



DEPARTMENT OF FINANCE
CITY OF CHICAGO

MEMORANDUM

To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Carole Brown
Chief Financial Officer
Office of the Mayor

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 25, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-01 Rates of return on all four pension funds.

The following information is in response to questions posed at our department's hearing on October 22, 2017 to discuss the proposed 2019 budget.

Alderman Joe Moore asked for current rate of return on all four pension plans.

As provided by each of the respective pension funds, the 2017 rates of return are as shown below:

	Rate of Return 2017	Assumed Rate of Return
LABF	18.68%	7.25%
FABF	14.02%	7.50%
PABF	14.77%	7.25%
MEABF	14.90%	7.00%

As always, please let me know if you have any further questions.



DEPARTMENT OF FINANCE
CITY OF CHICAGO

MEMORANDUM

To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Erin Keane
City Comptroller

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 26, 2018

Re: Request for Information from the Annual Appropriation Committee Hearing

ID#: 27-02 Retiree Healthcare

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Thompson asked for updated retiree healthcare enrollment numbers.

Please see below for the 2016 City enrollment as well as the 2017 and 2018 BCBS enrollment numbers.

December 31, 2016 Enrollment with City Plan

Medicare eligible retirees (14,872 Annuitants/4,758 spouses)

Non-Medicare eligible retirees (3,507 Annuitants/1,581 spouses)

2017 and 2018 BCBS Retiree Healthcare enrollment

Medicare Eligible Retirees MAPD Plan Options		
	2017 Enrollment	2018 Enrollment
Option 1	5,671	5,326
Option 2	1,222	1,202
Option 3	147	142
Non Medicare Eligible Retirees Coverage Options		
	2017 Enrollment	2018 Enrollment
PPO for Single	680 (33 are over 65)	494 (15 are over 65)
PPO for Couple	101	63
PPO for Family	9 (6 are over 65)	4 (4 are over 65)
Blue Choice Option for Single	104 (4 are over 65)	87 (3 are over 65)
Blue Choice Option for Couple	25	15
Blue Choice Option for Family	1	1

As always, please let me know if you have any further questions.



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From: Carole Brown
Chief Financial Officer
Office of the Mayor

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 25, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-03 Selling the naming rights of the airport

The following information is in response to questions posed at our department's hearing on October 23, 2018 to discuss the proposed 2019 budget.

Alderman David Moore asked if the city were to sell the naming rights at the airports, would the revenue generated from the sale have to stay on the airfield or be available for corporate purposes.

The Department of Law has opined and determined the names of O'Hare and Midway are assets of O'Hare and Midway, respectively. If the naming rights for either airport were to be sold, the revenues generated by such a sale would be considered to be airport revenues which, under applicable revenue diversion restrictions, would have to be used for airport purposes.

As always, please let me know if you have any further questions.



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To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Carole Brown
Chief Financial Officer
Office of the Mayor

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 25, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-04 Sources of revenue for each pension fund

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Smith asked for the sources of revenue for each pension fund.

Exhibit A displays the breakdown of sources of funds for each of the four pension funds for the budget years 2015 through 2019.

As always, please let me know if you have any further questions.

Exhibit A: Budgeted Pension Payments BY2015 - BY2019

Total by Pension Fund					
	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Est. Budget
LABF	24,019,000	28,536,000	36,000,000	48,000,000	60,000,000
FABF	96,300,000	208,000,000	227,000,000	238,499,000	248,544,000
PABF	194,122,000	464,000,000	500,000,000	557,000,000	579,000,000
MEABF	242,700,000	277,714,000	322,988,000	402,200,000	471,002,000
Total	557,141,000	978,250,000	1,085,988,000	1,245,699,000	1,358,546,000
Laborers' And Retirement Board Employees' Annuity and Benefit Fund					
	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Est. Budget
Corporate Fund	4,441,000	7,799,000	12,544,000	19,753,000	27,056,000
Water Fund	3,746,000	4,196,000	5,532,000	7,684,000	9,722,000
Sewer Fund	2,910,000	3,335,000	4,044,000	5,779,000	7,369,000
Chicago Midway	359,000	435,000	535,000	698,000	884,000
Chicago O'Hare	1,493,000	1,701,000	2,275,000	3,016,000	3,899,000
Property Tax Levy	11,070,000	11,070,000	11,070,000	11,070,000	11,070,000
Total	24,019,000	28,536,000	36,000,000	48,000,000	60,000,000
Firemen's Annuity and Benefit Fund					
	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Est. Budget
Corporate Fund	7,190,000	-	-	-	9,575,000
Chicago Midway	1,292,000	2,881,000	3,053,000	3,226,000	3,351,000
Chicago O'Hare	4,643,000	10,294,000	11,325,000	12,157,000	12,502,000
Property Tax Levy	83,175,000	194,825,000	212,622,000	223,116,000	223,116,000
Total	96,300,000	208,000,000	227,000,000	238,499,000	248,544,000
Policemen's Annuity and Benefit Fund					
	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Est. Budget
Corporate Fund	50,692,000	-	-	-	18,872,000
Chicago Midway	778,000	2,082,000	2,330,000	2,538,000	3,386,000
Chicago O'Hare	2,572,000	6,563,000	6,985,000	7,840,000	10,120,000
Property Tax Levy	140,080,000	455,355,000	490,685,000	546,622,000	546,622,000
Total	194,122,000	464,000,000	500,000,000	557,000,000	579,000,000
Municipal Employees' Annuity and Benefit Fund					
	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Est. Budget
Corporate Fund	77,898,000	106,161,000	92,920,000	81,271,000	81,271,000
Water-Sewer Tax			56,000,000	122,316,000	174,134,000
Water Fund	16,447,000	18,489,000	18,949,000	24,451,000	30,353,000
Sewer Fund	4,751,000	5,446,000	5,453,000	6,968,000	8,469,000
Emergency Communications				10,641,000	12,972,000
Chicago Midway	2,237,000	2,579,000	3,644,000	5,028,000	6,283,000
Chicago O'Hare	14,145,000	16,775,000	18,175,000	23,678,000	29,673,000
Property Tax Levy	119,406,000	119,406,000	119,406,000	119,406,000	119,406,000
Library Pension Residual Allocation after					
Property Tax Levy	2,516,000	3,558,000	3,141,000	3,141,000	3,141,000
Library Property Tax	5,300,000	5,300,000	5,300,000	5,300,000	5,300,000
Total	242,700,000	277,714,000	322,988,000	402,200,000	471,002,000

**Municipal Marketing – 2018 Budget Hearing
Revenue Summary as of 9/30/18**

Total Municipal Marketing Revenue in 2018 (as of 9/30/18) = \$ 6,338,925.73

Total Municipal Marketing Revenue since inception (2012) = \$58,533,531.42 *

- *This total does not reflect annual Street Furniture collections.*

Chicago Digital Network

Revenues:

Guaranteed Initial Fee "GIF" as of 9/28/18 - \$25,000,000 contractual commitment based on permit execution. Payments made when all site permits have been issued.

2013	\$10,164,835.36
2014	\$ 9,752,747.33
2015	\$ 2,060,439.60
2016	\$ 686,813.20
2017	\$ 0.00
2018	\$ 0.00
Total	\$22,664,835.49

Guaranteed Annual Fee "GAF" as of 3Q 2018 (paid Quarterly)

2014	\$1,161,886.92
2015	\$3,060,392.66
2016	\$2,417,267.04
2017	\$7,034,760.82
2018	\$3,863,937.33
Total	\$17,538,244.77

Total CDN 2018 as of 9/30 = \$3,863,937.33

Total CDN Revenue (GIF+GAF) since inception of the program = \$40,203,080.26

Big Belly - Marketed by Vector Media as of 9/30/18 (Paid monthly)

2013	\$132,560.00
2014	\$155,890.09
2015	\$260,492.31
2016	\$354,942.58
2017	\$328,051.64
2018	\$128,270.00
Total	\$1,360,206.62

Divvy Bike Share – Marketed by Outfront Media as of 8/30/18 (Annual Guarantee paid monthly, 60% revenue share quarterly)

2013	\$ 251,666.67
2014	\$1,092,475.95
2015	\$ 881,904.98
2016	\$1,055,568.54
2017	\$1,441,910.00
2018	<u>\$ 996,718.40</u>
Total	\$5,720,244.54

Divvy Bike Share – Sponsorship Blue Cross Blue Shield of Illinois as of 6/30/18 (Paid bi-annually 6/30 & 12/31)

2014	\$2,400,000
2015	\$2,400,000
2016	\$2,500,000
2017	\$2,600,000
2018	<u>\$1,350,000</u>
Total	\$11,250,000

Total Divvy Bike Share Municipal Marketing Revenue Dollars as of 8/30/18:

2018 Divvy Collection	= \$ 2,346,718.40
Total since inception	= \$ 16,970,244.54

JC Decaux Street Furniture

The City has received **\$156,783,500** from 2002 to 12/31/17. Beginning 12/31/2018, the City will receive \$29,954,545 per year for through 12/31/2022. Remaining payments for Street Furniture through the life of the contract are:

2018	\$ 29,954,545
2019	\$ 29,954,545
2020	\$ 29,954,545
2021	\$ 29,954,545
2022	<u>\$ 29,954,545</u>
Total	\$149,772,725



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From: Carole Brown
Chief Financial Officer
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CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 25, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-05 What are the revenues for the Municipal Marketing Program?

The attached information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Tunney asked for how the Municipal Marketing program was performing.

Please see attached summary of revenues to date for the Municipal Marketing Program.

As always, please let me know if you have any further questions.



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From: Carole Brown
Chief Financial Officer
Office of the Mayor

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 29, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-06 Revenues from Commercial Loading Zones and Curb Loading Zones

The attached information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Tunney asked for revenues generated from commercial loading zones ('CLZs') and traditional curb loading zones.

CLZs are 24-hour user-paid loading zones at a rate of \$14 per hour, with time purchasable in 15-minute increments. To date, CLZs have only been installed in the Loop and some areas of the CBD. As of the end of September, the CLZ Program has generated \$432,311.33 in revenue for the City from 77 CLZs for 2018. This equates to an average daily revenue from CLZs of \$1,746.42.

Curb loading zones are applied for and paid for by a particular business at the rate of \$500 for the first 20 feet in the CBD (\$110 in the neighborhoods) plus \$50 per each additional foot. Based on information provided by CDOT, there are 3,374 active curb loading zones¹. These active accounts bill a total of \$3,584,990 annually², or an average daily revenue of \$9,821.89.

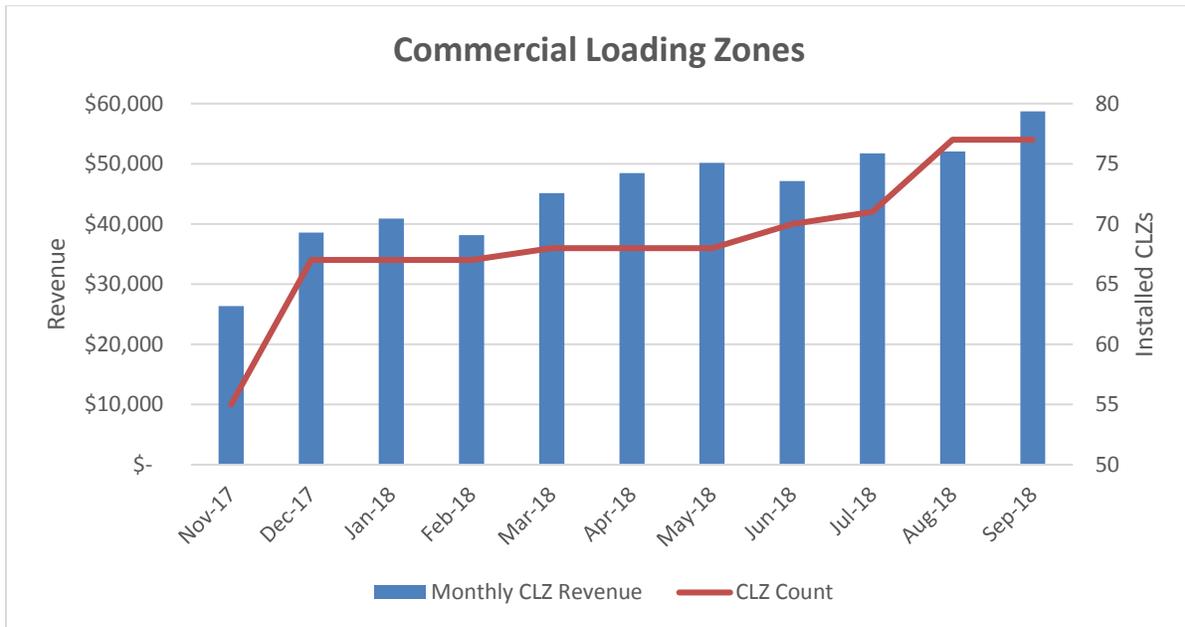
¹ This analysis only evaluated curb loading zones identified as standing zones, loading zones, or valet zones in the description.

² This is the amount billed and does not consider accounts that may be billed in error or perpetually delinquent accounts.

Because there are so many more curb loading zones than commercial loading zones, the chart below normalizes the value of each type of zone on a per foot basis.

	Average Daily Revenue	Total Footage	Value per Foot per Year
CLZ	\$1,746.42	5,742	\$111.01
Curb Loading Zone	\$9,821.89	123,425	\$29.05

Alderman Tunney also asked for the revenue trends of CLZs. The first graph below shows revenue based on the number of CLZs installed by month from November 2017 through September of 2018. The second graph shows CLZ ticket information from November 2017 through August of 2018.



CLZ Tickets





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CITY OF CHICAGO

MEMORANDUM

To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Erin Keane
Comptroller, Department of Finance

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 26, 2018

Re: Request for Information from the Annual Appropriation Committee Hearing

ID#: 27-07 Healthcare Costs

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Laurino asked for the percentage of salary that each employee pays for healthcare.

Attached is a spreadsheet that outlines the percentage of salary paid or flat rate paid by active City employees for healthcare costs. We have provided both current rates and rates that go into effect January 1, 2019.

The document represents groups of active employees in the assigned categories of LMCC, Group A1 and C1, and FOP. These group rates are based on collective bargaining agreements as such contributions vary.

LMCC includes: Non-represented employees, and those employees covered under the City's collective bargaining agreements with: the American Federation of State, County and Municipal Employees Council 31; Coalition of Unionized Public Employees (Chicago Building Trades Coalition); Illinois Nurses Association; Public Safety Employees Unit II; Police Captains Association, Police Lieutenants Association, and Police Sergeants represented by the

Policemen's Benevolent & Protective Association of Illinois (PB&PA); Supervising Police Communications Operators represented by Teamsters Local 700; Aviation Security Sergeants presented by the Illinois Council of Police; Public Health Nurse IIIs and IVs represented by Teamsters Local 743; Uniformed Firefighters and Paramedics represented by the Chicago Fire Fighters Union Local No. 2; and the Shift Supervisors of Security Communications Center represented by Teamsters Local 700.

Group A1 and C1 include: A sub-set of the members of the LMCC with variation in rates per collective bargaining agreements.

FOP includes: Sworn Police Officers below the rank of Sergeant represented by the Fraternal Order of Police (FOP).

As always, please let me know if you have any further questions.

CONTRIBUTION RATES FOR CITY EMPLOYEES

For FOP - From 07/01/2006 to 12/31/2019

Annual Salary	Single	Employee+1	Family
up to \$30,000 (flat rate)	\$15.71	\$23.88	\$27.65
\$30,001 to \$89,999	1.2921%	1.9854%	2.4765%
\$90,000 and over (flat rate)	\$48.45	\$74.45	\$92.87

For LMCC - From 07/01/2006 to 12/31/2015

Annual Salary	Single	Employee+1	Family
up to \$30,000 (flat rate)	\$15.71	\$23.88	\$27.65
\$30,001 to \$89,999	1.2921%	1.9854%	2.4765%
\$90,000 and over (flat rate)	\$48.45	\$74.45	\$92.87

For LMCC - From 01/01/2016 to 06/30/2018

Annual Salary	Single	Employee+1	Family
up to \$30,000	\$15.71	\$23.88	\$27.65
\$30,001 and < \$89,999	1.2921%	1.9854%	2.4765%
\$90,000 and Above (Union Employee)	\$48.45	\$74.45	\$92.87
\$90,000 to \$119,999 (Non-Union Employee)	\$48.45	\$74.45	\$92.87
\$120,000 and Above (Non-Union Employee)	1.2921%	1.9854%	2.4765%

For LMCC, excluding Group A1 & C1- From 07/01/2018 to 12/31/2019

Annual Salary	Single	Employee+1	Family
up to \$30,000 (flat rate)	\$15.71	\$23.88	\$27.65
\$30,001 to \$89,999	1.2921%	1.9854%	2.4765%
\$90,000 and Above (Union Employee)	\$48.45	\$74.45	\$92.87
\$90,000 to \$119,999 (Non-Union Employee)	\$48.45	\$74.45	\$92.87
\$120,000 and Above (Non-Union Employee)	1.2921%	1.9854%	2.4765%

For LMCC Group A1 & C1 - From 07/01/2018 to 12/31/2018

Annual Salary	Single	Employee+1	Family
up to \$30,000 (flat rate)	\$15.71	\$23.88	\$27.65
\$30,001 to \$99,999	1.7921%	2.4854%	2.9765%
\$100,000 and Above (flat rate)	\$74.67	\$103.56	\$124.02

For LMCC Group A1 & C1- From 01/01/2019 to 12/31/2019

Annual Salary	Single	Employee+1	Family
up to \$30,000 (flat rate)	\$15.71	\$23.88	\$27.65
\$30,001 to \$114,999	2.2921%	2.9854%	3.4765%
\$115,000 and Above (flat rate)	\$109.83	\$143.05	\$166.58

For All LMCC 01/01/2018-12/31/2019

	Single	Employee+1	Family
Dental HMO	\$0.20	\$1.08	\$2.78
Dental PPO	\$0.51	\$1.02	\$2.05
Vision	\$0.15	\$0.30	\$0.61



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From: Erin Keane
City Comptroller

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 26, 2018

Re: Request for Information from the Annual Appropriation Committee Hearing

ID#: 27-08 Debt Collection

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Waguespack requested information about payments to collection firms.

Attached is the breakdown, by collection firm and debt type, of amounts collected and the amounts paid for 2017, and 2018 through 6/30/2018.

As always, please let me know if you have any further questions.

Amounts Collected by and Paid to Collection Firms by Debt Type

Debt Type	Collection Firm Name	2017		2018 (thru 6/30)	
		Amount Collected by Firm	Amount Paid to Firm	Amount Collected by Firm	Amount Paid to Firm
Administrative Hearings (22% Contingency Fee*)	A&O	\$ 355,039	\$ 70,556	\$ 155,434	\$ 28,920
	Arnold Scott Harris	\$ 188,498	\$ 46,406	\$ 39,260	\$ 8,513
	Goldman & Grant	\$ 1,734,043	\$ 383,070	\$ 926,866	\$ 198,313
	Heller & Frisone	\$ 1,188,760	\$ 282,386	\$ 555,293	\$ 122,451
	Linebarger, Goggan	\$ 263,220	\$ -	\$ -	\$ -
	Markoff Law	\$ 1,986,099	\$ 447,577	\$ 1,284,463	\$ 280,530
	Mintex	\$ 124,159	\$ 23,364	\$ 60,700	\$ 10,908
	Roberts & Weddle	\$ 4,538,564	\$ 986,146	\$ 1,508,080	\$ 322,387
	Talan & Ktsanes	\$ 1,192,227	\$ 267,552	\$ 792,050	\$ 191,180
	Subtotal	\$ 11,570,609	\$ 2,507,057	\$ 5,322,147	\$ 1,163,203
Utility (25% Contingency Fee)	Arnold Scott Harris	\$ 4,724,383	\$ 1,180,667	\$ 3,342,448	\$ 771,174
	Goldman & Grant	\$ 5,147,149	\$ 1,287,942	\$ 3,150,901	\$ 784,504
	Heller & Frisone	\$ 5,330,100	\$ 1,331,986	\$ 3,418,721	\$ 852,104
	Linebarger, Goggan	\$ 2,085,859	\$ 521,819	\$ 1,409,521	\$ 351,070
	Markoff Law	\$ 4,898,925	\$ 1,224,348	\$ 3,119,485	\$ 778,131
	Roberts & Weddle	\$ 4,123,861	\$ 1,031,368	\$ 2,676,564	\$ 671,311
	Talan & Ktsanes	\$ 5,256,136	\$ 1,315,219	\$ 3,358,383	\$ 833,552
	Subtotal	\$ 31,566,413	\$ 7,893,349	\$ 20,476,023	\$ 5,041,845
Vehicle Violations (18% Contingency Fee*)	A&O	\$ 9,001,757	\$ 1,620,316	\$ 4,960,781	\$ 892,941
	Arnold Scott Harris	\$ 38,702,990	\$ 6,966,538	\$ 20,357,465	\$ 3,664,344
	Linebarger, Goggan	\$ 38,084,114	\$ 6,855,141	\$ 20,761,073	\$ 3,736,993
	Mintex	\$ 5,322,865	\$ 958,116	\$ 3,316,644	\$ 596,996
	Subtotal	\$ 91,111,726	\$ 16,400,111	\$ 49,395,963	\$ 8,891,273
Building Inspection Fees (22% Contingency Fee*)	Arnold Scott Harris	\$ 724,958	\$ 153,636	\$ 319,855	\$ 68,843
	Roberts & Weddle	\$ 517,561	\$ 101,730	\$ 174,259	\$ 40,226
	Talan & Ktsanes	\$ 257,946	\$ 54,894	\$ 125,856	\$ 27,010
	Subtotal	\$ 1,500,466	\$ 310,260	\$ 619,970	\$ 136,079
EMS (22% Contingency Fee)	Arnold Scott Harris	\$ 1,308,349	\$ 287,360	\$ 831,109	\$ 185,511
	Subtotal	\$ 1,308,349	\$ 287,360	\$ 831,109	\$ 185,511
Cost Recovery (30% Contingency Fee)	Goldman & Grant	\$ 106,911	\$ 20,941	\$ 59,085	\$ 8,990
	Heller & Frisone	\$ 56,710	\$ 16,786	\$ 13,845	\$ 4,153
	Roberts & Weddle	\$ 374,524	\$ 27,212	\$ 166,511	\$ 40,124
	Markoff Law	\$ 325,773	\$ 3,751	\$ 34,340	\$ 8,700
	Subtotal	\$ 863,918	\$ 68,690	\$ 273,781	\$ 61,967
Total	\$ 137,921,480	\$ 27,466,826	\$ 76,918,993	\$ 15,479,878	

* For Administrative Hearings, Vehicle Violations and Building Inspection Fees, the collection costs are passed on to the debtor. The collection costs are added to the outstanding debt when referred to a collection firm and then collected from the individual debtors. The City pays the firms with the amount collected from the debtors.



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From: Erin Keane
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CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 26, 2018

Re: Request for Information from the Annual Appropriation Committee Hearing

ID#: 27-09 Parking Violations

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Hairston requested the top five parking violations issued on the Northside and Southside of the City. Madison Avenue was used as the general dividing line. For wards that cross Madison Avenue, a North/South designation was made based on where the majority of ward is located.

For the period 1/1/2018 through 6/30/2018, a total of 1,111,689 parking tickets were issued in the City. Of those, 681,044 (61%) were issued on the Northside and 431,645 (39%) were issued on the Southside. See the tables below for additional information on types of violations issued.

As always, please let me know if you have any further questions.

The top 5 violations issued on the Northside and the numbers of those tickets issued are as follows:

Violation	Number Issued
EXPIRED PLATE OR TEMPORARY REGISTRATION	95,792
EXP. METER NON-CENTRAL BUSINESS DISTRICT	95,616
EXPIRED METER CENTRAL BUSINESS DISTRICT	79,943
RESIDENTIAL PERMIT PARKING	63,259
STREET CLEANING	62,930

The top 5 violations issued on the Southside and the numbers of those tickets issued are as follows:

Violation	Number Issued
EXPIRED PLATE OR TEMPORARY REGISTRATION	91,042
NO CITY STICKER VEHICLE UNDER/EQUAL TO 16,000 LBS.	57,005
EXP. METER NON-CENTRAL BUSINESS DISTRICT	45,770
STREET CLEANING	41,291
RESIDENTIAL PERMIT PARKING	37,060



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Chief Financial Officer
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Mayor's Office of Legislative Counsel and Government Affairs

Date: October 25, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-10 The amount spent on professional service fees for bond deals

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman King asked for the amounts spent on professional services fees for bond deals.

Exhibit A displays the bond related fees, broken down by minority designation, paid to underwriters, financial, and legal advisors from the period of May 2011-2017.

As always, please let me know if you have any further questions.



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Chief Financial Officer
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CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 29, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-11 Amount of "True-Up" attributed to not increasing meter rates

The information provided is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Smith asked for the amount of the "true-up" paid by the City to Chicago Parking Meters ('CPM') that can be attributed to the City not increasing meter rates.

Per the Concession Agreement, the value of the meter system is to increase annually by the Consumer Price Index ('CPI') as measured in August of each year. If the City does not increase its meter rates by that percent each year, the City will be financially responsible for that value, which will be reflected in the annual "true-up."

The table below highlights the CPI for each reporting year since the contract was renegotiated.

Contract Reporting Year	2014	2015	2016	2017	2018
CPI	1.5%	1.7%	0.2%	1.1%	1.9%

When the 2018 reporting year closes, the "true-up" is estimated to be \$20M and approximately \$7.25M will be due to not increasing meter rates.

The CPI increase for next year will be 2.7%, which will put the amount of the "true-up" from not increasing meter rates at an estimated \$10.5M for 2019.



DEPARTMENT OF FINANCE
CITY OF CHICAGO

MEMORANDUM

To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Erin Keane
City Comptroller

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 26, 2018

Re: Request for Information from the Annual Appropriation Committee Hearing

ID#: 27-12 Booting

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Hairston asked for an explanation of how booters are deployed throughout the City. There are a total of 30 boot zones in the city, which are equally divided between the north and south regions with Madison Avenue as the dividing line (see Attachment 1). In order to promote equitable enforcement, the booters alternate enforcement of the North and South zones each week. For example, please see below for assignments in the month of June 2018:

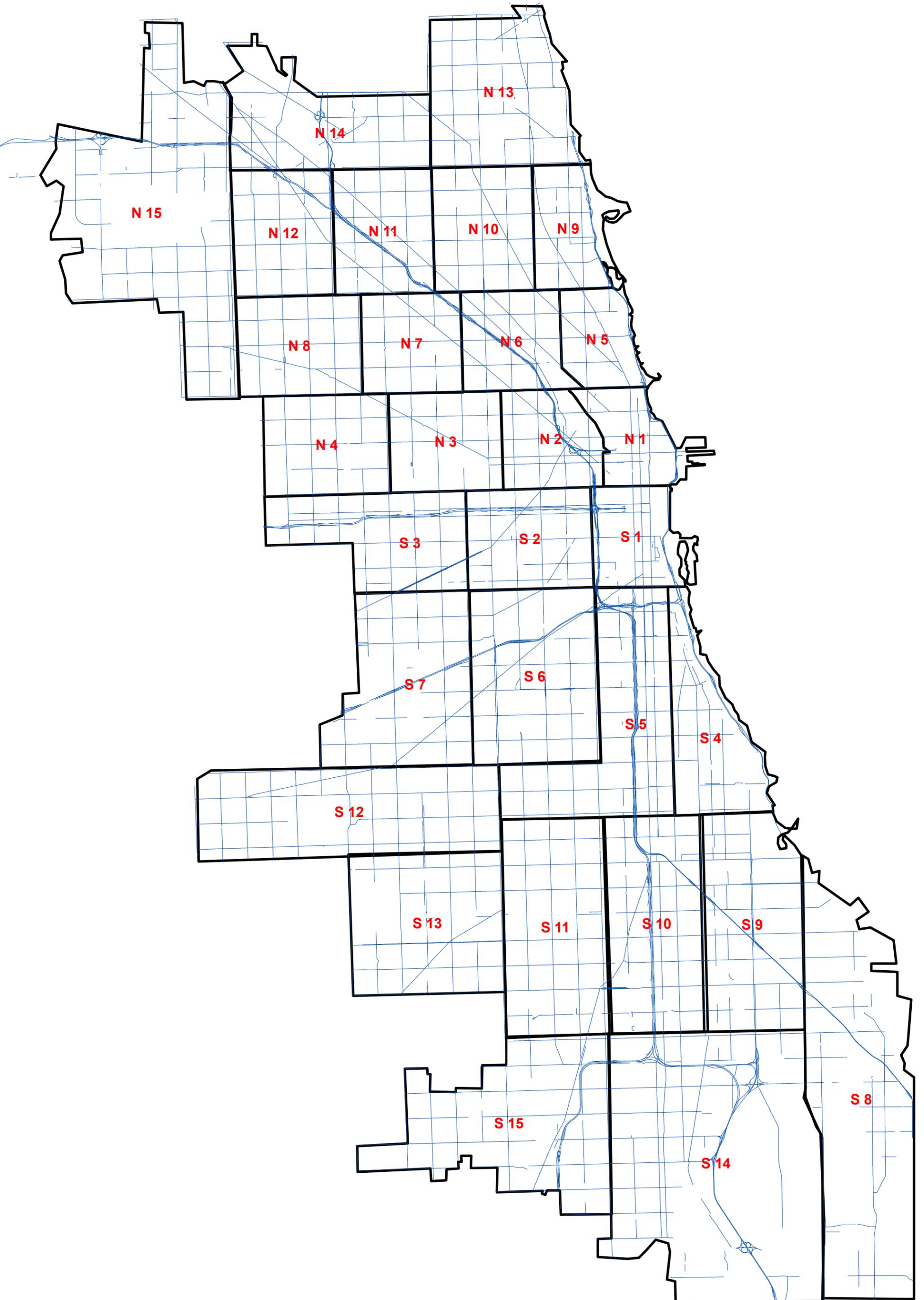
**Booters Schedule for June
2018**

Week of Assignment	Zones
June 4th	South
June 11th	North
June 18th	South
June 25th	North

Each day of the week, booters enforce all 15 zones in either the North or South region on a rotating basis. In addition, in collaboration with OEMC and CPD, booters are deployed to special events such as the Chicago Marathon and Lollapalooza.

As always, please let me know if you have any further questions.

Department of Finance 30 Boot Zones Map





DEPARTMENT OF FINANCE
CITY OF CHICAGO

MEMORANDUM

To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Carole Brown
Chief Financial Officer
Office of the Mayor

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 29, 2018

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 27-13 Modify Parking App for payment adjustment capabilities

The information below is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Hairston requested the City to investigate the possibility of modifying the ParkChicago™ app to allow parkers to move their vehicles from one zone to another zone and continue their paid parking session.

This is known as "portability" and the functionality currently exists in the app. A parker may "port" their parking session from one meter to another as long as they subsequently park at a meter with the same or lower hourly rate. For example, a parker can move from a \$4 zone to another \$4 zone or \$2 zone. However, parkers will be required to start a new session if the new space is in a zone with a higher hourly rate. For example, a parker moving from a \$2 zone to a \$4 zone will be required to start a new session.

It should also be noted that if a parker wants to extend a session and is in a new rate zone, he/she will only be able to extend the session at the rate at which the session started. If the driver has moved to a lower rate zone and wishes to continue parking after the original session expires, he/she would have to start a new session at the lower rate to continue parking. Any changes to the current functionality would require significant development work and would come at a cost to the City.



DEPARTMENT OF FINANCE
CITY OF CHICAGO

MEMORANDUM

To: The Honorable Carrie M. Austin
Chairman, Committee on the Budget and Government Operations

From: Erin Keane
City Comptroller

CC: Deanne Millison
Mayor's Office of Legislative Counsel and Government Affairs

Date: October 26, 2018

Re: Request for Information from the Annual Appropriation Committee Hearing

ID#: 27-14 Workers Compensation

The following information is in response to questions posed at our department's hearing on October 22, 2018 to discuss the proposed 2019 budget.

Alderman Hopkins asked for a copy of the scope of services for the worker's compensation audit.

Please see the attached Deloitte engagement letter and the Aon Task Order Approval form, which states Aon's scope of service.

As always, please let me know if you have any further questions.

Task Order Approval Form

General Information	New Task Order <input checked="" type="checkbox"/>	Supplemental Task Order <input type="checkbox"/>	Directed <input type="checkbox"/>	Target Market <input type="checkbox"/>	
	User Department:	Finance			
	Contact Name:	Kevin Reichart			
	Phone Number:	4-3337	Email:	kevin.reichart@cityofchicago.org	

DOIT Approval	If Task Order Request is an Information Technology project, Department of Innovation and Technology (DoIT) review and approval required.	Reviewed By the Department of Innovation & Technology: <i>Name/Date/Signature</i>	
		DoIT Reviewer: _____	
		Contract Coordinator: _____	
		Approved By: _____ <i>CIO: Signature /Date</i>	

Task Order Number ¹ : 18132-27-TSK-00518		Release Number:	Contract (PO) Number: 18132
Contract Description:	Financial Services: Management Consulting, Actuarial Benefits Consulting		
Task Order Description:	"Actuarial Services for Worker's Compensation Liability"		
Scope of Services <i>(attach additional sheets if necessary)</i>	Actuarial services for an analysis for the City related to worker's compensation including an actuarially-determined estimate for the City's estimated reserve loss for worker's compensation.		

Task Order Solicitation Information² (Select One)	Contract		Task Order		
	Start Date	End Date	Start Date	End Date	
	<input checked="" type="checkbox"/> Competitive to Entire Vendor Pool	1/1/2008	1/31/19	Upon CPO Approval	12/28/18
	<input type="checkbox"/> Competitive Through a Rotation Process	Funding: 018.0100.0994427.0142.220000.0000.00000000.000000.00000.0000			
	<input type="checkbox"/> Directed (No Solicitation to Vendor Pool)	Task Order Estimated Cost: \$43,200.00			
	<input type="checkbox"/> Supplemental (Modification to Existing Task Order)	MBE/WBE or DBE Commitments Attach Schedule C-3s, D-3, Certification Letters		MBE %	16.90
<input type="checkbox"/> Task Order Clause in Contract, Not an MCA	WBE %			4.50	
	DBE %				

Vendor Information			
Vendor Name:	Aon Consulting, Inc.		
Vendor Address:	200 E. Randolph Street, 9th Floor		
City, State, Zip	Chicago	IL	60601
Contact Person:	John George		
Phone Number	312-381-5408	Email Address	john.george1@aon.com

User Department	
Reviewed By:	<i>Kevin Reichart</i>
Department Project Manager	2/26/18 Date
Department Deputy Commissioner	<i>David Hendry</i> Date
Recommended By:	<i>Kevin Reichart</i>
Department Commissioner	2/27/18 Date

Department of Procurement Services	
Reviewed By:	<i>[Signature]</i>
Compliance	MAR 08 2018 Date
DPS Unit Manager	<i>[Signature]</i> Date
Approved By:	<i>[Signature]</i>
Chief Procurement Officer	MAR 08 2018 Date

¹ Attach Task Order Review Checklist (TORC) Form
² Submit completed Pre-Approval Application for Non- Competitive (Directed) Task Order signed by CPO



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Fax: +1 312 486 1486
www.deloitte.com

February 6, 2018

Ms. Erin Keane
Comptroller
City of Chicago
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602

Dear Ms. Keane:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for the City of Chicago, Illinois (the "City" or "you" or "your"). Mr. Allen B. Truesdell will be responsible for the services that we perform for the City hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the City on issues as they arise throughout the year. Hence, we hope that you will call Mr. Truesdell whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements and Other Reporting

Our engagement is to perform an audit in accordance with (1) auditing standards generally accepted in the United States of America ("generally accepted auditing standards"), and (2) the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("generally accepted government auditing standards") (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the "Auditing Standards"). The objectives of an audit conducted in accordance with the Auditing Standards are to:

- Express an opinion on whether each opinion unit of the City's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ended December 31, 2017 (the "financial statements") and the financial statements listed in Appendix A, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), and perform specified procedures on the required supplementary information for the year ended December 31, 2017.
- Report on the City's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2017, based on an audit of financial statements performed in accordance with generally accepted government auditing standards.

Appendix B contains a description of the auditor's responsibilities and the scope of an audit in accordance with the Auditing Standards.

Compliance with Contractual Agreements

In connection with our audit of the City's financial statements contemplated by this engagement letter, management has requested that we report on the City's compliance with certain terms, covenants, provisions, or conditions ("Agreement Terms") listed in Appendix F, insofar as such Agreement Terms relate to accounting matters, as described in American Institute of Certified Public Accountants (AICPA) AU-C 806, *Reporting on Compliance with Aspects of Contractual Agreements or Regulatory Requirements in Connection with Audited Financial Statements* ("Negative Assurance Report"). During the course of our audit, management may request that we report on the City's compliance with Agreement Terms of additional agreements. If we agree to report on the City's compliance with such additional Agreement Terms and issue related Negative Assurance Reports, such reports, and our issuance of such reports, shall be subject to the terms and conditions set forth herein and in the accompanying appendices.

The objective of a Negative Assurance Report is to report on whether, in connection with our audit of the City's financial statements, any matters have come to our attention in the course of our audit procedures that caused us to believe that the City failed to comply with the Agreement Terms insofar as they relate to the City's accounting matters. The objective of a Negative Assurance Report is not to express an opinion on the City's compliance with any Agreement Terms or any other matters. Our audit will not be directed primarily toward obtaining knowledge of the City's compliance or noncompliance with any Agreement Terms insofar as they relate to the City's accounting matters. We will not provide any Negative Assurance Report with respect to Agreement Terms that relate to matters that have not been subjected to the audit procedures performed as part of our audit.

The use of any Negative Assurance Report issued by D&T hereunder will be restricted to the City and the respective parties expressly identified in such report as recipients of such report (each a "Recipient"). Accordingly, the City agrees that such report will not be distributed to anyone other than the Recipients.

D&T Reports

We expect to issue written reports upon the completion of our audit. Our ability to express any opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our reports. If, for any reason, we are unable to complete our audit or are unable to form or have not formed any opinion, we may decline to express any opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the City's Committee on Finance (the "Finance Committee") and the City's management.

Management's Responsibilities

Appendix C describes management's responsibilities.

Communications with Finance Committee

Appendix D describes various matters that we are required by the Auditing Standards to communicate with the Finance Committee and management.

Fees

Appendix A discusses professional fees covered by the scope of this engagement letter.

Access to Working Papers by Regulators

We may be requested or required by a regulator of the City, including but not limited to a federal agency, the Comptroller General of the United States, or representatives of the United States Government Accountability Office (GAO) (each, a "Regulator") to provide access to working papers related to this engagement. In the event of any such request or requirement, we will notify you prior to providing such access unless applicable law or regulation prohibits such notice. The working papers for this engagement are the property of D&T and constitute D&T's confidential information. We may request confidential treatment of our working papers. Access to our working papers will be provided under the supervision of D&T's personnel and upon request we may provide copies of working papers to a Regulator. The City hereby consents, where consent is required, to D&T providing access to working papers and copies thereof to a Regulator. The working papers related to this engagement will be retained by us for a minimum of three years from the dates of the reports issued, or such longer period as required to satisfy legal and administrative requirements.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the City intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the City agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The City also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the City. Any request by the City to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the City and D&T.

Other Services

D&T's engagement to perform other services required by the Department of Aviation and for other attest services for the Office of the City Treasurer, as requested by management, will be described in separate engagement letters.

* * * * *

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the City request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through J attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Deloitte & Touche LLP

Acknowledged and approved to by:
City of Chicago, Illinois

By: *Gunkle*

Title: *City Comptroller*

Date: *2/20/2018*

cc: Committee on Finance of City of Chicago, Illinois

REPORTS TO BE ISSUED AND PROFESSIONAL FEES

This Appendix A is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

Reports to Be Issued

Our audit will be designed to issue separate reports as of and for the year ended December 31, 2017, for the following:

1. City of Chicago Basic Financial Statements
2. City of Chicago Comprehensive Annual Financial Report
3. O'Hare Fund Basic Financial Statements
4. O'Hare Fund Comprehensive Annual Financial Report
5. Midway Fund Basic Financial Statements
6. Midway Fund Comprehensive Annual Financial Report
7. Water Fund Basic Financial Statements
8. Water Fund Comprehensive Annual Financial Report
9. Water Fund Debt Compliance Letter
10. Sewer Fund Basic Financial Statements
11. Sewer Fund Comprehensive Annual Financial Report
12. Sewer Fund Debt Compliance Letter
13. Chicago Public Library Special-Purpose Balance Sheet and Special-Purpose Schedule of Program Revenues and Expenditures for Federal and State Funds
14. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Professional Fees

Our fiscal year 2017 audit fees, including expenses, will be \$2,253,225.

Separate engagement letters for additional services required by the Department of Aviation will be delivered to the City in the amount of \$157,325. These billings are not included in our base audit fees above.

D&T will charge \$10,000 for our services related to each City debt offering, and these invoices will be billed separately at the time of such transactions. These billings are not included in our base audit fees above.

Separate engagement letters for attest services for the Office of the City Treasurer will be delivered to the City Treasurer in the amount of \$92,000. However, these billings are included in our base audit fees above.

Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
March 1, 2018	\$ 250,000
April 1, 2018	500,000
April 15, 2018	92,000
May 1, 2018	750,000
June 1, 2018	661,225
Total	<u>\$ 2,253,225</u>

We anticipate sending invoices according to the schedule above, and payments are payable in full upon presentation. Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. To the extent that certain circumstances, as listed in Appendix E, arise during this engagement, our fee estimate also may be significantly affected and additional fees may be necessary. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Additional services provided beyond the described scope of the services described herein will be billed separately.

AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH THE AUDITING STANDARDS

This Appendix B is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

Auditor's Responsibilities

Our responsibilities under the Auditing Standards include forming and expressing opinions and reporting on certain matters as described in the *Audit of Financial Statements and Other Reporting* section of this engagement letter. The audit of the financial statements and our reporting on other matters do not relieve management or the Finance Committee of their responsibilities.

Scope of an Audit and Other Reporting

The Auditing Standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether each opinion unit of the financial statements are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit also includes tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, our objective is not to provide an opinion on compliance with those provisions, and accordingly, we will not express such an opinion.

As part of the audit, we will be alert to situations or transactions that could be indicative of abuse as defined by generally accepted government auditing standards, which involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. The determination of abuse is subjective; generally accepted government auditing standards do not require us to provide reasonable assurance of detecting abuse, and we will not design the audit to detect abuse. However, if we become aware of abuse that could be quantitatively or qualitatively material to the financial statements, we will apply procedures specifically directed to ascertain the potential effect on the financial statements or other financial data significant to the audit objectives. Under generally accepted government auditing standards, we may be required to directly report known or likely fraud,

noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse to outside parties.

Generally accepted accounting principles provide for certain required supplementary information (RSI), such as a management's discussion and analysis, schedule of other postemployment benefits funding progress, schedule of changes in net pension liability and related ratios, and schedule of contributions, to accompany the City's financial statements. As part of the audit, we will apply certain limited procedures to the City's RSI, which will consist principally of inquiries of management about the methods of preparing the information. We will disclaim an opinion on the RSI, unless (1) some of the RSI is omitted, (2) the measurement or presentation of the RSI departs materially from the prescribed guidelines, or (3) we have unresolved doubts about whether the RSI is measured or presented in accordance with prescribed guidelines.

Supplementary information other than RSI, such as the combining and individual fund statements and statistical information in the Comprehensive Annual Financial Report, also accompany the City's financial statements. We will subject supplementary information that is financially oriented to the audit procedures applied in the audit of the financial statements and express an opinion on whether such information is fairly stated, in all material respects, in relation to the City's financial statements as a whole. We will disclaim an opinion on supplementary information that comprises nonaccounting information or accounting information that is not directly related to the financial statements, including the transmittal letter and statistical section of the Comprehensive Annual Financial Report.

MANAGEMENT'S RESPONSIBILITIES

This Appendix C is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

Financial Statements, Internal Control, and Compliance

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with generally accepted accounting principles and all accompanying information in accordance with prescribed guidelines or applicable criteria. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to (1) the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and (2) compliance with laws, regulations, and provisions of contracts or grant agreements
- Identifying and ensuring that the City complies with the laws and regulations applicable to its activities and the provisions of contracts or grant agreements, and informing us of all instances of identified or suspected fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and all accompanying supplementary information, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the City from whom we determine it necessary to obtain audit evidence
- Taking timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report
- Having a process to track the status of audit findings and recommendations
- Identifying for us previous audits, attestation engagements, and other studies related to the objectives of our audit and whether related recommendations have been implemented.

Management is also responsible for (1) preparing supplementary information other than RSI, such as the combining and individual fund statements and statistical information in accordance with the applicable criteria, (2) including our report on the supplementary information in any document that contains such information and that indicates that D&T has reported on such information, and (3) presenting the supplementary information with the City's audited financial statements.

Management's Representations

We will make specific inquiries of the City's management about the representations (1) embodied in the financial statements and accompanying information, (2) regarding the effectiveness of internal control, and (3) regarding the City's compliance with laws, regulations, and the provisions of contracts and grant agreements. In addition, we will request that management provide us with the written representations the City is required to provide to its independent auditors under the Auditing Standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the City's financial statements and reporting on accompanying information. Because of the importance of management's representations, the City acknowledges that the professional standards governing our audit relationship include, among other things, American Institute of Certified Public Accountants' (AICPA's) Interpretation 101-1-A, Interpretation 101-1-B, and AU-C Section 580.

Independence Matters

In connection with our engagement, D&T, management, and the Finance Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the City is an attest client. Management of the City will ensure that the City, together with its subsidiaries and other entities that comprise the City for purposes of the consolidated financial statements, has policies and procedures in place for the purpose of ensuring that neither the City nor any such subsidiary or other entity will act to engage D&T or accept from D&T any service that under AICPA, generally accepted government auditing standards, or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Truesdell.

In connection with the foregoing paragraph, the City agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the City's affiliates, as defined in AICPA *Code of Professional Conduct* Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("City Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Management of the City will ensure that the City, together with its subsidiaries and other entities that comprise the City for purposes of the consolidated financial statements, also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA *Code of Professional Conduct*, generally accepted government auditing standards, or other applicable independence rules. Any employment opportunities with the City for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Truesdell before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

Debt Security Issuances

The City agrees to furnish to D&T and keep D&T updated with respect to any debt securities of the City and City Affiliates (including, without limitation, tax-advantaged debt of such entities that is issued through governmental authorities) that are registered, issued, listed, or traded outside of the United States (whether through stock, bond, commodity, futures or similar markets, or equity, debt, or any other securities offerings), together with related securities identification information (e.g., ticker symbols or CUSIP[®], ISIN[®], or Sedol[®] numbers). The City acknowledges and consents that such information may be treated by D&T as being in the public domain.

For purposes of the preceding sections entitled “Independence Matters” and Debt Security Issuances”, “D&T” shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms; and, in all cases, any successor or assignee.

COMMUNICATIONS WITH FINANCE COMMITTEE

This Appendix D is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

We are responsible for communicating with the Finance Committee significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Finance Committee in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Finance Committee any fraud we identify or suspect that involves (1) management, (2) employees of the City who have significant roles in internal control, or (3) other employees of the City when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Finance Committee any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Finance Committee, unless otherwise directed by the Finance Committee.

In addition, as required by generally accepted government auditing standards, our report on the City's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will include any findings of material noncompliance of such provisions, fraud, and material abuse that we have identified during our audit.

We will also communicate, in writing, to management and the Finance Committee any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

We are not required to design procedures for the purpose of identifying other matters to communicate with the Finance Committee. However, we will communicate to the Finance Committee matters required by the Auditing Standards.

We may also communicate to management and the Finance Committee on internal control, compliance, or other matters we observe and possible ways to improve the City's operational efficiency and effectiveness or otherwise improve its internal control or other policies and procedures.

CIRCUMSTANCES AFFECTING TIMING AND FEE ESTIMATE

This Appendix E is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

The fees quoted for the engagement are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates or our fee estimate. As a result, changes to the fees may be necessary. Such circumstances include but are not limited to the following:

Facilitation of the Engagement

1. Changes to the timing of the engagement at the City's request. Changes to the timing of the engagement usually require reassignment of personnel used by D&T in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, D&T may incur significant unanticipated costs.
2. All requested information is not (a) provided by the City on the date requested, (b) completed in a format acceptable to D&T, (c) mathematically correct, or (d) in agreement with the appropriate City records (e.g., general ledger accounts, completed trial balance). D&T will provide the City with a separate listing of required schedules, information requests, and the dates such items are needed.
3. Significant delays in responding to our requests for information, such as reconciling variances, providing requested supporting documentation (e.g., invoices, contracts, and other documents), or responding to our inquiries of City management.
4. Deterioration in the quality of the City's accounting records during the current-year engagement in comparison with the prior-year engagement.
5. A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the City's personnel.
6. Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the City's personnel.
7. Electronic files in an appropriate format and containing the information requested are not provided by the City on the date requested for our use in performing file interrogation. D&T will provide the City with a separate listing of the required files and the dates the files are needed.
8. The engagement team, while performing work on the City's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

Significant Issues or Changes

9. Significant deficiencies or material weaknesses in the design or operating effectiveness of the City's internal control over financial reporting are identified during our audit that result in an expansion of our audit procedures on the related financial statement accounts.

10. A significant level of proposed audit adjustments is identified during our engagement.
11. A significant number of drafts of the financial statements are submitted for our review, or we identify a significant level of deficiencies in the draft financial statements.
12. Significant new issues or changes as follows:
 - a. Significant new accounting issues.
 - b. Significant changes in accounting policies or practices from those used in prior years.
 - c. Significant events or transactions not contemplated in our budget.
 - d. Significant changes in the City's financial reporting process or Information Technology systems.
 - e. Significant changes in the City's accounting personnel, their responsibilities, or their availability.
 - f. Significant changes in auditing standards.
 - g. Significant changes in the City's use of specialists, or the specialists or their work product does not meet the qualifications required by generally accepted auditing standards and generally accepted government auditing standards for our reliance upon their work.
13. Changes in audit scope caused by events that are beyond our control.

Payment for Services Rendered

14. Without limiting its rights or remedies, D&T may halt or terminate its services entirely if payment is not received within 30 days of the date of the invoice.

APPENDIX F

COMPLIANCE WITH CONTRACTUAL AGREEMENTS

This Appendix F is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

Sewer Fund

Agreement Description	Ordinance Date	Section Numbers
Wastewater Transmission Revenue Bonds relating to the Refunding Series Bond Ordinance	March 8, 1993	Article V, Sections 502, 505, 507, 508
Wastewater Transmission Revenue Bonds relating to the 1998A Refunding Series, Second Lien 1998B Series, Second Lien 200 Series, and Second Lien 2001 Series Bond Ordinances	October 31, 2001	Part B, Article V, Sections 5.2, 5.5, 5.7, 5.8

Water Fund

Agreement Description	Ordinance Date	Section Numbers
Water Revenue Bonds, relating to the 1992 Refunding Series, and 1995 Series Bond Ordinances	November 8, 1995	Article V, Sections 502, 505, 506, 508, and 509
Water Revenue Bonds relating to the 1997 Series, the 2004 Second Lien Revenue Bonds, and the 2008 Second Lien Revenue Project and Refunding Bond Ordinances	May 26, 2004	Part B, Article V, Sections 5.02, 5.05, 5.06, 5.08 and 5.09
Water Revenue Bonds relating to the 2000 Senior and Second Lien Series and 2001 Senior and Second Lien Refunding Bond Ordinances	March 7, 2001	Part B, Article V, Sections 502, 503, 505, 506, 508 and 509
Water Revenue Bonds relating to the 2006 Senior Lien Project and Refunding Bond Ordinances	June 28, 2006	Part B, Article V, Sections 5.02, 5.03, 5.05, 5.06, 5.08, and 5.09

BUSINESS ASSOCIATE APPENDIX

This Appendix G is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

If and to the extent, and so long as, required by HIPAA or HITECH (each as defined below), and not otherwise, D&T and the City hereby agree to the following in connection with D&T's performance of services under the engagement letter to which this Business Associate Appendix is attached (such engagement letter, the "Engagement Letter," together with this Business Associate Appendix and all other attachments, appendices, and exhibits to the Engagement Letter, this "Agreement").

- (A) Unless otherwise specified in this Business Associate Appendix, all capitalized terms used in this Business Associate Appendix shall have the meanings established for purposes of HIPAA or HITECH, as applicable. Specific statutory or regulatory citations used in this Business Associate Appendix shall mean such citations as amended and in effect from time to time.
1. "Compliance Date" shall mean, with respect to any applicable provision in this Business Associate Appendix, the later of the date by which compliance with such provision is required under HITECH and the effective date of this Agreement.
 2. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in electronic media.
 3. "HIPAA" shall mean the Health Insurance Portability and Accountability Act, 42 U.S.C. §§ 1320d through 1320d-8, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.
 4. "HITECH" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.
 5. "Protected Health Information" shall mean the term as defined in 45 C.F.R. § 160.103, and is limited to the Protected Health Information received from, or received or created on behalf of, the City by D&T pursuant to performance of the Services.
 6. "Privacy Rule" shall mean the federal privacy regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and E).
 7. "Security Rule" shall mean the federal security regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and C).
 8. "Services" shall have the meaning set forth in the attached engagement letter, and, if not therein defined, shall mean the services described in the Engagement Letter to be performed by D&T for the City.

9. "Unsecured Protected Health Information" shall mean Protected Health Information that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of a technology or methodology specified by the Secretary in the regulations or guidance issued pursuant to 42 U.S.C. § 17932(h)(2).

(B) With regard to D&T's use and disclosure of Protected Health Information:

1. D&T may use and disclose Protected Health Information as reasonably required or contemplated in connection with the performance of the Services, excluding the use or further disclosure of Protected Health Information in a manner that would violate the requirements of the Privacy Rule, if done by the City. Notwithstanding the foregoing, D&T may use and disclose Protected Health Information for the proper management and administration of D&T as provided in 45 C.F.R. § 164.504(e)(4).
2. D&T will not use or further disclose Protected Health Information other than as permitted or required by this Business Associate Appendix, and in compliance with each applicable requirement of 45 C.F.R. § 164.504(e), or as otherwise Required by Law.
3. D&T will implement and use appropriate administrative, physical, and technical safeguards to (i) prevent use or disclosure of Protected Health Information other than as permitted or required by this Business Associate Appendix; (ii) reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that D&T creates, receives, maintains, or transmits on behalf of the City; and (iii) comply with the Security Rule with respect to Electronic Protected Health Information.
4. D&T will, without unreasonable delay, report to the City (i) any use or disclosure of Protected Health Information not provided for by this Business Associate Appendix of which it becomes aware in accordance with 45 C.F.R. § 164.504(e)(2)(ii)(C); and/or (ii) any Security Incident affecting Electronic Protected Health Information of which D&T becomes aware in accordance with 45 C.F.R. § 164.314(a)(2)(C).
5. D&T will, without unreasonable delay, and in any event no later than sixty (60) calendar days after Discovery, notify the City of any Breach of Unsecured Protected Health Information. The notification shall include, to the extent possible (and subsequently as the information becomes available), the identification of all individuals whose Unsecured Protected Health Information is reasonably believed by D&T to have been Breached along with any other available information that is required to be included in the notification to the Individual, the Secretary, and/or the media, all in accordance with the data breach notification requirements set forth in 42 U.S.C. § 17932 and 45 C.F.R. Parts 160 and 164 (Subparts A, D, and E).
6. D&T will ensure that any subcontractors or agents to whom D&T provides Protected Health Information agree in writing to the same restrictions and conditions that apply to D&T with respect to such Protected Health Information. To the extent that D&T provides Electronic Protected Health Information to a subcontractor or agent, it will require the subcontractor or agent to implement reasonable and appropriate safeguards to protect the Electronic Protected Health Information consistent with the requirements of this Business Associate Appendix.
7. D&T will, to the extent that Protected Health Information in D&T's possession constitutes a Designated Record Set, make available such Protected Health Information to the City to permit the City to respond to a request by an Individual in accordance with 45 C.F.R. § 164.524.

8. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will provide an electronic copy of such Protected Health Information to the City to permit the City to respond to a request by an Individual in accordance with 42 U.S.C. § 17935(e).
 9. D&T will, to the extent that Protected Health Information in D&T's possession constitutes a Designated Record Set, make available to the City such Protected Health Information for amendment and incorporate any amendments to such information as directed by the City, all in accordance with 45 C.F.R. § 164.526.
 10. D&T will document and make available to the City the information required to provide an accounting of disclosures of Protected Health Information, in accordance with 45 C.F.R. § 164.528.
 11. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will make available to the City the information required to provide an accounting of disclosures of such Protected Health Information in accordance with the requirements for accounting of disclosures made through an Electronic Health Record in 42 U.S.C. § 17935(c).
 12. D&T will make its internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary for purposes of determining the City's and D&T's compliance with the Privacy Rule.
 13. D&T will limit any request, use or disclosure by D&T of Protected Health Information, to the extent practicable, to the Limited Data Set of such Protected Health Information (as defined in 45 C.F.R. § 164.514(e)(2)), or, if the request, use or disclosure by D&T of Protected Health Information, not in a Limited Data Set, is necessary for D&T's performance of the Services, D&T will limit the amount of such Protected Health Information requested, used or disclosed by D&T to the minimum necessary to accomplish the intended purpose of such request, use or disclosure, respectively; provided, however, that the requirements set forth above in this subsection (13) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(1)(B)) on and after its Compliance Date.
- (C) In addition to any other obligation set forth in this Agreement, including this Business Associate Appendix, the City agrees that it will: (1) not make any disclosure of Protected Health Information to D&T if such disclosure would violate HIPAA, HITECH, or any applicable federal or state law or regulation; (2) not request D&T to use or make any disclosure of Protected Health Information in any manner that would not be permissible under HIPAA, HITECH, or any applicable federal or state law or regulation if such use or disclosure were done by the City; and (3) limit any disclosure of Protected Health Information to D&T, to the extent practicable, to the Limited Data Set of such Protected Health Information, or, if the disclosure of Protected Health Information that is not in a Limited Data Set is necessary for D&T's performance of the Services, to limit the disclosure of such Protected Health Information to the minimum necessary to accomplish the intended purpose of such disclosure, provided, however, that the requirements set forth above in this subsection (3) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(1)(B)) on and after its Compliance Date.

- (D) If either the City or D&T knows of either a violation of a material term of this Business Associate Appendix by the other party or a pattern of activity or practice of the other party that constitutes a material breach or violation of this Business Associate Appendix, the non-breaching party will provide written notice of the breach or violation to the other party that specifies the nature of the breach or violation. In the event that the breaching party does not cure the breach or end the violation on or before thirty (30) days after receipt of the written notice, the non-breaching party may, if feasible, terminate this Agreement.
- (E) D&T will, at termination of this Agreement, if feasible, return or destroy all Protected Health Information that D&T still maintains in any form and retain no copies of Protected Health Information or, if such return or destruction is not feasible (such as in the event that the retention of Protected Health Information is required for archival purposes to evidence the Services), D&T may retain such Protected Health Information and shall thereupon extend the protections of this Business Associate Appendix to such Protected Health Information and limit further uses and disclosures to those purposes that make the return or destruction of such Protected Health Information infeasible.
- (F) Any other provision of this Agreement that is directly contradictory to one or more terms of this Business Associate Appendix shall be superseded by the terms of this Business Associate Appendix to the extent and only to the extent of the contradiction and only for the purpose of the City's and D&T's compliance with HIPAA and HITECH. The terms of this Business Associate Appendix, to the extent they are unclear, shall be construed to allow for compliance by the City and D&T with HIPAA and HITECH.
- (G) Nothing contained in this Business Associate Appendix is intended to confer upon any person (other than the parties hereto) any rights, benefits, or remedies of any kind or character whatsoever, whether in contract, statute, tort (such as negligence), or otherwise, and no person shall be deemed a third-party beneficiary under or by reason of this Business Associate Appendix.
- (H) Nothing contained in this Business Associate Appendix shall be interpreted to mean that D&T will create or transmit Protected Health Information on behalf of the City. Furthermore, D&T shall not carry out any of the City's obligations under the Privacy Rule.

GENERAL BUSINESS TERMS

This Appendix H is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the City or the Finance Committee.
2. Survival. The agreements and undertakings of the City contained in the engagement letter will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The City hereby consents to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed. In addition, the City also hereby consents to the use by D&T of subcontractors as listed on Schedule D-1 Affidavit of MBE/VBE Goal Implementation Plan, which may be located outside of the United States, as a subcontractor in connection with this engagement; professional services performed hereunder by subcontractors and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the City, D&T shall not disclose such information to any third party without the City's consent, using at least the same degree of care as its employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. If D&T is requested or required to disclose confidential information in response to governmental inquires or in accordance with professional standards or rules, D&T will receive the City's consent, which will not be unreasonably withheld, prior to such disclosure. The City hereby consents to D&T disclosing such information (1) as may be required by law or regulation, or ; (2) in connection with litigation or arbitration pertaining hereto, provided that, to the extent not prohibited by law or regulation, D&T must first provide notice to the City with the understanding that the City will have the opportunity to contest such disclosure by any means available in order to provide the City with the opportunity to contest such requirement before the information is submitted to a court or other third party and in the event the City waives such right or is unable to contest such requirement, D&T will use reasonable efforts to request confidential treatment of any information disclosed; (3) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T reasonably believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (4) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of the United States, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.

7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix I and made a part hereof.

DISPUTE RESOLUTION PROVISION

This Appendix I is part of the engagement letter dated February 6, 2018, between Deloitte & Touche LLP and the City of Chicago, Illinois.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution (“CPR”), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in New York, New York. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the “Rules”).

The arbitration shall be conducted before a panel of three arbitrators. Each of the City and Deloitte & Touche LLP shall designate one arbitrator in accordance with the “screened” appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of New York (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party’s actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators’ award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

ADDITIONAL PROVISIONS

This Appendix J, to the extent applicable to Contractor, its subcontractors, and their respective personnel in the performance of services under this Agreement, is part of the engagement letter (the engagement letter, including its appendices, the “engagement letter” or “Agreement”) dated February 6, 2018, between Deloitte & Touche LLP (“Contractor”) and the City of Chicago, Illinois.

1. **Inspector General.** It is the duty of any bidder, proposer, contractor or consultant, all subcontractors, every applicant for certification of eligibility for a City contract or program, and all officers, directors, agents, partners and employees of any bidder, proposer, contractor, consultant, subcontractor or such applicant to cooperate with the Inspector General in any investigation or hearing undertaken pursuant to Chapter 2-56 of the Municipal Code of Chicago. Contractor understands and will abide by all provisions of Chapter 2-56 of the Municipal Code of Chicago. All subcontracts must inform subcontractors of this provision and require understanding and compliance with it.
2. **Business Relationships with Elected Officials.** Pursuant to MCC Sect. 2-156-030(b), it is illegal for any elected official, or any person acting at the direction of such official, to contact either orally or in writing any other City official or employee with respect to any matter involving any person with whom the elected official has any business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official, or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months. In addition, no elected official may participate in any discussion in any City Council committee hearing or in any City Council meeting or vote on any matter involving the person with whom the elected official has any business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official, or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months.

Violation of MCC Sect. 2-156-030 by any elected official with respect to this Agreement will be grounds for termination of this Agreement. The term “financial interest” is defined as set forth in MCC Chapter 2-156.

3. **Prohibitions on Certain Contributions, Mayoral Executive Order 2011-4.** No Contractor or any person or entity who directly or indirectly has an ownership or beneficial interest in Contractor of more than 7.5 percent (“Owners”), spouses and domestic partners of such Owners, Contractor’s subcontractors, any person or entity who directly or indirectly has an ownership or beneficial interest in any subcontractor of more than 7.5 percent (“Sub-owners”) and spouses and domestic partners of such Sub-owners (Contractor and all the other preceding classes of persons and entities are together, the “Identified Parties”), shall make a contribution of any amount to the Mayor of the City of Chicago (the “Mayor”) or to his political fundraising committee during
 - (i) the bid or other solicitation process for this Agreement or Other Contract, including while this Agreement or Other Contract is executory, (ii) the term of this Agreement or Other Contract between the City and Contractor, and/ or (iii) any period in which an extension of this Agreement or Other Contract with the City is being sought or negotiated.

Contractor represents and warrants that since the date of public advertisement of the specification, request for qualifications, request for proposals or request for information (or any combination of those requests) or, if not competitively procured, from the date the City approached the Contractor or the date the Contractor approached the City, as applicable, regarding the formulation of this Agreement, no Identified Parties have made a contribution of any amount to the Mayor or to his political fundraising committee.

Contractor agrees that it shall not: (a) coerce, compel or intimidate its employees to make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee; (b) reimburse its employees for a contribution of any amount made to the Mayor or to the Mayor's political fundraising committee; or (c) bundle or solicit others to bundle contributions to the Mayor or to his political fundraising committee.

The Identified Parties must not engage in any conduct whatsoever designed to intentionally violate this provision or Mayoral Executive Order No. 2011-4 or to entice, direct or solicit others to intentionally violate this provision or Order No. 2011-4.

Violation of, non-compliance with, misrepresentation with respect to, or breach of any covenant or warranty under this provision or violation of Mayoral Executive Order No. 2011-4 constitutes a breach and default under this Agreement, and under any Other Contract for which no opportunity to cure will be granted. Such breach and default entitles the City to all remedies (including without limitation termination for default) under this Agreement, under Other Contract, at law and in equity. This provision amends any Other Contract and supersedes any inconsistent provision contained therein.

If Contractor violates this provision or Mayoral Executive Order No. 2011-4 prior to award of the Agreement resulting from a specification or request for proposal, the Chief Procurement Officer may reject Contractor's bid or proposal.

For purposes of this provision:

"Bundle" means to collect contributions from more than one source which are then delivered by one person to the Mayor or to his political fundraising committee.

"Other Contract" means any agreement entered into between the Contractor and the City of Chicago that is (i) formed under the authority of chapter 2-92 of the Municipal Code of Chicago; (ii) entered into for the purchase, sale or lease of real or personal property; or (iii) for materials, supplies, equipment or services which are approved or authorized by the City Council.

"Contribution" means a "political contribution" as defined in Chapter 2-156 of the Municipal Code of Chicago, as amended.

"Political fundraising committee" means a "political fundraising committee" as defined in Chapter 2-156 of the Municipal code of Chicago, as amended.

4. Ethics.

A. In addition to the foregoing warranties and representations, Contractor warrants:

- i. no officer, agent or employee of the City is employed by Contractor or has a financial interest directly or indirectly in this Agreement or the compensation to be paid under this Agreement except as may be permitted in writing by the Board of Ethics established under the Municipal Code of Chicago (Chapter 2-156).
- ii. no payment, gratuity or offer of employment will be made in connection with this Agreement by or on behalf of any subcontractors to the Contractor or higher tier subcontractors or anyone associated with them, as an inducement for the award of a subcontract or order.

B. Contractor must comply with Chapter 2-156 of the Municipal Code to the extent applicable to Contractor in performance of the services hereunder. Contractor acknowledges that any agreement entered into, negotiated or performed in violation of any of the provisions of Chapter 2-156, including any contract entered into with any person who has retained or employed a non-registered lobbyist in violation of Section 2-156-305 of the Municipal Code, is voidable as pursuant to the Municipal Code.

5. Wages.

To the extent applicable to Contractor by operation of the terms of the respective laws or order, Contractor must pay the highest of (1) prevailing wage/Davis-Bacon rate, if applicable; (2) minimum wage specified by Mayoral Executive Order 2014-4; "Living Wage" rate specified by MCC Sect. 2-92-610; (3) Chicago Minimum Wage rate specified by MCC Chapter 1-24, or (4) the highest applicable State or Federal minimum wage.

A. **Minimum Wage, Mayoral Executive Order 2014-1**

Mayoral Executive Order 2014-1 provides for a fair and adequate Minimum Wage to be paid to employees of City contractors and subcontractors performing work on City contracts.

If this contract was advertised on or after October 1, 2014, Contractor must comply with Mayoral Executive Order 2014-1 and any applicable regulations issued by the CPO. The Minimum Wage to be paid pursuant to the Order as of July 1, 2017 is **\$13.45 per hour**. The Minimum Wage must be paid to:

- All employees performing work under a City Contract, as defined by the Order.

Beginning on July 1, 2015, and every July 1 thereafter, the hourly wage specified by the Executive Order shall increase in proportion to the increase, if any, in the Consumer Price Index for All Urban Consumers most recently published by the Bureau of Labor Statistics of the United States Department of Labor. Any hourly wage increase shall be rounded up to the nearest multiple of \$0.05. Such increase shall remain in effect until any subsequent adjustment is made. On or before June 1, 2015, and on or before every June 1 thereafter, the City shall make available to City Contractors and City Concessionaires a bulletin announcing the adjusted minimum hourly wages for the upcoming year.

The Minimum Wage is not required to be paid to employees whose work is limited to providing general support for the City Contractor's operations; does not directly relate to the services provided under the Contract; and is included in the Contract price as overhead, unless such person's regular work location is on City property or at the jobsite of a City project. It is also not required to be paid by employers that are 501(c)(3) not-for-profits.

Except as further described, the Minimum Wage is also not required to be paid to categories of employees subject to subsection 4(a)(2), subsection 4(a)(3), subsection 4(d), subsection 4(e), or Section 6 of the Illinois Minimum Wage Law, 820 ILCS 105/1 et seq., in force as of the date of this Contract or as amended. Nevertheless, the Minimum Wage is required to be paid to those workers described in subsections 4(a)(2)(A) and 4(a)(2)(B) of the Illinois Minimum Wage Law.

Additionally, the Minimum Wage is not required to be paid to employees subject to a collective bargaining agreement that provides for different wages than those required by Mayoral Executive Order 2014-1, if that collective bargaining agreement was in force prior to October 1, 2014 or if that collective bargaining agreement clearly and specifically waives the requirements of the order.

If the payment a Base Wage pursuant to Municipal Code of Chicago Sect. 2-92-610 is required for work or services done under this Contract, and the Minimum Wage is higher than the Base Wage, then, the Contractor must pay the Minimum Wage. Likewise, if the payment of a prevailing wage is required and the prevailing wage is higher than the Minimum Wage, then the Contractor must pay the prevailing wage.

Contractors are reminded that they must comply with Municipal Code Chapter 1-24 establishing a minimum wage.

B. Living Wage Ordinance

MCC Sect. 2-92-610 provides for a living wage for certain categories of workers employed in the performance of City contracts, specifically non-City employed security guards, parking attendants, day laborers, home and health care workers, cashiers, elevator operators, custodial workers, and clerical workers ("Covered Employees"). Accordingly, pursuant to MCC Sect. 2-92-610 and regulations promulgated thereunder:

If the Contractor has 25 or more full-time employees, and if at any time during the performance of the contract the Contractor and/or any subcontractor or any other entity that provides any portion of the Services (collectively "Performing Parties") uses 25 or more full-time security guards, or any number of other full-time Covered Employees, then, the Contractor's obligation to pay, and to assure payment of, the Base Wage will begin at any time during the Contract term when the conditions set forth in (1) and (2) above are met, and will continue thereafter until the end of the Contract term.

As of July 1, 2017 the Base Wage is \$12.30. The current rate can be found on the Department of Procurement Services' website.

Note: As of July 1, 2016, the wage specified by Mayoral Executive Order 2014-1 is higher than the Base Wage rate. Therefore, the higher wage specified by the Executive Order (or other applicable rule or law) must be paid.

Each July 1st the Base Wage will be adjusted, using the most recent federal poverty guidelines for a family of four (4) as published annually by the U.S. Department of Health and Human Services, to constitute the following: the poverty guidelines for a family of four (4) divided by 2000 hours or the current base wage, whichever is higher. At all times during the term of this Contract, Contractor and all other Performing Parties must pay the Base Wage (as adjusted in accordance with the above). If the payment of prevailing wages is required for work or services done under this Contract, and the prevailing wages for Covered Employees are higher than the Base Wage, then the Contractor must pay the prevailing wage rates.

The Contractor must include provisions in all subcontracts requiring its Subcontractors to pay the Base Wage to Covered Employees. The Contractor agrees to provide the City with documentation acceptable to the CPO demonstrating that all Covered Employees, whether employed by the Contractor or by a subcontractor, have been paid the Base Wage, upon the City's request for such documentation. The City may independently audit the Contractor and/or subcontractors to verify compliance herewith.

Failure to comply with the requirements of this Section will be an event of default under this Contract, and further, failure to comply may result in ineligibility for any award of a City contract or subcontract for up to three years.

Not-for-Profit Corporations: If the Contractor is a corporation having Federal tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is recognized under Illinois not-for-profit law, then the provisions above do not apply.

C. Equal Pay

The Contractor will comply with all applicable provisions of the Equal Pay Act of 1963, 29 U.S.C. 206(d) and the Illinois Equal Pay Act of 2003, 820 ILCS 112/1, *et seq.*, as amended, and all applicable related rules and regulations including but not limited to those set forth in 29 CFR Part 1620 and 56 Ill. Adm. Code Part 320.

D. Paid Sick Leave

The Paid Sick Leave Ordinance, which is published in the June 22, 2016 Council Journal, pages 27188 – 27197 and which will be codified at MCC 1-24-045, becomes effective July 1, 2017. Contractor understands that to the extent that the Ordinance applies to its activities that it must comply with the Ordinance when it becomes effective.

6. Right to Offset. In connection with Section 2-92-380 of the Municipal Code of Chicago:

- A. In accordance with Section 2-92-380 of the Municipal Code of Chicago and in addition to any other rights and remedies (including any of set-off) available to the City under this Agreement or permitted at law or in equity, the City is entitled to seek to set off a portion of the price or compensation due under this Agreement in an amount equal to the amount of the fines and penalties for each outstanding parking violation complaint and/or the amount of any debt owed by Contractor to the City. For purposes of this Section, "outstanding parking violation complaint" means a parking ticket, notice of parking violation or parking violation complaint on which no payment has been made or appearance filed in the Circuit Court of Cook County within the time specified on the complaint. "Debt" means a specified sum of money owed to the City for which the period granted for payment has expired.

- B. Notwithstanding the provisions of subsection 6A above, no such debt(s) or outstanding parking violation complaint(s) will be offset from the price or compensation due under this Agreement if one or more of the following conditions are met:
- i. Contractor has entered into an agreement with the Department of Revenue, or other appropriate City department, for the payment of all outstanding parking violation complaints and/or debts owed to the City and Contractor is in compliance with the agreement; or
 - ii. Contractor is contesting liability for or the amount of the debt in a pending administrative or judicial proceeding; or
 - iii. Contractor has filed a petition in bankruptcy and the debts owed the City are dischargeable in bankruptcy.
7. **Fund Number.** Payments under this Agreement will come from fund number and are subject to the availability of funds therein. Payments may not exceed \$2,253,225, without a written amendment to this Agreement signed by the parties thereto.
8. **Non-appropriation.** If no funds or insufficient funds are appropriated and budgeted in any fiscal period of the City for payments to be made under this Agreement, then the City will notify Contractor in writing of that occurrence, and this Agreement will terminate on the earlier of the last day of the fiscal period for which sufficient appropriation was made or whenever the funds appropriated for payment under this Agreement are exhausted. No payments will be made or due to Contractor beyond those amounts appropriated or budgeted by the City to fund payments under this Agreement.
9. **Waste Provisions.** In accordance with Section 11-4-1600(e) of the Municipal Code of Chicago, Contractor warrants and represents that it, and to the actual personal knowledge of the audit engagement partner, its subcontractors have not violated and are not in violation of the following sections of the Code (collectively, the Waste Sections):
- 7-28-390 Dumping on public way;
 - 7-28-440 Dumping on real estate without permit;
 - 11-4-1410 Disposal in waters prohibited;
 - 11-4-1420 Ballast tank, bilge tank or other discharge;
 - 11-4-1450 Gas manufacturing residue;
 - 11-4-1500 Treatment and disposal of solid or liquid waste;
 - 11-4-1530 Compliance with rules and regulations required;
 - 11-4-1550 Operational requirements; and
 - 11-4-1560 Screening requirements.

During the period while this Agreement is executory, Contractor's or any subcontractor's violation of the Waste Provisions, whether or not relating to the performance of this Agreement, constitutes a breach of and an event of default under this Agreement, for which the opportunity to cure, if curable, will be granted only at the sole discretion of the Chief Procurement Officer. Such breach and default entitles the City to seek all remedies under the Agreement, at law or in equity.

This section does not limit Contractor's and its subcontractors' duty to comply with all applicable federal, state, county and municipal laws, statutes, ordinances and executive orders, in effect now or later, and whether or not they appear in this Agreement.

Non-compliance with these terms and conditions may be used by the City as grounds for the termination of this Agreement, and may further affect Contractor's eligibility for future contract awards.

10. 2014 City Hiring Plan Prohibitions.

- A. The City is subject to the June 16, 2014 "City of Chicago Hiring Plan" (the "2014 City Hiring Plan") entered in *Shakman v. Democratic Organization of Cook County*, Case No 69 C 2145 (United State District Court for the Northern District of Illinois). Among other things, the 2014 City Hiring Plan prohibits the City from hiring persons as governmental employees in non-exempt positions on the basis of political reasons or factors.
- B. Contractor is aware that City policy prohibits City employees from directing any individual to apply for a position with Contractor, either as an employee or as a subcontractor, and from directing Contractor to hire an individual as an employee or as a subcontractor. Accordingly, Contractor must follow its own hiring and contracting procedures, without being influenced by City employees. Any and all personnel provided by Contractor under this Agreement are employees or subcontractors of Contractor, not employees of the City of Chicago. This Agreement is not intended to and does not constitute, create, give rise to, or otherwise recognize an employer-employee relationship of any kind between the City and any personnel provided by Contractor.
- C. Consultant will not condition, base, or knowingly prejudice or affect any term or aspect of the employment of any personnel provided under this Agreement, or offer employment to any individual to provide services under this Agreement, based upon or because of any political reason or factor, including, without limitation, any individual's political affiliation, membership in a political organization or party, political support or activity, political financial contributions, promises of such political support, activity or financial contributions, or such individual's political sponsorship or recommendation. For purposes of this Agreement, a political organization or party is an identifiable group or entity that has as its primary purpose the support of or opposition to candidates for elected public office. Individual political activities are the activities of individual persons in support of or in opposition to political organizations or parties or candidates for elected public office.
- D. In the event of any communication to Contractor by a City employee or City official in violation of paragraph 10 B above, or advocating a violation of paragraph 10 C above, Contractor will, as soon as is reasonably practicable, report such communication to the Hiring Oversight Section of the City's Office of the Inspector General, and also to the head of the relevant City Department utilizing services provided under this Agreement. Contractor will also cooperate with any inquiries by OIG Hiring Oversight.

- 11. Duty to Report Corrupt or Unlawful Activity.** Pursuant to MCC 2-156-018, it is the duty of the Contractor to report to the Inspector General, directly and without undue delay, any and all information concerning conduct which it knows to involve corrupt activity. "Corrupt activity" means any conduct set forth in Subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the MCC. Knowing failure to make such a report will be an event of default under this Contract. Reports may be made to the Inspector General's toll free hotline, 866-IG-TIPLINE (866-448-4754).