

MAYOR RAHM EMANUEL'S 2017 BUDGET ADDRESS

**Remarks as prepared for delivery*

Members of Council, Chairman Austin, Chairman Burke, and fellow Chicago residents:

While we are gathered here today to do the important work of reviewing our city's budget, I want to take a moment to recognize the good work at the negotiating table between Chicago Public Schools and the Chicago Teachers Union to reach a contract agreement.

Both sides worked in good faith to reach a deal, and as a result Chicago's students are in class where they belong today, getting the education they deserve.

Chicago Public Schools' finances will be on stronger, firmer ground because of this agreement. Today, we must also focus on our work and our finances.

Today I am presenting to you a budget unlike any other we have seen in recent memory.

It is a budget free of an immediate pension crisis, free of the black cloud of insolvency threatening the retirements of city employees and the financial future of Chicago.

For too long Chicago was not honest with taxpayers and employees about the true cost of their pensions, and we allowed that dishonesty to turn into a real financial burden.

This Council took a different approach: confronting both our pensions and our broken politics. We refused to let the degradation of our politics downgrade Chicago's future any more.

As a result, for the first time in a long time, all four Chicago pension funds have dedicated and reliable revenue sources and new city employees will share responsibility for funding their benefits.

Five years ago, Chicago was on the financial brink. Today, Chicago is back on solid ground.

Our city is finally out of the pension penalty box. Both Fitch and Standard and Poor's have upgraded their outlooks for the future of Chicago's finances from negative to stable.

Last week S&P wrote that Chicago is, "moving in the right direction toward stabilizing its budget and its pension plan contributions."

Their actions recognize our actions. They acknowledge the improvement to the overall stability around Chicago's finances since 2012, because our pensions are now on the path to solvency.

The ones who truly deserve our thanks are the taxpayers of Chicago. They, like city employees, have stepped up to solve the pension challenge.

I want to assure Chicago's taxpayers that they are not alone in their sacrifice.

While homeowners are being asked to step up, we are making sure our central business district and businesses across the city are also carrying their full weight as well.

Consistent with the philosophy of being honest with the public about our pensions, together we have also confronted our structural deficit.

As you remember, in 2011 we were running a \$635 million annual deficit, almost 20 percent of our core operating budget – and a number of city employees were on furloughs.

We have cut that deficit by 80 percent. It is now at its lowest level in nearly a decade. And in addition to cutting it, we have stopped the practice of selling assets to pay for operating expenses.

We have stopped the practice of relying on one-time revenues to balance our budget.

We have stopped raiding the rainy day fund just to keep the city afloat.

This year, like every year since my first budget, we are putting money back into the rainy day fund. Put another way: we are saving for Chicago's future, not selling it short.

We are also reducing our dependence on the financial practice known as scoop-and-toss by another \$63.5 million on top of the \$100 million we reduced last year. These actions are consistent with my pledge to eliminate our reliance on scoop-and-toss altogether by 2019.

We have frozen our downtown TIFs, closed 15 TIFs over the past five years - with an additional three to be closed this year. We have made our TIF investments more transparent - and we have redirected the lion's share of those investments to support improvements in public schools, public transportation, public libraries, and public parks – consistent with our Neighborhoods Now investment strategy.

What resources we do not use for those investments we have surplussed every year to the tune of \$853 million – with over \$400 million going to help our schools balance their budget.

In five years' time, working through the budget line-by-line, asking some fundamental tough questions that had not been asked in prior years, we have saved taxpayers well over \$600 million in recurring annual costs.

How did we get this done? We took on entrenched interests in some cases - and inertia in the system in others - that were preventing us from making some tough decisions and common sense choices.

We saved \$100 million in healthcare costs, and our employee healthcare budget is level with 2011.

We saved \$200 million by eliminating vacant city positions and realizing savings on salaries.

We changed the way we deliver basic neighborhood services like garbage pick-up, street-sweeping, and rodent abatement to a more efficient UPS and Fed-Ex like model. This has not

only improved our services to our residents, it has resulted in more than \$30 million in annual savings.

We have saved taxpayers more than \$20 million to date in energy costs.

We have saved another \$10 million just by changing the way we lease property.

These are just a few examples of going line-by-line, service-by-service, department-by-department to save Chicago taxpayers money and do things in a smarter and more efficient way.

No area is too small for scrutiny, including how we lease copy machines, which will save us \$2 million in this year's budget.

This year we are taking a fresh look at how we do things, resulting in another \$30 million of savings to taxpayers.

These were not all easy decisions. Together, we confronted the challenges to both our pensions and our annual operating budget simultaneously.

We did what was economically and financially necessary, not what was convenient or expedient.

Denial has never been a long-term economic strategy for Chicago's financial health.

I want to caution all of us, given all the hard work of the past five years, the risk of going back to what was politically easy has not been cleansed from the budget process. Because when a crisis recedes, it is natural to become complacent and take your eye off the ball.

This is an admonition to myself, it is an admonition to my cabinet, their departments, and it is an admonition to all of you. We collectively have to stay vigilant in making the fiscally difficult choices and not allow ourselves to slide back to the bad practices that got us into this crisis in the first place.

While the crisis has receded, while Fitch and S&P have both individually recognized that our finances and our pensions are stable, our work of righting the ship is not complete.

The next chapter is to advance our finances from stable to secure.

This work is about a lot more than just balancing the books though.

It is about looking towards a future that is no longer burdened by our past mistakes.

It is about ensuring that we can invest in our future, we can fully tackle new challenges as they arise, and we can drive prosperity in neighborhoods throughout the City of Chicago.

The most important investment we can make in the future is in our children. You have heard me talk about this for each of the last five budgets, and every day in between.

We are not just talking about it though – because while we have been balancing our budget, ridding ourselves of bad financial practices, and stabilizing our pensions - we have also been tripling our investments in Chicago’s children - from \$21 million a year when I took office - to \$64 million in this year’s budget.

The deck has been stacked against Chicago’s kids for too long. From a school day that was the shortest in America, to insufficient early childhood education across the city. From too few after-school programs, to a dearth of summer jobs. From inadequate access to health care, to not enough mentors. I am determined that we reshuffle the deck to ensure that all of Chicago’s children come out on top.

With the help of City Clerk Susana Mendoza and the innovations she made in her office, we will provide an adult mentor to more than 7,200 young men in 20 neighborhoods with the highest homicide rates. We are not going to wait for this budget to pass to start working towards that goal. We are already ahead of schedule - and by next month more than 4,000 young men will have a mentor.

Not just for this year. This is the beginning of a three-year commitment to expand proven mentoring programs in Chicago, to replace despair with hope, so young people choose right versus wrong and know good from bad. You know as I do that when we give Chicago’s young men and women that chance and that choice, more often than not they will choose the right path.

The \$6 million the city will invest in this effort next year will be matched by the private sector. I want to thank Exelon, People’s Gas, Bank of America, Get in Chicago, and Jimmy John’s for their support in this effort.

We will continue to expand our summer jobs program - which we have doubled since 2011 - even in the face of continued cuts by the state and federal governments.

In 2017, we will offer an additional 2,000 summer jobs for young men participating in our expanded mentoring program. These jobs will be reserved for them and them alone.

They will earn these jobs by improving their grades, their school attendance, and staying out of trouble. If they take responsibility and act responsibly, we as a city will provide them with the opportunity of a summer job and the paycheck and confidence that come with it.

Next year nearly 1,000 additional youth will be able to participate in our after-school activities for a total of more than 90,000 across the City and its sister agencies.

Nearly 60,000 CPS students will receive free eye care. And more than 100,000 CPS students will continue to receive free dental care.

Every year for five years straight – and now for a sixth year - the budgets we passed have expanded summer jobs and after-school activities.

This year, we will add the additional benefit of mentoring for our young men.

Because when we invest in our children's future, we let them know they can believe in their own future.

We also have to offer a better future to those – young and old – struggling with drug addiction and mental health challenges.

So in this budget, we are increasing funding for drug treatment by 50 percent. We will focus first on expanding treatment for opioid addicts in West Side neighborhoods like Austin, Garfield Park, and Humboldt Park. And we will pay for this by requiring licenses for pharmaceutical sales representatives, requiring them to undergo ethics training and share data on opioid sales.

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While we are investing in children in our neighborhoods, we must also invest in the safety and quality of life of our neighborhoods.

The hard choices all of us have made together have brought us back from the fiscal brink. We did the right thing and our city's future will be better for it.

Now, let us find the courage to confront another hard and bitter truth. When teenagers gun each other down for no reason, when neighborhoods and residents live in fear of gangs, when people in one part of Chicago ignore, avoid, or drive around another part of Chicago, we as a city must step up to confront this challenge.

In my speech last month at Malcolm X, I outlined new investments in public safety. This budget reflects those investments and supports Superintendent Johnson's strategy to fight crime.

As part of that strategy, in 2017 we will hire the first contingent of 500 new police officers who will be assigned directly to communities across Chicago to work with residents in a partnership against crime and violence.

We will start hiring 200 new detectives, so we can resolve criminal cases and make sure that violent individuals go to jail for the crimes they have committed.

We will fund an additional 92 field-training officers to teach the new training procedures ordered by Superintendent Johnson consistent with our philosophy around community policing.

And to meet all of the above obligations, I have directed my team to begin the search for a new location for a modern, 21st century training facility for the Chicago Police Department. This facility will not just train new recruits, but also ensure our current sworn officers are receiving the best training and preparation throughout their careers.

Our police officers – and their new colleagues – will be aided along the way with universal body cameras, Tasers, and in our most violent districts - gunshot-sensing cameras.

While these new resources will help our officers do their difficult jobs, no resource will match the resource of community support.

Improving public safety is an urgent need for our City – and it is an especially urgent need for some of our neighborhoods on the South and West sides.

With this budget, we are focused on building the strong and vibrant neighborhoods that residents of Chicago deserve and upgrading the services that residents of Chicago rely on.

We are going to improve and modernize Chicago's 3-1-1 system, the main way residents connect to the city for services. Chicago invented the concept of 3-1-1 in 1999. But in the years since, communications technology has changed while our system has remained stagnant.

Chicago's 3-1-1 system must be modernized so it can join the 21st century.

If you can order your groceries, reserve movie tickets, download a book, or check your medical records on your smartphone it should not be beyond our capabilities to allow Chicago residents to report a pothole, get a tree trimmed, have a streetlight replaced, or call in graffiti to be removed.

With the improvements we are making in our city's 3-1-1 technology, soon residents will be able to tweet and text the system, making it completely interactive so Chicagoans can check on their neighborhood service requests in real-time.

This new "Mobile 3-1-1" will be operational by 2019.

We are not going to pay for it with new taxes. A couple of months ago I announced we are going to sell valuable city property at Goose Island, move those 250 jobs to Englewood, and use the proceeds from the land sale to build a new, modern, mobile 3-1-1 system that serves all our residents.

We are also investing in replacing and upgrading streetlights across the city. By December we will choose a company to upgrade 270,000 lights to LED over the next four years. More reliable, better quality outdoor lighting will save energy costs and make our streets safer for businesses and families – while making them less attractive for gangbangers who prefer to operate in the dark.

All of us believe that art is vital to a neighborhood's quality of life, so we will fund our 50 for 50 Neighborhood Arts Project. For the first time ever, we will be partnering with Aldermen who dedicate \$10,000 of your menu funds to finance permanent public art installations in your wards. The city will match that \$10,000 dollar for dollar.

In every neighborhood in Chicago we have all seen talented local artists, painters, photographers, or sculptors whose work could brighten and enhance their communities. I am asking each of you to join me in creating 50 permanent new art installations across all 50 wards.

All of these investments will make our neighborhoods stronger, better, and safer. And that will continue to make them more attractive for vibrant retail and residential growth.

We all know that a lack of jobs and a lack of opportunity create a breeding ground for violence. We can invest in mentoring, and we will in this budget. We can invest in added police, and we will in this budget. We can invest in educational improvements, and we will in this budget. We can invest in transportation, and we will in this budget. We can invest in art, and we will in this budget. But if we are not also creating jobs and providing the skills for those jobs, we will be weakening our public safety efforts.

That is why we are investing in the success of neighborhoods across Chicago.

We can see this strategy play out with a new Method Factory and Whole Foods distribution center in Pullman. We can see this strategy working in Bronzeville with the new Mariano's next to the new suspension bridge and arts and recreation center. We can see this strategy working in Englewood with a new Whole Foods right across the street from Kennedy King College, our culinary and hospitality school - and just down the street from the upgraded 63rd Street Station on the improved Red Line. We can see it in Avondale, where the old Marshall Fields warehouse has been transformed into new office, industrial, residential and retail space - including a new Fresh Market - all part of the revitalized commercial corridor on Diversey Parkway.

What we cannot always see are the small businesses that are coming alive as a result. Small businesses such as those started by entrepreneurs like Rachel Green of Laine's Bake Shop and Imani Muhammad of Imani's Original Bean Pies, who graduated from our Englewood Accelerator and both have their products featured on the shelves of Whole Foods stores across Chicago.

Both Rachel and Imani have benefited from the City's small business support programs. Rachel's shop became the 250th business served by Chicago's first-in-the-nation micro-lending program, while Imani received coaching and a loan through one of our Small Business Opportunity Centers.

Rachel and Imani are with us in the chamber today - along with Brenda Palms Barber - the CEO of Sweet Beginnings - and Arnette Faulkner - the CEO of AHF Body Chemistry. Brenda and Arnette both have their products on the shelves of the Bronzeville Mariano's that opened this morning. I want to congratulate all of them on their success - because their success is Chicago's success.

The question before us is how can we replicate their success and the progress we are seeing in Pullman, Bronzeville, Englewood, and Avondale in other neighborhoods across the city.

We all know our neighborhoods need more resources. And as we make changes to TIFs to give more support to our schools, we need to rethink the way we invest in our communities and find additional resources.

Like S&P and Fitch, I know that the City's finances are stable and I believe that investing in Chicago and Chicagoans is a sound financial strategy.

That is why I am directing that a portion of our investment earnings and financial reserves that have historically been invested only in bonds, be invested directly into our neighborhoods.

I am announcing the creation of the Community Catalyst Fund, a neighborhood focused fund-of-funds that will make targeted investments with financial managers that invest in businesses in our most resource-starved neighborhoods.

The City will invest \$100 million in this Fund over the next three years. I have charged Treasurer Kurt Summers - the Chairman of the Fund - to raise private capital so that additional private investment could double or triple the ultimate size of the Fund.

This expansion of capital available for these types of businesses means more jobs and more hope for communities.

It builds on our successful micro-lending program – the one that helped Rachel move her bake shop from her kitchen to a storefront - and will help energize our efforts as we strive to rebuild successful neighborhood economies like 63rd Street in Englewood, Chicago Avenue in Austin, and Michigan Avenue in Roseland.

I want to thank the Treasurer for working with my administration over the past several months to bring this idea to fruition.

This innovative new Fund will provide start-up and growth capital for small businesses throughout Chicago – because it is those businesses that will provide the greatest share of new jobs in our communities.

We are making sure that those jobs – and all the jobs in our city – can support a family by raising the minimum wage. Just two years ago, the minimum wage in Chicago was only \$8.25 an hour. Thanks to action we took, today it is \$10.50 an hour and by next summer it will be \$11 an hour.

I know some of my friends in the business community were not happy about this, did not support it, and actually worked against its passage, but it was the right thing to do for Chicago's workers, for Chicago's economy, and for Chicago's families. If you work full-time you should not have to raise a child in poverty. Work should pay.

We know that businesses can succeed in even our most challenging neighborhoods if we follow the five Neighborhood Now investments that are the foundation of strong communities: good schools, good parks, good libraries, good transportation, and good public safety. These public investments attract private investment and new jobs, as we have seen in Pullman, Bronzeville, Englewood, and Avondale.

With the millions of dollars that will be generated by our new Community Catalyst Fund, we will seek to replicate the successes of some of Chicago's neighborhoods in all of Chicago's neighborhoods.

We want every neighborhood in our city to have its own success stories and provide the safety and economic vitality its residents seek.

That is our goal as we present this budget to City Council. It is a goal that I know we all share.

After all, clearly a budget needs to add up – but beyond being balanced – it should be balanced with our values and our priorities. It should respond to the challenges we face – and the progress we seek.

While the needs remain great – for investments in transportation, public safety, education and economic vitality – our progress has touched the lives of people across our city.

I want to end where I began.

Back when I presented my first budget, people thought Chicago’s fiscal challenges had grown so big they could not be tackled.

They thought our pension crisis was too big to be addressed.

They thought our community colleges would continue to leave too many residents unprepared for the jobs of the 21st century.

They thought Chicago’s students would remain near the bottom in graduation rates and test scores.

Today, two ratings agencies have upgraded their outlook on Chicago’s future and the black cloud of insolvency hanging over our city’s pensions has lifted.

Today, we are balancing our budget not with gimmicks, but with honesty and a sense of shared responsibility.

Today, our fourth and eighth grade students are leading the country in reading and math gains respectively, our high school graduation rate is 73.5 percent – more than 16 points higher than five years ago – and 87.5 percent of our high school freshmen are on-track to graduate.

Today, 62 percent of our high school graduates are going on to two and four year colleges – more than ever before.

Today, our revitalized community colleges have been recognized by the World Bank as a model program for developing a 21st century workforce with the skills to compete and succeed in a 21st century economy.

Today, our city is leading the country in corporate relocations for the third year in a row and direct foreign investment for the fourth year in a row, reflecting the confidence those around the country and across the globe have in Chicago’s future.

These companies are coming because of what we have done collectively to invest in our city – and more importantly in our residents. Investors and major corporations around the world recognize the limitless opportunities in the City of Chicago – a world class city.

We must recognize these opportunities by investing in our own backyards. By helping start new small businesses. And by helping existing small businesses grow and become big businesses.

In so many places and so many times where Chicago has turned our attention – where the public sector, private sector, and our not-for-profits have come together with the support and good will of our residents, we have proven people right when they say Chicago is the City That Works.

Since my speech at Malcolm X, we have been inundated with offers to help our city move forward – from hundreds of adults who want to volunteer to mentor youth – to individuals who have offered to purchase bicycles to help our officers with community policing.

People want to help. They want to be part of the solution. They want to share their time, their resources, their energy and their heart to help us meet our core challenges.

Together, the people of Chicago are investing in the future. Together, we are writing a new chapter in our city's remarkable history.

Do we have decades of underinvestment in neighborhoods which we must reverse?

Yes.

Do we have a major challenge with guns and gangs as we have for generations that we need to confront?

Yes.

Are these challenges, though, like the others we have successfully confronted, bigger than the collective will and spirit of the City of Chicago to solve?

No.

There is no challenge bigger than the will and capacity of this great city.

This budget I present to you today is rising to meet these challenges because it is free of past burdens, so we can look to the future together and act together with confidence.

Thank you. And God bless the City of Chicago.