



**OFFICE OF THE INSPECTOR
GENERAL**
City of Chicago



REPORT OF THE INSPECTOR GENERAL'S OFFICE:

BUDGET OPTIONS FOR THE CITY OF CHICAGO

SEPTEMBER 2011

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Joseph M. Ferguson
Inspector General

September 26, 2011

To the Mayor, Members of the City Council, the City Clerk, the City Treasurer, and the residents of the City of Chicago:

Enclosed for your review is the IGO's Annual Budget Options for the City of Chicago. This report contains 63 options to decrease City spending or increase revenue. For each option, we present an overview and an estimate of the savings or increased revenue that the option would generate. Additionally, we include brief discussions of what proponents might argue in support of the option and, conversely, what opponents might argue against the option. Finally, we have added a section this year for more complex or controversial options that provides an additional discussion of the option and additional information decision makers might want in deciding whether or not to implement the option.

The impetus for this report is to fulfill a component of the core mission of IGO: promoting effectiveness and efficiency in City operations. A City government that spends more than it brings in cannot long be effective; budgets that carry forward the waste and ineffective aspects of prior budgets cannot serve the cause of efficiency. When the 2012 budget deficit of \$635 million is combined with the City's pension system funding shortfalls, Chicago faces an effective annual deficit of \$1.2 billion.

Over the last year, general fiscal and economic conditions have become only worse. Concerns about a double-dip recession, the recent federal deficit ceiling controversy, and the emerging understanding of the dimensions and gravity of the structural deficits of the federal and Illinois state governments means the City will likely be unable to look elsewhere for reprieve from its fiscal challenges. To balance its budget, the City therefore must begin to reduce its spending through restructuring its operations, eliminating programs and subsidies, increasing revenue by increasing taxes and fees, or undertaking some combination of the two. This will require difficult choices.

It is our hope that these options help positively influence forthcoming budget decisions. These options come from a wide range of sources, including discussions with City officials, IGO work product, and public input. Fundamentally, the inclusion of any option in this report is not and should not be construed as an endorsement by the IGO. The report's intent is not to advocate for specific ways for the City to confront its fiscal difficulties, but rather to provide information to elected officials and the public to inform the debate over how to confront these challenges in a way that results in a budget that moves the City to greater efficiency and effectiveness. The report is intended merely to provide a background and framework for more detailed analysis and public discussion.

This year, we have again endeavored to identify options from most service sectors of City government, without regard to size or importance of the service. Additionally, we have significantly increased the number of options for raising revenue while expanding the number of options that would cut spending.

We note that some of the options in this report cannot be immediately implemented due to the need for planning to restructure the delivery of services, require changes in State law, or because of provisions in collective bargaining agreements. To the extent that certain options are not available for immediate implementation, we hope that they may inform future discussions about steps the City can take to address its structural budget deficit. In particular, they might inform negotiations with various unions, whether in the form of renegotiation of existing collective bargaining agreements or negotiation of new terms for those expiring in the near future.

A major change this year is that each option is also published on our website along with many of the calculations and data that underlie each option. We will update each option's web page as we receive more information, comments, questions, and criticisms of individual options. We encourage interested parties to use the data to further analyze these options and examine our underlying calculations. Also, visitors to the site will be able to leave comments on each of the options.

In our continuing effort to be fully responsive to the City's challenges and supportive of the efforts of the Mayor and City Council in meeting those challenges, we welcome any suggestions or comments you may have on how to improve the report. Additionally, we welcome, for consideration and analysis, your ideas for how the City might confront its budget deficit. We may include your options in a future report. Please send your suggestions, comments, questions, corrections, and criticisms to budgetoptions@chicagoinspectorgeneral.org

Respectfully,

A handwritten signature in black ink, appearing to be 'J. Ferguson', written over a horizontal line.

Joseph M. Ferguson
Inspector General
City of Chicago

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Overview of City’s Financial Condition

A discussion of the City’s financial condition is presented below.

Composition of the City Budget

The City’s annually appropriated budget is largely composed of spending on personnel and debt service, meaning principal and interest payments on the City’s outstanding bonds.¹ Together, these two categories represent over 80% of the \$6.15 billion 2011 City budget. The chart below details the 2010 and 2011 budgets by major spending category.

| Category | 2010 Annually Appropriated Budget | 2011 Annually Appropriated Budget | Percent Increase in 2011 Compared to 2010 |
|--|-----------------------------------|-----------------------------------|---|
| Personnel Costs | \$3,699,114,550 | \$3,818,483,495 | 3.23% |
| Salary and Wages | \$2,367,817,281 | \$2,433,948,605 | 2.79% |
| Health Insurance, Dental, and Vision | \$465,177,315 | \$502,384,712 | 8.00% |
| Pension | \$457,591,000 | \$449,006,000 | -1.88% |
| Miscellaneous Pay | \$217,011,390 | \$222,350,036 | 2.46% |
| Contract Wage Increases | \$87,349,576 | \$58,676,791 | -32.83% |
| Overtime | \$89,674,891 | \$97,991,121 | 9.27% |
| Unemployment and Workers Comp | \$69,309,729 | \$107,282,049 | 54.79% |
| Furlough Savings | (\$54,816,632) | (\$53,155,819) | -3.03% |
| Debt Service | \$1,176,897,403 | \$1,227,416,550 | 4.29% |
| Contracts | \$776,407,099 | \$777,114,788 | 0.09% |
| Other Contract Costs | \$327,661,334 | \$335,080,464 | 2.26% |
| Property and Equipment Costs | \$255,796,174 | \$256,230,432 | 0.17% |
| Utilities, Insurance, and Waste Disposal | \$192,949,591 | \$185,803,892 | -3.70% |
| Net Miscellaneous Expenditures | \$282,558,719 | \$165,892,900 | -41.29% |
| Materials, Equipment, and Travel | \$171,116,229 | \$163,769,267 | -4.29% |
| Total | \$6,106,094,000 | \$6,152,677,000 | 0.76% |
| Note #1: Miscellaneous Compensation in the personnel costs is composed primarily of non-wage compensation provided to sworn police officers and firefighters. This includes duty availability pay, holiday pay, and uniform allowances. Also, included in this category is the City's Medicare payroll tax contribution. | | | |
| Note #2: Categories may not reconcile to Summary D in Annual Appropriation Ordinance due to different categorization of certain expenditures. For example, the spending related to the contract to operate Harold Washington Library is classified in the 2010 Ordinance as a "Specific Item". Here it is classified as a Contract cost. | | | |

¹ It is important to note that the City’s Annually Appropriated Budget does not include spending funded by Federal and State Grants, TIF districts, and Capital funds. In 2009 and 2010, the City spent a total of \$1.62 billion and \$1.73 billion, respectively in these categories. The table below details the spending in each category:

| | 2009 | 2010 |
|------------------|---------------|---------------|
| Grant Spending | \$752 million | \$813 million |
| Capital Spending | \$473 million | \$508 million |
| TIF Spending | \$399 million | \$410 million |

Sources: Grant spending-City of Chicago. 2009 and 2010 Comprehensive Annual Financial Reports (CAFR). pg. 34. Capital Spending-(Only includes Capital Spending in Community Development & Improvement Project, Equipment Projects, and Highway and Transportation Projects. Capital spending in TIF funds is reported in those categories.) City of Chicago. Supplement to the 2009 and 2010 CAFRs. TIF spending-Includes Tax Increment, TIF Capital Projects, and Special Service Taxing Areas Debt Funds. City of Chicago. 2009 and 2010 CAFRs and the Supplements to the 2009 and 2010 CAFRs and the City’s Financial Management and Purchasing System (FMPS). CAFR and the 2010 Supplement are available here:

http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html

Personnel Costs Are Rising

By far the City’s largest expenditure category is personnel, which made up 62 percent of the City’s budget in 2011. Yet, even during the current economic downturn, salaries for many City workers are increasing. The table below details the pay increases for the City’s workforce in 2012 according to the applicable collective bargaining agreements (CBAs). For comparison, the number of active employees in 2010 is included in the table. Likewise, pension benefits, which are tied to salaries, are also increasing.

| Type of Union | Active Employees (9/21/2010) | Active Employees (9/12/2011) | 2012 Pay Increase | Expiration of CBA |
|--------------------------------|------------------------------|------------------------------|------------------------------|---------------------------|
| Police | 12,757 | 12,240 | 1.00% | June 30, 2012 |
| Building Trades | 6,777 | 6,403 | 3.50% | June 30, 2017 |
| Fire | 4,971 | 4,887 | 1.00% | June 30, 2012 |
| Non-union | 3,182 | 2,995 | ??? | No CBA |
| AFSCME | 2,801 | 2,682 | 3.50% | June 30, 2012 |
| Public Safety (OEMC Personnel) | 2,510 | 2,339 | Contract Expired end of 2010 | Expired December 31, 2010 |
| Nurses | 43 | 40 | 3.50% | June 30, 2012 |
| Total | 33,041 | 31,586 | | |

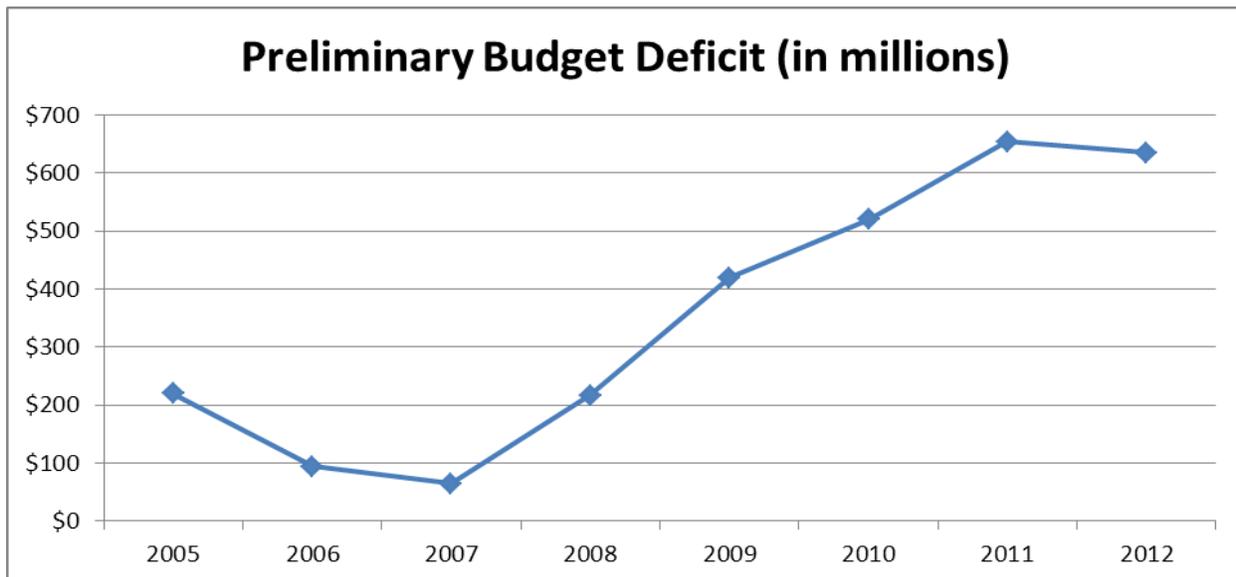
Note: This is only locally-funded employees. Does not include employees funded by grants.

Financial Challenges

The City’s ever rising personnel costs, coupled with its non-negotiable debt service obligations, conspire to create a deteriorating financial situation. Specifically, the City’s recurring budget deficits, its use of one-time revenues to cope with those deficits, and its under-funding of its pension system all demonstrate that the City has a significant structural deficit in which its annual revenues are not sufficient to pay for its annual expenditures. Combining the recent budget deficits with the spending increases necessary to properly fund the City’s pension system, the City faces an effective annual deficit of at least \$1.2 billion.

Recurring Deficits

For the past several years, the City has faced continuing budget deficits. The chart below shows the City’s forecasted deficits for the last seven years.²



² Sources: Preliminary Budgets, 2011 Annual Financial Analysis, Chicago Sun-Times.

Under-funded Pensions

The City's reported deficits do not take into account the City's under-funded pension system that is the product of years of contributions inadequate to meet future obligations and benefit increases.³ A 2010 report on local government pensions found that Chicago has the worst funded pensions of any large municipality in the country, with unfunded obligations of over \$40,000 per City household.⁴ In April 2010, the State passed legislation that reduced pension benefits for new City employees, but not existing ones, in the Municipal Employees and Laborers' pension funds.⁵ Similarly, in January 2011, the State passed legislation that reduced pension benefits for new hires in the City's Police and Fire pension funds. However, the legislation that reduced benefits for new Police and Fire employees required the Police and Fire pension funds to be 90 percent funded by 2040, in accordance with actuarial needs. The City estimated that in order to achieve this requirement, a \$555 million annual increase in pension funding, beginning in 2015, would be required.^{6,7}

When added to the \$635.7 million operating deficit, the \$555 million increase in pension funding puts the City's effective annual operating deficit at \$1.2 billion, not including the increased funding required to adequately fund the Municipal Employees and Laborers' pension funds.⁸

Dwindling Reserves

In the past several years, the City has used reserve funds from the long-term leases of the Skyway and parking meters to help balance its budgets. However, the City's reserves from these leases are dwindling. The administration projects that at the end of 2011, it will only have \$624 million in reserve funds left from the long-term leases of the Skyway and Parking Meters.⁹ The use of reserves to confront operating deficits contributed to last year's downgrade in the City's bond rating, which will lead to higher future borrowing costs.¹⁰

³ City of Chicago. "Commission to Strengthen Chicago's Pension Funds". pg. 7.

<http://newsblogs.chicagotribune.com/files/pensionreport.pdf>

⁴ Novy-Marx, Robert and Rauh, Joshua. "The Crisis in Local Government Pensions in the United States. October 13, 2010. pg. 29
Note: This includes the pensions of the Chicago Public Schools, Chicago Transit Authority, and Chicago Park District.

⁵ Illinois General Assembly. "Public Act 096-0889".

<http://www.ilga.gov/legislation/publicacts/96/096-0889.htm>

⁶ City of Chicago. "City of Chicago Proposes Changes to Public Safety Pension Funding Law". January 28, 2011.

http://www.cityofchicago.org/city/en/depts/obm/provdrs/city_budg/news/2011/jan/city_of_chicago_proposeschangestopensionfunding_law.html

⁷ The Commission to Strengthen Chicago's Pension Funds, which issued its report in April 2010, estimated that with cuts in pension benefits for new employees, the City would still need to contribute \$574 million more annually for the next 50 years in order to adequately fund its pensions, a less aggressive timetable than the recently passed legislation concerning the Police and Fire funds.

City of Chicago. "Commission to Strengthen Chicago's Pension Funds." pg. 55.

⁸ This conclusion assumes that the pension liability for the Municipal and Laborer funds is fully the City's responsibility. The IGO notes that there is substantial ambiguity on whether the City in fact legally bears such responsibility. The Mayor's Commission to Strengthen Chicago's Pension Funds, co-chaired by the City's Chief Financial Officer, noted as much in its April 30, 2010 final report, stating "There is a question whether the City of Chicago would be obligated to contribute the full amount needed to pay full benefits to annuitants (when added to employee contributions, if the Fund were to run out of assets.)"

⁹ City of Chicago. 2011 Annual Financial Analysis. pg. 38.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/Budget%20Documents/2011_Annual_Financial_Analysis_FINAL_web_version.pdf

¹⁰ Fitch Ratings. "Fitch Rates City of Chicago, IL's GO Bonds & Tender Notes 'AA'; Downgrades Outstanding GOs." August 5, 2010.

<http://www.businesswire.com/news/home/20100805006398/en/Fitch-Rates-City-Chicago-ILs-Bonds-Tender>

Summary of Budget Options

The preceding section illustrates that in the current economic climate, the City's current level of spending, when matched to the City's current revenue structure, is unsustainable. The problem is so severe that to honestly and fully address the budget's imbalance will almost certainly require difficult choices that reduce the services the City delivers, increase taxes and fees on City residents, or, more likely, a combination of both. Because the City must make these difficult choices, it is imperative that the City have a fully engaged, public discussion about what actions to take. The options presented here are by no means exhaustive but are simply meant to help inform that discussion. The Budget Options are organized into two broad categories: Revenue Options which raise revenue, and Spending Options, which cut spending. The 19 Revenue Options are organized by type of revenue, while the 44 Spending Options are organized by City function from largest to smallest: Citywide, Public Safety, Public Service Enterprises, Finance and Administration, Infrastructure Services, Community Services, City Development, and Legislative and Elections. The tables below summarize the 63 options and shows the estimated savings that would be achieved in 2012 if the options were implemented immediately.

Technical Notes

In these options, we have attempted to discount any savings in the City's airport funds because, according to federal law, revenue generated by the airports is restricted to funding expenses related to airport operations.¹¹ Therefore, any savings or increased revenue related to airport operations could not be used to offset the City's budget deficit.

Similar to last year, some of the savings/additional revenue that will be achieved through the implementation of certain options will be realized in the Water and Sewer Funds. Under the City's municipal code, these funds cannot reimburse the Corporate Fund in excess of appropriations made in the Corporate Fund for purposes related to these funds.¹² Some might argue that this makes it difficult to transfer savings/increased revenue in these funds to the Corporate Fund to address the City's budget shortfalls. However, both the Water and Sewer Funds reimburse the Corporate Fund for expenses related to the pension benefits of City employees who work on activities related to the Water and Sewer Funds. These reimbursements for pension costs have been based on statutory rather than on actuarial requirements, which is one of the primary reasons for the City pension system's under-funding.¹³ Based on this fact, others might argue that the Water and Sewer Funds have not been fully reimbursing the Corporate Fund for the full cost of the pensions tied to these funds. Therefore, at the very least savings/ increased revenue generated in these funds can be transferred to the Corporate Fund in order to address the past under-funding of the pensions of workers whose positions are funded by the Water and Sewer Funds, and thereby partially offset the City's overall structural deficit.

¹¹ In the option, Increase the Work Week of all City Employees to 40 Hours, for simplicity, we did not consider how these employees were funded, so it is likely that a portion of the presented savings from this option comes from airport funds.

¹² City of Chicago. Municipal Code. Section 2-32-120 (American Legal 2011)

¹³ City of Chicago. "Commission to Strengthen Chicago's Pension Funds." pg. 14.

Revenue Options

| Type of Revenue | Budget Option | Requires Only City Action | Estimated Revenue |
|----------------------|---|---------------------------|------------------------|
| Property Taxes | Eliminate all Tax-Increment Financing Districts | ✓ | \$100,000,000 |
| Income Taxes | Create a City Income Tax | | \$500,000,000 |
| Income Taxes | Create a Commuter Tax | | \$300,000,000 |
| Sales Taxes | Broaden the Sales Tax to Include More Services | | \$450,000,000 |
| Transportation Taxes | Implement Congestion Pricing | | \$235,000,000 |
| Transportation Taxes | Place Tolls on Lake Shore Drive* | | \$87,500,000 |
| Transportation Taxes | Eliminate Reduced Rate City Sticker for Seniors | ✓ | \$7,600,000 |
| Recreation Taxes | Broaden the Amusement Tax | ✓ | \$105,000,000 |
| Recreation Taxes | Increase City Portion of Cigarette Tax | ✓ | \$3,100,000 |
| Recreation Taxes | Charge Lollapalooza the Amusement Tax | ✓ | \$1,000,000 |
| Transaction Taxes | Impose a Transaction Tax on Trades Made at the Mercantile Exchange and Board of Trade | | \$37,000,000 |
| Charges for Services | Raise Water and Sewer Rates to National Average | ✓ | \$380,000,000 |
| Charges for Services | Institute a Pay as You Throw Garbage Collection Fee* | ✓ | \$125,000,000 |
| Charges for Services | Charge a Fee for Blue Cart Recycling* | ✓ | \$18,000,000 |
| Charges for Services | Eliminate Free Sewer Service for Seniors | ✓ | \$17,000,000 |
| Charges for Services | Eliminate Subsidized Water and Sewer Usage for Non-profit Organizations | ✓ | \$15,200,000 |
| Charges for Services | Double the Ambulance Fee | ✓ | \$13,200,000 |
| Charges for Services | Double the Boat Mooring Tax | ✓ | \$1,300,000 |
| Charges for Services | Charge a Fee to Non-profits that Receive City Garbage Collection* | ✓ | \$300,000 |
| Total | | | \$2,165,400,000 |

* These options are mutually exclusive of larger options and thus are not included in the total.

Spending Options

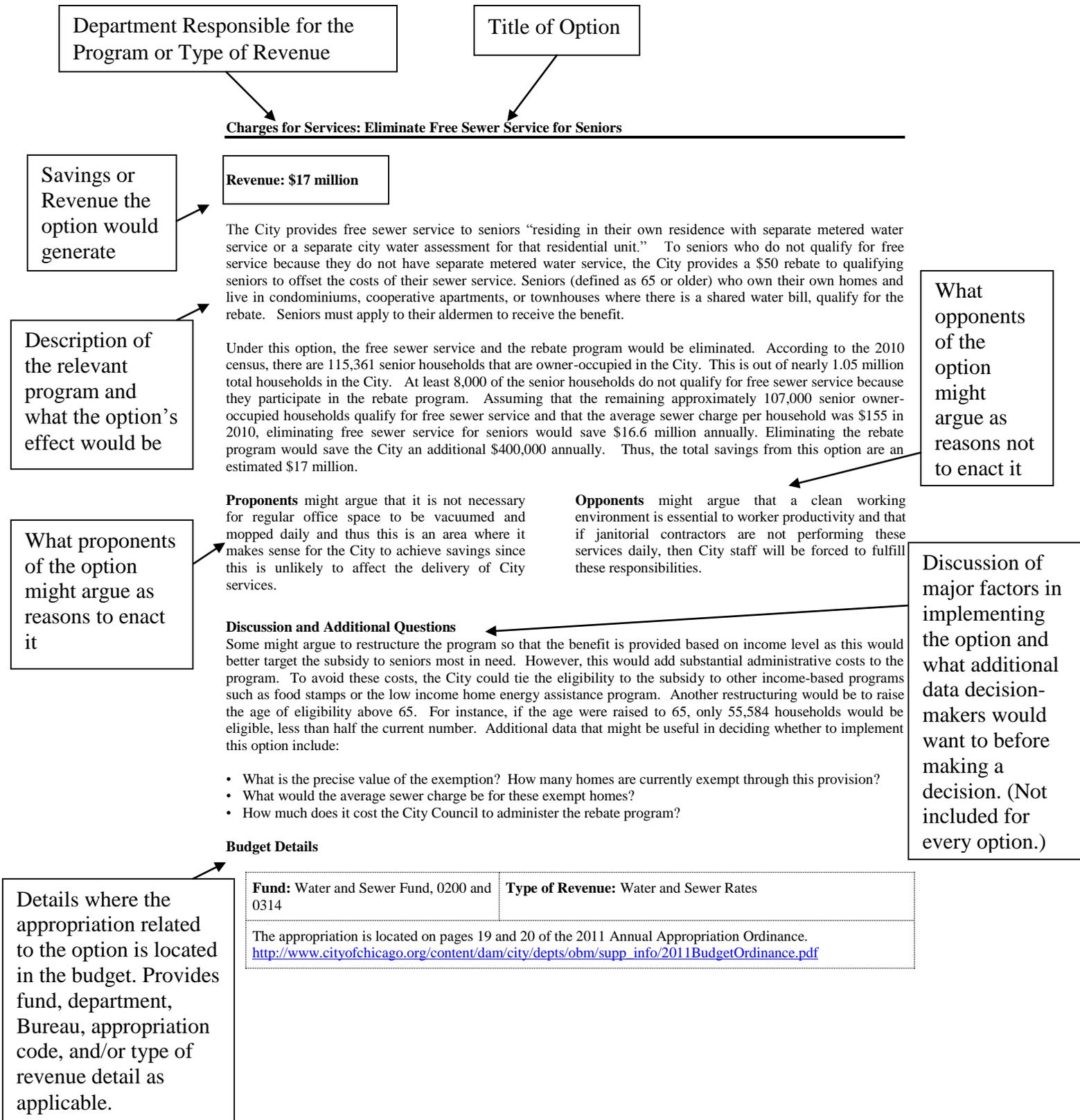
| City Function | Department | Budget Option | Requires Only City Action | Estimated Savings |
|---------------|----------------------------|---|---------------------------|-------------------|
| Citywide | Various | Reduce the Ratio of Supervisory to Non-supervisory Employees | ✓ | \$190,000,000 |
| Citywide | Various | Increase the Work Week of all City Employees to 40 Hours | | \$40,000,000 |
| Citywide | Various | Eliminate 200 Motor Truck Driver Positions | | \$19,000,000 |
| Citywide | Various | Elimination Tuition Reimbursement for all City Employees | | \$7,300,000 |
| Citywide | Various | Merge the Chicago Park District and the City of Chicago | ✓ | \$5,000,000 |
| Citywide | Various | Reduce the Number of Holidays for City Employees to 10 | | \$4,900,000 |
| Citywide | Various | Eliminate Personal Computer Operators | ✓ | \$4,000,000 |
| Citywide | Various | Require Double-sided Printing on All Printers and Copiers | ✓ | \$200,000 |
| Citywide | Various | Switch to Open Office or Google Documents from Microsoft Office | ✓ | \$175,000 |
| Public Safety | Fire Department | Reduce Fire Apparatus Staffing to Four Persons | | \$57,000,000 |
| Public Safety | Police and Fire Department | Eliminate Duty Availability Pay | | \$52,000,000 |
| Public Safety | Fire Department | Convert Twenty Percent of Fire Suppression Apparatuses to Ambulances* | | \$41,500,000 |
| Public Safety | Police Department | Eliminate Supervisor Quarterly Pay | | \$9,600,000 |
| Public Safety | Police Department | Eliminate the Marine and Helicopter Unit | ✓ | \$6,200,000 |
| Public Safety | Fire Department | Eliminate the Fire Commissary Contract | | \$2,000,000 |
| Public Safety | Fire Department | Reduce the Number of Fire Suppression Districts to Four | ✓ | \$1,900,000 |
| Public Safety | Fire Department | Eliminate the Internal Affairs Unit | ✓ | \$1,200,000 |
| Public Safety | Police Department | Civilianize Forensic Services | ✓ | \$1,100,000 |
| Public Safety | Police Department | Move Sworn Officers to Non-administrative Positions | ✓ | \$300,000 |

| | | | | |
|----------------------------|-------------------------------------|---|---|----------------------|
| Public Safety | Fire Department | Transfer the Responsibilities of the Fire Prevention Bureau to the Department of Buildings | | \$300,000 |
| Public Safety | Police Department | Require Police and Firefighter Unions to Fully Pay for the Pension Benefits of Members who Work on Union Business | | \$200,000 |
| Public Service Enterprises | Water Management | Eliminate Subscription Fees to Water Research Foundation | ✓ | \$515,000 |
| Public Service Enterprises | Water Management | Eliminate Additional Pay for Certain Water Department Workers when They Work on Weekends as Part of Their Normal Schedule | | \$400,000 |
| Finance and Administration | General Services | Reduce Spending on Janitorial Contracts | ✓ | \$5,000,000 |
| Finance and Administration | Finance | Charge More for Health Insurance for Employees that Smoke | | \$4,800,000 |
| Finance and Administration | Revenue | Privatize Parking Enforcement | ✓ | \$1,100,000 |
| Finance and Administration | Finance | Increase the Health Insurance Contribution for Employees Earning Over \$90,000 | | \$1,000,000 |
| Finance and Administration | Finance | Conduct Competitive Bidding when Issuing Bonds | ✓ | \$500,000 |
| Finance and Administration | Procurement | Discontinue Advertising Contracts in Newspapers | | \$100,000 |
| Infrastructure Services | Streets and Sanitation | Privatize City Garbage and Recycling Collection | ✓ | \$165,000,000 |
| Infrastructure Services | Streets and Sanitation | Reduce the Number of Garbage Carts in Service and Switch to a Regional, Grid-based System of Garbage Collection* | ✓ | \$46,700,000 |
| Infrastructure Services | Streets and Sanitation | Reduce the Number of Laborers on a Garbage Truck to 1* | ✓ | \$19,400,000 |
| Infrastructure Services | Streets and Sanitation | Eliminate the Condo Refuse Rebate Program | ✓ | \$6,000,000 |
| Community Services | Public Health | Transfer the Responsibilities of the Department of Public Health to the Cook County Health and Hospital System | | \$33,700,000 |
| Community Services | Family and Support Services | Eliminate City Funding for After School and Summer Employment Programs | ✓ | \$6,500,000 |
| Community Services | Public Health | Eliminate City Funding for Tuberculosis Clinics* | ✓ | \$1,400,000 |
| City Development | Housing and Economic Development | Eliminate Chicago Career Tech | ✓ | \$8,400,000 |
| City Development | Housing and Economic Development | Eliminate City-Funded Delegate Agency Programs | ✓ | \$5,600,000 |
| City Development | Housing and Economic Development | Eliminate the Subsidy to World Business Chicago | ✓ | \$1,400,000 |
| City Development | Cultural Affairs and Special Events | Eliminate Jumping Jack Program | ✓ | \$500,000 |
| City Development | Cultural Affairs and Special Events | Eliminate Tier IV of City Arts | ✓ | \$100,000 |
| Legislative and Elections | Board of Election Commissioners | Transfer all Election Management and Oversight to Cook County Clerk | | \$16,100,000 |
| Legislative and Elections | Board of Election Commissioners | Hold Municipal Elections on Same Day as Statewide Elections* | | \$3,000,000 |
| Legislative and Elections | City Council | Have an Independent Commission Redistrict Ward Boundaries | ✓ | \$1,000,000 |
| Total | | | | \$660,090,000 |

* These options are mutually exclusive of larger options and thus are not included in the total.

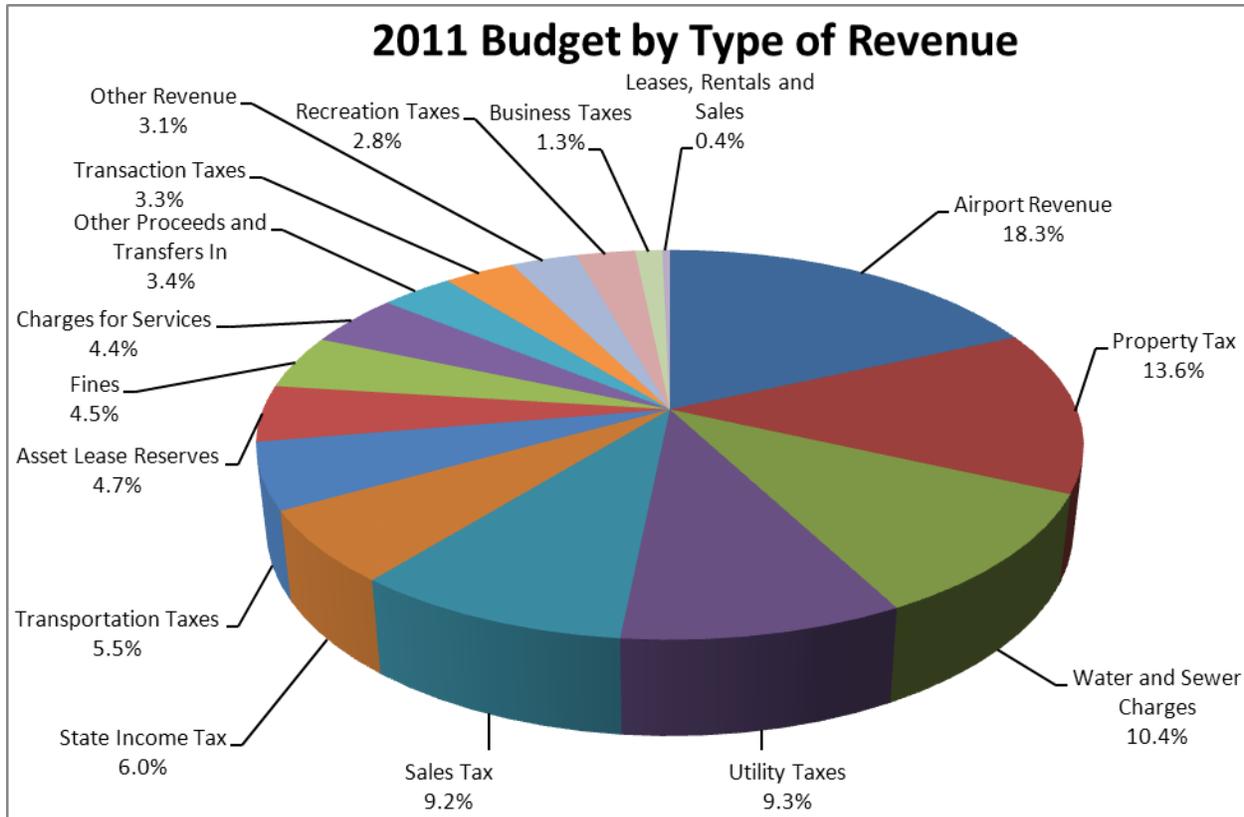
Guide to the Budget Options

Below is a diagram that explains how each option is presented.



Revenue Options

As discussed in the Overview of the City’s Financial Condition section, the City’s 2011 locally-funded budget was \$6.15 billion. The chart below details the different types of revenue and the percentage each comprises of the overall City budget.¹⁴



The chart demonstrates that the largest source of revenue for the City’s budget is revenue generated by the City’s airports. However, this revenue is restricted to funding expenses related to airport operations. Property taxes, water and sewer fees, and sales taxes (including utility taxes, which are essentially just sales taxes on utility services), together make up over 40% of the City budget’s revenue base.

The table below summarizes the budget options presented in this section.

¹⁴ This chart is based on our categorization of the different revenue sources as listed in the 2011 budget. For the full list of revenue sources please go to the IGO website.

<http://chicagoinspectorgeneral.org/major-initiatives/budget-options/>

This chart does not include proceeds from debt or transfers between funds, which were slightly different than the amounts listed in the 2011 budget. The categorization found \$351.1 million in internal transfers and \$78.5 million in proceeds from debt. The City budget lists these amounts as \$344.4 million and \$70.4 million respectively. For the purposes of the chart presented here these differences are not material.

Source for Revenue Sources: City of Chicago. 2011 Budget Ordinance. pgs. 16 thru 25.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

| Type of Revenue | Budget Option | Requires Only City Action | Estimated Revenue |
|----------------------|---|---------------------------|------------------------|
| Property Taxes | Eliminate all Tax-Increment Financing Districts | ✓ | \$100,000,000 |
| Income Taxes | Create a City Income Tax | | \$500,000,000 |
| Income Taxes | Create a Commuter Tax | | \$300,000,000 |
| Sales Taxes | Broaden the Sales Tax to Include More Services | | \$450,000,000 |
| Transportation Taxes | Implement Congestion Pricing | | \$235,000,000 |
| Transportation Taxes | Place Tolls on Lake Shore Drive* | | \$87,500,000 |
| Transportation Taxes | Eliminate Reduced Rate City Sticker for Seniors | ✓ | \$7,600,000 |
| Recreation Taxes | Broaden the Amusement Tax | ✓ | \$105,000,000 |
| Recreation Taxes | Increase City Portion of Cigarette Tax | ✓ | \$3,100,000 |
| Recreation Taxes | Charge Lollapalooza the Amusement Tax | ✓ | \$1,000,000 |
| Transaction Taxes | Impose a Transaction Tax on Trades Made at the Mercantile Exchange and Board of Trade | | \$37,000,000 |
| Charges for Services | Raise Water and Sewer Rates to National Average | ✓ | \$380,000,000 |
| Charges for Services | Institute a Pay as You Throw Garbage Collection Fee* | ✓ | \$125,000,000 |
| Charges for Services | Charge a Fee for Blue Cart Recycling* | ✓ | \$18,000,000 |
| Charges for Services | Eliminate Free Sewer Service for Seniors | ✓ | \$17,000,000 |
| Charges for Services | Eliminate Subsidized Water and Sewer Usage for Non-profit Organizations | ✓ | \$15,200,000 |
| Charges for Services | Double the Ambulance Fee | ✓ | \$13,200,000 |
| Charges for Services | Double the Boat Mooring Tax | ✓ | \$1,300,000 |
| Charges for Services | Charge a Fee to Non-profits that Receive City Garbage Collection* | ✓ | \$300,000 |
| Total | | | \$2,165,400,000 |

* These options are mutually exclusive of larger options and thus are not included in the total.

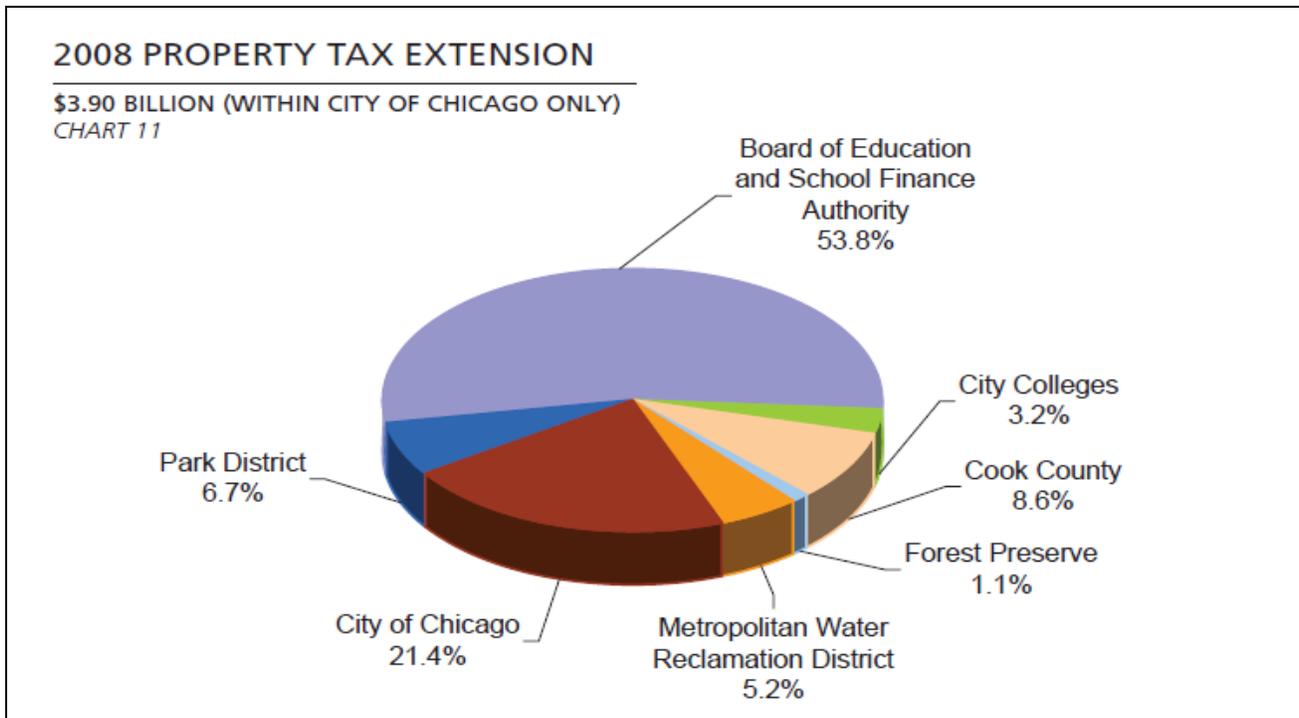
Property Tax: Eliminate All Tax-Increment Financing Districts

Revenue: \$100 million

Tax Increment Financing (TIF) is an economic development tool used to promote private redevelopment of commercial, industrial, and residential sites throughout the City. Generally speaking, TIF districts¹⁵ commit a portion of future tax revenues to fund subsidies and other financial incentives to spur economic development that otherwise might not occur.

When a TIF district is created, the total equalized assessed valuation (EAV) within the TIF district is measured and frozen at that amount for a fixed number of years.¹⁶ Then, revenues from any incremental growth in EAV above the frozen EAV baseline are transferred into the TIF district and used to fund redevelopment projects at the discretion of the City. Currently, the City has over 160 TIF districts.

Under this option, the City would eliminate all the City’s TIF districts, and return the property tax revenue currently being collected by the TIF districts to the City and the six taxing districts that collect taxes on City property. In 2010, the City’s TIF districts collected \$469.9 million in property tax revenue.¹⁷ If the City were to terminate these districts, the property tax revenue would then flow to the seven taxing districts that collect taxes on property in the City. The chart below¹⁸ shows what portion of the property tax the seven districts receive:



¹⁵ In order to use TIF to fund redevelopment projects, the City must first create TIF districts.
¹⁶ EAV is the taxable value of real estate, which is determined by multiplying the assessed value of a property by a state equalization factor and then subtracting any applicable tax exemptions. For more detail see the Civic Federation’s primer on the Cook County Property Tax. <http://www.civicfed.org/civic-federation/propertytax>
¹⁷ City of Chicago. Financial Management and Purchasing System (FMPS). For a breakdown of property tax revenue by district go to the IGO website. <http://chicagoinspectorgeneral.org/major-initiatives/budget-options/>
¹⁸ City of Chicago. 2011 Budget Overview and Revenue Estimates. pg. 41 http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Overview_and_Revenue_Estimates.pdf

Thus, if the City eliminated TIF districts, the City would receive 21.4 percent of the revenue those districts are currently collecting. Assuming the City’s 2012 property tax revenue is the same as it was in 2010, the seven taxing bodies would split the \$469.9 million in property tax revenue in the following manner:

| Taxing District | Percent of Property Taxes | Increased Revenue from TIF District Elimination |
|---|---------------------------|---|
| City of Chicago | 21.40% | \$100.56 million |
| Board of Education and School Finance Authority | 53.80% | \$252.81 million |
| Cook County | 8.60% | \$40.41 million |
| Chicago Park District | 6.70% | \$31.48 million |
| Metropolitan Water Reclamation District | 5.20% | \$24.43 million |
| City Colleges | 3.20% | \$15.04 million |
| Cook County Forest Preserve | 1.10% | \$5.17 million |

As a result, the City’s revenue would increase by approximately \$100 million annually.

Legality of shutting down TIF districts with outstanding obligations

It is unclear if the City would be able to terminate TIF districts that had outstanding obligations, such as future bond payments or future subsidy payments. The Illinois TIF act states:¹⁹

“Upon the payment of all redevelopment project costs, the retirement of obligations, the distribution of any excess monies pursuant to this Section, and final closing of the books and records of the redevelopment project area, the municipality shall adopt an ordinance dissolving the special tax allocation fund for the redevelopment project area and terminating the designation of the redevelopment project area as a redevelopment project area (emphasis added).”

Thus, the City may not be able to terminate a TIF district until all of its outstanding obligations are satisfied. But the City may be able to use existing TIF fund balances to satisfy the majority of these outstanding obligations.

Existing TIF balances and Future Obligations

At the end of 2010, the City’s TIF districts had a combined balance of approximately \$1.4 billion.²⁰ However, the vast majority of that money is designated for future projects or debt service on bonds that have already been issued on TIF revenues. This balance is not assumed to generate revenue for this option because we assume that the City will use the balance to pay off the \$156.9 million in TIF bonds that were outstanding as of the end of 2010 and the costs associated with development projects that are already under way.²¹

¹⁹ Illinois Compiled Statutes. Illinois Municipal Code Chapter 65. Sec. 5-11-74.4.-8 Tax Increment Allocation Redevelopment Act. <http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt.+11+Div.+74.4&ActID=802&ChapterID=14&SeqStart=208800000&SeqEnd=210900000>

²⁰ City of Chicago 2010 Comprehensive Annual Financial Report. pg. 36. This figure also includes the fund balance of Special Service Areas, but the combined fund balances of the City’s Special Service Areas are minimal compared to the fund balances of the City’s 160 TIF districts.

http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/CAFR/2010/CAFR2010.pdf

²¹ *Id.*, pg. 159.

Proponents might argue that TIF diverts needed property tax revenue into projects that fail to generate economic development and subsidizes investment activity that would have occurred anyway. They might point to a 2007 study by researchers at UIC that found that TIF districts did not have a substantial impact on housing values in Chicago.²² Additionally, some might argue that TIF raises the property tax burden on City residents by diverting property tax funds away from the Chicago Public Schools, the Park District, and other governments. This in turn causes these bodies to increase their property taxes to make up for the shortfall caused by TIF.

Opponents might argue that TIF has been a valuable economic tool for the City and point to a recent study that found that between 2004 and 2009 the assessed value of property within the City’s TIF districts grew 150 percent faster than City property outside of TIF districts.²³ Additionally, one might argue that TIF has provided funding for school construction projects in the Modern Schools Across Chicago program that would not have been completed otherwise.²⁴ Finally, some might argue that TIF has leveraged significant private investment in the City with “\$7 billion in private funding invested in the City of Chicago as a direct result of TIF investments.”²⁵

Discussion and Additional Questions

In order to make a decision regarding the elimination of City TIF districts, decision makers would need to answer the key question central to gauging the effectiveness of TIF: would the projects and economic development subsidized by TIF occur without the subsidies. This “but-for” analysis (would the development happen but-for the subsidy) is the most important question when considering whether TIF is a useful tool for the City.

Budget Details

| | |
|--|----------------------------|
| Fund: NA | Type of Revenue: NA |
| The revenue appropriations begin on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²² Weber, Rachel; Bhatta, Saurav Bev; Merriman, David. “The Impact of Tax Increment Financing on Residential Property Value Appreciation.” 2007. pg. 36.

²³ Polsky and Associates LTD. “2011 Chicago TIF Study.”
<http://www.polskylaw.com/2011chicagotifstudy/page17.html>

²⁴ Civic Federation. “Chicago Public Schools Reap TIF Revenues.” November 2009.
<http://www.civiced.org/civic-federation/blog/chicago-public-schools-reap-tif-revenues>

²⁵ City of Chicago. Department of Housing and Economic Development. “New: TIF Projection Reports.”
http://www.cityofchicago.org/city/en/depts/dcd/supp_info/tif_projection_reports.html

Income Tax: Create a City Income Tax

Revenue: \$500 million

The City currently receives revenue from the income tax the State of Illinois imposes on all State residents. Prior to 2011, the State income tax was three percent and municipalities received ten percent of the total tax collected, through the Local Government Distributive Fund (LGDF).²⁶ The LGDF distributes tax revenue to municipalities on a per capita basis. In 2011, the State raised the income tax to five percent, but froze the amount distributed to municipalities, thus effectively reducing the percent of state income tax revenue distributed to municipalities to six percent.²⁷

Under this option, the City would impose a one percent City income tax, structured similarly to the State income tax.

To estimate how much revenue such an income tax would generate, the IGO examined Illinois Department of Revenue (IDOR) data regarding the adjusted gross income (AGI) of City residents. In 2009, the total AGI for City residents was \$60.19 billion and their reported income tax liability was \$1.57 billion.²⁸ Thus, City residents were effectively taxed at a rate of 2.61 percent.²⁹ For comparison, the Chicago AGI is a little over 18 percent of the total Illinois AGI of almost \$330 billion, while Chicago represents 21 percent of the State's population.

In 2009, the State income tax, at a rate of three percent, raised \$1.57 billion from Chicago residents. If the City were to impose an income tax at a rate of one percent, assuming the same AGI as in 2009, it would raise approximately one-third of \$1.57 billion, or \$500 million.

Importantly, in order to create a City income tax, the City would first need authorization from the Illinois General Assembly.³⁰

Proponents might argue that an income tax is one of the fairest ways to raise revenue because the amount each resident pays is commensurate with his or her ability to pay. The more income one earns, the more taxes one pays. A proponent might also note that New York City has long had a local income tax. Additionally, administration of the tax would be simple because the City could just piggyback on the State's income tax structure and have State collect the

Opponents might argue that a local income tax would incentivize City residents to move to the suburbs to avoid paying additional taxes. Others might argue that the City's revenue should not be dependent on income taxes because income taxes are more responsive than other taxes to the fluctuations of the national economy and therefore create

²⁶Illinois Municipal League. "IML Legislative Update: Timely LGDF Payments." April 2011.

<http://www.iml.org/page.cfm?key=4647&parent=63>

²⁷ Chicago Metropolitan Agency for Planning. "Understand the State Income Tax Increase." January 13, 2011

<http://www.cmap.illinois.gov/policy-updates/-/blogs/understanding-the-state-income-tax-increase>

²⁸ The calculation of the AGI for City residents comes from Illinois Department of Revenue data that details AGI by zip code. To obtain an estimate of AGI for all City residents, we simply added up all the AGI for zip codes within the City. That data is available on our website while the source data is available here:

<http://data.illinois.gov/Economics/IDOR-2009-Illinois-Individual-Income-Tax-AGI-Zip-C/gsp6-dpce>

²⁹ The effective tax rate is likely lower than the 3% income tax rate that was in place in 2009 due to exemptions for children and spouses.

³⁰ See ILL. CONST. art. VII § 6(e); see also *Commercial Nat'l Bank of Chicago v. City of Chicago*, 432 N.E.2d 227, 229 (Ill. 1982).

tax and remit it to the City (this is how the New York City income tax is administered). Finally, none of the revenue raised by the State’s recent income tax increase will be transferred to Chicago through the LGDF. The State’s Commission on Government Forecasting and Accountability, estimates that the income tax increase will raise \$6.7 billion annually for the State.³¹ If the increase were subject to the LGDF, \$670 million (10 percent) of this revenue would go to municipalities across the State and because Chicago has 21 percent of the State’s population, it would receive almost \$140 million annually. A local income tax would replace this lost revenue.

a more volatile revenue base. This volatility could create larger budget shortfalls during economic downturns.

Discussion and Additional Questions

The most important consideration in deciding whether or not to implement this option is what impact this option would have on the decisions of current residents to continue to live in Chicago and the decisions of potential future residents to relocate here. An economic theory first proposed in 1956, called the Tiebout model holds that people “vote with their feet” and choose “to live in a jurisdiction that best fits their (tax and spending) preferences”.³² Researchers have found evidence to support the idea “that local public services and taxes play an important role in determining the choice of a community of residence”.³³

Under this model, if the City were to institute an income tax, it would become less attractive, from a tax perspective, than other municipalities within the region. Conversely, if the income tax revenue is used to provide some valuable public service, it might be that the City is more attractive to current and potential residents than it would be without the income tax. For example, New Jersey and Massachusetts both have high property tax burdens that are tolerated by their residents because they have the highly ranked public education systems.³⁴

Budget Details

| | |
|--|----------------------------|
| Fund: NA | Type of Revenue: NA |
| The revenue appropriations begin on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

³¹ Commission on Government Forecasting and Accountability. “FY 2012 Economic Forecast and Revenue Estimate and FY 2011 Revenue Update.” March 10, 2011. pg. 20.
<http://www.ilga.gov/commission/cgfa2006/Upload/FY12econforecastrevestimate.pdf>

³² Cordes, Joseph J.; Ebel, Robert D.; Gravelle, Jane G. “Tiebout Model” *The Encyclopedia of Taxation and Tax Policy: Second Edition*. pg. 437.

³³ *Id.*, pg. 438.

³⁴ Post, Kevin. “Property taxes, education rank high in New Jersey.” *Press of Atlantic City* September 27, 2009.
http://www.pressofatlanticcity.com/news/press/new_jersey/article_2991d8c2-ab14-11de-8d29-001cc4c03286.html

Income Tax: Create a Commuter Tax

Revenue: \$300 million

Although several major U.S. cities impose a tax on the wages of nonresidents, often referred to as a commuter tax³⁵, Chicago does not directly tax nonresidents who work in the City.³⁶ According to data from the census bureau, there were over 620,000 nonresidents who worked in the City in 2009.³⁷ As of May 2010, the average annual wage in the Chicago metropolitan area was \$49,140.³⁸

Under this option, the City would impose an income tax of one percent on all nonresidents who work in the City. Assuming that the average wage of nonresidents who work in the City is the same as the average wage for the metropolitan region, nonresident wages in the City total approximately \$30 billion annually. Thus, absent deductions, a one percent City commuter tax could generate approximately \$300 million in additional annual tax revenue for the City.

Importantly, in order to create a commuter tax, the City would first need authorization from the Illinois General Assembly.³⁹

Proponents might argue that an income tax on commuters is one of the fairest ways to raise revenue because it requires nonresidents who benefit from City services, such as police and fire protection, to help pay for the cost of those services. Further, nonresidents who work in the City likely earn more than City residents, making them more able to pay taxes. While 41.4 percent of City residents earn more than \$3,333 per month, 52.1 percent of nonresidents who work in the City earn more than \$3,333 per month.⁴⁰ Additionally, they might also point out that Philadelphia, Cleveland, and Detroit have commuter taxes and New York City had a commuter tax until 1999. If NYC still had a commuter tax in place it could have generated an estimated \$700 million in 2011.⁴¹

Opponents might argue that a commuter tax provides a strong incentive for businesses to locate in the suburbs to reduce costs. Studies of the commuter tax in Philadelphia have shown that the tax resulted in job losses in the city.⁴² Some might argue that the establishment of a Chicago commuter tax could lead other surrounding municipalities to impose their own commuter taxes, which might negatively affect the 300,000 Chicago residents employed outside the City. Others might argue that the major cities that still have a commuter tax (Philadelphia, Cleveland, and Detroit) are generally considered economically stagnant and have lost a substantial percentage of their populations since 1950.⁴³

³⁵ http://en.wikipedia.org/wiki/Commuter_tax

³⁶ Currently, the City charges an Employers' Expense Tax (commonly referred to as a head tax) to "businesses that employ 50 or more full-time workers or employees that perform 50% or more of their work service per calendar quarter in the City of Chicago. Employees must earn more than \$4,300 in a calendar quarter to be considered taxable." It is applied to both resident and nonresident employees.

City of Chicago- Department of Revenue. "Employers' Expense Tax (7540)".

http://www.cityofchicago.org/city/en/depts/rev/supp_info/tax_list/employers_expensetax.html

³⁷ U.S Census Bureau. "Inflow/Outflow Report for Chicago." Generated using the OnTheMap application available here:

<http://lehdmap.did.census.gov/>

³⁸ United States Bureau of Labor Statistics. May 2010 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates: Chicago-Naperville-Joliet, IL Metropolitan Division.

³⁹ See ILL. CONST. art. VII § 6(e); see also *Commercial Nat'l Bank of Chicago v. City of Chicago*, 432 N.E.2d 227, 229 (Ill. 1982).

⁴⁰ U.S Census Bureau. "Inflow/Outflow Report for Chicago" and "Home Area Profile Report for Chicago." Generated using the OnTheMap application available here: <http://lehdmap.did.census.gov/>

⁴¹ Independent Budget Office of the City of New York. Budget Options. February 2010. pg.42

<http://www.ibo.nyc.ny.us/iboreports/options2010.pdf>

⁴² Eichel, Larry. "Commuter tax has driven jobs out of the city." *Philadelphia Inquirer*. April 24, 2006.

http://articles.philly.com/2006-04-24/news/25394658_1_commuter-tax-wage-tax-commuter-rate

⁴³ Smith, Fred and Allen, Sarah. "Urban Decline (and Success) in the United States."

<http://eh.net/encyclopedia/article/Smith.Urban.Decline.doc>

Discussion and Additional Questions

Similar to the City Income Tax option, the most important consideration in deciding whether or not to implement this option is what impact this option would have on the decisions of employers to continue to locate in Chicago and the decisions of potential future employers to relocate here. An economic theory first proposed in 1956, called the Tiebout model holds that people “vote with their feet” and choose “to live in a jurisdiction that best fits their (tax and spending) preferences”.⁴⁴ Researchers have found evidence to support the idea “that local public services and taxes play an important role in determining the choice of a community of residence”.⁴⁵ While this is used to explain how individuals choose what jurisdiction to live in, it also can be helpful for understanding how businesses choose jurisdictions in which to locate.

Under this model, if the City were to institute a commuter tax, it would become less attractive, from a tax perspective, than other municipalities within the region. Conversely, if the commuter tax revenue is used to provide some valuable public service, the City could become more attractive to current and potential employers than it would be without the commuter tax.

Budget Details

| | |
|--|----------------------------|
| Fund: NA | Type of Revenue: NA |
| The revenue appropriations begin on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

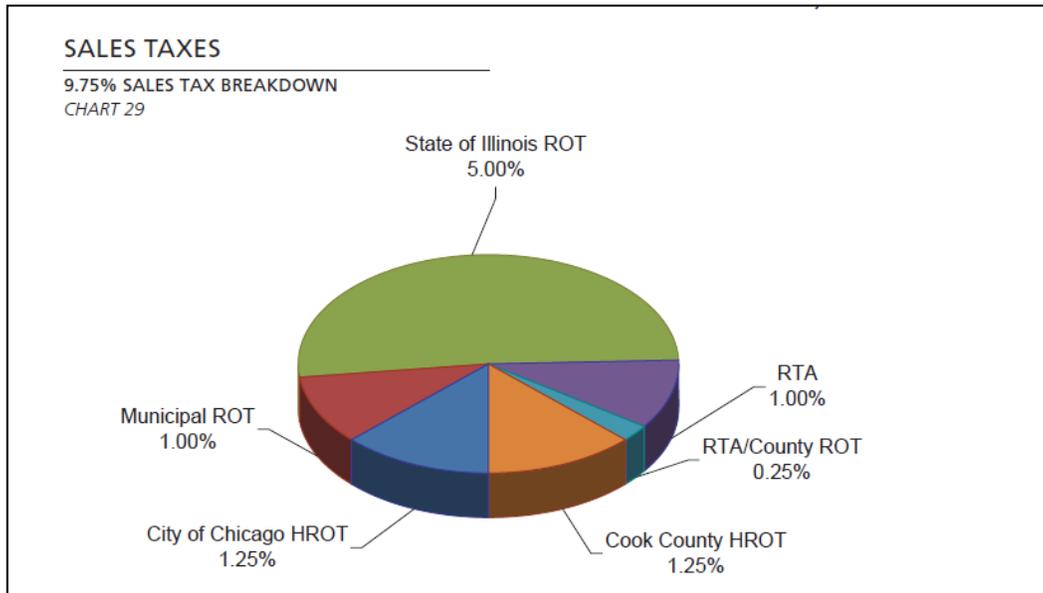
⁴⁴ Cordes, Joseph J.; Ebel, Robert D.; Gravelle, Jane G. “Tiebout Model” *The Encyclopedia of Taxation and Tax Policy: Second Edition*. pg. 437.

⁴⁵ *Id.*, pg. 438.

Sales Tax: Broaden the Sales Tax to Include More Services

Revenue: \$450 million

General merchandise sales within the City are currently taxed at a rate of 9.75 percent. The chart below shows the breakdown of the sales tax.⁴⁶



The City receives sales tax revenue from its Home Rule Occupation and Use Tax (HROT) and the Municipal Retailer Occupation and Use Tax (ROT).⁴⁷ The sales tax is generally not imposed on services. In Illinois, only 17 services are taxed, 12 of which are utility services, mostly related to electricity, telephone, and gas services.⁴⁸ The other 49 states tax an average of 56 services.⁴⁹

Under this option, the sales tax base would be broadened to include more services. According to data from the 2007 Economic Census and the Illinois General Assembly’s Commission on Government Forecasting and Accountability, approximately \$20 billion worth of untaxed services performed in the City could be subject to a broadened sales tax. Because the City’s share of the sales tax is 2.25%, expanding the sales tax base to include services could generate approximately \$450 million annually for the City.⁵⁰ This estimate attempts to exclude

⁴⁶ City of Chicago. “2011 Budget Overview and Revenue Estimates.” pg. 56.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Overview_and_Revenue_Estimates.pdf

⁴⁷ The HROT and ROT have slightly different tax bases.

⁴⁸ Illinois General Assembly- Commission on Government Forecasting and Accountability. “Service Taxes: 2011 update.” pg. 6.

<http://www.ilga.gov/commission/cgfa2006/Upload/ServiceTaxes2011update.pdf>

⁴⁹ *Id.*, pg. 6.

⁵⁰ To estimate the revenue that would be generated from a broad-based tax on services, we started with the list of services the Illinois Commission on Government Forecasting and Accountability (CGFA) employed when it estimated how much revenue a broad-based service tax would yield at the State level. Then, in order to estimate the value of sales that would be subject to a broad sales tax on services, we used data from the 2007 Economic Census that details “Employer sales, shipments, receipts, revenue, or business done” by the North American Industry Classification System (NAICS) codes. For most services, this data was available at the City of Chicago level. However, for certain industries this data was only available at the state level. For those industries, we simply assumed that Chicago’s share of employer sales was proportional to its share of the State population. For three industries for which data was unavailable at the State level, we used national figures and assumed that Chicago’s share was proportional to its share of the national population. For several services already subject to taxes in Chicago, we did not include them in the potential tax base. Once we estimated the sales for these industries, we attempted to determine the percentage of sales in each industry that were not business-to-

business-to-business transactions from the tax base. It does not take into account reductions in revenue due to behavioral responses to higher tax rates or account for lower revenue due to the inability to collect the full amount of the tax.

The table below shows the ten industries that would be most impacted by a broad sales tax.

| Industry | Receipts Subject to Sales Tax | Chicago Sales Tax Revenue @ 2.25% |
|--|-------------------------------|-----------------------------------|
| Construction - Specialty trade contractors | \$5,844,000,000 | \$131,491,000 |
| Offices of physicians | \$2,479,000,000 | \$55,778,000 |
| Legal services | \$2,045,000,000 | \$46,007,000 |
| Portfolio management | \$1,036,000,000 | \$23,314,000 |
| Activities related to real estate | \$745,000,000 | \$16,757,000 |
| Repair and maintenance (automobiles) | \$669,000,000 | \$15,044,000 |
| Nursing care facilities | \$653,000,000 | \$14,685,000 |
| Offices of real estate agents and brokers | \$651,000,000 | \$14,653,000 |
| Offices of dentists | \$561,000,000 | \$12,624,000 |
| Accounting, tax preparation, bookkeeping, and payroll services | \$559,000,000 | \$12,571,000 |

Proponents might argue that imposing a sales tax on services is fairer than the current sales tax, which largely impacts tangible goods, because the State and City should not use tax policy to favor one industry over another. Further, as services have come to represent an ever larger share of the City’s economy, the existing sales tax base is shrinking.⁵¹ Additionally, they might argue that many services represent luxury goods that are more likely to be purchased by high-income people. Finally, some might note that the exemption of a broad range of services from the sales tax “has drawn scathing criticism from tax policy experts, who have uniformly condemned it as a source of economic inefficiency [and] complexity,” with both left-leaning and right-leaning think tanks arguing against the exemption.^{52,53}

Opponents might argue that a broadened sales tax would increase the cost of medical and legal services, making them less affordable for those with low-incomes. More generally, an increase in consumption taxes (which include sales taxes) is generally thought to have a regressive impact, as people with lower incomes spend a larger percentage of their incomes on consumption than do people with higher incomes.⁵⁴ Additionally, it might drive people to seek these services outside of the City.

Budget Details

| | |
|---|--|
| Fund: Corporate Fund, 0100 | Type of Revenue: Chicago Sales Tax / HROT |
| This appropriation can be found on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

business, as these types of sales are generally not subject to sales taxes. Using final-use percentages from the CGFA’s study, we determined what percentage of these receipts were sold to final-users and thus were subject to the sales tax. Using the 2007 data, final-use sales constituted an estimated \$20 billion in receipts in these industries resulting in \$450 million in sales tax revenue based on the City’s existing 2.25 percent sales tax.

For a detailed list of the services included in the analysis and the underlying calculations go to:

<http://chicagoinspectorgeneral.org/major-initiatives/budget-options/>

⁵¹ Chicago Metropolitan Agency for Planning (CMAP). “Broadening the Sales Tax Base to Keep Rates Low, Economically Competitive.” July 2011.

⁵² Viard, Alan. “Goods Versus Services: A Call for Sales Tax Neutrality.” *State Tax Notes*, May 16, 2011 pg. 513.
<http://www.aei.org/docLib/Marginal-Impact-May-16-2011.pdf>

⁵³ Mazerov, Michael. “Expanding Sales Taxation of Services: Options and Issues.” *Center for Budget Policy and Priorities* July 2009.

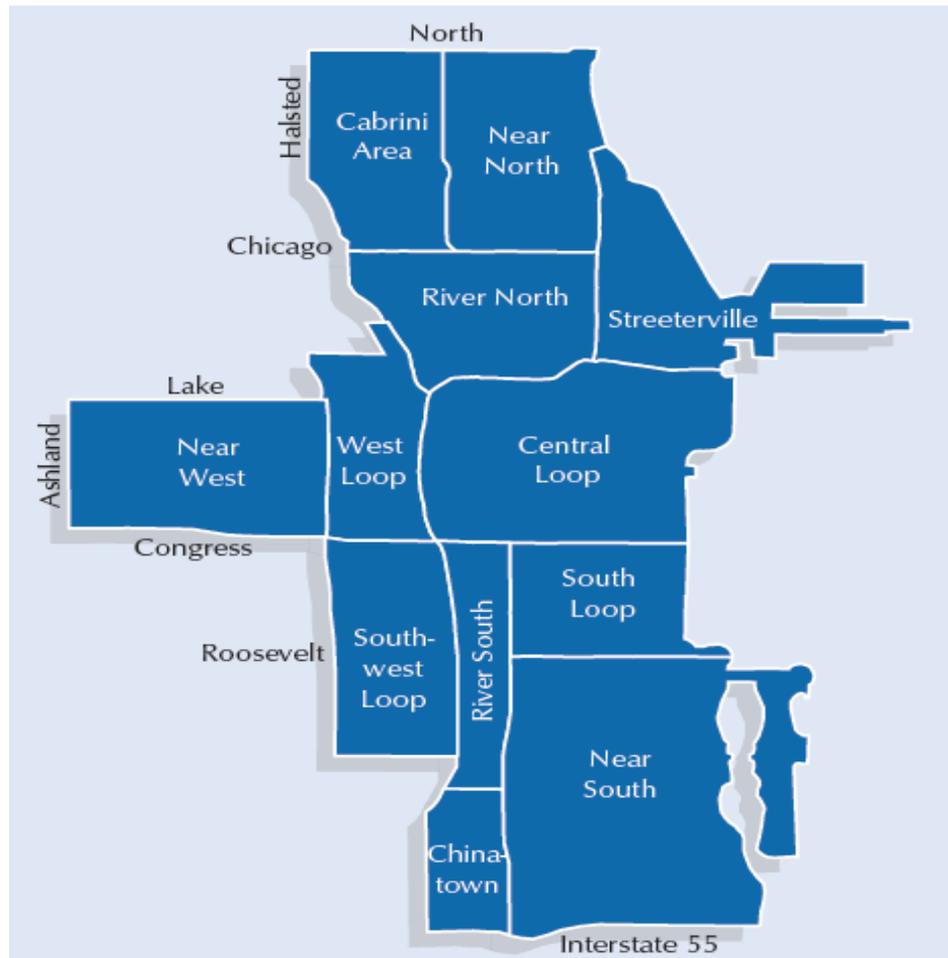
⁵⁴ Brookings Institution. “The Pros and Cons of a Consumption Tax.” March 2005.

http://www.brookings.edu/interviews/2005/0303taxes_gale.aspx

Transportation Taxes: Implement Congestion Pricing

Revenue: \$235 million

In 2000, over 578,000 people traveled into the Central Area of Chicago to work each weekday.⁵⁵ The Central Area is defined on the map below.⁵⁶



People used public transportation for 52 percent of these trips. The vast majority of the remaining 277,000 trips likely occurred via motor vehicles.⁵⁷

There are currently no tolls on any of the major interstate highways that lead into downtown Chicago or on its main internal artery, Lake Shore Drive. Once in the Central Area, parking is relatively expensive as the median daily parking rate in downtown Chicago is approximately \$32, which is the fourth highest daily rate among U.S. cities.⁵⁸

⁵⁵ City of Chicago. Central Area Action Plan: Chapter 2: Transportation. pg. 1 August 2009.

http://www.cityofchicago.org/content/dam/city/depts/zlup/Planning_and_Policy/Publications/Central_Area_Action_Plan_DRAFT/3_Transportation.pdf

⁵⁶ *Id.*

⁵⁷ *Id.* A small amount of people likely biked or walked to work.

⁵⁸ CBS Chicago. "Chicagoans Pay Some of Nation's Highest Parking Rates." July 8, 2011.

<http://chicago.cbslocal.com/2011/07/08/chicagoans-pay-some-of-nations-highest-parking-rates/>

Under this option, Chicago would implement a congestion pricing system to charge motor vehicles a fee to both enter and exit the Central Area.

The City would charge a \$5 fee both for entering or exiting the Central Area in a motor vehicle during weekday rush hours (6 am to 9:30 am and 3 pm to 7 pm). Motor vehicles going through the Central Area on the Interstate Highways and Lake Shore Drive would not be charged the fee unless they exited those roadways. In order to ensure that every vehicle was charged for entering and exiting the Central Area, sensors would be placed at each access point to the Area. These sensors would be similar to the open-road tolling technology the Illinois Department of Transportation (IDOT) uses on some Illinois toll roads. In addition to the sensors, each vehicle traveling to the Central Area would need a transponder. Similar to IDOT's system, a system of cameras would be set up at each access point to take pictures of the license plates of vehicles without transponders. These vehicles would have the ability to go online and pay the congestion charge before being fined.

Using the Central Area Plan data, assume that 250,000 cars currently enter and exit the Central Area on an average weekday during rush hour. If the City collected \$5 for each of one these entrances and exits it would generate \$2.5 million per weekday or approximately \$625 million a year. However, a significant number of the cars entering and exiting the Central Area would likely be exempted from the charges or at least receive reduced rates. Other cities that have implemented congestion pricing have exempted or charged reduced rates to some of the following: taxicabs, commercial vehicles, motorcycles, and low-income vehicle owners. If the City were to implement congestion pricing some of these exemptions or deductions would likely be included. Even assuming, however, that one quarter of the 500,000 entrances and exits would not be charged, the City's congestion pricing system would still generate \$470 million annually.

One other major factor likely to reduce revenue is that by charging a fee to enter the Central Area, there will be a significant reduction in vehicle trips as people switch to other modes of transportation or not make trips into the Central Area at all. In Singapore, which has had some form of congestion pricing in place since 1975, traffic declined 24 percent once electronic tolling was implemented in 1998. In London, a congestion charge resulted in a 21 percent decline in traffic.⁵⁹ In Stockholm, a similar charge resulted in a 10 to 15 percent reduction in traffic. This traffic reduction is part of the goal of a congestion pricing system: by reducing traffic, congestion pricing shortens commute times for the remaining vehicles on the road and reduces pollution.

Assuming that the congestion pricing in Chicago would reduce traffic by 20 percent, 400,000 motor vehicles would enter and exit the Central Area each day. If a quarter of these entrances and exits were exempted from the fee, the 300,000 remaining daily entrances and exits would yield \$375 million annually for the City.

This revenue would be offset, at least in part, by the capital costs of implementing the system and the ongoing operation of the system. The most significant capital cost would be the installation of structures, called gantries, which would span the entrances and exits to the Central Area that would be equipped with cameras and electronic transmitters to monitor traffic flow at each of the Central Area access points. We assumed that the City would need 100 gantries to ensure that every vehicle entering the Central Area would pay the congestion fee. Using a cost worksheet from the Federal Highway Administration, we estimated that the installation of 100 gantries would cost almost \$300 million.⁶⁰

⁵⁹ U.S. Department of Transportation. Federal Highway Administration. "Lessons Learned from International Experience in Congestion Pricing". August 2008.

http://ops.fhwa.dot.gov/publications/fhwahop08047/Intl_CPLessons.pdf

⁶⁰ Federal Highway Administration. "Value Pricing Pilot Program Planning and Decision Making Tools." Original cost worksheet available here: http://ops.fhwa.dot.gov/tolling_pricing/value_pricing/tools/index.htm

IGO-modified worksheet available at: <http://chicagoinspectorgeneral.org/major-initiatives/budget-options/>

The cost worksheet is for the electronic tolling of highways and assumes that each gantry will need to span six lanes of traffic.

| Category | Cost |
|---|----------------------|
| System-wide Gantry Costs | \$245 million |
| Dynamic message sign, structure, and controller | \$40 million |
| Transportation Management Center | \$6 million |
| Conduit, design and fiber optic install | \$2 million |
| Total | \$293 million |

This upfront capital cost of almost \$300 million can be converted to an annual expense by applying a discount rate to the costs and determining the useful life of the asset. Assuming a discount rate of 6 percent and a 10-year useful life for all the capital costs, the annualized capital cost for the congestion pricing system would be \$40 million.⁶¹

In-car transponders would be another significant cost for the congestion pricing system. In some systems, such as IDOT’s I-pass system, drivers bear the cost of the transponders. If the City followed this model, the City’s transponder costs would be negligible. Alternatively, the City could piggyback on IDOT’s I-pass system, which already operates as part of a regional, multi-state system, thereby substantially reducing the upfront costs to users and allowing users to have only one transponder in their vehicles.

The operating costs of running a congestion pricing system will be substantial. In Singapore, the operating cost of the system is 20 percent of the annual revenues.⁶² New York City’s proposed congestion pricing system would have cost \$240 million to operate, approximately 35 percent of gross revenues.⁶³ A study by the Washington State Department of Transportation determined that the cost per transaction of a completely electronic toll system in Orange County, California was \$.46.⁶⁴ However, this was for a tolled highway and not a dense urban congestion pricing system. By averaging the costs of the existing Singapore system and the proposed NYC system, assume the operation of the Chicago system would cost approximately 25 to 30 percent of its gross revenue. At an estimated \$375 million that equals approximately \$100 million.

Combining the estimated annual operating costs of \$100 million and the annualized capital cost of \$40 million yields a total of approximately \$140 million. Accordingly, the estimated annual net revenue from the congestion pricing system would be \$235 million.

The Illinois Municipal Code states that “the corporate authorities of each municipality may regulate the use of the streets and other municipal property”.⁶⁵ Thus, it is likely that the City has the authority to implement congestion pricing on any of its streets. However, it is unclear if the City has the authority under State law to charge vehicles for driving on State roads that pass through the City.

⁶¹ Federal Highway Administration. “Value Pricing Pilot Program Planning and Decision Making Tools.” Cost worksheet available here: http://ops.fhwa.dot.gov/tolling_pricing/value_pricing/tools/index.htm

⁶² MSI Global Pte Ltd. “Evaluation of Singapore’s Electronic Road Pricing (ERP) System (1998-present).” *International Symposium on Road Pricing 2003*. Slide 14.

www.trb.org/Conferences/RoadPricing/Presentations/Gopinath.ppt

⁶³ New York State Assemblyman Richard L. Brodsky. “Interim Report An Inquiry into Congestion Pricing as Proposed in PlaNYC 2030 and S.6068.” July 9, 2007. pgs. 4 and 5.

http://www.nytimes.com/packages/pdf/nyregion/city_room/20070409_BrodskyCongestionReport.pdf

⁶⁴ Washington State Department of Transportation. “Comparative Analysis of Toll Facility Operational Costs.” February 22, 2007. pg. 9. <http://www.thenewspaper.com/rlc/docs/2008/07-wsdotoll.pdf>

⁶⁵ Illinois Compiled Statutes. Illinois Municipal Code Chapter 65. Sec. 11-80-2. Streets and Public Ways

<http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt.+11+Div.+20&ActID=802&ChapterID=14&SeqStart=156700000&SeqEnd=158600000>

Proponents might argue that congestion pricing is the most effective way of charging motor vehicle drivers for their use of valuable public land. Congestion imposes costs on the entire city in terms of increased travel times, carbon emissions, etc. Congestion pricing ensures that these costs are borne by the people most responsible: drivers of motor vehicles. Additionally, some might argue that the revenues of the CTA, Metra, and Pace will increase as less people commute via automobile and switch to public transportation.

Opponents might argue that congestion pricing amounts to a massive tax increase at a time when Chicagoland residents can least afford it. Additionally, some might argue that the fee is unfair because it will fall most heavily on low-income residents and commuters.⁶⁶ Others might argue that this would be unfair to Central Area residents as it would effectively trap them within the Central Area.

Discussion and Additional Questions

Other major cities that have introduced congestion pricing have accompanied the system's implementation with large investments in public transportation in order to accommodate the expected shift from vehicles to public transportation.⁶⁷ Thus, one might want to know what public transportation enhancements would accompany congestion pricing before deciding whether to implement congestion pricing. An important consideration is estimating how many people would shift to public transportation if congestion pricing were implemented.

Additionally, there are a number of statistics about the City's vehicle traffic that would help one better estimate the revenue impacts of implementing congestion pricing. These include:

- How many vehicles enter and exit the Central Area every weekday?
 - What is the breakdown of these vehicles among different categories: commercial, taxicabs, emergency vehicles, etc.?
- What impact would congestion pricing have on parking tax revenues?

Another important consideration is who would end up paying and benefiting from the congestion charge.

- What segments of the City and regional populations would pay the largest share of the charge?
- In other jurisdictions that have implemented congestion pricing, what segments of the area populations bear the costs?
- If significant upgrades in public transportation accompany congestion pricing who would benefit from these upgrades?

Finally, selecting \$5 as the fee in this option is admittedly somewhat arbitrary. An important consideration in implementing congestion pricing is deciding what the fee should be and when it should be applied. Some questions might include:

- Should the fee be fixed or variable depending on traffic volume or times of day?
- Should it be charged for both entrances and exits?
- Should it be charged on the weekends?
- What impact would different fee structures have on revenue and traffic volume?
- What relationship, if any, should the fee have to the fares for public transportation in the region?

⁶⁶ Peters, Jonathan and Gordon, Cameron. "Measuring the Equity Burden in Public Service Provision: The Case of New Jersey Toll Roads." *Economic Papers* December 2008.

http://www.cunyspsc.org/files/papers_o/p_TRA_2008_peters_gordon_2008_toll_equity_35780426.pdf

⁶⁷ U.S. Department of Transportation. Federal Highway Administration. "Lessons Learned from International Experience in Congestion Pricing." August 2008.

http://ops.fhwa.dot.gov/publications/fhwahop08047/Intl_CPLessons.pdf

Budget Details

| | |
|---|--|
| Fund: Corporate Fund, 0100 | Type of Revenue: Transportation Taxes |
| This appropriation can be found on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Transportation Taxes: Place Tolls on Lake Shore Drive

Revenue: \$87.5 million

Lake Shore Drive (LSD) is a 15.83 mile road running along the Chicago lakefront from Marquette Drive on the south to Hollywood Avenue on the north.⁶⁸ LSD is one of Chicago’s major highways offering access to such major attractions as the Magnificent Mile, the Loop, the Museum Campus, Soldier Field, and the Museum of Science and Industry. According to data from the Illinois Department of Transportation (IDOT), data from a recent traffic count on LSD found that 143,660 vehicles travel past a point on LSD just south of downtown and 172,000 vehicles travel past a point approximately a mile north of downtown.⁶⁹ Assuming significant overlap in these two figures, assume 200,000 vehicles travel on LSD daily.

Under this option, the City would place tolls on LSD at each entrance and exit point.

To maintain traffic flow, the City could install open road tolling using the same technology as the State’s I-Pass System. The toll would be based on the distance traveled on LSD with a full trip from the south or north end to downtown costing \$5 and shorter trips costing a lesser amount.

Assuming that 200,000 vehicles travel on LSD daily and the average trip fee is \$2.50, the daily revenue would be \$500,000, with resulting annual revenue of \$182.5 million.

This revenue would be offset by the capital costs of implementing and operating the LSD toll system. The most significant capital cost would be the installation of the access point structures. Each entrance and exit ramp will require a structure, called a gantry, equipped with a camera and an electronic transmitter to monitor traffic flow. There are 26 access points to LSD. At most access points, there are entrance and exit ramps for both southbound and northbound traffic, which would necessitate four gantries. However, there are a number of access points with only one or two ramps. Assuming, on average, three gantries per access point are necessary, the City would have to construct 78 gantries. Additionally, we assumed an average of 4 lanes of traffic per gantry. Many access points would only require two lane gantries, but the large access points around downtown and at the northernmost and southernmost points of LSD would require significantly larger gantries. Using a cost worksheet from the Federal Highway Administration, we estimated the capital costs as follows.⁷⁰

| Category | Cost |
|---|----------------------|
| System-wide Gantry Costs | \$139 million |
| Conduit, design and fiber optic install | \$16 million |
| Dynamic message sign, structure, and controller | \$6 million |
| Transportation Management Center | \$2 million |
| Total | \$163 million |

The upfront capital cost of \$163 million can be converted to an annual expense by applying a discount rate to the costs and determining the useful life of the asset. Assuming a discount rate of 6 percent and a 10-year

⁶⁸ http://en.wikipedia.org/wiki/Lake_Shore_Drive

⁶⁹ Illinois Department of Transportation. Getting Around Illinois Mapping Tool. Traffic Count Data. <http://www.gettingaroundillinois.com/mapviewer.aspx?mt=aadt>

⁷⁰ Federal Highway Administration. “Value Pricing Pilot Program Planning and Decision Making Tools.” Cost worksheet available here: http://ops.fhwa.dot.gov/tolling_pricing/value_pricing/tools/index.htm

IGO-modified worksheet available at: <http://chicagoinspectorgeneral.org/major-initiatives/budget-options/>

useful life for the capital investments, the annualized capital cost of the LSD toll system would be approximately \$22 million.

In-car transponders would be another significant cost for the LSD toll system. In some systems, such as IDOT's I-pass system, drivers bear the cost of the transponders. If the City followed this model, the City's transponder costs would be negligible. Alternatively, the City could piggyback on IDOT's I-pass system, which already operates as part of a regional, multi-state system, thereby substantially reducing the upfront costs to users and allowing users to have only one transponder in their vehicles.

The operating costs of running the toll system will be substantial. A study by the Washington State Department of Transportation determined that the cost per transaction of a completely electronic toll system in Orange County, California was \$.46.⁷¹ For the toll system described in this option, there would be twice as many transactions as number of vehicles traveling on LSD as there would be a transaction to capture where each vehicle entered and one to capture where it exited, as the fee would be based on how long a distance the vehicle traveled on LSD. Thus, with an estimate of 200,000 vehicles traveling on LSD daily there would be 146 million transactions a year. Assuming that the cost per transaction for the LSD toll system was \$.50 this would cost the City \$73 million a year.

Combining the estimated annual operating costs of \$73 million and the annualized capital cost of \$22 million yields a total annual cost of \$95 million for the LSD toll system. Thus, the net revenue from tolling LSD would be \$87.5 million.

Proponents might argue that tolling LSD would reduce traffic congestion and make drivers pay for the burden that congestion places on the City. Reduced traffic would also likely reduce carbon emissions in City. Additionally, tolls on LSD would likely influence more people to take public transportation, thus increasing public transportation revenues.

Opponents might argue that this would significantly increase traffic congestion on arterial roads near LSD, thus increasing congestion in the City. Tolling LSD would also necessitate a significant upfront capital investment that could be subject to cost overruns.

Discussion and Additional Questions

Similar to the congestion pricing option above, one should know what public transportation enhancements the City would make before deciding whether or not to place tolls on LSD.

Additionally, there are a number of statistics about the City's vehicle traffic that would help one better estimate the revenue impacts of implementing congestion pricing. These include:

- How many vehicles travel on LSD daily?
 - What is the breakdown of these vehicles among different categories: taxicabs, emergency vehicles, etc.?
- What would the spillover effects of the tolls be on the City's arterial roads that run parallel to LSD?
- How much would traffic on LSD decline in response to tolls?

Finally, similar to the congestion pricing option above, the choice of \$5 for the fee in this option is somewhat arbitrary. An important consideration in implementing tolls on LSD is deciding what the fee should be and when it should be applied. Some questions might include:

⁷¹ Washington State Department of Transportation. "Comparative Analysis of Toll Facility Operational Costs." February 22, 2007. pg. 9. <http://www.thenewspaper.com/r/c/docs/2008/07-wsdotoll.pdf>

- Should the fee be fixed or variable depending on traffic volume or times of day?
- Should it be charged on the weekends?
- What impact would different fee structures have on revenue and traffic volume?

Budget Details

| | |
|---|--|
| Fund: Corporate Fund, 0100 | Type of Revenue: Transportation Taxes |
| This appropriation can be found on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Transportation Taxes: Eliminate Reduced Rate City Sticker for Seniors

Savings: \$7.6 million

The City charges a vehicle tax, in the form of a vehicle sticker required to be displayed in vehicle windshields, on “vehicles that are principally garaged in the city more than 30 days.”⁷² In 2011, this tax was projected to raise over \$104 million.⁷³ The standard annual fee for vehicle stickers is \$75, with increased fees for larger vehicles. Seniors, defined as over 65, pay a reduced fee of \$30, but this can only be applied to one vehicle.⁷⁴

Under this option, the City would eliminate the reduced sticker price for seniors. The City currently sells approximately 1.3 million stickers annually.⁷⁵ As of the 2010 census, of the 2.14 million people living in Chicago over the age of 16 (and thus eligible to drive), 13 percent (277,932 people) were seniors.⁷⁶ Assuming that the share of vehicle stickers bought by seniors is the same as the proportion of seniors living in the City, approximately 168,000 vehicle stickers were purchased by seniors. Increasing the fee of these 168,000 stickers from \$30 to \$75 would raise \$7.56 million annually.

Proponents might argue that it is unfair to provide seniors with this benefit and not other residents. Of all age groups nationally and in Illinois, seniors are the least likely to be in poverty.⁷⁷ Thus, a proponent might argue that they are least in need of this assistance.

Opponents might argue that seniors often live on fixed-incomes and cannot afford to pay an increased vehicle tax.

Discussion and Additional Questions

For simplicity, to estimate the revenue generated by this option, we ignored the fact that some seniors may already be paying regular sticker prices because they have more than one vehicle. To the extent that this is occurring, this would reduce the potential revenue that this option would generate. On the other hand, we have also ignored that seniors who own large passenger vehicles, defined as 4,500 pounds or more, receive a larger fee reduction, as the regular sticker price for these vehicles is \$120.⁷⁸ Therefore, some additional questions to consider when deciding whether or not to implement this option might include:

- How many reduced fee City stickers were sold in each of the last three years?
- How many reduced fee City stickers were for large passenger vehicles?

Budget Details

| | |
|--|-------------------------------------|
| Fund: Vehicle Fund, 0300 | Type of Revenue: Vehicle Tax |
| The appropriation is located on page 19 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

⁷² City of Chicago. Office of the City Clerk. “Vehicle Stickers”. <http://www.chicityclerk.com/licenses/citystickers.html>

⁷³ City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 19
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

⁷⁴ City of Chicago. Municipal Code. Section 3-56-050

⁷⁵ City of Chicago. Office of the City Clerk. “City Clerk’s Office Now Accepting Entries for the 2012 – 2013 Vehicle Sticker Art Contest.” September 15, 2011.
http://www.chicityclerk.com/news_articles/2011/sept/Art_Contest_OpenSept2011.pdf

⁷⁶ U.S. Census Bureau. 2010 Census. Geography: Chicago (city). Population: Tenure, Household Size, and Age of Householder.
<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>

⁷⁷ Kaiser Family Foundation. “Poverty Rate by Age.” Statistics are as of 2008.
<http://www.statehealthfacts.org/comparebar.jsp?ind=10&cat=1>

⁷⁸ City of Chicago. Office of the City Clerk. “Vehicle Sticker Pricing.”
<http://www.chicityclerk.com/licenses/VehicleStickerPricing.pdf>

Recreation Taxes: Broaden the Amusement Tax

| |
|-------------------------------|
| Revenue: \$105 million |
|-------------------------------|

The City currently charges a tax of nine percent on certain amusements within the City.⁷⁹ A five percent tax is imposed on all “live theatrical, live musical or other live cultural performances that take place in any auditorium, theater or other space in the city whose maximum capacity, including all balconies and other sections, is more than 750 persons.”⁸⁰ There is no tax for these live performances if the capacity of the venue is less than 750, which includes the majority of the City’s theater and music venues. The amusement tax is not imposed at all on “religious, educational and charitable institutions, societies or organizations”.⁸¹ Health club memberships are also exempt from the nine percent amusement tax.⁸²

Under this option, the City would:

1. Apply the nine percent amusement tax to all live theater, musical, and cultural performances;
2. Eliminate the amusement tax exemption for live theater, musical, and cultural performances in establishments with capacities under 750 persons;
3. Eliminate the amusement tax exemption for non-profit organizations; and
4. Eliminating the amusement tax exemption for health and sport club membership fees.

Increasing the City’s amusement tax rate and broadening its base could generate over \$100 million in additional revenue.

Note on calculations in this option: Keep in mind that many of the calculations are rounded in this option to account for the imprecision and lack of Chicago level data for some of the estimates.

Apply the nine percent amusement tax to all live theater, musical, and cultural performances

According to amusement tax data, over the last two years live theater, musical, and cultural performances have accounted for a small portion of amusement tax revenue. For the two years between July 2009 and June 2011, amusement tax receipts relating to live performances totaled an estimated \$18 million out of a total of nearly \$170 million.⁸³ Thus, the City received an average of \$9 million in each of the last two years from amusement

⁷⁹ City of Chicago. Municipal Code. Section 4-156-020(A) (American Legal 2011).

⁸⁰ City of Chicago. Municipal Code. Section 4-156-020(E) (American Legal 2011).

⁸¹ City of Chicago. Municipal Code. Section 4-156-020(D)(1) (American Legal 2011).

⁸² City of Chicago. Municipal Code. Section 4-156-020(D)(2) (American Legal 2011).

(“[I]nitiation fees and membership dues paid to a health club, racquetball club, tennis club or a similar club or organization, when such club or organization is organized and operated on a membership basis and for the recreational purposes of its members and its members’ guests, shall be exempt from the tax imposed in subsection A of this section.”).

⁸³ To estimate amusement tax receipts related to live performance, we put over 93 percent of almost \$170 million in amusement tax receipts for the two year period between July 2009 and June 2011 into several categories including live performance and museums. Tax receipts were categorized on the basis of researching the name of the taxpayer to determine the taxpayer’s type of business. For the receipts we categorized, over \$14 million (8.5 percent) was attributed to live music and cultural performances. Of the remaining nearly \$11 million in receipts that was uncategorized, we assumed that 37 percent (see below) was attributed to live performance. Thus, an estimated \$18 million in two years of amusement tax receipts was attributed to live performances. This equates to \$9 million annually.

The reason that we assumed that a greater percentage of the uncategorized receipts were attributable to live performance was because the two largest categories of amusement tax receipt were sports venues and cable service. We assumed that sport venues and cable service firms would be captured in the largest amusement taxpayers. Since we categorized the largest amusement taxpayers and the taxpayers left uncategorized were mostly the smallest payers, we assumed that sports venues and cable service firms were completely

taxes paid by live performances. At a tax rate of 5 percent for live theater, musical, and cultural performance, this means that these entities had \$180 million in annual ticket sales. Therefore, increasing the live theater amusement tax to nine percent would yield an additional \$7 million annually.

Eliminating the Amusement Tax Exemption for Live Theater, Musical and Cultural Performances in Establishments with Capacities under 750 Persons

The table below shows the receipts of the City’s performing arts companies and promoters of performing arts, sports, and similar events that are subject to federal income tax from 2007 Economic Census data.

| 2007 NAICS code | Meaning of 2007 NAICS code | Meaning of Type of operation or tax status code | Number of employer establishments | Employer sales, shipments, receipts, revenue, or business done |
|-----------------|--|---|-----------------------------------|--|
| 7111 | Performing arts companies | Establishments subject to federal income tax | 79 | \$117.8 million |
| 7113 | Promoters of performing arts, sports, and similar events | Establishments subject to federal income tax* | 57 | \$233.5 million |
| | | Total | 136 | \$351.3 million |

*The 2007 Economic Census does not report receipts for establishments subject to the federal income tax at the Chicago level for code 7113. To estimate this number we did the following. NAICS code 7113 is comprised of two more specific codes 71131 (promoters with facilities) and 71132 (promoters without facilities). For 71131, data at the Chicago level was reported on the receipts of establishments subject to the federal income tax (we assume that this is equivalent to the City’s for-profit/non-profit distinction and use this language from this point forward) and equaled almost \$131 million. For 71132, the data was only reported for all establishments and not split between non-profits and for-profits. To estimate the receipts for for-profit companies included in code 71132, we assumed that the percentage of receipts generated by for-profits in category 71132 was the same as the percentage generated by for-profits in 71131, which was 85%. Thus, of the nearly \$121 million reported for all establishments included in code 71132, we assumed that almost \$103 million was attributable to for-profits.

These organizations had receipts of approximately \$350 million according to the 2007 Economic Census. Since the amusement tax currently falls on approximately \$180 million of this activity, we assumed that the \$170 million difference between the \$180 million being taxed and the \$350 million reflected in the census data was produced by firms with capacities smaller than 750 people. An amusement tax of nine percent on this \$170 million yields \$15.3 million.

Eliminating the Amusement Tax Exemption for Non-Profit Organizations

The table below estimates the 2007 receipts for all performing arts companies (theaters, operas, and dance companies), all promoters of performing arts, sports, and similar events (which is where live music venue revenue is most likely to be captured), and all museums, historical sites, and similar institutions.

captured in the 93 percent of receipts that were categorized. Thus, the percentages used to attribute the uncategorized receipts reflect the other types of organizations share of the non-sport venue and non-cable service amusement tax receipts that were categorized. We did not categorize 100 percent of the receipts as this would have been time-consuming and would only added a little more precision to the estimate.

Source for Amusement Tax Receipts: Department of Revenue

| 2007 NAICS code | Meaning of 2007 NAICS code | Number of employer establishments | Employer sales, shipments, receipts, revenue, or business done (\$1,000) |
|-----------------|--|-----------------------------------|--|
| 7111 | Performing arts companies | 171 | \$380.0 million |
| 7113 | Promoters of performing arts, sports, and similar events | 74 | \$274.5 million |
| 712 | Museums, historical sites, and similar institutions* | 41 | \$301.1 million |
| | Total | 286 | \$956 million |

* The 2007 Economic Census does not report receipts for establishments at the Chicago level for code 712. To estimate this number we did the following. For the Metropolitan Statistical Area (the Chicagoland area as defined by the Census) that Chicago is a part of, the 2007 Economic Census reported that there were 111 establishments generating \$815 million in receipts under NAICS code 712. Chicago had 41 of these establishments, but the amount of their receipts was not available. Assuming that the 41 establishments in the City had an average amount of receipts as the establishments in the larger metropolitan area, then these 41 establishments generated \$301.1 million in 2007. This is a very conservative estimate as Chicago is home to the area’s most prominent museums and likely has a larger share of these receipts.

Thus, in 2007 these organizations had an estimated \$950 million of receipts. Subtracting the \$180 million in revenue generated by live cultural performances currently subject to the amusement tax and the \$170 million in receipts that would be subject to the amusement tax if the small venue exemption is eliminated, leaves approximately \$600 million in receipts. Additionally, an estimated \$30 million in receipts generated by museums and similar institutions is currently subject to the amusement tax.⁸⁴ That leaves approximately \$570 million that is likely attributable to non-profit organizations in these categories that is not subject to the amusement tax. Applying a nine percent amusement tax to this \$570 million would yield \$51 million annually.

Eliminating the Amusement Tax Exemption for Health and Sport Club Membership Fees

According to the 2007 Economic Census, there are 189 businesses categorized as fitness and recreational sports centers. These businesses had gross receipts of \$345 million in 2007.⁸⁵ If the City applied the amusement tax rate of 9 percent to these gross receipts, it would raise \$31 million annually.

The table below summarizes the four components and the revenue estimates described above. By implementing each of the four components of this option, the City would raise approximately \$105 million annually.

⁸⁴ To estimate amusement tax receipts related to live performance, we put over 93 percent of almost \$170 million in amusement tax receipts for the two year period between July 2009 and June 2011 into several categories including live performance and museums. Tax receipts were categorized on the basis of researching the name of the taxpayer to determine the taxpayer’s type of business. For the receipts we categorized, nearly \$5 million (2.7 percent) was attributed to museums and similar institutions. Of the remaining nearly \$11 million in receipts that was uncategorized, we assumed that 11.5 percent (see below) was attributed to museums and similar institutions. Thus, an estimated almost \$6 million in two years of amusement tax receipts was attributed to live performances. This equates to \$3 million annually. Assuming a tax rate of 9 percent generated these receipts, this equates to gross receipts for these institutions of \$33 million annually.

The reason that we assumed that a greater percentage of the uncategorized receipts were attributable to live performance was because the two largest categories of amusement tax receipt were sports venues and cable service. We assumed that sport venues and cable service firms would be captured in the largest amusement taxpayers. Since we categorized the largest amusement taxpayers and the taxpayers left uncategorized were mostly the smallest payers, we assumed that sports venues and cable service firms were completely captured in the 93 percent of receipts that were categorized. Thus, the percentages used to attribute the uncategorized receipts reflect the other types of organizations share of the non-sport venue and non-cable service amusement tax receipts that were categorized.

We did not categorize 100 percent of the receipts as this would have been time-consuming and would only added a little more precision to the estimate.

Source for Amusement Tax Receipts: Department of Revenue

⁸⁵ This figure includes the receipts of non-profit health and fitness centers.

| Amusement Tax Component | Annual Estimated Revenue Increase |
|--|-----------------------------------|
| Increase rate to 9 percent (from 5 percent) on firms that showcase live performances | \$7 million |
| Apply tax at 9 percent to small venues showcasing live performances | \$15 million |
| Remove exemption for non-profits | \$51 million |
| Impose the amusement tax on health and sports clubs | \$31 million |
| Total | \$104 million |

In order to impose the amusement tax on health clubs would require a change in State law as the Illinois Supreme Court has ruled that applying the amusement tax on health or sports club membership is in essence a service tax which the City does not have the authority to impose.⁸⁶

Proponents might argue that the various exemptions in the present amusement tax favor certain amusements over another for no rational reason. Additionally, some of the largest beneficiaries of these exemptions (the Lyric Opera, the Chicago Symphony Orchestra, etc.) serve, on average, patrons that are wealthier than average City residents.⁸⁷

Opponents might argue that there is a good public policy reason for each of these exemptions. Imposing taxes on health and sports clubs would raise the cost of these activities, which would in turn make City residents less likely to visit health and sports clubs, thereby reducing their physical fitness. Others might argue that smaller music clubs and theaters need the tax exemption in order to compete with larger venues and this is why the amusement tax was eliminated for small venues in 1998.⁸⁸ Further, they might argue that live cultural performances add civic value and therefore should receive a tax preference. Lastly, a general increase in the amusement tax will drive up prices meaning people will be more likely to attend events in the suburbs.

Budget Details

| | |
|---|---------------------------------------|
| Fund: Corporate Fund, 0100 | Type of Revenue: Amusement Tax |
| This appropriation can be found on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

⁸⁶ Egler, Daniel and Strong, James. "City's 'Yuppie Tax' Ruled Illegal." *Chicago Tribune* June 21, 1988.

⁸⁷ Robert LaLonde, Colm O'Muircheartaigh, Julia Perkins with Diane Grams, Ned English, D. Carroll Joynes. "Mapping Cultural Participation in Chicago." Cultural Policy Center at the University of Chicago. 2006.
<http://culturalpolicy.uchicago.edu/publications/MappingCPICExecSumm.pdf>

⁸⁸ Martin, Andrew. "Amusement Tax Dropped for Small Theaters, Cut for Others." *Chicago Tribune*. November 13, 1998.
http://articles.chicagotribune.com/1998-11-13/news/9811130155_1_amusement-tax-tax-relief-venues

Recreation Taxes: Increase City Portion of Cigarette Tax

Revenue: \$3.1 million

The City currently levies a \$.68 tax on every pack of cigarettes sold within the City. Cook County and the State of Illinois also impose respective per-pack taxes of \$2.00 and \$.98 on cigarette packs sold in the City.⁸⁹

Under this option, the City would increase its per-pack tax to an even \$1 (a 47 percent increase).

In 2010, the City raised \$19.3 million through the cigarette tax. Assuming the number of cigarette packs sold in the City remained the same after the tax increase, the \$1 per-pack tax would yield \$9.1 million in additional revenue annually. However, the cigarette tax increase would likely not generate as much as \$9.1 million because the higher price of cigarettes would encourage people to purchase cigarettes outside the City and might, over time, reduce the number of smokers in the City. In fact, over the last several years, City cigarette tax revenues have already declined in conjunction with increases in the City’s cigarette tax rate. The chart below shows the changes in cigarette tax revenue and the tax rate from 2004 to 2010.

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Cigarette Tax Revenue (in millions) | \$15.6 | \$27.5 | \$32.9 | \$28.4 | \$24.3 | \$21.0 | \$19.3 |
| Tax Rate per pack | 0.16 | 0.48 | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |
| Packs Sold | 97,500,000 | 57,291,667 | 48,382,353 | 41,764,706 | 35,735,294 | 30,882,353 | 28,382,353 |
| % Change in Tax Rate | | 200.00% | 41.67% | 0.00% | 0.00% | 0.00% | 0.00% |
| % Change in packs sold | | -41.24% | -15.55% | -13.68% | -14.44% | -13.58% | -8.10% |

Note: Packs sold figure is computed based on dividing the revenue by the tax rate.
Sources: 2009 and 2011 Budget Overview and Estimates, pgs. 110 and 108 respectively and FMPS for the 2010 figure.

As the chart shows, after a 200 percent increase in the tax rate in 2005, the number of packs sold dropped by over 41 percent. In 2006, the number of packs sold decreased 16 percent following a 42 percent increase in the tax rate. In the following years, the number of packs sold continued to decrease by an average of 12 percent, even as the tax rate held steady.

Based on this revenue history, a \$0.32 increase in the tax rate would likely result in a decrease in the number of packs sold in the City. Assuming that the number of packs sold continues to decrease at the present 12 percent rate, we assume that 21.8 million cigarette packs will be sold in the City in 2012, which corresponds to \$14.8 million in revenue. We also assume that a 47 percent increase in the tax rate will result in an 18 percent decline in packs sold, mirroring the decline in packs sold that occurred after the 2006 tax increase.⁹⁰ Such a decline would reduce the number of packs sold to 17.9 million but would translate to \$17.9 million in revenue at the new \$1 per-pack tax rate. The tax increase would amount to an overall \$3.1 million increase in cigarette tax revenue.⁹¹

⁸⁹ Campaign for Tobacco-Free Kids. “Top Combined State-Local Cigarette Taxes.” <http://www.tobaccofreekids.org/research/factsheets/pdf/0267.pdf>

⁹⁰ This comparison is known in economics as the price elasticity of demand. It is used in economics to show “the responsiveness, or elasticity, of the quantity demanded of a good or service to a change in its price.” http://en.wikipedia.org/wiki/Price_elasticity_of_demand

⁹¹ While this is less revenue than was raised in 2010, we assume that the decline in revenue will continue and that in 2012 the tax will generate \$14.8 million if no change in the tax rate is made. Thus, we use the \$14.8 million figure as the point of comparison.

Proponents might note that studies show that higher cigarette taxes reduce smoking, with a larger impact on younger smokers.⁹² If an increase in the tax rate causes a reduction in smoking, this may decrease public (and private) healthcare costs.

Opponents might argue that increasing the tax would simply cause smokers to purchase cigarettes on the Internet or in lower tax jurisdictions such as Indiana.⁹³ This would have a negative impact on the many small merchants who sell cigarettes in the City. Increasing the tax rate would also make city cigarette tax fraud more likely, thus resulting in less revenue for the City.

Discussion and Additional Questions

- What would the City’s goal be in implementing this increased tax? Increased revenue or reducing the incidence of smoking? Or both?

Budget Details

| | |
|---|---|
| Fund: Corporate Fund, 0100 | Type of Revenue: Municipal Cigarette Tax |
| This appropriation can be found on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

⁹² Carpenter, Christopher and Cook, Philip J. “Cigarette taxes and youth smoking: New evidence from national, state, and local Youth Risk Surveys.” December 2007.
<http://ksu.edu.sa/sites/KSUArabic/Research/ncys/Documents/333.pdf>

⁹³ Merriman, David. “The Micro-Geography of Tax Avoidance: Evidence from Littered Cigarette Packs in Chicago.” American Economic Journal: Economic Policy. Volume 2, Number 2, May 2010.

Recreation Taxes: Charge Lollapalooza the Amusement Tax

| |
|-----------------------------|
| Revenue: \$1 million |
|-----------------------------|

The City currently imposes a five percent tax on all “live theatrical, live musical or other live cultural performances that take place in any auditorium, theater or other space in the city whose maximum capacity, including all balconies and other sections, is more than 750 persons.”⁹⁴

However, under the Park District’s agreement with the company that produces Lollapalooza, a three-day music festival held in Grant Park that attracted 270,000 attendees in 2011, ticket sales for the festival are not subject to the City’s amusement tax. Instead, the company gives the Parkways Foundation, a foundation that raises private funds for the Park District, 10.25 percent of its profits and pays for any damage the festival causes to Grant Park.⁹⁵

Under this option, the City would impose the amusement tax on all Lollapalooza ticket sales. In 2010, Lollapalooza reported gross ticket sales of \$20 million with an attendance of 240,000. Assuming that gross sales grow proportionally with attendees, in 2011, Lollapalooza’s 270,000 attendees accounted for \$22.5 million in ticket sales. Assuming ticket sales stay at that level in future years; applying the amusement tax to Lollapalooza would generate \$1.1 million annually.

Proponents might argue that the other major music festivals, such as Pitchfork and the Dave Matthews Band Caravan, pay the amusement tax. And although Lollapalooza gives the Parkways Foundation a percentage of its profits, the money does not directly benefit the City. Finally, they might argue that Lollapalooza should pay the tax because its policy of not allowing participating musicians to play in the Chicago area within several months of the festival depresses economic activity in City music clubs.

Opponents might argue that the agreement the City made with Lollapalooza provides generous benefits to the Parkways Foundation and ensures that the festival does not damage Grant Park. Additionally, Lollapalooza may generate as much as \$85 million in local economic activity which is a substantial benefit to the City.⁹⁶

Budget Details

| | |
|---|---------------------------------------|
| Fund: Corporate Fund, 0100 | Type of Revenue: Amusement Tax |
| This appropriation can be found on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

⁹⁴ City of Chicago. Municipal Code. Section 4-156-020(E) (American Legal 2011)

⁹⁵ Tribune Editorial. “Next year, send a check.” *Chicago Tribune* August 6, 2011.

http://articles.chicagotribune.com/2011-08-06/news/ct-edit-lolla-20110806_1_parkways-foundation-lollapalooza-mark-vanecko

⁹⁶ Sweeney, Brigid. “Lollapalooza vies with Chicago’s top conventions in spending impact.” *Crain’s Chicago Business*. August 1, 2011. <http://www.chicagobusiness.com/article/20110730/ISSUE01/307309975/lollapalooza-vies-with-chicagos-top-conventions-in-spending-impact#ixzz1TISrFddg>

Transaction Tax: Impose a Transaction Tax on Trades Made at the Mercantile Exchange and Board of Trade

Revenue: \$37 million

Chicago is home to three major financial exchanges:

1. The Chicago Mercantile Exchange (CME), which is “a global futures and options exchange.”⁹⁷
2. The Chicago Board of Trade (CBOT), which is “the world’s oldest futures and options exchange.”⁹⁸
3. The Chicago Board of Options Exchange (CBOE), which is “the largest U.S. options exchange.”⁹⁹

In 2007, CME merged with CBOT to become CME Group and in 2008 acquired the parent company of the New York Mercantile Exchange.¹⁰⁰ CME Group is now the largest derivatives exchange in the world.¹⁰¹

Under this option, the City would impose a \$.01 tax on each contract traded on these exchanges. The table below details the 2010 volume of contracts for the three exchanges and how much revenue a \$.01 tax would generate from each.

| Exchange | 2010 Volume | Revenue from a \$.01 Tax |
|-----------------------------------|----------------------|--------------------------|
| Chicago Mercantile Exchange | 1,656,415,559 | \$16,564,000 |
| Chicago Board of Trade | 923,593,304 | \$9,236,000 |
| Chicago Board of Options Exchange | 1,115,491,900 | \$11,155,000 |
| Total | 3,695,500,763 | \$36,955,000 |

Sources: CME Exchange Volume Report for December 2010 and CBOT Exchange Volume Report for December 2010 Both available here in the “Report Archive” section: <http://www.cmegroup.com/market-data/volume-open-interest/>
 CBOE Holdings. “2010 Daily Trading Volume Averages 4.5 Million Contracts.” January 3, 2011 <http://ir.cboe.com/releasedetail.cfm?releaseid=540878>

Thus, a \$.01 tax on all contracts traded at these exchanges would generate approximately \$37 million annually, assuming the trading volume was otherwise consistent.

Proponents might argue that CME Group and CBOE are both profitable companies that can afford to pay a small tax to help fund City services, many of which they benefit from. Also, others might argue that taxing financial transactions would reduce financial speculation that contributes to economic uncertainty.¹⁰²

Opponents might argue that the imposition of transaction tax would almost certainly cause the exchanges to leave the City. The exchanges could easily move as most of the transactions are done via computers. New York City imposed a similar tax on the New York Stock Exchange only to repeal it in 1977 in order to prevent the exchange from leaving the City.¹⁰³

Budget Details

| | |
|---|----------------------------|
| Fund: NA | Type of Revenue: NA |
| The revenue appropriations begin on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

⁹⁷ http://www.marketswiki.com/mwiki/Chicago_Mercantile_Exchange

⁹⁸ http://en.wikipedia.org/wiki/Chicago_Board_of_Trade

⁹⁹ http://en.wikipedia.org/wiki/Chicago_Board_Options_Exchange

¹⁰⁰ http://www.marketswiki.com/mwiki/CME_Group

¹⁰¹ *Id.*

¹⁰² Center for Economic and Policy Research. “Facts & Myths About a Financial Speculation Tax.” December 2010. <http://www.cepr.net/documents/fst-facts-myths-12-10.pdf>

¹⁰³ David, Gregg. “History of a bad idea: The stock transfer tax.” *Crain's New York Business*. January 4, 2011. <http://mycrains.crainsnewyork.com/blogs/greg-david-on-ny/2011/01/history-of-a-bad-idea-the-stock-transfer-tax/>

Charges for Services: Raise Water and Sewer Rates to National Average

Revenue: \$380 million

The City currently provides water to approximately 5.3 million customers in the metropolitan area, including all City residents and 125 suburbs.¹⁰⁴ The City charges for water service in one of two ways: by using water meters to charge a fee based on the volume of water consumed or, for customers without meters, through a formula that takes into account factors such as building size and the number of bathrooms.¹⁰⁵ As of 2010, of the nearly 500,000 accounts that are provided water service, 63.1% are not metered.¹⁰⁶ In addition to water service, the City also provides sewer service to over 432,000 accounts.¹⁰⁷ Sewer service fees are a percentage of an account's water service charge.

The table below shows the water and sewer rates from 2006 to 2010 as well as the water and sewer service fee revenue for this time period.^{108,109} The table shows that rates and revenue have increased substantially over the last several years.

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|----------------|----------------|----------------|----------------|----------------|
| Water Rate per 7,500 Gallons* | \$9.98** | \$9.98** | \$11.48 | \$13.20 | \$15.08 |
| Sewer Rate as a % of Water Bill | 83.00% | 83.00% | 84.00% | 85.00% | 86.00% |
| Water Sale Revenue (in millions) | \$317.2 | \$323.6 | \$358.1 | \$397.0 | \$445.5 |
| Sewer Sale Revenue (in millions) | \$134.3 | \$137.0 | \$158.7 | \$173.9 | \$197.5 |
| Total | \$451.5 | \$460.6 | \$516.8 | \$570.9 | \$643.0 |
| * Water rates are presented as per 1,000 gallons. To derive the cost per 7,500 gallons, multiply by 7.5. | | | | | |
| ** In 2006 and 2007, the City provided discount rates to customers who made payments within 21 days. Beginning in 2008, this discounted rate was eliminated. | | | | | |

Despite the recent increases, Chicago's water and sewer rates remain well below the national average. According to a 2009 survey of the 50 largest cities water and wastewater (sewer) rates, the average water rate for residential customers for consuming 7,500 gallons of water is \$25.66 and the average wastewater (sewer) rate is \$33.80.¹¹⁰ Using the 2009 survey data, for residential customers for consuming 7,500 gallons of water, Chicago has the 5th lowest water rate and the 3rd lowest sewer rate of the 50 largest cities. Although if one includes an estimate of the sewer rate charges of the Metropolitan Water Reclamation District (MWRD), Chicago charges the 15th lowest sewer rate among the 50 largest cities.¹¹¹

¹⁰⁴ City of Chicago. "2010 Financial Statement for Water Fund." pg. 47.

http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/CAFR/2010/Water2010.pdf

¹⁰⁵ City of Chicago. Municipal Code. Section 11-12-270 (American Legal 2011)

¹⁰⁶ *Id.*, pg. 39. 314,002 Non-metered accounts out of 497,620 total accounts. 314,002 divided by 497,620 equals 63.1%.

¹⁰⁷ City of Chicago. 2010 Financial Statement for Sewer Fund. pg. 40.

http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/CAFR/2010/Sewer2010.pdf

¹⁰⁸ City of Chicago. "Know My Water & Sewer Rates"

http://www.cityofchicago.org/city/en/depts/water/provdrs/cust_serv/svcs/know_my_water_sewerrates.html

¹⁰⁹ City of Chicago. 2010 and 2008 Financial Statements for Water and Sewer Funds.

¹¹⁰ The study compares rates with residential usage of 3,750 gallons, 7,500 gallons, and 15,000 gallons a month. For simplicity, we used the 7,500 figure because it essentially corresponds to 1,000 cubic feet of water, which is one of two volumes for which the City quotes a water rate.

Black & Veatch. "50 Largest Cities Water/Wastewater Survey". 2009/2010.

http://www.bv.com/Downloads/Resources/Brochures/rsrc_EMS_Top50RateSurvey.pdf

¹¹¹ Chicago Sewer Rate per 7,500 gallons: 86% times \$15.08 equals \$12.97.

Under this option, the City would raise its water and sewer rates to the national average found in the 50 largest cities. The table below details the size of the rate increase this would entail.

| | 2011 Rate | 2012 Rate after Increase | Percent Increase in rate |
|--|------------------|---------------------------------|---------------------------------|
| Water Rate per 7,500 Gallons | \$15.08 | \$25.66 | 70.22% |
| Total Sewer Rate | \$23.48 | \$33.80 | 43.92% |
| City of Chicago Sewer rate per 7,500 Gallons | \$12.96 | \$23.28 | 79.57% |
| Metropolitan Water Reclamation District Property Tax per month | \$10.52 | \$10.52 | 0.00% |

If there were no reduction in water and sewer usage in response to an increase in rates, then revenue would simply rise by the same percentage as the rate increase. However, as water and sewer rates were increased significantly in 2008, 2009, and 2010, water and sewer usage declined, suggesting an adverse response to the increased price.¹¹² From 2007 to 2010, water rates increased 51 percent, while water revenues increased 38 percent. Over this same time period, sewer rates increased 57 percent, while sewer revenue increased 44 percent. This implies that for every 100 percent increase in water rates there is a 74 percent increase in water revenue and for every 100 percent increase in sewer rates, a 78 percent increase in revenue.

This option would cause a 70 percent increase in the water rate and nearly 80 percent increase in the sewer rate, which corresponds to a 52 percent increase in water revenue and a 62 percent increase in sewer revenue if we assume a similar drop in water and sewer usage in response to the price increase that was observed over the last three years. The table below details how much revenue this would generate compared to the 2010 revenue.

| | 2010 Revenue | 2012 Estimated Revenue after Rate Increase | Revenue Increase |
|----------------------------------|---------------------|---|-------------------------|
| Water Sale Revenue (in millions) | \$445.5 | \$692.97 | \$247.47 |
| Sewer Sale Revenue (in millions) | \$197.5 | \$328.18 | \$130.68 |
| Total | \$643.0 | \$1,021.1 | \$378.14 |

Thus, this option would generate approximately \$380 million annually.

Metropolitan Water Reclamation District (MWRD) charges property tax of \$10.52 per month. Assuming that the average billable water usage for a property is 7,500 gallons, then the MWRD property tax adds \$10.52 to the sewer rate charge per 7,500 gallons. Combined Sewer Rate for Chicago is thus estimated at \$23.48 [\$10.52 plus \$12.96]. This would place Chicago in between Raleigh [Sewer Rate: \$23.20, ranked 14th in the survey] and Oklahoma City [Sewer Rate: \$24.72, ranked 15th in the survey]. Source: City of Chicago. "Presentation to Credit Providers." June 13, 2011. pg. 48.

http://www.cityofchicago.org/content/dam/city/depts/fin/Bonds/Credit_Presentation_61311.pdf

¹¹² As discussed above, "the responsiveness, or elasticity, of the quantity demanded of a good or service to a change in its price" is called the price elasticity of demand in economics.

http://en.wikipedia.org/wiki/Price_elasticity_of_demand

Proponents might argue that the City should increase its water and sewer rates because they are far below the national average according to the survey cited above and a New York City study.¹¹³ Others might argue that increasing the cost of water and sewer service would encourage consumers to conserve water, which is important to ensuring Chicago has an adequate water supply in the future.¹¹⁴ Lastly, others might argue that a substantial increase in water and sewer rates would allow the City to upgrade the water and sewer system’s aging infrastructure, which, in some places, is 100 years old.

Opponents might argue that increasing water and sewer rates is regressive, meaning that this rate increase will fall most heavily on low-income households as a greater percentage of their income will be used to pay these increased fees. Others might argue that any revenue from increased rates should be used to improve the system and service delivery and not be used to offset the City’s larger budget deficit. Still others might argue that the amenity of a nearby abundant source of fresh water is not found nationwide and, therefore, fixing the rate to the national average unfairly penalizes area residents who may have chosen to live in the region because of its proximity to Lake Michigan.

Discussion and Additional Questions

An important component of deciding whether or not to implement this option is what steps the City will take to increase water metering. As noted above, 63.1% of water accounts are currently unmetered. If the City was to increase the rates without increasing the percentage of metered accounts, the goal of water conservation would be hampered by the fact that customers would not be paying based on their actual water usage but on factors such as lot size and the number of toilets in a building. A question might include:

- If the City were to implement this option, would the process of metering the entire system be sped up?

An additional consideration is determining how much it costs to deliver water and sewer service when deferred maintenance and postponed capital improvements are included. As noted above, significant parts of the City’s water and sewer infrastructure are over 100 years old and need to be replaced. Some questions to consider:

- Over the next 30 years, how much capital investment is needed to bring the water and sewer system into a state of good repair?
- If the City were to increase the water and sewer rates, how much of the new revenue would be invested in addressing the City’s budget deficit and how much would be invested in upgrading the water and sewer system’s infrastructure?

Budget Details

| | |
|--|---|
| Fund: Water and Sewer Fund, 0200 and 0314 | Type of Revenue: Water and Sewer Rates |
| The appropriation is located on pages 19 and 20 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹¹³ New York City. Department of Environmental Protection. “Water and Sewer Rate Study.” pg. 21.
http://www.nyc.gov/html/dep/pdf/water_board/dep_water_rate_study_03182010.pdf

¹¹⁴ Chicago Metropolitan Agency for Planning. “Water 2050: Northeastern Illinois Regional Water Supply/Demand Plan.” March 2010. pg. XIII.
<http://www.cmap.illinois.gov/documents/20583/be751083-5476-4eb0-a66f-65b0059241b3>

Charges for Services: Institute a Pay as You Throw Garbage Collection Fee

Revenue: \$125 million

Currently, the City collects garbage from 600,000 City households.¹¹⁵ Residents of 1 to 4 unit buildings are eligible for free garbage collection. Each building is provided with two to four 96-gallon black garbage carts that are semi-automatically lifted and emptied into the City's garbage trucks.

Under this option, the City would begin charging for City-provided garbage collection services by implementing a pay-as-you-throw (PAYT) system. Using the City's existing garbage infrastructure, the City would charge property owners \$100 per year for each 96-gallon garbage cart the building used.¹¹⁶ Billing property owners instead of each individual household would make administration easier for the City and is similar to the City's method of billing for water service.¹¹⁷ Property owners would have the option of reducing or increasing the number of carts they use.

Currently, there are approximately 1.5 million 96-gallon garbage carts in use in the City.¹¹⁸ At \$100 per cart, this translates to total potential revenue of \$150 million. However, two factors are likely to offset this potential revenue increase. First, it is likely that in response to charging for garbage collection, City residents will reduce the amount of garbage they throw out and decrease the number of garbage carts they use. A study conducted for the Environmental Protection Agency (EPA), found that PAYT reduces "residential disposal by about 17%."¹¹⁹ If in response to charging for each cart, the number of carts in use was reduced by 17%, approximately 1.25 million carts would remain in use, translating to annual revenue of \$125 million.

The other factor that will reduce the net revenue from a PAYT system is that the City will need to spend money to bill and collect revenue from property owners. For comparison, in 2011, the City budgeted \$8.4 million, including healthcare and pension costs, to collect and bill fees associated with water service.^{120,121} Assuming it

¹¹⁵ City of Chicago. Department of Streets and Sanitation. Sanitation (Garbage Collection, Street Sweeping and Residential Recycling) <http://www.cityofchicago.org/city/en/depts/streets/provdrs/san.html>

¹¹⁶ There are several different ways to implement a PAYT system. Approaches include a subscribed can or variable can system, in which users pay a fee based on the number and/or size of the garbage cans. There are also bag programs, in which users "purchase bags imprinted with a particular city or hauler logo, and any waste they want collected must be put in the appropriately marked bags." The City's failed blue bag program for recyclable falls into this category. Additionally, there are tag or sticker programs which "are almost identical to bag programs, except instead of a special bag, customers affix a special logo sticker or tag to the waste they want collected." Also, there are weight-based programs that attempt to charge users based on the actual weight of the garbage they throw out.

Source of Description of Different PAYT System Descriptions:

Skumatz, Lisa A., Ph.D. and David J. Freeman. "Pay as you Throw (PAYT) in the US: 2006 Update and Analyses." prepared for US EPA and SERA, by Skumatz Economic Research Associates, Superior CO, December 2006. pg. 3.

<http://www.epa.gov/osw/consERVE/tools/payt/pdf/sera06.pdf>

¹¹⁷ While property owners would be billed for the PAYT system, it is likely that some portion of the cost of garbage collection would be passed from property owners to their tenants in the form of higher rents.

¹¹⁸ City of Chicago. Department of Streets and Sanitation. "Request a Garbage Cart."

http://www.cityofchicago.org/city/en/depts/streets/provdrs/rodent/svcs/garbage_cart_distribution.html

¹¹⁹ Skumatz, Lisa A., Ph.D. and David J. Freeman, "Pay as you Throw (PAYT) in the US: 2006 Update and Analyses", prepared for US EPA and SERA, by Skumatz Economic Research Associates, Superior CO, December 2006. pg. 1.

<http://www.epa.gov/osw/consERVE/tools/payt/pdf/sera06.pdf>

¹²⁰ City of Chicago. "2011 Annual Appropriation Ordinance." pg. 261.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

¹²¹ Of the \$7.27 million, Revenue budgeted \$3.29 million in personnel expenditures. Assuming that fringe benefits are 35 percent of salary, the fringe benefit cost \$1.15 million, which brings the total budget for this function to \$8.42 million.

would cost the City a similar amount to administer the billing and revenue collecting aspects of PAYT system, the revenue collected through a PAYT system would be offset by \$8.4 million in increased costs.

Finally, there is an additional savings that the City would achieve through PAYT. If residents were to reduce the amount of waste they dispose of annually by 17%, the City would reduce the amount of waste it disposes annually by approximately 150,000 tons.¹²² The City pays approximately \$47 per ton to dispose of waste, meaning that a reduction of 150,000 tons would save the City \$7.05 million in disposal costs.¹²³

The table below summarizes the different impacts on revenue.

| | Revenue Impact |
|--|----------------------|
| Revenue from \$100 charge per cart for 1.5 million garbage carts | \$150,000,000 |
| 17 percent reduction in cart usage | (\$25,500,000) |
| Billing and collection costs | (\$8,400,000) |
| Waste disposal savings from 17 percent reduction | \$7,050,000 |
| Total | \$123,150,000 |

Thus, the implementation of PAYT system, in which property owners were charged \$100 per garbage cart, would raise approximately \$125 million annually.

Proponents might argue that PAYT would incentivize conservation and more recycling, which would reduce the amount of trash being throw out, which will reduce the cost of garbage service to the City and is better for the environment.

Opponents might argue that garbage collection services should be part of property taxes and residents should not have to bear an additional cost for this service. Simply charging residents for each cart could induce some people to pay for fewer carts than they actually need and then dump their garbage in other people’s carts.

Budget Details

| | |
|--|----------------------------|
| Fund: NA | Type of Revenue: NA |
| The appropriations for revenue begin on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹²² The City estimates that in 2010 it collected and disposed of 905,500 tons of solid waste. 17 percent of 905,500 is 153,935. City of Chicago. “2011 Program and Budget Summary.” pg. 204.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011 Program and Budget Summary.pdf

¹²³ In 2011, City budgeted \$42.3 million for waste disposal costs. Assuming the City disposes 905,500 tons of waste this equate to \$46.71 per ton.

Charges for Services: Charge a Fee for Blue Cart Recycling

Revenue: \$18 million

Currently, the City provides recycling services to 240,000 households. Only households which receive City garbage collection, 1 to 4 unit buildings, are eligible to receive recycling services. Participating households are given blue carts into which recyclable materials are deposited, and these carts are picked up every other week. There are approximately 220,000 blue carts currently in use.¹²⁴

The City provides garbage collection services to 600,000 households, which means that only approximately 40 percent of the City’s eligible households presently receive recycling services. 2011 spending on recycling is shown in the table below.

| | Total Positions | Salaries | Fringe Benefits | Total Compensation |
|--|------------------|----------------------|-----------------------|---------------------|
| Motor Truck Driver | 52 | \$3,654,000 | \$1,278,900 | \$4,932,900 |
| Sanitation Laborer | 52 | \$3,345,600 | \$1,170,960 | \$4,516,560 |
| | | | | |
| | Number of Trucks | Daily Cost per Truck | Annual Cost Per Truck | Total Truck Costs |
| Truck Costs | 45 | \$343.67 | \$86,605 | \$3,897,218 |
| | | | | |
| Total | | | | \$13,346,678 |
| Source: Department of Streets and Sanitation | | | | |
| Note: Truck costs assume 252 operating days annually | | | | |

Under this option, the City would charge households receiving blue cart service in order to pay for the cost of operating the program. Similar to the pay-as-you-throw (PAYT) system described in a previous option, the City would charge property owners \$100 per year for each 96-gallon recycling cart used.¹²⁵

An annual fee of \$100 per cart would raise approximately \$22 million annually. Of course there are costs associated with billing and collection which must be factored into the equation. Billing property owners instead of individual households, which is similar to the City’s method of billing for water service, would make administration easier for the City.¹²⁶ Property owners would have the option of reducing or increasing the number of carts they use.

¹²⁴ City of Chicago. Laborers Union Arbitration on Recycling Privatization. Exhibit 2 Cost Comparison.

¹²⁵ There are several different ways to implement a PAYT system. Approaches include a subscribed can or variable can system, in which users pay a fee based on the number and/or size of the garbage cans. There are also bag programs, in which users “purchase bags imprinted with a particular city or hauler logo, and any waste they want collected must be put in the appropriately marked bags”. The City’s failed blue bag program for recyclable falls into this category. Additionally, there are tag or sticker programs which “are almost identical to bag programs, except instead of a special bag, customers affix a special logo sticker or tag to the waste they want collected”. Also, there are weight-based programs that attempt to charge users based on the actual weight of the garbage they throw out.

Source of Description of Different PAYT System Descriptions:
Skumatz, Lisa A., Ph.D. and David J. Freeman, “Pay as you Throw (PAYT) in the US: 2006 Update and Analyses”, prepared for US EPA and SERA, by Skumatz Economic Research Associates, Superior CO, December 2006. pg. 3.

<http://www.epa.gov/osw/conserves/tools/payt/pdf/sera06.pdf>

¹²⁶ While property owners would be billed for the recycling carts, it is likely that some portion of the cost of recycling collection would be passed from property owners to their tenants in the form of higher rents.

One way to estimate the administrative costs of this program is to look at the billing and collection costs for water service, for which in 2011, the City budgeted \$8.4 million, including healthcare and pension costs.^{127,128} In the PAYT option, we assumed that it would cost the City a similar amount to administer the billing and revenue collecting aspects of PAYT system. However, if the City were to charge only for blue carts, and assuming that administrative costs are directly proportional to the number of households served, these costs should be 40 percent lower. That amounts to \$3.4 million, which we have rounded up to \$4 million given the imprecision in this estimate. This does not take into account a reduction in potential recycling carts in services due to the imposition of the fee.

Thus, the net revenue this option would generate is approximately \$18 million annually.

Proponents might argue that the recipients of blue cart services are receiving a service that other City residents do not enjoy. It is unfair to provide some residents a service that other City residents do not receive based solely on the section of the City they happen to live in. Thus, charging the recipients of this service a fee levels out this inequality.

Opponents might argue that it is unfair to charge residents for a service most of them did not expressly request. Additionally, charging for recycling services could decrease the likelihood of recycling which could in turn have a negative effect on the environment and reduce revenue generated by recyclable materials. Lastly, charging for a service like recycling would increase the likelihood that the City begins charging for similar services like garbage collection that some might view as a core City service for which residents should not be charged.

Budget Details

| | |
|--|--|
| Fund: Corporate Fund, 0100 | Type of Revenue: Local Non-Tax Revenue, Charges for Services, Other |
| The appropriation is located on page 17 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹²⁷ City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 261.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

¹²⁸ Of the \$7.27 million, Revenue budgeted \$3.29 million in personnel expenditures. Assuming that fringe benefits are 35 percent of salary, the fringe benefit cost \$1.15 million, which brings the total budget for this function to \$8.42 million.

Charges for Services: Eliminate Free Sewer Service for Seniors

Revenue: \$17 million

The City provides free sewer service to seniors “residing in their own residence with separate metered water service or a separate city water assessment for that residential unit.”¹²⁹ To seniors who do not qualify for free service because they do not have separate metered water service, the City provides a \$50 rebate to qualifying seniors to offset the costs of their sewer service. Seniors (defined as 65 or older) who own their own homes and live in condominiums, cooperative apartments, or townhouses where there is a shared water bill, qualify for the rebate.¹³⁰ Seniors must apply to their aldermen to receive the benefit.

Under this option, the free sewer service and the rebate program would be eliminated. According to the 2010 census, there are 115,361 senior households that are owner-occupied in the City. This is out of nearly 1.05 million total households in the City.¹³¹ At least 8,000 of the senior households do not qualify for free sewer service because they participate in the rebate program. Assuming that the remaining approximately 107,000 senior owner-occupied households qualify for free sewer service and that the average sewer charge per household was \$155 in 2010,¹³² eliminating free sewer service for seniors would generate \$16.6 million in additional revenue annually. Eliminating the rebate program would save the City an additional \$400,000 annually.¹³³ Thus, the total additional revenue from this option is an estimated \$17 million.

Proponents might argue that it is unfair to provide seniors with this benefit and not other homeowners. Of all age groups nationally and in Illinois, seniors are the least likely to live in poverty.¹³⁴ Thus, a proponent might argue that they are least in need of this assistance. Second, this program is unfair to seniors who rent. Renting seniors may pay for some sewer costs as landlords may pass those costs on in the form of higher rents. However, they do not benefit from the program.

Opponents might argue that seniors often live on fixed-incomes and cannot afford to pay sewer charges, or, in the case of rebate program participants, lose a \$50 rebate.

Discussion and Additional Questions

Some might argue to restructure the program so that the benefit is provided based on income level as this would better target the subsidy to seniors most in need. However, this would add substantial administrative costs to the program. To avoid these costs, the City could tie the eligibility to the subsidy to other income-based programs such as food stamps or the low income home energy assistance program. Another restructuring would be to raise the age of eligibility above 65. For instance, if the age were raised to 75, only 55,584 households would be eligible, less than half the current number. Some questions to consider in deciding whether to implement this option include:

¹²⁹ City of Chicago. Municipal Code. Section 3-12-050 (American Legal 2011)

¹³⁰ City of Chicago. Committee on Finance. “Sewer Charge Annual Refund for Seniors.”

<http://www.committeefinance.org/claims/sewer.asp>

¹³¹ U.S. Census Bureau. 2010 Census. Geography: Chicago (city). Population: Tenure, Household Size, and Age of Householder
<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>

¹³² \$144.145 million in residential sewer sales divided by (930,199) the number of estimated sales non-senior owned households=\$154.96
2010 Comprehensive Annual Financial Report for Sewer Fund. pg. 38.

http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/CAFR/2010/Sewer2010.pdf

¹³³ City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 348.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

¹³⁴ Kaiser Family Foundation. “Poverty Rate by Age.” Statistics are as of 2008.

<http://www.statehealthfacts.org/comparebar.jsp?ind=10&cat=1>

- What is the precise value of the exemption? How many homes are currently exempt through this provision?
- What would the average sewer charge be for these exempt homes?
- How much does it cost the City Council to administer the rebate program?

Budget Details

| | |
|--|-------------------------------------|
| Fund: Sewer Fund, 0314 | Type of Revenue: Sewer Rates |
| The appropriation is located on page 20 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Charges for Services: Eliminate Subsidized Water and Sewer Usage for Non-profit organizations

Revenue: \$15.2 million

Under the City’s Municipal Code, the City has the option to not charge water usage fees to properties that are owned by non-profit, religious, and educational institutions.¹³⁵ Additionally, the City can choose to not charge these same institutions for the first \$1,000 of fees for use of the sewer system.¹³⁶ The basic requirement that a property must meet in order to qualify to avoid these fee reductions is that “such property as is owned and used in the immediate conduct of carrying out the purpose of any charitable, religious or educational institution.”¹³⁷

In 2009, the City waived \$12.55 million in water usage fees and \$2.68 million in sewer usage fees to these institutions. The table on the following page shows the 25 largest accounts in terms of the size of the subsidy.

Under this option, the City would rescind this benefit and, assuming the value of the subsidy is the same today as it was in 2009, raise an additional \$15.2 million annually.

Proponents might argue that a large portion of these benefits goes to the City’s largest cultural and educational institutions, such as the City’s museums and universities. These institutions often have large endowments and receive a number of other City benefits, such as property tax exemptions, and thus do not need this benefit. Additionally, from an environmental standpoint, by not charging these institutions for water and sewer usage they are not incentivized to conserve their water and sewer usage.

Opponents might argue that these institutions perform important public services that provide significant value to society and waiving these fees enables them to spend money on programs and services for City residents. They would point out that three of the four largest subsidies go to institutions that provide medical or rehabilitative services and if the City were to impose these fees, these institutions may have to cut back on some of the services they provide or raise their fees.

Discussion and Additional Questions

There are several options short of eliminating the entire subsidy. For example, the City could target the subsidy to smaller organizations based on annual revenues, or it could target subsidies based on the type of service the institution provides.

Budget Details

| | |
|--|---|
| Fund: Water and Sewer Fund, 0200 and 0314 | Type of Revenue: Water and Sewer Rates |
| The appropriation is located on pages 19 and 20 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹³⁵City of Chicago. Municipal Code. Section 11-12-540 (American Legal 2011)

¹³⁶City of Chicago. Municipal Code. Section 3-12-020 (American Legal 2011)

¹³⁷City of Chicago. Municipal Code. Section 11-12-540 (American Legal 2011)

25 Largest Water and Sewer Subsidies by Account

| Customer Name | Address | Water Fee Reduction | Sewer Fee Reduction | Total Reduction |
|---|-------------------------------|----------------------------|----------------------------|------------------------|
| Misericordia Home | 6300 N Ridge Ave | \$289,167 | \$1,500 | \$290,667 |
| Heart Of Mercy Village | 1955 W Devon Ave | \$211,529 | \$1,500 | \$213,029 |
| University Of Chicago Henry Crown Field House C02 | 1100 34 E 56th St | \$182,654 | \$1,000 | \$183,654 |
| Children’s Memorial Hospital | 707 W Fullerton Pkwy | \$165,322 | \$1,000 | \$166,322 |
| University Of Chicago South Steam Plant F02 | 6051 S Blackstone Ave | \$127,765 | \$1,000 | \$128,765 |
| Northwestern Memorial Hospital | 221 E Huron St | \$107,646 | \$1,000 | \$108,646 |
| Holy Name Cath School | 751 N State St | \$91,866 | \$1,000 | \$92,866 |
| Mercy Hospital | 2520 S Prairie Ave | \$86,290 | \$1,000 | \$87,290 |
| Columbia College Chicago | 606 S Michigan Ave | \$80,702 | \$1,000 | \$81,702 |
| Rush Presbyterian St Luke's Medical Center | 1750 W Harrison St | \$79,110 | \$1,000 | \$80,110 |
| Northwestern Memorial Hospital | 221 E Huron St | \$78,124 | \$1,000 | \$79,124 |
| University of Chicago Power Plant | 6061 S Blackstone Ave | \$75,205 | \$1,000 | \$76,205 |
| Rush Presbyterian St Luke’s Medical Center | 1750 W Harrison St | \$72,220 | \$1,000 | \$73,220 |
| Northwestern Hospital #100 | 245 E Chicago Ave | \$71,391 | \$1,000 | \$72,391 |
| Holy Cross Hospital | 2716 20 W Lithuanian Plaza Ct | \$68,256 | \$1,000 | \$69,256 |
| The Art Institute of Chicago | 201 S Michigan Ave | \$65,763 | \$500 | \$66,263 |
| University of Chicago Hospital | 950 E 59th St | \$64,435 | \$1,000 | \$65,435 |
| St Mary Of Nazareth | 1120 N Leavitt St | \$63,922 | \$1,000 | \$64,922 |
| Illinois Masonic Hospital | 834 W Wellington Ave | \$61,858 | \$1,000 | \$62,858 |
| Mount Sinai Hospital | 2759 W 15th St | \$59,254 | \$1,000 | \$60,254 |
| Moody Bible Institute | 820 N LaSalle Dr | \$58,912 | \$1,000 | \$59,912 |
| Rush Presbyterian St Luke’s Medical Center | 1650 W Harrison St | \$58,106 | \$1,000 | \$59,106 |
| St Joseph Hospital | 2934 N Lake Shore Dr | \$56,306 | \$1,000 | \$57,306 |
| University of Chicago Admin Building D20 | 5801 S Ellis Ave | \$56,137 | \$500 | \$56,637 |
| Illinois Institute of Technology Research | 3424 S Dearborn St | \$55,256 | \$1,000 | \$56,256 |
| Total | | \$2,387,196 | \$25,000 | \$2,412,196 |
| Source: Department of Water Management | | | | |

Charges for Services: Double the Ambulance Fee

Revenue: \$13.2 million in 2012, \$24.7 million in 2013

The Chicago Fire Department (CFD) has been providing ambulance services since at least the 1920s.¹³⁸ From 1957 to 1977, the number of ambulances in service increased from 16 to 43.¹³⁹ Today, there is an average of at least 60 ambulances in service each day.¹⁴⁰

In 1985, CFD started to charge a fee for ambulance service: “In order to take advantage of available reimbursements from Medicare, Medicaid and private insurance companies, Chicago created the first ambulance user fee in 1985.”¹⁴¹ The chart below sets forth the fees for 2008-2011¹⁴²:

| Service | 2008 Fee | 2009 Fee | 2010 Fee | 2011 Fee |
|--|----------|------------------------------------|-----------|-----------|
| Basic life support: | \$300 | \$600 | \$650 | \$725 |
| Advanced life support: | \$400 | \$700 | \$775 | \$850 |
| Advanced life support II | NA | \$875 | \$950 | \$1,025 |
| Additional fee for non-residents | NA | \$100 | \$100 | \$100 |
| Mileage* | \$8/mile | \$13/mile | \$14/mile | \$15/mile |
| Oxygen | NA | \$25.00 (regardless of the amount) | | |
| *The paramedics transport patients to the nearest hospital (usually 2-3 miles) or nearest trauma center (may exceed 2-3 miles) if necessary. | | | | |

As the fee has increased, the City has raised substantially more revenue as shown in the chart below:

| | 2008 | 2009 | 2010 |
|--|--------------|--------------|--------------|
| Ambulance Fee Revenue | \$23,275,828 | \$31,313,031 | \$38,277,763 |
| Source: Financial Management and Purchasing System | | | |

The stated purpose of ambulance fees is that City residents do not subsidize the cost of ambulance services when those costs are more appropriately borne by those who use the services. The 2011 budget includes 630 firefighter positions assigned to Emergency Medical Services. The labor costs for these positions are \$69.5 million annually.¹⁴³ This figure does not take into account fuel and the operating and maintenance costs for the ambulances.

Under this option, the City would double the fees it currently charges for each service provided by its ambulances. The charts above show that, in 2009, when the City last doubled ambulance fees, revenue only increased 35 percent. This is likely due to the fact that the City does not collect revenue from fees very

¹³⁸ City of Chicago. “History of the Chicago Fire Department.” pg. 9

http://www.cityofchicago.org/content/dam/city/depts/cfd/general/PDFs/HistoryOfTheChicagoFireDepartment_1.pdf

¹³⁹ *Id.*, pg. 11

¹⁴⁰ City of Chicago. “Labor Contract between Chicago Fire Fighters Union, Local #2, International Association of Fire Fighters A.F.L.-C.I.O. - C.L.C and the City of Chicago, Illinois. July 1, 2007 through June 30, 2012.” Section 16.4 (B)2(a) pg. 67

http://www.cityofchicago.org/content/dam/city/depts/dol/Collective%20Bargaining%20Agreements/CFFULocal2_07_012.pdf

¹⁴¹ City of Chicago. Chicago Fire Department. “Ambulance Bills.”

http://www.cityofchicago.org/city/en/depts/rev/supp_info/ambulance_bills.html

¹⁴² *Id.*

¹⁴³ This assumes fringe benefits are 43 percent of salary.

quickly.¹⁴⁴ Assuming that revenue would respond similarly in response to doubling the fees as it did in 2009; the City would raise an additional \$13.2 million in 2012 and \$24.7 million in 2013.¹⁴⁵

Proponents might argue that City taxpayers should not be subsidizing medical care for residents and non-residents who use the City’s ambulances. The City provides ambulance services to ensure that people have timely access to life-saving medical care, but it should charge a fee that adequately covers the cost of providing the service.

Opponents might argue that many low-income residents use the City’s ambulances and charging higher fees would have a negative financial impact on these residents. Additionally, the imposition of higher ambulance charges could cause residents who need care to fore-go calling an ambulance in order to avoid the fees.

Budget Details

| | |
|--|--|
| Fund: Corporate Fund, 0100 | Type of Revenue: Charges for Services: Safety |
| The appropriation is on page 17 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁴⁴ Spielman, Fran. “Fee for ambulance ride could jump to \$1,200.” *Chicago Sun-Times* February 27, 2007.

¹⁴⁵ This assumes a 35 percent increase in revenue in 2012 and an additional 22 percent increase in 2013, compared to the 2012 revenue, due to the fee increase.

Charges for Services: Double the Boat Mooring Tax

| |
|-------------------------------|
| Revenue: \$1.3 million |
|-------------------------------|

Currently, the City charges a boat mooring tax of seven percent of the mooring or docking fee for any boats docked within the City limits.¹⁴⁶ Most of the City’s docks are owned by the Chicago Park District, which operates nine harbors that have a combined capacity of 5,000 boats.

Under this option, the City would double the boat mooring tax to achieve a rate of 14 percent. The seven percent tax yielded \$1.31 million in 2008, \$1.36 million in 2009, and \$1.32 million in 2010.¹⁴⁷ Assuming that there is not a decrease in dockings in response to the tax increase, doubling the tax rate would yield a \$1.3 million increase in annual revenue.

Proponents might argue that this is likely a tax on more affluent City residents and non-residents who have a greater ability to pay taxes, as boat owners are likely to be wealthier than the average City resident.

Opponents might argue that increasing the tax could make City harbors less attractive and drive boat owners elsewhere, either to harbors in neighboring suburbs or states.

Discussion and Additional Questions

One of the key questions in determining the rate of the boat mooring tax is to determine whether or not the mooring price (including the tax) is currently optimal. Meaning is the price accurately pegged to the demand for boat mooring. If the price were too low, the result would likely be long waiting lists for most of the harbors. Conversely, if the price were too high, then the harbors would have high vacancy rates. Some additional questions to answer include:

- What are the trends in waiting lists for the harbors over the last several years?
- Do boat owners have other options for harboring their boats?

Budget Details

| | |
|--|--|
| Fund: Corporate Fund, 0100 | Type of Revenue: Boat Mooring Tax |
| The appropriation is located on page 16 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁴⁶ City of Chicago. Department of Revenue. “Boat Mooring Tax.”
http://www.cityofchicago.org/city/en/depts/rev/supp_info/tax_list/boat_mooring_tax.html

¹⁴⁷ Sources: Financial Management and Purchasing System and City of Chicago. “2011 Overview and Revenue Estimates.” pg. 108.
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Overview_and_Revenue_Estimates.pdf

Charges for Services: Charge a Fee to Non-profits that Receive City Garbage Collection

Revenue: \$300,000

Since at least 2001, the Bureau of Sanitation in the Department of Streets and Sanitation (DSS) has provided free garbage collection to various non-profit organizations. This service is provided if the collection can be easily absorbed into the route without creating a health and safety problem. With the exception of schools and religious institutions (presumed automatically to be non-profits), each non-profit requesting City garbage collection must provide documentation to DSS (establishing and) attesting to its non-profit status. As of March 2010, DSS was providing collection service to 1,330 non-profit organizations.¹⁴⁸ DSS currently serves 600,000 households, thus these 1,330 non-profit organizations represent 0.22% of DSS’s customers. The overall budget for residential garbage collection is shown in the table below.

| Personnel Costs | | | | | |
|--|---|-------------------------------|--|-----------------------------------|--|
| Title | Budget Number of Full Time Equivalents | Current Annual Payroll | Fringe Benefits @ 35% of Salary | Total Compensation Costs | 2012 Costs with 3.5% Increase in Salary |
| Sanitation Laborers | 631 | \$41,478,522 | \$14,517,483 | \$55,996,005 | \$57,955,865 |
| Motor Truck Drivers* | 465 | \$32,509,252 | \$11,378,238 | \$43,887,490 | \$45,423,552 |
| Supervisory and Clerical Staff- Refuse | 166 | \$12,066,707 | \$4,223,347 | \$16,290,054 | \$16,290,054 |
| Supervisory and Clerical Staff- Waste Disposal | 1 | \$64,248 | \$22,487 | \$86,735 | \$86,735 |
| Subtotal | 1,263 | \$86,118,729 | \$30,141,555 | \$116,260,285 | \$119,756,207 |
| * Includes 1 Chief Dispatcher Position | | | | | |
| Non Personnel Costs | | | | | |
| | Number of Trucks | Daily Cost per Truck | Annual Cost Per Truck | Total Annual Costs in 2011 | Total Annual Costs in 2012 |
| Truck Costs-Recycling Collection | 350 | \$343.67 | \$86,605 | \$30,311,694 | \$30,311,694 |
| Waste Disposal Costs | | | | \$42,294,993 | \$42,294,993 |
| Grand Total | | | | \$188,866,972 | \$192,362,894 |

Note #1: Assumes that the health insurance and pension benefits of these employees are worth 35 percent of their salaries

Note #2. Hours worked are converted to full-time equivalent positions at a rate of 2,040 hours per year

Note #3. This ignores additional costs due to overtime or savings due to personnel vacancies.

Note #4. This assumes that only Sanitation Laborers and Motor Truck Drivers will receive salary increase in 2012

Note #5: Assumes no increase in Waste Disposal or Truck Costs in 2012

Note #6: Annual truck costs assume 252 operating days annually

Under this option, the City would charge each of these organizations a fee to pay for the cost of the garbage collection. Similar to the pay-as-you-throw (PAYT) system described in a previous option, the City would charge each organization \$100 per year for each 96-gallon recycling cart the building used. On average, there

¹⁴⁸ Source: Department of Streets and Sanitation

are 2.5 garbage carts per household served in the City.¹⁴⁹ Assuming each of these organizations currently has, on average 2.5 carts, the \$100 charge would raise \$332,500. With some cost in the billing and collection of this fee; assume that this would raise net revenue of approximately \$300,000.

It is likely that these organizations have more than the average of 2.5 carts per household, as these organizations likely generate significantly more waste than an average household. Thus, this revenue estimate is likely conservative. However, it does not take into account a reduction in the number of carts in service due to the imposition of this fee.

Proponents might argue that the City cannot afford to provide this service to non-profits. Additionally, the City provides many subsidies to non-profit organizations such as, property and sales tax exemptions and free water and sewer service (see page 29).

Opponents might argue that if the City were to eliminate this service, the non-profits currently being served would have to absorb the cost of garbage collection and reduce their spending on the services they provide. Additionally, some may argue that non-profits provide public services and it is logical for the City to help subsidize these services.

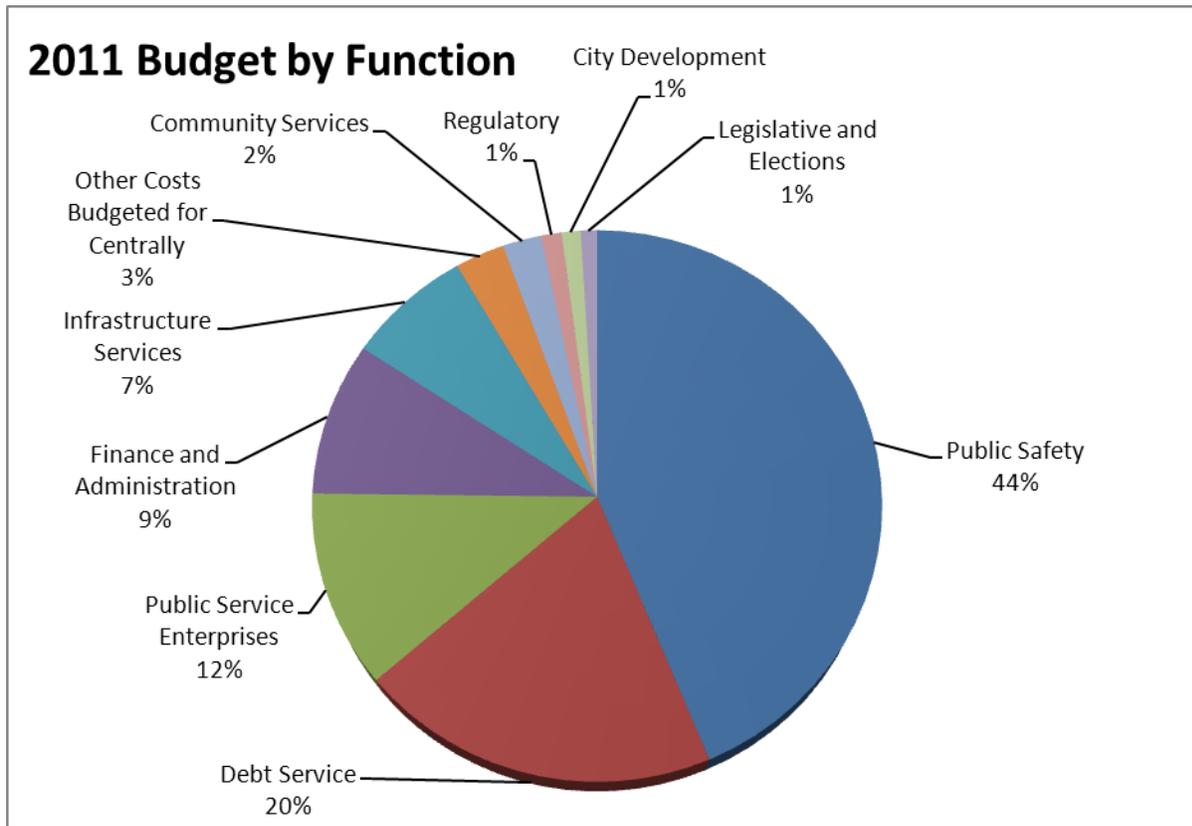
Budget Details

| | |
|--|---|
| Fund: Corporate Fund, 0100 | Type of Revenue: Local Non-Tax Revenue, Charges for Services |
| The appropriation is located on page 17 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁴⁹ 1.5 million garbage carts serving 600,000 households.

Citywide Spending Options

As detailed in the Overview of the City’s Financial Condition section, the City’s 2011 locally-funded budget is \$6.15 billion. The chart below details the share of the budget by major City function. The chart shows that the largest category of spending is public safety followed by debt service.



In this chart and in the charts in the following sections, we have estimated each individual department’s share of employee benefit costs such as pension and health insurance based on the share of personnel spending that is attributed to each individual department.¹⁵⁰ In the City’s budget these costs are lumped together for all departments. The attribution of these costs to individual departments provides a better estimate of the cost of the services each department provides.

The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|------------|---|---------------------------|----------------------|
| Various | Reduce the Ratio of Supervisory to Non-supervisory Employees | ✓ | \$190,000,000 |
| Various | Increase the Work Week of all City Employees to 40 Hours | | \$40,000,000 |
| Various | Eliminate 200 Motor Truck Driver Positions | | \$19,000,000 |
| Various | Elimination Tuition Reimbursement for all City Employees | | \$7,300,000 |
| Various | Merge the Chicago Park District and the City of Chicago | ✓ | \$5,000,000 |
| Various | Reduce the Number of Holidays for City Employees to 10 | | \$4,900,000 |
| Various | Eliminate Personal Computer Operators | ✓ | \$4,000,000 |
| Various | Require Double-sided Printing on All Printers and Copiers | ✓ | \$200,000 |
| Various | Switch to Open Office or Google Documents from Microsoft Office | ✓ | \$175,000 |
| | | Total | \$270,575,000 |

¹⁵⁰ Additionally, internal transfers and proceeds from debt are excluded from the totals.

Citywide: Reduce the Ratio of Supervisory to Non-supervisory Employees

Savings: \$190 million

As of August 16, 2011, the City had 33,606 active employees. The table below details the number of non-supervisory and supervisory employees and the resulting ratio of non-supervisory employees to supervisory employees. The breakdown between supervisory and non-supervisory employees is based on an analysis of the City’s position titles. This is a superficial analysis that simply relied on analyzing whether a title was a likely manager position. The basic criteria used were if the words Commissioner, Director, Chief, Supervisor, Superintendent, or Foreman, appeared in the title, it was generally assumed to be a managerial position. However, if the title included “Assistant to”, then it was not assumed to be managerial. Additionally, a distinction was made between titles with Supervisor versus Supervising. For titles that were structured as a Supervisor of some function, those were generally assumed to be managerial. However, if the titles were structured with “Supervising” being used a qualifier for another title, it was assumed that these titles just signified a higher status of frontline position rather than a managerial one.

| DEPARTMENT | Non-supervisory Employees | Supervisory Employees | Total employees | Non-supervisory Employees to Supervisors |
|---------------------------------------|---------------------------|-----------------------|-----------------|--|
| 057- DEPARTMENT OF POLICE | 12,469 | 1,556 | 14,025 | 8.01 |
| 059- FIRE DEPARTMENT | 3,954 | 1,103 | 5,057 | 3.58 |
| 081- DEPT STREETS AND SANITATION | 1,991 | 121 | 2,112 | 16.45 |
| 088- DEPT OF WATER MANAGEMENT | 1,603 | 179 | 1,782 | 8.96 |
| 058- OEMC | 1,295 | 94 | 1,389 | 13.78 |
| 085- DEPARTMENT OF AVIATION | 1,123 | 144 | 1,267 | 7.80 |
| 084- CHICAGO DEPT OF TRANSPORTATION | 1,002 | 135 | 1,137 | 7.42 |
| 091- CHICAGO PUBLIC LIBRARY | 1,024 | 31 | 1,055 | 33.03 |
| 041- DEPARTMENT OF PUBLIC HEALTH | 792 | 51 | 843 | 15.53 |
| 050- FAMILY AND SUPPORT SERVICES | 606 | 74 | 680 | 8.19 |
| 040- DEPARTMENT OF FLEET MANAGEMENT | 537 | 61 | 598 | 8.80 |
| 038- GENERAL SERVICES | 406 | 57 | 463 | 7.12 |
| 031- DEPARTMENT OF LAW | 359 | 58 | 417 | 6.19 |
| 015- CITY COUNCIL | 315 | 102 | 417 | 3.09 |
| 029- DEPARTMENT OF REVENUE | 362 | 42 | 404 | 8.62 |
| 067- DEPT OF BUILDINGS | 257 | 27 | 284 | 9.52 |
| 054- HOUSING AND ECONOMIC DEVELOPMENT | 195 | 32 | 227 | 6.09 |
| 070- BUS AFFAIRS AND CONSUMER PROT | 152 | 34 | 186 | 4.47 |
| 027- DEPARTMENT OF FINANCE | 142 | 39 | 181 | 3.64 |
| 025- CITY CLERK | 124 | 17 | 141 | 7.29 |
| 039- BOARD OF ELECTION COMMISSIONER | 82 | 32 | 114 | 2.56 |
| 006- DOIT | 63 | 28 | 91 | 2.25 |
| 056- IPRA | 80 | 4 | 84 | 20.00 |
| 033- DEPARTMENT OF HUMAN RESOURCES | 72 | 6 | 78 | 12.00 |

| | | | | |
|-------------------------------------|---------------|--------------|---------------|-------|
| 001- OFFICE OF THE MAYOR | 68 | 7 | 75 | 9.71 |
| 023- DEPT OF CULTURAL AFFAIRS | 49 | 15 | 64 | 3.27 |
| 073- COMM ANIMAL CARE AND CONTROL | 56 | 7 | 63 | 8.00 |
| 035- DEPARTMENT OF PROCUREMENT SERV | 47 | 13 | 60 | 3.62 |
| 072- DEPARTMENT OF ENVIRONMENT | 46 | 11 | 57 | 4.18 |
| 003- INSPECTOR GENERAL'S OFFICE | 35 | 17 | 52 | 2.06 |
| 005- OFFICE OF BUDGET & MANAGEMENT | 30 | 20 | 50 | 1.50 |
| 030- DEPT OF ADMINISTRATIVE HEARING | 35 | 4 | 39 | 8.75 |
| 048- MAYORS OFFICE-DISABILITIES | 28 | 4 | 32 | 7.00 |
| 045- COMMISSION ON HUMAN RELATIONS | 22 | 6 | 28 | 3.67 |
| 028- CITY TREASURER | 11 | 11 | 22 | 1.00 |
| 032- OFFICE OF COMPLIANCE | 21 | 1 | 22 | 21.00 |
| 078- BOARD OF ETHICS | 6 | 1 | 7 | 6.00 |
| 055- POLICE BOARD | 1 | 1 | 2 | 1.00 |
| 077- LICENSE APPEAL COMMISSION | 1 | 0 | 1 | NA |
| Total | 29,461 | 4,145 | 33,606 | |

Source: August 16, 2011 Active Employees excluding Foster Grandparents and Senior Companions.

Under this option, the City would increase the ratio of non-supervisory employees to supervisory employees to a minimum of 10 in every City department. The table below shows the reduction in managers that this would entail by individual department

| DEPARTMENT | Non-supervisory Employees | Supervisory Employees | Total Employees | Necessary Number of Supervisory Employees if Ratio Increased to 10 | Reduction in Managers |
|-------------------------------------|---------------------------|-----------------------|-----------------|--|-----------------------|
| 059- FIRE DEPARTMENT | 3,954 | 1,103 | 5,057 | 396 | 707 |
| 057- DEPARTMENT OF POLICE | 12,469 | 1,556 | 14,025 | 1247 | 309 |
| 031- DEPARTMENT OF LAW | 315 | 102 | 417 | 32 | 70 |
| 084- CHICAGO DEPT OF TRANSPORTATION | 1,002 | 135 | 1,137 | 101 | 34 |
| 027- DEPARTMENT OF FINANCE | 142 | 39 | 181 | 15 | 24 |
| 039- BOARD OF ELECTION COMMISSIONER | 82 | 32 | 114 | 9 | 23 |
| 015- CITY COUNCIL | 359 | 58 | 417 | 36 | 22 |
| 006- DOIT | 63 | 28 | 91 | 7 | 21 |
| 088- DEPT OF WATER MANAGEMENT | 1,603 | 179 | 1,782 | 161 | 18 |
| 070- BUS AFFAIRS AND CONSUMER PROT | 152 | 34 | 186 | 16 | 18 |
| 005- OFFICE OF BUDGET & MANAGEMENT | 30 | 20 | 50 | 3 | 17 |
| 038- GENERAL SERVICES | 406 | 57 | 463 | 41 | 16 |
| 050- FAMILY AND SUPPORT SERVICES | 606 | 74 | 680 | 61 | 13 |
| 003- IG | 35 | 17 | 52 | 4 | 13 |

| | | | | | |
|---|-----|----|-----|----|--------------|
| 054- HOUSING AND ECONOMIC DEVELOPMENT | 195 | 32 | 227 | 20 | 12 |
| 023- DEPT OF CULTURAL AFFAIRS | 49 | 15 | 64 | 5 | 10 |
| 028- CITY TREASURER | 11 | 11 | 22 | 2 | 9 |
| 035- DEPARTMENT OF PROCUREMENT SERV | 47 | 13 | 60 | 5 | 8 |
| 040- DEPARTMENT OF FLEET MANAGEMENT | 537 | 61 | 598 | 54 | 7 |
| 072- DEPARTMENT OF ENVIRONMENT | 46 | 11 | 57 | 5 | 6 |
| 029- DEPARTMENT OF REVENUE | 362 | 42 | 404 | 37 | 5 |
| 025- CITY CLERK | 124 | 17 | 141 | 13 | 4 |
| 045- COMMISSION ON HUMAN RELATIONS | 22 | 6 | 28 | 3 | 3 |
| 067- DEPT OF BUILDINGS | 257 | 27 | 284 | 26 | 1 |
| 073- COMM ANIMAL CARE AND CONTROL | 56 | 7 | 63 | 6 | 1 |
| 048- MAYORS OFFICE-DISABILITIES | 28 | 4 | 32 | 3 | 1 |
| Total Supervisor Reduction | | | | | 1,372 |
| The Department of Aviation (CDA) was removed from this analysis because its employees are funded by airport operations and any savings from reducing management in CDA would be restricted to airport operations and could not be used to offset the City's budget deficit. | | | | | |

The average salary of the 4,145 supervisory positions is \$103,500. Thus if the City were to eliminate these 1,372 positions the City would save approximately \$142 million, assuming the positions eliminated had average salaries for all the supervisory positions. Including fringe benefits at 35 percent of salary the total savings would be approximately \$190 million. This also assumes that the City would not add managers to those departments with a ratio above 10.

Proponents might argue that cutting the number of managers is appropriate to ensure that the services frontline staff provide are preserved. Additionally, a number of states and private sector employers target low manager to non-supervisory employee ratios in order to reduce the cost of their operations. Finally, managers earn the highest salaries and eliminating their positions results in the greatest savings to the City.

Opponents might argue that this is an arbitrary metric to apply Citywide. Certain functions lend themselves to more supervision than others so it is too blunt to hold each department to the same standard. Additionally, some might criticize this option as focusing too closely on the inputs of programs without determining what impact this might have on how these functions perform.

Discussion and Additional Questions

As described above, this analysis is based on a superficial analysis of City position titles. For instance, nine titles classified as supervisory in the Inspector General’s Office are not supervisory positions. Conversely, in the Mayor’s office, an Administrative Assistant title actually corresponds to the Chief Data Officer and an Assistant to the Mayor title really corresponds to the Chief Technology Officer. Therefore, in this analysis, these positions are not included as supervisory titles. In the Fire and Police Departments, which have the largest potential staff reductions, this is because lieutenants, captains, and sergeants, in the case of the Police department, were categorized as supervisory. However, it is unclear whether these positions should be categorized as supervisory.

So, if the City was to implement this option, it first must obtain reliable data that accurately shows the ratio of non-supervisory employees to supervisory employees. To do this, there first must be fixed criteria for what constitutes a manager. The Texas State Auditor provides the following criteria: ¹⁵¹

“Manager has the responsibility for strategic operations and planning and

- Formulates statewide policy or directs the work of an agency, higher education institution, or subdivision; OR
- Administers one or more statewide policies or programs of an agency, higher education institution, or subdivision; OR
- Manages, administers, and controls a local branch office of an agency, higher education institution, or subdivision, including the physical, financial, or human resources; OR
- Has substantial responsibility in human resources management, legislative relations, public information, or the preparation and administration of budgets;”

To further explore this issue, the City Council could require each department to categorize their employees as either managers or non-managers and then provide a breakdown by each function. Conversely, a position audit could be conducted to make appropriate connections of title to responsibilities. Both would provide a meaningful picture of the actual ratio of managers to non-supervisors throughout the City.

Budget Details

| | |
|---|-----------------------------|
| Dept: Various | Bureau: NA |
| Fund: Various | Approp Code: Various |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁵¹ Texas State Auditor. “Quarterly Report of Full-Time Equivalent Positions- Management Span of Control”.
<http://sao.hr.state.tx.us/advisory/FTEMgmtStaffRatio.html>

Citywide: Increase the Work Week of All City Employees to 40 Hours

Savings: \$40 million

Most City employees work a 40-hour work week according to the City’s collective bargaining agreements. However, a significant subset of employees work 35 or 37.5 hours per work week.

Under this option, all City employees who currently work under 40 hours a week would have their work weeks increased to 40 hours.

Currently, most City employees who are members of the Association of Federal, State, County, and Municipal Employees (AFSCME) union work a 35-hour work week in accordance with their Collective Bargaining Agreement that is in place through June 2012.¹⁵² AFSCME members who are library employees work a 37.5-hour work week.¹⁵³ Additionally, a number of other employees, including Parking Enforcement Aides (PEAs), Detention Aides and Nurses, work less than 40-hour weeks.

The table below shows the number of AFSCME employees broken down by library and non-library employees and the total number of non-AFSCME employees with a 35-hour work week and their total annual salaries, as of mid-August 2011.

| | Number of Active Employees | Total Annual Salaries | Average Salary |
|--|----------------------------|-----------------------|-----------------|
| AFSCME- Library (workers work 37.5 hours/week) | 976 | \$50,421,969 | \$51,662 |
| AFSCME- All other Depts (workers work 35 hours/week) | 2,696 | \$168,415,270 | \$62,469 |
| Non-AFSCME (workers work 35 hours/week) | 576 | \$35,242,200 | \$61,184 |
| Total | 4,248 | \$254,079,440 | \$59,812 |

Source: August 16, 2011 Active Employees

If these employees’ work weeks were increased to 40 hours per week, the hours of non-library and library employees would increase by 12.5% and 6.25% respectively. Assuming that there are no productivity losses associated with a longer work week and that the work of these employees is fairly interchangeable, a 40-hour work week might permit up to a 12.5% reduction in non-library employees and a 6.25% reduction in library employees. The table below details the specific reductions in number of employees and total salary.

| Category of Workers | Reduction in Positions | Reduction in Salary | Reductions in Fringe Benefits @ 35 percent of Salary | Reductions in total compensation |
|--|------------------------|---------------------|--|----------------------------------|
| AFSCME- Library (workers work 37.5 hours/week) | 61 | \$3,151,373 | \$1,102,981 | \$4,254,354 |
| AFSCME- All other Depts (workers work 35 hours/week) | 337 | \$21,051,909 | \$7,368,168 | \$28,420,077 |
| Non-AFSCME (workers work 35 hours/week) | 72 | \$4,414,782 | \$1,545,174 | \$5,959,956 |
| Total | 470 | \$28,618,064 | \$10,016,322 | \$38,634,386 |

¹⁵² City of Chicago. “Collective Bargaining Agreement Between Council 31 AFSCME and City of Chicago.” Section 16.2 http://www.cityofchicago.org/content/dam/city/depts/dol/Collective%20Bargaining%20Agreements/AFSCMECBAJuly_1_2007_To_June_30_2012.pdf

¹⁵³ *Id.*

Assuming that pension and health benefits costs are 35% of total salary, the total savings will be approximately \$38.6 million. AFSCME employees will receive a 3.5% increase in salary in 2012. Assuming the non-AFSCME employees receive the same increase in pay, the savings would grow to \$40 million in 2012.

Proponents might argue that because many other City employees work 40 hours per week, it would be fair to require all City employees to work a 40-hour week. Additionally, others might note that the average full-time American employee worked 42.9 hours per week in 2005.¹⁵⁴

Opponents might argue that the reduced work week is something that AFSCME and other union employees have bargained for in contract negotiations and likely were granted in exchange for foregoing pay increases. Additionally the lengthening of the work week would, in effect, be a large salary cut for these employees, while other employees have not seen their salaries reduced.

Discussion and Additional Questions

In addition to the union employees described above, certain non-union City employees work less than a 40 hour week. For instance, employees in the Inspector General’s Office are paid on the basis of a 37.5 hour work week.

- What is the full universe of employees who work less than a 40 hour work week in the City?
- In particular, which non-union employees work less than 40-hour weeks?

Budget Details

| | |
|---|-----------------------------|
| Dept: Various | Bureau: NA |
| Fund: Various | Approp Code: Various |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁵⁴ <http://jobs.stateuniversity.com/pages/17/American-Workplace-HOW-MUCH-TIME-DO-AMERICANS-SPEND-AT-WORK.html>

Citywide: Eliminate 200 Motor Truck Drivers Positions

Savings: \$19 million

Motor Truck Drivers (MTDs) are positions in the City, to which employees are assigned, that are tasked with driving and operating a wide variety of motor vehicles and power equipment. MTDs, who are represented by the State and Municipal Teamsters, Chauffeurs and Helpers Union, Local 700, must possess an Illinois Commercial Driver’s License (CDL). MTDs generally make nearly \$34 dollars an hour and receive additional health and pension benefits.¹⁵⁵ In 2010, depending on the time of year, the City employed between approximately 1400 and 1800 MTDs, in nine different departments.

An IGO review of MTD responsibilities revealed that most MTDs employed by the City are being used efficiently, including when they are driving snowplows, operating garbage collection trucks, and sweeping City streets.¹⁵⁶ However, the review also revealed that a sizable percentage of MTDs, approximately 200 MTD positions, are used solely to transport personnel and equipment, a task which could easily be performed by another assigned member of the work crew who participates in the actual performance of the task or project. These 200 or so MTDs transport personnel and equipment to jobsites and then merely wait – generally getting paid to do nothing more than sit in a vehicle – while other City personnel perform various tasks.

Under this option, these 200 MTD positions would be eliminated and other crew members would drive City vehicles, which in many cases would not require additional training or qualifications. The elimination of the estimated 200 inefficient MTD positions would save the City approximately \$19 million a year.

The inefficient use of MTDs primarily results from the City’s collective bargaining agreement (CBA) with the Teamsters, which severely constrains the City’s managerial rights. In successive CBAs with the Teamsters, each ratified by the City Council, past administrations have relinquished the City’s ability to combat identified inefficiencies by prohibiting the City from transferring certain MTD responsibilities to other employees or subcontracting MTD services. The current CBA, in effect until June 2017, does not allow the City to unilaterally transfer work that has been traditionally performed by MTDs to other City employees, except in emergencies. Thus, in order to eliminate these positions and transfer their responsibilities to other personnel, the CBA would need to be amended.

Proponents might argue that the inclusion of extra workers on a crew when their presence does not add value or could be performed by other staff creates unnecessary costs which are paid for by taxpayers.

Opponents might argue that these positions are necessary because MTDs receive special training and if other, less trained personnel operated these vehicles and equipment it would endanger public safety.¹⁵⁷

Budget Details

| | |
|---|--|
| Dept: Various | Bureau: NA |
| Fund: Various | Approp Code: Salaries and Wages- On Payroll, 0005 |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁵⁵ Assuming that health and pension benefits are 35 percent of salary, the average full-time MTD earns approximately \$95,000 a year.

¹⁵⁶ City of Chicago Inspector General. “Review of the Efficiency of the Job Duties of Motor Truck Drivers.” March 2011. pg. 2
<http://chicagoinspectorgeneral.org/wp-content/uploads/2011/03/IGO-Review-of-the-Efficiency-of-the-Job-Duties-of-MTDs-March-30-2011.pdf>

¹⁵⁷ PR Newswire. “Teamsters Balk at Chicago Inspector General’s Report: You Can’t Re-open our Contract.” April 1, 2011.
<http://www.laborunionreport.com/portal/2011/04/teamsters-balk-at-chicago-inspector-generals-report/>

Citywide: Eliminate Tuition Reimbursement for City Employees

Savings: \$7.3 million

Currently, the City provides tuition reimbursement to City employees who meet certain criteria. For most full-time City employees, the coursework “must be related to the employee’s current work or probable future work with the City of Chicago.”¹⁵⁸ Full-time employees are limited to two classes per semester and those receiving “A” grades are reimbursed at 100 percent of the tuition costs with reduced reimbursement for lower grades. Additionally, part-time employees receive reimbursement at half the rates of full-time employees. For most employees, tuition reimbursement is limited to “a yearly entitlement amount set annually during the month of January by the Department of Human Resources.”¹⁵⁹ However, for employees for whom tuition reimbursement is a term of their collective bargaining agreement, reimbursement is “determined by the nature of the agreement between their union and the City of Chicago.”¹⁶⁰

If an employee leaves City service within 1 year of obtaining a degree with the help of tuition reimbursement, she is required to repay “all tuition costs related to such degree which have been reimbursed to the employee by the City”.¹⁶¹ If they leave between one or two years after obtaining the degree, they must repay the City one-half (50%) of their reimbursed tuition costs.¹⁶²

Under this option, the City would eliminate tuition reimbursement for all City employees. The table below shows the tuition reimbursement budget for all local funds (excluding the airport funds) in 2011.

| Fund Code | Fund Description | Dept # | Department | 2011 Appropriation |
|-----------|--|--------|-------------------------------|--------------------|
| 100 | Corporate Fund | 57 | Department of Police | \$6,500,000 |
| 100 | Corporate Fund | 59 | Fire Department | \$425,000 |
| 100 | Corporate Fund | 33 | Department of Human Resources | \$175,245 |
| 346 | Library Fund- Maintenance and Operations | 99 | Finance General | \$85,000 |
| 200 | Water Fund | 33 | Department of Human Resources | \$35,625 |
| 314 | Sewer Fund | 99 | Finance General | \$25,000 |
| 300 | Vehicle Fund | 99 | Finance General | \$20,000 |
| | Total | | | \$7,265,870 |

Eliminating tuition reimbursement would likely save the City \$7.3 million in 2012. Implementing this option would require amendments to the City’s current collective bargaining agreements with police officers and firefighters. These agreements expire on June 30, 2012.

Proponents might argue that tuition reimbursement is an unnecessary perk, especially for police officers and firefighters, who can get reimbursed for coursework that is not related to their City positions. Further, others might argue that the reimbursement is overly generous.

Opponents might argue that this is just one component of the compensation that City employees receive. Therefore, eliminating it would be akin to a reduction in the pay that these officers negotiated in collective bargaining agreements, likely in exchange for foregoing other benefits. Additionally, tuition reimbursement incentivizes employees to improve their skills, which in turn makes them more productive employees.

¹⁵⁸ City of Chicago- Department of Human Resources. “City of Chicago Tuition Reimbursement Policy”. pg. 1

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

¹⁶² *Id.*

Budget Details

| | |
|---|--|
| Depts: Human Resources, 38; Police Department, 57; Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Tuition Reimbursement and Educational Programs, 0070 |
| The appropriations are located on pages 84, 145, and 185 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Citywide: Merge the Chicago Park District and the City of Chicago

Savings: \$5 million

The Chicago Park District (Park District) is the oldest park district in the United States and oversees over 7,300 acres of parkland in 552 parks. It also operates nine lakefront harbors, which is the largest municipal harbor system in the Country.¹⁶³

Under this option, the City would merge the Park District into the City of Chicago and operate the Park District like City departments, such as Police and Streets and Sanitation. The table below details the 2011 budget for a number of central administrative offices in the Park District.

| Office | 2011 Budget |
|---|---------------------|
| Board of Commissioners | \$344,401 |
| Communications | \$1,245,057 |
| Comptroller | \$1,506,935 |
| Financial Services | \$1,386,800 |
| Human Resources | \$1,867,433 |
| Information Technology | \$6,127,376 |
| Law | \$2,449,845 |
| Legal Investigations | \$390,849 |
| Legislative & Community Affairs | \$807,524 |
| Office of Budget & Management | \$484,914 |
| Office of Green Initiatives | \$775,729 |
| Office of Secretary (to the Board of Commissioners) | \$120,025 |
| Purchasing | \$819,074 |
| Treasury | \$1,612,108 |
| Total | \$19,938,070 |

Notes: Budgeted totals only reflect Corporate Fund amounts. Pension costs are not included in the totals.
 Source: Chicago Park District. 2011 Budget Appropriations
<http://www.cpdit01.com/resources/budget.home/B2011/2011%20Appropriation.pdf>

If the Park District merged into the City of Chicago, the Park District’s budget could likely be significantly reduced. For example, the Board of Commissioners and the Office of Secretary to the Board could both be eliminated, saving nearly \$500,000, as the City Council would fulfill the role that the Board currently plays. The City could also likely generate significant savings by folding the functions of other central offices into existing City Departments. The City’s annual budget is 15 times larger than the Park District annual budget, yet, the Park District treasurer’s office budget of \$1.6 million is nearly as large as the City Treasurer budget of \$2.2 million.¹⁶⁴ Similarly, the Park District’s human resources office has a budget of \$1.9 million, compared to the City’s Department of Human Resources annual budget of only \$6 million.

¹⁶³ http://en.wikipedia.org/wiki/Chicago_Park_District

¹⁶⁴ City of Chicago locally-funded budget: \$6.15 billion Park District Budget: \$400 million.

Civic Federation. “Chicago Park District FY2011 Budget: Analysis and Recommendations.” December 1, 2010.

<http://www.civicfed.org/civic-federation/publications/chicago-park-district-fy2011-budget-analysis-and-recommendations>

Given the high percentage of some central offices’ spending compared to similar City departments and the fact that certain offices could simply be eliminated through a merger, assume that 25 percent of the central office spending in these offices could be eliminated by merging the functions of these offices with existing City departments. That corresponds to \$5 million in savings annually.

The Chicago Park District is created and largely governed by Illinois state law. The Chicago Park District Act of 1934 consolidated all existing park districts within Chicago into one district, responsible for all of the City’s parks. Under the Act, the district is governed by a seven-member Board of Commissioners, appointed by the Mayor, with approval of City Council. Nothing in State law or the Code of the Chicago Park District references any dissolution procedure. It appears that, the Chicago Park District Board of Commissioners, given the great authority vested in it, could enact an ordinance vesting certain authority to the City (e.g. oversight authority).

Proponents might argue that the duplication of administrative costs that comes from operating the Park District as a separate government is a waste of City taxpayer resources. If the combined budgets of the two governments are reduced, the result would be a reduction in the overall Citywide tax burden. Others might contend that the savings would free City tax revenues available either to reduce the structural deficit or lessen budget cuts to other critical City programs.

Opponents might argue that maintaining the Park District’s independence from the City is essential to maintaining the high level of service the Park District provides. Chicago spends more on its parks than other large cities and this is a reflection of the importance of parks to the City’s residents.¹⁶⁵ Merging the Park District into the City of Chicago to achieve savings might therefore lead to a reduction in service quality.

Discussion and Additional Questions

In order to make a decision about whether or not to implement this option, decision makers would want to know more about what Park District and City operations could be combined to achieve savings. There may be additional areas, outside of central administration, in which savings could be achieved. For instance, in conducting research on the City’s use of Motor Truck Drivers (MTDs), it was reported to the IGO that while City crews that trim trees employ MTDs, Park District crews do not. Thus, it may be more efficient to have Park District crews perform this service. Some general questions to consider:

- What similar or overlapping services do the Park District and City provide?
- What other elimination of redundancies might be realized through a merger of the two governments?

Budget Details

| | |
|-----------------|------------------------|
| Dept: NA | Bureau: NA |
| Fund: NA | Approp Code: NA |

¹⁶⁵ http://en.wikipedia.org/wiki/Chicago_Park_District

Citywide: Reduce the Number of Holidays for City Employees to 10

Savings: \$4.9 million

Currently, most City employees receive 12 annual holidays and a personal day. Additionally, the firefighters receive Flag Day as a holiday and police officers receive a Community/Police Partnership Day. For public safety employees who are scheduled to work on City holidays, the City provides additional compensation. Specifically, firefighters who work 24-hour shifts which happen to fall on a City holiday, receive double time, while those working 8-hour days receive time and a half pay.¹⁶⁶ In addition, police officers who work 8-hour tours on holidays receive, in addition to their regular pay, 8 hours of compensatory time, and 4 hours of compensatory time or additional pay at the officer’s choosing.¹⁶⁷ The 2011 Corporate fund budget for holiday premium pay was over \$21 million.

Under this option, the City would reduce the number of paid holidays to 10 – the same number that federal government employees receive.¹⁶⁸ Assuming that holiday premium pay would be reduced in proportion to the reduction in paid holidays, the City would save \$4.9 million annually. The table below details the savings by department. This does not take into account the potential elimination of positions due to a reduction in the number of observed holidays.

| Department | 2011 Appropriation for Holiday Premium Pay | Savings from Reduction to 10 Holidays |
|--|--|---------------------------------------|
| Fire | \$16,786,536 | \$3,873,816 |
| Police | \$4,395,131 | \$1,014,261 |
| General Services | \$150,000 | \$25,000 |
| Total | \$21,331,667 | \$4,913,077 |
| Note: This is only the Corporate funded appropriation and excludes the appropriation from the Midway and O’hare funds. | | |

To implement this option would require a change in the City’s Collective Bargaining Agreements.

Proponents might argue that reducing the number of paid holidays is appropriate given the City’s financial situation. The City’s 12 holidays for non-sworn personnel and 13 for sworn personnel are more than the 10 recognized federal holidays.

Opponents might argue that this is an effective reduction in salary for all City employees that is unfair to the current workforce. Additionally, reducing City employee compensation could also reduce the quality of the City workforce.

Budget Details

| | |
|---|--|
| Depts: General Services, 38; Police Department, 57; Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Sworn/Civilian Holiday Premium Pay, 0021 |
| The appropriations are located on pages 95, 99, 145, and 185 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁶⁶ City of Chicago. “Labor Contract between Chicago Fire Fighters Union, Local #2, International Association of Fire Fighters A.F.L.-C.I.O. - C.L.C. and the City of Chicago, Illinois. July 1, 2007 through June 30, 2012.” pgs. 21 and 22.

¹⁶⁷ City of Chicago. “Agreement between the City of Chicago and the Fraternal Order of Police Chicago Lodge No. 7. July 1, 2007 through June 30, 2012.” Section 20.13. pgs. 20 and 21.

http://www.cityofchicago.org/city/en/depts/dol/supp_info/city_of_chicago_collectivebargainingagreements.html

¹⁶⁸ U.S Office of Personnel Management. “Operating Status & Schedules”.

http://www.opm.gov/Operating_Status_Schedules/fedhol/2011.asp

Citywide: Eliminate Personal Computer Operators

Savings: \$4 million

Currently, the City employs Personal Computer Operators (PCO) in 14 departments.¹⁶⁹ There are three grades of PCOs; PCO I, PCO II, and PCO III. A PCO I operates “a personal computer to produce basic documents including letters, memoranda and forms; selects menu and specifies desired functions; types information from longhand, rough drafts, and printed copies onto a personal computer”.¹⁷⁰ A PCO II operates “a personal computer to produce printed documents including correspondence, numerical reports, graphs and charts”.¹⁷¹ A PCO III operates “a personal computer to produce printed copies of general complexity including reports, specifications, data base information and spreadsheets containing significant elements of scientific, technical or numerical data”.¹⁷² Finally, there is also a Senior Legal PCO who “reviews rough drafts or uses a dictaphone to transcribe legal documents such as briefs, interrogatories and settlement agreements [and] uses word processing, spreadsheet, database and related desk top software to produce legal documents of general complexity”.¹⁷³ The Senior Legal PCO job description was last updated in 2003, while the PCO I, II, and III descriptions were last updated in 1994.

Under this option, the City would eliminate all four job titles and layoff the employees currently working in those positions. The table below shows the number of employees currently employed in each job title and the total compensation for those employees.

| Title | Number of Employees | Total Salary | Fringe Benefits @ 35% of Salary | Total Compensation |
|---|---------------------|--------------------|---------------------------------|--------------------|
| Personal Computer Operator I | 21 | \$921,708 | \$322,598 | \$1,244,306 |
| Personal Computer Operator II | 26 | \$1,204,380 | \$421,533 | \$1,625,913 |
| Personal Computer Operator III | 9 | \$480,804 | \$168,281 | \$649,085 |
| Senior Legal Personal Computer Operator | 6 | \$331,008 | \$115,853 | \$446,861 |
| Total | 62 | \$2,937,900 | \$1,028,265 | \$3,966,165 |

Source: City of Chicago. “Current Employee Names, Salaries, and Positions Titles.” Jun 1, 2011.

<http://data.cityofchicago.org/Administration-Finance/Current-Employee-Names-Salaries-and-Position-Title/r3km-swf6>

Note: There is an additional PCO II in the Department of Aviation that is not included in this table because we assume that this position is funded by the airport funds and any cuts to these funds would not result in savings that can be used to address the City’s budget deficit.

Thus, if the City were to eliminate these positions it would save approximately \$4 million annually.

¹⁶⁹ The departments, in order of the number of PCOs, are: Police (27), City Clerk (7), Law (6), Procurement (4), Water Management (3), Transportation (3), Family and Support Services (3), Mayor’s Office for People with Disabilities (2), Independent Police Review Authority (2), Health (2), Information Technology (1), Business Affairs and Consumer Protection (1), Fleet (1), and Aviation (1)

¹⁷⁰ City of Chicago. Department of Human Resources. “Job Description for Personal Computer Operator I- 0833.”

¹⁷¹ City of Chicago. Department of Human Resources. “Job Description for Personal Computer Operator II- 0832.”

¹⁷² City of Chicago. Department of Human Resources. “Job Description for Personal Computer Operator III- 0833.”

¹⁷³ City of Chicago. Department of Human Resources. “Job Description for Senior Legal Personal Computer Operator- 0875.”

Proponents might argue that the job duties assigned to these positions are outdated and that there is no need to have employees solely devoted to these tasks. Further, most employees who work in office settings are now required to be able to perform most of these tasks themselves. Therefore, it is likely that the duties of these employees could be absorbed by other workers without a loss in productivity.

Opponents might argue that while these job descriptions are outdated, these employees now perform tasks that are essential to the operations of the offices in which they work.

Discussion and Additional Questions

In order to make a decision about the implementation of this option, decision makers would need to know what the employees in these job titles are actually doing day-to-day and whether they provide value to the City. Thus some questions might be as follows. Thus some questions might be as follows.

- For each department that employs PCOs, what tasks do the PCOs assigned to your department routinely perform?
- What unique skills do PCOs have relative to other employees in their bureau/section?

Budget Details

| | |
|---|--|
| Dept: Various | Bureau: NA |
| Fund: Various | Approp Code: Salaries and Wages- On Payroll, 0005 |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Citywide: Require Double-Sided Printing on All Printers and Copiers

Savings: \$200,000

Currently, the City contracts with a third party vendor to supply printer paper for all City departments. The table below details the spending on this contract since the beginning of 2009.¹⁷⁴

| Year | Spending |
|--------------------|----------------|
| 2011 (thru August) | \$924,495.61 |
| 2010 | \$1,392,280.58 |
| 2009 | \$1,093,545.49 |

Under this option, the City would make double-sided printing the default on all City printers capable of double-sided printing, thereby reducing the amount of paper the City uses. The City has averaged \$1.3 million in annual spending on paper over the last three years.¹⁷⁵ A 2008 study by the technology research firm Gartner found that “organizations can potentially reduce annual paper costs by at least 30% by selecting duplex [double-sided] printing as the default setting”.¹⁷⁶ However, no savings would be realized from printers and copiers that do not have the capability to print double-sided. Using the 30 percent figure as a high-end estimate for the potential savings, the City could reduce its paper costs by 15 percent (\$200,000) if it required double-sided printing.

Proponents might argue that requiring double-sided printing will not impact service delivery, but will save paper costs, waste disposal costs, and staff time as there will be less need to refill printer and copier paper.

Opponents might argue that double side printing will put more pressure on printer and copiers and shorten their useful lives, meaning they will need to be replaced more often. Additionally, others might argue that some functions of the City need the flexibility to print single-sided and this will hamper their operations.

Discussion and Additional Questions

Some questions that might be useful when considering this option:

- For each department, what percentage of its printers and copiers have double-sided printing capability?
- What effect does double-sided printing have on the useful life of a printer?

Budget Details

| | |
|---|--|
| Dept: Various | Bureau: NA |
| Fund: Various | Approp Code: Stationery and Office Supplies, 0350 |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁷⁴ Contract Number 18487. Payment data and contract available at:

<http://webapps.cityofchicago.org/VCSearchWeb/org/cityofchicago/vcsearch/controller/contracts/begin.do?agencyId=city>

¹⁷⁵ The year to date spending was thru August 30, 2011 thus encompassing two-thirds of 2011. We converted this amount to an annual spending figure assuming that it represented two-thirds of the 2011 total annual spending.

¹⁷⁶ McNee, Sharon and Weilerstein. “Cost Cutting Initiatives for Office Printing.” Gartner RAS Core Research Note G00155489. February 22, 2008. pg. 1

http://h20424.www2.hp.com/program/wdyhts/enterpriseprint/ap/en/pdf/Gartner_cost_cutting_initiatives_for_office_printing.pdf

Citywide: Switch from Microsoft Office to Open Office or Google Documents

Savings: \$175,000

Many City offices currently use the Microsoft Office suite of applications for their business processes. In order to use these software applications, the City pays a licensing fee to Microsoft.

Under this option the City would discontinue the purchase of Microsoft Office licenses and use free alternative software such as Open Office or Google Documents. Over the last four and a half years, the City paid an average \$350,000 per year for Microsoft product licensing.¹⁷⁷ Assuming half of this spending was related to Microsoft Office products, the City could save \$175,000 annually by switching to no-fee software.

Proponents might argue that some large corporations, including Sun Microsystems and Novell, already use alternative office productivity applications such as Open Office.¹⁷⁸ In addition, Open Office has been downloaded over 135 million times.

Opponents might argue that most City employees who rely on office productivity software are familiar with the MS Office Suite of programs and the productivity loss from learning a new suite of software would far outweigh any savings from reduced licensing fees.

Discussion and Additional Questions

Some questions to consider when deciding whether or not to implement this option:

- How valuable is the tech support that comes with Microsoft licenses?
- What is the track record for the use of open source applications?
- What security concerns accompany the use of open source software?

For a detailed discussion of the pros and cons of this option go to:

<http://debatepedia.idebate.org/en/index.php/Debate: Should governments use open source software%3F>

Budget Details

| | |
|---|--|
| Dept: Various | Bureau: NA |
| Fund: Various | Approp Code: For Professional and Technical Services and Other Third Party Benefit Agreements, 0140 |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁷⁷ Financial Management and Purchasing System. Contract #13783.

This does not include spending on Microsoft Office products that come installed on new computers the City purchases, so the actual spending is likely much greater.

¹⁷⁸ OpenOffice.Org wiki. "Market Share Analysis"

http://wiki.services.openoffice.org/wiki/Market_Share_Analysis

Public Safety Spending Options

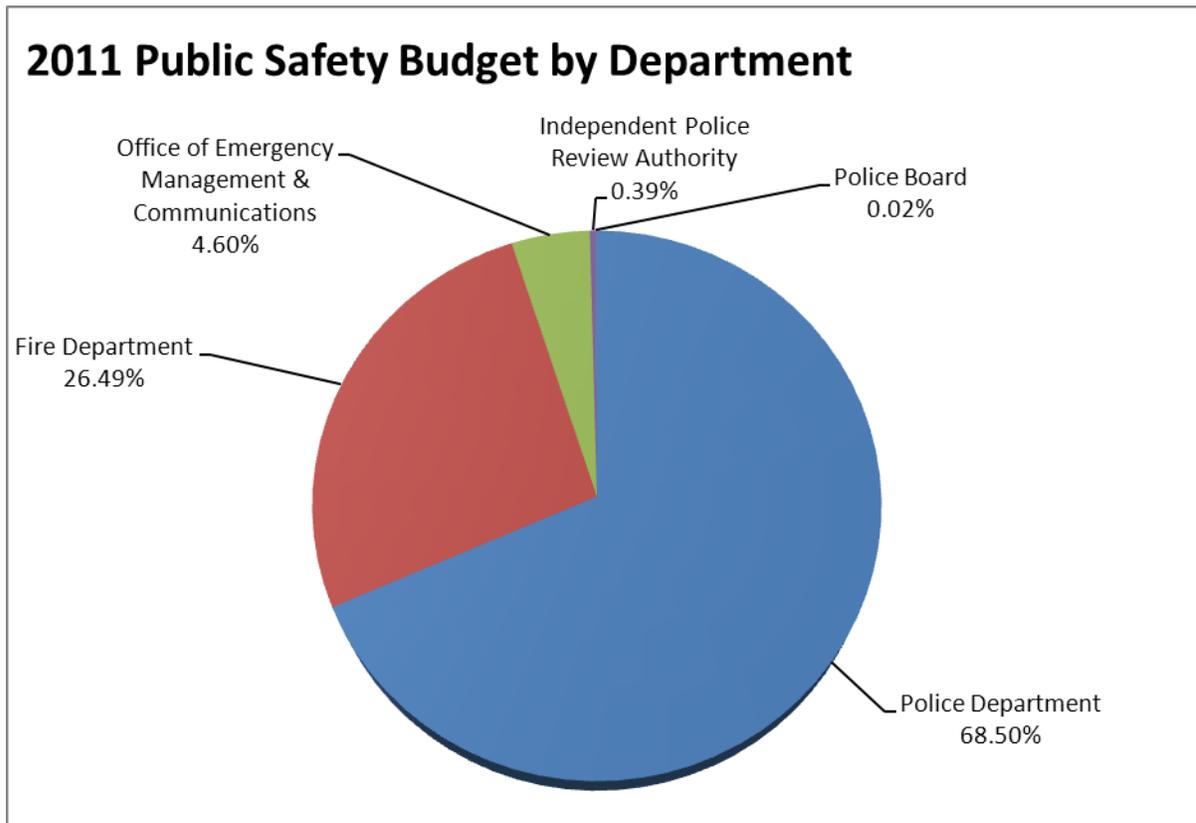
The 2011 Annual Appropriation Ordinance appropriated \$1.93 billion in local funds for Public Safety and an estimated \$760 million in employee benefits attributed to Public Safety employees, for an estimated total appropriation of \$2.69 billion. Public Safety is primarily composed of three City departments: the Chicago Police Department (CPD), the Chicago Fire Department (CFD), and the Office of Emergency Management and Communications (OEMC).

CPD is the principal law enforcement and public safety organization in the City of Chicago. It is responsible for protecting the lives, property, and rights of all people in the City. It is organized into 6 areas, 25 districts, 75 sectors, and 281 beats.

CFD, the country’s second largest fire department, is responsible for fire prevention, fire investigations, fire code enforcement, and fire extinguishment. It also provides extensive emergency medical services. Its approximately 100 firehouses provide service to the City’s 228 square miles. CFD responded to an estimated 2,000 structure fires in 2010 and 360,000 ambulance calls.

OEMC is responsible for the City’s public safety communications systems, coordinating the City’s response to major emergencies, and related planning, training, and public education. For 2010, the City estimated that OEMC’s 911 and 311 systems received approximately 5 million and 4.5 million calls respectively.

The chart below shows the 2011 Public Safety budget by department. The budget includes estimated employee benefits.



The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|----------------------------|---|---------------------------|----------------------|
| Fire Department | Reduce Fire Apparatus Staffing to Four Persons | | \$57,000,000 |
| Police and Fire Department | Eliminate Duty Availability Pay | | \$52,000,000 |
| Fire Department | Convert Twenty Percent of Fire Suppression Apparatuses to Ambulances* | | \$41,500,000 |
| Police Department | Eliminate Supervisor Quarterly Pay | | \$9,600,000 |
| Police Department | Eliminate the Marine and Helicopter Unit | ✓ | \$6,200,000 |
| Fire Department | Eliminate the Fire Commissary Contract | | \$2,000,000 |
| Fire Department | Reduce the Number of Fire Suppression Districts to Four | ✓ | \$1,900,000 |
| Fire Department | Eliminate the Internal Affairs Unit | ✓ | \$1,200,000 |
| Police Department | Civilianize Forensic Services | ✓ | \$1,100,000 |
| Police Department | Move Sworn Officers to Non-administrative Positions | ✓ | \$300,000 |
| Fire Department | Transfer the Responsibilities of the Fire Prevention Bureau to the Department of Buildings | | \$300,000 |
| Police Department | Require Police and Firefighter Unions to Fully Pay for the Pension Benefits of Members who Work on Union Business | | \$200,000 |
| | | Total | \$131,800,000 |

* This option is partially mutually exclusive of the Reduce Fire Apparatus Staffing to Four Persons option and thus is not included in the total.

Fire Department: Reduce Fire Apparatus Staffing to Four Persons

Savings: \$57 million

The City’s current collective bargaining agreement (CBA) with the firefighters’ union, which expires June 30, 2012, requires the City to staff at least five firefighters on most fire suppression apparatuses, which include the City’s fire engines, fire trucks, squad companies, and hazmat units.¹⁷⁹ The bargaining agreement allows the City to have up to 35 “variances” from this manning requirement per day, increased from 30 in the previous contract.¹⁸⁰ According to the CBA, a “variance” permits the City to staff a fire apparatus with four instead of five firefighters. The table below details the number of apparatuses by type and the minimum staffing levels required for each of them.

| Apparatus | Number of Apparatus | Minimum Staffing per Apparatus |
|--|---------------------|--------------------------------|
| Fire Engine | 96 | 5 |
| Fire Truck | 61 | 5 |
| Squad Companies | 4 | 5 |
| Hazmat | 2 | 5 |
| Sources: CFD data, Collective Bargaining Agreement | | |

Under this option, the City would reduce the minimum number of required fire personnel on fire suppression apparatuses to four. This would mean a large reduction in the number of personnel needed to staff fire apparatuses. The table below compares the number of employee-hours required to maintain a staffing minimums of four and five on the apparatuses listed above.

| Apparatus | Number | Total annual employee-hours w/ minimum staffing of 5 | Total annual employee -hours w/ minimum staffing of 4 |
|-------------------------------------|--------|--|---|
| Fire Engine | 96 | 4,204,800 | 3,363,840 |
| Fire Truck | 61 | 2,671,800 | 2,137,440 |
| Squad Companies | 4 | 175,200 | 140,160 |
| Hazmat | 2 | 87,600 | 70,080 |
| Reduction in Hours due to variances | | (306,600) | |
| Total | | 6,832,800 | 5,711,520 |

Note: To calculate the number of annual employee-hours, multiply (number of apparatuses) by (minimum staffing requirement) by (number of days in year) by (number of hours in day).
 For example, for the 96 fire engines with a minimum staff of five the calculation is: (96) X (5) X (365) X (24)=4,161,000
 This chart assumes that the 35 daily variances are currently being fully used by the City and that no variances would be granted if manning requirement were reduced to four.

Thus, reducing the minimum staffing to four on these 163 apparatuses would reduce the number of annual employee - hours necessary to staff these vehicles by approximately 1.12 million. Assuming that the average firefighter working in fire suppression and rescue works 2,048 hours a year,¹⁸¹ this reduction would allow the

¹⁷⁹ City of Chicago. “Labor Contract between Chicago Fire Fighters Union, Local #2, International Association of Fire Fighters A.F.L.-C.I.O. - C.L.C. and the City of Chicago, Illinois. July 1, 2007 through June 30, 2012.” pg. 67.

http://www.cityofchicago.org/content/dam/city/depts/dol/Collective%20Bargaining%20Agreements/CFFULocal2_07_012.pdf

¹⁸⁰ *Id.* pg. 72.

¹⁸¹ Most firefighters working on fire apparatuses are on platoon duty, which means they work 24-hour shifts. The normal platoon schedule has firefighters work four 24-hour shifts in a 15-day period. This translates to 97.33 24-hour shifts per year. However, each

City to reduce the firefighter staffing by 547 employees.¹⁸² Currently, the average annual compensation of a firefighter is approximately \$103,500¹⁸³ (including fringe benefits). This figure does not include any additional compensation resulting from overtime pay, uniform allowances, duty availability pay, and holiday premium pay. However, this compensation will increase in 2012 by 1% per the CBA. The terms of the CBA would increase the average compensation for a firefighter (including fringe benefits) by \$1,000 to approximately \$104,500 in 2012.¹⁸⁴ Thus, the elimination of 547 firefighter positions would save the City approximately \$57 million in 2012.

Implementing this option would require a modification to the current collective bargaining agreement, which is in effect until June 30, 2012.

Proponents might argue that the National Fire Protection Association (NFPA) recommends a minimum of only four personnel on each fire apparatus.¹⁸⁵ Thus, if the City were to reduce staffing on its engine and truck companies to four, it would be meeting the recommended guidelines. Additionally, others would argue that Chicago averages a smaller number of structure fires than the national average (77 per 100,000 people in Chicago compared to 157 per 100,000 people nationally).¹⁸⁶ Therefore, it is not necessary for the City to continue to staff its fire apparatuses at a level 20 percent above the nationally recommended minimum. Further, the existence of variances from the manning requirement in the current contract indicate that requiring five employees on an apparatus at all times is not always necessary.

Opponents might argue that a large scale reduction in the number of firefighters would pose a hazard to public safety and endanger firefighters themselves. The NFPA makes it clear that the staffing standard of only four firefighters “is currently based on a fire in a typical single-family, two-story, 2,000-square-foot house without basement or exposures.” The NFPA also states that in areas with “high target hazards” such as large manufacturing districts, skyscrapers, hospitals, schools, nursing homes, and special needs facilities there should be a minimum of five firefighters, and in some cases, even six. This High Target Hazard designation applies to virtually all of Chicago’s 50 wards.¹⁸⁷ A reduction in the number of personnel on each apparatus could hamper the ability of the Fire Department to contain fires, thus increasing the severity of fires and demand for additional firefighters. Others might argue that regardless of the trends in the number of fires, the City must retain a reserve fire fighting force in the event of a major fire incident.

firefighter is given twelve 24-hour vacation days per year. Thus, each firefighter works 85.33 days per year assuming no additional time off due to illness. 85.33 multiplied by 24 equals 2,048 hours per year per firefighter.

¹⁸² We rounded this number down to the nearest whole number.

¹⁸³ According to the 2011 Annual Appropriation Ordinance, there were 2,531 firefighter positions (not including Fire Engineers, Lieutenants, Captions, Battalion Chiefs, etc.) in fire suppression with combined budgeted salaries of \$183,041,130. This equals an average salary of \$72,320. In addition to salary, firefighters receive pension and health insurance benefits. The Mayor’s Office of Budget and Management has estimated the cost of these benefits for police officers to be 43% of salary. If we assume that firefighters’ benefits cost approximately the same given the similarities in their pensions, then the average benefit cost for each firefighter is \$31,097. Thus, the average total compensation for one firefighter in fire suppression is \$103,417.

¹⁸⁴ The contract wage increase for firefighters is 1% in January 2012.

¹⁸⁵ Nadile, Lisa. “Codes and Standards Spotlight: NFPA Journal Interviews Carl Peterson about NFPA 1710.” *National Fire Protection Association Journal*. May 2008.

http://www.nfpa.org/journalDetail.asp?categoryID=1344&itemID=38833&src=NFPAJournal&rss=codes&cookie_test=1

¹⁸⁶ Karter Jr., Michael J. “Fire Loss in the United States during 2009.” *National Fire Protection Association- Fire Analysis and Research Division*. pg. i. 480,500 structure fires. Total U.S. population 305,529,237.

City of Chicago. “2011 Program and Budget Summary.” 2066 structure fires in 2009.

U.S. Census Total Chicago Population 2,695,598.

¹⁸⁷ Letter from Tom Ryan, President. Chicago Fire Fighter Union, Local 2. August 8, 2011.

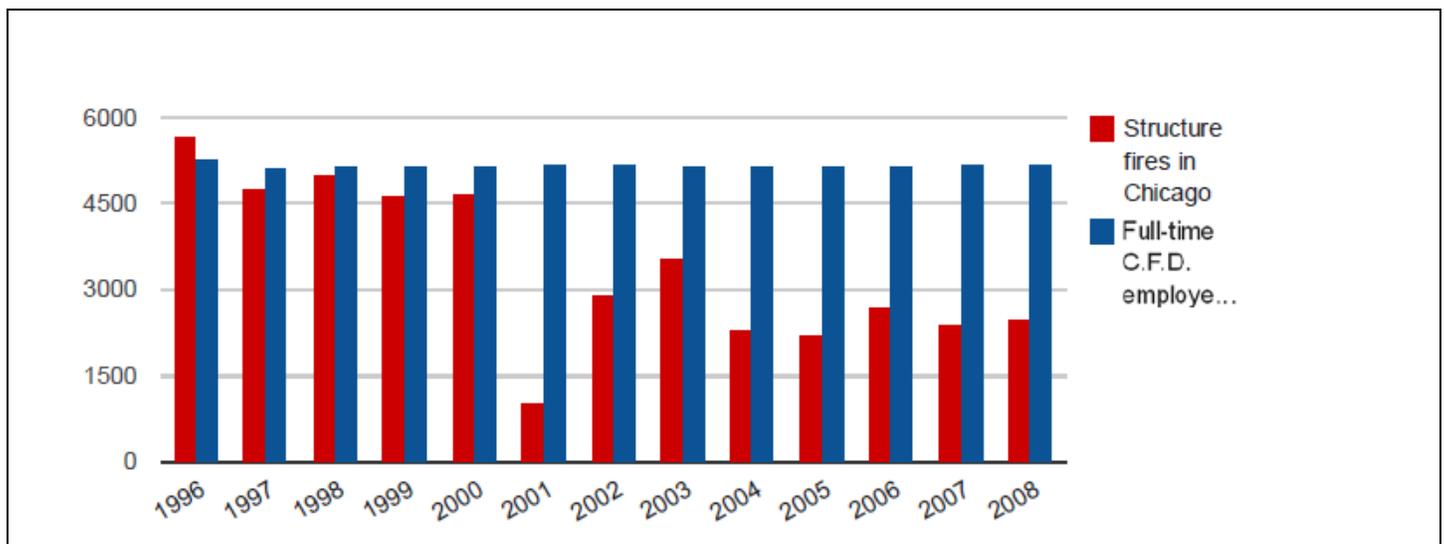
<http://firegeezzer.com/2011/08/08/local-2-to-i-g-butt-out/>

Discussion and Additional Questions

As pointed out by the Fire Fighters union in response to the publication of this budget option last year, a key consideration in determining appropriate staffing level for fire apparatuses is to consider the different types of hazards faced in different parts of the City. Some questions to consider:

- Is it appropriate to have the same staffing on apparatuses in the Loop as in neighborhoods largely comprised of single-family homes?
- What parts of the City fall into the high hazard category described in the “opponents might argue” section?
- Whether the same manning requirement should be in place for both fire engines and fire trucks?

Additionally, an important consideration is the relationship between overall firefighter staffing and the number of fire deaths, the number of fires, and the damage caused by fires. The chart below shows that the number of structure fires has declined as the number of firefighters has remained constant.¹⁸⁸ Similarly, the number of fire deaths in the City has decreased from an average of 120 per year in the early 1990s to an average of 30 per year in the last few years.¹⁸⁹



One interpretation of this data is that there is less demand for firefighters because the number of fires and deaths from fires is decreasing. An alternative interpretation is that the stable number of firefighters has contributed to a decline in the number of fires and the deaths from fires.

Budget Details

| | |
|--|---|
| Dept: Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is located on pages 185 and the position schedule beings on page 189 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁸⁸ Mihalopoulos, Dan and Liplin, Michael. “In Tough Times, Fire Department Untouched.” May 13, 2011. <http://www.chicagonewscoop.org/in-tough-times-fire-department-untouched-2/>

¹⁸⁹ Mihalopoulos, Dan and Liplin, Michael. “In Tough Times, Fire Department Untouched.” May 13, 2011. <http://www.chicagonewscoop.org/in-tough-times-fire-department-untouched-2/>

Police and Fire Department: Eliminate Duty Availability Pay

Savings: \$52 million

The City currently makes a lump sum quarterly payment, referred to as duty availability pay, to firefighters, police officers, and unionized non-exempt supervisors in the Police Department (i.e., sergeants, lieutenants, and captains) in addition to their salaries.¹⁹⁰ The 2011 budget included \$37.75 million in corporate funded duty availability pay in the Police Department and \$14.26 million for the Fire Department.¹⁹¹ The contracts are silent on the exact purpose of duty availability pay, but it is generally thought to compensate police and fire personnel for the fact that they can often be called into duty on their days off and, with respect to police personnel, that they are required to take action while off-duty if they see a crime in progress.

Under this option, the City would eliminate duty availability pay. Eliminating this lump sum payment would save the City nearly \$52 million in 2012. Implementing this option would require amendments to the City’s current collective bargaining agreements with the Fire Fighters’, Police Officers’, Sergeants’, Lieutenants’, and Captains’ unions, which expire on June 30, 2012.

Proponents might argue that duty availability pay is not necessary because firefighters, police officers, sergeants, lieutenants, and captains are well compensated, receive generous pension benefits, and receive significant amounts of overtime. Additionally, they might point out that many other City employees are on call when off duty and yet do not receive supplemental pay.

Opponents might argue that this is just one component of the compensation that firefighters, police officers, sergeants, lieutenants, and captains receive. Therefore, eliminating it would be akin to reduction in pay that these employees have negotiated in collective bargaining agreements, likely in exchange for foregoing other benefits.

Budget Details

| | |
|--|---|
| Dept: Police Department, 57 and Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100, | Approp Code: Duty Availability, 0022 |
| The appropriations are located on pages 145 and 185 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

¹⁹⁰City of Chicago. “Agreement between the City of Chicago and the Fraternal Order of Police Chicago Lodge No. 7.” Section 20.13. pg. 34.

City of Chicago. “Agreement between the City of Chicago and the Policemen’s Benevolent & Protective Association of Illinois, Unit 156-Sergeants.” Section 20.11. pg. 36.

City of Chicago. “Agreement between the City of Chicago and the Policemen’s Benevolent & Protective Association of Illinois, Unit 156-Lieutenants.” Section 20.11. pg. 31.

City of Chicago. “Agreement between the City of Chicago and the Policemen’s Benevolent & Protective Association of Illinois, Unit 156-Captains.” Section 20.11. pg. 30.

http://www.cityofchicago.org/city/en/depts/dol/supp_info/city_of_chicago_collectivebargainingagreements.html

¹⁹¹ City of Chicago. “2011 Annual Appropriation Ordinance.” pgs. 145 and 185.

Fire Department: Convert Twenty Percent of Fire Suppression Apparatuses to Ambulances

Savings: \$41.5 million

The City’s current collective bargaining agreement with the firefighters’ union, which expires June 30, 2012, requires the City to staff at least five firefighters on most fire suppression apparatuses, which includes the City’s fire engines, fire trucks, squad companies, and hazmat units.¹⁹² The CBA allows the City to have up to 35 “variances” from this manning requirement per day, increased from 30 in the previous contract.¹⁹³ According to the CBA, a “variance” permits the City to staff a fire apparatus with four instead of five firefighters. The table below details the number of apparatuses by type and the minimum staffing levels required for each of them.

| Apparatus | Number of Apparatus | Minimum Staffing per Apparatus |
|--|---------------------|--------------------------------|
| Fire Engine | 96 | 5 |
| Fire Truck | 61 | 5 |
| Squad Companies | 4 | 5 |
| Hazmat | 2 | 5 |
| Sources: CFD data, Collective Bargaining Agreement | | |

Under this option, the City would convert twenty percent of the fire engine and fire trucks to ambulances. This would reduce the number of engines by 19 and the number of trucks by 12 and thus result in 31 additional ambulances. Because five employees currently staff each engine and truck and only two staff each ambulance, this would result in a large reduction in the number of required staff. The table below shows the number of employee-hours that would be reduced from eliminating the fire engines and trucks and the increase in required hours necessary to staff the additional ambulances.

| Apparatus | Increase/(Reduction) in Number of Apparatuses | Annual Staffing Hour Increase/(Reduction) |
|---|---|---|
| Fire Engine* | (19) | (832,200) |
| Fire Truck* | (12) | (525,600) |
| Ambulances** | 31 | 543,120 |
| | Total | (814,680) |
| * For engines and trucks, there is a staffing requirement of 5 personnel at all times. To calculate the annual staffing requirements, we multiplied the number of apparatuses by the staffing requirement by the number of hours in a year (8,760). | | |
| ** For ambulances there is a staffing requirement of 2 personnel at all times. To calculate the annual staffing requirements, we multiplied the number of apparatuses by the staffing requirement by the number of hours in a year (8,760). | | |

Thus, converting 20 percent of the fire engines and trucks to ambulances would reduce the need for nearly 815,000 firefighter hours per year. Assuming that the average firefighter working in fire suppression and rescue

¹⁹² City of Chicago. “Labor Contract between Chicago Fire Fighters Union, Local #2, International Association of Fire Fighters A.F.L.-C.I.O. - C.L.C. and the City of Chicago, Illinois. July 1, 2007 through June 30, 2012.” pg. 67.

¹⁹³ *Id.*, pg. 72.

works 2,048 hours a year,¹⁹⁴ this reduction would allow the City to reduce the firefighter staffing by 397 employees.¹⁹⁵

Currently, the average annual compensation of a firefighter is approximately \$103,500¹⁹⁶ (including fringe benefits). This figure does not include any additional compensation resulting from overtime pay, uniform allowances, duty availability pay, and holiday premium pay. However, this compensation will increase in 2012 by 1% per the CBA. The terms of the CBA would increase the average compensation for a firefighter (including fringe benefits) by \$1,000 to approximately \$104,500 in 2012.¹⁹⁷ Thus, the elimination of 397 firefighter positions would save the City approximately \$41.5 million in 2012. This does not consider potential additional savings on equipment from maintaining 31 ambulances rather than 31 fire suppression apparatuses.

Implementing this option would require a modification to the current CBA, which is in effect until June 30, 2012.

Proponents might argue that the number of structure fires has declined substantially in the City over the last two decades, while the number of ambulance calls has increased. Additionally, proponents might argue that the City gets reimbursed, at least partially, for ambulance services, while fire suppression services generally do not receive reimbursement. Another argument that could be made is that cities around the country are closing fire stations and reducing firefighter staffing.¹⁹⁸

Opponents might argue that large scale reduction in the number of fire suppression apparatuses would pose a hazard to public safety and endanger firefighters themselves. They might point to the 10 percent increase in fire deaths (from 30 to 33) in Philadelphia in 2010 that followed a reduction in fire suppression services.¹⁹⁹ Others might argue that regardless of the trends in number of fires, the City must retain a reserve fire fighting force in the event of a major fire incident.

Discussion and Additional Questions

A key consideration in deciding whether to implement this option is, similar to the option that would reduce staffing on fire suppression apparatuses, determining the relationship between the number of fire suppression apparatuses in service and casualties and damage due to fires.

One should also determine what areas of the City should see a reduction in the fire engines and trucks. Some potential questions include:

- What wards/neighborhoods in the City have had the least number of structure fires in the last five years?
- What wards/neighborhoods have the highest concentration of fire suppression apparatuses?

¹⁹⁴ Most firefighters working on fire apparatuses are on platoon duty, which means they work 24-hour shifts. The normal platoon schedule has firefighters work four 24-hour shifts in a 15-day period. This translates to 97.33 24-hour shifts per year. However, each firefighter is given twelve 24-hour vacation days per year. Thus, each firefighter works 85.33 days per year assuming no additional time off due to illness. 85.33 multiplied by 24 equals 2,048 hours per year per firefighter.

¹⁹⁵ We rounded this number down to the nearest whole number.

¹⁹⁶ According to the 2011 Annual Appropriation Ordinance, there were 2,531 firefighter positions (not including Fire Engineers, Lieutenants, Captions, Battalion Chiefs, etc.) in fire suppression with combined budgeted salaries of \$183,041,130. This equals an average salary of \$72,320. In addition to salary, firefighters receive pension and health insurance benefits. The Mayor’s Office of Budget and Management estimated the cost of these benefits for police officers to be 43% of salary. If we assume that firefighters’ benefits cost approximately the same given the similarities in their pensions, then the average benefit cost for each firefighter is \$31,097. Thus, the average total compensation for one firefighter in fire suppression is \$103,417.

¹⁹⁷ The contract wage increase for firefighters is 1% in January 2012.

¹⁹⁸ Mihalopoulos, Dan and Liplin, Michael. “Outside of Chicago, Fire Departments Face Cuts.” May 13, 2011.

<http://www.chicagonewscoop.org/outside-of-chicago-fire-departments-face-cuts/>

¹⁹⁹ Kurtz, Paul “Mayor Nutter, Union Squabble Over Cause Of Spike In 2010 Fire Deaths.” KYW Newsradio. January 5, 2011

<http://philadelphia.cbslocal.com/2011/01/05/mayor-nutter-union-squabble-over-cause-of-spike-in-2010-fire-deaths/>

The option as presented does not take into account that some portion of the cost of the increased ambulance service may be recouped because the City charges for ambulance services.²⁰⁰ Some questions to consider:

- Does the City currently charge for life support services administered by fire suppression apparatuses?
- Would increasing the number of ambulance increase the number of total ambulance calls the City responds to?
- How many calls that could be responded to by ambulances does the average fire suppression apparatus currently respond to?

Budget Details

| | |
|---|---|
| Dept: Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is located on pages 185 and the position schedule beings on page 189 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁰⁰ http://www.cityofchicago.org/city/en/depts/rev/supp_info/ambulance_bills.html

Police Department: Eliminate Supervisor Quarterly Pay

Savings: \$9.6 million

Currently, the City makes a lump sum quarterly payment to the Chicago Police Department’s unionized non-exempt supervisors (i.e., sergeants, lieutenants, and captains) in addition to their salaries.²⁰¹ The 2011 budget included \$9.5 million in supervisor quarterly pay.²⁰² Because Supervisor Quarterly Pay increases with increases in base salaries for non-supervisors, the result of the pay increases in the contracts between the City and the police unions means that the estimated costs of Supervisor Quarterly Payments will increase to \$9.6 million in 2012.

Under this option, the City would eliminate Supervisor Quarterly Pay. Eliminating this lump sum payment, which the City pays regardless of the numbers of hours a supervisor works or any other performance measure, would save the City \$9.6 million in 2012. Implementing this option would require amendments to the City’s current CBA with the Sergeants’, Lieutenants’, and Captains’ unions, which expire on June 30, 2012.

Proponents might argue that the quarterly payment is not necessary because sergeants, lieutenants, and captains typically receive a higher base pay than the police officers they supervise. Supplemental pay was originally intended to compensate these supervisors for overtime because – at the time it was implemented – they did not receive overtime like their subordinates. However, since these supervisors now are allowed to earn overtime (per FLSA requirements), and receive quarterly pay in addition to such overtime, the Supervisor Quarterly Payments are now unnecessary.

Opponents might argue that this is just one component of the compensation that sergeants, lieutenants, and captains receive. Therefore, eliminating it would be akin to reduction in pay that these officers have negotiated in collective bargaining agreements, likely in exchange for foregoing other benefits.

Budget Details

| | |
|---|---|
| Dept: Police Department, 57 | Bureau: NA |
| Fund: Corporate Fund, 0100, | Approp Code: Supervisors Quarterly Payment, 0027 |
| The appropriations are located on page 145 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁰¹ City of Chicago. “Agreement between the City of Chicago and the Policemen’s Benevolent & Protective Association of Illinois, Unit 156-Sergeants.” Appendix M. pg. 81.
 City of Chicago. “Agreement between the City of Chicago and the Policemen’s Benevolent & Protective Association of Illinois, Unit 156-Lieutenants.” Appendix M. pg. 70.
²⁰² City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 145.

Police Department: Eliminate the Marine and Helicopter Unit

Savings: \$6.2 million

The Police Department’s Marine and Helicopter Unit is comprised of “two distinct operations: Marine Operations and Helicopter Operations.”²⁰³ “Marine Operations personnel (all of whom are public safety divers) are the first responders to any maritime incident. Marine Operations personnel have three areas of responsibility. They are Search, Rescue, Recovery Operations, Law Enforcement and Homeland Security.”²⁰⁴ The Helicopter unit has two helicopters, which among other activities, “play a large role in the homeland security field by having the ability to conduct aerial reconnaissance of target locations, and evaluating demonstrations and other large events.”²⁰⁵

Under this option, the City would eliminate the marine and helicopter unit and its 51 budgeted positions with a total budgeted compensation of \$6.2 million, assuming fringe benefits are 43 percent of salary. There would be additional equipment savings as the City would no longer have to maintain the police boats and helicopters.

Proponents might argue that the duties of the marine unit could be performed by the Coast Guard and the Illinois Conservation police, which share the Chicago Marine Safety Station, the facility that currently houses the marine unit.²⁰⁶ Others might argue that maintaining the City’s helicopters is expensive and that spending money on street cops provides a better public safety return. They might point to Indianapolis, which is considering getting rid of its police helicopter.²⁰⁷

Opponents might argue that the marine unit provides life-saving search and rescue operations that could not be completely replaced by the Coast Guard or Illinois Conservation police.²⁰⁸ Additionally, others might argue that the helicopter unit is necessary because it serves not only Chicago, but assists the Cook County Sheriff and thus provides services to all of Cook County.²⁰⁹

Discussion and Additional Questions

An important consideration when deciding whether or not to implement this option is how much demand there currently is for the service of this unit. Some questions might include:

- What are the different type of calls for service the Marine and Helicopter Unit responds to and how many of each does it respond to each week?
- What is the capacity of the Coast Guard to take over the responsibilities of the Marine and Helicopter Unit?

Budget Details

| | |
|--|---|
| Dept: Police Department, 57 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salary and Wages on Payroll, 0005 |
| The appropriations are located on page 145 and the position schedule is on page 154 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁰³ City of Chicago. “Marine and Helicopter Units.” <https://portal.chicagopolice.org/portal/page/portal/ClearPath/About%20CPD/Specialized%20Units/Marine%20and%20Helicopter%20Unit>

²⁰⁴ *Id.*

²⁰⁵ *Id.*

²⁰⁶ United States Coast Guard. Sector Lake Michigan. “Station (small) Chicago”. <http://www.uscg.mil/d9/sectLakeMichigan/STACHicago.asp>

²⁰⁷ The IndyChannel.com. “City Budget Cuts Could Ground IMPD’s Helicopter”. September 16, 2011. <http://www.theindychannel.com/news/29209351/detail.html>

²⁰⁸ Williams-Harris, Deanese. “8 pulled from water near Navy Pier”. *Chicago Tribune*. August 27, 2011.

²⁰⁹ Cook County Sheriff. “Helicopter Joint Task Force”. http://cookcountysheriff.org/sheriffs_police/ccspd_SpecialInvestigations_Helicopter.html

www.chicagoinspectorgeneral.org

Fire Department: Eliminate the Fire Commissary Contract

Savings: \$2 million

Under the City’s collective bargaining agreement (CBA) with the firefighter’s union, the City is required to “furnish to all uniformed members of the firefighting services . . . dress uniforms, work clothes, and protective clothing and gear, which shall be replaced at the City’s expense when worn out through normal use or destroyed or damaged beyond repair”.²¹⁰

To fulfill this requirement, the CFD contracts with a third-party vendor, the Chicago Fire Commissary (CFC), which has been awarded this contract since at least 1997. CFC distributes new and replacement uniforms and accessories to CFD members. The table below shows the payments to CFC since 2004.

| Year | Payments to Chicago Fire Commissary |
|--------------------------------|-------------------------------------|
| 2004 | \$2,225,046.08 |
| 2005 | \$1,953,145.24 |
| 2006 | \$2,178,595.78 |
| 2007 | \$2,507,161.80 |
| 2008 | \$973,399.62 |
| 2009 | \$2,417,374.10 |
| 2010 | \$2,115,002.93 |
| 2011 (through August 24, 2011) | \$1,341,759.57 |

Under this option, the City would eliminate Section 12.2 of the CBA and, consequently, terminate its contract with CFC. From 2004 to 2010, annual payments to CFC have averaged just over \$2 million. Thus, terminating this contract could save the City \$2 million in 2012. Implementing this option would require amendments to the City’s current CBA with the firefighters’ union. This agreement expires on June 30, 2012.

Proponents might argue that this contract is unnecessary because most firefighters already receive a separate annual uniform maintenance allowance of either \$1,250 or \$1,500, depending on the shift they work, which would cover most (if not all) of their annual uniform expenses. For example, police officers receive a uniform allowance but must purchase their own uniforms and equipment. The proponents of this option would argue that there is no reason why the City should have to pay CFC to distribute uniforms and equipment to firefighters at no cost when firefighters receive an allowance for just that purpose.

Opponents might argue that the allowance firefighters receive is meant to cover uniform cleaning costs, not the cost of the uniforms themselves. Additionally, others might argue that this is just one component of the compensation that firefighters receive. Therefore, eliminating it would be akin to reduction in pay that these officers have negotiated in collective bargaining agreements, likely in exchange for foregoing other benefits.

Budget Details

| | |
|--|---|
| Dept: Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Material and Supplies, 0340 |
| The appropriations are located on pages 186 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²¹⁰ City of Chicago. “Labor Contract between Chicago Fire Fighters Union, Local #2, International Association of Fire Fighters A.F.L.-C.I.O. - C.L.C and the City of Chicago, Illinois. July 1, 2007 through June 30, 2012.” Section 16.9. pg. 78.

Fire Department: Reduce the Number of Fire Suppression Districts to Four

Savings: \$1.9 million

The Fire Department’s fire suppression activities are organized into six districts across the City. Each district has one District Chief and several Deputy District Chiefs (DDC) to ensure that one DDC is on duty at all times. Within fire suppression, the hierarchy of positions is shown in the table below.

| Hierarchy of Ranks in Fire Suppression |
|--|
| District Chief |
| Deputy District Chief |
| Battalion Chief |
| Captain |
| Lieutenant |
| Engineer |
| Firefighter |

Under this option, the City would eliminate two fire suppression districts. Assuming a proportional reduction in staffing, this reduction would allow for the elimination of two District Chief positions and eight DDC positions. Using the 2011 appropriated salaries for these positions, the table below shows the savings from eliminating these positions.

| Title | Number of Positions Eliminated | Total Salaries | Fringe Benefits @ 35% of Salary | Total Compensation Costs |
|-----------------------|--------------------------------|--------------------|---------------------------------|--------------------------|
| District Chief | 2 | \$296,712 | \$103,849 | \$400,561 |
| Deputy District Chief | 8 | \$1,078,944 | \$377,630 | \$1,456,574 |
| Total | 10 | \$1,375,656 | \$481,480 | \$1,857,136 |

Proponents might argue that the Fire Department has a top heavy management structure and that reducing the number of districts would not adversely change the battalion chief and company officer management structure. They might point to the 1999 CFD-commissioned study by TriData that called for a long-term shift to four districts.²¹¹

Opponents might argue that District Chiefs and DDCs provide an important non-union management layer, whereas company officers and battalion chiefs are members of the same union as the firefighters they supervise. Thus, reducing the number of Chiefs and DDCs would create a gap in supervision. The TriData study noted that “until the Battalion Chiefs fulfill their managerial responsibilities more completely...the larger number of exempt positions is necessary”.²¹²

Budget Details

| | |
|--|---|
| Dept: Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is located on pages 185 and the position schedule begins on page 189 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²¹¹ The TriData recommendation was slightly different as it recommended four districts reporting to two Assistant District Chiefs leaving the number of District Chief positions the same. Additionally, the study calculated that eliminating two districts would only reduce the number of DDCs by six. However, with 25 current DDCs, if the City cut the number of districts by one-third, a proportional one-third cut in the number of DDCs would result in the elimination of eight DDC positions. TriData Corporation. “Comprehensive Review of the Chicago Fire Department”. June 1999. pg. 22. <http://www.cityofchicago.org/content/dam/city/depts/cfd/general/PDFs/TriDataReportJune1999.pdf>

²¹² *Id.*, pg. 22

Fire Department: Eliminate the Internal Affairs Unit

Savings: \$1.2 million

The Fire Department’s internal affairs unit investigates misconduct by personnel in Fire Department. The unit is headed by an assistant commissioner and reports to the 1st Deputy Fire Commissioner. The 2011 budget includes 11 positions and \$873,000 in wages for the unit.²¹³ Assuming fringe benefits are 35 percent of salary, the total compensation for these positions is \$1.2 million.

Under this option, the City would eliminate the Fire Department’s internal affairs unit and transfer the responsibilities to an external investigative department.

Proponents might argue that there is no reason for the Fire Department to have its own investigative unit. When internal affairs units are created, they are typically used for law enforcement, which has its own, unique challenges, which do not generally exist within the fire department.

Opponents might argue that the internal affairs unit should remain in the department as it allows the fire commissioner to hold accountable fire personnel who engage in misconduct. It is better to maintain this chain of accountability inside the department rather than transfer it to an outside oversight agency and thus dilute the power of the fire commissioner.

Budget Details

| | |
|--|---|
| Dept: Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salary and Wages on Payroll, 0005 |
| The appropriations are located on page 185 and the position schedule is on page 188 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²¹³ City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 188
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

Police Department: Civilianize Forensic Services

Savings: \$1.1 million

Currently, the Police Department has a Forensic Services section that analyzes physical evidence found at crime scenes.²¹⁴ The 2011 budget includes 245 positions for this section.²¹⁵

Under this option, the City would convert the 172 budgeted sworn positions in this section to civilian positions. The budgeted value of the salaries of these 172 positions is \$14.1 million. Assuming that fringe benefits for sworn personnel cost 43 percent of salary, the costs of fringe benefits for these 172 positions is \$6.06 million. If these positions were civilian and the salaries remained unchanged, the estimated fringe benefits would cost 35 percent of salary, which equals \$4.94 million. Thus, the savings from converting these 172 positions to civilian positions would be approximately \$1.1 million annually.

Proponents might argue that the job duties of the positions in the Forensic Services section do not require police officer training and instead require a different set of skills. Additionally, others might argue that filling these positions with sworn officers is an inefficient use of resources given the more expensive fringe benefit costs of sworn officers and the large upfront investment in law enforcement training that is not being used or is not required for these assignments. Others might argue that crime scene investigations in the Miami police department are wholly conducted by civilians and that the San Francisco City Controller has recommended that San Francisco civilianize its forensic services.^{216,217}

Opponents might argue that sworn expertise is needed in the Forensic Services section as evidenced by the fact that the Philadelphia, Dallas, and San Antonio police departments employ a combination of sworn and civilian employees in their forensic units.²¹⁸

Budget Details

| | |
|--|---|
| Dept: Police Department, 057 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is located on page 145 and the position schedule begins on page 159 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²¹⁴ Chicago Police Department. “General Order G04-02: Crime Scene Protection and Processing.” June 14, 2002.

²¹⁵ City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 160

²¹⁶ Miami Police Department. “Crime Scene Investigations.”

http://www.miami-police.org/crime_scene_investigations.html

²¹⁷ City and County of San Francisco- Office of the Controller. “Civilianization in the San Francisco Police Department – Patrol, Investigations, and Continued Support Functions.” June 14, 2010. pg. 7

<http://sfcontroller.org/Modules/ShowDocument.aspx?documentid=862>

²¹⁸ Griffiths, Curt Taylor; Palmer, Adam; Weeks, Larry; Polydore, Brian. “Civilianization in the Vancouver Police Department.” March 13, 2006. pgs. 253 - 256.

<http://vancouver.ca/police/Planning/Civilianization.pdf>

Police Department: Move Sworn Officers to Non-administrative Positions

Savings: \$300,000

In June and July 2011, the administration announced that it has increased the number of officers on the street by approximately 750.²¹⁹ A significant part of this increase is due to the shift of 189 officers from administrative positions to street duties.²²⁰ These efforts are in addition to the efforts of the prior administration, which in 2010 announced the shift of 201 officers from administrative positions within the police department [as opposed to CPD officers “detailed” to other departments like Law and the IGO from the CPD’s “detached services” division] to street duties.²²¹ A review of police operations in July 2009 resulted in the movement of 168 officers from administrative positions and an additional 33 officers were re-assigned in June 2010.²²² Despite these actions, a substantial number of officers appear to remain assigned to administrative positions. The table below details the number of officers in administrative positions by section in the 2011 City budget.

| Section | Number of Positions | Total Salary |
|--|---------------------|--------------|
| 4248 - Human Resources | 46 | \$3,762,132 |
| 3284 - Administration-Patrol Services | 26 | \$2,253,894 |
| 4066 - Administration-Detective Division | 26 | \$2,117,400 |
| 4723 - Police Field Services | 23 | \$1,967,208 |
| 4634 - Administration-Special Functions | 14 | \$1,150,992 |
| 4249 - Medical | 13 | \$976,368 |
| 3005 - Departmental Administration | 11 | \$927,426 |
| 3604 - Administration-Bureau of Professional Standards | 11 | \$974,724 |
| 3228 - General Support | 10 | \$840,126 |
| 4625 - Administration-Traffic | 9 | \$675,300 |
| 3235 - Research and Development | 8 | \$763,296 |
| 4084 - Administration-Organized Crime | 8 | \$701,004 |
| 3425 - Office of Management and Labor Affairs | 5 | \$494,184 |
| 3016 - Administration-Administrative Services | 4 | \$348,708 |
| 3241 - Administration-Investigative Services | 4 | \$303,498 |

²¹⁹ City of Chicago. “Mayor Rahm Emanuel Announces Additional Measures to Ensure the Safety and Security of People Across Chicago.” July 27, 2011.

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2011/july_2011/mayor_rahm_emanuelannouncesadditionalmeasuresensurethesafetyan.html

²²⁰ On June 12, 2011, it was announced that 150 officers were shifted from administrative duties to district positions. On July 17, 2011, it was announced that 92 officers were moved to beat duty. Of the 92 positions, 53 were recruits graduating from the police academy. The remaining 39 positions are presumed to be realized from moving officers from administrative duties to beat positions. City of Chicago. “Mayor Emanuel, Superintendent McCarthy Announce 150 More Police Officers.” June 12, 2011.

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2011/june_2011/mayor_emanuel_superintendentmccarthyannounce150morepoliceofficer.html

City of Chicago. “Mayor Emanuel and Superintendent Garry McCarthy Announce the Deployment of Additional Police Officers to Communities Across Chicago.” July 17, 2011.

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2011/july_2011/mayor_emanuel_andsuperintendentgarrymccarthyannouncethedeploymen.html

²²¹ City of Chicago. “Mayor Daley announces 130 more police officers on the street by mid-July.” June 2, 2010.

http://mayor.cityofchicago.org/mayor/en/press_room/press_releases/2010/june_2010/0602_cpdmanagement.html

²²² *Id.*

| | | |
|--|------------|---------------------|
| 3258 - Police Operations | 3 | 261,768 |
| 3236 - Professional Counseling | 3 | \$248,082 |
| 3259 - Police Administration | 2 | \$147,708 |
| 4323 - Compliance Administration | 2 | \$135,882 |
| 4722 - Record Inquiry and Customer Services | 2 | \$203,514 |
| 3426 - News Affairs | 1 | \$74,628 |
| Total | 231 | \$19,327,842 |
| Note: In this analysis, sworn officers were defined as positions with titles of police officers, sergeants, and lieutenants. | | |

Assuming that the 189 officers re-assigned from administrative positions in June and July 2011 were among the positions in the table above, there remain 42 sworn officers assigned to what appear to be administrative sections.

Under this option, the City would re-assign the sworn officers in these 42 administrative positions to operational positions and fill the administrative positions with current civilian employees.²²³ If these 42 positions were re-assigned to vacant operational positions and civilians replaced the officers in these positions, the City would achieve savings even if the civilians were paid the same salaries for these positions because the fringe benefit costs for sworn officers are significantly higher than for civilians. Assuming that the 189 officers re-assigned had average salaries when compared to the group of 231, then the total salaries of the remaining 42 positions equals \$3.5 million. The table below shows the estimated difference in fringe benefit costs when these positions become staffed by civilians.

| | Fringe Benefit Costs |
|---|-----------------------------|
| Sworn Fringe Benefits (assumes 43% of total salary) ²²⁴ | \$1,511,086 |
| Civilian Fringe Benefits (assumes 35% of total salary) ²²⁵ | \$1,229,954 |
| Difference | \$281,132 |

Thus, the conversion of these sworn positions to civilian positions would result in a savings of almost \$300,000.²²⁶ Paying the civilians who replace the sworn police officers in these positions less than sworn police officers would constitute additional savings.

Proponents might argue that re-assigning sworn officers to operational positions is critical at a time when it is widely reported that there is a shortage of officers on the street due to vacancies and officers on medical leave. Others might argue that filling administrative positions with sworn officers is an inefficient use of resources given the more expensive fringe benefit costs of sworn officers and the large up-

Opponents might argue that while many of these positions may appear to be in administrative tasks, sworn officers can fulfill these responsibilities better than civilians. Sworn officers have a superior understanding of the rules and regulations that officers operate under and are more likely to be seen as authorities by fellow officers than civilians.

²²³ This assumes that there are civilians within the Police Department or in other City departments who are available to fill these positions.

²²⁴ City of Chicago. Office of Budget and Management. "Budgeting for Public Safety: Police Department." June 25, 2008.

²²⁵ City of Chicago. Laborers Union Arbitration on Recycling Privatization. Exhibit 2 Cost Comparison.

²²⁶ These savings may grow in future years due to increases in the salaries of police officers. However, this increased savings is dependent on how the salaries of the civilian replacements will grow in relation to the salaries of police officers, and this is in turn dependent on which union the civilian replacements belong to, thus it is difficult to estimate precisely how the savings would grow in future years.

front investment in law enforcement training that is not being used or is not required of their present administrative assignments. Further, because of restrictions posed by the collective bargaining agreement, proponents of this option may argue that supervisors may more flexibly manage civilian employees than officers.

Budget Details

| | |
|--|---|
| Dept: Police Department, 57 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll |
| The appropriation is located on page 145 and the position schedule begins on page 147 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Fire Department: Transfer the Responsibilities of the Fire Prevention Bureau to the Department of Buildings

Savings: \$300,000

The Fire Prevention Bureau (FPB) in the Chicago Fire Department “inspects schools, institutions, and places of public assembly for compliance with the City of Chicago’s fire code.”²²⁷ Its inspectors mainly inspect buildings to detect the presence of fire hazards and to ensure that fire extinguishers, sprinkler systems, pipes and pipe connections are in working order. All of the inspectors are sworn CFD firefighters who graduated from the CFD’s fire academy.

Under this option, the responsibilities of FPB would be transferred to the Department of Buildings (DOB) and civilians would perform the inspections instead of sworn firefighters. Converting the sworn firefighter positions in FPB to civilian positions would result in a savings for the City because of the more generous fringe benefits that sworn firefighters receive. The table below shows that the average salary including fringe benefits for current FPB inspectors is almost \$4,000 higher than the average compensation of current DOB inspectors. Assuming that these civilians would be paid the same compensation as current DOB inspectors, the City would save over \$300,000 if all 81 currently filled inspector positions in FPB were converted to civilian positions.

| | Total Employees | Total Salary | Average Salary | Average Benefits | Average Total Compensation |
|---|-----------------|--------------|----------------|------------------|----------------------------|
| Inspectors in Fire Prevention Bureau (FPB) | 81 | \$7,194,540 | \$88,821 | \$38,193 | \$127,015 |
| Inspectors in Department of Buildings (DOB) | 179 | \$16,332,640 | \$91,244 | \$31,935 | \$123,179 |
| Sources and Notes | | | | | |

The salary list for inspectors in FPB came from the City’s personnel database and reflects data as of July 20, 2011. The 81 employees are all the employees categorized as working in subsection 4146-Inspections in the personnel database.

The salary list for building inspectors in DOB came from the current list of employees the City posted through its data portal and includes employees in DOB with the following titles: Asst. Chief Elevator Inspector, Boiler Inspector, Building/Construction Inspector, Chief Boiler Inspector, Chief Building/Construction Inspector, Chief Construction Equipment Inspector, Chief Electrical Inspector, Chief Vent and Mechanical Equipment Inspector, Construction Equipment Inspector, Cooling Plant Inspector, Electrical Inspector, Elevator Inspector, Iron Inspector, Plumbing Inspector, Plumbing Inspector I/C, Supervising Boiling Inspector, Supervising Cooling Plant Inspector, Supervising Ventilation and Furnace Inspector, Supervisor of Electrical Inspectors, Supervising Building/Construction Inspector, and Ventilation and Furnace Inspectors. This list reflects June 1, 2011 data.

The average benefits for FPB inspectors was based on 43 percent of salary, which is what the Mayor's Office of Budget and Management has estimated as the cost of benefits of police officers. We assume that the pension costs of firefighters are the same as police officers given the similarity of their pension benefits.

The average benefits for building inspectors in DOB was based on 35 percent of salary, which is what the City used as an estimate for Streets and Sanitation employees in a recent arbitration regarding blue cart recycling.

Implementing this option would require amendments to the City’s current CBA with the firefighters’ union. This agreement expires on June 30, 2012.

²²⁷ City of Chicago. 2011 Program and Budget Summary. pg. 164.
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Program_and_Budget_Summary.pdf

Discussion and Additional Questions

If the responsibilities of FPB inspectors and buildings inspectors were merged, it is likely that there would be additional savings through cross-training of inspectors, which might allow for a reduction in the total number of inspectors, resulting in savings in personnel and vehicle costs.

Proponents might argue that other cities including New York City, NY and Philadelphia, PA employ civilians to perform the same job functions currently performed by FPB inspectors, and do so for less cost in salaries, front-end training, and job benefits. The 1999 CFD-commissioned TriData report recommended the CFD consider staffing civilians in FPB inspector positions.

Opponents might argue that FPB provides critical reports and hazard warnings for the buildings to which first responders are tasked with suppressing fires and combating other emergencies. These opponents might say the inspectors’ work is essential to the safety of rank-and-file firefighters specifically and to the public-at-large, and requires expert training in fire science. Therefore, firefighters are best equipped to have these skills and ensure that the information obtained by FPB is transmitted to first responders.

Budget Details

| | |
|--|---|
| Dept: Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is on page 185 and the position schedule begins on page 194 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Police and Fire Department: Require Police and Firefighter Unions to Fully Pay for the Pension Benefits of Members who Work on Union Business

Savings: \$200,000

Under the current contract between the City and the police officers’ union, the Fraternal Order of Police, the union is allowed to have up to nine officers be on leave from duty to work exclusively on union business.²²⁸ While on leave, the officers continue to receive salary and benefits, but the union reimburses the City for the cost of their salaries and benefits, with the exception that the City pays the Employer share of the pension contribution for these employees.

Similarly, under the current contract between the City and the firefighters union, Local 2, the union is allowed to have up to five firefighters be on leave from duty to work on union business.²²⁹ While on leave, the officers continue to receive salary and benefits, but the union reimburses the City for the cost of their salaries and benefits, with the exception that the City pays the Employer share of the pension contribution for these employees.

Under this option, the City would require both unions to reimburse the City for the full cost of the salary and benefits of these officers and firefighters. The average budgeted salary for a police officer in 2011 was \$75,311. The City’s contribution for police officers is twice the employee contribution, which is nine percent of salary.²³⁰ Assuming the officers assigned to the FOP earn the average salary, the total salaries for nine police officers is \$678,000 with an employee pension contribution of \$61,000. This means that the City contribution on these employees’ behalf is approximately \$122,000.

The average budgeted salary for those in Local 2 in 2011 was \$78,327. The City’s contribution for firefighters is 2.25 times the employee contribution, which is 9.125 percent of salary.²³¹ Assuming the firefighters assigned to Local 2 earn the average salary, the total salaries for five firefighters is \$392,000 with an employee pension contribution of \$36,000. This means that the City contribution on these employees’ behalf is approximately \$80,000. Thus if this provision was eliminated, the City would save approximately \$200,000 annually.

This would require a change in both the police officers’ and the firefighters’ contracts.

Proponents might argue that since these officers and firefighters are not working for the City, the City should not be responsible for any part of their compensation.

Opponents might argue that it is vital to the working relationships between the City and the police and fire unions to have sworn members working as union liaisons, and it would be unfair for them to sacrifice their pensions.

Budget Details

| | |
|--|---|
| Dept: Police Department, 57; Fire Department, 59 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is located on page 145 and the position schedule beings on page 147 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²²⁸ City of Chicago. “Agreement Between the City of Chicago and the Fraternal Order of Police Chicago Lodge No. 7. July 1, 2007 through June 30, 2012.” Section 17.2. pg. 26.

²²⁹ City of Chicago. “Labor Contract between Chicago Fire Fighters Union, Local #2, International Association of Fire Fighters A.F.L.-C.I.O. - C.L.C. and the City of Chicago, Illinois. July 1, 2007 through June 30, 2012.” pgs. 21 and 22.
http://www.cityofchicago.org/city/en/depts/dol/supp_info/city_of_chicago_collectivebargainingagreements.html

²³⁰ The City contribution is based on a multiple of contributions two years prior to the current year.

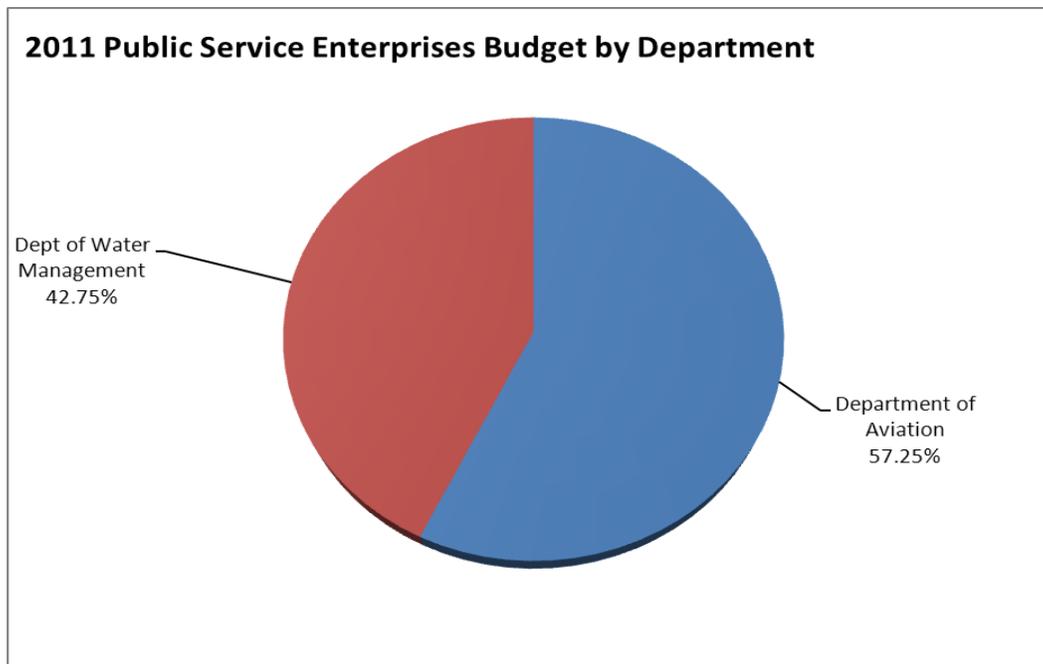
²³¹ The City contribution is based on a multiple of contributions two years prior to the current year.

Public Service Enterprises Spending Options

The 2011 Annual Appropriation Ordinance directly appropriated \$599 million in local funds for Public Service Enterprises and an estimated \$107 million in employee benefits, budgeted for centrally, attributed to Public Service Enterprises employees, for an estimated total appropriation of \$706 million. Public Service Enterprises is comprised of two departments: the Department of Aviation (CDA) and the Department of Water Management (DWM).

CDA manages O’Hare and Midway airports and is responsible for the safe and efficient travel of the nearly 85 million passengers who travel through these airports annually.²³² It is also responsible for implementing the O’Hare Modernization Program.

DWM provides drinking water for 43% of Illinois residents through more than 4,330 miles of water mains. It is also responsible for ensuring that waste and storm water travel safely through 4,392 miles of sewer mains. The chart below shows the 2011 budget, including estimated employee benefits, for Public Service Enterprises by department.



The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|------------------|---|---------------------------|-------------------|
| Water Management | Eliminate Subscription Fees to Water Research Foundation | ✓ | \$515,000 |
| Water Management | Eliminate Additional Pay for Certain Water Department Workers when They Work on Weekends as Part of Their Normal Schedule | | \$400,000 |
| | | Total | \$915,000 |

²³² City of Chicago. Airport Activity Statistics. “Monthly Operations, Passengers, Cargo Summary By Class”. December 2010 http://www.ohare.com/PDF/Statistics/1210_SUMMARY_REVISIED.pdf

Water Management: Eliminate Subscription Fees to Water Research Foundation

Savings: \$515,000

In 2009 and 2010, the City spent \$514,806 in subscription fees to the [Water Research Foundation](#), a subscriber-based organization that funds research related to the delivery of drinking water. Currently, the foundation has over 900 subscribers, mostly consisting of water utilities, such as the Department of Water Management (DWM).²³³ Subscribers gain the benefit of access to the research produced by the Foundation and the chance to propose research projects. Subscription costs are based on the amount of water that the utility delivers annually. Given that DWM is an extremely large water utility (the Jardine and South Water Treatment plants are, respectively, the largest and second largest water filtration plants in the world), it paid the maximum subscription cost in 2009, which was \$514,806.²³⁴

Under this option, the City would cease its membership in the Water Research Foundation thus saving the \$514,806 in subscription costs.

Proponents might argue that this is an extremely high fee to pay for access to research. While the foundation likely produces valuable research, the City cannot afford such a high fee given the large deficit and economic downturn. Some might additionally argue that the City should not pay such a high fee because it is difficult to assess the value the City is receiving for this spending. Instead of ending the subscription altogether, the City should leverage its position as the industry leader to negotiate with the Foundation for a substantially reduced subscription rate citing the City’s current financial hardship. The Foundation likely needs the City more than the City needs the Foundation.

Opponents might argue that the Water Research Foundation has a set schedule of subscription fees and in order to participate in the organization it is only fair that DWM pay the organization’s standard subscription costs. Some might argue that the research and data that the City gains access to through the Foundation is an investment in more efficient water delivery and likely more than pays for itself. Others might point out that other large cities such as New York City, Los Angeles, and Philadelphia are members of the Water Research Foundation.²³⁵

Discussion and Additional Questions

Some questions to consider when deciding whether to implement this option include:

- Is there any notable research which the City would have missed had it not been a member?
- Has City changed anything it does in response to foundation research?
- Does membership give the City a leadership role in this area, arguably important for the biggest city located on the largest source of fresh water in the US?

Budget Details

| | |
|------------------------------------|------------------------|
| Dept: Water Management, 088 | Bureau: NA |
| Fund: Water Fund, 0200 | Approp Code: NA |

²³³ Water Research Foundation. “About the Water Research Foundation.”

<http://ntlm.waterrf.org/thefoundation/PressRoom/Brochures/Brochures/AboutTheWaterResearchFoundation.pdf>

²³⁴ Water Research Foundation. “2010 Canadian Utility Subscription Worksheet.”

²³⁵ Water Research Foundation. Board of Trustees.

<http://ntlm.waterrf.org/thefoundation/aboutus/Pages/bot.aspx>

Water Management: Eliminate Additional Pay for Certain Water Department Workers when They Work on Weekends as Part of Their Normal Schedule

Savings: \$400,000

Certain Department of Water Management employees are paid for 9.2 hours' worth of work when they only actually work 8 hours for certain shifts. Specifically, "persons assigned to work a schedule which involves Saturday and/or Sunday as their regular work day will receive a shift differential of 9.2 hours pay for 8 hours work for Saturday and/or Sunday work, as the case may be."²³⁶ The table below shows, by position, how much was paid under this provision in 2009 and 2010.

| Job Title | 9.2 Hour Provision Payments in 2009 | 9.2 Hour Provision Payments in 2010 |
|------------------------------------|-------------------------------------|-------------------------------------|
| Caulker | \$1,186,989 | \$1,097,995 |
| Plumber | \$622,317 | \$896,382 |
| Construction Laborer | \$461,204 | \$458,746 |
| Foreman Of Water Pipe Construction | \$248,644 | \$319,900 |
| Motor Truck Driver | \$209,376 | \$194,179 |
| Emergency Crew Dispatcher | \$181,442 | \$170,006 |
| Watchman | \$0 | \$90,368 |
| Pool Motor Truck Driver | \$36,952 | \$71,934 |
| Hoisting Engineer | \$28,662 | \$33,998 |
| Construction Laborer (Sub-Foreman) | \$27,113 | \$21,694 |
| Grand Total | \$3,002,700 | \$3,355,200 |

Under this option, the City would rescind this additional pay and pay workers at their regular rates for these shifts. If the City were to do this, the payments detailed above would be reduced by approximately 13 percent, which would result in a savings to the City of approximately \$400,000 annually.²³⁷

This would necessitate an amendment to the City's collective bargaining agreements with several unions.

Proponents might argue that this provision provides overly generous compensation to workers who are not working extra hours. Further, this benefit is simply unaffordable given the City's dire financial condition. Perhaps others might argue that because the City is a 24/7 entity, it may require regular weekend shifts and should not have to pay additional compensation to workers on these shifts.

Opponents might argue that providing increased pay to workers who work irregular shifts is only fair because of the inconvenience of working irregular hours. Additionally, this provision has been collectively bargained for and was likely agreed to by the City in exchange for a concession from the labor unions representing these workers.

Budget Details

| | |
|------------------------------------|------------------------------|
| Dept: Water Management, 088 | Bureau: Multiple |
| Fund: Multiple | Approp Code: Multiple |

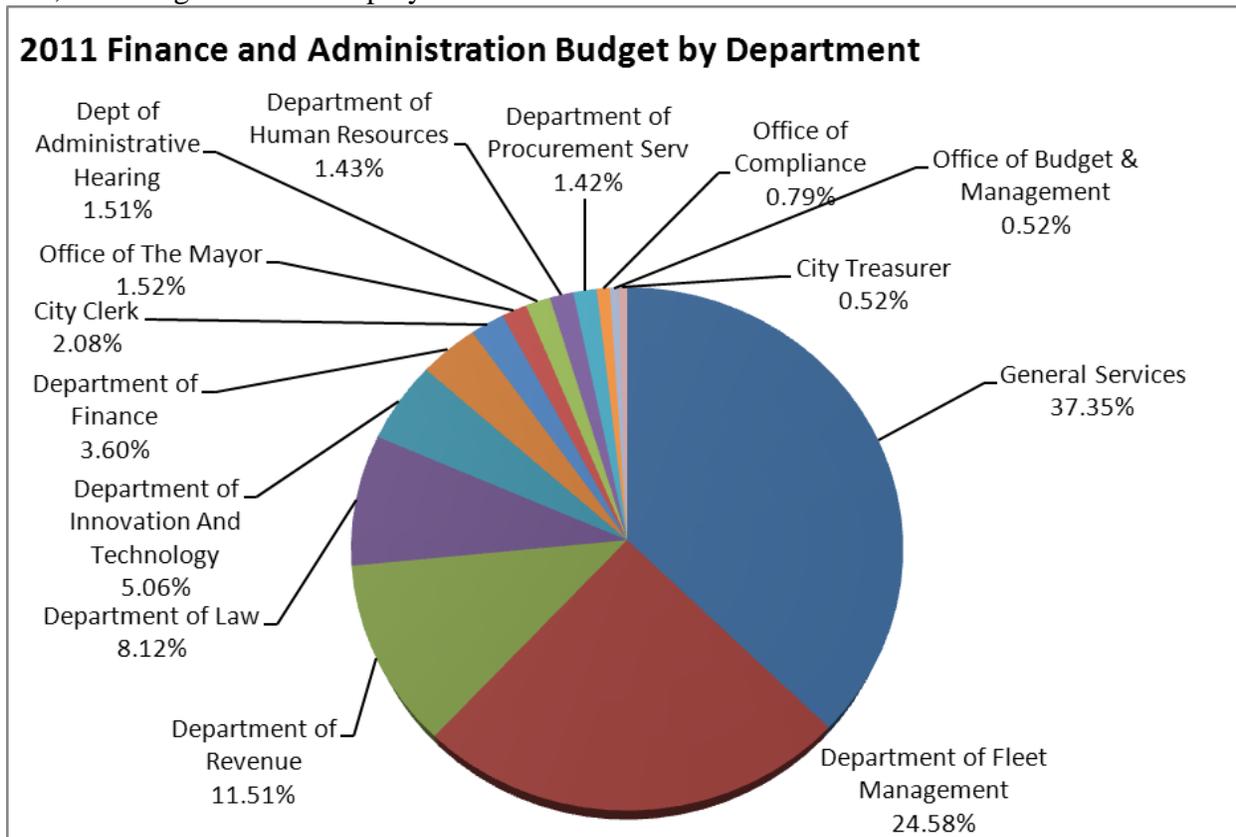
²³⁶ City of Chicago. "Memorandum of Agreement between the City of Chicago and Laborers Local 1092, Operating Engineers Local 150, Teamsters Local 726, Plumbers Local 130, and Bricklayers Local 21. August 11, 2005."

²³⁷ The 13 percent differential is derived from calculating the percent difference between 9.2 hour payments and 8 hour payments. $9.2 - 8 = 1.2$ Then $1.2 / 9.2 = .13$

Finance and Administration Spending Options

The 2011 Annual Appropriation Ordinance directly appropriated \$482 million in local funds for Finance and Administration and an estimated \$75 million in employee benefits, budgeted for centrally, attributed to Finance and Administration employees, for an estimated total appropriation of \$557 million. Finance and Administration is composed of fourteen departments including the Departments of General Services (DGS), Fleet Management, Revenue, Finance, and Law.²³⁸

DGS operates and maintains the City’s properties, manages the City’s property leases, and oversees the renovation of City facilities. The Department of Fleet Management repairs and maintains City vehicles as well as those owned by the Chicago Park District, the Chicago Housing Authority, and the Chicago Transit Authority. The Department of Revenue collects municipal taxes, fines, and fees. It is also responsible for enforcing the City’s parking laws. The chart below shows the 2011 Finance and Administration budget by department, including estimated employee benefits.



The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|------------------|--|---------------------------|---------------------|
| General Services | Reduce Spending on Janitorial Contracts | ✓ | \$5,000,000 |
| Finance | Charge More for Health Insurance for Employees that Smoke | | \$4,800,000 |
| Revenue | Privatize Parking Enforcement | ✓ | \$1,100,000 |
| Finance | Increase the Health Insurance Contribution for Employees Earning Over \$90,000 | | \$1,000,000 |
| Finance | Conduct Competitive Bidding when Issuing Bonds | ✓ | \$500,000 |
| Procurement | Discontinue Advertising Contracts in Newspapers | | \$100,000 |
| | Total | | \$12,500,000 |

²³⁸ The administration has proposed merging General Services and Fleet as well as merging Finance and Revenue.

General Services: Reduce Spending on Janitorial Contracts

Savings: \$5 million

In large part, the City outsources janitorial services for City offices. With the notable exception of libraries, most janitorial services are provided by three vendors to which the City paid \$15.8 million in 2009 and \$17.9 million in 2010.²³⁹ The table below details the payments by vendor for each of the last two years.

| Company | 2009 Amount | 2010 Amount |
|-----------------------------------|---------------------|---------------------|
| Aguirre Building Maintenance | \$4,352,317 | \$4,887,465.79 |
| Nationwide Janitorial Corporation | \$4,548,911 | \$5,024,001.64 |
| Triad Consulting Services, Inc. | \$6,915,701 | \$8,016,242.20 |
| Total | \$15,816,928 | \$17,927,710 |

One of the provisions in the janitorial contracts is that the vendors are required to “vacuum, dry mop, or damp mop entryways, entry mats, and all hard surface floors, including baseboards and corners” and “vacuum all carpet, including corners, edges and hidden areas” on a daily basis.²⁴⁰ Additionally, in public bathrooms, the vendors are required to mop all floors and clean mirrors on a daily basis.

Under this option, the City would rewrite these contracts to perform these services every other day. For offices that are open during weekdays, this would mean cleaning would only take place on Mondays, Wednesdays, and Fridays. For offices open seven days a week, cleaning would take place on four alternating days a week. While some tasks, such as emptying garbage cans would still take place daily, reducing the frequency of more labor-intensive tasks should significantly reduce the number of work-hours billed to the City under each of the three contracts.

Since this change would result in an approximately 40 percent reduction in the most labor intensive services provided under these contracts, assume this would reduce spending on the contracts by 30 percent. This would result in a savings of approximately \$5 million annually.

Proponents might argue that regular office space does not need to be vacuumed and mopped daily, and given that a reduction in cleaning service is unlikely to affect the delivery of City services, this an area where it makes sense for the City to achieve savings.

Opponents might argue that a clean working environment is essential to worker productivity and that if janitorial contractors are not performing these services daily, then City staff will be forced to fulfill these responsibilities. Additionally, reducing the value of these contracts will likely result in layoffs for a number of the employees who work for these contractors.

Budget Details

| | |
|--|--|
| Dept: General Services, 038 | Bureau: Property and Security Management, 2015 |
| Fund: Corporate, 0100 | Approp Code: Office and Building Services, 0125 |
| The appropriation is located on page 95 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²³⁹ City of Chicago. Vendor, Contract, and Payment Information.
<http://webapps.cityofchicago.org/VCSearchWeb/org/cityofchicago/vcsearch/controller/agencySelection/begin.do>

²⁴⁰ City of Chicago. Contract Numbers 13383, 13390, 14785.

Finance: Charge More for Health Insurance for Employees that Smoke

Savings: \$4.8 million

Currently, City employees who have health insurance through the City must contribute a percentage of their salary to help pay for the cost of this insurance. The contribution rates are a percentage of the first \$90,000 of each employee's salary. Employees who opt to have the health plan cover their dependents pay a greater percentage than those who have insurance only for themselves.

Under this option, the City would require employees and their dependents who smoke to contribute more for their healthcare costs. For each employee or dependent who smokes, the City would charge employees \$50 per month in addition to the current percentage of salary contribution.

Based on 2008 data, 67.5 percent of the City's employees are enrolled in the City's health plan.²⁴¹ Currently, the City has 34,000 active employees. Assuming the same percentage of employees is currently enrolled, there are currently approximately 23,000 employees participating in the City's health plan. Additionally, in 2008, there were 1.4 dependents enrolled for every City employee. Assuming this ratio is the same today, currently there are approximately 32,000 dependents covered by the City's health plan. Together, an estimated 55,000 people are then enrolled in the health plan. In 2008, 69 percent of enrollees in the health plan were 20 or older. Assuming the current percentage is the same, approximately 38,000 current enrollees are 20 or older.²⁴²

The percentage of City residents who smoke is 21 percent.²⁴³ Assuming the percentage of City employees and their adult dependents who smoke is the same as the percentage of City residents as a whole who smoke, an estimated 8,000 enrolled health plan members smoke. If the 8,000 health plan members who smoke were charged an additional \$50 per month, the City would raise \$4.8 million annually.

Because the health insurance contributions are part of the City's Collective Bargaining Agreements (CBAs), implementing this option for all City employees would require changes to the current CBAs.

Proponents might argue that smokers consume more health care and thus cost the City more in terms of benefit payments. Thus, it is fair to have them shoulder a greater burden of healthcare costs. Additionally, they might point out that many large companies have adopted this practice in the last few years and Dallas County officials recently proposed increased employee contributions for County employees who smoke.^{244,245}

Opponents might argue that this is an intrusion on the privacy of City employees. Determining whether employees and their dependents smoke could require them to provide saliva, blood, or urine samples. Additionally, others might argue that smoking is more prevalent among lower income Americans²⁴⁶, so this is likely a regressive way to raise revenue, meaning the City's employees least positioned to pay more for health insurance would be forced to pay more.

²⁴¹ In 2008, 25,602 employees participated in the City's health plan. As of December 2008, there were 37,940 active employees. This translates to 67.5% of the City's workforce being in the health plan.

Sources: City Payroll System and City of Chicago. 2008 Blue Cross Enrollment Report. April 2009. pg. 5.

²⁴² We used 20 or older because that was how the data available. Ideally, we would use data for enrollees 18 or older, but this is not likely to have a large impact on the estimate.

²⁴³ McCarthy, Brendan. "African-Americans in minority areas more likely to smoke." *Chicago Tribune*. June 1, 2005.

http://articles.chicagotribune.com/2005-06-01/news/0506010204_1_cessation-smoke-cigarettes

²⁴⁴ Huffington Post. "Corporations Tell Smoking Employee To Pay More For Health Insurance." July 6, 2011.

http://www.huffingtonpost.com/2011/07/06/companies-tell-smoking-employees-to-pay-up_n_891498.html

²⁴⁵ Krause, Kevin. "Health Insurance to become more expensive for Dallas County employees who smoke." *Dallas Morning News*. September 9, 2011.

<http://cityhallblog.dallasnews.com/archives/2011/09/health-insurance-to-become-mor.html>

²⁴⁶ Gallup. "Cigarette Tax Will Affect Low-Income Americans Most." April 1, 2009.

<http://www.gallup.com/poll/117214/cigarette-tax-affect-low-income-americans.aspx>

Discussion and Additional Questions

A key consideration in deciding whether to implement this option is what goal the City hopes to achieve. If the City’s goal is to raise revenue, then the City would be largely unconcerned with how increased contributions would impact the prevalence of smoking among City employees and their dependents. Conversely, if the goal is to reduce the prevalence of smoking in the City’s workforce, then the City would be primarily concerned with determining how to raise the health insurance contributions of smokers in a way that would most induce them to quit or reduce smoking. Some additional questions to consider when thinking about this option:

- How much healthcare do City health plan members who are smokers consume compared to nonsmokers?
- Is raising health insurance contributions for smokers more or less effective than cigarette tax increases or smoking cessation programs in reducing the prevalence of smoking?
- Is a per-person surcharge more or less effective in changing smoking behavior than an increase in the percentage of salary contribution?
- What contribution increase would generate the most revenue?

Budget Details²⁴⁷

| | |
|---|---|
| Dept: Finance General, 099 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: For Health Maintenance Organization Premiums (HMO) Provided to Eligible Employees and Their Families, 0029 For the Costs of Claims and Administration for Hospital and Medical Care Provided to Eligible Employees, Provided However, That All Payments to the Independent Utilization Reviewer Shall Be Subject to the Approval of the Chairman of the Committee on the Budget and Government Operations, 0042 Costs of Claims and Administration for Hospital and Medical Care to Eligible Annuitants and Their Eligible Dependents, 0052 |
| The appropriation is located on page 254 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁴⁷ This budget option could be considered a savings that reduces the City’s spending on healthcare rather than a revenue generator. The effect, however, is the same.

Revenue: Privatize Parking Enforcement

Savings: \$1.1 million

Currently, the City enforces parking regulations with Department of Revenue employees and additionally contracts with a company named Serco to perform parking enforcement on nights and weekends.

In this option the City would privatize all parking enforcement, either by expanding Serco’s contract or contracting with another vendor. The table below compares the hourly cost of enforcement between the Revenue Department and the Serco, the private company.²⁴⁸

| | Monthly Cost* | Hours of Enforcement Per Month** | Cost Per Hour |
|---|---------------|----------------------------------|---------------|
| Revenue Department | \$704,363 | 22,598 | \$31.17 |
| Private Contractor- Serco | \$90,737 | 3,332 | \$27.23 |
| *Based on 161 budgeted parking enforcement aide (PEA) and field supervisor positions in the 2011 budget, and assumes fringe benefits are 35 percent of salary. To estimate monthly cost, salaries are divided by 12. | | | |
| **Hours of enforcement for Revenue only includes hours worked by the 149 PEA positions, not the Field Supervisor positions, and a 35 hour work week. For Serco, hours of enforcement only includes the hours worked by non-supervisory staff. | | | |

The cost of enforcement with the private contractor is almost \$4 less per hour than with Revenue Department employees. The disparity is likely to be even greater given that the in-house cost reflects only the City’s personnel costs. Assuming the City could purchase the 22,598 monthly hours of enforcement that Revenue employees currently perform from a private contractor at the same rate it currently pays Serco, the privatization of parking enforcement would result in a savings of approximately \$1.1 million annually.

Proponents might argue that the City cannot afford to pay City employees a premium to perform the same service that private contractors could perform for less. They might also argue that placing all enforcement of parking regulations with one provider would create greater continuity and may enable Serco to achieve economies of scale that would further reduce costs to the City.

Opponents might argue that the City would give up too much control by fully privatizing parking enforcement. If one company is given complete control over parking enforcement then they might gain a competitive advantage over time and make it impossible for the City to contract with anyone else.

Discussion and Additional Questions

A key consideration in deciding whether to implement this option would be to first determine which set of employees is more effective at parking enforcement. This could be done by examining how many valid tickets on average Serco employees write compared to Revenue Department employees.

Budget Details

| | |
|--|---|
| Dept: Revenue, 029 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: Salaries and Wages – On Payroll, 0005 |
| The appropriation is located on page 64 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁴⁸ Sources: Requested Contract Modification for Purchase Order 14852 for Parking Enforcement Services. June 25, 2008. City of Chicago. 2011 Budget Ordinance. pg. 68.
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

Finance: Increase the Health Insurance Contribution for Employees Earning Over \$90,000

Savings: \$1 million

Currently, City employees who have health insurance through the City must contribute a percentage of their salary to help pay for the cost of this insurance. The contribution rates are a percentage of the first \$90,000 of each employee’s salary. The percentage contribution is not applied to any earnings over \$90,000. Employees who opt to have the health plan cover their dependents pay a greater percentage than those who have insurance only for themselves.

Under this option, the City would apply the health insurance contribution percentage to all salary earnings. Based on 2008 data, 67.5 percent of the City’s employees are enrolled in the City’s health plan.²⁴⁹ As of June 1, 2011, 5,365 employees had salaries over \$90,000 with an average salary of \$104,031. First, assume that 67.5 percent of these employees are enrolled in the City’s health plan and that these 67.5 percent have average salaries of \$104,031. Second, assume that the average health insurance contribution for these employees is 1.92 percent, which is the average of the three different contribution levels.²⁵⁰ With these assumptions, applying the average health insurance contribution to all salary earnings would save \$1 million annually.

Because the health insurance contributions are part of the City’s Collective Bargaining Agreements (CBAs), implementing this option for all City employees would require changes to the current CBAs.

Proponents might argue that by removing the cap on employee contributions, employees most able to afford increased health care costs would shoulder a larger burden of the City’s health insurance costs.

Opponents might argue that this would result in some employees paying a higher amount for their healthcare than the healthcare policy is worth, which is unfair. Additionally, the increased costs could cause these employees to drop the City’s health plan altogether, which would increase the burden on lower-income employees.

Budget Details²⁵¹

| | |
|-----------------------------------|---|
| Dept: Finance General, 099 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: 0029, For Health Maintenance Organization Premiums (HMO) Provided to Eligible Employees and Their Families 0042, For the Costs of Claims and Administration for Hospital and Medical Care Provided to Eligible Employees, Provided However, That All Payments to the Independent Utilization Reviewer Shall Be Subject to the Approval of the Chairman of the Committee on the Budget and Government Operations 0052, Costs of Claims and Administration for Hospital and Medical Care to Eligible Annuitants and Their Eligible Dependents |

The appropriation is located on page 254 of the 2011 Annual Appropriation Ordinance.
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

²⁴⁹ In 2008, 25,602 employees participated in the City’s health plan. As of December 2008, there were 37,940 active employees. This translates to 67.5% of the City’s workforce being in the health plan.

Sources: City Payroll System and City of Chicago. 2008 Blue Cross Enrollment Report. April 2009. pg. 5.

²⁵⁰ City of Chicago. “Benefits Bulletin.” October 2010. pg. 3.

http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/Benefits/Bulletins/BenefitsBulletinOct2010.pdf

²⁵¹ This budget option could be considered a savings that reduces the City’s spending on healthcare rather than a revenue generator. The effect, however, is the same.

Finance and Administration: Conduct Competitive Bidding when Issuing Bonds

Savings: \$500,000

Excluding the bonds related to the City’s two airports, the City issued \$3 billion in bonds in 2009 and 2010.²⁵² The City issues bonds through negotiated sales, a process whereby the City “hires a pool of banks to find buyers for its bonds, with interest rates set in discussions with those underwriters.”²⁵³

Under this option, the City would conduct its bond sales through a competitive bidding process, where underwriters would instead submit sealed bids with the lowest cost bid winning. A competitive bidding process could save the City money by reducing the underwriting fees it currently pays to banks in order to issue bonds. “In 2003, the average underwriting charge per \$1,000 face value of bonds was \$5.58 for competitive issues and \$5.91 for negotiated sales, according to Thomson Financial.”²⁵⁴ This is a difference of \$0.33 per \$1,000 of bonds issued. If the City were to obtain this savings through competitive bidding and continue to issue \$1.5 billion worth of bonds annually, it would save approximately \$500,000 a year.

Proponents might argue that the bonds the City issues are best suited to competitive bids in that they are typically investment grade and are either general obligation bonds or revenue bonds with strong and predictable revenue streams.²⁵⁵ Additionally, the lack of transparency inherent in negotiated bond sales creates potential for conflicts of interest to arise.

Opponents might argue that other studies focused on comparing only similar types of bond issuances have found no difference in the cost of negotiated deals versus competitive bids.²⁵⁶ Additionally, given the uniqueness of Chicago and the size of its operations, its bond issues are more complex; thus, negotiated bond sales result in a better deal for the City.

Budget Details

| | |
|---|---|
| Dept: Finance General | Bureau: NA |
| Fund: Various | Approp Code: Multiple Appropriations in Specific Purposes – Financial Category |
| The appropriations are located throughout the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁵² Sources: City of Chicago. 2009 and 2010 Comprehensive Annual Financial Report. pgs. 36 and 37 in each. Issuance of Debt figures.

City of Chicago. 2010 Comprehensive Annual Financial Report for Water Fund. pg. 14. Proceeds from issuance of bonds figures. City of Chicago. 2010 Comprehensive Annual Financial Report for Sewer Fund. pg. 13. Proceeds from issuance of bonds figures. Reports available at: http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html

²⁵³ Preston, Darrell and McCormick, John. “Chicago Pays for Selling Bonds Without Bids.” *Business Week* May, 13, 2010. http://www.businessweek.com/magazine/content/10_21/b4179046013314.htm

²⁵⁴ Preston, Darrell. “States, Cities Shun Finance Competition, Victimized Taxpayers.” *Bloomberg* January 3, 2005.

²⁵⁵ TLH Hocking & Associates LLC. “Financing Tools and Trends.” Presented to the Government Finance Officers Association of Arizona. August 6, 2010. www.gfoaz.org/docs/presos/10st/10st_financing.ppt

²⁵⁶ Fruits, Eric; Booth, James; Pozdena, Randall; Smith, Richard. “Evaluation of the Comparative Cost of Negotiated and Competitive Methods of Municipal Bond Issuance.” *Municipal Finance Journal* Winter 2008.

Procurement: Discontinue Advertising Contracts in Newspapers

| |
|---------------------------|
| Savings: \$100,000 |
|---------------------------|

Currently, the City pays the Chicago Sun-Times to advertise contracting opportunities, legal notices, and various City activities.²⁵⁷

Under this option, the City would discontinue the practice of advertising these notices in newspapers and instead publicize these notices on its website. The average annual spending on this contract over the last 3-and-a-half years was \$107,000.²⁵⁸ Thus, eliminating this contract and publicizing these notices via the Internet would save the City approximately \$100,000 annually.

Implementing this option would require changes in State and City law. Publication in a newspaper is required by state law – the IL Municipal Purchasing Act, 65 ILCS 5/8-10-7 and municipal ordinance 2-92-290 which states that the Chief Procurement Officer (CPO) shall annually solicit bids from newspapers to publish the required notices.

Proponents might argue that given the widespread use of the Internet and the declining readership of daily newspapers, the City should discontinue this practice and publicize these notices on its website. Additionally, the publication of these notices is typically in small print making it extremely difficult to read and users probably access the City’s website for the information anyway.

Opponents might argue that there is a well-documented divide in Internet access within Chicago. People in poorer communities are less likely to have easy access to the internet, and therefore may be at a competitive disadvantage when it comes to accessing information that is only posted on the Internet.

Budget Details

| | |
|--|---------------------------------------|
| Dept: Procurement, 035 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: Advertising, 0152 |
| The appropriation is on various pages including page 88 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁵⁷ Contract Number 17148 (pg. 77 for specifications).

²⁵⁸ *Id.*

Payment data available here:

<http://webapps.cityofchicago.org/VCSearchWeb/org/cityofchicago/vcsearch/controller/agencySelection/displayAgencyHome.do>

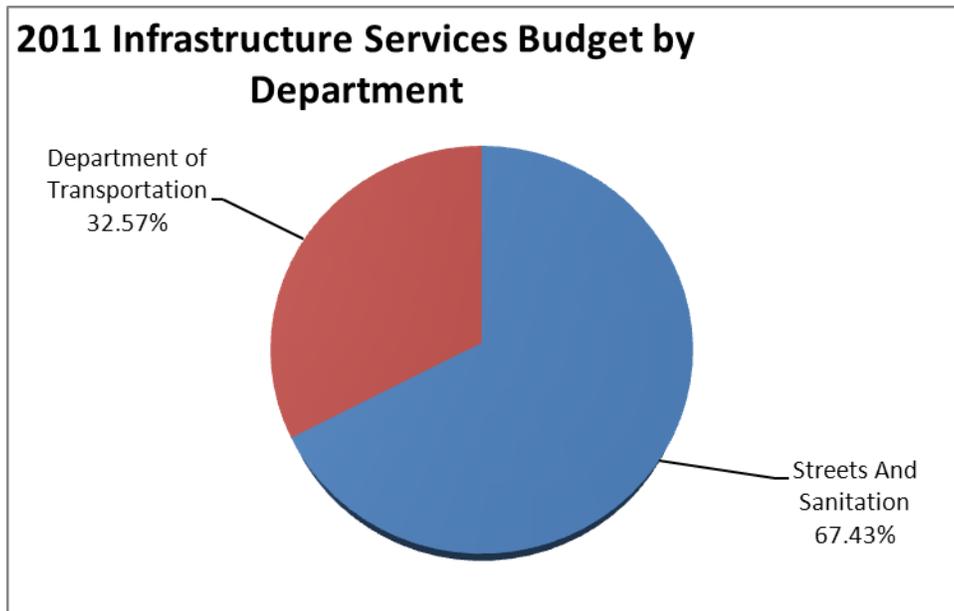
Infrastructure Services Spending Options

The 2011 Annual Appropriation Ordinance directly appropriated \$354 million in local funds for Infrastructure Services and an estimated \$96 million in employee benefits attributed to Infrastructure Services employees, for an estimated total appropriation of \$450 million. Infrastructure Services is composed of two City departments: the Department of Streets and Sanitation (DSS) and the Chicago Department of Transportation (CDOT).

DSS is responsible for garbage collection and recycling, the care of parkway trees, rodent abatement, vehicle towing, graffiti removal, street sweeping, and snow removal. DSS employees collect nearly 1 million tons of garbage, sweep an estimated 295,000 miles of streets, and complete 30,000 rodent abatement requests annually. DSS estimates that it trimmed 30,000 trees and planted 3,000 more in 2010.

CDOT is responsible for the roads, lighting, and street signs in the City. This includes more than 3,775 miles of streets, 300 bridges and viaducts, 140 miles of bikeways and 2,800 intersections with traffic signals.

The chart below shows the 2011 budget, including estimated employee benefits, for Infrastructure Services by department.



The table below summarizes the budget options presented in this section.

| City Function | Department | Budget Option | Requires Only City Action | Estimated Savings |
|-------------------------|------------------------|--|---------------------------|----------------------|
| Infrastructure Services | Streets and Sanitation | Privatize City Garbage and Recycling Collection | ✓ | \$165,000,000 |
| Infrastructure Services | Streets and Sanitation | Reduce the Number of Garbage Carts in Service and Switch to a Regional, Grid-based System of Garbage Collection* | ✓ | \$46,700,000 |
| Infrastructure Services | Streets and Sanitation | Reduce the Number of Laborers on a Garbage Truck to 1* | ✓ | \$19,400,000 |
| Infrastructure Services | Streets and Sanitation | Eliminate the Condo Refuse Rebate Program | ✓ | \$6,000,000 |
| | | Total | | \$171,000,000 |

* These options are mutually exclusive of the Privatize City Garbage and Recycling Option and thus are not included in the total.

Streets and Sanitation: Privatize City Garbage and Recycling Collection

Savings: \$165 million

Currently, the City collects garbage from 600,000 City households and recycling from 241,000 households.²⁵⁹ Residents of 1 to 4 unit buildings are eligible for free garbage and recycling collection, although recycling is not available in all areas of the City. The table below details the positions devoted to garbage and recycling collection and the budgeted costs for these positions in the 2011 budget as well as the estimated costs of operating the garbage and recycling trucks and the waste disposal costs of garbage collection.

| Personnel Costs | | | | | |
|--|--|----------------------------|---|-------------------------------|---|
| Title | Budgeted Number of Full-Time Positions | 2011 Budgeted Payroll | Estimated Fringe Benefits @ 35% of Salary | Total Personnel Costs in 2011 | 2012 Costs with 3.5% Increase in Salary |
| Sanitation Laborers- Refuse | 631 | \$41,478,522 | \$14,517,483 | \$55,996,005 | \$57,955,865 |
| Motor Truck Drivers- Refuse* | 465 | \$32,509,252 | \$11,378,238 | \$43,887,490 | \$45,423,552 |
| Supervisory and Clerical Staff- Refuse | 166 | \$12,066,707 | \$4,223,347 | \$16,290,054 | \$16,290,054 |
| Supervisory and Clerical Staff- Waste Disposal | 1 | \$64,248 | \$22,487 | \$86,735 | \$86,735 |
| Motor Truck Drivers- Recycling & Compost Collection | 89 | \$5,388,875 | \$1,886,106 | \$7,274,982 | \$7,529,606 |
| Sanitation Laborers- Recycling & Compost Collection | 93 | \$5,262,944 | \$1,842,030 | \$7,104,974 | \$7,353,649 |
| Other Personnel- Recycling & Compost Collection | 2 | \$154,860 | \$54,201 | \$209,061 | \$209,061 |
| Subtotal | 1,447 | \$96,925,409 | \$33,923,893 | \$130,849,302 | \$134,848,522 |
| * Includes 1 Chief Dispatcher Position | | | | | |
| | | | | | |
| Non Personnel Costs | | | | | |
| | Number of Truck Routes | Daily Cost per Truck Route | Annual Cost Per Truck | Total Annual Costs in 2011 | Total Annual Costs in 2012 |
| Truck Costs- Recycling Collection | 45 | \$343.67 | \$86,605 | \$3,897,218 | \$3,897,218 |
| Truck Costs-Refuse Collection | 350 | \$343.67 | \$86,605 | \$30,311,694 | \$30,311,694 |
| Subtotal | | | | \$34,208,912 | \$34,208,912 |
| | | | | | |
| Waste Disposal Costs | | | | \$42,294,993 | \$42,294,993 |
| | | | | | |
| Grand Total | | | | \$207,353,206 | \$211,352,427 |
| Note #1: Assumes that the health insurance and pension benefits for these employees are worth 35 percent of their salaries | | | | | |
| Note #2. Hours worked are converted to full-time equivalent positions at a rate of 2,040 hours per year | | | | | |
| Note #3. This ignores additional costs due to overtime or savings due to personnel vacancies. | | | | | |
| Note #4. This assumes that only Sanitation Laborers and Motor Truck Drivers will receive salary increase in 2012 | | | | | |
| Note #5: Assumes no increase in Waste Disposal or Truck Costs in 2012 | | | | | |
| Note #6: Annual truck costs assume 252 operating days annually | | | | | |

²⁵⁹ City of Chicago. Department of Streets and Sanitation. Sanitation (Garbage Collection, Street Sweeping and Residential Recycling) <http://www.cityofchicago.org/city/en/depts/streets/provdrs/san.html>

The table above also details the estimated 2012 costs of these services. Because of contractual increases in personnel costs, the savings from implementing this option would grow in future years. The 2012 salaries of Laborers and Motor Truck Drivers will be higher due to collective bargaining agreements, which include 3.5% salary increases in 2012.²⁶⁰ Assuming no increase in salaries for the other positions or for truck and waste disposal costs, the table above shows the increase in compensation costs over the next year. Thus, the 2012 estimated budgeted cost of garbage collection and disposal and recycling is over \$210 million.

Under this option, the City would stop providing garbage collection and recycling services and instead license a contractor (or contractors) to provide these services to the 600,000 households receiving garbage collection services and the 241,000 receiving recycling services.

In order to pay for the service, the City would make City residents currently receiving garbage collection responsible for the cost, while providing rebates to these households. If the City were to extend the Condo Refuse Rebate Program (see page 114) to the 600,000 households which would now be responsible for their own garbage collection, the City would provide \$75 to each of the 600,000 households to help offset the cost of private garbage collection.

By privatizing garbage collection and recycling, the City could eliminate all positions devoted to these services and no longer pay for disposing the garbage it collects or the operating costs of its fleet of garbage and recycling trucks. Thus, the City would save \$210 million in 2012. This savings would be partially offset by the \$45 million increase in costs due to the rebate program,²⁶¹ bringing the savings under this option to \$165 million in 2012. Reducing the size of or forgoing the rebate program would increase the savings from implementing the option.

Proponents might argue that there is nothing about garbage collection that demands that the service be provided by City government. They would cite the fact that a number of suburban municipalities have outsourced their garbage collection services. Others may argue that by requiring residents to pay for collection services will encourage recycling, especially if these payments are partially based on the amount of garbage thrown out. This in turn would have positive benefits for the City's and the region's environment.

Opponents might argue that pushing the cost of garbage collection onto City residents represents a fee increase when City residents can least afford it. Further, the privatization of garbage collection would leave those least able to pay susceptible to reductions in service. Others might argue that reductions in garbage collection because of residents' inability to pay may have larger negative effects on City neighborhoods than just a decline in cleanliness. Under the "Broken Windows Theory" of policing, neighborhoods that appear to be in a poor condition due to unclean streets, broken streetlights, and crumbling infrastructure are more susceptible to crime than well-maintained neighborhoods.²⁶²

Discussion and Additional Questions

The savings from this option is only realized if it holds tax revenues constant, while cutting what many City residents regard as a core City service. However, if the City were to implement this option, it likely would reduce taxes, but perhaps not to the full extent of the cost of the service.

²⁶⁰ City of Chicago. "Collective Bargaining Agreement Between Teamsters Local 726 and City of Chicago." Appendix A.

City of Chicago. "Collective Bargaining Agreement Between Locals 1001, 1092, and 76 of the Laborers International Union of North America and City of Chicago." Exhibit C.

²⁶¹ \$75 multiplied by 600,000= \$45 million.

²⁶² Wikipedia. "Broken Windows Theory."

http://en.wikipedia.org/wiki/Broken_windows_theory

Budget Details

| | |
|--|---------------------------------|
| Dept: Streets and Sanitation, 81 | Bureau: Sanitation, 2020 |
| Fund: Corporate Fund, 0100 | Approp Code: Multiple |
| The appropriation is located on page 223 and the position schedule beings on page 224 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Streets and Sanitation: Reduce the Number of Garbage Carts in Service and Switch to a Regional, Grid-based System of Garbage Collection

Savings: \$46.7 million

The Department of Streets and Sanitation (DSS) collects garbage weekly from 600,000 households along 350 daily routes.²⁶³ The City has long organized garbage collection services on a ward-by-ward basis, whereby laborers and motor truck drivers who collect garbage are assigned to individual wards and work on truck routes that do not cross ward boundaries. By contract, the City’s recycling pickup is organized based on a regional routing system that does not take into account ward boundaries.

The table below details the positions devoted to garbage collection and the estimated costs for garbage collection in 2011 and 2012.

| Personnel Costs | | | | | |
|--|---|-------------------------------|--|-----------------------------------|--|
| Title | Budget Number of Full Time Equivalents | Current Annual Payroll | Fringe Benefits @ 35% of Salary | Total Compensation Costs | 2012 Costs with 3.5% Increase in Salary |
| Sanitation Laborers | 631 | \$41,478,522 | \$14,517,483 | \$55,996,005 | \$57,955,865 |
| Motor Truck Drivers* | 465 | \$32,509,252 | \$11,378,238 | \$43,887,490 | \$45,423,552 |
| Supervisory and Clerical Staff- Refuse | 166 | \$12,066,707 | \$4,223,347 | \$16,290,054 | \$16,290,054 |
| Supervisory and Clerical Staff- Waste Disposal | 1 | \$64,248 | \$22,487 | \$86,735 | \$86,735 |
| Subtotal | 1,263 | \$86,118,729 | \$30,141,555 | \$116,260,285 | \$119,756,207 |
| * Includes 1 Chief Dispatcher Position | | | | | |
| Non Personnel Costs | | | | | |
| | Number of Trucks | Daily Cost per Truck | Annual Cost Per Truck | Total Annual Costs in 2011 | Total Annual Costs in 2012 |
| Truck Costs-Recycling Collection | 350 | \$343.67 | \$86,605 | \$30,311,694 | \$30,311,694 |
| Waste Disposal Costs | | | | \$42,294,993 | \$42,294,993 |
| Grand Total | | | | \$188,866,972 | \$192,362,894 |
| Note #1: Assumes that the health insurance and pension benefits for these employees are worth 35 percent of their salaries | | | | | |
| Note #2. Hours worked are converted to full-time equivalent positions at a rate of 2,040 hours per year | | | | | |
| Note #3. This ignores additional costs due to overtime or savings due to personnel vacancies. | | | | | |
| Note #4. This assumes that only Sanitation Laborers and Motor Truck Drivers will receive salary increase in 2012 | | | | | |
| Note #5: Assumes no increase in Waste Disposal or Truck Costs in 2012 | | | | | |
| Note #6: Annual truck costs assume 252 operating days annually | | | | | |

Under this option, the City would substantially reduce the number of garbage carts in service and shift its garbage collection to a regional, grid-based system.

²⁶³ City of Chicago. Department of Streets and Sanitation. Sanitation (Garbage Collection, Street Sweeping and Residential Recycling) <http://www.cityofchicago.org/city/en/depts/streets/provdrs/san.html>

By comparing the efficiency of recycling collection with garbage collection, we can estimate what efficiencies might be achieved through a regional, grid-based system of garbage collection. According to DSS data, the City currently has 45 recycling routes.²⁶⁴ Assuming that these trucks are all continually operational, the City is providing recycling services to 241,000 households every other week using 45 daily routes.²⁶⁵ The table below compares the difference in the number of household pickups per hour between garbage collection and recycling.

| | Households Served | Frequency of Pickups | Annual Household Pickups | Daily Routes | Annual Household Pickups per Daily Route per day ²⁶⁶ | Hours of Collection ²⁶⁷ | Household Pickups Per Hour |
|---|-------------------|-----------------------|--------------------------|--------------|---|------------------------------------|----------------------------|
| Garbage Collection using Ward System | 600,000 | Once a week | 31,200,000 | 350 | 356.57 | 6.5 | 54.86 |
| Recycling Collection using Regional Routing | 241,000 | Once every other week | 6,266,000 | 45 | 556.98 | 8 | 69.62 |

The table shows that recycling collection, which uses regional routing, averages significantly more household pickups per route than garbage collection, which uses the ward system. This is despite the fact that recycling trucks only have one laborer assigned, while some garbage trucks have two.

However, this analysis fails to take into account the number of garbage and recycling carts in service. According to City data, the City has 1.5 million garbage carts and 220,000 recycling carts.²⁶⁸ The table below reproduces the chart above using cart pickups to compare the efficiency of the garbage and recycling collection and shows that garbage crews conduct over twice as many cart pickups per hour as the recycling crews. So while the recycling crews are serving more households per hour, the garbage crews are servicing more than double the number of carts per hour.

| | Carts in Service | Frequency of Pickups | Annual Cart Pickups | Daily Routes | Annual Cart Pickups per Daily Route per day | Hours of Collection | Cart Pickups Per Hour |
|---|------------------|-----------------------|---------------------|--------------|---|---------------------|-----------------------|
| Garbage Collection using Ward System | 1,500,000 | Once a week | 78,000,000 | 350 | 891.43 | 6.5 | 137.14 |
| Recycling Collection using Regional Routing | 220,000 | Once every other week | 5,720,000 | 45 | 508.44 | 8 | 63.56 |

Thus, in order for garbage collection to serve as many households per hour as the current recycling crews, a large reduction in the number of garbage carts in service would be necessary. If the City were to provide the

²⁶⁴ City of Chicago. Laborers Union Arbitration on Recycling Privatization. Exhibit 2 Cost Comparison.

²⁶⁵ City of Chicago. Department of Streets and Sanitation. Blue Cart Recycling Program.

http://www.cityofchicago.org/city/en/depts/streets/provdrs/san/svcs/blue_cart_recycling.html

²⁶⁶ Calculation= (Annual Pickups) divided by (Number of Daily Routes) divided by (Number of Days Routes Operate- Assume 250 based on Monday thru Friday collection and no collection on holidays)

²⁶⁷ Because garbage collection collects significantly more tonnage per route, workers spend less time collecting because the trucks must make more frequent trips to dump their loads. In 2008, the average load dumped at City-owned dumpsites was 6.65 tons. This is based on 2008 data on the three City-owned Materials Recycling and Recovery Facilities (MRRFs). There were 591,910 tons dumped at these three MRRFs in 89,058 loads in 2008. This does not include the tonnage per load data from the one non-City owned MRRF. Source: Contract #21472.

Under these assumptions, garbage collection is interrupted by one dump during the 8-hour collection shift, while recycling collection is not. Assuming an average dump takes 1.5 hours, garbage is collected an average of 6.5 hours per route per day, while recycling is collected for the full 8-hour collection shift. Based on the average tons collected per route per day, garbage collection averages 1.65 loads per day and recycling averages 0.7 loads per day. For simplicity, assume that garbage collection dumps two loads per day and recycling dumps one load per day, and one load in each program is dumped after the 8-hour collection shift is over through the City's night shuttle program.

Source: City of Chicago. Department of Streets and Sanitation. Residential Garbage Collection.

http://www.cityofchicago.org/city/en/depts/streets/provdrs/san/svcs/residential_garbagecollection.html

²⁶⁸ Sources: City of Chicago. Laborers Union Arbitration on Recycling Privatization. Exhibit 2 Cost Comparison

City of Chicago. "Request a garbage cart."

http://www.cityofchicago.org/city/en/depts/streets/provdrs/rodent/svcs/garbage_cart_distribution.html

same number of garbage carts per household as the number of recycling carts per household, it would provide approximately 550,000 carts Citywide.²⁶⁹ This would be a reduction of 950,000 carts from the current 1.5 million in service. Even with this over 60 percent reduction in the number of garbage carts, there would still be sufficient capacity in the City’s garbage carts to handle the amount of waste City residents dispose of. The chart below compares the waste capacity of 1.5 million garbage carts to 550,000 carts using the City’s current waste disposal statistics.

| | Current Capacity of Garbage System | Capacity of System after over 60 percent Reduction in Carts |
|---|------------------------------------|---|
| Carts | 1,500,000 | 550,000 |
| Pound limit per cart ²⁷⁰ | 336 | 336 |
| Annual Pickups | 52 | 52 |
| Total Number of Pickups (carts times annual pickups) | 78,000,000 | 28,600,000 |
| Capacity in Tons (total pickups times cart pound limit divided by 2,000 (pounds per ton)) | 13,104,000 | 4,804,800 |
| Annual Tons Disposed by City (2010 estimate) ²⁷¹ | 905,500 | 905,500 |
| Average pounds of refuse per cart pickup | 23.22 | 63.32 |
| Percent of capacity in use | 6.91% | 18.85% |

The chart shows that even reducing the number of garbage carts to 550,000 there would still be sufficient capacity to handle the average garbage being disposed weekly in the City’s garbage carts.

If the number of carts was reduced to 550,000 and garbage collection averaged the same number of household pickups per hour, as recycling collection, the number of daily routes could be reduced to 276, or a 21.1% reduction.²⁷² Assuming that a 21.1% reduction in routes would yield a 21.1% reduction in staffing devoted to garbage collection, the table below details the reduction in personnel and associated personnel costs that would be realized.

| Title | Reduction in Employees | 2011 Compensation Costs | 2012 Compensation Costs |
|--|------------------------|-------------------------|-------------------------|
| Sanitation Laborer | 133 | \$11,802,645 | \$12,215,737 |
| Motor Truck Driver | 98 | \$9,249,407 | \$9,573,136 |
| Supervisory and Clerical Staff- Refuse | 35 | \$3,434,650 | \$3,434,650 |
| Supervisory and Clerical Staff- Waste Disposal | 0 | \$0 | \$0 |
| Subtotal | 266 | \$24,486,701 | \$25,223,523 |

The table shows that if the City were to reduce the number of carts in service and move to a grid-based routing system for garbage collection and achieve the same household pickups per hour that the regional routing of recycling collection is currently achieving, the City might reduce its 2011 personnel costs by up to \$24.5 million through the elimination of up to 266 positions. Because of contractual increases in personnel costs, the savings from implementing this option would grow in 2012. The 2012 salaries of Laborers and Motor Truck Drivers will be higher due to collective bargaining agreements, which call for salary increases of 3.5% in

²⁶⁹ Currently, there are 220,000 recycling carts serving 241,000 households, for a rate of .913 carts per household. To serve 600,000 households at the same carts per household rate, would require almost 548,000 carts. For simplicity, we have rounded this to 550,000.

²⁷⁰ Load rating for 96-gallon Cascade Cart Solution garbage cart, which is the vendor the City recently contracted with to provide its recycling carts. This assumes the City’s garbage carts are essentially the same as this cart.

<http://www.amazon.com/gallon-metallic-outdoor-wheels-attached/dp/B004BGSLXM>

²⁷¹ City of Chicago. “2011 Program and Budget Summary.” pg. 204.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Program_and_Budget_Summary.pdf

²⁷² 350 times (1 minus .2114)= 276

2012.²⁷³ Assuming that there are no increases in salaries for the other positions, the table shows that the cost of these 266 positions would be \$25.2 million in 2012.

In addition to the savings from a reduction in the number of daily routes, additional savings would be generated by reducing the number of laborers on the remaining routes to one laborer per truck since that is how the recycling crews are currently staffed. The City recently stated that it needs a relief laborer force of 15 percent of the total number of routes on its recycling trucks.²⁷⁴ Assuming that garbage collection needs the same relief percentage, with 276 collection routes the City would need 318 laborers to fully staff the 276 routes. This means that the number of laborers could be reduced by an additional 180 if staffing was reduced to one laborer per truck.²⁷⁵ At an average compensation of \$88,742 their total compensation in 2011 is budgeted at \$16 million. The 2012 compensation will be higher due to the Laborers collective bargaining agreement, which calls for a salary increase of 3.5% in 2012. Thus, the compensation for these 180 positions will cost \$16.5 million in 2012.

These savings will be slightly reduced because under the current collective bargaining agreement with the Laborers Union, sanitation laborers working on one-laborer garbage trucks are to be paid 9 percent more than their regular hourly rate.²⁷⁶ Thus, the reduction in 180 laborers would on average result in 180 additional laborers working on a one-laborer garbage truck, resulting in a 9 percent increase in their salaries. This would cost an additional \$1.5 million in 2012.

Finally, there would be savings from operating 74 fewer trucks. The table below shows the City’s estimate for the daily costs of running a recycling truck.

| Truck Costs | Per Hour Cost | Per Day Cost |
|----------------------------|---------------|-----------------|
| Operations and Maintenance | \$18 | \$144.00 |
| Fuel Costs | \$9 | \$68.00 |
| Amortization | | \$131.67 |
| Total | | \$343.67 |

Assuming 252 days of operation per year, this translates to approximately \$86,600 a year to operate a recycling truck. Assuming the same costs for a garbage truck, the savings from operating 74 fewer trucks would be \$6.4 million. The table summarizes these different savings and cost elements.

| | 2012 Savings/(Costs) |
|---|----------------------|
| Proportional Staffing Reduction from 21% Fewer Routes | \$25,223,523 |
| Reduction of 180 Laborers | \$16,532,577 |
| 9% Increase in pay for remaining laborers | (\$1,487,932) |
| Savings from 74 Less Trucks | \$6,408,758 |
| Total | \$46,676,926 |

Therefore, the total estimated savings from substantially reducing the number of carts in service, switching to a grid-based system of garbage collection, and reducing the number of laborers on the remaining routes to 1 would be \$46.7 million.

²⁷³ City of Chicago. “Collective Bargaining Agreement Between Teamsters Local 726 and City of Chicago.” Appendix A.

City of Chicago. “Collective Bargaining Agreement Between Locals 1001, 1092, and 76 of the Laborers International Union of North America and City of Chicago.” Exhibit C.

²⁷⁴ City of Chicago. Laborers Union Arbitration on Recycling Privatization. Exhibit 2 Cost Comparison.

In the recent arbitration regarding contracting the City’s recycling collection to private firms, the City submitted a cost comparison between Streets and Sanitation performing recycling and the private contractors’ bids that were submitted to the City.

²⁷⁵ Reduction in laborers from 21.1% reduction in across the board staffing 631-133=498. If only an estimated 318 are needed to staff 276 remaining routes, 498-318= 180 additional laborer positions to be eliminated.

²⁷⁶ City of Chicago. “Collective Bargaining Agreement Between Locals 1001, 1092, and 76 of the Laborers International Union of North America and City of Chicago.” Section 11.7.2 pg. 88.

Proponents might argue that reducing the number of garbage carts in service would not impact residents because there would be sufficiency capacity to handle the City’s waste disposal needs. Separately, organizing garbage collection on a ward-by-ward basis is inefficient and wasteful. They would argue that organizing collection by regional grid would reduce the time it takes for workers to get from the ward yard to the routes and routes could be organized to reduce the distance from route to dumpsite. They may also cite an IGO investigation in 2008 that found that garbage collection crews worked, on average, only 75 percent of the work day, indicating that there was not enough work for the collection crews to perform.²⁷⁷ Additionally, they might cite the fact that Streets and Sanitation decided to organize recycling collection on a regional, grid-based system in order to deliver the service more cheaply.²⁷⁸

Opponents might argue that reducing the number of garbage carts in service amounts to a large reduction in service for City residents. While there may still be sufficient average capacity to handle the City’s waste disposal needs, there will not be sufficient capacity to handle inevitable spikes in garbage disposal. Separately, other might argue that the ward-based system provides better customer service than a more centralized grid system. Some might also argue that garbage collection has long been a primary responsibility of the City’s aldermen and that this has resulted in cleaner streets, timelier pickups, and satisfied residents.

Discussion and Additional Questions

In our analysis of this option last year, we compared the relative efficiency of the City’s garbage collection and recycling collection operations using household pickups per hour as the point of comparison. However, this approach neglected to take into account the number of carts in service in each of the two programs. As the analysis above shows, comparing the number of cart pickups per hour shows that recycling collection using regional routing is not more efficient in terms of cart pickups per hour. The increased efficiency of the City’s recycling collection in terms of household pickups per hour stems from the fact that there are far fewer recycling carts per household than garbage carts per household. Thus, the savings from this option as presented here are primarily derived from reducing the number of carts in service.

However, this analysis is only one approach to comparing the relative efficiency of ward and grid-based collection, so we should not conclude that there are no efficiency gains to be achieved from switching to a grid-based garbage collection system, while holding the number of carts in service constant. Analysis of the collection systems in place in other jurisdictions may provide a better approach. However, because of differences in the density, climate, and street layout between Chicago and many of the nation’s other large cities, these comparisons can be difficult. Some questions to consider when conducting a comparison with other jurisdictions:

- What is the ratio of total annual pickups (both in terms of households and carts) to collection routes?
- How many carts per household are in service?
- Is the density and street layout of the jurisdiction comparable to Chicago?
- Does the jurisdiction use alleys to house its garbage carts?

Budget Details

| | |
|--|--|
| Dept: Streets and Sanitation, 81 | Bureau: Sanitation, 2020 |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages, 0005 |
| The appropriation is located on page 223 and the position schedule beings on page 224 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁷⁷ City of Chicago. Office of Inspector General. “Waste and Falsification in the Bureau of Sanitation.” October 7, 2008.
<http://chicagoinspectorgeneral.org/publications-and-press/program-and-policy-reviews/waste-and-falsification-in-the-bureau-of-sanitation-2/>

²⁷⁸ City of Chicago. “City shifting to Blue Cart Recycling program by end of 2011.” May 6, 2008.

Streets and Sanitation: Reduce the Number of Laborers on a Garbage Truck to 1

Savings: \$19.4 million

On some of the City’s garbage trucks, the City assigns two laborers and one motor truck driver. The table below shows the City’s 2011 budgeted payroll and fringe benefits for garbage collection, excluding supervisory and clerical staff, and including savings from furloughs.

| Title | Current Number of Employees | Current Annual Payroll | Fringe Benefits @ 35% of Salary | Total Compensation Costs |
|--|-----------------------------|------------------------|---------------------------------|--------------------------|
| Sanitation Laborer | 631 | \$41,478,522 | \$14,517,483 | \$55,996,005 |
| Motor Truck Driver | 465 | \$32,509,252 | \$11,378,238 | \$43,887,490 |
| Supervisory and Clerical Staff | 166 | \$12,066,707 | \$4,223,347 | \$16,290,054 |
| Other | 1 | \$64,248 | \$22,487 | \$86,735 |
| Total | 1,263 | \$86,118,729 | \$30,141,555 | \$116,260,285 |
| Note #1: Assumes that the health insurance and pension benefits of these employees are worth 35 percent of their salaries. | | | | |
| Note #2. This ignores additional costs due to overtime or savings due to personnel vacancies. | | | | |
| Note #3. Hourly positions are converted to full-time positions assuming 2,040 hours per year. | | | | |

These employees are responsible for the weekly collection of garbage from 600,000 households along 350 daily routes. Until the last couple of years, the City generally assigned two laborers to each garbage truck. However, due to budget cuts, the City has reduced the number of budgeted sanitation laborers from 816 in 2008 to 631 in 2011.²⁷⁹

Under this option, the City would further reduce the number of laborers devoted to garbage collection, so that on average one laborer is assigned to each garbage truck. The City recently stated that it needs a relief laborer force of 15 percent of the total number of routes on its recycling trucks.²⁸⁰ Assuming that garbage collection needs the same relief percentage, with 350 collection routes the City would need 403 laborers to fully staff the 350 routes.²⁸¹ This means that the number of laborers could be reduced by approximately 228.²⁸²

At an average compensation of \$88,742, the total compensation of these 228 laborers in 2011 would equal \$20.2 million. The 2012 compensation will be higher due to the Laborers’ collective bargaining agreement, which calls for a salary increase of 3.5% in 2012. Thus, the compensation for these 228 positions will cost \$20.9 million in 2012.

These savings will be reduced because under the current collective bargaining agreement with the Laborers Union, sanitation laborers working on one-laborer garbage trucks are to be paid 9 percent more than their

²⁷⁹ City of Chicago. “2008 Annual Appropriation Ordinance.” pg 224. Hours are converted to positions at rate of 2,040 hours per position.

²⁸⁰ City of Chicago. Laborers Union Arbitration on Recycling Privatization. Exhibit 2 Cost Comparison. In the recent arbitration regarding contracting the City’s recycling collection to private firms, the City submitted a cost comparison between Streets and Sanitation performing recycling and the private contractors’ bids that were submitted to the City.

²⁸¹ Relief force of 15 percent= 350 times .15= 53. 350+53=403

²⁸² 631 minus 403=228

regular hourly rate.²⁸³ With 631 budgeted laborers and assuming 15 percent of these positions are a relief force, there are 536 laborer slots. With 350 routes, that means 186 routes have two laborers and 164 routes have one laborer. Instituting one-laborer trucks City-wide means that 186 additional laborers will need to be paid the 9 percent premium. The premium would cost an additional \$1.5 million in 2012.

After subtracting the reduced savings due to the increased pay for 1-person garbage trucks, the savings from implementing this option would be approximately \$19.4 million in 2012.

Proponents might argue that the City no longer needs two laborers on a garbage truck because the trucks are now semi-automated, meaning garbage carts are lifted and dumped by a mechanism on the back of the trucks. They may also cite an IGO investigation in 2008 that found that garbage collection crews worked, on average, only 75 percent of the work day, indicating that there was not enough work for the collection crews to perform.²⁸⁴ Others might argue that few cities have three staff assigned to each garbage truck. According to 2008 data from the International City/County Management Association’s (ICMA), among the six jurisdictions with over 500,000 people which submitted data only one (San Antonio) had 3 staff per garbage vehicle, and this is likely because collection is done manually. The other five jurisdictions (Phoenix, Miami-Dade County, Dallas, Austin, and Oklahoma City) all had 1 person per vehicle and automated or semi-automated collection.²⁸⁵

Opponents might argue that reducing the number of laborers to one on all garbage trucks would reduce the quality of collection service in the City. They would argue that reducing the number of laborers could result in less frequent service as it takes trucks longer to perform their routes.

Additionally, others might argue that in addition to their collection responsibilities, laborers sweep alleys, pick up trash, or remove street-sweeping signs. Reducing the number of laborers would mean a reduction in these services.

Budget Details

| | |
|--|--|
| Dept: Streets and Sanitation, 81 | Bureau: Sanitation, 2020 |
| Fund: Corporate Fund, 0100 | Approp Code: Salaries and Wages, 0005 |
| The appropriation is located on page 223 and the position schedule is on page 225 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁸³ City of Chicago. “Collective Bargaining Agreement Between Locals 1001, 1092, and 76 of the Laborers International Union of North America and City of Chicago.” Section 11.7.2 pg. 88.

²⁸⁴ City of Chicago. Office of Inspector General. “Waste and Falsification in the Bureau of Sanitation.” October 7, 2008.
<http://chicagoinspectorgeneral.org/publications-and-press/program-and-policy-reviews/waste-and-falsification-in-the-bureau-of-sanitation-2/>

²⁸⁵ ICMA Center for Performance Measurement. “Comparative Performance Measurement: FY 2008 Data Report.” pg. 426

Streets and Sanitation: Eliminate the Condo Refuse Rebate Program

Savings: \$6 million

The City provides annual rebates of up to \$75 per unit for associations of condominium owners, cooperative buildings, and townhouses which are not eligible to receive City garbage collection services.²⁸⁶ Only 1 to 4 unit buildings receive City garbage collection.²⁸⁷

The program is administered by the City Council’s Committee on Finance. In order to apply for the program associations submit applications to their aldermen. Applications consist of the associations’ refuse bills and other documentation.

Under this option, the program would be eliminated saving \$6 million annually.

Proponents might argue that it is unfair that the City provides this rebate to owners of condominiums, coops, and townhouses but provides no similar benefit to renters who live in buildings that do not receive City garbage service (buildings larger than 4 units). Because the City does not provide this rebate to owners of multi-unit buildings it is likely that a portion of the cost of garbage collection at buildings not served by the City and not eligible for this rebate program is passed on to the renters who live there. Thus, renters in these buildings may bear more of the cost of garbage collection than condominium owners, even though they are likely to be less wealthy.

Opponents might argue that the program is necessary because it is unfair that the City provides garbage collection service to 1 to 4 unit buildings and not to others. Additionally, eliminating the program eliminates a subsidy that the residents of these buildings cannot afford in the current economic climate.

Budget Details

| | |
|-----------------------------------|---|
| Dept: Finance General, 099 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: For the Reimbursement and Cost of Administration of Condominium and Cooperative Garbage Fees..., 0939 |

The appropriation is located on page 254 of the 2011 Annual Appropriation Ordinance.
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

²⁸⁶ City of Chicago. Committee on Finance. “Condo Refuse Rebate Forms.”
<http://www.committeefinance.org/condo/index.asp>

²⁸⁷ Some buildings with 5 or more units do receive City refuse pick up under a "grandfather exception." See Chapter 7-28-240 of the Municipal Code.

Community Services Spending Options

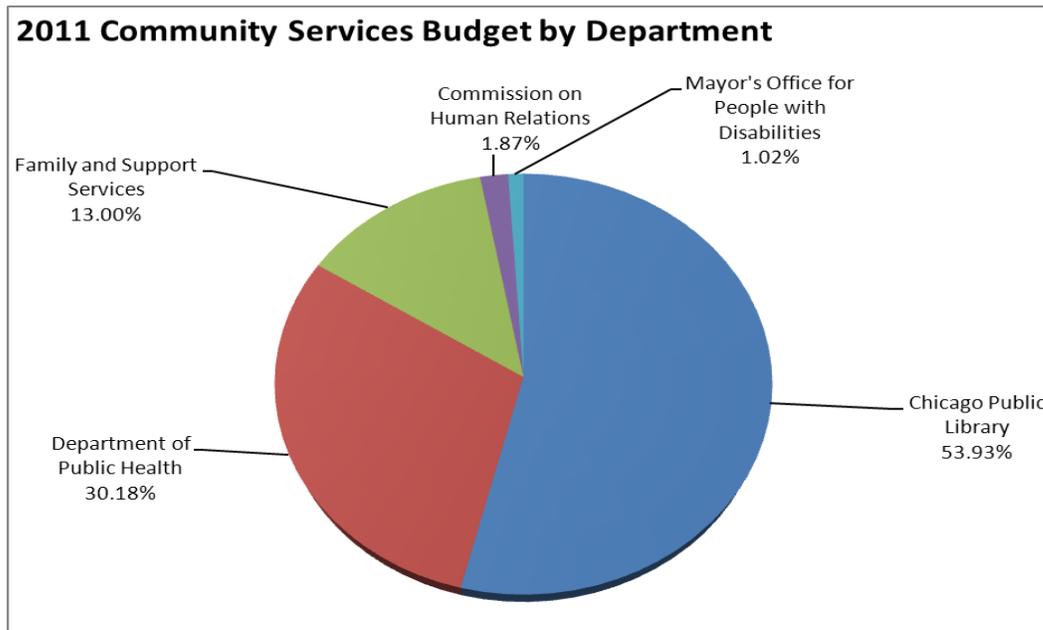
The 2011 Annual Appropriation Ordinance directly appropriated \$109 million in local funds for Community Services and an estimated \$31.5 million in employee benefits attributed to Community Services employees, for an estimated total appropriation of approximately \$140.5 million. Community Services is primarily composed of three City departments: the Chicago Public Library (CPL), Department of Public Health (CDPH), and the Department of Family and Support Services (DFSS).

CPL operates 81 separate libraries including the Harold Washington Library Center and the Sulzer and Woodson regional libraries. As of May 2011, CPL has built or replaced 57 libraries since 1989. CPL manages approximately 9 million items in annual circulation.

CDPH provides a litany of health services to the City, including disease prevention and control, behavioral healthcare, public health preparedness, and clinical healthcare. CDPH estimates that it will have provided services for approximately 100,000 primary health care visits in 2010, as well as 75,000 measles, mumps, and rubella (MMR) vaccinations, and services for 5,000 mental health clients.

DFSS is focused on improving the quality of life for City residents most in need. In 2010, DFSS estimated it provided 14,000 people with assistance through the Benefits Eligibility Effort, delivered 3,700,000 meals, and served 17,951 children with access to Head Start.

The chart below shows the 2011 budget, including estimated employee benefits, for Community Services by department.



The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|-----------------------------|--|---------------------------|---------------------|
| Public Health | Transfer the Responsibilities of the Department of Public Health to the Cook County Health and Hospital System | | \$33,700,000 |
| Family and Support Services | Eliminate City Funding for After School and Summer Employment Programs | ✓ | \$6,500,000 |
| Public Health | Eliminate City Funding for Tuberculosis Clinics* | ✓ | \$1,400,000 |
| | | Total | \$40,200,000 |

* This option is mutually exclusive of the Transfer the Responsibilities of the Department of Public Health to the Cook County Health and Hospital System option and thus is not included in the total.

Public Health: Transfer the Responsibilities of the Department of Public Health to the Cook County Health and Hospital System

Savings: \$33.7 million

The Chicago Department of Public Health (CDPH) provides a variety of services including primary and mental healthcare services through neighborhood clinics and at-home services, runs Sexually Transmitted Disease (STD) and tuberculosis clinics, and is in charge of all health inspections of the City’s restaurants, grocery stores, and other food vendors.

Under this option, the CDPH would be eliminated and all Public Health activities would be transferred to the Cook County Health and Hospital System (CCHHS). The City-funded portion of CDPH’s 2011 budget was \$33.7 million. Additionally, CDPH was projected to receive an additional \$153.6 million in federal, state, and private grants. Thus, eliminating CDPH and having CCHHS assume its duties would save the City \$33.7 million annually.

Implementing this option in its entirety would require a change in State law, as the Illinois Municipal Code provides that “a municipality in a county having a population of 2,000,000 or more inhabitants must regulate and inspect retail food establishments in the municipality”.²⁸⁸

Proponents might argue that a single public health system for Cook County would result in a better use of resources and fewer administrative costs (i.e. one HR department, one grants management department, etc.). Currently, CDPH and CCHHS both “provide STD and HIV/AIDS services, immunizations, and services for women, infants, and children”.²⁸⁹ Additionally, if CCHHS ran all the area’s public health clinics there’s likely to be greater continuity of care for patients because it also runs the public hospitals. Finally, the passage of the Affordable Care Act (ACA) at the federal level [National Health Insurance], should result in the decline in demand for some of the services provided by CDPH as more existing patients obtain health insurance.

Opponents might argue that with the County being in a poor financial position, the transfer of these responsibilities would likely result in a reduction of services. Additionally, to reduce duplication of services, existing health clinics might be closed -- adversely affecting certain communities. Finally, if the City terminated its public health activities, it would be without resources to confront natural disasters and other emergencies on its own.

Discussion and Additional Questions

A key consideration regarding whether to implement this option is comparing how well CDPH and CCHHS currently serve clients. Another consideration is the specific areas in which the systems overlap both in terms of geography and of service. Some questions to consider:

²⁸⁸ Illinois Compiled Statutes. Illinois Municipal Code Chapter 65. Sec. 11 -20-16. Retail food establishments.
<http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt.+11+Div.+20&ActID=802&ChapterID=14&SeqStart=156700000&SeqEnd=158600000>

²⁸⁹ City of Chicago and Cook County. “Joint Committee on City-County Collaboration”. June 2011. pg. 50.
<http://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2011/June/CityCountyCollaborationJune2011.pdf>

- For both systems’ primary health clinics, what are medical outcomes of clients served by the two systems? And for individual clinics?
- What are the customer service ratings of the two systems’ primary health clinics?
- What primary healthcare clinics from each system are within 1 mile of each other indicating a possible duplication of services?
- Do both the CCHHS and CDPH provide overlapping in-home healthcare services?
- What areas of the City are not covered by either system’s primary healthcare clinics?
- For public health services such as mammography that both systems provide, what are each system’s approaches to delivering the service?
 - What populations do they aim to serve?
 - What technology to they use?

If CCHHS were to absorb the responsibilities of CPDH it would receive a substantial amount of additional federal, state, and private funding. A key question is:

- With this additional funding and efficiencies achieved by merging the two systems, would CCHHS be able to deliver the same amount of services without relying on additional County resources?

Budget Details

| | |
|--|-----------------------------|
| Dept: Public Health, 041 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: Various |
| The appropriation is located on pg. 115 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Family and Support Services: Eliminate City Funding for After School and Summer Employment Programs

Savings: \$6.5 million

The 2011 Budget includes \$6.5 million in City funding for after school and summer employment programs administered by After School Matters (ASM).²⁹⁰ The City funding supplements federal Workforce Investment Act (WIA) grants that the City uses to provide similar programs. Between 2007 and 2009, the City’s WIA grants averaged \$40 million a year.²⁹¹

Under this option, the City would eliminate City funding for after school and summer employment programs, saving \$6.5 million annually.

Proponents might argue that the City cannot afford to fund after school and summer employment programs in the current fiscal climate and that the need for such programming is diminished if the Mayor’s proposal to extend the school day by 90 minutes is instituted. The federal funding that supports these programs can alone ensure that the students with the most need will continue to receive funding. Additionally, others might argue that a recent study of the impact of ASM found that it has no impact on “marketable job skills or academic outcomes”.²⁹²

Opponents might argue that investments in programming for youth are among the most cost-effective social service spending. After school programs have been shown to reduce the juvenile crime rate.²⁹³ The same study on ASM referenced in the proponents section found that ASM did have positive impacts on “positive youth development and problem behaviors”.²⁹⁴

Budget Details

| | |
|--|---|
| Dept: Finance General, 099 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: 9011, Summer Jobs Programs 9030, After School Programs |
| The appropriation is located on pg. 255 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

²⁹⁰ City of Chicago. Contract Number 24689.

²⁹¹ City of Chicago. 2007 thru 2009 Single Audits- Report on Federal Awards.

http://www.cityofchicago.org/city/en/depts/fin/supp_info/report_on_federalawards.html

²⁹² Hirsch, Barton J., Hedges, Larry V., Stawicki, Julie Ann, Mekinda, Megan A. “After-School Programs for High School Students An Evaluation of After School Matters”. June 2011. pg. 4

<http://www.wallacefoundation.org/knowledge-center/after-school/evaluations/Documents/After-School-Programs-for-High-School-Students-An-Evaluation-of-After-School-Matters.pdf>

²⁹³ Goldschmidt, Pete and Huang, Denise. “The Long-Term Effects of After-School Programming on Educational Adjustment and Juvenile Crime: A Study of the LA’s BEST After-School Program”. National Center for Research on Evaluation, Standards, and Student Testing (CRESST) University of California, Los Angeles

http://www.lasbest.org/what/publications/LASBEST_DOJ_Final%20Report.pdf

²⁹⁴ Hirsch, Barton J., Hedges, Larry V., Stawicki, JulieAnn, Mekinda, Megan A. “After-School Programs for High School Students An Evaluation of After School Matters”. June 2011. pg. 4

<http://www.wallacefoundation.org/knowledge-center/after-school/evaluations/Documents/After-School-Programs-for-High-School-Students-An-Evaluation-of-After-School-Matters.pdf>

Public Health: Eliminate City Funding for Tuberculosis Clinics

Savings: \$1.4 million

The 2011 City Budget provided 31 positions and \$4 million to fight the spread of Tuberculosis (TB).²⁹⁵ The City funds three TB clinics operated by the Department of Public Health (CDPH) and one additional clinic that is operated by Heartland Health Outreach, Inc. As shown in the table below, in 2009, the City spent approximately \$1.56 million in City funds on these clinics and, in 2010, it spent \$1.2 million. City spending is detailed in the table below. In addition to City funding, the City receives a \$2.1 million grant to monitor TB from the federal government.²⁹⁶

| Spending Category | 2009 Spending | 2010 Spending |
|--------------------------------------|--------------------|--------------------|
| West Side Center for Disease Control | \$921,139 | \$437,428 |
| Uptown TB Clinic | \$354,293 | \$400,314 |
| Englewood TB Clinic | \$243,165 | \$264,566 |
| West Town TB Clinic | \$37,108 | \$104,696 |
| Total | \$1,555,705 | \$1,207,004 |

Source: Financial Management and Purchasing System (categories are based on budget cost center)

Under this option, the City would eliminate City funding for its TB program, saving \$1.4 million and eliminating 13 budgeted positions,²⁹⁷ leaving \$2.1 million and 18 budgeted positions funded by the federal government for the City’s TB services.

Proponents might argue that the number of TB cases in the City has been steadily declining (as shown in the table below) and thus the City no longer needs to devote City funds to fight TB.

| Year | # of Cases | Cases per 100K people |
|------|------------|-----------------------|
| 2000 | 398 | 13.7 |
| 2001 | 377 | 13 |
| 2002 | 382 | 13.2 |
| 2003 | 339 | 11.7 |
| 2004 | 308 | 10.6 |
| 2005 | 329 | 11.4 |
| 2006 | 287 | 9.9 |
| 2007 | 258 | 8.9 |
| 2008 | 214 | 7.4 |
| 2009 | 202 | 7 |

Source: [2009 Cook County Tuberculosis Surveillance Report](#)

Opponents might argue that the rate of people with TB in Chicago remains higher than the national average and thus, it is important for the City to maintain its clinics and TB monitoring program in order to prevent future TB outbreaks. Additionally, Chicago remains especially vulnerable to TB because it has relatively larger immigrant and minority populations, both groups that have disproportionately higher incidences of TB than the national average.²⁹⁸

Others might argue that while there is no matching requirement in the federal grant for the City to receive the funds, the federal government wants recipients to assume part of the cost of the program.²⁹⁹ Thus, eliminating City funding may jeopardize the federal grant.

²⁹⁵ City of Chicago. “2011 Program and Budget Summary.” pg. 114.

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011_Program_and_Budget_Summary.pdf

²⁹⁶ City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 454.

²⁹⁷ This assumes that 3 positions in Section 3340- West Side Center for Disease Control are related to the TB program.

Source: City of Chicago. “2011 Annual Appropriation Ordinance.” pg. 124.

²⁹⁸ Kaiser Health Disparities Report. “U.S. TB Rate in 2008 at Record Low; Minority, Immigrant Populations Remain Disproportionately Affected, CDC Report Says”. March 23, 2009.

²⁹⁹ Catalog of Federal Domestic Assistance. “Tuberculosis Prevention and Control and Laboratory Program.” Formula and Matching Requirements. <https://www.cfda.gov/?s=program&mode=form&tab=step1&id=4b2e0fb77a065917754443adcf923092>

Budget Details

| | |
|---|------------------------------------|
| Dept: Public Health, 041 | Bureau: Public Health, 2020 |
| Fund: Corporate Fund, 0100 | Approp Code: Multiple |
| The appropriation is located on pg. 115 and the position schedule is on pgs. 124 and 125 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

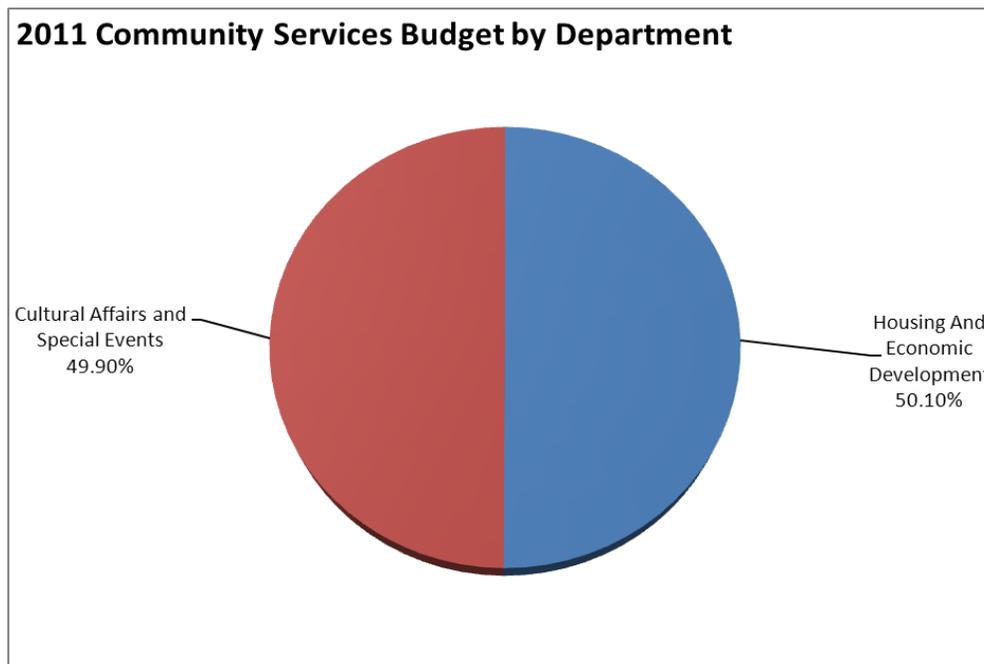
City Development Spending Options

The 2011 Annual Appropriation Ordinance directly appropriated \$62 million in local funds for City Development and an estimated \$7 million in employee benefits attributed to City Development employees, for an estimated total appropriation of \$69 million. City Development is composed of two City departments: the Department of Cultural Affairs and Special Events (DCASE), and the Department of Housing and Economic Development (DHED).

DHED promotes economic opportunities in the City by encouraging job creation, business development, and affordable housing. It is responsible for most of the City's business assistance programs, including Tax Increment Financing (TIF), as well as its housing and workforce development initiatives.

DCASE is responsible for arts promotion and ensuring the City remains a prominent tourist destination. It also produces and promotes free festivals to provide entertainment for Chicagoans and visitors. It is charged with attracting filmmaking to the City.

The chart below shows the 2011 budget, including estimated employee benefits, for City Development by department.



The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|-------------------------------------|---|---------------------------|---------------------|
| Housing and Economic Development | Eliminate Chicago Career Tech | ✓ | \$8,400,000 |
| Housing and Economic Development | Eliminate City-Funded Delegate Agency Programs | ✓ | \$5,600,000 |
| Housing and Economic Development | Eliminate the Subsidy to World Business Chicago | ✓ | \$1,400,000 |
| Cultural Affairs and Special Events | Eliminate Jumping Jack Program | ✓ | \$500,000 |
| Cultural Affairs and Special Events | Eliminate Tier IV of City Arts | ✓ | \$100,000 |
| | Total | | \$16,000,000 |

Housing and Economic Development: Eliminate Chicago Career Tech

Savings: \$8.4 million

In 2010, the City launched Chicago Career Tech, which aims to provide job retraining to unemployed middle-income workers for careers in technology-related fields. The program provides participants six months of on-the-job training and classroom instruction in fields such as digital media, healthcare information technology, and Web design and development.³⁰⁰ Recipients receive a stipend of \$270 per week on average throughout the six-month program.³⁰¹ By the end of 2011 approximately 700 individuals will have participated in the program.³⁰² In 2010 and 2011, the City spent \$8.4 million on the program and has pledged to spend the same amount in 2012.

Under this option, the City would not fund the remaining year of Chicago Career Tech thus saving \$8.4 million next year.

Proponents might argue that given the City’s dire financial condition it is not prudent for the City to fund an expensive workforce development program targeted to those with existing training and job skills. Also, this program devotes substantial resources to a small number of workers. Additionally, the program eligibility guidelines are so broad (high school diploma, currently unemployed, have made \$25,000 to \$80,000), that the program can only serve a fraction of the people eligible for the program. This may call into question the fairness of devoting vast resources to a few select individuals, when equally deserving peers receive no assistance.

Opponents might argue that the current high unemployment rate necessitates an expansion of the City’s workforce development efforts and the population being serviced by Career Tech has been particularly affected by the current economic downturn. Further, by developing a better trained workforce in these growth industries, the City will make it more likely that businesses in these industries will locate in Chicago.

Some would argue that the program not be eliminated, but rather redesigned so that it is more targeted to City residents with greater need. This could be done by lowering the income thresholds so that lower-income residents are eligible. An alternative restructuring would be to provide a less generous stipend so that the program would cost less or serve more people.

Budget Details

| | |
|--|------------------------|
| Dept: NA | Bureau: NA |
| Fund: NA | Approp Code: NA |
| This program is funded by a portion of the proceeds of the Parking Meter Lease and is not included in the 2011 Annual Appropriation Ordinance. | |

³⁰⁰ Chicago Career Tech. Our Program. <http://www.chicagocareertech.com/our-program/>

³⁰¹ Spielman, Fran. “Daley excited as first class of Career Tech kicks off.” Chicago Sun-Times. May 18, 2010. Chicago Career Tech. “FAQs for Participants.” <http://www.chicagocareertech.com/our-program/faqs/>

³⁰² Chicago Career Tech. Results, <http://www.chicagocareertech.com/our-program/our-graduates/chicago-career-tech-results/>

Housing and Economic Development: Eliminate City-Funded Delegate Agency Programs

Savings: \$5.6 million

Through the Supportive Services for Commercial Area Development program (formerly called Technical Assistance to Business Groups), “funding is provided to nonprofit organizations whose objectives include small business development, site development or area-wide marketing, maintenance and management within a specified commercial business district.”³⁰³ The recipients are mostly local chambers of commerce and community development corporations. The City provides this funding to support the organizations’ operating budgets rather than specific programs.

Through the Technical Assistance-Citywide (TACIT) program (formerly the Citywide Resource Centers), “technical assistance and training are offered to build and strengthen the capacity of community organizations, delegate agencies, nonprofit developers, homeowners, tenants, landlords and other groups to carry out housing-related activities in low-and moderate-income communities.”³⁰⁴ The Local Industrial Retention Initiative (LIRI) provides grants to community organizations “to stabilize and expand the local manufacturing base.”³⁰⁵

The table below details the number of grantees and the value of the contracts these programs have awarded in 2011.

| City-funded Business Support Programs | Number of Grantees | 2011 Spending |
|---|--------------------|--------------------|
| Support Services for Commercial Area Development | 91 | \$3,719,737 |
| Technical Assistance Citywide (TACIT) | 21 | \$1,074,000 |
| Local Industrial Retention Initiative (LIRI) Councils | 16 | \$822,214 |
| Total | | \$5,615,951 |

Under this option, these programs would be eliminated, saving approximately \$5.6 million annually. For a list of grantees follow the link below:

http://www.cityofchicago.org/city/en/depts/dcd/supp_info/delegate_agencieconomicdevelopment.html

Proponents might argue that the City provides a large amount of funding for these types of services through the federally funded Community Development Block Grant (CDBG) and should not devote City funds to these types of services. Others might argue that because this grant program provides funding for operating expenses supporting a variety of different services rather than focusing funds on specific programs, funding is too diffuse to meaningfully measure whether the City is getting good value for its funding.

Opponents might argue that in the current economic downturn, the local business development that these organizations attempt to facilitate and the housing assistance they provide is especially crucial. Additionally, the programs’ flexibility allows community-based grant recipients to provide services according to each individual community’s needs.

³⁰³ City of Chicago. Department of Community Development. Resource Guide. pg. 11

³⁰⁴ City of Chicago. Department of Community Development. Resource Guide. pg. 10

³⁰⁵ Back of the Yards Neighborhood Council. “Local Industrial Retention Initiative.”

<http://bync.org/?cat=50>

Budget Details

| | |
|---|---|
| Dept: Community Development, 054 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: For Delegate Agencies, 0135 |
| The appropriation is located on page 135 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Housing and Economic Development: Eliminate the Subsidy to World Business Chicago

Savings: \$1.4 million

World Business Chicago (WBC) “is the city’s economic development office, coordinating business retention, attraction and expansion efforts in order to spur and accelerate economic growth.”³⁰⁶ WBC assists businesses with site selection decisions by providing economic and industry data and helping businesses obtain state and local financial incentives. Additionally, WBC markets Chicago as a business-friendly City around the world.

Under this option, the City would eliminate the subsidy to WBC, saving \$1.4 million. As the City’s subsidy makes up the bulk of WBC’s funding, the subsidy’s elimination may result in a much smaller WBC and could even cause the organization to cease operating.

Proponents might argue that the City should not fund the services that WBC provides. Helping individual companies, including large, multinational corporations, obtain government benefits should be funded by the individual firms themselves. Additionally, the WBC Board of Directors is mostly comprised of leaders of the City’s largest corporations. Giving these individuals authority over how public dollars are used to assist other firms may not be the best use of taxpayer dollars as these individuals have an incentive, and in some instances possibly a duty to their respective shareholders, to direct assistance to firms that will not directly compete with their own companies. This, in turn, may not be in the City’s economic development interest.³⁰⁷ Lastly, some would argue that there is little accountability because it is difficult to determine what results the City receives by subsidizing WBC.

Opponents might argue that spending this relatively small amount of money to attract companies to Chicago more than pays for itself. If WBC’s efforts attract even a few new businesses to Chicago each year, the economic activity generated by these businesses will likely outweigh the costs of the subsidy to WBC.

Budget Details

| | |
|---|--|
| Dept: Finance General, 099 | Bureau: NA |
| Fund: Corporate Fund, 0100 | Approp Code: For World Business Chicago Program, 9180 |
| The appropriation is located on page 255 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

³⁰⁶ World Business Chicago. “About.”

<http://www.worldbusinesschicago.com/about>

³⁰⁷ City of Chicago. Office of Inspector General. “Review of World Business Chicago and the TIF Approval Process.” July 25, 2011.

<http://chicagoinspectorgeneral.org/publications-and-press/press-releases/review-of-world-business-chicago-and-the-tif-approval-process/>

Cultural Affairs and Special Events: Eliminate Jumping Jack Program

Savings: \$500,000

Since 1969, the City has run the Jumping Jack program, which provides inflatable playgrounds for community events around the City. Inflatable playgrounds are provided at 5,000 events citywide and serve 350,000 children, according to the Department of Cultural Affairs and Special Events.

Under this option, the program would be eliminated, saving the City \$500,000.

Proponents might argue that given the City’s dire financial condition it is impossible for the City to continue to provide this free service for community events.

Opponents might argue that this program is extremely popular with City residents and is relatively inexpensive given the large number of children it serves.

Budget Details

| | |
|--|---|
| Dept: Department of Cultural Affairs and Special Events, 023 | Bureau: Bureau of Special Events, 2010 |
| Fund: Corporate Fund, 0100 | Approp Code: Special Events Projects, 9801 |
| The appropriation is located on page 51 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

Cultural Affairs and Special Events: Eliminate Tier IV of CityArts

Savings: \$100,000

The CityArts Program is “designed to assist the not-for-profit arts and cultural community in the city of Chicago through general operating support.”³⁰⁸ There are four tiers of CityArts:

| Program | Organizations Served | 2010 Grants Spending |
|--|--|----------------------|
| CityArts I | “Emerging” groups with annual budgets of less than \$150,000 | \$124,400 |
| CityArts II | “Developing” groups with budgets of \$150,000 to \$500,000 | \$131,450 |
| CityArts III | “Mid-size” organizations with annual budgets between \$500,000 and \$2 million | \$133,900 |
| CityArts IV | “Major” institutions with annual income of more than \$2 million | \$108,000 |
| | Total | \$497,750 |
| Source: Department of Cultural Affairs and Special Events http://www.cityofchicago.org/content/dam/city/depts/dca/DCAReleases/June2010/CityArts2010_Releas.pdf | | |

“CityArts applicants awarded grants in year one are eligible to receive grants for two more consecutive years pending availability of funds.”³⁰⁹

Under this option, the City would eliminate funding for Tier IV of the CityArts program, thus saving \$108,000.

Proponents might argue that because there is no cap on the size of the organizations that can get CityArts IV money, large, established cultural organizations receive the funding (see the 2010 list of grantees on the following page). They would argue that it is not necessary for the City to provide general operating subsidies to these large cultural organizations, which already benefit from many of the services the City provides. Also, the amount of the subsidy is so small that these organizations will not be impacted by the loss of the subsidy.

Opponents might argue that these subsidies help the City maintain a relationship with these large cultural organizations whose operations are critical to the City’s tourism industry as well as the general enjoyment of the City’s residents. Additionally, many organizations do not have access to general operating subsidies.

Instead of eliminating the funding, some might argue that the program be restructured so that CityArts IV is restricted to institutions whose budget does not exceed a certain level. This would direct the funds to institutions larger than those in the other three tiers, but ensure that very large organizations with large endowments do not receive the subsidy.

Budget Details

| | |
|---|--|
| Dept: Finance General, 099 | Bureau: NA |
| Fund: Municipal Hotel Operators’ Occupation Tax Fund, 0355 | Approp Code: For Professional and Technical Services and Other Third Party Benefit Agreements, 0140 |
| The appropriation is located on page 374 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

³⁰⁸ City of Chicago CityArts Program.
http://www.cityofchicago.org/city/en/depts/dca/provdrs/grants/svcs/city_arts_applicationsummary.html

³⁰⁹ *Id.*

2010 CityArts Tier TV Recipients

| CityArts IV Recipient | Grant Amount |
|---|---------------------|
| Adler Planetarium | \$2,000.00 |
| Art Institute of Chicago | \$3,500.00 |
| Auditorium Theatre of Roosevelt University | \$3,000.00 |
| Chicago Academy for the Arts | \$2,000.00 |
| Chicago Access Corporation | \$3,750.00 |
| Chicago Architecture Foundation | \$3,750.00 |
| Chicago Children's Choir | \$3,000.00 |
| Chicago Children's Museum | \$3,000.00 |
| Chicago Historical Society | \$2,500.00 |
| Chicago Humanities Festival | \$3,750.00 |
| Chicago Opera Theater | \$3,750.00 |
| Chicago Shakespeare Theater | \$3,500.00 |
| Chicago Sinfonietta | \$3,000.00 |
| Chicago Symphony Orchestra | \$4,000.00 |
| Chicago Theatre Group, Inc./Goodman Theatre | \$4,000.00 |
| Court Theatre Fund | \$3,500.00 |
| Facets Multi-Media Inc. | \$3,750.00 |
| Hubbard Street Dance Chicago | \$3,750.00 |
| Joffrey Ballet | \$3,750.00 |
| John G. Shedd Aquarium | \$2,000.00 |
| Lookingglass Theatre Company | \$3,500.00 |
| Lyric Opera of Chicago | \$4,000.00 |
| Merit School of Music | \$3,750.00 |
| Museum of Contemporary Art | \$3,500.00 |
| Music and Dance Theater Chicago, Inc. | \$2,250.00 |
| National Museum of Mexican Art | \$3,500.00 |
| Old Town School of Folk Music | \$3,750.00 |
| Spertus Institute of Jewish Studies | \$3,000.00 |
| Steppenwolf Theatre Company | \$4,000.00 |
| Urban Gateways The Center for Arts in Education | \$3,000.00 |
| Victory Gardens Theater | \$3,000.00 |
| WBEZ Alliance, Inc. | \$3,000.00 |
| Window To the World Communications, Inc. | \$2,500.00 |
| Total | \$108,000.00 |

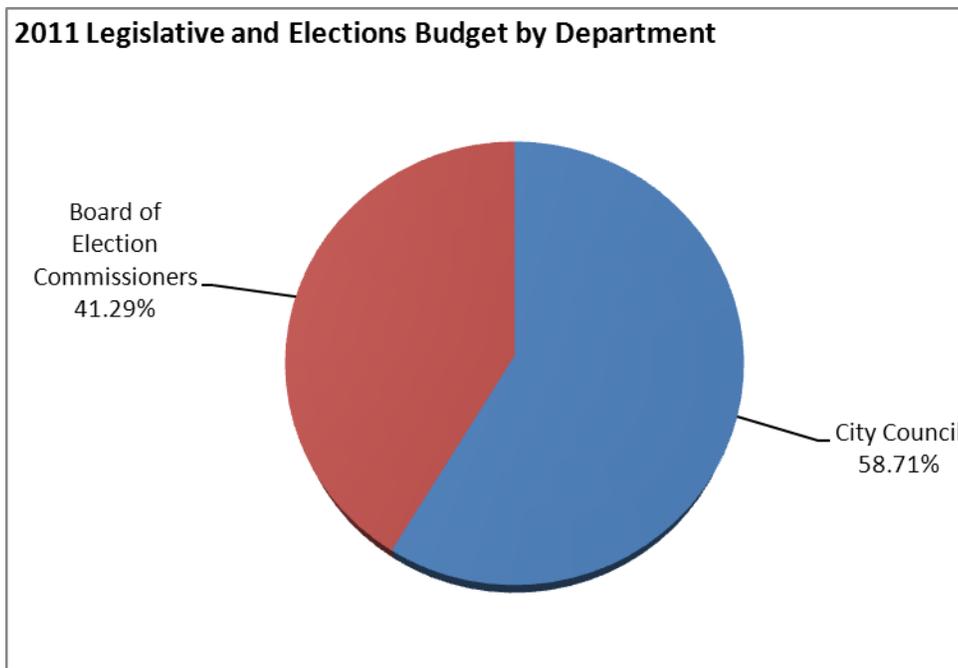
Legislative and Elections Spending Options

The 2011 Annual Appropriation Ordinance directly appropriated \$45 million in local funds for Legislative and Elections and an estimated \$13.5 million in employee benefits attributed to Legislative and Elections employees, for an estimated total appropriation of \$58.5 million. Legislative and Elections is composed of the City Council and the Board of Election Commissioners.

The City Council is the legislative body of the city and is responsible for enacting the City’s annual budget. It consists of the Mayor and 50 Aldermen, each representing a particular geographic area of the City, referred to as wards. Additionally, Aldermen exert a significant amount of control over the delivery of services within their wards.

The Board of Election Commissioners conducts and supervises all local, county, state and federal elections for the City of Chicago and is responsible for the certification of election results. The Board also manages all voter registrations, maintains a list of voters and educates the public on all election dates and laws. The Board of Elections strives to provide an election procedure that accommodates all eligible residents in the City of Chicago.

The chart below shows the 2011 budget, including estimated employee benefits, for Legislative and Elections by department.



The table below summarizes the budget options presented in this section.

| Department | Budget Option | Requires Only City Action | Estimated Savings |
|---------------------------------|---|---------------------------|---------------------|
| Board of Election Commissioners | Transfer all Election Management and Oversight to Cook County Clerk | | \$16,100,000 |
| Board of Election Commissioners | Hold Municipal Elections on Same Day as Statewide Elections* | | \$3,000,000 |
| City Council | Have an Independent Commission Redistrict Ward Boundaries | ✓ | \$1,000,000 |
| | | Total | \$17,100,000 |

* This option is mutually exclusive of the Transfer all Election Management and Oversight to Cook County Clerk option and thus is not included in the total.

Board of Election Commissioners: Transfer all Election Management and Oversight to Cook County Clerk

Savings: \$16.1 million

The Board of Election Commissioners conducts and supervises all local, county, state and federal elections for the City of Chicago and is responsible for the certification of election results.³¹⁰ The Cook County Clerk’s office performs these activities in suburban Cook County.

In this option all responsibilities of the Board of Election Commissioners would be transferred to the Cook County Clerk’s office.

| Year | Budgeted Spending |
|--|-------------------|
| 2008 | \$14,123,061 |
| 2009 | \$10,518,518 |
| 2010 | \$13,053,045 |
| 2011* | \$26,722,276 |
| Sources: 2008-2011 Annual Appropriation Ordinances | |
| *Includes \$7.5 million for special runoff elections budgeted in Finance General | |

In the last four years, the City has budgeted an average of \$16.1 million annually for the Board of Election Commissioners. Thus, if the Board of Election Commissioners were dissolved and its responsibilities given to Cook County, the City would save \$16.1 million annually.

Chicago created the Board of Election Commissioners and adopted the provisions of the City Election Law by a referendum held pursuant to the Illinois Election Code. Dissolving the Board and transferring its responsibilities to the Cook County Clerk’s office may either require the City to legally reject the City Election Law as defined in the Illinois Election Code or an amendment to the Illinois Election Code.

Proponents might argue that consolidating all election activities for Cook County in one department would result in lower administrative costs due to less duplication and lower purchasing costs. There may be additional savings as the City currently hires outside legal counsel, while the Cook County Clerk uses the States Attorney.³¹¹

Opponents might argue that the City would lose control of municipal elections, which would now be overseen by an elected official who is elected only in part by City residents. Additionally, Cook County has its own budget difficulties and might not be able to handle these additional responsibilities without reducing the number of polling locations or other election services.

Budget Details

| | |
|---|-----------------------------|
| Dept: Board of Election Commissioners, 039 and Finance General, 099 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: Various |
| The appropriation is located on page 104 and 254 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

³¹⁰ City of Chicago. “2011 Annual Appropriation Ordinance”. pg. 104

http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf

³¹¹ City of Chicago and Cook County. “Joint Committee on City-County Collaboration”. June 2011. pg. 63.

<http://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2011/June/CityCountyCollaborationJune2011.pdf>

Board of Election Commissioners: Hold Municipal Elections on Same Day as Statewide Elections

| |
|-----------------------------|
| Savings: \$3 million |
|-----------------------------|

Currently, city elections are held in February in the year after the election of Illinois's governor. Runoff elections are held in April after the February elections in races where no candidate gets 50 percent of the vote.

Under this option, the City would move its elections to coincide with the state and federal election cycle, in the years in which there is either an election for Illinois governor or for U.S. president. To do this while maintaining a runoff system, the City would move to instant-runoff voting (IRV).³¹²

IRV "is a system of voting that allows voters to rank their preference for an office among multiple candidates."³¹³ The first ballot count only takes into account people's first preference. If one candidate obtains a majority of the first preference, then the election is over. However, if no candidate obtains a majority, then the candidate with the smallest vote percentage is eliminated. Then, the second choices of each of the voters who chose the eliminated candidate are counted and added to the remaining candidates' totals. Again, if a majority is obtained for any candidate, then the election is over. If not, these steps are repeated until a majority exists.³¹⁴ IRV is currently used in San Francisco and Oakland, California.³¹⁵ Internationally, it is used to elect the mayor of London, president of Ireland, and the national legislature of Australia.³¹⁶

In 2009, the last year in which there was no election, the Board of Election Commissioners budget was \$10.5 million.³¹⁷ This year, because municipal elections took place, its budget was \$19.2 million. The vast majority of this \$8.7 million difference is likely a result of having to hold municipal elections in 2011. If elections were moved to coincide with the state and federal election cycle, there would likely be some increase in election costs in the year to which municipal elections are moved. Let's assume that \$5 million of the \$8.7 million would be net savings. This savings would be spread over each four year election cycle.

Additionally, in 2011, \$7.5 million was budgeted for special and run-off elections. The vast majority of this spending is on run-off elections. If a consolidation of the state and local election cycles were combined with a move to instant-runoff voting (IRV), most of these funds would likely be saved as stand-alone run-off elections would no longer be necessary. Assume that \$7 million would be saved in each four-year election cycle.

Combining the \$7 million in estimated savings from no longer needing run-off elections and the \$5 million net savings from moving the municipal elections to the state and federal election cycle yields a total of \$12 million in savings in each four-year election cycle. This translates to the \$3 million annually.

Implementing this option would require extensive amendments to the Illinois Election Code, 10 ILCS 5/1-1 et seq., and the "consolidated schedule of elections," for all state and local elections as established in 1980. The Illinois Election Code, 10 ILCS 5/2A-25, further specifies the time of election for Chicago's Mayor, Clerk, and Treasurer, providing that each "shall be elected at the consolidated election in 1979 and at the consolidated

³¹² Instant-runoff voting. http://en.wikipedia.org/wiki/Instant-runoff_voting

³¹³ Minnesota House of Representatives. Research Department. "Information Brief: Instant-Runoff Voting". February 2007. pg. 1
<http://www.house.leg.state.mn.us/hrd/pubs/irvoting.pdf>

³¹⁴ *Id.*, pg. 4

³¹⁵ *Id.*, pg. 6

³¹⁶ *Id.*, pg. 6

³¹⁷ City of Chicago. "2009 Annual Appropriation Ordinance". pg. XI.

http://www.chicityclerk.com/annual_appropriation/AnnualAppropriation2009.pdf

election every 4 years thereafter.” Section 5/2A-26 provides that aldermen “shall be elected at the consolidated primary election in 1979 and at the consolidated primary election every 4 years thereafter. The runoff election where necessary, pursuant to law, for Chicago aldermen shall be held at the consolidated election in 1979, and every 4 years thereafter.”

Proponents might argue that holding municipal elections at the same time as statewide elections would attract higher turnout for municipal races. The table below shows the voter turnout in Chicago over the last several election cycles and demonstrates that fewer Chicago voters have voted in recent municipal elections than in recent statewide contests. Finally, others might argue that harmonizing the election calendar will reduce the ability of elected officials to run for other political offices without abandoning their existing positions.

Opponents might argue that combining municipal elections with statewide elections would lessen the focus in both municipal and statewide races as more races would compete for voters’ attention. Others might argue that the staggering of elections under the current schedule promotes the prospect of advancement of more experienced and qualified candidates who might be discouraged from seeking higher office if it comes at the risk of losing their present elected posts.

| Election | Voter Turnout |
|---|---------------|
| 2004 General Election (President) | 74.63% |
| 2006 General Election (Governor) | 49.25% |
| 2007 Municipal Election | 33.08% |
| 2008 General Election (President) | 73.87% |
| 2010 General Election (Governor) | 52.88% |
| 2011 Municipal Election | 42.30% |
| Source: Chicago Board of Election Commissioners | |

Budget Details

| | |
|---|-----------------------------|
| Dept: Board of Election Commissioners, 039 and Finance General, 099 | Bureau: NA |
| Fund: Corporate, 0100 | Approp Code: Various |
| The appropriation is located on page 104 and 254 of the 2011 Annual Appropriation Ordinance. http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf | |

City Council: Have an Independent Commission Redistrict Ward Boundaries

Savings: \$1 million

Every ten years following the United State Census, the City must redraw the boundaries for each of the City’s 50 wards based on changes in population. To redraw the ward boundaries, the City Council must agree and vote on legislation that establishes the makeup of the City’s wards.

Under this option, the City would establish an independent commission or have an independent organization redraw the City’s ward boundaries every ten years.

In 1990, the City Council could not agree on new ward map and so voters decided by referendum which map to choose.³¹⁸ In response to the referendum, aldermen who opposed the map that had been chosen sued the City on the grounds that this map violated the Voter Rights’ Act.³¹⁹ The resulting litigation cost the City \$20 million.³²⁰ In 2000, the City’s redistricting process proceeded smoothly with only one dissenting vote and only a single legal challenge as of 2002.³²¹ In 2011, the City has set aside \$1 million for the remap process.³²²

Taking into account the fact that having an independent redistricting process would make the City less susceptible to legal challenges, independent redistricting could save the City \$10 million litigation expenses for each ten year redistricting, based on the \$20 million in litigation expenses the City has spent since 1990. This translates to \$1 million annually.

Proponents might argue that redistricting is best done by an independent body, not aldermen who have a direct stake in the outcome of the redrawing of ward boundaries. They might point to Iowa, where an independent body has redrawn state and congressional districts since 1980.³²³

Opponents might argue that redrawing ward boundaries is an essential part of the City’s democracy and should be done by aldermen who are elected by City voters, rather than an unelected, independent commission.

Budget Details³²⁴

| | |
|-----------------|------------------------|
| Dept: NA | Bureau: NA |
| Fund: NA | Approp Code: NA |

³¹⁸ Illinois law provides that if 10 aldermen oppose the ward boundaries passed by the City Council, the 10 aldermen can force a public referendum by submitting a competing set of ward boundaries.

Colman, Jeffrey D. and Bentz, Julie L. “Chapter 16: Redistricting and Reapportionment” in *Redistricting and Reapportionment, Election Law 2002*. pgs. 10 and 11.

http://www.jenner.com/files/tbl_s20Publications%5CRelatedDocumentsPDFs1252%5C392%5CRedistricting_Article.pdf

³¹⁹ Spielman, Fran. “Black caucus hire Freddrenna Lyle in ward fight”. August 2, 2011.

<http://www.suntimes.com/news/politics/6827140-418/black-caucus-hires-freddrenna-lyle-in-ward-fight.html>

³²⁰ *Id.*

³²¹ Colman, Jeffrey D. and Bentz, Julie L. “Chapter 16: Redistricting and Reapportionment” in *Redistricting and Reapportionment, Election Law 2002*. pgs. 10 and 11.

http://www.jenner.com/files/tbl_s20Publications%5CRelatedDocumentsPDFs1252%5C392%5CRedistricting_Article.pdf

³²² Spielman, Fran. “Black caucus hire Freddrenna Lyle in ward fight”. August 2, 2011.

<http://www.suntimes.com/news/politics/6827140-418/black-caucus-hires-freddrenna-lyle-in-ward-fight.html>

³²³ Cook, Ed. “A Nonpartisan Approach to Redistricting”. *The Legislative Lawyer from the National Conference of State Legislatures*. Winter 2002.

http://www.legis.iowa.gov/DOCS/Central/LSB/Guides/NonpartisanApproach_NCSL_2002.pdf

³²⁴ It is unclear where in the 2011 Annual Appropriation Ordinance, the authorization for spending on redistricting exists.