

**STATEMENT FROM COMPTROLLER ERIN KEANE ON 2017 BUDGET PROPOSAL TO THE CITY
COUNCIL COMMITTEE ON BUDGET AND GOVERNMENT OPERATIONS**

Monday, October 17, 2016

Good morning, Chairman Austin, Vice-Chairman Ervin, and members of the committee and members of City Council. Thank you for the opportunity to appear before you today and to participate in these budget hearings.

The Department of Finance is responsible for managing a diverse range of operations: Accounts Payable, Accounts Receivable, Debt Collection, Utility Billing, Tax Audits, Employee Healthcare, Payroll, Accounting and Financial Reporting, Parking Tickets and Booting. The department has a dedicated and hardworking staff that strives to make sure that we not only meet, but exceed our obligations while recognizing that there is always room for improvement.

REFORMS FOR DEBT COLLECITON AND PAYMENT OPTIONS

When I was before you for my confirmation hearing a few months ago, I heard your concerns about balancing our need to collect outstanding debt with our need to provide residents with ample notice on what they owe, long before the debt grows due to penalties or accrued interest. Additionally, I've heard from many aldermen and residents about the need to improve our payment plan options and make paying for City services or paying City debt as easy as possible.

Since that hearing, I've been are working to address those concerns through additional early noticing, email alerts, changes in payment plans, and a new payment portal for utility bills.

Payment plans

Before 2016, individuals were only allowed to sign up for a payment plan for debt after penalties were assessed. However, City Council approved an ordinance allowing us to offer payments plans to individuals prior to the fine doubling or assessing penalties in order to reduce the amount someone owes to the city.

In addition, we've made it easier for people to get on a payment plan by reducing the required down payment for most payment plans and creating an online payment plan portal. The portal allows individuals to sign up for a payment plan online, which is not only convenient but also reduces the debt because it eliminates additional collection costs.

Utility Billing Payment Portal

Another recent change for city residents and businesses is a new web payment portal for utility billing. The portal allows for paperless billing, viewing past and current bills, checking water consumption history, and most importantly, signing up for AutoPay. AutoPay is an automatic debit of the utility bill from a customer's bank account which we expect will reduce missed payments and late payment penalties.

Additional Early Noticing

Another change that we are making is to provide additional notice to individuals who owe debt in order to try to reach them before their debt increases and could become overwhelming. Over the past year, the Department performed a pilot around early noticing, which demonstrated that the earlier and more often the City provides notices of debt – the more likely a person is to pay the debt. More importantly, when individuals pay sooner, they avoid penalties and collection costs.

For those reasons in 2017, Finance will begin sending two additional debt notices prior to referral to a collection firm. If the individual has signed up for email noticing, they will receive the notice by email. If not, the individual will receive a postcard. One notice will be sent prior to the doubling of the fine, and one before referral to the collection firm.

The additional notices are expected to bring in \$1.5 million in new revenue.

LEVELING THE PLAYING FIELD FOR BUSINESSES

Tax Discovery Project

A priority of our tax division is to enforce the City's tax policy in a fair and equitable way to ensure that businesses can operate on a level playing field. Through communication, tax education, and discovery projects, the division regularly provides information to businesses on what taxes they are and are not required to remit.

As part of this effort, in 2017, the City will expand the tax discovery process to identify those businesses that are expected to pay certain taxes, such as transaction tax, amusement tax, and use tax, but who either have not reported or who may be under reporting the amount owed. Tax discovery encourages entities to voluntarily come into compliance without penalty. Businesses pay the back taxes, current taxes and interest, but no penalty is assessed. This method of increasing compliance is less invasive and less expensive than the audit process.

Through tax discovery, we estimate generating over \$5 million in new revenue.

Ground Transportation Tax for Suburban Taxis

Another area of potential unequal footing is among suburban taxicab, limo, and bus companies who make frequent trips to O'Hare and Midway airports. Because the City does not license suburban ground transportation providers, it is more difficult to ensure they are in compliance with our ground transportation tax laws and collect this tax when they are not in compliance. Many suburban transportation companies frequently and significantly underreport ground transportation tax to the City as it is often reported and remitted annually. With this budget, we propose revising the ground transportation collection process so that the suburban businesses pay their fair share. Under the proposal, all suburban taxicabs, limos and bus companies will pay the daily ground transportation tax of \$3.50 on their first trip to either airport on a given day. There is already an application in place for these suburban companies to pay the \$4 MPEA

charge, so our proposal will be built into the existing application, making implementation relatively seamless.

This change is expected to increase tax remittance in 2017 by over \$1 million.

Parking Garage Tax

Another tax that needed to be amended is the tax exemption for parking garages that charge less than \$2 for a day, \$10 for a week or \$40 for a month. In this budget, we seek to eliminate this exemption for the majority of parking garages claiming that they charge these rates, while leaving the exemption in place for government-owned and operated lots, specifically CTA, Park District and the juvenile courthouse.

Eliminating this exemption should increase parking tax remittance by approximately \$1 million.

Business and Permit Debt Checks

A business license debt check is another area of focus as part of the 2017 budget. As you know, all entities doing business with the City need to be free of City debt including those applying for business licenses and permits. Finance, in cooperation with Business Affairs and Consumer Protection and the Department of Buildings, began to pilot business debt checks in 2016. The debt checks began on businesses applying for building permits on projects over \$150,000 in value, and for several types of business licenses which require inspections. In 2017, the City will expand these debt checks to include all building permits requiring architectural drawings, and all licenses issued by the Department of Business Affairs and Consumer Protection. Throughout the year, we will also continue to look for opportunities to apply additional debt checks to businesses.

The additional license debts checks are expected to increase revenue collection by \$4.5 million.

SMART DEPLOYMENT OF ENFORCEMENT PERSONNEL

Parking Enforcement

In response to concerns by residents about compliance with the City's parking laws and restrictions on weekends, the Department of Finance recently began a new weekend parking enforcement program. This program will utilize our current Parking Enforcement Aides to complement contractor teams already providing weekend enforcement. This enhanced weekend enforcement will be combined with the use data analytics to more effectively deploy the Parking Enforcement Aides where non-compliance with parking laws is causing challenges for neighborhood residents and businesses.

The annual revenue increase we expect from additional enforcement is over \$3 million.

While each of these debt collection strategies and tax enforcement strategies seem small, the strategies I outlined today, taken together, are providing approximately \$17 million in revenue to the 2017 budget.

ADDITIONAL OPTIONS FOR HEALTHCARE

The Department of Finance is not solely about collecting revenue, writing parking tickets and enforcing outstanding debt. The Department, under Mayor Emanuel, has taken many important steps to achieve healthcare savings without sacrificing quality healthcare coverage for employees.

Through ongoing healthcare reforms, we have been able to keep citywide healthcare costs relatively stable since 2011, even while healthcare costs for both public and private entities continue to rise significantly.

Central to keeping our healthcare costs stable is our work with Labor Management Cooperation Committee or LMCC. In previous years, we have been able to achieve significant savings through our work together.

And this year, based on our work with the LMCC, the City is offering employees the opportunity to participate in several healthcare pilots aimed at improving the healthcare options available to our employees and their families.

One pilot includes free consultation with medical specialists and second opinions for surgical procedures to provide those covered by our health plan with all the information that they need prior to choosing a treatment plan or surgery.

Another pilot allows participants to have a virtual “face-to-face” medical evaluation with a physician using a phone, tablet or computer.

A third pilot offers participants the ability to be part of a comprehensive care program through the University of Chicago.

The final pilot gives people with diabetes an additional option for care by providing a meter which automatically uploads blood glucose readings through a smartphone or computer.

All these pilot options allow the City to test additional healthcare strategies to determine if these options will improve our employees’ and their families’ health.

INTERNAL CONTROLS

A key area of focus within the Department since 2011 has been on improving our financial reporting to ensure proper internal financial controls and improve financial transparency. In 2016, the Department of Finance released the 2015 Comprehensive Annual Financial Report or

CAFR, which details the significant progress the Mayor and the City have made in improving financial reporting and accountability. For the fourth straight year in a row, the independent auditors did not find any material deficiencies in the annual CAFR.

CONCLUSION

With the support of City Council and cooperation from other city departments, the Department of Finance has taken many steps to make it easier for individuals to pay their debt. We have taken steps to improve debt collection, make more informed decisions around deployment of field personnel, and provide additional benefit options to employees to improve their health.

Thank you for allowing me to present today, and I would be happy to answer any questions that you may have.