FOR IMMEDIATE RELEASE
September 22, 2015

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MAYOR RAHM EMANUEL PRESENTS BALANCED 2016 BUDGET PROPOSAL TO CITY COUNCIL

Implements Reforms and Revenue to Address Legacy Liabilities and Secure Police and Fire Pension Funds; Invests in a Stronger Future for All Chicago Residents

Mayor Rahm Emanuel today presented his 2016 budget proposal to the City Council and outlined a plan that continues his record of reform and investment, while taking essential steps to right the City’s financial ship. In his fifth budget address, Mayor Emanuel called on the members of the City Council to build on the reforms that have already been made to strengthen Chicago’s economy and build a solid foundation for the future while asking the business community and wealthier homeowners to pay their fair share. His plan makes essential investments in Chicago’s youth, infrastructure, and neighborhood services while at the same time reducing the City’s structural deficit and funding the inherited costs associated with police and firefighter pensions in a way that does not burden those who can least afford it.

“On so many fronts, Chicago has made great progress by challenging the status quo. But as we continue to grow our economy, create jobs and attract families and business to Chicago, our fiscal challenges are blocking our path to even greater success,” Mayor Emanuel said. “With this budget, we will build on our progress in charting a new course for Chicago’s future and secure the retirements of our police and firefighters in in a way that does not hurt those who can least afford it. I am confident we will be remembered as the leaders who made the hard choices and stepped up to save Chicago.”

The 2016 budget puts an end to years kicking the can down the road, addressing the inherited obligations related police and firefighter pensions. The budget proposal calls for a phased-in property tax increase starting in 2015 through 2018, solely committed to funding the City’s police and fire pension obligations. To address the amended 2015 Police and Fire pension payment, the property tax levy would be raised by $318 million, and an additional
$109 million in 2016, $53 million in 2017 and $63 million in 2018 – all to pay for the pensions of Chicago’s first responders.

By the end of the phase-in of the property tax levy for first responders, the City’s total share of the property tax levy will go up 12 percent, based on Chicago’s percentage of the overall property tax levy which includes Cook County, Chicago Public Schools and other local government bodies.

While every effort has been made to identify savings and reforms before turning to taxpayers, it is not possible to pay the inherited police and fire pension obligations for our first responders without making Chicago unlivable with drastic cuts to critical city services like police, fire, and sanitation.

To ensure that the property tax burden is borne by those who can best afford it, Mayor Emanuel is seeking to dramatically expand the homeowners’ exemption, which means any resident whose home is valued at $250,000 or less would not pay any property tax increase for police and fire pension obligations. Mayor Emanuel has met with both Illinois House Speaker Madigan and Senate President John Cullerton, who have agreed to support the expanded homeowner legislation.

Mayor Emanuel believes expanding the homeowners’ exemption is the fairest, most equitable, and most progressive way to save pensions and keep our economy strong, while asking those who can best afford it to do their part.

To address the 2016 operating budget shortfall—separate from the police and fire pension obligations--, Mayor Emanuel’s budget includes $170 million in savings and reforms, bringing the total saved over the past five years to $600 million. Some of those savings and reforms in 2016 include:

- Substantial healthcare reforms and savings for active employees and retirees, saving $40 million
- Eliminating 150 vacant positions, saving $14 million
- Putting street sweeping on a grid, saving $3 million
- Closing Central Business District TIFs and other TIF reforms will provide $113 million to the City, CPS and other local governments, the largest in years.
- Moving to “Grid 2.0” to further enhance garbage collection efficiency, saving an additional $9.5 million
- Utilizing zero-based budgeting to reduce non-personnel costs by $21 million
- Through greening of city building infrastructure and energy hedging contracts, saving $16 million in energy costs
In the last four years, the City’s structural deficit has been cut by two-thirds, and with the 2016 budget it will be at its lowest since 2008 -- setting the City on a course to completely eliminate the structural deficit within the next four years. His 2016 budget reduces “scoop and toss” by $100 million, setting it on a path for complete elimination in four years and contributes $5 million to the “rainy day fund,” rather than raiding it.

While this budget identifies significant savings, this budget also continues and expands important investments in youth, infrastructure, and services to ensure that Chicago remains a world-class city:

- More than $50 million supporting critical youth services that will support 27,000 youth afterschool opportunities, 25,000 summer youth jobs, 5,500 pre-school slots, and open 15 new early learning centers at Chicago Public Library Branches.
- A $2 million investment over 4 years to transform 5 CPS School-Based Clinics into Health Clinics serving 3,000 patients annually per site.
- Repaving 300 miles of neighborhood and arterial streets.
- Provide an additional 5,000 uninsured women with access to free breast health services and mammography screenings.
- Expanding primary care health services to 2,000 low-income individuals living with HIV/AIDS.
- A $500 million investment to replace 90 miles of water, 72 miles of sewer and install 14,000 sewer structures and 20,000 water meters.
- Moving 319 police officers from behind desks to the beat.
- Investing in more responsive city services by adding 5 additional rodent baiting crews ensuring all rodent requests are closed in 5 days, and adding 10 additional tree trimming crews to eliminate the backlog of requests by the end of 2016.
- Protecting hundreds of seniors through new units of affordable housing, and retrofitting homes and transit for accessibility.

The City cannot meet its financial challenges through cuts alone. In fact, in order to make its required pension payments in the coming years, the City would need to decimate City services. Such cuts could include reducing the size of the Police Department by 20 percent, laying off 40 percent of its fire fighters, and eliminating critical services such as rodent baiting, pothole repair, and graffiti removal.

In order to make these critical investments and balance the operating budget, the City will seek out new revenue sources that minimize the impact on those who can least afford it.

The 2016 budget will:

- Secure the pensions for our police and firefighters by phasing in a $544 million property tax increase over the next four years while fighting for state legislation to
double the state homeowners’ exemption in order to reduce the impact on working families.

- Establish a $9.50 monthly fee per household for garbage pickup. By comparison, the other half of Chicago residents who already pay for garbage collection, typically pay up to $16 per month. Residents of Berwyn pay nearly 25 dollars per month while residents of Seattle pay up to 100 dollars per month. This fee will generate more than $60 million. Seniors on a limited budget will be protected through a 50% discount on the new fee.
- Streamline building permitting, reducing wait times by 1 week while modernizing the fee structure to raise $13 million.
- Assess new rideshare and taxi fees that will create $60 million in 2016 – an increase of $48 million from 2015 – the rideshare industry will be responsible for more than 80 percent of this revenue. Residents and visitors will have more transit options at our airports and McCormick Place and a portion of this revenue will support a significant expansion of wheelchair accessible taxi vehicles.
- Create a new tax on e-cigarettes that will discourage youth from vaping, becoming the first big city in the nation to do so. The tax will generate $1 million in revenue in 2016 and a portion will be dedicated to support community health services.

The budget he presented continues the record of this City Council of strengthening our city’s finances, investing in our youth, infrastructure and neighborhood services. However, all this progress is at risk if we do not address the City’s police and fire pension obligations. While this Council did not create Chicago’s fiscal challenges, it can be the Council that addresses them. With this budget proposal, the City will meet its obligations to ensure a secure retirement for its police officers and firefighters in a way that does not burden those who can least afford to bear the cost.

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