



City of Chicago

2016 Budget Forum

Malcolm X College
Monday, August 31, 2015

Budget Forum Speakers

- Mayor Rahm Emanuel
- Juan Salgado, Moderator
- Reverend Albert D. Tyson, III
- City of Chicago Finance Team
 - Carole Brown, Chief Financial Officer
 - Alexandra Holt, Budget Director

City of Chicago Budget Facts

Fiscal Year: January 1 – December 31

Legal Requirements

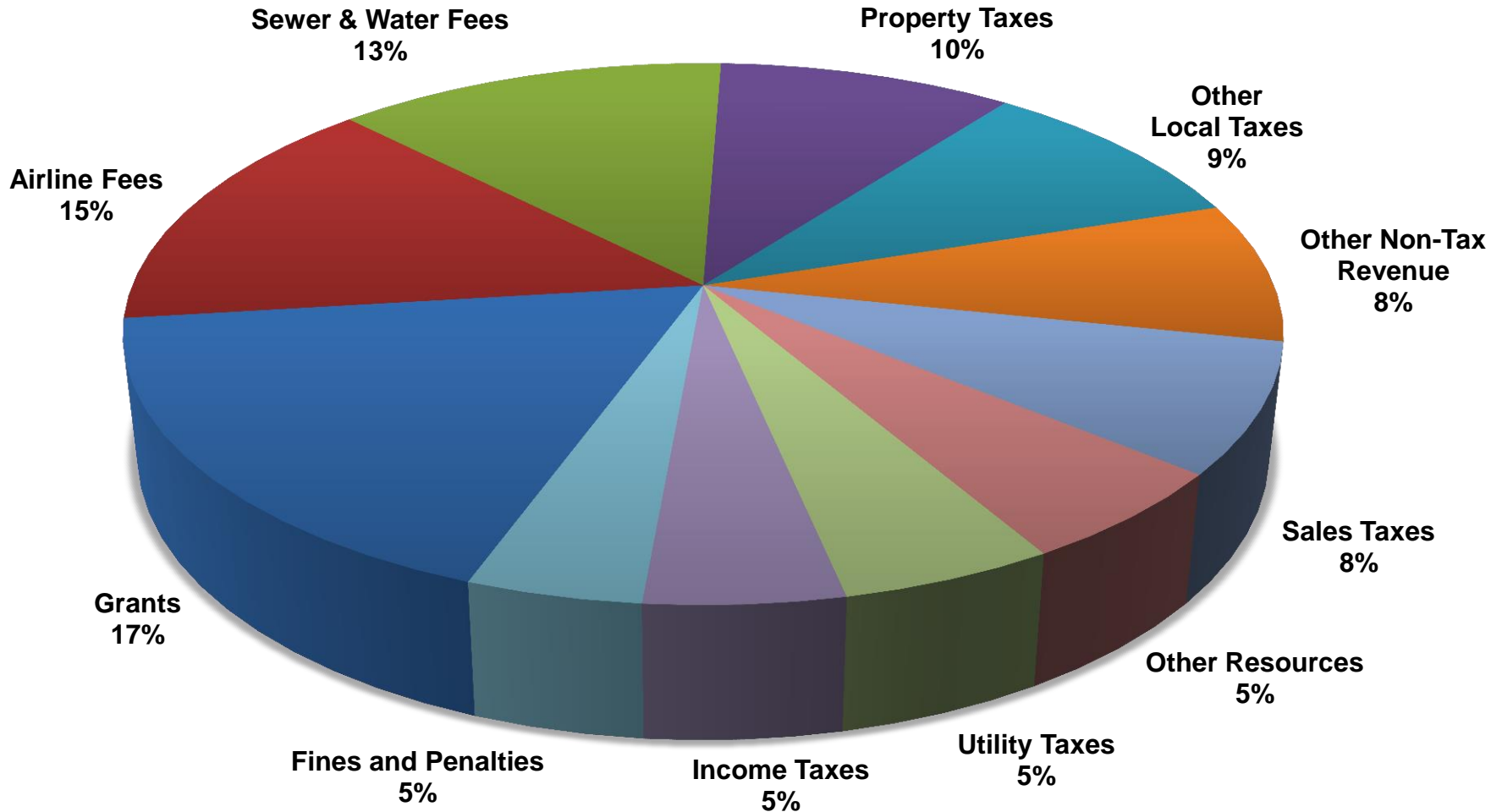
- ✓ Must be approved by December 31
- ✓ Must be balanced—revenues must match spending

Size

- ✓ Over \$8.9 billion budget for the City of Chicago in 2015
 - ✓ This budget provides services including: police officers, firefighters, snow removal operations, garbage and recycling collection, street paving, public libraries, airport operations, water and sewer maintenance, afterschool programs
- ✓ Does **not** include Chicago Public Schools (CPS), Chicago Park District, Chicago Transit Authority (CTA), City Colleges, or Chicago Housing Authority (CHA)
- ✓ Combined budgets of the City of Chicago along with CPS, Chicago Park District, CTA, City Colleges and CHA totals almost \$18 billion

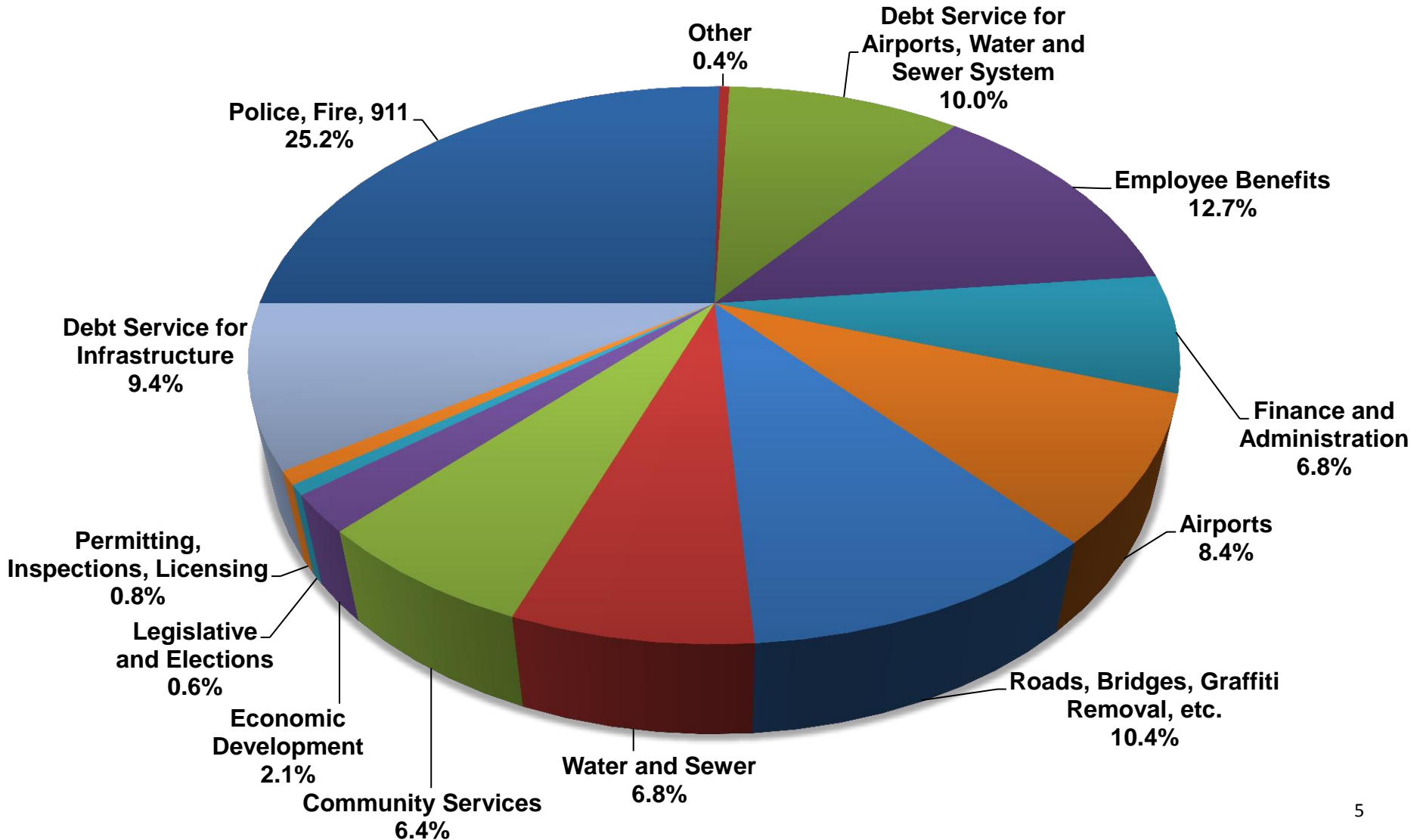
Where the Money Comes From

2015 Budgeted Revenue

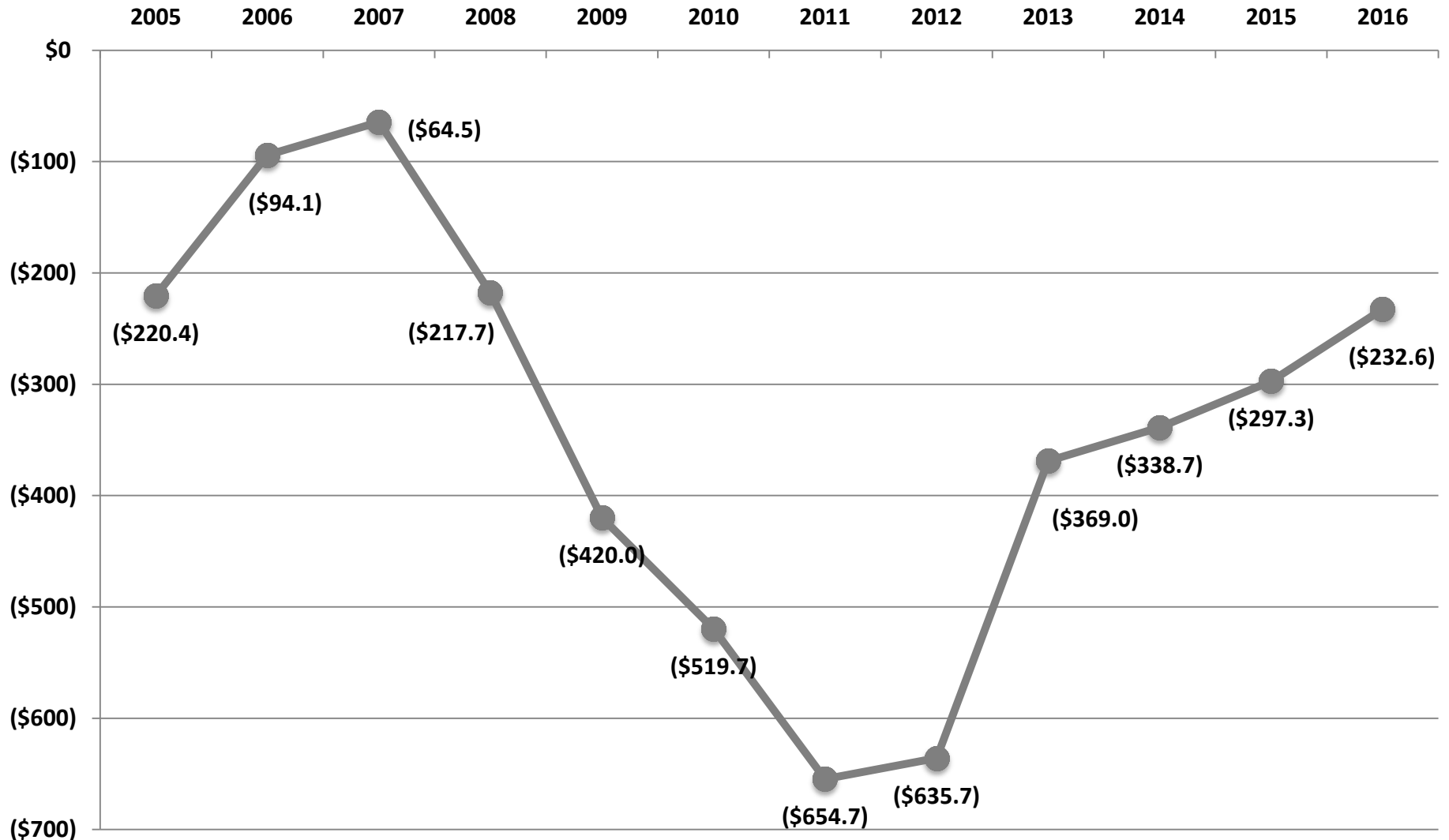


Where the Money Goes

2015 Budgeted Expenditures

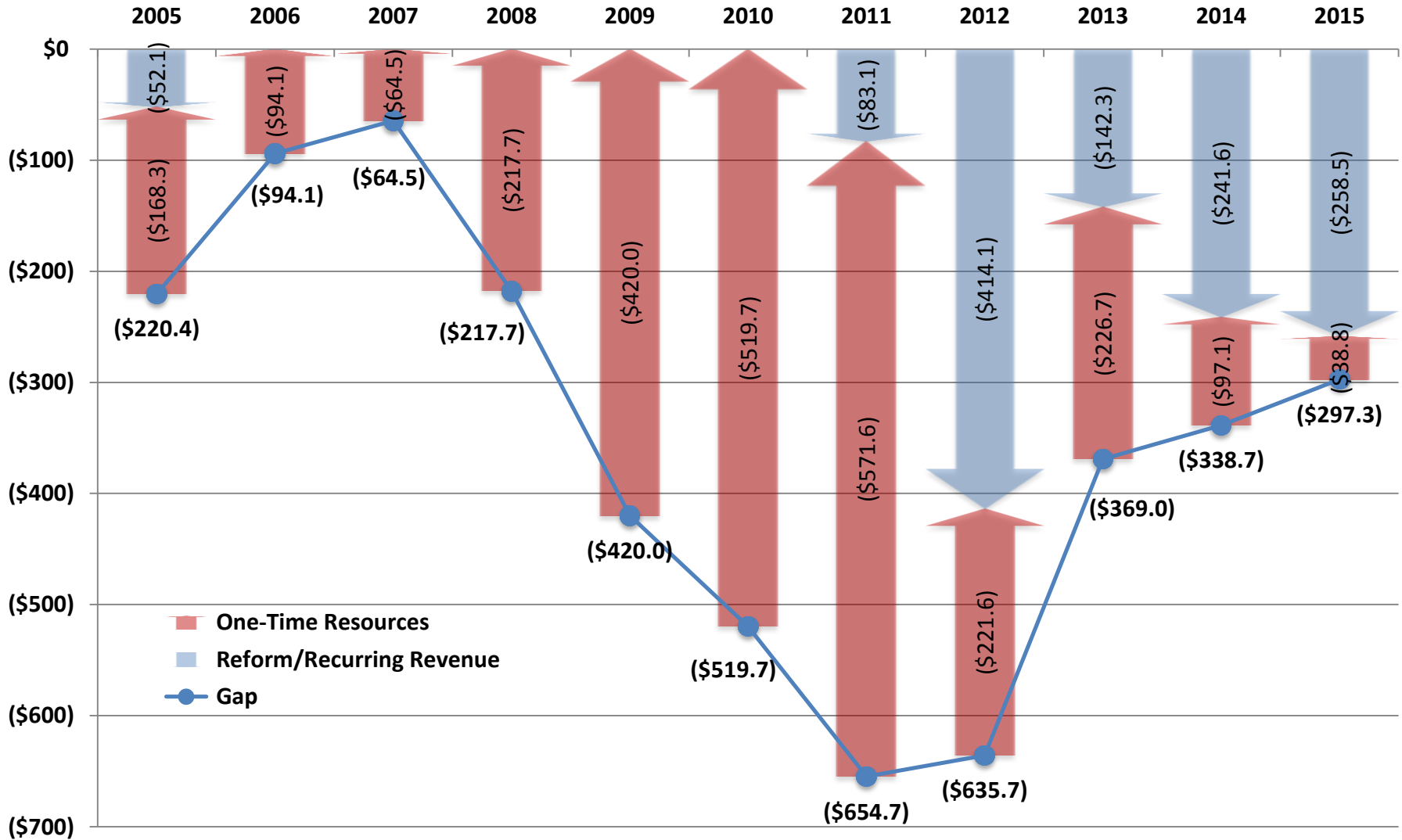


Addressing the Challenges Ahead



Yearly Operating Budget Shortfall

Addressing the Challenges: Reforms Before Revenue for Every Budget



Addressing the Challenges: Reforms and Savings

Starting with the 2012 budget, the City has used real structural reforms and lasting savings to close operating shortfalls each year

- ✓ **2012 budget:** \$246 million
- ✓ **2013 budget:** \$66 million
- ✓ **2014 budget:** \$84 million
- ✓ **2015 budget:** \$81 million

Addressing the Challenges: Ending Bad Financial Practices

COMPLETED

- ✓ Terminated all risky interest rate swaps to eliminate risk for taxpayers
- ✓ Converted general obligation variable rate bond debt to fixed rate to reduce risk for taxpayers
- ✓ Stopped raiding reserves to fund general city operations

IN PROGRESS

- ✓ End practice of using debt restructuring to pay operating expenses by 2019
- ✓ Increase use of operating funds to pay for legal settlements and judgments
- ✓ Invest in City's rainy day fund
 - ✓ Since 2012, the current administration has invested \$45M in the City's rainy day fund

Addressing the Challenges: Reforming Tax Increment Financing (TIFs)

- ✓ TIF is a funding tool used by the City to promote public and private investments across Chicago including: roads, bridges, affordable housing, schools, parks and economic development
- ✓ Currently 147 active TIF districts citywide, down from 162 active TIF districts in 2011
- ✓ More than 95% of TIF commitments under the current administration has supported public projects, such as schools, transit, economic development projects, and affordable housing

Recent Reforms on TIFs:

- ✓ Freeze new spending in downtown TIFs and sunset them when the current and committed projects are paid off
- ✓ Making the Mayor's TIF surplus permanent law; building on the **\$300 million** in TIF surplus allocated to local governments since 2012

Growing Pension Payments and Legacy Debt

Despite the many savings and efficiency improvements and structural reforms, significant financial challenges remain – both operating and legacy

- ✓ Wages and benefit costs continue to grow
- ✓ Pension payments and liabilities are growing
- ✓ Legacy debt must be addressed

Addressing the Challenges this Fall

- ✓ \$232.6 million operating shortfall in 2016; lowest since 2008
- ✓ \$328 million additional contribution for 2015 public safety pension obligations
- ✓ \$93 million incremental increase in pension costs for all four pension funds in 2016
- ✓ \$100 million debt repayments to start ending practice of “scoop and toss” in 2016/restructuring debt obligations and pushing payment off in future years at a higher interest rate

Community Dialogue

Share your ideas on social media using the hashtag:
#ChiBudget2016



Or send us your ideas via email at:
Chibudget@cityofchicago.org