

**MAYOR LIGHTFOOT'S 2020 BUDGET RECOMMENDATIONS:  
ANALYSIS OF SPENDING PRIORITIES**



## Background

Early in Chicago's budget process, the Office of Budget and Management's Budget Forecast estimated that without any policy changes, the City would run a deficit of \$838 million in 2020 driven by increases in state-mandated pension contributions, lawsuit costs, debt service payments and personnel costs driven by collective bargaining agreements.

Steps the Mayor's Budget took to close the gap include:

- **\$200 million** reduction in debt service by refinancing existing debt to lower interest rate debt through the Sales Tax Securitization Corporation (STSC).
- **\$47 million** additional revenue through an increased rideshare tax, designed to reduce congestion by encouraging shared rides and discouraging daytime rideshare to the central business district.
- **\$163 million** by billing Medicaid for ambulance costs
- **\$50 million** additional revenue by introducing a graduated real estate transfer tax.
- **\$37 million** additional revenue by raising the restaurant meal tax by one-quarter of one percent.
- **\$31 million** by declaring additional TIF surpluses.

When the General Assembly declined to authorize the graduated real estate transfer tax, the Mayor introduced an amendment on November 18, 2019 which took additional steps, including increasing the estimate of personnel turnover and vacancy by \$20 million. The City will achieve the higher vacancy rate through a hiring slowdown. The amendment also increased the estimated savings from debt refinancing by \$10 million (based on lowered interest rates); reduced the spending increase in the Office of the Mayor by \$1.2 million, lowered the estimate of the City's healthcare costs by \$6 million, and reduced the Fire Department's overtime budget by \$2 million. The amendment also lowered the Corporate Fund's contribution to the Department of Transportation by increasing the Motor Fuel Fund's contribution to the Department of Transportation by \$6.4 million. This, in turn, necessitated reducing the Motor Fuel Tax Funds available in the Capital Budget by \$6.4 million.

As of this writing, the City awaits federal approval of the \$163 million Medicaid ambulance billing. An answer is expected near the end of November.

A separate COFA report will examine the steps taken to close the deficit in more detail.

**This report will focus on the budget's spending priorities.**

# Executive Summary

Mayor Lightfoot's Recommended 2020 Budget contains \$11.9 billion in expenditures, an increase of \$1.0 billion (9.5%) from the 2019 Appropriation.

At least \$556 million of that spending increase was due to past policies or external factors largely outside the control of the current budget process:

- **\$371 million** increase in state-mandated pension contributions
- **\$80 million** increase in funds budgeted for tort judgments and settlements.
- **\$50 million** increase in additional pay for Police Sergeants, Lieutenants and Captains. This includes \$32 million in retroactive pay raises. This increase was dictated by an agreement the City reached with the unions representing police supervisors in September, 2019.
- **\$30 million** increase in Neighborhood Opportunity Fund appropriation driven by zoning bonus payments from downtown developers.
- **\$28 million** increase in debt service payments. The City entered the budgeting process facing a \$238 million increase in debt service. But, the Mayor's initial budget proposed to reduce debt service by \$200 million by refinancing existing General Obligation and Motor Fuel Tax debt through the Sales Tax Securitization Corporation. The Administration later identified opportunities to save another \$10 million through additional refinancing, and the additional savings were included in the budget amendment introduced following the General Assembly's failure to authorize a graduated real estate transfer tax.
- **\$18 million** increase in Affordable Housing Opportunity Fund appropriation driven by in-lieu payments from residential developers.
- The increases above are partially offset by a **\$21 million reduction** in expected appropriation from grant funds (\$11 million of that reduction from federal government grants).

The savings from elimination of vacant positions and other costs from the Zero-Based Budgeting process were offset by increased investments in priorities selected by the Mayor, most notably affordable housing, DFSS, DPH, the Public Library, MOPD and the Office of the Mayor.

The budget, as amended, funds 36,595 FTEs, a net increase of three from the 2019 Appropriation Ordinance.

The amendment anticipates achieving savings through a hiring slowdown. The increased vacancy contemplated in the amendment is less than 1% of City payroll, so it is certainly an achievable goal. In COFA's view, this is acceptable as a short-term expedient, but in the long run a hiring slowdown is a very inefficient way to save money, because it results in unplanned staff reductions randomly distributed throughout the City. Well planned staff reductions are preferable. In addition, a hiring slowdown makes the City less desirable to the most sought-after job candidates, who won't wait a long time to receive an offer.

The largest budget reduction, by far, was in CDOT, whose appropriation dropped \$74 million between 2019 and 2020. The reduction was driven by lower grant funding. As of this writing, CDOT's expected 2019 grant funding is well below budgeted, and while the Department's 2020 budget is lower than it's

2019 budget, it will probably be higher than its 2019 actual expenditures. CDOT's budget will be examined in more detail later in this report.

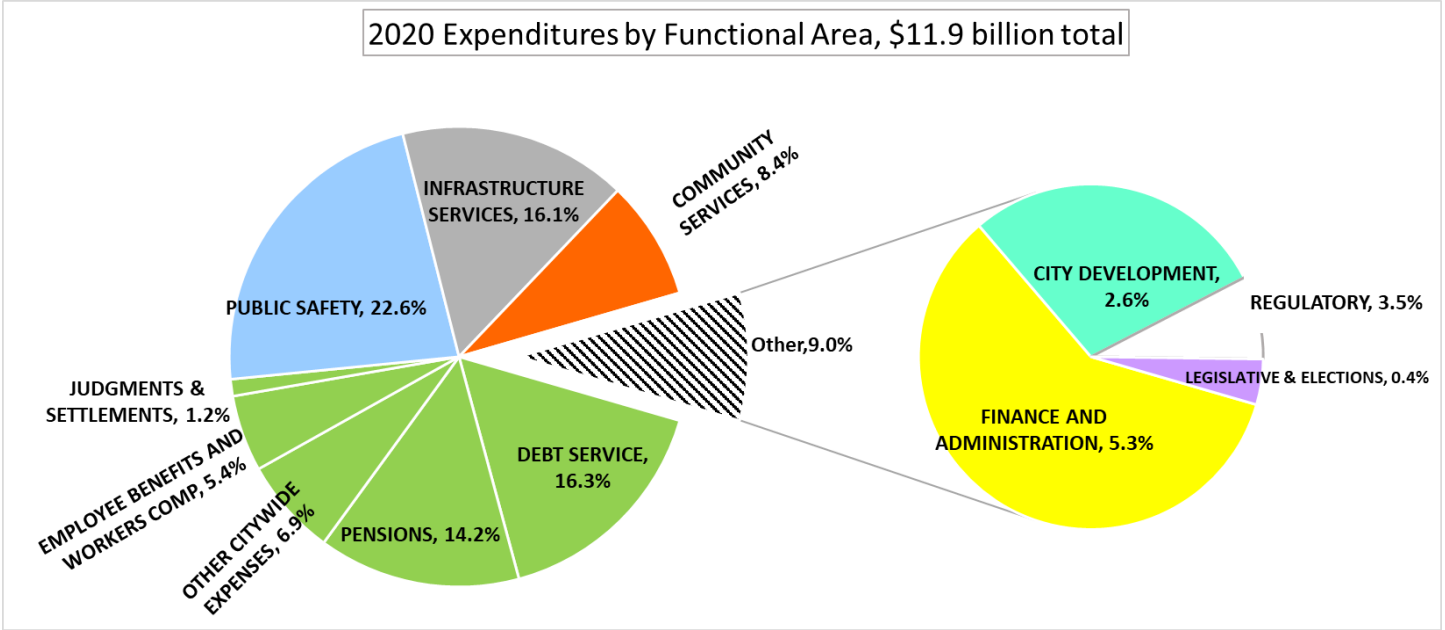
The 2020 Budget reduces spending for Human Resources, Administrative Hearings, Procurement Services and OBM, all of which can be described as administrative support departments, as well as the City Treasurer.

The budget contains a 46% reduction for the Board of Election Commissioners. That department's budget varies widely from year to year depending on the election cycle. While 2019 was a Mayoral/Council election year, 2020 will be a Presidential election year. This reduction is very similar to the Board's 42% reduction between Mayoral/Council election year 2015 and Presidential election year 2016, because Cook County assumes more election expense during Presidential years.

The budget contains two major departmental reorganizations: the merger of DoIT and 2FM into the Department of Asset and Inventory Management; and the creation of the Office of Public Safety Administration to consolidate many of the administrative tasks of OEMC and the Police and Fire Departments. Both of these changes are intended to reduce costs by eliminating duplication. However, the cost savings are as of yet unproven in COFA's view.

The changes cited in this summary will be examined in more detail on the following pages. A few departments have been selected for additional commentary because they are undergoing significant shifts or because they receive especially large shares of the Corporate budget.

# Mayor's Recommended 2020 Budget at a Glance

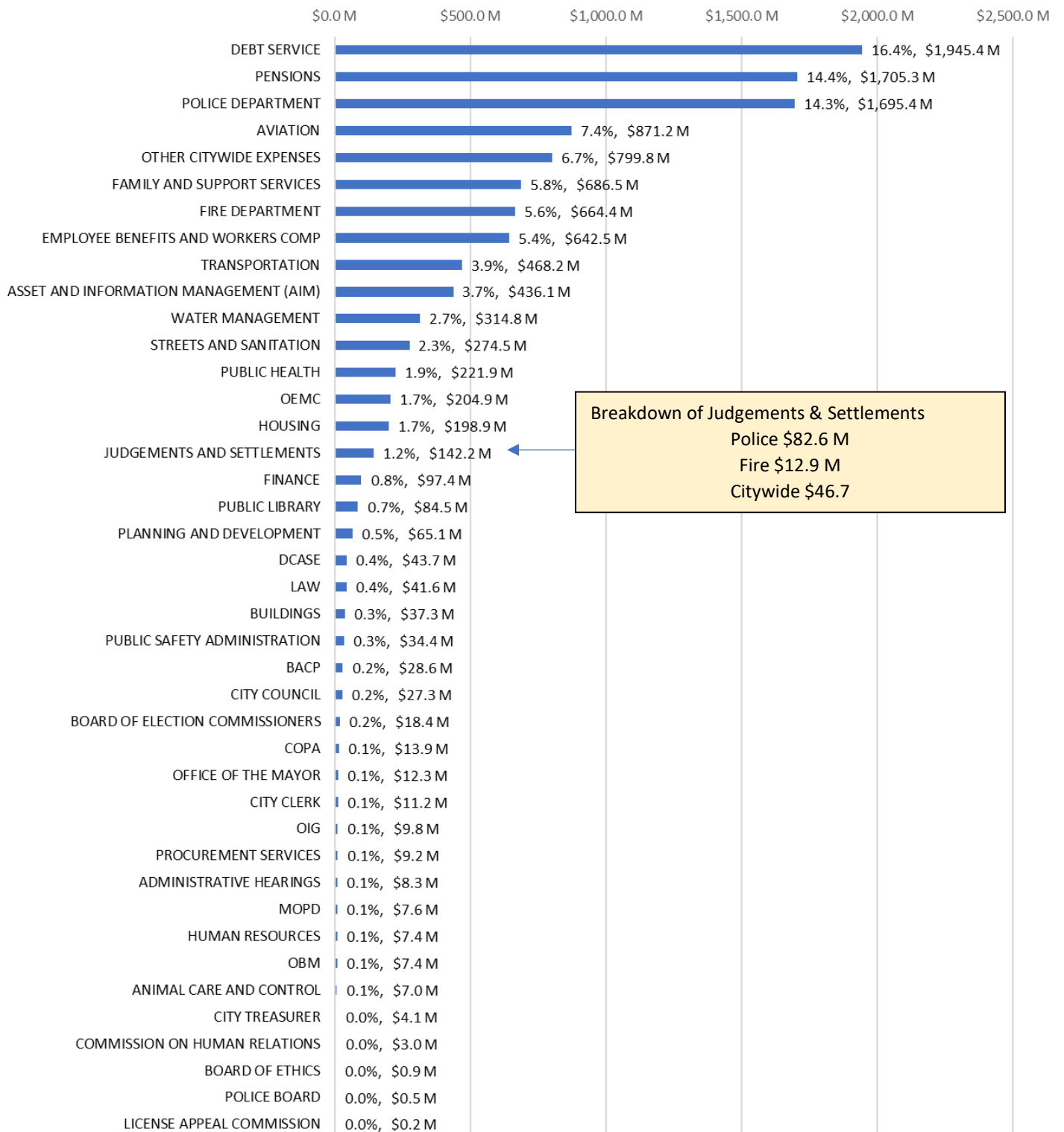


Appropriations for Tort Judgements and Settlements<sup>i</sup> are spread out between Finance General and various departmental budgets in the 2019 Appropriation Ordinance and the 2020 Budget. For our analysis, COFA has removed those line items from the departmental budgets, and combined all judgment/settlement appropriations into a single item. We believe this gives a clearer picture of the resources being made available for departmental functions.

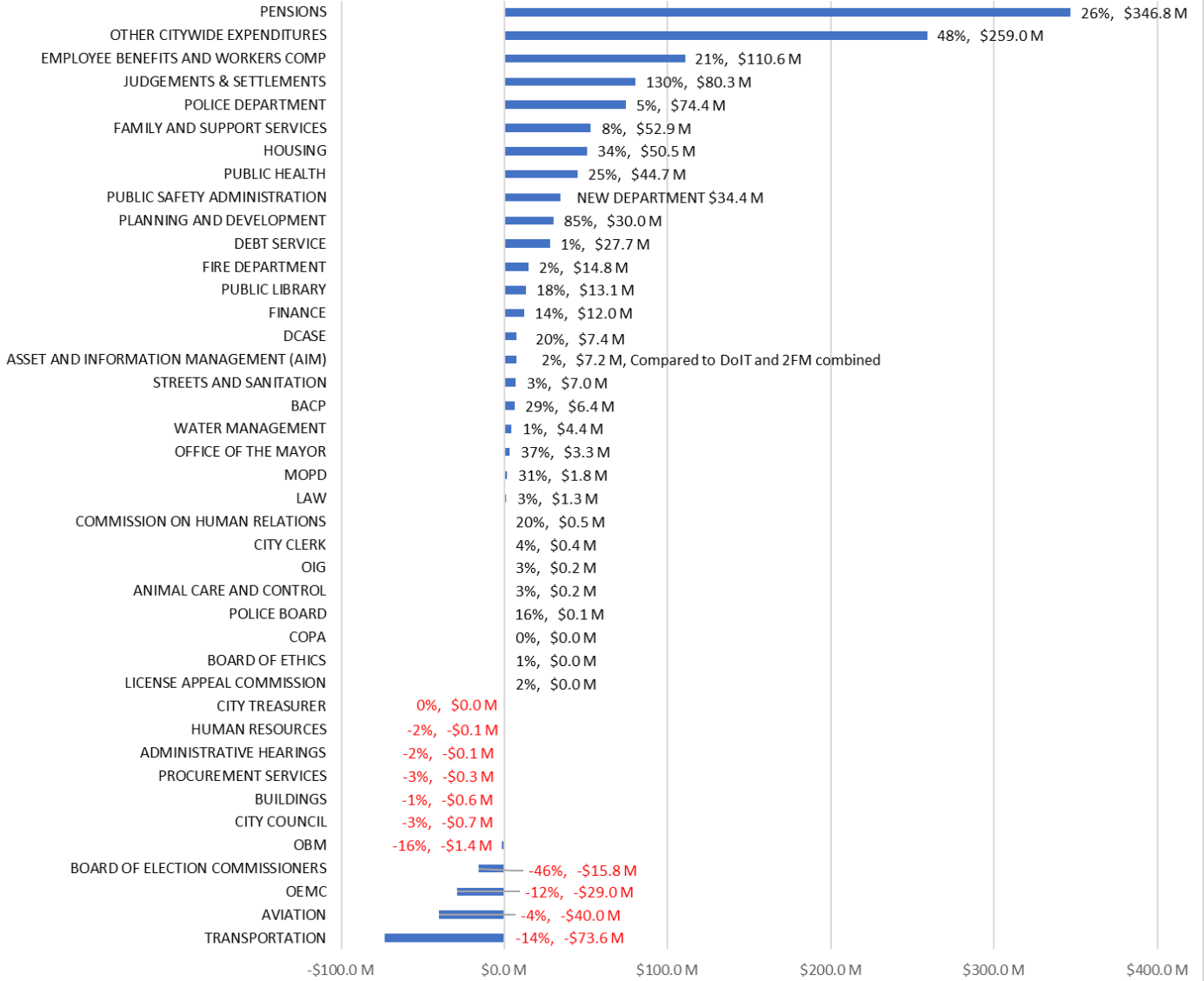
The most significant result of COFA's choice to separate that line item is that we show a 4.6% increase in Police expenditures, compared to the 6.9% increase in OBM's summaries.<sup>ii</sup>

## Mayor's Recommended 2020 Appropriations

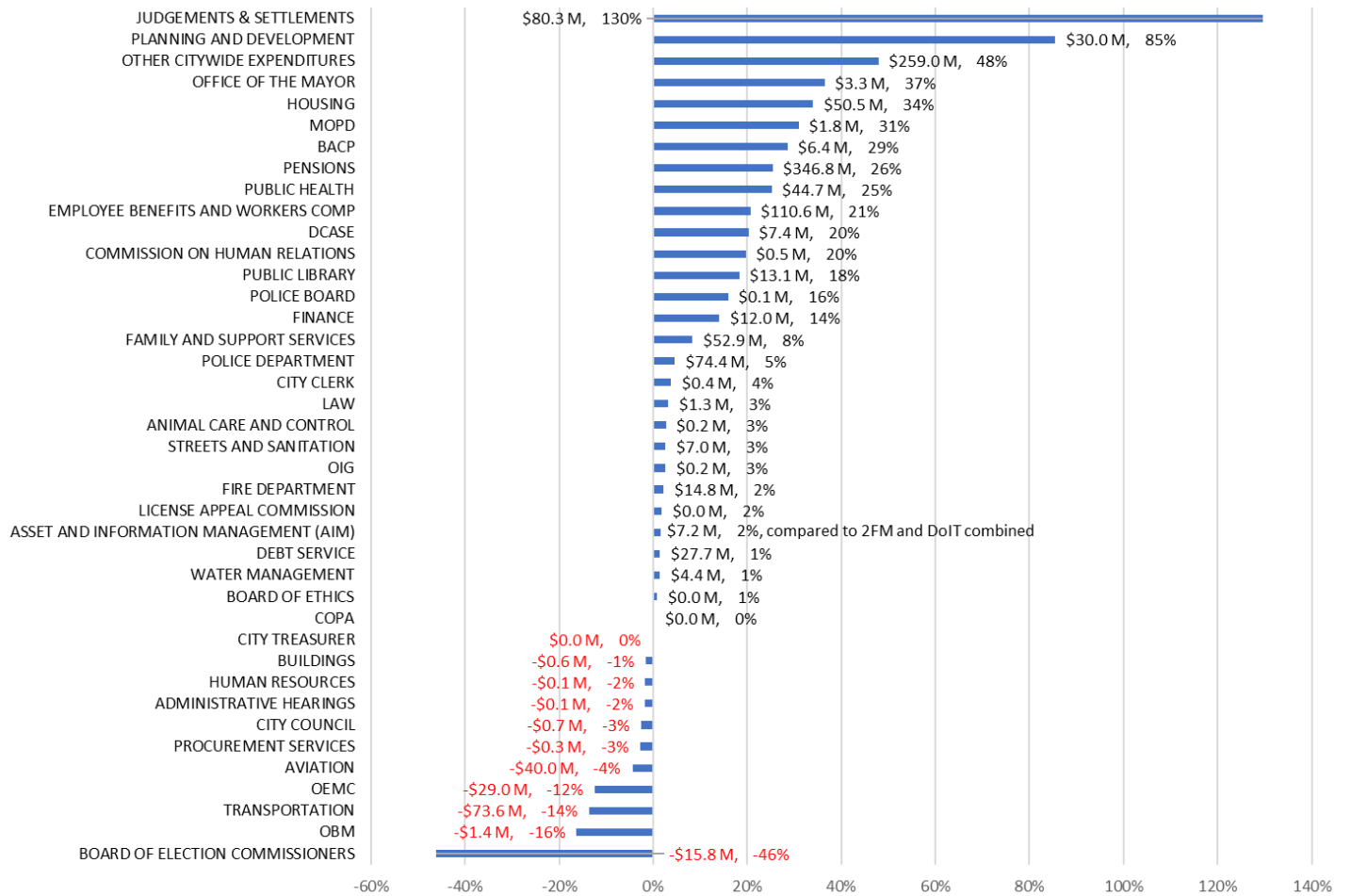
### Dollars appropriated and Percentage of Total Appropriation



Departments ranked by largest appropriation change, 2019-2020  
Dollar Change and Percentage Change



### Departments ranked by percentage appropriation change, 2019-2020





## Shifts in employment, 2019 to 2020

Number of Employees (full-time equivalents)				
Department	2019	2020	Change	% Change
OFFICE OF PUBLIC SAFETY ADMINISTRATION	-	411	411	New Department
AVIATION	1,835	2,022	187	10.2%
PUBLIC LIBRARY	1,025	1,139	113	11.0%
2FM/AIM	1,105	1,204	99	9.0%
PUBLIC HEALTH	588	613	25	4.3%
OFFICE OF THE MAYOR	86	105	19	22.1%
PLANNING AND DEVELOPMENT	166	174	8	4.8%
ANIMAL CARE/CONTROL	79	80	1	1.3%
BACP	198	199	1	0.5%
COPA	151	151	-	0.0%
ETHICS	8	8	-	0.0%
LICENSE APPEAL	1	1	-	0.0%
MOPD	30	30	-	0.0%
OIG	104	104	-	0.0%
POLICE BOARD	2	2	-	0.0%
TREASURER	30	30	-	0.0%
ADMINISTRATIVE HEARINGS	42	41	(1)	-2.4%
DCASE	78	77	(1)	-1.3%
HUMAN RELATIONS	20	19	(1)	-5.0%
HOUSING	85	83	(2)	-2.4%
OBM	51	49	(2)	-3.9%
ELECTIONS	118	115	(3)	-2.5%
HR	85	82	(3)	-3.5%
CITY CLERK	100	96	(4)	-4.0%
DFSS	433	429	(4)	-0.9%
DPS	107	102	(5)	-4.7%
FINANCE	661	654	(7)	-1.1%
LAW	448	440	(8)	-1.7%
BUILDINGS	295	284	(11)	-3.7%
CDOT	1,368	1,343	(25)	-1.8%
CITY COUNCIL	239	214	(25)	-10.5%
STREETS AND SANITATION	2,254	2,229	(25)	-1.1%
FIRE DEPARTMENT	5,216	5,158	(58)	-1.1%
DWM	2,350	2,237	(113)	-4.8%
DOIT	113		(113)	-100.0%
OEMC	2,163	1,963	(200)	-9.3%
CPD	14,958	14,709	(250)	-1.7%
<b>Grand Total</b>	<b>36,592</b>	<b>36,595</b>	<b>3</b>	<b>0.0%</b>

	2019	2020	change, '19-'20	% change, '19-'20
Asset and Inventory Management (AIM)	-	1,204		
2FM	1,105	-		
DOIT	113	-		
<b>Grand Total</b>	<b>1,218</b>	<b>1,204</b>	<b>(14)</b>	<b>-1.1%</b>

# Focus on Selected Departments

(Listed in order of Department Number)

## Office of the Mayor

The Mayor's Recommended Budget included 116 FTEs in the Office of the Mayor. This was an increase of thirty from the 2019 Appropriation.

However, eleven of those positions were eliminated in the amendment introduced following the General Assembly's failure to authorize a graduated transfer tax. The amended funding is as follows<sup>iii</sup>:

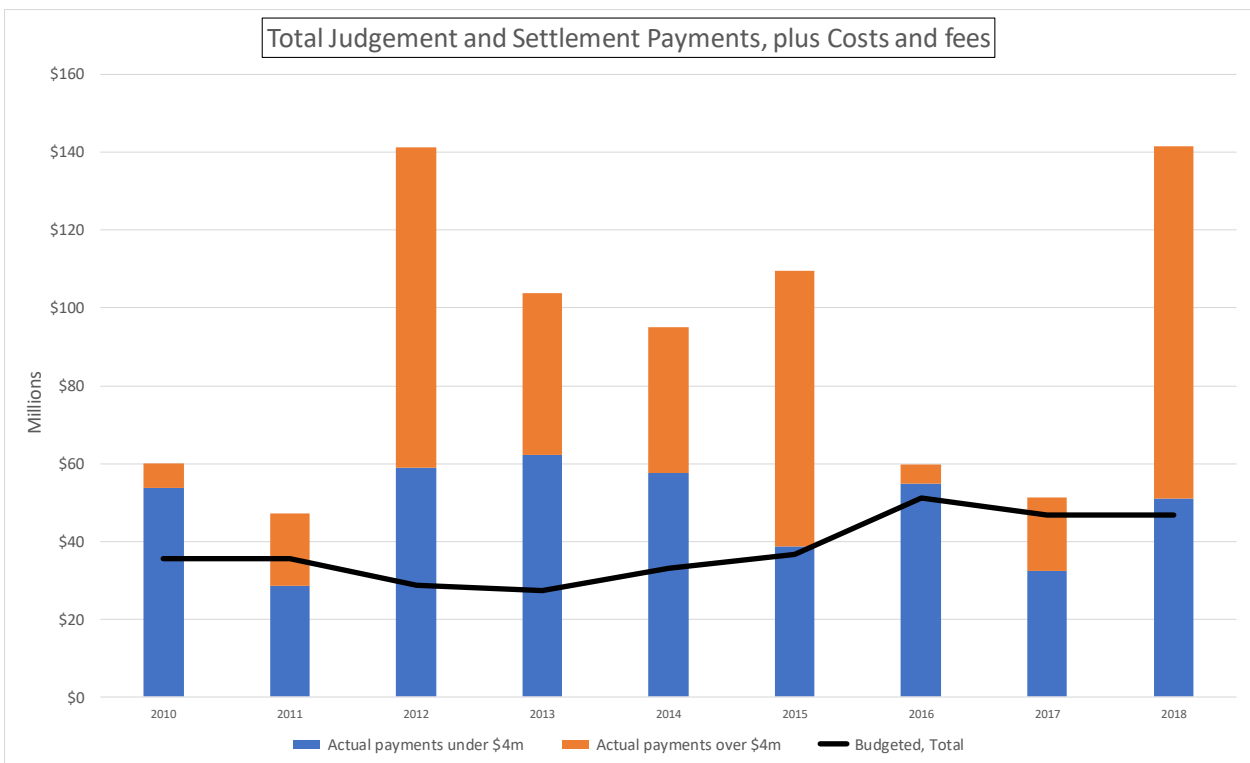
Office of the Mayor			
	2011 Appropriation	2019 Appropriation	2020 Mayor's Recommendation as amended by "Plan B"
Employees (FTEs)	78	86	105
Total Budgeted Salaries (adjusted for inflation)	7,405,154	8,794,586	11,105,830
Average Salary (adjusted for inflation)	94,938	102,263	105,770

## Law Department

Between 2010 and 2018, the City of Chicago spent an average of \$90 million per year on judgements and settlements. This figure varies considerably from year to year because a few large payments can have an outsized impact on total spending. Only thirty-eight of 8,998 total payments were for \$4 million or more, but those 38 large payouts accounted for 46% of the amount paid and the majority of the year-to-year fluctuation.

The City's budgets have under-budgeted lawsuit costs every year for the last decade. Mayor Lightfoot has reversed that practice by budgeting \$142.2 million for judgements and settlements in 2020, approximately equal to the highest actual spending in the last decade.

New York City has some success in reducing both judgement and settlement costs and outside counsel costs by increasing staffing at its Law Department Torts Division from 447 to 647. By contrast, the Mayor's 2020 Budget Recommendations would reduce the Department of Law's Litigation Division from 160 FTEs to 156, and the amendment introduced on November 18, 2019 further reduced staffing to 155.



On September 4, 2019, the Office of the Inspector General issued an audit criticizing the Department of Law (DOL) for taking an average of 289 days to issue notices of sanitation code violations in 2016 and 2017. The OIG recommended that a reasonable goal would be to send 95% of notices within two weeks. DOL responded that it had improved notice times since 2017, but that it would be impossible to meet OIG's recommended goal without sharply increasing staffing at DOL's Collection, Ownership and

Administrative Litigation (COAL) Division. However, the Recommended Budget reduces COAL from 44 funded FTEs to 40.

Department of Asset and Information Management

New Department, formed from the merger of Fleet and Facility Management (2FM) and Innovation and Technology (DoIT)

This departmental merger has been justified on the grounds of savings and efficiency. COFA is skeptical that the merger will achieve this goal because we do not see any synergies. We do not see any overlaps or duplication among the services provided between the two departments.

2FM is currently headquartered in a leased space at 30 N. LaSalle Street, which the City will vacate in August 2020. It is in an advanced state of planning to move to its new headquarters at 2 N. LaSalle. DoIT is located in the DePaul Center at 333 S. State, which the City will occupy until 2023. DoIT (which will now be AIM’s Bureau of Information Technology) is scheduled to remain at the DePaul Center until the City vacates that space, since there is no room for it at 2 N. LaSalle.

Thus, there will be no immediate savings from consolidating physical space. Consolidating the merged department’s physical space in 2023 would require displacing another department or moving both divisions to an as-of-yet unknown space.

AIM’s 2020 recommended budget is \$436 million, \$1.4 million less than the two department’s combined appropriations, and AIM will have 1,204 FTEs, 14 less than the 2019 staffing appropriation for the separate departments. However, the positions eliminated were in no way related to the merger. For example, four DoIT positions have been eliminated: two IT Project Managers, an IT Director and an IT Architect.<sup>iv</sup> None of those are positions whose functions could be performed by 2FM staff, nor are they administrative positions made unnecessary by consolidation. On the 2FM side, positions eliminated include four custodial workers and five electrical mechanics in the Bureau of Facility Management.

Non-personnel costs for the combined departments is budgeted \$110,585 lower than 2019 (a reduction of 0.03%).<sup>v</sup> This may be optimistic given short-term costs associated with any merger.

Historically, the merger of the Department of Fleet with the Department of General Services to form 2FM seemed to successfully reduce costs for its first two years, before those costs jumped sharply in 2014. The merger of Revenue with Finance seemed to lower cost in its first year, before exploding in its second. However, those departments were natural fits, with overlapping duties, skills, equipment and supplies.

Department	2011 Pre-Merger	2012 Post Merger	2013	2014	2015	2016	2017	2018	2019
General Services/Fleet/2FM	\$322.3	\$299.2	\$308.5	\$332.3	\$341.7	\$333.3	\$343.9	\$351.5	\$396.8
Finance/Revenue	\$70.0	\$66.0	\$76.0	\$85.8	\$82.9	\$85.9	\$85.7	\$85.3	\$97.4

In discussions with COFA, OBM has expressed optimism that the administrative staff of the combined departments will find savings as they work more closely. Opportunities for this kind of collaboration may improve if AIM's IT division ever shares physical space with the rest of the department. In addition, COFA believes there may be opportunities for collaboration between the IT Division and the Bureau of Asset Management's Graphics Services Division.

## Streets and Sanitation

The 2020 Recommended Appropriation for Streets and Sanitation is \$275 million, an increase of \$6.5 million (2.4%) from 2019. This compares to an average increase of 4.1% across all departments (excluding Finance General).

DSS' staffing is Recommended to drop from 2,254 in 2019 to 2,229 in 2020 (net -25, -1.1%). By comparison, citywide staffing is Recommended to increase from 36,592 to 36,606 (net +14, +0.0%)

This continues a longer term trend of DSS lagging Citywide budgets. From the 2014 through 2020, appropriations for all departments (excluding Finance General) have grown 20.6%, while S&S has only grown by 6.3%. During that time, DSS' appropriated staffing has shrunk from 2,341 to 2,229 (net -112, -4.8%).

DSS attributes the long-term austerity trend to savings from the transition from a ward-based to a grid-based garbage collection system (which phased-in during 2012 and 2013), and to the Managed Competition system for recycling collection, which divides collection between DSS and two private contractors according to zones (that system has been in place unchanged since the introduction of Blue Carts in 2014).<sup>vi</sup> That claim is supported by the fact that of the department's Bureau of Sanitation has shrunk by 201 FTEs since 2014, while the rest of the department has grown by 89.

While grid collection has been a clear success from a cost standpoint, Managed Competition for recycling collection has not been a clear success by any metric. Currently, the City pays approximately \$12 million per year for the two private contractors participating in the program. The City is budgeting for that cost to increase by approximately \$3 million (25%) with the expiration of the current contract in 2020.<sup>vii</sup> While the contractors are responsible for roughly two-thirds of the City's land area, DSS remains responsible for the most densely populated part of the city (Zone 2). Meanwhile, the City's recycling rate has fallen from 11.1% in 2014, the Blue Cart program's first year to 8.8% in 2018. This compares to a 35% recycling rate nationwide.<sup>viii</sup>

On October 30, 2019, the Office of the Inspector General issued an Advisory recommending that DSS change its tree-trimming operations from the current 311-based system a grid-based system such as existed prior to 1999. In its response, the department stated that it would need 15-20 additional crews to transition to a grid-based 7-10 year trimming cycle.<sup>ix</sup> Unfortunately, in COFA's view, the current system of sending crews from location to location based on which "squeaky wheels" contact 311 is inherently inefficient, as the long timelines for tree-trim requests demonstrate.

In his response to the OIG, Commissioner Tully went on to write, *"in the upcoming 2020 budget year, the Bureau of Forestry will work to develop a comprehensive tree inventory of the entire City canopy, which currently does not exist. This will provide valuable information regarding the number and location of trees as well as size and species. It will also provide information about electric wire interference within the canopy helping to inform the daily scheduling process for tree trimming and removals as well as the Department's response to weather-related events."*

We believe that this will be a very worthwhile initiative, because it will provide the information necessary to develop a more efficient system. We encourage DSS to investigate the availability of recent, relatively high-resolution commercial satellite imagery for use in this project.



## Transportation

CDOT's 2020 Recommendation is \$468 million, a \$75 million reduction from the 2019 Appropriation Ordinance. This is, by far, the largest dollar reduction of any department.

The reduction is entirely due to a reduction of grant funding from \$370 million in the 2019 Appropriation to \$285 million in the 2020 Recommendation (difference of \$85 million). The 2020 Recommendation would increase CDOT's Corporate funding by \$5 million (8.2%). The Recommendation would reduce contracted Construction of Buildings and Structures by \$81 million, and reduces staffing in CDOT's In-House Construction division from 747 to 734 by eliminating vacant positions.

However, while the 2020 Recommendation is a large reduction from the 2019 Appropriation Ordinance, it is actually an increase from the 2019 Appropriation as amended through November 17, 2019. As of that date, CDOT anticipates that 2019 grant funding will total \$220 million, \$150 million less than originally budgeted.

According to COFA's conversations with CDOT and OBM, large variations between budgeted and actual grant funding are not unusual. CDOT states that, "The discrepancy between the estimated and actual numbers is due, in large part, to project schedules and when we anticipate projects being reviewed approved by the state and feds. State and federal review and approval is outside the control of CDOT. State review/approval in particular can be unpredictable and often takes longer than anticipated."

CDOT's funding has trended down throughout the last decade. The 2020 Recommendation is \$170 million less than the 2011 Appropriation, even without adjusting for inflation. This is due to a \$226 million drop in grant funding and a \$12 million drop in Corporate funding. This has been somewhat offset by a \$51 million increase from the Motor Fuel Fund and an \$18 million increase from the Vehicle Tax Fund (City Stickers). Some of the fall in grant funding was due to the State's budget crisis. Reductions in one type of grant affects other types, because most grants having matching requirements. We can expect that the passage of the state's capital bill will lead to some improvements in the coming years.

## Office of Public Safety Administration

According to the 2020 Budget Overview:

*Introduced in the 2020 budget, the Office of Public Safety Administration will realign the administrative functions of the Chicago Police Department, the Chicago Fire Department, and the Office of Emergency Management and Communications. This new department was created to help reduce costs, increase efficiency, and improve support services across three departments. The new office is part of a broader modernization effort aimed at better supporting Chicago's first responders so they can focus on their core mission of protecting and serving Chicago's communities.*

In COFA's view, the Office of Public Safety Administration (PSA) has the potential to increase efficiency and reduce costs. Administrative tasks such as record keeping, human resources and financial management are not the OEMC and the Police and Fire Departments' core missions, and thus could potentially be better handled by a support department. Its success will depend on whether there is enough similarity and overlap between the kind of records and reports required of each department that those tasks could be consolidated into a single system handled by a single staff.

A potential downside is the necessity of creating a new layer of leadership-level staff. The Budget Recommendations include creation of an Executive Director, a First Deputy Director and three Managing Deputy Directors for PSA

Ideally, a proposal to create PSA would follow a detailed study of departmental administrative tasks to identify which ones could be shared across departments, and which ones were better kept in-house. Based on the testimony at Committee on Budget and Government Operations hearings and COFA's conversations with OBM, we are not aware of any such study. We are also not aware of any plans for where PSA will be physically housed or what non-personnel resources it will need. Since personnel costs account for more than 99% of PSA's proposed budget, it will be completely dependent on resources provided by CPD/CFD/OEMC. As a result, PSA's budget includes three Motor Truck Drivers, but no trucks and no fuel.

The Mayor's Budget Recommendations include eliminating OEMC's Technology Section, along with its Citywide Radio Communications, Internal Secure Communications Network and IT Management sub-sections, and moving all 100 of its employees to PSA. This does not seem consistent with PSA's stated mission, because it is not an administrative section, and (based on job titles) at least 98 of the relocated staff are non-administrative, including forty-two Electrical Mechanics/Foremen of Electrical Mechanics, thirty-seven Linemen/Foremen of Linemen, three Motor Truck Drivers, three Chief Programmer/Analysts, two Principal Systems Programmers, etc. In our view those tasks might better be transferred to AIM's IT Division which has a greater overlapping of skills and tasks. The physical infrastructure of the communications system would also benefit from the resources and staff of AIM's Facility Management and Capital Improvement divisions, which have Electrical Mechanics and Motor Truck Drivers, among other things.

## Police Department

The Recommended Budget raises the Police Department appropriation from \$1.66 billion to \$1.78 billion, an increase of \$122 million (6.9%)

The drivers of that increase are:

- An increase of \$50.4 million in salary budgeted for Sergeants, Lieutenants and Captains, of which \$32.3 million is payment for retroactive salary increases. The head count budgeted for those positions is unchanged from 2019 (33 Captains, 271 Lieutenants, and 1,347 Sergeants). The pay increase is the result of a contract signed with the police supervisors' union in September, 2019.
- An increase of \$47.6 million in estimated judgment and settlement costs (\$35 million to \$82.6 million).
- \$7.5 million for implementation of the Consent Decree.

Judgements and settlements, while arguably the direct result of past police action, will not fund the department's operations in 2020. That is why we separated that line item from the CPD budget when comparing to other departments. The growth of all line items other than judgements and settlements is 4.6%.

Other than for legal settlements, supervisors' salaries and the Consent Decree, the rest of the Police budget grew from \$1.44 billion to \$1.46 billion, an increase of only \$16.5 million (1.1%).

The budget reduces the number of appropriated Police Officers from 10,288 to 10,140 by eliminating 88 vacant positions. The number of appropriated Police Officers remains higher than the 9,973 appropriated in 2011, prior to Mayor Emanuel's hiring surge. Police Officers' average pay is budgeted to increase by 1.6%. However, that could change if the City reaches a contract agreement with the Fraternal Order of Police, which has traditionally looked to the supervisors' contract as a model.

CPD's total number of FTEs remains higher than in 2011 (14,709 to 14,667), if you remove Crossing Guards and Crossing Guard Supervisors from the computation. Crossing Guards were employed by CPD in 2011, whereas today they are employed by OEMC.

Of the 249 FTEs cut from the Police budget, 163 are administrative employees who have moved to the new Office of Public Safety Administration.

As noted previously, COFA has separated the judgment/settlement appropriations from departmental budgets in order to give a clearer picture of the resources actually being made available for departmental functions.

While FTEs are shrinking in most CPD Divisions, the Office of the First Deputy is growing from 164 to 198 (Net +34), because the Office of the First Deputy is absorbing the Office of Compliance, which audits and monitors compliance with the Consent Decree. The largest Division, Patrol Services is shrinking from 11,085 to 10,974 (Net -111) due to elimination of vacant positions.

Police Department FTEs by Bureau	2019	2020	Change
Office of the Superintendent	300	283	(17)
Office of the First Deputy	164	198	34
Bureau of Organizational Development	661	528	(133)
Bureau of Patrol	11,185	11,094	(91)
Bureau of Detectives	1,650	1,641	(9)
Bureau of Organized Crime	728	725	(3)
Bureau of Technical Services	252	224	(28)
Reform Management/Consent Decree	18	16	(2)
<b>Grand Total</b>	<b>14,958</b>	<b>14,709</b>	<b>(249)</b>

## Public Health

The Department of Public Health's Recommended 2020 Budget is \$222 million, an increase of \$45 million (25%) from the 2019 Appropriation Ordinance.

If passed, this would be the first time that the Department's budget exceeded the 2011 Appropriation (even without adjusting for inflation). During the last decade, DPH's budget was cut due to closing of mental health clinics and transfer of public health responsibilities to Cook County.

Although grants make up more than 75% of DPH's budget, the 2020 increase is driven by an additional \$19 million in Corporate funding. The largest programmatic changes in 2020 are an additional \$8.7 million in funding for Mental Health Services, \$13.4 million for a new Behavioral Health program, and an additional \$5.5 million for Substance Abuse prevention and treatment. The largest programmatic reduction is a \$2.1 million reduction in food safety inspections.

## Family and Support Services

DFSS' 2020 Recommended Appropriation is \$686 million, \$53 million (8.35%) more than 2019. This follows a 59% increase between 2018 and 2019.

Grants account for 85% of DFSS' funding. 2020 funding increase is driven by an additional \$43 million in federal grants and \$9 million in additional local funding (including \$2.3 million in additional Corporate Funds, and an additional \$8.3 million from the Houseshare Surcharge).

The largest increases within the DFSS budget are an additional \$43 million for Head Start and Child Care programs, and an additional \$5.4 million for Homeless Services.

<b>Funding Type</b>	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
Federal Grants	\$390.8 M	\$434.2 M	\$43.4 M	11.1%
Program Income	\$1.4 M	\$2.1 M	\$0.7 M	53.4%
Private and Other Grants	\$3.2 M	\$2.5 M	-\$0.7 M	-21.9%
State Grants	\$144.1 M	\$144.3 M	\$0.2 M	0.2%
Local funding	\$94.1 M	\$103.3 M	\$9.3 M	9.9%
<b>Grand Total</b>	<b>\$633.6 M</b>	<b>\$686.5 M</b>	<b>\$52.9 M</b>	<b>8.4%</b>

## Department of Planning and Development

### Department of Housing

Planning and Development and Housing grew more than any other departments on a percentage basis. The reasons for their rapid growth were similar.

#### **Planning and Development**

The Mayor's recommended appropriation for DPD is \$65.1 million, an increase of \$30.0 million (85.5%) from the 2019 Appropriation ordinance.

The increase is entirely due to a \$29.7 million increase in funding from the Neighborhood Opportunity Fund (NOF). The NOF is a program created in 2016 in which developers in the central business district receive zoning density bonuses in return for a fee. 80% of the fee goes to the NOF, which is used to provide grants for real estate construction and rehabilitation by small businesses in targeted areas of the South and West Sides. 10% of the developer fees go to the Adopt-a-Landmark fund, and 10% goes to a local impact fund for the area surrounding the downtown development.

The NOF has grown rapidly due to the downtown building boom. NOF now makes up 65% of DPD's entire budget, and represents a major shift in focus towards South/Westside neighborhood development. However, NOF funding will be extremely sensitive to the business cycle, and could conceivably even drop to zero during a severe recession.

The non-NOF portion of the DPD budget is a 1.3% increase from the 2019 Appropriation. The budget includes \$11 million in Corporate funding, a 2% increase. The budget includes 174 FTEs, up from 166 in the 2019 Appropriation. Three of the new positions are funded by the NOF.

#### **Department of Housing**

The Mayor's recommended appropriation for DoH is \$198.9 million, an increase of \$50.5 million (34.0%) from the 2019 Appropriation ordinance.

The biggest driver of the increase is a \$17.7 million increase in funding from the Affordable Housing Opportunity Fund (AHOF). The AHOF was established in by the Affordable Requirements Ordinance in 2015. Residential developments receiving City financial assistance or using City-owned land must set aside affordable units or pay in-lieu of fees to the AHOF.

Like the NOF, the AHOF has grown rapidly because of the recent building boom. Also like the NOF, this funding source will be very sensitive to the business cycle.

However, DoH's funding growth has been much more widespread than DPD's. DoH is budgeting \$137 million in 2020 grant funding, an increase of \$21.3 million from the 2019 budget. Federal grants (including CDBG) account for 52% of the grants budget, and 77% of the grants increase.

DoH is also receiving an \$15.3 million in Corporate funding, an increase of \$11.0 (253%).

Despite the funding increases, DoH's budgeted staff will actually go down from 85 to 83 FTEs. Total budgeted salaries are increasing by 0.7%. Instead of additional staffing, the Department is providing an additional \$27.7 million for Rehabilitation Loans, an additional \$18.1 million for the Affordable Housing Density Program, an additional \$5 million for the Flexible Housing Pool, and a \$5 million contribution to the Low Income Housing Trust Fund.

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<sup>i</sup> Appropriation Code 931

<sup>ii</sup> The only computer-readable resource available to COFA for data analysis are the downloadable spreadsheets available on the City's Data Portal. The 2019 spreadsheets reflect the 2019 Appropriation Ordinance as passed in 2018. On the other hand, the 2019 Appropriation figures cited in the Mayor's 2020 Budget Overview and 2020 Budget Recommendations reflect all Appropriation amendments as of the date that those documents were generated. For the most part, the differences between the original ordinance and the amended one are not consequential to the overall analysis. The CDOT budget is the exception. So, the differences between the original and amended 2019 CDOT budgets are highlighted and discussed in this report.

It was not possible for COFA to enter every change in the so-called "Plan B" amendments in our spreadsheets. We did subtract the positions and salaries which the amendments removed from the Mayor's Office, because those changes made a significant change to analysis of that Department. We also subtracted \$5 million from debt service to reflect the amendments. The other "Plan B" changes were too widely scattered throughout the budget to affect the analysis of any department.

<sup>iii</sup> Inflation adjustments were used to bring salaries up to 2020 price levels using CPI-U for the Chicago MSA. For 2011, we used the annual average (218.684). For 2019 we used the last available (August, 241.985), and for 2020 we inflated the 2019 figure by 2% to 246.8274, based on the Federal Reserve's most recent inflation estimates.

<sup>iv</sup> 2020 Budget Hearings, Response Through the Chair #38-02

<sup>v</sup> Appropriation Account codes 0100 and above.

<sup>vi</sup> Communications between COFA and DSS Deputy Commissioner Jim Crocker

<sup>vii</sup> IBID

<sup>viii</sup> *The State of Recycling in Illinois*, released by Illinois PIRG Education Fund, November 14, 2019, <https://illinoispirgedfund.org/reports/ilf/state-recycling-illinois>

<sup>ix</sup> *Advisory Concerning Tree Trimming Operations at the Bureau of Forestry*, Office of the Inspector General, October 30, 2019, <https://igchicago.org/2019/10/30/advisory-concerning-inefficient-tree-trimming-operations-at-the-bureau-of-forestry/>