The Civic Federation

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CHICAGO PARK DISTRICT FY2012 BUDGET:

Analysis and Recommendations

December 7, 2011

The Civic Federation ● 177 N. State Street ● Chicago IL 60601 ● civicfed.org

The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District FY2012 Budget of $407.5 million because it holds the property tax levy flat for the seventh year in a row and emphasizes cost containment and revenue diversification. The Federation supports the District's development of a fund balance policy and its efforts to eliminate the structural deficit through a multi-year plan. While we support the budget, the Civic Federation has concerns about the declining health of the District's pension fund and the District's continued pattern of reliance on non-recurring sources to close its budget gap.

The Civic Federation offers the following **key findings** on the FY2012 proposed budget:

- The FY2012 proposed budget is $407.5 million, an increase of approximately $10.0 million, or 2.5%, from FY2011 budgeted appropriations;
- The property tax levy will be held flat at $259.9 million for the seventh consecutive year;
- Revenue from permits and fees will increase by $5.0 million, or 9.7%, from FY2011;
- Total personnel costs are budgeted at $171.7 million. This is a 3.2%, or $5.3 million, increase over the $166.4 million for personnel expenditures budgeted in FY2011. These costs include salaries and benefits;
- General Fund fund balance will increase to $47.6 million, or 20.0% of General Fund expenditures, in FY2012; and
- The actuarial value funded ratio for the District's pension fund fell from 96.7% in FY2001 to 62.3% in FY2010.

The Civic Federation **supports** several elements of the proposed budget including:

- Freezing the District's property tax levy for the seventh consecutive year;
- Developing a General Fund fund balance policy;
- Increasing non-tax revenues;
- Developing a multi-year plan to eliminate the structural deficit by 2015;
- Not using the TIF surplus to balance the budget; and
- Implementing several management initiatives to promote employee wellness and reduce employee healthcare costs, enhance technology for customers and employees and create an independent Director of Internal Audit Department to report directly to the Board of Commissioners.

However, the Civic Federation has **concerns** about the FY2012 proposed budget which include:

- Continuing use of non-recurring sources to balance the budget, including $12.0 million from the fund balance of the General Fund;
- Maintaining the District's pension fund at a funded ratio below a level considered financially healthy; and
- Increasing compensation for union and non-union employees at 3.0% and 1.5%, respectively, despite rising personnel costs and a structural deficit.

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

- Implement comprehensive pension reform including relating employer and employee contributions to the funded status of the plans, reducing benefits not yet earned by current employees and/or considering consolidation with the Illinois Municipal Retirement Fund;
- Revise the District's fund balance policy for the Long-Term Income Reserve by setting a limit on the amount the District can draw down on its reserves;
- Follow GFOA guidelines to improve the new General Fund fund balance policy;
- Implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public;
- Assume operational control of the Illinois International Port District's Harborside Golf Center as part of a larger proposed dissolution of the entire Port District governmental structure; and
- Improve the District's budget format, providing five-year trend data for appropriations and revenues, including grant funds and clarifying the uses and sources of reserve funds.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District FY2012 Budget Recommendation because it holds the property tax levy flat for the seventh year in a row and emphasizes cost containment and revenue diversification. The District's proposed operating budget of $407.5 million represents an increase of 2.5%, or nearly $10.0 million, from the FY2011 budget.

The Civic Federation supports the District's establishment of a fund balance policy and its efforts to eliminate the structural deficit through a multi-year plan. At the same time, the Federation is concerned that District is continuing its pattern of reliance on non-recurring revenue sources by using one-time revenues of $12.0 million from the fund balance of the General Fund to help close the FY2012 budget gap.

Additionally, the Civic Federation warns that the health of the District's pension fund continues to deteriorate and recommends that the District pursue pension reforms. Similarly, the Civic Federation also recommends that the District develop a long-term financial plan to improve its overall financial management.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the FY2012 Chicago Park District budget.

Holding the Property Tax Levy Flat

For the seventh consecutive year, the District is holding the property tax levy flat. The levy, which totals $259.9 million, includes $253.9 million for general operations and $6.0 million for Special Recreation purposes. This has been possible largely because the District has utilized a combination of increased fee revenues, new revenue sources, reductions in personnel and use of proceeds from privatization.

It is prudent to look at alternatives to raising taxes as City residents struggle to deal with the aftermath of the recession and the housing foreclosure crisis. The Civic Federation supports the District's continued efforts to limit the pressure placed on property taxes. However, the District will need to utilize long-term financial planning to ensure that it is prepared when one-time revenue sources are no longer available and to prevent an overdependence on non-recurring sources.

Development of a Fund Balance Policy

The Park District recently indicated that it plans to establish a fund balance policy that directly addresses the General Fund fund balance. The policy requires the District to maintain at least $25.0 million in the fund balance of the General Fund.[1] For the FY2012 budget, $25.0 million represents approximately 6.1% of the District's total operating expenditures of $407.5 million. The Civic Federation supports this initiative toward fiscal responsibility, but also encourages the

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[1] Information provided by the Chicago Park District, November 21, 2011.

District to implement a fund balance policy according to guidelines recommended by the Government Finance Officers Association (GFOA).

The GFOA recommends that governments maintain a fund balance in their general funds of at least two months of expenditures or revenues, which is approximately 17%. A fund balance of 17% would equate to approximately $40.5 million of the District's FY2012 General Fund appropriation of $238.3 million. The District proposes a fund balance of $47.6 million for FY2012, or 20.0%, which is above the GFOA standard.

Increasing Non-Tax Revenues

The Chicago Park District has been successful in raising revenues from a number of non-tax sources in recent years. In FY2012 the District plans to increase parking fees for Bears Season Ticket Holders by $3 and the Soldier Field Daily Parking Rate by $1. The District also proposes to increase permit fees for use of park property for large, "for-profit" users by 3.0%. Slip fees for boaters at the District's harbors will also rise by between 2.8% to 3.0%.[2] Over the past five years permit and fee revenue has increased by 49.6%, or $18.7 million, reflecting large increases in all categories, including a $4.7 million, or 1,476.1%, increase in Golf Course Fees.

The Civic Federation commends the District's efforts to generate revenue from non-tax sources. The increase in these revenue sources helps mitigate the impact of economically sensitive tax revenues such as the Personal Property Replacement Tax and provides diversification to protect against individual revenue fluctuations.

Multi-Year Plan to Eliminate Structural Deficit

The Chicago Park District eliminated approximately half of its structural deficit for FY2012 and is developing a multi-year plan to fully eliminate the structural deficit by FY2015 by successively reducing the deficit by half each year. The proposed plan will include savings on energy costs, rebidding of contracts and program cuts. The plan will also propose savings through work rule changes and increased employee healthcare contributions. The multi-year plan will be submitted to the District's Board of Commissioners in FY2012 for approval.

The Civic Federation applauds the District for making a serious effort to cut costs and better manage its resources. We are encouraged that the District has indicated its efforts to pursue additional efficiencies will continue in the next fiscal year and beyond in order to address future budget gaps.

Not Using the TIF Surplus to Balance the Budget

The District is expecting to receive $3.0 to $4.0 million in Tax Increment Financing (TIF) surplus to be distributed by the City of Chicago in 2012.[3] However, the District has prudently chosen not to budget for this one-time revenue source.

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[2] Information provided by the Chicago Park District, November 21, 2011.
[3] Information provided by the Chicago Park District, November 21, 2011.

The Civic Federation supports the District's plan to not budget the TIF surplus for a specific fund or department because the revenues will not be available next year. In FY2011, the District used $12.0 million in TIF surplus to close its budget deficit.[4]

Implementation of Management Initiatives

The District has taken positive steps toward the implementation of several management initiatives including:

- Partnership with the City of Chicago in the City's Employee Wellness Program;
- Enhancement of technology to improve customer service (e.g., online registration, permitting system and overall website) and professional development and training for District employees; and
- Creation of independent Director of Internal Audit Department to report directly to the Board of Commissioners.[5]

Civic Federation Concerns

The Civic Federation has concerns regarding three financial issues facing the Chicago Park District.

Continued Use of Non-Recurring Revenue Sources

The District has a structural deficit that has persisted, and the District has plugged the budget gap through the use of non-recurring revenue sources. This trend will continue in FY2012 as the District closes its FY2012 deficit of $23.9 million by utilizing non-recurring sources, such as $12.0 million from the Corporate Fund fund balance. The Park District is also implementing three shutdown days for a savings of $1.0 million, which is not a permanent budgetary solution. It is important to note that the Civic Federation does not object to either of these techniques individually. For example, utilizing a portion of fund balance during an economic downturn to address short-term revenue fluctuations can be appropriate. However, the Civic Federation is concerned that the District shows a pattern of reliance on non-recurring methods to balance its annual budgets.

This is at least the sixth year in a row that the District has used non-recurring revenue sources to close budget shortfalls. Prior to the decline in economically sensitive revenues other non-recurring revenues utilized in recent years include the following:

- In FY2011 $3.0 million was transferred from the Corporate Fund fund balance and $12.0 million in TIF surplus from the City of Chicago;
- In FY2010 $7.7 million was transferred from the Parking Garage Revenue Capital Improvements Fund;
- In FY2009 $10.0 million was budgeted from Interest on Capital Investment;
- In both FY2007 and FY2008 $10.0 million was transferred from unreserved fund balance; and

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[4] Information provided by the Chicago Park District, December 6, 2011.
[5] Information provided by the Chicago Park District, November 21, 2011.

- In FY2007 the District transferred $10.0 million into its Corporate Fund from its Pension Fund, which has seen a significant decline in its funded ratio.[6]

Given this history, the Civic Federation is encouraged by the District's efforts to eliminate its structural deficit through a multi-year plan and looks forward to the plan's implementation.

Deterioration of the Fiscal Health of the Park District Pension Fund

The funded ratio of the Chicago Park District pension fund fell to 62.3% in FY2010, the last year for which data is available. In FY2001 the funded ratio was 96.7%. Unfunded liabilities totaled $314.4 million in FY2010. This is an increase of $292.3 million, or nearly thirteen times the $22.1 million of unfunded liabilities in FY2001. The funded ratio is below a level considered financially sustainable. The District must act to improve the financial health of the fund.

Increases in Personnel Costs

In FY2012 total personnel costs will increase by 3.2%, or $5.3 million, from $166.4 million in FY2011 to $171.7 million. This increase is due to a 5.3%, or $6.7 million, increase in salaries and wages, despite an elimination of 33 vacancies. Over the past five years, personnel costs will increase by 20.2% and will likely continue to rise in future years. This increase occurs even though total personnel costs will decline over the same time period by 166 FTEs, or 5.1%.

In its FY2012 budget proposal the Chicago Park District proposes to increase compensation for represented employees by 3.0%, per collective bargaining negotiations. The District also proposes to increase non-represented employees' compensation by 1.5%. Given the magnitude of the increase in personnel expenses in the FY2012 budget and the size of the District's structural deficit, the Civic Federation is concerned that the salary increase for both union and non-union employees is neither affordable nor sustainable.

Civic Federation Recommendations

The Civic Federation has several recommendations on ways to improve the Chicago Park District's financial and transparency practices.

Implement Comprehensive Pension Reform

The Civic Federation offers the following specific recommendations to improve the long-term financial health of the Chicago Park District Pension Fund. These measures would require General Assembly authorization. The Civic Federation supported Public Act 96-0889, which created a different tier of benefits for many public employees hired on or after January 1, 2011. Over time these benefit changes for new hires will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier. However, the pension fund's actuarial funded ratio has fallen to 62.3%, and the District needs to take action immediately. We strongly urge the District to seek approval for additional reforms.

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[6] Chicago Park District FY2007 Comprehensive Annual Financial Report p. 61.

Fund Pensions at the Annual Required Contribution Level

The District's employer contribution to its pension fund is a multiple of past employee contributions with no relationship to the funded status of the plan. The employee contributions are a fixed percentage of pay. The pension fund actuary estimates that in order to contribute an amount sufficient to meet the annual required contribution (ARC) in FY2011, the Park District would need to tax a multiple of employee contributions two years earlier of 2.70 rather than the statutory level of 1.10. The Civic Federation recommends that employer and employee contributions be tied to actuarial liabilities and funded ratios, such that contributions are at levels consistent with the actuarially calculated annual required contribution (ARC). This will require additional revenues or spending reductions.

The cost increase would be reduced if the ARC funding were shared with employees similar to the Chicago Transit Authority model, which is based on a 60%/40% employer/employee contribution structure.

Reduce Benefits for Current Employees

The Park District's unfunded pension liabilities have grown significantly over the past ten years, from $22.1 million in FY2001 to $314.4 million in FY2010. The actuarially required contribution (ARC) has jumped from only 6.1% of payroll to 20.9% of payroll over the same period (see Pension section of this report), although the District only contributed the equivalent of 10.1% of payroll in FY2010. If the District does not take dramatic action to significantly increase its contributions immediately, the contributions needed to rescue the fund will become so substantial that the District will have great difficulty funding the pension promises it has made to its employees. Raising taxes high enough to deal with the problem may not be a viable option. Therefore, the District may have to seriously consider supporting reductions in non-vested pension benefits for current employees in future pension reform legislation.

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.[7] 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

[7] 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.

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.[8]

Revise the Fund Balance Policy for the Long-Term Income Reserve Fund

In 2009 the District introduced a fund balance policy that guides the use of the District's Long-Term Income Reserve Fund that was created after the District transferred control of its downtown parking garages to the City of Chicago, which leased the garages to a private operator. The District's policy establishes a floor of $85.0 million for the Long-Term Income Reserve Fund and allows for internal lending to the General Fund in order to bridge timing gaps in property tax collections. Any other drawdown is to be used for one-time capital costs and not ongoing operational expenditures. The Federation has commended the District for taking this first step toward a Long-Term Reserve Fund fund balance policy, but the policy should be strengthened by clearly stating the procedure for transferring interest earnings and addressing the Garage Revenue Capital Improvements Fund.

The Garage Revenue Capital Improvements Fund was also created with the parking garage proceeds and it has also transferred funds for use as a general revenue source. The fund balance policy should be expanded to specify the circumstances under which the Garage Revenue Capital Improvements Fund can be used for operations. For example, the policy could specify the economic conditions and/or revenue declines under which this source could be used for operations.

Follow GFOA Guidelines for Fund Balance for the General Fund

The Civic Federation commends the Park District for taking steps toward long-term financial planning and fiscal sustainability in its development of a General Fund fund balance policy. However, the proposed policy will only require the District to maintain a a fund balance in the General Fund of $25 million. For the FY2012 budget, $25 million represents approximately 6.1% of the District's total operating expenditures of $407.5 million.

According to the GFOA, the policy should express a fund balance target as a *percentage* of operating expenditures or revenues. The GFOA recommends at least two months of operating expenses or revenues, which is approximately 17%.[9] A fund balance of 17% would equate to $69.3 million of the District's FY2012 total appropriation of $407.5 million. The Civic Federation encourages the District to develop a fund balance policy based on the GFOA guidelines and establish a target percentage of operating expenditures or revenues for its fund balance.

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[8] 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.

[9] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

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. The Civic Federation recommends that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public. A five-year forecast of revenue and expenditures should also be summarized in the budget document.

Assume Operational Control of 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.[10]

The Federation's call for the dissolution of the IIPD stems from a continued lack of transparency, accountability and strategic planning that inhibits the Port of Chicago from becoming a more vibrant center of maritime commerce and regional economic and industrial development. The Federation calls for a complete dissolution of the Port District, with a transfer of port operations and related lands to the City of Chicago, open lands to the Forest Preserve District of Cook County and the golf center to the Chicago Park District. In order for this to occur, enabling legislation must be approved at the state level.

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 will benefit both the Chicago Park District, as it will acquire a valuable recreational asset, and the residents of Chicago as a transparent and open governmental entity will be controlling this public-supported enterprise.

Improve the Budget Book Format

The Chicago Park District continues to provide a high level of detail in its annual budget documents, including the development of a Budget Summary, more information regarding the District's capital budget and a breakdown of personnel expenses. The Civic Federation applauds this important effort at budget transparency. This year we offer the following recommendations to further increase the user-friendly features of the District's budget documents:

- *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.
- *Report all grant fund revenues by source in Budget Summary.* Information is currently provided for revenues by fund and for Corporate Fund revenues by source. It would be useful

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[10] 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.

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.

- *Clarify the use and source of reserve funds in the budget document.* The District created three reserve funds from revenue generated when it leased its downtown parking garages to a private operator in 2006. The budget document does not provide the reader with a complete understanding of the funds budgeted from these reserve accounts. Currently, the chart "Financial Summary for All Revenues" has a line for the Long-Term Income Reserve Fund and the text states that "interest earned on these proceeds is budgeted to replace net operating income the District had been receiving from the garages."[11] This description is unclear for the following reasons:

    1. The budget document does not specify when interest revenue is being earned. Typically, interest and other revenues are budgeted in the year in which they are earned. For example, a government would normally budget FY2012 revenue based on what it expects to receive in FY2012. However, it is not clear whether this is how the District is budgeting revenue.

    2. Interest earnings have not been sufficient to replace all of the net operating income the District was receiving from the garages. In FY2009 and FY2010 only $2.1 million and $200,000, respectively, were transferred out of the Long-Term Income Reserve to the General Fund. In addition, the initial $5 million did not come from interest earnings.

The District should clearly describe in its narrative whether interest earnings are intended to be generated that year or are being taken from previous year earnings (fund balance). It should also detail in the budget document the revenue, expenditure and fund balance history of these funds in a similar fashion to the General Fund presentation on page 36 of the FY2012 Budget Summary. This will provide the reader with a complete understanding of the status of these funds including actual interest earnings.

ACKNOWLEDGEMENTS

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

[11] Chicago Park District FY2012 Budget Summary, pp. 36 and 38.

APPROPRIATIONS

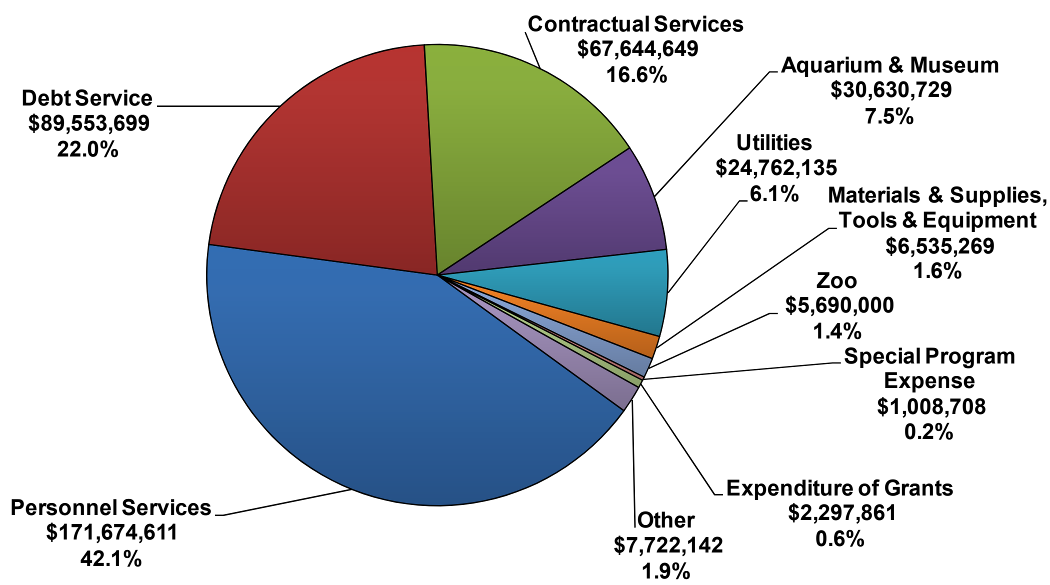
This section presents an analysis of the Chicago Park District's budget appropriation trends by object.

Two-Year and Five-Year Total Appropriations by Object

Total Chicago Park District appropriations are proposed to increase from $397.6 million budgeted for FY2011 to $407.5 million in FY2012. This is an increase of nearly $10.0 million, or 2.5%.

Approximately 42.1% of FY2012 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 22.0% of appropriations. Contractual Services will comprise $67.6 million, or 16.6%, of the FY2012 budget.

Chicago Park District FY2012 Appropriations by Object as Percent of Total



Note: Other includes Liability Insurance & Judgements, Organizations, Accessibility Capital Projects and Facilities Rentals.
Source: Chicago Park District FY2012 Budget Summary, p. 37.

Total personnel costs are expected to increase by 3.2% from $166.4 million in FY2011 to $171.7 million in FY2012. This increase is primarily due to increased healthcare costs and negotiated increase in salaries and wages for union employees and increase in compensation for management.[12] Debt service appropriations will grow by 3.2%, or $2.8 million, from $86.8 million in FY2011 to $89.6 million in FY2012. The increased payments are due to the issuance of general obligation bonds in recent years to support ongoing capital improvement projects, including the payment for the new harbor at 31st Street opening in May 2012.[13] Expenditure of Grants will rise by 14.9%, or $297,861, in FY2012.

The District will reduce its appropriation slightly for the Museums in the Park (Aquarium & Museum line) by $29,369, or 0.1%, for FY2012.[14] The Zoo appropriation will remain flat at approximately $6.0 million. This appropriation is for the Lincoln Park Zoo, which is operated by a non-profit organization and the Zoo's management of the small Indian Boundary Zoo. Appropriations for Special Program Expense will decrease by 20.8%, or $265,058, in FY2012.

Chicago Park District Appropriations by Object: FY2011 & FY2012

	FY2011 Adopted	FY2012 Proposed	$ Change	% Change
Personnel Services	$ 166,376,918	$ 171,674,611	$ 5,297,693	3.2%
Debt Service	$ 86,782,063	$ 89,553,699	$ 2,771,636	3.2%
Contractual Services	$ 66,427,173	$ 67,644,649	$ 1,217,476	1.8%
Aquarium & Museum	$ 30,601,360	$ 30,630,729	$ 29,369	0.1%
Utilities	$ 23,200,491	$ 24,762,135	$ 1,561,644	6.7%
Materials & Supplies, Tools & Equipment	$ 7,033,573	$ 6,535,269	$ (498,304)	-7.1%
Zoo	$ 5,690,000	$ 5,690,000	$ -	0.0%
Special Program Expense	$ 1,273,766	$ 1,008,708	$ (265,058)	-20.8%
Expenditure of Grants	$ 2,000,000	$ 2,297,861	$ 297,861	14.9%
Liability Insurance & Judgments	$ 4,475,000	$ 3,987,462	$ (487,538)	-10.9%
Organizations	$ 2,690,000	$ 2,690,000	$ -	0.0%
Accessiblity Capital Projects	$ -	$ -	$ -	0.0%
Facilities Rentals	$ 1,019,200	$ 1,044,680	$ 25,480	2.5%
Total	**$ 397,569,544**	**$ 407,519,803**	**$ 9,950,259**	**2.5%**

Note: FY2011 adopted appropriations were used as actual expenditures were not available in a summary form.

Source: Chicago Park District FY2012 Budget Summary, p. 37.

The following exhibit presents a five-year comparison of FY2008 actual expenditures and proposed appropriations for FY2012. The FY2012 proposed budget is 12.2%, or $44.4 million, greater than the FY2008 actual expenditures. Expenditure of Grants will increase by 63,080% over the five-year period as grants received rise from $3,637 in FY2008 to $2.3 million in FY2012. In FY2012 appropriations for Liability Insurance & Judgments are expected to increase by $2.4 million, or 155.8%, over FY2008. Over the five years, Personnel Services costs will increase by $29.5 million, or 20.7%, and Contractual Services will increase by $13.0 million, or

[12] Chicago Park District FY2012 Budget Summary, p. 49. Represented (union) employees will receive 3.0% in cost of living increases and non-represented (non-union) management employees will receive 1.5% cost of living increases in FY2012. Chicago Sun-Times, "Golf, some parking and boat fees rise in proposed parks budget," news release, November 24, 2011.

[13] Chicago Park District FY2012 Budget Summary, p. 50.

[14] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the Adler Planetarium, Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Notebaert Nature Museum and John G. Shedd Aquarium. Chicago Park District FY2012 Budget Summary, p. 51.

23.8%. The District subsidy to Aquarium & Museum appropriations will decrease by 14.6%, or $5.2 million.

Chicago Park District Appropriations by Object: FY2008 & FY2012	FY2008 Actual	FY2012 Proposed	$ Change	% Change
Personnel Services	$ 142,208,709	$ 171,674,611	$ 29,465,902	20.7%
Debt Service	$ 84,293,107	$ 89,553,699	$ 5,260,592	6.2%
Contractual Services	$ 54,644,063	$ 67,644,649	$ 13,000,586	23.8%
Aquarium & Museum	$ 35,854,625	$ 30,630,729	$ (5,223,896)	-14.6%
Utilities	$ 24,006,368	$ 24,762,135	$ 755,767	3.1%
Materials & Supplies, Tools & Equipment	$ 6,311,547	$ 6,535,269	$ 223,722	3.5%
Zoo	$ 5,584,000	$ 5,690,000	$ 106,000	1.9%
Special Program Expense	$ 4,031,940	$ 1,008,708	$ (3,023,232)	-75.0%
Expenditure of Grants	$ 3,637	$ 2,297,861	$ 2,294,224	63080.1%
Liability Insurance & Judgments	$ 1,559,074	$ 3,987,462	$ 2,428,388	155.8%
Organizations	$ 2,547,216	$ 2,690,000	$ 142,784	5.6%
Accessiblity Capital Projects	$ -	$ -	$ -	-
Facilities Rentals	$ 2,098,192	$ 1,044,680	$ (1,053,512)	-50.2%
Total	**$ 363,142,478**	**$ 407,519,803**	**$ 44,377,325**	**12.2%**

Source: Chicago Park District FY2010 Budget Summary, p. 43; FY2012 Budget Summary, p. 37.

Two-Year and Five-Year Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for FY2011 and FY2012. Overall, the District will increase Contractual Services appropriations by 1.8%, or $1.2 million, from $66.4 million in FY2011 to $67.6 million in FY2012. The majority of this increase is attributable to the increase in Harbor Management appropriations, which will rise by $1.2 million, or 13.7%. Harbor Management will face increased expenses due to the new 31st Street harbor.

Landscape Management and Other Management Fee Expense, which include accounts for Professional Services, Reprographic Services, Ice Skating Management and Litigation Expenses, will decline by 4.2% and 3.4%, respectively.

Chicago Park District Contractual Services Appropriations: FY2011 & FY2012				
Contractual Services	**FY2011 Budget**	**FY2012 Proposed**	**$ Change**	**% Change**
Repair & Maintenance	$ 1,460,666	$ 1,871,970	$ 411,304	28.2%
General Contractual Services	$ 15,320,862	$ 15,273,655	$ (47,207)	-0.3%
Concessions Management	$ 675,000	$ 675,000	$ -	0.0%
Harbor Management	$ 8,920,023	$ 10,140,039	$ 1,220,016	13.7%
Soldier Field	$ 12,240,764	$ 12,522,135	$ 281,371	2.3%
Golf Management Expenses	$ 4,123,427	$ 4,207,025	$ 83,598	2.0%
MLK Center Management	$ 1,245,714	$ 1,245,717	$ 3	0.0%
Parking Management	$ 1,148,541	$ 1,181,334	$ 32,793	2.9%
Landscape Management	$ 4,447,100	$ 4,262,390	$ (184,710)	-4.2%
Other Management Fee Expense	$ 16,845,076	$ 16,265,384	$ (579,692)	-3.4%
Total	**$ 66,427,173**	**$ 67,644,649**	**$ 1,217,476**	**1.8%**

Source: Chicago Park District FY2012 Budget Summary, p. 37.

Overall, Contractual Services will increase by 21.8%, or $11.9 million, between FY2008 and FY2012. The largest percentage increases will occur in Golf Management Expenses and Parking Management; each contractual service will increase by 100.0% in the five-year period. Appropriations for the Golf Management Expense began in FY2010 after the District entered into a new contract with Billy Casper Golf in October 2009.[15] Over the same five-year period, appropriations for General Contractual Services will increase by 88.4%, or $7.2 million.

Chicago Park District Contractual Services Appropriations: FY2008 & FY2012

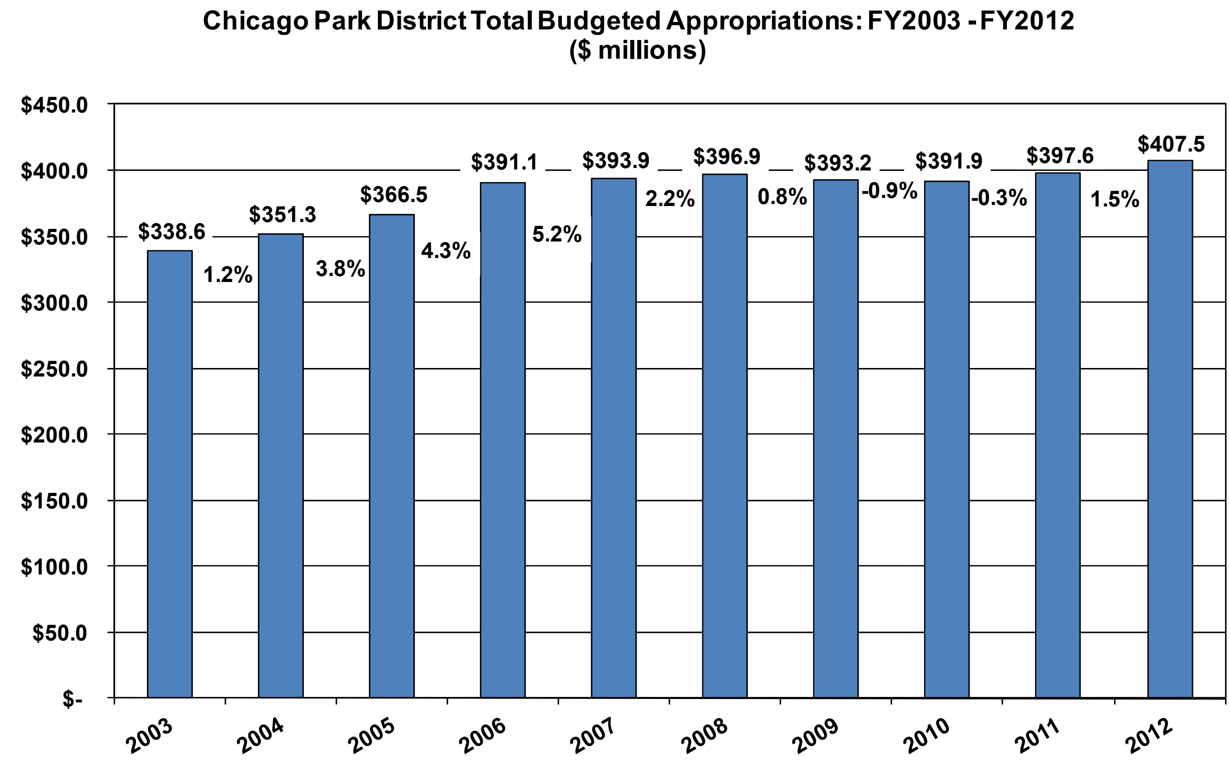
Contractual Services	FY2008 Actual	FY2012 Proposed	$ Change	% Change
Repair & Maintenance	$ 936,210	$ 1,460,666	$ 524,456	56.0%
General Contractual Services	$ 8,153,977	$ 15,363,914	$ 7,209,937	88.4%
Concessions Management	$ 1,035,138	$ 675,000	$ (360,138)	-34.8%
Harbor Management	$ 9,744,866	$ 8,920,023	$ (824,843)	-8.5%
Soldier Field	$ 9,351,815	$ 12,240,764	$ 2,888,949	30.9%
Golf Management Expenses	$ -	$ 4,123,427	$ 4,123,427	100.0%
MLK Center Management	$ 1,298,310	$ 1,091,718	$ (206,592)	-15.9%
Parking Management	$ 476,520	$ 1,148,541	$ 672,021	100.0%
Landscape Management	$ 4,745,897	$ 4,547,100	$ (198,797)	-4.2%
Other Management Fee Expense	$ 18,901,330	$ 16,964,377	$ (1,936,953)	-10.2%
Total	**$ 54,644,063**	**$ 66,535,530**	**$ 11,891,467**	**21.8%**

Source: Chicago Park District FY2010 Budget Summary, p. 43; FY2012 Budget Summary, p. 37.

[15] Chicago Park District FY2012 Budget Summary, p. 46.

Ten-Year Appropriation Trend

Over the last ten years, total budgeted appropriations have increased by $68.9 million, or 20.4%. Between FY2003 and FY2010, the annual budgeted appropriations growth averaged 2.0%, which is the same as the average rate of inflation per year during this eight-year period.[16]



Note: Actual appropriations were not available.
Source: Chicago Park District Budget Summaries, 2003-2012.

RESOURCES

This section provides an overview of the resources the District is proposing to utilize in FY2012 with comparisons to previous years.

All Fund Resources

Total revenues for the District are projected to be nearly $388.7 million in FY2012, a decrease of 1.5%, or $5.9 million, from FY2011. An additional $17.2 million is proposed to be withdrawn from the fund balance, bringing total resources to $405.9 million. Total resources will increase by $10.3 million, or 2.6%, from $397.6 million in FY2011.

[16] The annual Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased by 2.0% on average between 2003 and 2010 (base period: 1982-84 = 100). U.S. Bureau of Labor Statistics, accessed December 2, 2011.

Tax revenues for the District are budgeted to decrease by 3.9%, or $11.6 million, in FY2012, from $300.8 million to $289.2 million. The decrease is due primarily to budgeting Tax Increment Financing (TIF) surplus revenue from the City of Chicago in FY2011. The District is estimating that it will receive a TIF surplus of approximately $4.0 million in FY2012, however the surplus is not budgeted in the FY2012 resources.[17] The District is anticipating an increase of 1.0%, or $0.4 million, in Personal Property Replacement Taxes (PPRT), which is a form of the corporate income tax. The District anticipates approximately $39.4 million in PPRT for FY2012.[18]

Revenues generated from the rental of District facilities are expected to increase by 6.6%, from $27.0 million to $28.8 million. This includes revenue from the rental of Soldier Field, which is rising 3.6%, or $0.9 million, to $25.3 million based on planned events.[19]

Permit and fee revenues are projected to increase by $5.0 million, or 9.7%. This category includes parking fees, permit revenues, harbor fees, park fees and golf courses. The District is increasing parking rates for Chicago Bears season ticket holders by $3 and daily parking at Soldier Field by $1.[20] Permit fees paid by groups holding events on District property will increase by 7.3%, or $0.5 million. This reflects a 3.0% fee increase for users, which the District estimates will generate an additional $0.3 million.[21] Revenues from harbor fees will increase significantly by $4.1 million, or 17.5%. This is largely due to the District's plans to open the new 31st Street Harbor, which will add 1,000 boat slips to the existing harbor system.[22] The District will also be increasing slip fees by between 2.8% and 3.0% at selected, high occupancy harbors.[23]

Grants and Donations and Investment Income revenues are expected to remain flat in FY2012 at $5.0 million and $0.2 million, respectively. Concession revenue is expected to increase by $0.3 million, or 13.9%, to $2.8 million. The additional revenue can be attributed to savings with the beverage vendor and lowered management expenses.[24] Capital Contributions are budgeted at $3.1 million which is a significant decline of nearly $1.1 million, or 25.4%. These figures represent the charge back of salaries for District employees who work on capital projects.[25]

A Long-Term Income Reserve Fund of $120.0 million was established with proceeds related to the leasing of three downtown parking garages.[26] The District will not use Long-Term Income Reserve funds in FY2012. In FY2011 the District budgeted $0.1 million from the Reserve funds.

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[17] Information provided by the Chicago Park District, November 21, 2011.
[18] Chicago Park District FY2012 Budget Summary, p. 42.
[19] Chicago Park District FY2012 Budget Summary, p. 44.
[20] Information provided by the Chicago Park District, November 21, 2011.
[21] Information provided by the Chicago Park District, November 21, 2011.
[22] Chicago Park District FY2012 Budget Summary, p. 45.
[23] Information provided by the Chicago Park District, November 21, 2011.
[24] Chicago Park District FY2012 Budget Summary, p. 45.
[25] Chicago Park District FY2010 Comprehensive Annual Financial Report, p. 33.
[26] In 2006, the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a private operator, which gave the lease holder the right to provide parking garage services for 99 years.

In FY2012 the District will transfer $12.0 million of Corporate Fund fund balance to its operating budget. This is at least the sixth year in a row that the District has utilized non-recurring revenues. Non-recurring revenue utilized in recent years includes the following:

- In FY2011 $3.0 million in Corporate Fund fund balance and $12.0 million from TIF surplus;[27]
- In FY2010 $7.7 million is from a transfer from the Parking Garage Revenue Capital Improvements Fund;[28]
- 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;[29] and
- In both FY2007 and FY2008 $10.0 million was transferred from unreserved fund balance.[30]

Chicago Park District Resources by Source: FY2011 & FY2012

	2011 Budget	2012 Proposed	$ Change	% Change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (10,136,516)	$ (10,136,516)	$ -	0.0%
Other Property Tax Income (TIF Surplus)	$ 12,000,000	$ -	$ (12,000,000)	-100.0%
Personal Property Replacement Tax	$ 39,002,250	$ 39,392,273	$ 390,023	1.0%
Subtotal Tax Revenues	**$ 300,776,391**	**$ 289,166,414**	**$ (11,609,977)**	**-3.9%**
Rental of Soldier Field	$ 24,393,864	$ 25,267,262	$ 873,398	3.6%
Rentals	$ 2,217,861	$ 2,589,932	$ 372,071	16.8%
Northerly Island Pavilion	$ 375,763	$ 900,000	$ 524,237	139.5%
Subtotal Facility Rentals	**$ 26,987,488**	**$ 28,757,194**	**$ 1,769,706**	**6.6%**
Parking Fees	$ 2,435,862	$ 2,931,783	$ 495,921	20.4%
Harbor Fees	$ 23,461,707	$ 27,557,914	$ 4,096,207	17.5%
Park Fees	$ 14,079,363	$ 14,179,000	$ 99,637	0.7%
Permits	$ 6,132,300	$ 6,582,300	$ 450,000	7.3%
Golf Course Fees	$ 5,203,260	$ 5,062,558	$ (140,702)	-2.7%
Subtotal Permits and Fees	**$ 51,312,492**	**$ 56,313,555**	**$ 5,001,063**	**9.7%**
Concessions	$ 2,477,975	$ 2,822,350	$ 344,375	13.9%
MLK Center	$ 1,321,992	$ 1,431,823	$ 109,831	8.3%
Corporate Sponsorships	$ 850,000	$ 850,000	$ -	0.0%
Grants and Donations	$ 5,000,000	$ 5,000,000	$ -	0.0%
Investment Income	$ 200,000	$ 200,000	$ -	0.0%
Long-Term Income Reserve (Parking)*	$ 100,000	$ 500,000	$ 400,000	400.0%
Miscellaneous	$ 1,405,000	$ 1,735,904	$ 330,904	23.6%
Capital Contributions	$ 4,138,206	$ 3,886,713	$ (251,493)	-6.1%
Total Revenues	**$ 394,569,544**	**$ 390,663,953**	**$ (3,905,591)**	**-1.0%**
Fund Balance Transfer	$ 3,000,000	$ 17,205,850	$ 14,205,850	473.5%
TOTAL RESOURCES	**$ 397,569,544**	**$ 407,869,803**	**$ 10,300,259**	**2.6%**

Note: FY2012 Proposed Fund Balance Transfer includes $12.0 million transfer from the General Fund Balance, $1.3 million from the SRA 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.

Source: Chicago Park District FY2012 Budget Summary, p. 36 and information provided by the Chicago Park District, December 6, 2011.

*Includes both Interest Earnings and Principal.

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27 Chicago Park District FY2011 Budget Recommendations, p. 394.

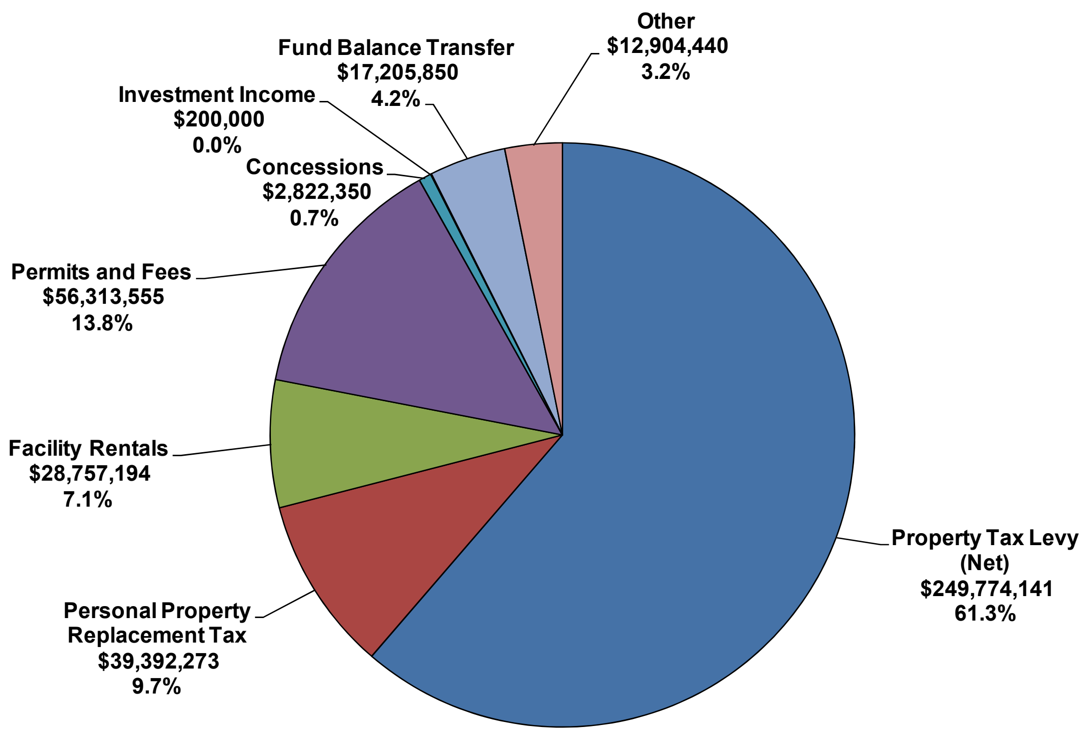
28 This revenue is labeled as Dedicated Capital Fund Balance. Chicago Park District FY2011 Budget Recommendations, p. 394

29 Information provided by the Chicago Park District, November 26, 2010.

30 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.

The following exhibit shows the distribution of District resources in FY2012. Total net tax revenues (net property tax and PPRT) constitute 71.2% of District revenues. The next largest revenue source is Permits and Fees at 13.9%, followed by Facility Rentals at 7.1%.

Chicago Park District FY2012 Resources



Other includes MLK Center, Corporate Sponsorships, Grants and Donations, Miscellaneous and Capital Contributions.
Source: Chicago Park District FY2012 Budget Summary, p. 36 and information provided by the Chicago Park District, December 6, 2011.

The next exhibit shows resource trends during the five-year period between FY2008 and FY2012. During that period revenues are projected to increase by 3.1% while total resources are projected to increase at a higher rate of 4.9%, reflecting the use of more fund balance in FY2012. Other five-year trend highlights include:

- The budgeted gross property tax levy will remain flat at $259.9 million over the five-year period.
- PPRT revenues will decrease by 19.6%, or $9.6 million.
- Facility rental revenues will increase by 10.5%, or $2.7 million, from $26.0 million to $28.8 million.
- Permit and fee revenue will increase by 41.1%, or $16.4 million, reflecting large increases in all categories, including a $6.3 million, or 29.8%, increase in Harbor fees; $2.9 million, or 76.8%, increase in Permits; and a $4.6 million, or 912.5%, increase in Golf Course Fees across the five-year period.

Chicago Park District Resources by Source: FY2008-FY2012
(in $ thousands)

	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Proposed	$ Change	% Change
Gross Property Tax Levy	$ 259,911	$ 259,911	$ 259,911	$ 259,911	$ 259,911	$ -	0.0%
Property Tax Loss in Collection	$ (9,097)	$ (9,357)	$ (10,007)	$ (10,137)	$ (10,137)	$ (1,040)	11.4%
Other Property Tax Income (TIF Surplus)	$ -	$ -	$ -	$ 12,000	$ -	$ -	-
Personal Property Replacement Tax (PPRT)	$ 49,000	$ 48,300	$ 41,055	$ 39,002	$ 39,392	$ (9,608)	-19.6%
Subtotal Tax Revenues	**$ 299,814**	**$ 298,854**	**$ 290,959**	**$ 300,776**	**$ 289,166**	**$ (10,647)**	**-3.6%**
Rental of Soldier Field	$ 22,641	$ 23,599	$ 23,599	$ 24,394	$ 25,267	$ 2,627	11.6%
Rentals	$ 3,188	$ 2,886	$ 2,496	$ 2,218	$ 2,590	$ (598)	-18.7%
Northerly Island Pavilion	$ 203	$ 209	$ 392	$ 376	$ 900	$ 697	342.8%
Subtotal Facility Rentals	**$ 26,032**	**$ 26,694**	**$ 26,486**	**$ 26,987**	**$ 28,757**	**$ 2,726**	**10.5%**
Parking Fees	$ 1,670	$ 2,466	$ 2,588	$ 2,436	$ 2,932	$ 1,262	75.6%
Harbor Fees	$ 21,224	$ 22,332	$ 22,417	$ 23,462	$ 27,558	$ 6,334	29.8%
Park Fees	$ 12,786	$ 12,786	$ 14,612	$ 14,079	$ 14,179	$ 1,393	10.9%
Permits	$ 3,723	$ 5,173	$ 5,096	$ 6,132	$ 6,582	$ 2,859	76.8%
Golf Course Fees	$ 500	$ 550	$ 5,360	$ 5,203	$ 5,063	$ 4,563	912.5%
Subtotal Permits and Fees	**$ 39,902**	**$ 43,307**	**$ 50,072**	**$ 51,312**	**$ 56,314**	**$ 16,411**	**41.1%**
Concessions	$ 3,609	$ 2,492	$ 2,500	$ 2,478	$ 2,822	$ (787)	-21.8%
MLK Center	$ 1,370	$ 1,341	$ 1,250	$ 1,322	$ 1,432	$ 62	4.5%
Corporate Sponsorships	$ -	$ -	$ -	$ 850	$ 850	$ 850	-
Grants and Donations	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ -	0.0%
Investment Income	$ 2,350	$ 1,200	$ 500	$ 200	$ 200	$ (2,150)	-91.5%
Long Term Income Reserve (Parking)*	$ 5,000	$ 2,100	$ 380	$ 100	$ 500	$ (4,500)	-90.0%
Miscellaneous	$ 467	$ 1,035		$ 1,405	$ 1,736	$ 1,269	271.6%
Capital Contributions	$ 1,200	$ 1,200	$ 3,897	$ 4,138	$ 3,887	$ 2,687	223.9%
Interest on Capital Investment	$ -	$ 10,000	$ 1,160			$ -	-
Total Revenues	**$ 384,744**	**$ 393,223**	**$ 382,204**	**$ 394,570**	**$ 390,664**	**$ 5,920**	**1.5%**
Dedicated Capital Fund Balance	$ -	$ -	$ 7,700	$ -	$ -	$ -	-
Fund Balance Transfer	$ 12,200	$ -	$ -	$ 3,000	$ 17,206	$ 5,006	-
Total Resources	**$ 396,944**	**$ 393,223**	**$ 389,904**	**$ 397,570**	**$ 407,870**	**$ 10,926**	**2.8%**

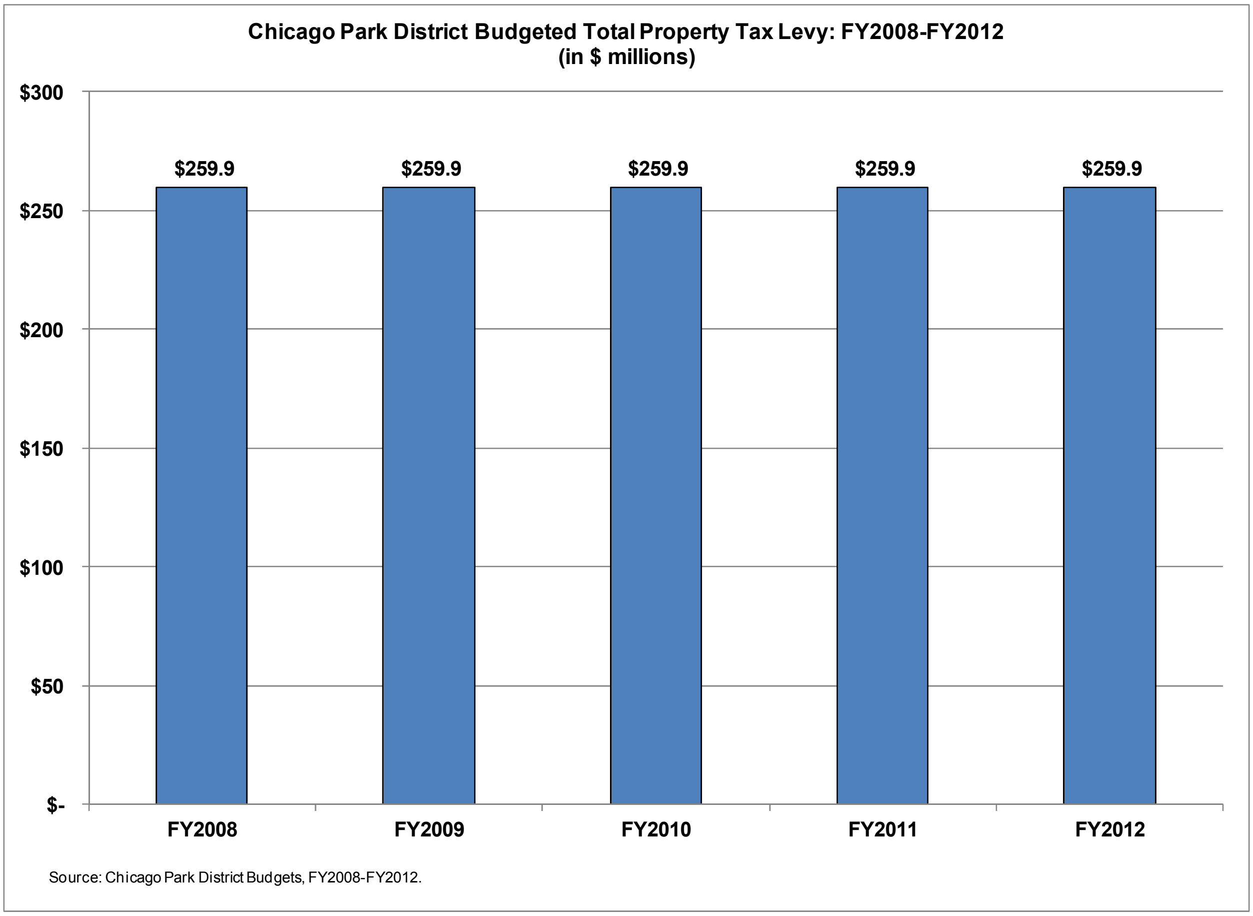
*Includes both Interest Earnings and Principal.

Note: FY2012 Proposed Fund Balance Transfer includes $12.0 million transfer from the General Fund Balance, $1.3 million from the SRA 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.

Source: Chicago Park District FY2010 Budget Recommendations, p. 382; FY2012 Budget Summary, p. 36; and information provided by the Chicago Park District, December 6-7, 2011.

Gross Property Tax Levy

The Chicago Park District's FY2012 gross property tax levy will be held flat at $259.9 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.



PERSONNEL

The District is budgeting for a total of 3,102 full-time equivalent (FTE) positions in FY2012, including 1,576 full-time positions and 1,526 part-time and seasonal positions. Full-time positions will decrease by 15 from FY2011, while part-time and seasonal positions will decrease by 18 FTEs, for a total decrease of 33 FTE positions, or 1.1% of the workforce. This decline is attributed to the elimination of 33 vacancies.

Chicago Park District Budgeted Personnel: FY2011 & FY2012				
Full-Time Equivalent Positions	**FY2011**	**FY2012**	**# Change**	**% Change**
Part-Time	889	865	-24	-2.7%
Seasonal	705	711	6	0.9%
Subtotal Part-Time/Seasonal	**1,594**	**1,576**	**-18**	**-1.1%**
Full-Time	1,541	1,526	-15	-1.0%
Total	**3,135**	**3,102**	**-33**	**-1.1%**

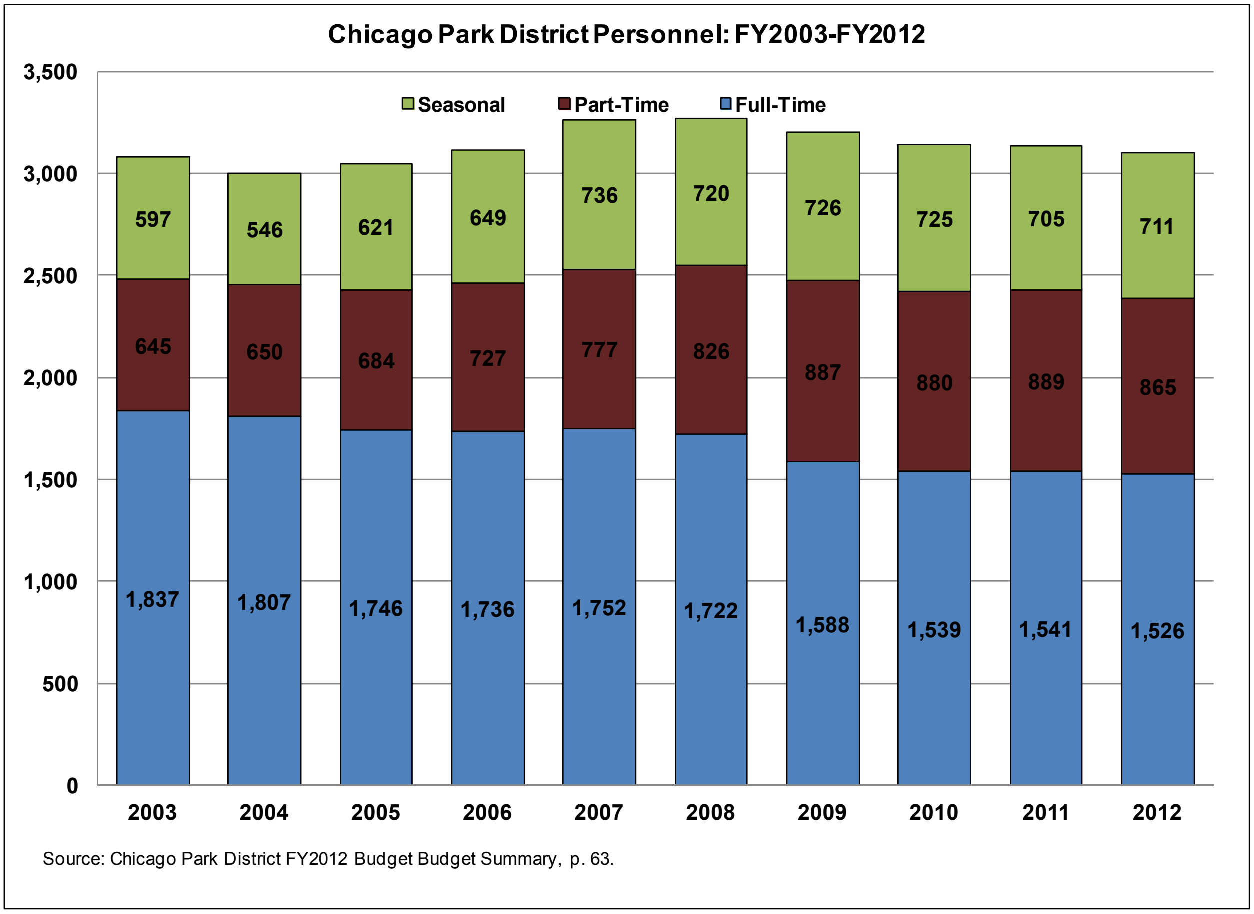
Source: Chicago Park District FY2012 Budget Summary, p. 63.

Over the last five years the District has cut 196 full-time positions and has increased part-time and seasonal positions by 30 FTEs. Since FY2008 the Chicago Park District's number of personnel has decreased by 166 FTE positions, or 5.1%.

Chicago Park District Budgeted Personnel: FY2008-FY2012						
Full-Time Equivalent Positions	**FY2008**	**FY2009**	**FY2010**	**FY2011**	**FY2012**	**# Change**
Part-Time	826	887	880	889	865	39
Seasonal	720	726	725	705	711	-9
Subtotal Part-Time/Seasonal	**1,546**	**1,613**	**1,605**	**1,594**	**1,576**	30
Full-Time	1,722	1,588	1,539	1,541	1,526	-196
Total	**3,268**	**3,201**	**3,144**	**3,135**	**3,102**	**-166**

Source: Chicago Park District FY2012 Budget Summary, p. 63.

Since FY2003 311 full-time positions have been eliminated while 334 part-time and seasonal FTEs have been created, for a total ten-year increase in the workforce of 23 FTEs.



Total personnel costs will increase by 3.2%, or $5.3 million, from $166.4 million in FY2011 to $171.7 million in FY2012. In FY2012 the District is budgeting for a 5.3%, or $6.7 million, increase in salaries and wages. This includes a 3.0% increase for represented employees per collective bargaining negotiations and a 1.5% increase for non-represented employees.[31] Health benefit costs are decreasing by 3.9%, or $643,000, while the employee contribution is rising by 3.0%. Employee healthcare contribution rates will remain the same as in FY2011: 1.5% for single, 2.0% for employee +1, and 2.5% for family.[32] The District attributes its control of healthcare costs to emphasizing a healthy lifestyle for its employees and better healthcare management.[33]

Payroll taxes are decreasing, with Medicare Tax decreasing by 5.5% and Social Security decreasing by 10.9%. Historically, these amounts have been based on budgeted positions, and since the number of budgeted positions for FY2012 will decline due to the elimination of 33

[31] Information provided by the Chicago Park District, November 21, 2011 and Chicago Sun-Times, "Golf, some parking and boat fees rise in proposed parks budget," news release, November 24, 2011.
[32] Information provided by the Chicago Park District, December 4, 2011.
[33] Chicago Park District FY2012 Budget Summary, p. 49.

vacancies, payroll taxes will also decline.[34] Appropriations for pensions will decrease slightly, falling by 2.9%, or $310,198, to $10.4 million. The District's contribution is set by State statute at 1.1 times the amount contributed by District employees two years prior.

Chicago Park District Personnel Costs: FY2011 & FY2012				
	FY2011 Budget	FY2012 Proposed	$ Change	% Change
Health Benefits	$ 16,454,555	$ 15,811,475	$ (643,080)	-3.9%
Health Benefits Employee Contributions	$ (1,588,750)	$ (1,636,413)	$ (47,663)	3.0%
Health Benefits Retirees	$ 1,513,761	$ 1,619,724	$ 105,963	7.0%
Prescription Drugs	$ 2,180,705	$ 2,239,232	$ 58,527	2.7%
Dental Benefits	$ 336,310	$ 339,268	$ 2,958	0.9%
Life Insurance Benefits	$ 177,253	$ 184,474	$ 7,221	4.1%
Medicare Tax	$ 1,335,000	$ 1,261,944	$ (73,056)	-5.5%
Social Security	$ 1,220,000	$ 1,086,557	$ (133,443)	-10.9%
Unemployment Obligations	$ 1,587,850	$ 1,675,969	$ 88,119	5.5%
Workers Compensation	$ 4,000,000	$ 3,500,000	$ (500,000)	-12.5%
Pension	$ 10,745,269	$ 10,435,071	$ (310,198)	-2.9%
Subtotal Benefits	**$ 37,961,953**	**$ 36,517,301**	**$ (1,444,652)**	**-3.8%**
Salary & Wages	$ 128,414,965	$ 135,157,310	$ 6,742,345	5.3%
Total	**$ 166,376,918**	**$ 171,674,611**	**$ 5,297,693**	**3.2%**

Source: Chicago Park District FY2012 Budget Summary, p. 37.

The following exhibit presents personnel appropriations from FY2008 to FY2012. Total personnel costs will increase by 11.4%, or $17.5 million, from $154.2 million in FY2008 to $171.7 million in FY2012. Salaries and wages will increase by 9.2%, or $11.4 million, during the same time period.

Over the five-year period, the District's employee health benefits costs will rise by 51.0%, or $5.3 million while employee contributions rise by 5.3%, or $83,000. Expenditures for retiree health benefits will increase by 93.3%, or $782,000, from FY2008. Workers compensation will decrease significantly by 20.1%, or $881,000, between FY2008 and FY2012.

Chicago Park District Personnel Costs: FY2008-FY2012 (in $ thousands)							
	FY2008 Actual	FY2009 Actual	FY2010 Budget	FY2011 Budget	FY2012 Proposed	$ Change	% Change
Health Benefits	$ 10,473	$ 13,095	$ 15,758	$ 16,455	$ 15,811	$ 5,339	51.0%
Health Benefits Employee Contributions	$ (1,554)	$ (1,510)	$ (1,619)	$ (1,589)	$ (1,636)	$ (83)	5.3%
Health Benefits Retirees*	$ 838	$ 1,286	$ 1,402	$ 1,514	$ 1,620	$ 782	93.3%
Prescription Drugs	$ 2,408	$ 2,339	$ 2,067	$ 2,181	$ 2,239	$ (168)	-7.0%
Dental Benefits	$ 333	$ 362	$ 340	$ 336	$ 339	$ 6	1.7%
Life Insurance Benefits	$ 176	$ 172	$ 178	$ 177	$ 184	$ 9	4.8%
Medicare Tax	$ 1,371	$ 1,361	$ 1,046	$ 1,335	$ 1,262	$ (109)	-8.0%
Social Security	$ 1,135	$ 1,094	$ 909	$ 1,220	$ 1,087	$ (48)	-4.3%
Unemployment Obligations	$ 1,169	$ 1,636	$ 1,270	$ 1,588	$ 1,676	$ 507	43.4%
Workers Compensation	$ 4,381	$ 3,984	$ 4,200	$ 4,000	$ 3,500	$ (881)	-20.1%
Pension	$ 9,639	$ 9,853	$ 10,867	$ 10,745	$ 10,435	$ 796	8.3%
Subtotal Benefits	**$ 30,370**	**$ 33,672**	**$ 36,417**	**$ 37,962**	**$ 36,517**	**$ 6,147**	**20.2%**
Salary & Wages	$ 123,801	$ 120,054	$ 125,901	$ 128,415	$ 135,157	$ 11,357	9.2%
Total	**$ 154,171**	**$ 153,727**	**$ 162,318**	**$ 166,377**	**$ 171,675**	**$ 17,504**	**11.4%**

*FY2008 and FY2009 reflect budgeted amounts since actual expenditures were not provided.

Source: Chicago Park District FY2010 Budget Summary, p. 43; FY2011 Budget Summary, p. 34; and FY2012 Budget Summary, p. 37 and information provided by the Chicago Park District, December 5 and 6, 2011.

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34 Information provided by the Chicago Park District, December 4, 2011.

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 the fiscal year of the pension fund is July 1 to June 30, while the District's fiscal year is January 1 to December 31.[35]

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.[36] Plan benefits and contribution amounts can only be amended through state legislation.[37] The Chicago Park District is the only park district in Illinois whose employees who 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.[38]

In FY2010 there were 2,816 active members of the pension fund and 2,953 beneficiaries, for a ratio of 0.95 active member for every beneficiary. This ratio has ranged from a high of 1.09 in FY2002 to a low of 0.87 in FY2004. A persistent decline in this ratio would put financial stress on the fund as there would be fewer employees contributing to the fund and more annuity payments to make.

Park District Pension Fund Membership: FY2001-FY2010			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2001	3,395	3,188	1.06
FY2002	3,422	3,127	1.09
FY2003	3,179	3,074	1.03
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
10-Year Change	**-579**	**-232**	**-0.1**
10-Year % Change	**-17.1%**	**-7.3%**	**-10.5%**

Source: Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2001-FY2010.

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35 Senate Bill 512 in the 97th General Assembly would change the pension fund's fiscal year to match that of the District.
36 Chicago Park District Pension Fund FY2010 Comprehensive Annual Financial Report, p. 25.
37 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.
38 Chicago Park District Pension Fund FY2010 Comprehensive Annual Financial Report, p. 10.

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 fund.[39] 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.

Over time these benefit changes will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier. However, this change will not affect District pension contributions under the current state statute requiring District contributions to be a fixed multiple of 1.1 times employee contributions made two years prior.

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 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.[40] The annuity increases every year by an automatic 3.0% adjustment, simple interest. Employees with 10 years of service may retire as young as age 50 but their benefit is reduced by 0.25% for each month they are under age 60.

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

[40] The average age at time of retirement as of June 30, 2010 was 58.9 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 in FY2010 was $62,664. Chicago Park District Retirement Fund FY2010 Comprehensive Annual Financial Report, pp. 75 and 85.

The following table compares Tier 1 benefits to Tier 2 benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 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.

Major Chicago Park District Pension Benefit Provisions		
	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 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 62 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 67
Maximum Annuity	80% of final average salary	
Automatic Increase on Retiree or Surviving Spouse Annuity	3% simple interest; begins at later of age 60 or first anniversary of retirement	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

*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").

Sources: Chicago Park District Pension Fund FY2010 Comprehensive Annual Financial Report, pp. 61-62, and Public Acts 96-0889 and 96-1490.

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.

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.

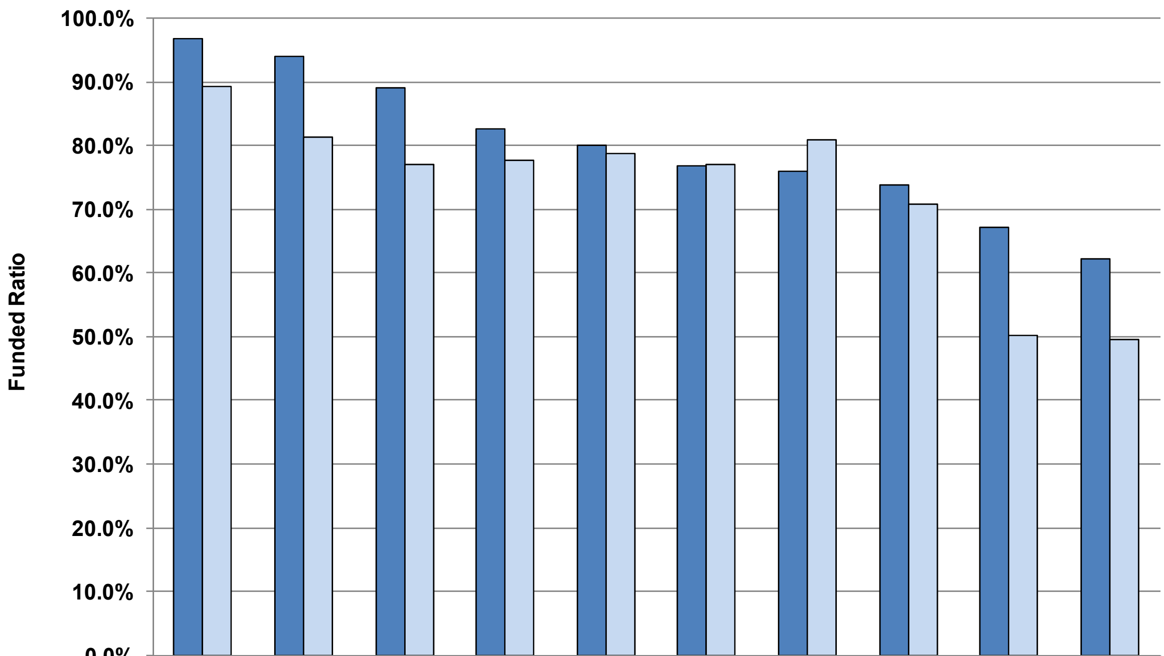
The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[41] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial 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.

[41] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2009,* February 10, 2011.

The following exhibit shows the actuarial and market value funded ratios for Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 96.7% in FY2001 to 62.3% in FY2010. The market value funded ratio fell from a high of 89.3% in FY2001 to a low of 49.5% in FY2010. The sizeable difference between FY2009 actuarial and market value funded ratios is due to the fact that FY2009 investment returns were much lower than the smoothed returns over five years.

This continued decline in funded ratio is a cause for concern. In general, a ratio below 80% is considered to be an indication that the fund is in poor health. An estimate based on the FY2009 actuarial valuation projected that the Park District pension fund funded ratio would continue to decline, reaching 1.8% in the year 2024 and depleting its assets completely during 2025.[42]

Chicago Park District Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets FY2001-FY2010



	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Actuarial Value	96.7%	94.0%	89.0%	82.6%	80.0%	76.8%	76.0%	73.8%	67.2%	62.3%
Market Value	89.3%	81.3%	76.9%	77.7%	78.7%	76.9%	80.9%	70.7%	50.3%	49.5%

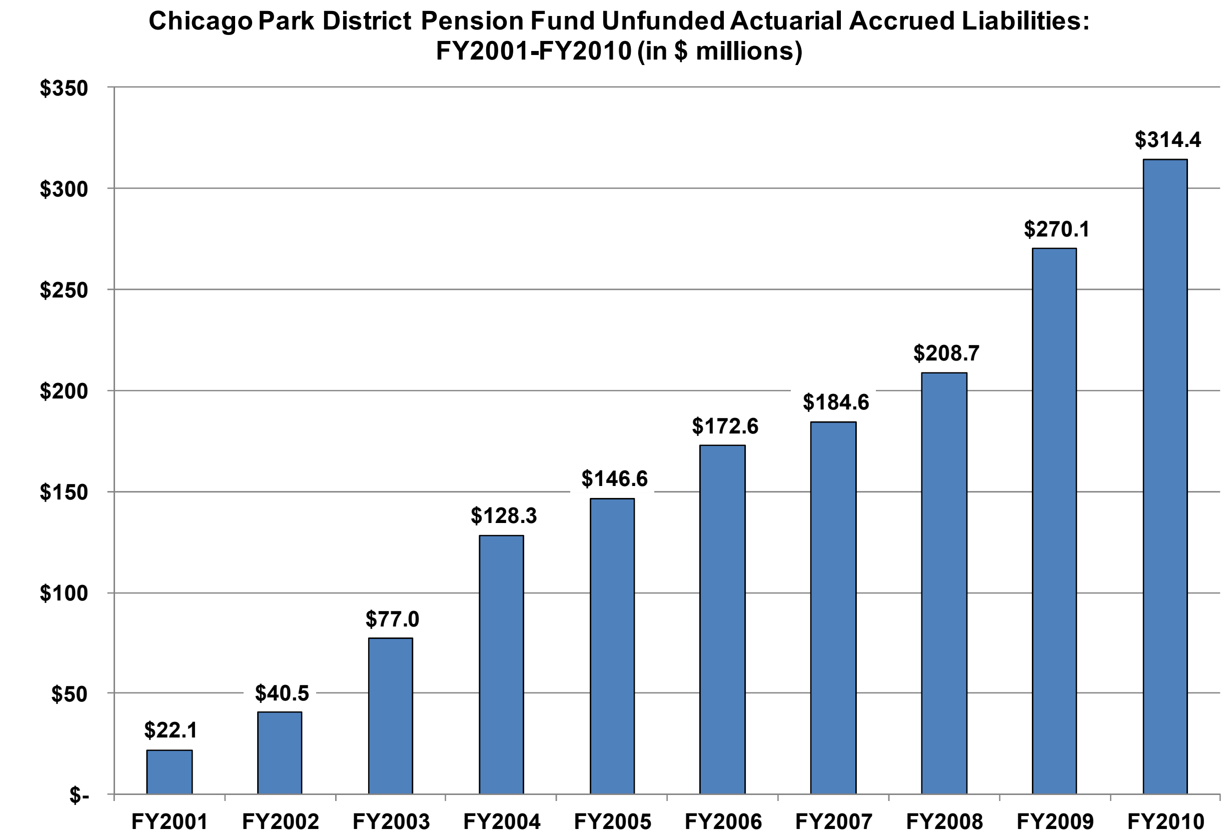
Source: Civic Federation calculations based on Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2001-FY2010.

[42] Illinois Commission on Government Forecasting and Accountability, *Illinois Public Retirement Systems: A Report on the Financial Condition of the Chicago, Cook County and Illinois Municipal Retirement Fund Systems of Illinois*, November 2010, p. 98.

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 liability for the Park District pension fund totaled $314.4 million in FY2010, up from $22.1 million in FY2001.

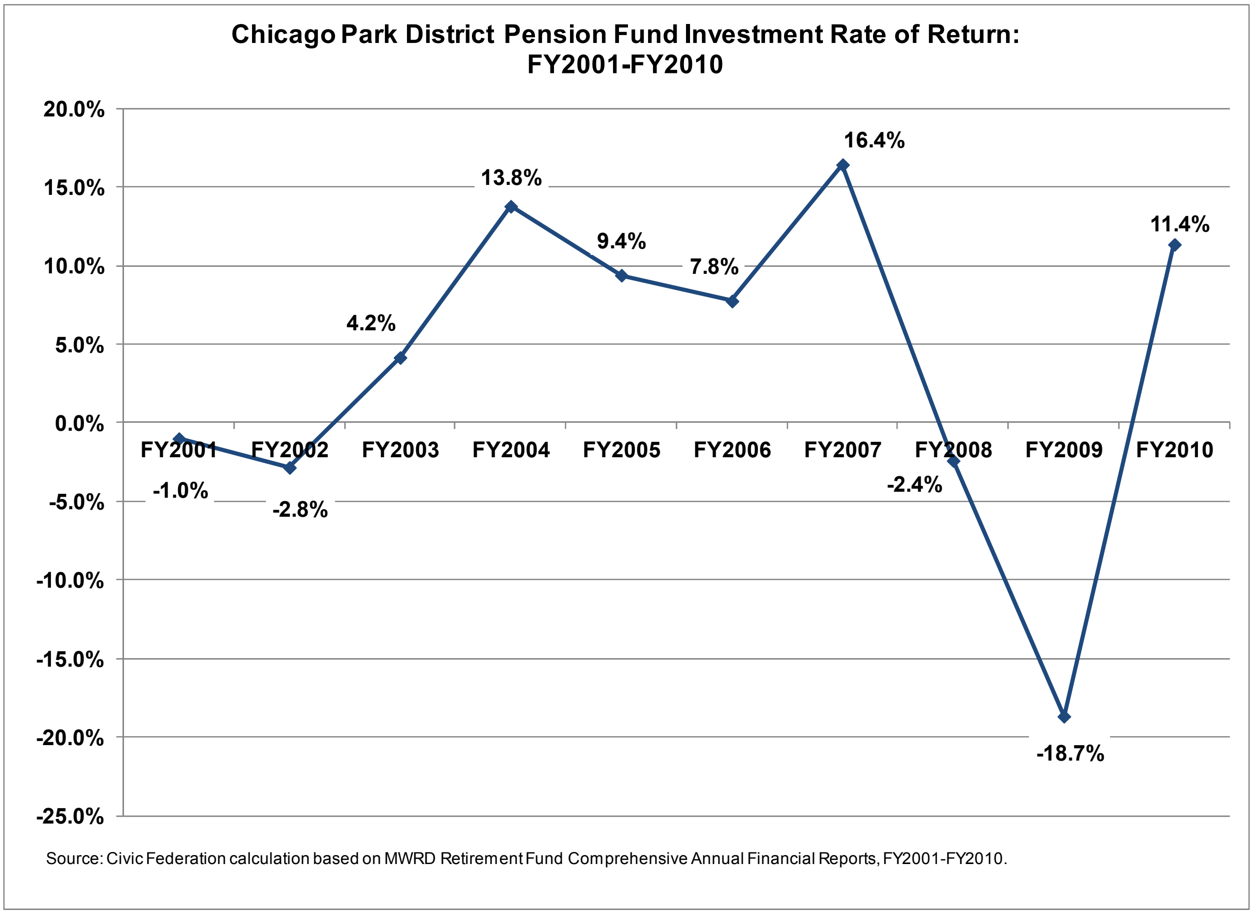
The largest contributor to the growth in unfunded liabilities between FY2001 and FY2010 was investment returns failing to meet the 8.0% expected rate of return. This added $197.5 million to the UAAL. The second largest contributor was benefit enhancements enacted during FY2004, which added $57.2 million to the UAAL, followed closely by insufficient employer contributions, which added $55.1 million.



Source: Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2001-FY2010.

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 FY2001 and FY2010 the Park District pension fund's average annual rate of return was 3.8%.[43] Returns ranged from a high of 16.4% in FY2007 to a low of -18.7% in FY2009.



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

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[43] 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.

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. From FY2001 through 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.[44] In FY2010 the difference between the ARC and the actual employer contribution was $11.6 million.

Expressing ARC as a percentage of payroll provides a sense of scale and affordability. In FY2001 the ARC was 6.1% of payroll while the actual employer contribution was 8.7% of payroll. In FY2010 the ARC was 20.9% of payroll while the actual employer contribution was 10.1% of payroll. Employees contribute 9.0% of salary to the pension fund.

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
2001	$ 6,426,833	$ 9,206,851	$ (2,780,018)	143.3%	$ 105,739,601	6.1%	8.7%
2002	$ 6,469,156	$ 9,977,765	$ (3,508,609)	154.2%	$ 103,786,911	6.2%	9.6%
2003	$ 7,546,740	$ 9,842,559	$ (2,295,819)	130.4%	$ 102,329,721	7.4%	9.6%
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%

*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 Plan Net Assets for each year is used.
Sources: Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Reports FY1999-FY2001, p. 51; FY2002-2004, p. 55; FY2005-FY2009 p. 57.

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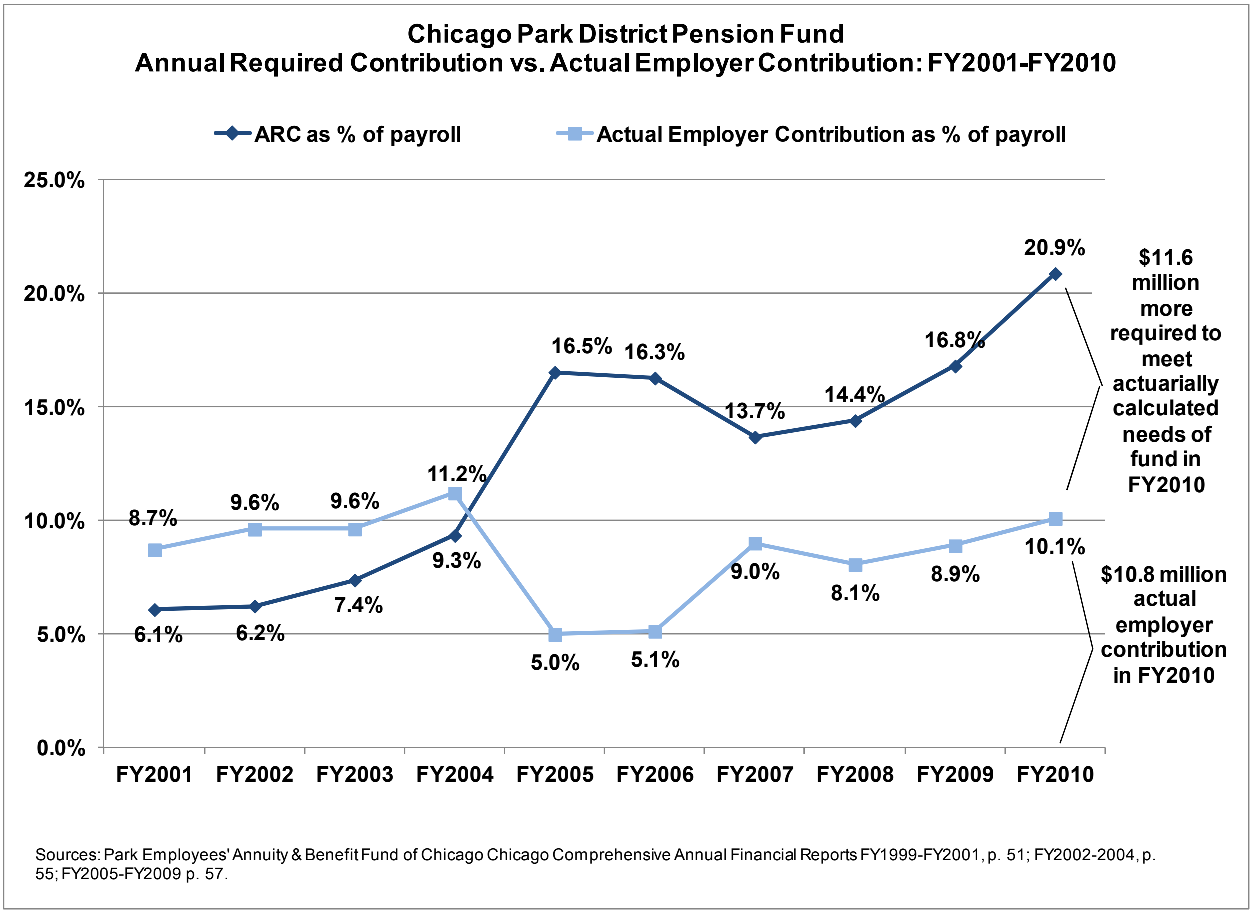
44 Chicago Park District Retirement Fund FY2004 Comprehensive Annual Financial Report, p. 47.

The graph below illustrates the gap between the ARC as a percent of payroll and the actual employer contribution as a percent of payroll. As noted above, the employer contribution exceeded the ARC from FY2001 through 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 FY2010 the gap was 10.8 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 10.8% of payroll, or $11.6 million, in FY2010.



OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a healthcare 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 4 years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65 are not covered by the District's healthcare plan.

The District funds retiree healthcare on a pay-as-you-go basis. In FY2010 the District contributed nearly $0.8 million and plan members contributed $2.8 million, or 63% of premiums.

The monthly required retiree contributions for HMO/PPO coverage were $410/$670 for retiree only, $820/$1,210 for retiree and spouse, and $1,180/$1,680 for family coverage, respectively.[45]

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement Number 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 FY2010 was nearly $3.9 million. Contributions were made in the amount of $0.8 million. The net OPEB obligation increased by $3.0 million, from $8.7 million to $11.7 million.[46]

OPEB Costs for Chicago Park District Retiree Heathcare Plan: FY2010 (in $ thousands)		
Annual Required Contribution	$	3,992.0
Adjustment to ARC	$	(493.0)
Interest on net OPEB obligation	$	347.0
Annual OPEB Cost	**$**	**3,846.0**
Contributions Made	**$**	**792.0**
Increase in net OPEB obligation	$	(3,054.0)
Net OPEB Obligation - Beginning of Year	**$**	**(8,693.0)**
Net OPEB Obligation - End of Year	**$**	**(11,747.0)**

Source: Chicago Park District FY2010 Comprehensive Annual Financial Report, p. 77.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree healthcare benefits was $45.8 million in FY2010 based on the most recent actuarial valuation as of January 1, 2009. The actuarial accrued liability is down slightly from $47.2 million in FY2008. 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: FY2010 (in $ millions)	
Actuarial Accrued Liability	$45.8
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$45.8

Source: Chicago Park District FY2010 Comprehensive Annual Financial Report, p. 77.

[45] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2010 Comprehensive Annual Financial Report, pp. 76-78.
[46] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

FUND BALANCE

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[47] The *unreserved* fund balance refers to resources that do not have any external legal restrictions or constraints.

Fund Balance for the General Fund

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%.[48]

The Chicago Park District reported recurring deficits in its unreserved General Fund fund balance between FY2002 and FY2004. General Fund expenditures greatly exceeded revenues during those years. The situation was rectified in FY2005, when the District reported a 7.1%, or $18.9 million, unreserved fund balance due to better than expected tax collections and lesser spending than budgeted for Personnel Services.[49]

The General Fund fund balance has since greatly fluctuated. In FY2006 the fund balance ratio declined to just 2.8% of operating expenditures. In FY2007 the size of the unreserved balance more than doubled to $14.2 million, and the fund balance ratio rose to 6.1%. The following year it increased slightly to 7.3%. In FY2009 the fund balance again more than doubled to 16.1%. The Chicago Park District attributes the increase in the General 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, $2.1 million transfer from the Long Term Income Reserve Fund and revenues exceeding expenditures.[50] In FY2010 the General Fund fund balance is expected to reach $47.6 million, or 20.0% of operating expenditures, thereby exceeding the GFOA's fund balance recommendations.

Chicago Park District General Fund Balance: FY2006-FY2010

	Unreserved General 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.

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[47] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[48] Previously the GFOA had recommended a General Fund fund balance of 5 to 15%.
[49] Chicago Park District FY2005 Comprehensive Annual Financial Report, p. 9.
[50] Chicago Park District FY2011 Budget Summary, pp. 15 and 36.

Fund Balance Policy for the Long-Term Income Reserve Fund

The Chicago Park District has a policy in place to maintain a balance in its Long-Term Income Reserve Fund. The reserve is available due to the sale of several public parking structures to the City of Chicago in 2006.[51] Interest earnings from the fund are intended to replace the revenue that was formerly generated through parking garage revenues. The District's policy establishes a floor of $85.0 million for the Long-Term Income Reserve Fund and allows for internal lending to the General Fund in order to bridge timing gaps in property tax collections.[52]

The Long-Term Reserve Fund was established with $121.7 million. In FY2007 the transfer-out to the General Fund was roughly equal to the investment income and the fund balance remained steady. In FY2008 the balance decreased by nearly $24.9 million due primarily to the purchase of administrative office space for $22 million.[53] Also contributing to the decline in fund balance that year were transfers made to the General Fund that were larger than the investment income earned over the four years.[54] There was $95.8 million in the fund at the end of FY2009, meeting the minimum established by the District's policy.[55] As shown in the following exhibit, at the end of FY2010, the fund balance declined only slightly from FY2009 by $104,000, or 0.1%. Therefore, the District continues to meet its fund balance policy for the fifth consecutive year.

Long-Term Income Reserve Fund: FY2006-FY2010 (in $ thousands)					
	Transfers In	Investment Income	Expenses	Transfers Out	Fund Balance
FY2006	$ 121,706	$ -	$ -	$ -	$ 121,706
FY2007	$ 642	$ 4,977	$ -	$ 5,000	$ 122,325
FY2008	$ 213	$ 1,726	$ 21,877	$ 5,000	$ 97,387
FY2009	$ -	$ 536	$ 49	$ 2,100	$ 95,774
FY2010	$ -	$ 116	$ -	$ 220	$ 95,670
Total	**$ 122,561**	**$ 7,355**	**$ 21,926**	**$ 12,320**	**$ 95,670**

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

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[51] Chicago Park District FY2009 Comprehensive Annual Financial Report, p. 50.
[52] Chicago Park District FY2009 Comprehensive Annual Financial Report, p. 30.
[53] Chicago Park District FY2008 Comprehensive Annual Financial Report, p.21.
[54] The budget is based on the previous year's earnings, which creates a lag time between revenue declines and a reduction in amount budgeted.
[55] Chicago Park District FY2009 Comprehensive Annual Financial Report, p.38.

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 private operator, which gave the lease holder the right to provide parking garage services for 99 years.[56]

The proceeds allowed the District to extinguish garage related bonds and establish three funds:

- Defeasance of Garage Bonds – $69.1 million was used 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.[57]
- 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.
- 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.[58]

Parking 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 actual data is available. Some significant expenditure highlights of the funds include the following:

- In FY2008 $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space.
- The Long-Term Income Reserve fund has earned a total $7.2 million in interest and transferred-out $12.3 million to replace lost parking garage revenues.
- The Garage Revenue Capital Improvements Fund has spent a total of $91.7 million on capital improvements.

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

- In 2010 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.

Parking Garage Reserve Funds: FY2006-FY2010 (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	$ 7.2	$ 8.4	$ 2.5
Transfers In	$ 0.9	$ 5.0	$ -
Total	**$ 129.8**	**$ 135.3**	**$ 37.5**
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)
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Capital Expense			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (24.5)	$ (1.1)
Total	**$ (21.9)**	**$ (91.7)**	**$ (1.1)**
Balance FY2010	**$ 95.6**	**$ 27.9**	**$ 34.3**

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

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. Here are the different types of short-term liabilities reported in the FY2006-FY2010 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;
- *Accrued Interest*: includes interest due on deposits payable by the District in the next fiscal year;
- *Due To other Organizations*: funds to be paid to other 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*: include self-insurance funds, unclaimed property and other unspecified liabilities;
- *Deposits*: funds held by the District or its agents to collateralize other investment risks; and
- *Tax Anticipation Notes (TAN)*: short-term debts issued anticipation of future tax revenues to pay for current operating expense, the District has not issued TANs since FY2006. These were paid back in full in FY2007.[59]

In FY2010 the District's short-term liabilities increased by nearly $6.1 million from the previous year or 6.7%. Since 2006 short-term liabilities overall have increased by $1.9 million, or 1.9%. The following chart shows short-term liabilities by category and the percent change between FY2006 and FY2010.

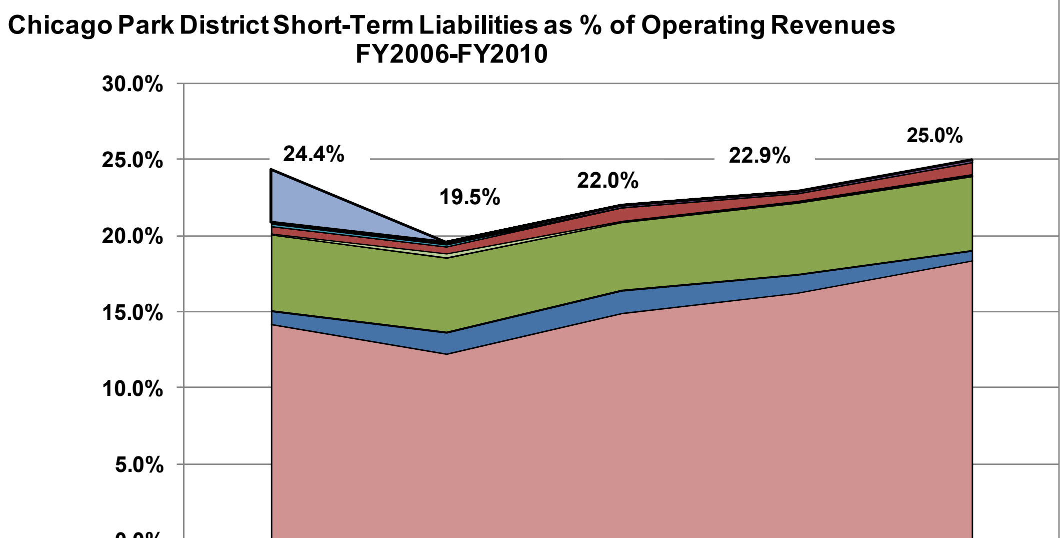
Chicago Park District Short-Term Liabilities FY2006-FY2010 (in $ thousands)

Type	FY2006	FY2007	FY2008	FY2009	FY2010	5-year Change	5-year % Change
Accounts Payable & Expenses	$ 57,274.0	$ 50,721.0	$ 59,784.0	$ 66,605.0	$ 73,522.0	$ 16,248.0	28.4%
Accrued Payroll	$ 3,468.0	$ 5,740.0	$ 5,912.0	$ 4,851.0	$ 2,565.0	$ (903.0)	-26.0%
Accrued Interest	$ 20,031.0	$ 20,004.0	$ 17,853.0	$ 19,311.0	$ 19,653.0	$ (378.0)	-1.9%
Due to Other Organizations	$ 426.0	$ 1,430.0	$ 379.0	$ 397.0	$ 327.0	$ (99.0)	-23.2%
Retainage Payable	$ 1,945.0	$ 1,877.0	$ 3,562.0	$ 2,156.0	$ 3,365.0	$ 1,420.0	73.0%
Other liabilities	$ 662.0	$ 582.0	$ 12.0	$ 7.0	$ -	$ (662.0)	-100.0%
Deposits	$ 275.0	$ 319.0	$ 497.0	$ 475.0	$ 620.0	$ 345.0	125.5%
Tax Anticipation Notes	$ 14,090.0	$ -	$ -	$ -	$ -	$ (14,090.0)	….
Total	**$ 98,171.0**	**$ 80,673.0**	**$ 87,999.0**	**$ 93,802.0**	**$ 100,052.0**	**$ 1,881.0**	**1.9%**

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

[59] The Civic Federation does not include unearned revenue in short-term liability trend analyses because unearned revenue is revenues from program fees and other sources received before a good or service has been provided; it is classified as a current liability on the balance sheet until it is recognized as earned during the accounting cycle; and for the governments we analyze, unearned revenue usually refers to property tax revenues levied but not spent. It is an issue related to the timing of property tax collections and not an issue of fiscal stress. Unearned revenue is a payment received before a good is sold or a service is provided. Unearned revenue is classified as a current liability on the balance sheet until it is recognized as earned during the accounting cycle. See http://www.businessdictionary.com/definition/unearned-revenue.html#ixzz14ow1LgZo.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[60] This indicator, 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. The Chicago Park District has shown a upward trend in short-term liabilities compared to total operating revenue between FY2006 and FY2010 from 19.5% to 25.0%. The following graph shows the five-year trend in the District's short-term liabilities by category. The ratio has risen steadily from 19.5% in FY2007 to 25.0% in FY2010 after dropping between FY2006 and FY2007 because the District stopped issuing tax anticipation notes. This increase is driven primarily by increases in Accounts Payable and Expenses and warrants watching for signs of future budgetary stress.



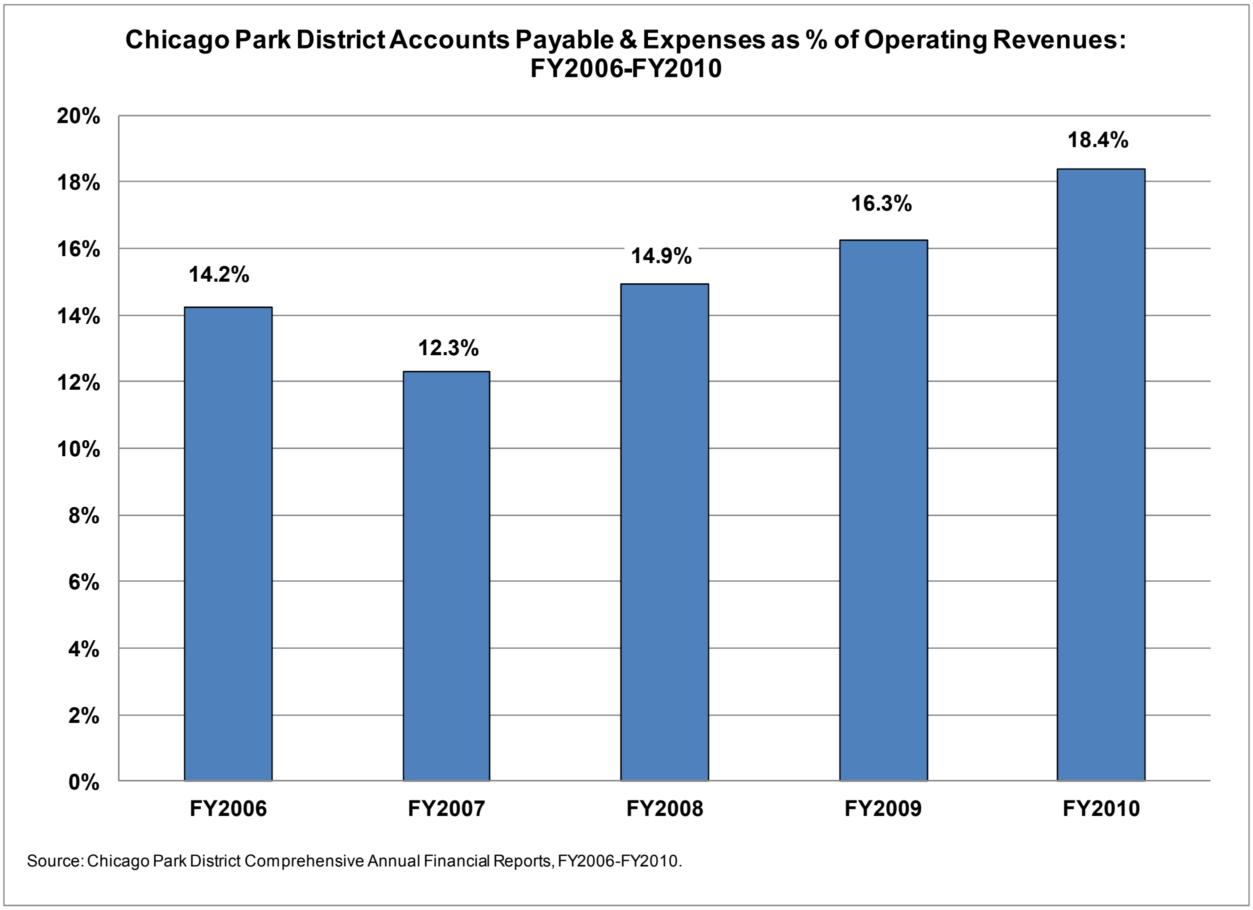
	FY2006	FY2007	FY2008	FY2009	FY2010
Tax Anticipation Notes	3.5%	0.0%	0.0%	0.0%	0.0%
Deposits	0.1%	0.1%	0.1%	0.1%	0.2%
Other Liabilities	0.2%	0.1%	0.0%	0.0%	0.0%
Retainage Payable	0.5%	0.5%	0.9%	0.5%	0.8%
Due to Other Organizations	0.1%	0.3%	0.1%	0.1%	0.1%
Accrued Interest	5.0%	4.8%	4.5%	4.7%	4.9%
Accrued Payroll	0.9%	1.4%	1.5%	1.2%	0.6%
Accounts Payable & Expenses	14.2%	12.3%	14.9%	16.3%	18.4%

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

[60] 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), p. 77 and p. 169.

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 to operating revenues has risen from 14.2% in FY2006 to 18.4% five years later. The upward trend bears watching.



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.[61]

In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of the District, 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;

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

- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Interest:* amounts received in interest payments on savings;
- *Receivables*: monetary obligations owed to the government including property taxes and interest on loans;
- *Due from other governments or escrow agent*: 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;
- *Prepaid contributions:* monies given to the Aquarium and Museums for capital expenditures. These contributions are amortized over a 25-year period.[62]

The Park District's current ratio was 2.7 in FY2010, the most recent year for which data is available. In the past five years, the District's current ratio averaged 2.5, which is greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2006 to FY2010, the current ratio increased slightly from 2.5 to 2.7.

Chicago Park District Current Ratio in the Governmental Funds: FY2006-FY2010
(in $ thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010	5-year Change	5-year % Change
Current Assets							
Cash and cash equivalents	$ 892	$ 3,809	$ 8,357	$ 11,265	$ 5,017	$ 4,125	462.4%
Cash with fiscal agent	$ -	$ -	$ 1,856	$ -	$ 29,142	$ 29,142	….
Investments	$ 497,394	$ 471,256	$ 423,475	$ 381,401	$ 456,839	$ (40,555)	-8.2%
Receivables: Property Taxes, net	$ 255,285	$ 268,659	$ 252,176	$ 260,664	$ 290,518	$ 35,233	13.8%
Receivables: PPRT	$ 5,624	$ 6,857	$ 5,005	$ 5,244	$ 4,313	$ (1,311)	-23.3%
Receivables: Accounts	$ 6,880	$ 8,860	$ 14,782	$ 29,001	$ 24,533	$ 17,653	256.6%
Due from escrow agent	$ 16,000	$ -	$ -	$ -		$ (16,000)	-100.0%
Due from other governments	$ 518	$ 635	$ 10	$ -	$ -	$ (518)	-100.0%
Other current assets	$ 965	$ 494	$ 1,201	$ 1,820	$ 2,030	$ 1,065	110.4%
Unamortized cost of debt issuance	$ 5,647	$ 5,062	$ 5,093	$ 4,607	$ 5,004	$ (643)	-11.4%
Prepaid contributions, net	$ 91,102	$ 84,188	$ 77,310	$ 70,432	$ 63,860	$ (27,242)	-29.9%
Total Current Assets	**$ 880,307**	**$ 849,820**	**$ 789,265**	**$ 764,434**	**$ 881,256**	**$ 949**	**0.1%**
Current Liabilities							
Accounts Payable & Expenses	$ 57,274	$ 50,721	$ 59,784	$ 66,605	$ 73,522	$ 16,248	28.4%
Accrued Payroll	$ 3,468	$ 5,740	$ 5,912	$ 4,851	$ 2,565	$ (903)	-26.0%
Accrued Interest	$ 20,031	$ 20,004	$ 17,853	$ 19,311	$ 19,653	$ (378)	-1.9%
Due to Other Organizations	$ 426	$ 1,430	$ 379	$ 397	$ 327	$ (99)	-23.2%
Retainage Payable	$ 1,945	$ 1,877	$ 3,562	$ 2,156	$ 3,365	$ 1,420	73.0%
Other liabilities	$ 662	$ 582	$ 12	$ 7	$ -	$ (662)	-100.0%
Deposits	$ 275	$ 319	$ 497	$ 475	$ 620	$ 345	125.5%
Unearned Revenue: Program Fees	$ 868	$ 452	$ 887	$ 1,080	$ 1,806	$ 938	108.1%
Unearned Revenue: Other	$ 862	$ 8,401	$ 16,998	$ 21,394	$ 19,205	$ 18,343	2128.0%
Unearned Revenue: Soldier Field	$ 247,521	$ 238,353	$ 229,186	$ 220,019	$ 210,851	$ (36,670)	-14.8%
Tax Anticipation Notes	$ 14,090	$ -	$ -	$ -	$ -	$ (14,090)	….
Total Current Liabilities	**$ 347,422**	**$ 327,879**	**$ 335,070**	**$ 336,295**	**$ 331,914**	**$ (15,508)**	**-4.5%**
Current Ratio	**2.5**	**2.6**	**2.4**	**2.3**	**2.7**		

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

[62] Chicago Park District FY2010 Comprehensive Annual Financial Report, p. 52.

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 all of the 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:

- *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 liabilities (NPO)*: the cumulative difference, since 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;[63]
- *Net Other Post Employment Benefit (OPEB) liabilities*: the cumulative difference, since 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.

Between FY2009 and FY2010, total Chicago Park District long-term liabilities rose by 17.2%, increasing from $895.8 million to $1.0 billion. The largest increases were for general obligation capital improvement bonds, which rose by 17.8%, or $136.3 million. Net pension liabilities rose

[63] http://www.gasb.org/st/summary/gstsm27.html.

by $14.8 million, or 90.7%. Between FY2006 and FY2010, long-term liabilities increased by 11.0%, rising from $948.7 million to $1.0 billion. The largest increase was for general obligation capital improvement bonds, up $102.7 million.

Chicago Park District Long-Term Liabilities: FY2006-FY2010 (in $ thousands)							
Government Activities	**FY2006**	**FY2007**	**FY2008**	**FY2009**	**FY2010**	**$ Change**	**% Change**
General Obligation Bonds							
Capital Improvement	$ 801,895	$ 767,955	$ 768,460	$ 768,230	$ 904,600	$ 102,705	12.8%
Aquarium and Museums	$ 75,155	$ 68,110	$ 38,080	$ 32,730	$ 29,685	$ (45,470)	-60.5%
Unamortized Premiums	$ 24,368	$ 21,524	$ 24,618	$ 21,468	$ 30,011	$ 5,643	23.2%
Deferred Amount on Refunding	$ (23,100)	$ (20,579)	$ (19,689)	$ (17,077)	$ (15,574)	$ 7,526	-32.6%
Subtotal GO Bonds	**$ 878,318**	**$ 837,010**	**$ 811,469**	**$ 805,351**	**$ 948,722**	**$ 70,404**	**8.0%**
Contractor Long Term Financing	$ -			$ 919	$ 1,107	$ 1,107	.....
Capital Lease PBC	$ 20,880	$ 18,505	$ 15,610	$ 10,795	$ 7,395	$ (13,485)	-64.6%
Compensated Absences	$ 7,764	$ 8,793	$ 8,121	$ 8,236	$ 8,528	$ 764	9.8%
Claims & Judgments	$ 11,762	$ 14,328	$ 9,849	$ 7,581	$ 6,949	$ (4,813)	-40.9%
Net Pension Obligation*	$ -	$ 603	$ 10,839	$ 16,337	$ 31,156	$ 31,156	…
Net OPEB Obligation*	$ -	$ 2,845	$ 5,718	$ 8,693	$ 11,747	$ 11,747	…
Property Tax Claim Payable	$ 17,357	$ 19,119	$ 27,221	$ 22,979	$ 23,043	$ 5,686	32.8%
Worker's Compensation	$ 12,586	$ 15,923	$ 15,058	$ 14,937	$ 15,344	$ 2,758	21.9%
Total	**$ 948,667**	**$ 917,126**	**$ 903,885**	**$ 895,828**	**$ 1,053,991**	**$ 104,217**	**11.0%**

* Not reported in FY2006
Source: Chicago Park District Comprehensive Annual Financial Reports, Note 6: Long-Term Obligations.

Long-Term Debt

The Chicago Park District had a total of $956.1 million in long-term tax supported debt outstanding in FY2010. This was a 17.2%, $139.9 million increase from the previous year. Most of the long-term debt outstanding was in the form of general obligation capital improvement bonds; they represented over 89% of all long-term debt outstanding in both FY2006 and FY2010. In addition, there was a 31.5% decrease in capital leases with the Chicago Public Building Commission (PBC). The Park District has entered into several capital lease arrangements with the PBC for park projects and construction projects, including projects at the Lincoln Park Zoo. All of these agreements require taxes be levied to pay for future lease payments.[64]

Between FY2006 and FY2010, total District long-term debt increased by 6.3%, rising from $899.2 million to $956.1 million. The largest percentage decrease came in debt issued for the Aquarium and Museums; these liabilities declined by 60.5%, or $45.5 million.

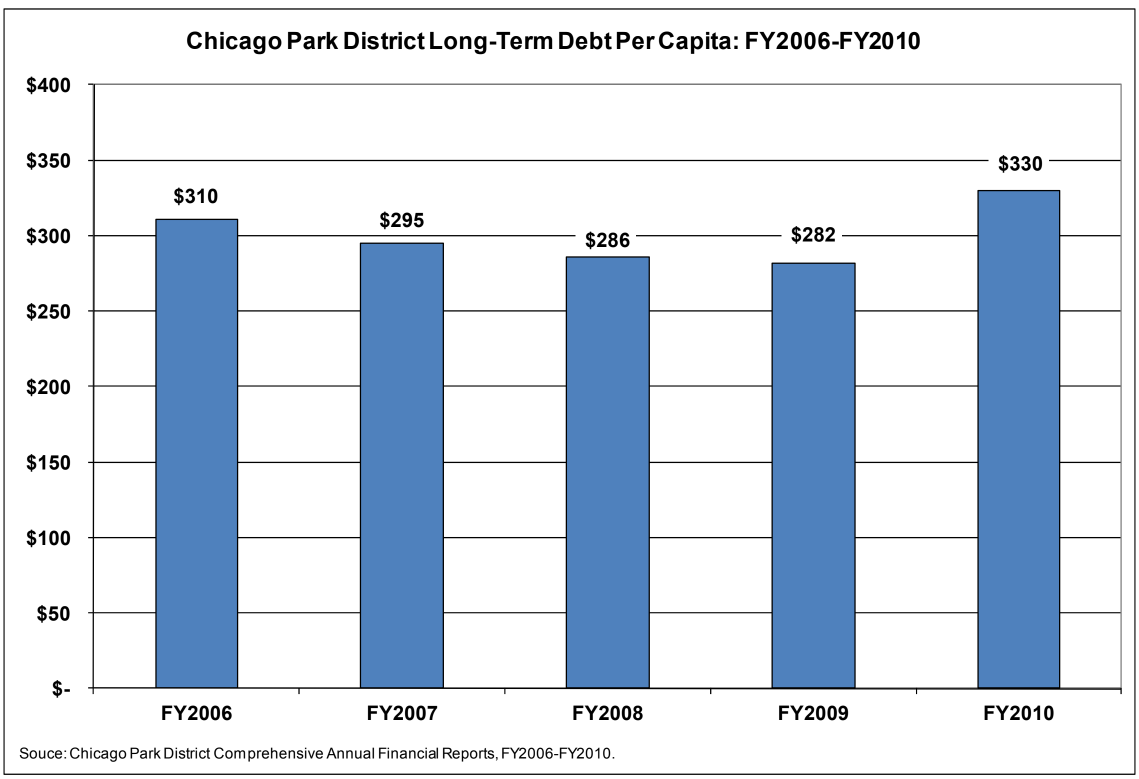
[64] Chicago Park District FY2010 Comprehensive Annual Financial Report, p. 69.

Chicago Park District Long-Term Debt: FY2006-FY2010 (in $ thousands)							
Government Activities	**FY2006**	**FY2007**	**FY2008**	**FY2009**	**FY2010**	**$ Change**	**% Change**
General Obligation Bonds							
Capital Improvement	$ 801,895	$ 767,955	$ 768,460	$ 768,230	$ 904,600	$ 102,705	12.8%
Aquarium and Museums	$ 75,155	$ 68,110	$ 38,080	$ 32,730	$ 29,685	$ (45,470)	-60.5%
Unamortized Premiums	$ 24,368	$ 21,524	$ 24,618	$ 21,468	$ 30,011	$ 5,643	23.2%
Deferred Amount on Refunding	$ (23,100)	$ (20,579)	$ (19,689)	$ (17,077)	$ (15,574)	$ 7,526	-32.6%
Subtotal GO Bonds	**$ 878,318**	**$ 837,010**	**$ 811,469**	**$ 805,351**	**$ 948,722**	**$ 70,404**	**8.0%**
Capital Lease PBC	$ 20,880	$ 18,505	$ 15,610	$ 10,795	$ 7,395	$ (13,485)	-64.6%
Total	**$ 899,198**	**$ 855,515**	**$ 827,079**	**$ 816,146**	**$ 956,117**	**$ 56,919**	**6.3%**

Source: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2010, Note 6: Long-Term Obligations.

Long-Term 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 and capital lease obligations. The ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. The Chicago Park District's long-term debt includes general obligation bonds, revenue bonds and PBC capital lease debt. Increases in long-term debt per capita bear watching as it can be a sign of increasing financial risk. The exhibit that follows shows that the Chicago Park District's long-term debt burden rose by 6.3% during the five-year period between FY2006 and FY2010. In FY2006 long-term debt per capita was $310, and five years later it increased to $330.



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%.[65]

Chicago Park District debt service appropriations in the proposed budget for FY2012 are expected to be 22.0% of the District's proposed $407.5 million in total appropriations. The District will spend approximately $89.8 million for debt service in the upcoming fiscal year. The debt service to total appropriations ratio will average 21.5% between FY2008 to FY2012, a "high" rating. In each of the five years reviewed, the ratio was at least 21.0%.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2008-FY2012					
	FY2008	FY2009	FY2010	FY2011 Budget	FY2012 Budget
Debt Service Appropriations	$ 83,506,872	$ 82,698,173	$ 85,156,360	$ 86,782,063	$ 89,553,699
Total Appropriations	$ 396,943,542	$ 393,222,794	$ 391,853,640	$ 397,569,544	$ 407,519,803
Debt Service as a % of Total Appropriations	**21.0%**	**21.0%**	**21.7%**	**21.8%**	**22.0%**

Source: Chicago Park District Budgets, FY2008-FY2012.

CAPITAL PLAN

As part of the Park District's capital planning process, it publicizes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The most recent five-year capital improvement plan was released in June 2011 for FY2011 through FY2015. An update to that plan is included in the District's FY2012 Budget Summary.

Over the next five years, all funding for capital improvements comes from General Obligation bonds totaling $175.0 million. Historically, the District issues approximately $35 million in General Obligation bonds annually. Facility and Building Rehabilitation is the largest capital spending category totaling 39.4% of the total capital budget, or $137.9 million over the next five years. The second largest spending category will be Acquisition and Development at $120.6 million, or 34.5% of the total. The following chart shows the estimated annual cash disbursements for the five-year capital spending plan and sources of funding.

Chicago Park District Five-Year Capital Spending FY2012-FY2016 (in $ millions)								
Type	FY2012	FY2013	FY2014	FY2015	FY2016	Expected 2012-2016*	Total	% of Total
Acquisition and Development	$ 9.1	$ 12.4	$ 14.4	$ 12.5	$ 11.9	$ 60.3	$ 120.6	34.5%
Facility and Building Rehabilitation	$ 16.4	$ 14.5	$ 11.3	$ 13.2	$ 13.5	$ 69.0	$ 137.9	39.4%
Site Improvements	$ 9.5	$ 8.0	$ 9.3	$ 9.3	$ 9.6	$ 45.7	$ 91.4	26.1%
Total Spending	**$ 35.0**	**$ 34.9**	**$ 35.0**	**$ 35.0**	**$ 35.0**	**$ 175.0**	**$ 349.9**	**100.0%**
Funding Source								
General Obligation Bond Proceeds	$ 35.0	$ 35.0	$ 35.0	$ 35.0	$ 35.0	$ 175.0	$ 350.0	100.0%
Total Funding	**$ 35.0**	**$ 35.0**	**$ 35.0**	**$ 35.0**	**$ 35.0**	**$ 175.0**	**$ 350.0**	**100.0%**

Source: Chicago Park District FY2012 Budget Summary, p. 57.

[65] 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.