



The Civic Federation

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FOREST PRESERVE DISTRICT OF COOK COUNTY FY2014 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

November 7, 2013

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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 Forest Preserve District of Cook County FY2014 Executive Budget Recommendation totaling \$178.8 million, which includes both operating and capital expenditures. We commend the District for presenting a reasonable balanced budget while holding its property tax levy flat and demonstrating fiscal prudence by maintaining substantial reserves.

Although the District holds the line on property taxes and maintains a healthy fund balance, these positive budgetary achievements would be threatened if the District were required to pay an actuarially sound amount to its pension fund. The market value funded ratio of the District's pension fund has fallen from 80.9% in FY2003 to 59.2% in FY2012 due in large part to contributions that have been insufficient to maintain the health of the fund. The Civic Federation urges the Forest Preserve District to pursue comprehensive pension reform to stabilize its pension fund. The District should push for such a plan to be passed by the Illinois General Assembly rather than wait for the State to resolve its own pension crisis. The Civic Federation further recommends that the District develop and implement a long-term financial plan to ensure fiscal sustainability. Long-term financial planning should include examination of the pension plan and other financial pressures.

The Federation reiterates its support for the creation of a separate Board of Commissioners for the Forest Preserve District. The current board structure governing both the District and Cook County results in an unavoidable conflict of interest between the County's mission to provide economic development and the Forest Preserve District's mission to conserve land. In the past, the conflict has resulted in land use policy violations, poor oversight of District land holdings, inadequate transparency of District finances and delayed action on the FY2011 budget. The results of the recent 2011 desk audit also revealed deficiencies in personnel management spanning many years. In August 2013 Moody's Investors Service downgraded the Forest Preserve District's general obligation debt to A1 from Aa2 and cited the District and County's shared governance structure as a concern.¹

The Civic Federation offers the following **key findings** on the FY2014 proposed budget:

- Total appropriations will decrease by 5.6%, or \$10.6 million, from the FY2013 adopted appropriations of \$189.3 million to \$178.8 million in FY2014;
- Total Corporate Fund appropriations will increase by 8.4%, or \$4.4 million, from \$52.8 million in FY2013 to \$57.3 million in FY2014;
- Total resources for the Corporate Fund, Pension Fund and Bond and Interest Fund will increase by 3.3%, or \$2.4 million, from \$70.7 million adopted in FY2013 to \$73.1 million proposed in FY2014;
- The combined budgets for the Brookfield Zoo and Chicago Botanic Garden will be \$95.8 million, which represents 53.6% of the District's total budget;
- The District's property tax levy will remain flat at \$86.5 million for the fifth year in a row;
- Total full-time equivalent (FTE) positions will increase by 2.5%, or 14.5 positions, from 589.8 FTEs in FY2013 to 604.3 FTEs in FY2014;
- The District's Corporate Fund fund balance at FY2012 year-end was \$41.9 million, and the FY2014 budget will utilize \$3.5 million of fund balance as a resource;
- The market value funded ratio for the District's pension fund declined from 80.9% to 59.2% between FY2003 and FY2012;
- The pension fund's unfunded liabilities rose to \$131.9 million in FY2012, up from \$48.6 million in FY2003;

¹ Moody's Investors Service, "Rating Update: Moody's downgrades Cook County Forest Preserve District, IL to A1; outlook negative," August 29, 2013.

- The District's short-term liabilities in FY2012 increased by 53.1%, or \$12.8 million, from FY2011; and
- The District's long-term debt burden increased by 80.7%, or \$115.8 million, from \$143.5 million in FY2011 to \$259.4 million in FY2012 due to the District's 2012 bond issuance.

The Civic Federation **supports** the following items contained in the District's budget:

- Presenting a reasonable balanced budget;
- Holding the property tax levy flat at \$86.5 million for the fifth year in a row; and
- Continuing adherence to its unreserved Corporate Fund fund balance policy.

However, the Civic Federation has **concerns** about the FY2014 proposed budget including:

- Maintaining a pension fund that shows continued signs of declining fiscal health including increasing unfunded liabilities and a declining market value funded ratio that fell from 80.9% in FY2003 to 59.2% in FY2012;
- Capital Improvement Plan not including detail on capital projects for the Brookfield Zoo and the Chicago Botanic Garden;
- Maintaining an inappropriate governance structure where the District and Cook County share the same legislative body; and
- Providing insufficient time for public review of the proposed budget before the first public hearing.

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

- Implement comprehensive pension reform;
- Improve the Capital Improvement Plan by providing more information about the Brookfield Zoo and Chicago Botanic Garden;
- Elect a separate Board of Commissioners for the Forest Preserve District;
- Implement a long-term financial planning process that is shared and reviewed with key policymakers and public stakeholders;
- Evaluate opportunities for alternative service delivery;
- Revise the District's minimum fund balance policy to reflect GFOA recommendations and set a maximum target for fund balance accrual and formalize a plan to appropriately spend down excess reserves;
- Develop and report performance measures in the District's annual budget;
- Increase the time allowed for public review and comment; and
- Improve the budget document by adding budget trends and actual data, multi-year projections, aggregate object level expenditure data, an expansion of the Reader's Guide and information regarding District services provided to and by Cook County.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Forest Preserve District of Cook County FY2014 Executive Budget Recommendation totaling \$178.8 million, which includes both operating and capital expenditures. We commend the District for presenting a reasonable balanced budget while holding its property tax levy flat and demonstrating fiscal prudence by maintaining substantial reserves.

Although the District holds the line on property taxes and maintains a healthy fund balance, these positive budgetary achievements would be threatened if the District were required to pay an actuarially sound amount to its pension fund. The market value funded ratio of the District's pension fund has fallen from 80.9% in FY2003 to 59.2% in FY2012 due in large part to contributions that have been insufficient to maintain the health of the fund. The Civic Federation urges the Forest Preserve District to pursue comprehensive pension reform to stabilize its pension fund. The District should push for such a plan to be passed by the Illinois General Assembly rather than wait for the State to resolve its own pension crisis. The Civic Federation further recommends that the District develop and implement a long-term financial plan to ensure fiscal sustainability. Long-term financial planning should include examination of the pension plan and other financial pressures.

The Federation reiterates its support for the creation of a separate Board of Commissioners for the Forest Preserve District. The current board structure governing both the District and Cook County results in an unavoidable conflict of interest between the County's mission to provide economic development and the Forest Preserve District's mission to conserve land. In the past, the conflict has resulted in land use policy violations, poor oversight of District land holdings, inadequate transparency of District finances and delayed action on the FY2011 budget. The results of the recent 2011 desk audit also revealed deficiencies in personnel management spanning many years. In August 2013 Moody's Investors Service downgraded the Forest Preserve District's general obligation debt to A1 from Aa2 and cited the District and County's shared governance structure as a concern.²

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Forest Preserve District of Cook County FY2014 Executive Budget Recommendation.

Presenting a Reasonable Balanced Budget

The Civic Federation commends the Forest Preserve District of Cook County for developing a reasonable budget that is balanced in the near-term and minimizes the use of one-time resources. In each of the four years since FY2011 the District has reduced its total appropriations. All of these actions demonstrate good fiscal stewardship.

² Moody's Investors Service, "Rating Update: Moody's downgrades Cook County Forest Preserve District, IL to A1; outlook negative," August 29, 2013.

Holding the Property Tax Levy Flat

The Forest Preserve District proposes to hold the property tax levy flat at \$86.5 million in FY2014 for the fifth year in a row. The Civic Federation supports the District's continued efforts to limit the pressure placed on property taxes. Additional revenue will be obtained through user fees rather than through an increase in the property tax levy.

Continuing Adherence to Fund Balance Policy

The Forest Preserve District's fund balance policy requires a minimum unreserved fund balance totaling the sum of 5.5% of Corporate Fund gross revenues, 1% of Corporate Fund expenditures for unexpected expenditures and 8% of Corporate Fund expenditures to account for insufficient operating cash.³

The Civic Federation applauds the District for continuing to adhere to its fund balance policy. As of December 31, 2012, the District had a Corporate Fund fund balance of 91.9%, or \$41.9 million, of operating expenditures (84.1% net of transfers).

Civic Federation Concerns

The Civic Federation has the following concerns regarding the Forest Preserve District's FY2014 Executive Budget Recommendation.

Downward Trend of Pension Fund

The market value funded ratio of the Forest Preserve District pension fund fell from 80.9% in FY2003 to 59.2% in FY2012. The District's unfunded liabilities rose from \$48.6 million to \$131.9 million over the same ten-year period. The recent decline between FY2006 and FY2012 is mostly attributable to low employer contributions and insufficient investment returns. The funded ratio is below a level considered financially sustainable. It is projected that the District's pension fund will become insolvent in 2031.⁴

Lack of Comprehensive Detail in Capital Improvement Plan about Zoo and Garden

The Civic Federation commends the District for publishing an annually updated Capital Improvement Plan (CIP). However, the most recent CIP for the years 2013-2017 did not include valuable information on project status and associated operating costs that would increase the transparency of capital projects undertaken by the District, particularly for projects within the Brookfield Zoo and the Chicago Botanic Garden. The capital projects for the Zoo and the Garden should be subjected to the same standards of disclosure as those initiated for the District, particularly those funded by taxpayer-supported bond issuances. The Zoo and the Garden have a "financially integrated relationship to the District" as the District owns the land on which they are located and their annual property tax levy request is subject to Board approval. Furthermore, it is important that the District evaluate the potential operating costs or savings of new facilities before investing capital dollars. In order to do so, the District must describe how its capital needs

³ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 5.

⁴ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, *Actuarial Valuation as of December 31, 2012*, April 2013, p. 1.

are determined and identify where each project fits in terms of the prioritization criteria as well as whom the project will benefit.

Inappropriate Governance Structure

Currently the Forest Preserve District is governed by a dual structure Board of Commissioners that also acts as the legislative body for Cook County. This structure results in an unavoidable conflict of interest between the County's mission to provide economic development and the Forest Preserve District's mission to conserve land.

In 2008 the Civic Federation and the Friends of the Forest Preserves issued a report calling for the creation of a separate board to oversee the operations of the Forest Preserve District of Cook County.⁵ The report highlighted the conflict of interest that arises from asking the same commissioners to consider economic development issues in one capacity and land preservation issues in another. The report stated that due to an organizational structure that creates an inherent conflict of interest and inhibits proper oversight, the District suffers from numerous problems that may be mitigated by installing a separate governing body.

Other outside observers have concurred that a separate board would positively impact fiscal management. In 2009 and 2012, Fitch Ratings noted that the creation of a separate Board of Commissioners would provide the District greater autonomy to manage its financial resources, which Fitch would consider a positive credit factor.⁶ In August 2013, Moody's Investors Service downgraded the Forest Preserve District's general obligation debt to A1 from Aa2, citing the District and County's shared governance structure as a concern.⁷

The Board's lack of adequate attention to the Forest Preserve District was also evident in the FY2011 budget process. The proposed FY2011 budget was released on October 6, 2010, but the Board did not pass the final budget until March 5, 2011, more than thirteen weeks after the start of the fiscal year. While the Civic Federation commends Board President Preckwinkle and Superintendent Randall for undertaking the desk audit in 2011, that audit revealed an alarming lack of personnel management that had persisted unchecked for many years. In addition the District came under fire for various improper and illegal activities observed at the aquatic facilities and rental properties.⁸ In these and many other instances over the years it has been clear that the District is ill-served by the "double-duty" commissioners, whose attention and meeting availability is often consumed by the demands of the general County's many fiscal and policy needs.

⁵ Civic Federation and Friends of the Forest Preserves, *Forest Preserve District of Cook County: A Call for a Separate Board of Commissioners*, March 17, 2008.

⁶ Fitch Ratings, "Fitch Upgrades Forest Preserve District of Cook County, Illinois' GOs to 'AA-'; Outlook Stable," September 9, 2009 and "Aa2 rating and stable outlook applies to \$196.6 million of post-sale GO debt," June 4, 2012.

⁷ Moody's Investors Service, "Rating Update: Moody's downgrades Cook County Forest Preserve District, IL to A1; outlook negative," August 29, 2013.

⁸ Cook County Office of the Independent Inspector General, "Forest Preserve Pool Investigation," public statement, March 25, 2011. Erika Slife, "Forest preserve guard accused of pot growing," *Chicago Tribune*, September 23, 2011.

Insufficient Time for Public Review of Budget before First Hearing

The Civic Federation recommends that local governments such as the Forest Preserve District of Cook County allow a minimum of ten working days for the public to have sufficient time for meaningful review of the budget prior to the first public hearing. The District and the Board Finance Committee failed to offer sufficient time for public review of the FY2014 Executive Budget Recommendation before holding its first public hearing on the budget. The proposed budget was released on October 17 and the first public hearing was held on October 23.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to support improved efficiency, governance and transparency.

Implement Comprehensive Pension Reform

Unlike several of its neighboring local governments, the Forest Preserve District is financially stable with a healthy fund balance equal to 91.9% of its operating expenditures. However, the District's budgetary achievements would be threatened if the District were required to pay an actuarially sound amount to its pension fund. In FY2012 the \$3.1 million employer contribution to the pension fund made by the District represented only 25.0% of the actuarially calculated annual required contribution. In other words, an actuarially sound contribution for FY2012 was \$12.4 million and the District's actual contribution fell short of that amount by \$9.3 million.⁹

The Civic Federation urges the District to aggressively pursue legislation in the Illinois General Assembly to reform its pension system to be sustainable in the long-term for both retirees and taxpayers. The District should develop its own framework for reform based on its fund's individual characteristics, such as funding levels, member population and statutory provisions. In 2012 the Metropolitan Water Reclamation District (MWRD) successfully developed and promoted a framework for pension reform which led to the enactment of Public Act 97-0894. The MWRD's reforms increased employee and employer contributions to the MWRD's pension fund in an effort to increase the Fund's funded ratio. Like the MWRD, the Forest Preserve District should develop and promote a pension reform plan to be passed by the Illinois General Assembly rather than wait for the State legislature to first resolve its own pension crisis.

The Civic Federation also offers the following specific recommendations to improve the long-term financial health of the Forest Preserve District's pension fund. Two of the recommendations can be implemented by the District without authorization from the State of Illinois:

Create Pension Committee

The Civic Federation recommends that the District Board of Commissioners create a Pension Committee to formally assess the health of the District's pension fund and develop potential solutions for reform.

⁹ See the Pension section of this report on page 36 for more information.

Provide More Information on District Pension Fund

The Civic Federation supports the data for the Cook County pension fund offered on District and County Commissioner Bridget Gainer's website OpenPensions.org. The Federation urges the District to take similar action to publicize information about the state of the Forest Preserve District's pension fund in order to better examine solutions to the District's growing pension problems.

The Civic Federation further recommends two reforms which would require authorization from the Illinois General Assembly. The Civic Federation supported Public Act 96-0889, which created a different tier of benefits for many public employees, including District 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.

Implement Governance Reforms

The Board of Trustees for the Forest Preserve District's pension fund is governed by nine members: four members are elected by employees of Cook County and the Forest Preserve District; three members are elected by annuitants of Cook County and the Forest Preserve District; and two serve as ex-officio members.¹⁰ The District should reform its pension board governance to be more balanced between management and current and former employees rather than be employee/retiree-dominated. Citizen participation on the Board should also be explored.

Prohibit Benefit Enhancements Until 90% Funded

The District should pursue legislation to prohibit benefit enhancements unless the plan is over 90% funded, enhancements are fully funded with contributions and will expire in five years.

Improve the Capital Improvement Plan

The Civic Federation offers several recommendations for ways to continue to improve the CIP document and process:

- The capital projects undertaken by the Brookfield Zoo and the Chicago Botanic Garden should be subjected to the same standards of disclosure as those initiated for the District, particularly those projects funded by taxpayer-supported bond issuances. The Zoo and the Garden have a "financially integrated relationship to the District" as the District owns the land sites and their annual property tax levy request is subject to Board approval;¹¹
- Each project page should have specific information about anticipated operating costs including the number of full-time equivalent (FTE) positions to be added or removed and dollar estimates of any changes in operating expenses. It is important that the District

¹⁰ Cook County Pension Fund, Retirement Board, http://www.cookcountypension.com/about_the_fund/retirement_board/default.aspx (last accessed October 30, 2013).

¹¹ Forest Preserve District of Cook County, FY2011 Comprehensive Annual Financial Report, p. 19.

evaluate the potential operating costs or savings of new facilities before investing capital dollars;

- Each project page should have the current project status including whether it has been completed, is in progress or has not yet begun;
- A reader's guide should be added to explain the charts and terminology used in the report;
- The District should specifically describe how its capital needs are determined and identify on each project page where the project fits in terms of the prioritization criteria (guiding principles) set out in the initial pages of the CIP in addition to whom it will benefit; and
- The time and date for the formal approval of the CIP by the Board of Commissioners should be reported in the CIP.

Elect a Separate Board of Commissioners for the Forest Preserve District

The current dual structure wherein the Forest Preserve District Board of Commissioners also acts as the legislative body for Cook County creates an unavoidable conflict of interest between the Forest Preserve District's mission to conserve land and the County's mission to provide economic development. Therefore, the Civic Federation strongly recommends that a separate elected Board of Commissioners be created for the Forest Preserve District of Cook County. This action would not create a new government entity and should not result in any additional costs because the new Board should be unpaid. The new Board should be elected county-wide via a non-partisan election and have a board president selected among and by the members of the Board. A separate Board will allow voters to elect Commissioners on the basis of candidates' positions, credentials, experience and interest in forest preserve governance. It will also provide the necessary governance and oversight required for operating one of the largest forest preserve districts in the nation. The Civic Federation supported legislation introduced in a previous legislative session by Representative Elaine Nekritz that would have amended the Cook County Forest Preserve District Act and beginning in 2014, the Board of Commissioners for the District would have been elected separately from the Board of Commissioners for Cook County.¹² The Civic Federation urges new similar legislation to be introduced for the current 98th Illinois General Assembly.

Implement a Long-Term Financial Planning Process

The Civic Federation urges the Forest Preserve District to develop and implement a formal long-term financial plan that is shared with and reviewed by key policymakers and public stakeholders. The District's Capital Improvement Plan (CIP) should be integrated into the long-term financial plan. Critical financial issues such as the significant growth in unfunded pension liabilities should be addressed in the plan, as well as evaluation of core and non-core District activities. A long-term financial plan should also take into account projections for the District's growing personnel. The number of full-time equivalent (FTE) positions in the District will increase from 537.5 FTEs in FY2010 to 604.3 FTEs in FY2014. This is an increase of 66.8 FTEs, or 12.4%. While the District may consider the long-term fiscal impact of hiring additional employees internally, these projections should be shared publicly in a formal financial plan.

¹² Illinois 97th General Assembly, HB1505. No further action was taken to date after the bill was re-referred to the Rules Committee in March 2011.

The National Advisory Council on State and Local Budgeting (NACSLB) and GFOA both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.¹³ A long-term financial plan typically includes a review of historical financial and programmatic trends; multi-year projections of revenues, expenditures and debt; an analysis of those trends and projections; and the modeling of options to address problems and opportunities. The plan helps governments address fiscal challenges before they become fiscal crises.

A key component of financial planning is engaging all stakeholders in the process of development of the plan. The GFOA describes long-term financial planning as “not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public.”¹⁴ Among other benefits, involving all stakeholders can help staff refine forecasts, institutionalize planning processes and promote strategic decision-making. The District should immediately begin mobilizing for a comprehensive long-term financial planning process.

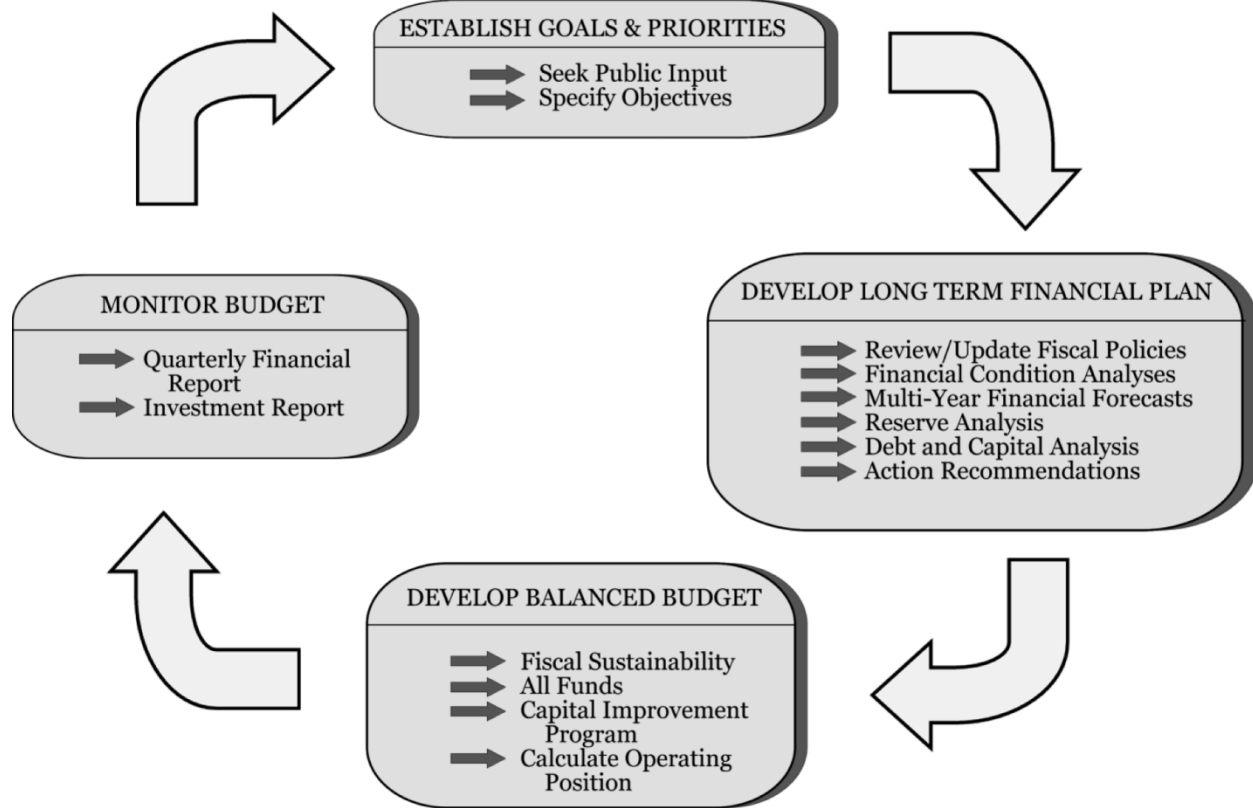
Therefore, we recommend that in the new fiscal year the District undertake a long-term financial planning process that would proceed in four stages.¹⁵ First, Superintendent Randall and his administration would articulate fiscal and programmatic goals and priorities informed by public input. The Long-Term Financial Plan would evaluate financial and service data in order to determine how to accomplish the goals and priorities. It would include a review of the District’s financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced Forest Preserve District budget that is fiscally sustainable each year. The plan would then be closely monitored with regular financial reports to ensure its viability.

¹³ See Recommended Practice 9.1 “Conduct Long-Range Financial Planning,” in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting*. Chicago: GFOA, 1998.

¹⁴ Government Finance Officers Association, “[An Introduction to Financial Planning](http://www.gfoa.org/downloads/LTFPbrochure.pdf),” <http://www.gfoa.org/downloads/LTFPbrochure.pdf> (accessed January 10, 2011).

¹⁵ The graphic illustration of the long-term financial planning process is based on the City of San Clemente, California’s Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document “Long-Term Financial Planning for Governments” available at <http://www.gfoa.org/downloads/LTFPbrochure.pdf>.

Long-Term Financial Planning Process



If the District chooses not to undertake a full long-term financial planning process, then, at a minimum, an annual document should be developed and published that would include:

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

Evaluate Opportunities for Alternative Service Delivery

The Civic Federation recommends that as part of a long-term plan the District seriously evaluate transferring ownership and operation of its three swimming pools to local park districts or other

operators whose missions are more closely aligned with pool operation.¹⁶ A serious lack of personnel management at the pools was discovered in 2011.¹⁷ Transferring them to other operators would allow the District to focus on its unique mission of restoring and retaining natural lands.

The District should also evaluate other opportunities for savings and efficiencies through alternative service delivery in support service areas such as human resources or facilities management of its pavilions and other rental spaces.

Revise Fund Balance Policy to Reflect GFOA Recommendations

The Civic Federation commends the District for adhering to its fund balance policy and for maintaining a very high level of reserves. We encourage the District to revise this policy to reflect the recommendations from the Government Finance Officers Association (GFOA). The 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%.¹⁸ As of December 31, 2012, the District had a very high Corporate Fund fund balance of 91.9% of operating expenditures (84.1% net of transfers).

The Forest Preserve District’s policy on unreserved fund balance requires the District to annually budget a minimum unreserved fund balance totaling the sum of:

- 5.5% of Corporate Fund gross revenues to account for revenue fluctuations;
- 1% of Corporate Fund expenditures to account for unexpected expenditures; and
- 8% of Corporate Fund expenditures to account for insufficient operating cash.¹⁹

The District should also consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken as its fund balance continues to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity. A large fund balance like the Forest Preserve District’s may invite questions about over-taxation, unless a government is saving for a specific expected expense. Appropriate uses of excess fund balance include capital projects, extra pension contributions to reduce the unfunded liability, directing the revenue stream to other priorities, such as land restoration, or paying off debt or other liabilities. The District could even abate its property tax levy until the excess reserves are spent down. The District should develop a formal plan for appropriating its reserves and share the plan with the public.

¹⁶ For more detail on the pools see Civic Federation, *Forest Preserve District of Cook County FY2011 Proposed Budget: Analysis and Recommendations*, January 24, 2011.

¹⁷ Cook County Office of the Independent Inspector General, “Forest Preserve District Pool Investigation,” public statement, March 25, 2011.

¹⁸ Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

¹⁹ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 5.

Develop and Report Performance Measures

The Civic Federation commends the Forest Preserve District for taking part in Board President Preckwinkle's STAR (Set Targets Achieve Results) performance management initiative. The Federation recommends that the District enhance the information it provides through the STAR initiative by collecting key performance measurement data by department and incorporating the data into its budget document. Collecting detailed performance data will provide management and policymakers with objective information to utilize in strategic planning, allocating resources and improving operational efficiency. The data is also crucial to provide transparency and accountability to the public. All governments should evaluate the performance of the programs and services they provide to ensure that they are accomplishing their intended goals and making efficient use of resources. Evaluating and reporting on program results keeps all stakeholders aware of any variance between expectations and actual achievements.²⁰

Forest Preserve District staff should work to support the development of performance measures to track the efficiency and effectiveness of management and operations in addition to ecological, educational, recreational and other goals in the STAR reports. Adoption of a performance measurement system does not have to be done all at once; it can be implemented in steps and by department. The Government Finance Officers Association (GFOA) recommends the following for governments that are in the early stages of performance measurement:

- Develop service delivery units in terms of programs;
- Identify goals, short- and long-term, that contribute to the attainment of the mission;
- Identify program goals and objectives that are specific in timeframe and measurable;
- Identify and track performance measures for a manageable number of services within programs;
- Identify program inputs in the budgeting process that address the amount of resources allocated to each program;
- Identify program outputs in the budgeting process that address the amount of service units produced;
- Identify program efficiencies in the budgeting process that address the cost of providing a unit of service;
- Identify program outcomes in the budgeting process that address the extent to which the goals of the program have been accomplished;
- Take steps to ensure that the entire organization is receptive to evaluation of performance;
- Integrate performance measurements into the budget that at a minimum contains, by program, the goals and input, output, efficiency and outcome measures; and
- Calculate costs and document changes that occur as a direct result of the performance management program in order to review its effectiveness.²¹

²⁰ See Recommended Practice 11.1 "Monitor, Measure, and Evaluate Program Performance," in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting*. Chicago: GFOA, 1998.

²¹ Government Finance Officers Association, "Best Practice: Performance Management: Using Performance Measurement for Decision Making (2002 and 2007)," <http://www.gfoa.org/downloads/budgetpermanagement.pdf> (accessed November 17, 2011).

Increase Time Allowed for Public Review and Comment

More time should be allowed for the public to review and understand the Forest Preserve District's annual budget. At a minimum, **ten working days** should be allowed for the public review period before the first public testimony is heard. Only in this way can citizens give fully informed commentary on a prominent government in Cook County.

Improve Budget Document

The Civic Federation offers the following recommendations to further improve the format of the Forest Preserve District budget document:

Budget Trends and Actual Data

For the first time in last year's FY2013 Executive Budget Recommendation, the District began providing actual expenditure data for the fiscal year two years prior. Actual data represents the expenditures made and revenues received in prior fiscal years, rather than budgeted appropriations and projected revenues. The Civic Federation recommends that budget documents include a minimum of one year of actual prior year data in order to make meaningful comparisons. Ideally, five years of data would be included to provide the public with a clear understanding of budgetary trends, and the Federation recommends that District take the next step toward increasing transparency and include five years of prior year actual data in its budget documents.

Multi-Year Projections

Multi-year projections (three to five years) for revenues and expenditures should be included in the budget document. Long-term projections help governments address fiscal challenges before they become fiscal crises and keep the public informed of governments' financial outlooks. For models of reasonable projections, see the City of Chicago's Annual Financial Analysis or the City Colleges of Chicago's Four-Year Forecast in its FY2014 budget.²²

Aggregate Object Level Expenditure Data

The Civic Federation recommends that aggregate object level data be included in the budget document. Object level refers to grouping expenditure categories by types of expense rather than by fund. For instance, the departmental sections of the District's budget categorize expenditures into the following object levels: personnel services, professional contractual services, material and supplies, equipment and fixtures and other employee expenses. These categories should be totaled District-wide to provide information on overall proposed expenditures, as well as past years' actual expenditures.

²² City of Chicago, 2013 Annual Financial Analysis, pp. 45-54 and City Colleges of Chicago, FY2014 Annual Operating Budget, p. 16.

Expand Reader's Guide

The Reader's Guide should be expanded to note any significant budgetary, policy or budget format changes so that the public and Forest Preserve District Commissioners may be able to make meaningful comparisons over time.

Provide More Transparency for Services Provided to and by Cook County

The Civic Federation has long supported the separation of the Board governance of the Forest Preserve District of Cook County and Cook County due to the conflict of interest that arises from commissioners serving on both boards. The Civic Federation recommends that the District clearly provide a description in its budget document of the services provided by the District to the County and services provided by the County to the District. It is important that the District and the County conduct reimbursements and payments in the same transparent way that other governments must conduct intergovernmental financial exchanges.

ACKNOWLEDGEMENTS

The Civic Federation would like to express its appreciation to General Superintendent Arnold Randall, Chief Financial Officer Mark Thomas and Director of Budget and Management Troy Alim for providing information about the proposed budget.

APPROPRIATIONS

This section provides an analysis of the Forest Preserve District's proposed FY2014 appropriations. Proposed FY2014 appropriations are compared to adopted appropriations over two- and five-year periods.²³

All Funds Appropriations: Two-Year and Five-Year Trends

The District is proposing a total FY2014 budget of \$178.8 million. This is a 5.6%, or \$10.6 million, decrease from the adopted FY2013 appropriation of \$189.3 million. The proposed FY2014 budget for non-capital funds of \$171.9 million is a 2.8%, or \$4.6 million, increase from the adopted FY2013 budget. These funds include the Corporate Fund, Self-Insurance Fund, Bond and Interest Funds, Employee Annuity and Benefit (pension) Fund, the Zoological Fund (Brookfield Zoo) and the Botanic Garden Fund (Chicago Botanic Garden).²⁴ The proposed FY2014 capital budget of \$6.9 million is a 68.7%, or \$15.2 million, decrease from FY2013. This decrease is primarily because there will be no appropriation to the Real Estate Acquisition Fund in FY2014, as described below.

Corporate Fund budgeted appropriations will increase by 8.4%, or \$4.4 million, from \$52.8 million in FY2013 to \$57.3 million in FY2014. In comparison to the FY2013 adopted budget, the Bond and Interest Funds appropriation for FY2014 will decline by 15.2%, or \$2.3 million.

²³ Actual expenditures were not used due to unavailability in the budget documents.

²⁴ Bond and Interest Funds for FY2014 reflect the net of the Bond and Interest Fund (\$19,932,213) and the PPRT Bond and Interest Abatement (-\$3,996,350) and the Bond and Interest Escrow Abatement (-\$3,312,489). The Self-Insurance Fund functions as an internal service fund to account for future estimated claims and judgments. The Zoological and Botanic Garden Funds are discretely presented component units of the Forest Preserve District.

The Employee Annuity and Benefit Fund appropriation for the District's pension fund will increase by 6.0%, or approximately \$179,100, from nearly \$3.0 million in FY2013 to \$3.2 million in FY2014. The annual property tax levy which funds the appropriation for the pension fund is set by state statute at 1.3 times the annual employee contribution made two years prior.²⁵ The levy for the Employee Annuity and Benefit Fund will increase by 6.0%, or \$161,148, in FY2014 over the FY2013 levy from approximately \$2.7 million to \$2.8 million.²⁶

The appropriation for the Zoological Fund, which provides public funding for the Brookfield Zoo, will increase by 2.1%, or \$1.3 million, from \$62.9 million to \$64.2 million over the two-year period. The property tax levy for the Zoo will remain at approximately \$14.9 million while the contribution from the Chicago Zoological Society, which manages the Brookfield Zoo, will increase by \$1.3 million, or 2.7%, from \$47.7 million in FY2013 to \$49.0 million in FY2014.²⁷

Appropriations for the Botanic Garden Fund, which provides public funding for the Chicago Botanic Garden, will increase by 3.1%, or approximately \$958,300 million, from \$30.6 million in FY2013 to \$31.6 million in FY2014. The change is attributable to a \$1.0 million increase in the amount of funds provided by the Garden, which includes revenue from grants, membership contributions and fees.²⁸

There will be no appropriation to the Real Estate Acquisition Fund in FY2014 as all of the money in this fund was spent down in FY2013. In the foreseeable future, funding for land acquisition will come from the District's 2012 bond issuance instead of the Real Estate Acquisition Fund as has been the practice in the past.²⁹ This fund was not directly supported by a property tax levy, but appropriates from debt proceeds, contributions, grants, fund transfers, fund balance and investment income. The District currently owns over 69,000 acres and is authorized to acquire up to 75,000 acres.³⁰

Between FY2013 and FY2014 appropriations for the Construction and Development Fund will increase by 50.2%, or \$973,500.³¹

The Capital Improvement Fund will receive \$6.0 million in transfers from the Corporate Fund in FY2014. This is an increase from the FY2013 appropriation when \$1.6 million was transferred from the Corporate Fund. The remaining portion of the Capital Improvement Fund will come

²⁵ 40 ILCS 5/10-107.

²⁶ The remaining amount of the \$3.2 million in appropriations for the Employee Annuity and Benefit Fund will come from personal property replacement tax (PPRT) revenue. Forest Preserve District of Cook County FY2013 Annual Appropriation Ordinance, p. 15 and FY2014 Executive Budget Recommendation, p. 17.

²⁷ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 111.

²⁸ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 127.

²⁹ Information provided by the Forest Preserve District Department of Finance and Administration, November 1, 2013.

³⁰ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, pp. 7 and 95.

³¹ The Construction and Development Fund is designed to account for annual tax levies and other revenues to be used for the acquisition or construction of major capital facilities. Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 108.

from a \$4.0 million contribution from the Fund's fund balance.³² Funds transferred out from the Corporate Fund are described later in this analysis section.

Between FY2010 and FY2014 total appropriations will decrease by 9.3%, or \$18.3 million. Non-capital funds appropriations will increase by 8.1%, or \$12.9 million, while capital funds appropriations will fall significantly by 81.9%, or \$31.3 million. The Zoological and Botanic Garden Funds will increase by \$4.4 million, or 7.4%, and \$4.3 million, or 15.9%, respectively, over the five-year period, primarily as a result of increased funding provided through contributions from the Zoological Society and Horticultural Society.

With the exception of the Zoological and Botanic Garden Funds, the largest non-capital funds percentage increase will occur in the Employee Annuity and Benefit Fund as it grows by 14.5%, or approximately \$399,800 between FY2010 and FY2014. Appropriations for the Construction and Development and Capital Improvement Funds will be reduced by \$2.8 million, or 49.2%, and \$9.1 million, or 69.3%, respectively, over the five-year period.

Forest Preserve District All Funds Appropriations: FY2010-FY2014 (in \$ thousands)									
Fund	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Non-Capital									
Corporate	\$ 57,138.1	\$ 58,013.4	\$ 58,013.4	\$ 52,841.7	\$ 57,282.3	\$ 4,440.6	8.4%	\$ 144.2	0.3%
Self-Insurance	\$ -	\$ -	\$ -	\$ 3,000.0	\$ 3,000.0	\$ -	-	\$ 3,000.0	-
Bond & Interest*	\$ 12,008.2	\$ 12,009.6	\$ 12,001.3	\$ 14,885.5	\$ 12,623.4	\$ (2,262.1)	-15.2%	\$ 615.2	5.1%
Employee Annuity & Benefit	\$ 2,755.0	\$ 3,144.4	\$ 3,188.5	\$ 2,975.7	\$ 3,154.8	\$ 179.1	6.0%	\$ 399.8	14.5%
Zoological	\$ 59,772.6	\$ 60,955.7	\$ 63,253.9	\$ 62,899.1	\$ 64,206.6	\$ 1,307.5	2.1%	\$ 4,434.0	7.4%
Botanic Garden	\$ 27,265.2	\$ 26,913.2	\$ 28,924.2	\$ 30,632.1	\$ 31,590.5	\$ 958.3	3.1%	\$ 4,325.3	15.9%
Subtotal Non-Capital	\$ 158,938.9	\$ 161,036.3	\$ 165,381.3	\$ 167,234.2	\$ 171,857.5	\$ 4,623.4	2.8%	\$ 12,918.6	8.1%
Capital									
Construction & Development	\$ 5,739.5	\$ 5,739.5	\$ 5,739.5	\$ 1,940.0	\$ 2,913.5	\$ 973.5	50.2%	\$ (2,826.0)	-49.2%
Capital Improvement	\$ 13,050.0	\$ 13,050.0	\$ 13,780.0	\$ 5,300.0	\$ 4,000.0	\$ (1,300.0)	-24.5%	\$ (9,050.0)	-69.3%
Real Estate Acquisition	\$ 19,385.0	\$ 18,596.1	\$ 10,082.0	\$ 14,848.8	\$ -	\$ (14,848.8)	-100.0%	\$ (19,385.0)	-100.0%
Subtotal Capital	\$ 38,174.5	\$ 37,385.6	\$ 29,601.5	\$ 22,088.8	\$ 6,913.5	\$ (15,175.3)	-68.7%	\$ (31,261.0)	-81.9%
Grand Total	\$ 197,113.5	\$ 198,422.0	\$ 194,982.8	\$ 189,323.0	\$ 178,771.1	\$ (10,551.9)	-5.6%	\$ (18,342.4)	-9.3%

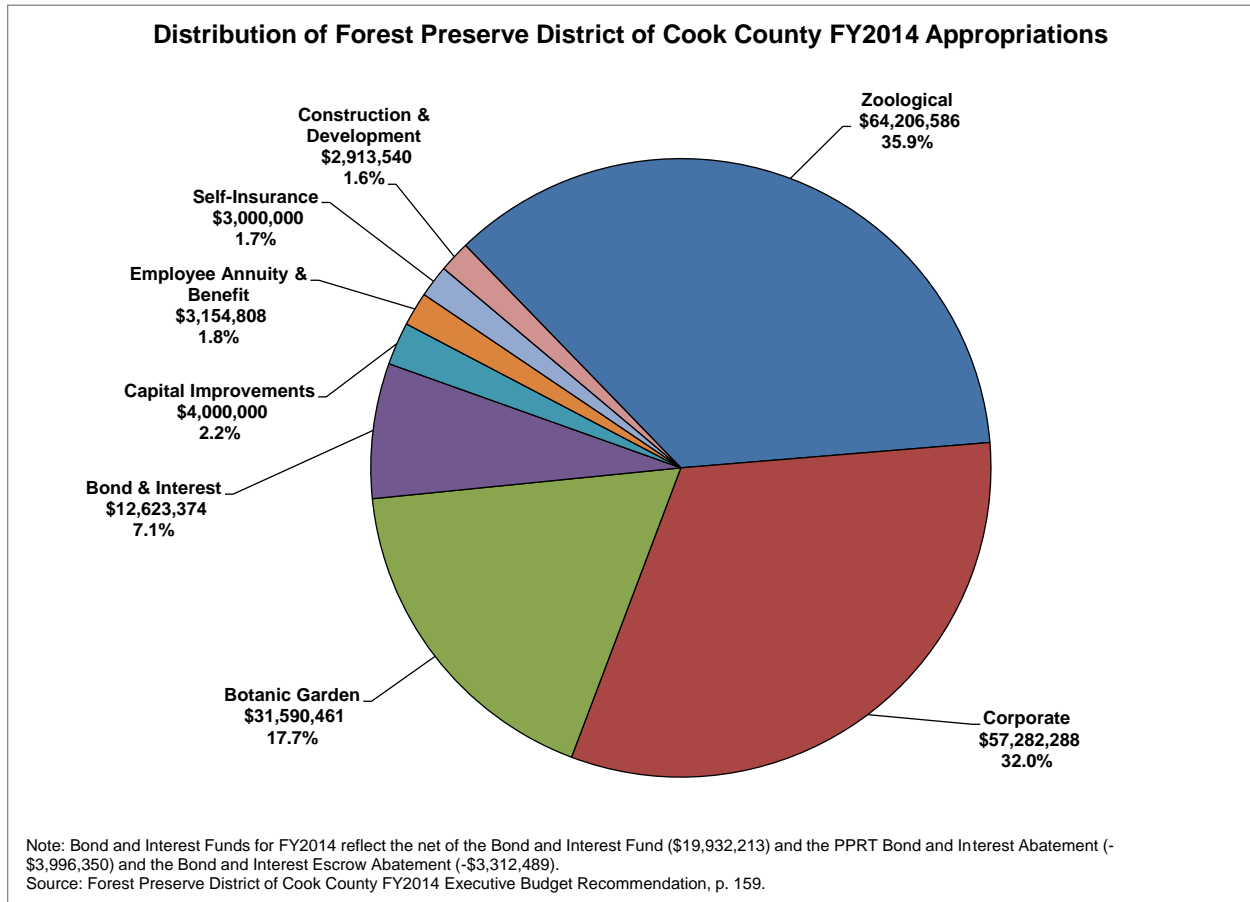
Note: Actual expenditures were not used due to unavailability in the budget documents. Totals may differ from budget documents due to rounding.

* Bond and Interest Funds for FY2014 reflect the net of the Bond and Interest Fund (\$19,932,213) and the PPRT Bond and Interest Abatement (-\$3,996,350) and the Bond and Interest Escrow Abatement (-\$3,312,489).

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2010-FY2013, Budget Recommendation Comparative Summaries and FY2014 Executive Budget Recommendations, p. 159.

³² Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 93.

The distribution of Forest Preserve District FY2014 appropriations by fund is shown in the next exhibit. The greatest portion of appropriations of 35.9% is for the Zoological Fund. The Botanic Garden will represent 17.7% of appropriations in FY2014. As described in the revenue section on page 21, a significant portion of the Zoo and Garden operations are funded through program income. The District's Corporate Fund appropriation of \$57.3 million will make up 32.0% of total appropriations.



Corporate Fund Appropriations: Two-Year and Five-Year Trends

The FY2014 proposed Corporate Fund budget is \$57.3 million, an increase of 8.4%, or \$4.4 million, above adopted FY2013 appropriations. With the FY2014 proposed budget the District created a new department in the Corporate Fund, the Department of Conservation and Experiential Programming. This department will oversee education, including the District's nature centers, outreach, special events and recreation. Some of the employees working in this new department will come from existing departments including the Office of the General Superintendent, the Department of Resource Management and the Department of Permits, Concessions and Volunteer Resources.³³ The proposed FY2014 appropriation for the Department of Conservation and Experiential Programming is \$4.5 million.

³³ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 13.

Excluding the new department and operating transfer trends, the largest dollar increase will occur in District Wide Programs where appropriations will grow by 27.4%, or approximately \$937,100.³⁴ A large portion of this increase, \$525,000, is the result of a new countywide marketing plan designed to promote the Forest Preserves to residents of Cook County.³⁵ Resident Watchmen Facilities and General Office expenses will increase minimally by \$7,500 and approximately \$800, respectively.

All other departments under the Corporate Fund will be reduced from the FY2013 adopted budget. As described above, some of the reductions are attributable to the transfer of positions and resources from existing departments to the new Department of Conservation and Experiential Programming. The largest dollar decrease from FY2013 appropriations will occur in former General Maintenance area expenditures, which will fall by approximately \$668,200, or 3.4%.³⁶

Over the past five years, Corporate Fund funds have been transferred out to the Capital Improvement, Real Estate Acquisition and Self-Insurance Funds. The most significant transfer occurred in FY2011 when approximately \$9.5 million was transferred out. There will be no transfers to the Self-Insurance Fund in FY2014.³⁷ In FY2013 the Self-Insurance Fund received an appropriation from a portion of the Self-Insurance Fund's fund balance rather than receive funds through a transfer from the Corporate Fund as in FY2011 and FY2012. The \$27 million in 2012 bond proceeds designated for land acquisition through the Real Estate Acquisition Fund eliminated the need for an operating transfer from the Corporate Fund in FY2013. In FY2014 only \$550,000 is proposed to be transferred out from the Corporate Fund to the Real Estate Acquisition Fund. Capital Improvement Fund expenses will be primarily funded from a transfer out of \$6.0 million of operating funds. Another \$4.0 million to the Capital Improvement Fund will come from the Fund's fund balance.³⁸

Total Corporate Fund appropriations will increase by 3.7%, or \$2.0 million, from \$55.3 million to \$57.3 million between FY2010 and FY2014. Over the five-year period the largest dollar increase will occur in District Wide Programs as appropriations grow by 109.8%, or \$2.3 million. General Office spending will also rise, by 19.1%, or \$302,700, since FY2010. The decrease in appropriations of 44.6%, or \$3.4 million, in Resource Management is attributable to the transferring of positions and resources to the new Department of Conservation and Experiential Programming in FY2014. The Departments of Law Enforcement, Legal

³⁴ District Wide Programs includes Professional Contractual Services, Employee Benefits, Combined Services (Telephone Service, Office Equipment and Furniture and Computer Equipment), Other Expenses (Education Programs and Volunteer Development) and Intergovernmental Agreements. Previously, Professional Contractual Services, Other Expenses and some employee benefits were included under Fixed Charges, but as of the FY2012 budget, these line items are included under District Wide Programs. Forest Preserve District of Cook County, FY2013 Executive Budget Recommendation, p. 105.

³⁵ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, pp. 14 and 92.

³⁶ In the FY2013 budget, General Maintenance was separated into two departments to reflect actual operations: Landscape Maintenance and Facilities and Fleet Maintenance.

³⁷ The Self-Insurance Fund functions as an internal service fund to account for future estimated claims and judgments.

³⁸ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 93.

Department, Planning and Development will experience budget declines as a result of reductions in personnel services costs. For more information on personnel, see page 27.

In FY2012 Human Resources was separated from Finance and Administration to create its own department. The District also created a Human Resources Department in FY2007; however, the department was then consolidated with Finance and Administration again after one year.³⁹ When combined, Finance and Administration and Human Resources appropriations will total \$2.5 million in FY2014 compared to the FY2010 Finance and Administration appropriation total of nearly \$2.3 million.

Forest Preserve District Corporate Fund Appropriations: FY2010-FY2014									
(in \$ thousands)									
Category/Department	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
General Office	\$ 1,582.3	\$ 1,699.3	\$ 2,100.3	\$ 1,884.3	\$ 1,885.0	\$ 0.8	0.0%	\$ 302.7	19.1%
Finance and Administration	\$ 2,296.8	\$ 2,321.2	\$ 1,787.2	\$ 2,054.6	\$ 1,894.5	\$ (160.1)	-7.8%	\$ (402.3)	-17.5%
Human Resources*	\$ -	\$ -	\$ 696.2	\$ 585.2	\$ 562.3	\$ (23.0)	-3.9%	\$ 562.3	-
Resource Management	\$ 7,591.5	\$ 8,376.7	\$ 7,986.6	\$ 7,653.5	\$ 4,202.8	\$ (3,450.7)	-45.1%	\$ (3,388.8)	-44.6%
Conservation and Experiential Programming**	\$ -	\$ -	\$ -	\$ -	\$ 4,482.4	\$ 4,482.4	100.0%	\$ 4,482.4	-
Resident Watchman Facilities	\$ 500.0	\$ 500.0	\$ 200.0	\$ 250.0	\$ 257.5	\$ 7.5	3.0%	\$ (242.5)	-48.5%
Permits, Concessions and Volunteer Resources***	\$ 1,659.3	\$ 1,678.2	\$ 2,707.6	\$ 3,046.9	\$ 1,739.6	\$ (1,307.4)	-42.9%	\$ 80.3	4.8%
Law Enforcement	\$ 9,477.8	\$ 9,579.3	\$ 9,633.5	\$ 9,514.6	\$ 9,256.0	\$ (258.7)	-2.7%	\$ (221.8)	-2.3%
Legal Department	\$ 1,472.1	\$ 1,459.2	\$ 1,429.7	\$ 1,366.0	\$ 1,302.3	\$ (63.7)	-4.7%	\$ (169.8)	-11.5%
Planning and Development	\$ 1,999.4	\$ 1,902.8	\$ 1,735.3	\$ 1,813.5	\$ 1,758.1	\$ (55.5)	-3.1%	\$ (241.4)	-12.1%
District Wide Programs****	\$ 2,073.9	\$ 1,959.5	\$ 2,709.5	\$ 3,415.0	\$ 4,352.1	\$ 937.1	27.4%	\$ 2,278.1	109.8%
Operating Transfer to Capital	\$ 5,750.0	\$ 2,000.0	\$ -	\$ 1,550.0	\$ 6,000.0	\$ 4,450.0	100.0%	\$ 250.0	4.3%
Operating Transfer to Real Estate Acquisition	\$ 3,000.0	\$ 4,506.1	\$ 4,000.0	\$ -	\$ 550.0	\$ 550.0	100.0%	\$ (2,450.0)	-81.7%
Operating Transfer to Self-Insurance	\$ -	\$ 3,000.0	\$ 3,000.0	\$ -	\$ -	\$ -	-	\$ -	-
General Maintenance*****									
Landscape Maintenance	-	-	-	\$ 10,504.9	\$ 9,956.5	\$ (548.4)	-5.2%	-	-
Facilities & Fleet Maintenance	-	-	-	\$ 9,203.1	\$ 9,083.4	\$ (119.8)	-1.3%	-	-
General Maintenance Subtotal	\$ 17,849.6	\$ 18,155.9	\$ 20,027.6	\$ 19,708.1	\$ 19,039.9	\$ (668.2)	-3.4%	\$ 1,190.2	6.7%
Total	\$ 55,252.9	\$ 57,138.1	\$ 58,013.4	\$ 52,841.7	\$ 57,282.3	\$ 4,440.6	8.4%	\$ 2,029.4	3.7%

Note: Adopted appropriation figures were used because actual expenditures were not available for all years. Totals may differ from budget documents due to rounding.

* In FY2012 Human Resources was separated from Finance and Administration to create its own department.

** Conservation and Experiential Programming is a new department created in FY2014.

*** Permits, Concessions and Volunteer Resources was referred to as Recreation, Volunteer Resources & Permits and Permit & Recreation Activities Administration in previous budgets.

**** District Wide Programs includes Professional Contractual Services, Employee Benefits, Combined Services (Telephone Service, Office Equipment and Furniture and Computer Equipment), Other Expenses (Education Programs and Volunteer Development) and Intergovernmental Agreements. Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 105. Previously, Professional Contractual Services, Other Expenses and some employee benefits were included under Fixed Charges. As of the FY2012 budget, Fixed Charges has been replaced with District Wide Programs.

***** In FY2013 General Maintenance was split into two separate departments: Landscape Maintenance and Facilities & Fleet Maintenance.

Source: Forest Preserve District of Cook County Executive Budget Recommendations, FY2010-FY2012; FY2013 Annual Appropriation Ordinance, p. 35; and FY2014 Executive Budget Recommendation, p. 21.

RESOURCES

The following Forest Preserve District resource and revenue exhibits show two- and five-year trends in the District's operating funds, as well as the Zoological and Botanic Funds. Data used in this section include prior year figures from the Annual Appropriations Ordinances, which are approved by the Board of Commissioners, and recommended figures from the FY2014 Executive Budget Recommendation.

The District also maintains a Self-Insurance Fund, which functions as an internal service fund to account for future estimated claims and judgments. The Self-Insurance Fund is actuarially funded on a biannual basis.⁴⁰ In FY2014 the budgeted premium for the Self-Insurance Fund will stay flat from the FY2012 and FY2013 appropriations of \$3.0 million.⁴¹

³⁹ Forest Preserve District of Cook County FY2007 Executive Budget Recommendation, p. 7 and communication between Marlo Kemp and the Civic Federation, October 17, 2007.

⁴⁰ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 146.

⁴¹ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 17.

Corporate, Pension and Bond & Interest Funds

The Forest Preserve District resources for the Corporate Fund, Pension Fund and Bond and Interest Fund will increase by 3.3% in FY2014.⁴² This represents a \$2.4 million increase from \$70.7 million in FY2013 to \$73.1 million in FY2014. Over the five-year period beginning in FY2010, these resources will remain essentially flat with a 0.1%, or \$44,000, increase.

- Corporate Fund resources will increase by 8.4%, or \$4.4 million, from \$52.8 million in FY2013 to \$57.3 million in FY2014;
- The increase in Corporate Fund resources is largely due to a \$2.2 million, or 258.8%, increase in the amount of Personal Property Replacement Taxes (PPRT) distributed to the Corporate Fund. Additionally, a larger contribution will be made to the Corporate Fund from the District's Corporate Fund fund balance compared to FY2013;
- The Pension Fund property tax levy will increase by 6.0% to nearly \$2.8 million from \$2.7 million in FY2013. PPRT revenues distributed to the Pension Fund will also increase by 6.0%, from \$298,000 to \$316,000; and
- Bond and Interest Fund (debt service fund) resources will decrease to \$12.6 million as a result of a \$2.3 million reduction in the amount of property tax revenues distributed to the fund. PPRT revenues will remain at the same level of nearly \$4.0 million.

Forest Preserve District Total Budgeted Resources for Corporate, Pension and Bond & Interest Funds: FY2010-FY2014 (in \$ thousands)									
	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Corporate Fund									
Property Tax Levy (Net)	\$ 39,659	\$ 39,325	\$ 39,795	\$ 45,307	\$ 46,432	\$ 1,124	2.5%	\$ 6,772	17.1%
PPRT	\$ 4,847	\$ 4,808	\$ 5,200	\$ 834	\$ 2,992	\$ 2,158	258.8%	\$ (1,854)	-38.3%
Non-Tax Revenues	\$ 4,392	\$ 3,831	\$ 4,487	\$ 4,755	\$ 4,107	\$ (648)	-13.6%	\$ (285)	-6.5%
Fund Balance Contribution	\$ 9,355	\$ 9,175	\$ 8,532	\$ 1,945	\$ 3,451	\$ 1,506	77.4%	\$ (5,904)	-63.1%
TIF Surplus*	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 300	100.0%	\$ 300	100.0%
Corporate Fund Total	\$ 58,253	\$ 57,138	\$ 58,013	\$ 52,842	\$ 57,282	\$ 4,441	8.4%	\$ (971)	-1.7%
Pension Fund									
Property Tax Levy	\$ 2,479	\$ 2,830	\$ 2,869	\$ 2,678	\$ 2,839	\$ 161	6.0%	\$ 360	14.5%
PPRT	\$ 276	\$ 315	\$ 319	\$ 298	\$ 316	\$ 18	6.0%	\$ 40	14.5%
Pension Fund Total	\$ 2,755	\$ 3,144	\$ 3,189	\$ 2,976	\$ 3,155	\$ 179	6.0%	\$ 400	14.5%
Bond & Interest Fund									
Property Tax Levy*	\$ 12,008	\$ 12,010	\$ 12,001	\$ 10,889	\$ 8,627	\$ (2,262)	-20.8%	\$ (3,381)	-28.2%
PPRT	\$ -	\$ -	\$ -	\$ 3,996	\$ 3,996	\$ -	0.0%	\$ 3,996	-
Bond & Interest Fund Total	\$ 12,008	\$ 12,010	\$ 12,001	\$ 14,886	\$ 12,623	\$ (2,262)	-15.2%	\$ 615	5.1%
Total	\$ 73,016	\$ 72,292	\$ 73,203	\$ 70,703	\$ 73,060	\$ 2,358	3.3%	\$ 44	0.1%

*Actual TIF surpluses were \$429,918 for FY2010; \$2,714,840 for FY2011; \$963,367 for FY2012; and \$378,458 for FY2013 (as of September 30, 2013).

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2010-FY2013, Attachment A; Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, Attachment A; and communication with Forest Preserve District budget office on November 1, 2013.

Corporate Fund Resources

The next exhibit presents Corporate Fund resources since FY2010. Total Corporate Fund resources will be \$57.3 million in FY2014, an increase of \$4.4 million, or 8.4%, from FY2013 and a decrease of approximately \$971,000, or 1.7%, from FY2010. The overall increase from FY2013 resources is due in part to an increase in PPRT revenue. The District is also proposing to spend down escrow fund balances to pay for debt service, rather than using property taxes, which will allow more property tax revenue to be distributed to the Corporate Fund.

Non-tax Corporate Fund revenues will decrease from FY2013 amounts by \$648,000, or 13.6%.

⁴² More information on the Zoological and Botanic Funds is presented on page 17.

This includes a \$596,000, or 51.1%, decrease in revenues from license agreements. The decline reflects known expirations of ten-year license agreements, but unknown future license agreements.⁴³ Projected revenues for fines, fees and permits are increasing by \$104,000, or 5.4%, continuing a significant growth trend from FY2013 when sweeping fee increases were implemented.

In FY2014 the District will receive \$109,000 in revenues generated from license agreements that are allocated toward youth education, land acquisition and restoration (YELAR), a 53.6% decline from FY2013. The District began reporting these revenues separately in FY2013. Previously, this revenue was included in License Agreements.

The District proposes to appropriate nearly \$3.5 million of fund balance as available resources in FY2014. This represents 6.0% of Corporate Fund total resources, a larger portion than fund balance used in FY2013 but significantly less than in prior years. In FY2010 the \$9.4 million fund balance contribution represented 16.1% of total resources. The District is also proposing to use approximately \$300,000 in tax increment financing (TIF) surplus, which is declared by the City of Chicago and distributed by Cook County.

Forest Preserve District Resources Corporate Fund: FY2010-FY2014									
(in \$ thousands)									
Resources	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Property Tax Levy (Net)	\$ 39,659	\$ 39,325	\$ 39,795	\$ 45,307	\$ 46,432	\$ 1,124	2.5%	\$ 6,772	17.1%
PPRT	\$ 4,847	\$ 4,808	\$ 5,200	\$ 834	\$ 2,992	\$ 2,158	258.8%	\$ (1,854)	-38.3%
Subtotal Tax Revenues	\$ 44,506	\$ 44,133	\$ 44,995	\$ 46,141	\$ 49,424	\$ 3,283	7.1%	\$ 4,918	11.1%
Fines, Fees & Permits*	\$ 1,556	\$ 1,540	\$ 1,585	\$ 1,915	\$ 2,019	\$ 104	5.4%	\$ 462	29.7%
License Agreements	\$ 1,500	\$ 1,100	\$ 1,752	\$ 1,166	\$ 570	\$ (596)	-51.1%	\$ (930)	-62.0%
Golf Privatization Fees	\$ 1,016	\$ 950	\$ 900	\$ 990	\$ 990	\$ -	0.0%	\$ (26)	-2.6%
Concessions	\$ 150	\$ 146	\$ 150	\$ 200	\$ 220	\$ 20	10.0%	\$ 70	46.7%
Investment Earnings	\$ 70	\$ 70	\$ 50	\$ 150	\$ 100	\$ (50)	-33.3%	\$ 30	42.9%
Miscellaneous Income	\$ 100	\$ 25	\$ 50	\$ 100	\$ 100	\$ -	0.0%	\$ -	0.0%
YELAR**	\$ -	\$ -	\$ -	\$ 234	\$ 109	\$ (126)	-53.6%	\$ 109	-
Subtotal Non-Tax Revenue	\$ 4,392	\$ 3,831	\$ 4,487	\$ 4,755	\$ 4,107	\$ (648)	-13.6%	\$ (285)	-6.5%
Total Appropriated Revenues	\$ 48,898	\$ 47,963	\$ 49,482	\$ 50,896	\$ 53,531	\$ 2,635	5.2%	\$ 4,633	9.5%
Fund Balance Contribution	\$ 9,355	\$ 9,175	\$ 8,532	\$ 1,945	\$ 3,451	\$ 1,506	77.4%	\$ (5,904)	100.0%
TIF Surplus***	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 300	100.0%	\$ 300	100.0%
Total Resources	\$ 58,253	\$ 57,138	\$ 58,013	\$ 52,842	\$ 57,282	\$ 4,441	8.4%	\$ (971)	-1.7%

*Fines, Fees & Permits include picnic permit and special use fees, equestrian licenses, winter sport fees, pool fees, land use fees and fines.

**YELAR revenues are generated from fees on license agreements that are designated for youth education, land acquisition and restoration.

***Actual TIF surpluses were \$429,918 for FY2010; \$2,714,840 for FY2011; \$963,367 for FY2012; and \$378,458 for FY2013 (as of September 30, 2013).

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2010-FY2012, Chart 1-J; FY2013, p. 34; Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 20; and communication with Forest Preserve District budget office on November 1, 2013.

Fee Schedule

The chart below shows Corporate Fund revenues generated from fees, permits and fines as compared to revenues generated from the property tax levy and Personal Property Replacement Tax (PPRT). Revenues generated from fees, permits and fines – which include picnic permit and special use fees, golf privatization fees, equestrian licenses, winter sport fees, pool fees and land use fees – will increase from 5.3% of total Corporate Fund revenues in FY2010 to 5.6% in FY2014. Tax revenues will increase from 91.0% of total revenues in FY2010 to 92.3% in FY2014. Other Revenues – which include revenues earned from license agreements, concessions, investment earnings, miscellaneous income and YELAR – will decrease from 3.7%

⁴³ Communication with Forest Preserve District budget staff, November 1, 2013.

in FY2010 to 2.1% in FY2014. All revenue sources will increase over the two-year period and five-year period except Other Revenues.

Forest Preserve District Corporate Fund Revenues: FY2010-FY2014 (in \$ thousands)									
Revenues	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Fees and Permits*	\$ 2,372	\$ 2,340	\$ 2,310	\$ 2,585	\$ 2,673	\$ 88	3.4%	\$ 300	12.7%
Fines	\$ 200	\$ 150	\$ 175	\$ 320	\$ 336	\$ 16	5.0%	\$ 136	68.0%
Subtotal Fees and Fines	\$ 2,572	\$ 2,490	\$ 2,485	\$ 2,905	\$ 3,009	\$ 104	3.6%	\$ 436	17.0%
Percent of Total	5.3%	5.2%	5.0%	5.7%	5.6%				
Tax Revenues	\$ 44,506	\$ 44,133	\$ 44,995	\$ 46,141	\$ 49,424	\$ 3,283	7.1%	\$ 4,918	11.1%
Percent of Total	91.0%	92.0%	90.9%	90.7%	92.3%				
Other Revenues**	\$ 1,820	\$ 1,341	\$ 2,002	\$ 1,850	\$ 1,099	\$ (751)	-40.6%	\$ (721)	-39.6%
Percent of Total	3.7%	2.8%	4.0%	3.6%	2.1%				
Total Revenues	\$ 48,898	\$ 47,963	\$ 49,482	\$ 50,896	\$ 53,531	\$ 2,635	5.2%	\$ 4,633	9.5%

*Fees and Permits include picnic permit and special use fees, golf privatization fees, equestrian licenses, winter sport fees, pool fees and land use fees.

**Other Revenues include revenues earned from license agreements, concessions, investment earnings, miscellaneous income and YELAR.

Note: Revenues do not include fund balance contributions and tax increment financing (TIF) surplus.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2010-FY2012, Chart 1-J; FY2013, p. 23; and Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 20.

In FY2013 the District approved a number of changes to its fee and permit schedule. Please see the Civic Federation's analysis of the FY2013 proposed budget available on the Federation's website for details on the changes. For FY2014 the District has proposed to add a one-day horse tag/rider fee for \$4 for residents of the District and \$5 for non-residents.⁴⁴ In prior years, only annual horse licenses were available. The District is also proposing the following increases to rental rates of pavilions and facilities:⁴⁵

- Thatcher Pavilion will increase to between \$40 and \$70 per hour for residents and between \$65 and \$95 per hour for non-residents;
- Dan Ryan Woods Pavilion will increase to between \$50 and \$70 per hour for residents and between \$75 and \$95 per hour for non-residents;
- Mathew Bieszczat Volunteer Resource Center Community Room will increase to between \$30 and \$50 per hour for residents and between \$50 and \$60 per hour for non-residents; and
- Mathew Bieszczat Volunteer Resource Center Classroom will increase to between \$15 and \$30 per hour for residents and between \$25 and \$45 per hour for non-residents.

⁴⁴ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 166.

⁴⁵ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 167.

Zoological Fund and Botanic Fund Resources

Between FY2010 and FY2014, total Zoological Fund and Botanic Fund resources will grow by 2.4%, or \$2.2 million. The property tax levy will remain flat at \$14.9 million for the Zoological Fund and \$9.3 million for the Botanic Fund over the five-year period. During the same time, PPRT revenue will increase by 21.8% and 35.5%, respectively. The increase in PPRT revenue occurred with the FY2013 adopted budget. Zoological Fund resources will increase by 2.1%, or \$1.3 million, from FY2013 due to expected increases in program income. Similarly, the Botanic Fund will increase by 3.1%, or \$947,000, due to projected increases in funds generated by the Garden.

Forest Preserve District Total Budgeted Resources Zoological and Botanic Funds: FY2010-FY2014									
(in \$ thousands)									
	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year	Two-Year	Five-Year	Five-Year
	Adopted	Adopted	Adopted	Adopted	Proposed	\$ Change	% Change	\$ Change	% Change
Zoological Fund									
Property Tax Levy	\$ 14,885	\$ 14,885	\$ 14,885	\$ 14,885	\$ 14,885	\$ -	0.0%	\$ -	0.0%
PPRT	\$ 615	\$ 615	\$ 615	\$ 749	\$ 749	\$ -	0.0%	\$ 134	21.8%
Program Income	\$ 44,917	\$ 46,100	\$ 48,398	\$ 47,711	\$ 49,001	\$ 1,290	2.7%	\$ 4,084	9.1%
Reserves	\$ (744)	\$ (744)	\$ (744)	\$ (547)	\$ (547)	\$ -	0.0%	\$ 198	-26.6%
Deferred Collections	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ -	0.0%	\$ -	0.0%
Zoological Fund Total	\$ 59,773	\$ 60,956	\$ 63,254	\$ 62,899	\$ 64,189	\$ 1,290	2.1%	\$ 4,416	7.4%
Botanic Fund									
Property Tax Levy	\$ 9,348	\$ 9,348	\$ 9,348	\$ 9,348	\$ 9,348	\$ -	0.0%	\$ -	0.0%
PPRT	\$ 263	\$ 263	\$ 263	\$ 356	\$ 356	\$ -	0.0%	\$ 93	35.5%
Provided by Garden	\$ 18,122	\$ 17,770	\$ 19,781	\$ 21,209	\$ 22,156	\$ 947	4.5%	\$ 4,034	22.3%
Reserves	\$ (467)	\$ (467)	\$ (467)	\$ (280)	\$ (280)	\$ -	0.0%	\$ 187	-40.0%
Botanic Fund Total	\$ 27,265	\$ 26,913	\$ 28,924	\$ 30,632	\$ 31,579	\$ 947	3.1%	\$ 4,314	15.8%
Total	\$ 87,038	\$ 87,869	\$ 92,178	\$ 93,531	\$ 95,768	\$ 2,237	2.4%	\$ 8,731	10.0%

Source: Forest Preserve District of Cook County Executive Budget Recommendations, FY2011, pp. 138 and 150; FY2012, pp. 133 and 148; FY2013, pp. 133 and 151; FY2014, pp. 111 and 127.

Property Tax Levy

The Forest Preserve District proposes to maintain its gross property tax levy at \$86.5 million in FY2014. The District has held its total property tax levy at the same level since FY2010, when it was lowered 1.3% from \$87.6 million in FY2009.

The next exhibit shows the distribution of gross property tax revenues by fund from FY2010 to FY2014. The share of the property tax levy distributed to the Corporate Fund has increased by nearly \$6.1 million, or 14.5%, from \$41.7 million in FY2010 to \$47.8 million in FY2014.⁴⁶ The increase for the Corporate Fund will be offset by a decrease of \$3.4 million, or 28.2%, distributed to the Bond and Interest Fund. The \$8.6 million in property tax revenues allocated to the Bond and Interest Fund includes two abatements. According to the District, a property tax levy pledge of nearly \$4.0 million for bonds backed by Personal Property Replacement Tax (PPRT) revenues will be abated because sufficient PPRT revenue was received to cover debt service.⁴⁷ In addition, an abatement of \$3.3 million will be paid for by drawing down a surplus of escrow funds.⁴⁸ The levies for the Brookfield Zoo and the Chicago Botanic Garden have been held flat over the five-year period.

Fund	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Corporate	\$ 41,747	\$ 41,395	\$ 41,363	\$ 46,709	\$ 47,810	\$ 1,101	2.4%	\$ 6,063	14.5%
Zoological and Botanic	\$ 24,233	\$ 24,233	\$ 24,233	\$ 24,233	\$ 24,233	\$ -	0.0%	\$ -	0.0%
Bond & Interest*	\$ 12,008	\$ 12,010	\$ 12,001	\$ 10,889	\$ 8,627	\$ (2,262)	-20.8%	\$ (3,381)	-28.2%
Construction & Development	\$ 6,042	\$ 6,042	\$ 6,042	\$ 2,000	\$ 3,000	\$ 1,000	50.0%	\$ (3,042)	-50.3%
Pension	\$ 2,479	\$ 2,830	\$ 2,869	\$ 2,678	\$ 2,839	\$ 161	6.0%	\$ 360	14.5%
Total	\$ 86,509	\$ 86,509	\$ 86,509	\$ 86,509	\$ 86,509	\$ -	0.0%	\$ 0	0.0%

Note: Totals may differ from budget books due to rounding.

*In FY2014 the portion of the property tax levy allocated to the Bond & Interest fund includes a PPRT Bond and Interest Abatement of \$4.0 million and Bond and Interest Escrow Abatement of \$3.3 million.

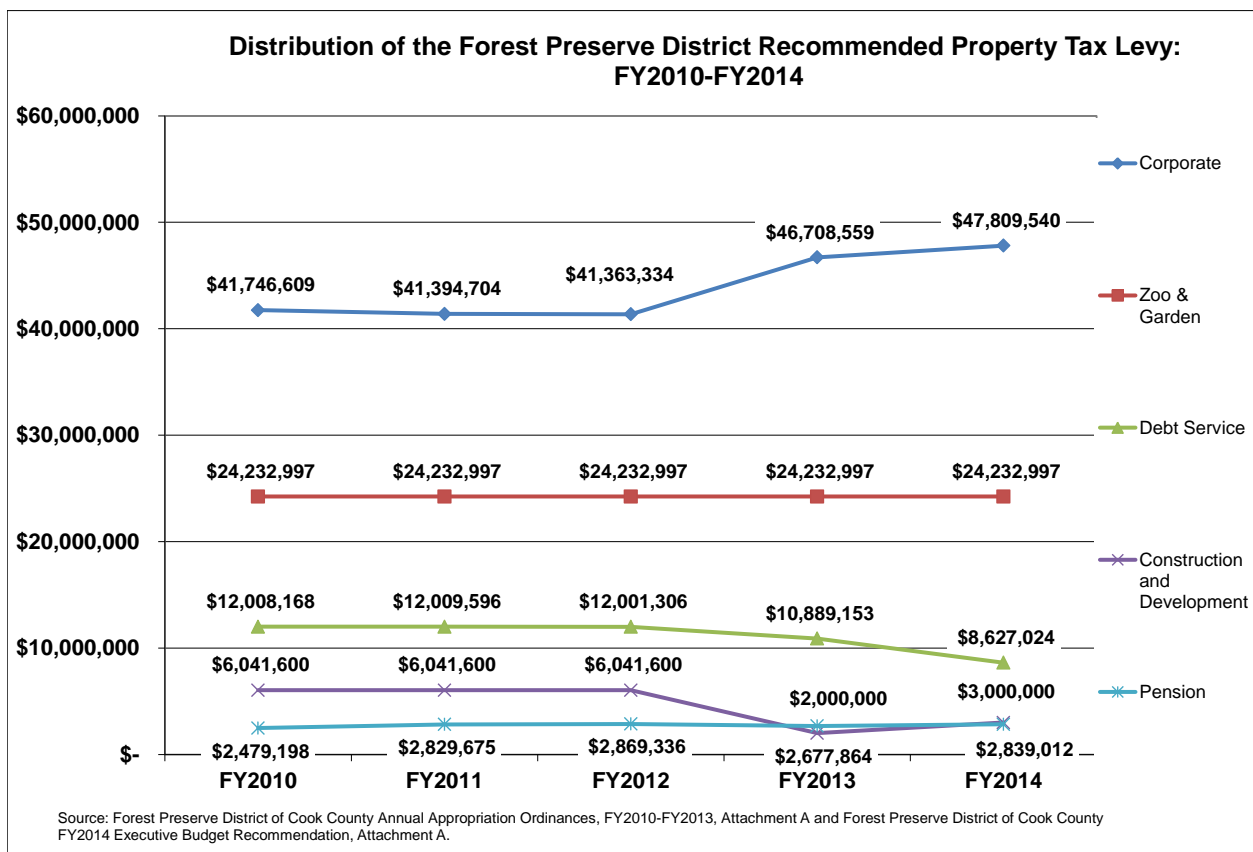
Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2010-FY2013, Attachment A and Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, Attachment A.

⁴⁶ The gross property tax levy does not subtract allowances for uncollectible taxes and tax refunds.

⁴⁷ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 146.

⁴⁸ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 13.

The chart below shows the District's distribution of property tax revenues over the five-year period beginning in FY2010. The District maintained relatively stable shares of the levy from FY2010 to FY2012, but altered the distributions significantly with the FY2013 proposed budget. The share of the levy dedicated to the Corporate Fund increased significantly from 48.3% of the total in FY2010 to 54.0% of the total in FY2013 and 55.3% of the total in FY2014. The increase is offset by a declining share of property tax revenue for Construction and Development in FY2013, which decreased from 7.0% of the total in FY2010 to 2.3% of the total in FY2013. Property taxes earmarked for Debt Service will offset the Corporate Fund increase in FY2014. Property tax revenues for Debt Service will decline from 13.9% of the total in FY2010 to 10.0% in FY2014, largely due to the abatements discussed above. The share of the levy dedicated to pension payments will increase slightly over the five-year period, from 2.9% of the total levy in FY2010 to 3.3% in FY2014.



PERSONNEL AND PERSONNEL SERVICES APPROPRIATIONS

The following section provides an analysis of the Forest Preserve District's full-time equivalent (FTE) positions and personnel appropriations in the Corporate Fund. The Corporate Fund is the District's general operating fund and supports the District's operations and services. This section does not include a personnel analysis of the Brookfield Zoo or the Chicago Botanic Garden. Although the District provides financial support for the Zoo and Garden, they are administered and operated by the Chicago Zoological Society and Chicago Horticultural Society and as such, create and implement their own budgets.

In the FY2014 budget, the Forest Preserve District will add 14.5 full-time equivalent (FTE) net positions for a total of 604.3 FTEs. This is a 2.5% increase from FY2013 appropriated FTEs. This reflects a net increase of 9.0 full-time positions and part-time or seasonal positions equivalent to 5.5 full-time positions.

In October 2011 the District released a desk audit report listing recommendations to improve the effectiveness of the District with particular regard to job functions and performance.⁴⁹ With the FY2012 budget, the District re-created the Human Resources Department to implement a more transparent and accountable human resource function for District employees.⁵⁰ The District also contracted with AMD Business Solutions, Inc. to revise its job descriptions so that titles better reflect the work performed.⁵¹ As a result, the FY2013 budget included a number of title changes due to job description revisions. For example, all General Maintenance positions were divided between newly created Landscape Maintenance and Facilities and Fleet Maintenance departments and four vacant positions were eliminated.

The FY2014 Executive Budget Recommendation includes the addition of a new department called the Department of Conservation and Experiential Programming, which is designed to focus on education, outreach, special events and recreation. The new department pulls together District employees previously under the Office of the General Superintendent, the Department of Resource Management and the Department of Permits, Concessions and Volunteer Resources. The budget proposes adding one new administrative position to the new department.⁵²

In FY2014 the District will also add the following new full-time positions:

- Event and Facility Coordinator to manage programming for restored pavilions at Thatcher, Dan Ryan and Eggers Woods;
- Four new police sergeants to increase efficiency and reduce response time;
- Resource Technician to support restoration efforts; and
- Two information technology support staff to replace two professional services contracts.⁵³

The District will add part-time/seasonal positions equivalent to 5.5 full-time positions in FY2014. The part-time/seasonal positions will be added to implement the goals of the capital improvement plan, including seasonal maintenance and painting staff as well as part-time employees in planning and development and experiential programming.⁵⁴

The chart below shows the net change in full-time equivalent positions between FY2013 and FY2014 by department, including the net change in full-time and part-time/seasonal positions.

⁴⁹ See the District's website for the desk audit report and quarterly reports available at <http://fpdcc.com/results-of-the-desk-audit/>

⁵⁰ Forest Preserve District of Cook County FY2012 Executive Budget Recommendation, p. 42. After creating a Human Resources Department in FY2007, the District disbanded the department and shifted personnel to Finance and Administration in FY2008. Forest Preserve District of Cook County FY2007 Executive Budget Recommendation, p. 7 and communication between Marlo Kemp and the Civic Federation, October 17, 2007.

⁵¹ Forest Preserve District of Cook County, "Forest Preserve District of Cook County Desk Audit Update: 2nd Quarter 2012," press release, August 14, 2012.

⁵² Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 13.

⁵³ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 13.

Positions in the Resource Management Department and the Permits, Concessions & Volunteer Resources Department will be transferred to the newly proposed Conservation and Experiential Programming Department.

Forest Preserve District Corporate Fund Full-Time Equivalent Positions Summary: FY2013 & FY2014				
Department	FY2013 Adopted	Proposed Recommend	# Change	% Change
Landscape Maintenance	141.0	141.0	0.0	0.0%
Part-Time/Seasonal	29.5	29.5	0.0	0.0%
Law Enforcement	122.0	126.0	4.0	3.3%
Resource Management	92.0	55.0	(37.0)	-40.2%
Part-Time/Seasonal	15.6	3.3	(12.3)	-78.8%
Conservation & Experiential Programming*	0.0	45.0	45.0	-
Part-Time/Seasonal*	0.0	38.9	38.9	-
Facilities & Fleet Maintenance	58.0	58.0	0.0	0.0%
Part-Time/Seasonal	0.5	3.0	2.5	500.0%
Permits, Concessions & Volunteer Resources	23.0	20.0	(3.0)	-13.0%
Part-Time/Seasonal	30.5	6.6	(23.9)	-78.4%
Finance & Administration	19.0	19.0	0.0	0.0%
Part-Time/Seasonal	1.0	1.0	0.0	0.0%
Planning & Development	19.0	19.0	0.0	0.0%
Part-Time/Seasonal	0.9	1.2	0.3	33.3%
General Office	16.0	16.0	0.0	0.0%
Part-Time/Seasonal	1.8	1.8	0.0	0.0%
Legal	13.0	13.0	0.0	0.0%
Part-Time/Seasonal	0.5	0.5	0.0	0.0%
Human Resources	6.0	6.0	0.0	0.0%
Part-Time/Seasonal	0.5	0.5	0.0	0.0%
Sub-Total Full-Time FTEs	509.0	518.0	9.0	1.8%
Sub-Total Part-Time/Seasonal FTEs	80.8	86.3	5.5	6.8%
Total	589.8	604.3	14.5	2.5%

Note: Totals may differ from budget books due to rounding.

*Proposed new department in FY2014.

Source: Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 19.

⁵⁴ Communication with Forest Preserve District budget office, November 1, 2013.

Over the five-year period from FY2010 to FY2014, the District will gain 66.8 FTE positions, an increase of 12.4% of the District's workforce. Much of this growth is due to the reorganization of the District's departments over the past few years. The District has made efforts to focus on better human resources management, maintenance of the forest preserves, management of the District's facilities and equipment and to increase awareness through better programming. With 12.4% growth in the District's workforce over the past five years, the District should assess the long-term costs of additional personnel and monitor the effects on the operating budget in the future.

Forest Preserve District Corporate Fund Full-Time Equivalent Positions Summary: FY2010-FY2014									
Department	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
General Maintenance	211.0	211.0	233.0	0.0	0.0	0.0	-	(211.0)	-100.0%
Landscape Maintenance	0.0	0.0	0.0	170.5	170.5	0.0	0.0%	170.5	-
Law Enforcement	121.0	122.0	122.0	122.0	126.0	4.0	3.3%	5.0	4.1%
Resource Management	103.5	109.0	101.0	107.6	58.3	(49.3)	-45.8%	(45.2)	-43.7%
Conservation & Experiential Programming*	0.0	0.0	0.0	0.0	83.9	83.9	-	83.9	-
Facilities & Fleet Maintenance	0.0	0.0	0.0	58.5	61.0	2.5	4.3%	61.0	-
Permits, Concessions & Volunteer Resources	35.5	36.0	45.0	53.5	26.6	(26.9)	-50.3%	(8.9)	-25.1%
Finance & Administration	21.0	21.0	16.0	20.0	20.0	0.0	0.0%	(1.0)	-4.8%
Planning & Development	20.0	19.0	18.5	19.9	20.2	0.3	1.5%	0.2	1.0%
General Office	12.0	13.0	16.0	17.8	17.8	0.0	0.0%	5.8	48.3%
Legal	13.5	13.5	13.3	13.5	13.5	0.0	0.0%	0.0	0.0%
Human Resources	0.0	0.0	8.8	6.5	6.5	0.0	0.0%	6.5	-
Total	537.5	544.5	573.6	589.8	604.3	14.5	2.5%	66.8	12.4%

Note: Totals may differ from budget books due to rounding. Landscape and facilities and fleet maintenance functions were transferred from General Maintenance in FY2013 to create two separate departments. Recreation, Volunteer Resources & Permits was referred to as Permit & Recreation Activities prior to FY2013. Human Resources functions were transferred from Finance & Administration to their own department in FY2012.

*New department in FY2014.

Source: Forest Preserve District of Cook County Appropriation Ordinance, FY2011 p. 41; FY2012, p. 13; FY2013, p. 14; Forest Preserve District of Cook County FY2014 Executive Budget Recommendations, p. 19.

Personnel Services Appropriations

The following exhibit presents Corporate Fund appropriations for salaries and wages from FY2010 through FY2014. The FY2014 budget recommends nearly \$33.4 million to be appropriated for Corporate Fund salaries and wages, a 1.8% increase from the FY2013 adopted budget. The largest year-to-year increase occurs between FY2012 and FY2013 when appropriated salaries and wages grew by \$3.4 million, or 11.6%, to \$32.8 million from \$29.4 million. Salaries will increase by \$5.9 million, or 21.5%, over the five-year period. This corresponds with the increase of 66.8 FTEs, or 12.4% of the District's workforce during the same time period. This growth warrants monitoring due to the long-term costs of additional personnel.

Forest Preserve District Corporate Fund Salaries and Wages: FY2010-FY2014			
	Total	Two-Year \$ Change	Two-Year % Change
FY2010	\$ 27,483,782	-	-
FY2011	\$ 27,781,543	\$ 297,761	1.1%
FY2012	\$ 29,389,218	\$ 1,607,675	5.8%
FY2013	\$ 32,800,925	\$ 3,411,707	11.6%
FY2014	\$ 33,392,465	\$ 591,540	1.8%
Five-Year Change		\$ 5,908,683	21.5%

Source: Forest Preserve District of Cook County Executive Budget Recommendations, FY2011-FY2014.

The following chart shows Corporate Fund personnel services appropriations as a percentage of total Corporate Fund appropriations. In FY2014 recommended Corporate Fund personnel services appropriations will represent approximately 67.7% of total recommended Corporate Fund expenditures. Personnel services appropriations include salary, hospital and life insurance, dental and vision plans and appropriation services adjustments.⁵⁵ They do not include the District's costs for employee pensions, because those are accounted for in the Employee Annuity and Benefit Fund.

During the five-year period, personnel services appropriations will increase by \$11.3 million, or 41.1%, while Corporate Fund total appropriations will decrease by nearly \$1.0 million, or 1.7%. The majority of the apparent increase in personnel services over the five-year period is due to an accounting change. In FY2011 personnel services appropriations appear to increase significantly while Program Expenses, which refers to all non-personnel expenses in the Corporate Fund, will decrease significantly. This is due to the new administration categorizing personnel-related expenses, such as health and life insurance and appropriation services adjustments, as personnel services rather than other charges.⁵⁶ A breakdown of benefit expenses over the five-year period is provided later in this section. The drop in Program Expenses in FY2013 is because the District made a significantly smaller transfer of funds out of the Corporate Fund to other funds. Whereas in FY2012 the District appropriated \$7.0 million to be transferred to the Real Estate Acquisition and Self-Insurance Funds and in FY2014 \$6.6 million will be transferred to the Real Estate Acquisition Fund and Capital for Landscape Restoration, in FY2013 only \$1.5 million was transferred to capital.⁵⁷ Without significantly smaller transfers out of the Corporate Fund in FY2013, non-personnel expenses appear to decline from the prior year.

Forest Preserve District Corporate Fund Personnel Services Appropriations: FY2010-FY2014 (in \$ thousands)									
	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Personnel Services	\$ 27,484	\$ 38,341	\$ 40,557	\$ 40,047	\$ 38,780	\$ (1,267)	-3.2%	\$ 11,296	41.1%
Program Expenses*	\$ 30,769	\$ 18,798	\$ 17,457	\$ 12,795	\$ 18,502	\$ 5,708	44.6%	\$ (12,267)	-39.9%
Total Corporate Fund Appropriations	\$ 58,253	\$ 57,138	\$ 58,013	\$ 52,842	\$ 57,282	\$ 4,441	8.4%	\$ (971)	-1.7%
% of Total	47.2%	67.1%	69.9%	75.8%	67.7%				

*Referred to as Other and Fixed Charges in FY2010.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2010, p. 41; FY2011, p. 40; FY2012, p. 23; FY2013, p. 35; Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 21.

Forest Preserve District Employee Benefit Expenses

Expenses for employee benefits will increase by \$748,357, or 9.3%, from \$8.1 million in FY2010 to \$8.8 million in FY2014. During this five-year period, hospital insurance will grow by 10.1%. At the same time, life insurance expenses will decline by \$2,876, or 3.1%, dental care expenses will decline by \$16,806, or 7.1%, and vision care expenses will decline by \$4,212, or 5.3%. Expenses for employee benefits are relatively flat from FY2013. According to the District, this is because the District is estimating benefit expenses more conservatively in FY2014. The

⁵⁵ Appropriation services adjustments is a term the District uses to budget expenses for retroactive payments that cover a late resolution of union contracts.

⁵⁶ Information provided by the Forest Preserve District of Cook County, November 30, 2011.

⁵⁷ Forest Preserve District of Cook County Annual Appropriation Ordinance, FY2012, p. 23; FY2013, p. 35; and Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 21.

significant fluctuations between actual figures in FY2011 and FY2012 and budgeted figures in FY2010 and FY2013 show a history of over-budgeting these expenses.⁵⁸

Forest Preserve District Benefit Expenses*: FY2010-FY2014									
	FY2010 Adopted	FY2011 Actual	FY2012 Actual	FY2013 Adopted	FY2014 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Hospital Insurance	\$7,682,746	\$6,521,694	\$5,556,440	\$8,450,317	\$8,454,997	\$ 4,680	0.1%	\$ 772,251	10.1%
Life Insurance	\$ 91,894	\$ 71,819	\$ 59,521	\$ 100,003	\$ 89,018	\$ (10,985)	-11.0%	\$ (2,876)	-3.1%
Dental Care Plan	\$ 235,402	\$ 183,420	\$ 151,096	\$ 257,431	\$ 218,596	\$ (38,835)	-15.1%	\$ (16,806)	-7.1%
Vision Plan	\$ 80,057	\$ 61,734	\$ 49,674	\$ 87,558	\$ 75,845	\$ (11,713)	-13.4%	\$ (4,212)	-5.3%
Total Benefits	\$8,090,099	\$6,838,667	\$5,816,731	\$8,895,309	\$8,838,456	\$ 4,680	0.1%	\$ 748,357	9.3%

*These figures represent expenses for the District only, not the Garden & Zoo.

Note: These figures do not include expenses for Appropriation Adjustments for Personnel Services or Medicare Payments. Actual figures are provided for FY2011 and FY2012 with the implementation of adding actual data to the FY2013 budget.

Source: Forest Preserve District of Cook County Executive Budget Recommendations, Corporate Fund detail pages, FY2011-FY2014.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.⁵⁹ It is an important financial indicator for local governments. Fund balance is the difference between the assets and liabilities in a governmental fund. A governmental fund differs from other funds typically included in non-governmental financial reporting in that it includes only a subset of assets and liabilities. Fund balance is more a measure of liquidity than of net worth and can be thought of as the savings account of the local government.⁶⁰

This section discusses three aspects of fund balance: recent changes to fund balance reporting, fund balance policy and definitions and an analysis of the Forest Preserve District's fund balance levels.

Recent Changes to Fund Balance Reporting

Beginning in FY2011, the District's audited financial statements include a modification in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."⁶¹

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.⁶²

⁵⁸ Information provided by the Forest Preserve District of Cook County, November 1, 2013.

⁵⁹ Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

⁶⁰ Stephen J. Gauthier. *The New Fund Balance*. Chicago: GFOA, 2009, p. 34.

⁶¹ Stephen J. Gauthier. "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.

⁶² Stephen J. Gauthier. "Fund Balance: New and Improved," Government Finance Review, April 2009.

Components of Fund Balance

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

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment.
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments.
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation.
- *Assigned fund balance* – the portion of fund balance reflecting the government’s intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance.
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.⁶³

Historically, the focus of the Civic Federation fund balance analysis has been on the unreserved general fund balance. Given the new components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government’s unrestricted fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are nearly synonymous.⁶⁴

In response to the classification changes, beginning in FY2011, the District provides in its Comprehensive Annual Financial Report (CAFR) a definition of each of the five classifications, including descriptions of how each new classification specifically affects the District’s individual funds and overall financial policies⁶⁵. In the interest of government transparency, the Civic Federation recommends that all local governments, if possible, provide ten years of fiscal data in the updated GASB Statement No. 54 format in the statistical sections of their audited financial statements. Without this restated data, accurate trend analyses cannot be conducted.

Fund Balance Policy

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

⁶³ Stephen J. Gauthier. “Fund Balance: New and Improved,” Government Finance Review, April 2009.

⁶⁴ Stephen J. Gauthier. *The New Fund Balance*. Chicago: GFOA, 2009, p. 34.

⁶⁵ See pp. 51-52 of the District’s FY2012 Comprehensive Annual Financial Report.

general fund operating expenditures.” Two months of operating expenditures is approximately 17%.⁶⁶

Many fund balance policies direct a unit of government to maintain a level of fund balance on an actual basis. However, the Forest Preserve policy refers specifically to the fund balance amount budgeted. The Forest Preserve District’s policy on unreserved fund balance requires the District to annually budget a minimum unreserved fund balance totaling the sum of:

- 5.5% of Corporate Fund gross revenues to account for revenue fluctuations;
- 1% of Corporate Fund expenditures to account for unexpected expenditures; and
- 8% of Corporate Fund expenditures to account for insufficient operating cash.⁶⁷

This policy was introduced in FY2005, when \$6.5 million was earmarked as unreserved Corporate Fund fund balance. The structure of the policy implemented by the District is based on the revenue fluctuations it experienced prior to 2005. This policy is slightly below (0.5%) the current GFOA recommendation, but within its past guidelines. Previously, the GFOA had recommended a general fund balance of 5% to 15% of general fund expenditures.

The unreserved fund balance policy is meant to ensure that the District will have adequate operating cash. According to the District, the amount of cash can be at risk from 1) revenue fluctuations; 2) emergency expenditures; and 3) temporary periods of negative cash flow.⁶⁸

Corporate Fund Fund Balance Level

The following charts outline the District’s Corporate Fund fund balance as a ratio of actual operating expenditures. It should be noted that the Corporate Fund does not include operating expenditures for the Zoological or Botanic Garden Funds. At the end of FY2012, the District’s unrestricted corporate fund balance was \$41.9 million, or 91.9% of operating expenditures. This level of fund balance greatly exceeds the GFOA recommended minimum fund balance.

Forest Preserve District of Cook County Corporate Fund Balance Ratio: FY2011 & FY2012			
	Unrestricted Corporate Fund Balance	Operating Expenditures	Ratio
FY2011	\$ 37,026,316	\$ 41,646,735	88.9%
FY2012	\$ 41,902,515	\$ 45,597,442	91.9%

Source: Forest Preserve District of Cook County, Comprehensive Annual Financial Reports, FY2011, p. 9; FY2012, pp. 24 and 29.

Since FY2006 the District’s fund balance has continued to grow. A portion of the large increases in the fund balance since FY2006 can be attributed to a continuing decrease in the amount that needed to be transferred to the Self-Insurance Fund based on claim experience.⁶⁹ The transfer out

⁶⁶Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

⁶⁷ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 18.

⁶⁸ Forest Preserve District of Cook County FY2014 Executive Budget Recommendation, p. 18.

to the Self-Insurance Fund decreased each year between FY2006 and FY2009. In FY2006 the transfer was \$12.6 million, in FY2007 it was \$6.9 million, in FY2008 it was \$1.0 million and it reached zero in FY2009.⁷⁰ In FY2010 the transfer to the Self-Insurance Fund increased to \$3.0 million.

At FY2010 year-end the Forest Preserve District Corporate Fund had \$35.3 million, or 96.1%, of operating expenditures in unreserved fund balance, the measure used in fund balance reporting prior to the implementation of GASB Statement No. 54. This is an increase of \$9.1 million, or 24.3%, from FY2009. This is a large fund balance that significantly exceeds the GFOA recommended minimum balance.

Forest Preserve District of Cook County Corporate Fund Balance Ratio: FY2006-FY2010			
	Unreserved Corporate Fund Balance	Operating Expenditures	Ratio
FY2006	\$ 1,304,552	\$ 27,261,512	4.8%
FY2007	\$ 9,891,750	\$ 31,212,640	31.7%
FY2008	\$ 19,774,805	\$ 33,868,166	58.4%
FY2009	\$ 26,299,152	\$ 36,631,265	71.8%
FY2010	\$ 35,349,895	\$ 36,776,238	96.1%

Source: Forest Preserve District of Cook County Comprehensive Annual Financial Reports, FY2006-FY2010.

⁶⁹ Phone communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 16, 2010.

⁷⁰ Forest Preserve District of Cook County Comprehensive Annual Financial Reports, FY2006-FY2010.

The District is different from many other governments in that much of its Corporate Fund resources are transferred out to other funds. The majority of the transfers out have been to the Real Estate Acquisition Fund, Capital Improvement Fund and Self-Insurance Fund. With the high level of transfers out, analyzing only operating expenditures does not give a full picture of the Corporate Fund usage. Therefore, the Civic Federation has calculated an alternative fund balance ratio that includes both expenditures and transfers out. The ratio was calculated by dividing the fund balance by the sum of operating expenditures and transfers out.

Including Corporate Fund operating expenditures and transfers out, the FY2012 year-end fund balance ratio was 84.1%. One of the largest contributors to the District's Corporate Fund unreserved fund balance is the annual savings from vacant personnel positions. The District anticipates that future years will not have as significant of an increase in Corporate Fund unreserved fund balance with increased efforts to fill more vacancies more rapidly.⁷¹

Forest Preserve District of Cook County				
Corporate Fund Balance Ratio + Transfers Out: FY2011 & FY2012				
	Unreserved Corporate Fund Balance	Operating Expenditures	Transfers Out	Alternative Ratio
FY2011	\$ 37,026,316	\$ 41,646,735	\$ 10,220,375	71.4%
FY2012	\$ 41,902,515	\$ 45,597,442	\$ 4,206,338	84.1%

Source: Forest Preserve District of Cook County, Comprehensive Annual Financial Reports, FY2011, p. 9; FY2012, pp. 24 and 29.

This ratio also indicates a sustained high level of fund balance for the District between FY2007 and FY2010.

Forest Preserve District of Cook County				
Corporate Fund Balance Ratio + Transfers Out: FY2006-FY2010				
	Unreserved Corporate Fund Balance	Operating Expenditures	Transfer Out	Alternative Ratio
FY2006	\$ 1,304,552	\$ 27,261,512	\$ 37,220,000	2.0%
FY2007	\$ 9,891,750	\$ 31,212,640	\$ 10,300,000	23.8%
FY2008	\$ 19,774,805	\$ 33,868,166	\$ 10,300,000	44.8%
FY2009	\$ 26,299,152	\$ 36,631,265	\$ 7,275,000	59.9%
FY2010	\$ 35,349,895	\$ 36,776,238	\$ 12,333,181	72.0%

Source: Forest Preserve District of Cook County Comprehensive Annual Financial Reports, FY2006-FY2010.

PENSION FUND

The Civic Federation analyzed four indicators in its evaluation of the fiscal health of the Forest Preserve District's 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 Forest Preserve District pension benefits.

⁷¹ Information provided by the Forest Preserve District of Cook County, November 21, 2011 and November 14, 2012.

Plan Description

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for full-time employees of the Forest Preserve District of Cook County. It was created in 1931 by Illinois State statute to provide retirement, death and disability benefits for employees and their dependents.⁷² Plan benefits and contribution amounts can only be amended through state legislation.⁷³

The Forest Preserve pension fund is governed by the nine-member Board of Trustees of the Cook County pension fund, and it is administered by the staff of the Cook County pension fund.

In FY2012 the fund had 460 active employees and 518 beneficiaries for a ratio of 0.89 active members for every beneficiary. This ratio fell from 1.52 in FY2002 as the number of active members declined and the number of beneficiaries rose. However, over the past 11 years, the ratio has fluctuated as the number of beneficiaries has increased and the number of active employees has gone up and down. A downward trend in the ratio puts financial stress on the fund as there are fewer employees contributing to the fund and more beneficiaries to support.

Forest Preserve District Pension Fund Membership: FY2002-FY2012			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2002	614	405	1.52
FY2003	385	491	0.78
FY2004	368	522	0.70
FY2005	373	509	0.73
FY2006	394	509	0.77
FY2007	418	503	0.83
FY2008	442	506	0.87
FY2009	461	509	0.91
FY2010	448	514	0.87
FY2011	408	520	0.78
FY2012	460	518	0.89
Eleven-Year Change	-154	113	-0.6
Eleven-Year % Change	-25.1%	27.9%	-41.4%

Source: Forest Preserve District Employees' Annuity and Benefit Fund, Financial Statements, FY2002-FY2012.

Pension Benefits

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

⁷² Forest Preserve District Employees' Annuity and Benefit Fund, Financial Statements as of December 31, 2012, p. 8.

⁷³ The Forest Preserve District pension article is 40 ILCS 5/10, 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.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the District. 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 ten years of service. The maximum annuity amount is 80% of final average salary. Employees with ten years of service may retire as young as age 50 but their benefit is reduced by 0.5% for each month they are under age 60. This reduction is waived for employees with 30 or more years of service, such that a 50 year-old with 30 years of service may retire with an unreduced benefit.

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 annual annuity increase from 3% (compounded) to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.

Major Forest Preserve District Benefit Provisions for Regular Employees		
	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 10 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 monthly 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	0.5% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	
Annuity Automatic Increase on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	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: Forest Preserve District Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2012; 40 ILCS 5/9; Comprehensive Annual Financial Report for the Year Ending December 31, 2012; and Public Act 96-0889.

Members of the Forest Preserve 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.

An additional optional Forest Preserve District pension fund benefit existed between 1985 and 2005. The optional pension plan was created in 1985 by the General Assembly and renewed

several times before it was allowed to sunset on July 1, 2005.⁷⁴ It permitted employees to make additional contributions equal to 3% of salary in exchange for an additional 1% of final average salary benefit for each year for which the additional contribution was paid.

Other Post Employment Benefits

State statute permits the Forest Preserve District pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the District’s employee health insurance plans.⁷⁵ The pension fund currently subsidizes roughly 55% of retiree premiums (including dependent coverage) and 70% of surviving spouse premiums (including dependent coverage). The remaining premium amount is paid by the participant.⁷⁶ The subsidy is funded on a pay-as-you-go basis; an irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

In FY2012 there were 281 retiree and surviving spouse participants whose health plan costs were subsidized by the pension fund. This is an increase from 279 participants in FY2008.

Forest Preserve District Pension Fund Retiree Health Plan Participants: FY2008-FY2012					
	FY2008	FY2009	FY2010	FY2011	FY2012
Retiree and Surviving Spouse Participants	279	282	275	279	281

Source: Forest Preserve District Employees’ Annuity and Benefit Fund, Financial Statements, FY2008, p. 17; FY2010, p. 18; and FY2012, p. 18.

The Forest Preserve District government does not directly contribute to the retirees’ premium costs. However, as the employer sponsor of the pension plan, the District is required to report other post employment benefit (OPEB) liabilities in its financial statements. The OPEB plan is treated as another pension benefit and does not have a separate contribution rate or asset pool associated with it. The employer contribution for OPEB reported in the District’s financial statements is assumed to equal the cost of the premium subsidy for that period.⁷⁷

The actuarial accrued liability for District retiree healthcare benefits was \$45.7 million in FY2012, up from \$40.4 million in FY2011. 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%.

Funded Ratios

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

⁷⁴ 40 ILCS 5/9-179.3. See also the legislative history provided in Forest Preserve District Employees’ Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 31.

⁷⁵ 40 ILCS 5/9-239. The statute also specifies that this group health benefit shall not be considered a pension benefit as defined by the Illinois Constitution, Section 5, Article XIII.

⁷⁶ Forest Preserve District Employees’ Annuity and Benefit Fund, Financial Statements as of December 31, 2012, p. 18 and Forest Preserve District Comprehensive Annual Financial Report for the Year Ended December 31, 2012, p. 112.

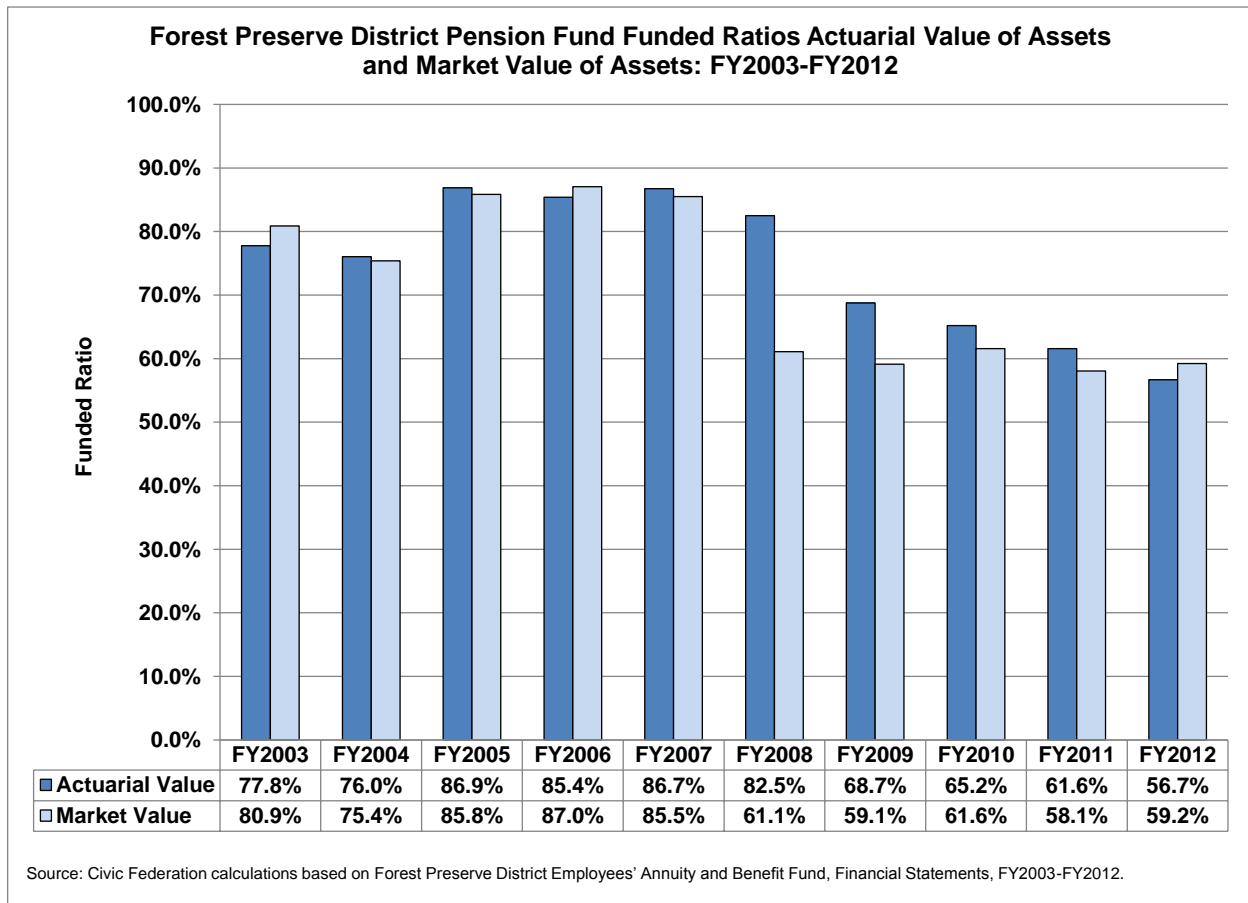
⁷⁷ Forest Preserve District of Cook County Comprehensive Annual Financial Report for the Year Ended December 31, 2012, p. 112.

pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations. Although there is no official industry standard for an acceptable funded ratio other than 100%, a ratio below 80% is typically a cause for concern.

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.⁷⁸ 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.

⁷⁸ For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding Fiscal Year 2011*, May 21, 2013.

The following exhibit shows the actuarial and market value funded ratios for the Forest Preserve District pension fund over the last ten years. The actuarial value funded ratio fell from 77.8% in FY2003 to 76.0% in FY2004 before rising to 86.9% in FY2005 and then falling to 56.7% in FY2012. The market value funded ratio rose from 80.9% in FY2003 to a high of 87.0% in FY2006 before falling to 59.2% in FY2012. The sizeable difference between FY2008 actuarial and market value funded ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years.



It is important to note that the apparent increase in FY2005 was due almost entirely to changes in actuarial methods. In FY2004 Cook County and the Forest Preserve District changed actuaries. The new actuary used a different method for smoothing asset value than the previous actuary.⁷⁹ These changes resulted in a decrease of \$34.4 million in unfunded liabilities for the Forest Preserve District.⁸⁰ Without this change, the FY2005 actuarial value funded ratio would have been 75.0% rather than 86.9%. The decrease in FY2009 is partly the result of changes in actuarial assumptions based on Fund experience.⁸¹ This increased the Fund's total actuarial

⁷⁹ The previous actuary used a five-year smoothed average ratio of market to book value while the new actuary used a five-year smoothing of unexpected investment gains or losses (market value only), a more common method.

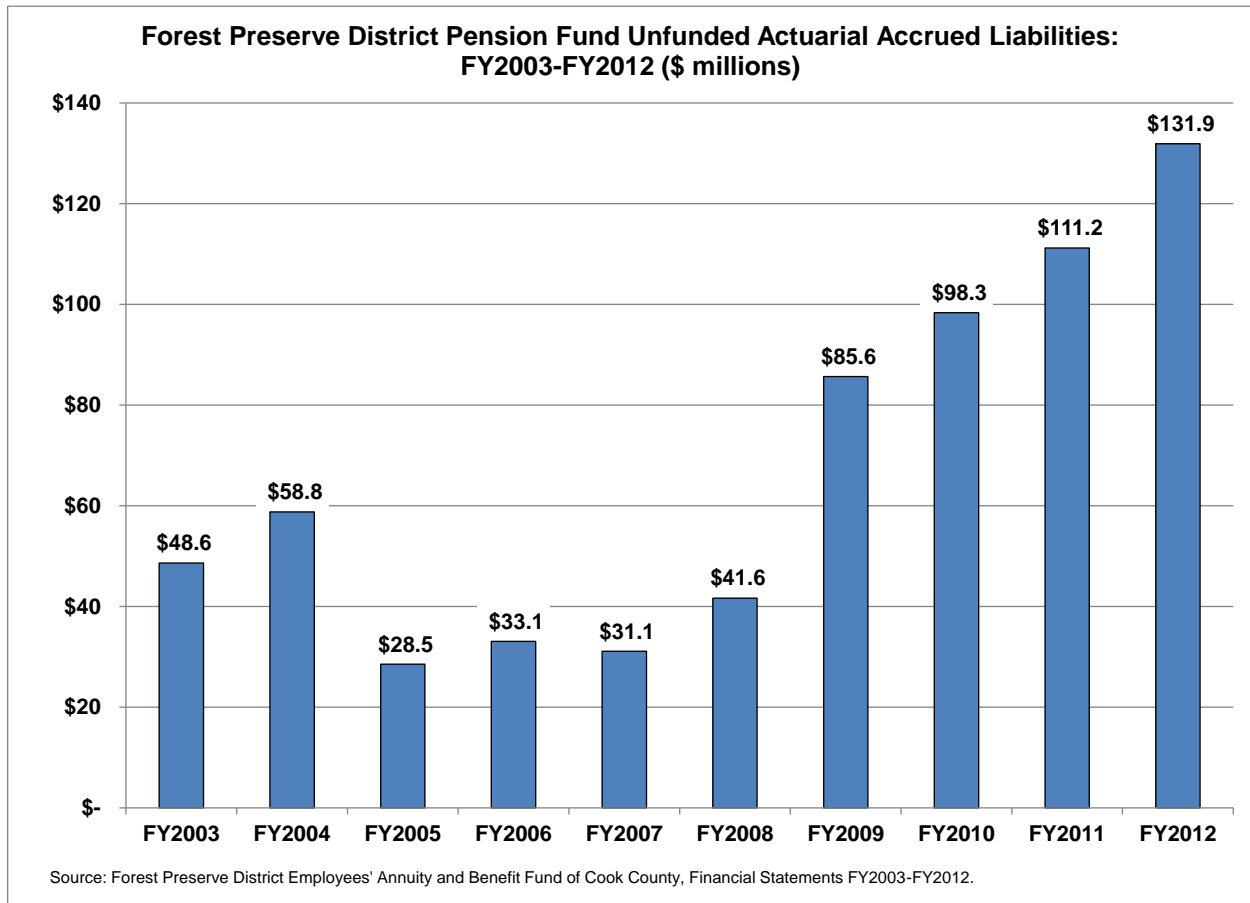
⁸⁰ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County: Financial Statements as of December 31, 2005, p. 3a.

⁸¹ The mortality assumption, termination rates and rates of retirement were adjusted. See Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 11.

liability by \$24.7 million.⁸² Without this change the FY2009 ratio would have been 75.6%, still a decline from FY2008 levels.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. The unfunded liability for the Forest Preserve District pension fund totaled \$131.9 million in FY2012, up from \$48.6 million in FY2003.



⁸² Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 13.

The next exhibit adds together the contributing factors that have increased or decreased the unfunded liability since FY2006. The largest contributor to the \$100.1 million growth in unfunded liabilities between the beginning of FY2006 and the end of FY2012 was investment returns failing to meet the 7.5% expected rate of return.⁸³ This added nearly \$53.7 million to the UAAL. The second largest contributor was the shortfall in employer contributions as compared to the annual normal cost plus interest on the UAAL, which added \$34.5 million to the UAAL over seven years, followed by the change in actuarial assumptions in FY2009, which added \$24.7 million.⁸⁴

Reasons for Change in Unfunded Actuarial Accrued Liability: FY2006-FY2012							
	Employer Contribution Lower/(Higher) than ARC	Investment Return Lower/(Higher) Than Assumed	Salary Increase (Lower)/Higher Than Assumed	Retiree Health Insurance Premium Lower/(Higher) Than Assumed	Change in Actuarial Assumptions or Methods	Other	Total Net UAAL Change
FY2006	\$ 2,485,073	\$ 1,773,170	\$ (150,731)	\$ -	\$ -	\$ 440,412	\$ 4,547,924
FY2007	\$ 3,014,714	\$ (2,343,691)	\$ 2,200,509	\$ (2,415,401)	\$ -	\$ (2,448,998)	\$ (1,992,867)
FY2008	\$ 3,928,697	\$ 13,247,300	\$ 1,179,009	\$ -	\$ -	\$ (7,782,032)	\$ 10,572,974
FY2009	\$ 4,512,235	\$ 14,363,849	\$ (1,015,614)	\$ -	\$ 24,746,310	\$ 1,386,895	\$ 43,993,675
FY2010	\$ 7,483,382	\$ 9,729,368	\$ (3,394,112)	\$ -	\$ -	\$ (1,140,818)	\$ 12,677,820
FY2011	\$ 7,734,557	\$ 11,541,394	\$ (3,690,231)	\$ -	\$ -	\$ (2,704,346)	\$ 12,881,374
FY2012	\$ 5,369,563	\$ 5,369,563	\$ 1,939,324	\$ -	\$ -	\$ 4,744,938	\$ 17,423,388
Five-Year Total	\$ 34,528,221	\$ 53,680,953	\$ (2,931,846)	\$ (2,415,401)	\$ 24,746,310	\$ (7,503,949)	\$ 100,104,288

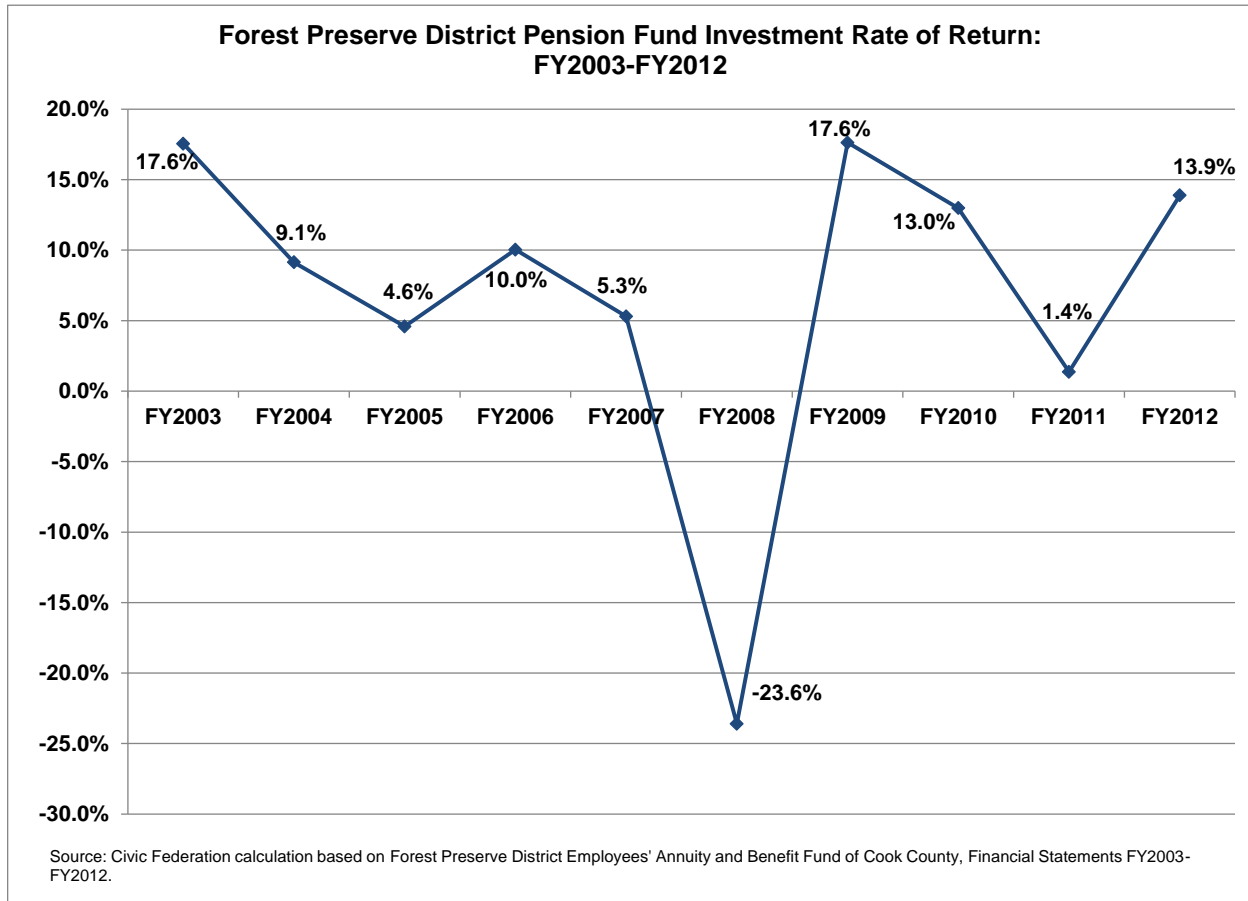
Source: Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2006-FY2012.

⁸³ The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2011*, May 21, 2013.

⁸⁴ See section entitled "Reconciliation of Change in Unfunded Liability" in the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County annual actuarial valuations.

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 FY2002 and FY2012 the pension fund average annual rate of return was 6.9%.⁸⁵ Returns ranged from highs of 17.6% in FY2003 and FY2009 to a low of -23.6% in FY2008. In FY2012 returns of 13.9% were recorded.



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). The 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

⁸⁵ The Civic Federation calculates investment rate of return using the following formula: $\text{Current Year Rate of Return} = \frac{\text{Current Year Gross Investment Income}}{0.5 * (\text{Previous Year Market Value of Assets} + \text{Current Year Market Value of Assets} - \text{Current Year Gross Investment Income})}$. 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.

not more than 30 years.⁸⁶ Normal cost is the portion of the present value of pension plan benefits and administrative expenses that 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).⁸⁷ 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 Forest Preserve 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 of how well a public entity is actually funding its pension plan. The District is required to make an annual employer contribution equivalent to 1.30 times the total employee contribution made two years earlier.⁸⁸ The District levies a property tax for this purpose, and the pension amount appears as a separate line on tax bills.

Before examining the ARC and actual employer contributions to the Forest Preserve District pension fund, it is important to note some reporting changes. GASB Statement 43 required the retirement systems of large governments—those with over \$100 million in annual revenue—to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree healthcare on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets—often a long-term money market rate of roughly 4.5%.

In order to comply with these accounting standards, the Forest Preserve District pension fund produces three separate actuarial valuations: one valuation of pension liabilities using a 7.5% discount rate, another valuation of OPEB liabilities using a 4.5% discount rate and a “combined” valuation using a 7.5% discount rate for both pension and OPEB liabilities. The Forest Preserve District pension fund considers the “combined” valuation to be the best reflection of its assets and liabilities because the pension and OPEB benefits are paid from the same asset pool.⁸⁹ However, the separate pension and OPEB valuations done for GASB purposes are the ones used to compute the net pension and OPEB obligations of Forest Preserve District government that appear on the District's balance sheet.

⁸⁶ The ARC reporting requirement was established by GASB Statements 25 and 27. GASB Statements 67 and 68 will end the requirement for ARC disclosure starting with the 2014 and 2015 fiscal years. No substitute measure of a government's annual pension funding adequacy has been proposed.

⁸⁷ GASB statements 67 and 68 will limit governments and pension funds to one method of calculating actuarial cost for their financial statements, the entry age normal method.

⁸⁸ 40 ILCS 5/10-107.

⁸⁹ Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.

The table below shows only the “combined” valuation comparison of the ARC to the actual Forest Preserve District contribution over the last ten years. The employer contribution fell short of equaling 100% of the ARC in any of the years FY2003 through FY2012. In FY2003 the \$3.4 million employer contribution represented 44.5% of the ARC, meaning that \$4.3 million more would need to have been contributed to meet the ARC that year. Employer contributions have generally trended downward in the past ten years due to personnel reductions before increasing in FY2011 due to an increase in compensation two years earlier attributed to an extra pay period and retroactive payments made to employees.⁹⁰ The contribution decreased in FY2012. In FY2012 the \$3.1 million employer contribution represented only 25.0% of the ARC for the “combined” valuation of pension and OPEB, for a shortfall of \$9.3 million that year. The cumulative ten-year difference between ARC and actual employer contribution for “combined” pension and OPEB is a \$53.7 million shortfall. In 2012 the combined ARC for pension and OPEB was \$12.4 million, or four times the actual employer contribution of only \$3.1 million.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2003 the ARC was nearly 44.5% of payroll while the actual employer contribution was 19.8% of payroll. In FY2012 the “combined” pension and OPEB ARC was 47.3% of payroll, while the actual employer contribution was 11.8% of payroll.

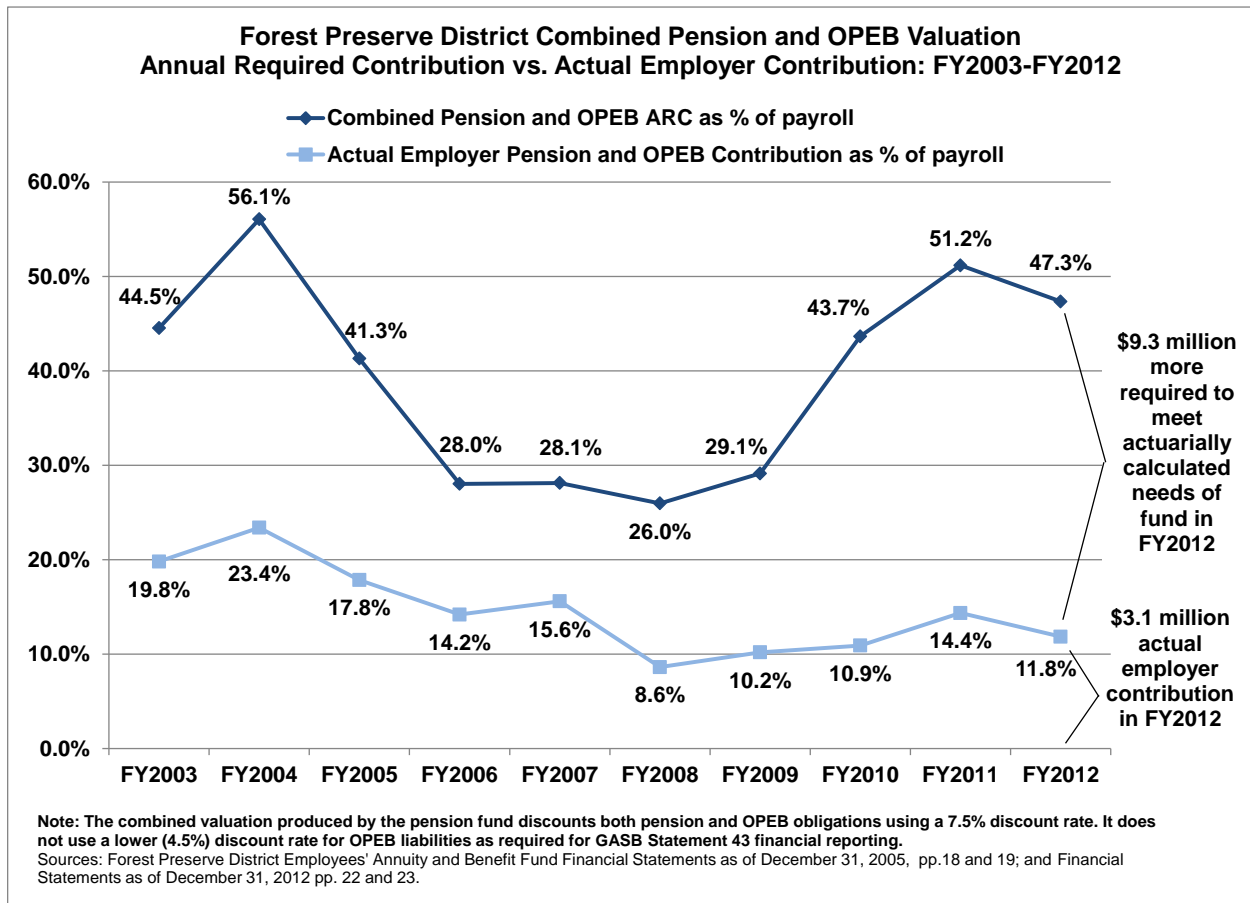
Forest Preserve District Pension Fund Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation FY2003-FY2013							
Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll
2003	\$ 7,725,882	\$ 3,436,122	\$ 4,289,760	44.5%	\$ 17,348,472	44.5%	19.8%
2004	\$ 9,326,465	\$ 3,890,142	\$ 5,436,323	41.7%	\$ 16,635,794	56.1%	23.4%
2005	\$ 7,466,836	\$ 3,224,743	\$ 4,242,093	43.2%	\$ 18,077,621	41.3%	17.8%
2006	\$ 5,375,366	\$ 2,720,013	\$ 2,655,353	50.6%	\$ 19,172,756	28.0%	14.2%
2007	\$ 5,927,422	\$ 3,287,040	\$ 2,640,382	55.5%	\$ 21,078,316	28.1%	15.6%
2008	\$ 6,094,316	\$ 2,023,448	\$ 4,070,868	33.2%	\$ 23,474,621	26.0%	8.6%
2009	\$ 7,273,214	\$ 2,543,694	\$ 4,729,520	35.0%	\$ 24,967,115	29.1%	10.2%
2010	\$ 10,653,889	\$ 2,660,034	\$ 7,993,855	25.0%	\$ 24,397,376	43.7%	10.9%
2011	\$ 11,606,636	\$ 3,255,609	\$ 8,351,027	28.0%	\$ 22,678,566	51.2%	14.4%
2012	\$ 12,429,935	\$ 3,108,976	\$ 9,320,959	25.0%	\$ 26,252,071	47.3%	11.8%

Note: This combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.

Source: Forest Preserve Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2006, pp. 18-19; Financial Statements as of December 31, 2012, pp. 22-23.

⁹⁰ Communication with the Forest Preserve District of Cook County, November 9, 2012.

The graph below illustrates the growing gap between the “combined” pension and OPEB ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from 24.7% of payroll, or \$4.3 million, in FY2003 to 35.5% of payroll in FY2012. In other words, to fund the pension and retiree healthcare plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years, the Forest Preserve District would have needed to contribute an additional 35.5% of payroll, or \$9.3 million, in FY2012.



The District has consistently levied and contributed its statutorily required amount of 1.30 times the employee contribution made two years prior. However, that amount has been less than the ARC for each of the last ten years. The pension fund actuary estimates that in order to contribute an amount sufficient to meet the ARC in FY2013, the District would need to levy property taxes equal to a tax multiple of 6.33 rather than 1.30.⁹¹

SHORT-TERM LIABILITIES

Forest Preserve District short-term liabilities are financial obligations incurred in the governmental funds that must be satisfied within one year. They can include short-term debt,

⁹¹ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2012, p. 10.

accounts payable, accrued payroll and other current liabilities. The Forest Preserve District reported the following short-term liabilities in the Governmental Funds Balance Sheet in its Comprehensive Annual Financial Reports (CAFRs) over the past five years:

- *Accounts Payable*: 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;
- *Interfund payables*: monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Intergovernmental Payable*: funds to be paid to other governments or agencies carried over from the previous fiscal year;
- *Other Liabilities*: includes self-insurance funds, unclaimed property and other unspecified liabilities; and
- *Deposits*: funds held by the District or its agents to collateralize other investment risks.

In FY2012 the District's total short-term liabilities increased from the prior year by about \$12.8 million, or 53.1%. Much of this large increase was due to the \$12.6 million, or 91.7%, increase in interfund payables. These payables represent interfund borrowing transactions. They are monies owed by the Governmental Funds to other funds as well as temporary cash overdrafts reclassified as payables at the end of the fiscal year. There are interfund receivables owed to the Governmental Funds corresponding to these payables recorded in the assets portion of the Governmental Funds Balance Sheet.⁹² Since FY2008 short-term liabilities have increased by \$320,530, or 0.9%. The stable situation over time is a positive sign.

Accounts payable can be a warning sign of fiscal distress if there is a steady increase over time. Forest Preserve District accounts payable rose by 3.0%, or \$229,389, between FY2008 and FY2012. In FY2010, there was a one-time addition of \$7.0 million for land acquisition, which increased accounts payable from \$6.5 million to nearly \$10.8 million.⁹³ In FY2011, they dropped significantly by \$2.9 million, or 27.4%, to \$7.8 million. Between FY2008 and FY2012 there was a slight 3.0% increase. The stability of accounts payable liabilities over time is a positive sign.

Forest Preserve District of Cook County Short-Term Liabilities in the Governmental Funds: FY2008-FY2012									
Type	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accounts Payable	\$ 7,762,608	\$ 6,528,481	\$ 10,782,055	\$ 7,826,864	\$ 7,991,997	\$ 165,133	2.1%	\$ 229,389	3.0%
Accrued Payroll	\$ 1,681,730	\$ 944,387	\$ 976,782	\$ 1,720,156	\$ 2,267,709	\$ 547,553	31.8%	\$ 585,979	34.8%
Interfund Payable	\$ 26,592,896	\$ 35,697,643	\$ 8,900,764	\$ 13,704,578	\$ 26,278,349	\$ 12,573,771	91.7%	\$ (314,547)	-1.2%
Intergovernmental Payable	\$ 64,289	\$ 55,042	\$ 298,134	\$ -	\$ -	\$ -	-	\$ (64,289)	-100.0%
Other Liabilities	\$ 378,374	\$ 493,553	\$ 557,115	\$ 780,446	\$ 281,209	\$ (499,237)	-64.0%	\$ (97,165)	-25.7%
Deposits	\$ 49,830	\$ 51,167	\$ 34,561	\$ 31,398	\$ 30,993	\$ (405)	-1.3%	\$ (18,837)	-37.8%
Total	\$ 36,529,727	\$ 43,770,273	\$ 21,549,411	\$ 24,063,442	\$ 36,850,257	\$ 12,786,815	53.1%	\$ 320,530	0.9%

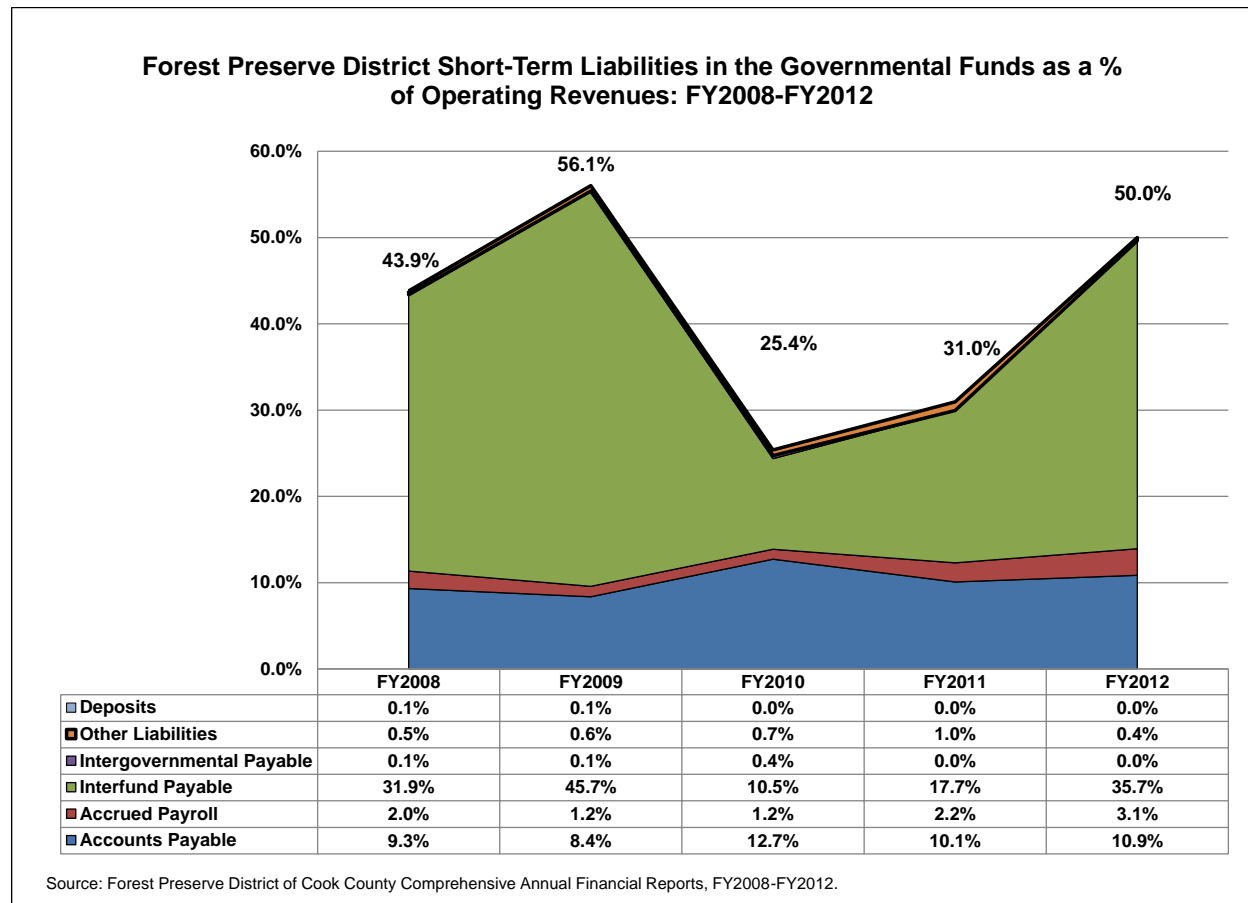
Source: Forest Preserve District of Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets, FY2008-FY2012.

⁹² See Forest Preserve District of Cook County FY2011 Comprehensive Annual Financial Report, Note 6: Interfund Receivables and Payables, pp. 39-40.

⁹³ Information provided by the Forest Preserve District of Cook County Department of Finance and Administration, October 21, 2011.

Short-Term Liabilities as a Percentage of Operating Revenues

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.⁹⁴ 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 ratio has fluctuated over time, rising from 43.9% in FY2008 to 56.1% in FY2009 before falling to 25.4% in FY2010 and rising again to 31.0% in FY2011 and 50.0% in FY2012. The average ratio over this five-year period was 41.3%. Much of the ratio is due to the high degree of interfund borrowing that occurs at the Forest Preserve District. Thus, most of the current liabilities are interfund payables, which represent monies owed by the Governmental Funds to other funds as well as temporary cash overdrafts reclassified as payables at the end of the fiscal year. There are interfund receivables owed to the Governmental Funds corresponding to these payables recorded in the assets portion of the Governmental Funds Balance Sheet.⁹⁵

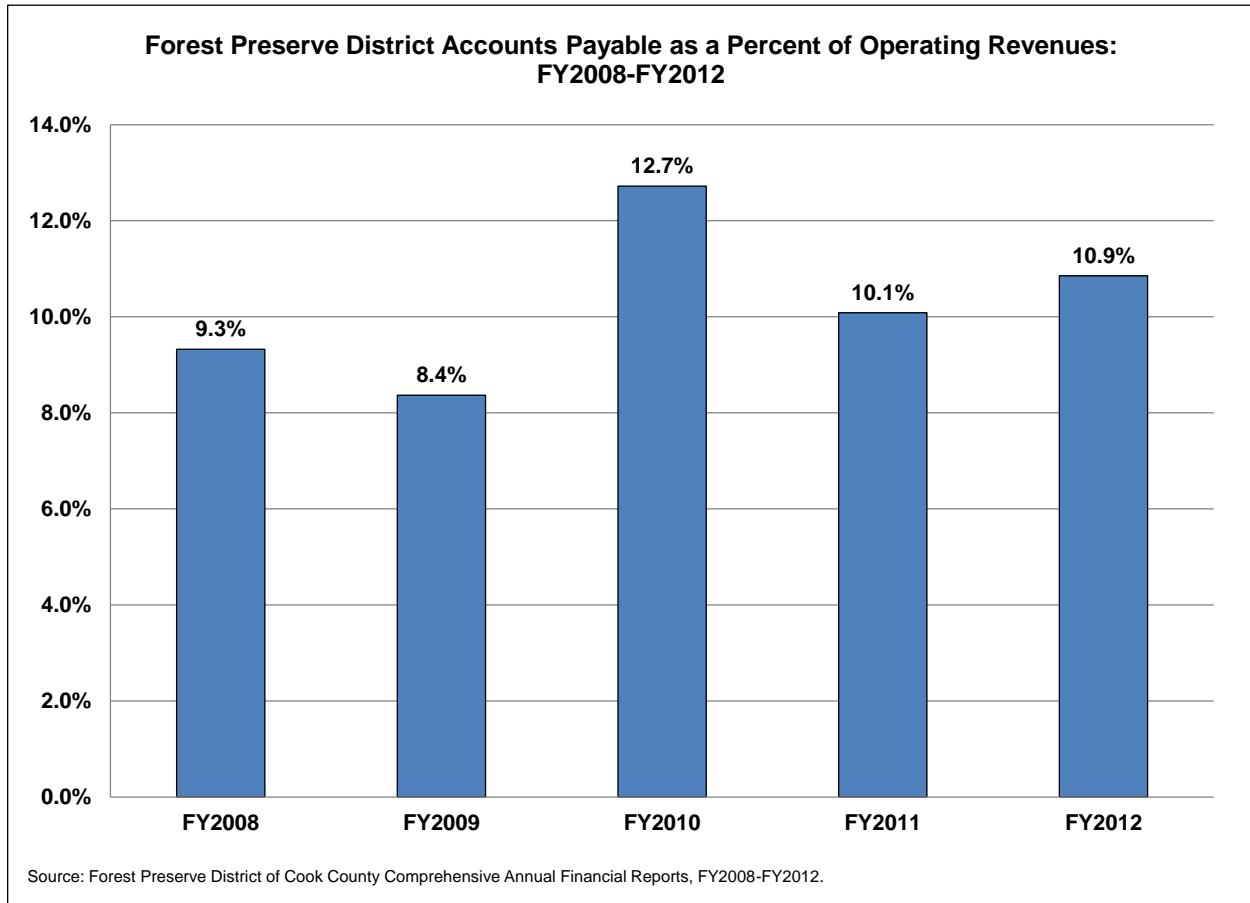


⁹⁴ Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government*. International City/County Management Association, 2003, p. 77 and 169.

⁹⁵ See Forest Preserve District of Cook County FY2011 Comprehensive Annual Financial Report, Note 6: Interfund Receivables and Payables, p. 39-40.

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. Between FY2008 and FY2010, the Forest Preserve District's ratio of accounts payable to operating revenues increased from 9.3% to 12.7%. The ratio then decreased in FY2011 to 10.1% before rising slightly in FY2012 to 10.9%. The average ratio over this five-year period was 10.3%.



Current Ratio

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

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

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

- *Cash and cash equivalents*: Assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *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; and
- *Receivables*: Monetary obligations owed to the government including property taxes and interest on loans.

The Forest Preserve District's current ratio was 5.5 in FY2012, the most recent year for which data is available. In the past five years, the District's current ratio averaged 6.5, which is above the preferred benchmark of 2.0 and thus demonstrates a healthy level of liquidity. From FY2008 to FY2012, the current ratio increased slightly from 5.3 to 5.5.

Forest Preserve District Current Ratio in the Governmental Funds: FY2008-FY2012 (in \$ thousands)									
	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Current Assets									
Cash and cash equivalents	\$ 38,039	\$ 50,533	\$ 27,507	\$ 39,135	\$ 104,044	\$ 64,909	165.9%	\$ 66,005	173.5%
Short-term investments	\$ 60,634	\$ 62,118	\$ 77,143	\$ 72,811	\$ 3,149	\$ (69,662)	-95.7%	\$ (57,485)	-94.8%
Accrued interest	\$ 203	\$ 39	\$ 16	\$ 13	\$ 3	\$ (10)	-77.6%	\$ (200)	-98.5%
Property taxes receivable	\$ 66,092	\$ 65,881	\$ 70,934	\$ 64,536	\$ 66,415	\$ 1,879	2.9%	\$ 323	0.5%
Intergovernmental receivable	\$ 742	\$ 802	\$ 1,066	\$ 900	\$ 881	\$ (19)	-2.1%	\$ 139	18.7%
Grant receivable	\$ 230	\$ 205	\$ 58	\$ 750	\$ 717	\$ (33)	-4.3%	\$ 487	211.7%
Golf receivable	\$ 977	\$ 696	\$ 715	\$ 809	\$ 624	\$ (185)	-22.8%	\$ (353)	-36.1%
Concession Receivable	\$ 159	\$ 102	\$ 83	\$ 70	\$ 98	\$ 28	39.6%	\$ (61)	-38.4%
Other receivables	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 7	-	\$ 7	-
License fee receivable	\$ -	\$ -	\$ 496	\$ 1,391	\$ 2,544	\$ 1,153	82.9%	\$ 2,544	-
Interfund receivable	\$ 25,978	\$ 30,772	\$ 8,700	\$ 12,504	\$ 24,828	\$ 12,324	98.6%	\$ (1,150)	-4.4%
Total Current Assets	\$ 193,054	\$ 211,148	\$ 186,718	\$ 192,919	\$ 203,310	\$ 10,391	5.4%	\$ 10,256	5.3%
Current Liabilities									
Accounts Payable	\$ 7,763	\$ 6,528	\$ 10,782	\$ 7,826.0	\$ 7,992	\$ 166	2.1%	\$ 229	2.9%
Accrued Payroll	\$ 1,682	\$ 944	\$ 976	\$ 1,720.0	\$ 2,268	\$ 548	31.9%	\$ 586	34.8%
Interfund payable	\$ 26,593	\$ 35,697	\$ 8,900	\$ 13,704.0	\$ 26,278	\$ 12,574	91.8%	\$ (315)	-1.2%
Intergovernmental Payable	\$ 64	\$ 55	\$ 298	\$ -	\$ -	\$ -	-	\$ (64)	-
Other liabilities	\$ 378	\$ 493	\$ 557	\$ 780.0	\$ 281	\$ (499)	-64.0%	\$ (97)	-25.7%
Deposits	\$ 50	\$ 51	\$ 34	\$ 31.0	\$ 31	\$ -	0.0%	\$ (19)	-38.0%
Total Current Liabilities	\$ 36,530	\$ 43,768	\$ 21,547	\$ 24,061	\$ 36,850	\$ 12,789	53.2%	\$ 320	0.9%
Current Ratio	5.3	4.8	8.7	8.0	5.5				

Source: Forest Preserve District of Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets, FY2008-FY2012.

LONG-TERM LIABILITIES

This section of the analysis examines trends in the Forest Preserve District's long-term liabilities. This includes a review of long-term debt trends, long-term debt per capita trends and total long-term liability trends.

Long-Term Liabilities

Long-term liabilities are all of the liabilities owed by a government. Increases in long-term obligations 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;
- *Provisions for settlement of tort*: liabilities owed as a result of claims for tort liability and property judgments;

- *Net pension obligations (NPO)*: The cumulative difference (as of the effective date of GASB Statement 27) between the annual pension cost and the employer’s contributions to the pension 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; and⁹⁷
- *Net Other Post Employment Benefit (OPEB) obligations*: The cumulative difference (as of the effective date) of GASB Statement 45, between the annual OPEB (employee health insurance) cost and the employer’s contributions to its OPEB plan.

Between FY2011 and FY2012, total Forest Preserve District long-term liabilities rose by 80.7%, increasing from \$143.5 million to \$259.4 million. Over the five-year period between FY2008 and FY2012, long-term obligations rose by 82.3%, or \$117.1 million.

Forest Preserve District long-term debt includes tax supported debt issues of the Forest Preserve District as well as bond premium and issuance costs. All Forest Preserve District long-term debt is general obligation debt. Between FY2008 and FY2012, long-term general obligation debt for the Forest Preserve District increased by 67.9%, or roughly \$84.5 million. In the two-year period between FY2011 and FY2012, long-term debt outstanding rose by 103.1%, or \$106.0 million. The two-year increase is due primarily to the 2012 issuance of \$142.9 million in general obligation refunding and project bonds.⁹⁸

Other liabilities rose by 181.7%, or \$32.6 million, between FY2008 and FY2012. Net pension obligations increased by 165.5%, or \$22.7 million, from FY2008 to FY2012 while net post-employment benefits rose by 437.1%, or \$10.0 million. These increases are causes for concern.

Forest Preserve District Long-Term Liabilities: FY2008-FY2012									
	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
General Obligation Bonds	\$115,105,000	\$108,665,000	\$101,935,000	\$ 94,885,000	\$187,950,000	\$ 93,065,000	98.1%	\$ 72,845,000	63.3%
Bond Premium and Issuance Costs	\$ 9,249,390	\$ 8,834,651	\$ 8,398,587	\$ 7,940,094	\$ 21,870,884	\$ 13,930,790	175.4%	\$ 12,621,494	136.5%
Unamortized deferred amount on refunding	\$ -	\$ -	\$ -	\$ -	\$ (986,779)	\$ (986,779)	-	\$ (986,779)	-
Subtotal Long-Term Debt	\$124,354,390	\$117,499,651	\$110,333,587	\$102,825,094	\$208,834,105	\$106,009,011	103.1%	\$ 84,479,715	67.9%
Compensated Absences	\$ 1,796,201	\$ 1,890,488	\$ 1,828,772	\$ 1,792,974	\$ 1,858,731	\$ 65,757	3.7%	\$ 62,530	3.5%
Provision for Settlement of Tort	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ (150,000)	-100.0%
Net Pension Obligation	\$ 13,701,283	\$ 16,828,972	\$ 23,014,896	\$ 29,000,897	\$ 36,382,010	\$ 7,381,113	-	\$ 22,680,727	165.5%
Net Post Employment Obligations	\$ 2,286,330	\$ 4,481,298	\$ 6,963,983	\$ 9,892,669	\$ 12,280,577	\$ 2,387,908	24.1%	\$ 9,994,247	437.1%
Subtotal Other Liabilities	\$ 17,933,814	\$ 23,200,758	\$ 31,807,651	\$ 40,686,540	\$ 50,521,318	\$ 9,834,778	24.2%	\$ 32,587,504	181.7%
Total	\$142,288,204	\$140,700,409	\$142,141,238	\$143,511,634	\$259,355,423	\$115,843,789	80.7%	\$117,067,219	82.3%

Sources: Forest Preserve District of Cook County CAFRs, FY2008-FY2012.

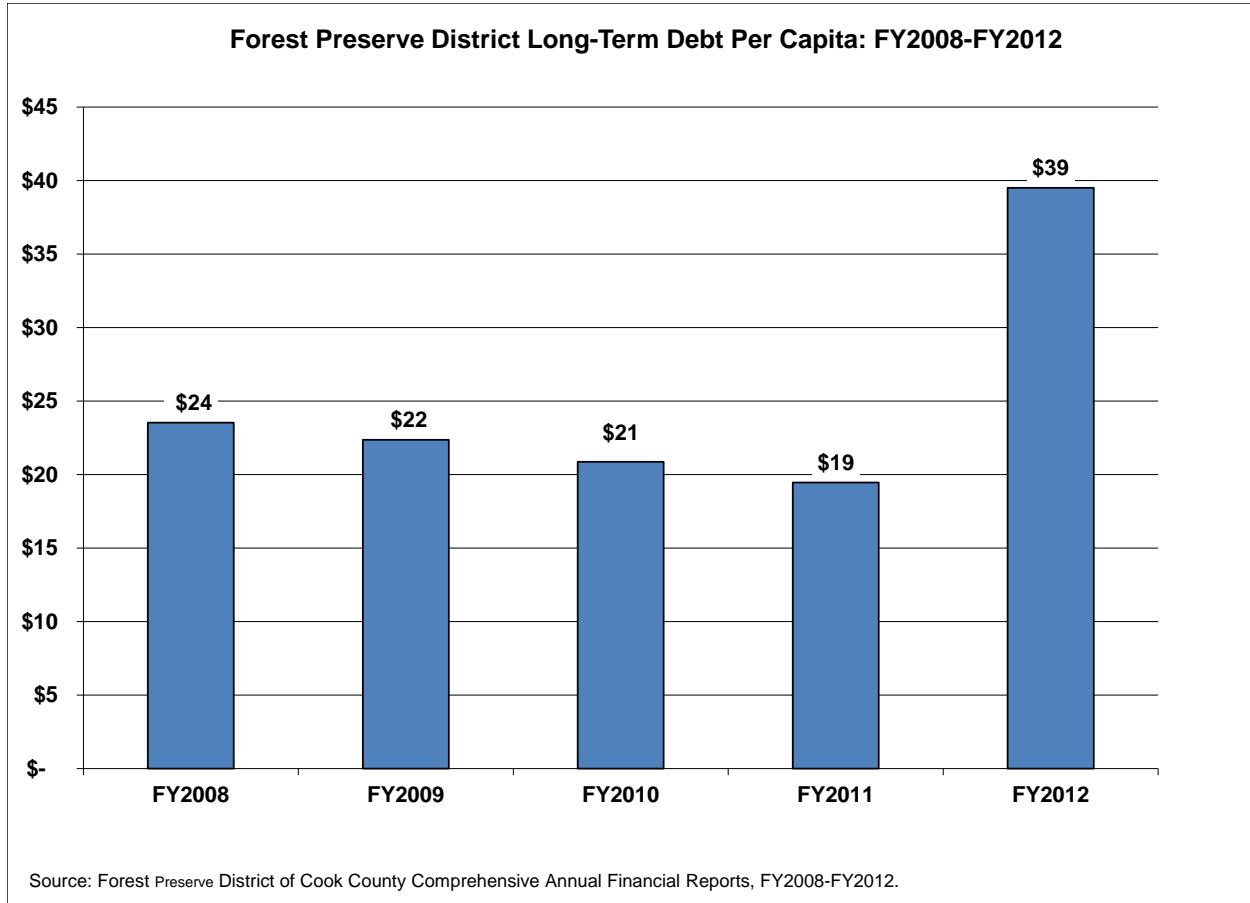
Long-Term Debt Per Capita

A common ratio used by ratings agencies and other public finance analysts to evaluate long-term debt trends is direct debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This analysis takes the total long-term debt amount reported in Note #8 of the District’s audited financial statements and divides it by population. The Forest Preserve District’s long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator bear watching as a potential sign of growing financial risk. The District’s long-term debt burden decreased by

⁹⁷Governmental Accounting Standards Boards, “Summary of Statement No. 27 Accounting for Pensions by State and Local Governmental Employers (Issued 11/94),” <http://www.gasb.org/st/summary/gstsm27.html> (accessed December 17, 2010).

⁹⁸ Forest Preserve District of Cook County FY2012 Comprehensive Annual Financial Report, p. 4.

67.9% between FY2008 and FY2012, rising from \$24 to \$39 per capita. The large increase between FY2011 and FY2012 is due primarily to the 2012 issuance of \$142.9 million in general obligation refunding and project bonds.⁹⁹



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service appropriations as a percentage of total Governmental Fund appropriations is frequently used by ratings agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high by the ratings agencies.¹⁰⁰

Forest Preserve District debt service appropriations in the proposed budget for FY2014 will constitute 7.1% of the District's \$178.8 million in total appropriations. The District proposes to appropriate a net amount of \$12.6 million for debt service this year. The total amount of debt service is reported as \$19.9 million; however the District intends to abate \$7.3 million of that sum. There will be a \$3.9 million personal property replacement tax (PPRT) bond abatement because PPRT revenues have been at or above original projections and these funds will not be

⁹⁹ Forest Preserve District of Cook County FY2012 Comprehensive Annual Financial Report, p. 4.

¹⁰⁰ 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.

needed. In addition, there will be a \$3.3 million bond and interest escrow abatement as the District opted to reduce the amount held in reserve, reporting that there are sufficient debt service funds and reserves to provide for the required coverage ratio and debt service payments. The increase in debt service appropriations and the corresponding debt service ratio between FY2012 and FY2013 is due to the District's issuance of new bonds in 2012.¹⁰¹ That ratio declined slightly in FY2014 from 7.9% to 7.1% in part because of the increase in the amount abated. Since FY2010 the percentage appropriated for debt service as a percentage of total appropriations has been consistently below the 15-20% threshold.

Forest Preserve District Debt Service Appropriations as a Percentage of Total Appropriations: FY2010-FY2014					
	FY2010	FY2011	FY2012	FY2013	FY2014
Debt Service Appropriations	\$ 12,008,168	\$ 12,009,596	\$ 12,001,306	\$ 19,881,853	\$ 19,932,213
Bond and Interest Abatement	\$ -	\$ -		\$ (4,996,350)	\$ (7,308,839)
Subtotal Net Debt Service	\$ 12,008,168	\$ 12,009,596	\$ 12,001,306	\$ 14,885,503	\$ 12,623,374
Total Appropriations	\$ 198,228,262	\$ 197,546,604	\$ 194,982,844	\$ 189,323,000	\$ 178,771,057
Debt Service as a % of Total Appropriations	6.1%	6.1%	6.2%	7.9%	7.1%

Sources: Forest Preserve District of Cook County Executive Budget Recommendations, FY2010-FY2014, Annual Appropriation Comparative Summaries.

Bond Ratings

The Forest Preserve District had the following credit ratings as of October 2013:

Forest Preserve District of Cook County Bond Ratings	
Standard & Poor's	AA
Moody's	A1
Fitch	AA

Sources: Forest Preserve District of Cook County FY2012 Comprehensive Annual Financial Report, p. iii and Moody's Investor's Services. "Rating Update: Moody's downgrades Cook County Forest Preserve District, IL to A1; outlook negative," August 29, 2013.

Standard & Poor's gave the District a credit rating upgrade from AA- to AA in June 2012, citing its strengthened corporate fund reserves, large property tax base, strong liquidity and moderate overall debt burden.¹⁰² However, in August 2013, Moody's Investors Service downgraded the rating on the Forest Preserve District's general obligation debt from Aa2 to A1 with a negative outlook because of the government's growing pension liabilities. Moody's also expressed concern about the District's governance system under which the District shares the same Board of Commissioners as Cook County because of the interconnectedness between the finances of both entities.¹⁰³ Reflecting that concern, Moody's also concurrently downgraded Cook County's general obligation rating from Aa3 to A1 with a negative outlook in August 2013.¹⁰⁴

¹⁰¹ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 7.

¹⁰² Forest Preserve District of Cook County, "Forest Preserve District Secures Historically Low Interest Rate on Bond Sale," press release, June 14, 2012.

¹⁰³ Moody's Investors Service. "Rating Update: Moody's downgrades Cook County Forest Preserve District, IL to A1; outlook negative," August 29, 2013.

¹⁰⁴ Chicago Tribune. "Moody's cuts Cook County bond rating to A1: Rating service cites pension liabilities, maintains negative outlook," August 16, 2013.

CAPITAL

Forest Preserve District Capital Plan

The Forest Preserve District published a FY2013 update to its five-year Capital Improvement Plan (CIP) in December 2012. The update includes information for FY2013-FY2017.¹⁰⁵ The District proposes \$111.6 million in funded and unfunded projects over that five-year period. The amounts listed for FY2016 and FY2017, a total of \$8.8 million, do not yet have identified sources of funding.

The CIP provides information on capital projects for FY2013-FY2017 by location, category and timing. Opportunities were provided for public input on new projects for 2013; 15,000 Cook County residents provided input through surveys, online webinars, and advisory group sessions. Public input focused on identifying project priorities for camps and recreation facilities.¹⁰⁶

Forest Preserve District Capital Improvement Plan: FY2013-FY2017	
FY2013	\$ 51,998,398
FY2014	\$ 25,720,505
FY2015	\$ 25,102,977
FY2016	\$ 4,375,000
FY2017	\$ 4,380,000
Total	\$ 111,576,880

Source: Forest Preserve District of Cook County FY2013-FY2017 Capital Improvement Plan, Table 2.

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:¹⁰⁷

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process including how criteria for projects were determined and whether materials and meetings were made available to the public;
- A five-year summary list of all projects and expenditures per project as well as funding sources per project;
- Criteria for projects to earn funding in the capital budget including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;
- Information about the impact of capital spending on the annual operating budget of each project;
- Annual updates on actual costs and changes in scope as projects progress;

¹⁰⁵ Forest Preserve District. 2013 Update to the 5-Year Capital Improvement Plan, December 5, 2012 at <http://www.fpdcc.com/downloads/2013CIP12-05-2012.pdf>.

¹⁰⁶ Forest Preserve District. 2013 Update to the 5-Year Capital Improvement Plan, December 5, 2012, p. 3.

¹⁰⁷ National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

- Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

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

The checklist that follows assesses how well the District's CIP conforms to best practice guidelines. Overall, the CIP conforms to most of the guidelines. There are many opportunities for stakeholder input into the CIP process for new projects. The Capital Development Committee of the Forest Preserve Board holds a public hearing on the CIP at which public testimony is taken and the full Board subsequently adopts the plan.¹⁰⁸ However, there is no narrative discussion in the document of whether the District follows a formal prioritization system to determine the selection of individual projects. In addition, projects funded by public funds at the Brookfield Zoo and Chicago Botanic Garden are not included in the CIP. Therefore the CIP falls short of the best practice guidelines for a comprehensive document providing taxpayers with full information about District-funded capital projects.

¹⁰⁸ Information provided by the Forest Preserve District of Cook County, November 1, 2013.

Forest Preserve District of Cook County Capital Improvement Program Checklist

Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include: <ul style="list-style-type: none"> • <i>A narrative description of the CIP process?</i> • <i>A five year summary list of projects and expenditures per project as well as funding sources per project?</i> • <i>Information about the impact and amount of capital spending on the annual operating budget for each project?</i> • <i>Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project?</i> • <i>The time frame for fulfilling capital projects?</i> 	Yes Yes No Limited narrative by project area Yes
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	No
Is the capital improvement plan made publicly available for review by elected officials and citizens? <ul style="list-style-type: none"> • <i>Is the CIP published in the budget or a separate document?</i> • <i>Is the CIP available on the Web?</i> 	Yes – separate document Yes
Are there opportunities for stakeholders to provide input into the CIP? <ul style="list-style-type: none"> • <i>Is there stakeholder participation on a CIP advisory or priority setting committee?</i> • <i>Does the governing body hold a formal public hearing at which stakeholders may testify?</i> • <i>Is the public permitted at least ten working days to review the CIP prior to a public hearing?</i> 	Yes – through surveys, online webinars, and advisory group sessions Yes Unclear
Is the CIP formally approved by the governing body of the government?	Yes
Is the CIP integrated into a long term financial plan?	Unclear

Sources: National Advisory Council on State and Local Budgeting Recommended Practice 9.6: Develop a Capital Improvement Plan, the Government Finance Officers Association and Civic Federation Budget Analyses of Local Government Budget – various years and the Forest Preserve District of Cook County.