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Government Asset Sales: A Watchdog's Perspective

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May 12, 2009



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ABOUT THE CIVIC FEDERATION

- Non-profit government research organization founded in 1894.
- Funded by major corporate and professional service firms in the Chicagoland 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.
 - To offer solutions which guard against excessive taxation, enhance financial reporting and improve the quality of public expenditures.

www.civiced.org for more information



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CONTENTS

- **Alternative Service Delivery Guidelines**
- **Successful Asset Sales**
- **Unsuccessful Asset Sales**



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Alternative Service Delivery

- Appropriate safeguards
- Reduce costs and improve government efficiency
- Not a panacea



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Attributes of a Appropriate Privatization

- Non-core
- Competitive marketplace
- Management oversight
- Reduce existing obligations



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Successful Local Asset Leases

- **2005: Chicago Skyway**
 - \$1.83 billion
- **2006: Millennium and Grant Park Parking Garages**
 - \$563 million



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Annuities Can Create Budget Gaps

- \$325 million in Skyway revenues used for 5-year annuity
- Not a recurring revenue source
- What happens when the annuity runs out?



Midway Airport

- The Midway lease would have generated **\$2.5 billion**

Use of Midway Airport Long-Term Lease Proceeds	
Retire Midway Debt	\$ 1,300,000,000
Establish 5-Year Annuity to Pay for Operating Expenses	\$ 100,000,000
Funding for Infrastructure Projects or to Reduce Pension Liabilities	\$ 1,121,000,000
Total	\$ 2,521,000,000

* The figures are preliminary and may be subject to change.

Source: Fran Spielman, "Midway Airport Leased for \$2.5 Billion, *Chicago Sun-Times*, October 1, 2008.

- National credit crisis
- City retains \$126 million in earnest money
- Should be rebid when conditions improve

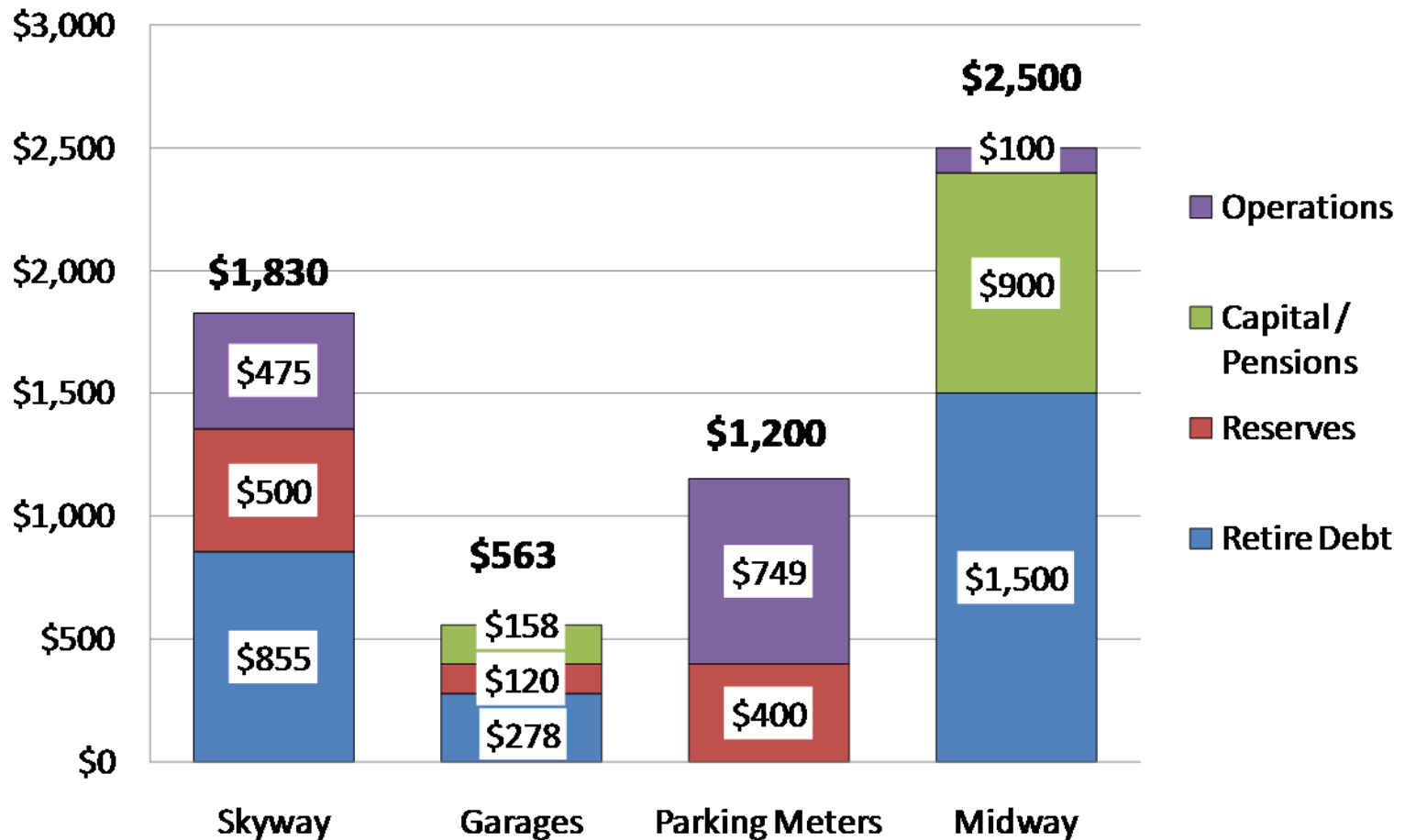


Parking Meters

- 75-year lease to Chicago Parking Meters
- Generated \$1.2 billion for Chicago
 - \$749 million for operations over several years
- Subcontractor LAZ Parking's lack of preparedness
- Better oversight necessary



Use of City of Chicago Asset Lease Proceeds \$ Millions





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Other Non-Asset Sale Privatization Opportunities

- **City of Chicago**
 - Janitorial Services
 - Waste and Recycling
 - 311
- **Cook County**
 - Pharmacy
 - Print Shops
 - Dietary and Food Service



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Are Asset Sales a Good Way to Meet Immediate and Mid-Term Budget Gaps?

- NO
- Should reduce debt or pension shortfalls
- Create future budget gaps