



CITY OF CHICAGO

COUNCIL OFFICE ON FINANCIAL ANALYSIS (COFA)

September 25, 2019

The Honorable Alderman Matthew J. O'Shea
10400 S Western Ave
Chicago, IL 60643

Dear Alderman O'Shea:

You requested that the Council Office of Financial Analysis (COFA) investigate two questions in response to the Office of the Inspector General's report *Audit of Delays in Providing Notice of Sanitation Code Violations* ("Audit"). Our responses are below:

1. *What are the financial implications of an ordinance that would give the city 45 days to notify property owners of sanitation code violations?*

COFA agrees with the Office of the Inspector General (OIG) and the Department of Law (DOL) that it is not feasible to offer an absolute guaranteed timeline, given that locating the owner and service address can present unique challenges in certain cases. However, COFA concurs with OIG that it is feasible for the City to mail 95% of notifications within two weeks. COFA estimates that achieving this goal would cost \$246,000 per year, plus an estimated one-time cost of \$82,000 to eliminate the current backlog.

2. *What potential either savings to the taxpayers or improvement in service might be involved with outsourcing this function?*

Based what private lenders charge their customers for title searches, COFA estimates little to no savings by outsourcing this function. But, a definitive answer would require an RFP.

The effect on service would likely depend on the incentives and level of supervision in the contract. If the contract emphasized payment per search, it is likely that speed would increase at the risk of increased rates of error. A contract emphasizing payment based on accuracy might have the opposite effect.

DISCUSSION

1. In its response to OIG’s Audit (“Response”), DOL identifies seven instances under which title searches can be very complicated. DOL repeatedly claims that because of these instances only attorneys and law clerks who have undergone several months of “lengthy and intensive” training and apprenticeship are qualified to conduct title searches.¹ DOL also repeatedly emphasizes that these clerks are disinclined to accept overtime.

OIG examined a sample of violations with notification delays exceeding one year. They found that in these cases it took DOL 354 days from violation to first DOL examination. It then took 41 days to assign staff to the violations. Once staff was assigned to the violations, it only took six days, on average, to identify the owner. According to OIG, “The primary cause for notification delays was the department’s large backlog, since it processed violations in the order they were received.”²

COFA concurs with DOL that in a minority of instances, identifying a property’s owner of record is a complicated process. Within the minority of instances which are complicated, there is a minority of instances which, as DOL states, “require legal analysis.” However, in most instances, competent individuals with moderate-term on-the-job training can accurately identify the owner of record accurately within less than five minutes.³

In order to meet the goal of mailing 95% of notifications within two weeks, COFA assumed that DOL would hire Title Searchers to examine all violations as DSS reports them to DOL. Based on the observations of the prior paragraph, COFA assumed that an FTE in that position could review an average of 18,000 cases per year, of which they would identify the owner in 13,500 cases and refer to more senior staff for further investigation in 4,500 cases.⁴ Thus, three FTEs in that position could review 54,000 cases, which is more than were issued in any year between 2008 and 2017.⁵ COFA recommends that DOL should employ temporary staff, contractors, and/or overtime to align the hours of those FTEs with the seasonal patterns of sanitation violations.

¹ *Response*, p. 4, 5, 10

² *Audit*, p. 2

³(a) According to the U.S. Department of Labor, Bureau of Labor Statistics, Title examiners, abstractors, and searchers require a high school diploma or equivalent and “Moderate-term on-the-job training” to enter the occupation of Title examiners, abstractors, and searchers.

<https://www.bls.gov/emp/tables/occupational-projections-and-characteristics.htm>

(b) The Illinois Department of Financial and Professional Regulation requires that Title Insurance Agents be registered and insured, but does not have any educational, training or testing requirements.

<http://www.ilga.gov/commission/jcar/admincode/050/050081000D16000R.html>

(c) COFA’s evaluation of the time required for routine ownership identification is based on the first-hand observations of COFA staff making such identifications during their own professional experience.

⁴ We assume 12 searches/hour; 6 hours/day; 5 days/week; 50 weeks/year. Six hours per day may seem low, but the tediousness of the task may increase the need for breaks and rotations. We also assume that this initial intake would result in successful title searches in 75% of cases, and referral to more senior staff in 25% of cases.

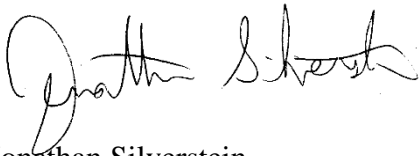
⁵ *Audit*, p. 8, p. 11

The national median salary for Title Examiners, Abstractors and Searchers was \$47,130 in 2018.⁶ COFA increased that number by 10% in order to account for inflation and regional differences, assumed that taxes and fringe benefits would cost 50% of salary, and added \$4,000 for equipment and other costs, resulting in an estimate of \$81,765/FTE, or \$245,293 total.

The estimated one-time cost is for one additional FTE, used to eliminate the backlog of “untouched” cases, which has ranged from 10,000 to 32,000.⁷

2. The fiscal impact of outsourcing could not be definitively determined without issuing an RFP. Individual homeowners typically pay \$75-\$100 for title searches.⁸ Given that the City issues up to 52,000 sanitation violations per year, that would result in a total cost of \$3.9m-\$5.2m. By comparison, the 2019 appropriation for DOL’s Collections, Ownership and Administrative Litigation (COAL) division is \$2.4m.

Sincerely,



Jonathan Silverstein
Council Office of Financial Analysis

cc: Chairman Pat Dowell, Renee Barrera, Brian Freedman, Ken Williams, Jeff Levine, Tiffany Sostrin

⁶ Bureau of Labor Statistics, *Occupational Projections and Characteristics*,
<https://www.bls.gov/emp/tables/occupational-projections-and-characteristics.htm>

⁷ *Audit*, p. 13

⁸ <https://www.finweb.com/real-estate/how-much-do-title-search-companies-typically-cost.html>