Chicago Fiscal Discipline Agenda — Comprehensive (Revised)

Fiscal Discipline

EXECUTIVE BRIEFING PACKAGE

McKinsey-style cross-pillar fiscal operating model with Public Safety first reinvestment logic

Cardenas for Mayor 2027 · Revised 2026-06-24

EXECUTIVE SUMMARY

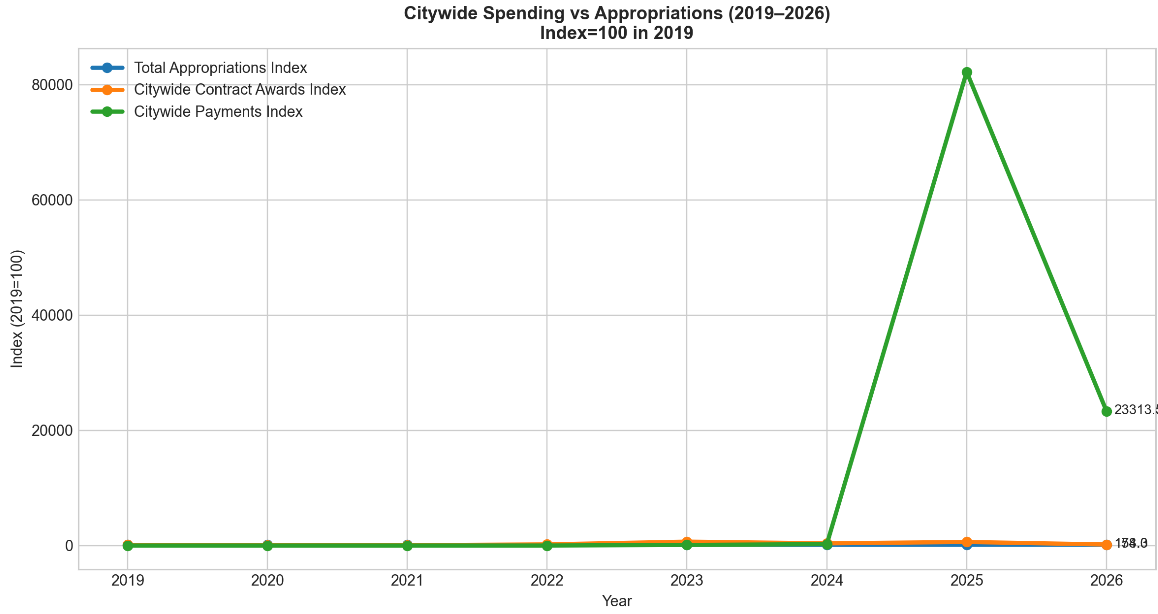
Fiscal Discipline is the campaign's operating system: if governance does not control the growth curve, every other pillar becomes financially fragile. The verified baseline shows appropriations grew 54% from FY2019 to FY2026 while inflation rose 27%, producing a 27-point pressure gap on residents. This revised plan converts that diagnosis into a rules-based fiscal architecture, then explicitly links recovered capacity to Public Safety first, Pension stabilization second, and neighborhood service reliability third.

- Verified baseline anchors: +54% appropriations growth, +27% inflation, $14.8B 2026 appropriations.
- Control-failure anchors: 24.7% procurement payment verification rate, $20B+ verification gap, 42% sole-source >$1M.
- Workforce pressure anchor: exempt payroll growth +38.9% above inflation trajectory in governance-heavy segments.
- Public Safety reinvestment logic: deploy fiscal savings first to deployment reliability and overtime discipline within the $1.74B policing envelope.
- Pension guardrail: align savings capture with a contribution-discipline floor against $35.4B unfunded baseline pressure.

1) THE PROBLEM: SPENDING GROWTH VS RESIDENT CAPACITY

From FY2019 to FY2026, appropriations rose from $9.6B to $14.8B (+54%) while inflation increased +27%. The 27-point gap is the central fiscal stress signal. This is not a one-year anomaly; it is a multi-year trend.

SO WHAT: Budget growth has run about 2x inflation, creating structural pressure on families and service credibility.



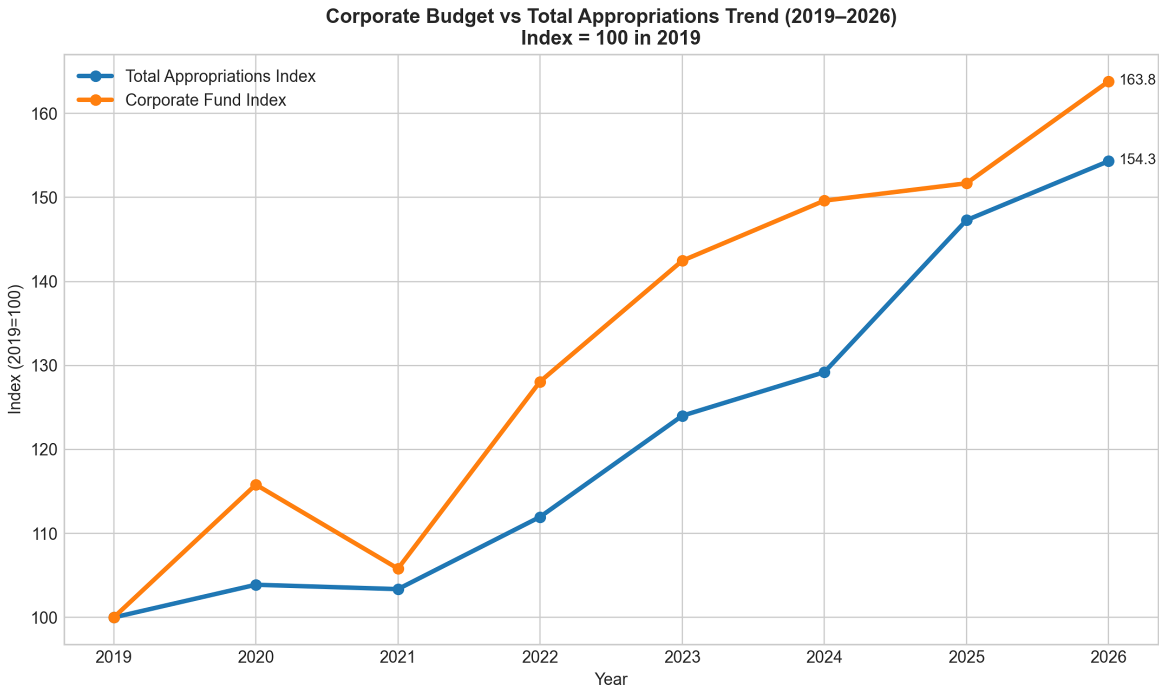
Pearson r (Appropriations vs Contract Awards): 0.55 | Pearson r (Appropriations vs Payments): 0.68

The citywide spending-vs-appropriations trend confirms that growth is broad-based and persistent. Without a formal growth rule, annual drift becomes policy by default.

2) GOVERNANCE FAILURE DIAGNOSIS (WHERE CONTROLS BREAK)

The issue is not one line-item. It is control architecture failure across appropriations, procurement execution, workforce allocation, and overtime governance. Corporate fund pressure has risen in parallel with total appropriations.

SO WHAT: Corporate-fund growth trajectory confirms the city is carrying pressure across its core operating base.



This is a system signal, not a departmental outlier. If core operating pressure compounds without a gate, capacity for frontline services is eventually crowded out.

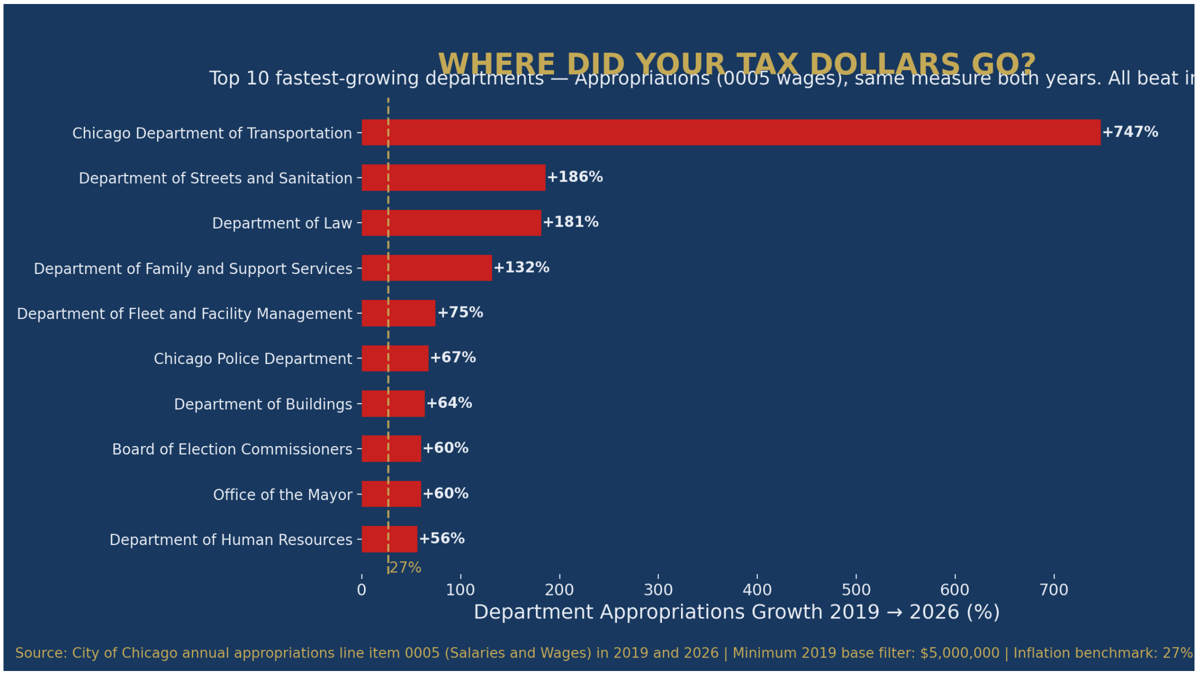
Cross-pillar control failures with direct fiscal consequences:

- Procurement: only 24.7% payment verification and $20B+ verification gap weaken spend accountability.
- Workforce: exempt payroll growth (+38.9%) indicates management-layer pressure without a matched productivity dashboard.
- Public Safety operations: overtime pressure (15-20% of personnel) absorbs funds that should improve deployment reliability.
- Pension financing: $35.4B unfunded baseline requires contribution discipline, not ad hoc transfers.

3) FISCAL DISCIPLINE ARCHITECTURE (RULES, GATES, OWNERSHIP)

The revised architecture adds enforceable decision rights and ring-fenced reinvestment. Design principle: no new spending without offset, no savings without verification, no reinvestment without public dashboard trace.

SO WHAT: Growth concentration is visible and actionable — CDOT (+747%) and other top-growth departments require first-pass audit sequencing.



Department concentration allows targeted intervention. The city can avoid across-the-board cuts by sequencing reviews where growth and variance are most material.

Operating controls to implement:

- Growth cap formula: inflation + population + explicit service-demand modifier.
- Fiscal Control Tower: weekly operating review and monthly public dashboard publication.
- Procurement gate: no major renewal without payment verification and competition pathway.
- Workforce gate: exempt additions require productivity justification and sunset review.
- Overtime gate: non-emergency overtime pre-authorization plus district-level exception logs.
- Reinvestment gate: captured savings allocated by pre-declared rule; anti-backfill policy enforced.

4) FINANCIAL CAPACITY STACK (CONSERVATIVE / BASE / AGGRESSIVE)

All scenarios distinguish verified values from modeled outcomes. Year-1 ranges reflect procurement, workforce, and overtime controls, then scale with implementation maturity.

Scenario	Day-100	Year-1	Year-3 (cumulative)	Year-5 (cumulative)	Notes
Conservative	$85M	$376M	$1.1B	$2.1B	Execution lags included
Base	$120M	$510M	$1.6B	$2.9B	Balanced operating pace
Aggressive	$170M	$640M	$2.0B	$3.8B	Fast procurement + workforce

					controls

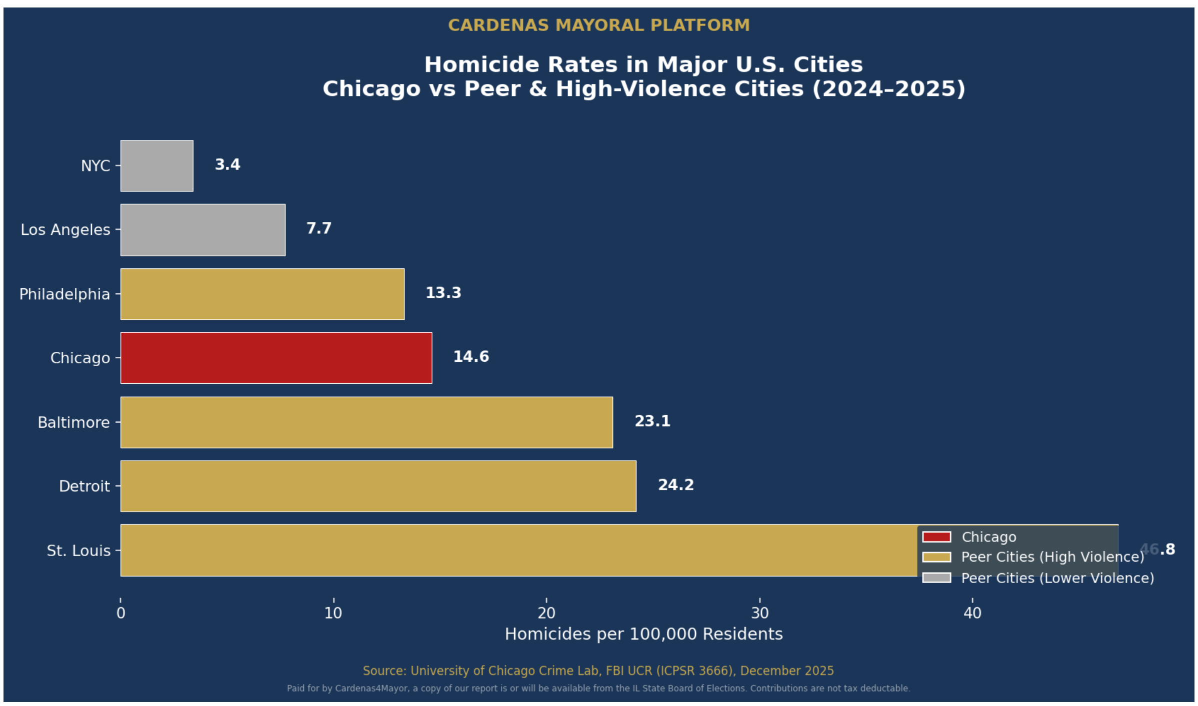
Procurement savings capture table (cross-pillar integration):

Category	Estimated annual leakage/opportunity	Year-1 capture (base)
Professional services	$245M	$90M
Healthcare contracts	$170M	$65M
IT / technology	$156M	$55M
Facilities / PM layers	$89M	$30M
Aviation PM premium	$118M	$45M

5) REINVESTMENT FRAMEWORK (PUBLIC SAFETY FIRST)

Ring-fenced ordering rule: (1) Public Safety deployment reliability and overtime control, (2) Pension stabilization / credit protection, (3) neighborhood service reliability and targeted prevention programs.

SO WHAT: Public Safety receives first reinvestment because deployment reliability is where residents most quickly see fiscal discipline become results.



The chart reinforces that spending level alone does not guarantee outcomes. Reinvestment must be tied to deployment and overtime governance, not broad budget expansion.

Illustrative Year-1 uses allocation (base scenario $510M):

Priority	Allocation	Outcome linkage
1) Public Safety reliability	$220M	District staffing reliability, overtime reduction, response

		stability
2) Pension stabilization reserve	$170M	ADC discipline support, credit-risk mitigation
3) Neighborhood reliability + prevention	$120M	Service uptime, youth/family stabilization pilots

6) 100-DAY ACTION PLAN (1-30 / 31-60 / 61-100)

Execution table with owner, dependency, risk trigger, and mitigation:

Window	Action	Owner	Dependency	Risk trigger	Mitigation
Days 1-10	Issue fiscal control order + anti-backfill rule	Mayor/CFO	Legal draft	Council pushback	Temporary admin order + public memo
Days 1-20	Launch Fiscal Control Tower + weekly cadence	CFO/OMB	Data feed readiness	Data latency	Manual bridge dashboard
Days 11-30	Publish first monthly baseline dashboard	Transparency Office	Department submissions	Late submissions	Escalation protocol
Days 31-45	Top-growth dept audits start (CDOT/Law/DFSS)	Inspector + CFO	Audit teams	Access delays	Executive access directive
Days 31-60	Procurement red/amber/green triage	CPO	Contract registry	Vendor legal challenge	Counsel pre-clearance
Days 46-75	Public Safety overtime control pilot	Police Ops + CFO	Union consult	Operational resistance	District-level pilots
Days 76-100	Publish reinvestment map + pension reserve transfer	Mayor/CFO/Treasurer	Verified savings	Savings shortfall	Phased allocations

7) RISK, LEGAL, AND CHANGE CONSTRAINTS

- Inflation shock risk: protect core service lines; trigger contingency scenario with monthly reset.
- Labor cost pressure: pair workforce control with service-impact guardrails and transparent bargaining assumptions.
- Procurement execution lag: maintain conservative capture assumptions until verification rates improve.
- Legal constraints on contract modifications: sequence counsel review before large rebid actions.
- Political backfill risk: anti-backfill rule codified and dashboard-exposed at line-item level.

9) KPI DASHBOARD (BASELINE / DAY-100 / YEAR-1 / YEAR-3)

KPI	Baseline	Day-100	Year-1	Year-3

Appropriations growth vs inflation gap	+27 pts	+27 pts (reported)	+22 pts	+12 pts
Verified savings captured	$0 (new framework)	$85M	$376M	$1.1B cumulative
Payment verification rate	24.7%	40%	65%	85%
Overtime share of personnel budget	15-20%	<17%	<14%	<12%
Vendor base size (high-value categories)	3,790	3,200	2,300	1,500
Sole-source awards >$1M	42%	34%	24%	<18%
Pension contribution discipline (ADC rule)	No formal floor	Rule adopted	100% floor met	100%+ reserve trigger
Public safety deployment reliability	Baseline published	District scorecards live	Improvement trend	Sustained trend
Monthly dashboard on-time publishing	0%	100%	100%	100%
Department variance coverage	Fragmented	Top 10 depts	All major depts	Full enterprise
Ring-fenced reinvestment compliance	0%	100%	100%	100%
Service reliability reinvestment execution	Not systematized	Pilot visible	Citywide phase-1	Citywide stable

10) PRIMARY SOURCE TRACEABILITY

- City of Chicago Annual Appropriation Ordinance books (FY2019-FY2026).
- City of Chicago Annual Budget Recommendation books (FY2019-FY2026).
- Fiscal Discipline: 06_Fiscal_Discipline_Executive_Report_VERBATIM_LOCKED.md + underlying CSVs/charts.
- Public Safety: 07_Public_Safety_Governance_Executive_Report_VERBATIM_LOCKED.md.
- Procurement: 03_Procurement_Reform_Executive_Report_VERBATIM_LOCKED.md.
- Workforce Productivity: 06_Workforce_Productivity_Executive_Report_VERBATIM_LOCKED.md.
- Pensions: 05_Pension_Solvency_Executive_Report_VERBATIM_LOCKED.md.
- Economic Growth + Parenting reports where direct fiscal interactions are referenced.