action in order to maintain solvency in the funds. Between FY2000 and FY2009 the City of Chicago's net direct debt rose by 121.9% or \$3.8 billion from \$3.1 billion to \$6.9 billion. During the same time period, the City's debt per capita increased by 121.9% or by \$1,302 per capita. This upward trend in debt per capita is cause for concern for the City of Chicago. It threatens to further reduce the City's credit rating, making borrowing more expensive, and could limit available capacity for additional borrowing.

The City is facing a severe pension crisis. In April 2010, the City's Commission to Strengthen Chicago's Pension Funds reported that the Police and Fire pension funds were likely to run out

¹⁰ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 63.

¹¹ City of Chicago, FY2007 Appropriations Ordinance, p. IX and FY2011 Appropriations Ordinance, p. 3.

¹² City of Chicago, FY2007 Appropriations Ordinance, p. V and FY2011 Appropriations Ordinance, p. 6.

¹³ The City's definition of personnel services includes only salaries and wages. Employee benefits are included in the "Specific Items/Contingencies" category while pensions are accounted for in a separate fund.

¹⁴ City of Chicago, FY2007 Appropriations Ordinance, p. V and FY2011 Appropriations Ordinance, p. 6.

¹⁵ City of Chicago, FY2007 and FY2011 Appropriations Ordinances.

¹⁶ Craig S. Maher and Karl Nollenberger, "Revisiting Kenneth Brown's 10-Point Test" *Government Finance Review*, October 2009.

of assets within ten years if nothing was done.¹⁷ The Police and Fire pension funds were only 43.6% and 36.5% funded in FY2009 on an actuarial value basis; the funded ratio for the Municipal Fund was 57.0% and the Laborers Fund was 79.4%.¹⁸ A funded ratio below 80% is a cause for concern as it raises questions about the ability of the government to adequately fund its retirement systems over time. The City's pension crisis has been caused largely by consecutive years of contributions that were insufficient for the level of benefits promised.

These structural challenges are not simply the result of current economic conditions. According to the City, 2007 was the peak year for economically sensitive revenues.¹⁹ The City began using Skyway Mid-Term Reserve funds to balance its budget in 2005. Between FY2000 and the peak year of FY2007, the City drew down its Corporate Fund fund balance by \$76.0 million or 94.3%. The fiscal years from 2004 to 2007 were a boom time: sales and use taxes were growing an average of 7.8% per year,²⁰ real estate transfer taxes reached record levels²¹ and the City had a new revenue stream in the form of interest earnings from the Skyway Long-Term Reserve Fund. At a time when the City should have been preserving and adding to reserves it was already starting to deplete them.

There have been costly consequences to the City's repeated use of asset lease reserves. On October 28, 2010 Fitch announced a downgrade of the City's outstanding General Obligation bonds from AA to AA-, citing the City's accelerated use of asset lease reserves and other non-recurring revenues for operating purposes as a key factor in assigning the downgrade.²² Moody's downgraded the rating on the City's outstanding \$6.8 million in long-term general obligation debt to Aa3 with a stable outlook from the previous rating of Aa2 in August 2010. The reasons given for the downgrade were that Chicago is overly dependent on asset lease reserves that are being rapidly depleted, the City's pension funds are severely underfunded and that the City maintains an above average debt burden characterized by a slow 32-year payout.²³ In November 2010, Standard & Poor's reduced the City's rating one step from AA- to A+, also citing the City's reliance on cash reserves to balance the budget.²⁴ These downgrades will increase the cost of future debt obligations at a time when the City can least afford it.

¹⁷ City of Chicago, Commission to Strengthen Chicago's Pension Funds, April 30, 2010, p. 21. http://www.cityofchicago.org/city/en/depts/obm/provdrs/perf_mang/news/2010/apr/commission_to_strengthenchicagospensionfundsreleasesreportonfisc.html (last visited on January 31, 2011).

¹⁸ These are funded ratios based on the actuarial value of assets. For a discussion of actuarial value see Civic Federation, "Status of Local Pension Funding Fiscal Year 2009," February 10, 2011, at <http://www.civicfed.org/civic-federation/publications/status-local-pension-funding-fiscal-year-2009-evaluation-ten-local-gov>.

¹⁹ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 63.

²⁰ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 55.

²¹ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 45.

²² Fitch Ratings, "Fitch Rates City of Chicago, IL GO Bonds and Tender Notes 'AA'; Downgrades Outstanding GOs," August 5, 2010. Fitch Ratings, "Fitch Downgrades Chicago, IL's GO Bonds to 'AA-'; Outlook Revised to Stable," October 28, 2010.

²³ Moody's Investors Service, "City of Chicago High Profile New Issue," August 12, 2010. Moody's noted, however, that Chicago has a large and diverse tax base, it still maintains reserves from the Skyway long-term lease and management has taken steps to reduce expenditures.

²⁴ Tim Jones, "Chicago's Credit Rating Is Lowered by S&P Amid Concern About Cash Reserves," *Bloomberg*, November 5, 2010, <http://www.bloomberg.com/news/2010-11-05/chicago-s-credit-rating-is-lowered-by-s-p-amid-concern-about-cash-reserves.htm> (last visited on November 9, 2010).

READER'S GUIDE TO THIS REPORT

The following sections of this report present the Civic Federation's recommendations to the City Council and Mayor grouped by topic. Each section begins with basic information and data about the topic. In some cases, the reader is referred to more extensive data in an Appendix.

Each section then highlights specific Civic Federation concerns about the topic and lists recommendations that address those concerns. It is noted where the Civic Federation has previously taken a position supporting a program or practice.

Each Civic Federation recommendation ends with bullet points that describe the actions needed, the officials who are responsible, the recommended time frame for implementation and the scale of the financial impact.

- **Action(s) Needed** include actions such as direction from the Mayor and departmental implementation, executive order, city ordinance and state legislation.
- **Responsible Official(s)** are the persons authorized to take the needed actions, such as the Mayor, City Council, General Assembly and Governor.
- **Time Frame for Implementation** is an approximate target date for full implementation and includes the end of the current fiscal year, FY2012 and FY2013.
- **Financial Impact (5-year Projection)** is an approximation of the five-year financial impact of a recommended action. These approximations are intended to offer a general sense of magnitude and were developed without the financial data needed for more precise estimates. In most cases the financial impact reflects budgetary savings but in the case of pensions, the financial impact reflects a reduction in liabilities for the City. In cases where the Civic Federation recommends evaluation of an issue in order to determine what action should be taken, the financial impact is an approximation of cost savings from that would accrue from action taken.

Low: Less than \$5 million

Medium: \$5-25 million

High: More than \$25 million

When initiatives included in then Mayor-Elect Rahm Emanuel's May 2011 transition report overlap with Civic Federation recommendations, they are noted in a box next to the recommendation.

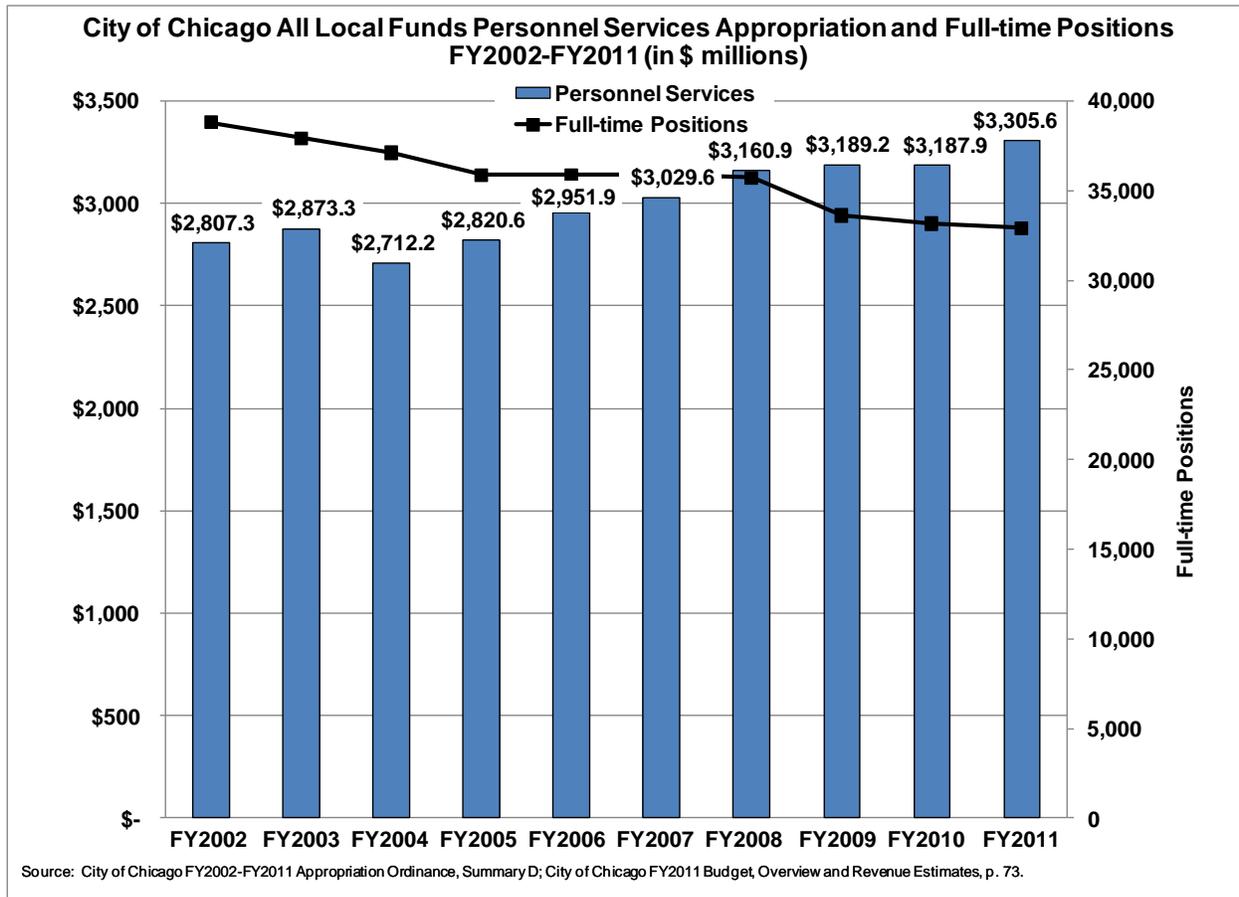
The Executive Summary presents a list of all recommendations, accompanied by a matrix that groups the recommendations by responsible official and time frame for implementation. The financial impact of each recommendation is represented by the size of the icon.

Appendix A describes the methodology and sources used to develop the Civic Federation's recommendations.

PERSONNEL

The City of Chicago's FY2011 Program and Budget Summary describes the proposed position count and personnel services appropriations for each of the City's departments for all local funds and grant funds. Positions are reported by department function as full-time equivalents (FTE), which include part-time and hourly wage earners. Departmental appropriations for personnel services include wages and salaries, but do not include related expenses such as pension and healthcare payments that are collectively represented in General Financing Requirements (Department 99). The FY2011 Budget Recommendation, which is voted on by the City Council to create the FY2011 Appropriation Ordinance, describes position count and personnel services appropriations by fund. Position count is represented by full-time positions only, though personnel services appropriations reflect expenses for full-time equivalent positions, including personnel related expenses such as pension and healthcare costs. For the purposes of this report, the Civic Federation uses the budget's proposed full-time position count since the accurate number of full-time equivalent positions is not provided in the approved Appropriation Ordinance.

In the past ten years, the City has reduced its budgeted workforce by 5,880 full-time positions or 15.2% from 38,802 in FY2002 to 32,922 in FY2011.²⁵ During the same time period, local fund appropriations for personnel services for all full-time equivalent positions, which include salaries, health care, overtime pay, workers' compensation, pension payments and other benefits, increased from \$2.8 billion to \$3.3 billion or by 17.7%.²⁶



The majority of personnel services costs are determined by collective bargaining agreements with unions. Of the City's workforce, approximately 90.7% or 29,859 of the proposed local fund positions are represented by unions.²⁷ In addition to the \$3.3 billion personnel services appropriation, the City appropriated \$2.3 billion to specific items and contingencies, which among other City expenses include some personnel-related costs such as hospital and medical expenses for employees not covered under the Workers Compensation Act.²⁸

²⁵ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 73.

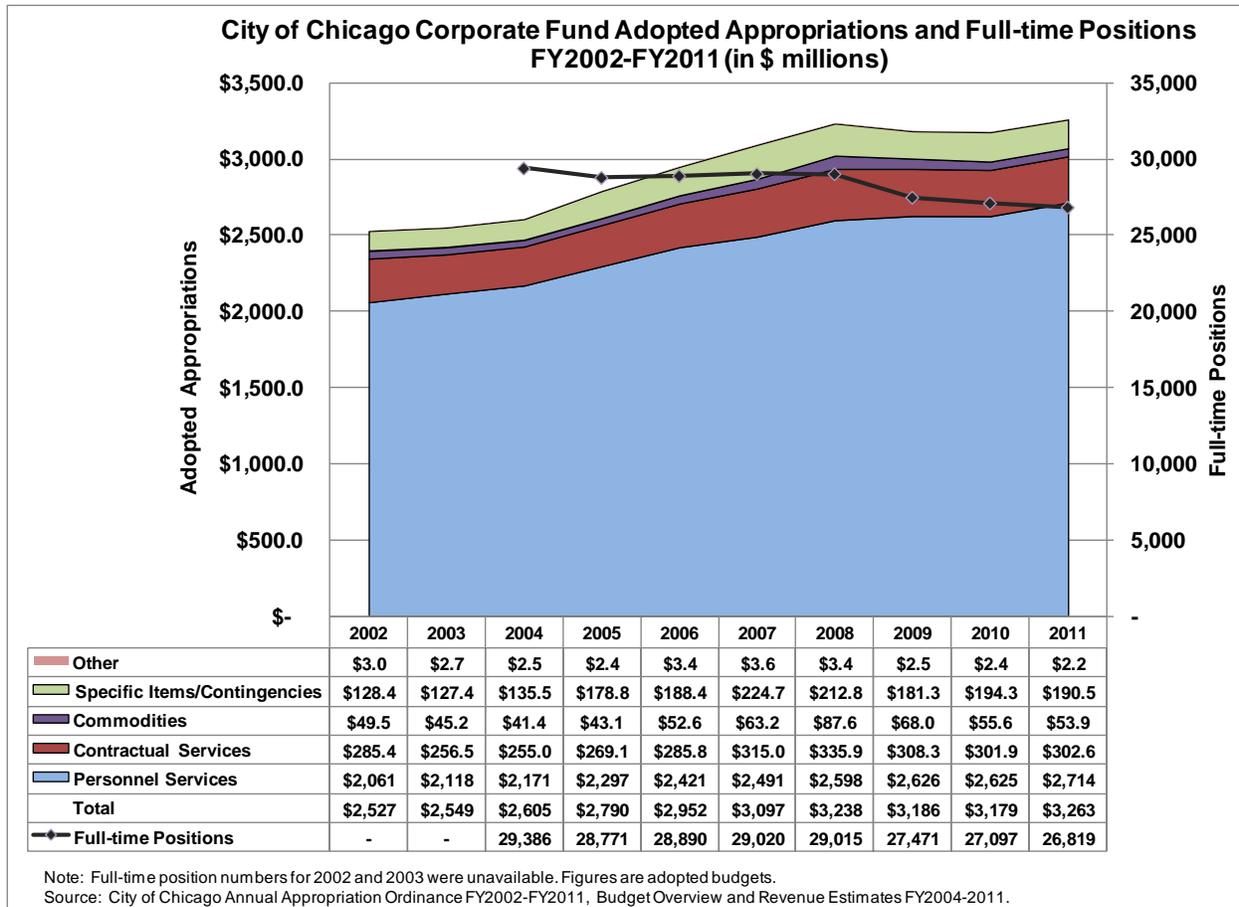
²⁶ City of Chicago, FY2002-FY2011 Appropriation Ordinance, Summary D.

²⁷ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 72.

²⁸ For further data on the City of Chicago's appropriations by object classification, see Appendix D of this report.

Corporate Fund²⁹

Personnel services are the single biggest expenditure in the Corporate Fund budget, constituting 83.2% of the \$3.3 billion FY2011 appropriation ordinance. Nearly two-thirds (64.5%) of the FY2011 personnel expenses are for fire, police and emergency management. Appropriations for personnel, which include healthcare and pension expenses, will have increased by 9.0% over five years, rising from \$2.5 billion in FY2007 to \$2.7 billion in FY2011. Personnel costs have been rising despite a reduction in the Corporate Fund workforce of 2,201 full-time positions or 7.6% over the same time period.



²⁹ For further data on the City of Chicago's personnel services appropriations and full-time positions by fund, see Appendix D of this report.

Public Safety³⁰

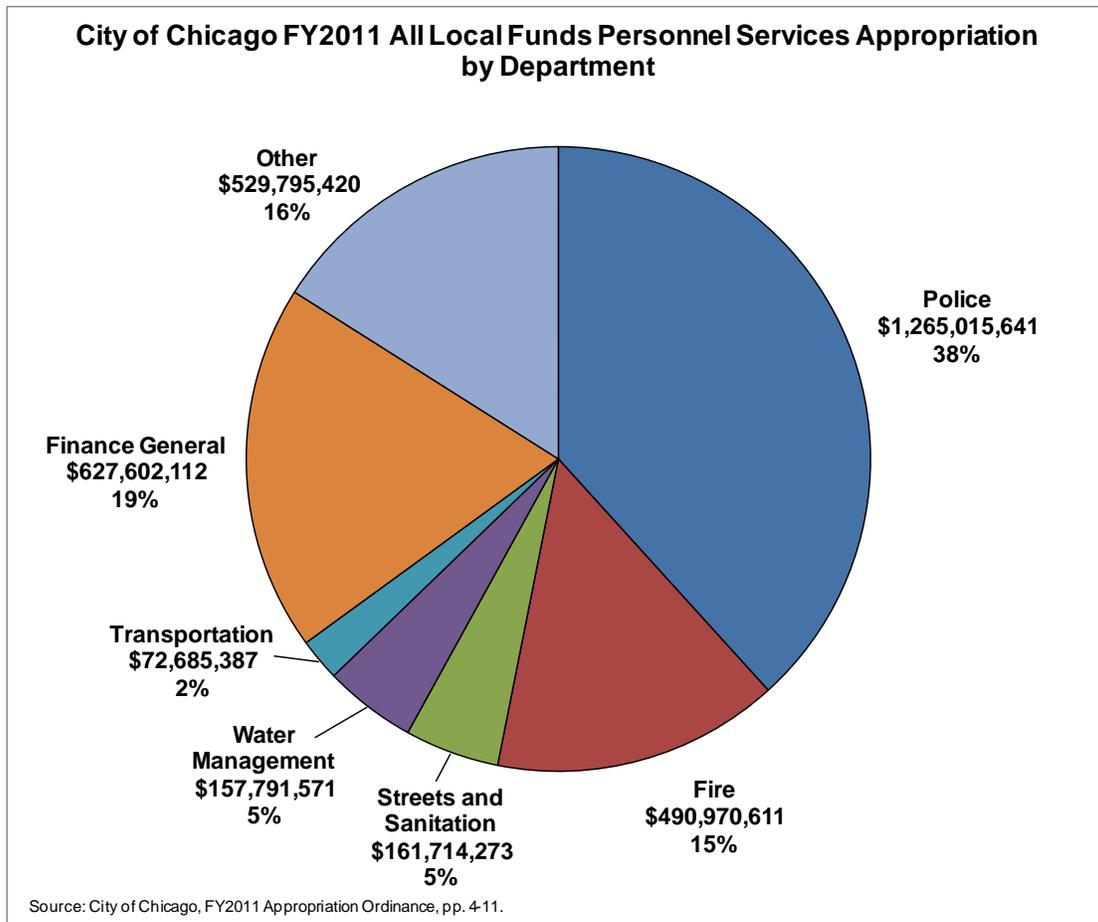
The majority of the City's workforce is in public safety with approximately 21,850 full-time positions or 66.4% of the City's workforce. The figures below represent the proposed number of full-time positions because the adopted number is not available in the FY2011 Appropriation Ordinance.

City of Chicago FY2011 All Local Funds Full-time Positions by Function		
Function	FY2011 Proposed	Percent of Total
Public Safety	21,850	66.4%
Public Service Enterprises	3,417	10.4%
Infrastructure Services	2,768	8.4%
Finance and Administration	2,502	7.6%
Community Services	1,169	3.6%
Regulatory	627	1.9%
Legislative and Elections	358	1.1%
City Development	231	0.7%
Total	32,922	100.0%

Source: City of Chicago FY2011 Budget, Overview and Revenue Estimates, p. 74.

³⁰ For further analysis of personnel concerns in public safety, see the Police Department section of this report on page 27 and Fire Department section of this report on page 34.

The largest appropriation for personnel services is for the Chicago Police Department with nearly \$1.3 billion or 38.3% of total personnel services for all local funds. The Fire Department represents \$491.0 million or 14.9% of total personnel services. The appropriations do not include personnel-related expenses such as pension and healthcare payments because the City budgets those costs collectively for all departments in the Finance General appropriation. The total appropriation for payments of pension funds, benefits, tort and non-tort judgments and claims under workers' compensation, unemployment insurance and outstanding labor contracts was nearly \$1.1 billion for FY2011.³¹



Civic Federation Concerns

Despite reductions in full-time equivalent positions over the past decade, personnel-related costs have significantly increased. The City's fiscal health is threatened with increasing employee and retiree pension obligations, the cost of healthcare for City workers and retirees and significant tort liability claims against the City.³² According to the City, most personnel-related costs are tied to the rates of wages, benefits and pensions developed through collective bargaining

³¹ Includes appropriations for pension funds, employee benefits, compensation and insurance and payment of judgments under General Financing Requirements for all local funds. City of Chicago, FY2011 Annual Appropriation, p. 15.

³² City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 33.

agreements. For further analysis of pension-related concerns, see the Pension section of this report on page 19.

The City has made agreements with the Coalition of Union Public Employees (COUPE) and Unit II (civilian public safety) to reduce work weeks, unpaid holidays and to replace some overtime with compensatory time, and has required non-union workers to take unpaid furloughs.³³ The Government Finance Officers Association (GFOA) notes that reduced hours and furloughs may lower the cost of fringe benefits that are based on salary, but they will not impact benefits like health care which are provided irrespective of salary.³⁴ Health care costs are a significant part of Corporate Fund expenditures and each year the City must absorb the added costs of employee health care. In FY2011 employee health care costs represent \$408.7 million or 12.5% of the proposed Corporate Fund expenditures.³⁵

Civic Federation Recommendation

The Civic Federation makes the following recommendation:

1. Develop a Plan to Reduce Personnel Count and Expenses

For a number of years, the City of Chicago has made efforts to reduce personnel costs in the short-term with hiring freezes, furloughs and reduced work hours. With personnel services appropriations representing over eighty percent of the City's Corporate Fund budget and with the City's increasing annual budget shortfalls, the City cannot afford to continue making short-term fixes. In order to have a substantial impact on expenditures, the City must address its personnel count and identify cost savings within personnel-related expenses. The City must develop a plan to determine how it can significantly reduce its workforce and increase worker productivity while maintaining its goal to provide high-quality services efficiently and effectively. The City's primary focus should be to reduce full-time equivalent positions overall; however, the City should prioritize maintaining revenue-producing positions. Since over ninety percent of the City's workforce is represented by collective bargaining agreements, the City may have to negotiate new contract terms that will address the rising costs of employee benefits and salary increases.³⁶

The City must address major concerns including chronic absenteeism and excessive layers of management that contribute to considerable amount of government waste. Mayor-elect Rahm Emanuel has noted that a thirty-three percent daily absentee rate has led to service cutbacks in the Department of Streets and Sanitation.³⁷ The City must identify the contributing factors that have led to such a high level of absenteeism and look for ways to combat abuse and realize cost savings. As part of his plan to cut \$75 million from the current budget, Mayor Emanuel is reducing senior management payrolls by 10% for a savings of \$5.5 million.³⁸ In addition, the

³³ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, pp. 72, 73.

³⁴ See Government Finance Officers Association, "Fiscal First Aid – Treatments to Use With Caution" at http://www.gfoa.org/index.php?option=com_content&task=view&id=1162&Itemid=462 (last visited June 7, 2011).

³⁵ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 73.

³⁶ For additional analysis of collective bargaining issues, see the Infrastructure section of this report on page 45.

³⁷ Fran Spielman, "Rahm Emanuel warns teaching, labor unions about changes," *Chicago Sun-Times*, May 6, 2011.

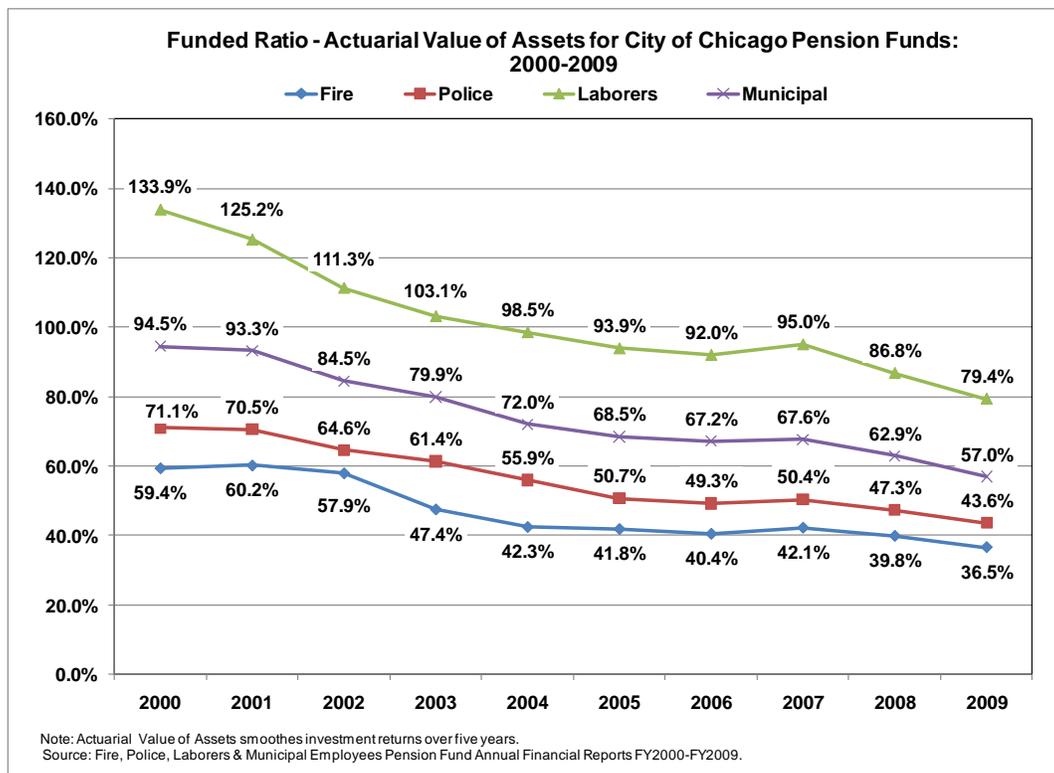
³⁸ City of Chicago, "On His First Day In Office, Mayor Emanuel Announces \$75 Million In Savings for Current City Budget," news release, May 17, 2011.

City must look at management levels for other cost savings, including unnecessary layers and supervisory roles.

- Action(s) Needed: Direction of Mayor
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: High

PENSION FUNDS

The City of Chicago maintains four employee pension funds: the Fire, Police, Municipal and Laborer’s Funds. In April 2010 the City’s Commission to Strengthen Chicago’s Pension Funds reported that the Police and Fire pension funds were likely to run out of assets within ten years if nothing was done.³⁹ The Police and Fire pension funds were only 43.6% and 36.5% funded in FY2009 on an actuarial value basis; the funded ratio for the Municipal Fund was 57.0% and the Laborers Fund was 79.4% funded.⁴⁰ A funded ratio below 80% is a cause for concern as it raises questions about the ability of the government to adequately fund its retirement systems over time.



³⁹ City of Chicago, Commission to Strengthen Chicago’s Pension Funds, April 30, 2010, p. 21.
http://www.cityofchicago.org/city/en/depts/obm/provdrs/perf_mang/news/2010/apr/commission_to_strengthenchicago_pension_funds_releases_report_on_fisc.html (last visited on January 31, 2011).

⁴⁰ These are funded ratios based on the actuarial value of assets. For a discussion of actuarial value see Civic Federation, “Status of Local Pension Funding Fiscal Year 2009,” February 10, 2011, at <http://www.civicfed.org/civic-federation/publications/status-local-pension-funding-fiscal-year-2009-evaluation-ten-local-gov>.

In FY2009 there were 53,001 employees participating in the four pension funds.⁴¹ However, roughly 52.2% or 16,481 of the 31,586 active members of the Municipal Fund were employees of the Chicago Public Schools (CPS), not the City.⁴² CPS does not make an employer contribution to the Municipal Fund. The City makes the Municipal Fund employer contribution through its property tax levy.⁴³

Additional financial data on the pension funds is provided in Appendix E.

The statutory employer and employee contributions to the City's pension funds are not designed to respond to the fiscal health of the funds. Employee contributions are a fixed percentage of pay and the City's contributions are a multiple of the employee contribution made two years prior. The City's pension crisis has been caused largely by consecutive years of contributions that have been insufficient to meet the level of benefits promised, exacerbated by significant investment losses in FY2008.⁴⁴

The Illinois General Assembly passed and Governor Quinn signed significant laws affecting Chicago's Municipal and Laborers' pension funds in April 2010 and the Police and Fire pension funds in December 2010. Public Acts 96-0889 and 96-1495 created reduced benefit tiers for new members of the City's four pension funds hired on or after January 1, 2011. Over time these benefit changes for new hires will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier.

Public Act 96-0889 did not change employer or employee contributions to the Municipal and Laborers' Funds. Both funds are still projected to run out of assets during the year 2030 despite the reduced benefits for new members.⁴⁵ Prior to the enactment of Public Act 96-1495, the Fire Fund was projected to run out of assets during 2021 and the Police Fund was projected to run out of assets during 2025.⁴⁶ In contrast to Public Act 96-0889, Public Act 96-1495 made a significant change to the City's employer contributions to the Police and Fire funds. In 2015 the City will be required to begin making contributions sufficient to bring the funded ratio of the Police Fund and

⁴¹ Civic Federation, "Status of Local Pension Funding Fiscal Year 2009," February 10, 2011, p. 29.

⁴² Certified teachers employed by CPS participate in the Public School Teachers' Pension and Retirement Fund of Chicago. All other CPS employees are enrolled in the City of Chicago's Municipal Employees' Annuity and Benefit Fund. Chicago Public Schools, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010*, p. 73.

⁴³ The FY2009 employer contribution to the Municipal Fund was \$157.7 million. Municipal Employees' Annuity and Benefit Fund of Chicago, *Comprehensive Annual Financial Report for the Year Ended December 31, 2009*. June 1, 2010, p. 24.

⁴⁴ For more discussion of these causes, see City of Chicago, *Commission to Strengthen Chicago's Pension Funds*, April 30, 2010, pp. 18-22. Employee and employer contributions are not related to the health of the fund. Employee contributions are a percentage of pay: 8.50% for Municipal and Laborers'; 9.0% for Police; and 9.125% for Fire. Employer contributions are multiples of the employee contributions made two years prior: 1.0 for Laborers'; 1.25 for Municipal; 2.0 for Police; and 2.26 for Fire.

⁴⁵ Illinois Commission on Government Forecasting and Accountability, *Illinois Public Retirement Systems: A Report on the Financial Condition of the Chicago, Cook County and Illinois Municipal Retirement Fund Systems of Illinois*, November 2010, pp. 68, 88.

⁴⁶ Illinois Commission on Government Forecasting and Accountability, *Illinois Public Retirement Systems: A Report on the Financial Condition of the Chicago, Cook County and Illinois Municipal Retirement Fund Systems of Illinois*, November 2010, pp. 46, 108.

the Fire Fund to 90% by the end of 2040.⁴⁷ City officials have estimated that contributions will increase by roughly \$550 million, or 60%, in 2015 and rise thereafter.⁴⁸ If the City fails to make its required contributions, the Illinois Comptroller will withhold State fund transfers to the City.

Civic Federation Concerns

The Civic Federation is concerned about the long-term sustainability of the City's four pension funds. Following recent state legislation, the City now faces two distinct pension problems:

1. The Municipal and Laborers' funds are still on a path to deplete their assets within twenty years if nothing more is done; and
2. The Police and Fire funds are no longer on a path to insolvency but the mandated increase in statutory employer contribution will require an enormous additional expenditure beginning in 2015.

The City's pension liabilities have grown so large and the contributions needed to rescue the funds are so substantial that the City will have great difficulty funding the current pension promises it has made to its employees. To rescue only the Police and Fire Funds, the City will need to contribute at least \$550 million additional dollars beginning in 2015.⁴⁹ Saving the Municipal and Laborers' funds from insolvency will require even more City revenues.

The Civic Federation is concerned that it will not be possible to cut services deeply enough and raise taxes high enough to make the contributions needed to save the City's four pension funds. The Federation believes that the City's pension problem has now become so severe that solving it will require a combination of reducing benefits not yet earned by current employees and increasing City and employee contributions. Further delay in addressing the crisis will only increase the severity of the actions that must be taken.

Finally, the Civic Federation is concerned that although Chicago Public Schools employees constitute slightly over half of the active employees in the Municipal Fund, the City currently pays the entire employer contribution to the Fund. This situation is not transparent for taxpayers and does not provide CPS with an incentive to monitor the health of the Municipal Fund.

⁴⁷ The Act states that the required contributions will be calculated using a level percentage of payroll and projected unit credit actuarial valuation method.

⁴⁸ Letter of December 8, 2010 from the Chicago City Council to Governor Pat Quinn, http://www.wttw.com/res/pdf/quinn_letter.pdf (last visited on January 27, 2011).

⁴⁹ Letter of December 8, 2010 from the Chicago City Council to Governor Pat Quinn, http://www.wttw.com/res/pdf/quinn_letter.pdf (last visited on January 27, 2011).

Civic Federation Recommendations

The Civic Federation makes the following five recommendations regarding the City's pension funds.

2. Reduce Benefits Not Yet Earned By Current Employees

The Mayor and City Council should seek to reduce benefits not yet earned by current employees. They should seek actuarial projections and legal opinions on the size and type of benefit reductions (e.g., raising the retirement age, reducing automatic annuity increase, or reducing final average salary) needed to make the pension plans affordable and sustainable now and in the future.⁵⁰ Alternatively, employees could be permitted to retain their current benefit plan but be required to make higher contributions.⁵¹

A reduction in benefits would not affect existing retirees or benefits already earned by current employees, but would prospectively affect future benefits earned by current employees. Once the best options for ensuring the sustainability of the pension funds have been determined through legal and actuarial analysis, these options should be discussed with labor unions and presented to the General Assembly as soon as possible.

In the future, no benefit enhancements to the pension plans should be considered unless the funds are at least 90% funded. Any enhancement should only be considered if it is funded on a pay-as-you-go basis whereby employer and/or employee contributions are increased to fully fund the enhancement. Any enhancement should also expire after five years, subject to renewal.

- Action(s) Needed: State Legislation
- Responsible Official(s): General Assembly, Governor
- Time Frame for Implementation: 2011
- Financial Impact: High

3. Increase Employer and Employee Contributions to Meet the Actuarially-Based Needs of the Funds

Employee contributions to the four City pension funds are a fixed percentage of pay. The City's employer pension contributions are a multiple of past employee contributions, with no relationship to the financial health of the plan.

The Civic Federation recommends that both employer and employee contributions be tied to actuarial liabilities and funded ratios, such that contributions are at levels consistent with the actuarially calculated annual required contribution (ARC). At a minimum, contributions to the Municipal and Laborers' funds should be put on a 30-year schedule to reach 90% funded, as the Police and Fire funds were pursuant to Public Act 96-1495. Contribution increases should be

⁵⁰ For example, Scenario "2-all" in the Commission to Strengthen Chicago's Pension Funds report modeled a benefit reduction for current employees. City of Chicago, Commission to Strengthen Chicago's Pension Funds, April 30, 2010, pp. 55-60.

⁵¹ Such an option would be similar to a proposal that was under consideration by the General Assembly in House Bill 149 and Senate Bill 512.

implemented as soon as possible, because the longer they are postponed, the larger the increases will have to be in the future.

In order to increase its employer contributions, the City will need to cut other expenditures, raise taxes or fees or do both.

The Civic Federation believes that employees need to share in the rising costs of public pension plans and recommends that employer and employee contributions be restructured such that employees pay a proportion of required contributions, similar to the new structure of the Chicago Transit Authority contributions. A proportional relationship should be set whereby, for example, the employer pays 50% and the employees pay 50% of the annual required contribution. Whether the proportion is 50%/50%, 60%/40%, or some other ratio, it is critical that both parties pay a share of required contributions, and that those contributions relate to the fiscal health of the fund. The Commission to Strengthen Chicago's Pension Funds modeled 60%/40% cost-sharing for additional contributions but noted that this ratio could be changed.⁵²

- Action(s) Needed: State Legislation
- Responsible Official(s): General Assembly, Governor
- Time Frame for Implementation: 2011
- Financial Impact: High

4. Pursue Pension Fund Consolidation

The Civic Federation recommends that the City study ways to consolidate its pension funds by, for example, merging the four funds into a single fund, or by merging the Municipal and Laborers' funds with the Illinois Municipal Retirement Fund and merging the Police and Fire funds into a single Chicago Public Safety fund. It is difficult to understand how the maintenance of four separate pension funds is either beneficial to taxpayers or cost effective for the City of Chicago.

- Action(s) Needed: State Legislation
- Responsible Official(s): General Assembly, Governor
- Time Frame for Implementation: 2012
- Financial Impact: Low

⁵² City of Chicago, Commission to Strengthen Chicago's Pension Funds, April 30, 2010, p. 34ff.

5. Reform Pension Board Governance

If the four City pension funds remain separate, the Civic Federation recommends that the composition of the pension boards of trustees be revised in three ways. The balance of employee and management representation on the boards should be changed so that employees do not hold the majority of seats. A tripartite structure should be created that includes independent taxpayer representation on the board. Finally, financial experts should be included on the pension boards and financial training for non-expert members should be required.⁵³

- Action(s) Needed: State Legislation
- Responsible Official(s): General Assembly, Governor
- Time Frame for Implementation: 2011
- Financial Impact: Low

6. End the City Subsidy of Chicago Public Schools' Employer Contribution to the Municipal Fund

The Civic Federation recommends that Chicago Public Schools begin paying for its share of the Municipal Fund employer contribution. This will shift a cost of at least \$75 million to CPS. The Illinois General Assembly should grant CPS the authority to levy an additional property tax for this purpose. This alignment of employer contributions and pension funds in which employees participate is important for both transparency and accountability. It allows taxpayers to see where their tax dollars are going and it gives CPS a greater stake in the health and management of the Municipal Fund.

- Action(s) Needed: State Legislation
- Responsible Official(s): General Assembly, Governor
- Time Frame for Implementation: 2011
- Financial Impact: High

RETIREE HEALTH CARE

The City of Chicago directly subsidizes a portion of health insurance for City retirees and its four pension funds also subsidize a portion of retiree health insurance. This arrangement is pursuant to a written legal settlement agreement that requires the City to pay a percentage of the cost of health care for eligible retirees and dependents through June 30, 2013 when the agreement expires.⁵⁴ State statutes also authorize the four City of Chicago pension funds to subsidize the participant portion of retiree health insurance premiums for those annuitants participating in the City's retiree health insurance program until June 30, 2013. In FY2009 the City's contribution was roughly 54% of the premium cost, with the remainder to be paid by the annuitant. The Fire, Police, Municipal and Laborers' pension funds each contributed roughly 33% of the annuitant

⁵³ Government Finance Officers Association, "Best Practice: Governance of Public Employee Post-Retirement Benefits Systems (2010)." http://www.gfoa.org/downloads/GFOA_governanceretirementbenefitssystemsBP.pdf (last visited on February 9, 2011). See also Civic Federation, "Recommendations to Reform Public Pension Boards of Trustees in Illinois," February 16, 2006. <http://www.civicfed.org/civic-federation/publications/recommendations-reform-public-pension-boards-trustees-illinois> (last visited on February 9, 2011).

⁵⁴ City of Chicago FY2009 Comprehensive Annual Report, p. 84.

contribution, effectively subsidizing 13% of the total premium cost.⁵⁵ The pension funds provide \$95 per month for non-Medicare eligible annuitants and \$65 per month for Medicare eligible annuitants.⁵⁶

The City of Chicago’s financial statements reported an FY2009 unfunded other post employment benefits (OPEB)⁵⁷ liability of \$478.6 million for the portion subsidized by the pension funds and a FY2009 unfunded OPEB liability of \$787.4 billion for the portion subsidized by the City.⁵⁸ Similar to most local governments in Illinois, the City does not pre-fund OPEB so there are no assets to offset the actuarial accrued liability and the funded ratio is 0%. The total combined unfunded OPEB liability for the City portion and the pension fund portion is nearly \$1.3 billion.

City of Chicago OPEB Unfunded Liabilities: FY2009 (in \$ thousands)					
	Municipal	Laborers'	Police	Fire	Total
Unfunded Actuarial Accrued Liability--Pension Funds	\$ 224,173	\$ 41,738	\$164,800	\$ 47,933	\$ 478,644
Unfunded Actuarial Accrued Liability--City					\$ 787,395
TOTAL					\$ 1,266,039

Source: Chicago FY2009 CAFR, pp. 84, 86.

Civic Federation Concerns

The Civic Federation has the following concerns about the City’s other post-employment benefits:

1. The City will soon need to engage in negotiations regarding provision of retiree health insurance after the current agreement expires. In FY2009 the City’s unfunded OPEB liability was nearly \$1.3 billion including the portion subsidized by the pension funds.

The Civic Federation is concerned that if the City does not act now to contain its future obligations for retiree health care costs it could face rapidly increasing obligations due to escalating medical inflation. It is critical for the City to carefully consider the level at which taxpayers should subsidize health insurance for retired City workers.

2. The Civic Federation is also concerned by current collective bargaining agreements that provide free health care coverage to some retired employees aged 55 to 65 and their dependents. For example, the City’s current labor contracts with the Chicago Fire Fighters Union, Local No. 2 and the Fraternal Order of Police Chicago Lodge No. 7 require the City to pay the full cost of health care coverage for employees who retire after age 55 and their eligible dependents; widows and children of employees killed in the line

⁵⁵ Cost allocation estimates provided to the Civic Federation by Sulan Tong, City of Chicago Department of Finance, May 19, 2011.

⁵⁶ Municipal Employees’ Annuity and Benefit Fund of Chicago, *Actuarial Valuation Report as of December 31, 2009*, p. 63.

⁵⁷ Other post employment benefits (OPEB) is the term used by the Governmental Accounting Standards Board to describe retirement benefits other than pensions – primarily health insurance.

⁵⁸ City of Chicago, FY2009 Comprehensive Annual Financial Report, pp. 84, 86. The FY2009 financial statements state that January 1, 2009 was the most recent actuarial valuation date for the portion of OPEB subsidized by the City. The City does not report a combined total liability for both the pension fund and the City OPEB subsidies, nor does it break out its liabilities by pension fund.

of duty; former employees on pension disability (both duty and occupational) and their eligible dependents; and widows and children of deceased employees who were formerly on pension disability. Health care coverage that is fully subsidized by the City of Chicago continues for these persons until they reach the age of full Medicare eligibility or cease to be a dependent as defined in the plan.⁵⁹

Civic Federation Recommendation

The Civic Federation makes the following recommendation:

7. Create an Independent Retiree Health Care Trust Fund

The Civic Federation recommends that Mayor Emanuel and the City Council carefully consider creating an independent trust fund to provide retiree health care benefits.

The model adopted by the Chicago Transit Authority provides an example of the costs and benefits of an independent retiree health care trust. Public Act 95-0708 created a separate Retiree Health Care Trust for the provision of CTA retiree health insurance. The CTA seeded the Trust with approximately \$529 million in bond proceeds on which it is scheduled to pay debt service through the year 2040. However, neither the CTA nor the CTA pension fund has any further financial obligations regarding retiree health insurance beyond the debt service.⁶⁰ Public Act 95-708 requires employees to contribute 3% of pay to the CTA Retiree Health Care Trust and that amount will increase to 6% in 2012.⁶¹ Retiree, survivor and dependent contributions to their health care benefits cannot exceed 45% of the total benefit cost.⁶² The fiscal health of the fund is monitored by the State Auditor General. If the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors is found to exceed the actuarial present value of projected contributions, trust income and reserves, the Trust's Board of Trustees must submit to the Auditor General a plan to rectify the situation within ten years by increasing participant contributions, reducing benefits or making other plan changes.⁶³

The Civic Federation urges Mayor and City Council to consider a similar solution for the City to divest itself of financial responsibility for retiree health insurance. State legislation would be required to create such a trust.

⁵⁹ *Labor Contract between the Chicago Fire Fighters Union, Local No. 2 and the City of Chicago, Illinois*, July 1, 2007 through June 30, 2012, pp. 55, 112.
http://www.cityofchicago.org/content/dam/city/depts/dol/Collective%20Bargaining%20Agreements/CFFULocal2_07_012.pdf (last visited April 22, 2011). *Agreement between the City of Chicago Department of Police and the Fraternal Order of Police Chicago Lodge No. 7*, July 1, 2007 through June 30, 2012, pp. 46, 120.
http://www.cityofchicago.org/content/dam/city/depts/dol/Collective%20Bargaining%20Agreements/FOP_2007_2012_FINALT.pdf (last visited April 22, 2011). The agreements place some restrictions on free coverage for persons retiring between the ages of 55 and 60.

⁶⁰ See the Civic Federation's annual Status of Local Pension Funding reports for more information on the CTA pension reform and Retiree Health Care Trust legislation.

⁶¹ Chicago Transit Authority, *Financial Statements and Supplementary Information December 31, 2009 and 2008*, p. 14 and Chicago Transit Authority Retiree Health Care Trust, *Funding Results as of January 1, 2010*, p. 13.

⁶² Chicago Transit Authority, *Financial Statements and Supplementary Information December 31, 2009 and 2008*, p. 14 and 40 ILCS 5/22-101B.

⁶³ 40 ILCS 5/22-101B.

If a separate retiree health care trust is not created, the City should require much greater cost sharing by retirees and end practices such as granting free coverage to some retirees aged 55 to 65.

- Action(s) Needed: State Legislation
- Responsible Official(s): General Assembly, Governor
- Time Frame for Implementation: 2012
- Financial Impact: High

POLICE DEPARTMENT

The purpose of the Chicago Police Department is to protect the lives and property of the citizens of Chicago and to enforce the City's laws. The Police Department is divided into five Areas and a Central Control Group, each of which contains two to five districts. Each district is subdivided into sectors which are further subdivided into beats. As a whole, the City contains 281 beats, 75 sectors and 25 districts.⁶⁴ The Department has a police station for each district plus the department's headquarters.

For FY2011 the City of Chicago appropriated \$1.4 billion for the Police Department including the Chicago Alternative Policing Strategy (CAPS) program. This amount does not include employee pensions, fringe benefits or other indirect costs that are paid through the Finance General appropriation for each fund. Approximately 91.8% of the FY2011 appropriation is from the Corporate Fund. The Chicago Midway Airport and Chicago O'Hare Airport Funds contributed \$5.1 million and \$14.3 million respectively. Another \$95.7 million or 6.8% is anticipated from grant funding.

City of Chicago Police Department by Fund FY2011 Appropriation		
Fund	Appropriation	% of Total
Corporate Fund		
Police Department	\$ 1,291,949,503	91.5%
CAPS Implementation Office	\$ 4,771,924	0.3%
Sub-total Corporate Fund	\$ 1,296,721,427	91.8%
Chicago Midway Airport Fund	\$ 5,061,055	0.4%
Chicago O'Hare Airport Fund	\$ 14,333,230	1.0%
Other Grant Fund*	\$ 95,696,000	6.8%
Total	\$ 1,411,811,712	100.0%

*Includes 2011 anticipated grant funds and 2010 carryover.

Source: City of Chicago, FY2011 Appropriations Ordinance, pp. 5-10 and 460.

⁶⁴ City of Chicago, FY2011 Budget, Program and Budget Summary, p. 147.

The FY2011 Corporate Fund appropriation for the Police Department was nearly \$1.3 billion, or 39.7% of total Corporate Fund expenditures. The appropriation does not include payments for some personnel-related benefits such as pensions and healthcare costs. Those costs are included in the Finance General appropriation, which was nearly \$642.3 million or 19.7% of Corporate Fund expenditures for all departments.

City of Chicago Corporate Fund FY2011 Appropriation		
Department	Appropriation	% of Total
Police Department	\$ 1,296,721,427	39.7%
Fire Department	\$ 483,423,494	14.8%
Streets and Sanitation	\$ 184,217,532	5.6%
General Services	\$ 90,504,049	2.8%
Office of Emergency Management and Communications	\$ 89,308,309	2.7%
Finance General	\$ 642,321,440	19.7%
Other	\$ 477,176,749	14.6%
Total	\$ 3,263,673,000	100.0%

Source: City of Chicago, FY2011 Appropriations Ordinance, pp. 5-10.

The head of the department is the superintendent of police who is appointed by the mayor. Two assistant superintendents report directly to the superintendent; one oversees the bureaus within the department's operations and the other oversees the administration bureaus. Each bureau is commanded by a deputy superintendent who oversees a number of units that carry out operational, training, investigative and administrative tasks.⁶⁵ To illustrate, within the Bureau of Patrol the Deputy Superintendent oversees two Chiefs of Patrol and reports to the Assistant Superintendent of Operations; each chief oversees deputy chiefs for the five areas, as well as the Special Functions Group and Central Control Group. The deputy chiefs oversee 27 commanders who head each of the 25 districts and special units.⁶⁶

⁶⁵ City of Chicago, Chicago Police Department, 2009 Annual Report, p. 60.

⁶⁶ See the Organizational Chart available at the Chicago Police Department's website at www.chicagopolice.org (last visited May 31, 2011) and Appendix C for a comparison between the City of Chicago and other major U.S. cities.

For FY2009 the department employed 14,973 members, including 13,136 sworn police officers.⁶⁷ The Police Department's FY2011 budgeted staff including the CAPS program is 15,719 full-time equivalent positions. Of those FTEs, 72.2% are patrol officers responsible for general field operations including the protection of life and property and the apprehension of criminals. Officers employed in follow-up investigations, who represent 21.5% of the workforce, coordinate and direct specially trained personnel in completing investigations.⁶⁸

City of Chicago FY2011 Budgeted Full-Time Equivalent Positions*		
By Function (Proposed Budget)	Positions	% of Total
Police Department		
Administration	501	3.2%
Directed Patrol	11,343	72.2%
Follow-up Investigations	3,372	21.5%
Professional Standards	357	2.3%
Patrol Services	82	0.5%
Police Operations	4	0.0%
Sub-total Police Department	15,659	99.6%
CAPS Implementation Office	60	0.4%
Total	15,719	100.0%

*Figures are from the FY2011 Program and Budget Summary and not the final appropriation ordinance because the ordinance does not group total positions by function.

Source: City of Chicago, FY2011 Budget, Program and Budget Summary, pp. 150-151 and 156.

Staffing rules and procedures are defined in the collective bargaining agreements with the Fraternal Order of Police Chicago Lodge No. 7 and the Policemen's Benevolent & Protective Association of Illinois, Unit 156-Sergeants and Unit 156-Lieutenants, which are effective through June 30, 2012. For example, a salary schedule for July 1, 2007 through January 1, 2012 for all police officers guarantees an increase in basic salaries by between one and three percent each of those years.⁶⁹

⁶⁷ City of Chicago, Chicago Police Department, 2009 Annual Report, p. 60.

⁶⁸ City of Chicago, FY2011 Budget, Program and Budget Summary, pp. 150-151 and 156. Figures are from Mayor Daley's FY2011 Program and Budget Summary and not the final appropriation ordinance because the ordinance does not group total positions by function.

⁶⁹ Labor Contract between Fraternal Order of Police Chicago Local No. 7 and the City of Chicago, July 1, 2007 through June 30, 2012, p. 47.

The Police Department's largest expenses are related to personnel services. The FY2011 appropriation across all local funds for personnel services is \$1.3 billion, which includes wages and salaries but does not include pension or benefit costs that are paid through the Finance General appropriation. Personnel services represent 96.1% of the department's costs in FY2011. Specific Items and Contingencies are the second largest expense at \$38.3 million or 2.9%. These costs include payments for judgments, outside legal expenses, medical expenses and physical exams.⁷⁰

City of Chicago Police Department All Local Funds by Object FY2011 Appropriation		
Object	Department of Police*	% of Total
Personnel Services	\$ 1,265,015,641	96.1%
Specific Items and Contingencies**	\$ 38,298,337	2.9%
Contractual Services	\$ 8,352,796	0.6%
Commodities	\$ 4,368,858	0.3%
Equipment	\$ 53,577	0.0%
Travel	\$ 26,503	0.0%
Total	\$ 1,316,115,712	100.0%

*Includes Chicago Alternative Policing Strategy (CAPS) program.

**Appropriations for the payment of tort and non-tort judgments, outside counsel expenses and expert costs, as approved by the Corporation Counsel; for cost and administration of hospital and medical expenses for employees injured on duty who are not covered under Workers Compensation Act; and for physical exams.

Source: City of Chicago, FY2011 Appropriations Ordinance, pp. 5-10.

The Chicago Department of Fleet Management (DFM) currently maintains 3,615 pieces of equipment for the Police Department, including 323 ethanol-85 fuel compliant Chevrolet Tahoes for patrol and 57 hybrid Ford Fusions for the Detective and Internal Affairs Divisions.⁷¹

In May 2011, Mayor Emanuel announced that he would shift 400 police officers from specialized units to high-crime districts and 100 officers would be shifted from specialized units to areas based on crime statistics.⁷²

Civic Federation Concerns

The Civic Federation has the following concerns regarding the Chicago Police Department:

1. With approximately 96.1% of the Chicago Police Department's local funds allocated to personnel services, it is imperative to maximize the efficiency of its workforce in order to control costs. Patrol services make up more than seventy percent of the department's workforce and therefore need to be examined to identify potential cost savings.

⁷⁰ City of Chicago, FY2011 Appropriations Ordinance, p. 146.

⁷¹ City of Chicago, 2011 Mayoral Transition Report (produced by Mayor Richard M. Daley), May 6, 2011, pp. 49, 90.

⁷² Fran Spielman, "Mayor Rahm Emanuel shifts 500 police officers, but union isn't impressed," *Chicago Sun-Times*, May 25, 2011.

Despite significant changes in the City's population and demographics, the department last made major alterations to its beat maps and staffing in 1978 when beats were drawn smaller in higher-crime areas to reflect crime trends. Since then, police officials have repeatedly tried to redraw the beat map with no success.⁷³ Former Police Superintendent Jody Weis created a plan to deploy existing officers more effectively by shifting 300 patrol officers from 11 districts to the remaining 14 districts based on a study of 911 calls.⁷⁴ He left the Police Department before implementing the plan. In May Mayor Emanuel announced that he would shift 500 police officers from the Mobile Strike Force and Targeted Response Unit to beat patrol; however, those officers are generally already deployed in high-crime areas. Additional experienced officers would be shifted from desk jobs to street duties.⁷⁵

The Civic Federation is also concerned with the high level of absenteeism within the Police Department. In January 2011, mayoral candidate Rahm Emanuel noted that on any given day approximately 1,000 officers are on medical leave or limited duty because of health issues.⁷⁶ According to a study issued during former Superintendent Weis' term, for every policeman on the street, two officers are on furlough, sick leave or otherwise unavailable for duty.⁷⁷ If disability income benefits are being misused, this level of absenteeism may contribute to a significant amount of waste for the City. Disability income permits any officer to receive full pay and benefits while absent from work due to an injury that occurred while not on duty for 365 days per two years.⁷⁸ In addition, the Police Department's medical policy authorizes the department's own Medical Services Section (MSS) to determine a sworn member's fitness for duty. MSS also has the authority to recommend leaves of absence to apply for disability pension benefits. The policy further authorizes the City Council's Committee on Finance to approve or disapprove payments of medical bills.⁷⁹

The Civic Federation is concerned about additional provisions within the collective bargaining agreements that may inhibit the City's ability to maximize workforce efficiency. According to the collective bargaining agreements for sergeants and lieutenants, both ranks are entitled to a number of supervisory benefits that should be examined to identify cost savings. In addition to their salaries, sergeants and lieutenants

⁷³ Mick Dumke, "Thought of Shifting Police Officers Reopens Debate," *Chicago News Cooperative*, November 13, 2010.

⁷⁴ Frank Main, "Jody Weis: My unused police plan showed city had enough officers," *Chicago Sun-Times*, June 13, 2011.

⁷⁵ John Byrne, Hal Dardick and Jeremy Gorner, "Mayor Emanuel beefs up beat patrols," *Chicago Tribune*, May 25, 2011.

⁷⁶ John Chase and Kristen Mack, "Rahm Emanuel's police plan OKs more cops but doesn't redistribute forces," *Chicago Tribune*, January 09, 2011.

⁷⁷ Frank Main, "Jody Weis: My unused police plan showed city had enough officers," *Chicago Sun-Times*, June 13, 2011.

⁷⁸ Labor Contract between Fraternal Order of Police Chicago Local No. 7 and the City of Chicago, July 1, 2007 through June 30, 2012, p. 27; Labor Contract between Policemen's Benevolent & Protective Association of Illinois, Unit 156-Lieutenants and the City of Chicago, July 1, 2007 through June 30, 2012, pp. 25 and 26; Labor Contract between Policemen's Benevolent & Protective Association of Illinois, Unit 156-Sergeants and the City of Chicago, July 1, 2007 through June 30, 2012, p. 30.

⁷⁹ See Chicago Police Department Medical Policy at <http://directives.chicagopolice.org/directives/data/a7a56e3d-12887ea9-ce512-887e-c25eccec5212097d.html> (last visited June 2, 2011).

receive rank credit of 45 minutes per day of compensatory time, provided the Sergeant or Lieutenant works at least four hours that day. The ranked officers also receive quarterly differentials in addition to their salary, which increase at the same percentage increase as their base salary and can range from annual payments of \$3,072.86 to \$7,778.41.⁸⁰ The Office of Inspector General estimated that by eliminating the quarterly payments, the City would save \$9.6 million in 2011 and \$9.7 million in 2012.⁸¹

2. The Chicago Police Department has more layers of management at the top of the department than police departments of other major cities in the United States. The Chicago Police Department has two additional layers of management compared to the Los Angeles and Houston Police Departments and one more layer than the New York Police Department.⁸² Chicago's seven deputy chiefs of patrol, who oversee the City's districts and special patrol groups, have four layers of management above them: Chief of Patrol Group, Deputy Superintendent of the Bureau of Patrol, Assistant Superintendent of Operations and Superintendent of Police.⁸³
3. The City's public safety departments have a number of overlapping non-emergency services conducted by sworn officers. In the past, the City has consolidated such services for re-deployment of officers to street duty and increased efficiencies between departments. For example, the City consolidated the Police Department's Information Services Division with the information technology staff of the Fire Department and the Office of Emergency Management and Communications (OEMC) in order to transfer the officers to street duty and improve public safety information technology efficiency.⁸⁴
4. The safety of Chicago's citizens extends beyond the City's Police and Fire Departments and OEMC. Public safety is a core function of Cook County through the Sheriff's Department, the Chief Judge and Circuit Courts with a number of services overlapping or impacting those of the City. Mayor Emanuel has proposed coordinating public safety strategies with the Police Department, Fire Department and OEMC, as well as collaboration with Cook County and non-governmental organizations.⁸⁵
5. With rising gas prices and the need to reduce costs, police departments across the country are increasingly adding more fuel-efficient cars to their fleets.⁸⁶ Although the City has made efforts to add ethanol-85 compliant and hybrid vehicles to their fleet, Mayor Richard M. Daley's administration had signed a three-year \$59.2 million contract in 2008 that would convert most of the Chicago Police Department's patrol fleet to Chevrolet

⁸⁰ Labor Contract between Policemen's Benevolent & Protective Association of Illinois, Unit 156-Lieutenants and the City of Chicago, July 1, 2007 through June 30, 2012, pp. 31, 39 and 70; Labor Contract between Policemen's Benevolent & Protective Association of Illinois, Unit 156-Sergeants and the City of Chicago, July 1, 2007 through June 30, 2012, pp. 36, 48 and 81.

⁸¹ City of Chicago, Office of Inspector General, *Budget Options for the City of Chicago*, October 2010, p. 10.

⁸² See Appendix F.

⁸³ See the Organizational Chart available at the Chicago Police Department's website at www.chicagopolice.org (last visited May 31, 2011).

⁸⁴ City of Chicago, "Chicago Budget Director Eugene L. Munin's Formal Response to Inspector General's Budget Options Report," news release, November 30, 2010.

⁸⁵ Chicago 2011 Transition Plan produced by Rahm Emanuel, May 10, 2011, p. 26.

⁸⁶ "Cops replace gas-guzzlers with greener cruisers," *Associated Press*, January 21, 2009.

Tahoe sports utility vehicles (SUV).⁸⁷ Superintendent Jody Weis argued that the fleet needed to be updated and the SUVs would be better equipped to handle the winter than the previous fleet of Ford Crown Victorias, which often got stuck in snow due to their rear-wheel drive. However, the recently acquired Chevrolet Tahoes are also rear-wheel drive vehicles. The fuel-efficiency of both the Chevrolet Tahoe and the Ford Crown Victoria is approximately 11 miles per gallon.⁸⁸

Civic Federation Recommendation

The Civic Federation makes the following recommendation regarding the City of Chicago's Police Department:

8. Conduct an Evaluation of the Police Department for Potential Cost Savings

The Civic Federation recommends that the City conduct a thorough evaluation of the Police Department with the primary goal of reducing personnel costs. The evaluation should consider the following items, among others:

- Redrawing maps of police districts and strategizing beat staffing using relevant data from the 2010 United States Census and current public safety metrics including the number and types of emergency calls, radio assignment pending reports, and arrests per district;
- Elimination of unnecessary layers in management;
- Elimination of supervisory benefits including rank credit and quarterly differentials;
- Ways to reduce chronic absenteeism including renegotiating disability income benefits and creating an independent Medical Services Section unit;
- Additional positions or functions that can be civilianized and/or consolidated with the Fire Department and Office of Emergency Management and Communications such as records management;
- Intergovernmental coordination between the City's Police Department and Cook County's Sheriff's Department, Chief Judge and Circuit Court for reform of the criminal justice system that would lead to consolidation and rationalization of services; and
- Increased use of fuel-efficient vehicles for patrol and other departmental services.

This evaluation should be initiated as soon as possible in order to identify areas for immediate savings and to prepare for the next collective bargaining agreements to be negotiated when the current agreements expires on June 30, 2012. The recommendation's financial impact is an estimate of cost savings that can only be achieved through actions implemented from the evaluation of the Police Department.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2012
- Financial Impact: High

⁸⁷ Fran Spielman, "Law & Order, SUV: Police to get up to 2,000 Tahoes" *Chicago Sun-Times*, December 2, 2008.

⁸⁸ Angela Rozas, "Chicago Police Supt. Jody Weis pushes upgrading cops' equipment," *Chicago Tribune*, March 27, 2008.

FIRE DEPARTMENT

The City of Chicago budget documents state that the Chicago Fire Department has four primary functions: extinguish fires and rescue persons trapped by fires; treat and transport injured persons; educate the public on fire and disaster prevention; and enforce the municipal fire code in residences and businesses.⁸⁹ The department operates 96 firehouses with 96 engine companies, 61 truck companies, 60 advanced life support ambulances, 15 basic life support ambulances and other units including command vans, hazardous materials units, helicopters and a fire boat.⁹⁰

In recent decades, the number of structure fires and fire-related deaths has declined significantly while the number of EMS calls has increased. The decline in fires reflects a national trend and is related to a number of factors including more widespread use of sprinkler systems, improved inspection and construction methods, smoke detectors and fire alarms.⁹¹

For FY2011 the City of Chicago appropriated \$526.5 million for the Fire Department. This amount does not include employee pensions, fringe benefits or other indirect costs that are paid through the Finance General appropriation for each fund. Over 90% of Fire Department appropriations are from the Corporate Fund. Smaller amounts are appropriated from the O'Hare and Midway Airport Funds to support Fire Department operations at the airports. The Fire Department anticipates having \$17.4 million in grant funding available in FY2011, the majority of which is carried over from previous years. FY2010 grants included \$4.8 million in federal stimulus funding for firehouse construction that has not yet been expended.⁹²

City of Chicago Fire Department	
	FY2011 Appropriation*
Corporate Fund	\$ 483,423,494
O'Hare Airport Fund	\$ 19,245,132
Midway Airport Fund	\$ 6,436,837
Grant Funds	\$ 17,381,000
Total	\$ 526,486,463

*Does not include employee pensions, fringe benefits or indirect costs.

Source: City of Chicago, FY2011 Appropriations Ordinance, pp. 185, 393, 424, 461.

⁸⁹ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 161; City of Chicago, FY2011 Appropriations Ordinance, p. 185; <http://www.cityofchicago.org/city/en/depts/cfd.html> (last visited on May 20, 2011).

⁹⁰ City of Chicago, FY2011 Budget, Program and Budget Summary, p. 164 and <http://www.cityofchicago.org/city/en/depts/cfd/provdrs/ops.html> (last visited on May 23, 2011).

⁹¹ City of Chicago, FY2011 Program and Budget Summary, pp. 161-163; <http://www.cityofchicago.org/city/en/depts/cfd.html> (last visited on May 20, 2011); Dan Mihalopoulos and Michael Lipkin, "In Tough Times, Fire Department Untouched," *Chicago News Cooperative*, May 13, 2011.

⁹² City of Chicago, FY2011 Appropriations Ordinance, p. 461.

The City of Chicago Program and Budget Summary presents the department’s budgeted positions in five program areas: fire suppression and rescue operations, emergency medical services (EMS), administration, fire prevention and support services.⁹³ The fire suppression and rescue operations program includes 4,223 positions, or 81.5% of budgeted positions. EMS is the next largest category with 12.8% of positions. Some EMS employees are cross-trained as firefighters.⁹⁴

City of Chicago Fire Department FY2011 Budgeted Full-Time Equivalent Positions*		
By Function (Proposed Budget)	Positions	% of Total
Fire Suppression and Rescue Operations	4,223	81.5%
Emergency Medical Services	665	12.8%
Administration	126	2.4%
Fire Prevention	115	2.2%
Support Services	51	1.0%
Total	5,180	100.0%

*Figures are from the Mayor’s FY2011 Program and Budget Summary and not the final appropriation ordinance because the ordinance does not group total positions by function.

Note: Percents do not sum due to rounding.

Source: City of Chicago, FY2011 Program and Budget Summary, p. 164.

The majority of staffing rules are set in the collective bargaining agreement with Chicago Fire Fighters Union Local No. 2, which expires on June 30, 2012.⁹⁵ For example, the agreement specifies the minimum number of employees on each apparatus (e.g., five employees on all trucks, engines and squad companies), the minimum number of companies and the number of “variances” or days on which the minimum staffing levels may not be met.

The City of Chicago will be required to pay approximately \$30 million in damages to 6,000 individuals as a result of a Seventh U.S. Circuit Court of Appeals ruling on *Lewis v. City of Chicago* that a 1995 Chicago firefighter examination unlawfully discriminated against minority candidates.⁹⁶

Civic Federation Concerns

The Civic Federation is concerned that despite an enormous budget gap and structural deficit, the City of Chicago has not announced plans to reduce fire department expenditures. This is particularly noteworthy as other large cities have announced fire department reductions in the face of budget shortfalls. Los Angeles Mayor Antonio Villaraigosa proposed reallocating fire department resources and eliminating 318 firefighter positions (roughly 0.9% of total firefighter

⁹³ The budget book describes four major functions of the fire department but presents personnel in five program areas that do not directly correspond to the four functions.

⁹⁴ Labor Contract between Chicago Fire Fighters Union Local No. 2 and the City of Chicago, July 1 2007 through June 30, 2012, p. 68.

⁹⁵ Labor Contract between Chicago Fire Fighters Union Local No. 2 and the City of Chicago, July 1 2007 through June 30, 2012. Some civilian employees of the fire department are represented by other unions. See City of Chicago, 2011 Mayoral Transition Report (produced by Mayor Richard M. Daley), May 6, 2011, p. 156.

⁹⁶ Fran Spielman, “City must hire 111 bypassed black firefighter candidates, court rules,” *Chicago Sun-Times*, May 13, 2011.

positions) to save \$190 million over three years.⁹⁷ New York City Mayor Michael Bloomberg proposed closing 20 fire companies in order to save \$40.9 million in FY2012.⁹⁸ Philadelphia and San Jose have made major cuts to their fire departments in recent years,⁹⁹ and many smaller cities are also reevaluating the demand and deployment of fire suppression and EMS personnel.¹⁰⁰

During a time of extraordinary fiscal stress, every city department—including public safety departments—should be reducing costs and performing more efficiently. Fire Department appropriations in the Corporate Fund represent 14.8% of total Corporate Fund appropriations and must be part of the gap-closing measures the City is undertaking.

It is clear that staffing changes will be at the core of cost reductions to be made at the Fire Department. Nearly \$465.4 million or 96.3% of the Fire Department FY2011 Corporate Fund appropriation is for personnel services including salaries, overtime, holiday pay, duty availability, specialty pay, compensatory time payment and furlough/supervisors compensation time buy-back.¹⁰¹ These personnel costs do not include additional fringe benefits, disability and pension costs that are appropriated in the Finance General category. It will be difficult to make significant reductions to Fire Department expenditures without addressing personnel costs, including those in Finance General.

The most recent publicly-available comprehensive review of the Chicago Fire Department was prepared by TriData Corporation and published in June 1999.¹⁰² Although the review did not examine the number or location of fire stations in the City, it did make recommendations on nearly every other aspect of department operations. Personnel-related recommendations included:

- Reduce levels of senior management and train lower level managers to be more effective supervisors;
- Reduce costs by civilianizing more positions such as messengers, parts and vehicle deliverers and air mask maintenance workers;
- Shift more resources from fire suppression to fire prevention and education;

⁹⁷ Frank Stoltze, “Los Angeles Fire Department faces permanent cuts in service,” *Southern California Public Radio*, May 11, 2011. The Los Angeles City Council subsequently approved the plan to redeploy resources and take roughly one-fourth of trucks and ambulances out of service but opted to reduce personnel costs by keeping open positions vacant rather than through layoffs. This is expected to save \$54 million. Tamara Audi, “L.A. Budget Deal Cuts Police, Fire,” *The Wall Street Journal*, May 20, 2011; KTLA News, “L.A. City Council Votes Against Eliminating Firefighter Jobs,” KTLA.com, May 18, 2011, <http://www.ktla.com/news/landing/ktla-la-city-fire-cuts,0,1446610.story> (last visited on May 20, 2011).

⁹⁸ The companies would be closed through attrition and would reduce the force by 6% or 505 firefighting positions. Some firehouses have more than one company so this reduction would not necessarily result in firehouse closings. New York City Independent Budget Office, *Analysis of the Mayor’s Preliminary Budget for 2012*, March 2011, p. 49; Javier C. Hernandez, “Critics of the Mayor’s Budget Put Forth Their Own Ideas,” *The New York Times*, May 23, 2011.

⁹⁹ Dan Mihalopoulos and Michael Lipkin, “Outside of Chicago, Fire Departments Face Cuts,” *Chicago News Cooperative*, May 13, 2011.

¹⁰⁰ Jonathan Walters, “Firefighters Feel the Squeeze of Shrinking Budgets,” *Governing*, January 2011.

¹⁰¹ City of Chicago, FY2011 Annual Appropriation Ordinance, p. 185.

¹⁰² TriData Corporation, *Comprehensive Review of the Chicago Fire Department*, June 1999, <http://www.cityofchicago.org/content/dam/city/depts/cfd/general/PDFs/TriDataReportJune1999.pdf> (last visited on May 20, 2011).

- Reduce some engine companies from five people to four people or increase the number of permitted variances from the minimum staffing.¹⁰³

The City of Chicago Office of Inspector General estimated that the City could save \$63.1 million in FY2011 if the number of personnel on fire suppression apparatuses were reduced from five to four.¹⁰⁴ It noted that the National Fire Protection Association (NFPA) recommended minimum staffing is four employees per apparatus.¹⁰⁵ In a response to the Inspector General report, the City of Chicago Budget Director noted that the NFPA qualifies this four-person standard by adding that in areas with tactical hazards and other special circumstances a minimum of five or six personnel per apparatus may be needed.¹⁰⁶ The NFPA has subsequently said that it would defer to the local commissioner to apply the standard.¹⁰⁷

There may also be ways to save money by reorganizing staff and apparatus deployment for EMS response. The City of Arlington, Texas has recently begun a pilot program that sends a two-person squad in an SUV to certain medical calls rather than a three- or four-person squad in a fire truck. The City recognized that larger squads and apparatus are not required at all medical calls and using a smaller vehicle reduces expensive maintenance on fire trucks. The program is also intended reduce fuel costs because the diesel fire trucks average 3.6 miles per gallon while the gasoline-powered SUVs average 10 to 12 miles per gallon.¹⁰⁸

¹⁰³ TriData Corporation, *Comprehensive Review of the Chicago Fire Department*, June 1999, <http://www.cityofchicago.org/content/dam/city/depts/cfd/general/PDFs/TriDataReportJune1999.pdf> (last visited on May 20, 2011).

¹⁰⁴ City of Chicago, Office of Inspector General, *Budget Options for the City of Chicago*, October 2010, p. 8.

¹⁰⁵ Lisa Nadile, "Codes and Standards Spotlight: NFPA Journal Interviews Carl Peterson about NFPA 1710," *NFPA Journal*, online exclusive May 2008, http://www.nfpa.org/journalDetail.asp?categoryID=1344&itemID=38833&src=NFPAJournal&rss=codes&cookie_test=1 (last visited on May 20, 2011).

¹⁰⁶ City of Chicago, "Chicago Budget Director Eugene L. Munin's Formal Response to Inspector General's Budget Options Report," November 30 2010, http://www.cityofchicago.org/city/en/depts/obm/provdrs/city_budg/news/2010/oct/statement_by_chicagobudgetdirector_eugenelmuninregardinginspector.html (last visited on May 20, 2011).

¹⁰⁷ Dan Mihalopoulos and Michael Lipkin, "In Tough Times, Fire Department Untouched," *Chicago News Cooperative*, May 13, 2011.

¹⁰⁸ Patrick M. Walker, "In Arlington, medical help sent in an SUV," *Arlington Citizen-Journal*, April 4, 2011.

Civic Federation Recommendation

The Civic Federation makes the following recommendation regarding the City of Chicago's Fire Department:

9. Conduct an Evaluation of the Fire Department Staffing Structure and Deployment

The Civic Federation recommends that the City conduct a thorough evaluation of the Fire Department staffing structure and deployment with the goal of reducing personnel costs. The evaluation should consider the following items, among others:

- Optimal number of personnel per vehicle;
- Appropriate number and type of equipment and personnel dispatched to calls;
- Appropriate response time to different types of calls;
- Appropriate number and location of fire stations;
- Optimal number of cross-trained EMS and firefighters;
- Potential for improved technology to enhance worker safety, efficiency and effectiveness;
- Ways to reduce disability absences, such as use of light duty assignments;
- Additional positions that can be civilianized, including inspection and prevention;
- Additional functions that can be outsourced or eliminated; and
- Whether EMS billing can be improved to maximize revenue collections.

This evaluation should be initiated as soon as possible in order to identify areas for immediate savings and to prepare for the next collective bargaining agreement to be negotiated when the current agreement expires on June 30, 2012. The recommendation's financial impact is an estimate of cost savings that can only be achieved through actions implemented from the evaluation of the Fire Department.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2012
- Financial Impact: High

PROCUREMENT

The procurement process in the City of Chicago involves a number of departments including the Department of Procurement Services (DPS), which is the contracting authority for the procurement of goods and services in the City. In 2010, DPS managed approximately 1,600 contracts and modifications totaling almost \$1.6 billion.¹⁰⁹ DPS works with other departments in the City to determine their needs and requirements, and assists and coordinates procuring and administering the contracts. The Department of Law advises, drafts and negotiates agreements on behalf of all the user departments for transactions involving the acquisition of goods, work or services.¹¹⁰ User departments, along with the Department of Finance (City Comptroller), are responsible for processing invoices for payment. DPS is not responsible for the procurement of

¹⁰⁹ City of Chicago, FY2011 Budget, Program and Budget Summary, p. 53.

¹¹⁰ City of Chicago, FY2011 Budget, Program and Budget Summary, p. 43.

certain contracts including those for legal services, airport concessions and City Council contracts, such as the Parking Meters and Skyway deals.¹¹¹

Mayor Richard Daley's 21st Century Commission report, released in November 2008, identified weaknesses in the City's procurement processes. According to the Commission, a number of factors have contributed to the ineffectiveness of the procurement process: the processes are too long, inconsistent and vary between departments and agencies; they are insufficiently supported by technology; and they are inflexible. In addition, the lack of specialized personnel with training in the most current procurement techniques has led to ineffective application of some processes.¹¹² The Commission's report also noted that the current performance metrics for DPS are ineffective as they do not reflect the reality that contract processing time involves many processes and departments. The performance data available in the budget documents do not provide useful information upon which to base management decisions or improvements.¹¹³

The Commission's report said that the City could capture substantial benefits by addressing the challenges it has in meeting customer needs and by capitalizing on the City's buying power. It presented a seven-step recommendation to streamline the City's outdated and overly complex procurement processes using advanced technology and comprehensive performance metrics.¹¹⁴

In recent years the Office of the Inspector General has released reports on fraud and waste associated with the City's procurement and payment processes. In May 2010, the IGO released an audit of the Direct Voucher process, which is a method used to pay for the goods and services procured by the City without the use of a standard contract. In addition to the payments for unacceptable commodities as regulated by state and local rules, the IGO identified fraudulent billing practices. For example, to pay for a consultant's invoices, the City was charged fees via a third-party vendor who acted as a pass-through invoicing body.¹¹⁵ In April 2011, the IGO released an audit of voucher disbursements by the Office of Emergency Management and Communications (OEMC), revealing significant voucher manipulation due to a lack of coordination with the Department of Finance and the lack of standardized procedures and policies amongst all personnel involved in procurement. Of the sample reviewed during the audit, the Inspector General identified at least \$13 million of commodities purchased by OEMC that did not match the goods and services of the original invoices or that were not related to the contracts from which they were paid.¹¹⁶

In an effort to increase accountability and improve transparency following the May 2010 IGO audit, DPS implemented a system that allows departments to submit requests for payments to the Department of Finance if the proposed purchase fits into a pre-approved category, which includes financial obligations such as debt service and intergovernmental payments, utilities and

¹¹¹ See the City of Chicago's Guide to Procurement Fundamentals at http://www.cityofchicago.org/city/en/depts/dps/supp_info/city_of_chicago_sguidetoprocurementfundamentals.html

¹¹² City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 110.

¹¹³ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 111.

¹¹⁴ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 110.

¹¹⁵ City of Chicago, Office of the Inspector General, *Direct Voucher Audit Report*, May 2010, pp. 20-21.

¹¹⁶ City of Chicago, Office of the Inspector General, *Office of Emergency Management and Communications Disbursements Audit*, April 2011, pp. 3 and 6-9.

legal services.¹¹⁷ If a request does not fit into one of the categories and is not covered by an existing contract, the request must be sent to DPS for review. In addition the new system, according to DPS, allows the City to assess the needs of all of its departments and determine if the intended purchase could be expanded. The Department of Finance also began posting online all bill payments for goods and services procured outside of DPS, thus expanding the amount of procurement data available on the City's website.¹¹⁸

In June, Mayor Emanuel and Cook County President Toni Preckwinkle announced that the Joint Committee on City-County Collaboration had identified a number of cost savings through collaboration, including \$12 to \$24 million by expanding joint purchasing.¹¹⁹

Civic Federation Concerns

The Civic Federation has the following concerns regarding the City's procurement process:

1. Although DPS and the Department of Finance have made some efforts to increase accountability and transparency, the Civic Federation is concerned that the underlying structural issues contributing to inefficiency have not yet been addressed. Excessively complex contracts and slow procurement processes favor incumbent bidders who are familiar with the process while limiting access for new vendors. This reduces competition, leading to higher prices. In some cases, the City's efforts to limit its risk exposure by adding clauses that shift more risk onto vendors may lead to greater net costs for services as bidders raise their prices to compensate for added risk. Moreover, those attempts to limit the City's risks may be ineffective or outdated.
2. The City of Chicago has not yet taken full advantage of the buying power that could be leveraged through collaboration with multiple overlapping governments including Cook County, Chicago Public Schools and City Colleges.
3. The Civic Federation is also concerned that the City has not pursued an earlier initiative to adopt a waste franchising structure that would grant a single qualified waste hauler permission to operate in a given service area of the City. A franchise structure would centralize the procurement of waste hauling services currently done by thousands of private building owners with the City. Currently, the Department of Streets and Sanitation collects waste for residential buildings with four or fewer units, which represent only about 20% of the City's waste. Private haulers hired by building owners collect the 80% of waste generated from all commercial sites and residential sites with more than four units.¹²⁰ This structure of waste removal presents multiple problems including inefficiency in service delivery, unnecessary wear and tear on streets and alleys, resident complaints about excessive noise and alley blockage and the difficulty in

¹¹⁷ City of Chicago, Office of the City Comptroller, "City Updates and Strengthens Bill Payment and Procurement Policies," news release, May 18, 2010.

¹¹⁸ City of Chicago, Office of the City Comptroller, "City Updates and Strengthens Bill Payment and Procurement Policies," news release, May 18, 2010.

¹¹⁹ Cook County, "Cook County President Toni Preckwinkle and Mayor Rahm Emanuel Announce the Results of Joint City-County Committee Report," news release, June 13, 2011.

¹²⁰ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 93.

establishing accountability for alley cleanliness. Waste and recycling vehicles travel approximately 7,246,000 miles annually while a franchising program could reduce miles traveled to 5,893,000 miles annually.¹²¹

Civic Federation Recommendations

The Civic Federation makes the following five recommendations related to procurement:

10. Pursue Strategic Sourcing

The Civic Federation recommends that the City of Chicago use strategic sourcing to better leverage the City's enormous buying power and streamline the fragmented procurement process across all departments and agencies where appropriate. Streamlining procurement can also eliminate redundant layers of internal controls that are costly to maintain. By establishing inter-departmental policies and procedures and adequately training all procurement-related personnel, the City can encourage a culture of accountability and financial responsibility.¹²²

According to the Government Finance Officers Association (GFOA), the City of Milwaukee's purchasing department was able to reduce its staff by nearly two-thirds and cut its budget by more than 55 percent by streamlining their procurement process with the following strategies:¹²³

- Simplifying processes and increasing departments' purchasing authority (with associated auditing by purchasing staff);
- Posting simplified procedure manuals on an intranet for easy access to interdepartmental standards and rules; and
- Using technology to speed up the procurement process.

A recent United States Government Accountability Office (GAO) report highlighted strategic sourcing best practices gleaned from the private sector that could be implemented by the federal government to produce procurement savings.¹²⁴ The report noted that a group of federal agencies was combining their office supply purchasing in order to reduce costs by an estimated 20% or \$200 million over four years. Another agency's initiative to purchase an agency-wide standardized suite of operating systems and office automation products resulted in \$87 million in cost savings over six years.¹²⁵

The Civic Federation has previously recommended that the City work with other major local governments to consolidate purchasing of services such as health insurance, particularly after the City joined with six other local governments for the joint purchase of prescription drugs, saving

¹²¹ City of Chicago, "Exclusive Franchise Limited Impact Evaluation," http://www.cityofchicago.org/content/dam/city/depts/doe/general/UrbanManagementAndBrownfields_PDFs/Briefing%20Summary%20Packet.pdf (last visited on May 10, 2011).

¹²² Government Finance Officers' Association, "Fiscal First Aid" at <http://www.gfoa.org> (last visited on April 29, 2011).

¹²³ Government Finance Officers' Association, "Fiscal First Aid" at <http://www.gfoa.org> (last visited on April 29, 2011).

¹²⁴ U.S. Government Accountability Office. *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP, March 2011, p. 215.

¹²⁵ U.S. Government Accountability Office. *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP, March 2011, p. 216.

approximately \$7.5 million in FY2004.¹²⁶ As part of the streamlining process, the City should look at further procurement collaboration with other local governments including Chicago Public Schools, Chicago Transit Authority, City Colleges and Cook County. The 21st Century Commission noted that significant gains could be realized through unified efforts across the sister agencies in market pricing research, joint training for buyers overall and for special purchasing initiatives such as “green” procurement.¹²⁷

In addition to centralizing the procurement process with DPS, the City should retain and refer to a pre-qualified contractors list such as those used by the Public Building Commission and the Illinois Department of Transportation.

The list should be updated frequently and available to the public on the City’s website. Similarly, the 21st Century Commission recommended that for minority-owned and women-owned business enterprises, the City should accept qualified national certifications whose standards are comparable to those required by the City. This would allow the City to eliminate certain duplicative positions and other costly administrative and processing expenditures.¹²⁸

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: High

Mayor-Elect Emanuel Chicago 2011

Transition Plan: Initiative 8

- “Strategic sourcing and shared services will be developed as extensively as possible with other partners, such as the City’s sister agencies and the County.
- By working with other governments to adopt a common approach to minority- and women-owned business certification, the City can increase opportunities for such businesses.

In 100 days: The City will quantify and commit to procurement savings for the 2012 budget, based on an evaluation of everything it buys and a plan for process improvements and savings. Purchasing will be consolidated within the City

In Year 1: The 2012 budget will reflect a new approach to procurement, with lower costs, better response time, and as a result more opportunities for small businesses. The City will identify a credible and effective standard certification for minority- and women-owned businesses across multiple agencies. The City will also develop joint approaches with the largest sister agencies to take advantage of greatly expanded buying power.”

Page 17

¹²⁶ Information provided by the City of Chicago, Office of Budget and Management, November 28, 2005.

¹²⁷ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 116.

¹²⁸ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 114.

11. Improve Procurement Performance Metrics

According to the 21st Century Commission report, the City could more effectively monitor the procurement process by tracking each key process milestone and participant, including specification development within the user departments. Other major processes currently handled by different departments include developing requests for proposals, solicitation and development of bids and contract negotiation. In order to more effectively manage the complete procurement process, DPS needs to assess the efficiency of various tasks within its own department and those handled by other City departments. The Civic Federation recommends that the City develop and use performance metrics to improve procurement efficiency and identify areas for improvement.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

**Mayor-Elect Emanuel Chicago 2011
Transition Plan: Initiative 8**

- “Attention to performance metrics will force improvements in the quality of contracts and the effectiveness and speed of the contracting and payment processes.”

Page 17

12. Standardize Contracts

The City should standardize contracts to eliminate excessive terms and clauses that have shifted risk toward contractors, impeded competition and raised prices. Extraneous terms and municipal code can make contracts overly long and complicated thereby creating barriers to entry for new bidders. The 21st Century Commission noted that the removal of outdated or redundant contract clauses and a review of municipal procurement ordinances would lead to improvements to the procurement process.¹²⁹

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: High

**Mayor-Elect Emanuel Chicago 2011
Transition Plan: Initiative 8**

- “Streamlining disparate processes will result in common forms, standards, and reporting requirements so that companies—and small businesses in particular—face lower entry barriers to city contracts.”

Page 17

13. Improve Bill Payment Procedures and Incorporate Electronic-Procurement Technology

In 2008 the accounts payable process cost the City an estimated \$12 per transaction. In addition, the process required an average of 37 days to pay an invoice and 90 days for construction bills.¹³⁰

The Civic Federation recommends that the City take advantage of any prompt payment incentives by improving procedures with electronic invoice payment systems. The timely payment of bills is an important financial management practice, creates better relationships between the City and its contracted vendors and can achieve significant cost savings. By carefully timing payments so there are neither late nor early payments, the City can take

¹²⁹ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 111.

¹³⁰ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 112.

advantage of any discounts.¹³¹ In addition, good financial practices can expand the pool of vendors willing to do business with the City.

The 21st Century Commission recommended that the City streamline the procurement process by implementing an electronic-procurement technology suite to support all processes, transforming the largely manual procurement process. An e-procurement suite would allow for electronic bidding and catalogs, signature and routing, data capture, data analysis and inventory applications. Although the technology upgrade would require significant investment and training, the Commission report notes that all City departments would benefit from the long-term return-on-investment.¹³²

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2013
- Financial Impact: Medium

14. Pursue the Previously Proposed Waste Franchising Initiative

The Civic Federation recommends that the City again consider adoption of a waste franchising structure where the City would establish franchise service areas throughout the City and grant a single qualified waste hauler the right to operate in that service area. This would apply to sites currently serviced by private operators while the Department of Streets and Sanitation would initially continue to pick up waste for low-density residences.¹³³ Under previous proposals, the City would collect a fee based on the volume of containers serviced and/or the revenues collected. News reports cited a fee of 5% to 6% on hauling bills and speculated that it could generate more than \$10 million per year for the City.¹³⁴

The City has previously proposed waste franchising and it was also recommended by the 21st Century Commission. When the City of Chicago evaluated franchising in 2008 it found that franchising could provide savings for more than 80% of customers, result in 6% fewer trucks and 19% fewer vehicle miles traveled. The City of Chicago evaluation identified more than 20 municipalities in the Chicago area that have adopted a similar franchising structure including Oak Park, Evanston and Niles.¹³⁵ Larger cities have also implemented franchising systems. For example, Indianapolis has a franchising structure of twelve solid waste districts and Portland has

¹³¹ See Government Finance Officers' Association, "Public Policy Statements- Budgeting, Financial Management and Miscellaneous" at http://www.gfoa.org/index.php?option=com_content&task=view&id=116&Itemid=123 (last visited April 29, 2011).

¹³² City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 112.

¹³³ The City's garbage collection is a good candidate for managed competition as described in the Alternative Service Delivery section on page 54 of this report. If managed competition is pursued this could result in the 20% of waste currently collected by the Department of Streets and Sanitation being transferred to the private operators selected under a franchising structure.

¹³⁴ Greg Hinz, "Daley eyes taking control of commercial trash pickup," *Crain's Chicago Business*, June 26, 2008.

¹³⁵ City of Chicago, "Commercial Waste Collection Franchise Presentation," www.cityofchicago.org/content/dam/city/depts/doe/general/UrbanManagementAndBrownfields_PDFs/Chicago%20Franchising%20Summary%20090908.pdf (last visited on May 10, 2011).

a franchising system for the residential sector, which it has considered expanding to the commercial sector.¹³⁶

The Department of Environment stopped pursuing the idea based on feedback received at a series of meetings with stakeholders as part of the 2008 evaluation.¹³⁷ Some stakeholders have expressed concerns that there would be monopolies and reduced competition in a franchising structure.¹³⁸ While there may have been some negative feedback in 2008, the City's financial condition has since deteriorated further and therefore it should revisit waste franchising. The short-term financial impact to the City from the franchising structure may only be modest, but in the longer-term it will help to slow deterioration of roads and alleys and positively impact quality of life. To prevent monopoly formation, a robust bidding process should be used and the City can place limitations on the number of areas any one hauler could service. The City is evaluating proposals for a similar structure of service provision for recycling only.¹³⁹

- Action(s) Needed: Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Financial Impact: Medium

INFRASTRUCTURE

Within the City's limits are 3,775 miles of streets, 259,699 streetlights and 2,960 traffic signals. There are 4,330 miles of water mains and 4,392 miles of sewer mains.¹⁴⁰ The City's infrastructure is managed and maintained by the City's public works departments which include the Departments of Streets and Sanitation (DSS), Transportation (CDOT) and Water Management (DWM). Funding to maintain and build the infrastructure comes from the City's General Funds and Water and Sewer Funds, as well as capital grants. The Department of Environment, which generally functions as a regulatory agency, is included in the Civic Federation's analysis of the City's infrastructure for the purpose of the recommended reorganization of the City's public works departments.

The FY2011 appropriation for infrastructure services, which includes the Department of Streets and Sanitation and the Department of Transportation, totals nearly \$367.4 million across all local funds. The appropriation for the Department of Water Management is \$252.6 million across all local funds. When grant funding is included, the annual appropriation for the three public works

¹³⁶ City of Indianapolis, "Solid Waste Districts,"

<http://www.indy.gov/eGov/City/DPW/Trash/Pages/SolidWasteDistricts.aspx> (last visited on May 10, 2011); City of Portland, "History of Portland's Solid Waste and Recycling System"

<http://www.portlandonline.com/bps/index.cfm?a=109782&c=41621> (last visited on May 10, 2011).

¹³⁷ City of Chicago, "Commercial Waste Collection Franchises,"

www.cityofchicago.org/city/en/depts/doi/supp_info/commercial_wastecollectionfranchises.html (last visited on May 3, 2011).

¹³⁸ Greg Hinz, "Daley eyes taking control of commercial trash pickup," *Crain's Chicago Business*, June 26, 2008.

¹³⁹ Fran Spielman, "City to privatize recycling; deliver curb-side service to households," *Chicago Sun-Times*, March 31, 2011.

¹⁴⁰ City of Chicago, 2011 Mayoral Transition Report (produced by Mayor Richard M. Daley), May 6, 2011, p. 231.

departments is over \$1.1 billion.¹⁴¹ Together, the three departments employ roughly 5,717 full-time equivalent (FTE) positions including grant-funded positions.¹⁴² The FY2011 appropriation for the Department of Environment is \$52.5 million, the majority of which is grant funding.¹⁴³ Although the departmental appropriations presented in the City's budget books and shown below include wage and salary costs, they do not include personnel-related costs such as payments for pension funds, health insurance and workers' compensation claims which are grouped together in the Finance General Department 99.

City of Chicago FY2011				
(in \$ thousands)				
	Local Funds	Grant Funds*	Total	FTE
	Appropriation			
Department of Streets and Sanitation	\$ 240,870.4	\$ -	\$ 240,870.4	2,576
Department of Transportation	\$ 126,510.7	\$ 511,315.0	\$ 637,825.7	980
Department of Water Management	\$ 252,561.4	\$ 147.0	\$ 252,708.4	2,161
Department of Environment	\$ 3,479.9	\$ 49,007.0	\$ 52,486.9	78
Total	\$ 623,422.3	\$ 560,469.0	\$ 1,183,891.3	5,795

*Includes carry-over from FY2010.

Source: City of Chicago FY2011 Appropriation Ordinance, pp. 13-14 and 463-466; full-time equivalent positions from City of Chicago FY2011 Budget, Program and Budget Summary.

Over \$4.1 billion is allocated to maintain, replace, rebuild and expand the City's infrastructure in the 2010-2014 capital improvement plan (CIP).¹⁴⁴ Although the City's CIP provides a blueprint for future infrastructure projects, the City lacks detailed data on the current state of infrastructure repair. Assessments of the City's infrastructure assets are not publicly available, making it difficult to objectively determine the need, prioritization and efficiency of repairs, replacements and expansion.

For street and alley construction and improvements, projects are administered through the Aldermanic Menu Program, which currently offers each ward \$1.32 million per fiscal year for infrastructure projects. Additionally, the Illinois Department of Transportation (IDOT) and CDOT funds are focused on projects for arterials and main roads. The water main replacement program replaced one percent or 42 miles of pipe in 2007 and plans to increase to 75 miles per year in 2016, as outlined in the CIP. The City also pursues system leak detection and repair by inspecting each water main every four years and the critical main every year.¹⁴⁵ In 2007 1,220

¹⁴¹ Does not include benefits or pension payments. City of Chicago, FY2011 Appropriation Ordinance, pp. 13-14 and 463-466.

¹⁴² Since the total full-time equivalent positions including grant-funded positions is not available in the approved Annual Appropriation Ordinance, the recommended total is used from the City of Chicago FY2011 Budget, Program and Budget Summary, pp. 189, 207-213, 219-225 and 244-249.

¹⁴³ Does not include benefits or pension payments. City of Chicago, FY2011 Appropriation Ordinance, pp. 13 and 463.

¹⁴⁴ \$4.1 billion includes funding Cityspace, Economic Development, Neighborhood Infrastructure, Water, Sewers and Transportation programs. For more information on CIP program funds, see Appendix G. City of Chicago, 2010-2014 Capital Improvement Program, pp. 21-27 and 31-42.

¹⁴⁵ Chicago Metropolitan Agency for Planning, *Northeastern Illinois Regional Water Supply/Demand Plan*, March 2010, pp. 91 and 100.

miles of pipe were inspected resulting in 217 main and tap leaks detected and repaired, conserving an estimated 5.2 million gallons of water per day.¹⁴⁶

Civic Federation Concerns

The Civic Federation has the following concerns with the City's infrastructure departments:

1. The City of Chicago's public works departments, including and DSS, CDOT and DWM, have numerous overlapping functions in infrastructure maintenance, procurement, construction, inspection and compliance services. In infrastructure maintenance, inefficiencies are likely to exist in project implementation. For example, to repair a water main break, a crew may require intervention or participation by DWM, CDOT and/or DSS to carry out the multiple steps to fix the break. Each laborer works within the negotiated jurisdiction of the represented union, since their contracts explicitly limit the traditional duties of that employee to those within the union.¹⁴⁷ This can result in crews comprised of significantly more employees than necessary to complete the project. Fragmentation of duties can also lead crew members to be narrowly task-oriented, fulfilling the requirements of their specific processes without considering the most efficient coordination with other crew members. Overly large crews and the fragmentation of duties may result in inflated timelines, delays and ineffectiveness upon completion. Such inefficiencies have been reported by the Office of the Inspector General, most notably in its reviews of the Bureau of Sanitation and motor truck driver job duties. The Inspector General noted the inefficiencies of limited job duties when sanitation Laborers were observed waiting during work hours for Motor Truck Drivers to arrive with the garbage truck to pick them up and drive them for garbage collection.¹⁴⁸ In CDOT and DWM, motor truck drivers are required to drive their respective vehicles to and from the jobsite only. By their collective bargaining agreements, they are not required to assist in any construction work, which increases the number of people needed on city crews.
2. The current infrastructure management system consists of large departments with similar and overlapping phases of project delivery. While each phase has different purposes and requires different skills, the current management structure neither requires specialization in any particular area nor does it allow for efficient integration and cooperation between departments. Each department head is required to oversee a multitude of functions from labor management and negotiations to planning and inspection services. With similar functions decentralized and overlapping in multiple large departments, inefficiencies are likely to exist in layers of general management and supervision.

¹⁴⁶ Draft Water Conservation Strategic Plan, July 23 2008, developed by the City of Chicago Department of Water Management and CTR. Cited by Chicago Metropolitan Agency for Planning, *Northeastern Illinois Regional Water Supply/Demand Plan*, March 2010, p. 100.

¹⁴⁷ See Section 14.2 Traditional Work of the collective bargaining agreements for the Trades Coalition at http://www.cityofchicago.org/city/en/depts/dol/supp_info/city_of_chicago_collectivebargainingagreements.html.

¹⁴⁸ Office of the Inspector General, *Report of Inspector General's Findings: Waste and Falsification in the Bureau of Sanitation* (Chicago, 2008), p. 11.

3. The current infrastructure management system requires portions of new construction in the City to be performed by each department's crews. DWM installs new water and sewer mains and CDOT resurfaces streets and installs curbs, gutters and sidewalks. Both departments currently contract some of these tasks to private contractors¹⁴⁹ who may be less constricted by collective bargaining requirements than the City's workforce. Performing new construction projects with City crews may require the City to maintain a workforce of substantially more tradesmen than would be needed if the City's crews only performed maintenance projects. The departments need to create additional work for these crews off-season. In addition, the City cannot take advantage of cost savings when private construction costs dip as they have over the last few years.
4. In addition to the cooperation of multiple City departments, major public works projects may involve private sector entities such as gas and electric utilities. Over time complex projects like gas main repairs can change in project scope and schedule, making collaboration with the City difficult. The lack of coordination can prolong the project timeline and cause significant disruption to City residents.
5. Outside entities who own infrastructure within the public right-of-way, such as private utilities or contractors, and sometimes City construction crews may be the cause of poor street quality due to inadequately restored utility cuts. Research shows that excavations degrade and damage pavement no matter how well cuts are repaired, because the impact extends beyond the location of the excavation.¹⁵⁰ Unplanned or uncoordinated work within the right-of-way and general lack of accountability on the part of those who perform utility cuts contribute greatly to rapid degradation of the pavement and road bed. With a lack of adequate planning and right-of-way management, the City will continue to see degraded pavement conditions and increased lifecycle costs of streets.
6. The City provides a variety of inspection services in different departments, including inspections for the environment, public way, elevators and buildings. In 2008, the City employed 14 different inspector types in nine separate departments to conduct both scheduled and surprise inspections.¹⁵¹ According to the 21st Century Commission, the decentralized approach to inspections inhibits efforts to improve the effectiveness of the City's inspections process, introduces unnecessary inefficiencies and causes needless burden on businesses.¹⁵²

¹⁴⁹ See the City of Chicago Department of Procurement Services for job order contracts available at http://www.cityofchicago.org/city/en/depts/dps/supp_info/2011_job_order_contractsjoc.html (last visited June 14, 2011).

¹⁵⁰ City of Santa Ana, *Streets & Technology Conference* (Santa Ana, CA: February 2000), 10, and Tarakji, Ghassan, *The Effect of Utility Cuts on the Service Life of Pavements in San Francisco, Volume I: Study Procedure and Findings* (San Francisco, CA: May 1995), 10, and Wilde, W. James, Grant, Carolyn, and White, George T., *Controlling and Reducing the Frequency of Pavement Utility Cuts* (Houston, TX: 2003), 11. As cited in City of San Diego, Office of the City Auditor, *Street Maintenance: City Needs to Improve Planning, Coordination, and Oversight to Effectively Manage Transportation Assets*, November 2010, p. 2.

¹⁵¹ City of Chicago, 21st Century Commission, *Chicago: For a Thriving 21st Century*, November 6, 2008, p. 79.

¹⁵² City of Chicago, 21st Century Commission, *Chicago: For a Thriving 21st Century*, November 6, 2008, p. 79.

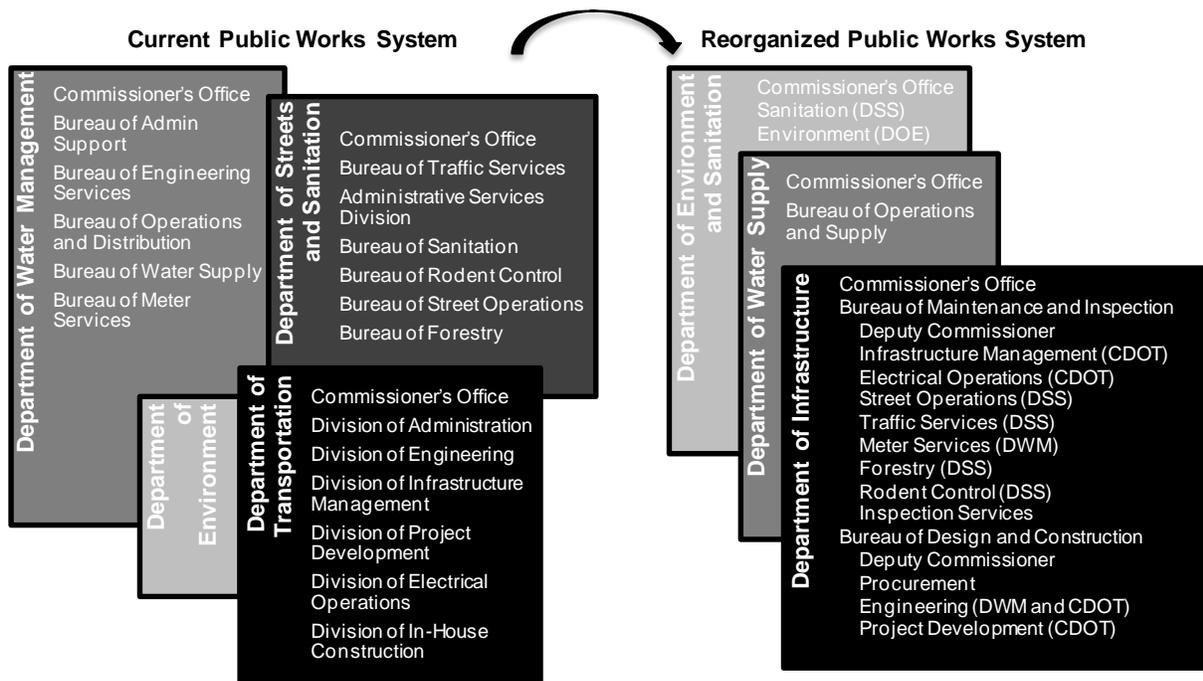
Civic Federation Recommendations

The Civic Federation makes the following recommendations to address the concerns raised above:

15. Reorganize the City's Infrastructure Departments to Increase Efficiency and Reduce Costs

The Civic Federation recommends consolidating and reorganizing the functions of the Department of Water Management, Department of Transportation, Department of Streets and Sanitation and Department of the Environment into three new departments: Department of Water Supply, Department of Infrastructure and Department of Environment and Sanitation. The consolidated departments would allow the City to plan, design, construct, evaluate and maintain new construction projects with “cradle-to-grave” management. Consolidation of multiple service and maintenance bureaus would allow the City to significantly reduce its infrastructure maintenance workforce by cross-training City employees to perform multiple similar job duties and by implementing repair projects more effectively. All new construction would be performed by private contractors.

By combining similar compliance-driven inspection services, employees with various inspection duties from DWM and CDOT would be cross-trained to provide comprehensive services, reducing duplicative positions and expenses.



The Department of Environment and Sanitation would combine the current DOE with DSS's Bureau of Sanitation in an effort to coordinate garbage collection and recycling planning with the regulatory environmental department. The merger would also eliminate redundancies in having two commissioners' offices and administrative groups in departments that have overlapping missions.

The Department of Water Supply would be responsible for the intake, filtration and pumping of water to the City and its customers. The new department would continue to operate and maintain the filtration plants and water intake facilities; however, it would no longer be responsible for new construction outside of the treatment plants and pump stations or for the maintenance of water and sewer lines within the public right-of-way.

The Department of Infrastructure would be divided into two bureaus: Maintenance and Inspection and Design and Construction. The Bureau of Maintenance and Inspection would be responsible for the maintenance of the City's infrastructure including bridges, viaducts, roads, sidewalks, street lighting, planters, traffic signals and water and sewer lines. With the creation of a new department, the City would have the opportunity to cross-train tradesmen, laborers and inspection employees from DWM, CDOT and DSS and reduce the labor force considerably. The reduction in staff could lead to significant cost savings in short- and long-term obligations, including pension obligations, healthcare costs and tort liability claims. With new titles and positions in the Department of Infrastructure, employees may require new representation as cross-trained employees, opening up the opportunity for the City to re-negotiate labor contracts that in the past have limited the scope of traditional work.

The Department of Infrastructure's Bureau of Design and Construction would be responsible for the planning, design and construction of new capital projects in the City. The bureau would focus on holistic project management where a manager would oversee all aspects of a capital project within the public right-of-way: water and sewer lines, traffic signals and signage, drainage, landscaping, pavement and sidewalks, as well as coordination with private companies such as gas and electric utilities. This form of project management would allow for a more coherent hand-off to the Bureau of Maintenance and Inspection, recognizing and highlighting the total cost of infrastructure ownership. The centralized new construction bureau should implement a streamlined procurement process and minimize the use of in-house construction, opening up competition for contractors and reducing costs for the City.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Financial Impact: High

16. Implement a Comprehensive Right-of-Way Management Program

In an effort to minimize the inefficiencies associated with complex public and private collaborations for work within the public right-of-way, the Civic Federation recommends that the City implement a comprehensive right-of-way management program. This program would require right-of-way users to acquire permits, perform work to prescribed standards and warrant their work. Failure to meet right-of-way use standards would result in punitive action. The City should require any entity conducting work in the public right-of-way to fully repair the pavement, curb, sidewalk and/or landscaping rather than filling and/or patching to a minimal degree upon completion of the work. By implementing this program, the City will be able to hold right-of-way users accountable for their performance and for restoring the right-of-way to an acceptable condition, as well as greatly reducing infrastructure degradation.

By effectively managing work within the public right-of-way, users may be encouraged to reduce excavations or pavement cuts on City streets and sidewalks. This will lead to less degradation and shortening of pavement life and it will significantly reduce the number of potholes and other pavement failures that are a substantial maintenance and liability expense. The City may be able to avoid excavations in newly resurfaced streets and better manage resources for general resurfacing.

- Action(s) Needed: Direction of Mayor, Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2013
- Financial Impact: High

17. Centralize Inspection Services

The Civic Federation recommends that the City reform inspection services by cross-training inspectors and consolidating services. With a centralized inspection services department, the City would provide a more accessible interface for businesses without compromising compliance and safety requirements. According to the 21st Century Commission, consolidating inspections by function could significantly streamline the process for businesses by decreasing inspection turnaround times, providing easier scheduling and decreasing the number of inspection visits.¹⁵³ In addition, consolidation could result in scheduling and travel efficiencies and operational efficiencies such as reduced response times, proactive inspections and reduced costs.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2012
- Financial Impact: Medium

**Mayor-Elect Emanuel Chicago 2011
Transition Plan: Initiative 7**

- “Improvements will begin with a comprehensive review of fees, regulations, and inspections that involve business owners and non-profit delegate agencies, as well as the processes they must navigate.
In Year 1: The licensing process will be further streamlined, and the City will take a comprehensive look at inspections.”

Page 15

WATER AND SEWER ENTERPRISE FUNDS

The Department of Water Management (DWM) provides drinking water to the City of Chicago and 125 suburban communities representing approximately 43% of the population of the State of Illinois. The department draws water from Lake Michigan via intake cribs that transport the raw water to the City’s two water treatment plants, where it is treated and distributed through 4,330 miles of water mains via twelve pumping stations. In addition, DWM is responsible for the transport and delivery of wastewater and storm water through 4,392 miles of sewer lines to the Metropolitan Water Reclamation District of Greater Chicago (MWRD).¹⁵⁴

DWM is an enterprise fund with water and sewer rates being the sole source of operating funds. The Water Fund is projected to have \$493.1 million in total available resources in 2011, and the

¹⁵³ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, p. 80.
¹⁵⁴ City of Chicago, 2011 Mayoral Transition Report (produced by Mayor Richard M. Daley), May 6, 2011, p. 231.

Sewer Fund is projected to have \$209.3 million. Of those resources, water fees are projected to generate 89.8% of the Water Fund resources and sewer fees are projected to generate 93.9% of the Sewer Fund resources. DWM also uses \$225 million in capital funds to manage water and sewer infrastructure and rehabilitate facilities.¹⁵⁵

In 2010 DWM completed 5,799 repairs on catch basins. Additionally, in an effort to prevent failures and extend the life of the catch basin, the department lined 16,399 catch basins and set a goal of lining 16,000 catch basins in 2011. DWM's MeterSave Program seeks non-metered single-family and two-flat homeowners to volunteer for water meter installation. DWM has increased the number of meters installed from 439 in 2009, to 3,513 in 2010, with a goal of 7,000 in 2011.¹⁵⁶

Civic Federation Concerns

The Civic Federation has the following concerns regarding the City's water and sewer enterprise funds:

1. Chicago and its suburbs are likely to experience an increase in demand for water from a projected growth in population.¹⁵⁷ This growing demand and indications of possible scarcity are a concern for the Department of Water Management, as the need for upgrading and repairing water infrastructure continues. According to the Chicago Metropolitan Agency for Planning (CMAP), nearly 1,000 installed miles of water main pipelines are at least 100 years old.¹⁵⁸ During the last decade, the City was replacing an average of 42 miles per year. As CMAP notes, the maintenance rate is being outpaced by the infrastructure-aging rate.
2. The Civic Federation is concerned with the lack of accuracy in determining water usage and rates for City residents and commercial users. In Chicago 71% of single-family homes, two-flats and other residential properties are not charged for water by usage. Instead, the City calculates their water bills using a formula based largely on the size of buildings and lots.¹⁵⁹ According to a Chicago Sun-Times investigation, recent rate hikes hit non-metered customers harder because they are already paying more than they need to and cannot lower their bill by reducing usage.¹⁶⁰ Although the MeterSave program has successfully installed over 3,500 meters, the City has not mandated that all homeowners install water meters.

¹⁵⁵ City of Chicago, 2011 Mayoral Transition Report (produced by Mayor Richard M. Daley), May 6, 2011, p. 232.

¹⁵⁶ City of Chicago, 2011 Mayoral Transition Report (produced by Mayor Richard M. Daley), May 6, 2011, pp. 231-232.

¹⁵⁷ Chicago Metropolitan Agency for Planning, *Northeastern Illinois Regional Water Supply/Demand Plan*, March 2010, p. 159.

¹⁵⁸ Chicago Metropolitan Agency for Planning, *Northeastern Illinois Regional Water Supply/Demand Plan*, March 2010, p. 153.

¹⁵⁹ Tim Novak, Chris Fusco and Art Golab, "Chicago's water-billing mess leaves many soaked," *Chicago Sun-Times*, November 19, 2010.

¹⁶⁰ Tim Novak, Chris Fusco and Art Golab, "Chicago's water-billing mess leaves many soaked," *Chicago Sun-Times*, November 19, 2010.

3. Among the City’s customers of water and sewer services are a number of subsidized users including hospitals, universities and senior citizens. The Inspector General estimated that the City could save nearly \$20.5 million by eliminating subsidized water and sewer usage for non-profit organizations and seniors.¹⁶¹

Civic Federation Recommendation

The Civic Federation makes the following recommendation:

18. Develop a Water Management Plan

The City should examine its water management strategy and develop a plan to address the critical demand and infrastructure aging issues it faces. The goal of the water plan should be to accurately determine the full cost of providing water services to the City and its suburbs in order to adequately adjust revenue sources to maintain, improve and expand water infrastructure. Full cost includes capital charges, operation and maintenance costs, right-of-way management costs, depreciation, as well as reserves for economic and environmental externalities. By designing rates to recover the full cost of delivering water service, public utilities will benefit from sufficient revenue to implement infrastructure goals.

The Department of Water Management should focus on universal metering for all users of their water services, including homes, not-for-profit institutions, hospitals and universities. Meters gather data to inform the supplier and user of their water use, to detect water waste and leaks and can pinpoint opportunities to save water. Having solid data to track usage is essential in determining the full cost of service.

Mayor-Elect Emanuel Chicago 2011 Transition Plan: Initiative 26

- “The City will work with MWRD to develop a multi-year plan to reduce sewer overflow and basement flooding and to protect Chicago’s water infrastructure.
- The plan will include water meter installation in homes along with a true cost accounting for the cost of water collection, treatment, delivery and reclamation, so that planning takes into account the upkeep of the systems and protection of Chicago’s water asset.

In 100 days: The City will accelerate the development of the multi-year plan, which will look at water meter installation and overhaul of water mains.”

“In Year 1: The plan will be rolled out. The City will also develop a water pricing plan that can ensure the security, quality, and conservation of the water supply.

First Term: Chicagoans will see decreased basement flooding, fewer beach closures, and fewer wastewater overflows, all of which will help protect Lake Michigan and the Chicago River.”

Page 37

¹⁶¹ City of Chicago, Office of Inspector General, *Budget Options for the City of Chicago*, October 2010, pp. 29-31.

In Boston, implementation of full cost pricing resulted in adequate funding for improved water management programs including metering, leak detection and replacement and relining of water mains. These improvements ultimately resulted in decreased unaccounted for water, allowing for both increased utility revenue and the return of associated cost savings to customers.¹⁶²

The recommendation's financial impact is an estimate of cost savings that can only be achieved when initiatives within the water management plan are implemented.

- Action(s) Needed: Direction of Mayor, Departmental Implementation, Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Financial Impact: High

ALTERNATIVE SERVICE DELIVERY

Alternative service delivery (ASD) refers to any process that shifts some or all of the functions, risks or responsibilities for delivering a service from the primary government to the private sector or another public entity. When the function is transferred to the private sector it is commonly referred to as privatization. Alternative service delivery can take many forms such as an asset sale or lease, contracting out the management of an asset or service, franchising, vouchers and a variety of other structures.¹⁶³ Managed competition, a method of alternative service delivery, allows government employees to competitively bid against private contractors to provide services.

The term Public-Private Partnership or P3 is often used synonymously with alternative service delivery and privatization. Some definitions of P3 distinguish it from other forms of privatization in that the private sector is providing services for an extended period of time¹⁶⁴ while others point to the sharing of the risk and reward potential in the delivery of the service.¹⁶⁵

The City of Chicago's lease transactions involving the Skyway, downtown parking garages and metered parking system are often cited as groundbreaking P3 transactions. However, privatization does not have to involve long-term lease concession agreements as was done in those high profile transactions. It can also mean outsourcing a minor service or function. Since 1990 the City of Chicago has privatized at least 34 different services and programs such as airport parking operations, custodial services and tree planting.¹⁶⁶

¹⁶² Goldstein, J. "Full-Cost Water Pricing," *Journal of the American Water Works Association*, 1986. As cited by Chicago Metropolitan Agency for Planning, *Northeastern Illinois Regional Water Supply/Demand Plan*, March 2010, p. 120.

¹⁶³ Civic Federation, *Alternative Service Delivery: A Civic Federation Issue Brief*, December 2006, p. 3.

¹⁶⁴ Government Accountability Office, *Highway Public-Private Partnerships*, February 2008, p. 5.

¹⁶⁵ California Debt and Investment Advisory Committee, Issue Brief: Privatization vs. Public-Private Partnerships, <http://www.treasurer.ca.gov/cdiac/publications/privatization.pdf> (last visited on May 3, 2011), p. 4.

¹⁶⁶ City of Chicago Office of Budget and Management Report to the City Council Committee on Budget and Government Operations, *Privatization of City Services and Functions: 1995-2005*, April 27, 2005, Tab 2. The report focuses on savings from projects enacted between 1995 and 2005, but also includes some information from projects implemented between 1990 and 1995.

Currently, the City is exploring privately funded high speed rail to O'Hare International Airport.¹⁶⁷ The City has also recently taken steps toward more modest alternative service delivery options by proposing and/or soliciting bids on the operation of City festivals, "Blue Cart" recycling and animal care in the Animal Care and Control department.¹⁶⁸

Civic Federation Support for Alternative Service Delivery

The Civic Federation has traditionally supported alternative service delivery or privatization efforts that meet certain criteria and contain sufficient safeguards. Alternative service delivery is not a panacea for a government's financial problems and can present risks, but it can be a useful tool to increase efficiency and reduce costs. Competition from private, nonprofit and even other public entities can help reduce operational inefficiencies that may develop in a system of monopoly service provision by a single government.

The Civic Federation has developed the following criteria to evaluate alternative service delivery proposals:¹⁶⁹

- A competitive bidding process for operator selection must be used. Transferring responsibility for service delivery to a private firm or nonprofit organization can be beneficial only if there is a marketplace of competitive, qualified vendors or service providers.
- There must be strong and sustained management oversight by the government. The government must protect the public interest by including management oversight provisions in any concessionaire or service contracts.
- All potential costs must be considered including direct and indirect costs, transition costs, short-term and long-term costs, oversight costs, the impact on outstanding debt and future grant eligibility and long-term impacts on rates or charges. Governments should be cognizant that substantial overhead costs may continue to exist even in a contractual environment and therefore should identify which costs are truly avoidable through outsourcing.¹⁷⁰
- When transferring responsibility for service delivery by means of a long-term lease or sale, governments must carefully consider the policy implications of matters such as limitations on competition and eminent domain. For example, the long-term leasing of a toll road should not preclude a government's ability to plan for future transportation needs in the vicinity of that toll road, including the ability to plan, acquire land and construct new roads.

¹⁶⁷ Jon Hilkevitch, "Daley lays tracks for high-speed rail to O'Hare," *Chicago Tribune*, May 2, 2011. See also www.ordexpressrail.com (last visited on May 12, 2011).

¹⁶⁸ City of Chicago, "Mayor Daley Says City Will Look Into Privatizing Management of Recycling Program, Lakefront Festivals, Other Functions," news release, August 26, 2010, http://mayor.cityofchicago.org/mayor/en/press_room/press_releases/2010/august_2010/0826_management_initiatives.html (last visited on January 27, 2011).

¹⁶⁹ Civic Federation, *Alternative Service Delivery: A Civic Federation Issue Brief*, December 2006; Roland Calia and Laurence Msall, "The Chicago Experience with Public Private Partnerships," *Government Finance Review* forthcoming June 2011.

¹⁷⁰ Nadeen Biddinger, "Fiscal First Aid: Outsourcing," http://www.gfoa.org/downloads/GFOA_FFAD26Outsourcing.pdf (last visited May 4, 2011).

- There should be a full and deliberate public discussion and review of significant proposals and there must be requirements for public reporting of financial and operational results.
- Any proceeds generated from asset sales or leases must be appropriately used. The proceeds should not be used for recurring expenditures or as a temporary fix to a structural fiscal challenge. Proceeds should be used to invest in capital facilities, establish long-term reserves that generate interest earnings or reduce existing obligations, such as long-term debt or unfunded pension obligations.
- Communities should also examine what are core public functions and what are non-essential services. This has been an issue in the metered parking concession agreement. A lawsuit has been filed alleging that the City unconstitutionally gave up control of its policing powers and the ability to set traffic and parking policies, both core public functions.¹⁷¹ There are also non-legal considerations and these value judgments will cause differences amongst cities in what they define as a core public function.

Civic Federation Concerns

The Civic Federation has the following concerns:

1. The City has a structural imbalance between revenues and expenditures and has not made the level of operational changes necessary to permanently eliminate this gap. While the economic downturn exacerbated the City's financial challenges, there was a structural imbalance prior to loss of economically sensitive revenues. This is reflected in the City's significant drawdown of fund balance during the peak years of receipts from economically sensitive revenues.¹⁷² The City must look at all means available to reduce ongoing expenditures and generate additional resources.
2. The City does not have a policy regarding alternative service delivery. This hinders the City's ability to effectively evaluate opportunities to change the delivery of services.
3. The City of Chicago and Cook County provide many similar services and have many similar internal functions. As home rule units of government, they have also chosen to impose many similar taxes including tobacco, amusement, parking and fuel taxes. There are numerous opportunities for cooperation between the two governments that could yield cost savings for taxpayers but have not yet been maximized. Cook County Board President Toni Preckwinkle and Chicago Mayor Rahm Emanuel have expressed their desire to explore these opportunities and created a committee to identify them. The Joint Committee on City-County Collaboration report outlines the opportunities and notes where the two governments should coordinate their services, jointly contract with a third party or consolidate agencies.¹⁷³

¹⁷¹ Kristen Mack, "Chicago's parking-meter lease draws lawsuit," *Chicago Tribune*, August 20, 2009.

¹⁷² Civic Federation, *Financial Challenges for the New Mayor of Chicago*, February 14, 2011, p. 13.

¹⁷³ Report of the Joint Committee on City-County Collaboration, June 2011.

<http://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2011/June/CityCountyCollaborationJune2011.pdf> (last visited on June 20, 2011).

Civic Federation Recommendations

The Civic Federation makes the following recommendations to help address the concerns raised above:

19. Create an Alternative Service Delivery Policy

The City's fiscal condition requires that it reexamine every City function and service to determine whether they can be delivered more efficiently. Alternative service is one tool available to the City to reduce costs while P3 structures have the potential to help fund existing infrastructure repairs and new investments. A first step in the City's privatization efforts should be adoption of a policy that will provide a framework for evaluating and entering into alternative service delivery arrangements. The policy should be publicly discussed and approved by the City Council and address the need for cost analysis, the role of managed competition, public review and oversight. This will help facilitate a discussion of what are core public functions and which are non-essential functions. In addition, a policy that addresses the use of asset lease proceeds and reserves should be adopted in a separate financial policy as the Civic Federation has previously recommended.

The Government Finance Officers' Association (GFOA) has outlined certain conditions when outsourcing works best: (1) the service can be precisely specified in advance and its performance evaluated after the fact, (2) the government has a full understanding of how the production process for the service creates value to the public, (3) the government is more interested in the results than the method of providing the service and (4) disappointing contractors can be readily replaced or penalized.¹⁷⁴ In the past, the Civic Federation has identified the following functions as potential candidates for alternative service delivery: garbage removal, customer service centers, some human resources functions such as benefits administration, information technology, fleet management,¹⁷⁵ 311 calls for non-emergency services, business licensing, property management, payroll processing and accounting. The City's Inspector General estimated that privatization of garbage and recycling could save the City over \$100 million.¹⁷⁶ There are also parts of the Department of Water Management that have the potential to be privatized including billing services, sewer operations and filtration plants.

- Action(s) Needed: Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2011
- Financial Impact: Low

20. Restart Bidding Process to Implement a Public Private Partnership for Midway Airport

The City previously made attempts to privatize Midway Airport. In 2008 the City signed a 99-year lease of the airport for \$2.521 billion. The deal collapsed due in part to the financial crisis as

¹⁷⁴ Nadeen Biddinger, "Fiscal First Aid: Outsourcing,"

http://www.gfoa.org/downloads/GFOA_FFAD26Outsourcing.pdf (last visited May 4, 2011).

¹⁷⁵ Mayor Rahm Emanuel has initiated the merging of the Departments of Fleet Management and General Services. City of Chicago, "Mayor Rahm Emanuel Announces New And Comprehensive City Lobbying Data Posted Online And Highlights His Administration's First 30 Days," news release, June 16, 2011.

¹⁷⁶ Chicago Inspector General's Office, *Budget Options for the City of Chicago*, October 2010, p. 25.

investors were not able to secure financing.¹⁷⁷ The City retained a \$126 million deposit from the canceled lease transaction.¹⁷⁸ The Civic Federation recommends that the new Mayor and City Council resurrect the deal because Midway Airport continues to be an excellent candidate for privatization due to the following:

- In the past, the City has found a competitive pool of experienced airport operators to bid on the lease.
- The City could receive substantial proceeds from the transaction at a time when it is struggling under the weight of significant long-term liabilities including pension obligations and direct debt. It must also find resources to continue to invest in its capital assets.
- State law ensures that the majority of the funds would be used for the City's long-term needs and not for the operating budget. The Local Government Facility Lease Act specifies that at least 90% of the proceeds of the lease agreement shall be expended or obligated for construction and maintenance of infrastructure within the municipality or contributions to municipal pension funds. The amount of proceeds spent on municipal pension funds cannot exceed the amount spent on infrastructure.¹⁷⁹

Prior to pursuing the lease transaction the City should adopt a policy regarding asset lease proceeds. While 90% of the proceeds are governed by State legislation, the 10% of the proceeds that the City would have complete discretion over could still be a substantial sum which should be used appropriately. Midway Airport is a significant public asset and therefore any lease transaction should be transparent and provide for meaningful public input. The City Council and the public should be provided adequate time and information to consider any proposal.

- Action(s) Needed: Departmental Implementation, Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2011
- Financial Impact: High

21. Pursue Revenue Collection and Enforcement Opportunities with Cook County

The report of the Joint Committee on City-County Collaboration identified many opportunities for cost savings, service improvements and streamlining between the two governments. One opportunity that would quickly improve the taxpayer experience, boost revenues and reduce costs would be collaboration on home rule tax collection and enforcement. Although the State of Illinois collects, enforces and distributes sales tax revenue, the City and County departments of revenue separately administer taxes many of the other taxes that they have in common (e.g., amusement, tobacco, liquor and fuel). This leads to duplication of effort by the governments as well as excess paperwork for business taxpayers.

¹⁷⁷ Kathy Bergen and John Bryne, "Midway Airport privatization plans grounded for now," *Chicago Tribune*, October 14, 2010.

¹⁷⁸ See Bob Sechler and Amy Merrick, "Chicago Cancels \$2.52 Billion Deal to Privatize Midway Airport," *Wall Street Journal*, April 21, 2009.

¹⁷⁹ Public Act 094-0750.

The Civic Federation recommends that the City and County work to reconcile their home rule tax ordinances so that their common taxes share the same base and compliance requirements. The administrative functions of collection, auditing and penalty enforcement should then be transferred to whichever government is best prepared to effectively administer them. That government should audit businesses for compliance with the City and County's common taxes, thus boosting efficiency since a single audit would uncover violations for both governments rather for just one as is currently the case.¹⁸⁰ This would also simplify and streamline the tax filing process for businesses.

- Action(s) Needed: Direction of Mayor, Departmental Implementation, Ordinance
- Responsible Official(s): Mayor, City Council
(Note: equivalent action by Cook County would be required)
- Time Frame for Implementation: 2012
- Financial Impact: Medium

TAX INCREMENT FINANCING (TIF)

The City of Chicago receives and distributes the property tax revenue for Tax Increment Financing districts within its boundaries. This revenue is not appropriated as part of the City budget, but is spent by the City according to the individual Redevelopment Plan for each TIF. There are currently 165 TIF districts in Chicago according to the City's Department of Housing and Economic Development (HED)¹⁸¹ website.¹⁸² For tax year 2009, Chicago TIFs generated \$519.7 million, up from \$386.5 million in 2005.¹⁸³ The \$519.7 million of TIF revenue represented 38.4% of the City's gross property tax revenue for tax year 2009.¹⁸⁴

Civic Federation Support for Tax Increment Financing

The Civic Federation **supports** the use of **tax increment financing (TIF)** as a municipal economic development tool. It is an important mechanism that has generated significant economic development benefits for Chicago and its citizens over time. However, many questions have been raised about the transparency and effectiveness of its operations. With a new administration taking office, the TIF program in Chicago should be subject to a comprehensive review to determine its effectiveness and consider the development of a policy to guide its future use.¹⁸⁵

¹⁸⁰ Report of the Joint Committee on City-County Collaboration, June 2011, p. 81.

¹⁸¹ Formed through the merger of the Department of Community Development and the Department of Zoning and Land Use Planning on Jan. 1, 2011.

¹⁸² City of Chicago Housing and Economic Development website, TIF District FAQ's, navigate from www.cityofchicago.org, (last visited on April 5, 2011).

¹⁸³ Cook County Clerk TIF Reports. See <http://www.cookcountyclerk.com/tsd/tifs/Pages/default.aspx> (last visited on February 9, 2011).

¹⁸⁴ The City of Chicago property tax extension for tax year 2009 totaled \$834.0 million and includes taxes levied for the library and debt service on bonds issued for the City College of Chicago and Chicago Public Schools. The \$834.0 million extension combined with the \$519.7 million TIF revenue totals \$1.35 billion in gross property tax revenue for tax year 2009. Sources: Cook County Clerk 2009 *Cook County Tax Rates Report* and 2009 *TIF Report*, City of Chicago 2009 Appropriation Ordinance, Schedule B.

¹⁸⁵ On May 19, 2011 Mayor Emanuel announced the creation of a task force on TIF reform to improve TIF transparency and accountability. The President of the Civic Federation is serving on this task force. See

The Civic Federation supports government economic development efforts – including TIF – if they are linked to reasonable goals and objectives, are tied to a broader planning process and provide the public with timely, accurate and complete information. The purpose of municipal economic development is to bring greater wealth to an area and improve standards of living by creating a favorable investment climate that attracts businesses and jobs. Economic development benefits citizens and taxpayers by enhancing employment opportunities and broadening the tax base. The Civic Federation is supportive of publicly-funded efforts to develop infrastructure, such as roads, public transit, sewers, bridges and street lighting that benefit both businesses and the general public. Public funding for community development investments that improve housing, education, and recreation opportunities for local residents is also valuable. There is clearly an important government role in the financing and construction of these improvements.

In the absence of adequate federal or state funding programs, TIF remains the most significant local economic development tool for municipalities. Non-home rule municipalities in particular would find it difficult to fund economic development projects without TIF due to the limiting effects of rate limits and tax caps. Therefore, the Civic Federation supports retaining municipal control over the operation and implementation of TIF.

Currently, municipal economic development activity is funded by means of general tax revenues, state and federal grants and TIF. If TIF were abolished, governments would be required to turn completely to general tax increases and intergovernmental aid to fund economic development and related infrastructure projects in areas in need of redevelopment. TIF allows for the cost of needed infrastructure to serve as both an incentive for business investment and to spread the cost of the project to the increased property tax base generated by the private and the public investment. TIF can be an effective way to target resources at specific areas that require infrastructure and related improvements but have not attracted private investment.

Civic Federation Concerns

The Civic Federation has three primary concerns regarding TIF in Chicago:

1. Although the City has recently made greater efforts to make TIF information available on its website, it still lacks a truly transparent presentation of TIF data and tracking of the TIF process.
2. TIF decisions are not sufficiently integrated into a comprehensive citywide planning process or the City's Capital Improvement Program. TIF is a tool for making infrastructure and capital improvements and should be fully integrated into a comprehensive planning process that includes consideration of how TIF affects other City projects as well as those of overlapping governments. The City should develop a comprehensive and quantifiable assessment of its capital assets and economic development needs, prioritize those needs, and establish TIF and other capital projects to meet the highest priority needs.

3. The City does not currently produce regular measurements of the performance of its TIF districts. The TIF program should have a common measurement system by which to judge the success of TIFs. Such a system would include measures such as whether TIFs have met their original project goals, the ratio of public to private investment, number of long-term jobs created, average wage of jobs created and the market value of property in the TIF.

Civic Federation Recommendations

The Civic Federation makes the following four recommendations to address the concerns raised above:

22. Enhance TIF Reporting

In recent years the City of Chicago has taken steps to address the issue of TIF transparency by enhancing the Department of Housing and Economic Development website and the information it provides about TIF. The new TIF section organizes TIF information into sub-sections containing district overviews, annual reports, district redevelopment plans, maps, frequently asked questions and success stories. The HED has added three-year TIF projection reports with estimated revenues and expenditures, transfers out, current obligations, potential projects and fund balance for each TIF. The new webpage also includes some overall totals for the amount of TIF revenue collected and spent by local governments and by the private sector. The City has recently uploaded TIF balance sheet and three-year projection data into its Data Portal, which allows users to sort and download data that was previously available only in PDF format.¹⁸⁶

The City has also begun to comply with TIF transparency requirements of Public Act 96-1335, enacted by the State of Illinois in July 2010. The Civic Federation had long advocated for these transparency reforms.¹⁸⁷ In compliance with P.A. 96-1335, the City included a summary of 2009 revenues and expenses for each TIF in the back of the budget recommendations book and created a separate TIF administration fund to account for personnel and non-personnel costs associated with the TIF program.¹⁸⁸

A persistent problem with the TIF information presented by the City, however, is the lack of aggregate as well as detail data. For example, the 2009 schedule of TIF revenues and expenditures included for the first time in the 2011 budget book did not show totals collected and spent on TIF citywide. In its display of TIF information, the City has historically treated each TIF as a separate entity when in reality a significant amount of money is transferred (“ported”) between TIFs, and all taxpayers ultimately pay for TIF whether they reside in a TIF or not.¹⁸⁹

¹⁸⁶ See <http://data.cityofchicago.org/Government/TIF-Balance-Sheets/hezc-e4be> and

<http://data.cityofchicago.org/Government/TIF-Projection-Reports/zai4-r88e> (last visited on June 16, 2011).

¹⁸⁷ See Civic Federation, “Tax Increment Financing (TIF): A Civic Federation Position Statement,” November 12, 2007. <http://www.civicfed.org/civic-federation/publications/tax-increment-financing-tif-civic-federation-position-statement>.

¹⁸⁸ City of Chicago FY2011 Budget Recommendations, pp. 506-512, 535-538.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Budget_Recommendations.pdf.

¹⁸⁹ Civic Federation, “The Cook County Property Tax Extension Process: A Primer on Levies, Tax Caps and the Effect of Tax Increment Financing Districts,” October 5, 2010. <http://www.civicfed.org/civic-federation/publications/cook-county-property-tax-extension-process-primer-levies-tax-caps-and->

Although the new TIF Projection Reports webpage provides a few total numbers, much more could be done to show the types of revenue and spending by year across TIFs. If TIF data were posted on-line in a downloadable spreadsheet format, it would allow users to access detail data and to compute aggregate totals of different types.

The current information provided on the City's website about TIF should be enhanced by providing aggregate information in a downloadable database or spreadsheet format about:

1. All expenditures by year, type, recipient (the contractor or vendor) and end user (the client, including other governments such as Chicago Public Schools, Chicago Transit Authority, Chicago Park District and City Colleges of Chicago);
2. All revenues by year and by type (including transfers among TIFs, or "porting");
3. Non-committed funds (surplus) by year;
4. Committed but not yet spent funds by year, type, recipient and end user;
5. Principal and interest due on outstanding bond debt;
6. Total, frozen and increment EAV by year; and
7. Year of creation and expected year of termination.

All TIF financial information on the website should be updated at least once a year within 30 days of the completion of each TIF's annual financial report. Financial summaries of terminated TIFs, including projects completed and reasons for termination, should be archived in a "Terminated TIFs" area of the website.

In addition to this detailed information, the web page for each TIF should include a visual "dashboard" summary that shows the progress that has been made on the TIF's redevelopment goals.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

23. Limit Declaration of TIF Surplus

In FY2011 the City declared a surplus of \$180 million in 25 Tax Increment Financing districts, thus allowing for the transfer of \$38.5 million to its Corporate Fund. The administration used its share of funds to help address the City's budget deficit and distributed the remaining funds to the overlapping taxing districts in compliance with state statute.

A TIF Redevelopment Plan may include a specific future project that will be funded by accumulated account balances rather than bond funding. Such a pay-as-you-go strategy is prudent in many cases as an alternative to bond issuance. If this strategy of accumulating revenue over time in order to fund a specific future project has been explicitly adopted in the Redevelopment Plan, the accumulated balance should not be considered surplus.

Given the City's severe budgetary crisis, it is acceptable for the City to review its TIFs and declare a significant TIF surplus again in FY2012 if surplus is available. However, beyond

FY2012 the City must develop a more systematic way to evaluate and utilize any surplus funds. This strategy should be addressed in a comprehensive TIF policy.

Repeated accumulation and declaration of surplus in a TIF would raise concerns that the TIF does not need its revenue for redevelopment projects. Such a situation could indicate that either the TIF does not have achievable redevelopment goals and should be terminated or that it generates more revenue than is needed and some parcels should be released from the TIF.

- Action(s) Needed: Direction of Mayor, City Council Approval in Appropriation Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2011
- Financial Impact: Medium

24. Suspend New TIF Creation Until the Completion of a Comprehensive TIF Review

The City of Chicago TIF program has proceeded on an ad hoc basis over time. The City now reports some information for individual TIFs on its website and recently adopted legislation (Public Act 96-1335) requires a review of individual TIF districts after a ten-year period. However, the City has never publicly conducted or published a comprehensive review of the effectiveness and performance of the entire TIF program.

On May 19, 2011 Mayor Emanuel announced the creation of a task force on TIF reform to improve TIF transparency and accountability. The task force is charged with:

- “Crafting an overarching TIF policy with formal guiding principles;”
- “Developing return on investment criteria that can be used to measure TIF performance and establish criteria to judge TIF success or need for reform;”
- “Recommending concrete steps for increasing TIF transparency;” and
- “Evaluating the role that the TIF program plays in the overall City budget.”¹⁹⁰

The task force was asked to complete its work in three months and make recommendations to be considered in the FY2012 budget.

The Civic Federation commends this action and recommends that the review focus also on whether individual TIF districts have met or are meeting the specific project goals set in the original Redevelopment Plan and budget. TIF districts that have failed to substantially meet their program plan objectives in a reasonable amount of time should be terminated, their accrued surplus distributed and the equalized assessed value (EAV) increment returned to the tax base of the City and overlapping taxing districts.

While the comprehensive TIF review is underway, there should be a moratorium on the establishment of any new TIF districts. The review of the City of Chicago TIF program should

¹⁹⁰ See

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2011/may_2011/mayor_emanuel_announcesformationoftaskforceontifreform.html (last visited on May 20, 2011). The President of the Civic Federation is serving on this task force.

be undertaken before and inform the development of a comprehensive TIF policy to be approved by the City Council (see following recommendation).

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

25. Develop a Formal Policy on Tax Increment Financing

The City of Chicago's TIF program has been developed without an overarching policy governing its management or well-articulated measures of TIF success. TIF plans are not developed within the context of the City's Capital Improvement Program or in a coordinated fashion with the various elements of its economic development planning process.

The Civic Federation recommends that the Mayor and City Council adopt a formal policy to guide the Tax Increment Financing program. While adhering to the State of Illinois Tax Increment Allocation Redevelopment Act, the policy will provide more specific guidance for the Mayor and City Council on major questions regarding TIF, including:

- Should TIF be used solely to remediate blight? Or should it be used more broadly to spur economic development in general?
- Should TIF be used only for projects that directly enhance long-term employment opportunities for Chicago residents by attracting and retaining business investment? Or should TIF be used more broadly for housing, schools, parks and other development?
- When is TIF an appropriate economic development tool instead of traditional capital bonding or pay as you go strategies?
- How should TIF be integrated into a comprehensive capital planning process? How will TIF Redevelopment Plan goals be related to overall City development goals?
- How will the success of a TIF district be quantified and measured? Can a common return on investment measurement be applied for all TIFs?
- Should TIF be used to acquire, build and rehabilitate the infrastructure of Chicago's related governments, such as the Chicago Public Schools, the Chicago Transit Authority or the City Colleges of Chicago? If so, precisely what types of development should be allowed? How will such decisions be made? How will these transactions be quantified and reported to the City Council and the public?
- Is there an optimal number of TIF districts? Should the City set a maximum number or size of TIF districts city-wide? Should there be a maximum amount of city-wide TIF increment Equalized Assessed Value?
- If limits are set on the number or size of TIFs, how should those limits be met? For example, by restricting the areas that can be designated as TIF districts, restricting the uses of TIF revenue or carving out parcels of existing TIF districts?
- What role should members of the City Council take in establishing and terminating TIF districts?

Key elements of the policy should include:

1. Goals and objectives for the City of Chicago TIF program;
2. Identification of the specific circumstances when a TIF district is appropriate.
3. A clear description of the relationship of TIF programs to the City's overall development or redevelopment plan.
4. Guidelines for the appropriate use of City TIF expenditures for other governments and reporting of those transactions.
5. Guidelines for the calculation and use of the City's portion of surplus TIF funds if a surplus is declared.
6. Requirements for a review of each TIF district every three years to determine if the TIF is accomplishing the specific objectives of its Redevelopment Plan. The periodic review could include measurements such as actual versus projected tax base, jobs created and the potential impact of shifting economic development from non-TIF areas to TIF areas.¹⁹¹

The City should also develop a policy or procedure to notify the public and overlapping governments sufficiently in advance of terminating a TIF so that the governments may adjust their property tax levies in order to capture the released EAV. Termination of a TIF district releases EAV that is available outside the tax cap for one year, but a government can only receive additional revenue if it increases its property tax levy to capture the released TIF increment EAV.¹⁹²

Developing a TIF policy is a complex undertaking that should involve input from all key stakeholders. The policy that is drafted should be debated and approved by the City Council.

- Action(s) Needed: TIF Policy codified in City Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Financial Impact: High

PUBLIC HEALTH DEPARTMENT

The mission of the City of Chicago's Department of Public Health (DPH) is to "make Chicago a safer and healthier city by working with community partners to promote health, prevent disease, reduce environmental hazards and ensure access to health care."¹⁹³ DPH is advised by a nine-member Board of Health appointed by the Mayor with the approval of the City Council and is administered by a Commissioner of Public Health.¹⁹⁴

The Chicago Department of Health was created in 1835, two years before the City of Chicago was incorporated as a municipality, in order to combat a cholera epidemic.¹⁹⁵ DPH's current activities include direct provision of clinical care (physical and mental health), epidemiology, control of communicable diseases, health policy and planning and emergency preparedness.

¹⁹¹ Government Finance Officers Association. Tax Increment Financing as a Fiscal Tool Best Practice (2006) See https://www.gfoa.org/index.php?option=com_content&task=view&id=1586.

¹⁹² Civic Federation, "The Cook County Property Tax Extension Process," October 5, 2010, p. 32.

¹⁹³ City of Chicago, FY2011 Appropriations Ordinance, p. 115.

¹⁹⁴ Municipal Code of Chicago, 2-112-010, 2-112-030.

¹⁹⁵ City of Chicago, FY2011 Budget, Program and Budget Summary, p. 109.

DPH operates seven health clinics, one in each of the following community areas: Lower West Side, South Chicago, Englewood, West Town, South Lawndale, Roseland and Uptown.¹⁹⁶ It provides mental health services at twelve locations, sexually transmitted infection treatment at five locations and tuberculosis treatment at two locations. Clinical services are provided on a sliding scale (\$0 to \$128) based on income.¹⁹⁷ DPH also partners with other providers who offer clinical care and offers grants to non-profits when available.¹⁹⁸

The department was reorganized in 2010 into five bureaus each led by a Deputy Commissioner: Public Health and Safety, Public Health Preparedness, Community Relations, Clinical Health and Administration and Finance. The functions of each area are shown in the table below.

Chicago Department of Public Health Functional Bureaus				
Public Health and Safety	Public Health Preparedness	Community Relations	Clinical Health	Administration and Finance
Disease Prevention and Control, Environmental Health, Epidemiology, Behavioral Health, HIV/AIDS/STD Prevention and Control	Emergency Preparedness and Management, Hospital Preparedness	Policy and Planning, Legislative Affairs, Community Outreach, Public Information and LGBT Health	Neighborhood Health Centers, Mental Health Centers, HIV/AIDS/STD Clinics, Women and Children's Health and Public Health Nursing	Budget, Finance and Contracts, Human Resources and Labor Relations, Grants Management, Compliance and Audit and Operational Support

Source: City of Chicago, FY2011 Budget, Program and Budget Summary, p. 109.

¹⁹⁶ http://www.cityofchicago.org/city/en/depts/cdph/dataset/neighborhood_healthclinics.html (last visited on May 6, 2011).

¹⁹⁷ See Chicago Department of Public Health, http://www.cityofchicago.org/city/en/depts/cdph/provdrs/clinic/svcs/find_a_clinic.html (last visited on May 6, 2011).

¹⁹⁸ See for example DPH Grant Opportunities at <http://www.cityofchicago.org/city/en/depts/cdph/provdrs/grant.html> (last visited on May 6, 2011).

The total FY2011 appropriation for DPH is \$187.4 million, of which \$33.7 million, or 18.0%, is from local funds and \$153.6 million is from grant funds including prior year carryover amounts.¹⁹⁹ Since FY2002 the local funds appropriation has fluctuated between \$41.0 million and \$33.1 million.²⁰⁰ However, it is not possible to accurately analyze the trend of total expenditures or resources available to DPH because typically over 80% of its operations are grant-funded and the City's budget documents do not show actual grant revenues or expenditures for prior years.²⁰¹ Likewise, it is difficult to know how many staff are employed by DPH because there is no personnel detail provided for grant-funded positions. The table below attempts to show budgeted FY2011 positions given the limits of data published by the City. Of the 256 total primary health care positions, 96 positions or 37.5% are funded through the Corporate Fund while the rest are grant-funded.²⁰² Of the 266 Corporate Fund positions, 52.6% or 140 positions are in the primary health care and mental health areas.

City of Chicago Department of Public Health FY2011 Budgeted Full-Time Equivalent Positions*			
By Function		By Fund	
Primary Health Care	256	Corporate Fund**	
Women's and Children's Health	146	Department of Public Health	42
AIDS	126	Primary Health Care	96
Mental Health Services	114	Mental Health	44
Emergency Preparedness	52	Public Health	84
Immunization	46	Corporate Fund Total	266
Administration	43	Grant Funds (approximate)*	727
Lead Poisoning Prevention	43	Total (approximate)*	993
Sexually Transmitted Diseases	42		
Food Protection	41		
Tuberculosis Control	31		
Communicable Disease	30		
Substance Abuse	12		
Epidemiology	7		
Violence Prevention	2		
Environmental Health	2		
Total (approximate)*	993		

*Total and Grant Funds are approximate because the Final Appropriation Ordinance only includes personnel count for local funds, not grant funds. Source for Total and Grant Funds is the Mayor's Recommendation Program and Budget Summary book.

**Corporate Fund is the only local funds revenue source. Some positions listed in the Corporate Fund detail are hourly and were not included in the City's total of 266 positions. Dividing the total of those hours by 2080 (standard annual work hours) would yield an additional 20.0 FTEs.

Sources: City of Chicago, FY2011 Appropriations Ordinance, pp. 115-126; City of Chicago, FY2011 Program and Budget Summary, pp. 113-116.

¹⁹⁹ City of Chicago, FY2011 Appropriations Ordinance, pp. 115, 454.

²⁰⁰ City of Chicago, Appropriations Ordinances, various years.

²⁰¹ See the Civic Federation's recommendation on budgeting for grant funds in the Budget Process and Format section of this report on page 92.

²⁰² The budget book does not list positions according to the five bureaus created in the 2010 reorganization so it is not possible to discern how appropriations for the sixteen functions listed correspond to the five bureaus.

Civic Federation Concern

The Civic Federation is concerned that a number of services provided by the Chicago Department of Public Health may be redundant with those provided by other non-profit and governmental agencies. In addition to the seven DPH health clinics, the DPH website lists 152 other clinics in the City: 98 community-based health centers, 30 school-based health centers, 12 free clinics, 7 Cook County health centers and five oral health care centers. Many of these providers are located in close proximity to each other. The City's own prior research has documented the number and range of services delivered by other providers, as demonstrated by reports posted on the DPH website.²⁰³

Civic Federation Recommendation

The Civic Federation makes the following recommendation regarding the City's Department of Public Health:

26. Re-evaluate the Clinical Services of the Department of Public Health

The Civic Federation recommends that the City of Chicago re-evaluate the functions of the Department of Public Health with the intention of ending the City's clinical activities. The Civic Federation believes that the City's public health department should refocus its efforts on core public health functions related to infectious disease prevention and control.

There are many alternative service providers including Cook County and non-profit organizations that are well-positioned to provide clinical health services. The Joint Committee on City-County Collaboration convened by Mayor Emanuel and Cook County Board President Toni Preckwinkle recommends better collaboration between the two governments' health care services.²⁰⁴ As it assesses its clinical functions the City should also consider that beginning in 2014 the federally-supported state Medicaid program will cover needy non-senior adults without children, pursuant to federal healthcare reform.²⁰⁵ This and other changes anticipated as a result of federal reform are expected to significantly reduce the number of uninsured patients. There are currently fewer alternative providers of mental health than primary care health services but the 2014 expansion of Medicaid is expected to make many more people with mental illness eligible for Medicaid coverage.²⁰⁶ For this reason, it may be prudent for the City to plan to continue its mental health services through 2014 if adequate alternative providers cannot be identified before then.

Although over 80% of DPH's current activities are grant-funded, roughly half of the City's DPH Corporate Fund expenditures are for clinical health and mental health personnel. Depending on

²⁰³ See for example

http://www.cityofchicago.org/city/en/depts/cdph/provdrs/pol_plan_report/svcs/health_system_reportsandinformatio.html (last visited on May 6, 2011).

²⁰⁴ Report of the Joint Committee on City-County Collaboration, June 2011, page 47-53.

²⁰⁵ Patient Protection and Affordable Care Act, P.L. 111-148, as amended by the Health Care and Education Reconciliation Act of 2010, P.L. 111-152.

²⁰⁶ National Council for Community Behavioral Healthcare, "Frequently Asked Questions: Health Reform and Medicaid," July 12, 2010 <http://www.thenationalcouncil.org/galleries/policy-file/FAQs%20on%20Medicaid%20expansion.pdf> (last visited on May 9, 2011).

how these services are transferred to or absorbed by other providers, the City could realize savings of \$15 million to \$30 million by ending its clinical function.

- Action(s) Needed: Direction of Mayor
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2012
- Financial Impact: Low

SURPLUS PROPERTY

The Department of Housing and Economic Development (HED) maintains an inventory of vacant City-owned land which is made available on the department's website. As of April 27, 2011, the City owned 11,268 vacant land parcels.²⁰⁷ For each parcel, the inventory includes the parcel identification number, address, square footage, ward number and neighborhood. To facilitate the sale of these properties, the City implemented the Negotiated Sales Program where real estate is made available for purchase and redevelopment pending certain developmental and financial requirements. There is no online application. In addition, HED's Land Use Planning and Policy Division manages the Chicago Plan Commission, which is responsible for reviewing sales of public land.

For the sale of other surplus assets, including equipment, vehicles, furniture and office equipment, the Department of Procurement Services posts online auctions on the City's website. The website includes online bidding for live auctions as well as past results for closed auctions from 2004 to 2006.

Mayor Emanuel has begun the process of consolidating the City's Departments of Fleet Management and General Services to place city assets within one department.²⁰⁸ The Department of General Services will manage all City government property, from facilities and leases to the vehicle fleet.²⁰⁹ By centralizing its assets, the City will have the opportunity to determine and dispose of surplus assets more aggressively.

Civic Federation Concerns

The Civic Federation has the following concerns:

1. The City currently has vacant surplus real property that in many instances has been held in the City's inventory for quite some time and remains unused. Because the neighborhoods where most of the vacant property lies represent the weakest real estate markets in the region, the return on private investment may not be sufficient for major new construction or rehabilitation efforts. Because HED's Negotiated Sales process

²⁰⁷ See the City of Chicago Department of Housing and Economic Development's City-owned Land Inventory at http://www.cityofchicago.org/city/en/depts/dcd/supp_info/city-owned_land_inventory.html (last visited May 23, 2011).

²⁰⁸ City of Chicago, "Mayor Rahm Emanuel Announces New and Comprehensive City Lobbying Data Posted Online and Highlights His Administration's First 30 Days," news release, June 16, 2011.

²⁰⁹ City of Chicago, "Mayor-elect Emanuel Names David Reynolds Next Commissioner of Dept. of General Services, Plans to Unify City Asset Management," news release, April 22, 2011.

requires that a real development project occur as a result of the sale of City-owned parcels, the inventory remains large, vacant and is exempt from property taxes. Private capital may not be available to address the conditions of vacancy and abandonment.²¹⁰

2. Although HED's inventory list includes important data, it is neither user-friendly nor marketable toward potential real property buyers. In addition to the Negotiated Sales Program, the Adjacent Neighbors Land Acquisition Program (ANLAP), which allows homeowners in certain areas to purchase adjacent vacant city-owned lots for less than market value, links potential buyers to the list to identify available properties. The inventory list is published in a non-searchable format and does not include relevant characteristics of the property or maps. Although the parcel identification number is listed, users have to search elsewhere for real estate records and descriptions of the land.

Civic Federation Recommendation

The Civic Federation makes the following recommendation:

27. Create a Strategic Plan to Manage Surplus Vacant Property and Assets

The Civic Federation recommends that the City create a strategic plan to manage surplus vacant property, including auctioning off vacant surplus real estate. With the new Department of General Services, the City has an opportunity to form a strategic plan to dispose of unnecessary assets that take up space and are expensive to maintain in a cost-effective way. In addition, the comprehensive city-wide approach to asset management will be helpful in potentially consolidating parcels into larger, more marketable development sites.

The Civic Federation recommends that the Department of General Services work with the Department of Procurement Services to effectively auction surplus assets such as vehicles, office equipment and other seized goods. With a centralized department managing the City's assets, the City has a clear opportunity to aggressively and efficiently dispose of surplus and generate additional revenue.

Similarly, with the challenging market for some of the City's parcels, the City should engage in auctions of city-owned property that could generate substantial amounts of new revenue in transfer, utility and sales taxes. Because of the integral connection between HED's planning division and the inventory of vacant surplus land, the City should allow HED to identify and retain parcels that may be strategic relative to future economic or community development initiatives. The remainder of the City's inventory should be sold by auction with the goals of returning the land to the property tax base, increasing the value and maintenance standards of the land, and alleviating the City's exposure to operational and liability risk. With the disposal of a potentially high number of surplus parcels, the City should include considerations to ensure that economic development is the goal of the sale. For example, the City could propose that if a new owner fails to adequately maintain the property or add value within a specified time frame, the title would revert back to the City.

²¹⁰Kromer, John, *Vacant-Property Policy and Practice: Baltimore and Philadelphia*. The Brookings Institution Center on Urban and Metropolitan Policy, October 2002, p. 1.

In an effort to generate revenue from otherwise unused real property, the City should also explore alternatives to selling surplus vacant land, including franchise, concession or license agreements. These alternatives, which would allow the concessionaire or licensor to have an option to purchase a lot at the end of an agreed upon term, may be more effective in generating revenue through monthly payments to the City in an unstable real estate market.

In order to implement an effective asset management plan, municipal governments need to facilitate the process for potential buyers. The City currently publishes a list of city-owned vacant land that includes a parcel identification number, address, square footage, ward number and neighborhood name. However, the parcels are not well marketed to potential buyers, whether through RFP, the Negotiated Sales Program or the Adjacent Neighbors Land Acquisition Program. To facilitate the process, the City should further integrate information including real estate records and characteristics of each parcel. The City should publish aggregate data in a searchable format on the City's Data Portal which would include parcel information and descriptions, as well links to photographs and records. The data should be available to sort by neighborhood, type of property, zoning and size of lot. In addition to the aggregate format, the list of parcels should be mapped so that potential buyers could easily search for properties by area. Since the inventory already includes addresses for each parcel, a map application should not be difficult to implement.

- Action(s) Needed: Direction of Mayor
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2012
- Financial Impact: Medium

**Mayor-Elect Emanuel Chicago 2011
Transition Plan: Initiative 6 and 54**

- “The combination of general services and fleet management will centralize the City's infrastructure, assets, and property management under one strategic manager.”
- “The City will conduct a review to understand how to support development efforts, to identify which current planning and zoning policies are succeeding, and where improvements can be made.”

In 100 days: “The transition to new structures for revenue/finance and general services/fleet management will begin immediately upon inauguration.”

Year 1: “A list of dormant government-owned properties will be created and prioritized according to size and near-term development potential.”

Page 14, 70

CHICAGO CITY COUNCIL

The Chicago City Council's legislative powers are codified in state statute and the home rule provisions of the Illinois constitution. In general the Council has the power to legislate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt. The City Council votes on all proposed loans, grants, bond issues, land acquisitions and sales, zoning changes, traffic control issues, mayoral appointees, and other financial appropriations. Its standing committees review proposed ordinances, resolutions and orders before they are voted on by the full council.²¹¹ For a more detailed overview of the City of Chicago government, see Appendix B of this report.

²¹¹ See Illinois Constitution, Article VII: Local Government, section 6: Powers of Home Rule Units; 65 ILCS 20/ Revised Cities and Villages Act of 1941; Chicago City Ordinance, Chapter 2-8 - City Council and Wards of the City; http://mayor.cityofchicago.org/mayor/en/special_pages/homepg-supportingpgs/city_council.html.

Currently the City Council consists of 50 aldermen elected by ward. The wards are re-districted every ten years after completion of the federal census to ensure equal population distribution. Aldermen are elected on a nonpartisan basis with a run-off election between the top two candidates if no one receives a majority in the first election. Council terms of office have been four years since 1935 and elections are held at the same time as those for Mayor, Clerk and Treasurer. There are no term limits for aldermen.²¹²

Civic Federation Concerns

The Civic Federation has the following concerns with the current function and structure of the Chicago City Council:

1. Chicago has one of the largest councils in the United States. The FY2011 appropriation for City Council expenses was over \$25.8 million.²¹³ As the exhibit below shows, Chicago's Council is the second largest of the 15 largest American cities, with its size exceeded only by New York's 51-member legislative body. The average council size for the top 15 municipalities is 18. In Chicago there is one alderman per roughly 54,000 residents as compared to one council member per 161,000 New Yorkers and one council member per 253,000 Los Angeles residents. Only Jacksonville and Indianapolis have smaller council per capita ratios.

City Councils of 15 Largest U.S. Cities					
Municipality	Method of Election	Number	Term	Population	Council/Capita
New York (1)	Single Member District	51	4 years	8,175,133	160,297
Los Angeles (2)	Single Member District	15	4 years	3,792,621	252,841
Chicago	Single Member District	50	4 years	2,695,598	53,912
Houston (3)	9 Single Member District / 5 At-Large	14	2 years	2,099,451	149,961
Philadelphia (4)	10 Single Member District / 7 At-Large	17	4 years	1,526,006	89,765
Phoenix (5)	Single Member District	8	4 years	1,444,632	180,579
San Antonio (6)	10 Single Member District / 1 At-Large (mayor)	11	2 years	1,327,407	120,673
San Diego (7)**	Single Member District	8	4 years	1,307,402	163,425
Dallas (8)	Single Member District	14	2 years	1,197,816	85,558
San Jose (9)	10 Single Member District / 1 At-Large (mayor)	11	4 years	945,942	85,995
Jacksonville (10)	14 Single Member District / 5 At-Large	19	4 years	821,784	43,252
Indianapolis (11)*	25 Single Member District / 4 At-Large	29	4 years	820,445	28,291
San Francisco (12)*	Single Member District	11	4 years	805,235	73,203
Austin (13)	At-Large	7	3 years	790,390	112,913
Columbus (14)	At-Large	7	4 years	787,033	112,433

Municipalities are ranked in order of population according to 2010 Census <http://factfinder2.census.gov/main.html>

*Indianapolis and San Francisco have unified city-county councils

** San Diego City Council will increase from 8 to 9 members after the decennial redistricting process is complete.

(1) <http://24.97.137.100/nyc/charter/entered.htm> §25; (2) http://cityclerk.lacity.org/election/final_ecode_format.pdf; (3) <http://www.houstontx.gov/council/>;

(3) <http://www.houstontx.gov/council/>; (4) <http://www.phila.gov/citycouncil/About.html>; (5) <http://phoenix.gov/mayorcouncil/about/index.html>;

(6) <http://www.sanantonio.gov/clerk/charter/charter.aspx#ArtII>; (7) <http://docs.sandiego.gov/citycharter/Article%20III.pdf>;

(8) http://www.dallascityhall.com/government/city_council_faq.html; (9) <http://www.sanjoseca.gov/clerk/Charter.asp#Art4>;

(10) <http://www.3.coj.net/City-Council.aspx>; (11) <http://www.in.gov/legislative/ic/code/title36/ar3/ch1.pdf>; (12) <http://www.sfbos.org/index.aspx?page=3024>;

(13) <http://www.ci.austin.tx.us/council/default.htm>; (14) http://www.columbuscitycouncil.org/content.aspx?id=5598&menu_id=524

²¹² Loomis Mayfield in Janice L. Reiff, Ann Durkin Keating, James R. Grossman, editors. *Encyclopedia of Chicago*. (Chicago Historical Society) 2005 at <http://www.encyclopedia.chicagohistory.org/pages/532.html>.

²¹³ City of Chicago, FY2011 Appropriation Ordinance, p. 12.

A large council tends to focus more on constituent services and localized interests than on functioning as a legislative body that emphasizes policymaking and oversight.²¹⁴ Smaller councils are more focused on traditional legislative functions. According to a recent report, aldermen spend relatively little time legislating on public policy issues. Between December 2010 and May 2011, only 4% or 219 of the 5,024 ordinances and orders introduced into the Council involved broad public policy matters. The remaining 96% focused on administrative issues such as permit renewals or sign removals. In addition, Mayor Daley rather than aldermen introduced 125 or 57% of the 219 policy issues.²¹⁵ If most of the populous cities in the nation can operate successfully with smaller councils, it is difficult to understand why Chicago should be such an outlier.

The City Council's size has been reduced in the past. The Bureau of Public Efficiency, a nonpartisan government research organization that merged with the Civic Federation in 1932, proposed that the Chicago City Council be reduced from 70 to 50 members in 1919. Legislation permitting the change was approved by the General Assembly and submitted to the public for a referendum. The referendum failed, but was resubmitted and finally approved in 1923.²¹⁶

2. Chicago aldermen exercise a great deal of influence in the delivery of certain services, particularly those provided on a ward basis. For example, the Bureau of Sanitation in the Department of Streets and Sanitation maintains ward offices headed by a ward superintendent who is responsible for coordinating local garbage pick-up, sanitation code enforcement, snow removal operations on side streets and related services.²¹⁷

²¹⁴ For a full discussion, see The Chicago Home Rule Commission. *Chicago's Government: Its Structural Modernization and Home Rule Problems – A Report to Mayor Martin Kennelly and the Chicago City Council*, “Chapter III: Size and Composition of the Chicago Council: Size,” 1954, p. 35.

²¹⁵ Mick Dumke. “The real key to City Council reform: Let legislators legislate,” *Chicago Reader*, May 19, 2011, pp. 11-12.

²¹⁶ The Chicago Home Rule Commission. *Chicago's Government: Its Structural Modernization and Home Rule Problems – A Report to Mayor Martin Kennelly and the Chicago City Council*, 1954, p. 35.

²¹⁷ See Chicago Department of Streets and Sanitation, Bureau of Sanitation website at http://www.cityofchicago.org/city/en/depts/streets/provdrs/san/svcs/division_and_wardoffices.html

The problem with ward-based service delivery is that service delivery by constrained political subdivisions is inherently inefficient. As the map below shows, ward boundaries are irregular in size and shape.



As far back as 1952, a City report noted that “there was no reason – in so far as efficient management is concerned – for area refuse-collection and local street-activity units to coincide with ward boundary lines.”²¹⁸ A recent report by the City Office of Inspector General found that the current ward-based system of refuse collection may be costing the City as much as \$14.3 million annually in wages due to falsification of records and fraud.²¹⁹ Ward boundaries are drawn on the basis of political, not service delivery considerations. A better way to deliver services is to base them on objective metrics such as housing density, the number of dwelling units, logical truck routes and physical barriers. That would help ensure that citizens receive the highest quality services at the lowest cost.²²⁰ Furthermore, ward-based service delivery means that decision-making is decentralized and focused on localized interests and concerns rather than the interests and problems of the City as a whole. This is problematic at a time when the City faces enormous fiscal and policy challenges.

Civic Federation Recommendations

The Civic Federation makes the following recommendations regarding the Chicago City Council:

28. Reduce the Size of the City Council

The City Council should be reduced in size. If the Council were reduced from 50 to 25 members, the population of Chicago wards would increase from 54,000 to 108,000, which is much closer to the average council district population of 114,000 of major U.S. cities. This would help the shift from an “ombudsman” type of body to one that functions as a legislative partner to the executive branch. There could be some cost savings with a reduced Council. A 25% reduction in costs for the Council in FY2011 would equal approximately \$6.5 million in savings. On May 16, 2011, Mayor Emanuel announced that the Council had agreed that the number of council committees would be reduced from 19 to 16 for an estimated savings of 10%. As the City currently spends about \$4.75 million a year to fund committees, this could translate into a savings of \$0.47 million.²²¹ This is a good first step, but we encourage the City to find additional savings in Council operations in future years.

- Action(s) Needed: State Legislation
- Responsible Official(s): Mayor, City Council, General Assembly
- Time Frame for Implementation: 2013
- Fiscal Impact: Medium

²¹⁸ The Griffenhagen Report to the Sims Committee on City Expenditures, City of Chicago. Report Number 21, “Bureau of Sanitation, Department of Streets and Electricity,” September 24, 1952, p. 51.

²¹⁹ Office of the Inspector General, City of Chicago. *Waste and Falsification in the Bureau of Sanitation*, October 7, 2008, p. 1.

²²⁰ The Chicago Home Rule Commission. *Chicago’s Government: Its Structural Modernization and Home Rule Problems – A Report to Mayor Martin Kennelly and the Chicago City Council*, 1954, p. 49.

²²¹ See City of Chicago Office of the Mayor, “Mayor-elect Emanuel Announces City Council Reorganization,” press release, May 16, 2011 and Hal Dardick, “Emanuel unveils plan for City Council leadership,” *Chicago Tribune*, May 10, 2011.

29. Eliminate Ward Based Service Delivery

City services should be delivered solely on the basis of objective metrics such as population density or number of dwelling units. In practical terms, this means that services such as refuse collection should be delivered on a grid-based rather than a ward-based system. Overall, the aldermanic role in service delivery should be ended and the focus of aldermanic activity shifted to legislation and oversight functions. Aldermanic district office staff would continue to answer constituent questions.

- Action(s) Needed: Adoption of Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Fiscal Impact: Medium

30. Create a Policy Analysis Office for the City Council

It is important that a Council that is the co-equal of the executive branch have full access to the information and analysis that it needs to make informed decisions and legislate effectively. Currently the Mayor, as head of the executive branch, has a vast array of informational and financial resources at his or her disposal and the Council is heavily dependent on the Mayor and the Mayor's staff for information. For example, when the Council had concerns about the potential cost and liability of the City's proposed 2016 Summer Olympic Games bid, it asked the Civic Federation to conduct a review of the financial projections because the Council lacks the ability to conduct such research.²²² The Council also lacks the ability to independently evaluate the City's budgetary and long-term fiscal condition.

An office that conducts policy analysis should be established to provide objective information to the City Council on fiscal matters and other issues. It could be funded from the savings accruing from a reduction in the size of the Council. The City's budget is of a size and complexity that such an office is warranted. It is common for legislative bodies at all levels of government to have independent research offices. The Congressional Budget Office and Government Accountability Office serve that role at the federal level. At the state level, the Illinois General Assembly has the Commission on Government Forecasting and Accountability while the California Legislature has the Legislative Analyst's Office. The following are some examples of such offices at the municipal level:

- *New York*: The Independent Budget Office (IBO) is a publicly funded agency that provides nonpartisan information about New York City's budget to the City Council and the public.
- *San Diego*: Office of the Independent Budget Analyst (IBA) assists the City Council in conducting budgetary inquiries and making budgetary decisions.
- *Pittsburgh*: City Council's Budget Office monitors city finances and conducts independent analyses of city operations.

²²² Chicago City Council Resolution Requesting that the Civic Federation Review Expenditure and Revenue Projections and Prepare a Report and Recommendations Regarding the Financial Aspects of Chicago's Olympic Bid, June 30, 2009.

- Action(s) Needed: Adoption of Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Fiscal Impact: Low

CHICAGO BOARD OF ELECTION COMMISSIONERS

The responsibility for elections in Cook County currently is divided between the City of Chicago and Cook County government. The City of Chicago Board of Election Commissioners administers federal, state and municipal elections in the City of Chicago while the Cook County Clerk's Election Department administers all elections in suburban Cook County. The City and County share in the cost of administering federal elections.

The dual election administration system dates from 1885, when the General Assembly approved legislation allowing municipalities to establish three-member boards of election commissioners to oversee the electoral process. The rationale for the idea was that it could help reduce corruption. Chicago adopted the new system by referendum.²²³ In addition to Chicago, the municipalities of Danville, Galesburg, East St. Louis and Aurora maintain election boards or commissions.²²⁴ In 1967 legislation allowing a consolidation of the Chicago and Cook County election offices into a countywide commission was vetoed by Governor Kerner. In 1973 legislation was approved allowing counties without local boards to establish election commissions. DuPage County is the only county to have created such a commission.²²⁵

The Cook County Clerk's Election Division is an administrative unit of the Clerk's office. In contrast, the Chicago Board of Election Commissioners is a quasi-judicial body. The Commissioners are appointed by the Cook County Circuit Court to three-year terms, with one commissioner's term expiring annually. The Board membership must include at least one member from each of the state's two leading political parties.²²⁶

Appropriations for elections in the City of Chicago and suburban Cook County totaled \$36.8 million in FY2009 and \$55.9 million FY2010. The budgeted total amount for the City and County election operations in FY2011 was \$39.4 million. The total appropriated or budgeted amount for elections in Cook County varies from year to year based on the type of elections being held.²²⁷ There is greater turnout in general election years and a much greater number of positions to be decided upon by the voters. Therefore, there are correspondingly greater expenses. The opposite is true in years when there are municipal and/or special district elections involving lower turnout and fewer ballot positions. For example:

²²³ Cook County Commissioner Michael Quigley, *Reinventing Cook County, Part I*, December 2003, p. 37.

²²⁴ Cook County Commissioner Michael Quigley, *Reinventing Cook County, Part I*, December 2003, p. 37.

²²⁵ Cook County Commissioner Michael Quigley, *Reinventing Cook County, Part I*, December 2003, p. 38 and the website of the DuPage County Election Commission at <http://dupageelections.com/pages.asp?pageid=208>.

²²⁶ See Chicago Board of Elections website at <http://www.chicagoelections.com/page.php?id=175>.

²²⁷ Cook County levies a special consolidated elections property tax levy in even numbered years to help pay for elections.

- In FY2009 special primary and general elections were held in the 5th congressional district, which includes parts of the City of Chicago and neighboring suburbs.²²⁸ Special primary election, consolidated primary election and consolidated elections also were held in suburban Cook County for municipal and special district offices.²²⁹ Total administrative costs were the lowest of the three years of budget data presented, totaling \$36.8 million.
- FY2010 was a general election year. Elections were held for Congress, statewide office, state legislative positions, judicial offices and county executive and legislative positions. The total cost of elections was the highest for the three years of budget data presented, \$55.9 million. Of that amount, \$22.3 million or 60.4% was spent by Cook County.
- In FY2011 the Chicago municipal general and supplementary municipal elections (for aldermanic run-off elections) were held as well as consolidated primary election and consolidated election in suburban municipalities and special districts.²³⁰ The amount of total election administration costs dropped to \$39.4 million.

²²⁸ See Chicago Board of Election Commissions website at http://chicagoelections.com/wdlevel3.asp?elec_code=33.

²²⁹ See Cook County Clerk's website at <http://results.cookcountyclerk.com/summary.aspx?eid=040709>.

²³⁰ See Chicago Board of Election Commissions website at http://chicagoelections.com/wdlevel3.asp?elec_code=33 and the Cook County Clerk's website at <http://results.cookcountyclerk.com>.

Illinois statute requires that Cook County provide some funding for the Chicago Board of Election Commissioners every year.²³¹ The amount provided fluctuates because it is based on the type of election to be held. In general election years such as FY2010, a larger amount is provided as there is greater need due to increased electoral turnout and a larger number of ballot positions to be decided. In years such as FY2011 where the City of Chicago is holding only municipal elections, Cook County only pays for the salaries of the Chicago Election Commissioners and Executive Director and certain Board-related expenses.²³²

Election Appropriations for Cook County and the City Of Chicago Board of Election Commissioners			
	FY2009 Proposed	FY2010 Proposed	FY2011 Proposed
Cook County Clerk's Election Division*	\$ 22,282,259	\$ 25,305,360	\$ 19,710,323
Chicago Board of Election Commissioners - Cook County*	\$ 4,051,985	\$ 17,615,482	\$ 482,852
Chicago Board of Election Commissioners - City of Chicago**	\$ 10,518,518	\$ 13,053,045	\$ 19,222,276
Total	\$ 36,852,762	\$ 55,973,887	\$ 39,415,451

Note: The appropriation figures do not include figures for employee benefits. The budgets for Cook County and the City of Chicago do not allocate employee benefit costs among departments or agencies. They are allocated in lump sums for the entire government.

* The FY2010 figures are the adjusted appropriation.

** The City of Chicago appropriated \$7,500,000 from Finance General for the potential costs of citywide runoff elections. However, because were no run-off elections, those funds will not be needed. See City of Chicago FY2011 Budget, Recommendations, p. 297 and communication with James Allen, spokesperson for the Chicago Board of Election Commissioners, April 22, 2011.

Sources: Cook County FY2011 Executive Budget Recommendations, pp. T-1 and Q-2; Cook County FY2011 Executive Budget Recommendations; City of Chicago FY2011 Budget, Recommendations, p. 132; City of Chicago, FY2010 Budget, Recommendations, p. 126.

The total number of full time equivalent positions for election administration in Cook County and the City of Chicago Board of Election Commissioners was 245.5 in FY2009, 249.0 the next year and is projected to be 254.2 in FY2011.

Full Time Equivalents in Election Administration for Cook County and the City of Chicago Board of Election Commissioners			
	FY2009 FTEs	FY2010 FTEs	FY2011 FTEs Budgeted
Cook County Clerk's Election Division	117.5	121.0	125.1
Chicago Board of Election Commissioners - Cook County	4.0	4.0	4.0
Chicago Board of Election Commissioners - City of Chicago	124.0	124.0	125.1
Total	245.5	249.0	254.2

Sources: Cook County FY2011 Executive Budget Recommendations, p. T-1; Cook County FY2011 Executive

Budget Recommendations, p. Q-1; Cook County FY2010 Executive Budget Recommendations, p. P-1

City of Chicago, FY2010 Budget Recommendations, p. 136; City of Chicago FY2010 Recommendations, p. 129.

²³¹ The Illinois Election Code provides that Chicago "election commissioners and the executive director of the Board of Election Commissioners shall be paid by the county." (See 10 ILCS 5/6-70). The Election Code also provides that counties of more than one million inhabitants must reimburse municipal boards of election commissioners for costs incurred as a result of the certification of candidates or referendum items by the county clerk to the municipal board in even numbered years when a general election is held. These costs include the printing and distributing ballots, the amounts paid to judges of election, cost attributable to the canvass of votes, the cost of the supply and delivery of election day materials and supplies and the cost of polling places, computers and other property attributable to election day activities. (See 10 ILCS 5/17-32 and 10 ILCS 5/2A-1.1(a)).

²³² Communication between the Civic Federation and James Allen, spokesperson for the Chicago Board of Election Commissioners, April 21, 2011 and email communication between the Civic Federation and the Cook County Clerk's Office, April 19, 2011.

Civic Federation Concerns

The Civic Federation's first concern with the current Cook County election system is that it is confusing to citizens. It is difficult to get online election results for all of Cook County in an expedited fashion. There is often confusion in early voting polling places about which lines to stand in and which voting machine to use. These issues are not problems in Illinois counties with a consolidated election administration where voting procedure information is clearly presented and made available in user-friendly formats.

The second concern involves the fragmentary nature of the current dual election system. The Civic Federation has long supported the consolidation of governmental functions to eliminate duplication if the effort is rational and can yield cost savings, increase operational efficiency or achieve both goals. In the Federation's view, there is no rational reason to maintain two separate election administrations in Cook County and a consolidation could achieve some cost savings. Consolidated election administration at the county level is the norm in Illinois, with only a handful of exceptions. It has worked well in the neighboring suburban counties including DuPage County, the State's second largest county by population. Cook County already pays for a portion of the costs of election administration in the City of Chicago. David Orr, the current Cook County Clerk, and Mayor Richard Daley's 21st Century Chicago Commission Report have expressed support for the concept. Both Cook County Board President Preckwinkle and Chicago Mayor-elect Emanuel have pledged to explore the issue.²³³

Civic Federation Recommendation

The Civic Federation makes the following recommendation regarding the City's elections functions:

31. Transfer the City of Chicago's Election Function to Cook County

The Civic Federation recommends that the City of Chicago's election function be transferred to Cook County. There are two models of governance for a consolidated elections administration that could be considered:

- A complete transfer of the City's functions to the Cook County Clerk's Election Division, which is an administrative unit, or
- The creation of a bipartisan Cook County Board of Election Commissioners similar to the DuPage County Election Commission. The Board could be appointed by the Cook County Board President or the Cook County Circuit Court.²³⁴ This model ensures bipartisanship in the administration of the election process.

The Joint Committee on City-County Collaboration convened by Chicago Mayor Emanuel and Cook County Board President Preckwinkle released a report in June 2011 that supports the

²³³ City of Chicago, *The 21st Century Commission on City Government*, November 6, 2008, pp. 126-7 and David Orr, "Combine some city, county taxing bodies," *Daily Herald*, March 30, 2011.

²³⁴ The DuPage County Board of Election Commissioners consists of three members from each major political party. The members are appointed by the Chairman of the County Board of Commissions. See DuPage County Code, Chapter 13: Elections, Article 1: Election Commission, Section 13-2: Appointment and Term, Vacancies, <http://www.sterlingcodifiers.com/IL/DuPage%20County/index.htm>.

concept of consolidating City-County election functions. The Joint Committee recommends that the County be the project leader for a consolidation and that funding be split between the City and the County²³⁵

The City of Chicago could financially benefit from a transfer of election administration costs to Cook County. The amount of savings would depend on the terms negotiated in an agreement between the City of Chicago and the Cook County government. The savings could be up to the full amount of the cost to the City of election administration if the County assumes all costs or the two governments could negotiate a cost sharing arrangement whereby the City would continue to provide some funding for the election function. Another option would be a phased-in agreement whereby the City would continue to provide some funding for a number of years before ending its financial responsibilities.

There would likely be budgetary savings from the consolidation of election functions. For example, a modest 5% reduction in total costs in FY2011 could potentially yield \$1.9 million overall. The Joint Committee on City-County Collaboration projects that savings of \$5 million to \$10 million over time could be achieved. The savings would be derived from eliminating staffing redundancies for areas such as voter registration, communications, human resources, purchasing and information technology. These staffing reductions could be as high as 30% to 50%. In addition, consolidation could lead to lower costs for outside legal counsel and for purchasing items such as ballots and envelopes as well as a reduction in precincts, early voting sites and Election Day staff.²³⁶

Implementing County-wide election consolidation would involve legislative action. As the Joint Committee on City-County Collaboration points out, this would make it unlikely that consolidation could be finalized before 2013.²³⁷

- Action(s) Needed: State Legislation (See ILCS 5/5, 5/6 and 5/6a)
- Responsible Official(s): Mayor, Cook County Board President, Cook County Clerk, General Assembly and Governor
- Time Frame for Implementation: 2013
- Financial Impact: Medium

CHICAGO CITY CLERK AND CITY TREASURER

The Chicago City Clerk and Treasurer are both elected for four-year terms at the same time as the Mayor.²³⁸ State statute provides that the clerk and treasurer positions in Illinois municipalities must be elected with the exception of municipalities with a population of less than 10,000. These smaller jurisdictions may adopt an ordinance to authorize the appointment of a treasurer. Vacancies in the offices of clerk or treasurer are filled by mayors with advice and consent of the city council.²³⁹

²³⁵ Report of the Joint Committee on City-County Collaboration. June 2011, pp. 62-65.

²³⁶ Report of the Joint Committee on City-County Collaboration. June 2011, pp. 62-65.

²³⁷ Report of the Joint Committee on City-County Collaboration. June 2011, pp. 62-65.

²³⁸ For an overview of the City of Chicago government, see Appendix B of this report.

²³⁹ 65 ILCS 5/3.1-20-5.

The City Treasurer is the banker for the City of Chicago. The Office receives all monies due to the City and keeps accounts of City funds, appropriations, debits and credits.²⁴⁰ The Treasurer is the custodian of securities held by the City and the Chicago Public Schools, as well as the City's pension and trust funds. This duty includes responsibility for investing these funds. The Office also:

- Conducts community outreach to promote the City's economic development programs;
- Maintains a Small Business Expo Program and a Small Business Loan Program²⁴¹ that provides grants to community lenders so that they can make micro-loans below \$50,000; and
- Offers financial literacy programming for adults. It is currently developing a financial education program for Chicago Public Schools students.²⁴²

The City Clerk is the official custodian of City records and the City seal. The Office maintains and distributes information about City Council meeting notices and agendas, the City Council Journal of Proceedings, legislative information, City Council committee reports, the municipal code, claims against the City, aldermanic statements of financial interest and provides a web link to tax increment financing information posted by the Department of Housing and Economic Development. In addition, the Clerk's Office also issues and collects fees for a number of licenses, including business licenses, Automatic Amusement Device Licenses, vehicle stickers, annual residential parking permits and dog licenses. Finally, it provides several consumer services such as:

- A free medical identification card to Chicago residents of all ages who want their medical information and vital statistics readily available;
- A high tech system that identifies and tracks children;
- Free support to complete Free Application for Federal Student Aid (FAFSA) forms; and
- Information about the passport application process.²⁴³

Civic Federation Concerns

The Civic Federation has several concerns with the current structure of the City Clerk and Treasurer's Offices:

²⁴⁰ Pursuant to Municipal Code (2-32-060) revenue policies, the City Treasurer receives all monies belonging to the City. At the end of each month, the City Treasurer issues a sworn statement to the Comptroller showing the state of the treasury at the date of such account and the balance of the money in the treasury. Pursuant to the City's Municipal Code (2-32-010, 2-32-03), the Department of Finance provides core fiscal functions and manages the disbursement of City funds. The City Comptroller is the fiscal agent of the City and exercises general supervision over all City officers charged with the receipt, collection or disbursement of City revenues and all funds required to be in the custody of the City Treasurer.

²⁴¹ See the website of the Chicago City Treasurer at <http://www.chicagocitytreasurer.com/communityOutreach/smallBusLoan.htm> (last visited June 20, 2011).

²⁴² See the website of the Chicago City Treasurer at <http://www.chicagocitytreasurer.com/faq.htm> and Chicago City Ordinance. Chapter 2-32: Department of Finance 2-32-060 Treasurer – Accounting and reports on city funds. 2-32-065 Treasurer's authority for financial education and outreach programs, 2-32-070 Payments to the city – Records – Bad check fees.

²⁴³ See the website of the Chicago City Clerk at <http://www.chicityclerk.com/> and Chicago City Ordinance. Chapter 2-12: City Clerk 2-12-010 Powers and Duties.

1. Over time the Clerk's Office has acquired responsibilities that are not directly related to the core functions of the position. The Office is primarily a recordkeeping agency, but it also collects certain license fees and provides information to consumers. These activities have little to do with the traditional functions of a clerk's office.

The Treasurer also has acquired a number of responsibilities not directly related to investing funds or maintaining accounts. These include programs of community outreach, public education and small business loans as well as the small business expo.

2. The Clerk and Treasurer are elective rather than appointive offices. The rationale for requiring an elected rather than an appointed official to head certain offices is that they are policy-making agencies.²⁴⁴ Making policy is political in nature and requires a large degree of discretion on the part of the relevant official. In a democratic society, policies should be subject to a review by the general public through the electoral process. However, the Clerk and Treasurer's offices are ministerial in nature, focusing on administrative rather than policy issues. Their functions involve applying procedures or regulations as prescribed by law. Other key ministerial offices in the City government, such as the Comptroller, are appointed. The idea of appointing rather than electing municipal clerks and treasurers has been discussed for a long time in Illinois. Legislation was unsuccessfully proposed in the 57th General Assembly during the 1931-1932 biennium to allow the City Council to appoint the Clerk and Treasurer.²⁴⁵ As noted above, current state statute allows small municipalities to appoint the treasurer.

There may be cost savings from appointing municipal treasurers. A working paper for the National Bureau of Economic Research found that appointive treasurers in California cities reduce a city's cost of borrowing by 13% to 23%. He concluded that in California appointed city treasurers tend to have higher levels of financial expertise and are able to reduce borrowing costs primarily through the refinancing of expensive debt at lower interest rates.²⁴⁶

3. Both the Office of the Treasurer and the Finance Department have fiscal functions. The Treasurer is the City's banker while the Chicago Finance Department manages all city fiscal matters, including the supervision of all officials charged with the receipt, collection and disbursement of city revenues as well as city funds in the custody of the city Treasurer.²⁴⁷ Specific Finance Department responsibilities include cash flow and debt management, processing vendor payments and payroll, maintaining official financial

²⁴⁴ Kevin M. Forde. *The Government of Cook County: A Study in Governmental Obsolescence*. (Chicago: Center for Research in Urban Government of Loyola University, 1969), p. 32.

²⁴⁵ S.B. 8 was defeated in the 57th General Assembly (1931-1932). See The Chicago Home Rule Commission. *Chicago's Government: Its Structural Modernization and Home Rule Problem, A Report to Mayor Martin H. Kennelly and the Chicago City Council*, 1954, p. 227.

²⁴⁶ Alexander Whalley. "Elected Versus Appointed Policymakers: Evidence from City Treasurers," National Bureau of Economic Research Working Paper Series, Working Paper 15643, January 2010, pp. 3-4. Whalley investigated whether appointment or election influenced municipal policymaking. He used regression discontinuity statistical analysis to identify the causal effect of city treasurers' method of selection on their cities' debt management policies.

²⁴⁷ City of Chicago Code: 2-32-030 Comptroller Duties as Fiscal Agent.

records and preparing financial reports, the administration of employee and annuitant benefit programs and risk management oversight.²⁴⁸ The office is headed by a Comptroller appointed by the Mayor.

The argument for an independent Treasurer's Office is to help ensure that public monies will be managed independently of the influences of other officials. In essence, the independent official provides a check on possible wrongdoing or inefficiency resulting from the actions of other elected officials. The Civic Federation finds this argument unpersuasive. There is little evidence that the City Treasurer acts as a check on other officials and there are safeguards in place to prevent fraud and abuse such as the external audit process and the investigative authority of the City Inspector General's Office and the U.S. Attorney's Office. In addition, modern technology makes it easier to track funds and prevent misconduct.

Several municipalities have combined finance-related functions, including DeKalb, Illinois and Seattle, Washington.²⁴⁹ The Illinois Senate has voted to merge the State Treasurer and Comptroller offices as a way to achieve cost savings and increased efficiency of operations. The current Treasurer and Comptroller support the measure. If the House of Representatives follows suit, the issue will be placed on the 2012 ballot for a decision by the electorate.²⁵⁰ The argument for consolidating debt management (Finance Department) and investment (Treasurer's Office) in the same department is that it permits governments to better align assets with liabilities so that it is easier to effectively leverage and manage financial risk. It can also increase the efficiency and effectiveness of financial operations and facilitate financial decision making.²⁵¹

Civic Federation Recommendation

The Civic Federation makes the following recommendation regarding the Offices of City Clerk and Treasurer:

32. Reform the Offices of the City Clerk and City Treasurer

The City Clerk should be appointed by the Mayor²⁵² with the consent of the City Council to become a Secretary or Clerk of the Council. The office would be under the management of the

²⁴⁸ See City of Chicago Finance Department website at <http://www.cityofchicago.org/city/en/depts/fin.html>.

²⁴⁹ See Municipal Code - City of DeKalb Chapter 54, "Financial Administration". A Seattle City Charter Amendment passed by the voters in 1991 abolished the elective offices of Comptroller and Treasurer and combined the duties in a Department of Finance. See <http://www.seattle.gov/cityarchives/Facts/comptroller.htm>. Subsequently, Mayor McGinn has begun to implement a reorganization that will create a new Department of Finance and Administrative Services to combine the functions from the former Fleets and Facilities Department and the former Department of Executive Administration with the revenue forecasting, debt management and tax policy functions that were previously performed by the former Department of Finance. See <http://www.seattle.gov/fas/>.

²⁵⁰ Melissa Leu, "Senate votes to merge treasurer, comptroller offices," *Illinois Statehouse News*, March 31, 2011.

²⁵¹ Controller of the City of Los Angeles, *Follow-Up of Management Audit: City of Los Angeles Office of the Treasurer*, February 15, 2011. The audit recommended consolidation of all City treasury and revenue functions in one office to increase efficiency and reduce costs.

²⁵² The Mayor of Los Angeles appoints the City Clerk in that municipality. See City of Los Angeles Administrative Code. Article II Officers of the City Sec. 203. Appointment and Removal of Officers.

City Council.²⁵³ The Clerk's Office would retain all current recordkeeping functions. However, the Office's fee collecting and licensure responsibilities would be transferred to either the Department of Revenue or the Finance Department.²⁵⁴ Its current informational functions would be transferred to the Mayor's Office or eliminated to reduce costs.

The Treasurer's Office and the Finance Department would be merged under the administration of the appointed City Comptroller. The Treasurer's Office would become a division or unit of the Finance Department. Non-core functions could be eliminated or, if maintained, transferred to another agency or government. The financial literacy program for Chicago school children could be transferred to the Chicago Public Schools and the other programs transferred to the Finance or Revenue Departments.

- Action(s) Needed: State Legislation
- Responsible Official(s): Mayor, General Assembly and Governor
- Time Frame for Implementation: 2013
- Financial Impact: Low

BUDGET PROCESS AND FORMAT

The City of Chicago has an annual budgeting process that establishes appropriations for City expenses and accounts for revenues from taxes and other resources. The following are the key steps in that process:²⁵⁵

- June: Departments inform the Office of Budget and Management (OBM) about their resource needs for the upcoming year.
- July: A preliminary budget is prepared by OBM based on departmental requests and anticipated available funds.
- August/September: Public hearings are held on the preliminary budget and OBM holds hearings with departments.
- October: The Mayor submits the proposed budget to City Council and a public hearing is held to gather comments.
- November/December: Changes to the budget are considered and the City Council must approve a balanced budget by December 31.

The City of Chicago also has a Capital Improvement Plan (CIP) that is updated annually. The CIP does not need to be approved by City Council and is not incorporated into the annual budget process. The following are the key steps in the City's CIP process:²⁵⁶

²⁵³ In New York City, the City Council selects the Clerk. See New York City Organization Chart http://www.nyc.gov/html/om/html/orgchart/org_chart.html and Azi Paybarah, "Council Committee Picks City Clerk, New Chairs," New York Observer, February 26, 2009. <http://www.observer.com/2225/council-committee-pick-city-clerk>.

²⁵⁴ The Finance Department currently collects license fees, inspection fees, compensation for franchises and all other payments of money to the city not otherwise specifically provided for. These payments are transmitted daily by the City Comptroller to the City Treasurer.

²⁵⁵ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 99.

²⁵⁶ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 93, 94; and City of Chicago, "Capital Improvement Program," www.cityofchicago.org/city/en/depts/obm/provdrs/cap_improve.html (last visited April 4, 2011).

- Departments submit five-year capital improvement recommendations to OBM in the winter.
- OBM prepares draft recommendations.
- OBM holds public hearings with the assistance of the Capital Improvement Advisory Committee.²⁵⁷
- A draft CIP is reviewed by the Capital Improvement Advisory Committee.
- The CIP is presented for Mayoral approval.
- The CIP is published annually in early summer.

The operating budget authorizes expenditures for debt service associated with capital project bonds and any additional operating and maintenance costs that result from capital programs, but a formal capital budget is not adopted. Under the City’s process the CIP serves as the capital budget although it is not voted on by the City Council. The City of Chicago also receives and distributes the property tax revenue for Tax Increment Financing (TIF) districts within its boundaries. This revenue is not appropriated as part of the operating budget either, but is spent by the City according to the Redevelopment Plan for each TIF.

Civic Federation Concerns

The Civic Federation has the following concerns regarding the City’s budget format and process:

1. The City’s budget does not have full cost data for its programs. Currently, the City typically budgets the following categories of appropriations for City Departments:
 - Personnel Services
 - Contractual Services
 - Travel
 - Commodities and Materials
 - Specific Purposes

The Personnel Services category of expenditures within operating departments only includes expenses related to salaries. Specifically it includes line item expenditures such as salaries and wages, salary adjustment and savings from unpaid time off. It does not include any fringe benefits or pensions. The City has a separate cost center for each fund called “General Financing” where a variety of costs are lumped together including the following items:

- Health Maintenance Premiums (HMO)
- Claims and Administration for Hospital and Medical Care
- Term Life Insurance
- Claims and Costs of Administration for Worker’s Compensation
- Unemployment Insurance

General Fund personnel services included in General Financing was over \$500 million for FY2011.²⁵⁸ In addition, the General Financing cost center includes Medicare and

²⁵⁷ The Capital Improvement Advisory Committee (CIAC) was created by Mayor Daley in 1990 through an Executive Order.

²⁵⁸ City of Chicago, FY2011 Appropriations Ordinance, p. 254.

Social Security Taxes, Professional Services for Information Technology Maintenance and reimbursements and subsidies to other funds. Pension Fund costs are budgeted in separate pension funds and not reflected in departmental programs or the General Fund. The FY2011 proposed budgeted included \$585 million for pension funds.²⁵⁹

The City is clearly not including a significant amount of the full cost of services in departments' budgets. For example, a Chicago News Cooperative investigation found that the cost of Streets and Sanitation Department rises from \$141 million to \$204 million when unallocated costs are accounted for.²⁶⁰ By those estimates 31% of the cost is not included in the department's budget. It is very common for governments to budget or include an analysis of the full cost of programs in their budget documents. Both Los Angeles and New York City have tables in their budgets that outline the cost of programs including pensions, benefits, liability claims and financing and even debt service.²⁶¹

2. The City of Chicago has a data portal website (<http://data.cityofchicago.org>) that has a variety of data sets available for download such as GIS data, FOIA requests, health facilities information and transportation information. Mayor Emanuel recently added the FY2011 Appropriation Ordinance to the City's data portal.²⁶² However, the portal does not contain performance measurement data.²⁶³ Other cities have done a much better job utilizing their data portals to provide transparency. See Appendix I for examples of the types of data provided by two other cities.
3. During the course of conducting its yearly budget analysis, the Civic Federation has found fundamental pieces of budgetary data either missing from the budget document or not clearly presented. For example, the FY2011 Budget Recommendations, which is voted on by the City Council to create the FY2011 Appropriation Ordinance, describe position count and personnel services appropriations by fund. However, position count is represented by full-time positions only and personnel services appropriations reflect expenses for full-time equivalent positions (which include part-time or hourly wages).
4. The City's budget does not clearly outline all of the revenue sources and expenditures that are allocated by the City. Specifically, the budget obscures the amount of property tax revenues collected on behalf of the Chicago Public Schools and City Colleges of Chicago. Please see Appendix H for more information on the budgeting of these property taxes.

²⁵⁹ City of Chicago, FY2011 Budget Overview and Revenue Estimates, p. 39.

²⁶⁰ Dan Mihalopoulos and Mick Dumke, "Service Couldn't Be Better, and at \$200 a Ton It Should Be," *Chicago News Cooperative*, February 12, 2011.

²⁶¹ For examples, please see budgeting of respective Police Departments. The City of New York, FY2011 Budget Analysis, p. 4, http://www.nyc.gov/html/omb/downloads/pdf/adopt10_bfa.pdf. The City of Los Angeles, Budget FY2010-11, p. 124, <http://controller.lacity.org/AdoptedBudget/index.htm>.

²⁶² City of Chicago, Office of the Mayor, "The First 30 Days of the Emanuel Administration," news release, June 16, 2011.

²⁶³ City of Chicago, "Mayor Emanuel Announces Formation Of Task Force On TIF Reform," news release, May 19, 2011.

The City of Chicago's 2011 property tax levy for City government purposes, including the library, is \$796.8 million. However, this figure does not represent the full amount of property tax revenues collected by the City of Chicago. There are at least three significant additional uses of property tax revenue by the City: levies on behalf of the City Colleges of Chicago, levies on behalf of the Chicago Public Schools and Tax Increment Financing (TIF) district revenue.

The City Colleges and Chicago Public Schools are separate units of government with their own property tax levies collected from all property owners in the City of Chicago. In addition, the City receives a significant amount of grant revenues, which are presented separately from the rest of the City budget. It is important for property taxpayers to have an accurate description of which governments receive their property tax dollars and for what purpose. Without accurate descriptions, it is impossible for the public to hold elected officials responsible for the level of property taxation they impose and for the uses of those dollars.

5. The City receives a large amount of grant funds for operations and this funding is reported in the budget documents. However, the resources, expenditures and personnel associated with these grants are presented in separate schedules from what the City terms the "local budget." This makes it difficult to get an accurate picture of the overall City budget. For example, in FY2010 the City lost \$317.6 million in economically sensitive revenue on top of significant losses the two previous years, but it also received \$462.9 million in funds from the American Reinvestment and Recovery Act.²⁶⁴ It is very unclear from the budget how much grant funds have been used to help close budget shortfalls. The discussion of grants received in the Finance and Administration function illustrate this issue: The budget says that departments within this category typically do not receive grants, but are expected to receive \$120.1 million in grant funds in FY2011.²⁶⁵ Finance and Administration local funds fell by \$19.1 million between FY2010 and FY2011,²⁶⁶ but it appears that grant funds will be more than enough to offset this decrease.²⁶⁷ It is very difficult to understand the net impact of different funding sources on City finances because of the way grant funds are presented.
6. The City's Capital Improvement Planning process does not adequately emphasize objective project prioritization. It does not describe the current state of the City's assets and the amount of repairs needed.
7. Traditionally, the City Council has not been an active participant in the budget process, with Council members' primary focus being on constituent services.²⁶⁸ The City Council typically makes few or no changes to the Mayor's proposed budget. For example, the only significant change that was made to the Mayor's FY2011 proposed budget was to

²⁶⁴ City of Chicago, FY2011 Budget Overview and Revenue Estimates, p. 63, 87.

²⁶⁵ City of Chicago, FY2011 Budget Overview and Revenue Estimates, p. 86.

²⁶⁶ City of Chicago, FY2011 Budget Overview and Revenue Estimates, p. 120.

²⁶⁷ A review of the grant fund budget shows that historically there is a large variance between appropriated and actual grant funds.

²⁶⁸ Great Cities Initiative, *The Great Recession's Impact on the City of Chicago*, October 2010, p. 21. See also the Chicago City Council section of this report on page 71.

restore \$3.5 million in funding for local chambers of commerce and other neighborhood planning groups.²⁶⁹ This is in contrast to other major cities where the city councils make significant fiscal policy proposals. For example, the Los Angeles City Council recently voted to make a number of changes to Mayor Villaraigosa's budget including voting to freeze hiring of new police officers. Significant changes were also made by New York's City Council to Mayor Bloomberg's FY2011 budget proposal.²⁷⁰

8. The City's budgets do not reflect a long-term perspective and contain non-recurring solutions that compound financial difficulties. The City's budgetary challenge has reached such a great magnitude that it will require a multi-year plan to address.

Civic Federation Recommendations

The Civic Federation makes the following recommendations regarding the City's budget process and format:

33. Measure and Budget the Full Cost of City Programs

The Government Finance Officers Association (GFOA) points to a number of important uses for data on the cost of government services including performance measurement and benchmarking, setting user fees and charges, privatization, competition initiatives or "managed competition" and activity-based costing and activity-based management. The GFOA states that the full cost of service includes all direct and indirect costs related to the service. Examples of direct costs include salaries, wages and benefits of employees; materials and supplies; associated operating costs such as utilities, rent, training and travel; and costs that may not be fully funded in the current period such as compensated absences, interest expense, depreciation or use allowance and pensions. Indirect costs encompass shared administrative expenses within the work unit as well as support functions outside of the work unit (human resources, legal, finance, etc.)²⁷¹

Mayor-Elect Emanuel Chicago 2011 Transition Plan: Initiative 9

- "To support continuous improvement, critical services will be prioritized and benchmarked against other comparable cities and public and private sector top performers for both the quality and cost of service.
- There will be measurable cost reduction and service improvement targets for each performance measure. These targets will be reported to the public and City Council, and quarterly progress reports will be issued.

In 100 days: From day one, the administration will hire professionals who are driven by performance. Performance benchmarks will be established to develop reasonable standards for City services, such as garbage collection, construction activities, maintenance, repairs, and infrastructure services. Performance will be posted on-line for the public to view.

In Year 1: Transparent performance management will become fully integrated into the operations and oversight of the City, as part of the 2012 budget and beyond."

Page 18

²⁶⁹ Fran Spielman, "Committee OKs Daley \$6.15 budget for 2011," *Chicago Sun-Times*, November 10, 2010.

²⁷⁰ Kate Linthicum, "City Council votes to put off LAPD hiring," March 24, 2011; Citizens Budget Commission, "The City's FY2011 Budget: The Buck Stops Here," July 13, 2010.

²⁷¹ Government Finance Officers' Association, "GFOA Best Practice: Measuring the Cost of Government Service," (2002).

The City should allocate all direct costs to departmental budgets in its program and budget summary book including all employee benefits, pensions, facilities expenses and liability expenses. Indirect cost such as support function expenses (human resources, legal, finance) should also be calculated and made available in the budget. The GFOA recommends that such shared costs be apportioned by a systematic and rational allocation methodology and that the methodology be disclosed.²⁷² Including all costs of service provision will allow the unit costs to be calculated, such as the cost of a ton of garbage collected, which can then be used for performance measurement and to benchmark the City's costs against other governments and the private sector.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

34. Expand the City's Online Data Portal to Make Budget, Financial Data and Performance Measurement Sets Publicly Available

The City of Chicago should become a leader in providing public access to machine-readable data. The City recently took positive first steps by making TIF data and the FY2011 Appropriation Ordinance available in its data portal. It should further expand its data portal to make multiple years of financial and performance measurement data publicly available. At a minimum this should include data sets containing expenses, revenues and fund balances for five actual years, the current budget year and the proposed budget. The data sets should include details by fund, department and object so that the user can sort and analyze the information according to differing levels of detail. To ensure data integrity for performance measures, the City should also develop and publish data definitions that clearly explain the meaning of the each measure, the source of the data for the measure and any calculations used.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

35. Add Additional Expenditure and Revenue Data in the Budget

The City should add additional expenditure and revenue data to its budget documents. Below are a few of the relevant budgetary best practices outlined by the National Advisory Council on State and Local Budget (NACSLB):

- As a comprehensive program and financial plan, the budget should include all programs and funds.
- The financial overview should clearly describe the current and projected financial position and fund balances, the financial activities and expectations for the budget period, and the expected implications for future periods.

²⁷² Government Finance Officers' Association, "GFOA Best Practice: Measuring the Cost of Government Service" (2002).

- Financial data presented in the budget documents should include comparisons of prior period actual results, current period budget and/or estimated actual results and budget period projected figures. Key assumptions for revenues and expenditures should be highlighted.²⁷³

The Civic Federation recommends that the City of Chicago add the following information to its budget documents.

Report Actual Expenditure Data in the Budget

The Budget Overview and Revenue Estimates book includes actual revenue data for five prior years, as well as a year-end estimate and the budget projection in the “Budget Details” section. This is important historical information and a critical feature of the budget presentation. The Civic Federation urges the Office of Budget and Management to also provide actual data for the expenditures with a breakdown by both function and fund as part of the “Budget Details.” Currently only the appropriated, not actual, figures for prior year expenditures are provided.

Report All Reserve Fund Revenues and Expenditures in Budget Overview and Revenue Estimates

The long-term, mid-term and short-term funds created as part of the City’s recent asset lease transactions have played a central role in its operating budget since 2006. The City currently posts helpful information about the balances in the funds on its website²⁷⁴ and shows some information about the long-term and mid-term reserves in its Budget Overview and Revenue Estimates book. However, the budget does not provide the same level of detail for the reserve funds that is included for other City funds. The Civic Federation recommends that the City include current and historical information about all asset lease proceeds in the Budget Details section of the Overview book in order to show exactly how much revenue was generated by the transactions (including interest), how funds have been spent and how much is still in reserve. It should also treat the Reserve Fund²⁷⁵ the same as other funds in the Recommendations budget book such as adding it to the Detail of Revenue Estimates section.

Report All Fund Revenues by Source in Budget Overview and Revenue Estimates

In the budget overview and revenue estimates, all fund revenue is broken down by fund and individual fund summaries include data on revenue sources. It would be useful if the City also provided an aggregate summary of revenue sources for all funds. This would allow the reader to see what percentage of the total budget comes from taxes, fees, grants and other sources. This would provide a more complete picture of the revenue base of the entire government.

²⁷³ National Advisory Council on State and Local Budgeting, *Recommended Budget Practices*, (Chicago: GFOA, 1998).

²⁷⁴ See the City’s Asset Lease Agreements page at http://www.cityofchicago.org/city/en/depts/fin/supp_info/public_private_partnerships/asset_lease_agreements.html.

²⁷⁵ The Reserve Fund was created to account for reserves from the Skyway and parking meter transactions (See City of Chicago, FY2009 Comprehensive Annual Financial Report p. 48).

Enhance Programmatic Budgeting

The City publishes a “Program and Budget Summary” that breaks down recommended appropriations by program and includes performance data for three previous years, a current year estimate and a budgeted year target. This information is important for the City as it moves toward linking budgets and performance. The programmatic budgeting could be improved in a number of ways. Currently, programmatic funding and personnel data is only provided for the budget year. Actual personnel and expenditure data should be added for each of the past years as well, so that the resources can be compared with performance. Programs should also have goals and objectives to demonstrate the intended results of the programs.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

36. Increase Transparency of Property Taxes Controlled by the City that are Provided to the City Colleges of Chicago and the Chicago Public Schools

The Civic Federation urges the City of Chicago to improve the public disclosure of its arrangements with the City Colleges and the Chicago Public Schools. In the short-term, budget documents should report the associated revenues and expenses in the budget totals and the budget narrative should clearly describe the agreements. Although they are allocated for other units of government, these expenditures are being funded with City of Chicago property tax dollars. Therefore, they should be transparently reported as part of the City’s budget. In the long-term, the City should work with the legislature and affected governments to transfer the levies from the City to the respective units of government that are benefiting from the property taxes.

- Action(s) Needed: Direction of Mayor, Departmental Implementation
- Responsible Official(s): Mayor
- Time Frame for Implementation: 2011
- Financial Impact: Low

37. Improve Budgeting of Grant Funds by Providing a Level of Detail Comparable to Local Funds

The National Advisory Council on State and Local Budgeting (NASCLB) recommends that the budget include high-level summary information that describes overall funding sources and the organization as a whole.²⁷⁶ Constituting over \$2 billion in revenues, grant funds are clearly an important component of overall City funding. However, they are not included in budget totals and do not have the same level of detail in the budget as local funds. The Civic Federation recommends that the City take the following steps to improve grant fund reporting in the budget documents:

- Add an analysis of the entire City of Chicago budget that encompasses grant funds to show a complete picture of all resources, expenditures and personnel.

²⁷⁶ National Advisory Council on State and Local Budgeting, *Recommended Budget Practices*, (Chicago: GFOA, 1998), practice 10.1g: Present the Budget in a Clear, Easy-to-Use Format.

- Budget grant funds at the same level of detail as local funds. This includes reporting five years of grant fund revenues and expenditures in the budget overview and revenue estimates document as is done with other funds. Currently, only two years are reported for grant funds. Increased detail comparable to local funds should also be provided in the budget recommendations document.
 - Transparently explain the impact of the grant funds on closing the operating deficit in the budget narrative and deficit closing charts.
 - Add a schedule with a breakdown of the resources provided to departments that outlines all sources of departmental funding for five years including grant funds and aggregate totals.
- Action(s) Needed: Direction of Mayor, Departmental Implementation
 - Responsible Official(s): Mayor
 - Time Frame for Implementation: 2011
 - Financial Impact: Low

38. Reform the Capital Budgeting Process and CIP to Focus on Project Prioritization

In this time of increasing debt levels and limited resources, it is critical that the City strategically allocate resources for its capital needs. The Civic Federation recommends that the City undertake a three-step capital process consisting of the following: (1) adoption of capital planning related financial policies by the City Council, (2) strengthening of the City's Capital Improvement Plan (CIP) including an objective needs assessment and (3) adoption of a projected capital improvements list as part of the annual budget process.

Experience-based judgment is an approach to capital planning where projects are ranked primarily on the judgment of managers and staff, governing board members, citizens and others and is commonly used by small and medium sized cities. This method has value in that elected officials and other stakeholders are often in touch with the needs and problems facing a local community. However, relying exclusively on experience-based judgment can become problematic when there are many capital requests, complex capital requests and many decision makers.²⁷⁷ There will always be some level of subjectivity involved in capital planning, but objectivity is enhanced when goals, criteria, rankings or ratings approaches are used to help officials select priorities based on the community's most pressing needs.²⁷⁸

Under the three step approach outlined above, the City Council and public would help to set the goals and criteria for needs assessment and project selection through financial policies. Staff would use those criteria to rank projects in the CIP. Lastly, specific projects would be selected as part of the annual budgeting process guided by the CIP. If any project differed from the CIP, it would be explicitly detailed in the budget documents. In the City's current process, it is unclear if a project is being funded based on selection criteria or based on input from City Council and the public.

²⁷⁷ A. John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments* (Washington DC: ICMA, 2004), p. 90.

²⁷⁸ A. John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments* (Washington DC: ICMA, 2004), p. 91.

The Government Finance Officers Association (GFOA) recommends that jurisdictions adopt policies to inventory and assess the condition of all major capital assets. It also recommends that governments adopt a long-range financial planning policy that considers the implications of capital budgets.²⁷⁹ The Mayor should present and the City Council should adopt financial policies in order to provide staff with clear criteria on how to assess capital assets and rank capital projects.

Currently, the City's CIP includes a description of the needs assessment and project selection criteria used for each program area, but how well individual projects meet the selection criteria is not outlined and the overall state of the City's assets is not described. The CIP states that when funding constraints occur projects are eliminated based on (1) departmental priority, (2) needs of program area, (3) effect of project on operating budget and (4) comments received.²⁸⁰ The GFOA recommends using a rating system to facilitate decision making in capital planning.²⁸¹ The CIP should utilize a rating system to determine which projects get eliminated based on the adopted financial policies. The CIP should transparently outline how the rating scale is applied to programs and/or projects.

The Government Finance Officers Association (GFOA) also recommends that governments prepare and adopt a formal capital budget as part of their annual or bi-annual budget process. It recommends that the capital budget be adopted by a formal action of the legislative body, either as a component of the operating budget or as a separate capital budget. The capital budget should be directly linked to and flow from the CIP.²⁸²

It is common practice for governments to adopt a capital budget in addition to the CIP. For example, both New York and Los Angeles have capital budgets that are adopted by their City Councils. In New York, the mayor submits a capital budget with the operating budget each year that proposes funding for capital projects in the coming year as well as the three following years. It is adopted by the City Council with the operating budget. Funds that are not committed in the fiscal year that they are appropriated are either re-appropriated in the next capital budget or withdrawn.²⁸³ In Los Angeles, a capital financing plan is prepared in conjunction with the CIP which details the financing for all facilities in the plan, establishes funding priorities and reviews the impact of all borrowings on long-term debt affordability ratios. It is presented for approval as part of the budget.²⁸⁴

A projected capital improvements list (including TIF funded projects) based on the City's CIP should be presented for City Council approval as part of the annual budget process. This could take the form of a separate document that is presented to City Council during the operating

²⁷⁹ Government Finance Officers' Association, "GFOA Best Practice: Adoption of Financial Policies," (2002).

²⁸⁰ City of Chicago, 2010-2014 Capital Improvement Program, p. 4.

²⁸¹ Government Finance Officers' Association, "Preparing and Adopting Multi-Year Capital Planning," (2006).

²⁸² Government Finance Officers Association, "GFOA Best Practice: Incorporating a Capital Project Budget in the Budget Process," (2007).

²⁸³ Independent Budget Office of the City of New York "Understanding New York City's Budget: A Guide to The Capital Budget," <http://www.ibo.nyc.ny.us/iboreports/IBOCBG.pdf> (last visited on April 28, 2011).

²⁸⁴ City of Los Angeles Chief Administrative Officer, "Financial Policies for the City of Los Angeles," http://cao.lacity.org/Debt_Mgmt/FinancialPolicies.pdf (last visited on April 28, 2011).

budget process similar to what is done at the State of Illinois. Because of the complex and multi-year nature of capital projects, staff should be provided with adequate flexibility and projects that have committed funds should not automatically lapse at the end of the fiscal year as happens with operating appropriations. The City's capital projects list presented during the budget process should include the following elements as recommended by the GFOA:

1. A definition of capital expenditure.
2. Summary information of capital projects by fund, category, etc.
3. A schedule for completion of the project, including specific phases of a project, estimated funding requirements for the upcoming year(s) and planned timing for acquisition, design and construction activities.
4. Descriptions of the general scope of the project, including expected service and financial benefits to the jurisdiction.
5. A description of any impact the project will have on the current or future operating budget.
6. Estimated costs of the project, based on recent and accurate sources of information.
7. Identified funding sources for all aspects of the project, specifically referencing any financing requirements for the upcoming fiscal year.
8. Funding authority based either on total estimated project cost or estimated project costs for the upcoming fiscal year. Consideration should be given to carry-forward funding for projects previously authorized.
9. Any analytical information deemed helpful for setting capital priorities (this can include any cost/benefit comparisons, and related capital projects).
10. Any variance between the capital projects list adopted during the annual budget process and the City's CIP should be documented in the final budget documents.

- Action(s) Needed: Adoption of Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Financial Impact: Medium

**Mayor-Elect Emanuel Chicago 2011
Transition Plan: Initiative 12**

- "The best-planned cities develop a 25-year vision and prioritize investments into five-year capital improvement plans using a multitude of investment options, including leveraging private resources and capital. Using this framework, all investments will be maximized and sequenced to reach their full potential and deliver the best value.

In 100 days: Performance metrics and ROI standards will be developed for all capital projects.

In Year 1: Department and agency capital improvement plans will be rolled up into a Chicago capital plan with a multi-year time horizon identifying timelines, goals, plans, and partners for upcoming projects, including the Red Line expansion."

Page 21

39. Develop a Long-Term Financial Plan

The Civic Federation's report *Financial Challenges for the New Mayor of Chicago* (released in February 2011) included a recommendation to publish multi-year financial forecasts and a recommendation to develop a long-term financial plan, which the Civic Federation has been urging for at least a decade.²⁸⁵ The National Advisory Council on State and Local Budgeting

²⁸⁵ Civic Federation, *City of Chicago FY2001 Proposed Budget: Analysis and Recommendations* 2001, November 1, 2000.

(NASCLB) defines the long-term financial planning process as an assessment of the long-term financial implications of current and proposed policies, programs and assumptions with development of appropriate strategies to achieve the plan's goals.²⁸⁶

The Civic Federation supports the Mayor's executive order issued on May 20, 2011 to conduct an "Annual Financial Analysis."²⁸⁷ Such analysis is needed for long-range planning and it represents an important first step in the process. In particular, the executive order mandates the following elements that are essential to set the stage for long-range planning:

- A role for the City Council in the process of identifying appropriate fiscal and programmatic strategies;
- An opportunity for public review and comment on the Annual Financial Analysis;
- A financial condition analysis that will cover the previous ten years including a discussion of key factors impacting the performance of the City's revenue streams;
- A three-year baseline forecast that describes key assumptions as well as alternative forecasts to show positive and negative variances;
- A reserve analysis that includes the corporate fund reserve and asset lease reserves;
- An analysis of the City's capital improvement program; and
- An analysis of general debt obligations and long-term liabilities.

The City's executive order essentially sets the stage for the City to undergo a robust financial analysis and forecasting process. However, the executive order does not explain how that analysis will be used to develop a plan to address Chicago's financial challenges. The Civic Federation is hopeful that when a new financial planning process is fully implemented it will use financial analysis to develop fiscal strategies and policies. In particular the Civic Federation recommends that the following steps be included in the financial planning process in addition to what is outlined in the executive order:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues. For example, a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the City's financial challenges.

²⁸⁶ National Advisory Council on State and Local Budgeting *Recommended Budget Practices*, (Chicago: GFOA, 1998).

²⁸⁷ City of Chicago, "Mayor Emanuel Signs Executive Order Creating a Long-Term Budgeting and Financial Planning Process for the City of Chicago," news release, May 20, 2011.

The Civic Federation believes that an effective financial planning process must include financial analysis and forecasting as well as the identification of possible actions and scenarios to address fiscal challenges. As the GFOA states in its long-term financial planning best practice, this allows financial capacity to be aligned with long-term service objectives and to develop strategies to achieve long-term sustainability.²⁸⁸

- Action(s) Needed:
Adoption of Ordinance
- Responsible Official(s):
Mayor, City Council
- Time Frame for Implementation: 2011
- Financial Impact: Medium

**Mayor-Elect Emanuel Chicago 2011
Transition Plan: Initiative 2**

- “The City will issue an executive order to establish a formal, long-term financial planning process.
- The administration will also ask City Council to pass a resolution adopting a budget policy that guides the process for spending and budget decisions.
- Relying on involvement and input from the public and City Council, the new planning process will incorporate financial best practices.

In 100 days: The executive order will be executed, and the City Council budget policy resolution will be introduced.

In Year 1: Beginning with the 2012 budget, City budgets will be developed in the context of a five-year forecast, with clearly described assumptions and a formal policy about withdrawals from asset reserve funds, debt ratios, and growth in the City’s fund balance.”

Page 10

40. Improve City’s Budget Process

The Civic Federation recommends that the City adopt a more participatory budget process by encouraging meaningful citizen input and by having the City Council serve as a partner in developing the budget and setting fiscal policy. The following steps can be taken to institutionalize these changes:

Council Adoption of Financial Policies

The Mayor should present and the City Council should adopt a series of financial policies as previously recommended by the Civic Federation and consistent with the best practices of the GFOA. These policies should be regularly evaluated as part of a long-term financial plan review each spring, which should include opportunities for public input during early stages of the review process.

Hold Separate Budget Hearings on the Proposed Budget

Past practice included three public hearings following the Preliminary Budget Estimate released by July 31 each year. This hearing schedule did not allow for meaningful public input. The Preliminary Budget Estimate identified the City’s anticipated budget shortfall, but did not present any specific budgetary options. Without specific budgetary proposals to react to, it is difficult for the public to provide meaningful input.

²⁸⁸ Government Finance Officers Association, “GFOA Best Practice: Long-Term Financial Planning,” (2008).

The only opportunity for the public to comment on the Mayor's complete budget proposal was at one City Council meeting. There was no designated time for the public hearing to begin because it took place only after other Council business had been conducted.

The City Council should hold three public hearings on the proposed budget separate from its regularly scheduled City Council meetings at times and locations convenient to the public. The public hearings should be held at least ten working days after publication of the proposed budget and five working days before the City Council vote on the budget.

- Action(s) Needed: Adoption of Ordinance
- Responsible Official(s): Mayor, City Council
- Time Frame for Implementation: 2012
- Financial Impact: Low

APPENDIX A: METHODOLOGY AND SOURCES

The Civic Federation employed the following methods in order to research the City's fiscal condition and operations and develop recommendations.

Analysis of Financial Challenges

Recognizing that the City faced enormous financial challenges, the Civic Federation conducted a detailed examination of the City's finances outside of its yearly budget review to better define the scale of the problem and to identify the underlying causes of Chicago's financial challenges. This resulted in the *Financial Challenges for the New Mayor* report issued in February 2011. In that report, the Civic Federation outlined the state of the City's finances and expanded on recommendations made in previous Civic Federation budget analyses.

Compilation of Previous Recommendations

A variety of recommendations have been offered previously by the Civic Federation and others but not yet adopted by the City. Staff compiled and examined recommendations that have been offered from such sources as the Mayor's 21st Century Commission report, the Civic Federation, the City's Inspector General and others.

Expert Interviews

Interviews were conducted with experts individually and in small groups to generate background information, develop recommendations and identify research sources. These discussions covered a wide variety of issues including the City's finances, operations, infrastructure management, alternative service delivery options and public safety structure.

Chicago Finance Committee

The Civic Federation convened a committee of business professionals and individuals with experience in City government to oversee development of the Civic Federation Chicago Finance Project. The committee met on a regular basis to develop consensus on a core list of recommendations, review staff work and offer guidance on the project.

Financial Data

The financial data in this report was taken primarily from City of Chicago preliminary budget overview and revenue estimate documents, executive proposed budgets, adopted appropriation bills and the financial statements contained in comprehensive annual financial reports. Much of the data was previously compiled for the Civic Federation's *Financial Challenges for the New Mayor Report* issued in February 2011 and the *City of Chicago FY2011 Proposed Budget: Analysis and Recommendations* issued in November 2010.

APPENDIX B: CITY OF CHICAGO GOVERNMENT

Chicago is a home rule unit of Illinois local government. It is governed by a Mayor-Council system of government. The Mayor is the City's chief executive but shares some executive responsibilities with the Clerk and Treasurer. The City Council is Chicago's legislative body.

The Mayor, Clerk and Treasurer are elected for four-year terms in a nonpartisan election. A candidate must receive a majority of the votes cast to be elected. If no candidate receives a majority in the initial election, a run-off election is held with the two candidates receiving the most votes. The candidate receiving a majority vote in the run-off is elected for the position. The City Council consists of 50 aldermen elected by ward. The wards are re-districted every ten years after completion of the federal census to ensure equal population distribution. The method of election and term of office are the same as that for the executive officials. There are no term limits for any of the City elected officials.

The City Council's legislative powers are codified in state statute and the home rule provisions of the Illinois constitution. In general, the Council has the power to legislate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt. The City Council votes on all proposed loans, grants, bond issues, land acquisitions and sales, zoning changes, traffic control issues, mayoral appointees and other financial appropriations. Its standing committees review proposed ordinances, resolutions and orders before they are voted on by the full council.²⁸⁹

The Mayor, as chief executive officer of the City, is responsible for the administration of municipal programs and activities. The City's administration is divided into 36 departments, boards, commissions and agencies. They are organized into eight program areas: Finance and Administration, Legislative and Elections, City Development, Community Services, Public Safety, Regulatory, Infrastructure Services and Public Service Enterprises.²⁹⁰ The Mayor appoints all department heads with the advice and consent of the City Council. If a vacancy occurs in a position, the Mayor can fill the position within 30 days upon communicating the name of the appointee to the Council.²⁹¹ The Mayor is also authorized by ordinance to appoint an administrative officer to supervise the management of all city administrative divisions. The administrative officer must have had at least five years' experience in responsible government or private administrative positions.²⁹² The Mayor has the power to veto ordinances approved by the Council. A veto can be overridden by a two-thirds affirmative vote.²⁹³

The City Clerk is responsible for overseeing, guiding and tracking the legislative process by acting as official parliamentarian of the City Council, publishing official records of City Council meetings and maintaining records of all legislation. The City Treasurer manages the City's cash

²⁸⁹ See Illinois Constitution, Article VII: Local Government, section 6: Powers of Home Rule Units; 65 ILCS 20/ Revised Cities and Villages Act of 1941; Chicago City Ordinance, Chapter 2-8 - City Council and Wards of the City; http://mayor.cityofchicago.org/mayor/en/special_pages/homepg-supportingpgs/city_council.html.

²⁹⁰ City of Chicago, FY2011 Budget, Overview and Revenue Estimates, p. 106.

²⁹¹ Chicago City Ordinance, Chapter 2-4-010 Mayor: Appointment powers and duties.

²⁹² Chicago City Ordinance, Chapter 2-4-020 Mayor - Supervisory authority – Administrative officer appointment, powers and duties.

²⁹³ 65 ILCS 20/21-16. Veto by mayor.

and investments, oversees the administration of pension funds and administers banking relationships for the City.²⁹⁴

APPENDIX C: FY2011 BUDGET GAP CLOSING MEASURES FROM OTHER U.S. CITIES

The Civic Federation compared the City of Chicago's approach to balancing its FY2011 budget with those of several other large cities: Dallas, Los Angeles, New York City, Phoenix, San Francisco and Seattle. All struggled to close large budget deficits due primarily to declining revenues and rising personnel costs.

Several of the cities looked to one-time or recurring revenue enhancements to eliminate their deficits. However, only Dallas closed its budget gap solely with a revenue enhancement, a 4.91% property tax levy increase.²⁹⁵ New York City used \$2.4 billion in reserve funds and \$296.0 million from debt restructuring savings to help close its \$4.0 billion gap. Chicago closed \$557.9 million of its budget gap with a wide variety of revenue enhancements, including asset lease proceeds, debt restructuring savings, natural revenue growth projections and TIF surplus transfers. New York City extended its sales tax to aviation fuel. Seattle and San Francisco proposed new or increased fees for city services to generate more revenue. Phoenix increased its sales tax on food by 2%. Los Angeles generated \$139.6 million from increased revenue estimates and \$99.5 million in one-time revenues.

Most of the cities surveyed proposed significant spending cuts to balance their budgets. Like the City of Chicago, the other cities reduced personnel costs by employing one or a combination of the following methods: layoffs, hiring freezes, eliminating vacant positions or leaving vacancies unfilled. Seattle eliminated a COLA increase for their Fire Department and San Francisco negotiated a contract whereby public employees will forfeit approximately \$250 million in wages over the next two years.²⁹⁶ Phoenix eliminated 550 positions and won salary reduction concessions from remaining employees.²⁹⁷ Los Angeles expected \$63.3 million in savings from employee furloughs.²⁹⁸ Other cost cutting measures included New York City's \$1.1 billion in programmatic cuts, Seattle's completed consolidation of the Department of Finance and Administrative Services and the implementation of more efficient service programs in the Department of Public Utilities.²⁹⁹ Los Angeles imposed \$99.1 million in departmental budget cuts and expected \$37.0 million in savings from deferring capital improvement projects.³⁰⁰

²⁹⁴ City of Chicago, FY2011 Budget, Program and Budget Summary, pp. 19, 27.

²⁹⁵ Rudolph Bush, "Dallas City Hall could face another massive budget deficit for 2011-2012," *Dallas Morning News*, January 18, 2011.

²⁹⁶ City of Seattle, Overview of 2011-2012 Proposed Budget, p. 5-18; John Cote and Rachel Gordon, "Newsom's budget foresees layoffs, program cuts," *San Francisco Chronicle*, June 2, 2010.

²⁹⁷ Elias Johnson, "550 Positions Lost, Public Safety Spared," KPHO.com, March 2, 2010.

²⁹⁸ City of Los Angeles 2010-2011 Budget Summary, p. 2, <http://www.ci.la.ca.us/cao/budgetsum/budgetsum.htm>.

²⁹⁹ City of Seattle 2011-2012 Proposed Budget Overview, p. I-5.

³⁰⁰ City of Los Angeles 2010-2011 Budget Summary, p. 2, <http://www.ci.la.ca.us/cao/budgetsum/budgetsum.htm>.

FY2011 Deficit Reduction Measures Amongst Selected Major U.S. Cities			
City	FY2011 Operating Appropriation (in \$ millions)	FY2011 Deficit (in \$ millions)	Deficit Reduction Measures
Chicago	\$ 6,154.8	\$ 654.8	The deficit was closed with personnel reductions of 326 full time equivalent positions: \$96.9 million; maximizing reimbursements: \$98.0 million; growth in revenues: \$91.3 million; strategic financial options: \$68.2 million; debt restructuring: \$142 million; Surplus from 25 of 160 TIFs: \$38.5 million; Asset Lease Long-Term Reserve Funds: \$119.9 million.
Dallas	\$ 2,224.3	\$ 200.0	The budget deficit was closed primarily with a 4.91% property tax levy increase.
Los Angeles	\$ 6,700.0	\$ 492.4	The budget gap was eliminated with a combination of spending cuts and revenue enhancements. The spending reductions included \$99.1 million in departmental budget cuts, \$63.3 million in savings from employee furloughs and \$37.0 million saved by deferring capital improvement projects. Revenue enhancements utilized included \$139.6 million in increased revenue estimates, \$53 million in one-time revenues primarily from the leasing of parking facilities and \$46.5 million in revenue transfers from special revenue funds.
New York City	\$ 62,900.0	\$ 4,000.0	\$2.4 billion of the budget gap was closed with reserve funds accumulated in previous years. The remaining \$1.6 billion deficit was eliminated with program cuts of \$1.1 billion, elimination of a \$190 million collective bargaining reserve, \$296 million in savings from debt restructuring and \$169 million in new revenues from extending the sales tax to aviation fuel.
Phoenix	\$ 1,013.8	\$ 140.0	The budget gap was closed with a temporary 2% increase in the sales tax on food, the elimination of 550 positions and salary reductions from remaining employees.
San Francisco	\$ 6,500.0	\$ 482.7	Over two years, employees will give back over \$250 million in wages, preventing over 1,000 layoffs; 855 City staff positions will be eliminated; 350 City layoffs during current fiscal year; advanced pension reform policy; taxes remain flat, but city service fees increase.
Seattle	\$ 3,925.0	\$ 67.0	Two-thirds of budget gap closed by expenditure savings: eliminating 294 positions - 214 layoffs, including 64 senior level positions; savings in labor costs, including freezing senior level salaries, flat COLA for firefighters and fire chiefs; cutbacks to Parks and Recreation, Seattle Public Library, Department of Neighborhoods; no increase in general taxes, though \$23 million in increased revenue primarily from users of City services.

Note: Appropriations represent proposed operating budget recommendations for selected cities except for Los Angeles. The adopted operating appropriations are presented for Los Angeles.

Sources: Source: City of Chicago FY2011 Overview and Revenue Estimates, p. 5 and information from City of Chicago Office of Budget and Management, October 28, 2010; Rudolph Bush, "Dallas City Hall could face another massive budget deficit for 2011-2012," Dallas Morning News, January 18, 2011; City of Los Angeles 2010-2011 Budget Summary, p. 2 at <http://www.ci.la.ca.us/cao/budgetsum/budgsum.htm>; Fiscal Policy Institute, Briefing on Mayor Bloomberg's Preliminary FY2011 New York City Budget, February 2010; Elias Johnson, "550 Positions Lost, Public Safety Spared," KPHO.com, March 2, 2010; City of San Francisco Mayor's Proposed Budget May FY2010-2011, p. xiii-xiv; San Francisco Chronicle, "Newsom's budget foresees layoffs, program cuts," June 2, 2010; City of Seattle, Overview of 2011-2012 Proposed Budget, p. 5-18.

APPENDIX D: PERSONNEL DATA

The City's \$3.3 billion appropriation to personnel services in FY2011 represents 50.3% of the City's total expenditures across all local funds. An additional \$2.3 billion is appropriated to specific items and contingencies, which among other City expenses include some personnel-related costs such as hospital and medical expenses for employees not covered under the Workers Compensation Act.

City of Chicago FY2011 All Local Funds Appropriations* by Object		
Object Classification	FY2011	Percent of Total
Personnel Services	\$ 3,305,575,015	50.3%
Contractual Services	\$ 763,273,827	11.6%
Travel	\$ 2,745,302	0.0%
Commodities	\$ 143,523,689	2.2%
Equipment	\$ 14,564,776	0.2%
Permanent Improvement and Land	\$ 2,935,500	0.0%
Specific Items and Contingencies**	\$ 2,334,905,891	35.6%
Total	\$ 6,567,524,000	100.0%

*Does not include deductions for transfers between funds and proceeds of debt.

**Includes payments for tort and non-tort judgments, outside counsel expenses and expert costs, as approved by the Corporation Counsel; for cost and administration of hospital and medical expenses for employees injured on duty who are not covered under Workers Compensation Act; and for physical exams.

Source: City of Chicago, FY2011 Appropriation Ordinance, p. 11.

The FY2011 Appropriation Ordinance accounts for 32,906 full-time positions for all local funds. The vast majority of these full-time positions, 26,819 or 81.5%, are appropriated through the Corporate Fund. The personnel services appropriation for the Corporate Fund is over \$2.7 billion and includes expenses for part-time and hourly wage earners, as well as personnel-related expenses such as pension and healthcare costs under the Finance General department.

City of Chicago FY2011 Full-time Positions and Personnel Services Appropriation by Fund				
Fund	Full-time Positions*	Percent of Total	Adopted Appropriation	Percent of Total
Corporate	26,819	81.5%	\$ 2,714,460,020	82.1%
Water	1,702	5.2%	\$ 163,033,726	4.9%
Vehicle Tax Fund	630	1.9%	\$ 80,272,127	2.4%
Sewer	662	2.0%	\$ 62,026,353	1.9%
Library Fund - Maintenance and Operation	883	2.7%	\$ 68,334,782	2.1%
Special Events and Municipal Hotel Operators' Occupation Tax Fund	77	0.2%	\$ 7,098,384	0.2%
Chicago Midway Airport Fund	345	1.0%	\$ 35,765,289	1.1%
Chicago O'Hare Airport Fund	1,741	5.3%	\$ 171,002,334	5.2%
Tax Increment Financing Administration	47	0.1%	\$ 3,582,000	0.1%
Total	32,906	100.0%	\$ 3,305,575,015	100.0%

*Adopted full-time positions differ from proposed full-time positions.

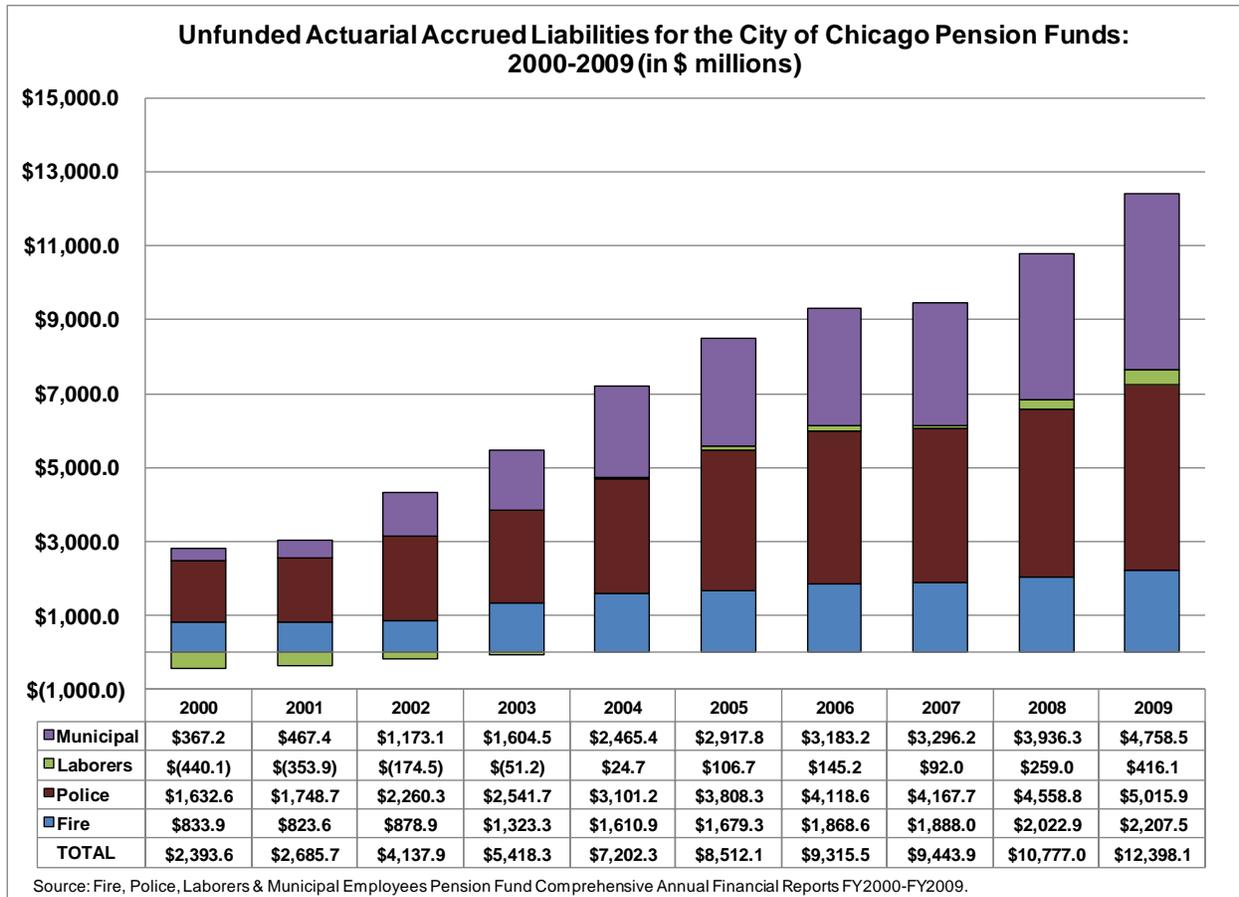
Source: City of Chicago FY2011 Appropriation Ordinance.

APPENDIX E: PENSION FUND DATA

The City of Chicago maintains four employee pension funds: the Fire, Police, Municipal and Laborer's Funds.³⁰¹

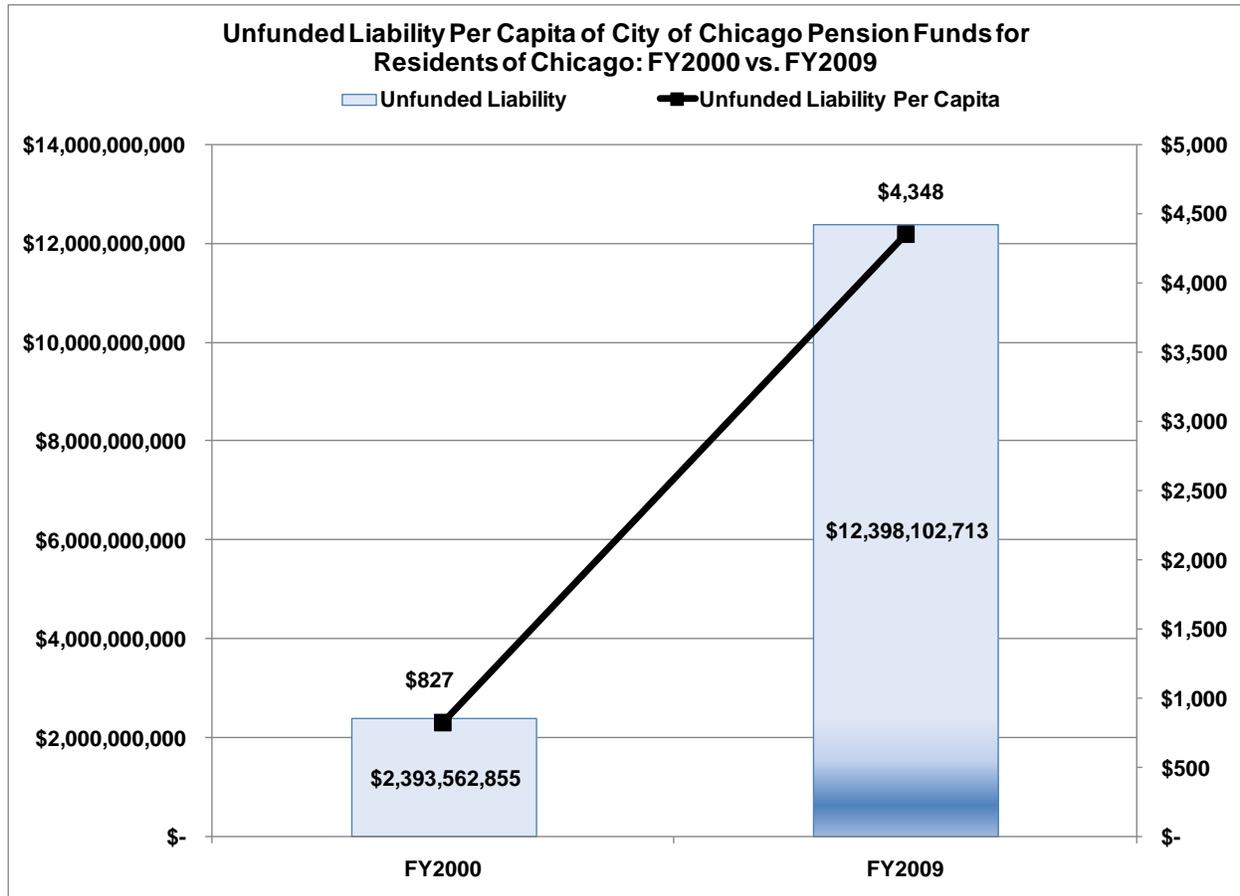
Unfunded Liabilities

Over the past ten years, the unfunded actuarial accrued liabilities of the four pension funds combined have grown by \$10.0 billion or 418%, from \$2.4 billion in FY2000 to \$12.4 billion in FY2009.



³⁰¹ Additional information and analysis of the City's pension funds can be found in the Civic Federation's City of Chicago budget analyses and Status of Local Pension Funding reports. See Civic Federation, "Status of Local Pension Funding Fiscal Year 2009," February 10, 2011, at <http://www.civicfed.org/civic-federation/publications/status-local-pension-funding-fiscal-year-2009-evaluation-ten-local-gov>.

Total unfunded liabilities per capita for the four City pension funds rose to \$4,348 in FY2009, up from \$827 ten years earlier. This is an increase of 426.1%, or \$3,521 per resident of Chicago.



Contributions

Employee and employer contributions to the City's four pension funds are not related to the health of the funds. Both employee and employer contribution levels are set in state statute. Employee contributions are a percentage of appropriated salary: 8.50% for Municipal and Laborers'; 9.0% for Police; and 9.125% for Fire. Employer contributions are multiples of the employee contributions made two years prior: 1.0 for Laborers'; 1.25 for Municipal; 2.0 for Police; and 2.26 for Fire.

City of Chicago Pension Funds Employee and Employer Contribution Requirements (current laws)			
Fund	Employee Contribution (% of appropriated salary)	Employer Contribution (multiple of employee contribution made two years)	FY2009 Employer Contribution (shown as % of payroll)
Fire	9.125%	2.26	22.9%
Police	9.00%	2.00	17.9%
Municipal	8.50%	1.25	10.2%
Laborers	8.50%	1.00	8.2%

Source: Police, Fire, Municipal and Laborers' pension fund Financial Statements FY2009.

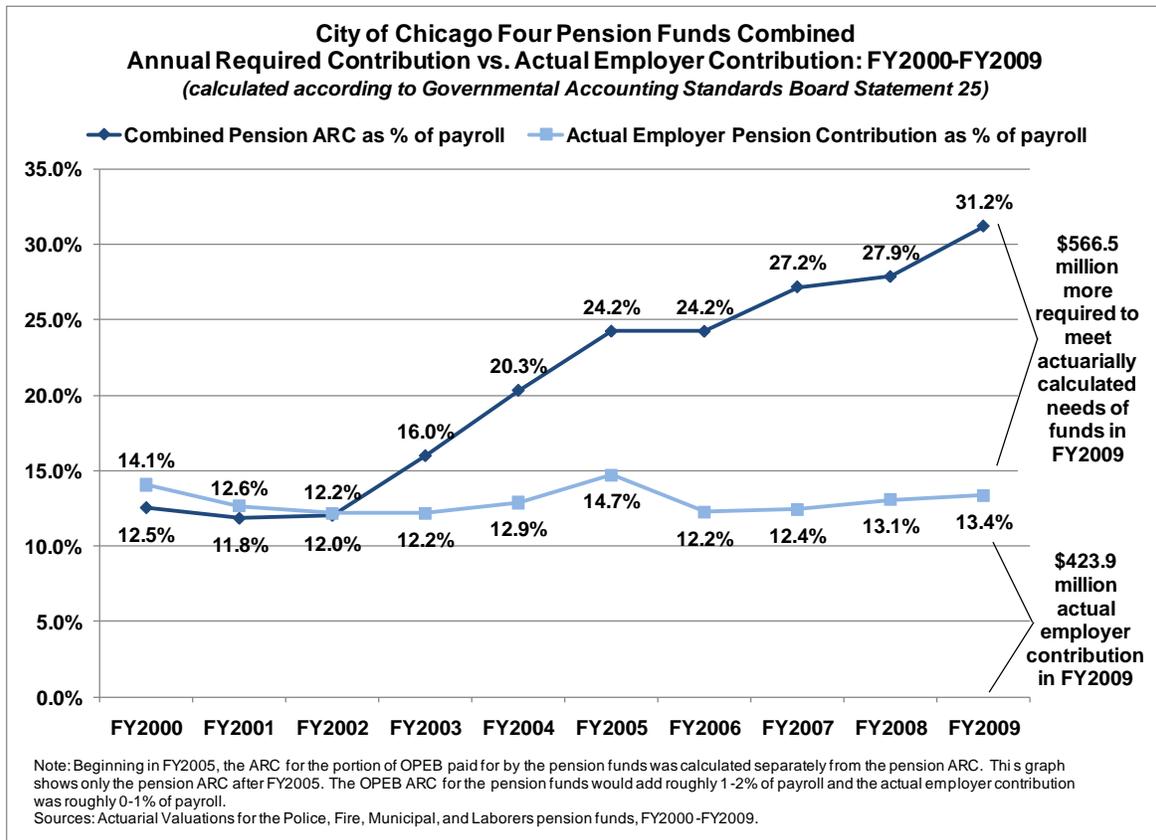
The City's pension crisis has been caused largely by consecutive years of contributions that were insufficient for the level of benefits promised.³⁰² A comparison of City contributions to a common accounting measure of adequate contributions illustrates how the statutory contribution levels have starved the pension funds in recent years.

The financial reporting requirements for public pension funds and their associated governments are set by the Governmental Accounting Standards Board (GASB). GASB standards require disclosure of an Annual Required Contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year and is calculated using one of six standard actuarial cost methods. Each of these methods provides a way to calculate the present value of future benefit payments owed to active employees. The methods also specify procedures for systematically allocating the present value of benefits to time periods, usually in the form of the normal cost for the valuation year and the actuarial accrued liability (AAL). The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

ARC is a financial reporting requirement but not a funding requirement. The statutorily required City of Chicago contributions to its pension funds are set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does represent a reasonably sound funding policy, the ARC can be used as an indicator how well a public entity is actually funding its pension plan.

³⁰² The crisis was exacerbated by significant investment losses in FY2008. For more discussion of these causes, see City of Chicago, Commission to Strengthen Chicago's Pension Funds, April 30, 2010, pp. 18-22.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. The following graph illustrates the growing gap between the combined pension ARC of the four funds as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from surplus of 1.5% of payroll, or \$37.6 million, in FY2000 to a gap of 17.9% of payroll in FY2009. In other words, to fund the pension plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years the City would have needed to contribute an additional 17.9% of payroll, or \$566.5 million, in FY2009.³⁰³



The City of Chicago has consistently contributed its statutorily required amounts of 2.26 times the employee contribution made two years prior for the Fire Fund, 2.0 for the Police Fund, 1.25 for the Municipal Fund and 1.00 for the Laborers Fund. However, these amounts have been less than the ARC for most of the last ten years. The pension fund actuaries estimate that in order to

³⁰³ This \$566.5 million FY2009 figure is calculated according to the reporting requirement of Governmental Accounting Standards Board Statement 25. The assumptions are different from those used by the Commission to Strengthen Chicago’s Pension Funds to project the \$710 million additional contribution needed in FY2012. The GASB ARC assumptions are described in the Civic Federation’s Status of Local Pension Funding FY2009 report and represent the contribution needed to fund normal cost and a 30-year rolling amortization of the unfunded liabilities *after the employee contributions have been made*. The Commission’s estimates were made assuming a schedule to reach 90% funded by December 31, 2061 and the \$710 million figure is the total additional amount needed for that schedule without designating whether the employer or the employee makes the additional contribution. Page 55 of the Commission report shows that if the additional contribution were split such that the employer paid 60% and the employee paid 40%, the additional City contribution would be \$427 million and the additional employee contribution would be 7.94% of pay.

contribute an amount sufficient to meet the ARC in FY2010, the City would have needed to contribute a multiple of 6.24 for the Fire Fund, 4.61 for the Police Fund, 3.76 for the Municipal Fund and 2.76 for the Laborers Fund.³⁰⁴

FY2010 Statutory Multiple for Employer Contribution vs. Annual Required Multiple			
	Unfunded Actuarial Accrued Liability Amortization Method	Annually Required Multiple (Normal Cost + UAAL Amortization)	Statutory Multiple
Fire	level dollar, open	6.24	2.26
Police*	level % of payroll, open	4.61	2.00
Municipal	level dollar, open	3.76	1.25
Laborers	level dollar, open	2.76	1.00

*Police Fund also computes that the FY2010 annual required multiple using a level dollar amortization would be 6.42. See Police Fund FY2009 actuarial valuation p. 19.

Source: Respective Pension Fund FY2009 Actuarial Valuations

See page 110 for a description of changes to the City’s employer contribution to the Police and Fire Funds beginning in 2015.

Pension Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011 including new members of the Chicago Municipal and Laborers’ pension funds.³⁰⁵ This report will refer to “current employees” as those persons hired before the effective date of Public Act 96-0889 and “new hires” as those persons hired on or after January 1, 2011.

Current employees in the Municipal and Laborers funds are eligible for full retirement benefits once they reach age 60 and have at least 10 years of employment at the City, age 55 with 25 years, or age 50 with 30 years of service. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 62 year-old employee with 24 years of service and a \$52,000 final average salary could retire with a \$29,952 annuity: $24 \times \$52,000 \times 2.4\% = \$29,952$.³⁰⁶ The annuity increases every year by an automatic compounded 3.0% cost of living adjustment (COLA). Employees with 20 years of service may retire as young as age 55 but their benefit is reduced by 0.25% for each month they are under age 60.

³⁰⁴ Chicago Policemen’s Annuity and Benefit Fund Actuarial Valuation for the year ended December 31, 2009, p. 14; Chicago Firemen’s Annuity and Benefit Fund Actuarial Valuation for the year ended December 31, 2009, p. 14; Laborers’ Annuity and Benefit Fund of Chicago Actuarial Valuation for the year ended December 31, 2009, p. 84; and Municipal Employees’ Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report For the year ended December 31, 2009, p. 87.

³⁰⁵ A “trailer bill” to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

³⁰⁶ The average FY2009 benefit at retirement for Municipal fund participants was \$29,843; the average age at retirement was 62.9 and the average years of service at retirement was 24. Municipal Employees’ Annuity and Benefit Fund of Chicago Actuarial Valuation Report for the Year Ending December 31, 2009, p. 45.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 55 to 62; the reduction of final average salary from the highest 4 year average to the highest 8 year average; the \$106,800 cap on pensionable salary; and the reduction of the automatic COLA from 3% compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.

Major City of Chicago Municipal and Laborers' Fund Pension Benefit Provisions		
	Current Employees (hired before 1/1/2011)	New Hires (hired on or after 1/1/2011)
Full Retirement Eligibility: Age & Service	age 60 with 10 years of service, age 55 with 25 years of service, or age 50 with 30 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 55 with 20 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; pensionable salary capped at \$106,800*
Annuity Formula**	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.25% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	
Annuity Automatic COLA on Retiree or Surviving Spouse Annuity	3% compounded; begins at earlier of age 60 and first anniversary of retirement, or age 55 and third anniversary of retirement	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

*The \$106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U.

**There is also an enhanced annuity available to aldermen, the City Clerk, and the City Treasurer. See 40 ILCS 5/8-243.2.

Note: New Hires are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Sources: Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, Actuarial Valuation Report for the Year Ending December 31, 2009; Municipal Employees' Annuity and Benefit Fund of Chicago, Actuarial Valuation Report for the Year Ending December 31, 2009; Public Act 96-0889; and Public Act 96-1490.

Current members of the Chicago Police and Fire Funds are eligible for full retirement benefits once they reach age 50 with at least 20 years of service, or age 63 and 10 years of service. The amount of retirement annuity is 2.5% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 75% of final average salary. For example, a 58 year-old firefighter with 30 years of service and a \$92,000 final average salary could retire with a \$69,000 annuity: $30 \times \$92,000 \times 2.5\% = \$69,000$.³⁰⁷

Public Act 96-1495 was enacted in December 2010 and created a new tier of benefits for public employees who become members of police or fire pension funds on or after January 1, 2011.³⁰⁸ The major benefit changes are an increase in full retirement age from 50 to 55, reduction of final

³⁰⁷ The average FY2009 annuity at retirement for Fire fund participants was \$67,310; the average age at retirement was 57.8; the average years of service at retirement was 30.3; and the average final average salary at retirement was \$92,010. Firemen's Annuity and Benefit Fund of Chicago Actuarial Valuation Report for the Year Ending December 31, 2009, p. 35.

³⁰⁸ Public Act 96-1495 also applies to members of the Illinois Municipal Retirement Fund's Sheriff's Law Enforcement Program, but not to Cook County sheriff's employees or university public safety employees. See <http://www.civicfed.org/civic-federation/blog/senate-bill-3538-police-and-fire-pension-reforms>.

average salary from the highest 4 year average to the highest 8 year average, a \$106,800 cap on pensionable earnings (increased annually by the lesser of 3% or one half of the increase in Consumer Price Index), and change in the automatic cost of living adjustment from 1.5% not compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.³⁰⁹

Major City of Chicago Police and Fire Fund Pension Benefit Provisions		
	Current Employees (hired before 1/1/2011)	New Hires (hired on or after 1/1/2011)
Full Retirement Eligibility: Age & Service*	age 50 with 20 years of service	age 55 with 10 years of service
Early Retirement Eligibility: Age & Service*	age 50 with 10 years of service	
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; pensionable salary capped at \$106,800**
Annuity Formula*	2.5% of final average salary for each year of service	
Early Retirement Formula*	accumulation of age and service annuity contributions plus 10% of City contributions for each year after 10 years of service	reduced by 0.5% per month under age 55
Maximum Annuity	75% of final average salary	
Annuity Automatic COLA on Retiree or Surviving Spouse Annuity	3% simple interest if born before 1/1/1955, starts at later of age 55 or retirement; 1.5% simple interest if born after 1/1/1955, starts at later of age 60 or retirement, with a limit of 30%	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 60 or the first anniversary of retirement

* There are several variations and alternative benefit provisions for current employees. Benefits shown in this table are simplified descriptions of major benefit provisions.

**The \$106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U.

Sources: Firemen's Annuity and Benefit Fund of Chicago, Actuarial Valuation Report for the Year Ending December 31, 2009; Policemens' Annuity and Benefit Fund of Chicago, Actuarial Valuation Report for the Year Ending December 31, 2009; Public Act 96-1495.

Public Act 96-1495 does not change employee contributions but it does change employer contributions for the Chicago police and fire funds. The City of Chicago will be required to begin making contributions in 2015 that will be sufficient to bring the funded ratio of each fund to 90% by the end of 2040, using a level percentage of payroll and projected unit credit actuarial valuation method. City officials have estimated that it will represent roughly a 60% contribution increase in 2015.³¹⁰ If the City fails to make its required contributions within 90 days of due date, the Illinois Comptroller must deduct and deposit into the pension fund the certified amounts or a portion of these amounts from the following proportions of grants of State funds to the municipality (not to exceed total amount of delinquency): one-third of total State grants to municipality in 2016, two-thirds of total State grants to municipality in 2017, and 100% of State grants to municipality in 2018 and thereafter.

³⁰⁹ This is the change for Chicago Police and Fire Funds. Most other public safety funds' first tier benefits provide a 3% compounded automatic cost of living adjustment.

³¹⁰ Letter of December 8, 2010 from the Chicago City Council to Governor Pat Quinn. Last visited on January 4, 2011 at http://www.wttw.com/res/pdf/quinn_letter.pdf.

Prior to the enactment of Public Act 96-1495, the Fire Fund was projected to run out of assets during 2021 and the Police Fund was projected to run out of assets during 2025.³¹¹

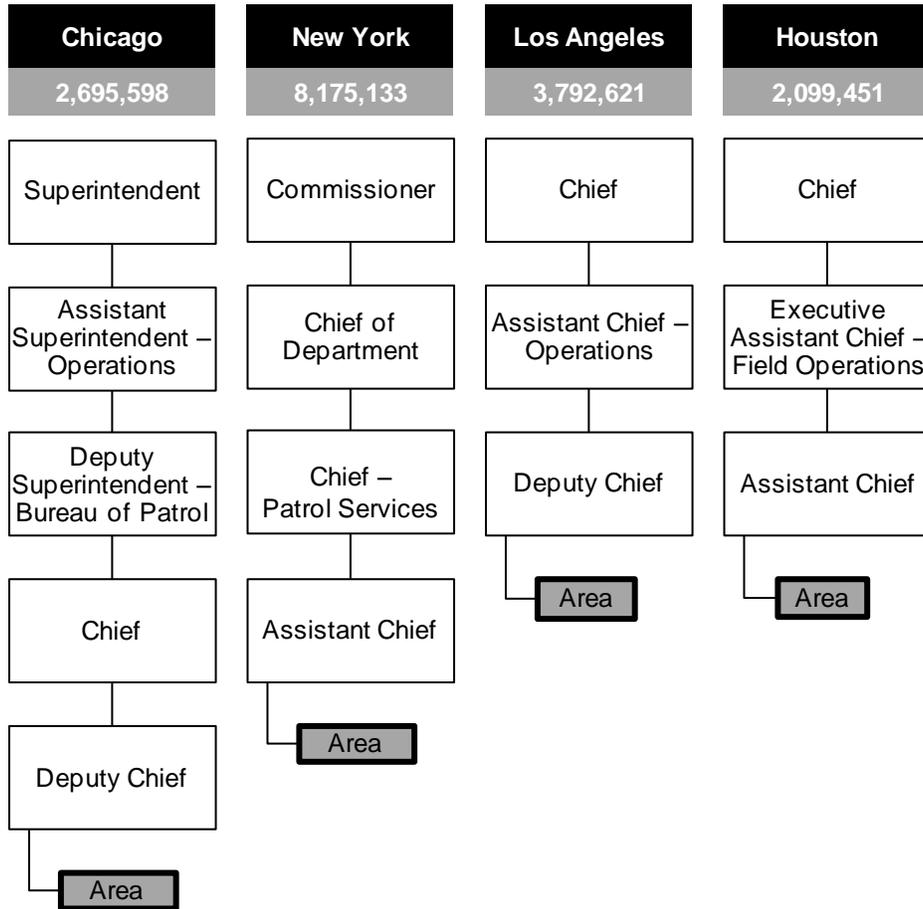
Public Act 96-1495 also requires that the Police and Fire Funds' actuarial value of assets be reset at market value on March 30, 2011, and will be calculated thenceforth using five-year smoothing.

Members of the four City of Chicago pension funds do not participate in the federal Social Security program so they are not eligible for Social Security benefits related to their City employment when they retire.

³¹¹ Illinois Commission on Government Forecasting and Accountability, *Illinois Public Retirement Systems: A Report on the Financial Condition of the Chicago, Cook County and Illinois Municipal Retirement Fund Systems of Illinois*, November 2010, pp. 46, 108.

APPENDIX F: POLICE DEPARTMENT

Organizational Structure of Police Departments for Patrol Services



Source: Population figures are from the United States Census Bureau 2010 data for city-only populations, available at <http://2010.census.gov/2010census/popmap/>; Chicago Police Department Organizational Chart available at www.chicagopolice.org (last visited May 31, 2011); New York Police Department, Office of Management Analysis and Planning; Los Angeles Police Department Organization Chart available at www.lapdonline.org (last visited May 31, 2011); Organization of the Houston Police Department available at www.houstontx.gov/police (last visited May 31, 2011).

APPENDIX G: INFRASTRUCTURE DATA

The following exhibit shows planned spending for capital improvements in infrastructure-related projects.

City of Chicago 2010 - 2014 Capital Improvement Program		
Program	2010	2010 - 2014
Cityspace*	\$ 12,517,712	\$ 46,973,212
Economic Development	\$ 130,726,169	\$ 291,816,169
Neighborhood Infrastructure	\$ 135,396,487	\$ 454,540,487
Water	\$ 191,318,507	\$ 1,432,587,507
Sewers	\$ 207,941,816	\$ 839,502,641
Transportation	\$ 345,182,200	\$ 1,081,578,000
Total	\$ 1,023,082,891	\$ 4,146,998,016

*Cityspace is an intergovernmental program developed jointly by the City of Chicago, Chicago Park District and Forest Preserve District of Cook County with the assistance from Chicago Public Schools.

Source: City of Chicago, 2010-2014 Capital Improvement Program

APPENDIX H: BUDGETING OF PROPERTY TAX REVENUES FOR CITY COLLEGES OF CHICAGO AND CHICAGO PUBLIC SCHOOLS

City Colleges

The City Council adopted an ordinance on September 29, 1999 authorizing the issuance of up to \$385 million in General Obligation Bonds to pay for City Colleges capital projects.³¹²

The City of Chicago levies taxes to pay debt service on capital improvement bonds for the City Colleges. This is done to compensate for the expiration of the City Colleges' authority to issue debt through the Public Building Commission (PBC). Debt service limits for the City Colleges were fixed at the time the property tax cap law was implemented in 1995;³¹³ at that time the District's debt burden consisted of obligations issued through the PBC and paid for through an Operations and Maintenance (O & M) levy. When these obligations were fulfilled, the O & M levy was eliminated, which required the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for the debt obligations that fund City Colleges projects.³¹⁴ This arrangement did not result in a net increase for property taxpayers, but rather transferred part of the City Colleges levy to the City of Chicago. The effect was an increase in the City of Chicago tax rate and a decrease in the City Colleges tax rate. In addition, this arrangement allowed the City Colleges to use the City's higher bond rating and thus lowering the overall cost of capital.

³¹² Journal of Proceedings of the City Council, September 29, 1999. Available at <http://www.chicityclerk.com/journalofproceedings90s.php>

³¹³ Property Tax Extension Limitation Law, 35 ILCS 200/18.

³¹⁴ Information provided by City Colleges of Chicago Finance Office, June 26, 2008.

The City's levy for City Colleges debt was flat at \$5.7 million for several years and then jumped to \$33.5 million in FY2007 and \$36.6 million in FY2008.³¹⁵ It has remained at \$36.6 million from through FY2011.

Although this levy is part of the City of Chicago's tax rate and is listed as a line item in the City budget revenue estimates, it is absent from the budget narrative and budget totals where the City's property tax levy is described.³¹⁶ When City Colleges \$36.6 million levy is added to the \$796.9 million total listed it brings the total levy to \$833.5 million. Approximately 4.4% of the City's proposed FY2011 property tax levy was for City Colleges bonds.³¹⁷

Chicago Public Schools

There is an intergovernmental agreement between the City of Chicago and the Chicago Public Schools through which the City levies taxes to pay for some of the school district's capital needs. The intergovernmental agreement was entered into on October 1, 1997 and has been used to fund and refund several bond issuances.³¹⁸ The City took on a greater role in capital funding for the Chicago Public Schools following the passage of Public Act 89-15 in 1995, which gave substantial control of the school district to the Mayor of Chicago. Pursuant to that Act, the School Finance Authority, which had been created in 1980 to provide capital debt financing for the Chicago Public Schools, ceased issuing debt for the schools and ended operations on June 1, 2010.³¹⁹ The SFA levied its final property tax in tax year 2007, payable in 2008.

According to the debt service schedule for bonds covered by this intergovernmental agreement, City of Chicago payments for school bonds increased from \$18.8 million in 2008 to \$91.0 million in 2009 and will remain at \$91.0 million through 2018.³²⁰ The intergovernmental agreement is not mentioned in the City's budget documents. Unlike the City Colleges bond levy, it is not even listed as a line item in the City budget revenue estimates.³²¹ The City's financial statements refer to it only in the property tax statistics, from which the property taxes for the "School Building and Improvement Fund" are explicitly excluded.³²² The City also issued over \$356 million in new bonds backed by various TIF funds to finance its "Modern Schools across Chicago" school construction program in 2007.³²³

³¹⁵ This is because the debt schedule called for interest payments only from 1999-2007. Principal had to be paid starting in 2008. See City Colleges of Chicago Capital Improvement Projects Series 1999 City of Chicago General Obligation Bonds Official Statement, p. B-7. <http://emma.msrb.org/MS162961-MS138269-MD268443.pdf>

³¹⁶ The City Colleges levy appears in the City's FY2011 Budget Recommendations book (p. 32) but is absent from the property tax discussion on pages 40 and 41 of the Overview and Revenue Estimates book.

³¹⁷ Civic Federation, *City of Chicago FY2011 Proposed Budget: Analysis and Recommendations*, November 23, 2010, p. 54.

³¹⁸ Board of Education of the City of Chicago Unlimited Tax General Obligation Refunding Bond Official Statement, Series 2007A, p. 2, available at <http://emma.msrb.org/MS263138-MS238446-MD465315.pdf>. See also Chicago Public Schools Comprehensive Annual Financial Report for the Year Ended June 30, 2008, pp. 57, 58, 155.

³¹⁹ Board of Education of the City of Chicago Unlimited Tax General Obligation Refunding Bond Official Statement, Series 2007A, pp. 49-50, available at <http://emma.msrb.org/MS263138-MS238446-MD465315.pdf>. See also <http://www.civicfed.org/civic-federation/blog/school-finance-authority-creation-dissolution>

³²⁰ Board of Education of the City of Chicago Unlimited Tax General Obligation Refunding Bond Official Statement, Series 2007A, p. 42, available at <http://emma.msrb.org/MS263138-MS238446-MD465315.pdf>.

³²¹ City of Chicago, FY2011 Budget, Recommendations, p. 32.

³²² City of Chicago, FY2008 Comprehensive Annual Financial Report, p. 136.

³²³ City of Chicago, FY2007 Comprehensive Annual Financial Report, p. 26.

APPENDIX I: DATA PORTALS IN OTHER MUNICIPALITIES

There are cities that have done a much better job making machine readable data available to the public. The City of New York's data mine website (www.nyc.gov/html/datamin) contains a variety of data sets including the following:

- *Budget Expense All Funds*: Data set contains expense budgets by agency for actual fiscal years and five financial plan fiscal years in all funds.
- *Budget Expense City Funds*: Data set contains expense budgets by agency for actual fiscal years and five financial plan fiscal years in City funds.
- *Budget Revenue Additional*: Data set contains revenue for actual fiscal years and five financial plan fiscal years
- *Capital All Funds*: Data set contains capital commitments for actual fiscal years and five financial plan fiscal years in all funds.
- *311 Consumer Complaints*: A spreadsheet listing NYC 311 consumer complaint information.

The City of San Francisco website (www.datasf.org) contains a variety of data sets including the following:

- *Adopted Position Budgets*: This shows the adopted position budgets for all San Francisco Departments for two fiscal years - FY 2009-2010 and FY 2010-2011. It is organized by Organization (Department and Division), Service (Program), Fund, Job Class, Bargaining Unit and Type of Expenditure (Salaries or Benefits).
- *2010 Employee and Retiree Health Plan Enrollment Demographic*: This data set displays the number of employees, retirees and eligible family members enrolled in Health Service System (HSS) medical, dental and vision plans as of July 1, 2010. The data encompasses the City & County of San Francisco, San Francisco Unified School District and the San Francisco Community College District. It is broken out in numerous ways.
- *Employee Count by Department and Union*: Employee Count by Department, broken out by Union.
- *Citywide Performance Measures Data*: Controller's Office manages the Citywide Performance Measurement Program and it collects and reports performance data from 50 City departments. The database contains over 1,100 performance measures, which are collected semi-annually.