

**COMMITTEE ON FINANCE
MONTHLY RULE 45 REPORT
November 2020**

On November 17, 2020, at 10:03 am, the Committee on Finance held a remote meeting pursuant to applicable law.

The following members were present: Hopkins, Dowell, Sawyer, Mitchell, Harris, Beale, Sadlowski-Garza, Thompson, Quinn, Burke, Lopez, Moore, Curtis, O’Shea, Brookins, Tabares, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Mitts, Sposato, Napolitano, Reilly, Smith, Tunney, Osterman, Silverstein, Vice Chairwoman Hairston, and Chairman Waguespack.

The following members were absent: King, Cardenas, Villegas.

The following additional aldermen were present: LaSpata, Cardona, Nugent.

Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack took a roll call to establish a quorum, as reflected above.

Pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, Chairman Waguespack opened a hearing regarding the reissuance of the City’s \$12,500,000 maximum principal amount Multi-Family Mortgage Revenue Note, 2017 Series A (John Pennycuff Memorial Apartments) at 10:03 am. Chairman Waguespack read the legal notice and introduced it into the record as Exhibit 1. Chairman Waguespack opened the floor for written and oral public comment. There was none.

Ald. LaSpata expressed his support for the project and explained why the bonds needed to be extended. Chairman Waguespack invited Deputy Corporation Counsel Jim McDonald to explain the project, which he did.

Ald. Tunney asked why the project was taking so long. Ald. LaSpata said there were construction delays due to supply issues and COVID-19. Ald. Tunney asked if there were financial issues related to the reissuance. McDonald said there were none to the City. Ald. Tunney asked if a non-profit was still expected for the commercial space. Ald. LaSpata said he had no update on the commercial space.

Ald. Thompson asked who was in charge of the development, and McDonald provided the information. Ald. Thompson asked if the City had done other deals with them, and McDonald said he could provide that through the Chair.

Chairman Waguespack closed the hearing at 10:25 am.

On November 17, 2020, at 10:26 am, the Committee on Finance held a remote meeting pursuant to applicable law.

The following members were present: Hopkins, Dowell, Sawyer, Mitchell, Harris, Beale, Sadlowski-Garza, Thompson, Cardenas, Quinn, Burke, Lopez, Moore, Curtis, O’Shea, Brookins, Tabares, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Napolitano,

Reilly, Smith, Tunney, Osterman, Silverstein, Vice Chairwoman Hairston, and Chairman Waguespack.

The following member was absent: King.

The following additional aldermen were present: LaSpata, Coleman, Rodriguez, Sigcho-Lopez, Cardona, Rodriguez-Sanchez, Nugent, Vasquez, Martin, Hadden.

Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack took a roll call to establish a quorum, as reflected above.

Chairman Waguespack opened the public hearing to approve a proposed property tax levy increase for the City of Chicago for 2021, pursuant to Section 35 ILCS 200/18-55 et. seq., the Illinois Truth in Taxation Law, at 10:26 am.

Chairman Waguespack invited Budget Director Susie Park and CFO Jennie Bennett to explain the levy, which they did.

Ald. Thompson asked for clarification on the elements of the levy, which Park provided. Chairman Waguespack noted that the information was distributed in documents related to the Nov. 18 meeting. Ald. Tunney asked for an explanation of the city college aspects of the levy, which Park and Bennett provided.

Ald. Thompson asked for further clarifications on the elements of the levy, which Park provided. Ald. Villegas asked about the interplay between Consumer Price Index levy increases and pension contributions. Bennett said the pension increases would ramp up significantly in coming years. Ald. Villegas asked how that gap would be filled. Bennett said that will be the difficulty next year, but there were some structural changes on the horizon. Ald. Moore, on a point of information, asked if Bennett was talking about FY 2022, and Bennett said she was.

Ald. Beale asked if the debt restructuring was a one-time fix, and Bennett said it was. Ald. Beale asked if anything was being set aside to pay for a new police contract. Bennett said the levy was related to police pensions, not the contract. Park said about \$100 million was set aside, but it was unclear how much the next contract would cost. Ald. Beale asked how removing the CPI increases would impact the City moving forward. Bennett said it would impact the outyear ability to reach structural balance. Ald. Beale asked if the CPI increases are legal. Park and Bennett said the Department of Law believes they are. Ald. Beale said the tax levy was voted on annually. Bennett clarified that, even with the CPI increases, the council would still vote on the levy every year. Bennett also noted that other municipalities in Illinois use a CPI inflater on their levies.

Ald. Thompson asked for clarification on the levy increases, and Park provided it. Ald. Thompson asked about future levies, and Bennett provided that information. Ald. Thompson asked what other governmental bodies use the CPI increase. Bennett said Chicago Public Schools, Chicago Park District, and City Colleges of Chicago use a CPI increase.

Ald. Burke asked how many positions that are vacant are still in the budget, as well as the cost of those positions. Park said she would provide that through the Chair. Ald. Burke asked about the wisdom of levying taxes to fund positions that are empty. Park said the vacant positions that remain are expected to be filled. Ald. Burke said that if the positions were critical, they would

have been filled already. Park said there was a hiring slowdown in 2020. Bennett said, for example, the Chicago Department of Public Health had a number of vacant positions that are critical in the fight against COVID-19.

Ald. Moore on a point of information asked for clarification on eliminated and non-eliminated vacancies, and Park provided it. Ald. Reilly, on a point of information, explained the distinction Ald. Burke made in his questions.

Vice Chairwoman Hairston, on a point of information, asked that the vacancies moving forward also be noted by which department they are in. Ald. Smith, on a point of information, asked if vacant police positions which will be filled with current recruits are part of those vacancies being carried forward. Park noted that vacancies are listed in the documents previously provided to aldermen.

Ald. Tunney asked the percentage increase in the total levy, and Park and Bennett provided it. Ald. Tunney asked if there was an estimate of the levy increase for 2022, and Bennett said it would be the same as this year, plus CPI. Ald. Tunney said there should have been a property tax increase in the previous year, as the Administration knew pension contributions would need to increase. Ald. Tunney also asked if CARES Act money would fund CDPH COVID-related positions. Park said the CDPH positions were just an example, but there are also police and fire positions to fill. Bennett noted that the City lost significant revenue for 2020 and 2021 due to COVID. Ald. Tunney asked if a property tax increase would have been needed without COVID. Bennett said it would not.

Ald. Beale, on a point of information, asked how much of the revenue loss was COVID related, and Park and Bennett provided clarification on the budget gap related to COVID, as well as pension obligations.

Ald. Mitchell asked how long the open positions being carried forward had been open. Bennett said she would try to provide that information through the Chair. Vice Chairwoman Hairston said she needed that information before voting on the budget. Vice Chairwoman Hairston also asked about the impact of not obtaining an increased real estate transfer tax from the State, as well as ambulance reimbursement rates. Bennett said the 2020 budget did not include the real estate transfer revenue, and the ambulance reimbursement loss was due to fewer ambulance runs due to COVID. Ald. Dowell, on a point of information, asked how that was offset, and Bennett said it was offset by refunding savings in 2020.

Ald. Austin asked if existing vacancy salaries could be reduced to \$1 now and added back later when hired. Park said she would need to do more research. Ald. Thompson said the budget might change with federal funding, and no one can predict what a post-COVID economy will look like. Ald. Thompson asked if the tax increase could be replaced with a line of credit. Bennett said it would cost \$2-4 million a year in interest.

Chairman Waguespack asked if vacancy information had already been sent out, and Bennett said it had been distributed by each department during hearings in the Committee on Budget and Government Oversight. Ald. Dowell said it had been discussed by department, not in aggregate.

Ald. Hopkins asked about the methodology of the annualized turnover factor, as well as the relationship between that number and vacancies. Park provided the information. Ald. Hopkins

complained about how long it took to fill vacancies. Park said reforms to the process are being attempted.

Ald. Burke asked about total local revenue sources, and Park provided the information. Ald. Burke asked if the property tax increase could instead come from other funds. Bennett said that was possible, but some revenue sources, like the hotel tax, look soft. Ald. Burke asked if the bag tax was reflected in the revenue section, and Park said it was in the Business Transaction Tax section. Ald. Burke asked if there had ever been an audit to ensure the bag tax is being paid. Bennett said the bag tax was mostly flat. Ald. Burke asked how much was collected through the tax, and Park provided the information. Ald. Burke asked about increasing the tax by 1 cent, and Bennett said that would raise about \$840,000. Ald. Burke asked if other taxes had been considered for increases. Bennett said they had looked at all of them, but most were already high relative to other municipalities.

Ald. Burke asked why the Administration is not projecting federal funds instead of levying higher property taxes. Bennett said the City needed to prepare for the worst. Ald. Burke said there was unease about increasing the levy. Ald. Smith asked for clarification regarding pension contributions, and Bennett provided it. Ald. Smith asked how much the City would save if it did not hire 250 police officers, and Park said salary alone was about \$11.5 million.

Ald. Nugent expressed concerns about a property tax increase, noting that in 2016, 64 percent of Chicagoans owned their own homes. Bennett said many revenue sources have been explored. Ald. Nugent suggested a delivery tax on online orders. Bennett said she was not sure the City could legally levy such a tax. Ald. Nugent said she had read legal opinions that were contrary.

Chairman Waguespack asked how much the 2015 property tax increase was, and Bennett provided the information. Chairman Waguespack noted that it was \$588 million over three years.

Ald. Tunney noted that the property tax increase would also impact businesses, not just homeowners, and asked how we could increase their taxes while businesses are struggling. Bennett noted that the Cook County Assessor is figuring in any decrease in property value related to COVID, and the City is closely monitoring the real estate market. Ald. Tunney said that many businesses are looking to downsize their spaces post-COVID. Bennett noted that offices are currently 15-percent occupied.

Ald. Sadlowski-Garza expressed support for a delivery tax. Chairman Waguespack noted that aldermen had just received that proposal, which needs more discussion and investigation. Ald. Sadlowski-Garza agreed. Ald. Thompson, on a point of information, agreed that there needed to be further discussion.

Ald. Vasquez noted that renters also pay property taxes through rent. Ald. Vasquez asked why other potential revenue sources, such as slot machines, had not been exhausted. Ald. Vasquez asked for, through the Chair, a list of revenue options that were not included in the budget. Park said they had looked at a long list of options. Bennett noted that the slot machine proposal had been addressed at previous Committee on Finance meetings, and approving slot machines could cannibalize future casino revenue. Ald. Vasquez noted that slot machines at gas stations are different from a casino environment.

Ald. Cardenas said he shared the frustration of some aldermen and mentioned slot machines at the airports. Bennett said that airport slot machines cannot be put at the airports until a casino is in place.

Ald. Martin asked why a sunset on slot machines would still harm a casino. Bennett said they are working on a casino as soon as possible, and once slot machines are allowed, it would be very difficult to eliminate them. Ald. Martin asked about dedicating future TIF expirations and surpluses to replenishing money drawn now from reserves. Bennett said TIF expirations are already computed in off-year projections, and moving that money to another source could result in a credit downgrade. Ald. Martin asked why it is better to use those TIF funds later rather than now. Bennett said they will need as much revenue as possible when confronting the pension ramp.

Ald. Napolitano asked if drawing reserves would need to be paid back with interest. Bennett said the City would not, but it would lose the compound interest income currently received. Ald. Napolitano asked how long it would take to replenish the reserves if they were used to cover the property tax increase, and Bennett provided the estimate.

Ald. Sigcho-Lopez asked about bond interest rates and how they figure in projections. Bennett said those projections have been accounted for in the current bond refinancing projections. Ald. Sigcho-Lopez asked about the TIF subsidy to Lincoln Yards. Bennett noted that there is no money in that TIF. Ald. Sigcho-Lopez asked if some TIF agreements could be renegotiated. Bennett said they could, but that would take time. Ald. Sigcho-Lopez asked about a corporate head tax and working toward changes in state law. Bennett said they are always open to discussing the Springfield agenda.

Ald. Ervin asked if the City would be discussing a property tax increase without COVID, and Bennett said no. Ald. Ervin asked how long it would take to rebound. Bennett said it was unknown, but it took six-seven years to recover from the 2008 financial crisis. However, Bennett said, federal help or a vaccine would make huge impacts. Ald. Ervin asked about out-year revenue losses, and Bennett estimated \$2-3 billion in the next three years. Ald. Ervin asked if it was possible to cover such a gap without another property tax increase. Bennett said she does not anticipate further property tax increases outside of CPI.

Ald. LaSpata asked if the CPI levy increase component needed to be in the budget management ordinance. Bennett and Park said future levies could be increased without it. Ald. LaSpata asked, through the Chair, about departmental breakdowns on CARES Act spending. Bennett said it was already in the documents provided through the Committee on Budget and Governmental Operations. Ald. LaSpata asked about drawing on reserves while pledging future revenue from expiring TIFs to replenish those funds. Bennett said, in addition to her previous point, borrowing against that money would be a one-time solution, and the City would need to find the additional \$94 million next year.

Chairman Waguespack opened the floor for public comment. There was none. Chairman Waguespack concluded the public hearing at 12:51 pm.

On November 18, 2020, at 10:08 am, the Committee on Finance held a remote meeting pursuant to applicable law.

The following members were present: Hopkins, Dowell, Sawyer, Harris, Beale, Sadlowski-Garza, Thompson, Cardenas, Quinn, Burke, Lopez, Moore, Curtis, O'Shea, Brookins, Tabares, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Napolitano, Reilly, Smith, Tunney, Osterman, Silverstein, Vice Chairwoman Hairston, and Chairman Waguespack.

The following members were absent: King, Mitchell.

The following additional aldermen were present: Coleman, Rodriguez, Sigcho-Lopez, Cardona, Rodriguez-Sanchez, Nugent, Gardiner, Martin, Hadden.

Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack took a roll call to establish a quorum, as reflected above.

Ald. Ervin indicated that Ald. King was absent due to a death in her family.

Chairman Waguespack opened the floor for public comment. Michael Wiedmaier spoke in support of funding capital infrastructure. Kevin Artl spoke in support of funding capital infrastructure. Tom Cuculich spoke in support of funding capital infrastructure. Robert Santana spoke in support of the budget. Jorge Perez spoke in support of funding capital infrastructure. Ryan Kelly spoke in support of the budget.

1. Approval of Rule 45 Report of the previous meeting of the Committee on Finance.

On Item 1, Ald. Lopez moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.

2. O2020-5747 A communication recommending a proposed ordinance concerning the authority to approve the levy of real estate taxes for the City of Chicago for the year 2021.

Amount of Tax Levy: \$1,632,926,000.00

Chairman Waguespack invited Budget Director Susie Park and CFO Jennie Bennett to explain the levy, which they did. Ald. Beale asked for clarification on the levy, which Park and Bennett provided. Ald. Austin asked about reducing vacate carry-over positions to \$1 of funding. Park said the speed of hiring was already accounted for in the proposed budget.

Ald. Cardenas asked about the relationship between pension obligations and the levy, and Bennett addressed that relationship. Ald. Cardenas expressed frustration the City did not contribute more to pensions in the past. Bennett explained how current practice differs from past calculations.

Ald. Harris moved do pass by the roll used to establish quorum. Ald. Lopez requested a roll call. Ald. Burke asked for Chairman Waguespack to restate the motion, which he did. Ald. Burke requested more time for debate. Ald. Harris withdrew her motion.

Ald. Burke asked if Park had responded to his questions from November 17 regarding vacant positions, and Park said she had emailed the information. Park noted how many of those vacancies are in the police department. Ald. Burke asked about the time it takes to bring a new recruit into the police and fire departments. Park said it takes some time. Ald. Burke noted they were unlikely to be filled in January or February. Park said that the speed of hiring had been taken into account in the budget. Ald. Burke said if the positions were critical, they would have been hired already. Park noted that, due to COVID, the speed of hiring had slowed.

Ald. Burke asked the value of the vacant positions. Park said it was \$80 million, and that cost was discounted by \$18 million due to the speed of hiring. Ald. Burke noted the reluctance of Committee members to approve the levy.

Ald. Lopez asked if the property tax increase was still included, and Park said it was. Ald. Lopez asked for some clarification of the specifics of the levy, and Park and Bennett provided the clarification. Ald. Lopez asked about total debt service payments, and Bennett provided the information. Ald. Lopez expressed concern that the City was running out of revenue to back its debt. Ald. Lopez asked at what point the City would need to increase revenue or decrease expenses to pay debt service. Bennett said they are working toward structural balance to avoid that issue. Ald. Lopez reiterated his concern about debt service.

Ald. Moore asked about the impact of vacancies on services. Park said they have cut as much as they can without impacting services. Ald. Dowell asked about anticipated loss of collections and if that would continue beyond 2021. Bennett said it is different from the CPI increase. Ald. Dowell asked when the CPI increase would expire, and Park said 2058 when the pension ramp ended. Ald. Tunney, on a point of information, asked for clarification on the CPI increase ordinance, and Park provided clarity.

Ald. Lopez asked if the levy is taking into account any projections that may fall short.. Bennett said that, in the totality, the current proposal is sufficient for 2021, although there is risk in either direction. Ald. Lopez asked if the budget proposals could be delayed until there was more certainty on any federal funding and local revenue. Park said that, statutorily, the City was required to file its levy before the end of the year. Ald. Lopez asked if a list of the potential layoffs was ever provided. Park said there was no list provided since employees had not been informed, and it would not have happened until March.

Ald. Burnett commended the budget team and his fellow aldermen on the work put into the budget. Ald. Harris renewed her motion do pass. Ald. Lopez renewed his request for a roll call.

With 21 yeas and 12 nays, Item 2 was approved, with the Committee members voting as follows:

Yea: Dowell, Sawyer, Harris, Sadlowski-Garza, Cardenas, Moore, Curtis, Brookins, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Smith, Osterman, Vice Chairwoman Hairston, Chairman Waguespack.

Nay: Hopkins, Beale, Thompson, Quinn, Burke, Lopez, O'Shea, Tabares, Napolitano, Reilly, Tunney, Silverstein.

Ald. Dowell moved to reconsider the vote. Motion failed on a voice vote.

4. O2020-5743 A communication recommending a proposed ordinance authorizing amendments to various sections of the Municipal Code of Chicago, which relate to revenue derived from certain taxes, fines and fees.

Chairman Waguespack went out of order to Item 4. Chairman Waguespack invited Budget Director Susie Park to explain the ordinance, which she did. Chairman Waguespack asked that Park provide the updated number of meters per ward through the Chair. Ald. Harris moved do pass by roll call.

With 21 yeas and 12 nays, Item 4 was approved, with the Committee members voting as follows:

Yea: Dowell, Sawyer, Harris, Sadlowski-Garza, Cardenas, Moore, Curtis, Brookins, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Smith, Osterman, Vice Chairwoman Hairston, Chairman Waguespack.

Nay: Hopkins, Beale, Thompson, Quinn, Burke, Lopez, O'Shea, Tabares, Napolitano, Reilly, Tunney, Silverstein.

Ald. Dowell moved to reconsider the vote. Motion failed on a voice vote.

3. O2020-5749 A communication recommending a proposed ordinance concerning the authority of the City of Chicago to issue general obligation bonds and additional sales tax bonds for various purposes and the levy and collection of direct annual taxes.

Chairman Waguespack invited CFO Jennie Bennett to explain the ordinance, which she did. Ald. Tunney asked what the debt per capita is now and what it would be if the ordinance passed. Bennett said after refunding, it will be \$11 billion total. Bennett said she would provide the debt per capita through the Chair. Bennett said the debt burden is in line with other large urban cities.

Ald. Thompson exercised Rule 14 regarding Item 3 out of an abundance of caution because one of his cousins works for one of the banks involved.

Ald. Lopez asked how the infrastructure plan was created without aldermanic consultation. Chairman Waguespack invited Chicago Department of Transportation Commissioner Gia Biagi to address the question, which she did. Ald. Lopez asked if CDOT would avoid funding projects located in wards where aldermen voted against the ordinance. Biagi said the process would not change, and project selection would be need based.

Ald. Cardenas asked to be made a priority. Ald. Burke asked what projects were planned for his ward. Biagi said that a summary had been provided, but CDOT was more than willing to connect with individual offices to discuss it further. Chairman Waguespack noted that he received the list the previous Saturday. Ald. Burke said that the document was city-wide, and he is looking for a ward-specific document.

Ald. Mitts asked for an explanation of what is a Works Projects Administration street, and Biagi provided the explanation. Ald. Osterman asked about the interplay between the bonds and potential federal capital infrastructure money. Bennett said any such money would help with the local work.

Ald. Harris moved do pass by roll call.

With 22 yeas and 10 nays, Item 3 was approved, with the Committee members voting as follows:

Yea: Dowell, Sawyer, Harris, Sadlowski-Garza, Cardenas, Moore, Curtis, O'Shea, Brookins, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Smith, Osterman, Vice Chairwoman Hairston, Chairman Waguespack.

Nay: Hopkins, Beale, Thompson, Quinn, Burke, Lopez, Tabares, Napolitano, Reilly, Tunney, Silverstein.

Ald. Thompson invoked Rule 14 of the City Council's Rules of Order and did not vote.

Ald. Dowell moved to reconsider the vote. Motion failed on a voice vote.

5. O2020-5319 A communication recommending a proposed ordinance amending section 2-32-085 of the Municipal Code of Chicago, regarding charitable organizations eligible for contributions from voluntary payroll deduction program.

Chairman Waguespack invited Ald. Curtis to explain his ordinance, which he did. Aids. Austin, Lopez, Moore, Dowell, Burnett, Mitts, Ervin, O'Shea, Harris, Beale, and Scott praised the Black Firemen's Brigade and asked to be added as cosponsors.

Ald. Moore moved do pass by the roll call used to establish quorum. Motion carried.

6. A proposed order authorizing the payment of various small claims against the City of Chicago.
7. A proposed order denying the payment of various small claims against the City of Chicago.

Ald. Hopkins moved do pass by the roll call used to establish quorum. Motion carried.

Chairman Waguespack thanked the Committee members for their patience during the budget process.

The Committee having no further business, on a motion by Ald. Scott, the meeting was adjourned at 12:21 pm.

Respectfully submitted,



Scott Waguespack
Chairman, Committee on Finance