



OFFICE OF THE MAYOR  
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**MAYOR RAHM EMANUEL OUTLINES 2012 BUDGET PROPOSAL  
TO SECURE CHICAGO'S FUTURE**

*Reforms, efficiencies will save taxpayers \$417 million, prevent increase in property, sales taxes  
New Infrastructure initiative will create 18,000 jobs in next 10 years  
\$20 million in Rainy Day fund gets City back on path to financial security*

With the goal of securing Chicago's future, Mayor Rahm Emanuel today outlined the City of Chicago's 2012 budget proposal, which will fill a \$635.7 million budget deficit without any increase to property or sales taxes or a new income tax. The City was able to avoid new taxes by identifying innovative reforms and efficiencies, and revenue enhancements and investments that will allow the City to invest in infrastructure while creating a \$20 million safety net in the City's Rainy Day fund.

"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," said Mayor Emanuel. "We're facing a deficit of \$635.7 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."

This summer, the City of Chicago released the first ever annual financial analysis – a three-year projection of city finances, as well as a financial review of the last decade. At that time, the City issued a projected 2012 budget gap – the difference between expected income and expenditures in 2012 – of \$635.7 million.

Mayor Emanuel's budget proposal includes savings – realized by cutting spending, increasing efficiencies, and additional innovations or government reforms – that add up to \$417 million. The savings include vacancy reductions, layoffs, increases in debt collection, health care savings from an employee wellness program, fee waiver reforms and departmental spending reductions, among other efforts. The budget proposal includes 517 total layoffs that will be effective January 1<sup>st</sup>, and the elimination of more than 2,000 vacant positions.

Emanuel's budget proposal also includes \$238 million in investments, financing and growth, which allow the City to make key investments in infrastructure and neighborhoods. Only 11 percent – or



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\$78 million – of the budget proposal comes from new revenue sources. These enhancements include an approximately \$1.78 increase per night in the city’s portion of the hotel tax, a congestion premium on parking for central business district garages, a new vehicle sticker fee tier for heavier vehicles; valet and loading zone fee adjustments that require fair compensation for valuable city space; an increased water rate that still falls below national standards, and more just fines for criminal and negligent activity. These revenue enhancements will allow the City to continue to provide essential services while ending the “free ride” for access to City resources and property.

The 2012 budget proposal includes a critical investment and jobs program launched to update the City’s aging water system. An increase in water and sewer fees will be used to fund an ambitious infrastructure improvement program that will lead to the replacement of 900 miles of century-old water pipes; the relining of 750 miles of sewer lines; the relining of 140,000 sewer catch basins; and the upgrade of the City’s four aging, steam-powered water pumping stations. Further, and most importantly, it will boost the City’s economy by creating 18,000 jobs over the next 10 years. This will be one of the largest infrastructure projects in the country initiated by a city.

The budget proposal also calls for the creation of a \$20 million innovation fund that will allow the City to invest in key, innovative projects for departments and agencies by providing loans that will be paid back after savings have been realized. Mayor Emanuel also announced that the 2012 budget plan includes returning \$20 million to the city’s rainy day fund.

“We’re going to start saving for Chicago’s future again instead of selling it short,” said Mayor Emanuel.

The budget also reflects a historic reform in the Chicago’s public safety departments. Chicago will become the first major city to launch a consolidated public safety headquarters for both the Police and Fire Departments. Chicago will be the first large city in the United States to combine police and fire services into one, coordinated public safety headquarters. In addition, the Police Department will consolidate five existing area offices and detective bureaus into three: North, Central and South, as well as consolidate some of the 25 existing police districts into 22.

The 2012 budget plan also reflects elevating the position of Chief Sustainability Officer to the Mayor’s Office, creating a Sustainability Council, and consolidating the Department of Environment into existing departments.

For the first time in the City’s history, a website was used to continue the conversation about the budget. ChicagoBudget.org, since its launch this summer, has received over 2,500 ideas on the budget, and nearly 70,000 votes or comments on those ideas. Additionally, Mayor Emanuel held two budget town halls this summer with over 1,000 people to discuss the budget directly with Chicagoans.



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A focus on the City's finances has been consistent throughout Mayor Emanuel's administration. Immediately after taking office in May, Mayor Emanuel cut the 2011 budget by \$75 million and closed another \$30 million hole that resulted when he did away with furlough days through a series of reforms. These reforms are accounted for in the 2012 budget as well.

Mayor Emanuel's budget was presented to City Council today, and according to statute it must be approved by December 31. The 2012 budget proposal can be viewed on the City of Chicago's website.

### **Reforms and Efficiencies**

**Total Savings: \$417 million**

#### **Key Highlights:**

#### Public Safety Reorganization: \$82 million in savings

The Chicago Police and Fire Departments work hand-in-hand in responding to 60-75% of all emergencies, and consolidating their headquarters will further strengthen the collaboration between these critical first responders. CPD consolidations will ensure that there are more officers on the beat.

- Move Fire headquarters into Police headquarters;
- Consolidate five CPD area offices and five detective bureaus into three: North, Central and South;
- Consolidate 25 existing police districts into 22;
- Remove police vacancies from budget.

#### Management Cuts and Vacancies: \$34 million in savings

There are too many managers in some City departments so we are cutting the excess. We will continue to look for layers of management to eliminate.

- Permanently cut 510 senior- and mid-level managers, a 10% reduction.

#### Increased Debt Collection: \$33 million in savings

It is time for better, more aggressive management of debt collections which will lead to better government and increased savings for taxpayers. This means not only collecting what we are owed but ensuring that money owed to the city never reaches this level again.

- Increase focus on collecting city employee debt, billboard advertising licensing fees, city ambulance fees and suburban water bills.



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Expanded Competitive Bidding: at least \$20 million in savings

Reforms in how we deliver city services must extend to services like garbage collection. 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.

- Move to garbage on grid, estimated savings of \$20 million alone;
- Potential implementation of competitive bidding for other services: curb and gutter repair, tree trimming, street marking, vehicle booting and towing.

Fee Waiver and Refuse Rebate Reform: \$9.3 million in corporate fund savings

While the residents of Chicago pay for things like building permits, business licenses and water sewer services, many non-profit organizations and private sector companies supported by various aldermen have had their fees waived and do not pay a cent. We can no longer afford to allow some businesses and organizations to get water, sewer, building permits and other City services for free.

- Eliminate fee waivers except for:
  - 100% waiver for sewer service for seniors;
  - Museums in the Park will be eligible for a 20% discount of 20% for all fees;
  - Disproportionate Share Hospitals will also have a 20% discount;
  - CPS, City Colleges, Public Buildings Commission will continue to receive 100% exemptions.
- Discontinue condo refuse rebates.

Wellness Program for City Workers: \$20 million in savings

By better managing diseases and investigating in the health and wellness of our workforce, we will save money, improve productivity and possibly save lives.

- Implement comprehensive wellness program aimed at improving employee health and reducing City's healthcare costs.

Reduced Library Hours: \$7 million in savings

While many other cities across the country are shuttering libraries in these tough economic times, Chicago will keep all of its libraries open by reducing service hours across the board. Despite reducing the weekly hours, all of the programs and services Chicagoans use at the libraries will remain intact.

- Close libraries for four hours on Monday and Friday mornings, which will have the least impact on the public;
- The three regional libraries will remain open seven days a week.



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TIF Reform: \$12 million

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. We need to return TIFs to their original purpose – making smart, strategic investments to help develop blighted areas, create jobs and improving economic development – and bring TIFs onto the City budget to increase transparency and accountability for this program.

- 20% of unallocated funds, which can be invested back into job creation and economic development;
- Create a system that will look at the performance of each fund on an annual basis and determine surplus levels based on transparent metrics.

**Investments, Financing and Growth**

**Total: \$238 million**

**Key Highlights:**

Growth in 2012 Revenue: \$39 million

This is a modest estimate of growth in specific revenue areas.

CPS Reimbursement: \$32.5 million in increased pension reimbursement from CPS

All government agencies need to stand on their own financial footing. The City should not be paying for pensions for employees of other agencies. CPS should be responsible for all of its own pension obligations. This is the smokes and mirrors way of budgeting of the past.

- Receive reimbursement of 50 percent of pension costs for CPS non-teacher pensions, and commitment for full reimbursement in future years.

Congestion Premium for CTA: \$28 million

On a typical workday, our Central Business District is jammed with vehicles, which makes it harder to do business. Our streets are crowded, roads in need of repair and pollution created by drivers is unhealthy for Chicagoans. Suburban drivers who use city services and infrastructure need to help pay the costs for these things. The congestion fee is an incentive for drivers to take public transportation or pay more to park downtown.

- Impose a “congestion premium” on all drivers parking in downtown parking garages and lots on weekdays of \$2 per occasion, for a total fee of \$5 on the top tier rate. ( \$3 on weekends).
- Impose weekly parking fees where the cost is \$60 and above, (tax increase from \$15 to \$25) and monthly parking where the costs is \$240 and above (tax from \$60 to \$100).



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Vehicle Sticker for Heavy Vehicles: \$14.8 million in revenue

Big cars and trucks need to help pay for the damage they do to our streets. 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. 75 percent of Chicagoans will see no increase.

- Install tiered vehicle sticker system of \$75 for standard-size or smaller car, \$135 for heavier cars and trucks; \$200 for trucks under 16,000 pounds; and \$450 for trucks over 16,000 pounds.

Increased Fines for Neighborhood Safety Violations: \$14.6 million

We're going to demand greater accountability by cracking down on those who put our communities at risk.

- Impose increased fines for neighborhood safety violations, including D.U.I., defacement, drag racing, eluding police, fly dumping, narcotics, suspended licenses and noise violations, among others.
- Increase fines for nuisances, including uncut weeds, illegal dumping, accumulation of garbage, and over-accumulation of refuse in containers, among other violations.

Valet and Loading Zone Fee Adjustments: \$6.2 million in revenue

Currently, the City is charging close to nothing for businesses using prime real estate for loading zone space; many businesses are not paying anything at all. Every time a new loading zone is created at less than the market rate, it is a cost to the taxpayers. Businesses need to either pay the cost of the space, or give it up to residents who need parking.

- Increase loading Zone Fees from \$100 to \$500 downtown; while reducing size of standard Loading Zone from 25' to 20';
- Impose an hourly valet fee in lieu of the annual permit currently in place.

Existing Debt and Bond Refinancing: \$50 million in savings

Interest rates are at or near the lowest levels in history. The City's Finance Department intends to use this market window to reduce our debt service cost for 2012, which is a heavy burden on taxpayers. While we can't erase the sizeable amount of debt that has been issued over the past few decades, we can try to manage the cost of that debt on our taxpayers. GO and Sales Tax Bonds going out for a total of \$750 million in October.

- Take advantage of low interest rates to reduce debt service cost for 2012.

Municipal Marketing and Sponsorship: \$25 million in revenue

Having businesses pay for advertising on things owned by the city, such as recycling blue carts, will help the city avoid eliminating services or raising taxes.





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- Place ads and/or sponsorships on City-owned properties: bridge houses, light boxes, lifeguard towers, snow plows, garbage trucks, trash cans, building sides, etc. and possibly open up advertising on City websites.

Hotel Accommodations Tax: \$14 million in revenue, support for tourism

In 2010, Chicago hosted 39 million domestic and overseas visitors, including 28 million domestic leisure travelers, 10 million domestic business travelers and 1 million overseas visitors. The contribution to our local economy and the jobs created or maintained by their visit to our great city is invaluable. To avoid eliminating any of the events that millions of people from around the world come to see, we will impose a small fee – one that will put us on par with New York – on those visitors who stay in Chicago’s hotels.

- Raise the total hotel tax from 3.5% to 4.5%, \$1.78 in the average tax per room per night.

Water and Sewer Rates: \$147 million for infrastructure repairs and upgrades

Chicago has one of the lowest water and sewer rates in the country and the current fee does not cover the cost of providing the service. We also have some of the oldest water infrastructure in the nation. To bring our water and sewer system into the 21<sup>st</sup> century and help avoid much higher fees in the future, we must invest now. Mayor Emanuel has proposed to launch a substantial capital program to rebuild and repair the City’s aging water and sewer infrastructure, while creating more than 18,000 jobs over the next 10 years.

- We propose a four-year increase of 25%-15%-15%-15% in rates for water and sewer funds over the course of four years, and an annual increase based on the annual adjustment of the Producers Price Index afterward.
- This will mean a \$120 increase in the annual average household water/sewer bill in 2012. However, if a homeowner opts to install a free water meter, their bill will actually go DOWN next year, and the resident will not see their rates go back to the non-metered level until four years from now.
- The current 2011 rate is \$2.01/1000 gallons. The 2012 rate will be \$2.51; 2013 will be \$2.89; 2014 will be \$3.32; and 2015 will be \$3.82.
- Sewer rates are currently at 86% of the water bills. They will go to 100% by 2015. (2012 86-89%; 2013 89-92%; 2014 92-96%; 2015 96-100%)
- The average metered, single-family home currently pays annually \$339.54; with rate increase in 2012: \$431.27 The average non-metered, single-family home currently pays annually \$450.53; with rate increase in 2012: \$572.24.
- *Please note: this is not part of the corporate budget, nor is this proposal needed to balance the budget. Rather, it is a program to rebuild Chicago’s aging water infrastructure and create jobs.*



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**The Chicago Innovation Loan Fund**

Using \$20 million of capital raised through the financial markets, the Chicago Innovation Loan Fund will make loans to City departments for projects that cannot be otherwise funded from existing budgets without endangering service levels. The New Innovation Fund will be used for new projects citywide that are going to lead to new revenue and efficiencies down the line. Departments must show return on investment up front to be given the funding and will be required to pay back the fund once the savings have been achieved.

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