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CIVIC FEDERATION: URGENT REFORMS NEEDED TO IMPROVE CHICAGO'S FINANCIAL STABILITY

The Civic Federation released today a comprehensive set of forty recommendations to improve the City of Chicago's long-term fiscal condition. The new Federation report includes reforms that can be implemented now and over the next few fiscal years and cover a wide array of functions, from public works to procurement to pensions.

The Civic Federation has in recent years become increasingly troubled by the condition of the City of Chicago's finances. The Federation's Chicago Finance initiative was developed in response to those concerns and its work has been guided by a committee of experts. The initiative's first report, released ahead of the mayoral election in February 2011, focused on describing the City's financial challenges, including a FY2012 budget shortfall of at least \$600 million. This second report delivers actionable recommendations to assist the new Mayor and City Council in making city government more efficient, less costly and more accountable for years to come.

“The Civic Federation sees a need for the Mayor and aldermen to work together to improve the long-term fiscal sustainability of our city, including implementing significant reforms to the responsibilities of the City Council, Treasurer and City Clerk,” said Laurence Msall, president of the Civic Federation.

The Federation recommends that the size of the City Council be reduced to 25, more in line with the number of council members per capita for other large cities in the United States. The City Council the Federation envisions would be a co-equal legislative partner to the executive branch, rather than managerial body. Such a council must have access to objective information and research in order to make informed decisions and legislate effectively. Thus, the Federation additionally recommends that a policy analysis office—similar to the federal Congressional Budget Office—be created for the Chicago City Council with the savings generated by the reduction in the size of the City Council. “Given the scope of Chicago's fiscal predicament, it is imperative that every elected official be engaged in the difficult and painful process of prioritization and reduction,” said Msall.

The set of forty recommendations includes estimates of financial impact, time frame and notes which government officials would be responsible for implementation. All the major recommendations will require the cooperation of the Mayor and City Council and some initiatives also require action by the General Assembly and Governor. Many suggestions take advantage of the new climate of collaboration between the City of Chicago and Cook County leadership.

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The report necessarily addresses the escalating personnel costs that make up 83% of the operating budget. Actions such as layoffs, benefit reductions and changes in staffing structure are all possible methods of controlling how much personnel costs rise over the next several years. The report does not shy away from recommending that the City reform the personnel structures and practices of its police and fire departments. “With a growing structural deficit, high levels of debt and staggering unfunded pension liabilities, every option to control costs must be on the table for discussion,” said Msall.

Severely underfunded pensions are a leading financial stressor for Chicago requiring immediate attention. The analysis therefore addresses the City’s growing pension crisis by recommending reducing benefits not yet earned by current employees, raising contributions to the pension funds by both employees and the City and several other crucial changes to the City’s pension and retiree health programs.

Not all of the recommendations will have an immediate or large financial impact, nor can they all be accomplished in time to close the FY2012 budget shortfall. As an example, the Civic Federation strongly urges the City to improve its budget format and process. Improvements to transparency and data availability may not save the City millions, but would certainly improve its financial accountability and stability.

The full 115-page report and all forty recommendations, as well as background information on the City of Chicago, are available on our website at civicfed.org/civic-federation/financiallysustainablechicago. The Civic Federation will report on the status of the recommendations in our annual analysis of the City’s budget later this fall and in upcoming fiscal years.

The Civic Federation thanks the members of the Chicago Finance Committee for their service and the following foundations for their support of the Chicago Finance project: the Chicago Community Trust, the Joyce Foundation, the John D. and Catherine T. MacArthur Foundation and McCormick Foundation.

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The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation’s membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions. For more information, please visit the Federation’s website at civicfed.org.