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CITY OF CHICAGO

FOR IMMEDIATE RELEASE

October 12, 2011

**MAYOR RAHM EMANUEL'S 2012 BUDGET ADDRESS
*REMARKS AS PREPARED***

Vice Mayor Suarez, President Pro Tem Harris, Budget Chairman Austin, Finance Chairman Burke, Members of the City Council and my fellow Chicagoans:

Nearly five months ago, we joined together in Millennium Park to take the oath of office. The people of Chicago gave us a mandate for change. They recognized that the status quo was not working – either for them or for their city. The clear evidence was the broken city budget and its huge deficits.

Immediately upon taking office, I cut this year's budget by 75 million dollars. And we closed another 30 million-dollar hole that resulted when we did away with a furlough program that was hurting employee morale and not producing the savings as promised.

These were important steps. But they're far from resolving our budget problems. The truth is that Chicago's last ten city budgets have been in the red. Yes, the Great Recession added to the crisis. But when budgets don't cover expenses year after year, it's clear that we have a structural problem.

Chicago cannot afford this kind of government any longer.

A budget is about priorities. And this deficit is an opportunity to get it right. We can either start shaping our city's future, or let it shape us.

We're facing a deficit of 635 million dollars. Smoke and mirrors and one-time fixes simply won't get the job done. It's time to provide Chicagoans with an honest city budget – one that focuses on current needs while still investing in our future.

What we cannot do, however, is to protect the status quo by asking more of Chicago's taxpayers. Raising taxes will drive more people and families from our city and discourage businesses from coming here – or those already here from staying.

That's why the budget I'm presenting today does not contain an increase in property taxes. It does not contain an increase in sales taxes. It does not propose a new city income tax. And it cuts in half the employee head tax, which is really a tax on job creation.



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By the end of my term, the employee head tax will be gone. Its repeal has been discussed and debated for decades. With the global competition for jobs, the time for debate is over. No longer will Chicago tax the creation of jobs.

One of the first changes we made in this budget was the process we used in putting it together. This budget was not drawn up behind closed doors, where only the special interest voices are heard. We opened up the process and invited everyone in.

Our budget Website, Chicago-budget-dot-org, has received more than 10,000 comments and ideas and more than 60,000 votes were cast on those ideas in Siskel-and-Ebert fashion – thumbs up or thumbs down.

We received budget ideas from business and labor groups and from the Inspector General. Not all made it in, but we incorporated many of them.

Just as important, we received input on this budget from almost every member of the City Council. We involved you at the front-end of the process, and welcomed your thoughts and ideas. I particularly appreciate the expertise and open-mindedness of Budget Committee Chair Carrie Austin. I know we all share the goal of getting city finances back on track.

And we all share the goal of collecting what's owed to us. The more we collect, the less we have to cut. So, with this budget, we are sending an important message:

To the banks who hold property and aren't keeping it up; to city employees who owe millions in parking fines and water bills; to people advertising on billboards that haven't been paid for; to suburbs not paying the City for water it provides; to those who've skipped out on city ambulance fees; and to every non-profit that has received free water.

To everyone who has not paid their fair share: Ladies and gentlemen -- the free ride is over!

Our first responsibility to the people we serve is to keep them safe. The best way to do that is putting more police on the street. In the first months of my administration, we have moved 1,019 officers from desk jobs and special units to beat patrols in our neighborhoods. Every police district across our city received additional officers. Those districts with the most crime got the biggest increases, as it should be.



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We instituted new accountability through the Compstat program, to analyze crime and make district commanders accountable for its reduction.

For decades, our public safety functions were walled off from budget cuts or other changes that would have made them more effective. The reason was politics, plain and simple. By removing public safety from regular review and reform, we forgot our mission and we lost our edge.

But we can't let the status quo go unchallenged one day longer. That's the wrong way to fight crime and it's bad for our budget. We must be willing to ask ourselves if we are getting everything we should for our public safety dollars. We must be willing to embrace difficult changes if they will better protect the public.

I discussed our proposed changes to the public safety budget with Police Superintendent Garry McCarthy, First Deputy Al Wysinger, Fire Commissioner Robert Hoff and First Deputy Fire Commissioner Charles Stewart. For each change we considered, I asked them if they would still do these things if we had a budget surplus. And, in every case, they said yes – because these changes will make Chicago safer.

So we propose in this budget to combine our police and fire headquarters into one headquarters for public safety. This will save money by eliminating bureaucracy and combining IT and communications. It will enable us to combine similar functions that are now done separately by police and fire, such as fighting terrorism, bomb threats and arson, and helicopter and marine patrols.

Chicago will be the first large city in the United States to combine police and fire services into one, coordinated public safety headquarters. We will lead the nation with this new model for keeping our public safe.

In addition, we will consolidate our five existing area offices into three: North, Central and South. We will do this for the 5 detective bureaus, as well. And we will finally begin consolidating some of our 25 existing police districts into 22. After all, it's beat officers who fight crime, not bureaucrats in buildings.

Closing police districts has always been the third-rail of Chicago politics. But that should not stop us from doing what's right. The three districts we're closing are some of the oldest buildings in the system. In each case, they are being merged with one of our newest facilities. I'm convinced that in these districts safety will be enhanced.

The North Side district we're closing is the one that serves my neighborhood and community. If I didn't think this would improve public safety, I wouldn't do it. I know that I receive police protection as mayor beyond what's provided to other Chicagoans. But I won't have this job -- or



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this security detail -- forever. And after everything I just went through, I plan to stay in my house for quite a long time!

Finally, we're going to end the charade of carrying hundreds of police officer vacancies without actually hiring them. Protecting public safety requires officers on the beat, not phantom cops on the books. Yet, for years the city kept listing vacancies without ever filling them. Everybody knew what was going on, but nobody let the public in on it.

Well, I'm not going to play that game any longer. We need to be honest with the people of Chicago. So those police vacancies -- and the tax dollars supposedly allocated to them -- are coming off the books.

My budget will pay for two classes of cadets at the Police Academy next year. They will be real officers on the beat -- not ghost officers on a budget line. And if Superintendent McCarthy and First Deputy Wyingler need more officers in the future, we'll find the money to pay for them.

It's not just in the public safety arena where we need to reform how we do business. We must subject every area of city government to this kind of scrutiny.

As the Chicago Federation of Labor pointed out in a recent report, there are too many managers in some departments. So we're getting rid of the excess by permanently cutting 510 senior- and mid-level managers in this budget, which represents a ten percent reduction. That's a savings of 34 million dollars. And we will continue to look for layers of management to eliminate.

In the first months of this administration, we moved to reform and extend recycling services by introducing competitive bidding. Right now, private companies, employing union workers, are delivering recycling services in some parts of the city. Other parts are being served by city workers. The savings we generate through this competition will enable us to eventually provide recycling in all Chicago neighborhoods.

And we will seek to extend this healthy competition to other essential city services, such as curb and gutter repair, tree trimming, street marking, vehicle booting and towing.

No matter who wins the bidding to provide these services, the biggest winners will be the residents and taxpayers of Chicago -- because they will obtain the best service at the lowest cost. This must become the guiding principle of city government. We're here to protect city taxpayers, not the city payroll.



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Reforms in how we deliver city services must extend to garbage collection, as well. The current system, based on ward boundaries, is no longer sustainable. Chicago spends approximately 100 dollars more per ton to collect garbage than Los Angeles and Boston. Now I have a lot of pride in Chicago, but even I don't think our garbage is more valuable than theirs.

No person designing a garbage-collection system from scratch would base it on the lines of a political map. We have always done it that way because we could afford to. But we cannot afford it any longer. FedEx and UPS would not deliver services this way, and neither should Chicago.

I know that some of you are concerned that you will still be held responsible for these services by your constituents. You don't want to answer for service problems that you no longer control. I stand ready to work with you to address your concerns while reforming the system. But we cannot cling to a garbage system based on politics rather than cost.

Another important reform is our wellness program for city workers. By better managing diseases and investing in the health and wellness of our workforce, we will save 20 million dollars next year while improving productivity and maybe even saving lives.

Reforms to our workers' compensation program could save another 15 million dollars. Finance Chairman Burke has agreed to work with us to realize those savings, and I appreciate his pledge of cooperation and his commitment to reform.

In many places across the country, libraries are being closed or their hours of operation severely reduced. But we know that libraries are community anchors and are critical for our youth.

To save 7 million dollars, we propose reducing library hours on both Monday and Friday mornings, as we believe this will have the least impact on the public. But we will need the cooperation of our library employees to do this. Under our plan, the three regional libraries will remain open seven days a week. And despite the huge budget challenges we're facing, with a little cooperation we can continue to keep every single branch library open six days a week, as we do today.

When we add up all the cuts, all the reforms, all the efficiencies and all the savings in this budget, it comes to a total of 417 million dollars. That would eliminate two-thirds of the deficit we're facing.

Bringing greater accountability to city government is a central theme of this budget. We want to make those who use city services more accountable for supporting them – even if they are not residents of Chicago. City taxpayers cannot bear an ever-increasing burden. Fairness demands that the cost of services be more equally shared.



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But before city government asks more of others, we must clean up our own house. City workers currently owe 3 million dollars in unpaid parking tickets and water bills. We're going to make sure those fines and fees are collected.

On a typical workday, our Central Business District is jammed with vehicles, which makes it harder to do business. So I am proposing a downtown congestion premium of two dollars a day, only on weekdays, for parking garages and lots downtown and in River North. We'll use this new revenue to invest in new and existing "L" stations, build a new bus rapid transit station, expand bike lanes, and other efforts to address congestion in the downtown area.

It is estimated that 80 percent of the damage to Chicago's streets is caused by the small share of heavy vehicles like trucks and SUVs. So we are proposing a modest increase for heavy vehicles that do most of the damage.

If you drive a standard-size or smaller car, the cost of your city sticker will stay at 75 dollars. That means 75 percent of Chicagoans will see no increase. If you drive a heavier car or truck, it will go from 120 dollars to 135. Some of the additional revenue will go to fill an additional 160,000 potholes in 2012, nearly a 40% increase over this year.

We will adopt the recommendations of our TIF reform commission and end the haphazard declaration of TIF surpluses. Unallocated funds sitting in the TIF bank account do not put people to work or spur economic development, which is what TIF dollars are intended to do. So, we are creating a system that will look at the performance of each fund on an annual basis and determine surplus levels based on transparent business metrics. And I am proposing we allocate a small portion of the surplus next year - 20 percent of unallocated funds worth 12 million dollars - to job creation and economic development.

And we're going to demand greater accountability by cracking down on those who put our communities at risk. If you're convicted of driving under the influence in Chicago, your fine will now double. The same goes if you're caught carrying illegal firearms in your vehicle. And if you're found with an illegal firearm near a school or a park, your fine will triple.

For the owners of vacant and overgrown lots that promote blight and crime, we're going to make you pay to clean them up -- whether you're an individual or a bank.

In securing a prosperous future for Chicago, there are three critical advantages we must maintain. The first is our educated and energetic workforce. Second is our standing as a critical transportation hub. The third is our tremendous supply of fresh water. Other states may have their oilfields; here in Chicago we have our lake.



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But the fact is, we need to be better stewards of this precious resource. Today, our ability to deliver quality water is threatened by the aging system that provides it. We have a thousand miles of water pipe that are 100 years old or older. Despite our budget problems, we cannot delay their replacement any longer.

Now, some have suggested that we should privatize Chicago's water system. I oppose privatization. In fact, I'm pretty sure a vote on privatization would be 50 to nothing against it. If anyone disagrees, please raise your hand.

But just because we don't want to privatize our water system does not mean we are off the hook. We are already paying the price in flooded streets and basements, big sinkholes, broken axles, flat tires and even sunken cars. When it rains, flooding is among the top complaints to our 311 call system. We can say no to privatization, but we cannot say yes to the status quo.

Residents of Chicago currently pay the lowest price for water of any big city in America. Today, we are asking for an increase in the fee for our water system. In return, we will greatly accelerate its repair. Even with this proposed plan, Chicago rates will remain among the cheapest in the Great Lakes Region.

Now, this additional water and sewer fee is technically not part of the corporate budget. It has nothing to do with our deficit, but everything to do with Chicago's future.

In the next decade, we can replace 100 percent of our century-old water pipes –about 900 miles; re-line or replace more than half of our century-old sewer lines – 750 miles; re-line 140,000 sewer catch-basins; and upgrade the city's four aging pumping stations, which still run on steam.

For year one, the extra cost will equal about five cups of Dunkin' Donuts coffee a month. That cost can be cut even further by switching to a free water meter, as Amy and I have done. In fact, those who switch to meters will pay less next year – even with the fee increase. Let me repeat: switching to a free water meter means you can pay less next year – not more. And all senior citizens will continue to get their sewer rebate.

This accelerated repair schedule will protect our health and safety by guaranteeing our future supply of clean water but most importantly, it will create 18,000 good-paying jobs over the next ten years. This will be one of the largest infrastructure projects in the country initiated by a city.

And, if we are going underground to repair water lines, we should think about laying a broadband conduit too. Today, I am calling on all of Chicago's internet providers to help the City create a plan so that together, we can not only repair Chicago's past, we can prepare for Chicago's future.



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As we undertake this construction program, we're going to implement the first effective apprentice program in the building trades for African-American and Hispanic young people. We're going to make sure that everyone in Chicago has a fair chance to learn a trade and pursue a good-paying career.

The budget I'm presenting today will allow the timely repair and upgrade of Chicago's infrastructure of roads and water systems. It also will help us to bring city services into the modern age. That's why we are proposing an Innovation Fund for Chicago's future. By securitizing the city's existing contract for bus-shelter advertising, we will generate 20 million dollars to establish a revolving-loan fund. This will enable us to invest in new technologies -- keeping Chicago ahead of the curve.

For example, city government currently carries out eight separate inspection functions housed in ten different departments. This drives up costs, drives small businesses crazy and provides multiple opportunities for corruption.

By using new technologies for inspections and posting results on the Web, we can consolidate these many inspections into one centralized function. This will save time and money and make Chicago a better place to do business, while keeping consumers and taxpayers better informed.

Here's another example: Chicago has 2900 intersections with traffic signals, and each intersection costs 1200 dollars to light each year. New technology can cut this energy use by almost 90%. By investing \$9 million from the Innovation Fund, we can retrofit the remaining 900 intersections with LED signals, saving nearly one million dollars per year. This investment will lead to savings for the taxpayer and a smaller carbon footprint for the City.

Through the Innovation Fund and our water and sewer upgrades, we will invest in the kind of change that will strengthen Chicago's future. But we cannot mortgage our future to protect the status quo. Our city's Rainy Day Fund was established for a purpose -- to prepare us for challenges and opportunities yet unseen. But in recent years, the Rainy Day Fund has been raided to plug holes in the annual budget. It was used to avoid the cuts, efficiencies and reforms these new times demand.

As part of this budget, we are directing that 20 million dollars be added back into the Rainy Day Fund. This sends an important message: We're going to start saving for Chicago's future again instead of selling it short.



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As I conclude, I want to be honest about this budget. Almost every one of these ideas has been discussed and debated before. But politics has stood in the way of their adoption. It just wasn't the way things were done in Chicago.

As someone who's spent much of my life in politics, I understand that. And maybe in the past, we could afford the political path. But we have come to the point where we can't afford it any longer. The cost of putting political choices ahead of practical solutions has become too expensive. It is destroying Chicago's finances and threatening the city's future.

And, as tough as this budget is, it only addresses part of our deficit problem. Our pension obligations are clearly unsustainable. That's why I will continue to work with leaders in Springfield to solve the pension crisis – sooner rather than later. Our taxpayers, and our city employees, are counting on us to get this right.

In all of these reforms, we will be guided by principle, pragmatism and progress – not politics. What we simply cannot do is to temporize any longer. We can't kick the can down the road, because we've run out of road. If we can summon the political courage to address these challenges through new thinking and tough choices, I'm convinced that we can build a strong future for Chicago's families.

It is up to us, as Chicago's elected leaders, to rise to this challenge. It's what the people of our city demand -- and deserve.

Finally, let me say this to the members of the City Council: All of us who work in this building are subject to criticism and complaints. That comes with the territory. But over the past months, I have come to know you and work with you. And I believe that the skeptics and naysayers are wrong about us.

Each of you ran for this job because you believe in this city. Each of you ran for this job – and represent your constituents – because you believe in this city. You have worked with me to put this budget together. No doubt, it will not please everyone. But I believe it's the right course – the ONLY course – to secure Chicago's future.

The people of this city have put their faith in us. They have put their trust in us. They have invested their hopes and their dreams in us. Now it is time to pay them back.

Let us come together. Let us work together. And let us show the world that, no matter how tough the times get, we Chicagoans are tougher.



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Thank you, God bless you and God bless Chicago.