

**COMMITTEE ON FINANCE  
MONTHLY RULE 45 REPORT  
September 2020**

**On September 3, 2020, at 10:06 am, the Committee on Finance held a remote meeting pursuant to applicable law.**

The following members were present: Hopkins, Dowell, King, Sawyer, Mitchell, Harris, Beale, Sadlowski-Garza, Thompson, Quinn, Burke, Lopez, Moore, Curtis, O’Shea, Brookins, Tabares, Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Napolitano, Reilly, Smith, Tunney, Osterman, Silverstein, Vice Chairwoman Hairston, and Chairman Waguespack.

The following member was absent: Cardenas.

The following additional aldermen were present: Coleman, Sigcho-Lopez, Cardona, Nugent, Vasquez, Martin.

*Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack took a roll call to establish a quorum, as reflected above.*

*Chairman Waguespack opened the floor for public comment. Greg Scott, a government affairs representative for the American Car Rental Association, spoke in favor of regulating predatory towing. Tom Calivillo, a claims adjuster with Allstate, spoke in favor of regulating predatory towing. Katherine Scharko shared her experience as the victim of a predatory tow.*

The Committee addressed the following items:

1. Approval of Rule 45 Report of the previous meeting of the Committee on Finance.

*No members offered changes or corrections. Vice Chairwoman Hairston moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.*

2. O2020-3893 A communication recommending a proposed ordinance concerning the authority to enter into an intergovernmental agreement with the Chicago Housing Authority for Tax Increment Financing (TIF) assistance for certain redevelopment and remediation costs of the former Near North High School building at 1450 North Larrabee Street in the 27th Ward. TIF Amount: not to exceed \$4,000,000.

*Chairman Waguespack invited Anna Booth, Financial Planning Analyst with the Department of Housing, to speak regarding the ordinance, which she did. Ald. Lopez asked when the project was presented to the TIF task force, and Booth provided the information. Ald. Lopez asked if there was a written policy on the timing of TIF task force review, and Booth said she would try to have that provided by the department through the Chair.*

*Ald. Thompson asked about the project timeline, and Booth provided it. Ald. Thompson asked how many units would be in the first phase, and Booth said 189. Ald. Thompson expressed support for the ordinance.*

*Ald. Smith expressed support for the ordinance and asked about other phases of the total project. Booth said the phases would include the highrise, three-flats, and townhomes, reaching a total of 482 units.*

*Ald. Villegas asked for clarification on the TIF task force, and Booth provided it. Ald. Osterman asked if this fulfills the requirements of a court order, and Booth said there remain more that need to be planned and built. Ald. Osterman asked if there is a plan for those remaining units, and Booth said several sites are being considered.*

*Ald. Burnett thanked the Committee members and the Department for this ordinance and mentioned that the builder is working with the community to ensure diversity in the contractors and work crews.*

*Ald. Mitts moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.*

3. R2020-473 A communication recommending a proposed resolution evidencing intent to issue the authority to issue Chicago O'Hare International Airport Special Facility Revenue Bonds in an amount not to exceed \$55,600,000 for the benefit of Transportation Infrastructure Properties, LLC and/or Aero O'Hare II, LLC or affiliates thereof. Amount: not to exceed \$55,600,000.

*Chairman Waguespack invited Amber Ritter and Tammi Morgan from the Chicago Department of Aviation; CDA Commissioner Jamie Rhee; John Sabl with the Department of Law; Greg Russell, Michael Bender, and Alex Brodsky with Aeroterm; Nosa Ehimwenman with Bowa Construction; and Joe Williams with Target Group to speak to the proposal, which they did.*

*Ald. Thompson asked if there is a signed lease for the site, and Ritter said there is one being considered in the Committee on Aviation. Ald. Thompson asked about the bond phasing, and Sabl explained it. Ald. Thompson asked if the bonds were covering the total cost of the project, and Ritter said they were. Ald. Thompson encouraged Aeroterm and the contractors to meet their goals for hiring Chicagoans.*

*Ald. Sawyer asked that, when the bonds are issued, the City strongly consider hiring minority-owned firms for the deal. Ald. Mitchell agreed and asked if work would begin this year. Ritter said it would if the lease was approved. Ald. Mitchell asked if a general contractor was already in place. Ritter said yes. Russell said it is Walsh Construction, but Aeroterm will have oversight of the hiring of the subcontractors. Ald. Mitchell asked if pre-construction is underway, and Russell said yes. Russell said Aeroterm is committed to meeting the MBE/WBE goals, as well as the requirement for hiring Chicagoans.*

*Ald. Mitchell asked about the general contractor selection process and their experience with MBE/WBE efforts, and Russell explained that process. Ald. Mitchell expressed concerns about minority participation and asked that Russell provide through the Chair the bid package and information on what contractors have submitted bids, and Russell said he would provide it. Ald. Mitchell asked for the total construction budget, and Russell said it is the full \$55.6 million.*

*Ald. Moore echoed Ald. Sawyer's comments, expressed deep concerns regarding the MBE/WBE participation in phases 1 and 2 and asked who the general contractor was. Russell said it was FCL. Ald. Moore asked if there was a MBE in the city who could operate as a general contractor. Ehimwenman said that, while there are some with the capacity, there have not been those opportunities for airside work. Ald. Moore expressed opposition to the resolution.*

*Ald. Dowell asked what happened with MBE/WBE in phases 1 and 2. Russell said they reviewed the results, and they were disappointed with the results. Ald. Dowell asked about MBE/WBE on the soft costs associated with the project. Russell said 43% of the soft costs so far have gone to MBE firms. Ald. Moore on a point of information asked if those numbers include Bowa Construction, and Russell said yes.*

*Ald. Dowell asked if there is a signed contract with Walsh, and Russell said it was not signed yet, but Walsh will be the general contractor. Ald. Dowell asked about the structure of the liquidated damages for failing to meet MBE/WBE and residency requirements, and Ritter explained it. Ald. Dowell asked what the maximum penalty would be, and Ritter said \$1.4 million. Ald. Dowell asked if FCL was involved in bidding for Phase 3, and Russell said that, while they participated, they did not meet the requirements. Ald. Dowell expressed doubts that diversity is a company value at AeroTerm.*

*Ald. Ervin, on a point of information, asked a clarifying question regarding the calculation of penalties, and Ritter provided it.*

*Vice Chairwoman Hairston asked if the project was started in 2008, and Ritter said it was. Vice Chairwoman Hairston asked who was monitoring residency and MBE/WBE during that time. Ritter said it was AeroTerm. Vice Chairwoman Hairston expressed skepticism on if AeroTerm would fulfill future requirements. Vice Chairwoman Hairston said that companies failing to meet the requirements should be debarred. Vice Chairwoman Hairston asked how many African Americans work at the cargo facility. Russell said about 30 percent of all the employees. Vice Chairwoman Hairston asked that the Committee not support this proposal.*

*Ald. Lopez said the item should be held in Committee so issues can be worked through and asked what went wrong in phases 1 and 2. Russell said the targets were 25 percent MBE and 5 percent WBE, and those goals were exceeded. For Phase 3, Russell said they plan to do better in the diversity of MBE, as well as meeting residency requirements. Ald. Lopez where the mistakes were made, and Russell said the tracking was not as detailed as it should have been.*

*Ald. Lopez asked if any waivers were requested in phases 1 or 2. Williams explained what changes are being made for Phase 3 and said there were no goals for specific ethnic groups*

*before now. Williams said he is unaware of any waivers. Ritter said there were none. Ald. Lopez said more should be done to employ ex-offenders on projects like this.*

*Ald. King asked about the diversity at AeroTerm, and Russell provided that information. Ald. King asked when AeroTerm was awarded their contract, and Russell said 2008. Ald. King asked what the residency goal was, and Russell said the goal was 50 percent, but they only hired 23 percent Chicago residents. Ald. King asked if that was legal, and Ritter said the City ordinance did not apply because it is technically not a City project. However, those requirements have now been added to the new contract. Sabl said debarment is not a remedy under the current city code, only liquidated damages. Ald. King asked how AeroTerm won the contract, and Ritter said it was through a request for proposals process.*

*Ald. King asked about Walsh's track record in hiring MBE/WBE subcontractors. Brodsky said Walsh provided a list of projects where they met or surpassed the requirements, as well as references and a list of MBE/WBE subcontractors they have worked with in the past. Ald. King asked if any MBE firms bid to be the general contractor, and Brodsky said no. Ald. King asked for examples of when Walsh had robust MBE participation in the past, and Brodsky provided the information.*

*Ald. King asked about AeroTerm's goals for diversity. Russell reiterated that, while Walsh is the general contractor, AeroTerm is responsible for subcontractor selection and ensuring an equitable distribution of those subcontracts. Ald. King asked how many managers there are at AeroTerm and what their diversity is. Russell said there are three senior managers, and none are members of minority groups. Ald. King asked if AeroTerm is willing to add additional diversity requirements to their contract. Ritter explained that the liquidated damages would be figured on a sliding scale.*

*Ald. King asked what damages, under this formula, AeroTerm would have been forced to pay under phases 1 and 2. Ritter said it would have been \$756,000 under the value of this contract, and \$1,700,000 under the previous contract. Ald. King asked if that was by ordinance or under this contract. Ritter said there is a calculation under an ordinance, but the ordinance doesn't apply here, and they used the same calculation for the contract. Ald. King expressed frustration with the ordinance, the bid process, and the current definitions of "responsible bidder." Ald. King said she would not support the resolution and asked that the item be held.*

*Ald. Mitts expressed frustration with the contracts that have previously been approved at the airports and the lack of diversity on those projects. Ald. Mitts asked where outreach events were held. Brodsky listed the locations. Ald. Mitts asked why the diversity of contractors did not reflect the diversity of the City. Brodsky said the outreach events were geared toward workforce diversity, not contractor diversity. Ald. Mitts asked why the existing African American contractors on Phase 3 have not been allowed to do more and expressed skepticism that improvements will happen.*

*Ald. Villegas asked if AeroTerm needs a city industrial bond to do the project. Russell said it isn't strictly needed but is customary due to the nature of a ground lease. Ald. Villegas asked about AeroTerm's bid review process. Russell said bid selection is holistic and not just based on price. Ald. Villegas asked if AeroTerm hires the subcontractors, and Russell said they do. Ald. Villegas*

*asked if, in some situations, AeroTerm would select a more expensive bidder to ensure diversity, and Russell said they would.*

*Ald. Ervin said it was clear there are concerns about this project, and more work needed to be done before it could be approved. Ehimwenman said that, traditionally, African Americans have not had access to construction jobs at O'Hare. However, Ehimwenman said, the construction team has had discussions about ways to improve diversity on the project. Ehimwenman expressed support for AeroTerm and their leadership's commitment to improving diversity. Russell said AeroTerm would commit to bringing in more and larger diverse firms.*

*Ald. Burnett said there are deep rooted concerns, due to past issues, with this project. Ald. Burnett said that for this to move forward, there needs to be consideration for restructuring the deal. Ald. Burnett asked how important this project is. Rhee said that, since she started at CDA in 2018, she has been developing capacity-building programs for MBE/WBE firms. Rhee explained her previous success in capacity building while leading the Department of Procurement. Rhee also noted that the project is subject to a project labor agreement. Rhee said this project is critical, especially with the fall off in passenger travel. Rhee said many lessons have been learned on how to do better in the future, and this project has the potential for being a model of how to do this correctly. Rhee committed to ensuring that the project is diverse in both contractors and workforce. Rhee noted other successes in diverse construction at O'Hare.*

*Ald. Hopkins expressed his belief in the sincerity of the project team in ensuring a diverse construction team.*

*Ald. Moore said he appreciated Ehimwenman's and Russell's comments and looked forward to seeing the results of their efforts as the item is held.*

*Chairman Waguespack said he would hold Item 3 so the Administration could work through the issues highlighted during the hearing. Chairman Waguespack moved to the supplemental agenda.*

1. Direct Introduction Four (4) proposed orders authorizing the Corporation Counsel to enter into and execute Settlement Orders in the following cases:

A. Laura Kubiak v. City of Chicago, cited as 2015-L-005251 (Cir. Ct. of Cook Cty., Law Div., J. Esrig). Amount: \$3,800,000.00

*Chairman Waguespack invited Deputy Corporation Counsel Renai Rodney to explain Item 1A, which she did. Ald. Hopkins asked if the alleged assault was the only incident between the two officers, and Rodney said yes. Ald. Hopkins asked for more details regarding the incident, and Rodney provided them. Ald. Hopkins asked if there was an opportunity to settle the case sooner. Rodney said that, in 2013, the Plaintiff requested to be returned to her previous position, and that request was denied. Ald. Hopkins asked if there was a potential settlement offer that was presented to the Committee, and Rodney said not to her recollection. Ald. Hopkins said that,*

*while it is the Committee's responsibility to question settlements, this is an example of why Committee members should lean toward settlements.*

*Ald. Brookins asked if there was outside counsel for the City. Rodney said the case was transferred to outside counsel after it was removed from federal court. Ald. Brookins asked if the Plaintiff was willing to settle the case if she was returned to her previous position. Rodney said she was, before the Plaintiff retired, and Rodney did not know why that offer was rejected. Ald. Brookins asked for clarification on the back pay issue, and Rodney provided that clarification.*

*Ald. Burke said he was troubled that the City could have avoided the settlement by returning the Plaintiff to her previous position and asked if it was true that the City could have avoided the costs of this suit. Rodney said the decision makers at that time are no longer with the City, so she was not sure regarding the costs or why the decision not to return the Plaintiff to her position was made. Ald. Burke asked if the offending officer was reprimanded. Rodney said yes. Ald. Burke asked if the offending officer is still with the force, and Rodney said she was not sure but would try to get an answer. Ald. Burke expressed sympathy for Rodney's position with regard to the decision makers and asked who at the police department might have recommended not returning the Plaintiff to her position. Rodney said she did not know. Ald. Burke said someone needs to take responsibility for costing taxpayers \$4 million.*

*Ald. Burke asked for clarification on the path the suit took through federal and state court, and Rodney provided that clarification. Rodney added that the offending officer has retired. Ald. Burke expressed frustration that no one has been held responsible for costing taxpayers this money. Rodney said the settlement will likely save the City about \$700,000 in attorneys' fees. Ald. Burke asked how many officers work at CPD News Affairs. Rodney said she did not know. Ald. Burke said the Committee had no choice but to accept the settlement.*

*Ald. Hopkins moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.*

B. Tanisha Gibson, on behalf of herself and as Supervised Administrator of the estate of her son, Paul O'Neal, Jr., Deceased v. the City of Chicago, a municipal Corporation, and Chicago Police Officer Jose Diaz, No. 16-C-7745 (N.D. IL., J. Lee). Amount: \$2,250,000.00

*Chairman Waguespack invited Deputy Corporation Counsel Renai Rodney to explain Item 1B, which she did. Ald. Lopez asked what started the chase. Rodney said that officers were alerted to a stolen vehicle. Ald. Lopez said he was bothered that the lawsuit stemmed from what was initially an illegal act, although he understood the need to settle. Ald. Lopez said the only reason he is supporting the settlement is because the officers overreacted.*

*Ald. Brookins asked how long the deceased was on the ground before medical attention was offered. Rodney said she did not know. Ald. Sawyer asked if the insurer of the stolen vehicle had any subrogation claims against the Plaintiff. Rodney said she did not know. Ald. Sawyer suggested that, in future cases, the City might want to consider notifying those who might have a claim against plaintiffs. Rodney said she would discuss it with the Torts Division of the Law*

*Department. Kevin Connor, General Counsel for the Civilian Office of Police Accountability, said that in his previous role as an attorney for an insurance company, the insurer would not have a subrogation claim in our case, but the insurer might file their own suit.*

*Rodney clarified that aid was rendered to the deceased in a timely fashion.*

*Ald. Sawyer moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.*

C. Stephanie Bures, on behalf of herself and her two minor children, Terrance Jackson, Jr. and Samari Boswell; Kiqiana Jackson; Jessica Jackson; and Arkeya Blanchard v. City of Chicago, et al., No. 19 CV 2040 (N.D. IL, J. Kennelly). Amount: \$350,000.00

*Chairman Waguespack invited Deputy Corporation Counsel Renai Rodney to explain Item 1C, which she did. Ald. Brookins asked what type of warrant the police were executing. Rodney said it was based on information from an informant. Ald. Brookins asked if anyone in the Department of Law or COPA had interviewed the informant. Connor said that COPA would normally not have the opportunity to interview the informant. Ald. Brookins expressed concerns about the warrant process and that more needs to be done to insure CPD is obtaining warrants on reliable information.*

*Ald. Moore asked if the person police were trying to serve with the warrant had given the address to police in the past, and Rodney said he had. Ald. Moore asked if the residents knew the person, and Rodney said she didn't know. Ald. Moore asked if the person being served had ever been arrested at that address, and Rodney said no.*

*Ald. Moore moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.*

D. Estate of Martice Milliner, Deceased, by Khadija Farmer, Administrator v. City of Chicago, et al., No. 16 C 7745 (N.D. IL, J. Gettelman). Amount: \$250,000.00

*Chairman Waguespack invited Deputy Corporation Counsel Renai Rodney to explain Item 1D, which she did.*

*Ald. Reboyras moved do pass by the roll call taken to establish quorum. Motion carried on a voice vote.*

*Chairman Waguespack moved to Item 5 on the regular agenda.*

5. Direct Introduction A communication transmitting reports of cases in which judgments or settlements were entered into for the month of July and August 2020.

*Chairman Waguespack said Item 5 would be placed on file with the Clerk.*

6. Direct Introduction Three (3) proposed orders authorizing three (3) applications for City of Chicago Charitable Solicitation (Tag Day) Permits.

A. The Salvation Army Metropolitan Division September 14, 2020, November 2, 2020, through December 24, 2020.

B. The Humane Society of the United States September 14, 2020, through December 31, 2020, Citywide

C. Special Olympics, Inc. September 12, 2020, through December 31, 2020, Citywide

*Chairman Waguespack said, without objection, Item 6 would be placed on the omnibus at City Council. There was no objection.*

7. Direct Introduction A proposed order authorizing the payment of various small claims against the City of Chicago.

8. Direct Introduction A proposed order denying the payment of various small claims against the City of Chicago.

*Chairman Waguespack said, without objection, Items 7 and 8 would be placed on the omnibus at City Council. There was no objection.*

*Chairman Waguespack moved to Item 4.*

4. A subject matter hearing on predatory towing practices and recommendations for regulations and enforcement procedures.

*Chairman Waguespack turned floor over to Ald. Villegas to introduce the topic, which he did. Ald. Villegas introduced Sgt. Keith Blair of the Chicago Police Department to discuss the issue, which he did. Ald. Mitts asked about the timing of another committee meeting, and Ald. Sadlowski-Garza provided the information.*

*Ald. Villegas introduced Tim Lynch of the National Insurance Crime Bureau, Kevin Corcoran of United Road Towing, Ed Forsythe of the Professional Towing & Recovery Operators of Illinois, and Mara Georges of Georges & Daley to speak on the topic, which they did.*

*Ald. Reboyras discussed his past efforts to eliminate predatory towing. Ald. Villegas noted that the Illinois Commerce Commission has been involved in discussions on how the City can*

*regulate this area of activity. Forsythe spoke about the state's Safe Towing Law and how it interacts with City code.*

*Ald. Lopez asked if it is possible to create a list of allowed tow companies similar to how the County lists board-up firms. Ald. Villegas said that might be possible, but he wanted to have a broader discussion first.*

*Ald. Thompson suggested that police moving to encrypted radios might aid in this issue. Ald. Mitts shared the experiences of her constituents regarding predatory towing and asked if others had heard of towing companies releasing vehicles to car dealers or body shops without the owner's consent. Forsythe said he was aware of the practice, and there is pending legislation in the General Assembly to end the practice. Rosa Escareno, Commissioner of the Department of Business Affairs and Consumer Protection, urged aldermen to report those types of incidents to BACP.*

*Ald. Villegas discussed how predatory towing impacts residents, especially those who are lower income.*

*To correct an error, Ald. Mitts moved do pass by the roll call taken to establish quorum on items 6-8. Motion carried on a voice vote.*

At 2:32 pm, the Committee stood in recess until 9 am Tuesday, September 8.

Chairman Waguespack reconvened the Committee on Finance at 9:01 am Tuesday, September 8.

*Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack announced that Item 4 from the September 3rd agenda would continue to be held in Committee.*

The Committee having no further business, on a motion by Vice Chairwoman Hairston, the meeting was adjourned at 12:44 pm.

**On September 21, 2020, at 2:05 pm, the Committee on Finance held a remote meeting pursuant to applicable law.**

The following members were present: Hopkins, Dowell, King, Sawyer, Mitchell, Harris, Beale, Thompson, Cardenas, Quinn, Burke, Lopez, Moore, Curtis, O'Shea, Tabares, Scott, Burnett, Ervin, Taliaferro, Reboyras, Villegas, Sposato, Napolitano, Reilly, Smith, Osterman, Silverstein, Vice Chairwoman Hairston, and Chairman Waguespack.

The following members were absent: Sadlowski-Garza, Brookins, Austin, Mitts, and Tunney.

The following additional aldermen were present: Rodriguez, Sigcho-Lopez, Cardona, Nugent, Vasquez, Cappleman, Martin, Hadden

*Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack reminded members and the public that this would be a subject matter hearing on potential revenue in the 2021 budget, and as such, no vote would be taken. Chairman Waguespack took a roll call to establish a quorum, as reflected above.*

*Chairman Waguespack opened the floor for public comment. Ryan Marks expressed concern for the hospitality industry surviving winter and reminded aldermen that restaurants need assistance. Pat Doerr of the Chicago Hospitality Association spoke concerning hospitality taxes and reminded aldermen of the need to save the hospitality industry so it continues to generate tax revenue for the City.*

*Chairman Waguespack introduced City Chief Financial Officer Jennie Bennett, Terry Duffy with the Chicago Mercantile Exchange, Ed Tilly with CBOE Global Markets, Randy Bauer with PFM, and Lawrence Msall with The Civic Federation to present opening statements regarding the Financial Transaction Tax, which they did.*

*Ald. Lopez asked which items listed by Bennett were actionable by the City. Bennett said the lease transaction tax, gambling revenue, and a head tax could be enacted by the City Council. Ald. Lopez asked for suggestions on growing the City and widening the tax base. Bennett said that is a focus for the Administration, especially when society comes out of the Covid-19 crisis. Msall said the City needs to project confidence and predictability through a long-range plan.*

*Ald. Cardeas asked Duffy and Tilly what their 5-year plans look like. Duffy said CME is focused on growing their business and hiring more highly-paid staff. Ald. Cardeas asked if CME plans to bring people back to the office when it is safe, and Duffy said yes. Tilly said his business has a significant amount of organic growth available and is actually hiring people during the pandemic.*

*Ald. O'Shea said CME and CBOE are important to the City, and a financial transaction tax is a bad idea.*

*Ald. Moore said his community is struggling, and he wants to understand the impact of a financial transaction tax on the exchanges. Duffy said every additional cost impacts the liquidity of the market, and the tax would in many instances apply to trades that realize a loss. Tilly agreed with Duffy and said he is interested in a future conversation around how the exchanges can be more involved throughout the City. Bauer mentioned that the only city with such a tax, New York City, has rebated it since the 1980s. Bauer said the rebate was due to the New York Stock Exchange considering leaving. Ald. Moore said he would be the first to be opposed to a financial transaction tax if the exchanges were helping grow business throughout the City. Duffy said CME's goal is to grow by hiring people from all neighborhoods of the City.*

*Ald. Sawyer asked what taxes the exchanges pay and how the exchanges can participate in the future financial health of the City. Duffy said CME pays more than \$100 million in state taxes and is the 4th highest taxpayer in the state. Additionally, employees and the trading community contribute a great deal in taxes, Duffy said. Tilly said CBOE's effective tax rate is about 26 percent and paid \$21 million to the state in 2019. Tilly also noted that a financial transaction tax would be paid by the traders, not the exchanges. Ald. Sawyer asked what the impact of a national*

*tax would be. Duffy said that he has spoken to Congress many times on the issue, and after he explains it, opposition to it increases.*

*Ald. Smith asked if those numbers were only the state corporate income tax. Duffy said they are.*

*Ald. Smith said she is not in favor of the tax, but she shares the frustration of other aldermen.*

*Ald. Smith asked if there were any possibilities of one-term agreements or other options the exchanges might be able to participate in to assist in this time of crisis. Duffy said CME can do the most by continuing to grow his business. Tilly agreed with Duffy and noted that CBOE is growing right now.*

*Bennett noted that the Administration is looking toward equity on both the revenue and expenditure sides, and the City needs to be in a position to grow once the current crisis passes.*

*Ald. Napolitano asked about the CME's latest clearance fee increase and how much it was.*

*Duffy said that fees are done on a volume basis. Ald. Napolitano asked how a 5-cent per contract trade tax would impact the market if the tax had a sunset provision to get the City through this period. Duffy said CME has never increased fees unless there is a value-add attached to it, and sunset provisions rarely actually sunset. Tilly said that, for his exchange, the trades would move elsewhere.*

*Adl. Reboyras asked how the exchanges can predict growth in the current environment. Duffy said they base that on the history of the exchanges, although there is no total certainty. Tilly agreed, explaining that there are new financial products being developed all the time. Bennett said City finances are starting to grow from where they were at the depth of the crisis.*

*Chairman Waguespack thanked Tilly and Duffy for appearing. Chairman Waguespack invited Grant Govertsen of Union Gaming Group and Tenille Jackson and Cory Radovich of National Association of Promotional Retainers to speak about potential gambling revenue, which they did.*

*Ald. Cardenas spoke in favor of a casino and asked what the City's plans are in that regard. Bennett said the City will continue to monitor the gambling market in light of Covid and, once the market for gambling expansion has returned, issue a request for proposals. Additionally, Bennett said, the City's plans still include a temporary casino to generate revenue and employment. Ald. Cardenas asked about the Federal Reserve's lending facility and possibly accessing that. Bennett said that is a short term source that needs to be repaid, and borrowing to address one-time solutions might be useful in bridging the gap toward reaching permanent solutions and structural balance. Ald. Cardenas asked if the City is performing an asset review. Bennett said staff are looking at the high value surplus assets of the City.*

*Ald. Scott asked for the timeline on a temporary casino. Bennett said it would depend on the market. Ald. Scott asked if Covid is being taken into account, and if the temporary operator would be the same as the permanent operator. Bennett said the temporary and permanent operator would be the same. Ald. Scott asked if sweepstakes machines would hinder the casino. Bennett said the operators believe the Illinois market is saturated, and the Administration is doing what they can to ensure a casino can work as an economic development engine. Jackson asserted the sweepstakes machines are different from gambling.*

*Ald. Scott asked what immediate revenue could be generated. Radovich said sweepstakes machines could generate \$37-62 million. Radovich said regulation of the machines would be at a minimal cost. Msall asked for examples of cities that have generated that much revenue and how these machines differ from lottery kiosks. Radovich said that in Pennsylvania, the sweepstakes machines are generating close to \$100 million. Govertsen said the value of the casino would be significantly impacted by a competing game type like sweepstakes machines. Ald. Scott asked how many sweepstakes machines are in the City. Radovich said they believe there are 1,000-1,500 machines in the state, and most of them are in the City. Radovich said the sweepstakes machines are different from gambling and actually enhance gambling.*

*Ald. Scott about the equity component of any casino. Bennett said equity components would be in the RFP for a casino, and revenue would be spent in an equitable way. Jackson said sweepstakes machines provide revenue to minority small business owners.*

*Ald. Thompson asked about allowing video poker in the City. Goversten said he does not believe casinos and video gambling in bars are different products, and generally, they share the same customers. Goversten said video gaming pays a much lower tax rate than casinos. Ald. Thompson suggested changing the tax rate through the General Assembly. Goversten said that, even with a change in the tax rate, video gambling in bars would make it highly unlikely that a casino would come to Chicago. Ald. Thompson noted that every town with a casino in Illinois also has video gambling in bars. Ald. Thompson also said that the City needs to be cognizant of the potential for gambling addiction but also needs to be cognizant of the tax burden.*

*Ald. Moore asked for clarification on figures provided by Goversten, and Goversten said he was only providing an example from the feasibility study. Ald. Moore said equity needs to be a factor in the casino selection process and any regulation of sweepstakes machines. Bennett said equity needs to be a consideration in any decision, but generating \$200 million from a casino provides the City more revenue to spend toward addressing past inequities, and the City should not take steps that would cannibalize that revenue stream.*

*Radovich said he believed that it is possible to do both casino, video gambling, and sweepstakes machines, and the timeframe for video gambling and a casino is much longer than sweepstakes machines. Ald. Villegas asked if the City already has the authority to license a temporary casino and suggested using hotels. Bennett said the City does have the authority, but only one license can be issued for the temporary and permanent casino. Ald. Villegas said the City Council must demand that the local share of income tax must be increased by the General Assembly.*

*Ald. Scott asked if there is a plan on ensuring equity with a casino operator and with any sweepstakes machines. Bennett said many cities have ensured some minority ownership of gambling licenses. Jackson said her organization is working to ensure minority ownership of sweepstakes machines.*

*Chairman Waguespack introduced Randy Bauer of PFM, Jack Lavin of the Chicagoland Chamber of Commerce, Rob Karr of the Illinois Retail Merchants Association, Sam Toia of the Illinois Restaurant Association, and Michael Jacobson of the Illinois Hotel and Lodging Association to make opening statements concerning the head tax, which they did.*

*Ald. Cardenas said a head tax is a bad idea and expressed curiosity one why it was being discussed. Chairman Waguespack said that some other aldermen had been discussing it, so it was added to the conversation. Bennett echoed Chairman Waguespack's statement.*

*Ald. Moore asked how the head tax had previously impacted the City and in which neighborhoods. Bennett said the head tax generated a relatively low amount of revenue and discouraged job growth. Bennett also noted examples of other cities where surrounding communities offered incentives to lure jobs away from the cities charging head taxes. Ald. Moore asked for data in case the idea of a head tax arises in the future. Lavin said the head tax also would discourage businesses from relocating to Chicago. Bennett noted that Chicago has been named the best place to locate corporate businesses repeatedly since the repeal of the head tax.*

*Ald. Dowell asked if any potential revenue from online businesses is not being collected. Bennett said the Administration is closely looking at that issue, but in general, there are not many taxes allowed under home rule powers that could be equitably increased. Karr said his organization worked in Springfield to ensure local governments collect full retail taxes from online sales. Ald. Dowell asked if there is an estimate of how much that might generate. Karr said he would try to find the information. Bennett said it is difficult to parse out how much of the sales tax is due to the increase in online sales due to Covid.*

*Ald. Vasquez asked if there is data from other cities regarding the head tax. Bennett said the only example where the head tax has meaningfully persisted is in Denver, and it is region-wide. Bennett said now would be the worst time to consider a head tax, and it is regressive. Ald. Vasquez agreed. Ald. Vasquez asked about third party food delivery services and revisiting some previous proposed ordinances. Bennett cautioned against taxes in that area due to the potential impact on restaurants. Toia said other cities have capped third party food delivery fees, and we should revisit that in the future.*

*Ald. Hopkins spoke against the head tax. Ald. Harris spoke against the head tax. Chairman Waguespack returned to the New York City financial transaction tax rebate. Bauer said New York could not repeal the tax due to some bond issues, but the rebate is mandated by New York State.*

*Bennett closed by thanking the Committee for the conversation. Chairman Waguespack thanked the panelists and Committee members for the conversation.*

The Committee having no further business, on a motion by Ald. Moore, the meeting was adjourned at 5:41pm.

**On September 25, 2020, at 10:03 am, the Committee on Finance held a remote meeting pursuant to applicable law.**

The following members were present: Hopkins, Dowell, King, Sawyer, Mitchell, Harris, Beale, Sadlowski-Garza, Thompson, Quinn, Burke, Lopez, Moore, O'Shea, Brookins, Tabares,

Scott, Burnett, Ervin, Taliaferro, Reboyras, Austin, Villegas, Mitts, Sposato, Napolitano, Reilly, Smith, Tunney, Osterman, Vice Chairwoman Hairston, and Chairman Waguespack.

The following members were absent: Cardenas, Curtis, and Silverstein.

The following additional aldermen were present: Rodriguez, Cardona, Ramirez-Rosa, Nugent, Vasquez, Martin.

*Chairman Waguespack opened the meeting with a statement regarding the impracticability to meet in person. Chairman Waguespack reminded members and the public that this would be a subject matter hearing on potential revenue in the 2021 budget, and as such, no vote would be taken. Chairman Waguespack took a roll call to establish a quorum, as reflected above.*

*Chairman Waguespack opened the floor for public comment. Joe Lombardo expressed support for allowing video gambling in bars and restaurants.*

*Chairman Waguespack introduced City Chief Financial Officer Jennie Bennett, Brad Cole from the Illinois Municipal League, Ralph Martire from the Center for Tax and Budget Accountability, Bob Ginsburg from Center on Work and Community Development, Carol Portman from the Illinois Taxpayer Federation, and Randy Bauer from PFM to make opening statements, which they did.*

*Ald. Moore asked a question regarding changes to the Local Government Distributive Fund. Cole explained the changes and how the fund works. Ald. Moore asked if the City was working to have the fund percentage increased. Bennett said yes. Ald. Moore asked if there was any leverage the City could exert, such as working for a City income tax if LGDF is not increased. Bennett noted that the General Assembly does not meet again until after the City budget is introduced in October. Cole said IML has been working for years to increase LGDF. Ald. Moore asked for Ginsburg's thoughts regarding the financial transaction tax. Ginsburg said financial services should be taxed but ideally at the national level. Ginsburg said a financial transaction tax is like a sales tax.*

*Ald. Moore asked what other financial services could be taxed. Ginsburg said certain accounting fees might not be passed on to consumers, but sales taxes are regressive by nature. Ald. Moore asked how much property taxes were raised by the previous administration. Bennett said \$543 million. Ald. Moore asked how much a \$300 million levy increase would increase the taxes on a \$200,000 home. Bennett said she would try to get an answer, assuming a \$300 million tax increase. Bennett said that increase would be about 20 percent above the current levy. Ald. Moore asked if the payment in lieu of taxes payments could be based on total salaries paid by the non-profit. Bauer said such a structure is possible because PILOTs are voluntary. Ald. Moore asked why it could not be mandatory. Bauer said state law prohibits it.*

*Ald. Reboyras asked how the state income tax amendment would impact the City. Martire explained how it would work at the state level and said it might help the state restore LGDF to previous levels, providing \$200 million in revenue to the City. Ald. Rodriguez on a point of information asked when the tax would be implemented. Bennett clarified that the \$200 million*

would only come if the LGDF were restored to previous levels. Cole said the City would only see 10 months of those revenues due to the lag time in distributions.

Ald. Reboyras asked about TIF surplussing and how it would impact the bond rating. Bennett said it would depend how the one-time use of revenue is explained. Bennett said it would make sense in this case since the loss due to Covid is temporary.

Chairman Waguespack invited Cole to say a little more about the IML before he departed, and he did.

Ald. Smith asked about the interplay between the property tax levy, the tax rate, and property assessments. Bennett said the levy increase has been muted by increases in equalized assessed value and new construction, resulting in a relatively level tax rate. Ald. Smith asked for an analysis of the expectations of the last property tax increase compared to what actually happened. Bennett said Ald. Smith's description of how the average taxpayer views their tax bill is generally correct, especially for long time homeowners, but noted that the City for many years did not raise taxes, especially compared to surrounding communities. Bennett also noted that the City does need to be mindful of how property taxes impact residents. Ald. Smith reiterated her request for an analysis. Ald. Smith said she is uncomfortable with property tax increases because it makes it harder for long time homeowners to remain in their home.

Bennett said there is not a proposed property tax increase at this point. Ald. Smith said the City Council should hear from the Cook County Assessor to learn more about possible assessment changes. Bennett said it is difficult to know the full impact of assessment changes. Ald. Smith said that, although this is a go-it-alone budget, the City needs federal relief. Ald. Smith asked how that would impact the budget. Bennett said, like TIF surplussing, it would be one-time revenue. Bennett also said there is a lot of uncertainty around how long the current crisis would last.

Ald. Osterman asked how property tax collections have been impacted by Covid. Bennett said it is hard to tell since the Cook County delayed the due date, but collections seem to be around 80 percent of tax due. Normally, 90-95 percent of taxes are collected by the end of the year. During the 2008 crisis, collection was about 85 percent, but most of that was made up in the following year. Ald. Osterman asked if the City could bond against the elimination of all TIFs in 3 years. Bennett said the City could do that, as well as look at other bonding.

Ald. Osterman noted that those institutions that would pay a PILOT are also struggling. Ald. Osterman asked if any other municipalities have bonded against PILOT payments. Bennett said yes, but usually for specific projects related to the institutions. Bennett noted that one-time revenue streams like bonds need to be measured against the need to eliminate a structural deficit. Ginsburg noted that bond rating agencies look at debt relative to local revenue, and there has to be other revenue down the road.

Ald. Beale asked for a clarification on the levy, and Bennett provided it. Ald. Beale asked how large a levy increase by \$2 billion would be. Bennett said it would more than double the levy. Ald. Beale asked if the City is looking for another line of credit. Bennett said no.

*Vice Chairwoman Hairston asked about a short term bond between \$100 million and \$500 million. Portman said that the City would need to know how it would repay that money and compared the idea to a scoop-and-toss bond plan. Portman noted that, while it was difficult to end scoop-and-toss, it should not be ruled out right now. There are no good answers, Portman said. Bennett said the City would need to know how it would pay off any short-term bond. Vice Chairwoman Hairston said it would need to be a manageable amount. Bennett said the City would need to know if an existing or new revenue source was available to pay back the bonds.*

*Bennett also noted that there is uncertainty about when revenue recovers, although if there is a vaccine by mid-2021, revenue would not recover until 2022-23.*

*Ald. Martin asked when was the last time the state raised the LGDF rate. Bennett said it was raised in 2015 but was reduced several times. Ald. Martin asked what prompted the increase. Portman said the increase was to hold the City harmless due to a decrease in state income taxes. Ald. Martin asked how a sales tax expansion would work. Ginsburg said the General Assembly would need to specify which taxes specifically could be enacted. Bauer said that Colorado allows home rule cities to decide what to tax, but that practice is problematic because of revenue collection complications. Martire noted that the state constitution contains a uniformity clause, so similar industries need to be taxed the same. Martire expressed support for an expansion of sales taxes to services.*

*Ald. Martin raised the issue of pension obligation bonds. Martire expressed support for POBs and noted that the ramp in future payments is unsustainable. Martire said POBs should be smaller to time the market correctly. Martire said the interest rate on the bond repayment would likely be less than the earnings on the bond revenue. Bennett said that a POB does not, in and of itself, generate budgetary relief. Additionally, POBs could have a significant negative impact on bond ratings, Bennett said. However, Bennett did note that there could be benefits in flattening the ramp on pension payments and restructuring the City's pension obligations. Bennett noted that the rate for taxable City bonds is a little over 6 percent, while the actuarial earnings are estimated between 6.75 and 7.25 percent, although none of the funds have hit that this year.*

*Martire said he agreed with most of what Bennett said, except that borrowing at 6 percent is still lower than the interest rates paid to the pension systems; many POBs have worked well, even through the Great Recession; and Moody's has issued a report on what they believe would be a sound POB. Martire also agreed that any POBs need to be done along with other structural reforms.*

*Ald. Thompson asked what the 2020 shortfall is. Bennett said it was \$799 million, mostly lost revenue. Ald. Thompson asked if the 2021 estimate of lost revenue was the same, and Bennett said it was \$783 million. Ald. Thompson asked how the 2020 gap is being closed. Bennett said that they were able to find various efficiencies, a lot of anticipated work has not happened due to Covid, the City saved more than expected on a bond refinancing, and hiring has been greatly slowed. Additionally, Bennett said, about \$350 million will be covered by CARES Act funds. Ald. Thompson asked if the City needed to use its reserves. Bennett said no, and the City is trying to save the reserves due to the uncertainty of Covid. Bennett also said the reserves are just about the only reason bond rating agencies have not downgraded the City's debt.*

*Ald. Thompson asked for clarification on LGDF reductions, and Martire provided it. Ald. Thompson asked if the income tax amendment would generate revenue for the City, and Martire said not without state action. Ald. Thompson asked what the plan was to lobby the General Assembly on various revenue sources. Bennett said the City has advocated for LGDF increases, and the top priority in the last session was the casino. Ald. Thompson said aldermen can help lobby Springfield with coordinated efforts, and the City can coordinate with other municipalities. Ald. Thompson expressed appreciation for the CFO.*

*Ald. Hopkins asked about bonding against the future elimination of TIFs and questioned if it would be legal to do so. Ald. Hopkins also asked if there was any comprehensive report that estimated the eventual revenue from investments made with TIF district funds. Ginsburg said he was not aware of any study which would answer the question due to the hypotheticals involved. However, Ginsburg noted that for every dollar not collected in general property taxes, a dollar has to be made up somewhere else. Bennett said on TIFs, there is a timing and schedule on when those TIFs can be closed. Bennett also said that some TIFs might need to continue based on community need. Bennett also said some legal mechanisms would need to be figured out, but it was possible to bond against that future revenue. Ginsburg noted that the City can only bond against revenue that is known to be coming in the future. Ald. Hopkins said TIFs are misunderstood.*

*Ald. Ervin said the City should explore POBs. Ald. Ervin asked if the structural deficit can be separated from lost revenue due to Covid. Bennett said yes, and the lost revenue is \$783 million in 2021. Ald. Ervin asked if it was possible to borrow from the reserve funds. Bennett said that money would need to be paid back, and the City would need to see from where. Ald. Ervin said it would be from future revenue. Ald. Ervin said the rating agencies might take less of a negative outlook to borrowing from the reserve funds if there is a dedicated plan to pay those funds back.*

*Bennett said the question is how to repay the money and noted that out-year forecasts already have revenue growth built in. Additionally, Covid has created great uncertainty, and it is possible the crisis goes beyond 2021, Bennett said, and those reserves would be gone if spent in 2021. Ald. Ervin asked why the City holds reserves if they cannot be used during a crisis. Bennett said the financial picture might actually get worse. Ald. Ervin said the situation could change positively or negatively. Ald. Ervin expressed concerns about holding onto the reserves. Bennett said reserves are held because there is no fixed repayment mechanism, and it is the one thing the City has if Covid lasts longer than expected.*

*Ald. Ervin asked how much is in the reserves outside the unpledged fund balance. Bennett said about \$900 million total, and about \$189 million in unpledge fund balances. Ald. Ervin said the Covid crisis is temporary, and the City should not close the budget gap through austerity and increased taxes. Bennett asked how the City would cover a \$800 million shortfall in 2022 if reserves were tapped now. Ald. Ervin said that issue could be dealt with then, although he could see holding some money back. Ald. Ervin said it was not fair to taxpayers to not tap some of the reserves.*

*Ald. Ervin said constituents would look poorly on not tapping reserves. Ald. Ervin asked how the 2020 gap has been covered without City Council approval. Bennett said no 2020 budget*

*amendment was necessary, although there will be an ordinance on some refinancing. Ald. Ervin asked how departments can exceed their overtime budgets without coming back to the City Council. Bennett said there is another line item in the budget for that.*

*Ald. Beale asked if the City was specifically planning to go to the General Assembly to expand sales taxes, and Bennett said it is not on the agenda at the moment, although the agenda is still under development. Ald. Beale asked if there might be a general sales tax increase. Bennett said the City already has one of the highest sales tax rates in the country. Ald. Beale said he was concerned about the answers provided on overtime, and such spending should require City Council approval. Ald. Beale asked why an amendment is not needed to cover the 2020 gap. Bennett said that the Administration has been reducing spending from what was authorized, which does not require an amendment, and CARES Act funds do not require Council authorization. Ald. Beale asked about EMT Fund revenue. Bennett said the City is receiving the anticipated increased reimbursement, but there are fewer ambulance runs. Ald. Beale asked how much has come in on the EMT Fund. Bennett said she would provide it through the chair.*

*Ald. Smith asked why the 2021 projected pension payments increased by \$200 million between 2016 and today. Bennett said it was due to lagging investment returns and other various changes. Ald. Smith asked how much was due to investment returns underperforming, and Bennett said about \$100 million.*

*Ald. Smith said she was deeply concerned about issuing POBs when the pension funds are underperforming and asked if that concern was well placed. Bennett said that issue was one of the risks of issuing POBs. Bennett also noted that the City would be in a poor position had it issued \$10 billion in POBs right before the Covid crisis. Ald. Smith said she would like to hear from the pension boards so they could explain their plans' performance. Ald. Smith also expressed concern in using reserve funds, and the crisis could absolutely get worse.*

*Bennett, in closing, said there would be difficult choices ahead, and the City will likely need to look at many different revenue options. Chairman Waguespack thanked the panelists for participating, as well as the Administration and Committee members.*

The Committee having no further business, on a motion by Ald. Hopkins, the meeting was adjourned at 1:13pm.

Respectfully submitted,



Scott Waguespack  
Chairman, Committee on Finance