

INNOVATION LOAN FUND

GUIDELINES & APPLICATION



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Chicago's Innovation Loan Fund

The Innovation Loan Fund is a \$20 million revolving loan fund available for innovative projects for which other funding is not available. Loans will be made to City departments for projects which improve a department's operations and improve service to the public while decreasing costs or increasing revenue ("Innovation Projects").

In order for a project to be eligible for funding, departments must complete an application process managed by the Office of Budget and Management ("OBM"). Projects will be reviewed by an oversight committee and funding will be awarded to selected projects on a quarterly basis, provided that funds are available. Applications will be considered for projects that achieve cost savings, revenue gains, or service improvements within the City through innovation, accountability, or entrepreneurship.

Funding will be awarded to projects that achieve real returns and make substantial improvement in service delivery. Since the Innovation Loan Fund is a revolving loan fund, loan payments will be subtracted from a department's annual budget until the loan is repaid, thereby replenishing the Fund's principal and providing the funds needed to finance future Innovation Projects. For Innovation Projects in which the savings or revenue generation exceed the amount of the loan repayment, departments will be eligible to retain a portion of the savings.

Projects are limited to \$1 million in funding for projects involving one department. Multi-departmental projects are limited to \$3 million. The Oversight Committee may, at its discretion, make multi-year awards or award amounts in excess of these limits for Innovation Projects of special merit. Departments that wish to submit applications exceeding the funding caps should contact OBM for further information.

Application Process

All departments may submit applications at any time. However, project selection will occur at quarterly Oversight Committee meetings (the Oversight Committee is discussed further below). In order to be considered at a meeting, a complete application must be received by OBM thirty days prior to the quarterly meeting.

An updated schedule of Oversight Committee Meetings and application dates can be found on OBM's intranet webpage.

There is no limit to the number of projects that may be proposed by any department in a given year. However, the Oversight Committee will only review one individual application and one multi-department application per department at each quarterly Oversight Committee meeting.

After the application deadline and prior to the quarterly Oversight Committee meeting, OBM will review applications for completeness and conduct an in-depth analysis of the project for presentation to the Oversight Committee. OBM will evaluate the savings or revenue gains associated with each application, the potential for success, and which of the selection criteria are fulfilled by the project. OBM may request additional materials, and/or for the department to prepare a presentation to the Oversight Committee. Each department's budget analyst will be available to assist in developing an application.

Application

Each application for funding must, at minimum, contain the following information:

- A statement of the problem the project is designed to address, including:
 - A description of the goal of the project and the business problem it solves.
 - A description of the current department processes that address the issue, why they are inefficient, and why the proposed project is not currently funded within the existing budget.
- The financial impacts of the project, including:
 - A demonstration of how the project will achieve cost savings, revenue gains, or service improvements.
 - Budgeted expenses, projections for return on investment, forecast of savings, proposed repayment period and funding request.
 - Department impact statement that describes the financial impact as well as the qualitative impact on any city services.
- Proposed metrics for measuring the success of the project.
- An implementation plan and schedule, including key milestones and dates.
- A description of how this proposed project "keeps Chicago ahead of the curve".

A hard copy of the application is at the end of this document and an electronic copy can be found at OBM's intranet webpage. Completed applications should be submitted electronically to ILF@cityofchicago.org on or before the thirty-day submission deadline.

Oversight Committee

Applications and the associated projects will be reviewed by the Oversight Committee. The committee is comprised the following:

- One Alderman
- Chief Financial Officer
- Chief of Policy and Planning
- Chief Operating Officer
- Director, Mayor's Office of Innovation Delivery
- Comptroller

Annually, the Oversight Committee will approve all guidelines and processes of the Innovation Loan Fund. Quarterly meetings will be held to review applications and vote on loan requests, as well as review progress reports.

Project Criteria

Innovation Loans are available only to city departments for projects that improve service and have a positive financial impact. Loans are limited to improving departmental functions and are not available to provide direct programming or services.

All project proposals will be judged on following the selection criteria:

- Immediate and long term reductions in the cost of government services
- Immediate and long term revenue enhancement
- Economic gains to the Chicago anticipated from investment, including non-city job creation
- Service and quality improvements for Chicago residents
- Ability to accelerate modernization of government services and practices
- Payback period for recovering the investment
- Multi-departmental initiatives
- Contribution to public safety and quality of life
- Level of innovation
- Probability of success

A project does not have to meet all of the selection criteria.

Innovation Loan Terms

Each department that receives an Innovation Loan will be required to enter into a Memorandum of Understanding (the “MOU”) which describes the project and the loan terms. The MOU will be executed by the department head and the Budget Director. Each MOU will set out the following:

Funding Level

The amount of the Innovation Loan and the payment schedule will be set out.

Repayment Period

Projects have a maximum repayment period of 5 years.

Repayment Method

In the case of Innovation Projects that will result in savings, the MOU will set out the amount to be deducted from the department's annual budget until the loan is repaid and the source of the funds for repayment. For Innovation Projects that will increase revenue, the MOU will detail the revenue estimates and provide a back-up source of funding for repayment in the event that revenue targets are not achieved.

Interest Rate

The interest rate will be zero percent.

Savings Gain/Share

Depending on the type and success of the Innovation Project and the repayment period, a department may be eligible to retain a portion of the project savings.

Progress Monitoring & Public Accountability

Innovation Projects will be evaluated based on overall success in the categories of cost savings, revenue generation, and service improvement. Departments awarded an Innovation Loan will be required to submit quarterly progress reports regarding their Innovation Project, to ensure that the goals of the Innovation Projects are being achieved. At the direction of the Oversight Committee, an Innovation Project may be subject to an audit at any time. The OBM will be responsible for staffing and ensuring proper progress monitoring and public accountability is achieved.

All aspects of the Innovation Loan Fund, including applications, awards, and progress reports, will be made public through ChicagoBudget.org.

INNOVATION LOAN FUND APPLICATION

DEPARTMENT CONTACT INFORMATION

Department:

Name of Project Sponsor:

Name of Project Coordinator(s):

Project Coordinator Phone:

Project Coordinator E-mail:

SUMMARY OF PROPOSAL

Project Title:

Date Submitted:

Brief Description of Project:

Is additional funding possible for this project? (e.g. Grants) YES NO

If yes, what is the status of securing those funds? Have they already been secured?

If implemented, which departments would this affect?

Requested Funding: \$

Proposed Repayment Term: 1 Year 2 Years 3 Years 4 Years 5 Years

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PROPOSAL

In addition to this form, please submit a detailed proposal that includes the following, at minimum:

1) Problem

- Please describe the goal of your project, and what business problem it solves.
- What current processes address the issue? What are the problems/inefficiencies with it?
- Why is the proposed project not currently funded with the existing budget?
- Use historical information/data which demonstrates the need for the project.

2) Financial Impact

- In detail, please demonstrate how your proposed project will achieve cost savings, revenue gains, and service improvements.
- Include budgeted expenses, projections for return on investment, and proposed repayment period, and funding request.
- Please provide a department impact statement that describes the financial and qualitative impact on relevant city services.

3) Metrics for Success/Timeline

- How will the progress of your project be measured? What are the key milestones? If possible, please provide a timeline/Gantt chart with dates.
- Please provide specific performance metrics that fall under these categories:
 - i. Cost Savings
 - ii. Revenue Generation
 - iii. Department Impact
 - iv. Resident and business Impact

4) Comparable Projects

- Are there any other comparable processes that exist in other municipalities, states, organizations, etc.?

5) Innovation

- How does this new process “keep Chicago ahead of the curve”?

6) Implementation

- If the pilot program is successful, how will you implement the process into the department(s)?
- What are potential obstacles to implementation? How would the department address these obstacles?