Mid-Year Report

City of Chicago

July 2025

City of Chicago
Council Office of Financial Analysis
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CITY OF CHICAGO

COUNCIL OFFICE OF FINANCIAL ANALYSIS

July 30, 2025

City Council Office of Financial Analysis
121 N. LaSalle Street, Room 200
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Members of the City Council
City of Chicago
121 N. LaSalle Street
Chicago, Illinois 60602

Dear Members of the City Council,

The City Council Office of Financial Analysis (COFA) is pleased to submit the inaugural *Mid-Year Report* to the members of the City Council's Committee on Budget and Government Operations of the City of Chicago, in accordance with Section 2-53-050 of the Municipal Code.

As required by the ordinance, the Mid-Year Report provides (a) an annual budget options analysis, including potential cost-saving measures, new funding and revenue sources, and efficiencies; (b) a summary of the City's compliance with minority-owned and women-owned business enterprise programs, and other certification-eligible business participation programs; (c) an overview of recent trends in municipal finance; and (d) an analysis of vacant positions carried over from one fiscal year to the next, as well as overtime expenditures in the previous fiscal year compared to the appropriated funds.

While the budget options report is an annual publication by COFA, this document marks the first time COFA is reporting on items (b) through (d). The intent of this Mid-Year Report is to provide members of the City Council with objective, data-driven analysis regarding the City's progress on a range of programmatic goals and to support informed deliberation in advance of the upcoming fiscal year budget process.

We appreciate your attention to this report and look forward to continued collaboration in the service of fiscal transparency and accountability for the City of Chicago.

Respectfully submitted,

Janice Oda-Gray
Chief Administrative Officer
City Council Office of Financial Analysis

COFA

Annual Budget Options Report: Fiscal Year 2026

COFA releases an annual budget options report providing ideas to enhance revenue or reduce costs for the City of Chicago. COFA notes the following are not an exhaustive list of opportunities for the City to address its budget gap entering FY 2026. Options were generated through revenue ideas submitted to COFA by Alders as well as through research by the COFA team.[1] Further, these options fall within the City's legal authority as a home-rule local government. There are various additional opportunities for revenue generation that require State authorization; high-impact State revenue opportunities are discussed briefly in "Other" section, however, COFA focuses on City-led opportunities in this report.

***Note**: All below estimates do not represent net revenue for the City, only total possible revenue to be generated. COFA notes where associated costs may incur but does not factor in exact cost of implementation, personnel, or reductions in other services in revenue estimates to account for the net total for the City.*

Revenue Opportunities

Garbage Fees

The Department of Streets and Sanitation (DSS) provides garbage services for certain residents in the City of Chicago, spending $200 million annually to collect garbage from approximately 625,000 households across the City, according to the Department of Finance. To help support this service, the City charges residents a garbage fee. The charge per month reflects less than 20% of the actual cost to provide the service – though the charges contribute to the City's Garbage Collection Fund, which is the expenditure used to support residential garbage collection. The existing monthly per unit fee has been frozen since 2016 and this option explores how increasing the fee may generate additional revenue for the City.

The City budgeted for $70.9 million in revenues from garbage collection in FY 2024 and $75.8 million in FY 2025. In both FY 2024 and FY 2025, the anticipated Garbage Collection Fund incorporates surplus resources available from the prior year, though annual collections for the fund remain steady year-after-year around $63 million. In FY 2025, the City had $11.9 million in surplus to supplement the $63.8 million anticipated revenue for the year. (While the FY 2024 revenues for garbage collections are not featured in the end-of-year financial audit, the Mayor's Office of Budget and Management (OBM) reported in Q3 of FY 2024 that the City had spent $71.8 million on garbage collection – almost $1 million above budget at that point in the year. By the same time, the City had collected $38.6 million in garbage fees.)

City garbage services are provided for households in buildings with four dwelling units or less at $9.50 per month per dwelling unit. Households in buildings with five or more dwelling units pay for garbage service from private provider (on average, $10-16 per month per dwelling unit in five- and six-unit buildings, according to the Department of Finance). Since 2013, individuals 65 or older are eligible for a senior discount on garbage services as long as the individual owns the residential unit and occupies it as a primary

[1] While this report provides brief overviews of each option, COFA has published in-depth analyses of many of these options; if an option has an accompanying analysis, there is a note with a link to the full analysis.

residence. Eligible seniors pay a monthly fee of $4.75 if they own and occupy a unit in a building with four or less units. (In the scenarios modeled below, COFA excludes senior residents for the purposes of estimating the impact of increased garbage charges. COFA does not propose raising senior garbage charges.) The garbage fee appears on a unified utility bill for City-provided water, sewer, garbage services and water-sewer tax charges.

The implementation of increasing garbage charges would be relatively simple, overseen by DSS, with action needed to determine the fee and educate the public of new rates. Proponents argue that the City's fee has remained flat for nearly a decade, and raising fees could be an opportunity to raise additional revenue for the City that is more proportional to the costs of service delivery and on par with other surrounding areas and large cities without requiring new processes or implementation mechanisms. Opponents cite garbage charges as regressive, impacting lower-income residents more than higher-income residents. Alternative options to increasing fees per month could include switching to a volume-based charge or shifting all garbage services to a private system. New York City provides garbage removal to all residents at no fee, though uses its General Revenue Fund to do so; with Chicago's current budget gap, fully taking on garbage service without a source of funding is inadvisable.

Other cities' approaches vary. In close proximity to Chicago, the City of Evanston is the most similar to Chicago's levels, charging $10.75-$27 depending on the building. Detroit is $20.83, Phoenix charges $36.59, San Antonio charges $15-31 per month depending on cart size, and San Jose charges up to $152 per month for multi-residential units. COFA outlines various scenarios of increased garbage fees: with a slight fee increase, doubling fees, and a higher fee to align with other large city charges.

Table 1. *Annual garbage collection charge, alternative scenarios**

	Current ($9.50/month/unit)	***Increase 1 ($12/month/unit)***	***Increase 2 ($19/month/unit)***	***Increase 3 ($25/month/unit)***
Annual Charge Per Unit	$114	$144	$228	$300
Serviced Residents	625,000	625,000	625,000	625,000
Revenue	***$71,250,000***	***$90,000,000***	***$142,500,000***	***$187,500,000***
Additional Revenue to Status Quo		*18,750,000*	*$71,250,000*	*$166,250,000*
Serviced Residents**	550,000	550,000	550,000	550,000
Revenue	***$62,700,000***	***$79,200,000***	***$125,400,000***	***$165,000,000***
Additional Revenue to Status Quo		*$16,500,000*	*$62,700,000*	*$102,300,000*

*In FY 2025 budget discussions, OBM evaluated four options to raise the fee at $12, $20, $24, and $52 per month per unit fees. Many other cities use volume-based fee schedules.

**COFA uses two estimates for number of serviced residents – one from the Department of Finance's overview of garbage fees and one that aligns more closely with historical annual collections used in budget estimates (totaling approx. $63 million).

Grocery Tax Replacement

Following the repeal of Illinois' statewide 1% grocery tax effective January 1, 2026, Chicago has the option to implement a local replacement tax at the same rate. This would maintain existing revenue levels without increasing costs to consumers, as the tax is already embedded in current grocery prices. The Illinois Department of Revenue would continue to collect and remit the tax, minimizing new administrative burdens. To ensure uninterrupted revenue, the City must pass an ordinance by October 1, 2025. The Mayor introduced an ordinance to establish a local grocery tax at the City Council meeting on June 18, 2025 and it will be considered by the City Council.

Implementation is straightforward, relying on existing infrastructure, and would primarily involve coordination between the Illinois Department of Revenue and the City's Department of Finance. As of June 2025, over 200 Illinois municipalities had already passed similar measures, according to testimony from OBM. If Chicago does not replace the state tax, it risks losing revenue, an especially significant figure in light of the City's projected $1.1 billion budget gap for FY 2026.

Proponents argue that this is a no-cost way to maintain revenue for essential City services, with little perceptible impact on consumer spending. Opponents contend that grocery taxes are regressive, disproportionately affecting low-income households during a time of economic instability and high inflation.

***Table 2**. Estimate for annual grocery tax revenue for City of Chicago in 2026**

Factors to Consider	
Average U.S. Household At-Home Annual Food Expenditure	$6,410
Chicago Households	1,146,547
Total Grocery Expenditure	$7,349,366,270
Grocery Tax	1%
Tax Revenue	***$73,493,662***

*Estimate uses U.S. BLS CPI data and Census data. COFA assumes continued conservative CPI growth; actual revenues may vary depending on inflation and consumer behavior trends.

See COFA's *full analysis* for more information.

Housing Unit Vacancy Tax

To address persistent housing supply issues and generate new revenue, the City could levy a tax on vacant residential units in Chicago. With an estimated 121,652 vacant units citywide (a 9.5% vacancy rate), the goal is twofold: encourage property owners to return units to market and fund affordable housing initiatives. The tax is modeled after a winning proposal from the University of Chicago Kreisman Initiative's 2025 Housing Challenge Symposium. Units would be considered vacant if left unoccupied for over 180 days annually, and the tax could be a flat per-unit fee or tied to vacancy duration, with a range of policy models explored from other cities.

Implementation requires establishing a new enforcement system, determining the tax structure (e.g., flat rate vs. progressive, per-unit vs. value-based), and administering exemptions for hardship, renovation, or legal reasons. Key departments would include the Departments of Housing (policy and outreach), Buildings

(vacancy enforcement), and Finance (collection and compliance). Exemption design and enforcement complexity will be central to policy effectiveness.

Supporters argue the tax disincentivizes speculation and encourages returning housing units to active use, while generating funding for affordable housing. Critics – primarily property owners and investors – warn of administrative burdens, potential legal challenges, and limited impact if vacancy is not the root issue in affordability. A vacancy tax, or empty home tax, is levied in Vancouver, British Columbia, Washington, D.C., and in Berkeley and Oakland, California. San Franscico passed a similar tax that has yet to go into effect, while New York State and Honolulu, Hawaii are currently considering the tax.

Table 3. *Vacancy tax, annual revenue scenarios*

Tax Structure	*Annual Revenue Estimate (millions)*
Flat rate: $500/unit	$60.8
Flat rate: $2,500/unit	$304.1
Tiered by duration (below)	**$417.1**

Table 4*. Vacancy tax, annual revenue estimate, sample tiered tax schedule**

Vacancy duration	*Tax per unit*	*Vacant units*	*Revenue*
181–365 days	$500	35,052	$17,526,000
1-2 years (366-730 days)	$1,000	30,120	$30,120,000
2-3 years (731-1095 days)	$2,500	22,120	$55,300,000
3-4 years (1096-1461 days)	$5,000	18,120	$90,600,000
4-5 years (1462-1826 days)	$10,000	10,120	$101,200,000
Over 5 years	$20,000 (max)	6,120	$122,400,000
Total		***121,652 units***	***$417,146,000***

*This is a hypothetical scenario to provide insight into potential revenue, with a simplified distribution of duration of vacancy assuming lower rates of long-term vacancy as time progresses. Actual breakdown of vacancy duration and number of units will require more complete vacancy data. Actual revenue would depend on tax structure, legal implementation, and up-to-date vacancy data.

See COFA's *full analysis* for more information.

Increased Towing & Storage Fees

The City of Chicago could increase towing and vehicle storage fees to generate additional revenue. Current fees are $150 for vehicles under 8,000 lbs. and $250 for vehicles over that size; storage fees are $25 per day for vehicles under 8,000 lbs. and $50 per day for vehicles over that size. With approximately 100,000 vehicles towed annually, adjusting towing and storage fees could create a new source of revenue for the City while better aligning charges with the true cost of services provided. However, any changes would need to account for existing revenue-sharing agreements with the City's towing contractor, whose contract expires in 2026. According to the OBM, the City's towing and storage activities currently operate on an average $1.5 million loss annually, with a 10% increase in fees necessary for the City to breakeven.

Implementation considerations include amending the Municipal Code, updating contract terms, and determining the appropriate revenue split between the City and the towing vendor. Minimal administrative burden is expected beyond contract renegotiation. City Departments involved include Finance (fee collection), Streets and Sanitation (contract oversight and communication of the policy change), and the Police Department (law enforcement towing).

Supporters argue the proposal helps recover operational costs and increases deterrence for parking and vehicle violations. Opponents warn higher fees could disproportionately burden low-income residents, making it harder to retrieve impounded vehicles. If the City moves forward with this proposal, the specific rate increases – as well as the revenue-sharing structure between the City and the contracted towing provider – would require further discussion and negotiation. Additionally, public communication strategies and the potential impacts on vehicle owners, particularly low-income residents, should be thoughtfully considered during the policy development process.

Table 5. *Annual* ***towing revenue****, with increased percentage fee options; all revenue to City*

Vehicle size	*#Vehicles**	*Fee increase*	*New tow fee*	*Revenue*
< 8,000 lbs	95,000	10%	$165	$15,675,000
> 8,000 lbs	5,000	10%	$275	$1,375,000
			Total annual revenue	***$17,050,000***
< 8,000 lbs	95,000	20%	$180	17,100,000
> 8,000 lbs	5,000	20%	$300	1,500,000
			Total annual revenue	***$18,600,000***
< 8,000 lbs	95,000	30%	$195	$18,525,000
> 8,000 lbs	5,000	30%	$325	$1,625,000
			Total annual revenue	***$20,150,000***

*According to the data provided by the Department of Streets and Sanitization, approximately 95% towed are under 8,000 lbs.

Table 6. *Annual* ***storage fee revenue****, with increased percentage fee options; all revenue to City*

Vehicle size	*#Vehicles*	*Fee increase*	*New storage fee*	*Revenue*
< 8,000 lbs	95,000	10%	$27.5/day	$2,612,500
> 8,000 lbs	5,000	10%	$55/day	$275,000
			Total annual revenue	***$2,887,500***
< 8,000 lbs	95,000	20%	$30/day	$2,850,000
> 8,000 lbs	5,000	20%	$60/day	$300,000
			Total annual revenue	***$3,150,000***
< 8,000 lbs	95,000	30%	$32.5/day	$3,087,500
> 8,000 lbs	5,000	30%	$65/day	$325,000
			Total annual revenue	***$3,412,500***

*Assuming an average of 1 day of vehicle storage at the impound lot; actual days will likely vary, increasing or decreasing potential revenue for the City.

See COFA's *full analysis* for more information.

Streetlight Advertisements

Allowing commercial advertisements on a limited number of City-owned streetlight poles could generate new revenue while supporting small business visibility. The City currently permits banners promoting civic events, overseen and governed by Chicago Department of Transportation (CDOT) policies, with neighborhood-level Chambers of Commerce overseeing existing private business advertisements. This estimate models a conservate approach, with the City allowing commercial advertising on 1% of City street poles (3,000 out of 300,000), using either single or double-banner configurations.

Implementation would involve minimal structural change, leveraging CDOT's existing infrastructure and processes used for civic banners. However, updates to policy, fee structures, and internal logistics – such as banner allocation and permitting – would be needed. Departmental costs would include staff time, equipment usage, and outreach efforts to manage and promote the program. CDOT would be the leading agency for expanding advertisements, responsible for permitting, installation, and oversight.

Supporters, including business groups and economic development stakeholders, highlight the program's revenue potential and its value as a marketing tool for local businesses. Opponents may raise concerns about visual clutter, commercialization of public space, and potential competition with existing Chamber-led programs. Some civic groups may fear displacement from prime banner space.

Chicago already operates commercial advertising on bus stops and other public street signage through an existing public-private partnership agreement. Currently, Chambers of Commerce administer streetlight advertising across Chicago neighborhoods. For example, the Lincoln Park Chamber of Commerce uses street pole advertising, priced as $275 per year per banner. Lincoln Park also charges a $50 set up fee and a $150 annual renewal fee for banners. Greater Ravenswood Chamber of Commerce charges $310-$350 for a two-year period per banner, with lower costs available for Chamber members. In Greater Ravenswood, these prices include installation, permitting, and maintenance. Other cities, like San Diego, allow commercial street pole advertising; San Deigo's advertising fee for banners is approximately $200 per month.

Table 7. *Annual revenue from commercial streetlight advertising**

Monthly fee per banner	*Banners per pole*	*Annual revenue*
$200	Single-banner	$7,200,000
$200	Hybrid**	$10,800,000
$200	Double-banner	$14,400,000

* Actual revenue may vary based on fee structure, advertising demand, and banner allocation strategy.

**Includes 1,500 single-banner, 1,500 double-banner; the City may consider additional distributions of single-, double-banner poles, or choose to allocate more of the City-owned street poles to the commercial advertising program.

See COFA's *full analysis* for more information.

Video Gambling

The City of Chicago could legalize video gambling by opting into the Illinois Video Gaming Act, which would allow Chicago to access a share of state gambling tax revenue and impose local fees. While Illinois legalized video gambling in 2009, Chicago currently prohibits it. While certain localities levy separate

taxes, state law (230 ILCS 40/90) now prohibits both home rule and non-home rule units from taxing video gaming – unless the unit had a tax before November 2021. As such, to generate any new local tax revenue through video gambling, a change in state law is necessary. However, the City can charge fees and accept statewide tax revenue from video gambling distributed via the State's Local Government Distribution Fund.

Implementation would involve passing an ordinance to opt into the state's framework and establishing processes for licensing, oversight, and fee collection. The Department of Business and Consumer Protection would lead implementation, with the Department of Finance playing a role if future state law allows for local taxation.

Proponents argue that Chicago residents are already spending significant sums on video gambling in surrounding jurisdictions -- likely losing the City revenue and boosting neighboring economies. Opponents cite the regressive nature of gambling, its potential for addiction, and possible negative impacts on Chicago's casino, which is already underperforming. Critics also note that gambling revenue can be volatile and challenging to implement, and may not offer a stable long-term funding source.

***Note**: The below estimate assumes a fully mature VGT market, modeling maximum revenue potential for the City at the current tax structure. One analysis projects it will take 10 years for Chicago to realize its full VGT market. Further, the estimate assumes full participation by businesses holding Consumption on Premise Incidental licenses. While not all Incidental Activity license holders will host VGTs, types of licenses – such as taverns or other businesses like gas stations or truck stops – will likely opt-in. For the purposes of an estimate, we assume 2,500 participating businesses around the city, though this still may be higher than actual VGT locations. This revenue estimate does not account for net loss in revenue to the City from other sources (e.g., Bally's Casino), cost of implementation, or potential effect on the City's workforce.*

***Table 8**. Chicago video gaming annual revenue estimate**

Revenue Source	*$Revenue*
Local Distribution of State Tax	$63,550,600
Local Fees	$4,921,500
Chicago Total Revenues	***$68,472,100***

*Growth based on Illinois' Commission on Government Forecasting and Accountability March 2025 Monthly Briefing, 4.2% year-over-year growth NTI (2024, $3,004.4 million to 2025, $3,130.5 million); 2025 tax rate, 35% to IL, 5.8% local dist. (IL $1,095.7 million); Fees equal to Cook County ($1,500) by 2,500 (based on number of Consumption on Premise licenses, 2,792 in July 2025).

See COFA's *full analysis* for more information.

Cost Savings & Efficiencies

Centralized Towing & Storage

Currently, accident-involved vehicles are often removed by independent operators and towed to private facilities, leading to inconsistent fees, difficulty for residents in locating their vehicles, and operational inefficiencies. Centralizing oversight of this function could streamline services, enhance transparency, and allow the City to manage accident tows more effectively, improving service delivery, and reducing administrative burdens.

A City-managed system would also strengthen consumer protections and give the City greater control over accident scene logistics and storage. Departments involved would include Streets and Sanitation (oversight and contracts), Finance (fee processing), and the Police Department (scene enforcement). While there would be initial administrative and equipment costs, the program could leverage existing infrastructure and contractor relationships. The City may choose to implement a new towing system in coordination with a private partner,

Proponents highlight improvements to customer service, cost control, and public accountability, as well as operational consistency and efficiency. Opponents may include private tow companies and auto shops currently benefiting from independent arrangements, along with residents or consumer advocates concerned about possible increases in tow or storage fees.

While COFA does not have sufficient data to estimate cost savings to the City based on centralization, leveraging possible efficiencies while streamlining services for residents will likely result in savings to a certain extent related to towing and storage operations.

See COFA's *full analysis* on a specific vendor's proposal to consolidate Chicago's towing and storage.

Firefighter Manning Requirements

Approximately 20% of Chicago's Fire Department (CFD) activity – or "service class" – is related to fire suppression and rescue events. Most firefighter calls are for emergency medical services (EMS). CFD's EMS response is strained, with only 80 ambulances to support a population of over 2.7 million (a 34,000 people-to-ambulance ratio, significantly higher than the average 21,000-1 people-to ambulance ratio in other major cities). Further, CFD pays paramedics over $1 million in overtime each month – 19% of all pay to paramedics between January 2023 and September 2024 was overtime, compared to 9% of overtime pay for firefighters. While fire suppression and rescue is a critical function of CFD, the share of calls signals that a shift of resource allocations may be a necessary option for the City to improve the City's EMS services and reduce costs of operation.

Section 16.4 of the current contract (expired, as of 2021) with Fire Fighters Union Local 2 mandates minimum manning requirements for fire suppression and rescue to be maintained at levels consistent with previous contracts – five firefighters on all trucks and engines. It also allows 35 "variances," or staffing four firefighters instead of five on a given vehicle, daily. Reducing the manning requirements for fire suppression and rescue companies to four could allow allocation of resources to fund additional ambulances, shift firefighter personnel also qualified for EMS to support EMS calls, or to other adjustments for reallocation to support EMS calls.

Implementation would be the responsibility of CFD, though it would require successful negotiation with the Fire Fighters Union Local 2. As of June 2025, negotiations remain stalled, with differences between the Johnson Administration and Local 2, including number of variances, ambulances, and manning requirements. If full reduction of manning requirements from five to four is unfeasible to complete union negotiations, expansion of vacancies could help reduce costs and reallocate certain resources. Alternatively, manning recruitments could be adjusted based on ward or area within the City, with certain engine and truck companies requiring only four staff while other more high-density areas could require five.

Proponents suggest reducing manning requirements could result in resource reallocation and cost savings for CFD. Opponents, including the Firefights Union Local 2, emphasize lower staffing per vehicle could make the job more difficult and compromise public safety. While frequency of fires declines as building codes and other preventative measures improve, opponents may also argue that the Fire Department should retain maximum staff in case of major fire events.

In 2012, the Office of the Inspector General (OIG) estimated nearly $71 million in reducing mandated staffing levels to four – saving over 1 million employee hours that translated to around 547 less positions. While OIG has not updated its estimate, in ***Table 9*** below, COFA adjusts the OIG estimate to reflect current firefighter compensation and number of fire suppression and rescue units in 2025. COFA finds that shifting manning requirements from five to four would result in a difference of 1,156,140 annual employee-hours, or equivalent to 564 employee positions at CFD (carrying Chicago's OIG assumptions, firefighters assigned to fire suppression or rescue unit working an average of 2,048 hours per year). Reducing personnel costs equivalent to 564 positions related to CFD Fire Suppression and Rescue Units by ***adjusting manning requirements could save approximately $113,976,504.***[2]

Table 9. *Estimate reduction in Fire Suppression and Rescue employee-hours with reduced manning requirements*

Apparatus/Company	*Number*	*Total annual employee-hours, manning requirement of 5*	*Total annual employee-hours, manning requirement of 4*
Fire Engines	97	4,204,800	3,363,840
Fire Trucks	61	2,671,800	2,137,440
Squad Companies	8	350,400	280,320
Hazmat	2	87,600	70,080
Reduction in hours due to variance		(306,600)	
Total		***7,008,000***	***5,851,860***

*Modeled based on OIG 2012 analysis and the Fire Fighter Union Local 2 collective bargaining agreement; carries assumptions from OIG, including that the 35 daily variances are currently being fully used by the City and that no variances would be granted if manning requirements were reduced to four. Accounts for apparatuses requiring five staff; number of apparatus from Chicago Fire Department operations, except squad companies, Fire Apparatus Magazine (2017).

Pension Consolidation

The City of Chicago pension system is underfunded, contributing to the strained financial situation faced by the City. Pension obligations are mandated by law, and as they City struggles to balance a FY 2026 budget, pension contributions continue to make up over 20% of budgeted expenditures. Consolidation of

[2] Modeled using OIG 2012 assumptions on annual compensation, includes non-salary benefits as 18% of annual salaries; FY 2025 appropriated $760.67 million to CFD, with approximately $675 million account for personnel services ($634,297,406 Corporate Fund, $8,548,452 Midway Airport Fund, $31,745,942 O'Hare Airport Fund). Fire Suppression and Rescue accounts for 3,939 positions at CFD ($389,414,257 from Corporate Fund to support salaries for 3,590 positions, $6,506,187 from Midway to 58 positions, $24,947,650 to 219 positions from O'Hare). Allows us to assume average salary of $171,259 based on budgeted salaries and total positions. 18% average non-salary compensation of $30,826 (OIG assumption). Total salary and non-salary annual compensation of $202,086.

Chicago's four public pension plans offers one opportunity to lower costs associated with maintaining the City's pension system and may result in higher returns.

Chicago maintains four public pension plans: Laborers' and Retirement Board Employees' Annuity and Benefit Fund ("LABF"), Municipal Employee's Annuity and Benefit Fund ("MEABF"), Policemen's Annuity and Benefit Fund ("PABF"), and Firemen's Annuity and Benefit Fund ("FABF"). The plan's "funded ratio" is the pension plan's assets as a percentage of liabilities and signals the fiscal health of a pension fund. Chicago's pension funds are among the bottom four of the bottom 10 local plans in the U.S., according to 2022 data. In 2024, Chicago's pension funds had an aggregate funded ratio of 26.2%, up from 24.8% the previous year, signaling a slight improvement due to supplemental pension payments made since 2023. However, Chicago's pensions remain severely underfunded; on average, state and local pension plans are 80% funded and top local plans have ratios over 100% and as high as 112.8%. Credit rating agencies consider funded ratios among other pension fund characteristics as an indicator of fiscal health, affecting bond ratings and borrowing costs.

Pension fund consolidation has grown in popularity as one way to improve state and local pension management. Illinois merged 649 first responder pension plans into two statewide funds in 2020, following a years-long effort and a statewide task force. The Illinois Pension Consolidation Feasibility Task Force estimated the state could generate an additional $820 million – $2.5 billion in investment returns and result in over $160 million in annual savings for Illinois taxpayers.

While estimating total savings of consolidation of Chicago's four funds is difficult to project, COFA received one estimate suggesting the City could save $25.5 million annually, citing savings related to administrative costs and elimination of duplicative efforts as well as savings through economies of scale. Implementation would require changes to the Municipal Code and would need buy-in from unions representing City employees. If negotiations were successful, the Department of Finance would likely lead implementation efforts.

Proponents for pension fund consolidation cite economies of scale driving improved investment returns and efficiency gains as key benefits, including lower costs and stronger governance mechanisms through centralization of management. Opponents note the difficulty of measuring true benefits and savings related to merging funds, potentially conflicting fiduciaries of trustees to members, and political challenges to such significant changes to management of public pension funds.

Workers' Compensation Light Work

The City could institute a transitional return-to-work program that allows City of Chicago employees on workers' compensation to resume work in a limited or modified capacity while recovering. Currently, the City lacks a formal light-duty policy, requiring employees to remain off duty until fully cleared. By creating a light-duty job bank and aligning employees' temporary physical limitations with departmental needs, this policy would reduce idle time and lower costs. Transitional work policies are widely used across industries to help injured employees return to work sooner. Studies show they reduce time off and support recovery, making them a standard practice across sectors.

Implementation would involve developing internal protocols for identifying suitable assignments, managing employee transitions, and communicating across departments. The Department of Human

Resources would lead coordination efforts, supported by the Department of Law (for any legal or code changes) and Finance (oversight of financial structure and execution of benefit claim schedules).

Supporters, including good governance groups and department managers, emphasize efficiency gains, reduced disability leave, and improved workforce productivity. Opponents may include labor unions concerned about employee protection or fairness in duty assignments and departments wary of added administrative responsibilities.

See COFA's *full analysis* for more information.

Workers' Compensation Loss Portfolio Transfer

The City of Chicago could pursue a Loss Portfolio Transfer (LPT), a financial strategy that transfers legacy workers' compensation liabilities to a reinsurer. In exchange for a fixed annual premium, the reinsurer would assume responsibility for existing and future claims. This could reduce the City's financial exposure, simplify budget forecasting, and potentially lower overall claim-related costs.

The City is self-insured and does not pay premiums to a workers' compensation insurance company to pay claims. According to the latest available annual report, in 2023, the City of Chicago managed a total of 3,164 workers' compensation claims. In 2023, the City paid off $77.2 million in claims from the prior year, including indemnity, medical, and expenses. At the end of 2023, the City's open claim inventory stood at 1,854, with reserves totaling $558.7 million, a $13.2 million decrease from the previous year. The Department of Finance notes the decline in reserves is an important financial measure that quantify the total financial exposure and represent the City's aggregate liabilities. The City notes the reduction is due to a "shift in focus from reopening files to resolution." By transferring these claims to a reinsurer, the proposal claims the City could reduce its financial exposure while securing a fixed-cost premium structure. Average cost per settlement payment has largely stayed consistent over the past five years around $30,000 per claim.

Based on one estimate shared with COFA, the City could transfer liabilities for an annual premium ranging from $15 to $25 million, depending on contract negotiations. This approach could remove the legacy claim liability from the City's financial records, potentially reducing overall workers' compensation costs by 33%. Implementation would involve negotiating terms with a reinsurer and updating the City's financial management ordinances. Departments of Finance, Law, and Human Resources would collaborate on legal, financial, and operational aspects, while OBM would ensure strategic alignment with long-term fiscal goals.

Proponents highlight the ability to eliminate long-term liabilities and reduce claims costs. Opponents may include current claimants concerned about transitioning to a private claims administrator, fearing reduced service or changes in benefits handling.

See COFA's *full analysis* related to a proposal on a workers' compensation loss portfolio tracker.

Other

Two additional revenue options for Chicago are often discussed and require State authorization: ***a municipal income tax and sales taxes on services.*** An income tax could be broad or narrow, progressive or flat, or levied on residents or both residents or non-residents. A 2011 Office of the Inspector General report estimated potential revenue of $500 million in response to a 1% income tax. Initiating a sales tax on

services would be complex; in a June 2025 hearing held by the Subcommittee on Revenue, representatives from the Chicago Metropolitan Agency for Planning, Center for Tax and Budget Accountability, and Civic Federation discussed the value and complexities associated with modernizing Illinois sales tax rules, calling for comparative studies prior to further consideration as an option in 2026. While these options are valuable to explore as potential revenue sources for the City, they are unfeasible for FY 2026. COFA may develop further analyses into these options in the future.

City Compliance with Certification-Eligible Business Participation Programs

Program Overview

The City of Chicago established a range of certification programs to enhance contracting opportunities for business owners who have been historically underrepresented. These initiatives are designed to foster local economic development, promote equity, and ensure inclusive procurement practices for both city-funded and federally-funded projects. By certifying qualified businesses – including those owned by minorities, women, veterans, and individuals with disabilities – the City is actively working to eliminate structural obstacles that hinder access to public contracting.

The objectives of Chicago's Certification Programs for eligible business participation are to: 1) support the sustainability and growth of small and disadvantaged businesses, 2) encourage diversity within the City's vendor pool, 3) fulfill federal and local participation targets for inclusive contracting, and 4) enhance equity in public contracts.

The primary certification programs offered by the City of Chicago include:

- Minority-Owned Business Enterprise (MBE)
- Women-Owned Business Enterprise (WBE)
- Veteran-Owned Business Enterprises (VBE)
- Business Enterprise Program for People with Disabilities (BEPD)
- Disadvantaged Business Enterprise (DBE)
- Airport Concession Disadvantaged Business Enterprise (ACDBE)

To qualify, MBE, WBE, BEPD, and VBE must demonstrate at least 51% ownership by the respective group. Additionally, eligible owners must control at least 51% of decision-making process and business operations. The business must also demonstrate the ability to operate independently without substantial reliance on non-eligible entities. Specific to VBE qualification, the veteran(s) operating the business must have been generally or honorably discharged. For DBE certification, businesses must comply with the social and economic disadvantage criteria set by the U.S. Department of Transportation, while the ACDBE eligibility requirements are aligned with those of DBE for airport vendors. In addition to the various certification programs, the City has two separate regulatory structures for construction and non-construction businesses.

Analysis

COFA sought information from the Department of Procurement for VBE, BEPD, DBD, and ACDBE data but did not obtain the same depth of detail. Nevertheless, more comprehensive information is expected to be provided in the coming months. COFA will update this report as more information becomes available.

Minority-Owned and Women-Owned Business Enterprises

The following tables and figures provide an overview of contract payments issued to MBE and WBE businesses made between January 1, 2025, and June 30, 2025. During this timeframe, the total amount disbursed to primary contracts ("Primes") reached $864,236,522, with 31% of the total allocated to MBE and 7% to WBE. ***Table 10*** provides an overview of all Prime contracts issued between January 1 and June 30, 2025.

The City sets specific objectives for the allocation of contracts to MBE/WBEs. For non-construction contracts, the City seeks to direct a minimum of 25% of the total annual dollar value to certified MBEs and 5% to certified WBEs. For construction contracts, the targeted goals are 26% for MBEs and 6% for WBEs. These objectives are integral to the City's broader initiative aimed at fostering economic development and stability through the support of minority- and women-owned businesses. As of June 30, 2025, the City of Chicago reports construction payment rates of 41% MBEs and 6% WBEs, while total payments for non-construction contracts stand at 29% MBEs and 7% WBEs.

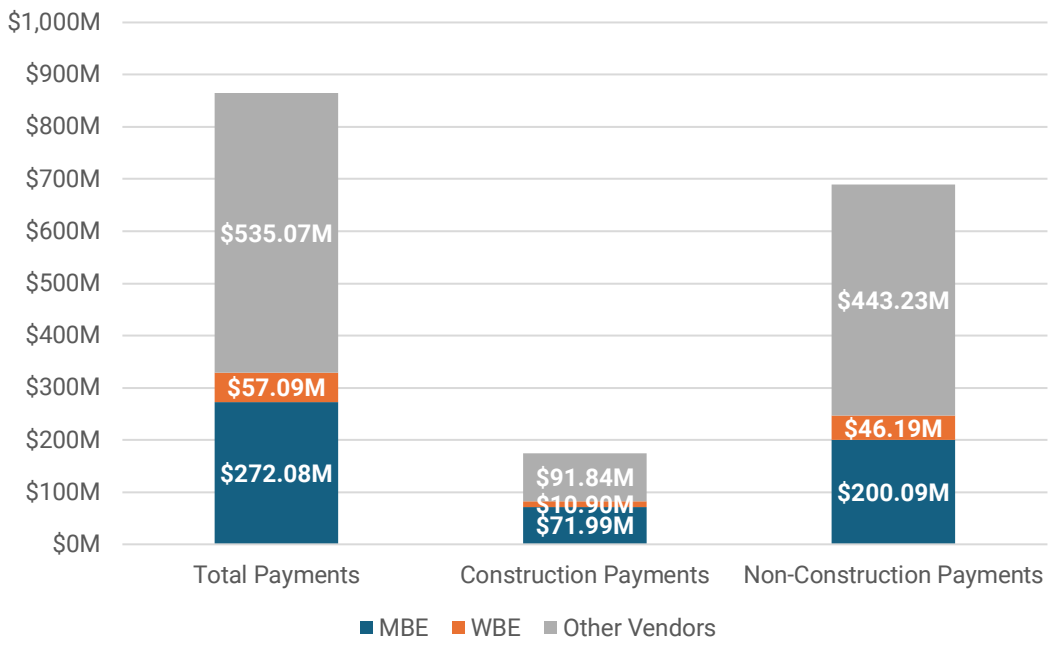
Table 10*. Overview of M/WBE primary contracts, January – June 30, 2025*

Vendor Program Type	Vendor Payment	Prime Payment	% Share of Total Vendor Payments
Total Payments			
MBE	$272,080,026	$864,236,522	31%
WBE	$57,091,362	$864,236,522	7%
	$329,171,388	$864,236,522	38%
Construction Payments			
MBE	$71,991,064	$174,730,565	41%
WBE	$10,900,732	$174,730,565	6%
	$82,891,796	$174,730,565	47%
Total Non-Construction Payments			
MBE	$200,088,962	$689,505,958	29%
WBE	$46,190,631	$689,505,958	7%
	$246,279,593	$689,505,958	36%
Total	**$329,171,389**	**$864,236,523**	

Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA; Jan 1 – Jun 30, 2025

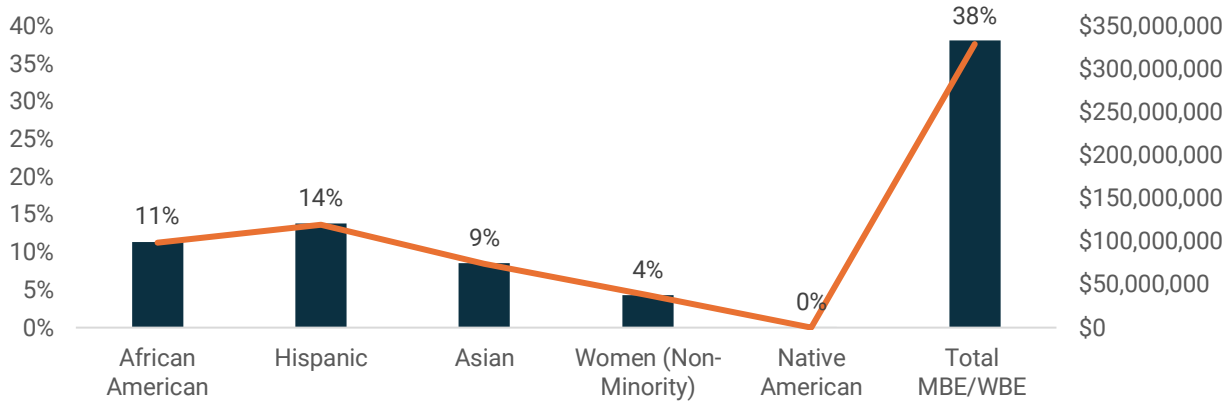
Data provided to COFA by the Department of Procurement further disaggregates primary contract data, distinguishing between Total Construction payments attributed to MBE/WBE and Total Non-Construction payments as well as breaking down total Primes by ethnicity of M/WBE ownership. ***Figure 1*** visualize construction and non-construction Primes, while ***Figures 2, 3, and*** 4 provide insight in to distribution of Primes to different ethnicities.

***Figure 1**. Total distribution of payments, by contract type*



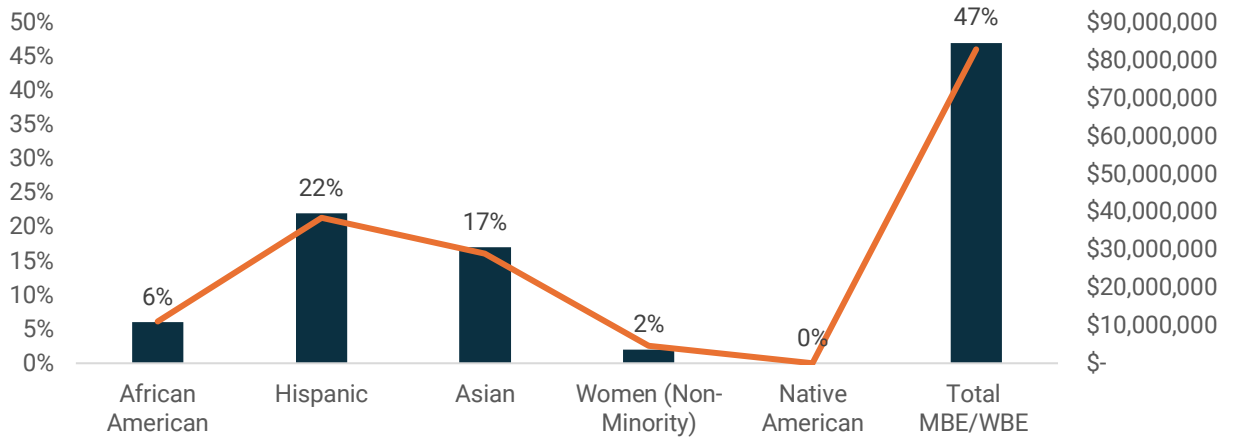
Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA; Jan 1 – June 30, 2025

***Figure 2.** Total distribution of payments, by M/WBE ethnicity/gender*



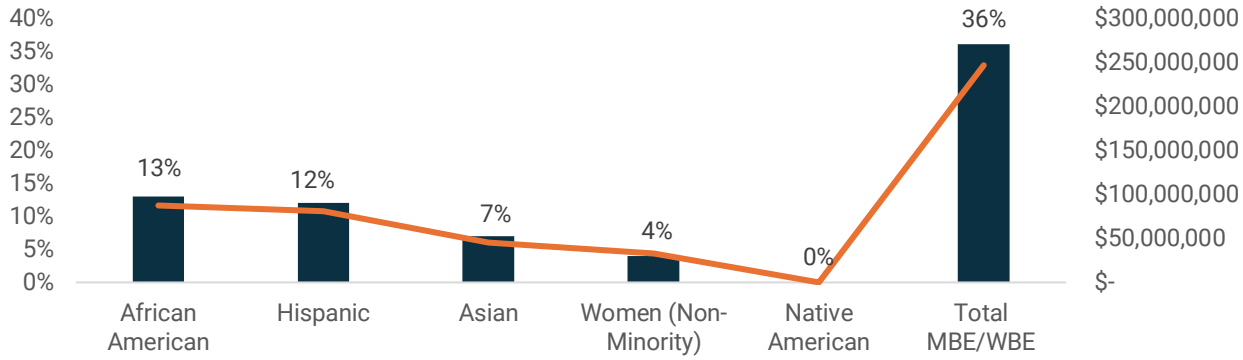
Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA

***Figure 3**. Total **construction** primary contract payments, by M/WBE ethnicity/gender*



Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA; Jan 1 – June 30, 2025

***Figure 4**. Total **non-construction** primary contract payments, by ethnicity/gender*



Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA; Jan 1 – June 30, 2025

***Table 11.** Total distribution of primary contract payments, by contract type & M/WBE ethnicity/gender ($)*

	Construction Payments	*Non-Construction Payments*	*Total Payments MBE/WBE*
African American	$ 10,976,692	$ 87,408,906	$ 98,385,598
Hispanic	$ 38,362,522	$ 80,830,850	$ 119,193,372
Asian	$ 28,872,592	$ 45,313,577	$ 74,186,169
Women (Non-Minority)	$ 4,679,989	$ 32,709,642	$ 37,389,631
Native American	$ -	$ 16,618	$ 16,618
Total M/WBE	***$ 82,891,795***	***$ 246,279,593***	***$ 329,171,388***

Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA; Jan 1 – Jun 30, 2025

Table 12. *Total share (%) of primary contract payments, by contract type & M/WBE ethnicity/gender*

	% of Construction Payments	*% of Non-Construction Payments*	*% of Total Prime Payments*
African American	6%	13%	11%
Hispanic	22%	12%	14%
Asian	17%	7%	9%
Women (Non-Minority)	2%	4%	4%
Native American	0%	0%	0%
Total M/WBE	***47%***	***36%***	***38%***

Source: Department of Procurement data on M/WBE Programs, submitted directly to COFA; Jan 1 – Jun 30, 2025

Veteran Business Enterprises

The City of Chicago is currently initiating efforts to establish objectives for VBE certification. The Department of Procurement Services offers various programs and incentives tailored for veterans. The Veteran's Preference Bid Incentive, for example, grants a 5% advantage to small local veteran-owned businesses or collaborations between a veteran-owned enterprise and a small local business. Additionally, there is a bid incentive of up to 2% for employing veteran-owned construction subcontractors.

Between January 1 and June 30, 2025, veteran-related expenditures amounted to $965,49.44, with a contract value reflecting a VBE commitment of $38,830,772.57, resulting in a 2% utilization rate.

Conclusion

The City of Chicago's M/WBE initiatives signify a substantial commitment to advancing economic fairness and aiding businesses owned by minorities and women. In the first half of 2025, the City is in compliance with set goals for its M/WBE initiatives. By implementing certification processes, compliance oversight, and partnerships with various agencies, the City has established a structure that encourages inclusivity and competitiveness. Nevertheless, it is essential to persist in addressing existing challenges to secure the program's sustainable success. By improving outreach efforts, utilizing technology effectively, and performing regular assessments, the City of Chicago can reinforce its dedication to economic equity and inclusion.

Trends in Municipal Financing

Municipal financing refers to how local governments fund operations or projects. Municipal financing can include direct funding through traditional revenue sources, debt issuance, or public-private partnerships. The following provides an overview of key financing mechanisms and related trends for municipal governments as well as presents examples of municipalities across the United States leveraging financial strategies to enhance cost-savings initiatives.

Overview of Key Financing Mechanisms

This section discusses trends related to key financing mechanisms that municipalities leverage to fund day-to-day operations and specific projects. Examples of municipal use of some of these mechanisms are further discussed in the "Cost Savings Initiatives" section that follows, along with additional strategies.

Direct funding

Traditional revenue sources – taxes, fines, fees, transfers, sale of capital assets, and intergovernmental transfers – continue to fund municipal activities.

Taxes: Property taxes make up one-third of municipal revenue. Local governments anticipated an increase of 1.2% in property tax revenue for FY 2024, largely attributed to the continued strength of the housing market and rising cost of housing. Other taxes levied by municipal governments vary based on authority granted by the state, but can include sales taxes, corporate tax, selective sales tax on goods like alcohol, fuel, or tobacco products, individual income taxes, or hotel taxes. Occupancy taxes – also referred to as lodging, tourist, or other similar names – include hotel taxes but are expanding to encompass short-term rental and shared housing units. Short-term rental taxes have become more prevalent across U.S. municipalities as a mechanism for raising revenue as companies like Airbnb or Vrbo gain popularity for tourists. Growth of additional industries, such as legal sale of marijuana or data centers, are providing additional sources of tax revenue for municipal governments to finance projects.

Beyond revenue generation, municipal governments may offer incentives to property owners or businesses to encourage financing of local priorities by non-municipal entities. Abatements, or a temporary reduction in taxes, allow municipalities to subsidize investment in capital-intensive projects or encourage homeowners or potential homeowners to participate in certain programs. Tax abatements have become increasingly popular – with a 35% and 37% increase in abatements offered by cities and counties between 2017 and 2022, respectively. While abatements may incentivize activity, abatements also mean lower tax revenue for municipalities.

Fines, fees, and charges: On average, fines or forfeitures make up a relatively low portion of municipal budgets, constituting 1-2% of local government revenue. Fees or charges, however, offer a larger source of revenue, on average making up around 17% of local revenue – with municipal reliance on charges for revenue generation increasing over time. These can include charges related to hospitals, airports, sewage and water management, or parks and recreation, among other things. Development fees are a popular way municipalities finance new projects, charging developers one-time fees to fund projects that accommodate new developments.

Sale or leasing capital assets. Selling, leasing, or transferring municipal capital assets no longer in use is another opportunity to raise additional revenue to finance municipal activities. Assets can be sold at a reduced price to encourage certain activities aligned with local priorities.

Outside of revenue generation, municipal leasing gained popularity in the early 1980s and is an alternative for municipalities to purchasing a capital asset directly or by issuing debt. Such leases are tax-exempt for lessors, and while structured similar to a loan – the municipality owns the asset at the end of the lease and the lease can be paid off early – leases are not considered debt.

Intergovernmental transfers. Transfers from other government entities provide municipalities with a significant portion of revenue to finance day-to-day operations and larger capital-intensive projects. The majority of municipal intergovernmental transfers come from state governments. Notably, federal funding to local governments from the 2021 American Recovery Plan Act (ARPA) substantially boosted municipal revenues following the COVID-19 pandemic, and enabled municipalities to continue operations, pay off debt, fund new infrastructure projects, and numerous other projects. Confidence in municipal fiscal health is wavering in the wake of expiring ARPA funds (discussed in "Concerns and Challenges" below).

Technological advances and efficiency gains. Municipal use of advanced technologies like advanced data analytics or artificial intelligence (AI) is growing. Leveraging data and technology offers a myriad of opportunities to streamline government services, making programs and projects more efficient and revenue collection simpler – reducing costs for municipal expenditure and freeing up resources to finance other activities. The rise of "smart cities" refers to municipalities' use of data and technology to transform public services. Certain technologies can analyze large datasets, identify patterns, and generate predictions based on trends from prior years, and can be leveraged to support municipal financing. AI is one example, with 71% of cities exploring, testing, or implementing the use of generative AI. AI can optimize financial management, assist with financial audits, or other time-consuming analysis – helping fill a gap in a local government workforce shortages. Another example is predictive analytics, which can enable more accurate budget forecasting.

Debt financing

For municipalities that do not have the revenue to directly fund or incentivize direct investment in projects, debt financing is a critical source of funding. Municipalities must be authorized by states to issue debt.

Municipal bonds. Municipal bonds are the primary financial tool that municipalities use to fund day-to-day obligations or larger capital projects such as roads, schools, water systems, and other public infrastructure. Bonds have increasingly become "essential sources of capital for infrastructure projects" for cities since the late 20th century due to the larger role local government plays in providing public services and limited capacity to tax or adjust rates. As of 2025, there are over $4.2 trillion in active bonds – 60% of which are issued by over 50,000 local governments. Interest earned on municipal bonds is not subject to income tax. As tax-exempt investments, bonds incentivize investment in public infrastructure by providing tax advantages to those who buy them and reducing borrowing costs for municipal issuers by an average of 2.10 percentage points. Overall, the municipal bond market is strong and continues to provide investors with stable yields. While the municipal bond market grew in 2024 due to record issuance, net increase to municipal debt fell in 29 states.

To provide investors insight into credit quality of a bond issuer, municipalities receive investment ratings, also referred to as credit ratings, from third-party entities. Higher-rated issuers have stable revenues and stronger liquidity, indicating more sound fiscal health to fulfill investments than municipalities with lower rankings. Municipalities with higher bond ratings have lower interest rates, allowing cities with stronger fiscal health to have lower borrowing costs. Spreads, the additional compensation provided to investors in the form of yields, for investing in lower-rated bonds has declined over the past 15 years. The spread between AAA and BBB bonds was .85% going into 2025 – signaling to investors that more risky bonds may not be worth the financial risk. However, credit upgrades have outpaced downgrades in recent years.

Municipal bonds can be general obligation bonds backed by the cities' power to tax residents to repay the bond; revenue bonds, backed by a specific source of revenue; or special assessment bonds, repaid via special tax or assessment levied on those properties primarily benefiting a particular area or property owners. In recent years, approximately 70% of municipal bonds have been revenue bonds. Further, the vast majority of municipal bonds are long-term debt – meaning the maturity date, or date when the issuer repays the principal of the debt, is over 10 years after issuance. Short-term debt issuance is less common – in 2022, short-term debt made up only 3% of municipal debt. Debt issued with maturity dates typically less than a year are referred to as municipal notes, and function similarly to bonds. Notes are categorized by anticipated use: short-term funding in advance of tax collection, revenue generation, or for capital projects that will later be funded by long-term bonds.

Sustainability bonds. A growing sub-set of municipal bonds aligned with environmental, social, and governance factors are referred to as green, social, sustainability-linked bonds (GSSSB). The GSSSB market as a whole was projected to grow 5% between FY 2023 and FY 2024 to $44 billion. The GSSSB market constitutes around 11-12% of municipal bond market. Like any other municipal bond, GSSSB are debt obligations issued by municipal governments to finance projects and can refer to various types of bonds.

Green bonds and social bonds lead this market, making up around half and one-third of the GSSSB market, respectively. Green bonds, or climate bonds, are municipal bonds that finance or re-finance new or existing environmentally friendly projects and have been issued since 2007 and are consistently increasing in issuance. Similarly, social bonds emerged in the mid-2010s and finance or re-finance projects addressing social issues. In FY 2023, municipal green bonds totaled $20 billion – a jump from $1 billion a decade prior and a 26% increase from FY 2022. Since 2020, the share of social bonds in the municipal bond market also increased. Notably, not all bonds that are used for environmental sustainability or investments in social programs are sustainable bonds – there are internationally-recognized standards or frameworks with which a GSSSB must align. Similar to sustainable products sold on the private market, these bonds are subject to "greenwashing" risk, though there is a community of external auditors that can assure investors that a municipality's green bond program is in line with the necessary criteria.

Public-Private Partnerships

Public private partnerships – or P3s – allow governments to bridge resource gaps by partnering with the private sector to design, build, finance, operate, and maintain a project that provides a public service. COFA published an overview of Chicago's notable public-private partnership agreements in May 2025.

P3s have grown increasingly popular for governments to execute infrastructure projects, emerging in U.S. municipal strategies in the mid-1990s. Since 2015, over 30 states have allowed municipalities to enter into P3s, with P3 projects totaling nearly $40 billion in projects between 2010 and 2020. There is no standard definition for P3s, but they typically refer to arrangements that allow municipalities to maintain oversight and ownership over a project while leveraging strengths of the private sector. Unlike traditional procurement or contracting where private partners are paid to produce a service without maintaining access to the service's revenue, private partners and the municipality typically share both in the risk and income resulting from the partnership. P3s provide municipalities access to financing outside of issuing additional debt or from traditional revenue sources, allowing for spreading cost over an extended period of time and freeing up public investment for other projects. P3s have shown to help keep projects on-budget and on-schedule. However, without proper communication or assessment of risk between partners, these arrangements may still be subject to cost overruns, delays, and increased complexity as seen with traditional contractual arrangements.

Value capture. Value capture is a P3 financing strategy based on the premise that public action should generate public benefit. For municipalities, improved infrastructure or other public services promote economic activity, or a value that may be recaptured through future municipal taxes, for example. Private partners are attracted to invest in such projects by incentives offered by municipalities or future opportunities for additional commercial activities. Municipalities can leverage tax and fee authorities, land sales, or zoning authorities, among other actions, to encourage new development by private partners. Value capture is most commonly used for infrastructure projects and offers a supplement to usage fees or other general revenue funding mechanisms for large-scale projects without issuing debt.

Tax-increment financing (TIF) is a popular tool for value capture. TIF redirects future gains in real estate value to fund a particular development or infrastructure projects while keeping taxes set at pre-development rates for a certain period. Nearly all 50 states authorize municipalities' use of TIF, with thousands of TIF districts existing across municipalities of all sizes. Funds generated through TIF that exceed anticipated levels are referred to as surplus funds and depending upon state authorizing legislation for municipal use of TIF, funds are redistributed to taxing entities in the TIF district. Certain municipalities have used surplus TIF funds to fill budget gaps.

Sustainability Bonds, P3, & Innovative Financing: Social Housing & Revolving Loan Funds. To address housing affordability issues across the country, certain local governments have leveraged an innovate financing tool to implement “Social Housing” initiatives. Social housing revolving loan funds are meant to be a tool to close the gap between offering residents’ affordable units and the cost of development and building operations while only requiring one-time municipal investments. The government contributes a certain amount of money in a revolving investment fund that will be used to finance construction and operation of mixed-income developments, with a mandated percentage of affordable units. The approach allows municipal financing of new developments, or investment into stalled projects or renovation of exiting developments, to enhance the availability of affordable units while decreasing reliance on federal or state subsidies for housing.

There are varying ways to implement social housing financing, though the premise centers on the revolving fund. Depending on the model used, the municipal fund serves as the main investor, replacing private equity, or the municipality’s fund serves as one investor, with other private partners also investing in developments

and aiming to generate competitive market rates for the project's development. The municipality creates a Board to oversee investment of the revolving fund, and municipality will offer developers low-cost construction loans. Once the construction loan is repaid, it can be reinvested into the fund. Further, the market income the development generates from market-rate units will flow into the fund, paying down debt service and covering operating costs of the building. The make-up of the Board aligns with a public-private partnership approach, though the extent to which the Board aligns with the government can differ. The municipality will need to ensure the revolving fund's Board includes private sector experts in market-rate real estate development and finance, along with representatives from City government, to ensure units are built efficiently and are competitive with the private market.

Montgomery County, Maryland is a prominent example of a social housing financing approach, along with Atlanta, Georgia. Chicago's City Council approved a Green Social Housing (GSH) ordinance in May 2025, authorizing the establishment of Residential Investment Corporation to oversee the Residential Investment Fund. Chicago's investment fund will leverage $135 million of the City's Housing and Economic Development Bond. In Chicago, the "Green" aspect of its social housing program follows a similar logic to green bonds, with requirements for housing units created by GSH funds to align with sustainability standards set by the City. This financing mechanism has been touted by media and elevated as a model in academic studies. Similar programs are being considered in Seattle, Chattanooga, and California.

Cost-Saving Initiatives in Municipal Governments Across the United States

Across the United States, cities are implementing innovative cost-saving measures to optimize their budgets, improve public services, and enhance sustainability. The following highlights specific examples from municipalities across the United States employing financial management strategies – some of which are highlighted in the above overview of financial mechanisms – to improve financial sustainability and implement cost-savings initiatives.

Energy and Sustainability Savings. Municipalities are investing in energy-efficient infrastructure and renewable energy sources to lower costs and promote environmental sustainability. These initiatives reduce energy consumption, cut utility expenses, and improve the longevity of public assets. For example, Los Angeles, California, launched one of the nation's largest LED streetlight replacement projects, reducing streetlight energy use by approximately 60%. This initiative resulted in annual savings of over $7 million in electricity costs and an additional $2.5 million in maintenance expenses. Similarly, New York City, New York, replaced 250,000 streetlights with LED fixtures, saving $6 million annually in electricity costs and $8 million in maintenance due to LED longevity.

Las Vegas, Nevada, transitioned all city facilities to 100% renewable energy by 2017, leading to over 30% energy savings and $5 million in reduced annual energy costs. Other cities, such as Denver, Colorado, have implemented energy efficiency programs in city-owned buildings, including LED lighting upgrades and solar panel installations. These initiatives have reduced energy costs by 20% over five years. Additionally, Worcester, Massachusetts, implemented an Energy Savings Performance Contract, financing municipal energy upgrades through guaranteed savings. Between 2010 and 2014, the City installed solar panels on schools and converted 15,000 streetlights to LED, generating $1.8 million in annual savings without upfront costs.

Technology and Digital Transformation. As noted, cities are increasingly utilizing AI and automation to enhance efficiency, reduce costs, and improve service delivery. Los Angeles, California, has implemented AI-driven traffic management systems that optimize flow, reducing fuel consumption and travel time. Los Angeles also automated its permit processing and utility billing systems, saving millions in labor costs. Additionally, Palm Beach County, Florida, adopted document automation software for classification, data extraction, and entry, yielding $1.9 million in annual savings.

Furthermore, Dallas, Texas, incorporated Lean Six Sigma principles into its digital transformation efforts, streamlining municipal workflows and automating administrative functions. These technological improvements enhanced operational efficiency while achieving millions in savings, exemplifying how digital solutions and process innovations can work in tandem to optimize municipal management.

Hiring Freezes and Workforce Optimization. Faced with budget constraints, cities are implementing hiring freezes and workforce restructuring to control labor costs while maintaining essential services. In November 2023, New York City, eliminated 2,100 vacant positions as part of a hiring freeze, generating significant payroll savings. Houston, Texas, implemented a similar freeze to address a budget shortfall, reducing personnel costs by approximately $100 million while ensuring critical services remained operational. Las Vegas, Nevada, announced a hiring freeze in February 2025 to stabilize finances following a costly legal settlement. Meanwhile, Atlanta, Georgia, enacted a major pension reform in 2011, restructuring retirement benefits and introducing a hybrid pension/401(k) system. This measure saved $22 million in its first year and is projected to generate over $500 million in long-term savings.

Financial Management and Debt Savings. Some cities are finding savings not just through operations but also through strategic financial planning. A strong example comes from Philadelphia, which used a debt refinancing strategy to lower long-term borrowing costs. In June 2025, the city issued approximately $872 million in general obligation bonds. Of that, $470 million was used to refinance older bonds through a combination of traditional refunding and a tender exchange. Due to strong investor interest and high credit ratings (A1 by Moody's, A+ by S&P and Fitch), the City was able to secure much lower interest rates. As a result, Philadelphia saved over $7 million in debt service costs and achieved $20.6 million in total long-term savings. This case shows how careful financial management, especially when timed with favorable market conditions, can deliver major savings without cutting services or raising taxes.

P3s. As noted above, P3s allow cities to leverage private sector expertise and funding to reduce costs while maintaining service quality. Sandy Springs, Georgia, outsourced most non-safety services to private contractors upon incorporation in 2005, saving approximately $20 million annually. Indianapolis, Indiana, pioneered P3s in wastewater treatment, securing a contract that cut costs by 40% while maintaining environmental standards. Long Beach, California, used a P3 model to finance and build its new Civic Center, shifting construction and maintenance costs to a private developer in exchange for predictable long-term payments. This approach delivered modernized municipal facilities at a lower annual cost than maintaining outdated infrastructure.

Equipment and Fleet Reductions. Reducing government-owned vehicle fleets and transitioning to energy-efficient models has proven to be an effective cost-saving measure for cities. New York City, New York, downsized its fleet, saving an estimated $13.7 million annually while investing in fuel-efficient vehicles to further reduce expenses. Austin, Texas, transitioned to hybrid and electric models, cutting fuel

and maintenance costs by an estimated $3.5 million over ten years. Fleet management strategies can contribute to fiscal responsibility while aligning with environmental sustainability goals.

Asset Optimization and Vacant Property Reuse. In addition to equipment and personnel management adjustments, cities are also saving money by making better use of City land and property assets. Cincinnati, Ohio, which faced rising costs related to maintaining abandoned properties, created a land reuse program through the Hamilton County Land Reutilization Corporation (Landbank). In 2018 alone, the Landbank sold 112 properties, putting them back into productive use for housing, community development, or small business. This not only generated new private investment but also reduced the City's maintenance and safety costs. Cincinnati also started a vacant building maintenance license program requiring owners of vacant, foreclosed properties to register and maintain them, or face fines. Since its launch, this registry has generated about $4 million in fees and forced the upkeep of more than 4,000 homes.

Looking Ahead: Challenges & Concerns

While municipalities have various tools to leverage and examples across the country to learn from, there are various external factors that influence municipal financing. The following highlights activities that may negatively impact municipal financing in the near future.

Economic instability. Interest rates remain high, increasing cost of borrowing and market prices – with the U.S. Federal Reserve holding federal interest rates at 4.25 - 4.5%, well above the goal rate of 2%. Additional federal policy changes related to tax, trade, and immigration will have broad economic impact on municipalities' responsibilities and contribute further to increased costs for goods and services. While the full impact of federal policy changes is still being realized in the broader economic measures, the Consumer Price Index (CPI) continues to rise. The CPI hit 2.7% in June 2025, .3% up from May 2025; in the Chicago metropolitan area, CPI for Urban Consumers rose 0.3% in June 2025 to 3.5%. In this economic environment, not only may public sector finance experience challenges, but members of the public will also likely experience heightened economic strain – increasing the need for public services and decreasing the tax base from which municipalities draw revenue as people choose to spend or travel less. Simultaneously, the cost to provide government services is now more expensive. Municipal infrastructure projects in particular are increasingly affected by higher costs of building materials, deferred maintenance costs, and need for special considerations related to more extreme climate and weather scenarios. Strained revenues and growing demand in the face of the broader economic environment may lead municipalities to debt-financing a larger share of city services.

Threatened tax-exemption for municipal bonds. The first session of the 119th Congress largely focused on budget reconciliation negotiations – a legislative tool that allows for expedited process in Congress related to changing mandatory spending to "align spending, revenue, and debt with agreed-upon budget targets." Federal committees considered a wide range of opportunities to adjust the spending within their committee's jurisdiction. In early 2025, as part of this process, a leaked memorandum from the Senate Ways and Means shows consideration of federally taxing municipal bonds, estimating $250 billion in 10-year savings for the federal government. However, borrowing costs for municipalities if tax-exemption for bonds is eliminated are estimated to increase by over $820 billion. While the provision ultimately ***did not*** end up in the final package, the discussions warrant attention to those interested in municipal finance.

Increased risk of natural disasters. Weather and climate disasters have significant financial impact – with over $2.9 trillion in damages between 1980 and 2024. Rising global temperatures are leading to more frequent and severe weather events. The number of expensive catastrophes increased dramatically in the past 25 years; between 2000 and 2009, there was an average of 7 billion-dollar disasters per year in the U.S., but since 2020, there has been over 23 billion-dollar disasters per year. In 2024 alone, there were 27 billion-dollar disasters, costing over $182 billion. To recover financially from significant disasters, states can receive federal support if the event is granted a presidential disaster declaration, with emergency assistance coming from Federal Emergency Management Agency (FEMA) programs or one-off Congressional funds. However, federal assistance is not assured. In the current Congress and Trump Administration, funding challenges or cuts to FEMA are likely, with the federal government changing how it approaches many functions – including emergency response and disaster support. Across policy areas, the federal government is shifting responsibilities to the states, and emergency management support is no different. Further impacting the federal ability to support states in disaster relief is the federal government's financial capacity. As of July 2025, the federal deficit is $1.3 trillion, an increase of $64 billion compared to the same period in 2024, and the national debt continues to climb. While the federal government does not need to have a balanced budget, ever-growing deficits lead to an increased Congressional appetite to trim federal spending. As disasters continue to increase in severity and federal support remains uncertain, state and local governments will have to bear more of the financial burden to support recovery, impact available revenues and reserves.

Delayed disclosure of financial reports. Following the close of FY 2024, 34 of the 75 most populated cities in the U.S. published required annual financial reports after the industry standard 180-day deadline. A delay in municipalities' ability to produce timely comprehensive financial reports and audits is in part due to a persistent shortage of municipal finance employees. Delays in financial disclosure have detrimental effects on budget accuracy and credit ratings for municipalities.

Budgetary imbalances. When considering municipal financing, the state of a municipal budget is highly influential. A variety of cities, despite credit ranking, report budget stress entering 2025. With larger budget deficits, governments generate higher levels of debt – raising concern of financial responsibility and ability to collect sufficient revenue to pay city bills, thus lower credit ratings and raising borrowing costs. Various trends in 2025 will affect stability of municipal budgets:

- *Expiring federal funds:* ARPA offered municipalities financial assistance through the State and Local Fiscal Recovery Funds (SLFRF) -- providing $45.6 billion going to local governments. SLFRF was designed to provide flexibility for recipients to address specific community needs, allowing a wide variety of eligible uses for municipalities to spend funds. The influx of federal support from SLFRF is largely credited for increased reserves and general fund revenues as well as increased general fund expenditures in municipalities. However, the deadline for distributing SLFRF has passed, and recipients will have through 2026 to spend the remainder of the federal funds. Infrastructure and public safety emerge as key funding areas where municipalities anticipate highest need for alternative approaches to funding as funds phase out.
- *Pension payments:* Local governments contribute to employee pension plans that are invested into the market and administered by the government. Pension spending increased in across the largest municipalities in the U.S. over the last decade and pension spending per employee is on the rise –

with some local governments experiencing double or triple the expenditures on pension. Payment of pension benefits are often legally protected, mandating the payment of pension obligations to retirees. Underfunded pensions that must be paid out increase the municipality's risk for defaulting on other outstanding debt obligations.

- *Return to office:* As noted, local governments heavily rely on property taxes, both residential and commercial, as a source of revenue. While not fully back to pre-pandemic in-office policies across the country – larger municipalities have stabilized at 60% of pre-pandemic levels of in-office workforce while smaller areas have returned to full pre-pandemic levels. During the pandemic, the shift to remote work left many commercial buildings vacant. The combination of high interest rates and vacancies has led to declining property values of commercial office buildings in certain areas, resulting in lower assessed value to tax.
- *Housing markets:* Year-over-year housing prices are rising. Rising home prices coupled with high interest rates means that affordable homes are out of reach for many Americans. To support housing affordability for communities, local governments often finance or subsidize efforts to increase the housing supply or offer other support for residents to afford places to live, further contributing to higher needs for municipal services and expenditures.

Despite complex challenges facing local governments, municipalities have an increasingly wide menu of financial mechanisms to choose from when considering how to fund local priorities. As leaders are considering financing new or ongoing operations or projects, understanding the current economic environment and trends influencing municipal borrowing is paramount. Ensuring future municipal financial decisions are informed by the latest trends in municipal finance can help decision-makers weigh the available options that best align with local priorities, goals, and fiscal health.

Vacancy and Overtime Analysis

COFA is required to produce an analysis of vacant position carried over from one fiscal year to the next, overtime costs of the previous year compared to appropriated funds for overtime, and any additional appliable analyses to understand the City of Chicago's vacancy and overtime activities. FY 2025 marks the first edition of this analysis. The below analysis first explores carried over vacant positions from FY 2024 to FY 2025, then explores departmental spending on overtime.

Vacancy Carryover

COFA identified a total of 2,419 vacant positions (see "Methodology" for a discussion of estimate limitations) that existed at the beginning of FY 2024 and remained vacant at the start of FY 2025. The comparison is based on vacancy data provided to COFA by the Office of Budget and Management (OBM) for both years. ***Table 13*** provides a side-by-side view of total startup vacancies by Department in 2024 and 2025. ***Table 14*** refines the analysis by matching job code, job title, and section across both datasets to identify positions that were vacant in both years. For the purpose of this analysis, a position was classified as a carryover vacancy when it appeared in both datasets, and the FY 2025 vacancy count was less than or equal to the FY 2024 count.

Several departments account for a large share of these carried-over vacancies. The Chicago Police Department (CPD) holds the highest number with 795 positions, followed by the Department of Aviation (272), the Department of Water Management (226), the Chicago Fire Department (173), and the Department of Public Health (134).

***Table 13**. Total vacant positions, by Department, January 2024 vs. January 2025*

Department	*Jan. 2024 Position Vacancies*	*Jan. 2025 Position Vacancies*
001- OFFICE OF THE MAYOR	37	21
003- OFFICE OF INSPECTOR GENERAL	3	5
005- OFFICE OF BUDGET & MANAGEMENT	8	4
006- DEPARTMENT OF TECHNOLOGY AND INNOVATION	138	69
015- CITY COUNCIL	60	22
021- DEPARTMENT OF HOUSING	24	26
023- DEPARTMENT OF CULTURAL AFFAIRS AND SPECIAL EVENTS	13	19
025- OFFICE OF CITY CLERK	9	9
027- DEPARTMENT OF FINANCE	113	76
028- CITY TREASURER'S OFFICE	4	8
030- DEPARTMENT OF ADMINISTRATIVE HEARING	2	6
031- DEPARTMENT OF LAW	57	35
033- DEPARTMENT OF HUMAN RESOURCES	39	18
035- DEPARTMENT OF PROCUREMENT SERVICES	50	37
038- DEPARTMENT OF FLEET AND FACILITY MANAGEMENT	176	143
039- BOARD OF ELECTION COMMISSIONERS	16	16
041- CHICAGO DEPARTMENT OF PUBLIC HEALTH	463	273
045- CHICAGO COMMISSION ON HUMAN RELATIONS	2	1
048- MAYORS OFFICE FOR PEOPLE WITH DISABILITIES	7	3
050- DEPARTMENT OF FAMILY AND SUPPORT SERVICES	78	56
051- OFFICE OF PUBLIC SAFETY ADMINISTRATION	95	81
054- DEPARTMENT OF PLANNING AND DEVELOPMENT	38	31
057- CHICAGO POLICE DEPARTMENT	1499	1126
058- OFFICE OF EMERGENCY MANAGEMENT AND COMMUNICATIONS	143	154
059- CHICAGO FIRE DEPARTMENT	302	219
060- CIVILIAN OFFICE OF POLICE ACCOUNTABILITY	19	21
062- COMMUNITY COMMISSION FOR PUBLIC SAFETY AND ACCOUNTABILITY	9	4
067- DEPARTMENT OF BUILDINGS	53	36
070- DEPARTMENT OF BUSINESS AFFAIRS AND CONSUMER PROTECTION	24	13
072- DEPARTMENT OF ENVIRONMENT	9	2
073- CHICAGO ANIMAL CARE AND CONTROL	13	7
078- BOARD OF ETHICS	0	2
081- DEPARTMENT OF STREETS AND SANITATION	169	158
084- CHICAGO DEPARTMENT OF TRANSPORTATION	223	202
085- CHICAGO DEPARTMENT OF AVIATION	476	379
088- DEPARTMENT OF WATER MANAGEMENT	384	344
091- CHICAGO PUBLIC LIBRARY	134	91
Total Vacancies	**4889**	**3717**

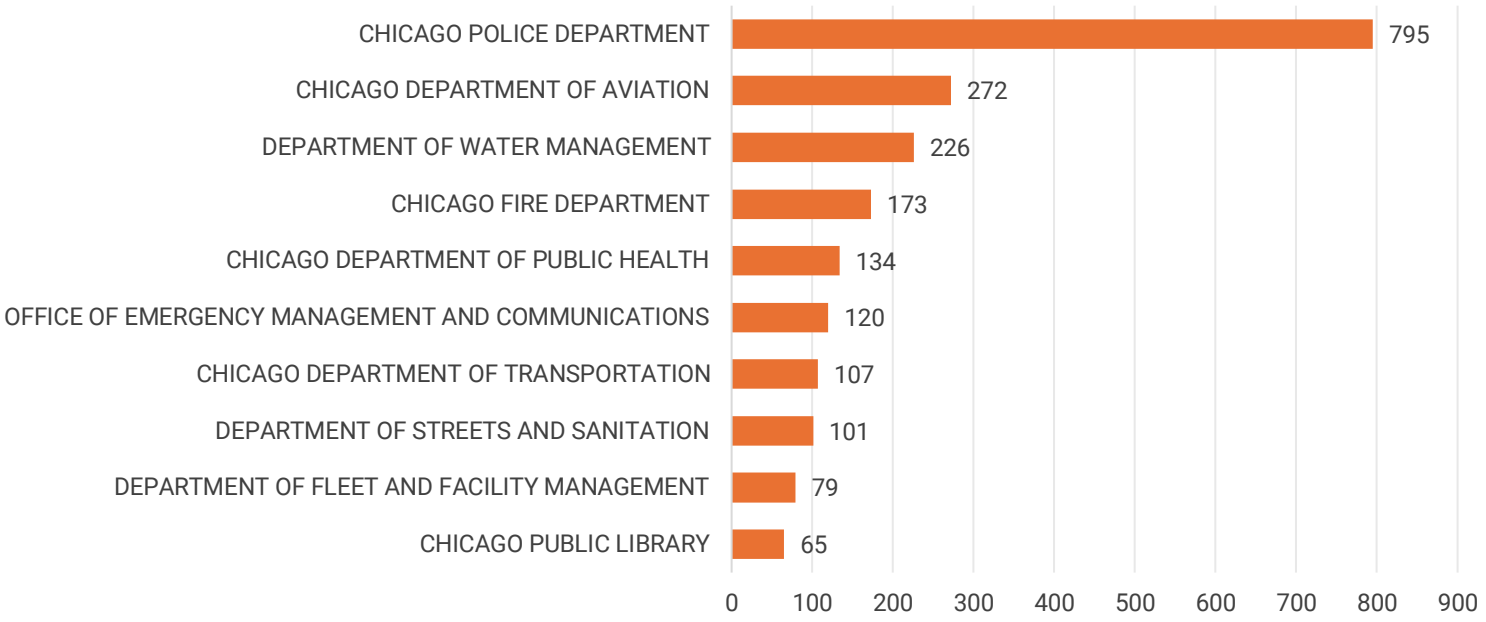
Source: OBM Vacancy Report Data, provided directly to COFA; Jan. 2024 & Jan. 2025

Table 14. *Number of vacant positions carried over FY 2024 – FY 2025, by Department (top five in red)*

Department	*Vacant Position Carryover*
001- OFFICE OF THE MAYOR	7
003- OFFICE OF INSPECTOR GENERAL	0
005- OFFICE OF BUDGET & MANAGEMENT	3
006- DEPARTMENT OF TECHNOLOGY AND INNOVATION	60
015- CITY COUNCIL	18
021- DEPARTMENT OF HOUSING	4
023- DEPARTMENT OF CULTURAL AFFAIRS AND SPECIAL EVENTS	5
025- OFFICE OF CITY CLERK	1
027- DEPARTMENT OF FINANCE	41
028- CITY TREASURER'S OFFICE	3
030- DEPARTMENT OF ADMINISTRATIVE HEARING	0
031- DEPARTMENT OF LAW	21
033- DEPARTMENT OF HUMAN RESOURCES	9
035- DEPARTMENT OF PROCUREMENT SERVICES	29
038- DEPARTMENT OF FLEET AND FACILITY MANAGEMENT	79
039- BOARD OF ELECTION COMMISSIONERS	11
041- CHICAGO DEPARTMENT OF PUBLIC HEALTH	**134**
045- CHICAGO COMMISSION ON HUMAN RELATIONS	0
048- MAYORS OFFICE FOR PEOPLE WITH DISABILITIES	0
050- DEPARTMENT OF FAMILY AND SUPPORT SERVICES	27
051- OFFICE OF PUBLIC SAFETY ADMINISTRATION	55
054- DEPARTMENT OF PLANNING AND DEVELOPMENT	12
057- CHICAGO POLICE DEPARTMENT	**795**
058- OFFICE OF EMERGENCY MANAGEMENT AND COMMUNICATIONS	120
059- CHICAGO FIRE DEPARTMENT	**173**
060- CIVILIAN OFFICE OF POLICE ACCOUNTABILITY	6
062- COMMUNITY COMMISSION FOR PUBLIC SAFETY AND ACCOUNTABILITY	0
067- DEPARTMENT OF BUILDINGS	29
070- DEPARTMENT OF BUSINESS AFFAIRS AND CONSUMER PROTECTION	3
072- DEPARTMENT OF ENVIRONMENT	2
073- CHICAGO ANIMAL CARE AND CONTROL	1
081- DEPARTMENT OF STREETS AND SANITATION	101
084- CHICAGO DEPARTMENT OF TRANSPORTATION	107
085- CHICAGO DEPARTMENT OF AVIATION	**272**
088- DEPARTMENT OF WATER MANAGEMENT	**226**
091- CHICAGO PUBLIC LIBRARY	65
Total Carryover	**2419**

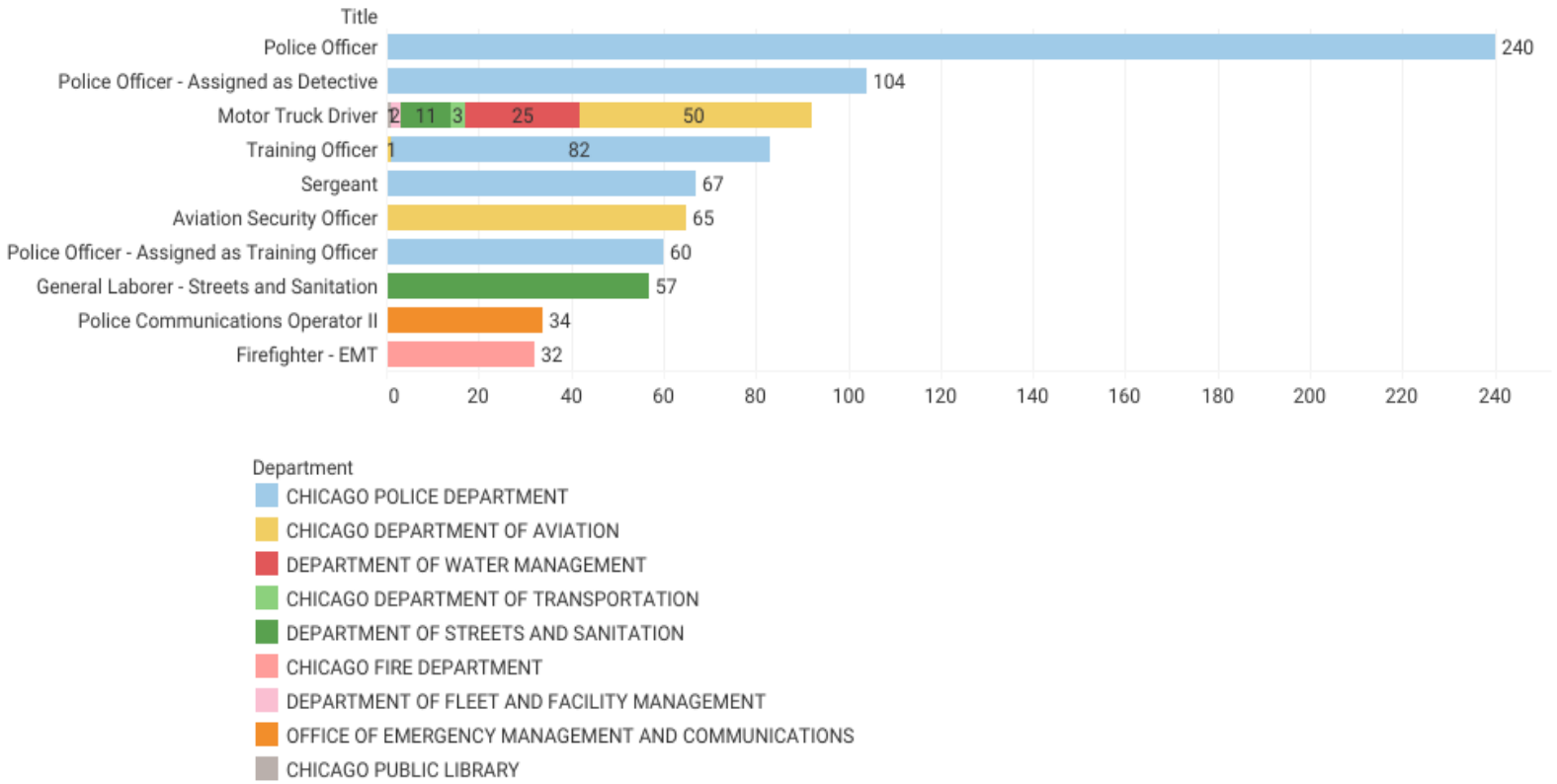
Source: OBM Vacancy Report Data, provided directly to COFA; Jan. 2024 & Jan. 2025; COFA analysis for total carryover

Figure 5. *Top ten Departments with carryover positions, FY 2024 – FY 2025*



Source: OBM Vacancy Report Data, provided directly to COFA; Jan. 2024 & Jan. 2025; COFA analysis for total carryover

Figure 6. *Top ten job titles with carryover positions, FY 2024 – FY 2025*



Source: OBM Vacancy Report Data, provided directly to COFA; Jan. 2024 & Jan. 2025; COFA analysis for total carryover

***Methodology and Disclaimer on Vacancy Estimates**: COFA notes there are methodological gaps related to the structural data limitations in the City of Chicago's Integrated Personnel and Payroll System (CHIPPS) data system. Notably, positions in CHIPPS are not identified with a unique identifier throughout the lifecycle of the open position. The lack of unique codes for each position limits the validity of any carryover analysis. While narrowing down title and job code carryovers provides a certain level of insight, various factors may impact COFA's ability to definitively track vacancies across fiscal years. COFA reached out to the OBM to validate the vacancy estimate and OBM reiterates there is no definitive way to trace vacancies across fiscal years with full accuracy under the existing systems due to lack of assigned identifiers on individual positions. OBM does not track vacancy carryover year-to-year. Any estimate produced using the current data system would have limitations and could not be fully verified. COFA's vacant position estimate reflected in the Tables and Figures above offer insight into vacancy trends but may not reflect the exact number of carried-over positions across the City.

In addition, COFA conducted a separate estimation using a different technique. The alternate approach compared the CHIPPS HR Vacancy Status Report at the end of calendar year 2024 with the FY 2025 startup vacancy data, resulting in an estimated **2,964** carryover positions. However, this figure carries additional limitations to the limitations described above. The CHIPPS HR Vacancy Status Report does not allow extraction of true point-in-time data; rather, it provides a dataset reflecting vacancies as of the date of download. Consequently, while this method offers another lens on vacancy trends, the resulting estimate should also be interpreted as approximate rather than definitive.

Overtime Spending

The City maintains data on Department overtime through its Financial Management and Purchasing Systems (FMPS) database, separate from personnel records stored on CHIPPS. To explore overtime spending, COFA analyzed Employee Payroll Data provided by OBM via Chicago's Open Data Portal, extracted from FMPS Payroll Costing. The dataset provides point-in-time last updated July 10, 2025, though the most up-to-date pay periods in FY 2025 are available up to March 2025. The dataset contains data from prior years as well; for this analysis COFA analyzed FY 2025 overtime spending (January – March 2025) and full FY 2024 data.

Departmental spending on overtime between January and March 2025 is depicted in ***Table 15,*** with spending levels of the top spending Departments marked in red. Not all City Departments have spent funds on overtime pay. Emerging figures for 2025 show similar trends to FY 2024 data below. Public safety constitutes the majority of overtime spending: the Police Department has already incurred over $45 million in overtime, while the Fire Department is over $19 million. Operational departments such as Fleet and Facility Management and Water Management are also trending high.

Table 15. *Overtime spending, by Department, Q1 FY 2025*

Department	*Overtime Spending*
D25 - City Clerk	$740.01
D27 - Department of Finance	$51,503.04
D38 - Department of Fleet and Facility Management	$3,631,318.06
D39 - Board of Election Commissioners	$208.90
D41 - Department of Public Health	$28,929.08
D51 - Office of Public Safety Administration	$429,868.42
D57 - Chicago Police Department	**$45,165,950.75**
D58 - Office of Emergency Management and Communications	$2,466,626.71
D59 - Chicago Fire Department	**$19,672,911.27**
D60 - Civilian Office of Police Accountability	$7,137.09
D67 - Department of Buildings	$80,138.01
D70 - Department of Business Affairs and Consumer Protection	$1,402.72
D73 - Chicago Animal Care and Control	$60,321.57
D81 - Department of Streets and Sanitation	**$7,531,671.12**
D84 - Chicago Department of Transportation	$2,420,985.14
D85 - Department of Aviation	**$8,050,177.51**
D88 - Department of Water Management	**$13,923,533.58**
D91 - Chicago Public Library	$69,508.47
Total Departmental Overtime Spending	**$103,592,931.45**

Source: FMPS Payroll Costing, City of Chicago Data Portal Employee Payroll Data; Jan. - March 2025

A more complete picture of overtime spending in the City is available for the completed FY 2024. ***Table 16*** and ***Figures 7, 8, and 9*** below focus on overtime spending in FY 2024.

Comparing appropriated overtime budgets to actual spending for FY2024 reveals significant over-spending in several major Departments. CPD recorded the largest variance: actual overtime of approximately $273.6 million exceeded its $105.8 million budget by $167.8 million. The Fire Department also exceeded its overtime budget by nearly $43 million, while the Department of Water Management overspent by over $20 million. Departments with operational responsibilities – such as Aviation ($12.9 million over budget), Streets and Sanitation ($12.4 million over budget), Transportation ($9.6 million over budget), and Fleet and Facility Management ($9.2 million over budget) -- also show large gaps between budgeted and actual overtime spending in FY 2024. These patterns suggest that staffing shortages, service demands, or both are driving Departments to rely heavily on overtime, particularly where carryover vacancies are also high.

Again, in FY 2024, not all departments overspent. Several remained *under* the appropriated overtime budgets, including the Department of Buildings, the Board of Election Commissioners, the City Clerk, and the Office of Inspector General. These under-budget outcomes highlight that overtime variance is

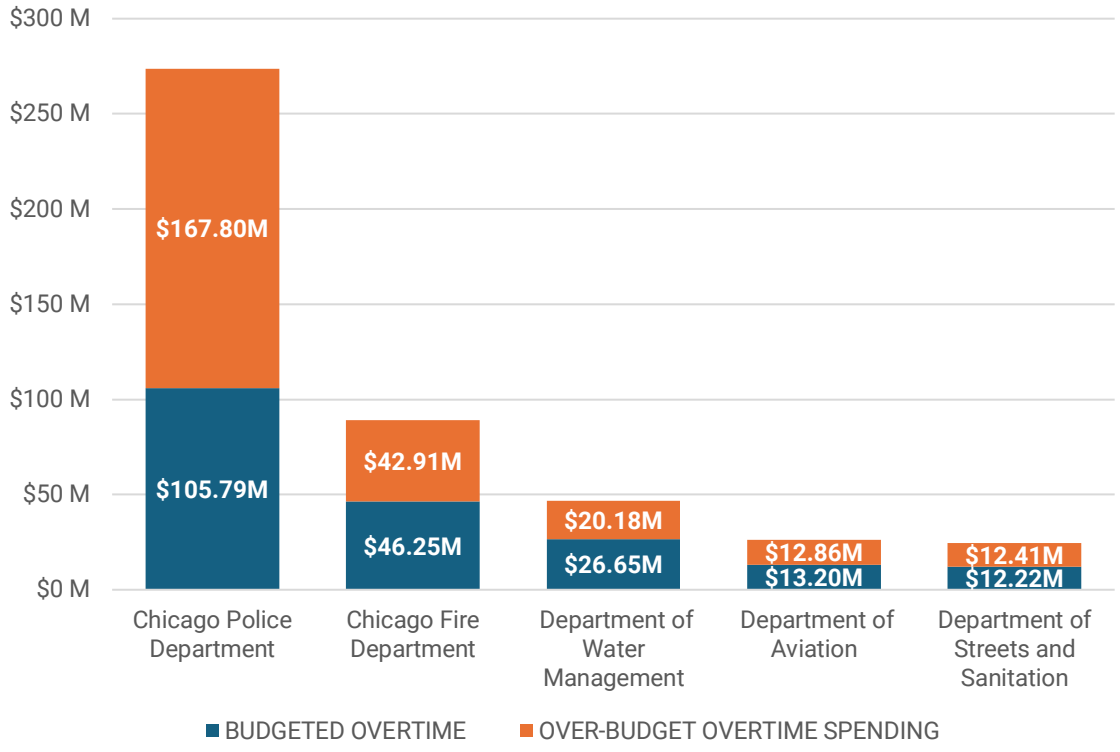
concentrated in specific service areas rather than citywide. Taken together with the first quarter of 2025 overtime spending, data suggests a structural link between vacancies and overtime. Departments with high vacancies are often those exceeding overtime budgets.

Table 16. *Appropriated overtime spending vs. Actual overtime spending, by Department, FY 2024*

Department	*Appropriated Overtime*	*Actual Overtime Spending*	*$Variance*
D03 - Office of Inspector General	$3,000.00	$0.00	-$3,000.00
D25 - City Clerk	$145,000.00	$43,096.57	-$101,903.43
D27 - Department of Finance	$311,500.00	$458,678.51	$147,178.51
D30 - Department of Administrative Hearings	$2,700.00	$165.89	-$2,534.11
D31 - Department of Law	$6,430.00	$913.51	-$5,516.49
D38 - Department of Fleet and Facility Management	$6,401,170.00	$15,625,786.68	$9,224,616.68
Board of Election Commissioners	$1,198,809.00	$875,134.53	-$323,674.47
D41 - Department of Public Health	$290,938.00	$351,259.15	$60,321.15
D45- Chicago Commission on Human Relations	$1,429.00	$0.00	-$1,429.00
D51 - Office of Public Safety Administration	$1,038,024.00	$1,867,910.05	$829,886.05
D57 - Chicago Police Department	$105,791,000.00	$273,586,645.87	$167,795,645.87
D58 - Office of Emergency Management and Communications	$6,150,000.00	$11,601,354.30	$5,451,354.30
D59 - Chicago Fire Department	$46,248,200.00	$89,162,441.39	$42,914,241.39
D60 - Civilian Office of Police Accountability	$75,000.00	$90,366.73	$15,366.73
D62 - Community Commission for Public Safety and Accountability	$5,000.00	$919.88	-$4,080.12
D67 - Department of Buildings	$1,720,958.00	$820,281.26	-$900,676.74
D70 - Department of Business Affairs and Consumer Protection	$20,893.00	$11,052.96	-$9,840.04
D73 - Chicago Animal Care and Control	$145,000.00	$422,894.47	$277,894.47
D81 - Department of Streets and Sanitation	$12,218,572.00	$24,624,745.60	$12,406,173.60
D84 - Chicago Department of Transportation	$6,666,907.00	$16,255,750.52	$9,588,843.52
D85 - Department of Aviation	$13,200,000.00	$26,064,504.55	$12,864,504.55
D88 - Department of Water Management	$26,653,974.00	$46,835,462.46	$20,181,488.46
D91 - Chicago Public Library	$400,000.00	$813,236.35	$413,236.35
Total Departmental Overtime Spending			**$509,512,601.23**

Source: FMPS Payroll Costing, City of Chicago Data Portal Employee Payroll Data; Jan.-Dec. 2024

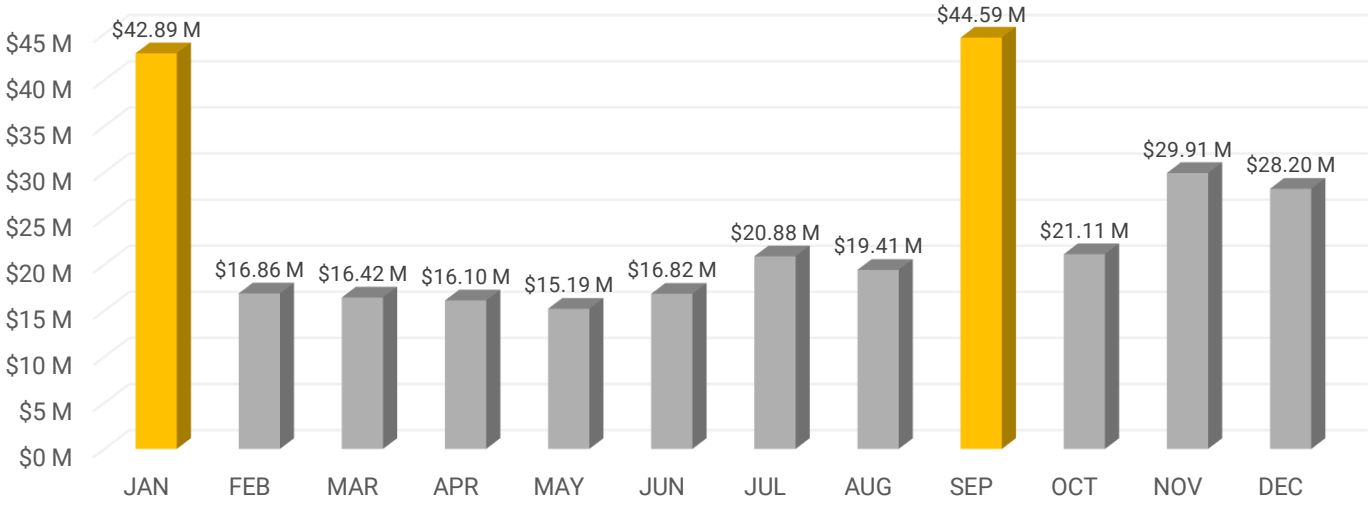
Figure 7. *Top five Departments, Appropriated overtime spending vs. Actual overtime spending, FY 2024*



Source: FMPS Payroll Costing, City of Chicago Data Portal Employee Payroll Data; Jan.-Dec. 2024

The Chicago Police Department represents the vast majority of City overtime spending. ***Figure 8*** provides more detail into monthly overtime expenditures in FY 2024.

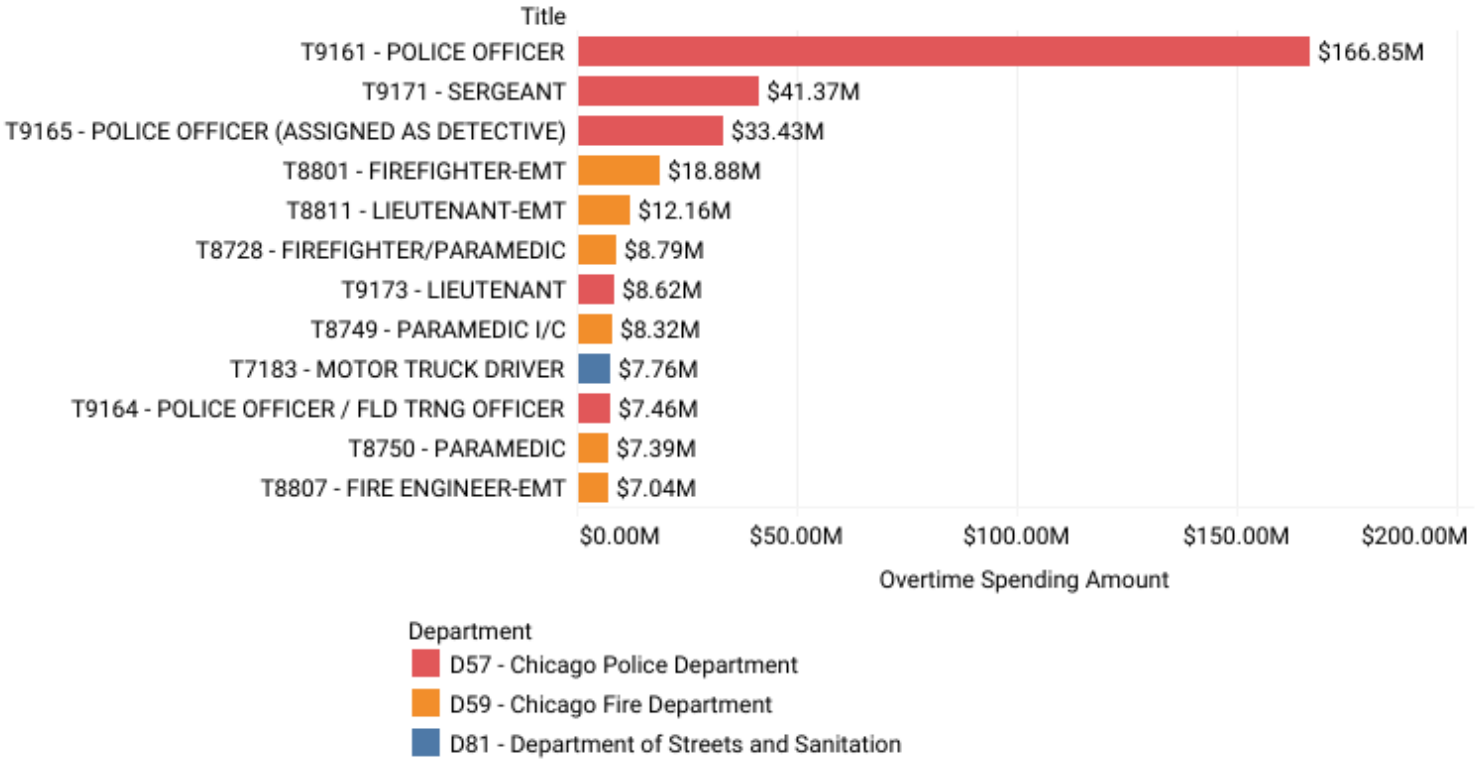
Figure 8*. Chicago Police Department, overtime spending, by month, FY 2024*



Source: FMPS Payroll Costing, City of Chicago Data Portal Employee Payroll Data; Jan.-Dec. 2024

Below, ***Figure 9*** displays the top ten job titles that accounted for the largest overtime expenditures in FY 2024. Aligned with Departmental overtime spending, Police Officer positions dominate the list, with overtime spending reaching approximately $166.9 million, far exceeding all other roles. Sergeant and Police Officer – Assigned as Detective follow, with $41.4 million and $33.4 million in overtime respectively. Fire Department positions also follow a similar trend, including Firefighter-EMT ($18.9 million), Lieutenant-EMT ($12.2 million), and several paramedic and fire engineer roles. Among operational roles, Motor Truck Driver stands out with $7.8 million in overtime spending, reflecting the ongoing demand for essential city services.

Figure 9. Top ten job titles, overtime over-spending, FY 2024



Source: FMPS Payroll Costing, City of Chicago Data Portal Employee Payroll Data; Jan.-Dec. 2024

The concentration of overtime costs and vacancy in public safety and operational roles demonstrates an interesting trend. Departments such as the Chicago Police Department and Chicago Fire Department carried significant unfilled positions into FY 2025, with 746 and 195 vacancies respectively, while operational positions like Motor Truck Driver also showed high carryover counts. These patterns indicate that departments may be relying on overtime to maintain service coverage, using funds from vacant positions to meet staffing needs.