

OFFICE OF THE CITY TREASURER

STEPHANIE D. NEELY • TREASURER • CITY OF CHICAGO

October 20, 2011 @ 9 A.M.

Opening Remarks for 2012 Budget Hearing:

Good morning Chairman Austin and members of the Budget Committee. It is an honor to sit here before you today to present what is now my fifth budget address as Treasurer of the City of Chicago. As an important profit center for the City, I understand the essential role our Office plays and we are always looking for ways to streamline operations and deliver more value and greater returns to our taxpayers. With that being said, I truly believe that with 23 people and a total budget of \$2.2 million, my Office provides a great return-on-investment for the citizens of Chicago and I hope to demonstrate this to you today.

The primary mission of the City Treasurer's Office is to manage the City's cash flows and investment portfolios while adhering to our investment objectives, which are: (1.) ensuring the safety of principal, (2.) maintaining adequate liquidity, (3.) maximizing investment returns and (4.) utilizing investments to promote economic development throughout the City of Chicago.

My Office manages investment portfolios totaling approximately \$6.7 billion made up of operating funds, reserve accounts, bond funds, assets belonging to the Board of Education and small cash positions for some of the City's pension funds. As we all know, these are trying times for everyone involved in the capital markets. However, despite recent market turbulence, my Office continues to earn above-benchmark returns for the City of Chicago. We generated approximately \$107 million in earnings in 2010 and approximately \$54 million to date in 2011. This amounts to approximately \$638.5 million in the four-plus years I've been Treasurer. Thanks to changes made to the investment-related section of Municipal Code approved by City Council earlier this month, my Office will be in an even better position to generate sizable returns in the months and years ahead, while having the flexibility to protect the City's most precious asset- taxpayer funds.

The City Treasurer's Office is also committed to executing trades through women-, minority- and disabled-owned broker-dealers with offices in Chicago. We currently utilize an approved list of 20 firms and I'm proud to say that we have consistently executed over 60% of our trades with the W/M/DBE firms on this list.

My Office also has a financial reporting/accounting division. Among other functions, this Division currently manages and reconciles approximately 100 bank accounts on at least a monthly basis, produces City-wide financial reports, handles compliance, and monitors banking

fees. Thanks to an ordinance that my office introduced which was enacted late last year, the City Treasurer's Office was able to take advantage of certain Federal banking provisions in a way that allowed us to reduce banking fees by close to \$1 million this past year.

Last year, I mentioned that my office was working with DoIT to plan for a new accounting system to replace our 30-year-old mainframe system which costs the City approximately \$6 million per year to maintain. We are in the development phase and are working hand-in-hand with DoIT and outside consultants on this project. Our hope is that by May of 2012, we will be operation on new cash management and treasury management systems that will further streamline both the accounting and investment operations.

Notwithstanding some accounting system challenges, my Office received a clean audit opinion for the third consecutive year. This is the first time in recent history that the City Treasurer's Office has received a clean opinion in consecutive years. In the opinion of the City's auditor, Deloitte & Touche, the City Treasurer's Office has fully complied with all GASB accounting standards and successfully implemented industry-wide best practices.

In addition to various investment and accounting functions, my Office is charged with using our unique resources for economic development in Chicago. My Office focuses on three major areas of Economic Development: (1) Asset Building, (2) Financial Education and (3) Small Business Support. Asset building allows individuals to increase savings which leads to the prevention of bankruptcy, eviction and unemployment. Financial education teaches individuals to manage their assets and small businesses are the number one source of employment in the U.S. and an important pathway out of poverty. These programs grow the local economy at the individual level.

As elected officials, we spend time and money on job creation only to see 5% of these paychecks go to check cashing locations. Without a bank account a person will spend over \$65 a month and \$500 a year just on cashing checks and getting access to the money they've earned. I know that there are many other ways families would rather be spending \$500. I launched the Bank On Chicago program in July to help the under banked problem in Chicago. In many neighborhoods a quarter of our residents do not use a bank account.

The Bank On Program replicates a very successful model that was started in San Francisco to get people who rely on check-cashing institutions to use mainstream banking. Under this program, 10 banks in the most under banked neighborhoods in Chicago have committed to opening basic checking accounts that are safe and easy to use. These banks also offer a pathway out of the Chex system.

In the coming months, my Office will be launching another new asset building program leveraging linked deposits to provide small dollar loan alternatives. When I took office four years ago, I wanted to put pay-day-lenders out of business, but I soon realized that eliminating these loans would put families in an even worse financial situation. This is why I want to use mainstream financial institutions to provide safe, non-predatory alternatives to pay-day-loans.

Our Financial Education classes have continued to be in demand this year. Through our partnership with the City Colleges of Chicago, the Chicago Public Libraries and the Illinois Coalition for Immigration and Refugee Rights, we have doubled the number of free financial education classes offered across the City. My Office has also worked with the City's Human Resources Department to offer financial education classes to City employees because we know that the economy has affected everyone and we believe these classes provide the city's employees with an important resource.

The state of our economy proves to me that financial education should not wait until we are adults; it needs to start in elementary school. I have continued to raise private dollars to support financial education in the schools and I am committed to continuing this effort in 2012. We have increased the length of the program to ensure the lesson sticks with our students. While private dollars play a vital roll in this work, legislative change is needed to ensure that we're preparing future generations to live in a financially complex world. I am committed to going to Springfield to lobby for such changes.

Finally, everyone here knows that small businesses are important to me since I am a product of a small business household. In 2011, we increased the number of lenders in our small business micro loan program from one to six. In the short year and a half this program has been in operation, over 100 businesses have received loans. These businesses would not have qualified for a loan in a traditional loan program and all of them are thriving!

This year we partnered our Small Business Expo with Crain's Small Business Week. The Small Business Expo continues to draw record breaking crowds to the 130 exhibitors and 35 free workshops that we offer every year. The quickest way out of unemployment is to create your own job. My goal with the Expo and the loan program is to make getting a business started as simple and easy as possible.

I believe with these programs, my Office has the greatest impact possible using our unique resources. Asset building programs magnify the efforts of social services and reduce recovery time. In 2012, I will continue to pursue innovative policy ideas in Asset Building in Chicago.



OFFICE OF CITY CLERK SUSANA A. MENDOZA
CITY OF CHICAGO

**City Clerk Susana Mendoza's Budget Address
Presented to the Chicago City Council
Committee on Budget and Government Operations
October 20, 2011**

Good morning. I am glad to appear before this honorable body to present the Office of the City Clerk's 2012 budget request.

From day 1 as City Clerk I have promised to work with you to hear your thoughts and ideas on how we can improve our office and I will continue to do so.

We all recognize that the last few years have been incredibly difficult on the city. Our budget this year reflects the continuing unprecedented economic times and our new reality.

That is why I have been working hard to bring innovative ideas to the Office of the City Clerk – to think a little differently about what government can and should be doing. Since taking office only 5 short months ago, I have diligently worked to improve our office operations and find ways to be more efficient and technologically advanced to provide the best services possible to our residents and to you and your staff.

As a result of eliminating vacancies and increasing our operating efficiencies we were able to submit a budget request \$42,000 below last year's appropriation. In the last five years our office has seen a 22% reduction in our workforce. This year our office is budgeted for 100 employees, a reduction of 7 positions from last year.

In these trying times, we've had a number of successes in the past few months that I'd like to share with you.

I took office the day before city vehicle stickers went on sale, and I'm proud to say we are on target to bring in more than \$100 million in city sticker sales revenue this year.

As part of my Ward Sales Tour, I visited all 50 wards in my first 44 days in office. I did this because I wanted to hear from you and your constituents, and learn first-hand what we can do better to help your office. Thank you for being our partner in providing this valuable service to your constituents.

To experience first-hand and work to improve operations in the City Clerk's office, I joined our front line staff to learn every aspect of city sticker sales, including opening and processing city sticker orders from tens of thousands of customers. I learned that there has to be a more efficient way to process our

mailed in sticker orders and have challenged that division and myself to find a better way moving forward.

This year we aggressively marketed our online sticker sales option. Online purchases are more cost effective and offer greater customer convenience. Today, I'm proud to report that our turnaround time for on-line city sticker orders is only 4 to 5 days on average.

One innovative method of driving online sales – at no additional cost to the city – was offering prizes from local Chicago businesses. This private/public partnership was a win-win for all involved. And, it worked. Our May online sticker sales increased 36% from the previous year. Next year, we'll expand our promotions to further increase on-line sales .

Another innovative, customer-focused idea was the launch of a city sticker "will call" service. Residents avoided long lines by dropping off their orders to City Hall, which were then ready for pickup within 24 hours. We tested the concept during the last 10 days of the sales season and almost 2,000 Chicagoans saved valuable time by taking advantage of this new initiative. The program was so successful that we plan on rolling it out throughout our entire sales season next year and expanding it to include our satellite offices and online purchases. We anticipate postage cost savings and best of all, happier customers.

It goes without saying that we must be able to rely on wheel tax revenue in order to be able to maintain our roads. Therefore, my team is committed to pursuing scofflaws by improving sticker compliance through enforcement practices. In the last 5 months, the City Clerk's enforcement division wrote nearly 450 more tickets than last year, and those numbers will only continue to grow, because I think we can all agree that the people who use our roads and cause wear and tear must pay their fair share. I am firmly committed to working with the Mayor, City Council and other governing units to achieve that goal.

The Clerk's Office has historically packed 1.3 million city sticker sales into a six-week period. We can do better. We are currently evaluating the possibility of extending our sales period by 4 to 6 weeks in order to reduce long lines and cut down on our overtime costs.

We started the process to acquire a city sticker sponsor with the hope of bringing in new revenues. I envision using the latest technology, things like QR codes, to achieve a public/private partnership – again – a win/win for our businesses, city government, and taxpayers.

To increase dog registrations, I created a City Clerk Dog Task Force made up of the Chicago Park District, Animal Care & Control, some of the city's largest animal and dog organizations, as well as members of the City Council like Alderman Sposato. The Task Force will be instrumental in helping us increase dog registration through promotion and identifying new opportunities for our office.

We continue to work closely with Cook County Animal & Rabies Control to mail approximately 3,000 to 5,000 renewals every month to dog owners with expiring dog rabies' tags. I believe that dog registration is an area where we have a significant opportunity to increase revenues. This year, we are working diligently to lay the foundation to launch a large-scale dog registration campaign for the coming year.

As part of this campaign, we will be announcing an on-line registration contest in January with various prizes donated to the City at no cost. This is part of an education campaign focused on the importance and need to register dogs with the City. I value your ideas and input as we roll out this initiative and look forward to working closely with you as we move ahead.

In addition, our Community Services team would like to attend any events you are having in your wards to promote dog registration or adoption and provide on-site dog registration packets. Working together, I am confident we can increase our dog registration numbers and realize revenue increases.

Other valuable services that our Community Services team provides to your constituents include our Kids and Medical ID programs, which are very popular at Ward and neighborhood events. This year we also tripled the number of students and parents taking advantage of our Free Application for Federal Student Aid (FAFSA) preparation assistance program, done in partnership with the Ladder Up organization. We are looking to expand this program in 2012, with additional days and hours of service in our City Hall office.

The City Clerk's office is the primary source of information for the legislative branch of city government. Our office is committed to increasing transparency and modernizing our City Council division.

In the spring we launched the online Legislative Information Center. We are now on par with other major cities like New York and San Francisco. We've heard from many Chicagoans – including aldermen and their staff – that the LIC is very helpful in tracking legislation. We'll continue to work with your staff, community groups and end-users to improve its functionality so that accessing information is easier and faster than ever before.

Chairman Tunney is leading the charge on going paperless in his committee, and Alderman Arena is a strong partner in moving towards more environmentally friendly practices that reduce unnecessary printing and save money at the same time. Having all legislation available on-line through our Legislative Information Center will help us save thousands of dollars in journal printing costs.

It's my priority to make the City Clerk's Office the most technologically savvy, user-friendly and social media rich clerk's office in the country. Within a few weeks of taking office I made more than 200 improvements to our website. We launched our City Clerk YouTube, Facebook and Twitter accounts and now provide real time Twitter updates during the City Council meetings. We posted photos and videos of our Ward Sale visits to our Facebook and YouTube pages. And most importantly, we utilize our social media presence to engage and provide direct feedback to the public. We'll continue to modernize in the coming year and bring new technology to our office. But, please let me know if we can provide you or your staff additional training on the Legislative Information Center or help with social media best practices.

In closing, I am committed to providing the highest quality services to Chicagoans, despite these challenging times. We are modernizing operations and increasing efficiencies. Our staff is dedicated to exceptional customer service and I look forward to continuing to work in partnership with you as we seek to do our best for the people of Chicago.



LICENSE APPEAL COMMISSION
CITY OF CHICAGO

STATEMENT OF DENNIS MICHAEL FLEMING, CHAIRMAN
OCTOBER 20, 2011

The License Appeal Commission hears appeals from parties seeking a review of decisions of the Department of Business Affairs and Consumer Protection/Local Liquor Control Commission. These appeals are brought before the License Appeal Commission to challenge revocations, suspensions or fines of existing liquor licenses by the Department of Business Affairs and Consumer Protection/Local Liquor Control Commission. In these cases, the disciplinary proceedings at the hearing level are examined, reviewed, and appellate arguments are entertained. In addition, our Commission has reviewing jurisdiction over denials of applications for new liquor licenses. Applicants who have been denied their request for a license are entitled to a trial de novo to determine whether the denial of their application was appropriate.

The License Appeal Commission has collected through the Department of Revenue \$5,375 in filing fees to date. The Commission is budgeted for one full-time position.

As always this office and this Chairman will work with the Office of Budget and Management and members of City Council to continue to lower the costs of operation and provide savings to the citizens of Chicago.



OFFICE OF THE INSPECTOR GENERAL *City of Chicago*

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Inspector General

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IG Opening Statement, 2011 Budget Hearings

At the nearly two year mark of my term, the IGO continues to provide Chicago residents with an important service – guarding against waste, fraud, abuse, and inefficiency in City government.

Over the past year, IGO audits and program reviews have identified more than \$700,000 in lost or wasted City expenditures, operational inefficiencies that cost the City about \$19 million a year, and identified more than \$13.5 million inappropriate and out of protocol spending, including:

- \$134,325 in lost merchandise (City Clerk Vehicle Sticker Audit, 2010 Q4)
- \$13,678,786 in inappropriate expenditures (OEMC Audit, 2011 Q2)
- \$19,001 in missing electronics (OEMC Audit)
- \$481,641 in unnecessary spending due to failure to utilize contract guaranty (Tree Audit, 2011 Q2)
- \$19 million in annual waste due to redundant staffing in the ranks of Motor Truck Drivers across numerous City Departments

Audits reported out in 2010 involved 6 City Departments, 16 over the past two years. Closely related program review work touched upon operations spanning all executive departments, as well as additional delegate agencies. We also continued to press on with our efforts to steer the City's MWBE program into more lawful and effective operation, to better assure the viability of the program legally and to assure program dollars reach their intended targets to maximize social and economic benefit.

We also published an expanded budget options report from the prior year, delivered earlier in the budget process to provide options with some hard data and analysis to contribute to the larger effort of tackling the structural deficit – both this year's and future years as the City moves to address pension issues.

On the investigations side, we have completed 231 separate cases to date in 2011, and have assisted Federal and State prosecutors in 31 ongoing or completed criminal prosecutions that stemmed from IGO investigations. This helps to ensure a strong disincentive for City

employees and contractors who would engage in fraud and other unlawful conduct to profit from the City.

Current pending cases in federal court from IGO investigations include major multi-defendant M/WBE program fraud cases arising from matters in which the City was defrauded of millions of dollars. Trials, pleas and sentences in the still ongoing Operation Crooked Code initiative involving corruption in the Building Department has now reached 21 convicted individuals, 15 of whom were City employees. There will be additional trials in the coming months.

Over the past year we have also taken a number of steps to improve our accountability to the City.

a. Quarterlies

In the first full quarter I was in this office, I shifted our quarterly reports from single sheet statistical offerings to narrative summaries of our investigative cases in order to allow City Council, City employees, and Chicago residents a window into what sort of cases we investigate and how we go about investigating them. It is important, especially in times of government austerity, we allow for greater transparency into our work.

b. Interim Rules and Regulations for IGO Investigative Activity

To further our public accountability, I am pleased to report that for the first time in twenty two years, the IGO has published rules and regulations for IGO investigations. We previously posted to the IGO website FAQs - frequently asked questions - that we will periodically update to ensure those who must deal directly or indirectly with an IGO investigation understand their procedural rights and responsibilities under the law. The new rules and regulations are the first step of a continuing process. The regulations themselves obligate the office to evaluate and update the rules on a two year cycle, consonant with best practices seen at the federal level.

c. Peer Review

Lastly, I am often asked 'who watches the watchdogs?' To better accountability to elected officials and the public, I have started the work to guarantee the IGO undergoes a triennial quality assessment peer review. The first review - to be conducted by the National Association of Inspectors General - is scheduled for next summer. It will assess how well the office is meeting the so-called Green Book, which provides the national standards for government oversight bodies. This review will provide the public with the assurance that our work is performed fairly and records kept appropriately.

We also brought in an outside audit firm to conduct a review of our investigative accounts going back five years, which is available for review on our website. I have committed the office to submit to such outside review every two years.

The mission of this office is to identify ways in which City operations can improve its performance. The IGO, therefore, has an even greater obligation to constantly be looking at its own operations to find ways to better serve the citizens and this body. So I am glad to take your questions, and comments.

Via request from the office of Legislative Counsel & Government Affairs, I have also brought with me the following information:

- 1) Minority & Women Owned Business Enterprise figures for the Office of Inspector General
- 2) A breakdown of all IGO staff by race and gender
- 3) A breakdown of IGO management staff by race and gender
- 4) A breakdown of new IGO hires by race and gender
- 5) A list of personnel changes, including layoffs and vacancies
- 6) An organizational chart for the IGO

Please do not hesitate to let me know if you need additional or clarifying information.

Respectfully,

Joseph M. Ferguson
Inspector General
City of Chicago

- 1) **Minority & Women Owned Business Enterprise figures for the Office of Inspector General**

All vendors used for IGO purchases fall under the City's umbrella contracts; as such, the IGO is unable to maintain separate MWBE figures.

- 2) **A Breakdown of All IGO Staff by Race & Gender**

<u>All Employees</u>	<u>%</u>	<u>Quantity</u>
African-American	14%	7
Caucasian	62%	31
Hispanic	18%	9
Asian	6%	3
Female	40%	20
Male	60%	30
2011 Total		50

3) A Breakdown of IGO Management Staff by Race & Gender

Management	%	Quantity
African-American	0%	0
Asian	0%	0
Caucasian	83%	5
Hispanic	17%	1
Female	17%	1
Male	83%	5
Total		6

(Management Staff: IG, Deputy IG, Director of Inv., Assistant Director of Inv., Chief Admin Officer)

4) A Breakdown of IGO New Hires by Race & Gender

2011: N/A; the IGO was unable to make any new hires in 2011.

5) A list of personnel changes, including layoffs and vacancies

Layoffs – 2011 YTD: None

Vacancies – 2011 YTD:

Position	Fund	Quantity
Assistant Compliance Officer	200	1
Attorney	200	1
Auditor	740	2
Auditor	100	1
Deputy Inspector General	100	1
Deputy Inspector General	200	1
Forensic Audit Investigator	100	1
Forensic Audit Investigator	200	1
Forensic Audit Investigator	314	1
Investigator	100	1
Investigator	200	1
Investigative Assistant	740	1
Investigator Specialist	100	1
Policy Analyst	200	2
Supervising Investigator	100	1

6) An organizational chart for the IGO

Please see the following page for the organization chart.

INSPECTOR GENERAL'S OFFICE

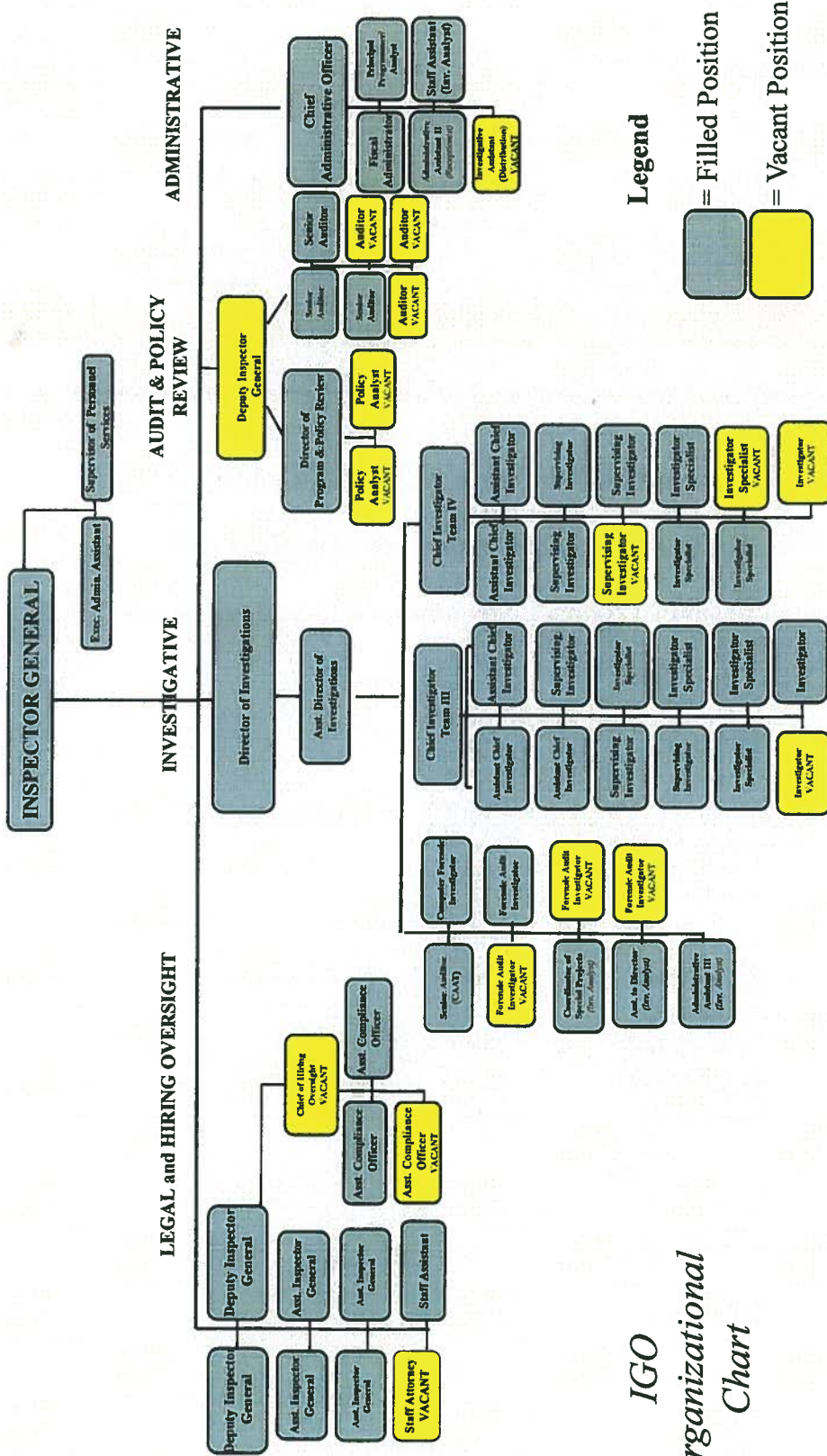
ORGANIZATIONAL CHART

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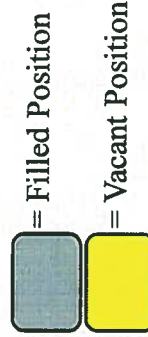
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EXECUTIVE



Legend



IGO
Organizational
Chart