



CITY OF CHICAGO FY2025 ROADMAP

Key Financial Challenges, Options and Recommendations



THE CIVIC FEDERATION

OCTOBER 16, 2024

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INTRODUCTION

This report lays out several major issues facing the Chicago Mayor and City Council as they prepare to enter the FY2025 budget cycle and beyond, including the City's structural deficit, pensions, long-term debt, public safety, financial entanglements with Chicago Public Schools, plans for addressing migrant funding challenges and the City's new economic development and housing bond financing plan. The issues are presented as a framework for City elected officials and leadership when considering both short-term solutions to close the City's budget deficit in the coming budget year and long-term solutions to address the City's massive liabilities and persistent structural deficits. The report also includes options to address each of these issues in a fiscally responsible manner. It is our hope that this work elevates the discourse surrounding the City's finances and provides a roadmap for a sustainable future.

The City of Chicago faces serious financial challenges that will only be rectified through innovative solutions and long-term planning. A generation-long persistence in structurally imbalanced budgets, coupled with high pension and debt burdens, means the City will face enormous budget shortfalls in the coming years. Now that federal American Rescue Plan Act (ARPA) revenue replacement funding is generally not available to fill budget gaps, it is incumbent on City leadership to develop a responsible fiscal path forward.

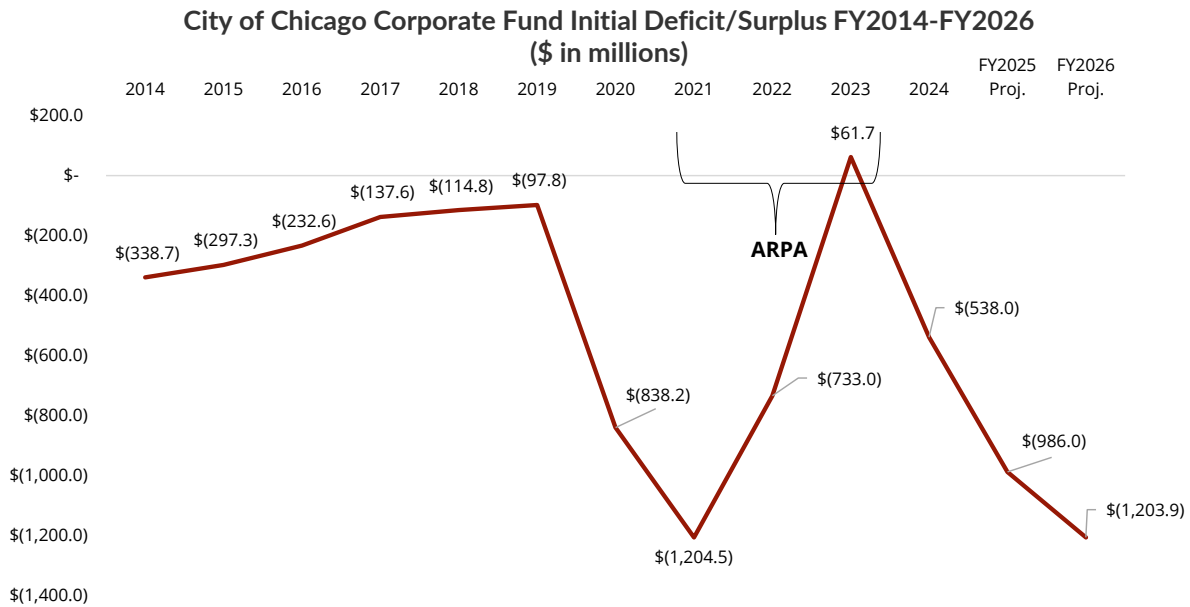
The chart below shows Chicago's initial budget deficits from FY2014 through FY2024, along with the most recent projections for FY2025 and FY2026. Initial budget deficits are addressed by the City through increased revenues, decreased expenditures or use of one-time revenues. The City's FY2025 Budget Forecast, released in August 2024, estimated a \$222.9 million year-end budget shortfall for FY2024, a \$982.4 million deficit for FY2025 and over \$1.1 billion for FY2026 based on decreased resources and increased personnel expenditures.¹ These deficits equal or exceed those faced during the pandemic, and the City must now fill a cumulative \$1.2 billion deficit for FY2024 and FY2025 without the benefit of the federal pandemic funding of recent years that allowed the City to end years in surpluses. This is unsustainable. The City already allocates approximately 40% of its operating budget to debt and pension payments year after year, crowding out its ability to deliver services to constituents. In addition, uncertainty remains respecting the fiscal impact surrounding fixes to Tier 2 employee pensions and a pending firefighters contract that may further exacerbate the City's already daunting future deficit projections. Recourse to purely revenue-based solutions is constrained by the fact that the City already has a high tax burden.² The Mayor recently announced a hiring freeze across City departments (now purported to exclude police and fire), but no further details have been released.³ More difficult choices will need to be made to reduce future deficits, and the City

¹ [City of Chicago FY2025 Budget Forecast](#), p. 13.

² For more information on the full list of consumer taxes charged to Chicago residents, see the Civic Federation's [2024 Report on Consumer Taxes in Chicago](#).

³ Fran Spielman, "[Upon further review, police and fire departments exempt from Brandon Johnson's hiring freeze](#)," *Chicago Sun-Times*, September 11, 2024.

cannot assume that additional State funds will be made available to soften the blow, as the State itself must attend to significant fiscal challenges in its coming budget cycle.⁴



The City's ability to meet these accumulated burdens is further complicated by the financial shortfalls faced by several of its sister agencies that draw significant portions of their operating budget from the same tax base and/or receive direct funding from the City. The FY2025 Chicago Public Schools (CPS) budget had to fill an initial \$505 million deficit, which could grow by hundreds of millions more once contract negotiations with the Chicago Teachers Union are finalized this fall.⁵ Similarly sized budget gaps of over half a billion dollars are projected over the next five years and it is unclear how the District will address these gaps. The Regional Transportation Authority (RTA) has likewise projected a \$730 million budget gap beginning in FY2026 once pandemic funds have depleted, including a nearly \$600 million budget cliff facing the Chicago Transit Authority.⁶ Given that ridership has still not returned to pre-pandemic levels, the loss in farebox revenue will continue to be a drag on the CTA budget absent action from state and local officials to increase its revenues and/or reduce its expenditures. All of this suggests the City has reached a critical inflection point it can no longer postpone.

⁴ See Civic Federation, [City of Chicago FY2024 Proposed Budget: Analysis and Recommendations](#), p. 12.

⁵ [Chicago Public Schools FY2025 Budget](#), pp. 9-11; Civic Federation, [Chicago Public Schools FY2025 Proposed Budget: Analysis and Recommendations](#), July 24, 2024.

⁶ Regional Transportation Authority FY2024 Operating Budget, p. 7; Civic Federation, [Reforming Mass Transit Governance in the Chicago Region](#), April 25, 2024.

KEY FINANCIAL ISSUES FACING THE CITY OF CHICAGO

STRUCTURAL BUDGET DEFICIT

A structurally balanced budget is one in which recurring revenues equal or exceed recurring expenditures. This provides financial stability for a government in the long-term.⁷ A budget that is not structurally balanced is one that is balanced using non-recurring revenues, such as by spending prior year fund balance, using asset lease proceeds or borrowing — all of which are measures the City of Chicago had routinely used in the past to close budget deficits. Using non-recurring, one-time revenues to repeatedly fund budgets masks serious systemic financial problems and is not a sustainable practice.

For at least a generation the City has passed and operated with annual budgets that are in structural imbalance between recurring operating expenditures and recurring revenue sources. Although the City made considerable progress on reducing its structural budget deficit in the decade prior to the pandemic, it has persistently failed to balance expenditure growth with revenues. The budget deficit ballooned to over \$1 billion in FY2021 due to the COVID-19 pandemic. A massive federal aid package as part of the American Rescue Plan Act (ARPA) helped the City stabilize its budget by applying \$1.3 billion in pandemic relief funding to replace lost revenue over several fiscal years. Now, the City projects a budget gap of \$982.4 million for FY2025⁸ just as ARPA revenue replacement funds have been spent down, with budget deficits projected to grow in the coming years absent action to reduce expenditures or increase revenues.

The City has technically balanced its budgets in recent fiscal years with the use of one-time revenues (discussed further below), including federal pandemic funding, operating reserves and Tax Increment Financing (TIF) surplus funds. These sources are not guaranteed to recur every year. The use of one-time sources fails to resolve the structural deficit and leaves the City particularly vulnerable in the event of unexpected costs or economic downturns.

Spend-Down of ARPA Resources

During the pandemic, the City of Chicago received a total allocation of \$1.9 billion in American Rescue Plan Act (ARPA) federal stimulus funds. Of that total, \$1.3 billion, or 70%, was allowed according to United States Treasury guidelines to be used as revenue replacement in the City's FY2021, FY2022 and FY2023 budgets, which enabled the City to continue operations through the pandemic without making major cuts to programs or staff. The City spent its last \$152.4 million in ARPA revenue replacement funds balancing the FY2023 budget. As such, the City no longer has federal revenue to directly reduce its future shortfalls.

⁷ Government Finance Officers Association, "[Achieving a Structurally Balanced Budget](#)," Best Practice, February 2012.

⁸ [City of Chicago FY2025 Budget Forecast](#), p. 13.

The City has approximately \$576 million in remaining ARPA funds, which were made available for proposed infrastructure and social service investments as part of the Chicago Recovery Plan, later rebranded as the Road to Recovery by the Johnson administration.⁹ The City is currently fast-tracking the spending of those remaining ARPA funds, most of which are going towards programs that will require ongoing support. With the deadline for obligating those funds approaching in December 2024, the public still lacks answers to several fundamental questions about the continuity of the City's new infrastructure and social service initiatives once the ARPA funds run out.

The Civic Federation strongly cautions the City against using remaining ARPA funding for programs intended to continue in out years beyond FY2026 without also securing reliable, continuing revenue streams to fund them.

Other One-Time Revenues

In addition to ARPA funds, the City has also utilized other one-time revenue sources to close budget gaps, such as TIF surplus funding and unassigned fund balance or budgetary reserves. The projected \$538 million budget gap the City faced in FY2024 — the first year ARPA funds were no longer available to be used for revenue replacement — was originally closed in part with \$49.5 million additional TIF surplus. The City has continually relied on major sweeps on TIF surplus funds to balance its annual budget, both suggesting that many TIF districts do not need revenue for redevelopment projects due to unachievable goals or excess revenue, and perpetuating the City's broader, long-running structural imbalance.

Other sources of non-recurring revenues used to plug past budget deficits have included debt refinancings and using prior-year fund balance, which is the residual balance that has not been committed, assigned or restricted in the General Fund and deficit fund balances.¹⁰ The City allocated \$222.1 million in unassigned fund balance to balance the FY2023 budget and \$155.3 million in FY2024. The Civic Federation does not oppose the use of fund balance if it is done in accordance with the government's policy¹¹ or in the context of an emergency, and if there is a plan to replenish the reserve to the minimum level specified in the policy.

The City of Chicago has a fund balance reserve policy to maintain an unrestricted fund balance of no less than two months or 16.7% of operating expenses in the Budget Stabilization Fund¹², composed of a combination of the following three elements: unassigned fund balance within the General Fund; the operating liquidity fund; and asset lease and concession reserves. Developing a fund balance policy to maintain a minimum level of reserves is a best practice recommended by the Government Finance Officers Association. The fund balance per the City's stabilization policy was \$935.1 million in FY2022, a ratio of 20% of expenditures. Therefore, the Budget Stabilization Funds met the City's own fund balance policy at that time. Additionally,

⁹ [Road to Recovery: American Rescue Plan Under the Johnson Administration](#)

¹⁰ [Chicago 2023 Annual Comprehensive Financial Report](#), p. 55.

¹¹ For information on the City's fund balance policy, see [City of Chicago FY2024 Budget Overview](#), p. 176.

¹² [City of Chicago FY2024 Budget Overview](#), p. 176.

fund balance can be sustainably spent down if fund balance levels grow too large and if they are directed towards non-recurring expenditures. However, the perpetual reliance on reserves and debt refinancing to balance budget shortfalls for predictably recurring operating expenses is not sustainable and further indicative of the City's structural imbalance.

PENSIONS

Chicago's four pension funds are among the most poorly funded of any large U.S. city.¹³ A combination of statutory underfunding, benefit enhancements, investment losses, optimistic assumptions and other long-term problems have all contributed to their abysmal financial condition. Benefits for new employees were reduced in 2011 along with most other public pension plans in the State of Illinois (to be discussed later), but later attempts to reduce benefits for current employees in order to shore up the funds' financial condition were struck down by the Illinois Supreme Court.¹⁴ City and State leaders subsequently worked together to amend state law governing the City's pension funding to transition the funds to an actuarially-calculated funding schedule and prevent the funds from becoming insolvent. The table below shows the funded ratios and long-term liabilities for each of the City's four pension funds, which have a total of \$35.6 billion in unfunded pension liabilities.

Status of Chicago's Pension Funds as of December 31, 2023

| | Actuarial Funded Ratio | Actuarial Unfunded Liability |
|-----------|-------------------------------|-------------------------------------|
| Municipal | 24.3% | \$14.7 billion |
| Police | 23.4% | \$13.4 billion |
| Fire | 22.8% | \$5.7 billion |
| Laborers | 42.1% | \$1.8 billion |

Sources: Municipal Employees' Annuity and Benefit Fund of Chicago: Actuarial Valuation and Review as of December 31, 2023, p. 11; Policemen's Annuity and Benefit Fund of Chicago: Actuarial Valuation for the Year Ending in December 31, 2023, p. 19; Firemen's Annuity and Benefit Fund of Chicago: Actuarial Valuation and Review as of December 31, 2023, p. 7; Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago: Actuarial Valuation for the Year Ending December 31, 2023, p.1.

All four of the City's pension funds began to transition to state law-mandated 40-year funding plans in 2016, each beginning with five-year ramps of growing annual contributions set by State statute before transitioning to a 35-year schedule of actuarially calculated contributions that are intended to increase their funded ratios to 90%. Since 2022, all four are now funded on an actuarially calculated basis, which means that the City's annual contributions will now adjust

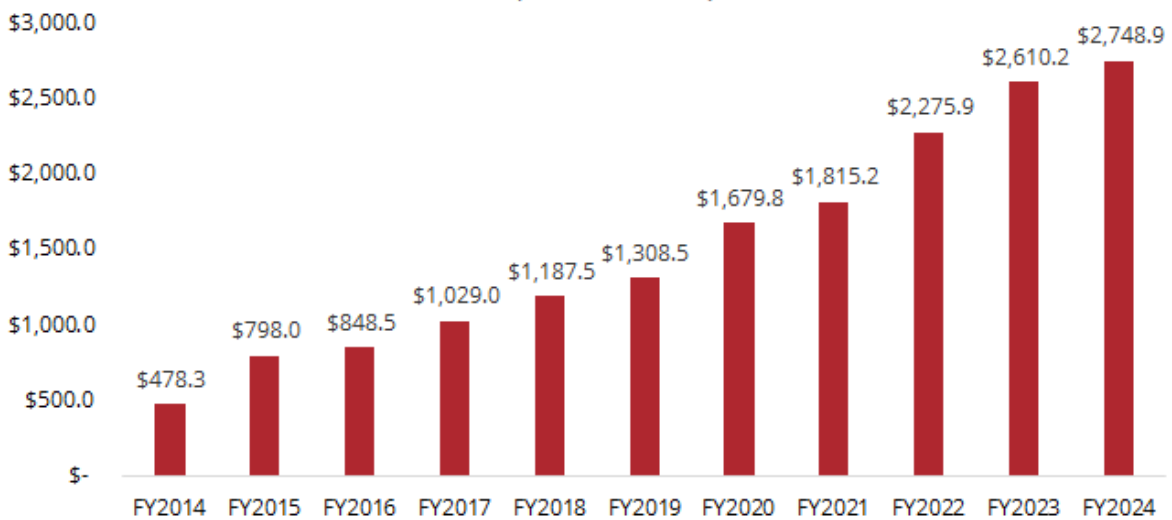
¹³ See Equable, [Pension Plan Funded Ratio Rankings 2023](#), January 10, 2024.

¹⁴ Civic Federation, "[Chicago Pension Reforms Struck Down by Illinois Supreme Court](#)," March 31, 2016.

according to the financial needs of the fund. However, the length of the funding schedule and its backloaded nature mean that the City scheduled contributions would not be sufficient to begin to reduce the long-term liability on the largest funds until 2029 for the Police Fund and 2035 for the Municipal Fund.¹⁵

As shown in the charts below, the FY2024 total required pension contribution was \$2.8 billion (which included a \$306.6 million supplemental pension payment), comprising 22.9% of total net appropriations.¹⁶ The two largest funds, the Municipal and Police Funds, received the largest portion of annual funding at 77% or nearly \$2.2 billion.¹⁷

City of Chicago Pension Contributions: FY2014-FY2024
(in \$ millions)



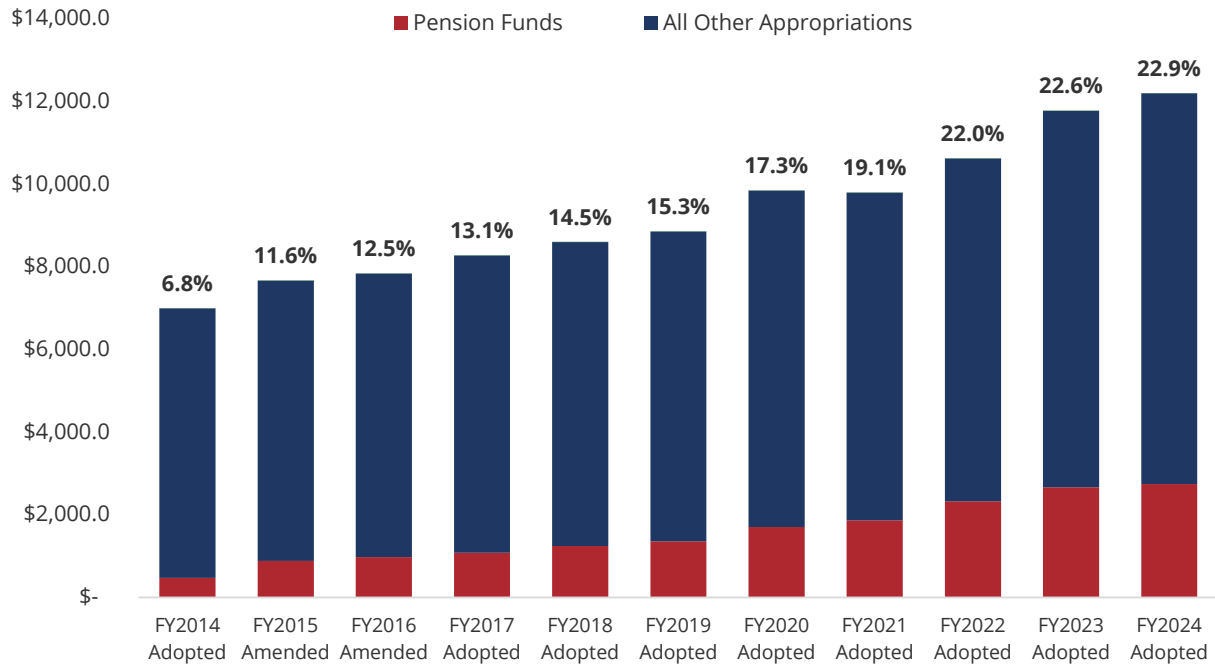
*Note: FY2023-FY2027 numbers include supplemental pension payments.
Source: City of Chicago FY2024 Budget Forecast, p. 22.

¹⁵ See Fund Actuarial Valuations, 50-year funding projections. Backloading means that contributions are artificially low in the early years of the funding schedule and grow significantly in the out years.

¹⁶ Total net appropriations exclude debt proceeds and transfers between funds.

¹⁷ The \$2.2 billion includes the \$306.6 million in supplemental contributions to the pension funds beyond the amounts required of the City under statutory funding formula.

Pensions as a Percentage of Total Net Appropriations: FY2014-FY2024



Source: City of Chicago Budgets, FY2014-FY2024.

A “Pension Working Group” was first convened by Mayor Brandon Johnson in June 2023 representing that “over the next several months,” it would “work with a broader set of advisors from the financial and advocacy sectors to develop actionable solutions to meet the city’s obligations to retirees, workers, and taxpayers” to address the City’s underfunded pension crisis.¹⁸ To date, the group has not released a public-facing report.

While the significant increases in the amount of money the City must contribute to the four pension funds are projected to level off beginning in FY2025 (not including the potential costs for a fix to Tier 2 pensions),¹⁹ the cost of pensions will continue to increase over time based on the back-loaded nature of the funding schedule. To fund ongoing annual increases, the City will need additional stable sources of funding. Unfortunately, the potential revenue to be dedicated from a Chicago casino has thus far not been a reliable revenue source, which the City should factor into future planning.

¹⁸ [Statement from Mayor Brandon Johnson on Pension Working Group](#), June 21, 2023; See also, Alice Yin & Gregory Royal Pratt, “[Mayor Johnson aims to tackle a problem that vexed his predecessors: Woefully underfunded pensions](#),” *Chicago Tribune*, May 27, 2023.

¹⁹ Tier 2 State pension benefits must meet Internal Revenue Service Safe Harbor Rules, which require public workers to receive a retirement benefit from their public pension that is at least equal to the benefit they would receive under Social Security; [City of Chicago FY2025 Budget Forecast](#), p. 24.

Tier 2 Pension Benefits Safe Harbor Fix

Recognizing concerns about pension plans for State and local government employees hired since January 1, 2011, in Illinois (known as Tier 2) potentially falling out of compliance with Social Security retirement benefit guidelines, the Civic Federation calls on the City to advocate for the most cost-effective, actuarially sound resolution. Over the past year, the State General Assembly has been considering legislation to address this issue for multiple state and local funds.²⁰

In December 2023 the Illinois General Assembly passed and Governor Pritzker signed into law legislation for Tier 2 Chicago firefighters that changed the calculation of final average salary.²¹ This was promoted as the first part of a “fix” to preemptively address concerns about Tier 2 benefits potentially failing to meet Internal Revenue Service Safe Harbor rules, which requires that government pension plans that do not coordinate with Social Security provide benefits that meet certain minimum standards.²² A second bill that would have changed the pensionable salary cap did not pass. The Civic Federation opposed the legislation, viewing it as premature given that a comprehensive analysis of the proposed change’s financial impact and whether the approach taken was the most efficient and effective way to address Safe Harbor had not been publicly released.

It is critically important that the Illinois General Assembly get any Tier 2 fix right, because once pension benefits are provided, they become protected under the Illinois Constitution and cannot be reduced later. Before passing any legislation to change Tier 2 benefits, the Illinois General Assembly should commission an actuarial study of both state and local pension plans to estimate when pension plans may fail to meet Safe Harbor compliance, and what the cost of any enhanced benefits would be to government employers like the City of Chicago. Reinstating pension benefits without analysis showing they are necessary and sufficient to address Safe Harbor could substantially reverse much of the work Tier 2 has done to reduce massive pension liability costs. The State cannot afford to take a fiscally irresponsible step backward by unnecessarily increasing Tier 2 pension benefits. The Federation urges the City working group on pensions created by Mayor Johnson to develop recommendations that will be the most effective, least costly and most directly tied to addressing compliance with IRS Safe Harbor rules.

Chicago Casino

The Civic Federation is concerned about the City of Chicago’s proposed reliance on casino revenues as a major funding source for its Police and Firefighter Pension Funds given the uncertainty signaled by the temporary casino’s revenue performance to date that substantially

²⁰ See, Derek Douglas, Joe Ferguson, and David Greising, [“Civic leaders: How do we resolve Illinois’ pension mess? These 10 principles are a start,”](#) *Chicago Tribune*, October 13, 2024

²¹ Senate Bill [1629](#), 103rd General Assembly, signed into law as Public Act 103-0579.

²² See Civic Federation and Civic Committee of the Commercial Club of Chicago, [“Tier 2 Pensions and Safe Harbor Explained,”](#) November 7, 2023.

lag behind original projections. While a casino will generate some revenue, gaming revenues can be unreliable, particularly over the long run, and should be budgeted with caution.²³ Additional revenue sources may be needed to stabilize and/or increase pension funding.

The first casino in the City of Chicago was authorized as part of the State’s gaming expansion legislation passed in 2019.²⁴ The City anticipates it will generate \$200 million in tax revenue each year once it is up and running in its permanent space projected to open in 2026. In the meantime, the City of Chicago opened a temporary casino space at the Medinah Temple in September 2023. The Mayor’s FY2024 budget estimated that the temporary casino would generate \$35 million to contribute toward the total \$1.5 billion payment to the Police and Fire pension funds in FY2024. Meeting this projection would require just under \$3 million per month in local tax allocations. However, as the table below illustrates, the casino has only generated \$13.1 million in total local tax allocations in the past twelve months and has yet to break \$1.5 million in local allocations in a single month.

Chicago Casino Monthly Revenue

| | Adjusted Gross Receipts | | Local Tax Allocations | |
|----------------|-------------------------|--------------------|-----------------------|-------------------|
| September 2023 | \$ | 6,678,431 | \$ | 694,913 |
| October 2023 | \$ | 7,608,826 | \$ | 767,802 |
| November 2023 | \$ | 7,068,132 | \$ | 778,965 |
| December 2023 | \$ | 8,502,169 | \$ | 864,645 |
| January 2024 | \$ | 9,276,819 | \$ | 912,554 |
| February 2024 | \$ | 9,877,741 | \$ | 1,005,872 |
| March 2024 | \$ | 11,127,674 | \$ | 1,354,550 |
| April 2024 | \$ | 10,351,033 | \$ | 1,068,498 |
| May 2024 | \$ | 11,734,293 | \$ | 1,417,473 |
| June 2024 | \$ | 10,393,687 | \$ | 1,299,875 |
| July 2024 | \$ | 10,386,849 | \$ | 1,403,437 |
| August 2024 | \$ | 10,721,168 | \$ | 1,496,544 |
| Total | \$ | 113,726,821 | \$ | 13,065,128 |

Source: Illinois Gaming Board Monthly Casino Reports.

Given that the State of Illinois currently has 15 casinos, thousands of video gaming locations, legalized sports gambling and nearby casinos in neighboring states, the gambling market seems to be nearing saturation.²⁵ And based on the performance of the temporary Chicago casino and slow movement on the permanent casino, the \$200 million annual revenue projection appears optimistic. Therefore, the Civic Federation cautions the City to begin to develop contingency plans to supplement unreliable casino revenue to pay for future pension contributions.

²³ Pew Charitable Trusts, “[Are Sin Taxes Healthy for State Budgets?](#)”, July 2018.

²⁴ See [Public Act 101-0031](#).

²⁵ See, e.g., Robert McCoppin, [As Chicago antes up in casino business, new sites in suburbs and across Illinois aim to build their own markets](#), *Chicago Tribune*, October 31, 2022.

Police Birth Year Legislation

A change to Chicago police officer pension benefits passed in December 2023 has significantly increased unfunded liabilities of the Police Pension Fund. Public Act 103-0582 provides an annual 3% non-compounded cost-of-living adjustment to the pension benefits for all Chicago Police retirees who were born after January 1, 1966, and hired before January 1, 2011, (Tier 1) who reach age 55 with 20 years of service. This law was enacted to match similar legislation for Chicago firefighters passed in 2021 through Public Act 101-0673, which doubled the cost-of-living adjustment for Chicago firefighters born after January 1, 1966. The legislation increased the actuarial accrued liability of the Chicago firefighters' pension fund by \$196.5 million and the normal cost (the cost of benefits earned each year) by \$6 million.²⁶

Because the police fund is much larger than the fire fund, the impact of the more recent police pension legislation is much more significant. It increased the unfunded actuarial accrued liability of the police fund by \$1.04 billion and increased the 2025 contribution rate from 67.46% to 73.38% of covered payroll.²⁷ The 2025 statutorily required contribution will total \$1.04 billion, up from \$928.8 million in FY2024.²⁸

LONG-TERM DEBT BURDEN

The City of Chicago has a high debt burden, meaning that annual debt service payments required to pay down long-term debt make up a significant portion of the total City of Chicago budget. Debt service payments at or exceeding 15-20% of all appropriations are considered high by the rating agencies.

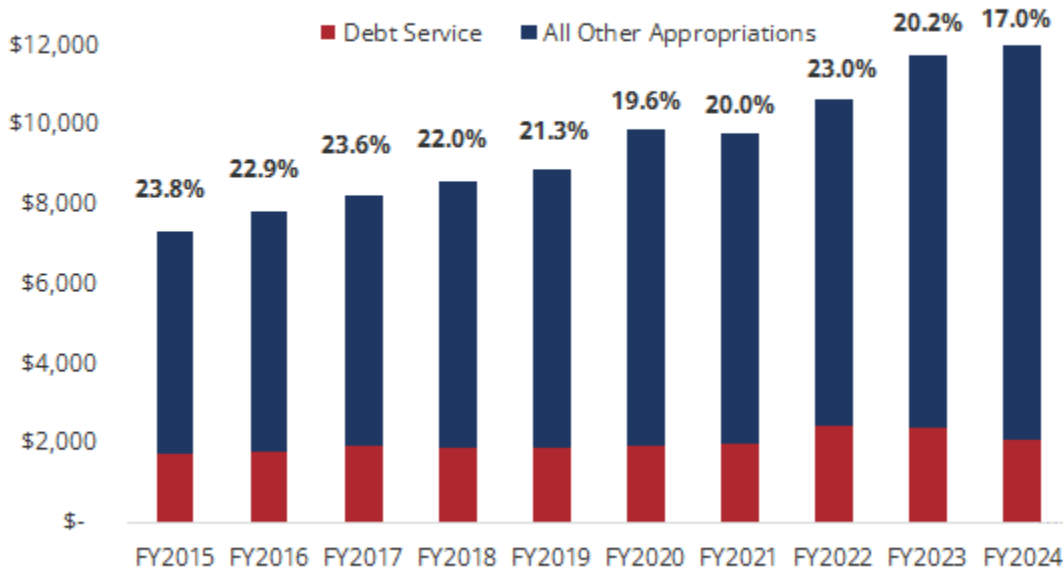
The City of Chicago's debt service appropriations totaled \$2.1 billion in FY2024, which represents 17% of total net expenditures. This is a \$341.7 million, or 19.6% increase, over the City's debt service appropriations of \$1.7 billion in FY2015. Despite the dollar increase in debt service, the City's ratio of debt service to expenditures actually decreased from 23.8% in FY2015 to 17.0% in FY2024 because total appropriations rose at a much faster rate than debt service spending.

²⁶ Firemen's Annuity and Benefit Fund of Chicago, Actuarial Valuation and Review as of December 31, 2021, June 2022, p. 10.

²⁷ Policemen's Annuity and Benefit Fund of Chicago, [Actuarial Valuation Report for the Year Ending December 31, 2023](#), p. 10.

²⁸ The Civic Federation (and the previous Mayor) warned against this benefit change absent a plan to fund the increase in payments from the City that will continue in out years beyond FY2025, as it will put more pressure on the City budget, especially as the City projects substantial budget deficits in the coming years.

Debt Service as a Percentage of Total Net Appropriations: FY2015-FY2024
(in \$ millions)



Source: City of Chicago Budget Recommendations, FY2015-FY2024.

The City of Chicago’s amount of outstanding debt has increased significantly over time. Total net debt outstanding increased by 32.8%, or \$7.2 billion, over the ten-year period from FY2014 to FY2023, rising from \$22.0 billion to \$29.2 billion. This amount of outstanding debt does not include additional debt issuances since FY2023. The City plans to issue \$643 million in general obligation debt and \$75 million in housing and economic development bonds later in 2024.²⁹ A third bond proposal of \$1.5 billion was approved by the Committee on Finance on October 2, 2024, and is now pending full City Council approval.³⁰ Although the merits of aspects of the issuance remain disputed, the City agreed that no portion of the proceeds can be used for operating expenses and by implication will not add to the City’s long-term debt burden. That legislation remains pending at the time of this report.

About 30% of the City’s outstanding net debt on average over this ten-year period is comprised of general obligation debt. The majority of the City of Chicago’s debt is revenue debt issued to support several large fee-generating enterprises including Chicago and Midway airports and the water and sewer system. It also includes motor fuel revenue bonds, which are used for repair of streets and pavement, and sales tax-backed debt issued through the Sales Tax Securitization Corporation (STSC).³¹ Smaller amounts of debt issued include tax increment financing bonds and capital leases.

²⁹ City of Chicago, General Obligations Bonds Series 2024A, Preliminary Official Statement, July 31, 2024.

³⁰ Shruti Date Singh, “Chicago’s \$1.5 billion bond refinancing plan moves forward,” *Crain’s Chicago Business*, October 2, 2024.

³¹ More information about the STSC can be found at the City of Chicago: [Sales Tax Securitization Corporation](#).

The City's increases in long-term debt bear watching as a potential sign of escalating financial risk. Rising debt raises concerns that unless additional revenues are secured or reductions in spending are made, the City could have supporting other programs after making its debt payments.



Source: City of Chicago Annual Comprehensive Financial Reports, FY2014-FY2023.

PUBLIC SAFETY

The Civic Federation, like many other interested stakeholders, has questions and concerns about the effectiveness and accountability of the Chicago Police Department and related public safety functions operated by the City of Chicago. We believe there are critical questions that need to be raised by alderpersons as part of the upcoming annual budget process and on an ongoing basis going forward.

Consent Decree: The City is in its fifth year of a federal consent decree. The pace and progress made under the Consent Decree is hampered by the question of whether the City is devoting the necessary resources to that effort. The way progress on the Consent Decree is measured — with milestones indicated through compliance percentages for scheduled requirements — is not easily operationalized. There is little public-facing disclosure and accountability for what has been spent thus far in the sixth year of federal court monitoring and even less understanding of how much additional investment is needed to fully implement all Consent Decree mandates and provide the right infrastructure — personnel, programs and systems — for reform.

Workforce Allocation and Efficiency: The Police Department has operated with staffing significantly below budgeted levels since before the COVID-19 pandemic. Presently, there are many unfilled FY2024 appropriated positions. Although these numbers shift almost daily, present estimates of vacancies approach 1800 (or more than 12.5 % of total budgeted positions) across sworn, civilian and exempt position categories. There are many factors contributing to challenges in filling sworn vacancies. However, even a conversion of hundreds of previously sworn positions to civilian positions in the FY2024 budget (including many needed for Consent Decree implementation) has not produced better results, with only 51 of 398 newly created civilian positions being filled year to date.³² Meanwhile, the City and the Department annually overspend significant amounts on overtime.³³

Whether the Department's actual staffing meets mission responsibilities and needs has been the subject of near-continuous debate and controversy because of the absence of a comprehensive, public-facing workforce allocation study that for nearly a decade has been repeatedly promised but never delivered. If vacancies are not going to be filled, the Department needs to figure out how to operate more efficiently with current staffing levels. Questions should be raised about the use of overtime to fill in staffing shortage gaps, with risk management playing a key role in increasing departmental efficiencies.

Overtime: A March 2024 analysis found that the City spent \$524 million on overtime in 2023, \$293 million of which was in the Chicago Police Department (nearly three times the allocation in

³² Alice Yin, "[Mayor Brandon Johnson Slow on Push to Put Civilians in CPD Jobs](#)," *Chicago Tribune*, September 16, 2024.

³³ Civic Federation, "[How Much Does the Chicago Police Department Actually Spend Each Year?](#)" January 26, 2024.

the FY2023 budget).³⁴ The workforce allocation study that the City is undertaking must solve the underlying structural problems within CPD to allow for better accountability structures and relationship building between supervisors and subordinates.³⁵ The workforce allocation study should also establish a methodology for deployment based on data, with geographic accountability and scalability based on changes in the number of staff available daily. Recent reporting suggests this has yet to begin, more than eight years following its original commission, but with fresh assurances that it will be delivered in FY2025.³⁶

Police-Related Litigation: Chicago's lack of robust, publicly accountable risk management also factors into the staggering volume of police misconduct judgments and settlements. A February 2024 analysis reported that Chicago spent at least \$74 million on police misconduct judgments in 2023.³⁷ This fits into a much longer history. A new study presented at Northwestern University Pritzker Law School in September 2024 prepared by a coalition of legal organizations, has estimated City exposure of upwards of \$750 million in settlements, judgments and estimated defense attorney fees for wrongful conviction cases alone over the past 20-plus years.³⁸ This staggering total does not include other forms of police misconduct judgments and settlements. The City's Office of Inspector General tallied more than \$100 million in payouts for other types of police-involved conduct cases just from 2017-2020.³⁹ The IG noted significant data limitations impacting the City's ability to effectively manage CPD's operations risks, including insufficient data collection from the Law Department and an inability to merge Law Department and CPD data for more thorough analysis. While Consent Decree reforms may mitigate the volume of future incidents leading to civil rights payouts, the past case pipeline is overwhelming. Nearly 200 pending wrongful conviction suits are connected to just one officer – disgraced (and convicted) CPD Sergeant Ronald Watts – with payouts to date of approximately \$11.2 million, and a recent \$50 million jury verdict returned in an unrelated matter in September 2024, which with attorneys' fees could swell to approximately \$60 million.⁴⁰

True cost of public safety: The City of Chicago spends \$2 billion on the Police Department, but this does not include a plethora of other public safety functions throughout the budget. Because of the way the City's budget is presented, there is no way to account for the true full

³⁴ Heather Cherone & Jared Rutecki, "[Chicago Spent \\$524M on Overtime in 2023, Including \\$293M for Police, Setting New Records](#)," *WTTW News*, March 12, 2024.

³⁵ The Workforce Allocation Study was approved by the Committee on Police and Fire in their February 5, 2024, hearing. See Heather Cherone, "[City Council Set to Weigh Push to Require CPD to Study How Officers are Deployed, Despite Political Peril](#)," *WTTW News*, February 5, 2024.

³⁶ Heather Cherone, "[CPD Has Yet to Launch Study on How Officers Are Deployed, Missing Deadline Set by Chicago City Council](#)," *WTTW News*, August 5, 2024.

³⁷ Heather Cherone, "[Final Tally: Chicago Taxpayers Spent At Least \\$74M to Resolve Police Misconduct Lawsuits in 2023, Analysis Finds](#)," *WTTW News*, February 26, 2024

³⁸ Defense attorney estimates are based on invoices to the City, and the total figure does not include additional payments for Section 1988 plaintiffs' counsel fees in such matters. See Truth, Hope & Justice Initiative, [Wrongful Convictions Litigation Database: Chicago](#), December 2023, p. 7.

³⁹ City of Chicago Office of Inspector General, [Use of Litigation Data in Risk Management Strategies for the Chicago Police Department](#), 2022.

⁴⁰ Heather Cherone, "[Chicago Taxpayers Have Already Spent \\$11.2M Defending Convicted Police Sgt. Ronald Watts, With 193 Cases Pending](#)," *WTTW*, September 18, 2024.

cost of public safety in Chicago. Though CPD publishes its budget annually, the budget information does not translate directly to how the department actually operates and allocates personnel, and there are far more expenses associated with policing work that live within the budgets of other city departments, including but not limited to the CPD's benefits, police oversight and accountability, police infrastructure and equipment, and other programs that support public safety including community violence intervention, mental health and crisis response, and victim support. The City accounts for many of these expenditures in areas of the budget outside the Department. The largest expenses that fall outside the CPD budget are pension benefits for police officers and civilian employees and employee benefits (such as healthcare). These are both budgeted for within a catch-all Finance General⁴¹ category of spending.⁴² This lack of full accounting makes it impossible to determine if initiatives are effective. There is a need for a true accounting of the cost of policing and related public safety spending in Chicago to allow for a full analysis and effective policymaking.

FINANCIAL ENTANGLEMENTS WITH CHICAGO PUBLIC SCHOOLS

As noted in the Federation's FY2025 Chicago Public Schools budget analysis, the financial relationship between the City and CPS must still be resolved.⁴³ With the upcoming implementation of an elected school board to oversee the district,⁴⁴ CPS governance will become completely separated from the City of Chicago. The 21-member elected school board, set to replace the existing seven-member board appointed by the Chicago Mayor, will be seated in 2025, with the fully elected board in place in 2027. The separation raises questions about the ongoing financial responsibility of the City to the school district and whether partnerships between the two agencies will continue.

Despite the upcoming November 2024 election when half of the new board will be elected, there has been no public-facing discussion resolving which types of financial support from the City of Chicago will continue. The lack of a resolution to this important question has been demonstrated through the ongoing dispute between the Mayor's Office and CPS about how much CPS will contribute to the Chicago Municipal Employees' pension fund. CPS employees account for about 65% of pension fund members.

Historically, Chicago Public Schools and the City of Chicago have had a close financial relationship, partly established in State statute and partly through intergovernmental agreements. As a result, the City provides the school district with significant annual subsidies — estimated at \$383 million based on an analysis of the entanglements released by the Chicago

⁴¹ See Geoffrey Cabbage, "[Growth of 'Finance General' Category in Chicago's Budgets Obscures Departmental Costs; Reflects Rising Pension and Borrowing Expenses.](#)" *Better Government Association*, September 25, 2023.

⁴² See Civic Federation, "[How Much Does the Chicago Police Department Actually Spend Each Year?](#)," January 26, 2024.

⁴³ Civic Federation, "[Chicago Public Schools FY2025 Proposed Budget: Analysis and Recommendations](#)," July 24, 2024.

⁴⁴ Civic Federation, "[Civic Federation Position Statement of 21-Member Elected Chicago School Board](#)," May 18, 2021.

Board of Education in October 2022.⁴⁵ Among the largest of these is a \$142 million payment of property taxes levied by the City on CPS' behalf to pay for debt service on bonds. Also in dispute is a pension contribution made by the City on behalf of CPS employees and retirees who are members of the Chicago Municipal Employees' pension fund. While the City is legally required to pay this pension contribution, CPS began covering a portion of the contribution in FY2019 at \$60 million, which increased over the past several years to \$175 million contributed to the Fund in FY2023 and FY2024. The District's FY2025 budget did not include this payment, although the City has requested \$175 million.⁴⁶ With Chicago Public Schools set to become a fully independent governmental body, it is not clear whether the City would or should be obligated to fund CPS pensions, debt and other costs.

It is critical that the question of whether these partnerships and subsidies be resolved before the elected school board is in place. The City of Chicago should expedite work with the Board of Education to address these financial entanglements and incorporate them into a long-term financial plan while preparing the District to become a fully independent unit of government.

MIGRANT SUPPORT COSTS

Since August 2022, the City has seen an influx of migrants sent to Chicago from the U.S. southern border, and the City has at times struggled to adequately care for such a large number of people. Of the over 45,000 migrants transported to Chicago thus far, more than 5,600 are currently in the shelter system.⁴⁷ And while City reporting provides an overall sense of total spending, the constantly shifting nature of the response makes it impossible for stakeholders to ascertain what is actually needed to provide sufficient care for the recent arrivals.

The FY2024 budget intentionally underbudgeted for the cost of caring for migrants, allocating only half of the projected City portion of the total cost of care, approximately \$300 million.⁴⁸ The State and County partially filled this gap as part of dedicating of \$250 million to the City's migrant mission.⁴⁹ The City Council approved an additional \$70 million in April 2024 using prior-year unassigned fund balance⁵⁰ — another one-time revenue source not guaranteed to recur in future years. And although the number of arrivals has decreased in recent months, significant uncertainty remains around how many additional migrants may be arriving in the future. To

⁴⁵ City of Chicago Board of Education, [Analysis of District Finances and Entanglements Between the City of Chicago and the Chicago Public Schools](#), October 31, 2022.

⁴⁶ Reema Amin, "[Chicago's Mayor Johnson suggests CPS borrow to cover pension, contract costs](#)," *Chalkbeat Chicago*, July 12, 2024.

⁴⁷ [Chicago New Arrivals Situational Awareness Dashboard](#).

⁴⁸ [Chicago FY2024 Budget Overview](#), p. 16.

⁴⁹ Sabrina Franza, "[State of Illinois, Cook County pledge funds for migrant mission, no word from City of Chicago](#)," *CBS News Chicago*, February 15, 2024.

⁵⁰ Sabrina Franza, "[Chicago City Council weighs mayor's ask for \\$70 million in migrant funding](#)," *CBS News Chicago*, April 15, 2024.

date, Chicago has spent \$464.2 million on migrant services, of which \$147.7 million comes from the City's Corporate fund.⁵¹

The City's Dashboard provides information on vendor payments and fund sources.⁵² However, there is no specific information offered on what departments and programs are involved, what projected spending looks like for FY2025 and beyond and how Corporate Fund resources will be used to fund programs on an ongoing basis. Further, now that the City has begun to enforce a policy evicting migrants from City-run shelters after 60 days,⁵³ there is no information on where they'll go if they are unable to return,⁵⁴ which may be indicative of a worsening homelessness condition.⁵⁵

Answers to several of these fundamental questions have not been attainable in the reporting the City has done. The Civic Federation continues to support the position of State and local government leaders that the federal government, which has jurisdiction over national borders, must provide additional financial and operational support. However, it is imperative that the City make both short- and long-term contingency plans in the event that future State and federal dollars do not materialize.

TAX INCREMENT FINANCING BOND ORDINANCE

In April 2024, the City announced a new bond plan to issue \$1.25 billion in debt over the course of five years (up to \$250 million a year) to promote economic development and affordable housing.⁵⁶ The City proposes to offset the cost of the bonds within the budget with property tax revenues from sunseting Tax Increment Financing (TIF) districts. Over the next four years, 47 TIF districts are expected to expire. As they do, the City will levy for the expiring TIF increment before that value is returned to the tax base, generating revenue that is supposed to go toward funding debt service, estimated at \$2.4 billion.⁵⁷

The Civic Federation, with some caveats, regards this plan as a sensible means of resetting the over-usage of TIF funding while directing revenue back to the City that would help create the budgetary resources for these bonds for years to come without increasing taxes. By levying for expiring TIF increment, the City will be able to strategically repurpose revenue currently being paid into expiring TIF districts. This represents a funding proposal tied to existing housing and

⁵¹ [Chicago Cost Dashboard: Vendor Payments – New Arrivals Mission](#).

⁵² [Chicago Cost Dashboard: Vendor Payments – New Arrivals Mission](#).

⁵³ See Daniella Silva, "[Chicago to begin evicting migrants from shelters Sunday](#)," *NBC News*, March 15, 2024; Nell Salzman, "[Chicago begins evicting entire migrant families from city shelters](#)," *Chicago Tribune*, June 13, 2024.

⁵⁴ Heather Cherone, "[More Than Half of Migrants Forced to Leave City Shelters Immediately Returned, Chicago Officials Say](#)," *WTTW News*, June 6, 2024.

⁵⁵ See Andrew Ramos & Asal Rezael, "[Chicago officials unveil plan to merge homeless and migrant shelters into one system](#)," *CBS News Chicago*, September 19, 2024.

⁵⁶ Council Office of Financial Analysis, [Bond Proposal \\$1.25 Billion: City of Chicago Fiscal Year 2024](#), April 2, 2024.

⁵⁷ Council Office of Financial Analysis, [Bond Proposal \\$1.25 billion: City of Chicago Fiscal Year 2024](#), April 2, 2024.

economic development programs, rather than a policy proposal oriented towards the creation of new programs. While the Federation has long supported TIF as a crucial tool for economic development, the large surpluses of funds left in the TIF accounts each year indicate the practice needs reform. The inherent limitations of TIF — both in terms of fund use and geographic restrictions — have worked to the detriment of comprehensive, Citywide development. Efforts at overcoming the constraints have at times stretched the use of TIF beyond what many regard as its core purpose — the development of “blighted” areas.

However, while the Federation is encouraged by the overall plan and its accountability measures, we have concerns about the lack of planning in key aspects of the project. Specifically, the spending plan is not tied to the City’s Capital Improvement Plan, a Citywide housing plan or planning to replace TIF-subsidized infrastructure development. Further, the revenue estimates for this proposal remain uncertain as they do not account for the tax year 2024 Chicago property reassessment, which could affect property values making up the tax base. We encourage the City Council to develop a comprehensive planning strategy linked to the City’s Capital Improvement Plan for the use of these funds.

RECOMMENDATIONS

IMMEDIATE POTENTIAL NON-REVENUE OPTIONS

As detailed throughout this report, the City’s financial pressures are significant. The structural deficit, combined with significant debt and pension payments, requires an approach to the FY2025 projected deficit that should begin with non-revenue measures. Additionally, the City must be mindful of the constraints on revenue due to massive budgetary pressures on other units of government taxing the same revenue base.

The Government Finance Officers Association (GFOA) offers a framework for governments in fiscal crisis to address budget deficits through immediate actions to improve cash flows and the development of long-term strategies. Among others, GFAO recommends prioritization of reductions in personnel costs, reductions in capital spending, reductions in materials or contractor costs, the creation of more advantageous cash inflows and outflows and the generation of new resources.⁵⁸ Many of the measures would need to be implemented with full consideration of accompanying negative consequences. The options listed below align with the GFOA’s framework.

The City faces a compressed time frame to approve a balanced budget by the end of the calendar (and fiscal) year according to State law. Therefore, the Federation begins with non-revenue options that may be within the City’s existing authority to effectuate immediately. The Federation does not endorse any particular strategy and emphasizes that some options are not best practices, but still includes them below for a more complete list of the options the City has

⁵⁸ Shayne C. Kavanaugh & Joseph P. Casey, [*Cash is King: Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced*](#), Government Finance Officers Association, March 2020.

to face down its short-term deficit. The City Council should play an active role in exploring options and how they might be implemented in order to substantially reduce the deficit in the current and future fiscal years before considering revenue options.

- **Cut or Offset of Dormant Vacancies:** The City routinely carries thousands of vacancies as appropriated budget expenditures from year to year. In doing so it (1) must find revenue to support those expenditures and (2) by implication states an intention to the public to provide services at the fully stated staffing level. In reality, and especially in the face of a nearly \$1 billion deficit that it must close as a matter of law, the City should make an objective assessment of the number of vacant positions it needs and has the capacity to fill in FY2025. Ideally, the City would cut unneeded vacant positions from the FY2025 budget. The Civic Federation recognizes that full cuts of vacant positions, even long-term vacancies, may be difficult in the limited time available between now and the end of the year when a balanced budget must be authorized, because a determination based on operating needs may require more complex analysis of operation and, more critically, most vacant positions are covered by collective bargaining agreements and may require dialogue if not full agreement of unions in the City's mostly unionized labor force. The City should cut unneeded or dormant vacancies, and to the extent cuts are not feasible at this time, make an offsetting entry in the budget for the salary and benefits of vacancies it will not fill in FY2025. The change would reduce the projected deficit by tens and possibly even hundreds of millions of dollars. It would also make the budget a more accurate and transparent document with respect to operations in FY2025.
- **Mandatory Furlough of City Personnel:** Personnel⁵⁹ constitutes the largest portion of the City operating budget, accounting for \$4.6 billion in FY2024 across all funds.⁶⁰ In the wake of the Great Recession that resulted in a sudden precipitous drop in tax revenues, the City instituted (among other austerity measures) a long-term furlough of employees across City departments, effected through an unpaid day off every two-week pay period (effectively a 10 percent drop in payroll). The City might consider doing something similar (and make adjustments as needed for essential personnel). To the extent this is required of front-line and mid-level staff, a commensurate pay reduction for City executives and elected officials should be considered as a demonstration of equitable burden-sharing both within government and between government and the public, which may be called upon to take on increased financial burden or reductions in services or effectiveness of service.
- **One-Time Suspension of Supplemental Pension Payment:** The City has made a substantial supplemental payment to its pension funds in recent years in an effort to prevent their unfunded liabilities from increasing until the scheduled actuarially-calculated payments mandated by State law are sufficient to reduce the unfunded liability. The supplemental payments from the Corporate Fund had been funded by

⁵⁹ Personnel expenditures include salaries and wages and other personnel costs, including overtime pay, unemployment compensation and other supplemental earnings.

⁶⁰ [City of Chicago FY2024 Budget Overview](#), p. 26.

assigned fund balance and are projected to run out by 2026.⁶¹ Using assigned fund balances should be done in accordance with formal policy. The Civic Federation has strongly supported the supplemental contributions as an important improvement to the City's pension sustainability. However, given the size of the projected FY2025 deficit, the pressures on adjacent government bodies that constrict the capacity to impose property taxes on already burdened City property owners, suspension of the supplemental pension payment for FY2025 in whole or part, within policy, might warrant consideration, though such a move's impact on the longer-term sustainability of pension contributions should also be considered. The FY2024 supplemental payment was \$306.6 million, nearly one-third of the size of the current projected FY2025 deficit.

- **Explore Repurposing ARPA Funds for Eligible Non-Recurring Expenses in the FY2025 Budget:** As summarized above, the City has expended the full portion of the \$1.9 billion in ARPA funding it was allowed to use for revenue replacement, \$1.3 billion, with the last portion helping to balance the FY2023 budget. The more than \$576 million remaining cannot be used as a direct revenue replacement. The City has published proposed uses of the remainder for a wide array of largely community-oriented programs and initiatives, with some one-time and others continuing, but without future revenue sources identified when the ARPA funds run out. The City should review the Treasury Department's updated ARPA funding and obligation rules and consider whether it can repurpose a portion of its remaining ARPA funds in a way that would offset eligible FY2025 budget costs. However, it is important to recognize that any such funds would be non-recurring and could cause shortfalls in those programs in future budgets. Priority might therefore be given to uses for which a one-time front-end investment might bring long-term benefit without future budget obligation, such as affordable housing. Such a review, which may relieve pressures from the core operating budget deficit, might be performed by the Council Office of Financial Analysis (COFA) in collaboration with the City Council.
- **Review and Suspend Non-Critical Capital Expenditures:** The GFOA counsels that it is common and prudent for local governments to defer and even cancel capital spending during financial constrained times. Some spending is unquestionably critical. This may take the form of reducing the scope of capital asset investment, paring down prior planned spending on premium features not immediately needed and deferring near-term non-critical capital asset purchases.⁶²
- **TIF Surplus:** The Civic Federation has long warned about the City's reliance on annual TIF surpluses to balance its budgets, but to mitigate a crisis in a way that minimizes tax and fee burdens on City residents, the magnitude of the FY2025 projected deficit warrants consideration of an increase from the prior year level of this generally disfavored practice for the coming year. The TIF surplus in FY2024 provided \$49.5 million in additional one-time revenue to the City. Should the City elect to use TIF surplus funds to also close the FY2025 deficit, an even larger amount would be required than in FY2024. Additionally, because more than half of any TIF sweep goes to the

⁶¹ [City of Chicago 2025 Budget Forecast](#), p. 21.

⁶² Shayne C. Kavanaugh & Joseph P. Casey, [Cash is King: Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced](#), Government Finance Officers Association, March 2020.

Chicago Public Schools, any TIF sweep should be preceded by an agreement respecting possible use of proceeds to CPS being applied in part or whole to the unresolved MEABF reimbursement obligation under the 2019 MOU between the City and CPS.

DEVELOP A SUSTAINABLE REVENUE PLAN

If non-revenue of the type outlined in the previous section prove insufficient to close the deficit, as they likely will with a deficit of nearly \$1 billion, the City may also need to increase its revenue. As part of a broader financial plan, the City Council and Mayoral Administration must establish a sustainable revenue plan that is balanced with cuts in order to keep revenue and spending aligned in future years — both for required obligations and discretionary programs — along with identifying areas where cuts can be made.

A logical entity to undertake this charge would be the Finance Committee's Subcommittee on Revenue.⁶³ Eight months after its formation, the Subcommittee held its first subject matter hearing on June 26, 2024. It put up several revenue sources for consideration but has yet to release any recommendations.

A Civic Federation report released last summer also presented a number of revenue options the City of Chicago could pursue, and outlined the pros and cons associated with each revenue source, as well as whether they would fall within the City Council's own authority or will require State and/or federal action.⁶⁴ In doing so, the Civic Federation then (and now) stresses that any new taxes or revenue sources or increases to existing ones must be tied to a long-term financial plan that balances the City's budget, stabilizes its finances over the long term and involves efficiencies and other reforms. The Federation again stresses that each of these are options for consideration and not necessarily endorsed by the organization. Understanding the implications and realities of each tax source on its own and in relation to other options, whether on the revenue or expenditure side, will be critical to ensuring good tax policy rather than politically popular options to address Chicago's major fiscal challenges.

Some potential revenue options available to the City are briefly outlined below. For a more in-depth discussion, see the Civic Federation's research on these revenue options.^{65 66}

Short-Term Revenue Options

Several revenue options could be implemented in the immediate term for FY2025 purposes under the City's home rule authority. A non-exclusive list of those options includes the following. Again, readers should note that the Federation is not endorsing any of these options

⁶³ See [City Council Committee on Finance Agenda](#), October 23, 2023.

⁶⁴ Civic Federation, [Financial Challenges Facing the Chicago Mayor and City Council: Options and Recommendations](#), June 14, 2023; Civic Federation, ["A Refresher on Chicago's Revenue Options,"](#) July 10, 2024.

⁶⁵ Civic Federation, [Financial Challenges Facing the Chicago Mayor and City Council: Options and Recommendations](#), June 14, 2023; Civic Federation, ["A Refresher on Chicago's Revenue Options,"](#) July 10, 2024.

⁶⁶ For more information on the myriad of taxes and fees already imposed by the City of Chicago, see the Civic Federation's annual report on [Selected Consumer Taxes in the City of Chicago](#).

and will not take a position on the City's use of any of them until and unless they are made in the context of a full budgetary and longer-term financial plan.

- **Garbage Collection Fee:** In 2016, the City began imposing a waste removal fee of \$9.50 per month on approximately 600,000 residents already receiving waste removal services provided by the City of Chicago. However, the revenue generated is not sufficient to cover the full cost of garbage removal, and the fee has not been reassessed since being implemented.⁶⁷ In FY2024 the City estimated that the Garbage Collection fee would generate \$68.8 million — only around 41.1% of the estimated \$167.2 million of the estimated garbage removal cost, with the remaining portion coming from the Corporate Fund.⁶⁸ Estimates by the City's Inspector General more than a decade ago found substantially higher fees in comparable jurisdictions. The City is overdue to reassess this fee and consider increasing it to more closely align with the full cost of waste removal to potentially generate tens of millions in revenue and free up Corporate Fund resources for other operational purposes.
- **Legalizing Video Gambling:** The City currently bans video gambling, which it is allowed to do under the 2009 State legislation that legalized it Statewide. However, municipalities can pass ordinances prohibiting video gambling in their respective jurisdictions. At the time of implementation, Chicago had a pre-existing law prohibiting video gambling and, to date, the City has yet to opt in.⁶⁹ Lifting the ban would require City Council authorization. The City would then receive a share of video gaming tax proceeds from the State's Local Government Redistributive Fund (one-sixth of video gaming tax proceeds), and the City as home rule government could also collect an annual fee up to \$250 on video gaming terminals.⁷⁰
- **Reduce and Recalibrate Fire Department Staffing:** The Chicago Fire Department (CFD) is the second-largest service department in the City, behind only the Chicago Police Department, and more than double the size of the third-largest department.⁷¹ Its workforce is nearly entirely unionized. The City's contract with Chicago Firefighters Union is the only major collective bargaining agreement currently open and under negotiation. The prior contract, the terms of which continue in effect until a new agreement is reached, expired more than three years ago.⁷² The staffing requirements for firetrucks and the number of firetrucks as compared to ambulances and emergency medical technicians to staff them has long been a debated and disputed subject. One argument advanced over the years is that staffing requirements for firetrucks — which

⁶⁷ See also Civic Federation, "[Time for the City of Chicago to Reassess the Garbage Collection Fee?](#)," November 30, 2018.

⁶⁸ [City of Chicago FY2024 Budget Overview](#), p. 84.

⁶⁹ Commission on Government Forecasting and Accountability, [2024 Update: Wagering in Illinois](#), October 2024, p. 44.

⁷⁰ Illinois Legislative Research Unit. Illinois Tax Handbook for Legislators, February 2018, p. 129.

⁷¹ See Chicago Office of Inspector General Information Portal, City of Chicago Active Employee Portal, last updated October 5, 2024. <https://igchicago.org/information-portal/data-dashboards/city-of-chicago-active-employees-overview/>.

⁷² [Labor Contract Between Fire Fighters Union - Local No. 2 and the City of Chicago \(July 1, 2017 through June 30, 2021\)](#).

are written into the labor contract — are higher than needed. CFD itself has not changed its operations model, equipment or staffing to align with service demand in a City in which more than 70 percent of all calls to CFD are for emergency medical assistance and less than 30 percent related to fire suppression. The current (and likely to continue) budget crisis warrants active consideration of such a shift, especially to the extent it could yield savings, efficiencies and better alignment of operations to public need. Such a shift may also have the effect of addressing CFD's longstanding gender and racial staffing imbalances that has resulted in adverse litigation outcomes and payments. Indeed, national data shows that generally the number of female emergency medical technicians exceeds 30 percent (and rising) while traditional firefighting functions are over 90 percent male.⁷³ While negotiated agreement is always preferred, an impasse in the long-running negotiations should prompt consideration of pursuing interest arbitration to bring about a new agreement, which alone may be needed to stop the meter running on the bill for backpay, which already could be well north of \$300 million.

- **Liquor Tax:** The current composite rates per gallon of alcohol charged in Chicago are \$1.19 per gallon of beer (\$0.29 taxed by the City), \$3.06 per gallon of wine with 14% or less in alcohol (\$0.36 taxed by the City for beverages containing 14% alcohol by volume and \$0.89 for beverages containing 14%-20% alcohol) and \$27.23 per gallon of distilled liquor with over 20% alcohol (\$2.68 taxed by the City). The City portion of these rates, which the City neither indexes to inflation nor has increased since 2007, could be increased through the City's home rule authority.⁷⁴ Chicagoans already pay among the highest liquor taxes in the nation and a further increase may prompt people to purchase liquor outside of the City.
- **Rideshare Tax:** This tax applies to taxicabs and network transportation providers. The City currently charges licensed taxicabs a monthly fee of \$98 per vehicle per month plus \$22 per month for the Wheelchair Accessible Vehicle Fund. Rideshare fees have been adjusted since their 2015 inception to include the addition of congestion-based fees in certain areas of the City. Transportation network providers are currently charged a per-ride rate of \$1.13 per single ride and \$0.53 per shared ride Citywide regardless of the pick-up or drop-off location. Rides within certain areas of the City such as downtown and Chicago's airports include additional fees.
- **Checkout Bag Tax:** The City of Chicago charges a \$0.07 tax for each paper or plastic bag sold or used in the City. Of this amount, the City receives \$0.05 and the retailer is eligible to keep the remainder.⁷⁵
- **Motor Fuel Tax:** The composite tax for gasoline in Chicago (which includes the federal government, State of Illinois, Cook County and the City of Chicago) is \$0.73 per gallon and \$0.86 per gallon of diesel, including a \$0.08 per gallon City tax. The City portion of the tax could be changed through the City's home rule authority, but consideration should be given to whether this would bring Chicago out of line with neighboring

⁷³ See Rebecca E. Cash, Jonathan R. Powell, Gregory A Peters, Scott A. Goldberg, Ashish R. Panchal, & Carlos A. Camargo, Jr., "[Trends in demographic and employment characteristics of US emergency medical technicians and paramedics, 2011-2019](#)," *Journal of the American College of Emergency Physicians*, 3(4), August 2022.

⁷⁴ Civic Federation, "[Selected Consumer Taxes in the City of Chicago](#)," p. 15.

⁷⁵ City of Chicago Municipal Code, Chapter 3-50.

suburbs and surrounding states and thereby encourage people to purchase gasoline outside the City.

- **Wheel Tax (City Sticker Tax):** Applies to Chicago residents who drive, park, lease and/or own a vehicle for which they are responsible and must purchase a Chicago City Vehicle Sticker each year.⁷⁶ The current rate is \$100.17 for smaller passenger vehicles and \$159.12 for larger passenger vehicles.
- **Grocery Tax:** The State currently taxes groceries at a rate of 1%, which includes food to be consumed off store premises, and transfers the revenue to counties and municipalities.⁷⁷ However, as part of the FY2025 State Budget, the Pritzker administration proposed and the General Assembly passed an elimination of the tax beginning in 2026.⁷⁸ To compensate for the estimated \$80 million annual loss in local revenue, the City could implement a local grocery tax through ordinance. Only 13 states in the country impose a grocery tax, with the vast majority of states refraining from doing so because it is generally regarded as one of the more regressive forms of taxation, burdening the lower and middle class most because the purchase of groceries constitutes a higher percentage of their total income.⁷⁹
- **Congestion Pricing:** Two options are available through the City's home rule authority (two others require State legislation):
 - **Cordon Charges:** Either variable or fixed charges to drive within or into a congested area within a City; or
 - **Area-Wide Charges:** Per-mile charges on all roads within an area that may vary by level of congestion.
- **Restaurant Tax:** The City imposes a 0.50% restaurant tax in addition to the sales tax on general merchandise. The Metropolitan Pier and Exposition Authority (MPEA) also imposes a 1.0% tax on prepared food in the downtown and surrounding area.⁸⁰ The current composite tax rate on prepared food is 11.75% within the MPEA area and 10.75% outside the MPEA area.
- **Amusement Tax:** The City has imposed a 9.0% tax on amusement events since 2018 (excluding events in venues with a capacity of less than 1,500, events for nonprofits, educational events and fees and memberships to health clubs). The tax also applies to cable television and streaming services. A flat 3% tax rate also applies to ticket resales.
- **Accommodations-Related Taxes**
 - **Hotel Operators Tax:** The City applies a 4.5% hotel operators' tax on net receipts (base charges paid by guests) as part of the composite 17.39% rate.
 - **Home Sharing Tax:** The City imposes a 6.0% tax on the gross rental charge of vacation rentals or shared housing units. This includes a 4% tax to fund supportive services and housing for the homeless and an additional 2.0% surcharge to fund housing and related supportive services for victims of

⁷⁶ [Municipal Code of Chicago, Chapter 3-56.](#)

⁷⁷ [Illinois Tax Handbook for Legislators](#), March 2024, p. 118.

⁷⁸ Todd Feurer, "[Gov. JB Pritzker signs legislation ending Illinois grocery tax in 2026](#)," *CBS News Chicago*, August 5, 2024.

⁷⁹ Jordan Mangi, "[Why Do Some States Still Have a Grocery Tax](#)," *Marketplace*, September 6, 2023.

⁸⁰ The MPEA area consists on the area bordered by the Stevenson Expressway (south), Ashland Avenue (west), Diversey Parkway (north), Lake Michigan (east), and O'Hare and Midway Airports.

domestic violence. These rates are applied on top of the City's composite hotel tax of 17.39%, meaning that home sharing is charged a total tax rate of 23.39%.

- **Employer's Expense Tax (Head Tax):** A tax imposed on (typically larger) businesses at a flat rate based on the number of employees. The City previously imposed a head tax but phased out the tax over a three-year period from 2012-2014 in response to criticism from business leaders. The criticism and attendant risks – potential business flight – remain. While implemented, the tax generated approximately \$23 million a year.⁸¹
- **Property Tax:** Property taxes are a reliable source of revenue because they do not significantly fluctuate with economic cycles but are politically unpopular. They are also too often one of the first places government officials look for increased revenue. For a range of reasons, the Civic Federation believes they should be a last resort for the upcoming fiscal year. Mayor Johnson promised throughout his campaign to avoid raising property taxes, and the FY2024 budget did not include a general property increase. Two factors strongly argue against reliance on a property tax increase to address the FY2025 projected deficit. The first is the looming impact of the triennial reassessment of property in the City being conducted by Cook County. Stresses on Commercial Real Estate in the downtown area may result in reduced equalized assessed valuations on commercial property and therefore potentially drive up tax rates on other types of property. Such a change would be in addition to the shocks being experienced in some communities of sharp increases in residential equalized assessed values, which can potentially lead to significant hikes in the property tax bills for City property owners that will be paid in summer 2025. The second is the possible need for property tax increases on City residents by the Chicago Public Schools to address its fiscal challenges and the effects of the triennial reassessment by Cook County. CPS relies on property taxes for a significant portion of its overall operations, though it is subject to the Property Tax Extension Limitation Law, which will limit its property tax increases on tax-capped funds to the lesser of 5% or the increase in CPI, which has decreased significantly in recent months.

Long-Term Revenue Options

Additional options would require changes to State statute for the City to implement and in most instances would take too long to pass and implement (and some involve front-end expenses) which would render them unavailable for City FY2025 purposes. They include:

- **Expanding the Sales Tax to Services:** Illinois' sales tax base is much narrower than other states because it excludes most services from being subjected to the sales tax, which leads to greater volatility and higher rates.⁸² Taxing services would bring the sales tax more in line with the modern economy. Further, by generating more revenue through a wider base, the tax could also be used to offset a portion of the sales tax on goods and allow for the overall tax rate to be lowered.⁸³ It is important to reinforce that

⁸¹ Hal Dardick, "[City Council votes to eliminate 'head tax,'](#)" *Chicago Tribune*, June 18, 2018.

⁸² Illinois General Assembly, Commission on Government Forecasting and Accountability, [Illinois Revenue Volatility Study, Public Act 98-0682](#), Updated February 17, 2015, p. 66.

⁸³ Illinois General Assembly, Commission on Government Forecasting and Accountability, [Three-Year Budget Forecast FY2024-FY2026](#), p. 10.

expansion of the sales tax will require legislation in Springfield in addition to State-level structuring and implementation to avoid tax pyramiding. It is also important to consider possible border effects to neighboring areas with more favorable sales tax systems. Even with authorization from the State, which would require a substantial amount of analysis and legislative negotiation, it would take two to three years to implement, which in the interim would require the establishment of bridge funding.

- **Congestion Pricing:** Two available options would require regional and State cooperation (two others — cordon and area charges — can be done through Chicago’s home rule authority and are discussed above):
 - **Variably-Priced Lanes:** Variable toll rates on separated lanes within a highway, such as Express Toll Lanes or High Occupancy Toll Lanes; and
 - **Variable Tolls on Entire Roadways:** Tolls placed on both toll roads and bridges, as well as on existing toll-free facilities during rush hours.
- **Chicago Income Tax:** This measure would require authority provided by the Illinois General Assembly (which it has not granted to date⁸⁴) and can be narrow or broad in nature.
- **Commuter Tax:** A tax imposed on the wages of nonresidents who work in one municipality but live elsewhere. This could take the form of a municipal income tax, a payroll expense tax or a surcharge on commuter railroad or toll road fees. To implement it, the City would need to seek a change in State statute.
- **Financial Transaction Tax:** Levies imposed on the purchase and/or sale of securities. This has been proposed several times over the years, including more recently by the Chicago Teachers Union.⁸⁵ However, most trades today are done electronically, making it easy for trading firms and customers to leave Illinois for other jurisdictions that do not impose the tax, resulting in a possible net economic loss. The Governor and legislative leaders have indicated they oppose a financial transaction tax.⁸⁶
- **Graduated Real Estate Transfer Tax:** A tax imposed upon the privilege of transferring title to, or beneficial interest in, real property. Changes to the current tax must be approved by voters in a referendum or through a change in State law.⁸⁷ Bring Chicago Home,⁸⁸ an initiative to increase the real estate transfer tax on high-end properties to fund initiatives aimed at curbing homelessness, was brought to referendum in March 2024 and failed.⁸⁹
- **Increasing the City Share of the Local Government Redistributive Fund:** Prior to 2011, 10% of State revenues derived from individual and corporate income tax rates were directed toward local governments. In 2011, at the time of the institution of a temporary increase in state income taxes, that percentage was reduced from 10% to

⁸⁴ Illinois Constitution. Article VII Local Government, Section 6 (e): Powers of Home Rule Units.

⁸⁵ Becky Schlikerman, “CTU chief says transaction tax would save pensions, make traders ‘heroes,’” *Chicago Sun-Times*, May 6, 2014.

⁸⁶ Rich Miller, “[Financial Transaction Tax for Chicago? Forget It](#),” *Chicago Sun-Times*, May 19, 2023.

⁸⁷ [Public Act 095-0708](#).

⁸⁸ Civic Federation, [Graduated Real Estate Tax and Bring Chicago Home: Data and Analysis](#), March 2024.

⁸⁹ Tessa Weinberg & Mariah Woelfel, “[Bring Chicago Home referendum fails after vote-by-mail ballots counted](#),” *WBEZ Chicago*, March 22, 2024.

6%. It has remained limited, with minor variation, even after the state income tax increase was made permanent in 2018.^{90 91}

- **Retirement Income Tax:** Illinois is one of the few states that exempts all retirement income from taxation. The Civic Federation has in the past supported eliminating or reducing the State exemption, but only as part of a comprehensive plan to balance State budgets during financial crises. Historically, retirement income has grown at a much higher annual rate than regular income. It would be a sustainable revenue source and provide a higher share to local governments via the Local Government Redistributive Fund but would be a difficult lift politically.⁹²

DEVELOP A LONG-TERM FINANCIAL PLAN FOR CITY OPERATIONS AND PENSION FUNDS

Given the City's structural budget deficit related to the high cost of pension contributions and debt service payments discussed in this report, as well as the depletion of American Rescue Plan Act (ARPA) dollars, the Civic Federation urges the Mayor's Office and City Council to take a long-term view of the City's financial future and the impact of these burdens on future budgets.

The Civic Federation recommends that the Mayor and City Council undertake a strategic and comprehensive long-term financial planning process in line with several other U.S. cities. This would benefit City stakeholders by identifying solutions to address the City's future pension funding needs. It could also help to address issues like the future of the downtown commercial and residential real estate markets. To reduce the structural deficit and absorb increasing liabilities, difficult decisions may need to be made, including reducing expenditures and looking for additional stable sources of revenue. The City Council and Mayor's Budget Office should look at ways the annual planning process can be used to think more strategically and long-term rather than just relative to the upcoming budget year. The Budget Forecast is an important piece in the development of a formal long-term financial plan and could be expanded to include more information that would help inform a strategic planning process, such as longer-term forecasting and possible actions and scenarios that could be used to address fiscal challenges. Additionally, a reserve analysis, a cost of services analysis, fiscal performance indicators and a menu of revenue-generating or expenditure-reduction options should be incorporated.

⁹⁰ Illinois Municipal League, [LGDF – Local Share of State Income Tax Revenue: A Critical Investment in Illinois Communities](#), August 14, 2024.

⁹² See for example Civic Federation, ["State of Illinois FY2020 Roadmap,"](#) February 13, 2019.

PENSION RECOMMENDATIONS

Find a Stable Pension Funding Source to Supplement Uneven Casino Revenue

As part of developing a long-term financial plan, the City must find stable funding for its four pension funds, which combined have nearly \$35.6 billion in unfunded pension liabilities. While significant increases in the amount of money the City must contribute to the four pension funds are projected to level off in the coming years, the cost of pensions will nevertheless continue to increase over time based on the back-loaded nature of the funding schedule. Casino revenue thus far has fallen far short of the anticipated \$35 million in local revenue generation for FY2024, and given the volatility surrounding this revenue, questions remain as to whether the casino will be able to generate the estimated \$170.1 million in annual revenue once the full casino opens, which is projected for FY2026.⁹³

The potential revenue from the Chicago casino will **not** be a stable source, and the City must plan to develop more reliable and sustainable revenue sources. The most recent gaming report from the Illinois Commission on Government Forecasting and Accountability noted that casino revenues have largely declined over the past decade, and even amid pandemic recovery and the addition of several new casinos, adjusted gross receipts have failed to reach their FY2016 peak.⁹⁴

Find a Sustainable Solution to Fix Tier 2 Safe Harbor Issues

Before any further action is taken on legislation to address the IRS Safe Harbor issue relating to the City of Chicago pension funds, the Mayor and City Council should advocate for a fix that is simple and the least costly possible, such as increasing the pensionable salary cap for Tier 2 employees to match the Social Security Wage Base. Such a change would bring Tier 2 pension benefits into compliance with Safe Harbor rules at what actuaries say would be a lower cost than many other options.⁹⁵

Any benefits that go beyond this change would likely overshoot necessary enhancements. Enhancing pension benefits without analysis showing the enhancements are necessary and sufficient to address potential issues with Tier 2 could substantially reverse much of the work the State and City have done to reduce massive pension liability costs. The State and City cannot afford to take a step backward by increasing Tier 2 pension benefits beyond what is strictly necessary.

⁹³ See "[Chicago Casino Projections](#)."

⁹⁴ Illinois Commission on Government Forecasting and Accountability, "[Wagering in Illinois: 2023 Update](#)," September 2023, p. 16.

⁹⁵ This was the recommendation made by the representatives of several State pension funds during testimony provided over summer 2023 to the Illinois House Committee on Personnel and Pensions during subject matter hearings on Tier 2 pensions.

The Civic Federation supported Mayor Johnson’s decision to convene a working group to address the various pension issues facing the City.⁹⁶ However, after more than a year, the group has yet to release any findings or recommendations. While the Civic Federation understands that some benefit changes are necessary to meet Safe Harbor requirements (for example, potentially increasing the final average salary cap to meet the Social Security wage base), the solution should be thoroughly vetted, actuarially sound and the most cost-effective of all possible options. Any pension benefits enhancements should be tied directly to Safe Harbor requirements.

Work with the State to Explore Consolidation of Chicago’s Four Pension Funds

In October 2019 Governor Pritzker’s Pension Consolidation Feasibility Task Force released a report that called for consolidating the assets of the 649 downstate suburban and police and fire pensions and making changes to Tier 2 employee benefits. The City of Chicago’s public safety pension funds were not included in the first phase, which has been completed over the last several years. Since the release of the report, the Task Force has not followed through on its stated intention that the unique challenges facing the City’s pension funds will be part of the future work of the task force.

Given the funding challenges faced by the City’s four pension funds, the Civic Federation believes the City should explore and pursue reforms that could reduce the cost of pensions. These might include consolidation of investments and eventually benefit management with downstate and suburban funds. The Civic Federation recommends the City of Chicago work with the Illinois General Assembly and Governor Pritzker to find a long-term solution that consolidates the City’s police and fire with the downstate police and fire pension funds to gain greater efficiencies and savings for taxpayers.

IMPROVE POLICE BUDGET TRANSPARENCY AND ACCOUNTABILITY

With a budget of \$2 billion and some of the highest per-capita staffing levels in the country, the Chicago Police Department should maximize the best use of current resources available within the Department and gain a clearer understanding of how many staff members are truly needed for optimal CPD operations. The Civic Federation hopes to see the City Budget Office include a more detailed itemization of resources being directed toward public safety operations and initiatives and how progress is being measured. With greater transparency comes greater accountability and, over time, the ability to assure the Department is putting its resources constituting approximately 40% of the City’s corporate fund budget and 40% of the City’s personnel performing one of the most important services a municipality provides to its residents.

⁹⁶ Mayor Johnson requested that lawmakers delay passing the Chicago firefighter pension legislation so that a working group of legislators, City budget officials and union representatives could evaluate the issue. Yvette Shields, [“Chicago will seek pension answers over the summer,”](#) *Bond Buyer*, May 30, 2023.

Staffing and Overtime

As with governmental components generally, personnel costs are the greatest portion of the departmental budgets. For a generation or more, elected officials have hovered over the question of how many sworn personnel are needed at a Department-wide and district level, where criminal activity and communities and their needs vary widely. In recent years, it has become a norm for the Department to carry a large number of vacancies with exorbitant overtime costs that year after year exceed budgeted allocations by tens of millions, commonly amounting to more than \$100 million over budget. Whether this is mission cost-effective is something no one in City government has been able to say, including Superintendents. To ensure effective use of resources, there needs to be better transparency and accountability around how the Department currently makes staffing and deployment decisions based on the staff it has. During the last CPD budget hearing, the Superintendent noted the need for a true staffing analysis that looks at needs based on several different metrics. A year later, reports are that the study is just begun or soon to begin, an assurance that has been given for a decade spanning at least four superintendents and three mayors. The Civic Federation urges the Police Department, with the support of City Council and the Mayor's Office, to prioritize the completion of a staffing analysis to identify opportunities for more effective allocation of police, along with civilian support. A detailed public report of that analysis should be produced to serve as a basis for an oversight hearing in the City Council.

The analysis should extend to civilian personnel and operations in addition to sworn officers. It is well understood that the Department substantially lags its peer agencies in major cities in the percentage of its workforce that is civilian. The Department has long had too high a percentage of sworn, field-trained personnel performing professional administrative functions for which they may not be fully trained. Relatedly, the Department lacks various professional and technical expertise staffing sufficient to optimize mission operations and Consent Decree implementation (see below). As a fiscal matter, civilians hired into such positions also generally cost less than sworn personnel.

While this analysis is pending, the Department should endeavor to communicate with the best information and understanding available how personnel is allocated, how the Department is performing and how performance is measured.

Consent Decree Costs and Spend

The Department and the City are in year six of a court-ordered Consent Decree. Progress and results aside, there is no comprehensive, transparent accounting for what has been spent to date, is being spent now, and will need to be spent in the future, in order to come into substantial compliance. The known cost of legal counsel and the office of the Consent Decree Monitor alone have cost tens of millions to date, and that does not include the substantially greater costs within the Department itself. More clarity around the cost and budgetary impact of the Consent Decree is needed. While the Civic Federation understands that implementation of the Consent Decree is spread throughout the Police Department budget, the City's budget documents could and therefore should do a better job describing the ways in which CPD is

working toward meeting requirements such as training, recruitment and required staffing levels associated with unity of command and supervisor ratios.

The Federation also urges the Mayor's Office, Budget Office and Superintendent to better communicate how Consent Decree requirements are informing its public safety and violence reduction strategy and improve mission effectiveness. The City should, in a detailed line-item fashion, quantify the ongoing and future cost of full implementation of the Consent Decree and identify where those costs are spread throughout the budgets of CPD and adjacent City agencies providing services supporting the Department or providing services tangent to the Department's Consent Decree-related efforts. Without a better understanding of the full breadth of resources the Consent Decree requires, there will be no way to determine whether the Department has allocated adequate staffing and resources to meet those goals.

Generate a Department Capital Budget

One of the reasons the Department lags in Consent Decree compliance, in addition to lagging civilian professional and technical expertise and staffing, is its antiquated infrastructure. This ranges from the physical condition of District-level facilities, to outdated, unsupported or even non-existent systems in headquarters. Examples of the latter include the Department's Records Management Systems, inadequate facilities for mental wellness support, and the absence of a Forensics Lab as exists in peer municipal departments. All of these affect mission effectiveness, efficiency and Consent Decree implementation. The Department is called upon daily to address today's problems with yesterday's facilities and systems, which in turn result in human and organizational stress that delay outcomes to tomorrow. A full capital budget detailing operational infrastructure and equipment needs would allow for proper identification of fiscal needs and priorities.

Reinvigorate and Empower an Office of Risk Management

One of the early initiatives of the last mayoral administration was the creation of an ordinance-level position of Chief Risk Officer.⁹⁷ The first Chief Risk Officer was announced in June 2019,⁹⁸ but resigned the following year.⁹⁹ While risk management work continues, it is compartmentalized and all but invisible. The massive volume and amounts of judgments, settlements and attorneys' fees for police-involved conduct alone warrant a reinvigoration, empowerment and resourcing of the position and Office of Risk Management working with the Mayor's Office, the Department of Finance, the Department of Law and CPD to analyze claims and litigation to mitigate future risk and costs. The findings and recommendations of the City Inspector General in 2022 for use of litigation data in risk management¹⁰⁰ should be elevated, and implemented with regular reporting to enable greater public transparency and

⁹⁷ Municipal Code of Chicago, 2-4-060.

⁹⁸ Press Release, "[Mayor Lightfoot Announces Tamika Burgos Puckett As Chief Risk Officer](#)," June 28, 2019.

⁹⁹ Fran Spielman, "[Taxpayers shell out \\$250M in police-related settlements; new report slams city efforts to learn from those mistakes](#)," Chicago Sun-Times, Sept, 29, 2022.

¹⁰⁰ City of Chicago Office of Inspector General, "[Use of Litigation Data in Risk Management Strategies for the Chicago Police Department](#)," 2022.

accountability and more effective legislative oversight. This should extend beyond police risk management to City-wide operations as specified in the 2019 enabling legislation.

FAST-TRACK A WORKING GROUP TO RESOLVE LEGAL AND FISCAL ENTANGLEMENTS WITH CHICAGO PUBLIC SCHOOLS

As noted in the Civic Federation's analysis of the Chicago Public Schools FY2025 proposed budget¹⁰¹, the financial entanglements between Chicago Public Schools and the City of Chicago still need to be resolved. These entanglements are affecting the FY2024 budget, recently projected to be more than \$220 million in significant part because of a dispute between the City and CPS about who bears the burden of contributions due for CPS non-teacher employees to the Municipal Employees and Annuity Benefit Fund. This cost issue and others have the potential to impact the City's budget in FY2025 and beyond. This should ideally be resolved well before the fully elected school board is in place. Chicagoans will elect 10 Board members on November 5 of this year. The Mayor will appoint 11 members, which include the Board President, and by January 15, 2025, the first 21-member school board will be sworn in.¹⁰² In November 2026, elections will be held to fill the 11 Mayoral-appointed seats, at which point from a governance perspective the District will become fully independent.

Among the fiscal entanglements, as noted above, is the question of the District's contribution level to the Municipal Employees' Annuity and Benefit Fund (MEABF), which is a City of Chicago pension annuity fund that covers non-teacher employees of CPS. While the City of Chicago is legally obligated to pay this pension contribution, CPS began covering a portion of the MEABF contribution in FY2019 at \$60 million, which increased over the past several years to \$175 million contributed in FY2023 and FY2024. CPS' FY2025 budget does not include this payment, although the City has requested \$175 million.¹⁰³

Considering that these legal and fiscal entanglements remain unresolved and that the Board of Education will soon become fully independent of mayoral control, the City of Chicago and Chicago Public Schools should work to expedite the creation of a public-facing and -reporting working group to include, among others, representatives of the major constituent bodies — CPS, the City, and the State of Illinois — to resolve these entanglement questions before the elected school board is fully phased in. The Federation strongly opposes the District seeking short-term loans to cover operating expenses and pension payments.

¹⁰¹ Civic Federation, [Chicago Public Schools FY2025 Proposed Budget: Analysis and Recommendations](#), July 24, 2024.

¹⁰² Mila Koumpilova & Becky Vevea, "[More than \\$400,000 raised so far in Chicago's 2024 school board elections](#)," *Chalkbeat Chicago*, July 16, 2024.

¹⁰³ Reema Amin, "[Chicago's Mayor Johnson suggests CPS borrow to cover pension, contract costs](#)," *Chalkbeat Chicago*, July 12, 2024.

INCREASE TRANSPARENCY AND ACCOUNTABILITY AROUND MIGRANT CARE FUNDING AND CONTRACTING

The City currently operates an online dashboard that provides information on vendor payments made related to caring for migrants.¹⁰⁴ However, it remains unclear what additional funds will be needed to address the crisis and where the funding will come from. The Civic Federation urges the City Budget Office to produce additional information on migrant spending as the budget forecast and budget proposal are released this fall. The City Council, possibly using the services of the Council Office of Financial Analysis, should also call for and track this information.

EXPAND THE ROLE OF THE CITY COUNCIL'S OFFICE OF FINANCIAL ANALYSIS

The Civic Federation supported the creation of the Council Office of Financial Analysis (COFA) in 2014 as a means of providing financial information to the City Council independent of the Mayor's Office of Management and Budget. The Federation also supported the expansion of COFA's powers and duties over the years, as well as requirements that all COFA's reports be made public. While there have been some improvements in scope and transparency since the Office was created, the Council Office of Financial Analysis needs to be strengthened significantly to make it a meaningful resource to City Council members. With just three budgeted staff members, COFA lacks the capacity to do much proactive analysis beyond reacting to the budget or special requests for analysis. By comparison, the New York City Independent Budget Office has close to 40 staff positions.¹⁰⁵

The Civic Federation would like to see City Council empower COFA to serve as a meaningful asset to the Council. Several ways the Council could do that are by:

- Increasing COFA's budget and staff numbers;
- Establishing a budget floor, similar to the way the Office of the Inspector General and the Civilian Office of Police Accountability each have a set appropriations floor;
- Ensuring that COFA has access to all the information it needs to conduct analysis;
- Empowering and encouraging COFA to work with other bodies that serve as resources to City Council such as the Legislative Research Bureau; and
- Expanding the role that COFA plays in providing financial and budget analysis to City Council throughout the year.

¹⁰⁴ [Chicago Cost Dashboard: Vendor Payments – New Arrivals Mission](#).

¹⁰⁵ New York City FY2024 Expense, Revenue, and Contract Budget, p. 155E.

ESTABLISH AN ORDINANCE-LEVEL GOVERNMENT EFFICIENCY TASK FORCE

Many of the actions needed to produce and enact a technically balanced budget for FY2025 will be one-time measures or involve non-recurring revenue sources. In other words, the FY2025 budget will be structurally imbalanced, as has been the case for a generation of City budgets that have preceded it. The same will apply for FY2026, for which the City's finance team has projected a potentially larger benefit. Avoiding a replay of the current crunch this time next year will require the City to change how it conducts public budgeting and administration. Some of this work is done. The City's Cut the Tape initiative is such an example, although its implementation is lagging and needs to be expedited. But such initiatives are episodic, and without public-facing, enforceable calendars and requirements.

A joint Mayor-Council Task Force or Commission created by ordinance, with specified public reporting obligations and deadlines in the first half of the 2025 calendar year, can provide the findings and recommendations needed to recalibrate both the budget and operations to greatly reduce the projected deficit for FY2026, and in a far more fiscally sustainable and responsible manner than in the past. Other cities faced with fiscal challenges have offered models for how this might be done, in a collaborative manner that includes labor, business, financial and public administration experts along with internal and external stakeholders.¹⁰⁶ Such a task force, aside from highlighting opportunities, could recommend specific studies in complicated areas that could themselves be ordinance-prescribed to assure proper cadence and public-facing outcomes. Examples might include:

- Planning for Instituting GFOA-Standard Performance Management Budgeting¹⁰⁷
- Cost of Services Study¹⁰⁸
- Citywide Staffing Analysis (in addition to CPD Workforce Allocation Study, see above)
- Citywide Overtime Reduction Analysis (in addition to Police Overtime, see above)
- Middle Management Reduction Study
- Public-Private Artificial Intelligence/Technology Efficiency
- City-County-Sister Agency Collaboration and Efficiency Study¹⁰⁹
- Municipal Bank Study¹¹⁰

The City Council might consider such ordinance-level initiatives as a condition of approving the FY2025 budget at year's end.

¹⁰⁶ E.g., [City of Atlanta 2014 Commission on Waste and Efficiency in Government](#)

¹⁰⁷ See Government Finance Officers Association, [A Performance Management Framework for State and Local Governments: From Measurement and Reporting to Management and Improving](#), May 2010.

¹⁰⁸ See Government Finance Officers Association, [Measuring the Full Cost of Government Service](#), October 1, 2021.

¹⁰⁹ See, e.g., [City-County Collaboration Report](#), October 2013.

¹¹⁰ See Bank of North Dakota, "[The BND Story.](#)"; See also Sarah Jones, "Why Public Banks Are Suddenly Popular," *The New Republic*, August 10, 2018.