



The Civic Federation est. 1894

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City of Chicago Finances: Understanding the City's Financial Documents

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The Civic Federation

August 29, 2009

Presentation Overview:

- Overview of the Civic Federation
- Chicago Budget Explanation
- Chicago Audited Financial Statements Explanation

About the Civic Federation:

- Non-profit government research organization founded in 1894.
- Funded by major corporate and professional service firms in the Chicago region.
- Purpose:
 - To serve as a technical resource, providing nonpartisan research and information;
 - To promote rational tax policies and efficient delivery of quality government services; and
 - To offer solutions which guard against excessive taxation, enhance financial reporting and improve the quality of public expenditures.

Please visit www.civicfed.org for more information

The Chicago Budget

Budget Basics:

- Incorporates a long-term perspective
- Establishes linkages to broad organizational goals
- Focuses budget decisions on results & outcomes
- Involves and promotes effective communication with “stakeholders”

Purpose of Budgeting:

- 1) Policy Development
- 2) Financial Plan
- 3) Service/Operations Plan
- 4) Communications

Purpose of Budgeting: Policy Development

- Rationalize allocation of scarce resources to advance chosen policies
- Policies are chosen and dollars are allocated via:
 - 1) the political process
 - 2) stakeholder participation
 - 3) formal articulation of goals and objectives

Purpose of Budgeting: Financial Planning

- Ensure revenues cover expenditures
- Proper financial planning requires:
 - 1) Comparison of budgeted to actual expenditures
 - 2) Consideration of future events
 - 3) Producing sound revenue estimates
 - 4) Establishing links between capital and operating budgets
 - 5) Specifying financial policies
 - 6) Developing a long-term financial plan

Purpose of Budgeting: Operation Planning

- Determine the level and amount of service to be provided, which is done by:
 - Creating new mandates
 - Evaluating legal and environmental constraints
 - Setting departmental goals and objectives
 - Review performance measures to obtain results of program or activity

Purpose of Budgeting: Communications

- Budgets communicate governmental priorities and the reasons for those decisions
- Budget process is also a time to solicit stakeholder input and communicate results.
- Stakeholder input can be taken by:
 - Budget hearings
 - Surveys
 - Blue Ribbon Committees

Chicago Budget Process:

- July: Release preliminary budget estimates
- August: Hold public hearings on budget estimates and solicit public input
- October: Mayor submits proposed budget and conducts public hearings on proposed budget
- November/December: City Council approves final, balanced budget

See p. 101 of your handout

Budget Organization:

- Budgets are organized by “funds”
- Funds are set up to segregate revenues and expenditures for specific purposes
- Funds are used to ensure that monies are being spent legally and appropriately

Types of Funds:

Governmental Funds: Account for the general activities of government; usually supported by taxes

- Corporate or General Fund: Biggest fund; accounts for general activities
- Special Revenue Funds – Account for specific activities funded by earmarked revenues
- Capital Projects Fund – Account for capital acquisition or maintenance
- Debt service – Account for principal and interest payments on debt

Proprietary Funds: Account for business type activities; usually supported by user fees and charges (O'Hare Airport, sewer, water)

Fiduciary Funds: Account for resources the government holds on behalf of others (pension funds)

Information in Chicago Budget Books:

- Descriptions of the Documents:
 - Overview and Revenue Estimates
 - Recommendations
 - Program and Budget Summary
 - Draft Action Plan

Information in Chicago Budget Books: Overview and Revenue Estimates

- Available online
- Public-friendly document
- Narrative description of Chicago's budget priorities
- Charts that breakdown revenues and expenditures
- Explanation of budget process

Information in Chicago Budget Books: Recommendations

- Not available online; should be available in libraries
- Summary charts for appropriations and revenues
- Expenditure charts for each City department (e.g. Office of the Mayor, Department of Streets and Sanitation) broken down by Fund
- Information about positions and salaries
- Summary charts for grants

Information in Chicago Budget Books: Program and Budget Summary

- Hybrid of data charts and narrative explanations for City department budgets
- Compares previous year's appropriations with current year's budget
- Presents performance measurement data for each department

Information in Chicago Budget Books: Final Action Plan

- Available online
- Addresses Chicago's affordable housing and community development needs for the next fiscal year
- The purpose of the plan is to coordinate resources for low-to moderate-income communities across all units of government and the private sector
- Includes:
 - Narrative descriptions of grant funded programs
 - Description of program priorities
 - City strategic plan
 - Grant amounts
 - Grant funded positions and salaries

Information in Chicago Budget Books:

- Where to Find Information About:
 - Revenues
 - Expenditures
 - Personnel
 - Programs

Where Can I Find...?

Revenue Estimates:

- **Where does the money to fund government come from? (O&RE, p. 6)**
- **Breakdown of how the City spends its money each year? (O&RE, p. 7.)**
- **Breakdown of how property taxes are spent each year? (O&RE p. 46.)**
- **How do I read a budget chart? (O&RE, p. 109)**

Where Can I Find...?

Budget Information by Program:

- **How do I read the budget charts for each program? (P&BS, p. i)**
- **Where can I find the breakdown of City spending by function? (P&BS, p. 3)**
- **How much does the City spend on public safety each year? (P&BS, pp. 151-154.)**

Where Can I Find...?

Information on the Mayor's Recommendations:

- **How do I read the Mayor's budget recommendations? (Rec, p. 1)**
- **Where can I find salary information for each city department? (Rec, p. 313.)**
 - Streets and Sanitation Deputy Commissioner
 - Number of Employees
 - Salary Rate
 - FY2009 Recommendation; FY2008 Appropriation

Where Can I Find...?

Information on Grants Made by the City of Chicago:

- **Where can I find general information about the money Chicago distributes?** (Action Plan, pp. 1-2.)
 - Itemizes large grants
- **Where can I find an itemized list of grants made by the City of Chicago?** (Action Plan, p. 29.)
 - Breakdown of what social service agencies receive City money

How Civic Federation Analyzes the Budget:

- 2-4 weeks
- Analysis contains:
 - Data and narrative analysis of: appropriations, revenue, pensions, debt, personnel and capital
 - Position and explanation: support or oppose
- Public testimony and release analysis to press
- For copies of our previous analyses of Chicago budgets, please go to www.civicrofed.org/library

City of Chicago Financial Statements

Financial Statements Presentation

Overview:

- What are the Financial Statements?
- Auditing:
 - Purpose of Auditing
 - Audit Letter and Opinion
- Key Parts of the Audited Financial Statements:
 - Management's Discussion and Analysis
 - Statement of Net Assets or Balance Sheet
 - Statement of Revenues, Expenditures and Fund Balances for Governmental Funds
 - Statistical Section

What are Financial Statements?

- **Financial statements:** Reports that describe financial status and condition of a government. These statements are produced after the end of the fiscal year.
- The audited financial statements are prepared by auditors to ensure **legal compliance** with appropriations.
- Financial statements are **publicly available**.
- City of Chicago audited financial statements are available on the City's website – go to "City Departments", then look for Finance Department.

Auditing:

1. The financial statements are **audited**.
2. An audit provides an **independent basis** for management assertions.
3. Auditors give opinions if financial statements contain errors and whether they meet generally accepted accounting principles
4. Four possible audit opinions:
 - **Unqualified or “Clean” Opinion**: If financial statements are ***“fairly presented”*** in conformity with generally accepted accounting principles
 - **Qualified Opinion**: If there are some reservations, auditor states that Financial statements fairly presented EXCEPT for item in question
 - **No Opinion**: If reservations more serious, auditor will “disclaim” an opinion, i.e., offer **no** opinion on particular matter (common in regard to fixed asset reporting)
 - **Adverse Opinion** – Financial statements NOT prepared in conformity with generally accepted accounting principles
5. See example of auditor’s letter

Comprehensive Annual Financial Report (CAFR):

1. Introductory Section (Not Audited)
2. Financial Section (Audited)
 - **Management's Discussion and Analysis**
 - Government-Wide Financial Statements
 - ***Statement of Net Assets (Balance Sheet)***
 - ***Statement of Activities***
 - Fund Based Financial Statements
 - Notes (Narrative)
3. **Statistical Section** (Not Audited)

Management's Discussion & Analysis (M D & A):

- “Plain English” introduction to the financial statements
- Compares current year to prior year finances
- Explains differences between budgeted & actual amounts
- Describes capital asset & long-term debt activity
- Discusses any special conditions that may impact the government's future financial condition such as “special & extraordinary” events
- See pp. 16-20 for example

Statement of Financial Position:

- **(The Balance Sheet) also called the Summary Statement of Net Assets in the MD & A**
- The **Balance Sheet** is a report that indicates the financial position of the organization at a point in time
- Comparing balance sheets from year to year can tell you if the government's financial position has improved or deteriorated.
- Information is presented for Governmental Activities and "Business-type" Activities

The **Balance Sheet** tells you:

- How "liquid" is the government?
 - Liquidity means how much cash or assets that can quickly be converted to cash does the government have?
- What resources does organization have?
- Does the organization owe money?
- Will that money be repaid in the near future?
- See example on p. 18 of your handout

Balance Sheet Components:

- **Assets** = Anything the government owns of value
 - Current (Short Term) Assets
 - Long-Term Assets
- **Liabilities** = Obligations the government owes to outsiders
 - Current (Short Term) Liabilities
 - Long-Term Liabilities
- **Net Assets** =
 - Amount of resources left over after all obligations paid
 - The difference between assets and Liabilities

Fundamental Equation of Accounting

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

Changes in Net Assets:

- This chart is summarized from the Statement of Activities in the financial section
- The chart contains information for the City's Governmental and Business-Type Activities for 2 fiscal years about:
 - Revenues
 - Expenses
 - Net Assets at the Beginning of the Year and the End of the Year
- See example on p. 20 of your handout

Statistical Section:

- **Last section** of the financial report (Part III)
- It is **not** audited
- Contains wide variety of fiscal information
 - Historical balance sheet data (5 years)
 - General Government Revenues (7 years)
 - General Government Expenditures (7 years)
 - Uncollected property taxes
 - Property values for major City properties
 - Fair market value of all property in Chicago
 - Property tax rates
 - Amount of long term debt outstanding
 - Population and Income Statistics
 - Principal Employers in Chicago

Example of Information Contained in Statistical Section:

- List of most expensive buildings in Chicago
- City of Chicago Population
- List of principal, non-government employers and how many people they employ
- Actual employee totals, broken down by category
- See examples on pp. 139, 162, 163, & 164.

Additional Information: Budget

- For further budget information:
 - City of Chicago website @ <http://www.cityofchicago.org/city/webportal/home.do>
 - Go to: “Your Government”, “City Departments”, “Budget & Management” and/or “Finance”

Additional Info: City of Chicago website



1. Go to City of Chicago website

2. Click on "Your Government"

Additional Budget Info: City of Chicago website

City of Chicago - Your Government - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://egov.cityofchicago.org/city/webportal/portalChannelAction.do?topChannelName=Government&Failed_Re

City of Chicago

CityofChicago.org
Your Government

August 27, 2009

For Residents For Business Exploring Chicago Your Government

You are here: Home > Your Government

Doing Business with the City
[For Vendors](#)
[Public Information](#)
[MBE WBE DBE](#)

Local Government
[City Departments](#)
[Employment with the City](#)
[Organization of City Government](#)
[Information on City Contracts and City Contractors](#)
[Other Governmental Units & Sister Agencies](#)
[Freedom of Information Requests](#)

Mayor's Office
[About the Mayor](#)
[Safety](#)
[Affordability](#)
[Initiatives for Seniors](#)
[Environmental Initiatives](#)
[Ex-Offender Re-entry](#)

Your Ward and Alderman
[Ward & Alderman List](#)
[City Council Activity](#)

Find an Event
Select the event category and press Find button
Community Policing
Find

FOIA
Freedom of Information Requests

KEEPING CHICAGO AFFORDABLE
FOR YOU AND YOUR FAMILY

Online Services

Done

start | Inboxes - Microsoft Out... | City of Chicago - You... | Microsoft PowerPoint ... | 3:09 PM

3. Click on
"City
Departments"

Additional Budget Info: City of Chicago website



4. Click on
Budget &
Management

Additional Budget Info: City of Chicago website

The screenshot shows the City of Chicago Office of Budget and Management website. The browser window title is "City of Chicago - Budget & Management - Mozilla Firefox". The address bar shows the URL: http://egov.cityofchicago.org/city/webportal/portalEntityHomeAction.do?BV_SessionID=@@@@2092050280.1. The website header includes navigation tabs for "For Residents", "For Business", "Exploring Chicago", and "Your Government". The main heading is "OFFICE OF BUDGET AND MANAGEMENT" with "Ann McNabb, Acting Budget Director" below it. A breadcrumb trail reads: "You are here: Home > Your Government > City Departments > Budget & Management".

The left sidebar contains a "Department Home" menu with links to "2010 Budget", "2009 Budget", "2008 Budget", "Tax & Financial Assistance", "Management Initiatives", "Grant Programs", "Capital Improvements", "About OBM", and "Archives". Below this is a "I Want To..." section with links to "Find out about Income Tax Assistance" and "Find out about the 2008-2012 Capital Improvement Program". At the bottom of the sidebar is a "Contact Info" icon.

The main content area features a large image of a city building at night with the text: "The Office of Budget and Management (OBM) prepares and implements the City of Chicago's annual budget. OBM evaluates the efficiency of all City operations and drives management reforms that enhance the City's fiscal condition and increase taxpayer value." Below this is an "Alerts" section with a date of "25-Aug-2009" and a link to "2010 Preliminary Budget Public Hearings".

The "OBM NEWS" section lists several news items with dates and titles:

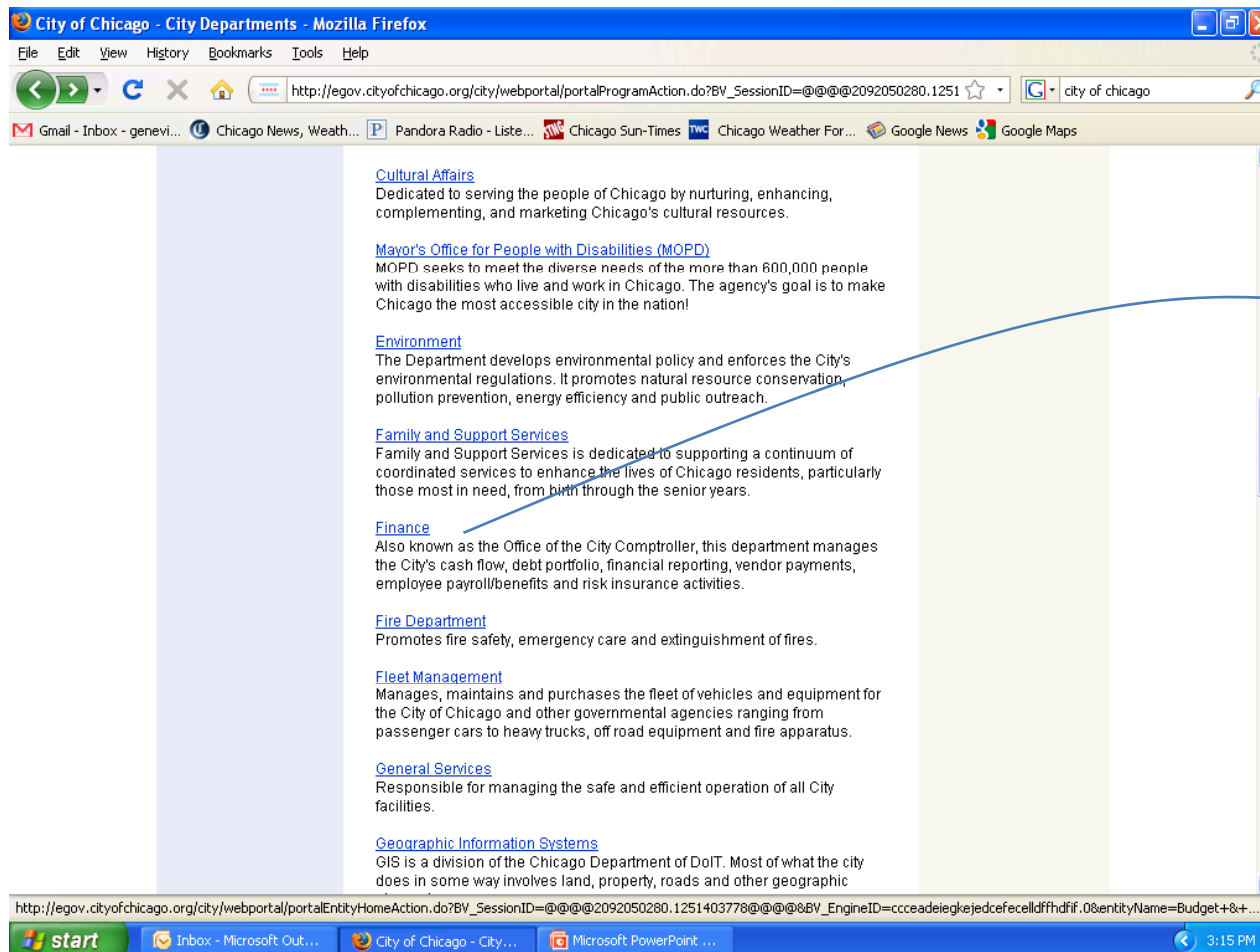
- 30-Jul-2009: [City of Chicago Releases 2010 Preliminary Budget](#)
- 28-May-2009: [City Seeks Public Comment on Use of \\$22.4 Million in CDBG Funds to be Received Under Federal Economic Stimulus Program](#)
- 07-May-2009: [Recession Continues to Effect City Revenues, Now \\$96 million Below Projections](#)
- 31-Mar-2009: [Mayor Daley Outlines New Steps to Address City's Budget Deficit](#)
- 06-Mar-2009: [City Takes Steps to Ensure Effective Parking Meter System Operation](#)
- 13-Feb-2009: [City Budget Continues to Feel Impact of National Recession, Revenue Below Projections by \\$64 Million](#)
- 10-Feb-2009: [City Closes Parking Meter Transaction](#)
- 10-Feb-2009: [City's New Management Steps to Save \\$9.2 Million](#)

On the right side, there are three promotional banners: "CITY OF CHICAGO 2009 BUDGET", "2008 TO 2012 CITY OF CHICAGO CAPITAL IMPROVEMENT PROGRAM", and "CHICAGO TAX ASSISTANCE CENTER" featuring a tree icon and the name "Richard H. Daley, Mayor".

The Windows taskbar at the bottom shows the "start" button, several open applications including "Inbox - Microsoft Out...", "City of Chicago - Bud...", and "Microsoft PowerPoint...", and the system clock showing "3:13 PM".

5. Scroll down to find budget documents.

Additional Finance Info: City of Chicago website



1. Complete steps #1 – 3 above.

2. Click on "Finance"

Additional Finance Info: City of Chicago website



3. Scroll down to "Financial Statements"

Conclusion:

- **Questions?**
- **On behalf of the Civic Federation, thank you for taking interest in your government and community.**