

Impact of Chicago's Finances on Employment

Project Overview

City of Chicago's debt burdens have created a lot of pressure on the city's bottom line.

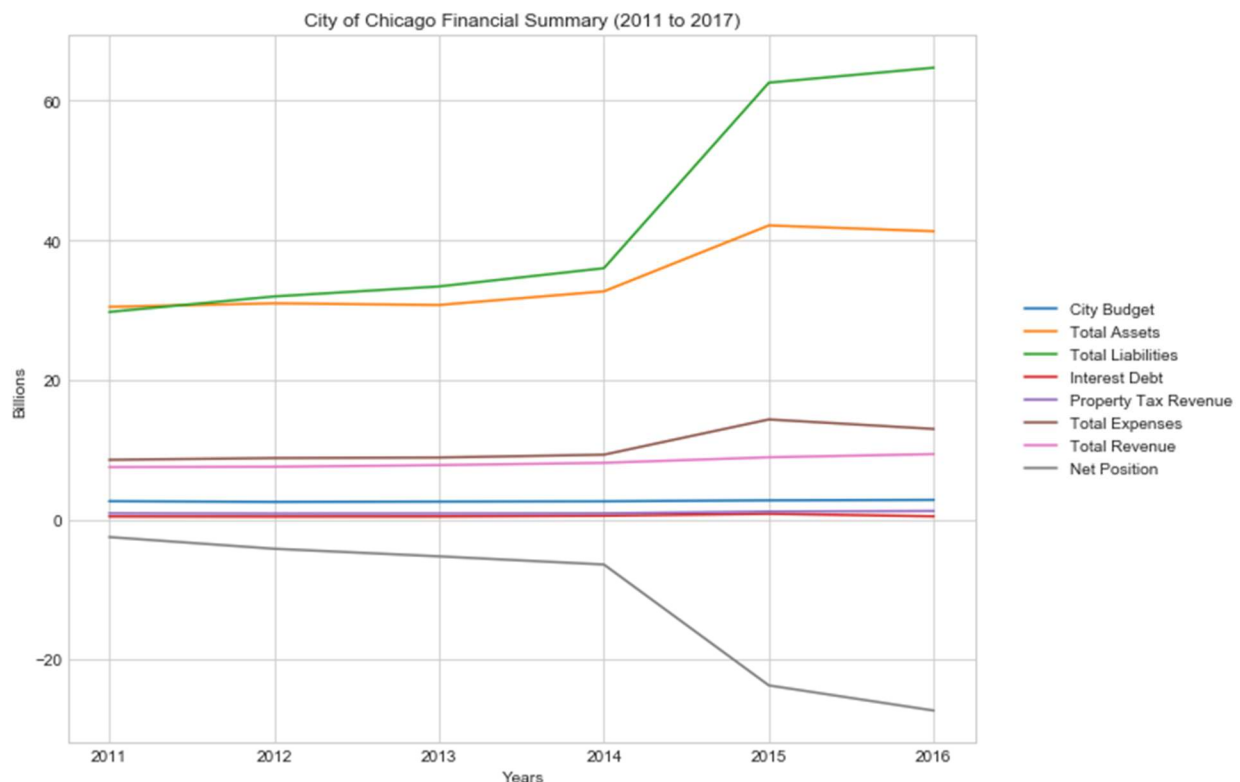
Do the city's exploding liabilities have an impact on their operating budget, specifically city employees?

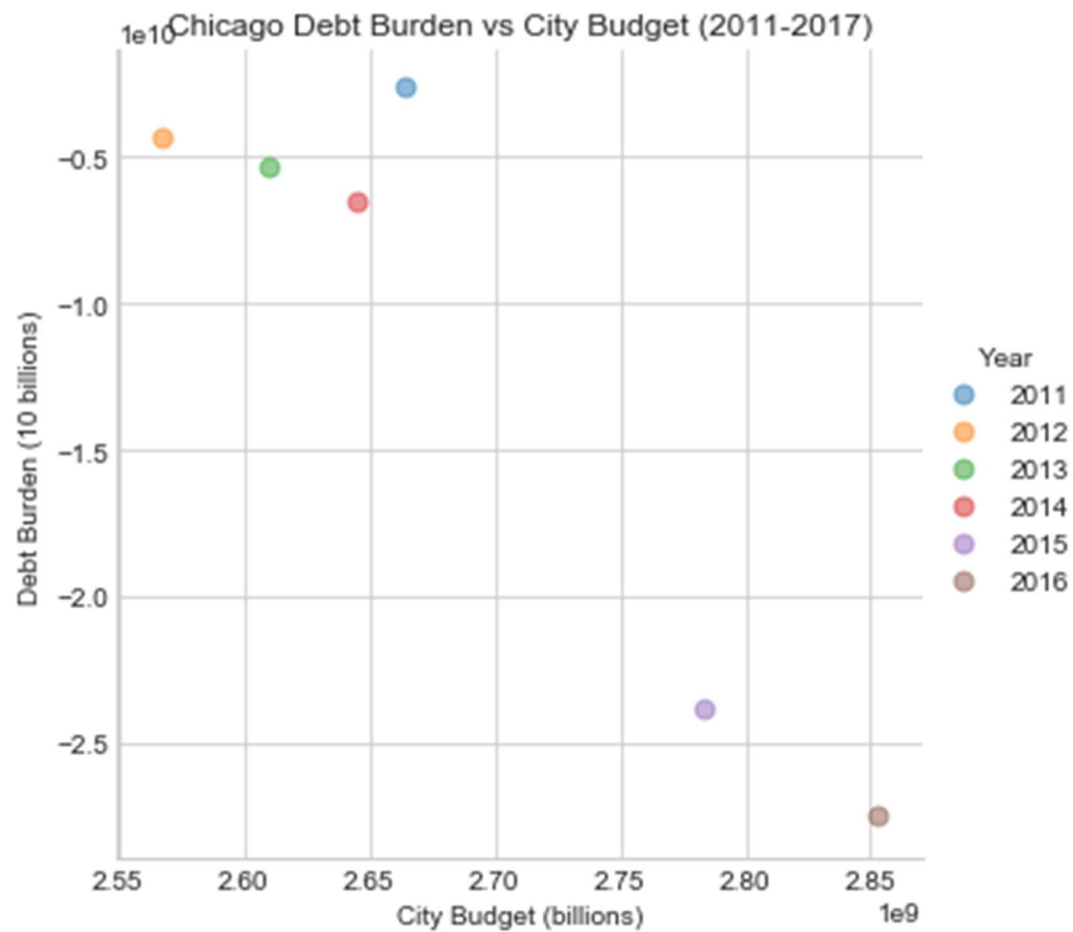
Research Questions to Answer

How bad is the city of Chicago's financial situation?

From 2011 to 2017, the debt burden on the city has jumped from \$2.6 Billion to \$27.4 Billion. This increase is mostly due to new accounting standards put in place in 2015 and the fact that in the Illinois Supreme Court denied the city's attempt to reform its broken pension funds system.

Although the debt burden has significantly increased, the city budget has not been adversely affected (rising steadily since 2013).





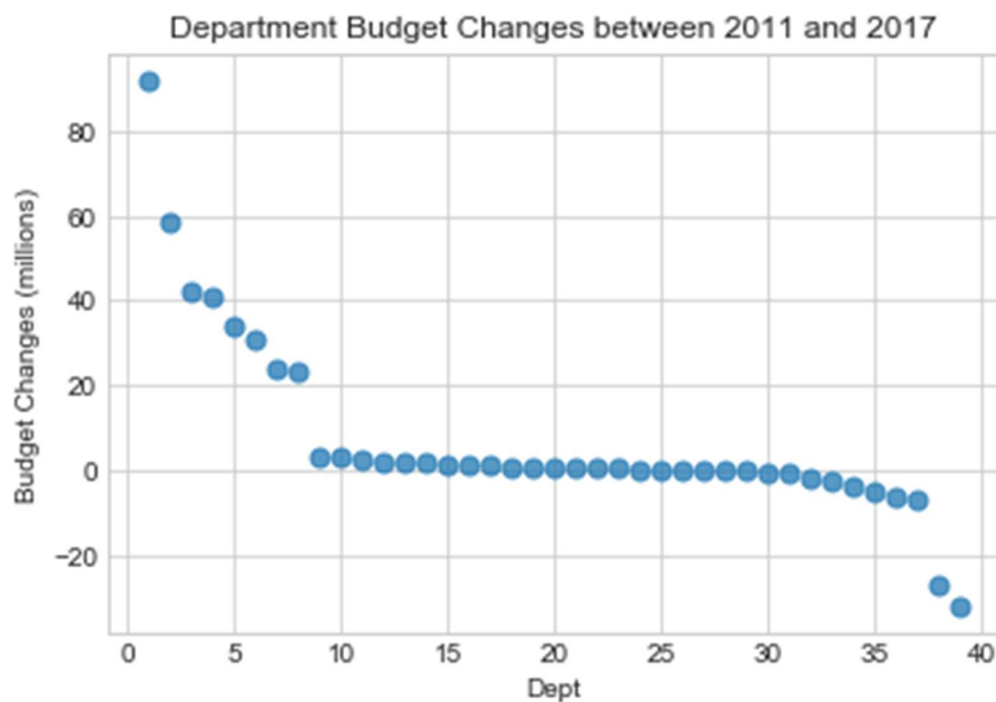
Does the city of Chicago's financial situation adversely affect the city budget, employment and salaries?

Budget

As seen above, although the debt burden has significantly increased, the city budget has not been adversely affected (rising steadily since 2013).

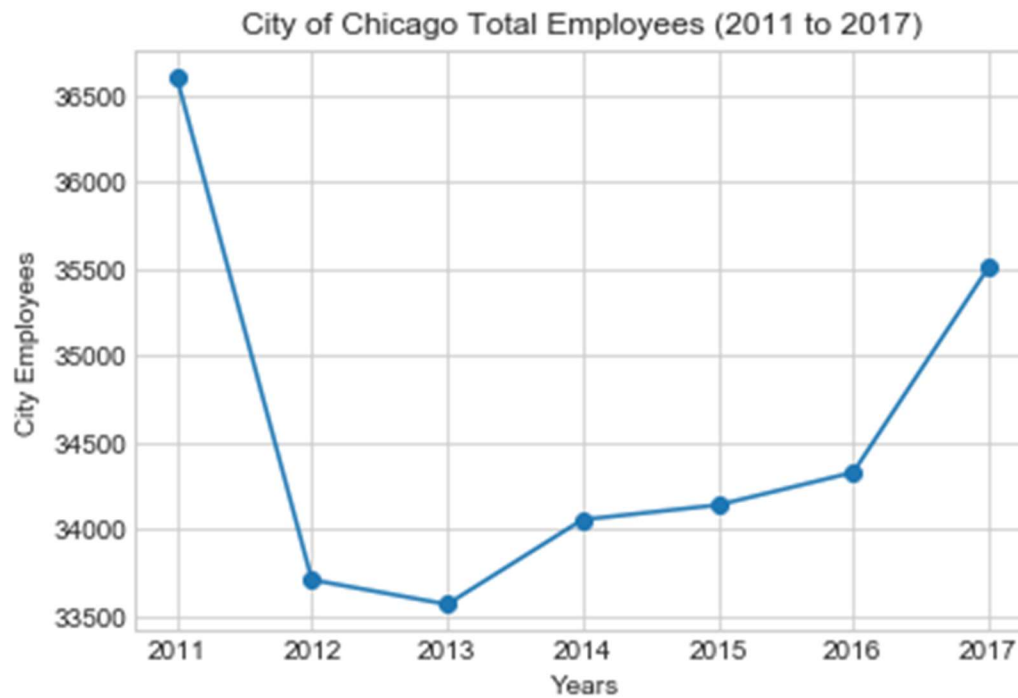
Also, a majority of the departments (74%) within the city have seen budget increases between 2011 and 2017. The highest increases were seen within the following departments: Fire Department, Police Department, Department of Fleet Management, Department of Transportation and Department of Aviation.

There were four departments that were removed or absorbed by other Departments after 2011. Those being: Department of Environment, Department of Revenue, General Services and Office of Compliance.



Employees

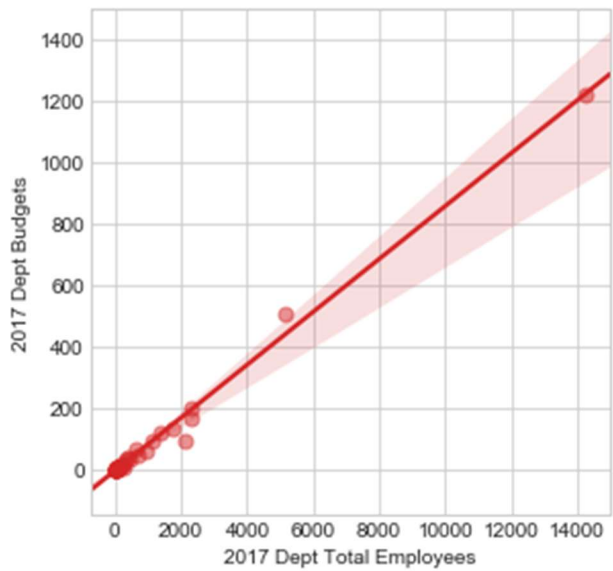
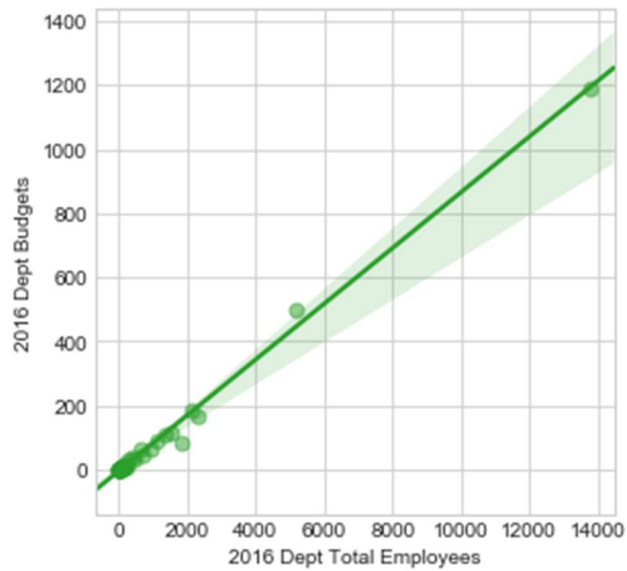
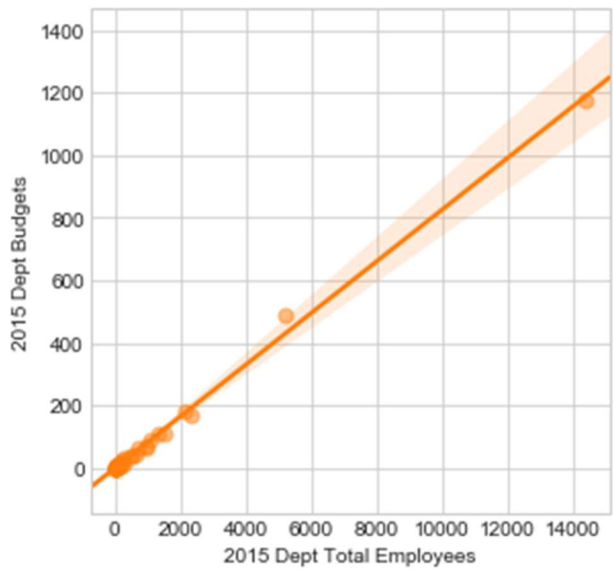
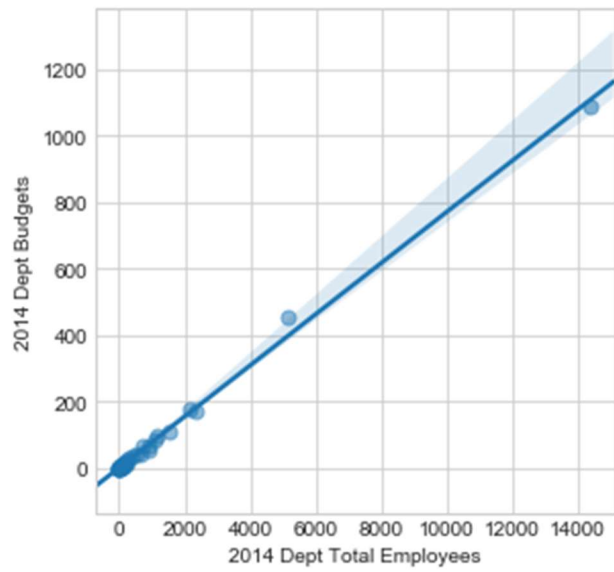
Between 2011 and 2013, the city had a total employee decrease of around 8.3% or 3,040 employees. Since 2013, city employment has increased every year and in 2017 is now 3% or 1,100 employees shy of the total employee count in 2011.



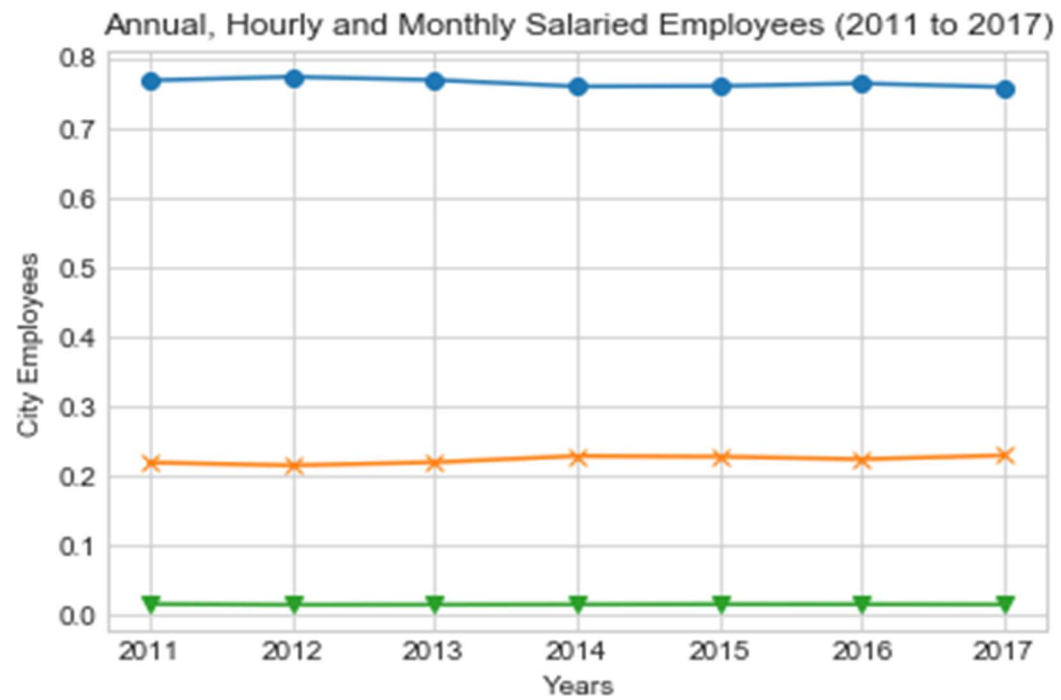
Since 2014, the year before the new accounting standards were put in place, the department sizes versus the number of employees in each department has taken on a linear relationship. This shows that even though the financial burden on the city has largely increased, it has not had a big financial/size impact on the departments themselves.

The departments with the highest budgets were consistent from 2011-2017 and are: Police Department, Fire Department, Department of Waste Management, Department of Streets and Sanitation and Department of Aviation.

Dept Budget vs Dept Employees (2014-2017)

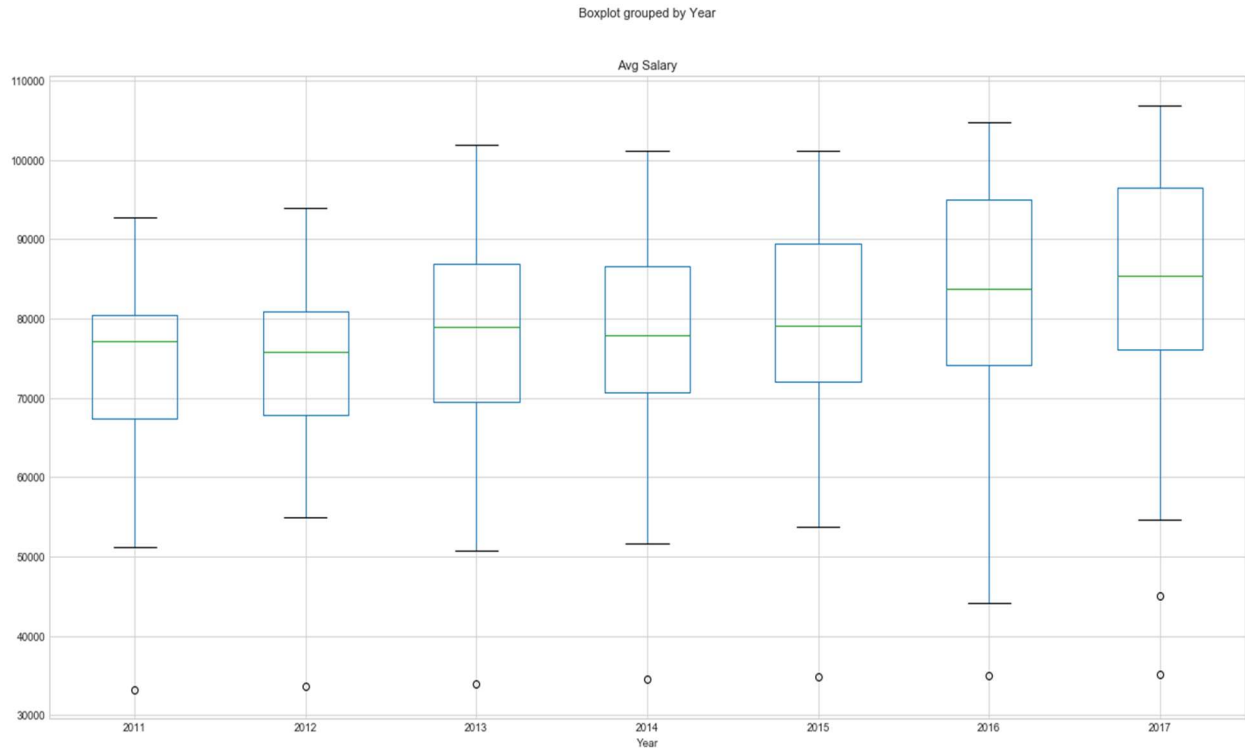


Lastly, the breakdown of overall employee types (annual, monthly and hourly) remained constant between 2011 and 2017.



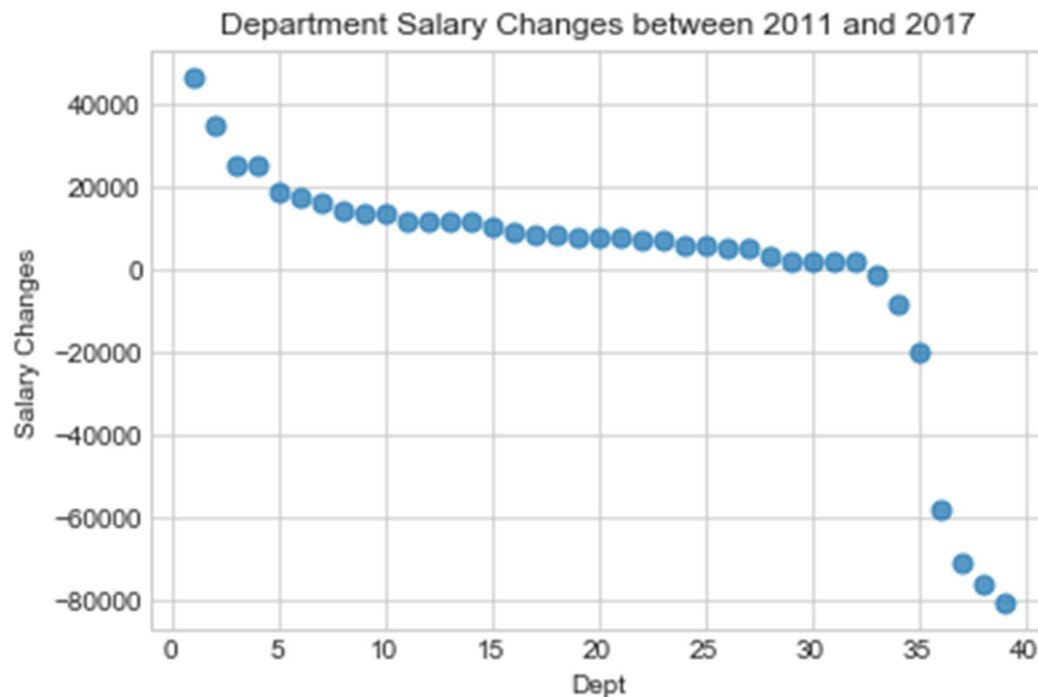
Salaries

Average employee salaries have increase at an average rate of 2.24% per year between 2011 and 2017 which again has no correlation with the rising debt burden.



A majority of the departments (82%) within the city have seen average salary increases between 2011 and 2017. The highest increases were seen within the following departments: Family and Support Services, Department of Public Health, Mayors-Office Disabilities, Commission of Human Relations and Department of Buildings.

There were four departments that were removed or absorbed by other Departments after 2011. Those being: Department of Environment, Department of Revenue, General Services and Office of Compliance.



How can the city of Chicago reduce financial burden?

Similar to a family household in the following situation:

- Total Assets (401K, Home Equity, Savings): \$41,294.00
- Total Debt (Credit Card, Student Loans): (\$64,703.00)
- (Yearly Min Payment on Debt): (\$495)
- Total Yearly Income: \$9,405

The city can look into these 3 options to decrease the debt burden

1. Increase Income and sell asset backed liabilities.
2. Debt restructuring
3. File for bankruptcy

Conclusions

There is no correlation between the city budget and the increasing debt burden as of 2017.

- The city budget dipped in 2012 but then began to increase again through 2017
- The city employment dipped in 2012-2013 but then began to increase again through 2017
- The average salary for city employees has increased steadily from 2011 to 2017

After completing the analysis, it is our thought that the city of Chicago hopes to find another way to ease the financial burden without allowing the city operations to suffer in the process.