

**Statement of Corporation Counsel Stephen R. Patton
In Support of the Department of Law's
Proposed 2016 Budget**

October 9, 2015

Thank you for the opportunity to testify before you today in support of the Department of Law's ("DOL's") proposed 2016 budget.

My testimony is organized into six parts: Part I provides a brief overview of DOL's organization and the work it performs. Part II highlights some of DOL's work during the past year in building a better future for the City. Part III discusses DOL's recent successes in improving the quality of life of Chicago residents. Part IV provides recent examples of DOL actions to protect and recover taxpayer dollars. Part V describes some of the DOL initiatives to reduce the City's legal costs. Finally, Part VI provides highlights of the work of each of DOL's various divisions during the past year.

Like my previous statements, this statement is not limited to Law's proposed budget; it also provides an update on our successes during the past year, and our progress in achieving the goals and objectives detailed in my prior statements.

I. OVERVIEW OF DOL

DOL attorneys meet the City's legal needs in a wide array of areas. This includes police, tort, and employment litigation; municipal finance; affordable housing; aviation; civil rights; environmental law; and collective bargaining. The Department is fortunate to employ some of the City's most prolific and talented trial attorneys, as well as high-caliber transactional attorneys who finalize large, complex financial transactions for the City. All of this work is done for a fraction of what outside law firms would charge and by individuals whose institutional knowledge and experience results in high-quality work product and informed, solid advice.

The Department works closely with the Mayor's Office, City Departments, Boards and Commissioners, and the City Council: to protect public safety and maximize the quality of life of the City's citizens; to minimize the City's exposure to financial liability for claims and lawsuits; and to seek revenue and savings for the benefit of its taxpayers. In short, we seek to provide the City and its various departments, officials, and employees with the very best legal representation available, as efficiently and cost-effectively as possible.

II. BUILDING A BETTER FUTURE FOR CHICAGO

Below are the highlights of some of DOL's initiatives during the past year to build a better future for Chicago.

A. Helping to Secure the Barack Obama Presidential Center for Chicago

In December 2014, the Barack Obama Foundation announced that the University of Chicago's bid to host the Obama Presidential Center was in jeopardy because the University -- one of four finalists in the Foundation's competition to host the library -- did not own or control either of the sites it proposed in Washington and Jackson Parks. The Foundation subsequently made clear that in order for the University's bid to remain competitive, the City would need to develop a plan whereby it would acquire the sites in question and lease them to the Foundation. DOL attorneys worked over the Christmas and New Year holidays to research state law governing the use of park land and develop a plan and draft ordinances and an intergovernmental agreement whereby, if the University's bid were selected, the Chicago Park District would exercise its authority to transfer park land to the City, and the City in turn would exercise its authority to lease the land to the Foundation.

In January 2015, an ordinance was introduced authorizing the inter-governmental land transfer with the Chicago Park District, and that transfer was subsequently approved by the Chicago Plan Commission and the City Council after public hearings. Thereafter, DOL began negotiating the terms of a proposed ground lease and related transaction documents with the Obama Foundation to demonstrate the City's commitment to the project. Finally, last spring, to resolve any questions about the legality of using park land for the presidential center, DOL drafted legislation amending the State's Museum and Aquarium Act to expressly allow the long-term lease of park land for the center, which was subsequently signed into law in May.

B. Enhancing Neighborhoods by Reactivating Vacant Lots

DOL played a key role in facilitating a program to reactivate and improve hundreds of vacant lots the City has inherited from delinquent property owners over the years. Through its Large Lot Program, the City is transferring ownership of City-owned lots in economically challenged communities to nearby homeowners and not-for-profit organizations for \$1 per lot. DOL both drafted the ordinances to make this initiative possible and managed the legal closings of each property transfer.

Pursuant to this program parcels are conveyed to individuals or entities that already own property on the same block as the City parcel. Lot recipients are required to maintain them, and, for those lots that are not a side yard, to fence them in. By conveying the parcels, the City gives local residents greater control over land in their neighborhoods and further incentivizes residents to help revitalize their communities. At the same time, the program is reducing the City's costs for property maintenance and clean-up.

In December 2014, the City conveyed approximately 275 vacant parcels in the Englewood, West Englewood, Woodlawn, and Washington Park communities, as well as sections of the Greater Grand Crossing, New City, and Fuller Park areas. In April 2015, the City conveyed approximately 150 vacant parcels in the East Garfield Park and Greater Englewood community areas. Closings on an additional 90 lots in the Austin community are expected before

the end of 2015, while an additional 300 lots in the Pullman and Roseland communities are also being made available for transfer in the near future.

C. Reforming the Municipal Code

In an effort to streamline rules and regulations impacting businesses and the general public, in 2014 Mayor Emanuel appointed a special deputy corporation counsel to review the municipal code to identify and implement regulatory reforms that would make doing business in Chicago less burdensome and more consumer and business friendly. This initiative has already yielded a number of data-driven recommendations for improving the Municipal Code, including:

- Consolidating, in one readily accessible web portal, the rules and regulations in numerous sections of the code, making them easier to locate and access. Additionally, the formatting for all rules has been standardized for ease of reference. Already, 80-plus rule sets have been uploaded to a unique web portal where businesses and the public can easily search by department, business activity, and other relevant filters. The web portal will be available by the end of this year.
- Simplifying requirements and charges for a number of permits, licenses, and fees associated with operating a business in Chicago.
- Clarifying and simplifying insurance requirements for businesses whose activities potentially put City property at risk. Code provisions are being updated to provide for proof of coverage in the form of an endorsement page, rather than a certificate of insurance, which will better detail the actual coverage provided to the City and significantly streamline the back-end claims resolution process.

D. Providing a Higher Minimum Wage

Working closely with the Mayor's Office, members of the City Council, and various business and labor organizations, DOL researched the relevant law with respect to a phased increase in the City's minimum wage to \$13 per hour. Incorporating input from various stakeholders, DOL then drafted the ordinance and supported the legislative process which allowed for quick adoption of the new law, whose provisions began taking effect July 1. Chicago's carefully-crafted minimum wage ordinance relies on an assertive view of home-rule authority which is designed to withstand judicial scrutiny. The law gradually raises Chicago's minimum wage from \$8.25 per hour to \$13 by mid-2019, which will dramatically raise living standards for thousands of Chicagoans.

E. Defending the City's Pension Reform Efforts

DOL has been defending in the courts the City's 2014 pension reform law that provides substantial new financial resources to the Municipal Employees and Laborers funds and for the first time assures that they will receive actuarially determined contributions to ensure their long-term solvency.

The matter is currently awaiting review by the Illinois Supreme Court, which is prepared to hear oral arguments on the case on an expedited basis in November. The City will argue that, unlike the State of Illinois' pension reform law which the Supreme Court has ruled unconstitutional, the City's law does not diminish or impair government employee pension benefits, but rather provides substantial new revenue resources to the funds and obligates the City to guarantee their solvency in perpetuity.

F. Managing Bond and Debt Agreements in a Credit-Constrained Environment

DOL played an essential key role in reaching new agreements with the City's credit providers in the wake of Moody's Investor Services May 2015 downgrade of the City's credit rating. To prevent 11 banks from demanding immediate repayment of more than \$1.8 billion in outstanding credit agreements, DOL attorneys worked literally around the clock to negotiate forbearance agreements with each of the banks.

These agreements provided the City with the necessary time to convert more than \$806 million of variable rate general obligation bonds and \$112 million of sales tax revenue bonds into bonds with fixed rates of interest and to terminate associated interest rate swaps, all of which was completed within one month of the Moody's action.

These efforts have allowed the City to remove significant financial uncertainty and risk from the City's long-term balance sheet -- yet another difficult, but essential step in helping the City to "right its financial ship."

III. DOL ENFORCEMENT OF "QUALITY OF LIFE" ORDINANCES

During the past year, DOL continued to aggressively enforce "quality of life" ordinances and participated in several new initiatives to improve the lives of Chicago residents and make our communities safer.

A. Protecting the Public from Petcoke Health Hazards

Last year, DOL worked to draft some of the nation's strongest regulations governing the storage and handling of bulk materials such as petcoke and coal. This past year, DOL attorneys worked closely with Department of Public Health and the Department of Planning & Development to rigorously enforce those new regulations.

The City's efforts resulted in the closure of the KCBX North Terminal Facility in June 2015 and an agreement by KCBX to remove all outdoor piles of coke and coal at the KCBX South Terminal by June 2016, when that remaining facility will be converted to a direct-transfer-only facility. The other petcoke storage facility in Chicago, Beemsterboer, shut down its operations in 2014 as a result of joint State-City litigation.

These new regulations and enforcement efforts have also resulted in improvements in the operations of other bulk material facilities in the City and have reduced the risk that dust and other emissions from those sites will adversely affect nearby residential areas.

B. Protecting the City from Rail Transportation of Crude Oil and Other Hazardous Materials

Due to the recent boom in American oil production, dozens of crude oil-carrying trains pass through Chicago every week, some longer than 100 tank cars and carrying more than a million gallons of crude oil. To reduce the risks of a freight train accident, which could have disastrous consequences for Chicago and its residents, Mayor Emanuel has made it a priority to improve oversight of rail transportation of these hazardous materials. In 2014, the Mayor laid out a multi-pronged approach to reducing the risk of a catastrophe like the July 2013 derailment that devastated Lac Megantic, Quebec and killed 47 people: (1) imposing a national hazardous materials freight fee on companies that extract crude oil and industrial companies that consume it, and using the proceeds to rebuild America's aging rail infrastructure; (2) setting stricter safety standards for tank cars; (3) using improved technology to build better railroads; (4) requiring rail companies that transport hazardous material to carry insurance sufficient to compensate for the loss of life and property after an accident; and (5) requiring that municipal officials receive notice of shipments of hazardous materials through their cities.

To help effectuate these common-sense measures, last year, DOL participated in the U.S. Department of Transportation's (USDOT's) rule-making proceeding relating to the safe rail transportation of crude oil and other hazardous materials. This included working with the Mayor's Office and the Chicago Department of Transportation (CDOT) to submit initial proposals to improve tank car and train safety to USDOT. Then, after USDOT released the details of its own proposals, DOL worked with the Mayor's Office, Aldermen Burke and O'Shea, and CDOT to provide written comments on USDOT's proposed standards. In May 2015, USDOT issued its new tank-car rules, which incorporate many of the safeguards advocated by the City, including: subjecting oil cars to route planning standards akin to those currently applicable to other flammable cargo; applying stricter criteria for braking technology and tank-car construction; and calling for the development of an effective system of communication between rail carriers and local officials concerning the scheduling and logistical details of hazardous shipments.

In an effort to sustain the momentum created by the new rules, DOL, CDOT, and the Mayor's Office also played a principal role in drafting a resolution submitted by the U.S.

Conference of Mayors calling on Congress and the Obama Administration to take additional steps to ensure that oil-by-rail is regulated in a manner sufficient to safeguard Chicago and other affected municipalities. Specifically, the resolution: urges the Department of Energy to shorten the timeline for its study concerning how crude oil properties affect its combustibility in rail accidents; calls on USDOT to set appropriate federal crude oil volatility regulations based on the results of the study; proposes that USDOT and the Department of Homeland Security work directly with local and state officials to create thorough communication protocols between railroads and local first responders; seeks the expansion of federal investment in freight rail infrastructure for projects building safer, more reliable tracks and routes; stresses the need for adequate funding for first-responder training and equipment to respond to and mitigate the unique hazards presented by crude-oil shipments; and urges railroads, crude oil shippers, and tank car lessors to accelerate both the introduction of rail cars that meet the strongest safety standards and the phase-out of cars that do not.

C. Closing Nuisance Businesses; Eliminating Drug Sale and Crime Hot Spots

DOL continues to work with the Chicago Police Department (CPD) and the Department of Buildings (DOB) to reduce narcotic trafficking by criminal street gangs through its Drug and Gang House Enforcement and License Enforcement units. Thus far in 2015, DOL has prosecuted more than 350 drug and gang house cases in Circuit Court and the Department of Administrative Hearings, and more than 350 license cases, including 178 license revocation proceedings. Among other things, DOL works to obtain closures and revocations of liquor licenses of businesses that are used by street gangs as locations for narcotics trafficking and for other illegal activities.

DOL also continues to prosecute businesses that cause a community nuisance under the City's public nuisance ordinance, pursuant to revisions that DOL was instrumental in enacting in 2014. Among other things, those revisions expanded the scope of the ordinance to include non-liquor businesses. Based on police reports of criminal activity at or around a particular business, and on input and testimony from community members, DOL seeks the revocation the business' liquor and/or other licenses or to impose a plan of corrective action on the business and on subsequent businesses that may open at the same location.

Earlier this year, DOL worked with CPD to draft and enact a new Summary Closure Ordinance, which provides another new tool in prosecuting problem businesses. This ordinance subjects a business establishment to a summary and temporary closure of up to six months when it operates its business in a manner that constitutes a threat to public safety. To reopen, the establishment must demonstrate either that the public safety threat did not occur, or that it has adopted and implemented an approved nuisance abatement plan designed to prevent a reoccurrence of the public safety threat. DOL continues to work closely with CPD in developing the protocols and policies implementing this new ordinance.

As in past years, numerous establishments have been closed as a result of these various initiatives. Below are some examples:

- Nouveau Tavern, 358 W. Ontario St. -- Following numerous incidents of criminal activity, the Nouveau Tavern vacated the premises and surrendered all of its licenses following DOL court actions.
- Riff, 2239 S. Michigan Ave. -- DOL sought immediate, voluntary closure of this establishment following a murder in March. During closure, DOL negotiated a new plan of operation under which the business will open with a different entertainment focus, limited hours of operation, and improved security.
- Dolphin, 2200 N. Ashland Ave. -- After a double murder outside this establishment in March, DOL obtained agreements from management to immediately close and, subsequently, re-open with a format focusing on dining, as well as a more extensive and improved security plan.

D. Preserving and Redeveloping Vacant and Abandoned Buildings

Shortly after the current administration first took office in 2011, DOL created a new vacant building court call and took other steps to address the problems caused by the hundreds of vacant and abandoned properties resulting from the mortgage foreclosure crisis that accompanied the Great Recession. Pursuant to these initiatives, DOL works with various City departments and community organizations to identify vacant buildings before they cause blight, attract crime, or deteriorate to the point of requiring demolition. If property owners fail to take responsibility for these properties, our lawyers seek receivership and civil forfeiture, as well as significant fines to compel compliance. From January through August 2015, DOL had filed almost 250 such cases.

E. Demolishing Dangerous Vacant and Abandoned Buildings

For those properties that cannot be preserved or redeveloped and must be torn down, DOL pursues demolition through cases filed at Circuit Court. As of August, DOL had filed approximately 550 new demolition cases, and expects to file a total of 900 to 1,000 demolition cases by the end of the year, maintaining a dramatic increase in filings over the last four years. DOL's continued aggressive prosecution of these cases helps to minimize the negative impact these properties have on neighborhood safety and stability.

A recent example of DOL's aggressive prosecution of demolition cases concerns 6207 W. Roscoe, a single family home with an absent owner that was overrun by feral cats. DOL filed this case on an emergency basis due to the more than 100 cats in the home and the noxious odors, which were causing a nuisance to the neighbors and the community. On DOL's emergency motion, the court entered an order requiring the owner to immediately vacate the

property, authorizing removal of all animals, and appointing a receiver to demolish the interior and restore the building.

F. Preserving Safe and Habitable Occupied Residential Properties

DOL also has continued to prosecute lawsuits to preserve occupied residential properties -- and to keep them occupied. With multiple calls at Administrative Hearings and Circuit Court, and working with the departments of Buildings, Fire, Police, Health, and Streets and Sanitation, through August DOL had filed almost 1,500 “conservation” cases in Circuit Court and approximately 3,500 conservation cases at the Department of Administrative Hearings.

DOL also continued its work under the City’s Troubled Buildings Initiative, a multi-department program that works with designated community groups (Community Investment Corporation and Neighborhood Housing Services) to preserve and stabilize troubled residential properties and halt blight in residential neighborhoods. Through August, DOL prosecuted 162 cases involving smaller buildings (4 units or less) and, through litigation and receiverships, preserved more than 340 housing units, many in the City’s more economically challenged neighborhoods. DOL also prosecuted 100 cases involving larger buildings (5 or more units), preserving approximately 1400 housing units.

G. Preserving Single Room Occupancy Buildings

DOL was instrumental in implementing the Single Room Occupancy (SRO) Preservation Ordinance, which went into effect earlier this year. Under the ordinance, owners who wish to demolish SRO’s or convert them to market-rate rentals are required to maintain at least 20 percent of the building’s units as affordable, or pay a \$20,000 “preservation fee” for every unit that falls short of that threshold. Additionally, if an owner wishes to sell an SRO, it must allow non-profits which are committed to maintaining SRO units or other affordable housing a chance to engage in good-faith negotiations to purchase the property before selling the property to private developers.

So far, the City has received notice of potential sales impacting seven SRO buildings, and a total of 573 SRO units. DOL has assisted in the collection of \$1.7 million in connection with the sale of the Olympia SRO, which elected to pay the preservation fee in lieu of complying with the Ordinance’s notice and affordable-unit requirements. The City is currently working with the owners of the Mark Twain, Carling, Darlington, and Marshall SRO’s in an effort to transfer them to buyers that will preserve their SRO units.

H. Enforcing Life Safety Evaluations for High-Rise Buildings

Pursuant to a 2004 ordinance, all pre-1975 high-rise residential buildings in the City are required to submit to the Fire Department and the Department of Buildings a Life Safety Evaluation Report (LSE) which evaluates and grades the building on fire safety and includes a schedule for installing the required life safety upgrades.

DOL, DOB and Fire have been working with building owners for many years to ensure that these reports are submitted and the necessary work completed. To date, 202 are in compliance with the ordinance. In January 2015, DOB referred 154 buildings to Circuit Court for enhanced enforcement. These prosecutions have been extremely successful, with the majority of buildings taking steps to comply with LSE requirements without the need for additional litigation.

I. Protecting Children from Lead Paint Hazards

DOL continues to work with the Department of Public Health to protect children from the hazards of lead paint, primarily in residential settings, and so far this year has brought almost 200 cases to abate lead paint hazards. These cases are brought both at Circuit Court and in the Department of Administrative Hearings. Through the administrative hearings process, owners are encouraged to enter into “mitigation plans” with the Health Department. In Circuit Court, DOL attorneys compel compliance with the Health Code through injunctions, and seek fines against owners who fail to remediate lead-paint hazards in a timely manner.

IV. PROTECTING AND RECOVERING TAXPAYER DOLLARS

Next, I highlight recent examples of DOL’s work in fighting to protect and recover taxpayer dollars, including several new initiatives.

A. Collections on Overdue Debts

DOL’s Collections Division set a new record in total collections in 2014 when it brought in \$171.3 million in overdue monies owed the City. This represented a 3 percent increase over the prior year. Year-to-date collections in 2015 also are tracking to set several new records, including a \$10 million increase in overdue parking ticket collections.

B. Recouping Funds in Harvey Water Case

Earlier this year, DOL reached a consent decree with the City of Harvey requiring Harvey to make timely payments for water it receives from Chicago and to repay past due amounts. Harvey, which resells Chicago water to its own residents and to five other suburbs, had been late or delinquent in making these payments for years, accruing liabilities of \$18.5 million by late 2014.

Following months of discovery and legal arguments in court, and immediately before a scheduled evidentiary hearing on the City’s motion for an immediate injunction, Harvey agreed to a court-enforced consent decree which requires Harvey to make on-time payments on its current bills, as well as to pay \$18.5 million in back due principal amounts, plus 3% interest, over a seven-year period.

Through August 2015, Chicago collected approximately \$10.4 million from Harvey, more than 10 times the amount collected in the same period in 2014.

C. Enforcing the City's Hotel Tax

The Department has continued its efforts to equitably enforce existing taxes on businesses utilizing new, web-based forms of product delivery, across evolving sales platforms. In 2015, this included the City's ongoing suit to enforce the City's hotel tax against online travel companies. The Department obtained favorable rulings requiring online travel companies to collect the City's hotel tax based on the full amount paid by their customers. DOL thereafter reached favorable settlements with three of the four defendant groups, who have collectively paid more than \$5.5 million in past due taxes and are now collecting the full tax due on an on-going basis. The court recently entered summary judgment as to damages against the fourth defendant group, which are expected to be substantially greater than the taxes paid by the settling defendants. DOL also drafted and sponsored an amendment to the hotel tax ordinance pursuant to which vacation rental companies such as Airbnb started collecting the hotel tax in 2015.

D. Pursuing Damages Against Redflex

The City is seeking damages against Redflex Traffic Systems, Inc., the former vendor responsible for running the City's Automated Red Light Enforcement Program. Mayor Emanuel previously terminated the contract when Redflex's fraudulent actions in obtaining the contract in 2003 first came to light in October 2012. In August 2015, the City intervened and took the lead in a whistle blower suit that had previously been filed under seal by a former Redflex executive. DOL is vigorously prosecuting this matter and seeking a favorable recovery for the City that holds Redflex accountable for its misconduct in obtaining the contract.

E. Pursuing Damages from Opioids Manufacturers

DOL continues to pursue groundbreaking litigation against manufacturers and marketers of highly addictive opioid-based pain relievers, whose usage has fueled a national health crisis.

Since Chicago first filed this suit in 2014, it has survived significant attempts to have it dismissed in the courts. At the same time, a growing body of medical research has brought an even greater spotlight to the crisis of opioid addiction and the related explosion of heroin use in the Chicago area and throughout the United States. Chicago's pioneering lawsuit against the deceptive and destructive marketing practices of the industry has drawn significant national media attention, including a cover story in *Time* magazine, which cited Chicago's suit and various facts and documents it has uncovered in a cover story entitled, "They're the most powerful painkillers ever invented; and they're creating the worst addiction crisis America has ever seen."

The City amended its complaint in August 2015 to provide substantial new evidence directly demonstrating how opioid manufacturers have used deceptive marketing practices to increase sales, including in Chicago.

V. REDUCING LEGAL COSTS

During the past year, the Law Department has continued to implement a number of initiatives to reduce the City's legal costs. This includes making an early assessment whether cases should be settled or tried and paying increased attention to risk management (that is, correcting and avoiding City practices and/or omissions that lead to lawsuits). In addition, we have continued -- and built on the prior successes of -- our efforts to: reduce outside legal costs by bringing more legal work in-house; enlist some of the City's leading lawyers and law firms to represent the City at no or reduced cost pursuant to the pro bono program we initiated when the current administration first took office in 2011; and try -- and win -- non-meritorious cases, and thereby reduce the number of new cases filed against the City. I briefly address each of these efforts below.

A. Early Assessment

In past budget statements I have recounted how, historically, the City often avoided making the hard decisions as to whether a case should be settled until years after it was filed and on the eve of trial or an adverse court ruling. This was particularly true with respect to difficult and high-exposure cases. This increased the cost to taxpayers in two ways:

- First, most of the City's higher-exposure cases are brought under federal statutes that provide that the City is liable for plaintiff's attorney's fees if the City loses at trial. Accordingly, when the City loses or settles such a case, it is liable not only for plaintiff's damages, but also its attorney's fees. This is in addition to any fees the City has paid to its own attorneys if the case was referred to outside counsel, which many of these cases were.
- Second, in many cases, the City's exposure -- and the damages sought by the plaintiff -- increase the longer a case remains pending, as additional evidence is discovered or the court makes pretrial rulings that strengthen the plaintiff's case. In addition, in many cases plaintiffs are willing to settle for less if they are paid promptly.

When the current administration took office in May 2011, it inherited a large backlog of cases that were awaiting trial and which the attorneys handling the case advised that the City was likely to lose and recommended settling. Most of these cases had been pending for years and, due to attorney's fees, the cost of settling was often triple or more what it would have been if an earlier settlement had been reached. In order to avoid these increased costs going forward, it was critical that we develop a new approach.

At my direction, the Law Department instituted a new policy whereby cases are investigated and evaluated promptly after they are filed. A determination is then made regarding whether the case is one that should be tried or settled, and if settled, the settlement value of the case. If the City is likely to lose the case, and further litigation would only increase the City's exposure (including by generating attorney's fees that we would ultimately be responsible for),

we will attempt to settle the case at an amount at or below the estimated value of the case. If a reasonable settlement cannot be reached, then the City knows it has to try the case. On the other hand, if the City believes it has a reasonable prospect of winning, or if further litigation is likely to reduce the City's exposure, we will aggressively defend and, if necessary, try the case.

This early assessment strategy continues to achieve significant cost savings for taxpayers. By promptly evaluating and moving to settle the most difficult cases before potential damages and attorneys' fees skyrocket, we estimate that since 2011 this initiative has saved taxpayers at least \$90 million from the projected costs if these cases had been settled on the eve of trial or tried. As illustrated in the following chart, this includes almost \$26 million in savings in the last year (since September 2014):

**Estimated Savings from Early Assessment Program
September 2014 –September 2015**

Case Name	Date Settled	Projected Damages + Projected Fees	Settlement Amount	Estimated Savings
<i>O'Brien v. City</i>	10/10/2014	\$500,000 plus \$200,000	\$200,000	\$500,000
<i>Daniels v. City</i>	10/09/2014	\$4,700,000 plus \$700,000	\$1,000,000	\$4,400,000
<i>Arteaga v. City</i>	02/05/2014	\$125,000 plus \$200,000	\$40,000	\$285,000
<i>Weeks v. City</i>	10/16/2014	\$45,000 plus \$100,000	\$12,500	\$133,000
<i>Galvan v. City</i>	07/01/2015	\$24,000 plus \$50,000	\$5,000	\$69,000
<i>Guzman v. City</i>	03/04/2015	\$75,000 plus \$100,000	\$35,000	\$140,000
<i>Wilson v. City</i>	04/06/2015	\$175,000 plus \$100,000	\$26,500	\$248,500
<i>Smith v. Survillon</i>	11/13/2014	\$60,000 plus \$125,000	\$30,003	\$155,000
<i>Doe v. Clavijo</i>	06/05/2015	\$950,000 plus \$800,000	\$415,000	\$1,335,000
<i>Ortiz Glaze v. City</i>	01/15/2015	\$890,000 plus \$750,000	\$500,000	\$1,140,000
<i>Jaber v. City</i>	12/11/2014	\$100,000 plus \$100,000	\$10,000	\$190,000
<i>Branch v. City</i>	11/20/2014	\$70,000 plus \$100,000	\$10,000	\$160,000
<i>Moore v. City</i>	05/14/2015	\$200,000 plus \$100,000	\$100,000	\$200,000
<i>McSwain v. City</i>	08/03/2015	\$370,000 plus \$175,000	\$100,000	\$445,000
<i>Brown v. City</i>	12/01/2014	\$450,000 plus \$100,000	\$80,000	\$470,000
<i>Olson v. City</i>	11/26/2014	\$101,000 plus \$80,000	\$32,500	\$148,500
<i>West v. City</i>	12/04/2014	\$60,000 plus \$80,000	\$2,650	\$134,500
<i>Cooper v. City</i>	01/27/2015	\$880,000, no fees	\$95,000	\$785,000
<i>Dixon v Morrison</i>	12/11/2014	\$99,000 plus \$100,000	\$14,500	\$184,500
<i>Waller v. Prorano</i>	07/10/2015	\$1,600,000 plus \$200,000	\$360,000	\$1,440,000
<i>D. Smith v. City</i>	12/23/2014	\$12,000 plus \$50,000	\$3,500	\$58,500
<i>Gaye v. City,</i>	10/09/2014	\$120,000 plus \$50,000	\$45,000	\$125,000
<i>Rashan v. Vega</i>	06/20/2015	\$1,950,000 plus \$150,000	\$100,000	\$2,000,000
<i>Sigle v. Stegmiller</i>	09/03/2015	\$100,000, plus \$200,000	\$40,000	\$260,000
<i>Dixon v. Morrison</i>	12/11/2014	\$90,000 plus \$40,000	\$14,500	\$115,500
<i>Nixon v. City</i>	01/29/2015	\$1,800,000, no fees	\$95,000	\$1,705,000
<i>McGee v. City,</i>	01/08/2015	\$60,000 plus \$50,000	\$10,000	\$100,000

<i>W. Franklin v. City</i>	01/08/2015	\$100,000 plus \$125,000	\$18,500	\$200,000
<i>Wiley v. City</i>	02/20/2015	\$100,000 plus \$100,000	\$54,000	\$146,000
<i>Stevens v. Bubacz</i>	06/25/2015	\$1,200,000 plus \$200,000	\$100,000	\$1,300,000
<i>J. Franklin v. City</i>	08/08/2015	\$500,000 plus \$100,000	\$25,000	\$575,000
<i>Bobbitt v. City</i>	07/24/2015	\$250,000 plus \$150,000	\$30,000	\$370,000
<i>Fitzpatrick v. Quarles</i>	02/26/2015	\$50,000 plus \$100,000	\$10,500	\$139,500
<i>Tazmuzian v. City</i>	04/09/2015	\$50,000 plus \$150,000	\$40,000	\$160,000
<i>Hunter (McDonald) v. City</i>	04/15/2015	\$8 million plus \$1.5 million	\$5,000,000	\$4,500,000
<i>Santiago v. City</i>	09/03/2015	\$1,500,000 plus \$125,000	\$100,000	\$1,525,000
<i>Anderson v. City</i>	09/24/2015	\$40,000 plus \$75,000	\$500	\$114,500
TOTAL		\$34,721,000	\$8,750,153	\$25,957,000

This chart lists 37 police cases that have been settled pursuant to Law’s early assessment initiative since September 2014. Based on past experience in similar cases, our attorneys estimate that, if the City had not settled these cases promptly after filing, but instead followed its historical approach of waiting until shortly before trial to assess whether to settle or try these cases, the damages and attorneys’ fees would have totaled nearly \$35 million. Utilizing our early assessment strategy, the City was able to settle these cases for \$9 million, including attorneys’ fees and costs, which represents a savings of \$26 million, or 74%.

B. Risk Management

DOL also continues to collaborate with other City departments with respect to risk management. This includes identifying circumstances that can lead, or have led, to lawsuits in order to take steps to prevent them from recurring in the future. At bottom, there is no better way to reduce the City’s legal expenses than to reduce the risk that a lawsuit will be filed in the first place; the cheapest lawsuit to defend is one that is never filed.

1. Revising Police Investigatory Stops Policy

In a landmark agreement reached in August 2015, DOL, the Chicago Police Department (CPD), and the American Civil Liberties Union (ACLU) agreed to work together with an independent consultant, retired Magistrate Judge Arlander Keys, to review and validate CPD’s policies and practices regarding investigatory stops and protective pat downs. This agreement, which is reportedly the first of its kind in the nation, was reached after months of negotiations between DOL, CPD, and the ACLU after the ACLU raised concerns about CPD’s investigatory stop policies and practices. Rather than engage in expensive, time-consuming, and burdensome litigation to resolve these concerns, the parties agreed on a series of concrete steps designed to ensure that CPD’s policies and practices comply with applicable laws. The agreement also guarantees an unprecedented level of transparency and public disclosure about CPD’s investigatory stop practices and policies.

Under the agreement, CPD will collect data about all investigatory stops and pat-downs by its officers. Judge Keys will use this data to confirm that CPD’s policies and practices comply

with all legal requirements, including the constitutional requirement that stops and pat-downs are supported by reasonable suspicion of criminal conduct, and that stops and pat-downs do not have an impermissible racially disparate impact.

Judge Keys will issue a public report twice each year detailing his findings. He is also empowered to make recommendations for changes to CPD policies. The agreement also requires increased training of officers to ensure that their stops and pat-downs comply with the law, as well as review of stop reports by immediate CPD supervisors and audits by CPD headquarters staff, which may lead to re-training, enhanced supervision, or discipline of officers who violate CPD procedures.

2. Improving Interactions with the Homeless

In January 2015, DOL finalized an agreement avoiding a potential federal class-action lawsuit challenging the City's procedures for disposing of the personal property of homeless persons during cleanings of the public way. The plaintiffs – 17 homeless persons represented by various civil rights attorneys – alleged that the City improperly seized and threw away important personal property, such as medications, identification cards, and personal photos, during cleanings of the public way. They also claimed the City was failing to follow the procedures contained in a 1999 settlement agreement (known as the Love agreement) for cleanings in the Lower Wacker Drive area.

DOL, working with the Police and Family and Support Services Departments, was proactive in seeking to resolve this issue and avoid litigation. Discussions began after the City received the proposed lawsuit in December 2013. Under the settlement, the City agreed to follow a revised set of procedures, updating those in the 1999 Love case, for cleaning certain areas where homeless people often congregate. Chief among them is providing advance notice of when the City will clean an area and more explicitly identifying what property left on the public way will be thrown away during periodic cleanings. Through this settlement the City was able to avoid the cost of litigation as well as paying any attorneys' fees, or any damages on a class basis, both of which could have been substantial.

These modified procedures attempt to strike the appropriate balance between respecting the constitutional rights of the homeless while, at the same time, ensuring that the City can maintain the public way in a clean and sanitary condition, protect public health and safety, and ensure that all Chicago residents can access public areas.

3. Passing and Implementing the Burge Reparations Ordinance

In May 2015, City Council approved a sweeping package of reparations for the individuals whom former Chicago Police Commander Jon Burge tortured and abused prior to being fired in 1993. This package was the result of months of work by DOL and the Mayor's Office, sponsoring Aldermen Joe Moreno (1st), Howard Brookins (21st) and Joe Moore (49th),

and representatives of the Burge victims, including the Chicago Justice Torture Memorials and Amnesty International.

The reparations package, which was praised by Burge victims and their advocates as a means of finally bringing closure to this dark chapter in the City's history, consists of three primary components:

- First, as a reminder of the injustices that occurred and to ensure that they are not repeated, the City Council issued a formal apology resolution, and the Chicago Public Schools committed to provide instruction about the Burge case and its legacy in its 8th and 10th grade history classes. The City also will create a permanent memorial recognizing the torture victims.
- Second, the City will fund and provide social services to support Burge victims and their families, including: free tuition and job training at City Colleges; psychological, substance abuse, and other counseling; new opportunities for Burge victims in re-entry or transitional job programs; and prioritized access to re-entry support and social services, senior care services, health services, and small business assistance.
- Lastly, and subject to a claims verification process, including arbitration of disputed claims before a former federal judge, the City will provide financial reparations to individuals with a credible claim of Burge-related torture of \$100,000 per claimant, up to a maximum of \$5.5 million.

C. Trying -- And Winning -- Cases

We have also continued DOL's successful policy of trying non-meritorious police cases.

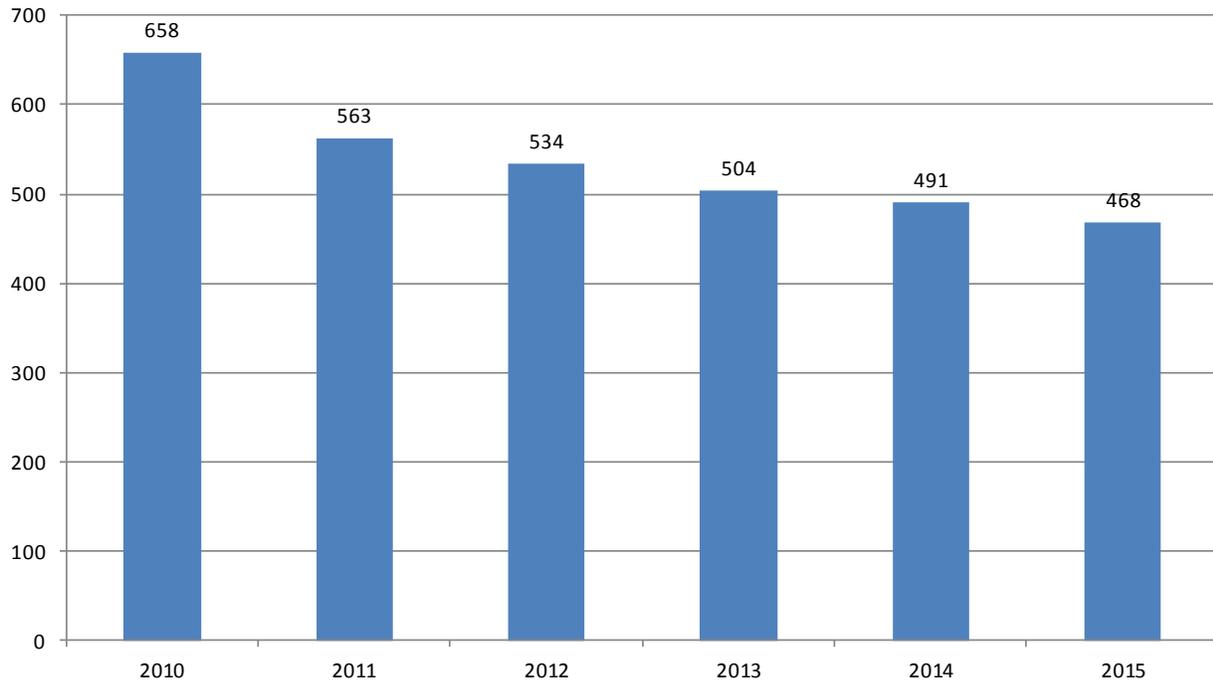
Overall, the City continues to try -- and win -- a significant number of cases and to win a significant percentage of those cases. Through August of this year, our police and torts divisions alone tried 49 cases to verdict. They won 40, or 82%, of those cases. This resulted in significant savings to taxpayers. In the 49 cases tried, the plaintiffs sought more than \$60.5 million in damages. They recovered only \$6.3 million, or about 10.4% of the amount sought.

The City's policy of trying -- and winning -- more cases has saved the City and its taxpayers millions of dollars, both in avoided judgments and settlements and by discouraging the filing of new cases. It also sends a strong message to our police officers and other employees that the City will fight on their behalf when the facts do not support the plaintiff's claims.

D. Reducing the Number of Open Police Cases

The Law Department's multi-pronged approach to reducing legal costs to taxpayers continues to reduce the backlog of cases pending against the City. This is illustrated by the following chart, which shows the number of police cases pending against the City each year since 2010.

Total Police Cases Pending 2010-2015



In 2010, the last full year before the current administration took office, 658 police cases were pending. Since then, we have reduced the number of pending cases by 30% to 468 cases pending as of September 2015.

These totals, however, tell only part of the story. The number of serious exposures included within these case totals has decreased by an even greater percentage. This is due to (1) the current administration's efforts to settle or try the large backlog of serious, legacy exposures it inherited when it took office in May 2011, as well as (2) its early assessment strategy, whereby newly-filed exposures that are serious are more likely to be resolved promptly after they are filed, thereby reducing the number of future large exposures that remain pending.

E. Pro Bono Program

Another initiative described in prior budget reports is the Department's partnership with a number of leading Chicago law firms to represent the City in significant matters on a pro bono basis. The total savings from this program, as well as the number of firms participating, have continued to grow. As shown in the following chart, 20 firms have participated in this program to date, contributing their time to the City at either no cost or at greatly reduced rates of 50% or more below their normal hourly rates. The value of the pro bono legal services they have contributed to the City totals more than \$22 million. This includes more than \$2.8 million in free legal services in 2015.

FIRM	SAVINGS TO THE CITY
Barlit Beck Herman Palenchar & Scott LLP	\$5,254,335
Jones Day	\$3,653,221
Kirkland & Ellis LLP	\$3,511,812
Mayer Brown LLP	\$3,105,808
Sidley & Austin	\$1,880,437
Barnes Thornburg	\$1,788,253
Richard J. Prendergast, Ltd.	\$793,910
Schiff Hardin	\$645,157
FTI Capital Advisors	\$561,057
Fulbright & Jaworski L.L.P.	\$250,000
Chapman & Cutler	\$249,874
Perkins Coie, LLP	\$118,388
William Blair & Company, LLC	\$84,000
Ice Miller LLP	\$81,471
Gould & Ratner	\$55,134
Katten Muchin Rosenman	\$23,649
Pugh, Jones, & Johnson	\$14,397
Fox, Swibel, Levin & Carrol	\$8,000
Andrew Hale	\$6,760
Grant Schuman	\$4,060
	\$22,089,722

I want to personally thank each of these firms on behalf of a grateful Mayor and City.

VI. 2015 DIVISION HIGHLIGHTS

Even a summary of DOL's other work and accomplishments in 2015 would be too lengthy for purposes of this statement. Accordingly, set forth below are just some examples of that work – and the return to the City and its taxpayers on their investment in the Department.

A. Buildings and License Enforcement

- During the 2014-2015 heat season (September-May), prosecuted 341 cases to restore heat in more than 3,100 residential units.
- Through August, brought over 200 cases to protect children from lead paint.
- During past two years, inspected hundreds of rooftop water tanks and filed more than 100 cases involving potentially unsafe tanks, towers, and supporting structures.

- Through August, filed more than 100 cases against non-complying residential high-rises to enforce compliance with City's Life Safety requirements.

B. Debt Collection

- Worked with FBI to expose, and then took steps to prevent, fraudulent bankruptcy filings to avoid City impounded vehicle fees and fines.
- Through August, collected more than \$127 million in fines, assessments, and other debts owed to the City. This figure puts Collections on track for another record year.
- Continued to work with the Department of Finance and State Comptroller's Office to recoup money owed to the City by intercepting tax refunds. Through September, the City collected \$20.7 million through this offset program. Since its launch in 2012, this initiative has taken in nearly \$73 million in collections, 42% of which are from non-Chicago residents.
- Expanded City's License Hold Payment Plan, which keeps dozens of small businesses open by allowing them to remove license and permit holds on their businesses in exchange for making a down payment equal to 50% of the total debt owed. The business is then able to operate while it pays off the remaining balance of its debt. These "win-win" agreements keep City businesses open, while paying off debt owed to the City.

C. Contracts and Regulatory Affairs

- Assisted Department of Aviation in contracting for two mega-projects at O'Hare -- the new Consolidated Rental Car Facility and the extension of, and improvements to, the Airport Transit System.
- Drafted, reviewed and/or provided advice concerning more than 500 contract matters, including: a contract that enables the City to remotely manage and monitor a fleet of vehicles equipped with "automated vehicle location" systems; requests for proposals concerning the construction of a high-speed broadband network in various commercial zones in the City; a contract on behalf of the Department of Public Health for a new integrated clinic practice management system; various requests for proposals and agreements relating to the Chicago Riverwalk construction, property development and management, concessions, and entertainment; enhancements to the Divvy bike share program; and a contract for an electronic system that would effectuate a paperless permit system.
- Assisted various City departments on numerous environmental matters, including: cleanup of lead contamination in Pilsen; cleanup of a mercury spill in Sauganash;

cleanup of a PCB spill on West 120th Street; remediation of properties acquired in connection with the 606 and Englewood Trail projects; and the O'Hare and Midway residential sound installation programs.

- Prosecuted various false claims act and other cost recovery actions, including suits against Redflex and the City of Harvey.
- Assisted in obtaining important improvements to Peoples Gas' Accelerated Main Replacement Program and other concessions in connection with Illinois Commerce Commission approval of Peoples' acquisition by Wisconsin Energy.
- Worked with CDOT and the Department of Finance to create and implement the People Plaza initiative, which creates public spaces that encourage and attract community activities and cultural events in Chicago's neighborhoods.
- Worked with DCASE to draft solicitations, and draft and negotiate contracts, for various entertainment and other public events and festivals, including an agreement for Riverwalk entertainment production, for food and beverage management at Taste of Chicago, and for event production support at various festivals and events.

D. Finance and Economic Development

- Documented and closed 20 TIF redevelopment transactions, providing more than \$73 million in assistance to various redevelopment project areas. These transactions included: 12 residential developments, providing financing for 172 affordable rental units; and 16 commercial, industrial, institutional, and public developments, providing financing for park and CTA improvements, and school construction.
- Assisted Finance in converting four series of general obligation bonds (totaling \$806million) and one series of sales tax revenue bonds (totaling \$112million) from variable to fixed rates of interest.
- Assisted Finance and Family and Support Services in closing the City's first social impact bond issue to increase availability of preschool to families below the poverty line.
- Assisted Finance and DPD in closing four multi-family housing developments.

E. Labor

- Successfully concluded negotiations with respect to collective bargaining agreement with the Fraternal Order of Police, representing approximately 11,000 Chicago police officers, and the Chicago Firefighters Union, Local 2, representing more than 4,500 firefighters. The agreements limit wage increases to a total of 11% over the five-year

term of the agreement, and require for the first time that early retirees (age 55 – 59) contribute 2% of their retirement annuities toward the cost of continued health care coverage until attaining Medicare eligibility at age 65. The FOP agreement also provides for a streamlined resolution of police disciplinary investigations and disputes, reducing the number of options in which disciplinary cases can be appealed; and continues a pilot grievance mediation program.

- Through August 2015, drafted employee discipline charges in over 80 discharge cases; as well as defended the City in 140 labor arbitrations; 41 labor board cases; 7 department of labor cases; and 24 disciplinary appeals in State Court.
- Prevailed in numerous arbitrations of labor grievances, saving the City and taxpayers millions of dollars in avoided labor costs.

F. Legal Information and Municipal Prosecutions

- Between September 1, 2014 and August 31, 2015: conducted 18 training sessions for various City FOIA officers and other department personnel on FOIA, the Local Records Act, and the preservation and production of public records; prosecuted 19,874 Municipal Code violations, imposing \$648,000 in fines in Branch Courts; prosecuted 115,690 traffic violations and imposed over \$1.1 million in fines in Traffic Court; and made 21,506 attempts to serve 14,254 documents, including summonses and subpoenas for code enforcement cases and testimony at depositions and trials, thereby saving the City \$1.29 million that would otherwise have been paid to the Sheriff's Office.

G. Legislation

- Drafted a new Industrial Private Event Venue license to regulate use of former manufacturing facilities for private events; assisted in implementing the City's new Minimum Wage Ordinance; drafted "problem landlords" ordinance to increase compliance with the City's building code by residential building owners; drafted new Summary Closure Ordinance that makes it a public nuisance to operate a business in a manner that poses a threat to public safety; and assisted in amending the City's Affordable Requirements Ordinance to expand affordable housing options in the City.

H. Litigation

- Employment. Won or obtained dismissal in 18 cases, including four jury trials, with no liability to the City. Settled nine cases, paying \$100,000 or less in all but two of those cases.
- Constitutional and Commercial. Successfully defended: three separate federal lawsuits challenging December 2013 ordinance, one the strongest of its type in the

nation, prohibiting the sale of flavored tobacco products within 500 feet of an elementary, middle or secondary school; challenge to City's ordinance prohibiting the use of hand-held mobile devices while driving; constitutional challenge to City ordinance requiring owners of vacant lots and other property to cut weeds and prevent accumulation of trash; and challenges to development of the former Children's Memorial Hospital, the expansion of Lincoln Park Elementary School, and the renovation of Wrigley Field.

- Appeals. Filed briefs in 81 cases. Won 53 of 62 cases decided in which the City filed a brief as a party, including successfully defending the application of City's use tax against suburban car rental companies located within three miles of the Chicago border that rent vehicles to Chicago residents; successfully defending against constitutional challenges to two City ordinances requiring property owners to cut tall weeds on their property and maintain fencing around open lots; and successfully defending the City's acquisition of property for expansion of the Blommer Chocolate Company as part of a larger effort to retain existing industry.
- Police. Won or obtained dismissal in 102 out of 207 cases resolved through August 2015 with no liability to the City. Through August, tried 20 cases, winning 17, or 85%, of those cases.
- Torts. Through August, defended more than 400 new lawsuits and tried 29 cases to juries. Disposed of a total of 438 cases, 277, or 63%, of which were closed without any payment being made by the City. Obtained 20 not guilty verdicts and one hung jury, a success rate of 72% at trial. Total damages requested by plaintiffs at trial was \$48.5 million and total damages awarded was \$5.2 million, or just 10.7% of the total requested at trial. Also favorably disposed of 1,231 out of 1,419 cases on administrative review, tried 61 workers' compensation cases before the Industrial Commission, and had the City's defense accepted by insurance or other third parties in 50 tort cases.

I. Real Estate

- Assisted in negotiating and drafting proposed ground lease agreements for the Obama Presidential Library and the Lucas Museum of Narrative Arts.
- Completed real estate work related to the City Digital Network project, which currently includes 25 sites and 42 digital sign faces, all installed and operating and generating revenue for the City in excess of \$21 million, including in excess of \$2.8 million in current City quarterly ad revenue generated by the signs.
- Completed more than 430 closings of sales of vacant lots to neighboring property owners pursuant to new Large Lots Program.

- Represented City in vacation of streets and alleys that are no longer needed for public use, generating \$6.3 million of revenue.
- Generated over \$1.7 million in revenues through the sale of vacant land for neighborhood and community improvements.

J. Revenue Litigation

- Through September, collected \$6 million through judgments and settlements in various tax-related cases. On average, this represented collections of over \$1 million annually for each attorney staffing these cases.
- In a suit against the major on-line travel companies for failing to collect and remit the City's hotel tax, obtained a favorable ruling that the defendants are required to collect tax based on the full amount paid by their customers. Since that time, reached settlements with three of the four defendant groups, who have collectively paid more than \$5.5 million in past due taxes and are now collecting the full tax due on an on-going basis. The court recently entered summary judgment as to damages against the fourth defendant group, which are expected to be substantially greater than the past due taxes paid by the settling defendants.
- Defeated more than \$11.2 million in property tax refund claims by large commercial property owners, which helped prevent a shift of about \$11.2 million in property tax burden onto residential and small business property owners.