



CITY OF CHICAGO
OFFICE OF INSPECTOR GENERAL

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Follow-up to OIG's Audit of the City's Compliance with the TIF Sunshine Ordinance and TIF Surplus Executive Order

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I | Introduction

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its January 2022 audit of the City's compliance with the Tax Increment Financing (TIF) Sunshine Ordinance and TIF Surplus Executive Order.¹ TIF is the City of Chicago's primary funding vehicle for economic development. The Department of Planning and Development (DPD) administers the City's TIF program. TIF uses local property taxes to finance public and private projects designed to reduce urban blight by improving infrastructure, expanding the tax base, and/or fostering economic development.² The TIF Investment Committee reviews public and private projects requesting TIF support based on details collected by DPD.³

TIF Sunshine Ordinance: To increase TIF transparency, City Council passed the TIF Sunshine Ordinance in 2009.⁴ This legislation requires the City to post certain data publicly. In 2013, the ordinance was amended to specifically require that the Chicago Data Portal provide a searchable database of TIF-funded projects.⁵

TIF Surplus Executive Order: As used in the context of the City's TIF program, the term "surplus" means unused funds subject to being released to the City and overlapping taxing bodies. In 2013, Mayor Rahm Emanuel issued Executive Order 2013-3, "Declaration of TIF Surplus Funds in TIF Eligible Areas," which required the City to declare, on a regular basis, surpluses in TIF district accounts. The Order aimed to end the annual practice of holding over most or all funds for unidentified future projects. The Order requires all TIF districts to declare 25% of all "TIF funds anticipated for future use" as a surplus, unless the district is less than 3 years old, has less than \$1 million in account balance, was created for a single project, or has helped fund Modern Schools Across Chicago projects. The Order allows a district to consider future planned expenses, revenue volatilities, tax collection losses, and similar contingencies before calculating its surplus, but substantially limits its discretion to hold back unallocated funds because State law requires municipalities to return TIF surpluses to the entities that would otherwise have received that property tax revenue.⁶

¹ As part of the original audit, OIG identified an opportunity to increase transparency in the TIF surplus process by making the currently available data more accessible. OIG took data related to the TIF surplus from the Chicago Data Portal and formatted it as an interactive map showing individual surplus and account balance amounts for each active district, as well as aggregate amounts across the entire TIF program. Currently, data from 2017 to present is available at: https://igchicago.org/information-portal/city-finance-dashboards/#Tax_Increment_Financing_Districts. OIG will update the map as the City releases new data.

² For more a more detailed explanation of how TIF works, including how it affects local property taxes, see City of Chicago Department of Planning and Development, "Tax increment Financing Program Guide," 2020, accessed June 29, 2021, https://www.chicago.gov/content/dam/city/depts/dcd/general/2020_tif_program_guide.pdf; Cook County Clerk, "2018 TIF Report – TIF FAQs," July 31, 2019, pdf p. 9-16, accessed June 29, 2021, <https://www.cookcountyclerk.gov/sites/default/files/pdfs/2018%20TIF%20Report.pdf>.

³ For a more detailed explanation of the TIF funding request process, see Figure #4 on page 8 of the Audit of the City's Compliance with the TIF Sunshine Ordinance and TIF Surplus Executive Order. City of Chicago Office of Inspector General, "Audit of the City's Compliance with the TIF Sunshine Ordinance and TIF Surplus Executive Order", January 27, 2022, <https://igchicago.org/wp-content/uploads/2022/01/OIG-Audit-of-the-City-Compliance-with-the-TIF-Sunshine-Ordinance-and-TIF-Surplus-Executive-Order.pdf>.

⁴ Municipal Code of Chicago, § 2-45-155.

⁵ The documents and database can be accessed through a TIF homepage: <https://www.chicago.gov/city/en/depts/dcd/provdrs/tif.html>.

⁶ Per the Illinois Tax Increment Allocation Redevelopment Act, "All surplus funds in the special tax allocation fund shall be distributed annually within 180 days after the close of the municipality's fiscal year by being paid by the municipal

Based on responses from the DPD and the Office of Budget and Management (OBM), OIG concludes that DPD has fully implemented three of four corrective actions recommended in OIG's 2022 audit related to the TIF Sunshine Ordinance and substantially implemented one; OBM has fully implemented one of four corrective actions related to the TIF Surplus Executive Order and partially implemented the remaining three.⁷

The purpose of OIG's 2022 audit was to determine,

1. whether the City complied with Municipal Code of Chicago (MCC) § 2-45-155, which requires the City to make certain data related to TIF projects and districts publicly available; and
2. whether DPD and OBM complied with Executive Order 2013-3, which requires the City to annually declare at least 25% of the City's unallocated TIF balance as "surplus" to be remitted to the taxing bodies affected by TIF.

OIG found that the City had not provided the public with all of the data required by the TIF Sunshine Ordinance. OIG also found that the City declared a 2020 TIF surplus in compliance with the Executive Order, but limited the amount considered for surplus declaration because of recording errors, lack of consistent project review, and stagnating unspent funds.

Based on its findings, OIG recommended that DPD upload the missing items required by the TIF Sunshine Ordinance and make all TIF data available on a single website, develop a reliable system for managing project progress and documentation, and ensure that staff responsible for uploading data have access to the system. OIG also recommended that OBM and DPD regularly review planned TIF expenses with the requesting City departments and consider developing a deadline system to prevent funding for anticipated projects from being withheld indefinitely. Finally, OIG recommended that OBM and DPD develop guidelines for what expenses constitute project commitments (i.e., the planned expenses and debt obligations withheld from surplus consideration), and that the departments release an annual TIF surplus statement describing in detail how the City calculates a surplus and identifying the districts that provided the surplus funds. In the City's response to the audit, DPD and OBM described corrective actions they would take.

In April 2023, OIG inquired about corrective actions taken by DPD and OBM in response to the audit. Based on the departments' follow-up responses, OIG concludes that DPD fully implemented three corrective actions related to the TIF Sunshine Ordinance and substantially implemented one. OBM has fully implemented one of four corrective actions related to the TIF Surplus Executive Order and has partially implemented the remaining three.

Specifically, DPD stated that it has made all TIF data required by the Sunshine Ordinance available on a public-facing website, which refreshes nightly with updates from its relaunched project management system. To ensure that uploaded information is complete, DPD has assigned a staff member to audit project documentation on a quarterly basis. DPD has not yet deleted duplicative legacy pages containing TIF data from its website, but stated that doing so remains an "important

treasurer to the County Collector, to the Department of Revenue and to the municipality in direct proportion to the tax incremental revenue received" 65 ILCS 5/11-74.4-7.

⁷ On November 28, 2023, OIG provided an advanced copy of this report to the Mayor's Office, OBM, DPD, and City Council members. On November 29, the day of publication, OIG received an updated response from the Office of Budget and Management. OIG updated this report, incorporating that response.

goal” that it plans to address when staffing capacity allows. OIG believes that, once fully implemented, the corrective action described by DPD may reasonably be expected to resolve the first finding noted in the audit—that the City had not provided the public with all data required by the TIF Sunshine Ordinance. OIG urges DPD to fully implement the remaining changes to its website.

Regarding the second finding—that the City limited the amounts considered for surplus declaration—OBM has developed guidelines to better define what expenses constitute project commitments. OBM stated that it continually reviews planned TIF expenses in collaboration with requesting departments, but it has not formalized the review process using written guidance. Lastly, while OBM identified existing budget documents that describe the City’s TIF surplus methodology and the amount of surplus by district, it has not released an annual TIF surplus report specific to the TIF surplus process. OBM had committed to developing such a report in both its response to the original audit and its response to the follow-up inquiry. OIG continues to urge OBM to develop a formalized, quarterly TIF review process in order to provide continuity during staff turnover and prevent the gaps in communication that contributed to the original audit findings. OIG also encourages OBM to proceed with its commitment to developing an annual report specific to the TIF surplus process.

Below, OIG summarizes its two audit findings and associated recommendations, as well as the departments’ responses to the follow-up inquiry.

OIG thanks the staff and leadership of DPD and OBM for their cooperation during the audit and their responsiveness to the follow-up inquiries.

II | Follow-Up Results

In April 2023, OIG followed up on its January 2022 Audit of the City's Compliance with the TIF Sunshine Ordinance and TIF Surplus Executive Order.⁸ DPD and OBM responded by describing the corrective actions they have taken and providing supporting documentation. Below, OIG summarizes the two original findings, the associated recommendations, and the status of corrective actions by DPD and OBM in response to those recommendations. OIG did not observe or test implementation of the new procedures in this follow-up; thus, it makes no determination as to their effectiveness, which would require a new audit with full testing.

| Finding 1: The City Has Not Provided the Public with All Data Required by the TIF Sunshine Ordinance.

OIG Recommendation 1 |

OIG recommended that DPD locate all missing TIF data required by the TIF Sunshine Ordinance and make it publicly available. OIG also recommended that DPD define procedures to review this data regularly to ensure that it is up-to-date and accurate.

State of Corrective Action 1 | Fully Implemented

DPD confirmed that it has made all required TIF data publicly available on the TIF portal, which refreshes nightly with updates from its project management system.⁹ To ensure that uploaded information is complete, DPD has assigned a staff member to audit project documentation on a quarterly basis and work with project managers to resolve any issues.

OIG Recommendation 2 |

To simplify users' experience and provide TIF information in a transparent manner, OIG recommended that DPD centralize all TIF data required by the Sunshine Ordinance on a single, public-facing website. This could have involved consolidating information from its *District Maps, Narratives, and Redevelopment Agreement Information* or *Citywide TIF Map and Project Locations* websites and closing those that are duplicative.

State of Corrective Action 2 | Substantially Implemented

DPD has ensured that all required TIF data is centralized and available on the TIF portal, but has not yet removed various legacy pages.¹⁰ DPD stated that staffing limitations have prevented it from undertaking this project, but it "remains an important goal."

⁸ City of Chicago Office of Inspector General, "Audit of the City's Compliance with the TIF Sunshine Ordinance and TIF Surplus Executive Order", January 27, 2022, <https://igchicago.org/wp-content/uploads/2022/01/OIG-Audit-of-the-Citys-Compliance-with-the-TIF-Sunshine-Ordinance-and-TIF-Surplus-Executive-Order.pdf>.

⁹ City of Chicago Department of Planning and Development, "Chicago | TIF," accessed August 12, 2023, <https://webapps1.chicago.gov/ChicagoTif/>.

¹⁰ DPD stated that it intends for the TIF portal (<https://webapps1.chicago.gov/ChicagoTif/>) to be the primary repository of Sunshine materials going forward.

OIG Recommendation 3 |

DPD staff previously updated data for several TIF projects in bulk, which could lead to delays in information being released to the public; DPD attributed this practice to issues with its previous project management system. OIG recommended that DPD develop a reliable system for consistently storing TIF-related data and tracking project progress in real time. OIG also recommended that DPD implement a written policy regarding system use, distribute it to all relevant staff, and define routine monitoring procedures to ensure data is complete and accurate.

State of Corrective Action 3 | Fully Implemented

DPD reported that it has made major updates to its project management system. The updated system features improvements in speed, search capability, task management, data uploading and downloading, and other functions that fulfill the core of OIG's recommendation.

DPD has also implemented a written policy, training, and staff workflow for using the system to upload required documents to its public-facing website. To ensure data is complete and accurate, DPD relies on the quarterly audit procedure described above.

OIG Recommendation 4 |

OIG recommended that DPD ensure that its staff retrieves and uploads data to its public-facing website directly from the project tracking system. OIG also recommended that the Department develop procedures to ensure that the latest versions are uploaded.

State of Corrective Action 4 | Fully Implemented

DPD shared documentation showing that information loaded into its project management system by project managers can be published directly from the system onto the publicly available TIF portal. Once a document has been marked 'Public' within the system, it is queued for publication in the nightly automatic updates to the online portal. DPD relies on its audits of TIF data within the project management system to provide reasonable assurance that documentation online is complete.

| Finding 2: While the City Declared a Surplus in Accordance with the Executive Order, It Limited the Amount Considered for Surplus Declaration.

OIG Recommendation 5 |

OIG recommended that the City supplement the TIF Surplus Executive Order with more specific guidelines for categorizing "current [or] future project commitments" (which cannot be declared as a surplus) and "funds anticipated for future use" (which can be declared as a surplus). Specifically, OIG recommended that these guidelines make the distinction between the two terms clear enough for departments other than DPD and OBM to plan requests for TIF funding.

State of Corrective Action 5 | Fully Implemented

OBM has defined the following three categories of TIF projects with committed funds that will not be considered for surplus:

1. “Current Obligations: Projects that have been submitted to and discussed by the TIF Investment Committee and are planned to be completed within the lifespan of the TIF district.
2. “Proposed Projects: Projects that have been submitted to and discussed by the TIF Investment Committee and are pending additional information and/or follow-up discussions.
3. “Current [TIF Investment Committee] Agenda: Projects that are on the current docket for the TIF Investment Committee to discuss and vote on for approval. After the TIF Investment Committee discusses the projects in this category, projects are either moved to Current Obligations, Proposed Projects, or removed altogether. This category changes each month based on the agenda.”

OBM will not consider funds committed to projects in these three categories for surplus. OBM will, however, consider all other funds in the surplus calculation. These categories, along with TIF Investment Committee review and approval, appear to satisfy OIG’s recommendation. OIG did not, however, test the implementation or operation of these changes.

OIG Recommendation 6 |

OIG recommended that the City perform regular reviews of planned expenses in each TIF district for accuracy and the potential to salvage funds from old or canceled projects. Specifically, OIG recommended that the Departments develop written guidance for conducting these reviews, which could include a model schedule and a review protocol.

State of Corrective Action 6 | Partially Implemented

In response to the original audit, OBM committed to “review[ing] all current TIF projects and proposed projects beginning in 2022 [...]” OBM reports that it met with departments and sister agencies following the first quarter of 2022 and, as a result, “cleaned up” projection reports and removed projects that “could not move forward.” OBM had also committed to “establish[ing] quarterly reviews to discuss proposed projects [...],” but now reports that “due to personnel turnover and schedule conflicts, OBM, DPD, and the Mayor’s Office replaced these meetings with regular correspondence with sister agencies and departments, which proved to be just as productive in reviewing project statuses.” OBM also stated that it “continuously reviews statuses to determine when a project can be closed, and funds salvaged” and that “substantial reviews are done in the months leading up to the TIF surplus calculation and publication of the Capital Improvement Program report.” OBM reported that these reviews resulted in 118 projects being closed and \$24,990,672 salvaged. OBM did not, however, provide any written guidance regarding the regular review of TIF spending.

OIG Recommendation 7 |

OIG recommended that the City regularly review planned TIF expenses with departments requesting funding. OIG also recommended that the City consider incorporating deadlines to ensure that funding for anticipated projects is not withheld from surplus declaration indefinitely.

State of Corrective Action 7 | Partially Implemented

OBM held the first of the anticipated quarterly review meetings with the Chicago Park District, Chicago Public Schools, Department of Assets and Information Services, and DPD in May 2022. After these initial meetings, OBM discontinued the quarterly meetings. As described above, OBM

reported that, because of personnel turnover and schedule conflicts, it replaced quarterly meetings with “regular correspondence” and stated that “[a]dditional work will need to be done in partnership with [C]ity departments and sister agencies around conducting these exercises efficiently and consistently.”

OIG Recommendation 8 |

OIG recommended that OBM release an annual TIF surplus statement describing in detail how it calculates the surplus and identifying which districts are the sources of the surplus.

State of Corrective Action 8 | Partially Implemented

While OBM described the City’s TIF surplus methodology in its Budget Overview document¹¹ and reported the surplus by district in the annual Budget Ordinance,¹² OBM has not developed an annual report specific to the TIF surplus process. OBM had committed to creating such a report in both its response to the original audit and its response to the follow-up inquiry. To support transparency and ease of use, OIG encourages OBM to fulfill its commitment and develop the annual report specific to the TIF surplus process.

¹¹ City of Chicago Office of Budget and Management, “2024 Budget Overview,” October 2023, 46, accessed November 29, 2023, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2024Budget/2024-Budget-Overview_CityofChicago.pdf. The Budget Overview contains a broad overview of the Mayor’s recommended budget, the recommended budgets of individual agencies, financial summaries for each fund, and explanations of funding sources. It also includes the Mayor’s strategic priorities and goals for the upcoming fiscal year.

¹² City of Chicago Office of Budget and Management, “2024 Budget Ordinance,” November 2023, 520, accessed November 29, 2023, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2024Budget/2024_Ordinance_Book.pdf. The Budget Ordinance the final City budget as approved by the City Council, and it lists the appropriations each agency will receive from the City for the fiscal year.



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