

STATEMENT FROM BUDGET DIRECTOR SUSIE PARK ON 2020 BUDGET PROPOSAL TO THE CITY COUNCIL COMMITTEE ON BUDGET AND GOVERNMENT OPERATIONS

Monday, October 28, 2019

Good morning Chairman Dowell, Vice Chairman Silverstein, members of the Committee on Budget and Government Operations, and members of the City Council. Thank you for the opportunity to present Mayor Lori E. Lightfoot's budget for fiscal year 2020.

In August, the Office of Budget and Management released the 2020 Budget Forecast that projected an operating shortfall of \$838 million. This structural deficit presented significant financial challenges, including a historic deficit and the largest one-year pension contribution in the City's history.

Given these legacy liabilities, the Budget team has brought forth a spending plan that continues to restore the City's financial sustainability and creates a lasting path towards economic prosperity for every community. The 2020 Budget Recommendations introduced last week presented a balanced budget totaling \$11.65 billion, of which \$4.5 billion represents the Corporate Fund, which closes the largest budget gap in recent memory.

Under the Mayor's leadership, the proposed budget is balanced by using the right mix of neighborhood investments, operational efficiencies, and social and economic policies that produce revenue, grow our economy, and improve the lives of our residents and businesses. It contains financial reforms and fiscal discipline that lives up to our responsibilities as prudent fiduciaries for the taxpayer and reflects our shared values of good governance, transparency, financial stability, equity and inclusion.

Transparency and Inclusion – A Robust Community Engagement Process

The Office of Budget and Management has used these shared values to guide us in our decision-making to craft a responsible budget that streamlines government operations and maintains the core services our taxpayers expect and deserve.

We started by forecasting the 2020 budget shortfall and creating viable pathways that would lead to a balanced budget. To offer more transparency and inclusion into the budgeting process, the Mayor hosted five Budget Town Halls throughout the City, which many of you attended. One was specifically designated for young people, allowing them to engage with the public on the budget process and to discuss how revenues and expenditures are managed. In

conjunction with the Town Halls, we also launched an online survey that gathered input from 7,300 participants expressing their views on City spending and investment priorities.

With the first-ever State of the City address, Mayor Lightfoot continued with an unprecedented level of transparency by appearing before residents to provide an overview of the City's financial state and measures under consideration to address long-term and short-term financial obligations. The City also issued a two-page simplified guide, written in six languages, that described the budget process, and released a revamped 2020 Budget Forecast – an important tool that provides a historical picture of the city's finances, current costs and obligations and future cost projections.

Equity and Good Governance – Policies that Improve Service and Save Money

Good governance is a hallmark of the Lightfoot administration and drives where the City chooses to invest and how it operates. Through improved fiscal management and reform efforts, the proposed operating budget identifies more than \$537 million in savings and efficiencies to improve our fiscal outlook. Using a zero-based budgeting method that ensures our revenues match our expenditures, department leaders were asked to examine their core mission and determine if unused funds could be repurposed, while also evaluating what programs were essential to delivering core services. As a result, the 2020 proposed budget achieves millions of dollars in efficiencies, and additional savings in vacancy reductions and full-time equivalent reallocations.

Furthering the Mayor's commitment to find ways to operate more efficiently, this proposed budget contemplates the merger of the City's information technology and fleet and facilities management departments by integrating day-to-day technology services into an overall shared asset management model so that operations can function more effectively and efficiently. To address duplicative administrative jobs being performed by the public safety departments, this budget proposes the creation of the new Office of Public Safety Administration. In addition to redirecting more than 151 sworn officers and 11 uniform fire personnel from headquarters back into Chicago's neighborhoods, this new consolidation effort would dedicate resources for the management and implementation of all administrative functions under one roof and allow for better inter-departmental coordination through shared administrative services.

While savings and efficiencies are important to getting our fiscal house in order, so are making critical investments for residents, particularly those most in need. By supporting neighborhood revitalization, building capacity to expand access to mental healthcare, increasing funding for homelessness prevention and expanding community-based safety infrastructure focused on

violence prevention, this budget invests \$52 million in new programs and services for our residents and reflects our values of creating safer, stronger communities.

Financial Stability - A Pathway to Consensus

Building on the significant cost-cutting efforts, reforms, and investments made over the past five months, this budget represents the work done with advocacy groups, state partners, local elected leaders and other key stakeholders to identify revenue sources that are both structural in nature and tie to our social and economic policy objectives. By forging partnerships and working collaboratively with those invested in our success, the City has identified \$352 million in new and increased revenues.

The 2020 proposed budget includes changes to the Ground Transportation Tax paid by transportation network providers, increases to the parking meter rates, the Personal Property Lease and Restaurant Tax and the way we collect emergency transportation reimbursements for ambulatory services. For surplus tax increment financing funds that are not needed for specific projects, the City is returning those dollars to the County Clerk for distribution and utilizing the City's portion to address our gap. Finally, new revenues from a Real Estate Transfer Tax and cannabis sales will support the City's diverse revenue stream.

With this budget, Chicago is well-positioned to reach long-term structural stability because of the tough choices and shared sacrifices we are making today. Whether it is improving revenue collection efforts, eliminating operational redundancies or increasing investments in historically underserved communities, the 2020 proposed budget is an investment in our City's future and reflects the values our communities believe in.

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