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MAYOR LIGHTFOOT RELEASES 2021 BUDGET PROPOSAL

Fiscally responsible spending plan identifies key reforms, savings and efficiencies; targeted investments to help restore the City's fiscal health and support Chicago's recovery from COVID-19

CHICAGO — Mayor Lori E. Lightfoot presented to City Council today the 2021 Budget Recommendations – a fiscally responsible spending plan that leads the City along the road to recovery from the economic downturn caused by the COVID-19 pandemic. The \$12.8 billion budget proposal, which was crafted during one of the most difficult times in our City's history, includes closing a \$1.2 billion Corporate Fund budget deficit in FY2021 – 65 percent of which is directly tied to the economic impacts of COVID-19. This budget identifies savings and efficiencies, new revenues and targeted investments that expand opportunities across the City and support our long-term financial goals and policy priorities while staying true to our values.

“Chicago's 2021 Budget represents our city's roadmap toward an inclusive and fiscally responsible recovery from the extensive challenges of the unprecedented COVID-19 crisis,” said Mayor Lightfoot. “These decisions were developed through a robust community engagement process, prioritizing the long-term health and stability of our all our families and businesses, and rooted in our shared commitment to expanding opportunity across our entire city. It's these same values that have guided us throughout this crisis and will continue to carry our great city through the choices we face now, and in the successes that await us in the months and years ahead.”

While facing the largest budget gap in the city's history, Mayor Lightfoot made an early commitment to present the City's financial challenges through an honest, transparent and inclusive process. To begin, the City embarked on a robust public engagement campaign that included a series of events to expand outreach to the community including virtual budget townhall meetings that were livestreamed on Facebook, a new interactive website, a multilingual online survey, and City Council revenue hearings where subject matter experts discussed potential new or enhanced revenue options. To broaden its reach even further, the City introduced the 2021 Community Round Table series, a grassroots effort to gather community



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feedback from residents on their budgetary spending priorities. Nearly 100,000 people participated in budget-related discussions and provided instructive feedback that guided the City through the budget process.

Using resident input along with feedback from elected leaders and other key stakeholders, the Office of Budget and Management partnered with City departments to go line-by-line through the budget, and, identified more than \$537 million in savings and efficiencies including \$106 million in vacancy eliminations, layoffs and furloughs, nearly \$114 million in non-personnel savings, and \$59 million in savings achieved by sweeping aging revenue accounts. After negotiating better healthcare rates, realizing savings from prior year audits and finding additional savings from union negotiations, the City also generated an additional \$54 million in healthcare savings without reducing benefits.

To address the portion of the gap caused by revenue loss due to the pandemic, the City anticipates achieving \$501 million from debt refinancing and restructuring by issuing general obligation and sales tax securitization corporation bonds for savings. The refinancing transaction will take advantage of current low interest rates to refinance outstanding debt with a higher interest rate to a lower interest rate which will offset the cost of the debt restructuring that will generate the budgetary relief. By addressing the one-time revenue loss with the refinancing, the City will still be able to make vital investments without resorting to drastic cuts or revenue increases.

Along with these reforms to government operations, savings and efficiencies, this budget includes nearly \$185 million in increased revenues and reserves for FY2021. These include \$76 million of TIF surplus funding, which represents an increase of \$33.5 million over the 2021 Budget Forecast, \$30 million from the City's Rainy Day Fund and a \$51.4 million property tax adjustment that includes a yearly CPI increase, and the collection of new property not previously included in the property tax base. Together with a loss of collection adjustment on the levy for pensions not previously budgeted, the \$93.9 million proposed tax levy increase represents an estimated impact of approximately \$56 annually on a median home valued at \$250,000.

Two additional adjustments to existing revenues are included in this budget recommendation. First is a 1.75 percentage point increase to the Personal Property Lease Tax applied to non-possessory computer leases of cloud software and cloud infrastructure that brings this tax in alignment with the tax imposed on all other lease, rental or use of rented, personal property currently taxed at 9.0 percent. In addition, the 2021 budget calls for the Vehicle Fuel Tax on non-airline purchases to increase by \$0.03 per gallon.



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Even under challenging conditions, the City remains committed to investing in the future of our residents and businesses, and more than \$18.6 million in new investments are included in the 2021 budget. These investments include an additional \$5.25 million in funding for community-based violence prevention and reduction efforts. These resources will support the expansion of violence prevention and domestic violence programming, provide funding for high risk youth and launch of the co-responder model pilot that would involve trained mental health professionals, community paramedics and Crisis Intervention Team-trained police officers co-responding to certain 911 calls.

To build on community investments made in 2020, this budget will provide an additional \$1.7 million for youth programming, \$2.0 million in new funding for affordable housing and \$7.0 million for economic recovery efforts to support workforce training, help small businesses build capacity and assist with job creation and recruitment.

With the largest budget deficit in Chicago's history and a once-in-a-lifetime global pandemic crippling our economy, the City has remained committed to making budgetary decisions that lead to long-term financial stability while continuing to prioritize our values of equity, transparency and inclusion. The 2021 budget proposal addresses the City's obligations, finds cost saving reforms and community investments, and preserves key services to ensure our fiscal and economic stability for future generations.

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