December 4th, 2025

Honorable Members
121 N. La Salle Street
Chicago, IL 60602

Dear Ald. Hopkins, Dowell, Yancy, Mitchell, Harris, Lee, Coleman, Curtis, O'Shea, Mosley, Scott, Cardona Jr., Waguespack, Villegas, Mitts, Sposato, Nugent, Napolitano, Reilly, Knudsen, Lawson, Gardiner and Silverstein,

Thank you for your December 2nd letter outlining proposed FY26 Budget alternatives. We welcome the dialogue and agree that honesty and transparency with residents is essential, especially during times of economic uncertainty.

As you know, Mayor Johnson's proposed FY26 Budget addressed these complex and challenging fiscal realities with balanced and prudent measures that:

- Identified $200M in strategic government efficiencies and savings without compromising city services;
- Strengthened oversight and savings for the largest budget driver, the Chicago Police Department;
- Funded community safety programs critical to continue our historic drop in violent crimes and homicides through the Community Safety Surcharge; and
- Protected hardworking residents from paying more at the end of each month to cover their garbage, grocery, and housing costs by avoiding increased garbage fees, the grocery tax, and increased property taxes.

Your proposal's assertion that the Community Safety Surcharge would disincentivize economic growth is not substantiated by data. Businesses thrive in cities with strong infrastructure, safe neighborhoods, an educated workforce, and robust public services. The assumption that corporate taxation directly affects employment growth lacks empirical support. By investing in proven community safety interventions, we are making Chicago better for businesses. A progressive revenue like the Community Safety Surcharge, one that asks those who have benefited the most from the city's growth and prosperity to contribute their fair share, is not a threat to prosperity, but a prerequisite.

The FY26 Budget proposal as originally introduced is not the same budget proposal that is currently before City Council for consideration. As noted in the email from the Mayor's Office of Intergovernmental Affairs sent to City Council on November 20, 2025, there have been numerous changes made to the FY26 Budget proposal thus far to further strengthen protections for working families. These changes include a number of adjustments, as reflected in the summary memo in Appendix 1, including the full restoration of the Chicago Public Library's circulation budget, additional dollars dedicated to the City's advanced pension payment, additional funding for community programs including Gender Based Violence, Legal Protection Fund, Community Justice Initiative, and increasing MOPD's home modification program. These adjustments are part of our efforts to protect communities in Chicago vulnerable to ongoing attacks by the federal government. We also included an accounting for the full removal of the administration's proposed Hemp licensing and regulatory regime given recent federal action and the pending rule-making process that will play out over the next year.

As always, the administration remains open to engaging on any proposals Council members bring forward to ensure they have the full understanding of the practical, legal, and fiscal implications.

To that end, below please find a detailed response to the *Alternative Solutions* you put forward in your letter on December 2, 2025. These responses reflect an analysis put forward by our Office of Budget Management, Office of the Chief Financial Officer, Department of Finance, and Department of Law.

Items to Solve For	***Amount to Solve For***	***Alternative Solutions***	***Amount After Analysis***
Removal of Head Tax	$100M	Additional EY Efficiencies	N/A
Full Advance Pension Payment	$139.9M	Improved Debt Collection	N/A
Firefighter Backpay	$166M	Liquor Tax Off Premise	N/A
Decrease TIF Surplus	$22M	Increased Garbage Fee	$55M
Youth Mentoring Funding	$3.5M	Rideshare Tax	$38M
Total:	**$431.4M**	AR Advertising	N/A
		Cutting Youth Employment	$6.2M
		Environmental Benchmark Ordinance Enforcement	$0.16M
		City Council Money Give Back	$0.5M
		Parking Meters	N/A
		Improved Revenue Forecast	N/A
		Total:	**$99.86M**
		Left to Solve For	**$336.64M**

The above chart reflects the proposals put forward by a group of Aldermen that were sent to the Mayor's Office on December 2, 2025. The proposals above are not part of the Mayor's Protecting Chicago Budget proposal. The revenue analyses are based on legal and fiscal review conducted by the Office of Budget and Management, the Chief Financial Officer, and the Department of Law.

We look forward to your expedited response as City Council has a statutory requirement to pass a balanced budget by December 31, 2025. Our Budget and Finance Team are available to meet with you to walk through these responses in greater detail and answer any remaining questions you have. MOIGA will coordinate with you all to set-up time to meet and discuss these proposals in greater detail.

Sincerely,

Jill Jaworski, Chief Financial Officer, City of Chicago

Annette Guzman, Budget Director, City of Chicago

Michael Belsky, City Comptroller, City of Chicago

CC: Mayor Brandon Johnson

City Response to Proposed Items to Solve For

1) Removal of Head Tax

The Community Safety Surcharge allows the City to maintain stable funding for the programs that have demonstrated success in reducing crime and violence, as shown by the data. In the Summer of 2025, Chicago experienced significant citywide reductions in violent crime compared to prior years, including:

- 23% decrease in overall violent crime,
- 46.7% decrease in homicides,
- 42.6% decrease in shootings,
- 33.7% reduction in robberies, and
- 45.6% reduction in vehicular hijackings.

These gains have made Chicago a safer place to live, work, shop, and play; benefiting every neighborhood, resident, and business. A safer city strengthens economic activity, attracts new investment, and broadens the tax base, all of which help reduce the long-term burden on taxpayers. Furthermore, findings from a longitudinal study by the Congressional Research Service[1] indicate that corporate tax rates bear no causal relationship to employment growth. However, research[2] shows that consumers take crime rates into consideration when deciding whether to visit a business. The perception of violence and the risk of victimization scare off consumers, making businesses less profitable.

Importantly, sustained investment in safety programs prevents the far higher economic and social costs associated with crime. These costs encompass not only direct expenses such as first responder overtime, but also substantial economic losses as businesses, residents, and tourists redirect their activity away from areas they perceive as unsafe.

97% of all Chicago businesses will be exempt from this surcharge. The 3% that are subject to it will pay $21 per employee per month, an amount which represents only a small fraction of a percent of typical payroll expenses. Removing this structural revenue source would create a $100 million budget gap which would require corresponding increases in other structural revenue sources or direct service cuts to residents.

2) Making the Full Advanced Pension Payment

The City continues to meet its full statutory and actuarial pension obligations. The Advance Pension Payment, which accelerates our schedule beyond those obligations, remains a top priority for Mayor Johnson.

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[1] "Tax Rates and Economic Growth." *Congress.gov*, Library of Congress, 3 December 2025, https://www.congress.gov/crs-product/R42111.

[2] Tax Rates and Economic Growth. (2025, December 3). https://www.congress.gov/crs-product/R42111

Despite elevated statutory contribution levels, the exhaustion of the assigned fund balance, and dedicated structural revenue sources performing below initial projections, the City remains committed to funding the Advance Pension Payment. Because dedicated funding for these payments were made ahead of schedule, the City has proposed a $130 million partial contribution this year to ensure we continue exceeding required pension obligations, avoid growth in the net pension liability, and prevent the need for any substantive liquidation losses.

Implementing the Advance Pension Payment as calculated would require adding approximately $130 million to the current proposed budget. Achieving this higher payment level would require an equivalent increase in new revenue or corresponding reduction in City services.

3) Funding Firefighter Backpay without Borrowing

The budget year 2025 allocation for retroactive payments associated with the labor contract was $200 million and was budgeted in Finance General consistent with standard City Practice during contract negotiations.

In the proposed 2026 Budget, which reflects the terms of the now settled contract, the City had set aside $340 million, to cover the required retroactive payments. The $340 million payment is based on the collective bargaining agreement that was recently approved. This is a $140 million increase over the amounts budgeted in 2025 when the contract was still in negotiation. Of the total $340 million retroactive payment amount, $166 million represents costs tied specifically to pay increases from 2022-2025, when employees were working without a contract. This portion does not include any structural or ongoing expenses associated with the finalized contract.

Because this $166 million expense was accrued over multiple fiscal years, the City will borrow and amortize this amount over the next 3 years. Spreading these costs over the same period in which they were incurred ensures the City stabilizes cash flow, avoids large one-time expenditure spikes, and maintains consistent service delivery year over year. This strategy reflects the fact that the retroactive payments are one-time payments that do not have a corresponding one-time revenue. It is important to note that the borrowing is relatively consistent with the increase in retroactive costs since 2025.

4) Hemp Tax Preclusion

Following the passage of the Federal Continuing Resolution on November 12, 2025, the Administration removed the proposed Hemp Regulatory and Taxing regime from the City's FY26 Budget proposal. The federal government included a nationwide ban on intoxicating hemp-derived cannabinoid products and established a 365-day period for federal agencies to develop necessary rules and regulations. During this year long rule-making process, we anticipate that federal regulators and Congress will determine key elements such as product classifications, regulatory frameworks, and enforcement mechanisms. In light of this emerging and evolving federal landscape, the City determined it would be most prudent to pause the local hemp-related licensing or regulator actions until further federal guidance is available. Therefore, the proposed hemp licensing framework and associated tax revenue was withdrawn from the most recent FY26 budget proposal. The OBM summary that reflects the updated revenue projections associated with this removal is included in Appendix 1.

The Administration shares City Council's concerns around safety and lack of existing regulation, while also supporting the economic vitality of the good operators. We remain committed to working with our partners in the General Assembly as we await federal rule-making (initial rules expected in February of 2026). **We strongly urge City Council to not preemptively enact a widespread total Hemp ban which could have significant negative budgetary and economic impacts.** As we await further federal guidance, we recommend imposing age (21+) and packaging restrictions. Industry estimates there are hundreds of businesses across Chicago that rely in large part on sales of these products, **generating approximately $10 million in *existing* sales tax revenue to the City every year.** The proposed ban before City Council also includes non-intoxicating hemp which will impact every retail store that sells CBD lotions and products. This industry supports approximately 10,000 jobs in Chicago at hundreds of bars, restaurants, breweries, and package goods stores.

<u>5) Return $100M of TIF Surplus</u>

With respect to the suggestion that the City "restore" $100 million of the proposed TIF surplus, it is important to clarify that TIF surplus declarations are governed by both State statute and City policy. Under Illinois law, the City is required to surplus any TIF funds that are not encumbered or otherwise obligated for an approved project or eligible redevelopment activity. At present, no specific projects have been identified—either in the letter or through prior discussions—that would require adjustments to the FY2026 surplus projection, nor has there been a proposal identifying which TIF districts should be reduced to accommodate such an investment.

The FY2026 TIF surplus was calculated using the standard, legally prescribed methodology and was prepared in accordance with all applicable state and local requirements. This process is conducted annually in a fully transparent manner, with district-by-district documentation and clear accounting of available balances, encumbrances, and eligible uses.

It is also important to note that once the City releases its annual TIF surplus estimates, overlapping taxing bodies—including Chicago Public Schools, Cook County, and other local governments—use those figures to finalize their own budgets. Since the release of the City's FY2026 budget recommendation, several of these partners have already enacted budgets that rely on the surplus estimates provided by the City. Adjusting the surplus at this stage would create material disruptions for these entities and could impair their ability to meet statutory and financial obligations.

For these reasons, the proposed TIF surplus level reflects both the legal requirements governing surplus declarations and the practical realities of intergovernmental fiscal planning. Should specific projects or district-level needs be identified in the future, they will be evaluated through the appropriate statutory and planning processes.

<u>6) Restoring Funding for Youth Guidance (BAM and WOW)</u>

It is difficult to reconcile this proposal with the simultaneous recommendation, in your proposal, to cut youth jobs through One Summer Chicago (OSC). OSC provides real, paid opportunities that not only offer workforce experience and a steady income, but are backed by data showing double-digit reductions in youth violence (see "Youth Employment" section of this letter). In contrast, this proposal seeks to shift additional funding to a specific delegate agency currently under monitoring with several performance improvement plans and during an open RFP process where there are currently 116 applicants. As you know, the City could not provide a direct grant without a competitive RFP process with a discrete set of criteria that includes past performance. We will continue to support evidence-based strategies and a fair procurement process to remain a responsible steward of taxpayer dollars.

The City's Youth Mentoring program underwent an overhaul based on feedback from thousands of past youth participants. The summary below details the shift Department of Family and Support Services (DFSS) rolled out to transform the Youth Mentoring program from a group-based mentoring model to an individualized, one-on-one community model after a comprehensive review of program data, youth feedback, and national research. The shift ensures that every young person—particularly those most at risk of disconnection—receives consistent, trauma-informed, and personalized mentoring support that fosters trust, safety, and long-term growth.

It's also important to note that people-powered programs can sometimes lose effectiveness when scaled too quickly or too broadly. In Chicago, scholars studying Youth Guidance's "Becoming a Man" ("BAM") found suggestive evidence that average impacts declined as participation expanded citywide.[3] We believe this is a cautionary tale that highlights the importance of growing in ways that protect fidelity, supervision, and counselor skill. The broader lesson is to build models that preserve depth for each young person, even as we reach more of those who need help most.

<u>Key Data and Feedback findings that guided the open RFP:</u>

- Program Data (2024–2025)
  - 1,000 mentoring slots went unused monthly, despite high enrollment.
  - Monthly participation never exceeded 90%, with steep declines during summer.
  - Youth often missed sessions due to school, work, or family obligations.
  - Large groups (1:15 ratio) limited relationship depth; mentors couldn't provide consistent, individualized support.
  - Family engagement was low, weakening stability and continuity.
- Youth & Provider Feedback (2694 youth surveyed & 23 providers responded to surveys):
  - 67.2% of youth respondents (1810/2694) of youth requested more one-on-one time with mentors.
  - 60%+ reported difficulty attending group sessions due to scheduling or discomfort.
  - Providers observed youth were more engaged when they could meet in familiar, flexible settings.

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[3] Bhatt, M., Guryan, J., Ludwig, J., & Shah, A. (2021). *Scope Challenges to Social Impact*. https://doi.org/10.3386/w28406

- Agencies cited a need for stronger mentor training and supervision to effectively support youth experiencing trauma.

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City Response to Alternative FY26 Budget Alternatives

1) "Additional EY Efficiencies - Fully Implement the Ernst and Young Report recommendations both in the short and long term ($90.6 million in structural savings in year one)."

It is important to note that the City's *Financial and Strategic Reform Options* report presents a *set of options* for consideration—not mandates. As with any external assessment, each recommendation must be evaluated against departmental priorities, operational feasibility, labor considerations, service impacts, and overall fiscal responsibility.

The Administration conducted a detailed review of every option in coordination with the affected departments and incorporated those that can be implemented responsibly within existing operational and contractual constraints into the FY2026 budget proposal. This evaluation process will continue, but it is neither practical nor advisable to assume that every recommendation can or should be implemented in full or in the first year. Equally important, responsible budgeting requires that savings included in the budget be achievable and grounded in operational reality; **incorporating unverified or highly uncertain savings would create fiscal risk, rather than reduce it**.

Please see the attached Appendix 2 for the Administration's detailed responses to your proposal's efficiency recommendations. Additionally, the Administration has provided City Council with a summary of the report options that are included in the FY2026 budget, as well as a more in-depth response to the options submitted by Alderman Waguespack on November 14, 2025. Both documents are attached as Appendix 3 for reference.

2) "Improved Debt Collection - Improve debt collection by focusing on outstanding debt compiled over the last three years - $150 million in one-time revenue."

The proposal's assumption that the City could generate $150 million in one-time revenue through the sale or accelerated collection of outstanding debt does not reflect how municipal debt collection functions in practice or under current law.

Unpaid City debt is already referred to the Department of Law (DOL) for collection, which then engages external law firms and, when necessary, pursues remedies through the courts. Unlike property tax or tax lien sales—which work because the purchaser receives a perfected lien and thus has collateral—most forms of municipal debt do not carry transferable security interests. This fundamental difference makes the sale of such receivables neither standard practice nor financially viable.

For example, vehicle violations cannot be secured through driver's license revocation as that enforcement tool has been eliminated at the state level. While the City may pursue scofflaws through the Department of Administrative Hearings or the Circuit Court, available remedies such as wage garnishment or liens require significant time, involve substantial administrative and legal costs, and produce highly variable outcomes. These characteristics make such debt unattractive to buyers and unsuitable for securitization.

The same challenges apply to water debt—which is no longer enforceable through residential shutoffs—and to other categories such as uncollected taxes or EMS-related charges. Outside of withholding permits or conducting debt checks, the City's legal authority to compel collection is limited, and court action remains the primary remedy. This is precisely why, to our knowledge, no major U.S. city has sold this type of debt portfolio.

There are also practical and policy considerations. If collection were delegated to a third-party investor, the City would have limited control over collection tactics, which could become more aggressive. Residents, however, would attribute those actions to the City, creating reputational and equity concerns.

Finally, even if such a transaction were theoretically feasible, designing, structuring, and documenting a novel municipal debt sale would be a lengthy process—likely requiring many months to a year—with no guarantee of generating a meaningful one-time return.

For these reasons, the assumption that the City could realize $150 million in one-time revenue from the sale of outstanding municipal debt is not supported by legal, financial, or operational realities.

3) Increase Liquor Tax at Liquor Stores by 3% - Increase liquor tax for off premise sales - $24 million in structural revenue."

The Uniformity Clause could be a basis for a challenge on this proposal. Although the justification for the tax on off-premises sellers appears reasonable, the Illinois Appellate Court has previously found no "real and substantial difference" between on-premises and off-premises consumption of alcoholic beverages for tax purposes. *North Sheffield v. City of Chicago,* 144 Ill. App. 3d 913, 921 (1st Dist. 1986). The administration is happy to meet with the aldermen to provide them with the legal analysis.

4) "Increase the Garbage Fee with an Exemption for Seniors - Increase the garbage fee from $9.50 per month to $18 per month - $55 million in structural revenue."

The proposal to raise the garbage collection fee from $9.50 to $18 per month represents a **90% increase in a single year for Chicago residents.** For the vast majority of households—those living in single-family homes and buildings with up to four units—annual costs will rise from $114 to $216. For seniors, the proposal would raise their rates from $4.75 to $9.00 per month, representing a 90% increase to large number of people on a fixed income. Additionally, although the proposal mentions expanding utility relief eligibility, our modeling reveals that to achieve the $55 million in revenue, the full $18 fee would have to be applied to all non-eligible senior households—thus, as presented the proposal offers **no relief** for low-income households enrolled in the City's Utility Billing Relief program.

At a time when many communities are already experiencing substantial property tax increases through the recent property assessments conducted by the Cook County Assessor and the appeals approved by the Board of Review, imposing another major cost escalation would create an immediate and disproportionate burden on households least able to absorb it.

A ward-by-ward breakdown of all properties that would be affected by this proposed fee increase is attached in Appendix 4 for reference.

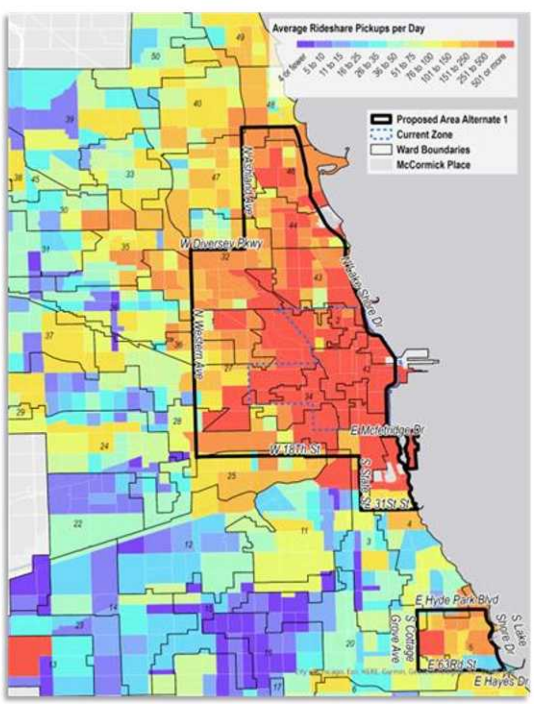
<u>5) "Restore Original Congestion Fee Proposal - $48 million in new structural revenue."</u>

The City's **current** ground transportation tax, as of January 1, 2025, is as follows:

- Transportation Network Providers, Single Rides - $1.13 per vehicle per ride, plus
    - **Congestion Surcharge:** an additional **<u>$1.50</u>** per vehicle per ride accepted for every single ride that includes a pickup or drop-off, or both, between 6:00 a.m. and 10:00 p.m. **<u>seven days a week</u>** in the Downtown Zone, and
    - **<u>Major Venue Surcharge:</u>** an additional **<u>$5.00</u>** per vehicle per ride accepted for every ride that includes a pickup or drop-off, or both, at O'Hare International Airport, Midway International Airport, Navy Pier, or McCormick Place.

The FY26 Budget, ***as introduced on October 16th***, proposed two major changes to Chicago's Ground Transportation Tax, with both changes having an effective date of April 1, 2026:

1) The downtown congestion zone was expanded to include the top 20 most congested areas of the City of Chicago. This meant that the congestion zone surcharge of an additional $1.50 per vehicle per ride for single rides, and $0.53 per vehicle per ride surcharge for shared rides, would also be extended to these new areas within the City. The original congestion surcharge map is outlined below. These originally proposed expanded congestion surcharge zones would have generated approximately $23M in the FY26 Budget:



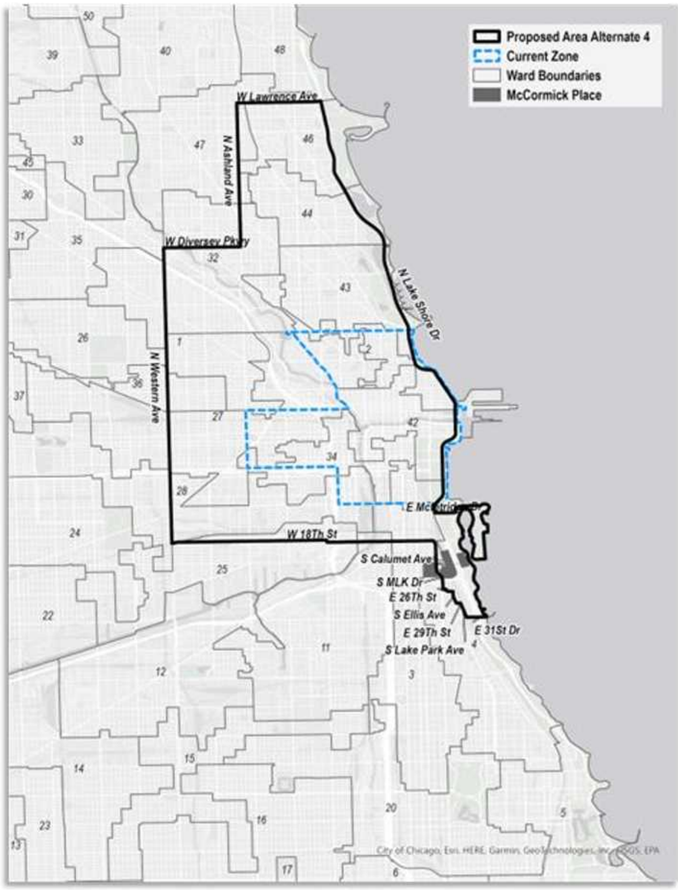
2) The citywide flat tax of $1.13 per ride on all TNP rides would be replaced with a 10.25% percentage-based tax rate. This change would impact all rides across the City, not just those that started, ended, or remained within a congestion zone. The shift from a flat fee to a usage-based percentage tax means longer trips would be taxed more, while shorter trips would see an increase, and the shortest trips could see a decrease. The impact of the percentage-based tax on TNP rides would be felt differently by different types of riders. This tax proposal was raised and recently rejected in Springfield as a viable revenue source for transit. Labor organizations representing ride share drivers and disability advocates were strongly opposed in Springfield and remain so in Chicago**.** This originally proposed conversion would have generated approximately $32M in the FY26 Budget.

Thus, both changes together were estimated in the proposed budget to **capture $55 million** in additional revenue in FY2026.

Updated FY26 Budget Proposal (November 2025):
In response to concerns raised by members of City Council and advocates, the Johnson Administration made the following adjustments to the GTT proposal set forth in the introduced budget, which impacted the amount of additional revenue estimated to be received from this tax in FY2026:

- The percentage-based tax change was removed, and
- The Congestion Surcharge map was adjusted to the current map reflected below and the effective date was moved to January 1, 2026.

With these changes, the estimated new revenue for GTT is **approximately $17M in the FY26 Budget, or a net reduction in forecasted revenues of $38 million**. We are unsure of where the drafters of the alternative proposal found an additional $10 million.



6) "Augmented Reality Licensing - $26 million in structural revenue in the first year of implementation."

Currently, no U.S. or international municipality has successfully implemented a licensing framework for augmented reality (AR) applications. While the concept presents long-term revenue potential, further research is needed to proceed with licensing.

The Aldermanic proposal estimates $26 million in first-year revenue from AR licensing. However, it lacks transparency regarding the assumptions and methodology behind this projection, making it impossible to validate. Without a clear evidentiary basis, the City cannot responsibly rely on these figures for fiscal planning.

While some City departments may have contracting authority in this area, in order for licensing to be revenue generating, the City must be able to exert some sort of proprietary control over the environment where the license would be active. Regulating the outdoor public sphere in this way poses issues as the City holds the public sphere in trust for the benefit of the public. There are some objects, like Cloud Gate (aka "The Bean"), which are under copyright and would present further limitations. While this proposal is an interesting idea for consideration, it requires a thorough legal and policy analysis to determine feasibility.

Finally, establishing an AR licensing framework would require significant input from multiple departments, including BACP, DOH, DOL, DCASE, 2FM, and DTI. In order to best explore a new concept like this, the City should first issue an RFI to understand the market and then an RFP. All of that will take some time, and as stated we do not have a way to measure revenues at this time.

7) "Maintain Youth Employment at 2025 Level - $6.2 million - one time revenue"

Under the Mayor's proposed FY26 Budget the total number of youth employment positions in the City of Chicago remains stable. Cutting the youth employment budget by $6.2 million would both eliminate the previously ARPA funded slots and would also eliminate the necessary increase in the budget to ensure compensation is set at minimum wage. Thus, maintaining the 2025 budgeted amount would result in a reduction of 5,100 youth employment slots for 2026, bringing the overall program down to approximately 25,000 slots—frustrating our collective efforts towards continued investment in proven community safety efforts.

Impact in Key Communities

In the five community areas with the highest number of One Summer Chicago hires—Austin, Auburn Gresham, Roseland, South Shore, and North Lawndale—the City tracked double-digit declines in shootings and homicides from Summer 2024 to Summer 2025. Further cuts to this program, risk this critical progress.

Community Area	# of Hires	Shooting Percentage Decrease	Homicide Percentage Decrease
Austin	1,829	-30.8%	-30.4%
Auburn Gresham	976	-28.6%	-66.7%
Roseland	966	-39.3%	-100%
South Shore	892	-25.5%	-37.5%
North Lawndale	867	-50.6%	-66.7%

Youth Victimization Trends

While we saw decreases in youth victimization citywide, it's worth noting the following trends:

- Austin: 33% decrease in shooting percentage (May 1–Aug 31, 2024 vs. 2025).
- Auburn Gresham: 14% decrease in shooting percentage; youth homicide rate held steady.
- North Lawndale: 33% decrease in youth homicide percentage

8) "Environmental Benchmark Ordinance Enforcement - $3M structural revenue."

Key Assumptions and Clarifications Regarding the Proposal:

- *Overstated Maximum Fine:* The proposal assumes 365 days of noncompliance, resulting in a maximum fine of $9,200 per building. However, the ordinance and its implementing rules have a reporting deadline of June 1st, making a full year of 2026 program year noncompliance impossible. In addition, it would be very difficult to successfully sustain enforcement regarding 2025 program year compliance due to 2025 serving as a transition year to DOE oversight of the program and a new program administrator. Thus, the estimated maximum potential fine, which does not account for induced compliance or resulting behavior changes, would be approximately $4,662 per building.
- *Unrealistic Compliance Behavior:* The proposal assumes that developers would opt to pay fines annually rather than seek to comply after being made aware of their non-compliance. However, it is more cost effective for businesses to meet compliance requirements, even if that involves contracting to a third party, than to incur ongoing penalties.
- *Intent of the Ordinance:* The Chicago Benchmarking Program is designed to drive energy savings, education, and emissions reductions; not to generate revenue. DOE is in the process of relaunching the benchmarking program to better educate commercial developers on benchmarking requirements and to support compliance efforts. DOE will offer new trainings, a support hotline, and clear reporting deadlines to help owners meet requirements.
- *Enforcement Capacity:* The benchmarking ordinance was under the purview of BACP until last year (12/31/24). BACP had not issued notices of violations and accompanying fines due to capacity limitations and administrative process challenges. In FY2025, program authority was transferred to DOE and, in February of 2025, the department released a competitive bid to select a new contractor and make necessary program improvements. DOE is currently working with its new program administrator, Slipstream, Inc., to launch a new reporting portal, website, streamlined ticket support, and improved communications with building owners. Once that has occurred, DOE's existing staffing—which currently does not have enforcement capacity—is not sufficient to immediately issue NOVs and fines. New capacity to do so could plausibly come in two ways: entirely new City staff focused on violation enforcement or potential utilization of existing environmental enforcement staff proposed to be transferred to DOE from CDPH in the 2026 budget. For the former option, aggressive hiring would likely allow enforcement of 2026 program year compliance (as described above, the filing deadline is June 1, 2026). For the latter option, the CDPH to DOE transition will not occur until on or just before May 1, 2026. Therefore, in both scenarios and for the reason described above, we could not rely on 12 months of revenue.
- *Fine Structure and Compliance Estimates:* Under Chapter 18-14, non-compliant covered buildings are fined $100 for the first violation, plus up to $25 per day for continued noncompliance. Notices of violation are typically issued in early September. Based on an 81% compliance rate among approximately 3,600 covered buildings, around 700 buildings are expected to fall out of compliance. The alderpersons' revenue assumptions rely on immediately beginning to fine non-compliant buildings every day continuously. While this may be allowable under the ordinance, it is also a particularly aggressive enforcement choice for a program that has not previously issued NOVs and fines.

- *Estimated Revenue Range:* Preliminary DOE analysis estimates that enforcement could generate approximately $165,000 annually, depending on actual compliance behavior and enforcement timing starting in 2026 (pro-rated for reasons described above) and beyond.

9. City Council Efficiencies - $500,000 - one time revenue

The Mayor's Protecting Chicago budget divides the $500,000 appropriation across all 50 Aldermanic offices resulting in each Alderperson receiving an additional $10,000 in FY26. We have heard from members of council that this modest increase would support their office operations. The administration takes no position and defers to the City Council on whether to forgo this increase to return this appropriation to the corporate fund to cover other City service costs.

10. Work towards 100% Operability for Parking Meters - $6.5 million - structural revenue

The Chicago Parking Meters contract requires the City to make True Up payments under circumstances in which the System in Service percentage is less than 100%. In order to reduce the budgeted True Up amount for 2026, measures would have to be taken to increase system revenues. Solutions could include expansion of meters into new areas or increasing meter hours. For new meters, it takes approximately 6 months to order and install new meters; thus new revenues from this strategy would take approximately 6 months for receipts to begin. Assuming any new meters are Reserve meters (meters in which the City receives 85% of the revenue) the City will have partial year revenues to offset a portion of the True Up costs.

11. Improved Revenue Forecast - $31.6 million one-time revenue

With respect to the assertion that the FY26 budget "understates revenue capacity," it is difficult to fully evaluate this claim because the proposal does not identify the specific revenue sources believed to be under-forecasted, nor does it provide the methodology or assumptions used to support that conclusion. Additional detail would be needed to understand the proposing Alders' position around increasing the revenue estimates in the final budget.

The FY26 revenue projections were developed using the City's established, data-driven forecasting process, which incorporates updated economic indicators and actual collections through June 2025. The FY26 estimates already reflect the stronger-than-budgeted performance observed mid-year, as those trends were built into the revised FY25 baseline.

It is important to underscore that **point-in-time revenue reports can include temporary or non-recurring fluctuations that should not be extrapolated across an entire fiscal year**. Many major revenue streams exhibit clear seasonal patterns, cyclical behavior, and one-time events—such as large real estate transactions, unusually high tourism months, or timing shifts in corporate activity—that do not persist. Relying on those moments as predictors of ongoing annual performance would risk overstating revenue capacity.

If such short-term spikes were used to set annual budget targets, the City could end up budgeting revenues that ultimately do not materialize, which in turn would widen the structural gap and require mid-year adjustments and/or service cuts. The City's forecasting methodology is intentionally designed to control for seasonality, volatility, and non-recurring activity to avoid precisely this outcome.

For these reasons, the FY26 recommended budget incorporates measured, evidence-based adjustments to the revenue forecast rather than assuming that temporary increases will continue throughout the full fiscal year. This approach ensures long-term stability and helps protect against uncollected revenue that could otherwise jeopardize the City's financial position.

Appendices Attached