



CITY OF CHICAGO

QUARTERLY
BUDGET REPORT

4TH QUARTER 2011

MAYOR RAHM EMANUEL

INTRODUCTION

PURPOSE

This quarterly budget report is the first of what will be regular quarterly reports on the City’s revenues and expenditures. The purpose of this quarterly public reporting is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

CONTENT

This quarterly report presents an overview of the City’s operating revenues and expenditures for the year-end 2011, as compared to budgeted amounts, and explains any notable aberrations or trends in these numbers. This report also provides information on major initiatives announced as part of the City’s 2012 budget and other budget updates.

The revenue and expenditure information in this report is organized by City fund. For definitions of the City’s budgeted funds and revenue sources, please refer to the [2012 Budget Overview](#) and the [2011 Annual Financial Analysis](#). This report focuses on local fund operating revenues and expenditures, as these represent the funds used to provide essential City services. This report does not include information on grant funds, pension payments, debt service funds, or capital expenditures.¹ Information on and analyses of these areas can be found in the [2012 Budget Overview](#) and the [2011 Annual Financial Analysis](#).

TIMEFRAME AND LIMITATIONS

The information in this report is the most accurate and up-to-date information available at the time of publication. However, this report is not an audited financial statement and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures is final until the City has

completed its annual comprehensive audit and finalized its Consolidated Annual Financial Report (CAFR), which is released in the summer of each year for the prior year.

With respect to revenues: The City regularly monitors and adjusts its year-end revenue projections based on revenue performance and other developments that may affect City revenues in order to develop a more accurate picture of the City’s anticipated year-end financial position. Most notably, each fall, the City adjusts its revenue projections for the current year. These adjustments are done as part of the budget process. For 2011, these adjustments occurred in connection with the preparation of the 2012 budget, and are presented in the “Revised 2011 Year End Projections” column of the tables in this report.

The “2011 Year End Estimates” presented in the tables in this report are the City’s current estimates, as of the date of this report, of its total revenues for the year 2011. These numbers remain estimates pending adjustments that will be made as additional information and collections are received by the City. For example, certain revenues, as noted herein, are collected and distributed by the State, and there is a substantial delay in when information on the amount of actual collections is provided to the City and when the City receives actual distributions. In addition, a portion of collections attributed to a given quarter typically come in later in the year due to delayed payments and delinquencies, and the actual amount of such revenues is not known until all payments are received.

With respect to expenditures: The expenditure information in this report is extracted directly from the City’s financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time and does not reflect final adjustments made to prepare the City’s CAFR.

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¹ Expenses funded through grants and general obligation bond proceeds are not covered in this report, as these are budgeted separately from the City’s local funds. However, capital investment costs for the City’s water, sewer, and aviation funds are outlined in the enterprise fund section of this report, as financing costs for capital projects are included in the overall budgets of these self-supporting funds.

CORPORATE FUND

SUMMARY OF LOCAL FUNDS

The City's local fund revenues generally outperformed expectations in 2011, with Year End Estimates for most economically sensitive revenues coming in above-budget. Total 2011 expenditures for the City's major local funds are estimated at three percent below budgeted levels, reflecting effective controls, new efficiencies, and targeted cuts made throughout the year. The resulting additional resources were taken into account in the 2012 budget, allowing the City to mitigate service reductions and return \$20 million to its reserve funds. Revenues and expenditures for each fund are discussed in greater detail in the following pages.

CORPORATE FUND REVENUE

Despite a substantial delay in income tax distributions from the State that will likely prevent the City from accounting for two months of 2011 collections as 2011 revenue, overall corporate fund revenues are expected to end the year closely in line with the City's Revised Year-End Projections due to growth in other revenues.

As of the date of this report, the State has not yet distributed to the City income tax payments totaling \$53.54 million for the months of September, October, and December. In light of the State's delay in distributing funds to local governments, the City may not receive the payments for October and December before the City closes its 2011 books in March of this year. To account for this delay, the City's Year End Estimates for income tax revenue have been adjusted downward by \$32.24 million.

In addition, State legislation passed prior to the calculation of the City's Revised Year-End Projections entitled the State to use a percentage of personal property replacement tax (PPRT) revenues to pay certain State costs before distributing revenues to municipal governments, decreasing the City's PPRT revenue during the second half of 2011. The City also experienced decreases in its 2011 utility tax revenue due to decreases in gas prices and declines in electricity usage with the moderate summer and winter weather.

Despite continued low interest rates and improved real GDP growth in the fourth quarter, home sales continued to decline from 2010 levels through the end of 2011. However, commercial transactions drove an overall increase in City transaction tax revenues, which ended the year above budgeted levels. The downtown vacancy rate declined slightly during each quarter of 2011, and large commercial transactions in the central business district drove real property transfer taxes above anticipated levels. Personal property lease tax revenues were also up, four percent over fourth quarter 2010.

Hotel tax revenues came in above budget, as local hotel sales increased significantly over 2010 levels and revenue per available room increased by eight percent in 2011. The negative impact of the NBA lockout, estimated at \$1.60 million, on the City's total recreation tax revenues was offset by slight increases in liquor and non-alcoholic beverage tax revenues, bringing this category of revenues in line with budgeted levels. Sales tax receipts and revenues from the issuance of business licenses and building permits - both important indicators of economic recovery - came in slightly above budgeted levels, showing strong growth over 2010.

The increase above budgeted amounts for lease, rental, and sales revenue is due in part to higher than anticipated income from the sale of City surplus materials, such as fax machine toner, scrap metal, old vehicle parts, and street sweepers, through the City's online auction system. Increased coordination and outreach between City departments helped to nearly double the amounts collected from such sales in 2011.

CORPORATE FUND EXPENDITURES

Total estimated expenditures for the corporate fund in 2011 were three percent below budgeted levels. Salary and wage expenditures, which represent the large majority of total corporate fund expenditures, also came in at three percent below budgeted levels. These personnel costs came in below budgeted levels despite increases in wages and overtime costs due to the expiration of the COUPE amendment in June 2011, resulting in a \$31

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CORPORATE FUND - REVENUE \$ MILLIONS	2011 BUDGET	REVISED 2011 YEAR END PROJECTIONS	2011 YEAR END ESTIMATES
Tax Revenue			
Utility Taxes and Fees	\$479.54	\$474.85	\$467.50
Transaction Taxes	175.91	194.05	211.24
Transportation Taxes	149.64	146.27	150.61
Recreation Taxes	155.14	157.82	158.84
Business and Hotel Taxes	77.01	80.18	85.41
Sales and Use Taxes	496.59	522.12	525.00
Income Tax & PPRT	309.90	264.07	236.52
Other Intergovernmental	4.89	4.80	4.69
Total Tax Revenue	1,848.62	1,844.16	1,839.81
Non-Tax Revenue			
Licenses and Permits	95.35	100.92	102.82
Fines, Forfeitures and Penalties	254.42	260.91	260.00
Charges for Services	152.00	135.02	134.22
Municipal Parking	6.77	8.49	9.05
Leases, Rentals and Sales	16.45	16.85	22.00
Reimbursement, Interest & Other	386.06	369.07	374.07
Total Non-Tax Revenue	911.05	891.26	902.16
Proceeds and Transfers In	494.60	497.60	488.87
Total Revenue	\$3,254.27	\$3,233.02	\$3,230.84
Prior Year Unreserved Fund Balance	9.40	81.20	81.20
Total Resources	\$3,263.67	\$3,314.22	\$3,312.04

It should be noted that the Year End Estimates for utility tax revenue and sales tax revenue are based on collections reported through November, as the City has not yet received information on actual collections for these taxes for the month of December. The Year End Estimates anticipate strong December sales tax revenues in line with Revised Year End Projections, and a slight decline in utility tax revenue for December, based on year-to-date collections and weather patterns. As discussed in greater detail on page 2 of this report, the Year End Estimate for income tax revenue reflects a \$32.24 million decrease due to significant delays in distribution by the State.

CORPORATE FUND - EXPENDITURES \$ MILLIONS	2011 BUDGET	ESTIMATED 2011 YEAR END	% OVER / (UNDER) BUDGET
Salaries and Wages	\$2,298.92	\$2,222.61	(3%)
Healthcare Benefits	408.07	371.88	(9%)
Worker's Compensation	63.26	72.96	15%
Contractual Services	325.38	301.81	(9%)
Commodities and Materials	27.96	24.38	(13%)
Utilities	15.03	13.60	(10%)
Motor Fuel	25.96	29.69	14%
Claims, Refunds, Judgments, and Legal Fees ³	34.43	81.28	136%
Miscellaneous ⁴	44.46	38.66	(13%)
Transfers Out ⁵	20.20	18.69	(7%)
Total Expenditures	\$3,263.67	\$3,175.56	(3%)

³ Each year, the City uses bond funding to pay for a portion of the expenses incurred in connection with claims and judgments against the City. In addition to the amount budgeted for such expenses on the corporate fund, approximately \$60 million in bond proceeds were budgeted to cover these expenses in 2011. Expenses in excess of the appropriated amount will be moved off of the corporate fund and paid using bond proceeds. The total amount of such costs in 2011 was actually lower than anticipated, due in part to reductions in the use of outside counsel.

⁴ Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through the City's capital program, matching funds for grants received by the City, local transportation and travel costs, and expenses related to direct aid programs such as the City's Home Purchase Assistance and Youth Training programs (most direct aid programs are grant-funded, and thus do not show as local fund expenditures).

⁵ Transfers out consist of reimbursements and transfers from the corporate fund to other City funds for operating expenses.

SPECIAL REVENUE FUNDS

corporate fund continued

million budget shortfall.² To cover this shortfall, the City instituted a hiring freeze on the City's non-critical workforce in order to keep personnel-related spending below budgeted levels, and cut additional costs through efficiencies in other areas. Worker's compensation costs were above budgeted levels due in part to higher than anticipated medical costs for police and fire employees injured on duty.

Expenditures for contractual services, commodities, and materials were below budget. Approximately \$10 million in corporate fund spending was curtailed due to the freeze on non-essential contracts put into place as part of the \$75 million in 2011 savings that the Mayor announced upon taking office in May, discussed in greater detail on page 9 of this report.

Utility expenses were held below budgeted levels due to sustainable practices and conservation efforts at City facilities, a new fuel-hedging program for natural gas, and adjustments to the City's street lighting rates negotiated with ComEd. Even as the City reduced and rationalized the size of its fleet, motor fuel expenses rose above budgeted levels, due in part to increases in the cost of diesel fuel and gasoline by more than 30 percent between the time the 2011 budget was prepared and the spring of 2011. In addition, a slight increase in fuel usage was necessitated by the extreme snow events of February 2011.

Miscellaneous expenses were lower than budgeted in 2011. This reflects the limitation of local transportation and travel expenses to approximately 50 percent of budgeted levels, as well as lower than anticipated costs associated with the 2011 mayoral and aldermanic elections.

VEHICLE TAX FUND

Vehicle sticker revenue ended the year as anticipated in the Revised Year End Projections at approximately \$100.83 million. The revenue from sticker sales increased by 0.8 percent over 2010 in 2011, due largely to an increase in the relative proportion of stickers sold for heavier trucks. Total estimated expenditures for the vehicle tax fund in 2011 were five percent below budgeted levels. Trends in spending were similar to those for the corporate fund, with contractual services, commodities and materials, and utilities coming in below budgeted levels and worker's compensation expenses above-budget.

MOTOR FUEL TAX FUND

Actual 2011 revenues from motor fuel taxes were in line with Revised Year End Projections, but below budgeted levels, due largely to increases in the cost of fuel. Gasoline prices in the Chicago area increased significantly in 2011, and such elevated prices tend to result in declines in usage. The increase in the 'other revenue' category is due to greater than anticipated funding from the State's Illinois Jobs Now! program.

Total estimated expenditures for the motor fuel tax fund in 2011 were one percent above budgeted levels. The slight overage on this fund was due largely to expenses associated with the significant snowfall event of February 2011, which drove the cost of snow removal operations significantly above budgeted levels.

SPECIAL EVENTS & HOTEL TAX FUND

Hotel operator occupation tax revenue is expected to exceed Revised Year End Projections. Revenue received through November, \$17.03 million, is six percent over Revised Year End Projections and ten percent over 2010 revenues for the same period. As discussed in the corporate fund section of this report, occupancy and room rates continued to climb at Chicago hotels through year-end 2011. Recreation fee revenue, as well as total estimated expenditures for this fund, were below budgeted levels because the 2011 budget included the Taste of Chicago, which was ultimately administered by the Chicago Park District in 2011.

²In July of 2009, the City entered into a two-year agreement with the Coalition of Union Public Employees (COUPE) under which the unions agreed to mandatory furlough days and compensatory time in lieu of overtime pay, amongst other things. The 2011 budget assumed that this agreement would be extended beyond its mid-2011 scheduled expiration and accordingly budgeted savings for the full year. However, the City and the unions were unable to negotiate an extension of the agreement, resulting in an estimated \$31 million in additional expenses for the City in 2011.

SPECIAL REVENUE FUNDS CONTINUED

LIBRARY FUND

Revenue to the City's library funds does not generally fluctuate from budgeted levels, as this revenue comes from the Library's dedicated portion of the City's property tax levy and a subsidy from the City's corporate fund.

Total estimated expenditures for the library funds in 2011 are eight percent below budgeted levels, with trends in spending mirroring those for the corporate fund.

SPECIAL REVENUE FUNDS - REVENUE \$ MILLIONS	2011 BUDGET	REVISED 2011 YEAR END PROJECTIONS	2011 YEAR END ESTIMATES
Vehicle Tax Fund			
Vehicle Sticker Tax	\$104.39	\$101.08	\$100.83
Impoundment, Pavement Cut & Other Fees	25.05	25.05	24.92
Other Revenue & Reimbursements	16.59	15.58	15.58
Total Resources	146.03	141.71	141.33
Prior-Year Unreserved Fund Balance	(2.29)	4.25	4.25
Total Revenue	\$143.74	\$145.96	\$145.58
Motor Fuel Tax Fund			
Motor Fuel Tax	73.32	70.39	70.01
Interest & Other Revenue	6.24	12.58	12.58
Proceeds of Debt	5.60	0.00	0.00
Total Resources	85.16	82.97	82.59
Prior-Year Unreserved Fund Balance ⁶	(18.98)	(18.71)	(18.71)
Total Revenue	66.18	64.26	63.88
Special Events & Hotel Tax Fund			
Hotel Operator's Occupation Tax	14.77	17.00	18.00
Recreation Fees, Rental & Other Charges	17.36	3.96	4.15
Proceeds of Debt	2.50	2.50	2.50
Other Revenue	6.50	6.50	6.51
Total Resources	41.13	29.96	31.16
Prior-Year Unreserved Fund Balance	(4.54)	(3.45)	(3.45)
Total Revenue	36.59	26.51	27.71
Library Funds			
Property Tax Levy	70.44	70.44	70.43
Corporate Fund Subsidy	15.67	14.16	14.16
Rental, Fines & Other Revenue	3.52	2.81	2.95
Total Resources	89.63	87.41	87.54
Prior-Year Unreserved Fund Balance	5.70	4.74	4.74
Total Revenue	95.33	92.15	92.28

It should be noted that the Year End Estimates for hotel operator's occupation tax revenue are based on collections reported through November, as the City has not yet received information on actual collections for this tax for the month of December. The Year End Estimates anticipate growth in December collections, in line with year-to-date trends.

⁶ The motor fuel tax fund has been operating at a deficit for most of the past ten years, resulting in the negative fund balance carried over from 2010. Expenditures from this fund, largely for snow removal and street maintenance, were often greater than revenues coming in from motor fuel taxes, which have been in decline due to increasing gasoline prices and other economic factors and consumer trends. By realistically estimating revenues and assessing the City's ability to control these expenses, the 2012 budget begins the process of eliminating the deficit that has built up on this fund.

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SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - EXPENDITURES \$ MILLIONS	2011 BUDGET	ESTIMATED 2011 YEAR END	% OVER / (UNDER) BUDGET
Vehicle Tax Fund			
Salaries and Wages	\$58.40	\$58.00	(1%)
Healthcare Benefits	15.32	13.85	(10%)
Worker's Compensation	7.43	9.84	32%
Contractual Services	25.30	23.42	(7%)
Commodities and Materials	2.32	2.11	(9%)
Utilities	11.22	6.44	(43%)
Claims, Refunds, Judgments, and Legal Fees	1.28	1.25	(2%)
Miscellaneous ⁷	1.97	1.61	(18%)
Transfers Out ⁸	20.50	20.47	0%
Total Expenditures	\$143.74	\$136.99	(5%)
Motor Fuel Tax Fund⁹			
Total Expenditures	\$66.18	\$66.86	1%
Special Events & Hotel Tax Fund			
Special Events & Tourism Programming	22.17	11.16	(50%)
Salaries and Wages	5.87	5.86	0%
Healthcare Benefits	1.31	1.18	(10%)
Worker's Compensation	0.01	0.02	100%
Contractual Services	6.34	6.11	(4%)
Commodities and Materials	0.03	0.03	0%
Miscellaneous ⁷	0.73	0.73	0%
Transfers Out ⁸	0.13	0.14	8%
Total Expenditures	\$36.59	\$25.23	(31%)
Library Fund			
Salaries and Wages	55.70	52.28	(6%)
Healthcare Benefits	13.06	11.80	(10%)
Worker's Compensation	0.47	0.41	(13%)
Contractual Services	17.70	16.83	(5%)
Commodities and Materials	1.77	1.53	(14%)
Utilities	3.69	3.47	(6%)
Miscellaneous ⁷	2.78	1.52	(45%)
Transfers Out ⁸	0.16	0.16	0%
Total Expenditures	95.33	88.00	(8%)

⁷ Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through the City's capital program, local transportation and travel costs, certain short-term debt service payments, and matching funds for grants received by the City.

⁸ Transfers out consist of reimbursements to the corporate fund for central services such as streets and sanitation, fleet, and facility maintenance, and payments to the City's pension funds for the pensions of employees on these funds.

⁹ Expenditures for this fund cannot be categorized like those for other funds. This funding is used to pay for street lighting electricity, street and traffic light maintenance, bridge and pavement maintenance, and snow removal. In addition, a portion of these funds is transferred to the CTA to support the City's transportation system.

ENTERPRISE FUND

WATER AND SEWER FUNDS

Water and sewer fund revenues were 2.4 percent and 2.9 percent above Revised Year End Projections, respectively, but still below originally budgeted levels. The originally budgeted amounts were based on total anticipated billings, and the Revised Year End Projections adjusted these numbers to account for normal losses in collection. Due to increased collection efforts by the City during the second half of 2011, year end revenues came in above Revised Year End Projections.

Total estimated expenditures for the water and sewer funds in 2011 were two and one percent below budgeted levels, respectively. Trends in spending were similar to those for the corporate fund, with contractual services, commodities and materials, and utilities coming in below budgeted levels.

AVIATION FUNDS

Midway and O’Hare Airport fund revenues were below Revised Year End Projections by 5.1 percent and 3.4 percent, respectively. These funds operate like commercial enterprises, in that each derives its revenue from charges and associated user fees, which are aligned with fund expenditures.

Each year, the aviation fund budgets include funding to address emergencies and contingencies that may affect airport operations or require the purchase of new or additional equipment. No such significant events occurred in 2011. In addition, expenditures for supplies like salt, de-icer, and rental equipment were lower than anticipated. Year End Estimates for revenues were adjusted to mirror these declines in expenditures.

ENTERPRISE FUNDS - REVENUE \$ MILLIONS	2011 BUDGET	REVISED 2011 YEAR END PROJECTIONS	2011 YEAR END ESTIMATES
Water Fund			
Total Revenue	\$493.10	\$473.50	\$485.30
Sewer Fund			
Total Revenue	\$209.30	\$201.80	\$207.60
O’Hare Fund			
Total Revenue	\$899.31	\$884.39	\$854.50
Midway Fund			
Total Revenue	\$220.91	\$221.69	\$210.40

ENTERPRISE FUNDS - EXPENDITURES \$ MILLIONS	2011 BUDGET	ESTIMATED 2011 YEAR END	% OVER / (UNDER) BUDGET
Water Fund			
Salaries and Wages	\$128.76	\$126.09	(2%)
Healthcare Benefits	25.36	22.92	(10%)
Worker’s Compensation	10.65	10.17	(5%)
Contractual Services	42.94	41.28	(4%)
Commodities and Materials	27.61	26.76	(3%)
Utilities	34.04	33.23	(2%)
Motor Fuel	2.37	2.36	0%
Claims, Refunds, Judgments, and Legal Fees	1.64	1.70	4%
Miscellaneous ¹⁰	6.04	5.91	(2%)
Financing Costs ¹¹	132.07	132.07	0%
Transfers Out ¹²	81.62	81.62	0%
Total Expenditures	\$493.10	\$484.11	(2%)

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ENTERPRISE FUND CONTINUED

ENTERPRISE FUND - EXPENDITURES \$ MILLIONS	2011 BUDGET	ESTIMATED 2011 YEAR END	% OVER / (UNDER) BUDGET
Sewer Fund			
Salaries and Wages	48.71	42.30	(13%)
Healthcare Benefits	8.92	8.07	(10%)
Worker's Compensation	5.00	4.53	(9%)
Contractual Services	13.23	12.48	(6%)
Commodities and Materials	6.22	5.95	(4%)
Utilities	0.19	0.15	(21%)
Motor Fuel	1.35	1.35	0%
Claims, Refunds, Judgments, and Legal Fees	0.86	0.71	(17%)
Miscellaneous ¹⁰	0.62	0.46	(26%)
Financing Costs ¹¹	76.81	84.66	10%
Transfers Out ¹²	47.39	47.39	0%
Total Expenditures	\$209.30	\$208.05	(1%)
O'Hare Fund			
Salaries and Wages	141.70	136.72	(4%)
Healthcare Benefits	25.20	22.79	(10%)
Worker's Compensation	5.98	14.18	137%
Contractual Services	203.60	183.24	(10%)
Commodities and Materials	25.95	21.82	(16%)
Utilities	28.98	25.18	(13%)
Motor Fuel	2.19	2.23	2%
Miscellaneous ¹⁰	18.87	1.52	(92%)
Financing Costs ¹¹	406.98	406.98	0%
Transfers Out ¹²	39.86	39.86	0%
Total Expenditures	\$899.31	\$854.52	(5%)
Midway Fund			
Salaries and Wages	30.23	30.46	1%
Healthcare Benefits	4.84	4.38	(10%)
Worker's Compensation	1.12	2.67	138%
Contractual Services	68.20	59.80	(12%)
Commodities and Materials	2.93	2.24	(24%)
Utilities	6.50	6.05	(7%)
Motor Fuel	0.58	0.57	(2%)
Miscellaneous ¹⁰	2.80	0.50	(82%)
Financing Costs ¹¹	91.76	91.76	0%
Transfers Out ¹²	11.95	11.95	0%
Total Expenditures	\$220.91	\$210.38	(5%)

¹⁰ Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through capital programs, and local transportation and travel costs.

¹¹ Financing Costs represent debt service payments made in connection with capital improvement projects.

¹² Transfers out consist of reimbursements to the corporate fund for central services such as police, emergency management, streets and sanitation, fleet, and facility maintenance; payments to the City's pension funds for the pensions of employees on these funds; and transfers into the water and sewer rate stabilization funds.

2012 BUDGET INITIATIVES

2012 BUDGET PROCESS AND PASSAGE

In October of 2011, Mayor Emanuel proposed to City Council a budget that not only filled a \$635.7 million budget deficit without increasing property or sales taxes, but also made innovative reforms, instituted important efficiencies, and made significant investments in the City's future. Over the course of the next month, the Mayor worked closely with aldermen to reach agreement on a fiscally responsible budget that met the goals set forth by the Mayor. The final 2012 budget was approved unanimously by City Council on November 16, 2011.

2012 BUDGET INITIATIVES

Each quarterly report of 2012 will report on progress made during that quarter on the major initiatives that were introduced as a part of this year's budget. These initiatives include:

- Critical investment in the City's aging water system, through projects that will create 18,000 jobs over the next 10 years
- Launching a consolidated public safety headquarters
- Creation of a \$20 million Innovation Loan Fund
- Improved management of City grant funding
- Increased energy efficiency of the City's fleet and facilities
- Focus on better debt collection
- Expanding competitive bidding to ensure that the City is providing the highest quality services at the best possible price
- Transitioning to garbage collection based on a grid system, instead of on ward boundaries
- Implementation of a new wellness program for City employees that will improve worker health and productivity while reducing the City's healthcare costs
- Development of a meaningful performance measurement system that enhances the accountability and transparency of City government

Progress was made on a number of these initiatives during the fourth quarter of 2011 - the request for proposals for the new employee wellness program was released in December 2011, and the proposals are now under review; the Police and Fire Departments moved into their newly consolidated headquarters at 35th Street and Michigan Avenue, garnering administrative and real estate savings and increasing opportunities for beneficial coordination; and the City reduced its recycling costs by \$1 million during the first quarter of competitive bidding, laying the framework for competitive bidding in other areas of City services. During each quarter of 2012, this report will provide additional information on these and other initiatives that are reforming City government and improving City services.

\$75 MILLION IN 2011 SAVINGS ACHIEVED

The fourth quarter of 2011 also saw the achievement of the **\$75 million in savings** that the Mayor announced upon taking office in May. The City surpassed its goal, realizing more than \$83 million in 2011 savings through these cost-cutting initiatives. These savings were accounted for in the 2012 budget process and were critical to balancing the 2012 budget, putting the City in a stronger financial position as it moved into the coming year. The savings were achieved through:

- Cuts in senior management payroll - \$5.5 million
- Reduced outside legal counsel expenses - \$3.3 million
- Merging overlapping functions across departments - \$3.7 million
- Freezing non-essential contract spending - \$23.8 million
- Real estate and energy reductions - \$5 million
- Rationalization and reduction of City's vehicle programs - \$1.01 million
- Parking enforcement and traffic control efficiencies - \$2.3 million
- Improved grants management - \$34.2 million
- Department of Water Management and Department of Transportation project coordination - \$5 million



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