The Civic Federation

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CHICAGO PARK DISTRICT FY2015 BUDGET:

Analysis and Recommendations

December 3, 2014

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2015 proposed budget of $448.6 million because it accommodates an increased pension contribution while holding the property tax levy relatively flat and expanding programming within the District. The District's proposed operating budget of $448.6 million represents a 5.4%, or approximately $23.0 million, increase from the FY2014 budget. Most of the increase is due to the above mentioned pension increase.

The Civic Federation offers the following **key findings** on the FY2015 proposed budget:

- The FY2015 proposed budget is $448.6 million, an increase of approximately $23.0 million, or 5.4%, from FY2014 budgeted appropriations. Of this $23.0 million increase, $19.3 million is due to increased pension contributions related to the District's pension reform package, Public Act 98-0622;
- The property tax levy will remain relatively flat at $270.7 million, with a slight increase of $1.9 million to capture additional property tax revenue from expiring and terminated tax increment financing districts and new property. The District has kept its property tax levy relatively flat for the last nine years with the exception of FY2014 when the District raised its levy to the maximum amount allowed under the law;
- Total tax revenues will increase by $2.5 million, or 0.8%, to $306.8 million;
- The District proposes to increase its workforce by 35 full-time equivalent positions or 1.1% to 3,138;
- Total personnel costs are budgeted at $185.2 million. Over the past five years, these costs including salaries and benefits have increased by $18.8 million, or 11.3%, mostly due to increased pension contributions;
- Unrestricted General Fund fund balance was $186.0 million, or 69.4% of General Fund expenditures, in FY2013. The General Fund fund balance included $96.0 million of Long-Term Income Reserve and $2.1 million of Northerly Island Reserve Funds; and
- The market value funded ratio for the District's pension fund fell from 77.7% in FY2004 to 42.4% in the six months ended December 31, 2012 before increasing to 49.1% at the end of FY2013 on December 31, 2013.

Overall, the Civic Federation **supports** many elements of the proposed budget including:

- Accommodating increased pension contributions related to comprehensive pension reform;
- Developing a financially responsible approach to the Park District's finances that includes holding the property tax levy relatively flat; and
- Providing sufficient time for public review of the proposed budget.

However, the Civic Federation has **concerns** about the FY2015 proposed budget which include:

- Continued use of non-recurring sources to close annual deficits and meet operating expenditures, including $5.6 million of General Fund fund balance and prior year resources.

The Civic Federation offers the following **recommendations** to improve the Chicago Park District's financial management:

- Examine the pension fund for further reforms;
- Implement a formal long-term financial planning process to address the financial challenges that the District will face as a result of the pension funding reforms contained in Public Act 98-0622. The formal long-term financial plan should solicit input from the District's Board of Commissioners and other key policy stakeholders, including the public;
- Work to develop a plan to assume operational control of the Illinois International Port District's Harborside Golf Center as part of a larger legislative proposal for dissolution of the entire Port District governmental structure; and
- Improve the District's budget format by making 3-year projections public, providing five years of data, including audited data when possible for appropriations and revenues and clarifying the uses and sources of reserve funds.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's FY2015 proposed budget of $448.6 million because it accommodates an increased pension contribution while holding the property tax levy relatively flat and expanding programming within the District. The District's proposed operating budget of $448.6 million represents an increase of 5.4%, or approximately $23.0 million, from the FY2014 budget. Most of the increase is due to the above mentioned pension contribution increase.

This year the District has proposed to close an $18.0 million budget deficit with a combination of expenditure reductions, increases in revenue and a reduction in debt service payments due in 2015 from a debt restructuring that took place in FY2014.[1] The Federation recognizes that while the District originally had a goal of eliminating its structural deficit by 2015, the structural deficit has been significantly reduced but not eliminated over the last several years due in part to much-needed increases to the District's funding of its pension promises in FY2015. The Federation strongly supported the District's work with its labor partners and the General Assembly and Governor to pass comprehensive pension reforms to the District's pension benefits and contributions.

Although the Chicago Park District has made important progress to stabilize its pension fund, the District faces significant budgetary challenges as a result of increased employer contributions to the pension fund. The Federation is pleased to see that one of the 2015 goals of the Office of Budget and Management is to formulate a long-term financial plan.[2] The Civic Federation urges the District to make the plan public in order to provide transparency to District employees and taxpayers and to solicit input from all stakeholders as it makes plans to find additional resources or reduce expenditures.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Chicago Park District.

Impact of Achieving Comprehensive Pension Reform

On January 7, 2014 Governor Quinn signed Senate Bill 1523 into law as Public Act 98-0622 and it will go into effect starting January 1, 2015. As a result of the pension reforms, the fund's unfunded liability has already been reduced by $109.4 million, or 18.5% and the actuarial funded ratio has increased by five percentage points to 45.5%.[3] The Civic Federation commends the Chicago Park District, the Park District Pension Fund, District employees and the Illinois General Assembly for working together to develop meaningful pension reform.

The District has taken a significant step forward by making changes to its pension benefits to make them more sustainable for beneficiaries and their funding more predictable for taxpayers.

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[1] Chicago Park District, FY2015 Proposed Budget Summary, p. 4.
[2] Chicago Park District, FY2015 Proposed Budget Summary, p. 113.
[3] Civic Federation Blog, "Chicago Park District Pension Fund Shows Positive Impact of Pension Reforms," http://www.civicfed.org/civic-federation/blog/chicago-park-district-pension-fund-shows-positive-impact-pension-reforms (last accessed November 25, 2014).

The District has additionally assured beneficiaries and current employees that the pension fund will not run out of money, as it had been projected to do within the next ten years. Instead, funded levels are projected to increase to 90% by 2049 and 100% by 2054.

The Federation supports the District's reform effort because it balances reasonable changes to the retirement age and the automatic annual increase for current employees and retirees with phased-in increases to employee and employer contributions. In addition, the Federation commends the District for prudently setting aside budgetary reserves that will now accommodate the $25.0 million supplemental employer contribution, half of which is scheduled for FY2015 and half for FY2017. The District has not formally produced a plan to fund the $50.0 million supplemental contribution scheduled for FY2019, but the District suggested that short-term borrowing may be used in addition to other reserves.[4] The Federation is open to the transparent and sparing use of **short-term** borrowing to fund the District's supplemental pension contribution since the debt costs would be balanced with sustainable reforms that include reductions to benefits and lower costs over the long-term. Additionally, short-term pension obligation bonds would not transfer current risk and costs to future generations in the way that a 30-year bond would, thus minimizing the threat to intergenerational equity.

Developing a Financially Responsible Approach to the Park District's Finances

The Civic Federation supports the Chicago Park District's work to produce a 2015 budget that holds the property tax levy relatively flat and combines moderate expenditure reductions with increases in recurring revenues including moderate growth in fee and permit revenue, and in addition to allowing for a much-needed increased contribution to the pension fund.

The District is holding the property tax levy relatively flat for FY2015. The property tax levy is increasing by $1.9 million to $270.7 million in FY2015 as a result of levying for the expiration and termination of Tax Increment Financing (TIF) districts and new property. This maneuver, which has been used by the City of Chicago for the past four years and by Cook County for two years, allows the District to capture property tax revenue from expiring and terminating TIF districts without increasing the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.9 million for TIF district expenses and now will pay the $1.9 million as part of the Park District's levy. Taxes on new property will only increase for taxpayers with new or improved property.

In 2012 the Chicago Park District set a goal to fully eliminate its structural deficit by FY2015. A structural deficit is a condition characterized by annual expenditure increases that consistently exceed recurring revenue increases during normal economic times. Although the FY2015 projected budget deficit of $18.0 million is flat from the FY2014 deficit of $18.0 million, the current gap is a significant reduction from the FY2012 projected budget deficit of $23.9 million. Moreover, the District considers $5.6 million of the $18.0 million deficit to be structural, a reduction from $17.2 million in structural deficit in FY2012.[5]

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[4] Public testimony by the Chicago Park District to the Illinois House of Representatives' Personnel and Pensions Committee, November 6, 2013.
[5] Communication with Chicago Park District Office of Budget and Management, December 2, 2014.

The $18.0 million FY2015 deficit was driven by increased pension contributions, salary increases related to completed and ongoing union negotiations, rising health care costs, water and sewer rate increases and an overall expansion of the District and programs offered.[6]

Although the District did not meet its original goal of fully eliminating its structural deficit by 2015, again partly due to increased pension contributions, the District says in the budget that it is committed to continuing to work toward this goal. Some initiatives the District has incorporated into the 2015 budget include making strategic changes in health care and prescription drug plans, water conservation, restricting personnel costs and transferring certain activities in-house as well as revenue enhancements that include fee increases, TIF surplus and property tax value capture.

The Civic Federation supports the District's initiatives to better align its operating expenditures with its recurring revenue sources and its continued commitment to reducing the structural deficit. While the District is proposing moderate revenue enhancements, including increases to program fees and permits, to stabilize its short-term finances, these steps are reasonable when balanced with the District's efforts to stabilize its long-term finances and implement comprehensive pension reform.

Providing Sufficient Time for Public Review of Budget

All governments have a duty to allow for public input related to their proposed budgets. The Chicago Park District released its proposed FY2015 budget to the public on Wednesday, November 19, 2014 and its first public hearing after the release of the budget will be held on Wednesday, December 3, 2014 – ten working days after the budget was released (excluding major holidays). We commend the District for this reasonable schedule which should allow an adequate amount of time for the public to comprehend a complex two-volume budget document. This is a welcome improvement and allows for sufficient time for public input on the proposed budget, and a real opportunity to help educate, inform and build support for their proposed $448.6 million expenditure of tax dollars.

Civic Federation Concern

The Civic Federation has the following concern regarding financial issues facing the Chicago Park District.

Continued Use of Non-Recurring Revenue Sources and Ongoing Structural Deficit

The District has routinely budgeted non-recurring revenue sources as part of its proposed budget. This trend will continue in FY2015 as the District proposes to appropriate $5.6 million of fund balance. It is important to note that the Civic Federation does not object to any of these techniques individually in certain compelling circumstances. For example, utilizing a portion of fund balance during an economic downturn to address short-term revenue fluctuations can be appropriate, as is the District's use of long-term liability reserve to make extra payments to the pension fund. However, the Civic Federation is concerned that the District shows an ongoing pattern of reliance on non-recurring methods to meet its operating needs as this is at least the

[6] Chicago Park District FY2015 Budget Summary, p. 4.

ninth year in a row that the District has used non-recurring revenue sources to close budget shortfalls.

Although the FY2015 budget is balanced, the District's efforts to reduce its structural deficit are going to be offset by the use of one-time revenues. By budgeting approximately $14.6 million in non-recurring sources to close the budget shortfall, the District is diminishing the effect that the over $20 million in proposed FY2015 recurring savings and revenue enhancements will have on the structural deficit.

It is important to note that in previous years the Civic Federation has categorized TIF surplus as a non-recurring revenue source. However, as a result of Mayor Emanuel's Executive Order No. 2013-3 (Declaration of TIF surplus funds in TIF eligible areas), the Federation recognizes this revenue source will recur in the future. It should be noted, however, that this is a not a stable and guaranteed revenue source.

If the District had not budgeted non-recurring revenues as appropriable resources, the FY2015 projected deficit would have been much larger. It is vital that the District achieve a structurally balanced budget to allow it to accommodate increased pension contributions in coming years.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to improve the Chicago Park District's financial and transparency practices.

Examine the Pension Fund for Further Reforms

The Civic Federation strongly supports the pension reform package approved by the Illinois General Assembly and signed into law by Governor Quinn. The reforms have already improved the funding status of the fund. The Federation makes the following additional recommendations to further improve and stabilize the long-term financial health of the Chicago Park District Pension Fund.

<u>Consider Funding at an Annually Determined Actuarial Funding Level, Rather than by a Multiplier</u>

Although the District's pension reform efforts include significant increases to the employer's annual contribution rate, the Civic Federation remains concerned that the District is not tying its annual contribution to the pension fund to an annually determined actuarial funding level, like the Governmental Accounting Standards Board's (GASB) reporting requirement of an annual required contribution (ARC). The ARC is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over 30 years. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year.

Because an annually determined actuarial funding level would more accurately reflect the amount needed to sufficiently fund the present value of future benefit payments owed to active employees, the Federation strongly believes annual pension contributions should be tied to this amount rather than a multiplier which could be adequate now but fall short of requirements in the future. By tying contributions to a multiplier, the District may continue to risk underfunding the pension fund. For example, the Metropolitan Water Reclamation District increased its employer contribution to its pension fund by increasing its multiple from 2.19 to the lesser of 4.19 or an actuarially determined contribution. However, in FY2014 the MWRD had to make a supplemental contribution to its pension fund because the contribution based on the multiple was insufficient.[7]

The Federation recommends the Park District explore the option of requiring that annual contributions to the pension fund meet an annually determined actuarial level of funding.

Study Consolidation with the Illinois Municipal Retirement Fund

Currently the Chicago Park District is the only park district in Illinois that does not participate in the Illinois Municipal Retirement Fund. There could be efficiency gains by merging the Chicago Park District Pension Fund with the IMRF, and the Civic Federation strongly recommends that the District study this option.

Park District Pension Fund Governance Reform

The Park Employees' Annuity and Benefit Fund of Chicago is governed by a seven-member Board of Trustees that includes four active employees and three representatives from management.[8] The proper role of a pension board is to safeguard the fund's assets and to oversee benefit administration. If the District does not join the Illinois Municipal Retirement Fund, the Civic Federation recommends that the composition of the pension board of trustees be revised in three ways. The balance of employee and management representation on the board should be changed so that employees do not hold the majority of seats. A tripartite structure should be created that includes independent citizen representation on the board. Finally, financial experts should be included on the pension board and financial training for non-expert members should be required.[9]

Implement a Formal Long-Term Financial Plan

The Chicago Park District employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. A significant first step in formalizing the long-term financial plan would be releasing the District's three-year projections to the public for review, similar to the City of Chicago's practice of publicly

[7] Communication with MWRD budget staff, November 25, 2013.
[8] Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois* (February 13, 2006), http://www.civicfed.org/civic-federation/publications/recommendations-reform-public-pension-boards-trustees-illinois.
[9] Government Finance Officers Association, "Best Practice: Governance of Public Employee Post-Retirement Benefits Systems (2010)." http://www.gfoa.org/downloads/GFOA_governanceretirementbenefitssystemsBP.pdf. See also Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois*, February 13, 2006.

releasing a projection of budget shortfalls based on various budget scenarios as part of its Annual Financial Analysis.[10] Since pension reform legislation was passed by the General Assembly and signed by the Governor, the District faces significant increases in its annual pension contributions to the pension fund over the next several years. Additionally, the District is required to make supplemental contributions of $75.0 million, of which $12.5 million is scheduled for FY2015 and FY2017, and $50.0 million for FY2019. Although the Park District has prudently allocated budgetary reserves to fund some of these supplemental payments, the District will also need to find additional resources via reserves, borrowing, expenditure cuts, tax or fee increases or some combination of these.

In light of these additional ongoing costs that will undoubtedly have a significant financial impact on the District's operating budget, it is imperative that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but also solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public. This plan should demonstrate how the District will incorporate increasing pension costs into its budget while still accommodating other priorities.

The Civic Federation believes that an effective financial planning process must include the identification of possible actions and scenarios to address fiscal challenges. As the GFOA states in its long-term financial planning best practice, such forecasting allows financial capacity to be aligned with long-term service objectives and strategies to achieve long-term sustainability.[11]

Therefore, we recommend that the Park District undertake a long-term financial planning process that would proceed in four stages.[12] First, the District will articulate fiscal and programmatic goals and priorities informed by public input. The Long-Term Financial Plan will evaluate financial and service data in order to determine how to accomplish the goals and priorities. It will include a review of the District's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, an evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced Chicago Park District budget that is fiscally sustainable each year. The budget would then be regularly monitored to ensure its viability by means of regular financial reports.

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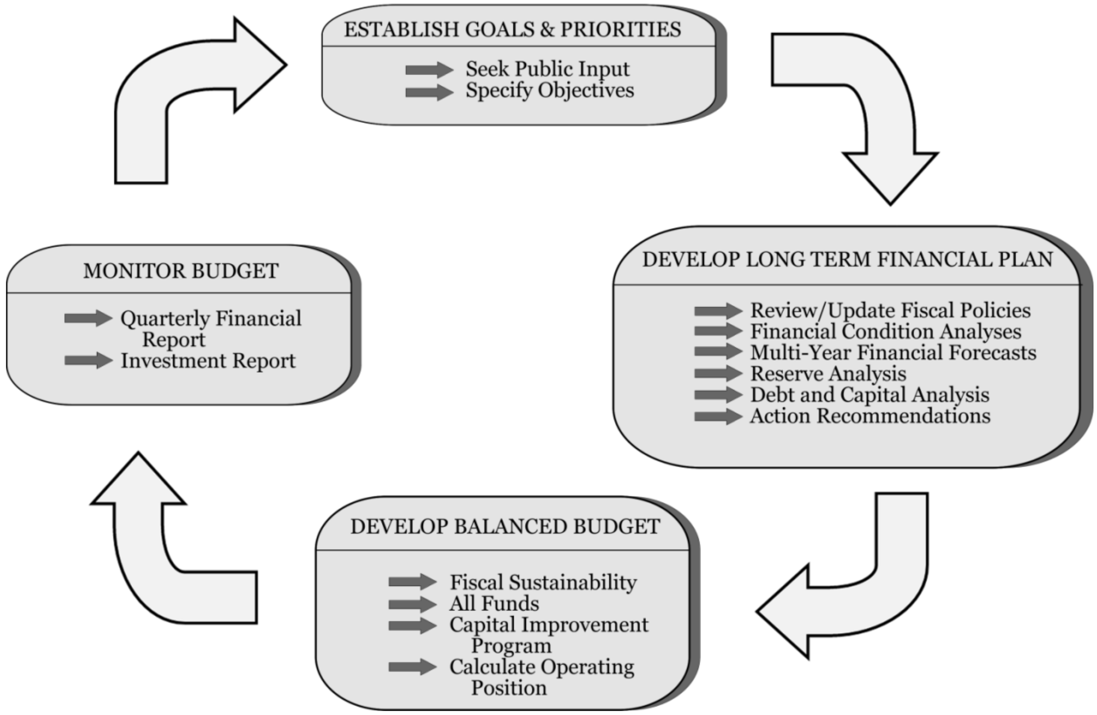
[10] See City of Chicago 2014 Annual Financial Analysis, p. 52.
[11] Government Finance Officers Association, "GFOA Best Practice: Long-Term Financial Planning," (2008).
[12] The graphic illustration of the long-term financial planning process is based on the City of San Clemente, California's Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document "Long-Term Financial Planning for Governments" available at http://www.gfoa.org/downloads/LTFPbrochure.pdf.

Long-Term Financial Planning Process



If the District chooses not to undertake a full long-term financial planning process, at a minimum the proposed budget documents should be expanded to include:

1. A description of all financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues, such as supplemental employer pension contributions, a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the District's financial challenges.

Assume Operational Control of the Illinois International Port District Harborside Golf Center

The Civic Federation believes that the Illinois International Port District (IIPD) should be dissolved and ownership of the IIPD's Harborside International Golf Center should be transferred to the Chicago Park District.[13]

Whether the Port District is dissolved or privately managed, we believe management of a golf course should not be the primary activity of a port authority. Instead, it falls squarely within the parameters of a park district's recreational duties. This transfer would benefit both the Chicago Park District, as it will acquire a valuable recreational asset, and the residents of Chicago, as a more transparent and open governmental entity would control this publicly-supported enterprise.

Improve the Budget Book Format

The Chicago Park District continues to provide a good level of detail in its annual budget documents. This year we offer the following recommendations to further increase the user-friendly features of the District's budget documents:

- *Provide a forecast of projected future budget shortfalls.* The District currently conducts an internal three-year budget projection,[14] but does not release it to the public for review. In furtherance of the District's multi-year policy to eliminate its structural deficit, the District should include in its budget book a forecast of projected future budget shortfalls. The forecast should consider the current year's projected budget deficit and any structural changes proposed for that budget year;
- *Provide five years of trend data for appropriations and revenues.* The Civic Federation recommends the inclusion of budget data for the three prior fiscal years (actual data), the current year adopted budget and the upcoming proposed budget to show trends in revenues and expenditures; and
- *Report all grant fund revenues by source in Budget Summary.* Information is currently provided for revenues by fund and for General Fund revenues by source. It would be useful to follow the practice employed by many other governments and also present revenue information by source for all funds, including grant funds, in the Budget Summary. This would provide a more complete picture of the revenue base of the entire government.

[13] See Civic Federation, *A Call for the Dissolution and Restructuring of the Illinois International Port Authority*, June 30, 2008 at http://www.civicfed.org/articles/civicfed_273.pdf.
[14] Chicago Park District FY2015 Budget Summary, p. 43.

ACKNOWLEDGEMENTS

The Civic Federation would like to thank Superintendent and Chief Executive Officer Michael Kelly, Chief Financial Officer Steve Lux and Budget Director Juliet Azimi for their willingness to answer our questions about the proposed budget.

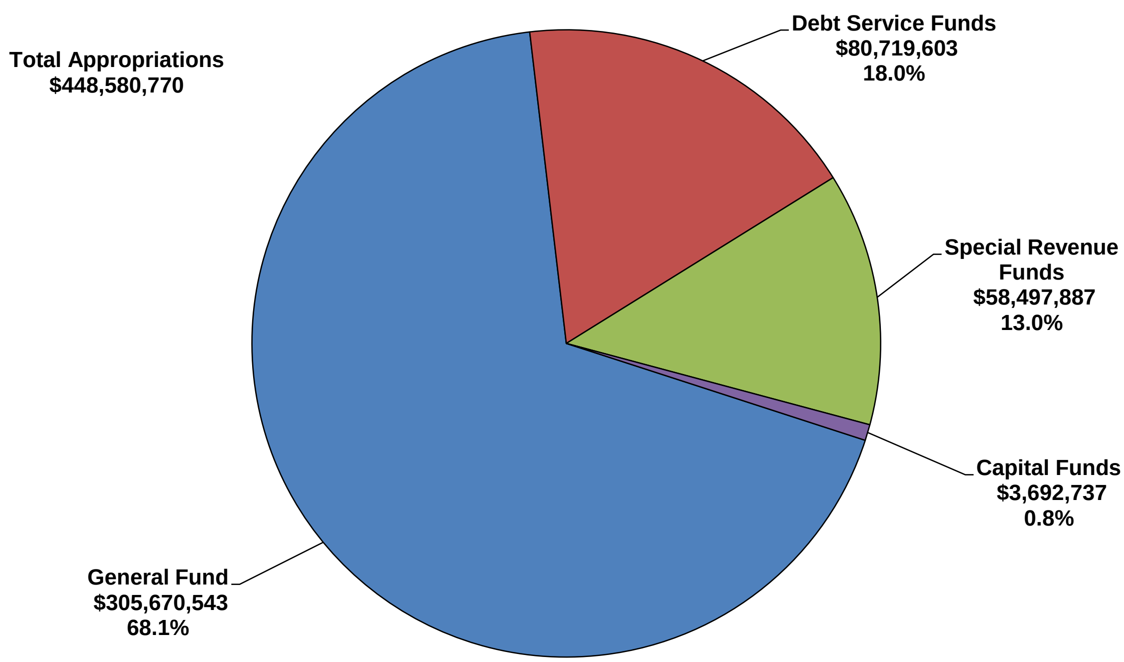
APPROPRIATIONS

This section presents an analysis of the Chicago Park District's proposed FY2015 budget appropriations with comparisons to previous years' adopted budgets.

All Funds Appropriations by Fund

Total Chicago Park District appropriations are proposed to increase from $425.6 million in FY2014 to $448.6 million in FY2015. This is an increase of $23.0 million or 5.4%. General Fund, also known as operating fund, expenses will represent the largest portion of total appropriations at 68.1%, or $305.7 million. The next largest share is represented by the Debt Service Funds representing 18.0%, or $80.7 million, of total appropriations. Special Revenue Funds and Capital Funds will account for 13.0% and 0.8%, respectively, of total appropriations in FY2015.

Chicago Park District FY2015 All Funds Appropriations by Fund

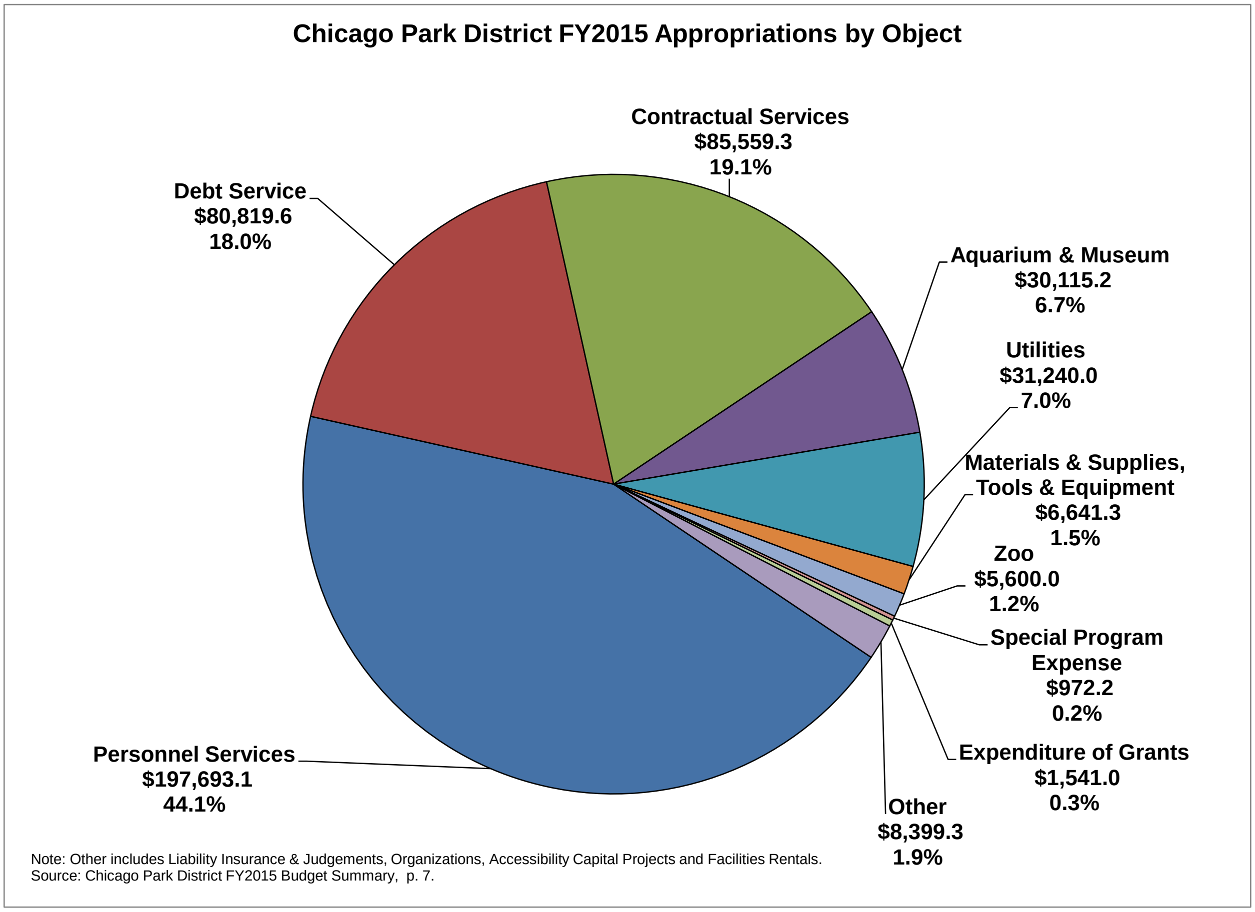


Source: Chicago Park District FY2015 Budget Recommendations, p. 372.

All Funds Appropriations by Object

The following chart displays the Chicago Park District's total proposed appropriations for FY2015 by object level. Object level refers to grouping expenditure categories by types of expense rather than by fund. Approximately 44.1%, or $197.7 million, of FY2015 appropriations are budgeted for personnel costs (including salaries and wages, health, dental and life insurance, pensions, workers compensation and unemployment insurance), while Debt Service represents

18.0% of total appropriations. Contractual Services will comprise $85.6 million, or 19.1%, of the FY2015 budget.



As shown in the chart below, appropriations for half of object areas will increase, while half will decrease over the two-year period between FY2014 and FY2015. Total personnel costs are expected to increase between FY2014 and FY2015, by 13.7% or $23.8 million. This increase is driven by contracted and anticipated wage and salary increases of $2.7 million, healthcare and prescription drug price increases and Affordable Care Act mandates of $1.8 million and $19.3 million in increased pension contributions, including $12.5 million in statutorily required supplemental payments.[15] Debt Service appropriations will decrease by 10.0%, or $9.0 million, falling from $89.8 million in FY2014 to $80.8 in in FY2015. Appropriations for Contractual Services will grow by 7.6% or $6.0 million. Contractual Services are described in more detail later in this section.

The District's appropriation for the Museums in the Park (Aquarium and Museum line item) will decrease by 3.3%, or approximately $1.0 million, in FY2015.[16] The Zoo appropriation will

[15] Chicago Park District FY2015 Budget Presentation, p. 4, November 18, 2014.
[16] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the John G. Shedd Aquarium, Adler Planetarium, The Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, The Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National

remain stable from FY2014 at $5.6 million. This appropriation is for the Lincoln Park Zoo, which is operated by a non-profit organization. Appropriations for Special Program Expense, which include costs that fall within park budgets such as tournament expenses or recognitions and awards,[17] will increase by 31.1%, or approximately $231,000 in FY2015.

Expenditure of Grants, or grants received, over the two-year period will rise by 3.3%, or $49,000, to $1.5 million in FY2015. Utilities appropriations will increase by 11.7%, or $3.3 million from FY2014 budgeted appropriations. The increase is due to $2.2 million in higher water and sewer expenses and $1.0 million in higher natural gas expenses, offset by a decrease in electricity costs as a result of energy efficiencies and cost savings through locked in lower rates.[18] Water and sewer expenses for the District will rise by 16.9%, or $2.2 million, over the two-year period due to the City of Chicago's 2012 establishment of multi-year increases to water and sewer rates.[19]

Appropriations for Liability Insurance and Judgments are decreasing in FY2015 by 3% or $134,000. This is due to allocations that were insufficient in FY2013 for the impact of the Garfield Park Conservatory and Indian Boundary claims. Therefore, the FY2014 budget allocation included spillover amounts from FY2013 plus the FY2014 obligations. The FY2015 budget will not include any spillover expense.[20] Expenses for Organizations, which represents the Park District's financial support for partner organizations, will increase by 6.5%, or approximately $196,000, from $3.0 million to $3.2 million over the two-year period. These partner organizations include Grant Park Music Festival, Chicago Parks Foundation, Neighborspace and Garfield Park Conservatory Alliance. The increase is the result of a change in contract terms with the Grant Park Music Festival approved by the Park District Board in March 2014 that provides $2.9 million in support for the increase in expenses for the Grant Park Orchestral Association due to collective bargaining agreements with members of the Grant Park Orchestra and Chorus and will become the direct employer of a variety of other associated staff, including the Orchestra and Chorus manager, Artistic Director and Principal Conductor. [21]

In a five-year comparison, total appropriations will increase by 12.8%, or $51.0 million, in FY2015 over the FY2011 budget. Over the five-year period personnel costs will rise by 18.8%, or $31.3 million. This overall increase is primarily due to increases in health care costs, negotiated increases in salaries and wages for union employees and rising pension payments as a result of the District's pension reform bill that was signed into law. Appropriations for Contractual Services will increase by 28.8%, or $19.1 million, from $66.4 million to $85.6 million. Debt Service costs will decrease over the five-year period, by 6.9% or nearly $6.0 million. This is primarily due to debt restructuring that will save the District nearly $9.0 million in FY2015.[22]

Museum of Mexican Art, Peggy Notebaert Nature Museum and Institute of Puerto Rican Arts and Culture. Chicago Park District FY2015 Budget Summary, p. 42.

[17] Information provided by the Chicago Park District, November 30, 2012.

[18] Chicago Park District FY2015 Budget Presentation, p. 4, November 18, 2014.

[19] Chicago Park District FY2015 Budget Summary, p. 42.

[20] Information provided by the Chicago Park District, November 21, 2014.

[21] Information provided by the Chicago Park District, November 21, 2014.

[22] Chicago Park District FY2015 Budget Presentation, p. 4, November 18, 2014.

The District subsidy to Aquarium and Museum appropriations will fall by 1.6%, or $486,000 million, while the appropriation to the Zoo will remain stable over the five-year period at $5.6 million. Utilities appropriations will rise over the five-year period, by 34.7% or $8.0 million. Budgeted expenses for Organizations will grow by 19.3%, or $518,000, between FY2011 and FY2015.

Expenditure of Grants, or grants received, will decline by 23.0%, or $459,000, between FY2011 and FY2015. Appropriations for Special Program Expense will decrease by 23.7%, or $302,000, over the same period. Appropriations for Liability Insurance and Judgments are expected to decrease by 2.4%, or $109,000, while total appropriations for Materials and Supplies and Tools and Equipment will fall by 5.6% or $392,000.

Chicago Park District Appropriations by Object: FY2011-FY2015 (in $ thousands)

	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Personnel Services	$ 166,377	$ 171,659	$ 172,101	$ 173,939	$ 197,693	$ 23,754	13.7%	$ 31,316	18.8%
Debt Service	$ 86,782	$ 89,554	$ 87,044	$ 89,773	$ 80,820	$ (8,953)	-10.0%	$ (5,962)	-6.9%
Contractual Services	$ 66,427	$ 67,675	$ 71,590	$ 79,506	$ 85,559	$ 6,053	7.6%	$ 19,132	28.8%
Aquarium & Museum	$ 30,601	$ 30,631	$ 30,646	$ 31,131	$ 30,115	$ (1,015)	-3.3%	$ (486)	-1.6%
Utilities	$ 23,200	$ 24,762	$ 27,217	$ 27,980	$ 31,240	$ 3,260	11.7%	$ 8,040	34.7%
Materials & Supplies, Tools & Equipment	$ 7,034	$ 6,579	$ 6,600	$ 6,871	$ 6,641	$ (229)	-3.3%	$ (392)	-5.6%
Zoo	$ 5,690	$ 5,690	$ 5,600	$ 5,600	$ 5,600	$ -	0.0%	$ (90)	-1.6%
Special Program Expense	$ 1,274	$ 963	$ 749	$ 741	$ 972	$ 231	31.1%	$ (302)	-23.7%
Expenditure of Grants	$ 2,000	$ 2,284	$ 2,118	$ 1,492	$ 1,541	$ 49	3.3%	$ (459)	-23.0%
Liability Insurance & Judgments	$ 4,475	$ 3,987	$ 3,727	$ 4,500	$ 4,366	$ (134)	-3.0%	$ (109)	-2.4%
Organizations	$ 2,690	$ 2,690	$ 2,510	$ 3,012	$ 3,208	$ 196	6.5%	$ 518	19.3%
Facilities Rentals	$ 1,019	$ 1,045	$ 1,027	$ 1,027	$ 825	$ (202)	-19.7%	$ (194)	-19.1%
Total	**$ 397,570**	**$ 407,520**	**$ 410,929**	**$ 425,571**	**$ 448,581**	**$ 23,010**	**5.4%**	**$ 51,011**	**12.8%**

Note: Adopted appropriations for FY2011-FY2014 are used because actual expenditures are not available in a summary form. Totals may differ from budget due to rounding.

Source: Chicago Park District FY2012 Budget Summary, p. 37; FY2013 Budget Summary, p. 28; FY2014 Budget Summary, p. 8; FY2015 Budget Summary, p. 7.

Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for fiscal years 2011 through 2015. Overall, the District will increase Contractual Services appropriations by 7.6%, or $6.1 million, from $79.5 million in FY2014 to $85.6 million in FY2015. This is largely due to a $225,000, or 20.2%, increase in MLK Center Management appropriations and a $4.8 million, or 28%, increase in Other Management Fee Expenses. However, it should be noted that MLK Center Management appropriations were erroneously under-budgeted in FY2014. The actual increase over the two-year period is approximately 3.0%.[23]

From FY2014 to FY2015, appropriations for Concessions Management will stay flat at $750,000 while Parking Management appropriations will increase by 1.7% or $21,000. Repair and Maintenance costs will increase by 6.7% or $148,000. Soldier Field appropriations will also see an increase of 6.2% or nearly $1.1 million. General Contractual Services and Golf Management Expenses will both see a decrease in appropriations of 2.3% and 3.4%, respectively.

Between FY2011 and FY2015, appropriations for Golf Management Expenses will rise by 10.0%, or $412,000, while the budget for Other Management Fee Expense, which includes

[23] Information provided by the Chicago Park District, November 24, 2014.

accounts for Professional Services, Reprographic Services, Ice Skating Management and Litigation Expenses, will increase by 29.5% or nearly $5.0 million.

Between FY2011 and FY2015 total Contractual Services will increase by 28.8% or $19.1 million. The largest percentage increase will occur in the budget for Repair and Maintenance as its appropriations grow by 61.5% or $898,000. Large increases relative to FY2011 levels will also occur in appropriations for General Contractual Services and Soldier Field as costs rise by 34.8% and 48.3%, respectively. The increase in the Soldier Field budget is partially due to a change in reporting by the private contractor for Soldier Field in FY2013 and increased anticipated revenues in FY2015.[24] Appropriations for Soldier Field will represent the largest dollar increase over the five-year period. Appropriations for Harbor Management will also increase over the five-year period, rising by 15.5% or $1.4 million. A portion of the increase is attributable to a rise in harbor slip fees between 2.8% and 3.0% at selected, high occupancy harbors, implemented in FY2012.[25] The increase is also the result of the opening of the 31st Street Harbor in 2012.[26]

Chicago Park District Contractual Services Appropriations: FY2011-FY2015 (in $ thousands)

	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Repair & Maintenance	$ 1,461	$ 1,872	$ 2,011	$ 2,211	$ 2,359	$ 148	6.7%	$ 898	61.5%
General Contractual Services	$ 15,321	$ 15,275	$ 15,926	$ 21,146	$ 20,652	$ (494)	-2.3%	$ 5,331	34.8%
Concessions Management	$ 675	$ 675	$ 725	$ 750	$ 750	$ -	0.0%	$ 75	11.1%
Harbor Management	$ 8,920	$ 10,140	$ 10,014	$ 10,279	$ 10,304	$ 25	0.2%	$ 1,384	15.5%
Soldier Field	$ 12,241	$ 12,522	$ 16,510	$ 17,088	$ 18,153	$ 1,065	6.2%	$ 5,913	48.3%
Golf Management Expenses	$ 4,123	$ 4,207	$ 4,061	$ 4,695	$ 4,535	$ (160)	-3.4%	$ 412	10.0%
MLK Center Management	$ 1,246	$ 1,246	$ 1,255	$ 1,113	$ 1,338	$ 225	20.2%	$ 92	7.4%
Parking Management	$ 1,149	$ 1,181	$ 1,189	$ 1,230	$ 1,251	$ 21	1.7%	$ 102	8.9%
Landscape Management	$ 4,447	$ 4,262	$ 3,862	$ 3,942	$ 4,396	$ 453	11.5%	$ (52)	-1.2%
Other Management Fee Expense	$ 16,845	$ 16,294	$ 16,038	$ 17,051	$ 21,822	$ 4,771	28.0%	$ 4,977	29.5%
Total	**$ 66,427**	**$ 67,675**	**$ 71,590**	**$ 79,506**	**$ 85,559**	**$ 6,053**	**7.6%**	**$ 19,132**	**28.8%**

Note: Adopted appropriations for FY2010-FY2013 are used because actual expenditures are not available in a summary form. Totals may differ from budget due to rounding.

Source: Chicago Park District FY2012 Budget Summary, p. 37; FY2013 Budget Summary, p. 28; and FY2014 Budget Summary, p. 7.

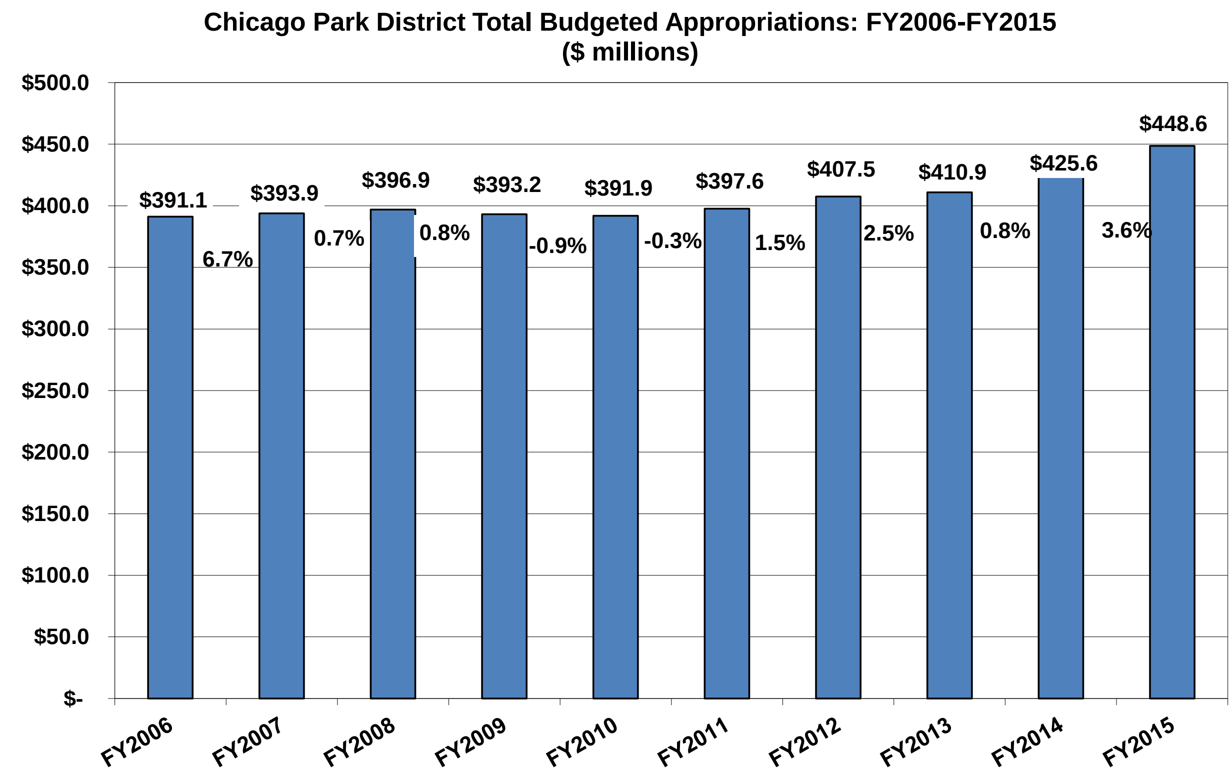
[24] Information provided by the Chicago Park District, November 22, 2013 and Chicago Park District FY2015 Budget Presentation, p. 4, November 18, 2014.

[25] See Civic Federation, Chicago Park District FY2012 Budget: Analysis and Recommendations, December 7, 2011 and information provided by the Chicago Park District, November 21, 2011.

[26] Information provided by the Chicago Park District, November 22, 2013.

Ten-Year Appropriation Trend

Over the last ten years, total budgeted appropriations have increased by $57.5 million or 14.7%. Between FY2006 and FY2015, the Park District's annual budgeted appropriations growth averaged 2.1%, which is approximately equal to the average rate of inflation per year during this ten-year period of 2.0%.[27]



Note: Actual appropriations were not available.
Source: Chicago Park District Budget Summaries, FY2006-FY2015.

RESOURCES

This section provides an overview of the resources the District is proposing to utilize in FY2015 with comparisons to the proposed budgets of previous years.

All Funds Resources

Total revenues for the District are projected to be nearly $427.2 million in FY2015, an increase of 2.7%, or $11.2 million, from the FY2014 budgeted levels. An additional $5.6 million in prior year resources, as well as $3.3 million in tax increment financing (TIF) surplus and $12.5 million in long-term obligation fund reserve are proposed to be used, bringing total resources to $448.6 million. Total resources will increase by $23.0 million, or 5.4%, from $425.6 million in FY2014.

[27] The annual Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased by 2.0% on average between 2006 and 2014 (base period: 1982-84 = 100). U.S. Bureau of Labor Statistics, accessed November 19, 2014.

Tax revenues for the District are budgeted to increase by 0.8%, or nearly $2.5 million, in FY2015, from $304.4 million to $306.8 million. This includes a $1.9 million, or 0.7%, increase in gross property tax revenue. The District did not raise its levy between FY2006 and FY2012, but began raising its levy in FY2013 to capture property tax revenue from expiring and terminated TIF districts. The increase in the property tax levy to the maximum amount allowed under State law in FY2014 resulted in an additional $3.6 million in revenue. The District also captured additional property tax revenue from expiring and terminated TIF districts for $4.3 million in gross property tax revenue. In FY2015 the District will capture $1.9 million as a result of levying for terminated and expired TIF districts as well as new property. This maneuver allows the District to capture property tax revenues from expiring and terminating TIF districts without increasing the amount of money taxpayers will owe in property taxes.[28] This is because taxpayers were previously paying the tax for TIF district expenses, and now will pay the tax as part of the Park District's levy and only affect those taxpayers with new or improved property.

Personal property replacement tax (PPRT) revenue is expected remain flat at $46.0 million over the two-year period between FY2014 and FY2015. PPRT is a corporate income tax that is collected and distributed by the State of Illinois. The District notes that even though there is a projected 3.6% growth in PPRT revenue it is budgeting conservatively for no growth because the State of Illinois has recently diverted revenues from the distribution amount to satisfy State obligations.[29]

Revenues generated from the rental of District facilities are expected to increase by 6.1%, or $2.1 million, to nearly $37.1 million in FY2015. The modest increase reflects the continued strength of booking Soldier Field events, as well as the efforts of the private vendor that manages and operates Soldier Field to increase the diversity of events and maximize the utilization of the complex, including club, parkland and lot events.[30]

Permit and fee revenues are projected to increase by $4.8 million, or 8.1%, to $64.6 million in FY2015. This category includes parking fees, permit revenues, harbor fees, park fees and golf courses. The increase in FY2015 is due to increased parking enforcement, as well as parking fee rate increases that include a $0.50 and $0.25 per hour rate increase for peak and off-peak hours respectively, at pay and display units and various parking lot fee increases.[31] The District is also projecting an increase in permit revenue by making the permit process more efficient, as well as increases in capital investments and new agreements.[32]

Over the past five years, the District's total resources have increased by $51.0 million, or 12.8%, from $397.6 million budgeted in FY2011 to $448.6 million in FY2015. Aside from the planned use of $12.5 million of long-term obligation fund reserves in FY2015 to make a supplemental payment to the pension fund, the largest dollar increase over this time period occurs in gross property tax revenues. The $10.9 million increase since FY2011 is largely due to the FY2014 increase of $3.6 million in the property tax levy and the $2.4 million in captured property tax

[28] Chicago Park District FY2015 Budget Summary, p. 28.
[29] Chicago Park District FY2015 Budget Summary, p. 30.
[30] Chicago Park District FY2015 Budget Summary, p. 34.
[31] Chicago Park District FY2015 Budget Summary, pp. 35-36.
[32] Chicago Park District FY2014 Budget Summary, p. 38.

revenue from terminated and expiring TIFs in FY2014 and smaller increases in recent years due to terminated and expiring TIF districts. PPRT revenue has increased by nearly $7.0 million, or 18.0%, over the five-year period, mostly due to the growth in revenue that was projected in the FY2014 proposed budget. Soldier Field revenues are expected to increase by $7.3 million, or 29.9%, over the past five years. Part of this growth is due to a change in reporting in FY2013 and the continued effort to increase the number of events.[33] Revenue from permits have increased by $7.5 million, or 122.3%, since FY2011. Much of this growth occurred during FY2013 and FY2014 when the District moved some large scale events from general permits to long-term agreements, including the Lollapalooza Festival, which generates $2.9 million in revenue.[34] The District says it has focused on permit increases for large scale events over the past few years in order to keep fees affordable for recreational activities.[35]

In FY2015 the District proposes to appropriate $5.6 million of prior year resources and $12.5 million from the long term liability reserve. This is the ninth year in a row that the District has utilized non-recurring revenues in its proposed budget. Non-recurring revenue utilized in recent years includes the following:

- In FY2014: $6.9 million of fund balance and prior year resources;[36]
- In FY2013: $10.7 million in fund balance and prior year resources and $2.2 million in TIF surplus appropriated in the operating budget;
- In FY2012: $17.2 million in fund balance transfers to the operating fund;
- In FY2011: $3.0 million in General Fund fund balance and $12.0 million from TIF surplus;[37]
- In FY2010: $7.7 million from a transfer from the Parking Garage Revenue Capital Improvements Fund;[38]
- In FY2009: $10.0 million was budgeted from Interest on Capital Investment. This is interest earnings from the Parking Garage Revenue Capital Improvements Fund and Reserve for Park Replacement fund from the close of the garage lease transaction in December 2006 to December 2008;[39] and
- In both FY2007 and FY2008: $10.0 million was transferred from unreserved fund balance.[40]

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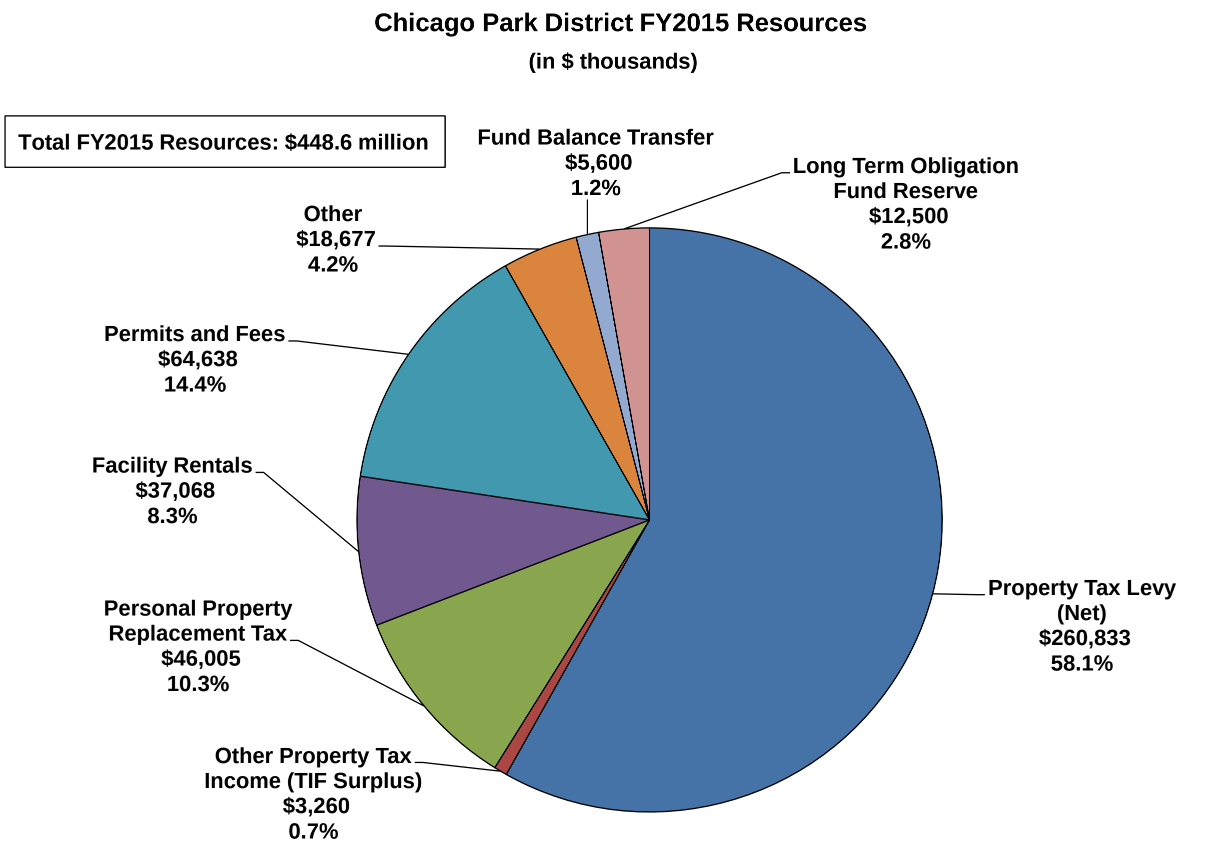
[33] Chicago Park District FY2013 Budget Summary, p. 35; and FY2015 Budget Summary, p. 34.
[34] Chicago Park District FY2015 Budget Summary, p. 38.
[35] Chicago Park District FY2015 Budget Summary, p. 38.
[36] As a result of Mayor Emanuel's Executive Order No. 2013-3, released in November 2013 (Declaration of TIF surplus funds in TIF eligible areas), the Federation recognizes this revenue source will recur in the future. It should be noted, however, that this is a not a stable and guaranteed revenue source.
[37] Chicago Park District FY2011 Budget Recommendations, p. 394.
[38] This revenue is labeled as Dedicated Capital Fund Balance. Chicago Park District FY2011 Budget Recommendations, p. 394.
[39] Information provided by the Chicago Park District, November 26, 2010.
[40] Information provided by the Chicago Park District, November 26, 2010. It is labeled in the previous year's Budget Summary documents as Dedicated Fund Balance.

Chicago Park District Resources by Source for All Operating Funds: FY2011-FY2015 (in $ thousands)									
	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Gross Property Tax Levy	$ 259,911	$ 259,911	$ 261,011	$ 268,861	$ 270,771	$ 1,910	0.7%	$ 10,860	4.2%
Property Tax Loss in Collection	$ (10,137)	$ (10,137)	$ (10,179)	$ (10,486)	$ (9,937)	$ 548	-5.2%	$ 199	-2.0%
Personal Property Replacement Tax	$ 39,002	$ 39,392	$ 39,589	$ 46,005	$ 46,005	$ -	0.0%	$ 7,003	18.0%
Subtotal Tax Revenues	**$ 288,776**	**$ 289,166**	**$ 290,420**	**$ 304,380**	**$ 306,838**	**$ 2,458**	**0.8%**	**$ 18,062**	**6.3%**
Rental of Soldier Field	$ 24,394	$ 25,267	$ 29,092	$ 30,387	$ 31,699	$ 1,312	4.3%	$ 7,305	29.9%
Rentals	$ 2,218	$ 2,590	$ 3,268	$ 2,865	$ 3,669	$ 804	28.0%	$ 1,451	65.4%
Northerly Island Pavilion	$ 376	$ 900	$ 1,100	$ 1,700	$ 1,700	$ -	0.0%	$ 1,324	352.4%
Subtotal Facility Rentals	**$ 26,987**	**$ 28,757**	**$ 33,459**	**$ 34,952**	**$ 37,068**	**$ 2,115**	**6.1%**	**$ 10,080**	**37.4%**
Parking Fees	$ 2,436	$ 2,932	$ 3,334	$ 4,414	$ 4,829	$ 416	9.4%	$ 2,393	98.3%
Harbor Fees	$ 23,462	$ 27,558	$ 25,138	$ 24,223	$ 25,438	$ 1,215	5.0%	$ 1,977	8.4%
Park Fees	$ 14,079	$ 14,179	$ 14,179	$ 13,115	$ 15,363	$ 2,248	17.1%	$ 1,284	9.1%
Permits	$ 6,132	$ 6,582	$ 9,727	$ 12,412	$ 13,633	$ 1,221	9.8%	$ 7,501	122.3%
Golf Course Fees	$ 5,203	$ 5,063	$ 5,482	$ 5,625	$ 5,375	$ (250)	-4.4%	$ 171	3.3%
Subtotal Permits and Fees	**$ 51,312**	**$ 56,314**	**$ 57,860**	**$ 59,789**	**$ 64,638**	**$ 4,849**	**8.1%**	**$ 13,326**	**26.0%**
Concessions	$ 2,478	$ 2,822	$ 3,181	$ 3,141	$ 4,023	$ 882	28.1%	$ 1,545	62.4%
MLK Center	$ 1,322	$ 1,432	$ 1,408	$ 1,411	$ 1,438	$ 27	1.9%	$ 116	8.8%
Corporate Sponsorships	$ 850	$ 500	$ 1,800	$ 1,485	$ 922	$ (563)	-37.9%	$ 72	8.5%
Grants and Donations	$ 5,000	$ 5,000	$ 5,000	$ 5,855	$ 5,855	$ -	0.0%	$ 855	17.1%
Interest on Investment	$ 200	$ 200	$ 400	$ 360	$ 360	$ -	0.0%	$ 160	80.0%
Long Term Income Reserve	$ 100	$ -	$ -	$ -		$ -	-	$ (100)	-100.0%
Miscellaneous	$ 1,405	$ 2,286	$ 987	$ 902	$ 1,286	$ 384	42.6%	$ (119)	-8.5%
Capital Contributions	$ 4,138	$ 3,837	$ 3,516	$ 3,743	$ 4,793	$ 1,050	28.1%	$ 655	15.8%
Interest on Capital Investment	$ -	$ -	$ -	$ -		$ -	-	$ -	-
Total Revenues	**$ 382,570**	**$ 390,314**	**$ 398,031**	**$ 416,019**	**$ 427,221**	**$ 11,203**	**2.7%**	**$ 44,652**	**11.7%**
TIF Surplus	$ 12,000	$ -	$ 2,224	$ 2,667	$ 3,260	$ 593	22.2%	$ (8,741)	-72.8%
Long Term Obligation Fund Reserve	$ -	$ -	$ -	$ -	$ 12,500	$ 12,500	-	$ 12,500	-
Fund Balance Transfer**	$ 3,000	$ 17,206	$ 10,674	$ 6,885	$ 5,600	$ (1,285)	-18.7%	$ 2,600	86.7%
Total Resources	**$ 397,570**	**$ 407,520**	**$ 410,929**	**$ 425,571**	**$ 448,581**	**$ 23,010**	**5.4%**	**$ 51,011**	**12.8%**

**FY2012 Fund Balance Transfer includes $12.0 million transfer from the General Fund Balance, $1.3 million from the Special Recreation Activity Fund Balance and $3.9 million from accounts receivable in PBC Rental of Facilities Fund which was levied for in the FY2011 budget, but will be collected in FY2012. FY2013 Fund Balance Transfer includes $7.6 million in General Fund fund balance and $3.1 million in prior year available resources. FY2014 Fund Balance Transfer includes $1.5 million in General Fund fund balance and $5.4 million in prior year available resources. FY2015 Fund Balance Transfer includes $5.6 million in prior year available resources.

Source: Chicago Park District FY2013 Budget Summary, p. 6; FY2014 Budget Summary, p. 6; FY2015 Budget Summary, p. 6.

The following exhibit shows the distribution of District resources in FY2015. Net property tax revenues (gross property tax levy minus the loss in collection) constitute 58.1% of District revenues. The next largest revenue source is Permits and Fees at 14.4%, followed by PPRT at 10.3%.



Note: Other includes MLK Center, Concessions, Corporate Sponsorships, Grants and Donations, Investment Income, Miscellaneous Income and Capital Contributions.
Source: Chicago Park District FY2015 Budget Summary, p. 6.

Gross Property Tax Levy

The Chicago Park District's FY2015 gross property tax levy will be $270.8 million. The total includes $6.0 million for Special Recreation that was established as a separate levy starting in FY2005 to pay for expenses related to increasing the accessibility of facilities including related programming and personnel costs. The District did not raise its levy between FY2006 and FY2012, but raised its levy in FY2013 to capture property tax revenue from expiring and terminated TIF districts. However in FY2014, not only did the District increase its property tax levy by $3.6 million, the maximum amount allowed under the property tax extension limitation law (PTELL), the District also captured $4.3 million as a result of the expiration and termination of Tax Increment Financing (TIF) districts.

In FY2015 the District is also proposing to increase property tax revenues by $1.9 million. The increase is a result of the expiration and termination of Tax Increment Financing (TIF) districts and capturing new property.[41] This maneuver allows the District to capture property tax revenues from expiring and terminating TIF districts without increasing the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.9 million for TIF district expenses and will hereafter pay the $1.9 million as part of the levy and property taxes on new property only affect those taxpayers with new or improved property.

Chicago Park District Property Tax Gross Levy by Fund: FY2011-FY2015 (in $ thousands)									
Fund	2011	2012	2013	2014	2015	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$145,210	$147,230	$154,206	$158,656	$154,223	$ (4,433)	-2.8%	$ 9,012	6.2%
Special Recreation	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ -	0.0%	$ -	0.0%
Park District Employees Pension	$ 10,730	$ 10,419	$ 10,473	$ 11,128	$ 17,957	$ 6,829	61.4%	$ 7,227	67.4%
Public Building Commission						$ -	-	$ -	-
Rental of Facilities	$ 3,907	$ -	$ -	$ -	$ -	$ -	-	$ (3,907)	-100.0%
Operations & Maintenance	$ 5,500	$ 5,500	$ -	$ -	$ -	$ -	-	$ (5,500)	-100.0%
Liability, Workers Comp., Unemployment	$ 10,270	$ 9,468	$ 9,761	$ 10,748	$ 10,811	$ 63	0.6%	$ 541	5.3%
Bond Debt Service Fund	$ 42,143	$ 42,143	$ 42,143	$ 44,071	$ 47,730	$ 3,658	8.3%	$ 5,587	13.3%
Aquarium and Museum Bond Debt Service	$ 11,486	$ 11,485	$ 10,764	$ 10,593	$ 6,386	$ (4,207)	-39.7%	$ (5,101)	-44.4%
Aquarium and Museum Purposes	$ 24,664	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ -	-	$ 3,000	12.2%
Total	**$259,911**	**$259,911**	**$261,011**	**$268,861**	**$270,771**	**$ 1,910**	**0.7%**	**$ 10,860**	**4.2%**

Source: Chicago Park District FY2015 Budget Recommendations, p. 374.

PERSONNEL

The District is budgeting for a total of 3,138 full-time equivalent (FTE) positions in FY2015, including 1,566 full-time positions and 1,572 part-time and seasonal positions. Full-time positions will increase by 11 from FY2014 and part-time and seasonal positions will increase by 24 FTEs, for a total increase of 35 FTE positions, or 1.1% of the workforce.

In FY2015 the Park District plans to add 7 seasonal FTE positions and 17 part-time FTE positions. All new FTE positions are due to new or expanded programs, facilities and parkland, which necessitated additional staffing.[42]

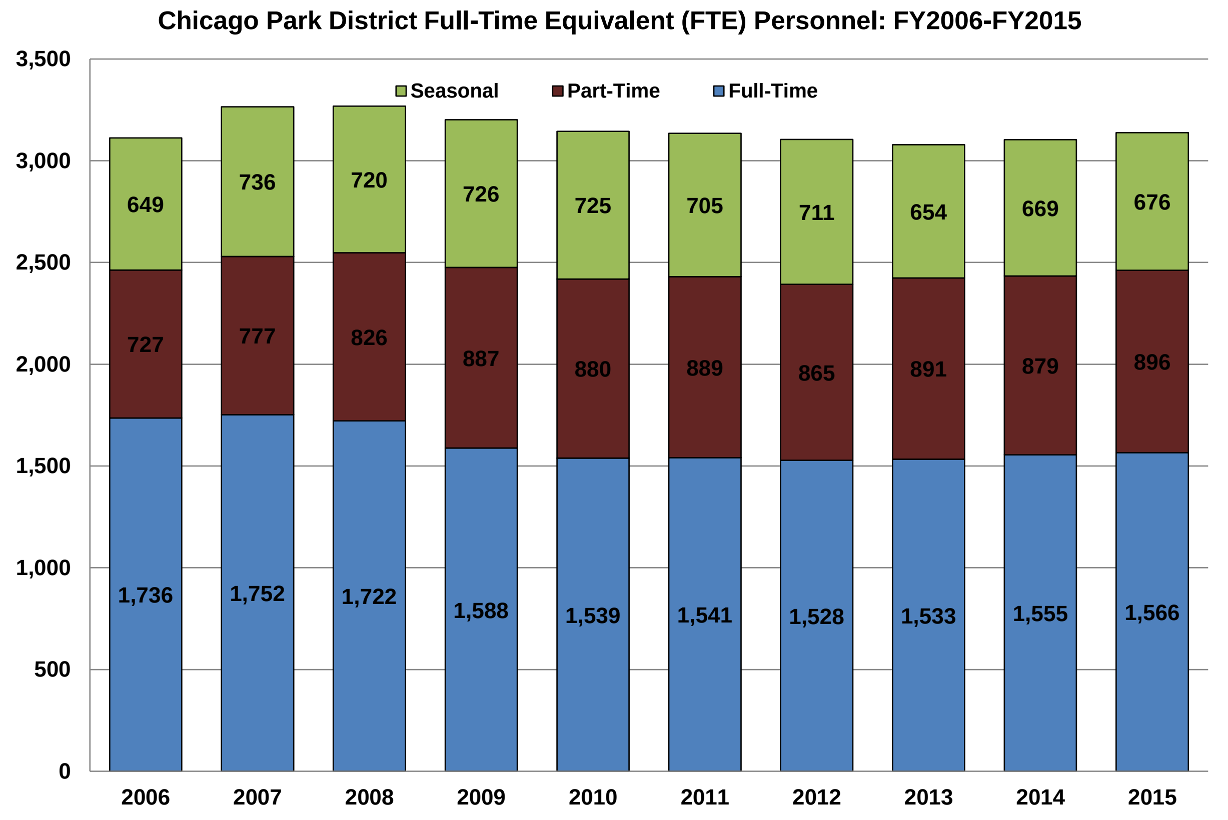
Over the last five years the District has increased its total FTE count by 3 FTEs or 0.1%. This is the net result of an increase of 7 FTEs in part-time positions, a decrease of 29 FTEs in seasonal positions and an increase of 25 FTEs in full-time positions.

Chicago Park District Budgeted Personnel FY2011-FY2015									
Full-Time Equivalent Positions	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Part-Time	889	865	891	879	896	17	1.9%	7	0.8%
Seasonal	705	711	654	669	676	7	1.0%	-29	-4.1%
Subtotal Part-Time/Seasonal	**1,594**	**1,576**	**1,545**	**1,548**	**1,572**	**24**	**1.6%**	**-22**	**-1.4%**
Full-Time	1,541	1,528	1,533	1,555	1,566	11	0.7%	25	1.6%
Total	**3,135**	**3,104**	**3,078**	**3,103**	**3,138**	**35**	**1.1%**	**3**	**0.1%**

Source: Chicago Park District FY2015 Budget Summary, p.40.

[41] Chicago Park District FY2015 Budget Summary, p. 28.
[42] Chicago Park District FY2015 Budget Summary, p. 40.

Since FY2006 170 full-time positions have been eliminated while 196 part-time and seasonal FTEs have been created, for a net ten-year increase in the workforce of 26 FTEs or 0.8%.



Source: Chicago Park District Budget Summaries, FY2010-FY2015.

Total personnel costs will increase by 6.5%, or approximately \$11.3 million, from \$173.9 million in FY2014 to \$185.2 million in FY2015. In FY2015 the District is budgeting for a 2.0%, or \$2.8 million, increase in salaries and wages. Total Health Benefits appropriations, which include health benefits for current employees and retirees, will increase by 11.3%, or approximately \$1.6 million. The rise in health benefits costs to the District is primarily due to increased healthcare costs driven by overall growth trends in health and prescription drug expenses and the new employer mandate of the Affordable Care Act.[43] As a result of negotiations with the District's unions in 2014, employee healthcare contributions will be \$68,000 higher in FY2015.

Prescription Drugs costs will increase by 5.0%, or \$162,000, between FY2014 and FY2015. Prescription drug expenses are expected to grow at a slower rate in FY2015 than in years prior. The District was able to offset a portion of the overall growth in health benefit spending by making strategic changes to prescription drugs and healthcare plans.[44] Unemployment Obligations will decrease by 8.5%, or approximately \$200,000, as Workers Compensation remains flat at \$3.5 million. Appropriations for pensions will increase by 61.3%, or

[43] Chicago Park District FY2015 Budget Summary, p. 41.
[44] Chicago Park District FY2015 Budget Summary, p. 41.

approximately $6.8 million, to nearly $18.0 million in FY2015. In FY2015, the District will also make a supplemental contribution of $12.5 million to its pension fund. The FY2015 regular pension contribution plus the supplemental contribution represent an increase of $19.3 million from FY2015. Pension related spending accounts for 7% of the total FY2015 budget. This increase in pension spending is a result of pension legislation changes developed by the District and in concert with its labor unions, passed by the Illinois General Assembly and signed by the Governor in January 2014.[45] FY2015 is the first budget that appropriates funding for the District's pension reform plan that will raise the funded ratio of the Park District Pension Fund to 90% by 2049 and to 100% by 2054.[46]

Appropriations for Medicare Tax will increase by 3.0%, or approximately $54,000 and appropriations for Social Security will rise by 3.8% or $45,000. Medicare Tax expenses in FY2015 are budgeted based on actual trends experienced by the District coupled with the growth in the underlying salaries due to anticipated wage increases which include the potential for retro increases for a large segment of its unionized workforce.[47]

In the five-year period between FY2011 and FY2015, total personnel costs will increase by 11.3%, or $18.8 million, from $166.4 million to $185.2 million. Salaries and wages will increase by 8.1%, or $10.5 million, during the same time period. This is largely due to a 1.75% increase anticipated for most of the District's workforce.[48] Potential salary and wage increases for FY2015 have not yet been determined as the Park District is currently in negotiations with some of its unionized workforce.[49]

Over the five-year period, the District's employee health benefits costs will rise by 4.0%, or $660,000, while employee contributions rise by 134.6%, or approximately $2.1 million, primarily due to the increase in employee contributions projected for FY2015 from FY2014 as determined through recent union negotiations.[50] Expenditures for retiree health benefits will increase by 50.6%, or approximately $767,000, from FY2011. Unemployment obligations will grow by 36.2%, or $574,000, over the five-year period. The District has historically under-budgeted for unemployment obligations.[51] Workers compensation will decrease by 11.9%, or approximately $475,000, between FY2011 and FY2015.

[45] Chicago Park District FY2015 Budget Summary, p. 41.
[46] See the pension section of this analysis on page 25 for more information about the District's pension reform details.
[47] FY2013 actual Medicare Tax costs were $1.5 million and the FY2014 current year-end estimate is $1.6 million. Information provided by the Chicago Park District, November 21, 2014.
[48] Information provided by the Chicago Park District, November 21, 2014.
[49] Chicago Park District FY2015 Budget Summary, p. 39.
[50] Information provided by the Chicago Park District, November 21, 2014.
[51] Actual unemployment obligation costs were $2.0 million in FY2010, $1.9 million in FY2011 and nearly $2.0 million in FY2012. The year-end estimate for FY2013 is $2.1 million. Information provided by the Chicago Park District, November 22, 2013.

Chicago Park District Personnel Costs: FY2011-FY2015 (in $ thousands)									
	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health Benefits									
Health Benefits	$ 16,455	$ 15,839	$ 16,449	$ 15,542	$ 17,115	$ 1,572	10.1%	$ 660	4.0%
Health Benefits Employee Contributions	$ (1,589)	$ (1,636)	$ (1,798)	$ (3,660)	$ (3,728)	$ (68)	1.9%	$ (2,139)	134.6%
Health Benefits Retirees	$ 1,514	$ 1,620	$ 1,442	$ 2,193	$ 2,280	$ 88	4.0%	$ 767	50.6%
Health Benefits Subtotal	**$ 16,380**	**$ 15,823**	**$ 16,093**	**$ 14,075**	**$ 15,667**	**$ 1,592**	**11.3%**	**$ (713)**	**-4.4%**
Prescription Drugs	$ 2,181	$ 2,239	$ 2,623	$ 3,234	$ 3,396	$ 162	5.0%	$ 1,215	55.7%
Dental Benefits	$ 336	$ 339	$ 339	$ 329	$ 332	$ 3	0.9%	$ (4)	-1.3%
Life Insurance Benefits	$ 177	$ 185	$ 182	$ 183	$ 183	$ 1	0.3%	$ 6	3.3%
Medicare Tax	$ 1,335	$ 1,262	$ 1,446	$ 1,784	$ 1,838	$ 54	3.0%	$ 503	37.7%
Social Security	$ 1,220	$ 1,087	$ 1,243	$ 1,203	$ 1,248	$ 45	3.8%	$ 28	2.3%
Unemployment Obligations	$ 1,588	$ 1,676	$ 2,148	$ 2,362	$ 2,162	$ (200)	-8.5%	$ 574	36.2%
Workers Compensation	$ 4,000	$ 3,500	$ 3,525	$ 3,525	$ 3,525	$ -	0.0%	$ (475)	-11.9%
Pension	$ 10,745	$ 10,435	$ 10,488	$ 11,146	$ 17,975	$ 6,829	61.3%	$ 7,230	67.3%
Supplemental Contribution to Pension Fund	$ -	$ -	$ -	$ -	$ 12,500	$ 12,500		$ 12,500	
Subtotal Benefits	**$ 37,962**	**$ 36,545**	**$ 38,087**	**$ 37,841**	**$ 46,326**	**$ 8,485**	**22.4%**	**$ 8,364**	**22.0%**
Salary & Wages	$ 128,415	$ 135,114	$ 134,014	$ 136,098	$ 138,867	$ 2,769	2.0%	$ 10,452	8.1%
Total	**$ 166,377**	**$ 171,659**	**$ 172,101**	**$ 173,939**	**$ 185,193**	**$ 11,254**	**6.5%**	**$ 18,816**	**11.3%**

Source: Chicago Park District FY2012 Budget Summary, p. 37; FY2013 Budget Summary, p. 28; FY2014 Budget Summary, p. 8; FY2015 Budget Summary, p. 7.

PENSION FUND

The Civic Federation analyzed four indicators of the fiscal health of the Chicago Park District pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators and describes the Park District pension benefits. It is important to note that until July 1, 2012, the fiscal year of the pension fund was July 1 to June 30, while the District's fiscal year is January 1 to December 31. However, legislation was signed into law in August 2012 that matched the pension fund's fiscal year to the District's fiscal year starting January 1, 2013.[52] Therefore, except for the investment return section, data in this section are measured over the ten and a half years between the start of FY2004 and through the short fiscal year that ran between the end of FY2012 on June 30, 2012 and the start of FY2013 on January 1, 2013 and ends with the end of FY2013 on December 31, 2013.

Plan Description

The Park Employees' & Retirement Board Employees' Annuity and Benefit Fund is a single employer defined benefit pension plan for employees of the Chicago Park District and the Fund. It was created by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[53] Plan benefits and contribution amounts can only be amended

[52] Public Act 97-0973, signed into law on August 16, 2012, changed the pension fund's fiscal year to match that of the District. As the District's new fiscal year will begin on January 1, 2013, the period between July 1, 2012 and December 31, 2012 is referred to as a short fiscal year and a separate Comprehensive Annual Financial Report was produced for this six-month period. During the six-month period, employer contributions were equal to 1.10 times the employee contributions made from July 1, 2010 to December 31, 2010. The employer contribution for FY2013 was 1.10 times the contributions made by employees between January 1, 2011 to December 31, 2011. See Civic Federation, "Changes to Chicago Park District Pension Fund Fiscal Year," August 16, 2012. http://www.civicfed.org/civic-federation/blog/changes-chicago-park-district-pension-fund-fiscal-year.

[53] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2013, p. 17.

through state legislation.[54] The Chicago Park District is the only park district in Illinois whose employees do not participate in the statewide Illinois Municipal Retirement Fund.

The Park District pension fund is governed by a seven-member Board of Trustees. As prescribed in state statute, four members are elected by the employees and three members are appointed by the Park District Board of Commissioners.[55]

As of December 31, 2013 there were 3,076 active members of the pension fund and 2,904 beneficiaries, for a ratio of 1.06 active members for every beneficiary, the highest ratio over the ten and a half years examined. The ratio was at a low of 0.87 in FY2004 and fluctuated over the next few years, but generally increased. Persistent declines in this ratio tend to put financial stress on the fund as there would be fewer employees contributing to the fund and more annuity payments to make. For the Park District Pension Fund, the number of active employees has increased and the number of beneficiaries has declined, leading to a higher ratio.

Park District Pension Fund Membership: FY2004-FY2013

Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2004	2,820	3,240	0.87
FY2005	2,881	3,184	0.90
FY2006	3,035	3,115	0.97
FY2007	3,040	3,056	0.99
FY2008	3,031	3,013	1.01
FY2009	2,895	3,013	0.96
FY2010	2,816	2,956	0.95
FY2011	2,795	2,913	0.96
FY2012	2,977	2,921	1.02
Six Months Ended 12/31/12*	3,053	2,906	1.05
FY2013	3,076	2,904	1.06
10.5-Year Change	**256**	**-334**	**0.18**
10.5-Year % Change	**9.1%**	**-10.3%**	**20.7%**

***** Persuant to Public Act 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's own fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of fiscal year 2013 on January 1, 2013.

Source: FY2004-FY2013 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Pension Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Park District pension

[54] The Chicago Park District pension article is 40 ILCS 5/12, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.
[55] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2013, p. 2.

fund.[56] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Public Act 98-0622, enacted in January 2014, made changes to the benefits of retirees, Tier 1 employees and Tier 2 employees. It also increases the contributions made by employees and the District. As a whole, the reform package was intended to increase the funded ratio to 90% by 2049 and 100% by 2054.

Members of the Park District pension fund do not participate in the federal Social Security program so they are not eligible for Social Security benefits related to their District employment when they retire.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least four years of employment at the District or reach age 50 with 30 years of service. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of service and a $60,000 final average salary could retire with a $43,200 annuity: 30 x $60,000 x 2.4% = $43,200.[57] The annuity increases every year by an automatic 3.0% adjustment, simple interest. In FY2013 employees with 10 years of service could retire as young as age 50 but their benefit is reduced by 0.25% for each month they are under age 60.

[56] A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

[57] The average age at time of retirement as of December 31, 2012 was 58.4 years. The single largest age of service category of retirees for most of the past ten years was people with 30+ years of service. The average final average salary for that group as of December 31, 2013 was $60,912. Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2013, pp. 92 and 100.

The following table compares Tier 1 benefits to Tier 2 benefits under the provisions of Public Acts 96-0889 and 98-0622. The major changes for Tier 2 benefits as enacted in 2010 were the increase in full retirement age from 60 to 65 and early retirement age from 50 to 62; the reduction of final average salary from the highest four-year average to the highest eight-year average; the $106,800 cap on final average salary; and the reduction of the automatic increase from 3% to the lesser of 3% or one half of the increase in Consumer Price Index, simple interest.

Public Act 98-0622 increases Tier 1 early retirement age for those employees under 45 as of January 1, 2015 and reduces both full retirement age and early retirement age for Tier 2 employees. It also makes further changes as shown in the table on the next page.

Chicago Park District Pension Benefit Provisions after Public Act 98-0622		
	Tier 1 Employees (hired before 1/1/2011)	**Tier 2 Employees (hired on or after 1/1/2011)**
Full Retirement Eligibility: Age & Service	age 60 with 4 years of service or age 50 with 30 years of service	age 65 with 10 years of service
Early Retirement Eligibility: Age & Service	- age 50 with 10 years of service for those aged 45 and older by 1/1/2015 - age 58 with 10 years of service for those under 45 years old as of 1/1/2015	age 60 with 10 years of service
Final Average Salary	highest average annual salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.25% per month under age 60	0.5% per month under age 65
Maximum Annuity	80% of final average salary	

*The $106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year.

Note: Tier 2 employees are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Source: Park Employees' Annuity and Benefit Fund of Chicago FY2013 Comprehensive Annual Financial Report.

The following table shows the phased-in provisions of P.A. 98-0622. In addition to the reforms described above, the legislation makes changes to the automatic annual increase provision for all retirees and Tier 1 employees to match the provisions for Tier 2 employees. It also provides for three years in which automatic annual increases will be suspended for all retirees: 2015, 2017 and 2019. Employee and employer contributions are also increased on a phased-in basis. For Tier 1, Tier 2 and current recipients of duty disability, such benefits will be reduced from the current 75% over several years.

Phased-In Changes to Chicago Park District Pension Fund Benefits and Contributions						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Auto Annual Increase						
Tier 1	3% simple	0%	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%
Tier 2	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%
Duty Disability	75%	74%	74%	73%	73%	72%
Employee Contributions**	9.0%	10.0%	10.0%	11.0%	11.0%	12.0%
Employer Contributions**	1.1	1.7	1.7	2.3	2.3	2.9
Supplemental Employer Contributions***	-	$12.5 million	-	$12.5 million	-	$50.0 million

*3% or 1/2 CPI, whichever is less on a simple interest basis.

** Once the pension fund is 90% funded, the employee contribution rate will fall to 10.5%, but will go back up to 12.0% if the fund falls below 90% funded and the employer contribution will be whatever is needed to maintain 90% funded.

*** These contributions are intended to decrease the pension fund's unfunded liability and will not decrease the employer's contribution in the respective fiscal year.

Source: Public Act 98-0622

In addition to the above benefit and contribution changes, P.A. 98-0622 includes the following provisions:

- Employer Funding Guarantee: The pension fund will have the authority to enforce annual employer contributions and supplemental employer contributions by mandamus action in the courts as of January 1, 2015. Similar provisions were included in Public Act 98-0599, the State pension reform law.
- Prohibits any benefit enhancements passed by the General Assembly that do not identify a sufficient matching funding source as certified by the State Actuary.

The following chart shows the impact of the benefit changes on the funding status of the Park District Fund between December 31, 2012 and December 31, 2013.

Impact of Pension Benefit Changes in Public Act 98-0622 on the Chicago Park District Pension Fund Unfunded Actuarial Accrued Liability							
	(1) December 31, 2012	(2) December 31, 2013 Results Before P.A. 98-0622	(3) December 31, 2013 Results After P.A. 98-0622	(3)-(1) $ Change	(3)-(1) % Change	(3)-(2) $ Change	(3)-(2) % Change
Unfunded Liability	$550,359,221	$593,144,793	$483,730,929	-$66,628,292	-12.11%	-$109,413,864	-18.45%

Source: FY2013 Park Employees' Annuity and Benefit Fund of Chicago CAFR, p. 45

If the benefit changes had not been made, the unfunded liability would have increased in FY2013 by $42.8 million over year-end 2012. Instead, the unfunded liability fell by $66.6 million by the end of FY2013 from year-end 2012. Thus, the total impact of the benefit changes passed for the Park District fund was a decrease of $109.4 million or 18.5% in the unfunded liability in FY2013 from what it would have been without the changes.

The funded ratio also increased as a result of the benefit changes. The funded ratio as of December 31, 2012 was 43.4% and would have fallen to 40.5% in FY2013 if the benefit changes had not been made. Instead, the 2013 year-end results show an increase in the funded ratio after the benefit changes to 45.5%.[58] The entire reform package is intended to raise the funded ratio of

[58] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2013, p. 45.

the Park District Pension Fund to 90% by 2049 and to 100% by 2054. Prior to the reforms, the fund had been projected to run out of money within 10 years.

The Park District pension fund changed some actuarial assumptions and methods for the short fiscal year ended December 31, 2012 at the recommendation of its actuary, Segal Consulting. The methodological changes were 1) changing the cost method to Entry Age Normal from Projected Unit Credit; and 2) changing the amortization method for projecting annual required payments to a 30-year closed period from a 30-year open period. An open amortization period remains the same every year (e.g., each valuation amortizes UAAL over 30 years), while a closed amortization period declines as each year passes (e.g., successive valuations amortize at 30 years, 29 years, 28 years, etc.). Changes in assumptions included a reduction in the assumed investment rate of return to 7.5% from 8.0%, a decrease in the projection of payroll growth and inflation and changes to mortality, turnover and retirement assumptions.[59]

Overall, these changes had the effect of increasing the unfunded liability by $92.4 million above where it would have been on December 31, 2012 without the changes, from $457.9 million to nearly $550.4 million. The actuarial funded ratio decreased by nearly 4.6 percentage points from where it would have been without the actuarial changes, from 47.9% to 43.4%. The FY2013 annual required contribution increased from $35.2 million to $41.8 million due to the new assumptions and methodology.

Funded Ratio

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[60] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial value funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for the Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 82.6% in FY2004 to 43.4% in the short fiscal year ended December 31, 2012 before increasing to 45.5% in FY2013 as a result of reduced liabilities under P.A. 98-0622. The market value funded ratio fell from a high of 80.9% in FY2007 to 42.4% as of December 31, 2012 before rebounding to

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[59] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for Six Months Ended December 31, 2012, p. 79.

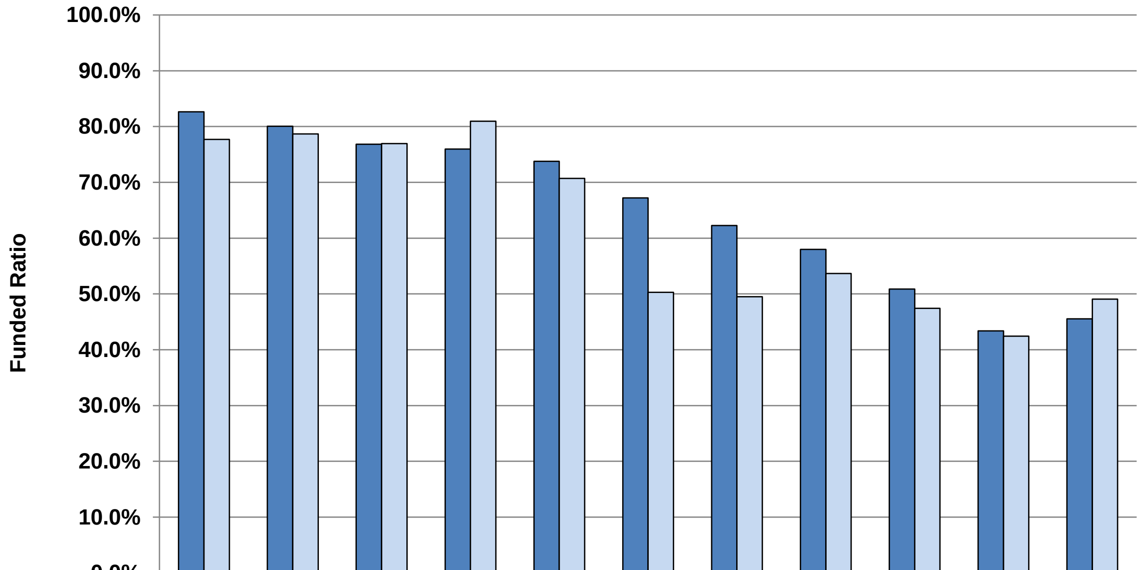
[60] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012*, October 2, 2014.

49.1% in FY2013 as a result of high investment returns and the reduction of liabilities through P.A. 98-0622.

Before the passage of P.A. 98-0622, the continued decline in funded ratio was a cause for significant concern. The optimum situation for any pension fund is to be fully funded, with 100% of accrued liabilities covered by assets. There is no *official* industry standard or best practice for an acceptable funded ratio other than 100%. At a meeting of the Park District Pension Fund Board on June 20, 2013, a projection was provided that showed if nothing changed the fund would have run out of money in 2023 even if it met its investment assumptions.[61]

As noted above, as increased employer and employee contributions and the benefit provisions of P.A. 98-0622 are implemented, the actuarial funded ratio of the Park District pension fund is projected to increase to 90% by FY2049 and 100% by FY2054.

Chicago Park District Pension Fund Funded Ratios:
Actuarial Value of Assets and Market Value of Assets
FY2004-FY2013



	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	Six Months Ended 12/31/12	FY2013
Actuarial Value	82.6%	80.0%	76.8%	76.0%	73.8%	67.2%	62.3%	58.0%	50.9%	43.4%	45.5%
Market Value	77.7%	78.7%	76.9%	80.9%	70.7%	50.3%	49.5%	53.7%	47.4%	42.4%	49.1%

Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculations based on FY2003-FY2013 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

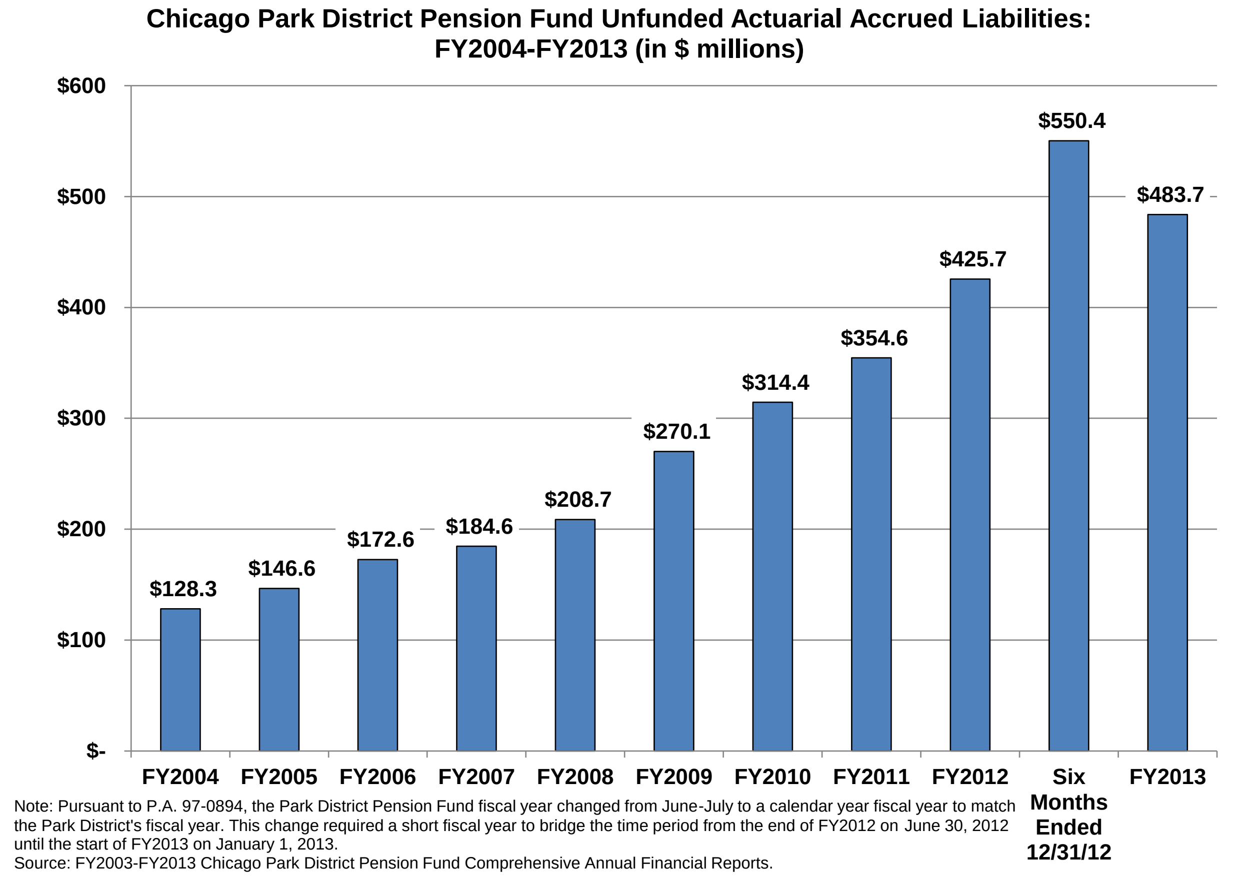
Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liabilities for the Park

[61] Record of Proceedings of the Retirement Board of the Park Employees' Annuity and Benefit Fund, Scheduled Regular Board Meeting Thursday, June 20, 2013, p. 2.

District pension fund totaled $483.7 million as of December 31, 2013, up from $128.3 million in FY2004, but down from $550.4 million as of December 31, 2012, again thanks to the reduction in actuarial liabilities caused by the pension benefit reductions contained in P.A. 98-0622. The FY2013 UAAL was $109.4 million less than it would have been without the pension reform legislation.[62]

Changes in actuarial assumptions, as discussed above, contributed to the sharp jump in unfunded liabilities between June 30, 2012 and December 31, 2012. As noted above, the UAAL as of December 31, 2012 was $92.4 million larger than it would have been without the actuarial changes made for that valuation.



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: FY2003-FY2013 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2005. The largest contributor to the $355.4 million growth in unfunded liabilities between the beginning of FY2005 and the end of FY2013 was investment returns failing to meet the expected rate of return. The second largest contributor was the shortfall in employer contributions as compared to the annual required contribution (ARC),[63] which added nearly $159.0 million to the unfunded actuarial accrued liability over nine and a

[62] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2013, p. 45.
[63] See page 34 for more information on ARC.

half years.[64] The chart below also shows the reduction to the UAAL from the benefit reductions contained in the District's pension reform legislation.

Reasons for Change in Unfunded Actuarial Accrued Liability						
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Demographics and Other*	Benefit Enhancements/ (Benefit Reductions)	Change in Actuarial Assumptions or Methods	Total Net UAAL Change
FY2005	$ 9,991,724	$ 23,785,000	$ (11,702,143)	$ -	$ (3,773,000)	**$ 18,301,581**
FY2006	$ 10,061,171	$ 15,047,000	$ 890,377	$ -	$ -	**$ 25,998,548**
FY2007	$ 7,934,264	$ (6,916,000)	$ 11,031,309	$ -	$ -	**$ 12,049,573**
FY2008	$ 10,238,362	$ (327,000)	$ 13,820,052	$ -	$ 337,000	**$ 24,068,414**
FY2009	$ 12,183,923	$ 33,650,000	$ 15,605,399	$ -	$ -	**$ 61,439,322**
FY2010	$ 16,199,403	$ 34,405,000	$ (6,303,475)	$ -	$ -	**$ 44,300,928**
FY2011	$ 21,088,308	$ 24,490,749	$ (5,499,669)	$ -	$ -	**$ 40,079,388**
FY2012	$ 24,169,436	$ 40,119,103	$ 6,817,285	$ -	$ -	**$ 71,105,824**
Six Months Ended 12/31/12	$ 15,020,049	$ 13,039,011	$ 4,177,290	$ -	$ 92,444,312	**$ 124,680,662**
FY2013	$ 32,112,909	$ 3,878,943	$ 6,793,720	$ (109,413,864)	$ -	**$ (66,628,292)**
9.5-Year Total	**$ 158,999,549**	**$ 181,171,806**	**$ 35,630,145**	**$ (109,413,864)**	**$ 89,008,312**	**$ 355,395,948**

* Starting in FY2012, the fund's new actuary combines the "salary increase" and "other" categories into one category, "Demographics and other." FY2005-FY2011 recategorized to match.

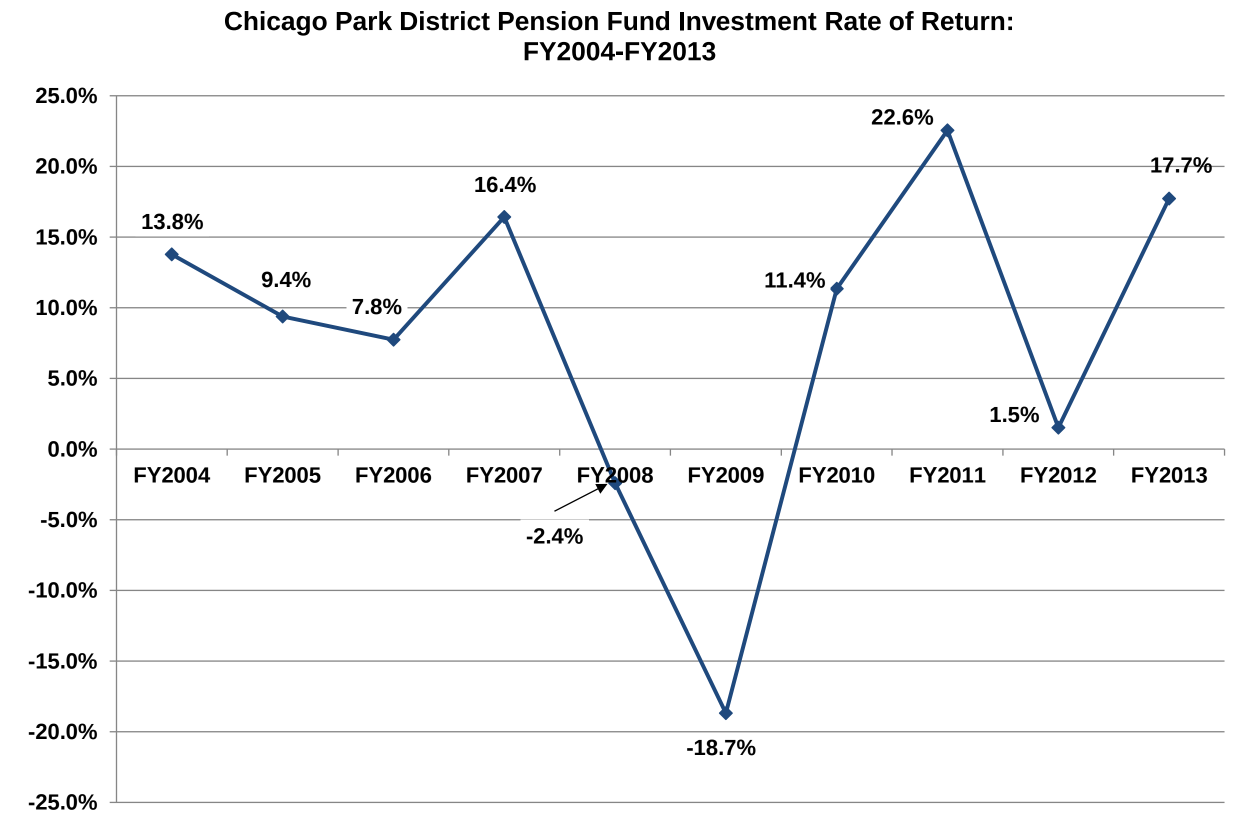
Source: FY2005-FY2013 Chicago Park District Pension Fund CAFRs.

Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2004 and FY2013, the Park District pension fund's average annual rate of return was 7.9%.[65] Because the formula the Civic Federation uses to calculate investment rate of return is intended to compare full year returns, the Federation cannot include returns for the short fiscal year ended December 31, 2012. Returns between FY2004 and FY2013 ranged from a high of 22.6% in FY2011 to a low of -18.7% in FY2009. Returns were high in FY2013, reflecting national trends of high investment returns for that year. It is important to remember when reading the following chart that the FY2013 returns reflect a calendar year fiscal year, whereas the FY2004-FY2012 returns reflect a July-June fiscal year.

[64] The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2013*, October 2, 2014.

[65] The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income/ (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets – Current Year Gross Investment Income)). This is not necessarily the formula used by the pension fund's actuary and investment managers, thus investment rates of return reported here may differ from those reported in a fund's actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculation based on FY2003-FY2013 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Employer Annual Required Contribution

The financial reporting requirements for public pension funds and their associated governments are set by the Governmental Accounting Standards Board (GASB). GASB standards require disclosure of an Annual Required Contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year and is calculated using one of six standard actuarial cost methods. Each of these methods provides a way to calculate the present value of future benefit payments owed to active employees. The methods also specify procedures for systematically allocating the present value of benefits to time periods, usually in the form of the normal cost for the valuation year and the actuarial accrued liability (AAL). The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

ARC is a financial reporting requirement but not a funding requirement. The statutorily required Chicago Park District contribution to its pension fund is set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does represent a reasonably sound funding policy, the ARC can be used as an indicator how well a public entity is actually funding its pension plan.

The following table compares the ARC to the actual Park District contribution over the last ten years. In FY2004 the actual employer contribution exceeded the ARC. In FY2005 the ARC nearly doubled from $8.2 million in FY2004 to $15.8 million in FY2005 and the actual employer contribution was reduced by approximately half. The percent of ARC contributed dropped from 120.0% in FY2004 to only 30.2% in FY2005. This dramatic reversal was largely due to Public Act 93-0654, which provided benefit enhancements and an early retirement incentive as well as a temporary reduction in statutorily required employer contributions. These changes increased the fund's actuarial liability by $57.2 million.[66] In FY2013 the difference between the ARC and the actual employer contribution was $26.0 million.

Expressing ARC as a percentage of payroll provides a sense of scale and affordability. In FY2004 the ARC was 9.3% of payroll while the actual employer contribution was 11.2% of payroll. In FY2013 the ARC was 35.5% of payroll while the actual employer contribution was 13.4% of payroll. Employees contributed 9.0% of salary to the pension fund in FY2013.

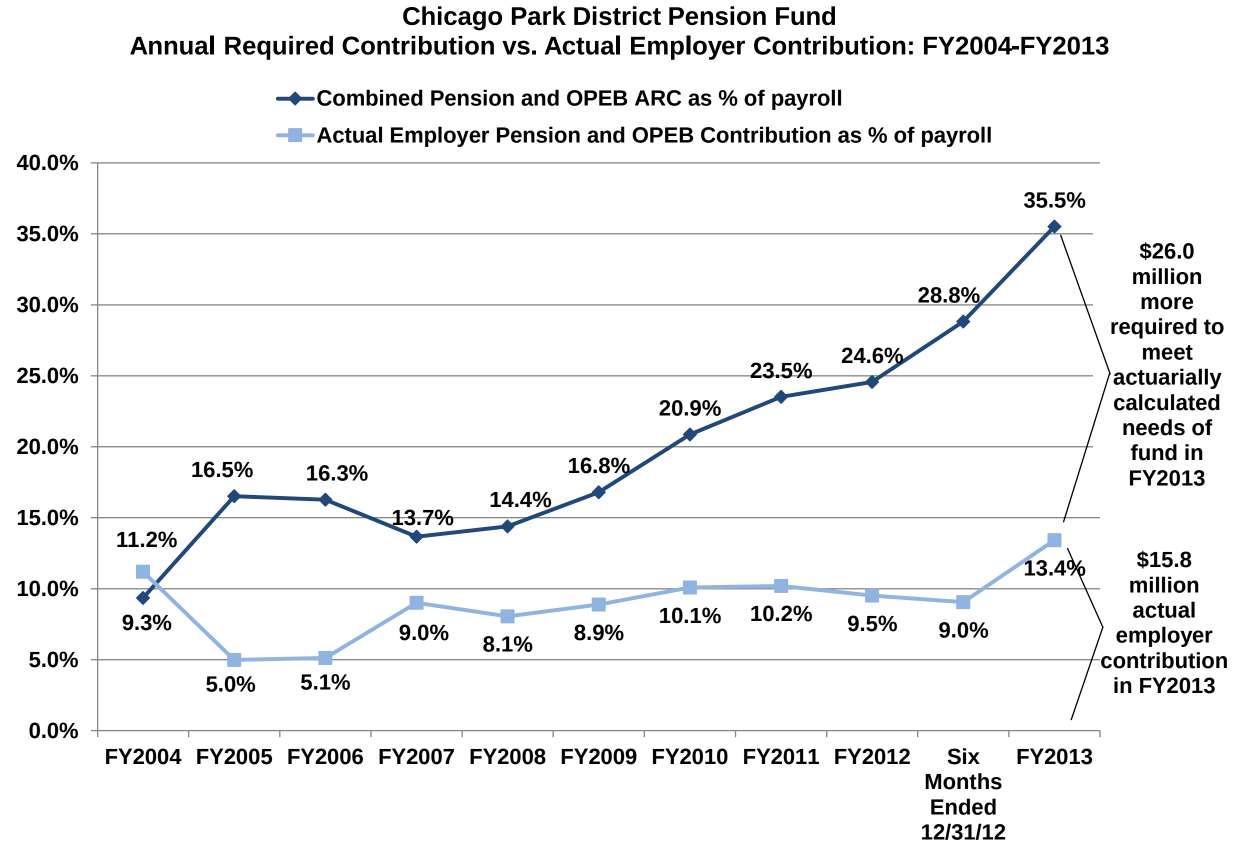
Chicago Park District Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statement 25

Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll
2004	$ 8,203,656	$ 9,840,681	$ (1,637,025)	120.0%	$ 87,840,802	9.3%	11.2%
2005	$ 15,812,224	$ 4,768,605	$ 11,043,619	30.2%	$ 95,707,132	16.5%	5.0%
2006	$ 16,436,993	$ 5,173,860	$ 11,263,133	31.5%	$ 101,058,024	16.3%	5.1%
2007	$ 14,571,540	$ 9,594,593	$ 4,976,947	65.8%	$ 106,601,982	13.7%	9.0%
2008	$ 16,073,257	$ 8,998,687	$ 7,074,570	56.0%	$ 111,698,366	14.4%	8.1%
2009	$ 18,285,474	$ 9,677,765	$ 8,607,709	52.9%	$ 108,882,742	16.8%	8.9%
2010	$ 22,399,740	$ 10,829,339	$ 11,570,401	48.3%	$ 107,361,021	20.9%	10.1%
2011	$ 25,319,145	$ 10,981,419	$ 14,337,726	43.4%	$ 107,686,693	23.5%	10.2%
2012	$ 28,051,528	$ 10,868,361	$ 17,183,167	38.7%	$ 114,223,909	24.6%	9.5%
Six Months Ended 12/31/12	$ 16,786,671	$ 5,268,363	$ 11,518,308	31.4%	$ 58,231,511	28.8%	9.0%
2013	$ 41,834,857	$ 15,804,452	$ 26,030,405	37.8%	$ 117,781,596	35.5%	13.4%

* A dollar amount actual employer contribution is not disclosed in the Schedule of Employer Contributions for this fund so the Employer Contributions listed in the Statement of Changes in Plan Net Position for each year is used.
Source: FY2004-FY2013 Park Employees' Annuity and Benefit Fund of Chicago CAFRs.

66 Park Employees' Annuity and Benefit Fund of Chicago FY2004 Comprehensive Annual Financial Report, p. 47.

The graph below illustrates the gap between the ARC as a percentage of payroll and the actual employer contribution as a percentage of payroll. As noted above, the employer contribution exceeded the ARC in FY2004. In FY2005 the combination of benefit enhancements and a partial contribution holiday for the employer created an 11.5 percentage point gap between the ARC and employer contribution. In FY2013 the gap was 22.1 percentage points. In other words, to fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability over 30 years the District would have needed to contribute an additional 22.1% of payroll, or $26.0 million, in FY2013.



Sources: FY2004-FY2013 Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Reports.

OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a health care plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least four years of service are eligible for health care benefits. Those retirees who qualify for Medicare at age 65, generally those hired after April 1984, are not covered by the District's healthcare plan.[67]

The District funds retiree health care on a pay-as-you-go basis. In FY2013 the District contributed $1.0 million and plan members contributed $1.9 million, or 65% of premiums. The

[67] Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 74.

monthly required retiree contributions for HMO/PPO coverage were $474/$752 for retiree only, $935/$1,376 for retiree and spouse, and $1,388/$1,970 for family coverage, respectively.[68]

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement No. 45. The ARC represents the amount needed to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2013 was $2.0 million. Contributions were made in the amount of $1.0 million. The net OPEB obligation increased by $988,000, from $16.6 million to $17.6 million.[69]

OPEB Costs for Chicago Park District Retiree Heath Care Plan: FY2013 (in $ thousands)		
Annual Required Contribution	$	2,290.0
Adjustment to ARC	$	(939.0)
Interest on net OPEB obligation	$	663.0
Annual OPEB Cost	**$**	**2,014.0**
Contributions Made	**$**	**1,026.0**
Increase in net OPEB obligation	$	(988.0)
Net OPEB Obligation - January 1, 2012	**$**	**16,566.0**
Net OPEB Obligation - December 31, 2012	**$**	**17,554.0**

Source: Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 75.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree health care benefits was nearly $31.3 million based on the most recent actuarial valuation as of January 1, 2013. The actuarial accrued liability is down slightly from $40.0 million as of January 1, 2011. The plan has no assets because it is funded on a pay-as-you-go basis; thus all liabilities are unfunded and the funded ratio is 0%.

Chicago Park District OPEB Funded Status: January 1, 2013 (in $ thousands)	
Actuarial Accrued Liability	$31,256.0
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$31,256.0

Source: Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 76.

[68] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 74.

[69] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

RESERVES

Fund balance is an important financial indicator for local governments and serves as a measure of financial resources. Fund balance is the difference between the assets and liabilities reported in a governmental fund at the end of a fiscal year. Fund balance is more a measure of liquidity than of net worth and can be thought of as the savings account of the local government.[70]

The Chicago Park District's General Funds are used to account for all financial resources not reported in other specific funds. In other words, they report the District's general operations. The District's General Funds include the Corporate Fund; the Liability, Worker's Compensation and Unemployment Fund; and the Long-Term Income Reserve Fund.[71]

This section discusses four aspects of fund balance: recent changes to fund balance reporting, fund balance policies, a presentation of the District's historical audited General Fund fund balance and fund balance levels of funds the District created with proceeds from the intergovernmental sale of its parking garages.

Recent Changes to Fund Balance Reporting

Starting with the FY2011 audited financial statements for the Chicago Park District, a modification in fund balance reporting was implemented, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[72]

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[73]

Current Components of Fund Balance

GASB Statement No. 54 created five components of fund balance, though not every government or governmental fund will report all components. The five components are:

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment;

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[70] Stephen J. Gauthier, *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[71] The Long-Term Income Reserve Fund was incorporated into the General Fund in FY2011 with the implementation of GASB 54. Chicago Park District FY2014 Budget Recommendations, p. 19.
[72] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.
[73] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.

- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation;
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance; and
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[74]

Historically, the focus of the Civic Federation's fund balance analysis has been on the unreserved general fund balance, or in other words, how much is left in the savings account, not how much is being withdrawn. Given the new components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's unrestricted fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are synonymous.[75]

A five-year trend analysis of the District's fund balance ratio including the most recent FY2013 data is not possible because the data have been classified differently with implementation of GASB No. 54. In the interest of government transparency, the Civic Federation recommends that all local governments, if possible, provide ten years of fiscal data in the GASB No. 54 format in the statistical section of their audited financial statements. Each government should also provide a guide as to how different fund balance lines were reclassified. An accurate trend analysis can only be conducted with reclassified data.

Fund Balance Policy and the Economic Stabilization Funds

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." Two months of operating expenditures is approximately 17%.[76] This policy is a good benchmark for large special purpose governments such as the Chicago Park District.

In its proposed budget books, the Park District includes a reserve policy that sets the reserve floor at $85.0 million.[77] Additionally, the Park District established its own General Fund fund

[74] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[75] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[76] Previously the GFOA had recommended a General Fund fund balance of 5 to 15%.
[77] Chicago Park District, FY2015 Budget Summary, p. 21.

balance policy in 2012. The policy is approved by the Chicago Park District Board of Commissioners annually as part of the budget process.[78] The policy requires the District to designate between 8% and 16% of the preceding fiscal year's General Fund expenditures as reserves within the Economic Stabilization Funds.[79] The Board of Commissioners must give prior approval of any amounts to be expended from these funds and a repayment plan must be submitted and approved prior to expenditure.[80] As of December 31, 2013, the most recent year for which audited data are available, the District's Economic Stabilization Funds had a balance of $20.0 million.[81] According to the District, Long-Term Liability Reserve will be used to finance the $25.0 million supplemental employer's contribution, half of which is scheduled for FY2015 and half for FY2017, as set forth through the District's pension reform law, Public Act 98-0622.[82] For more details, see the Pension section of this analysis on page 25.

Unreserved Fund Balance for the General Fund

Between FY2006 and FY2010, the General Fund fund balance grew considerably from a low of 2.8% in FY2006 to a high of 20.0% in FY2010. The Chicago Park District attributes the $22.0 million increase in the unreserved General Fund fund balance in FY2009 to a $10.6 million transfer of fund balance from the Public Building Commission (PBC) Operating Fund, a $7.9 million transfer from the Garage Revenue Capital Improvements Fund, a $2.1 million transfer from the Long Term Income Reserve Fund and revenues exceeding expenditures.[83] In FY2010 the General Fund fund balance reached $47.6 million, or 20.0% of operating expenditures, thereby exceeding the GFOA's and the Park District's own minimum fund balance recommendation.

Chicago Park District General Fund Fund Balance: FY2006-FY2010

	Unreserved General Fund Fund Balance	General Fund Expenditures	Ratio
FY2006	$6,488,000	$ 230,775,000	2.8%
FY2007	$14,175,000	$ 233,747,000	6.1%
FY2008	$18,154,000	$ 249,374,000	7.3%
FY2009	$40,111,000	$ 248,466,000	16.1%
FY2010	$47,617,000	$ 238,302,000	20.0%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2010.

Unrestricted Fund Balance for the General Fund

In FY2013 the District's unrestricted General Fund fund balance was $186.0 million, or approximately 69.4% of General Fund expenditures. This is a slight decrease in reserves from FY2012. The decrease is due to recognizing less in property tax revenues than projected due to a timing difference.[84]

[78] Communication with the Chicago Park District's Office of Budget and Management, November 22, 2013.
[79] Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 78.
[80] Communication with the Chicago Park District's Office of Budget and Management, November 30, 2012.
[81] Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 36.
[82] Chicago Park District FY2015, Budget Summary, p. 43.
[83] Chicago Park District FY2011 Budget Summary, pp. 15 and 36.
[84] Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 26.

According to the audited financial statement, the unrestricted fund balance includes $121.0 million of committed fund balance, $37.1 million of assigned fund balance and $27.1 million of unassigned fund balance. The District's committed fund balance includes $20.0 million committed to the Economic Stabilization Funds.[85] According to the District, the Long-Term Liability Reserve will be used to finance the $25.0 million supplemental employer's contribution, half of which is scheduled for FY2015 and half for FY2017, as set forth through the District's pension reform law, Public Act 98-0622.[86] For more details, see the Pension section of this analysis on page 25.

Chicago Park District General Fund Fund Balance: FY2011-FY2013

	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$182,182,000	$ 256,644,000	71.0%
FY2012	$194,877,000	$ 253,286,000	76.9%
FY2013	$186,039,000	$ 268,223,000	69.4%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36 and 40; FY2012, p. 36 and 40; FY2013, p. 36 and 40.

Since the District has shown from FY2009-FY2013 that it is able to maintain a healthy level of reserves, it should consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken should the fund balance continue to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity.

It is important to note that upon the implementation of GASB 54 in FY2011, the General Fund fund balance included some special revenue funds which were previously reported separately.[87] One fund is the Long-Term Income Reserve Fund, which the District created with proceeds of its parking garage sales. The parking garage sales will be discussed later in this section. The following chart shows the unrestricted fund balance and fund balance ratio for the District's General Fund, excluding the Long-Term Income Reserve Fund. In FY2011 the unrestricted fund balance included $95.8 million related to the Long-Term Income Reserve Fund and $4.3 million related to the Northerly Island Fund.[88] At the end of both FY2012 and FY2013, the unrestricted fund balance included $96.0 million in the Long-Term Income Reserve Fund and $2.1 million in the Northerly Island Fund.[89] In FY2013 the unrestricted fund balance excluding the Long-Term Income Reserves represented 32.8% of General Fund expenditures.

[85] Chicago Park District FY2013 Comprehensive Annual Financial Report, p. 36.
[86] Chicago Park District, FY2015 Budget Summary, p. 43.
[87] Per GASB 54, the funds no longer met the definition of special revenue fund and began to be reported under the General Fund.
[88] Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 17.
[89] Chicago Park District FY2012 Comprehensive Annual Financial Report, p. 18; FY2013, p. 36.

Chicago Park District General Fund Fund Balance Excluding Long-Term Income Reserves: FY2011-FY2013			
	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$82,082,000	$ 256,644,000	32.0%
FY2012	$96,777,000	$ 253,286,000	38.2%
FY2013	$87,925,000	$ 268,223,000	32.8%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 36 and 40; FY2012, pp. 36 and 40; FY2013, pp. 36 and 40.

Parking Garage Proceeds

In 2006 the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages (Grant Park North, Grant Park South and East Monroe) to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a Morgan Stanley, which gave the lease holder the right to provide parking garage services for 99 years.[90] The District set aside $69.1 million of the proceeds to extinguish garage related bonds. The full cash defeasance was $76.0 million, with the balance coming from funds that were already set aside to cover debt service and unspent cash proceeds.[91]

The remaining proceeds allowed the District to establish three funds:

- Garage Revenue Capital Improvements Fund – $122.0 million earmarked for capital improvement to neighborhood parks;
- Reserve for Park Replacement Fund – $35.0 million was set aside for park repair at Daley Bi-Centennial plaza above the East Monroe Garage once the Concessionaire completes agreed upon repairs to the garage; and
- Long-Term Income Reserve Fund – $121.7 million to generate earnings to replace the approximately $5.0 million that was generated annually through parking garage revenues.[92] In FY2011 this reserve fund was merged with the General Fund with the implementation of GASB 54.

[90] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp. 8 and 72.
[91] Information provided by the Chicago Park District, November 26, 2010.
[92] Chicago Park District FY2008 Budget Summary, p. 12.

Chicago Park District Distribution of Parking Garage Proceeds: (in $ millions)		
Long-Term Income Reserve	$	121.7
Garage Revenue Capital Improvements Fund	$	122.0
Reserve for Park Replacement Fund	$	35.0
Subtotal Allocated to Reserve Funds	**$**	**278.7**
Bond Defeasance	$	69.1
Total District Lease Transaction Proceeds	**$**	**347.8**

Source: Chicago Park District FY2006 Comprehensive Annual Financial Report;

E-mail communication between the Civic Federation and the Chicago Park District, November 26, 2010.

The following chart illustrates the revenues and expenses for the reserve funds for years that data are available. Some significant expenditure highlights of the funds include the following:

- The Long-Term Income Reserve fund earned a total of $7.4 million in interest and transferred out $12.3 million to replace lost parking garage revenues from FY2006 to FY2010. Starting in FY2011, this fund is reported within the General Fund;
- In FY2008, $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space;
- The Garage Revenue Capital Improvements Fund has spent a total of $106.0 million, the vast majority of which has been on capital improvements;
- In FY2010, $5.0 million was transferred into the Garage Revenue Capital Improvements Fund from the Park Improvements Fund[93] for reimbursement of prior year expenditures;
- In FY2010 a combined total of $8.0 million was transferred for General Fund operations from the Long-Term Income Reserve, Garage Revenue Capital Improvement Fund and Reserve for Park Replacement Fund;
- In FY2011 the District spent approximately $8.1 million on capital projects and $80,000 on park operations from the Garage Revenue Capital Improvements Fund;
- In FY2012 the District spent approximately $4.3 million from the Garage Revenue Capital Improvements Fund, including $4.2 million on capital projects and $46,000 on park operations, as well as $4.6 million from the Reserve for Park Replacement Fund; and
- In FY2013 the District spent approximately $1.3 million from the Garage Revenue Capital Improvements Fund on capital related expenditures and $6.0 million from the Reserve for Park Replacement Fund.

[93] The Park Improvements Fund accounts for proceeds of debt used to acquire property and finance construction and supporting services for redevelopment projects in the parks.

Parking Garage Reserve Funds: FY2006-FY2013 (in $ millions)			
	Long-Term Income Reserve*	**Garage Revenue Capital Improvements Fund**	**Reserve for Park Replacement Fund**
Revenue			
Proceeds	$ 121.7	$ 122.0	$ 35.0
Interest and Misc. Earnings	$ 7.4	$ 8.8	$ 2.6
Transfers In	$ 0.9	$ 5.0	$ -
Total	**$ 129.9**	**$ 135.7**	**$ 37.6**
Transfers Out to General			
FY2006	$ -	$ -	$ -
FY2007	$ (5.0)	$ -	$ -
FY2008	$ (5.0)	$ -	$ -
FY2009	$ (2.1)	$ (8.0)	$ (2.0)
FY2010	$ (0.2)	$ (7.7)	$ (0.1)
FY2011	$ -	$ -	$ -
FY2012	$ -	$ -	$ -
FY2013	$ -	$ -	$ -
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Current and Capital Expenses			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (25.1)	$ (1.1)
FY2011*	$ -	$ (8.2)	$ (0.3)
FY2012*	$ -	$ (4.3)	$ (4.6)
FY2013*	$ -	$ (1.3)	$ (6.0)
Total	**$ (21.9)**	**$ (106.0)**	**$ (12.1)**
Balance FY2013	**$ 95.7**	**$ 14.0**	**$ 23.4**

Note: Some differences may appear due to rounding.

*The Long-Term Income Reserve Fund was merged into the General Fund for accounting purposes in FY2011 with the implementation of GASB 54.

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2013.

SHORT TERM LIABILITIES

Short-term liabilities are financial liabilities that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The following are the different types of short-term liabilities reported in the FY2009-FY2013 Chicago Park District audited financial reports:

- *Accounts Payable & Accrued Expense*: Unpaid bills owed to vendors for goods and services carried over into the new fiscal year;
- *Accrued Payroll*: Employee compensation, related payroll taxes and benefits that have been earned by District employees but have not yet been paid or recorded in the District's accounts;
- *Due To Other Funds or Organizations*: Funds to be paid to other funds, governments or agencies carried over from the previous fiscal year;

- *Retainage Payable*: Amounts due on construction or other contracts not paid pending final inspection or completion of the project or the lapse of a specified period, or both;
- *Other Liabilities*: Includes self-insurance funds, unclaimed property and other unspecified liabilities; and
- *Deposits*: Funds held by the District or its agents to collateralize other investment risks.

In FY2013 the District's short-term liabilities increased by $22.8 million, or 14.4%, from the previous year. Since 2009 short-term liabilities overall have increased by $6.6 million or 3.8%. It is important to note that most of this five-year increase, or $10.9 million, represents amounts due to other funds. The outstanding balances between funds result mainly from the time lag between the dates the expenditures occur in the "borrowing" fund and when repayment is made back to the "disbursing" fund. The balances are repaid during the next fiscal year.[94]

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2009-FY2013 (in $ thousands)									
Type	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Accounts Payable & Expenses	$ 66,605	$ 73,522	$ 61,949	$ 58,626	$ 60,659	$ 2,033	3.5%	$ (5,946)	-8.9%
Accrued Payroll	$ 4,851	$ 2,565	$ 2,308	$ 3,532	$ 3,675	$ 143	4.0%	$ (1,176)	-24.2%
Due to other funds	$ 100,014	$ 60,667	$ 79,442	$ 90,499	$ 110,928	$ 20,429	22.6%	$ 10,914	10.9%
Due to other organizations	$ 397	$ 327	$ 3,781	$ 460	$ 582	$ 122	26.5%	$ 185	46.6%
Retainage payable	$ 2,156	$ 3,365	$ 4,958	$ 4,400	$ 4,124	$ (276)	-6.3%	$ 1,968	91.3%
Deposits	$ 475	$ 620	$ 766	$ 704	$ 1,099	$ 395	56.1%	$ 624	131.4%
Total	**$ 174,498**	**$ 141,066**	**$ 153,204**	**$ 158,221**	**$ 181,067**	**$ 22,846**	**14.4%**	**$ 6,569**	**3.8%**

Sources: Chicago Park District Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds, FY2009-FY2013.

Factoring out the amounts reported in the due to other funds category, short term liabilities have decreased by 5.8%, or $4.3 million, between FY2009 and FY2013. The decrease is a positive sign.

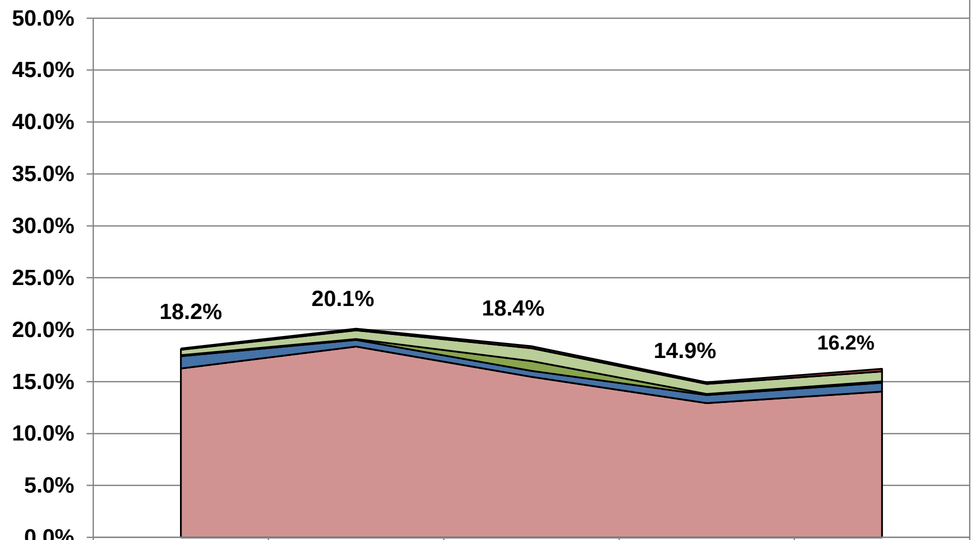
Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2009-FY2013 Without Liabilities Due to Other Funds (in $ thousands)									
	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Total	**$ 74,484**	**$ 80,399**	**$ 73,762**	**$ 67,722**	**$ 70,139**	**$ 2,417**	**3.6%**	**$ (4,345)**	**-5.8%**

Sources: Chicago Park District FY2009-2013 Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds.

Increasing short-term liabilities in a government's operating funds as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[95] The short-term liabilities to net operating revenues ratio, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. We have excluded due to other funds amounts in calculating the short-term liabilities ratio as these amounts represent interfund borrowings. The exhibit shows that the ratio has been relatively stable between FY2009 and FY2013, falling slightly from 18.2% to 16.2%.

[94] Chicago Park District FY2013 Comprehensive Annual Financial Report, Note 4: Interfund Balances and Activity, p. 62.
[95] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), pp. 77 and 169.

Chicago Park District Short-Term Liabilities in the Governmental Funds as a % of Operating Revenues, FY2009-FY2013

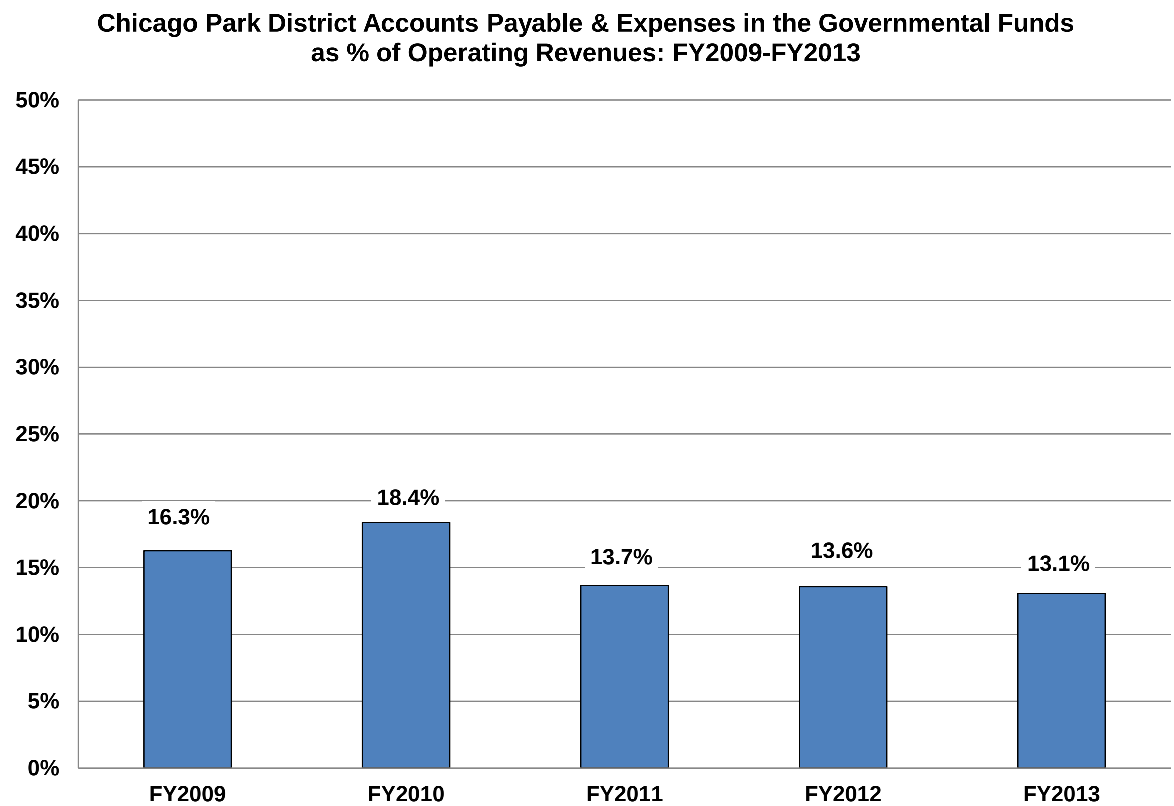


	FY2009	FY2010	FY2011	FY2012	FY2013
Deposits	0.1%	0.2%	0.2%	0.2%	0.3%
Retainage payable	0.5%	0.8%	1.2%	1.0%	1.0%
Due to other organizations	0.1%	0.1%	0.9%	0.1%	0.1%
Accrued Payroll	1.2%	0.6%	0.6%	0.8%	0.9%
Accounts Payable & Expenses	16.3%	18.4%	15.5%	12.9%	14.0%

Source: Chicago Park District FY2009-2013 Comprehensive Annual Financial Reports.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable and expenses to operating revenues has declined from 16.3% in FY2009 to 13.1% five years later. The decrease between FY2009 and FY2013 is a positive sign.



Source: Chicago Park District FY2009-2013 Comprehensive Annual Financial Reports.

Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[96]

In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of the District's Governmental Funds, including:

- *Cash and cash equivalents*: Assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;

[96] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organization,* Upper Saddle River, NJ, 2001, p. 476.

- *Investments*: Any investments that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: Monetary obligations owed to the government, including property taxes, personal property replacement taxes and accounts receivable;
- *Due from other governments or other funds:* 1) Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government or 2) Monies due from non-governmental funds;
- *Prepaid items:* Prepaid items represent certain payments made to vendors applicable to future accounting periods. The cost of these items are reported expenditures when they are consumed rather than when they are purchased;[97] and
- *Other current assets*: Payments to vendors applicable to future accounting periods.

The Chicago Park District's Governmental Funds current ratio was 4.2 in FY2013, the most recent year for which data are available. In the past five years, the District's current ratio averaged 5.0, which is greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2009 to FY2013, the current ratio declined from 4.5 to 4.2.

Chicago Park District Current Ratio in the Governmental Funds: FY2009-FY2013
(in $ thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Current Assets									
Cash and cash equivalents	$ 11,265	$ 5,017	$ 3,980	$ 8,807	$ 11,188	$ 2,381	27.0%	$ (77)	-0.7%
Cash and investments in escrow	$ -	$ -	$ -	$ 2,776	$ 6,259	---	---	---	---
Cash with fiscal agent	$ -	$ 29,142	$ 30,841	$ -	$ 16,917	$ 16,917	---	$ 16,917	---
Investments	$ 381,401	$ 456,839	$ 407,482	$ 346,954	$ 293,526	$ (53,428)	-15.4%	$ (87,875)	-23.0%
Receivables: Property Taxes, net	$ 260,664	$ 290,518	$ 265,910	$ 258,232	$ 252,037	$ (6,195)	-2.4%	$ (8,627)	-3.3%
Receivables: PPRT	$ 5,244	$ 4,313	$ 5,936	$ 6,088	$ 7,679	$ 1,591	26.1%	$ 2,435	46.4%
Receivables: Accounts	$ 29,001	$ 24,533	$ 42,462	$ 47,346	$ 61,573	$ 14,227	30.0%	$ 32,572	112.3%
Due from other funds	$ 100,014	$ 60,667	$ 79,442	$ 90,499	$ 110,928	$ 20,429	22.6%	$ 10,914	10.9%
Due from other governments	$ -	$ -	$ -	$ 331	$ -	$ (331)	---	$ -	---
Prepaid items	$ -	$ -	$ -	$ 1,037	$ 843	$ (194)	---	$ 843	---
Other current assets	$ 1,820	$ 2,030	$ 1,229	$ 331	$ 330	$ (1)	-0.3%	$ (1,490)	-81.9%
Total Current Assets	**$ 789,409**	**$ 873,059**	**$ 837,282**	**$ 762,401**	**$ 761,280**	**$ (1,121)**	**-0.1%**	**$ (28,129)**	**-3.6%**
Current Liabilities									
Accounts payable & expenses	$ 66,605	$ 73,522	$ 61,949	$ 58,626	$ 60,659	$ 2,033	3.5%	$ (5,946)	-8.9%
Accrued payroll	$ 4,851	$ 2,565	$ 2,308	$ 3,532	$ 3,675	$ 143	4.0%	$ (1,176)	-24.2%
Due to other funds	$ 100,014	$ 60,667	$ 79,442	$ 90,499	$ 110,928	$ 20,429	22.6%	$ 10,914	10.9%
Due to other organizations	$ 397	$ 327	$ 3,781	$ 460	$ 582	$ 122	26.5%	$ 185	46.6%
Retainage payable	$ 2,156	$ 3,365	$ 4,958	$ 4,400	$ 4,124	$ (276)	-6.3%	$ 1,968	91.3%
Deposits	$ 475	$ 620	$ 766	$ 704	$ 1,099	$ 395	56.1%	$ 624	131.4%
Total Current Liabilities	**$ 174,498**	**$ 141,066**	**$ 153,204**	**$ 158,221**	**$ 181,067**	**$ 22,846**	**14.4%**	**$ 6,569**	**3.8%**
Current Ratio	**4.5**	**6.2**	**5.5**	**4.8**	**4.2**				

Source: Chicago Park District FY2009-2013 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

LONG-TERM LIABILITIES

This section of the analysis examines trends in the Chicago Park District's long-term liabilities. This includes a review of trends in long-term tax supported debt, long-term debt per capita and long-term liabilities. Long-term liabilities are obligations owed by a government. Increases in long-term liabilities over time could be a sign of fiscal stress. They include long-term debt, as well as:

[97] Chicago Park District FY2013 Comprehensive Annual Financial Report, Note 1: Summary of Significant Accounting Policies, p. 51.

- *Contractor long-term financing:* Vendor provided financing for capital purchases at District owned golf courses;
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Claims and judgments*: Liabilities owed as a result of claims for tort liability and property judgments;
- *Net pension obligations (NPO)*: The cumulative difference (as of the effective date of GASB Statement 27) between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short-term differences and unpaid contributions that have been converted to pension-related debt;[98]
- *Net Other Post Employment Benefit (OPEB) liabilities*: The cumulative difference (as of the effective date of GASB Statement 45) between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan;
- *Property tax claims payable*: Property tax refunds to taxpayers that have not yet been paid; and
- *Workers compensation claims*: Payments owed for some part of the cost of injuries or disease incurred by employees in the course of their work.

[98] GASB Statement Number 27: *Accounting for Pensions by State and Local Governmental Employers, Issued November 1994* at http://www.gasb.org/st/summary/gstsm27.html.

Between FY2012 and FY2013, total Chicago Park District long-term liabilities increased by 2.7%, or $27.9 million, rising from $1.04 to $1.07 billion. In the five-year period between FY2009 and FY2013 total long-term liabilities increased by 19.7% or $176.7 million. The largest percentage increase between FY2009 and FY2013 was for net pension obligations, which rose by $89.7 million or 549.3%.

The Chicago Park District had a total of $901.2 million in long-term tax supported debt outstanding in FY2013. This was a 0.6%, or $5.3 million, decrease from the previous year. Most of the long-term debt outstanding was in the form of general obligation capital improvement bonds, which averaged about 96.0% of the total sum in the five-year period. Between FY2009 and FY2013 total District long-term general obligation bonded debt increased by 11.9%, rising from approximately $805.4 million to $901.2 million.

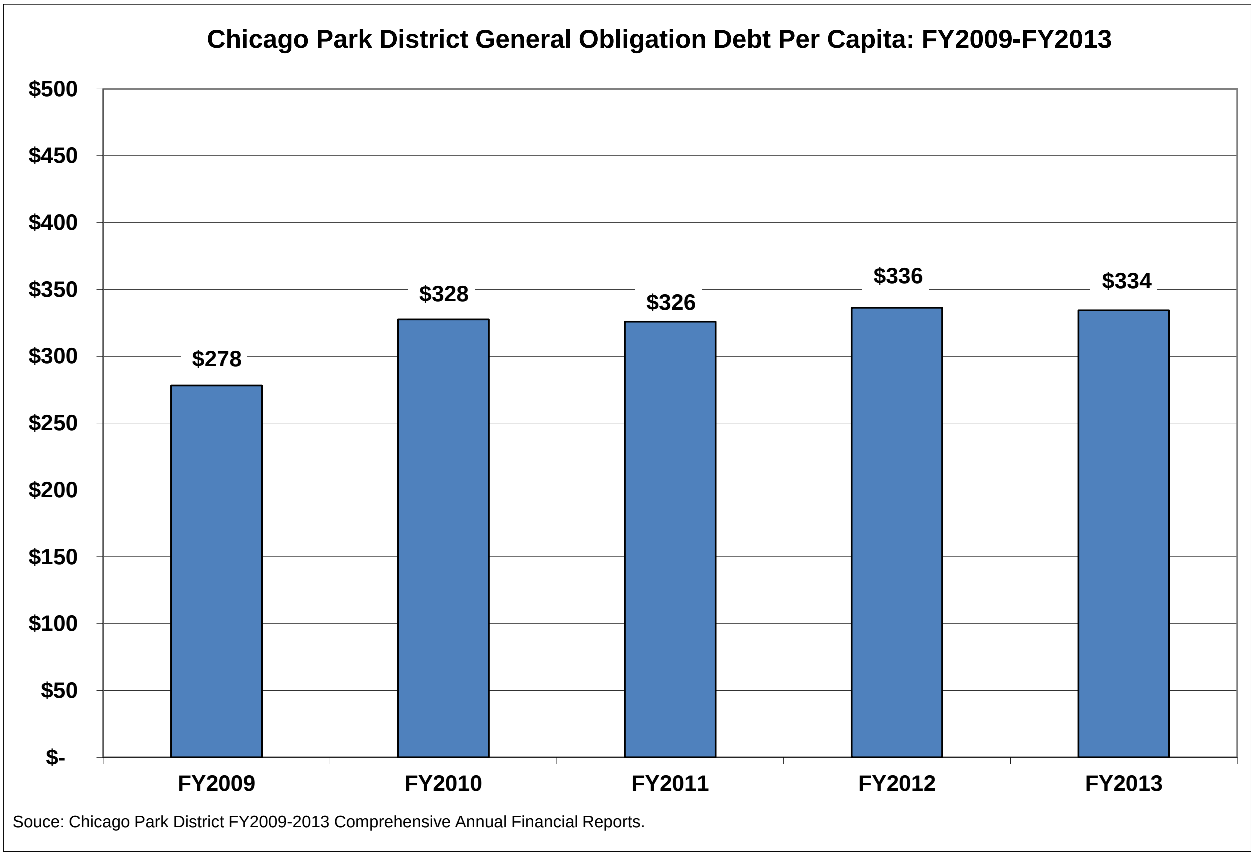
Chicago Park District Long-Term Liabilities for Governmental Activities: FY2009-FY2013
(in $ thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Obligation Bonds									
Capital Improvement	$ 768,230	$ 904,600	$ 917,295	$ 871,205	$ 865,665	$ (5,540)	-0.6%	$ 97,435	12.7%
Aquarium and Museums	$ 32,730	$ 29,685	$ -	$ -	$ -	--	--	$ (32,730)	-100.0%
Unamortized Premiums	$ 21,468	$ 30,011	$ 40,073	$ 35,270	$ 35,539	$ 269	0.8%	$ 14,071	65.5%
Deferred Amount on Refunding	$ (17,077)	$ (15,574)	$ (13,581)	$ -	$ -	$ -	---	$ 17,077	-100.0%
Subtotal General Obligation Bonds	**$ 805,351**	**$ 948,722**	**$ 943,787**	**$ 906,475**	**$ 901,204**	**$ (5,271)**	**-0.6%**	**$ 95,853**	**11.9%**
Other Long-Term Liabilities									
Contractor Long Term Financing	$ 919	$ 1,107	$ 1,282	$ 1,657	$ 1,788	$ 131	7.9%	$ 869	-
Capital Lease PBC	$ 10,795	$ 7,395	$ 3,800	$ -	$ -	$ -	---	$ (10,795)	-100.0%
Compensated Absences	$ 8,236	$ 8,528	$ 8,760	$ 8,423	$ 7,974	$ (449)	-5.3%	$ (262)	-3.2%
Claims & Judgments	$ 7,581	$ 6,949	$ 6,530	$ 5,157	$ 2,303	$ (2,854)	-55.3%	$ (5,278)	-69.6%
Net Pension Obligation	$ 16,337	$ 31,156	$ 48,854	$ 69,646	$ 106,075	$ 36,429	52.3%	$ 89,738	549.3%
Net OPEB Obligation	$ 8,693	$ 11,747	$ 14,082	$ 16,566	$ 17,554	$ 988	6.0%	$ 8,861	101.9%
Property Tax Claim Payable	$ 22,979	$ 23,043	$ 20,010	$ 22,120	$ 19,551	$ (2,569)	-11.6%	$ (3,428)	-14.9%
Worker's Compensation	$ 14,937	$ 15,344	$ 13,588	$ 14,607	$ 16,109	$ 1,502	10.3%	$ 1,172	7.8%
Subtotal Other Long-Term Liabilities	**$ 90,477**	**$ 105,269**	**$ 116,906**	**$ 138,176**	**$ 171,354**	**$ 33,178**	**24.0%**	**$ 80,877**	**89.4%**
Grand Total Long-Term Liabilities	**$ 895,828**	**$ 1,053,991**	**$ 1,060,693**	**$ 1,044,651**	**$ 1,072,558**	**$ 27,907**	**2.7%**	**$ 176,730**	**19.7%**

Source: Chicago Park District FY2009-2013 Comprehensive Annual Financial Reports.

General Obligation Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is direct tax-supported debt per capita. This includes General Obligation debt financed with property taxes. The ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. The exhibit below shows that the Chicago Park District's general obligation debt burden per capita rose by 20.2% during the five-year period between FY2009 and FY2013, increasing from $278 to $334 per capita.



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.[99]

Chicago Park District debt service appropriations in the proposed budget for FY2015 are expected to be 18.0% of the District's proposed $448.6 million in total appropriations. The District will spend approximately $80.8 million for debt service in the upcoming fiscal year. The debt service to total appropriations ratio will average 20.8% between FY2011 to FY2015, a "high" rating.

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[99] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2011-FY2015					
	FY2011 Budget	**FY2012 Budget**	**FY2013 Budget**	**FY2014 Budget**	**FY2015 Budget**
Debt Service Appropriations	$ 86,782,063	$ 89,553,699	$ 87,044,104	$ 89,772,942	$ 80,819,603
Total Appropriations	$ 397,569,544	$ 407,519,803	$ 410,929,101	$ 425,571,014	$ 448,580,770
Debt Service as a % of Total Appropriations	**21.8%**	**22.0%**	**21.2%**	**21.1%**	**18.0%**

Sources: Chicago Park District FY2011-FY2015 Budgets.

Bond Ratings

The Chicago Park District had the following credit ratings as of November 2014:

Chicago Park District Bond Ratings	
Standard & Poor's	AA+
Moody's	A3
Fitch	AA-
Kroll	AA

Sources: Chicago Park District FY2015 Budget Summary, p. 55; Paul Merrion, *Crain's Chicago Business* , "Moody's cuts ratings for Chicago schools, park district," March 15, 2014.

In March 2014 Moody's Investors Service downgraded the Chicago Park District's credit rating from A1 to A3. Moody's noted that the District has strong financial management, large reserves and has successfully enacted pension reforms that will reduce future liabilities. However, given the extreme financial pressures facing the City of Chicago and the political relationship between the District and the City, the Park District's financial position could be influenced negatively in the future through the City's influence on the District's expenditure and revenue decisions.[100]

Both Moody's Investors Service and Fitch downgraded the Chicago Park District's credit rating in the summer of 2013. Moody's Investors Service downgraded the general obligation credit rating of the District to A1 from Aa2 in July 2013. The outlook was revised from stable to negative. Moody's cited the District's large and growing unfunded pension liabilities as the primary reason for the downgrade.[101] Fitch downgraded outstanding general obligation limited and unlimited tax bonds to AA- from AA with a stable outlook in May 2014. The reason for the downgrade at that time was the low funding level of the pension fund and financial challenges of overlapping taxing bodies.[102]

CAPITAL IMPROVEMENT PLAN

As part of the Park District's capital planning process, it annually publishes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The 2013-

[100] Paul Merrion, *Crain's Chicago Business*, "Moody's cuts ratings for Chicago schools, park district," March 15, 2014.
[101] Moody's Investors Service, Rating Action: Moody's downgrades Chicago Park District to A1 from Aa2; outlook negative," July 24, 2013.
[102] Reuters. "Fitch Rates Chicago Park District, IL's GOs 'AA-', Outlook Stable," May 30, 2014.

2017 Capital Improvement Plan (CIP) is available on the District's website[103] while a summary of the FY2015-FY2019 plan is included in this year's respective Budget Summaries.

The following chart shows the estimated annual cash disbursements for the FY2015-FY2019 five-year capital spending plan and sources of funding. The CIP proposes $278.0 million in projects over the next five years. Of that amount roughly $150.0 million will be obtained from new general obligation bond proceeds. The remaining $134.0 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations. The largest anticipated source of outside funds will be State of Illinois grants at $56.5 million.

Acquisition and Development of capital facilities will be the largest capital spending category totaling $110.6 million over the next five years. The second largest spending category will be Site Improvements at $80.8 million followed by Facility and Building Rehabilitation at $71.6 million and Technology, Vehicles and Improvements at $15.0 million.

Chicago Park District Five-Year Capital Improvement Plan FY2015-FY2019 (in $ millions)

	Chicago Park District Funding					Outside Funding Expected	Total Funding
Projected Uses	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2015-FY2019**	**FY2015-FY2019**
Acquisition and Development	$ 12.8	$ 10.8	$ 6.5	$ 8.1	$ 6.8	$ 65.7	$ 110.6
Facility and Building Rehabilitation	$ 7.6	$ 7.5	$ 6.9	$ 6.6	$ 8.5	$ 34.5	$ 71.6
Site Improvements	$ 11.6	$ 13.7	$ 13.6	$ 7.3	$ 6.8	$ 27.8	$ 80.8
Technology, Vehicles, Improvement	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ -	$ 15.0
Total Spending	**$ 35.0**	**$ 35.0**	**$ 30.0**	**$ 25.0**	**$ 25.0**	**$ 128.0**	**$ 278.0**
Funding Source							
General Obligation Bond Proceeds	$ 35.0	$ 35.0	$ 30.0	$ 25.0	$ 25.0	$ -	$ 150.0
City Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 25.1	$ 25.1
State Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 56.5	$ 56.5
Federal Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 8.9	$ 8.9
Private Grants and Donations	$ -	$ -	$ -	$ -	$ -	$ 37.5	$ 37.5
Park District Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 35.0**	**$ 35.0**	**$ 30.0**	**$ 25.0**	**$ 25.0**	**$ 128.0**	**$ 278.0**

Note: Detailed information about the individual sources or amounts of outside expected funding is not provided.

Source: Chicago Park District FY2015 Budget Summary, p. 48.

[103] See the Park District's website at http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan/ (last visited November 24, 2014).

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[104]

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process including how criteria for projects were determined and whether materials and meetings were made available to the public;
- A five-year summary list of all projects and expenditures by project that includes funding sources per project;
- Criteria for projects to earn funding in the capital budget including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;
- Information about the impact of capital spending on the annual operating budget of each project;
- Annual updates on actual costs and changes in scope as projects progress;
- Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

Once the CIP process is completed, the plan should be formally adopted by the governing body and integrated into its long-term financial plan. There should be opportunities for public input into the process. A well-organized and annually updated CIP helps ensure efficient and predictable execution of capital projects and helps efficiently allocate scarce resources. It is important that a capital budget prioritize and fund the most critical infrastructure needs before funding new facilities or initiatives.

The checklist that follows assesses how closely the District's CIP conforms to best practice guidelines. The District prepares an annual CIP and summary information about the CIP is provided in the annual Budget Summary. It includes a narrative description of the capital improvement planning process and highlights of major projects. However, no detail is provided regarding individual project expenditures and funding sources, the impact and amount of capital spending on the annual operating budget or the time frame for fulfilling capital projects. It is unclear whether there is a dedicated hearing with opportunities for stakeholder input on the capital improvement plan.

[104] National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include: • *A narrative description of the CIP process?* • *A five-year summary list of projects and expenditures by project as well as funding sources per project?* • *Information about the impact and amount of capital spending on the annual operating budget for each project?* • *Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project?* • *The time frame for fulfilling capital projects?*	 Yes No No There is narrative regarding major project highlights in each plan No
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Not in the CIP
Is the capital improvement plan made publicly available for review by elected officials and citizens? • *Is the CIP published in the budget or a separate document?* • *Is the CIP available on the Web?*	 A summary is published in the budget document and a separate CIP is posted on the District website Yes. The latest CIP posted is for FY2013-FY2017
Are there opportunities for stakeholders to provide input into the CIP? • *Is there stakeholder participation on a CIP advisory or priority setting committee?* • *Does the governing body hold a formal public hearing at which stakeholders may testify?* • *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	 No. There is an internal staff review process that takes into consideration external stakeholder requests for improvements. Unclear No information in CIP
Is the CIP formally approved by the governing body of the government?	It is approved with the budget
Is the CIP integrated into a long term financial plan?	Unclear
Sources: Chicago Park District FY2015 Budget Summary, pp. 44-54 and http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan.	