

**STATEMENT FROM BUDGET DIRECTOR ANNETTE
GUZMAN ON THE 2024 BUDGET PROPOSAL TO THE CITY COUNCIL
COMMITTEE ON BUDGET AND GOVERNMENT OPERATIONS**

October 16, 2023

To Chairman Ervin, Vice-Chair Lee, and the honorable members of City Council, good morning.

My name is Annette Guzman and I am the Budget Director. I am honored this morning to come before you to discuss Mayor Johnson's proposed 2024 budget. As the City continues to emerge from the devastating public health, social and financial impacts of the COVID-19 pandemic, the 2024 budget places the City on a path to addressing the historic disinvestment felt by many of our communities by investing in the areas of youth employment, mental health service expansion, housing, environmental justice, community safety, and continued operational enhancements...to name a few.

When we came before you last month, we presented a budget forecast that reflected a gap of \$538 million driven primarily through increased labor costs based on our negotiated contracts, declining federal COVID-19 funding, and the budgeted cost of supporting the new arrivals mission, which was a topic raised by this Council during last year's budget hearings. Since that time, my office, together with the Chief Financial Officer and the Comptroller, have worked to develop a balanced budget through both cost efficiencies and savings, and an improved revenue outlook.

I'd like to first address the gap within our corporate fund. Although the prospect of closing a half-a-billion dollar gap presented a daunting task, this City has indeed faced larger gaps and faced them head on. In resolving the forecasted gap, our offices sought to close the gap through structural solutions without an over-reliance on one-time revenue after making modest investments in key initiatives prioritized by Mayor Johnson. We were able to close the gap and present a balanced \$16.6 billion budget without increasing the base property tax levy by:

- prioritizing \$243M in operational savings and efficiencies, including:
 - department savings related to economizing and focusing on the projects and initiatives that can be carried out within our current capacity.
 - Savings realized through the civilianization of certain positions within CPD
 - The strategic refunding of bonds to lower our debt service costs, and
 - Savings within our personnel line through reforecasting our healthcare costs for 2024 based on anticipated headcount.

- The gap was also closed through improved revenues of \$321M, including:
 - Declaring a higher TIF surplus based on the amount of funds unallocated to projects in 2024
 - Updating the calculation of new properties being added to the property tax, freeing up funding within corporate fund
 - Use of interests earnings on our asset lease reserves
 - Improved outlook for collections from revenue enforcement
 - Strategic use of the City's fund balance reserve, and
 - Re-forecasted revenue projections based on updated economic information.

While we were able to close the projected gap for 2024, working on structural solutions to our projected long-term budget gaps is a focus of the collective efforts of our offices, as we face increasing labor costs year-over-year, increased pension obligations, and the fiscal cliff that we, along with local governments across the country, will have to contend with as federal COVID-19 pandemic aid ends. To ensure continued support for long-term obligations such as our pensions and debt service, and the provision of services provided by our departments, it is critical that we continue to seek out and evaluate new sources of revenue, including state and federal grants, as well as continuing to find efficiencies in how we deliver our services.

To that end, we are excited about a number of initiatives that this budget supports, including:

- The re-establishment of the IT infrastructure of the City within the Department of Technology and Innovation. Elevating and investing in the work of a central IT department will help to push innovation within each of our departments, leading to process improvements and service efficiencies. This is of particular importance to the budget office as we will benefit from the new Enterprise Resource Planning tool currently being implemented across the finance, procurement, facility management, and HR offices of the City. By transitioning to a more modern, integrated and cloud-based platform, our offices aim to introduce more user-friendly modules for our staff and department users cutting down on time-consuming and manual data processes, while also allowing for more data-driven management within our operations.
- In addition, within my office, our expanded grants team will be working with the Mayor's Office over the next several months to analyze the City's ARPA spending plan. Although ARPA funding was always a temporary funding source, the funding has been used to support programs working to address historical disinvestment in communities throughout our city, which was exacerbated through COVID-19. Though the City's finances are on their way to rebounding to pre-pandemic levels, the work to address historic disinvestment continues. Thus, we will be working to analyze the ARPA spending plan, and each individual initiative therein, to accomplish several goals, including:
 - Shifting funding from programs at risk of not spending within the deadlines set by the Treasury to high impact programs with a history of successfully spending down their ARPA allocations;
 - Identifying sustainable sources of funding to support high impact programs beyond the performance period end date of December 2026; and
 - Working with the Comptroller and the Department of Law to re-evaluate our advance funding process to delegate agencies to reduce redundancies and inefficiencies and to speed up payments to such agencies, while balancing risk to the City.

Finally, as noted earlier, we are for the first time dedicating funding within the 2024 budget to support the costs associated with the new arrivals mission. The City continues to look for and achieve cost savings in the delivery of services to support new arrivals, while also identifying, applying for, and receiving funding from the state and federal government. Since buses began to arrive from the border to Chicago last year to August of this year, we have spent over \$150 million in aid of this mission, with over \$130 million of that spent in this year alone. But the majority of the costs have been reimbursed through funding received from other sources. To date, this year the City has received resources totaling just over \$170 million to cover costs associated with the new arrivals mission, with roughly 68% of that coming from the federal

and state government. With the number of new arrivals exponentially increasing, this budget reflects the City's commitment to contribute our part to support the mission. We continue to work with the state and federal government to identify additional resources to support as well.

Today, I am joined in the box by a number of my colleagues, including Jacob Nudelman, First Deputy Budget Director, Kevin Murphy, Managing Deputy Budget Director – Workforce Management and IT, Matthew Schmitz, Managing Deputy Budget Director – Grants, Chloe Belczak, Deputy Budget Director – Grants, Alexis White, Deputy Budget Director – Regulatory, and Kevin Schuster, Deputy Budget Director – Capital and Infrastructure. I am grateful for their leadership, as well, as the work of the entire Office of Budget & Management in developing the budget before you today. I am especially grateful for the partnership of my co-leads of the City's finance team, Jill Jaworski, CFO, and Chasse Rehwinkel, Comptroller, who you will hear from shortly. I am also thankful for the warm welcome I have received from this Council since being appointed and the fruitful conversations we have had about the financial health and direction of this City. You have an awesome task before you and I look forward to the work we will do in partnership over the next several years.

After you have heard from the CFO and Comptroller, me and my team are happy to answer any questions that you have.