

**STATEMENT FROM BUDGET DIRECTOR SAMANTHA FIELDS 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 on Budget and Government Operations, and members of the City Council.

Mayor Rahm Emanuel's 2018 budget recommendation builds on the significant work from the previous six budgets to improve Chicago's long-term financial stability by addressing the City's legacy liabilities from pensions to "scoop and toss" all while expanding investments in public safety, youth and family programming, and neighborhood services.

The proposed 2018 budget balances the lowest operating budget shortfall in a decade; a deficit that has been reduced by over 80 percent since the Mayor took office.

In 2015, Mayor Emanuel pledged to end the financial practice of "scoop and toss" by the 2019 budget, and as part of the proposed 2018 budget, the City has eliminated the need for "scoop and toss" a full year ahead of plan.

Over the past six years, the City Council and Mayor Emanuel have systematically worked to address the City's legacy liabilities through fundamental changes to the way the City manages its finances. It took hard work and difficult decisions to get to this point, and the stable and balanced 2018 budget reflects our work, allowing the City to make significant investments in public safety for the second year in a row alongside other essential youth and neighborhood services.

Overview

Just as it has been done in the six previous budgets, this proposed budget aligns our expenses with our revenues by streamlining government operations and increasing sustainable revenues, while maintaining core services and enhancing public safety.

In 2012, the City's projected the operating budget shortfall was \$635.7 million. Through fundamental financial and budgetary reforms and revenue growth, we are now solving for a \$114.2 million budget shortfall. We are also increasing investments in public safety, community policing, youth programming, and paying for a portion of Chicago Public Schools' public safety costs for an additional expense in 2018 of \$123.8 million.

The total local fund budget for 2018 is \$8.58 billion. The proposed corporate fund budget, our core operating budget, is \$3.77 billion. This is an increase of \$23.6 million over 2017 year-end estimates due to the shift of the Office of Emergency Management and Communications (“OEMC”) expenses related to 911 operations and emergency preparedness off the corporate fund to its own dedicated special revenue fund. While this shift appears to remove over \$100 million of expenses and corresponding revenue transfers from the corporate fund budget, the budgeting of 911 expenses and 911 surcharge revenue in a dedicated fund provides transparency and clarity to residents, allowing them to clearly see the costs supported directly by the 911 surcharge revenue.

With an additional \$1.43 billion in grant funding, the total proposed budget for 2018 is just over \$10 billion.

### Public Safety and Other Key Investments

The investments in the 2018 budget reflect Mayor Emanuel and the City Council’s ongoing work to strengthen law enforcement tools, improve critical city services, and expand early childhood, student and family programming in all neighborhoods.

As you know, in 2017, the Chicago Police Department (“CPD”) began a two-year plan to hire an additional 970 sworn officers. Included in the proposed 2018 budget is an additional investment of over \$60 million to support the hiring of 250 Police Officers, 100 Detectives and 75 Sergeants. In addition to the two year hiring plan, as part of CPD’s reform efforts, CPD will also add an additional 100 Field Training Officers bringing the total sworn count to 13,631 by the end of 2018. With this investment in the two-year hiring plan, there will be a new class of police officers hitting the streets every month from July 2017 through mid-2019.

The proposed 2018 budget also includes a \$27.4 million investment in police reform initiatives such as enhanced training, reform implementation, officer wellness, and community policing. As part of this investment in police reform, the Administration right-sized certain civilian vacancies within CPD and reprioritized these existing vacancies to support the Office of Reform Management and community policing activities. In total, we were able to repurpose \$3.4 million in existing, civilian vacancies within CPD.

This proposed budget also includes the necessary funding to support the replacement of the twenty year old 911 system, ensuring the City becomes compliant with the State-mandated Next Generation 911 program by 2020. The new system will be funded over ten years, and will allow for more types of data to be exchanged across the 911 system, such as videos, pictures

and text. The new 911 system will also improve coordination between the Chicago Police Department and Chicago Fire Department as data can more easily be shared and accessed between the two departments during emergencies. The investment will also allow residents to voluntarily sign up for Smart911. Smart911 is a secure application that will allow residents to provide first responders with voluntary information regarding health conditions or number of family members in a home, so firefighters and police officers are aware in cases of fires and other emergencies. The necessary modernization of the City's 911 system is proposed to be funded with a \$1.10 increase in the 911 surcharge for a total charge of \$5.00. With this increase, the City will be able to pay for the improvements to bring our 911 system into compliance with the State mandate, fully fund the City's 911 operations with this dedicated surcharge, and free up approximately \$19.0 million in corporate fund revenue to support other city services.

As the Mayor has said repeatedly, public safety is not the responsibility of the police and first responders alone, which is why since 2011, the City of Chicago has increased investments in youth programming more than threefold. The proposed 2018 budget includes an additional \$5 million in neighborhood economic development and investments in youth.

These additional investments include:

- \$2 million for additional afterschool programs, including Safe Passage
- \$1 million for summer jobs
- \$1 million for Becoming a Man / Working on Womanhood
- \$500,000 to Thrive for youth job fairs and opportunity centers
- \$250,000 to support Tech Bootcamp a Chicago-Cook County Workforce Partnership
- \$200,000 for Year of Creative Youth
- \$150,000 for Chicago Public Libraries YouMedia Program and other early learning programs
- \$200,000 for smoking cessation education and programming

A total of \$76.7 million in youth investments from afterschool programs to One Summer Chicago and skills development for out-of-work, out-of-school youth is included in the proposed 2018 budget, up from \$21 million in 2011.

Along with increasing investments in youth programming and public safety, Mayor Emanuel is proposing to increase funding for neighborhood services. Included in the proposed 2018 budget is an additional \$500,000 for garbage carts along with five additional rodent abatement crews, bringing the total to 30 rodent abatement crews working in neighborhoods throughout Chicago.

## Reforms, Savings, and Sustainable Revenue Growth

When Mayor Emanuel appointed me as the Director of the Office of Budget and Management, he made clear that with the previous six budgets and continuing with this budget, we must identify all available savings and efficiencies first. To that end, the Administration and City Council have identified approximately \$650 million in savings, reforms and efficiencies over the past seven budgets.

As a result of the significant cost cutting and reform efforts put in place in previous budgets, this year our operating budget shortfall is at its lowest point in a decade, and with the proposed 2018 budget, we have identified \$19.35 million in additional corporate fund savings and reforms. This includes \$5.5 million in combined savings in healthcare and workers compensation compared to initial projections, \$3.4 million in vacancy reprioritization within CPD, and \$10.27 million in non-personnel expense management reforms. The non-personnel savings include energy savings, savings from the elimination of duplicative graphics functions across departments, and 'zero based budgeting'.

Along with building on the savings and efficiencies in 2018 and prior years, the City has worked each year to increase sustainable revenue sources and take advantage of economic growth from our diverse set of revenues.

The 2018 budgeted revenues reflect an increase in many of the City's economically-sensitive revenue sources, which is consistent with the modest, but steady expansion of the national and local economies in recent years.

Utility taxes, such as cable television, electricity taxes, and telecommunication taxes, are expected to total \$435.7 million in 2018, which is \$13.9 million higher than 2017 year-end estimates. This is due to a variety of factors including an expectation that winter weather returns to more normal patterns and business expansion is driving growth in telecommunication taxes.

Transaction taxes, such as real property transfer tax and personal property lease tax, are budgeted at \$422.6 million in 2018, which is in line with 2017 year-end revenue estimates.

Sales and use tax revenue accounts for just over 17 percent of total budgeted corporate fund revenues in 2018. The budgeted revenue from the City's Home Rule, Local Share, and restaurant sales and use taxes is \$653.4 million in 2018. This is below 2017 year-end estimates

due to the implementation of the 2.0 percent administrative fee applied by the State of Illinois on the City's portion of State collected Home Rules Sales tax and additional revenue required to pay debt service on bonds to be issued by the newly created Corporation.

Recreation Taxes are expected to generate \$268.9 million in 2018, up from the 2017 year-end estimate of \$249.2 million. This increase is driven by the proposed change to eliminate the bifurcated amusement tax structure to provide tax relief to neighborhood venues providing cultural amusements, while leveling the tax playing field for larger, more mainstream venues.

Transportation taxes include taxes on parking, vehicle fuel purchases, and ground transportation for hire. The proposed 2018 budget includes \$293.5 million in transportation taxes, which is a nearly 9.0 percent increase over 2017 year-end estimates of \$269.5 million. This revenue growth is primarily driven by the growing use of rideshare vehicles by Chicagoans.

The proposed 2018 budget includes \$128.5 million in business tax revenue. The 2017 year-end revenue estimate is \$137.0 million. Business tax revenue in 2018 is expected to be down slightly relative to 2017 year-end estimates, due to the resolution of the decade-long litigation related to payment of the City's hotel tax by internet hotel booking websites in 2017. In May 2017, the City received a net settlement payment of over \$12 million, which was already accounted for as part of our 2017 budget.

The proposed 2018 budget includes \$252.5 million in income tax revenue, which is in line 2017 year-end revenue estimates. Personal Property Replacement Tax ("PPRT") revenue in 2018 is budgeted at \$134.2 million, which is \$26.2 million below 2017 year-end estimates. PPRT revenue continues to be impacted by the State of Illinois diverting PPRT revenue from municipalities due to the State's previous overpayments between April 2014 and March 2016. Additionally, the State continues to divert additional PPRT revenue from municipalities to offset State revenue reductions for community colleges.

In 2012, Mayor Emanuel instituted a policy of reviewing each Tax Increment Financing ("TIF") district on an annual basis and declaring unneeded funds as surplus. Along with an annual TIF surplus, the Mayor froze new spending in seven downtown TIFs in 2015 and has also announced a plan to surplus additional TIF increment generated from the higher property tax rate due to the recent property tax levy increases for police and fire pensions. These policies taken together are generating a total of \$166.9 million in TIF surplus in 2018, providing \$88 million to Chicago Public Schools, \$40 million to the City of Chicago, and the remaining amount returned to other taxing districts based on their share of the aggregate levy.

The proposed 2018 budget also includes \$94 million in corporate fund debt service savings. Since 2016, the City has made corporate revenue available to make debt service payments, and because the bonds issued through the newly established Corporation are expected to achieve debt service savings, the proposed 2018 budget includes these savings.

Lastly, the City continues to improve debt collection and provide more opportunities for scofflaws to pay what they owe. Through new data-driven strategies and other improved enforcement strategies, the City anticipates collecting over \$10 million in additional revenue in 2018.

### Conclusion

The proposed 2018 budget builds on the reforms Mayor Emanuel and the City Council have made over the past six years to restore the City's financial health.

Thank you for your time, and I look forward to working with this Committee and members of the City Council as we continue our progress toward a more financially secure Chicago.