STATEMENT FROM COMPTROLLER ERIN KEANE ON 2018 BUDGET PROPOSAL TO THE CITY COUNCIL COMMITTEE ON BUDGET AND GOVERNMENT OPERATIONS

Monday, October 23, 2017

Good morning, Chairman Austin, Vice-Chairman Ervin, 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, including: Accounts Payable, Accounts Receivable, Debt Collection, Utility Billing and Customer Service, Tax Enforcement, 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 COLLECTION AND PAYMENT OPTIONS

As we discussed last year, I continue to work on balancing the City’s 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, we’ve worked to improve our payment plan options to make paying for City services or paying City debt as easy as possible.

Since that hearing, we’ve worked to address those concerns through additional early noticing options through email alerts, implemented changes in payment plans to make it easier to sign up, and implemented a new payment portal for utility bills.

In 2017, we began to increase parking enforcement where it is needed, improve tax compliance through certain tax discovery projects, and close loopholes. We will expand this work in 2018 and expect to generate an additional $10.8 million during 2018.

SUCCESSFUL 2017 INITIATIVES CONTINUING AND EXPANDING IN 2018

Loophole Closing

Beginning July 1, 2017, we increased ground transportation tax enforcement measures on non-Chicago taxis and liveries. In order to increase compliance, we are utilizing license plate recognition technology to charge the ground transportation tax day rate ($3.50) for each day the suburban taxi or livery departs from a City airport with a passenger. This activity has always been subject to the ground transportation tax, but enforcement was challenging because the vehicles were not licensed by the City. To close this loophole, we worked with a third party vendor to install the technology at the City’s airports. The new enforcement software provides registration and account information on suburban taxi and livery companies, then automates
payments of the ground transportation tax per day for each suburban taxi and livery vehicle that departs from O’Hare or Midway Airports with a passenger. As a result of this initiative, we expect ground transportation tax collections to increase by approximately $1 million per year.

**Tax Discovery Projects**

A priority of our tax division is to enforce the City’s tax code in a fair and equitable way to ensure that businesses can operate on a level playing field. When we determine that areas of the tax code may not be followed by certain types of businesses due to recent code changes or confusion around the application of a tax, we will launch a voluntary tax disclosure program.

The tax disclosure program encourages entities to voluntarily come into compliance with City of Chicago taxes without penalty. Businesses pay their owed back taxes, current taxes and interest, but no penalty is assessed. This method of increasing compliance is less invasive and less expensive for both the business and the City, and helps to encourage ongoing compliance with the tax code.

Recently, our Tax Division identified a high rate of non-compliance within the construction industry regarding the City’s Use Tax. While most large contractors are registered and remitting the Use Tax, a significant number of small to mid-size contractors are not because they were unaware of their obligations to pay. Therefore, the Department will offer a limited-time, voluntary disclosure program in 2018 to increase compliance within the industry. By posting information on our website and working with trade associations and in partnership with the Department of Buildings, we aim to give contractors information and an opportunity to comply.

The Department has also identified a high rate of non-compliance in the valet parking industry, specifically regarding the parking garage tax, through intentional and deliberate failures to remit their collected taxes. We are exploring technology-based solutions to ensure a greater level of compliance in 2018 as well as introducing an ordinance to require monthly parking garage tax filings by this industry.

Through tax discovery, we estimate generating over $3.5 million in new revenue in 2018.

**Parking Enforcement**

In response to concerns by residents and businesses about compliance with the City’s parking laws and restrictions on weekends, we piloted a weekend parking enforcement program throughout 2017. The program utilized Parking Enforcement Aides (“PEAs”) to complement contractor teams already providing weekend enforcement. By analyzing historic enforcement data, we provided increased parking enforcement to neighborhoods with the most need for parking turnover to provide businesses and residents greater access to their services and communities.

Our weekend parking enforcement pilot is expected to generate $2.6 million in revenue in 2017. In 2018, we plan to improve the deployment of weekend parking enforcement along with
weekday enforcement by utilizing data analytics software that incorporates PEA routes, historic enforcement data, and location services to continue increasing enforcement in those neighborhoods most in need of increased enforcement measures. We expect to generate an estimated $4 million in additional revenue in 2018.

**License Debt Checks and Other Business Debt**

As we do every year, we will continue to work with the Department of Business Affairs and Consumer Protection, the Department of Buildings, and the Chicago Department of Transportation to ensure individuals seeking to do business in Chicago are paying what they owe, including coming into compliance with driveway billing requirements.

As it relates to driveway billing, the annual fees are based on driveway distance and location both in the Central Business District and in neighborhoods. We are partnering with the Office of Budget and Management and the Chicago Department of Transportation to encourage delinquent account holders to come into compliance through a series of delinquency notices and other measures.

Through driveway billing and license debt checks, we expect to generate an additional $2.75 million in 2018.

**Employee Debt Collection**

In an effort to improve outstanding debts owed to the City from employees of Sister Agencies including Chicago Public Schools and the Chicago Transit Authority, we plan to work with these agencies to improve debt collection and apply similar measures that currently cover City employees. This will include debt checks on employees pre- and post-employment to encourage compliance. The Department projects approximately $500,000 in revenue would be realized through a more formalized policy.

**CONTINUED HEALTHCARE SAVINGS**

The Department of Finance is not solely about collecting revenue, writing parking tickets, and enforcing outstanding debt. Under Mayor Emanuel, the Department 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 significantly rise.

In 2017, the Department continued to see healthcare cost savings in important categories like prescription drug coverage. Through initiatives that offer generic drug alternatives for employees, the City is able to avoid significant cost increases year-over-year.
2017 was also the fifth year of the Chicago Lives Healthy wellness program. Chicago Lives Healthy maintains an 84 percent participation rate for eligible employees, and helps provide support for preventing long-term healthcare costs. The wellness program was changed in 2017 to direct additional assistance to those that at a greater risk for ongoing healthcare concerns, including heart disease, diabetes and stroke.

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 received a $95,000 grant to improve healthcare related programs and education. A related study showed that targeted communication from the LMCC improves employee participation in initiatives like telemedicine or maternity management. Through this grant, the City will adopt similar strategies to increase participation among employees.

**INTERNAL CONTROLS**

A key area of focus within the Department since 2011 has been improving our financial reporting to ensure proper internal financial controls and improve financial transparency. In 2017, the Department of Finance released the 2016 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 fifth straight year in a row, the independent auditors did not find any material deficiencies in the City’s annual CAFR.

**CONCLUSION**

With the support of City Council and cooperation from other city departments, we have taken many steps to enforce revenue collections for the City. 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.