



CITY OF CHICAGO



OFFICE OF BUDGET AND MANAGEMENT

November 28, 2025

Scott Waguespack, *Alderman – 32nd Ward*
Chicago City Council
121 N. LaSalle Street
Chicago, IL 60602

Dear Alderman Waguespack,

Thank you for your November 14th letter outlining several efficiency proposals that you believe may provide additional savings for the FY2026 budget. I appreciate both your review of the City of Chicago's [Financial and Strategic Reform Options](#) report and your continued focus on responsible fiscal stewardship during the City's budget deliberations.

As you know, the City undertook this work under [Executive Order 2025-1](#) to bring a level of rigor, transparency, and long-term planning to Chicago's fiscal health that has not existed in decades. As part of this effort, OBM conducted a thorough, department-by-department review of every option—more than 100 in total—to determine which items are achievable, fiscally responsible, and operationally sound for inclusion in the FY2026 budget.

It is important to underscore—especially given the complexity of an organization the size of the City of Chicago—that responsible budgeting cannot rely on speculative savings, but must be balanced on an estimation of achievable savings based on the level of effort it takes to achieve those savings. Many structural reforms require contracting, workforce engagement, operational redesign, technology alignment, and in many cases, collective bargaining. These steps are standard best practice in large municipal systems across the country.

For these reasons, the report is a menu of options—not a mandate—because not every proposal is fiscally, operationally, or legally prudent to implement or can be done immediately. The Administration's approach has been to prioritize actions that produce real, achievable savings, not theoretical estimates that could destabilize operations or rely on workforce reductions that contradict both good governance and leading practice.

With that in mind, we have reviewed each of the seven initiatives you identified. In several areas, we are already implementing work aligned with your suggestion, or have planned for implementation to begin in 2026. In others, the savings you reference cannot be realized in FY2026 due to timing, operational constraints, or because the potential savings are significantly lower than preliminarily projected once feasibility and implementation requirements are fully assessed.

Below is each item you raised, with OBM's response:

1. Conducting a comprehensive claims and fee-integrity study

The City agrees that ensuring the accuracy of our health care claims is important. It's why our current contract with our Claims Administrator already includes the ability to conduct audits and fee reviews when needed. The Claims Administrator also performs regular spot checks, which have not identified large recoveries to date.

*The report option includes **exploring** whether hiring a separate vendor to review every claim would be worth the investment. That question still requires analysis.*

There are several reasons why this option cannot produce reliable FY2026 savings:

- ***Finding an error does not guarantee the City can collect money back.** Different claims systems and administrators use different standards, so many findings become disputes rather than recoveries.*
- ***The law limits how long the City has to recover funds from providers.** In most cases, the City only has **12 months** to seek repayment, which means the longer an audit takes, the fewer claims can even be recovered.*
- ***Collecting from employees or dependents is almost never an option.** It is costly, creates workforce issues, and is generally only pursued in cases of fraud.*
- ***A full audit is expensive.** A vendor review of this scale could cost **\$500,000 to \$1 million**, and we cannot know upfront how much—if any—of that cost would be recovered.*
- ***The main benefit of this type of study is long-term improvement of claims accuracy, not immediate one-time savings.***

For these reasons, the City is committed to evaluating whether the potential savings justify the cost of a full claims-integrity review, but the savings are far too speculative to include in FY2026. We need to complete this evaluation before determining whether contracting for a full review makes financial sense.

2. Eliminating HMO stop-loss coverage

*The City operates a self-insured medical benefits plan, meaning that we directly bear the financial responsibility for employee health care claims rather than paying premiums to an external insurer. Within this structure, the City maintains HMO stop-loss insurance to ensure a high degree of **budget predictability** in its medical benefits plan. This coverage protects the City from the financial impact of large, unexpected claims that exceed projected costs. Without stop-loss, the City would be fully responsible for any claim that surpasses forecasted levels, exposing the benefits budget to significant volatility.*

*While eliminating this coverage may appear to reduce expenses on paper, doing so would require the City to substantially **increase appropriations** in the benefits line to hedge against unpredictable, high-cost claims. In practice, this would shift risk—not reduce it—and could lead to **millions of dollars in additional upfront budgeting** to guard against*

catastrophic claims variability. Because of these fiscal and operational considerations, maintaining stop-loss coverage remains a prudent risk-management strategy at this time.

*Because the report identified this as a potential long-term option, the City is evaluating whether future adjustments to the **Self-Insurance Fund structure** could allow the City eventually to absorb claim volatility without stop-loss coverage. However, we do not anticipate that this analysis could be completed in time to credibly support savings in FY2026. The option remains under review as part of our **long-term financial planning**.*

3. Closing budgeted vacant positions in targeted roles

*The FY2026 budget already incorporates one of the most analytically driven vacancy reductions the City has undertaken in many years. Across the Corporate Fund, the Administration eliminated or froze **626 vacant positions**, generating nearly **\$40.8 million in real, verifiable savings**. These reductions were not across-the-board cuts; they were the result of a **department-by-department operational assessment** that examined workload, service demand, statutory requirements, and the City's ability to safely and effectively maintain service delivery.*

This level of precision was essential. In a municipal government of Chicago's scale, vacancies often represent positions that are actively being recruited for, tied to federal, state, or city-mandated functions, or required to meet public safety, emergency response, inspection, or compliance responsibilities. Cutting deeper into the vacancy pool, beyond what has already been evaluated and reduced, would either:

- ***compromise critical service delivery,***
- ***shift workload burdens onto already strained frontline staff, or***
- ***require layoffs of filled positions, which was not an option identified in the report.***

*It is important to underscore that structural efficiencies are best achieved through **process redesign, technology improvements, and workforce alignment**, not by removing positions in ways that jeopardize service quality or create unintended operational consequences. The Administration will continue to evaluate vacancies as part of each annual budget development process, but only where doing so is operationally feasible and fiscally responsible.*

*To support this work, the FY2026 budget also includes a **targeted hiring freeze**, which gives the Administration the opportunity to evaluate organizational structures, examine spans and layers, and assess where administrative functions can be centralized or shared across departments while still realizing the financial savings in 2026 that a deeper cut to vacancies would achieve.*

4. Reducing 311 call center hours from 24/7 to more limited hours

*As the City's primary **non-emergency service portal**, 311 plays a critical role in public safety, continuity of operations, and resident access to core City services — especially*

during severe weather, major events, outages, and emergency-adjacent situations where 311 relieves pressure on 911.

Reducing staffing or coverage hours would produce **minimal financial savings** (primarily shift differentials to the tune of only \$2 million in the first full year of implementation after taking into account investment costs), but would create **immediate service disruptions**, longer wait times, and increased diversion of calls to 911, which would run counter to best practices. For this reason, the Administration does not believe that cutting hours or personnel is the responsible first step to take unilaterally.

Instead, we agree with the long-term direction suggested in the report and believe that **modernizing 311 through enhanced AI and digital tools**—as cities like Atlanta, Oakland, and New Orleans have done and are implementing—is a more effective path for improving service and achieving long-term efficiencies. In fact, the report specifically notes the next step is to engage (i.e. contract with) a software vendor to develop a chatbot to fit the City's 311 needs – contracts that are not currently in place.

Accordingly, for FY2026, the Mayor has directed OBM to work with OEMC and the Department of Technology and Innovation (DTI) to:

- evaluate the AI-enabled 311 models used in peer cities;
- identify technologies that can improve self-service and reduce call volumes responsibly;
- develop an implementation roadmap that protects service levels while modernizing operations.

This approach will ensure that any transition is **planned, tested, and operationally sound**, rather than relying on immediate personnel reductions that would degrade service quality and disadvantage residents who rely on 311 for timely access to City services.

5. Diverting appropriate 911 calls to hospital-based telehealth programs

With respect to 911 diversion and hospital-based telehealth, the City is actively expanding its alternative response strategy, including continued investments in CARE teams and enhanced crisis intervention capacity. However, diverting 911 calls directly to hospital-based telehealth providers is a **complex, multi-agency reform** that cannot be implemented immediately or produce meaningful savings in FY2026.

Implementing such a program would require (though not an exhaustive list):

- **Significant updates to 911 call-taking and triage protocols**, including defining the clinical criteria, risk thresholds, and workflow for routing calls away from EMS response.

- **Formal operational agreements** between OEMC, CDPH, local hospitals, and telehealth systems outlining responsibilities, data pathways, and performance expectations.
- **Procurement and contracting** for the partnering hospital system to ensure service standards, capacity, and coverage.
- **Liability and risk management planning**, including determining who assumes responsibility if a caller routed by the City receives inadequate care.
- Development of **clinical, legal, and operational protocols** to govern when diversion is appropriate, how handoffs occur, and how EMS is engaged if the telehealth provider identifies a health or safety risk.

*None of these foundational elements are in place today. Each requires careful design, extensive interagency alignment, and negotiation to ensure patient safety, legal protection, and operational feasibility. While hospital-based telehealth diversion may be a viable option for the City to explore in the mid-to-long-term, it is a **program of first impression for the City** and cannot reasonably be expected to deliver savings in FY2026.*

6. Replacing CPD overtime for traffic management with traffic aides

The Administration fully agrees that reducing CPD overtime is a critical long-term reform, and the FY2026 budget already advances meaningful steps in that direction. As part of the proposed management ordinance, the Administration has:

- **capped CPD overtime at its appropriated level**, requiring any need for additional overtime authority to be formally requested and approved by City Council; and
- **directed CPD to develop a Phase II civilianization plan** that evaluates the appropriate assignment of civilian staff to functions currently performed by sworn personnel.

*However, the specific option referenced in the report (page 93) — creating a new hybrid position that combines traffic management and parking enforcement duties — requires substantial planning and cannot be implemented immediately. Today, these functions are largely performed by **two separate classifications in two separate departments** (Traffic Control Aides in OEMC and Parking Enforcement Aides in the Department of Finance).*

Consolidating these functions into a single role requires:

- **development of new deployment and staffing models**,
- **an assessment of how two full-time functions could be integrated into one job classification and which department they would be associated with**,
- **recruitment and hiring ramps**,
- **creation of new training protocols**, and
- **significant labor negotiations**, as the affected roles include members of both **SEIU** and **FOP**, and any new title or work assignment must be collectively bargained to avoid unfair labor practices prohibited by our collective bargaining agreements.

Given the scope of these operational and labor considerations, this reform cannot be executed quickly enough to yield meaningful FY2026 savings. Savings would begin to materialize only after the new staffing model is fully developed, bargaining is completed, hiring is underway, and deployment is restructured in a way that ensures continuity of traffic management citywide.

7. Consolidating City office space while pursuing land sales or adaptive reuse of City-owned property

*Real estate modernization is one of the Administration's signature FY2026 initiatives, and we have already begun implementing the report option to centralize office-space governance and execute a multi-year consolidation strategy through the Department of Fleet and Facility Management. As made clear in the report, achieving meaningful savings from real estate requires a deliberate sequence of steps — including space assessments, staff relocation planning, lease restructuring, build-outs, and coordinated workforce transitions. For this reason, the projected savings were intentionally identified as **10-year savings**, with the most significant financial impacts occurring in **years 3–10**, once the foundational work is complete.*

With respect to land sales, this effort is also actively underway through the Department of Planning and Development. The first tranche of properties contemplated in the FY2026 budget is expected to be transmitted to the Housing Committee — and subsequently to the full City Council — for approval in December. Similar to the broader real estate roadmap, land disposition involves multiple steps such as market valuation, legal and title review, contract negotiation, and the required Council approvals. As a result, revenues associated with these transactions will accrue over time, following the completion of these statutory and procedural requirements.

The Administration shares your commitment to pursuing efficiencies and strengthening the City's long-term fiscal foundation. That is why the FY2026 Budget Recommendation already includes **over \$140 million in real, achievable savings and revenues** rooted directly in the report's framework. These actions reflect months of due diligence, analytical work, operational review, and financial modeling—not assumptions or back-of-envelope estimates.

We will continue to evaluate additional opportunities as part of each annual budget cycle, with the same disciplined, evidence-based approach that guided the FY2026 proposal.

Thank you for your continued partnership and your attention to the City's fiscal health.

Sincerely,



Annette Guzman
Budget Director

CC:

Brandon Johnson, *Mayor, City of Chicago*

Jason Ervin, *Chairman, City Council Committee on Budget & Government Operations*