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# The Civic Federation

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## CHICAGO BUDGET A FIRST STEP TOWARD IMPROVED CITY FINANCES

### *Civic Federation Urges Mayor, City Council to Get Moving on Pension Reform*

The Civic Federation announced its support for the proposed \$6.3 billion FY2012 City of Chicago Budget today. The Federation's full 106-page report not only reviews the spending plan for the next fiscal year, but also measures the City's progress in implementing reforms to improve financial sustainability.

"Chicago is not yet out of the woods, but this budget moves the City's finances in a positive direction," said Laurence Msall, president of the Civic Federation.

The FY2012 budget would reduce the City's use of one-time revenues such as the proceeds from the parking meter and Skyway long-term leases and one-time expenditure cuts such as furlough days. It will instead address the City's \$635.7 million deficit by cutting \$417 million in ongoing expenditures, including reductions to the largest area of the budget: public safety. The targeted revenue increases proposed in the budget are reasonable and preferable to increases in broad-based taxes such as the property or sales tax.

The Civic Federation's analysis also found that the budget makes an effort to save taxpayer dollars by introducing greater efficiency through alternative service delivery. The City will continue to provide recycling services in 2012 via managed competition between Streets and Sanitation workers and private haulers. The City will also continue to pursue collaboration with Cook County on initiatives such as increasing compliance on taxes by sharing information and resources. Increasing the efficiency of City services not only saves money, but helps reassure residents that their tax dollars are being well spent.

Despite the positive direction the FY2012 budget signals for Chicago, the City still has several critical issues that must be addressed such as a high debt burden and inadequate contingency reserves. The pension funding crisis is another area that demands immediate attention from the Mayor and City Council. There are no easy fixes that will compensate for years of underfunding that have increased unfunded liabilities by \$12.1 billion or 449.3% in the past decade. Nor will there be any easy way for the City to come up with a 60% increase in its contributions to the Police and Fire pension funds that is required in 2015 under a state statute enacted in December 2010. However, the longer the City waits to take action to address the pension crisis, the more severe the remedies will need to be. The Federation's pension reform recommendations include:

- Reduce benefits not yet earned by current employees
- Increase employer *and* employee contributions to the pension funds
- Pursue pension fund consolidation to reduce costs and reap benefits of scale
- Reform pension board governance

"Unfortunately, the pain is not over for taxpayers, City workers and public officials," said Msall. "The City must continue to reorganize itself and rethink how it can most efficiently deliver its core services. For Chicago to become financially stable, the next several years are going to require sacrifice by all."

*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 [www.civicfed.org](http://www.civicfed.org).*

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