



The Civic Federation

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FOREST PRESERVE DISTRICT OF COOK COUNTY FY2013 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

November 27, 2012

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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 FY2013 Executive Budget Recommendation totaling \$190.3 million, which includes both operating and capital expenditures. The proposed budget represents a decrease of \$4.7 million, or 2.4%, from the adopted FY2012 budget. We commend the District for holding its property tax levy flat and for generating additional revenue through non-tax sources during a period of continued financial hardship for many Cook County residents. The District has also shown prudence by maintaining substantial reserves.

However, the Federation is disappointed that the District did not release a comprehensive spending plan or updated capital plan tied to its 2012 bond issuance. In addition, the FY2013 proposed budget offers little information on how the bond proceeds will be spent in FY2013. These actions have denied the public full and accurate information on how millions of taxpayer dollars will be budgeted and spent.

The Civic Federation also remains concerned by the decline in the actuarial value funded ratio of the District's pension fund from 81.6% in FY2002 to 61.6% in FY2011 as contributions have been insufficient to maintain the health of the fund. The Federation recommends the District develop a long-term financial plan to examine the pension plan and to ensure fiscal sustainability.

The Federation continues 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.

The Civic Federation offers the following **key findings** on the FY2013 proposed budget:

- Total appropriations will decrease by 2.4%, or \$4.7 million, from the FY2012 adopted appropriations of \$195.0 million to \$190.3 million in FY2013;
- Total Corporate Fund appropriations will decrease by \$5.2 million, or 8.9%, from \$58.0 million in FY2012 to \$52.8 million in FY2013;
- Total resources for operating funds (Corporate Fund, Pension Fund and Bond and Interest Fund) will decrease by \$2.2 million, or 3.0%, from \$73.2 million proposed in FY2012 to \$71.0 million in FY2013;
- The total budget for the Brookfield Zoo and Chicago Botanic Garden will be \$93.2 million, which represents 49.0% of the District's total budget;
- The District's property tax levy will remain flat at \$86.5 million;
- Total full-time equivalent (FTE) positions will increase by 2.8%, or 16.2 positions, from 573.6 FTEs in FY2012 to 589.8 FTEs in FY2013;
- The District's Corporate Fund balance at FY2011 year-end was \$40.8 million, and the FY2012 budget will utilize approximately \$2.0 million of fund balance as a resource;
- The District's short-term liabilities in FY2011 increased by \$2.5 million, or 11.7%, from FY2010;
- The District's long-term debt burden decreased by 6.8%, or \$7.5 million, from \$110.3 million in FY2010 to \$102.8 million in FY2011 due to the retiring of outstanding long-term debt;
- The pension fund's unfunded liabilities rose to \$111.2 million in FY2011, up from \$39.1 million in FY2002; and
- The actuarial funded ratio for pensions declined from 81.6% to 61.6% over the same ten-year period.

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

- Holding the property tax levy flat from FY2012 to FY2013 at \$86.5 million;
- Pursuing user fee enhancements instead of increasing property taxes;
- Continuing adherence to its unreserved Corporate Fund fund balance policy;
- Releasing the FY2013 proposed budget well in advance of the start of fiscal year 2013;
- Making improvements to the District's Resident Watchmen program;
- Providing financial documents on the District's website; and
- Improving the budget documents.

However, the Civic Federation has **concerns** about the FY2013 proposed budget including:

- Maintaining a pension fund that shows continued signs of declining fiscal health including increasing unfunded liabilities and a declining funded ratio that fell from 81.6% in FY2002 to 61.6% in FY2011;
- Failing to produce a comprehensive spending plan or updated capital plan tied to the 2012 bond issuance;
- Producing a Capital Improvement Plan that lacks details on capital projects, particularly 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:

- Improve the Capital Improvement Plan and bond issuance process by providing more information on how funding sources and priorities are developed before financing decisions are made, increasing public input and focusing on prioritization of projects;
- Elect a separate Board of Commissioners for the Forest Preserve District;
- Catalogue District services provided to and by Cook County;
- Implement comprehensive pension reform including creating a pension committee and adopting reforms as proposed through OpenPensions.org;
- Develop and report performance measures as a part of a broader strategic planning practice;
- Implement a long-term financial planning process that is shared and reviewed with key policymakers and public stakeholders;
- Evaluate opportunities for alternative service delivery;
- Increase transparency of the Resident Watchmen program in the budget document;
- Revise the District's fund balance policy to reflect GFOA recommendations;
- 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 FY2013 Executive Budget Recommendation totaling \$190.3 million, which includes both operating and capital expenditures. We commend the District for holding its property tax levy flat and for generating additional revenue through non-tax sources during a period of continued financial hardship for many Cook County residents. The District has also shown prudence by maintaining substantial reserves.

However, the Federation is disappointed that the District did not produce a comprehensive spending plan or updated capital plan tied to its 2012 bond issuance. In addition, the FY2013 proposed budget offers little information on how the bond proceeds will be spent in FY2013. The Civic Federation opposes these actions as they have denied the public full information on how millions of taxpayer dollars will be budgeted and spent.

The Civic Federation maintains that the District needs to develop and implement long-term financial plan to ensure fiscal sustainability. The Civic Federation also remains concerned by the decline in the actuarial value funded ratio of the District's pension fund from 81.6% in FY2002 to 61.6% in FY2011 as contributions have been insufficient to maintain the health of the fund. The Federation recommends the District begin long-term financial planning to examine the pension plan and other financial pressures.

The Federation continues 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.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Forest Preserve District of Cook County FY2013 Executive Budget Recommendation.

Holding the Property Tax Levy Flat

The Forest Preserve District proposes to hold the property tax levy flat at \$86.5 million in FY2013 for the fourth 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 increases in user fees rather than through an increase in the property tax levy.

Pursuing User Fee Enhancements Instead of Increasing Property Taxes

For the first time in seven years, the Forest Preserve District is proposing to increase user fees. In FY2013 the District expects an additional 6.1% in non-tax revenues over FY2012. The Civic

Federation commends the District's efforts to generate revenue from non-tax sources. It is prudent to look at alternatives to raising taxes as Cook County residents struggle to deal with the aftermath of the recession and continued financial hardships. The increase in these revenue sources helps mitigate the impact of economically sensitive tax revenues such as the Personal Property Replacement Tax (PPRT) and provides diversification to protect against fluctuations in individual revenue sources.

However, despite the proposed increase in fees, there is no significant shift away from revenues generated through taxes and toward revenues generated from fees and fines from the prior year. 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 5.0% of total Corporate Fund revenues in FY2012 to 5.7% in FY2013. Tax revenues will decrease from 90.9% of total revenues in FY2012 to 90.6% in FY2013.

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.¹

The Civic Federation applauds the District for continuing to adhere to its fund balance policy. As of December 31, 2011, the District had a Corporate Fund fund balance of 98.0%, or \$41.6 million, of operating expenditures (78.7% net of transfers). By setting aside funds in prior years, the District will continue to be able to draw on its fund balance in FY2013 to support the Corporate Fund and transfer additional monies to the Real Estate Acquisition Fund and Self-Insurance Fund without raising the tax levy. The District should also consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken should the fund balance continue to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity.

Releasing Proposed Budget Well In Advance of Fiscal Year Start

The Civic Federation commends the Forest Preserve District for releasing the proposed budget document more than 60 days prior to the start of the District's fiscal year on January 1. The Federation recognizes that this schedule allows adequate time for the Board and public to review the budget in detail as the District's Board of Commissioners is not scheduled to vote on the proposed budget until early December.

Improvements to Resident Watchmen Program

In return for watching over District land and serving as a deterrent to crime or misuse, the Forest Preserve District rents housing on its property to employees at discounted rates through its Resident Watchmen program. In October 2011 the District announced plans to strengthen the program by implementing basic requirements for renters and increasing the fee structure of rental

¹ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 5.

properties.² In June 2012 the Forest Preserve District Board of Commissioners approved an ordinance amendment, *Fees and Occupancy of District Lands*, outlining the new occupancy fee structure and several related changes.³

The Civic Federation supports the approved changes to the *Fees and Occupancy of District Lands* ordinance. The changes demonstrate steps toward modernization of the Resident Watchmen program as the District aligns occupancy fees closer to market rates and plans to impose future fee increases according to the Consumer Price Index. At the same time, the Civic Federation maintains its recommendation for evaluation of and enhanced transparency for the Resident Watchmen program in the District's annual budget documents.⁴

Providing Financial Documents on District Website

In its analysis of the FY2012 Executive Budget Recommendation, the Civic Federation recommended that the Forest Preserve District improve its website by making its financial documents, including its annual audited financial statements, available electronically. In current and previous years the District published its annual budget proposal and Capital Improvement Plan on its website. In the interest of transparency and accessibility, last year the Civic Federation urged the District to incorporate a comprehensive webpage within the Finance Department webpage that would include the District's audited financial statements. The Federation further recommended that the District make prior years' financial documents available so the public may easily access and reference them at any time. The Government Finance Officers Association (GFOA) recommends that every government publish its budget document and financial statement on its website.⁵ Many governments in the Chicago area have comprehensive annual financial reports (CAFRs) posted on their websites including Cook County, the City of Chicago, the Metropolitan Water Reclamation District and the Chicago Park District.

The Civic Federation applauds the District for updating its website over the past year and for making the following financial documents available on its website:

- Annual Appropriation Ordinances;
- Executive Budget Recommendations;
- Audited Financial Statements (CAFRs);
- Capital Improvement Plans;
- Press releases regarding budgets; and
- Notices for public hearings on proposed budgets and related Board of Commissioners matters.⁶

² Forest Preserve District of Cook County, "Forest Preserve District Unveils Plans to Strengthen and Overhaul Resident Watchmen Program," press release, October 28, 2011.

³ Forest Preserve District Code of Cook County, Section 1-9-3, *Fees and Occupancy of District Lands*.

⁴ For more information on the changes to the Resident Watchmen program, see Civic Federation, "Changes to the Forest Preserve District's Resident Watchmen Program," Blog, April 11, 2012.

⁵ Government Finance Officers' Association, "GFOA Recommended Practice: Using Websites to Improve Access to Budget Documents and Financial Reports (2003)," <http://www.gfoa.org/downloads/caafr-budgets-to-websites.pdf> (accessed November 17, 2011).

⁶ See Forest Preserve District of Cook County, Finance and Administration Department webpage at <http://fpdcc.com/about/departments/finance-administration/> (accessed November 7, 2012).

Improve Budget Document

The Civic Federation applauds the Forest Preserve District for making the following improvements to its FY2013 Executive Budget Recommendation:

- Providing actual expenditure data for FY2011 – The District provides actual expenditure data for FY2011 in its FY2013 budget book. The Federation recommends that a minimum of one year of actual prior year data be included in budget documents in order to make meaningful comparisons;
- Including a fee schedule – The FY2013 Executive Budget Recommendation includes a comprehensive fee schedule for fees, permits and licenses charged for various activities and uses of District. These include pool fees, horse and dog licenses, and permit fees for picnics, sports fields, pools and winter sports; and
- Including a summary of changes to full-time personnel in FY2013 – As a result of the Forest Preserve District’s 2011 desk audit and recommendations, the proposed FY2013 budget includes a number of job title changes due to job descriptions revisions. These changes and other changes to full-time personnel staffing are described in a summary page of the budget.

Civic Federation Concerns

The Civic Federation has the following concerns regarding the Forest Preserve District’s FY2013 Executive Budget Recommendation.

Downward Trend of Pension Fund

The funded ratio of the Forest Preserve District pension fund fell from 81.6% in FY2002 to 61.6% in FY2011. The District’s unfunded liabilities rose from \$39.1 million in FY2002 to \$111.2 million in FY2011. The recent decline of approximately \$44.0 million between FY2008 and FY2009 is partially the result of a change in actuarial assumptions.⁷ However, even without that change, the health of the fund would have continued to decline. The funded ratio is below a level considered financially sustainable. The enormous pension challenges facing many other northeastern Illinois governments should serve as a warning of how quickly a negative trend can turn into a crisis.

Lack of Comprehensive Plan Tied to Bond Issuance

In June 2012 the Board of Commissioners approved the issuance of new bonds to finance capital improvement projects and to refinance existing debt, without first releasing a detailed capital plan and before offering its operating budget for FY2013. The Civic Federation is disappointed that the District did not release a comprehensive spending plan or updated capital plan tied to the 2012 bond issuance. A comprehensive document identifying the specific uses and estimated costs for bond proceeds is necessary for members of the public to fully understand and provide public comment on how the District intends to spend millions of dollars. The 2012-2016 Capital

⁷ The mortality assumption, termination rates and rates of retirement were adjusted. Forest Preserve District Employees’ Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 11.

Improvement Plan was released in January 2012 and makes no reference to the need for additional bond revenue or an upcoming issuance.⁸

Of the new bond proceeds, approximately \$27 million is designated for land acquisition, with \$8 million expected to be spent in FY2013.⁹ The FY2013 Executive Budget Recommendation makes additional references to the bond issuance, but does not offer any useful details on how the bond proceeds will be spent in FY2013.

In addition, in its FY2013 budget, the District implies that some of the bond proceeds will be used to purchase vehicles.¹⁰ The Federation opposes using bond proceeds to purchase capital that will not last as long as the debt itself because it pushes payment for that capital onto future taxpayers who will not benefit from its service. In other words, payments for issued debt should match the useful life of the assets purchased with debt.

Lack of Detail in Capital Improvement Plan

The Civic Federation commends the District for publishing an annually updated Capital Improvement Plan (CIP). However, the most recent CIP for the years 2012-2016 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 those 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 sites 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 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.

An example of the blurred line of governance between the District and the County occurred in June 2012 when the District’s Board of Commissioners approved two retroactive payments for services provided by the County. Previously, these services had not been established as official intergovernmental agreements with the County, despite two of them having retroactive periods dating back to January 1, 2008. This means that for over four years, services provided by the

⁸ The Forest Preserve District expects to release its 2013-2017 CIP in November or December of 2012. Information provided by the Forest Preserve District Department of Finance and Administration, October 16, 2012.

⁹ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 109

¹⁰ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 8.

County to the District totaling nearly \$500,000 annually were not officially accounted for, at least according to the public's perspective.¹¹

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.¹² 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.

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 failed to offer sufficient time for public review of the FY2013 Executive Budget Recommendation before holding its first public hearing on the budget. The proposed budget was released on October 18 and the first public hearing was held on October 25.

Civic Federation Recommendations

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

Improve the Capital Improvement Plan and Bond Issuance Process

The District's 2012-2016 Capital Improvement Plan (CIP) and the FY2013 Executive Budget Recommendation do not address the 2012 bond issuance to the extent necessary to ensure that the public is well-informed and able to offer input. Taxpayers deserve a clear explanation of how funding sources and priorities are developed **before** financing decisions of this magnitude are made by the District. Prior to proposing and finalizing new bonds, the District should identify in detail how the bond proceeds will be spent in a comprehensive plan or in an updated CIP.¹³

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

¹¹ Forest Preserve District of Cook County, Board of Commissioners, Agenda, June 6, 2012.

¹² 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.

¹³ The Forest Preserve District expects to release its 2013-2017 CIP in November or December of 2012. Information provided by the Forest Preserve District Department of Finance and Administration, October 16, 2012.

- 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;¹⁴
- 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 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 Board of Commissioners should formally approve the CIP, recognizing that it is a planning document; the time and date for this formal approval should be announced in the CIP.

Elect a Separate Board of Commissioners for the Forest Preserve District

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.¹⁵ 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.

In October 2010 the Civic Federation again called for a separate board as part of the Cook County Modernization Report.¹⁶ The Civic Federation recommended that the Forest Preserve be separated from Cook County government in 2012, year two of the incoming County administration. 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.¹⁷

The Civic Federation and the Friends of the Forest Preserves strongly recommend that a separate elected Board of Commissioners be created for the Forest Preserve District of Cook County. This

¹⁴ Forest Preserve District of Cook County, FY2011 Comprehensive Annual Financial Report, p. 19.

¹⁵ 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.

¹⁶ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 2010.

¹⁷ Fitch Ratings, “Fitch Upgrades Forest Preserve District of Cook County, Illinois’ GOs to ‘AA-’; Outlook Stable,” September 9, 2009 and Fitch Ratings, “Aa2 rating and stable outlook applies to \$196.6 million of post-sale GO debt,” June 4, 2012.

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 supports legislation introduced in February 2011 by Representative Elaine Nekritz that would amend the Cook County Forest Preserve District Act and beginning in 2014, the Board of Commissioners for the District would be elected separately from the Board of Commissioners for Cook County.¹⁸

Catalogue Services Provided to and by Cook County

The shared governance of the Forest Preserve District and Cook County results in inadequate oversight and a lack of clear, concrete separation between the two governments and their finances. Each government provides services to the other that have not been accounted for or reimbursed in a systematic way. Instead, reimbursements from the Forest Preserve District to Cook County are proposed and made retroactive for some services, but not others. The Forest Preserve District has indicated that it is seeking reimbursement from the County for the services it provides, but no such reciprocity has yet been budgeted into either government's spending plan. In order to understand the true cost of District services and Cook County services, the Civic Federation recommends that the County and Forest Preserve District conduct an evaluation of all of the services provided by each government to the other. By comprehensively cataloguing these services, the governments can make decisions as to which should bear the cost of each service and practice full transparency in intergovernmental agreements.

Implement Comprehensive Pension Reform

The Civic Federation offers the following specific recommendations to improve the long-term financial health of the Forest Preserve District's pension fund. These measures would require General Assembly authorization. The Civic Federation supported Public Act 96-0889, which created a different tier of benefits for many public employees hired on or after January 1, 2011. Over time these benefit changes for new hires will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier. However, the pension fund's actuarial funded ratio has already fallen to 61.6%. We strongly urge the District to seek approval for additional reforms.

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.

¹⁸ Illinois 97th General Assembly, HB1505. No further action has been taken to date since the bill was re-referred to the Rules Committee in March 2011.

Provide More Information on District Pension Fund

The Civic Federation supports the data and recommendations for pension reform 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 encourages the District to adopt the following recommendations as found on OpenPensions.org:

- Increase retirement age eligibility by five years:
 - Full benefit for employees who are age 65 with 10 years of service or age 55 with 30 years of service
 - Reduced benefit for employees who are between age 55-65 with less than 30 years of service or for employees who have less than 30 years of service, reduced benefit by 0.5% for every month before age 65;
- Reduce benefit multiplier from 2.4% to 2.2%;
- Increase final average salary to the highest consecutive eight years in the last 10 years of service;
 - The current final average salary is the highest consecutive four years salary in the last ten years;
- Reduce cost-of-living adjustment to simple 3% or half the Consumer Price Index, whichever is lower;
- Increase employee contributions by 1.0%; and
- Lower vesting time period from ten years to five years.

The recommendations on OpenPensions.org also propose that when the funded status of the pension fund is below 80%, the cost-of-living adjustment should be frozen and retirees would only receive a 3% compounded cost-of-living adjustment increase every fifth consecutive year. Upon returning to an 80% funded status, the annual cost-of-living adjustment of 3% or half the Consumer Price Index, simple interest, would be reinstated.

The Civic Federation further recommends the following two reforms be implemented.

Implement Governance Reforms

The District should reform 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.

Develop and Report Performance Measures

In its analysis of the District's proposed FY2012 budget, the Civic Federation commended Cook County Board President Toni Preckwinkle and Forest Preserve District General Superintendent

Arnold Randall for conducting a comprehensive desk audit of the District's operations. On October 12, 2011, the District released the Summary Report of the desk audit.¹⁹ According to the audit, "one hundred percent of those interviewed communicated that they had not had a formal performance review in at least the last 15 years."²⁰ The findings exposed substantial operational inefficiencies with a lack of clarity on job descriptions, roles and responsibilities, policies and procedures and career advancement processes.²¹

Initiating the desk audit was a significant step toward more effective management and oversight of the Forest Preserve District's operations. The Federation urges President Preckwinkle and Superintendent Randall to continue their efforts by implementing the recommendations made in the Summary Report and to engage in performance management.

The Civic Federation recommends that the District collect key performance measurement data on its activities and consistently report the data in the budget document. Collecting 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.²²

Forest Preserve District staff should work to support the development of performance measures to track the efficiency and effectiveness of management and operations. 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 to accomplish goals;
- 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;

¹⁹ AMD Business Solutions, Inc., "Summary Report for 2011 Desk Audit" August 3, 2011.

²⁰ AMD Business Solutions, Inc., "Summary Report for 2011 Desk Audit" August 3, 2011, p. 2-3.

²¹ AMD Business Solutions, Inc., "Summary Report for 2011 Desk Audit" August 3, 2011, p. 5.

²² 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.

- 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.²³

Implement a Long-Term 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.

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.²⁴ 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.”²⁵ 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.²⁶ First, Superintendent Randall and his

²³ 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).

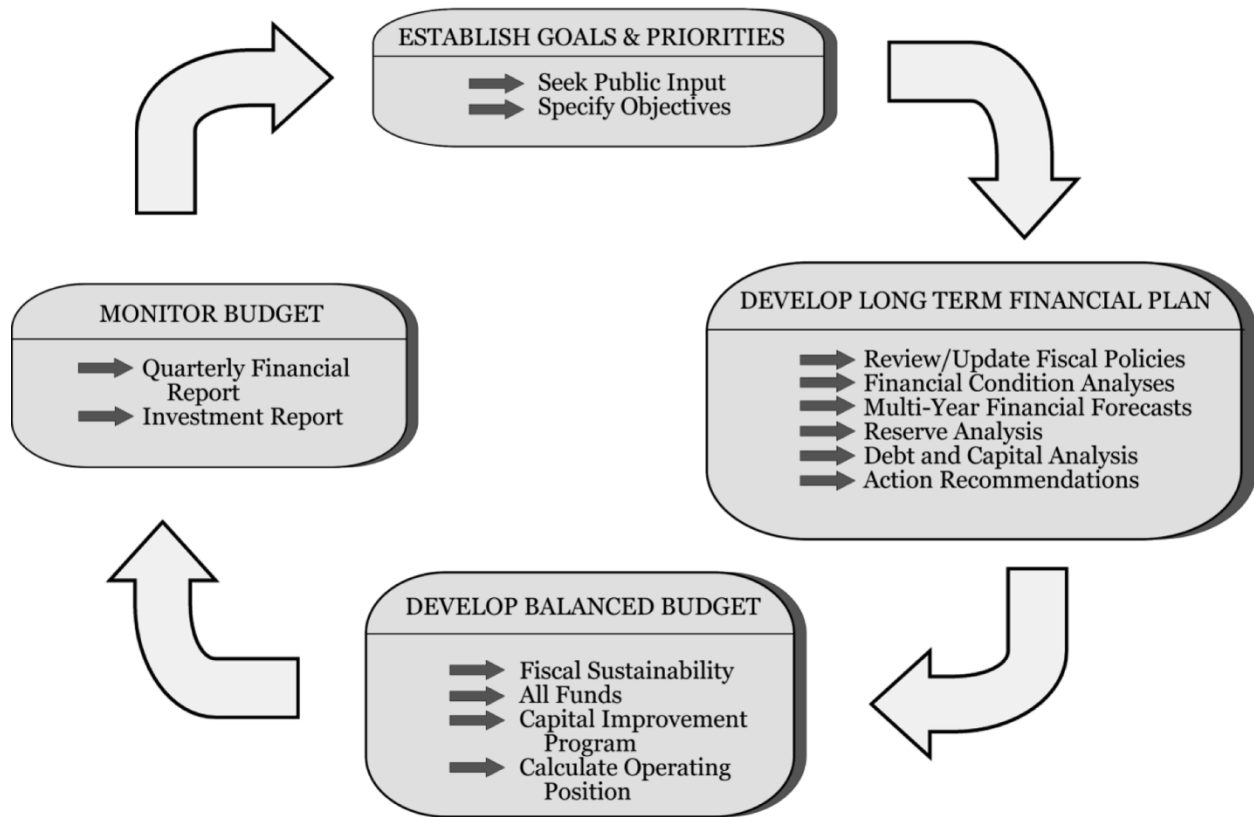
²⁴ See Recommended Practice 9.1 “Conduct Long-Range Financial Planning,” in National Advisory Council on State and Local Budgeting, *Recommended Budget Practices: A Framework for Improved State and Local Budgeting*. Chicago: GFOA, 1998.

²⁵ Government Finance Officers Association, “An Introduction to Financial Planning,” <http://www.gfoa.org/downloads/LTFPbrochure.pdf> (accessed January 10, 2011).

²⁶ 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>.

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 regularly monitored to ensure its viability by means of regular financial reports.

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 of other operators whose missions are more closely aligned with pool operation.²⁷ A serious lack of personnel management at the pools was discovered in 2011.²⁸ Transferring them to other operators would allow the District to focus on its unique mission of restoring and retaining natural lands.

The Civic Federation also recommends that the District explore eliminating its Forest Preserve police department and entering into an intergovernmental agreement with the Cook County Sheriff or municipal police forces for law enforcement duties.²⁹ This may present an opportunity to reduce overall costs to taxpayers and eliminate duplicative efforts. Any transfer of policing duties should be done in an open and deliberative planning process.³⁰

Increase Transparency of the Resident Watchmen Program in Budget Document

The Forest Preserve District's FY2013 proposed budget document provides very few details of the Resident Watchmen program. The District should include a narrative description of the program within its budget document and report performance metrics on the value of the subsidy it is providing in relation to the services it is receiving. It should also benchmark its level of subsidy to other governmental organizations with similar programs. These steps will allow an evaluation of the effectiveness of the rental subsidy. The rental subsidy is a form of employee compensation and a fiscal policy of the District that should be completely transparent to the public.

Revise Fund Balance Policy to Reflect GFOA Recommendations

The Civic Federation commends the District for adhering to its fund balance policy, but encourages 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

²⁷ For more detail on the pools see Civic Federation, *Forest Preserve District of Cook County FY2011 Proposed Budget: Analysis and Recommendations*, January 24, 2011.

²⁸ Cook County Office of the Independent Inspector General, "Forest Preserve District Pool Investigation," public statement, March 25, 2011.

²⁹ Cook County Sheriff Tom Dart has previously suggested that the Forest Preserve District law enforcement duties be transferred to his office.²⁹

³⁰ For more detail on transferring the duties of the Forest Preserve police, see Civic Federation, *Forest Preserve District of Cook County FY2011 Proposed Budget: Analysis and Recommendations*, January 24, 2011.

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%.³¹ As of December 31, 2011, the District had a very high Corporate Fund fund balance of 98.0% of operating expenditures (78.7% 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.³²

The District should also consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken should the fund balance continue to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity.

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 format of the Forest Preserve District budget document has improved in recent years. Specifically, the budget document now includes:

- Actual expenditure data for FY2011;
- Detailed fee schedule for District permits, licenses and fees; and
- A summary of full-time personnel changes in FY2013.

The Civic Federation remains concerned that in several respects the budget document is still unclear. The Federation offers the following recommendations to further improve the format of the Forest Preserve District budget document:

Budget Trends and Actual Data

In the FY2013 Executive Budget Recommendation, for the first time, the District provides actual expenditure data for FY2011. 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

³¹Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

³² Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 5.

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

Included in the budget document should be multi-year projections (three to five years) for revenues and expenditures. 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 FY2013 budget.³³

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.

Expand Reader's Guide

The Reader's Guide should be expanded to note any significant 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, as recommended in the Federation's 2010 Cook County Modernization Report. 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 for 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 and Chief Financial Officer Mark Thomas for providing information about the proposed budget.

³³ City of Chicago, 2012 Annual Financial Analysis, p. 43-51 and City Colleges of Chicago, FY2013 Operating Budget, p. 4.

APPROPRIATIONS

This section provides an analysis of the Forest Preserve District's proposed FY2013 appropriations. Proposed FY2013 appropriations are compared to adopted appropriations over two- and five-year periods.

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

The District is proposing a total FY2013 budget of approximately \$190.3 million. This is a 2.4%, or \$4.7 million, decrease from the adopted FY2012 appropriation of approximately \$195.0 million. The proposed FY2013 operating budget of \$167.2 million is a 1.1%, or \$1.8 million, increase from the adopted FY2012 budget. The operating budget includes 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).³⁴ The proposed FY2013 capital budget of \$23.1 million is a 22.0%, or \$6.5 million, decrease from FY2012.

Corporate Fund budgeted appropriations will decrease by 8.9%, or \$5.2 million, from \$58.0 million in FY2012 to \$52.8 million in FY2013. The Bond and Interest Funds appropriation will rise by 24.0%, or nearly \$2.9 million, from FY2012 as a result of the District's 2012 bond issuance.³⁵ In June 2012 the District's Board of Commissioners approved the issuance of new bonds to finance capital improvement projects and to refinance existing debt. Of the new bond proceeds, approximately \$27 million is designated for land acquisition, with \$8 million expected to be spent in FY2013.³⁶ Beyond the land acquisition expense, the FY2013 proposed budget offers little information on how the rest of the bond proceeds will be spent.

The Employee Annuity and Benefit Fund appropriation will increase by 2.7%, or approximately \$85,000, from approximately \$3.2 million in FY2012 to nearly \$3.3 million in FY2013. The annual property tax levy for the Fund is set by state statute at 1.3 times the annual employee contribution made two years prior.³⁷ The levy for the Employee Annuity and Benefit Fund will increase by 3.7% in FY2013 over the FY2012 levy from approximately \$2.9 million to nearly \$3.0 million.³⁸

The appropriation for the Zoological Fund, or Brookfield Zoo, will decrease slightly by 1.0% from \$63.3 million to \$62.6 million over the two-year period. The property tax levy for the Zoo

³⁴ Bond and Interest Funds for FY2013 reflect the net of the Bond and Interest Fund (\$19,881,853) and the Bond and Interest Fund – Abatement (-\$4,996,350). The Self-Insurance Fund functions as an internal service fund to account for future estimated claims and judgments.

³⁵ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 8.

³⁶ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 109.

³⁷ 40 ILCS 5/10-107.

³⁸ The remaining amount of the \$3.3 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 FY2012 Annual Appropriation Ordinance, p. 118 and FY2013 Executive Budget Recommendation, p. 119.

will remain at approximately \$14.9 million while the contribution from the Chicago Zoological Society, which manages the Brookfield Zoo, will decrease by \$686,887, or 1.4% from \$48.4 million in FY2012 to \$47.7 million in FY2013.³⁹ Appropriations for the Botanic Garden will increase by 5.6%, or \$1.6 million, from \$28.9 million in FY2012 to \$30.5 million in FY2013. The change is attributable to an increase in the amount of funds provided by the Garden, which includes a \$1.0 million increase in government grants compared to FY2012 appropriations.⁴⁰

The Real Estate Acquisition Fund appropriations will rise significantly by 47.3%, or \$4.8 million, between FY2012 and FY2013. This fund is not directly supported by a property tax levy, but appropriates from debt proceeds, contributions, grants, fund transfers, fund balance and investment income. Proposed FY2013 appropriations for the Real Estate Acquisition Fund do not include any transfers from the Corporate Fund as \$27 million in bond proceeds have been allocated for land acquisition. Of the \$27 million, \$8 million will be appropriated in FY2013.⁴¹ The FY2012 appropriation included a \$4.0 million transfer from the Corporate Fund.⁴² The District currently owns over 68,000 acres and is authorized to acquire up to 75,000 acres.⁴³

Between FY2012 and FY2013 appropriations for Construction and Development and Capital Improvement Funds will fall by 66.2%, or \$3.8 million, and 54.3%, or \$7.5 million, respectively.⁴⁴ The Capital Improvement Fund will receive \$1.8 million in transfers from the Corporate Fund in FY2013 whereas no transfer was made from the Corporate Fund in FY2012.⁴⁵ The remaining portion of the Capital Improvement Fund will come from a contribution from the Fund's fund balance.⁴⁶

Between FY2009 and FY2013 total appropriations will decrease by 1.5%, or nearly \$3.0 million. Operating fund appropriations will increase by 4.2%, or approximately \$6.8 million, while capital funds appropriations will fall by 29.7%, or \$9.8 million. The largest operating percentage increase will occur in the Employee Annuity and Benefit Fund as it grows by 26.7%, or approximately \$691,000, over the five-year period. The largest decrease will take place in the appropriations for Construction and Development with a decline of 67.9%, or \$4.1 million. Capital Improvement Fund and Real Estate Acquisition Fund appropriations will also decrease over the five-year span by 35.2% and 13.0%, respectively.

³⁹ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 133.

⁴⁰ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 152.

⁴¹ Information provided by the Forest Preserve District Department of Finance and Administration, November 9, 2012. Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 109

⁴² Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 109.

⁴³ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. IV.

⁴⁴ 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 FY2013 Executive Budget Recommendation, p. 108.

⁴⁵ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 107.

⁴⁶ Information provided by the Forest Preserve District of Cook County Department of Finance and Administration, November 9, 2012 and Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 107.

**Forest Preserve District All Funds Appropriations:
FY2009-FY2013
(in \$ thousands)**

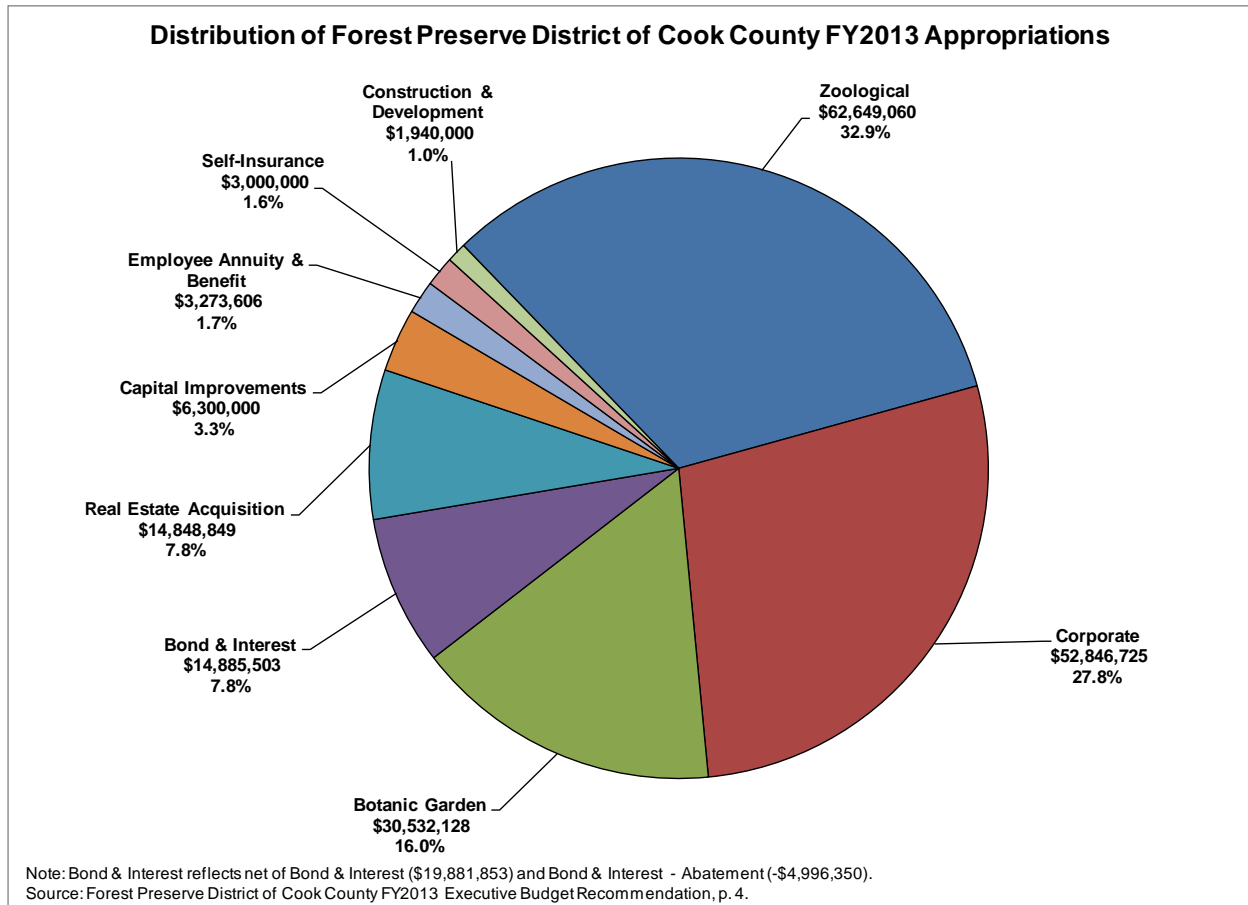
| Fund | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|-------------------------------|------------------------------|--------------------------------|-------------------------------|
| Operating | | | | | | | | | |
| Corporate | \$ 52,671 | \$ 55,253 | \$ 57,138 | \$ 58,013 | \$ 52,847 | \$ (5,167) | -8.9% | \$ 176 | 0.3% |
| Self-Insurance | \$ - | \$ - | \$ - | \$ - | \$ 3,000 | \$ 3,000 | - | \$ 3,000 | - |
| Bond & Interest* | \$ 13,302 | \$ 12,008 | \$ 12,010 | \$ 12,001 | \$ 14,886 | \$ 2,884 | 24.0% | \$ 1,583 | 11.9% |
| Employee Annuity & Benefit | \$ 2,583 | \$ 2,755 | \$ 3,144 | \$ 3,189 | \$ 3,274 | \$ 85 | 2.7% | \$ 691 | 26.7% |
| Zoological | \$ 62,889 | \$ 59,773 | \$ 60,956 | \$ 63,254 | \$ 62,649 | \$ (605) | -1.0% | \$ (240) | -0.4% |
| Botanic Garden | \$ 28,969 | \$ 27,265 | \$ 26,913 | \$ 28,924 | \$ 30,532 | \$ 1,608 | 5.6% | \$ 1,563 | 5.4% |
| Subtotal Operating | \$160,415 | \$157,054 | \$160,161 | \$165,381 | \$ 167,187 | \$ 1,806 | 1.1% | \$ 6,772 | 4.2% |
| Capital | | | | | | | | | |
| Construction & Development | \$ 6,041 | \$ 5,740 | \$ 5,740 | \$ 5,740 | \$ 1,940 | \$ (3,800) | -66.2% | \$ (4,101) | -67.9% |
| Capital Improvement | \$ 9,725 | \$ 13,050 | \$ 13,050 | \$ 13,780 | \$ 6,300 | \$ (7,480) | -54.3% | \$ (3,425) | -35.2% |
| Real Estate Acquisition | \$ 17,075 | \$ 19,385 | \$ 18,596 | \$ 10,082 | \$ 14,849 | \$ 4,767 | 47.3% | \$ (2,226) | -13.0% |
| Subtotal Capital | \$ 32,841 | \$ 38,175 | \$ 37,386 | \$ 29,602 | \$ 23,089 | \$ (6,513) | -22.0% | \$ (9,752) | -29.7% |
| Grand Total | \$193,256 | \$195,228 | \$197,547 | \$194,983 | \$ 190,276 | \$ (4,707) | -2.4% | \$ (2,980) | -1.5% |

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

*Bond & Interest for FY2013 represents the net of Bond & Interest Fund (\$19,881,853) and Bond & Interest-Abatement (-\$4,996,350).

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2009-FY2012, Budget Recommendation Comparative Summaries and FY2013 Executive Budget Recommendations, p. 4.

The distribution of Forest Preserve District FY2013 appropriations by fund is shown in the next exhibit. The greatest portion of appropriations of 32.9% is for the Zoological Fund. The Botanic Garden represents 16.0% of appropriations in FY2013. As described in the revenue section, a significant portion of the Zoo and Garden operations are funded through program income. The District's Corporate Fund appropriation of \$52.8 million will make up 27.8% of appropriations.



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

The FY2013 proposed Corporate Fund budget is \$52.8 million, a decrease of 8.9%, or nearly \$5.2 million, below adopted FY2012 appropriations. Excluding operating transfer trends, the largest dollar increase will occur in District Wide Programs where appropriations will grow by 17.0%, or approximately \$461,000.⁴⁷ Recreation, Volunteer Resources and Permits appropriations will grow by 12.5%, or approximately \$339,000, over the two-year period. Factors contributing to the increase include approximately \$120,000 for the District's volunteer program, approximately \$60,000 for an expanded special events program, approximately

⁴⁷ 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.

\$105,000 for a new permit management system and approximately \$60,000 for YELAR-funded positions.⁴⁸ In the FY2013 budget, General Maintenance was separated into two departments to reflect actual operations: Landscape Maintenance and Facilities and Fleet Maintenance.⁴⁹ The largest dollar decrease from FY2012 expenditures will occur in former General Maintenance area expenditures, which will fall by approximately \$388,000, or 1.9%.

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 Real Estate Acquisition or Self-Insurance Funds in FY2013. The \$27 million in 2012 bond proceeds designated for land acquisition through the Real Estate Acquisition Fund eliminates the need for an operating transfer from the Corporate Fund in FY2013. In FY2013 the Self-Insurance Fund will receive 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. Capital Improvement Fund expenses will be primarily funded through a contribution from the Capital Improvement Fund's fund balance, but the Fund will also receive a transfer of \$1.8 million from the Corporate Fund.⁵⁰

Between FY2009 and FY2013 the largest dollar increase will occur in General Maintenance as appropriations will grow by 12.9%, or \$2.2 million, over the five-year period. Recreation, Volunteer Resources and Permits appropriations will rise by 94.8%, or \$1.5 million, from \$1.6 million in FY2009 to \$3.0 million in FY2013. This increase is primarily attributed to funding for a new volunteer resource program in FY2012.⁵¹

Total Corporate Fund appropriations will increase by 0.3%, or approximately \$176,000 from \$52.7 million to \$52.8 million between FY2009 and FY2013. Over the five-year period, transfers out from the Corporate Fund to other funds will decrease. The Operating Transfer to Real Estate Acquisition decreased by 100.0% over the five-year span as there is no operating transfer to the Real Estate Acquisition Fund projected for FY2013, as discussed above. Appropriations for Operating Transfer to Capital Improvement will decrease by 57.9%, or \$2.5 million, from \$4.3 million in FY2009 to \$1.8 million in FY2013. It should be noted that there was no operating transfer from the Corporate Fund to the Capital Improvement Fund in FY2012.

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.⁵² When combined, Finance and Administration and Human Resources appropriations will total \$2.6

⁴⁸ The YELAR fee is an additional fee on licenses that designates revenues for the purposes of youth education, land acquisition and restoration (YELAR).

⁴⁹ Information provided by the Forest Preserve District of Cook County Department of Finance and Administration, October 16, 2012.

⁵⁰ Information provided by the Forest Preserve District of Cook County Department of Finance and Administration, November 9, 2012 and Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 107.

⁵¹ Forest Preserve District of Cook County FY2012 Executive Budget Recommendation, p. 7.

⁵² Forest Preserve District of Cook County FY2007 Executive Budget Recommendation, p. 7 and communication between Marlo Kemp and the Civic Federation, October 17, 2007.

million in FY2013 compared to the FY2008 Finance and Administration appropriation total of nearly \$2.2 million.

| Forest Preserve District Corporate Fund Appropriations: FY2009-FY2013 (in \$ thousands) | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| Category/Department | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| General Office | \$ 1,749.3 | \$ 1,582.3 | \$ 1,699.3 | \$ 2,100.3 | \$ 1,953.0 | \$ (147.3) | -7.0% | \$ 203.7 | 11.6% |
| Finance and Administration | \$ 2,187.7 | \$ 2,296.8 | \$ 2,321.2 | \$ 1,787.2 | \$ 2,054.6 | \$ 267.4 | 15.0% | \$ (133.1) | -6.1% |
| Human Resources* | \$ - | \$ - | \$ - | \$ 696.2 | \$ 585.2 | \$ (110.9) | -15.9% | \$ 585.2 | - |
| Resource Management | \$ 7,540.6 | \$ 7,591.5 | \$ 8,376.7 | \$ 7,986.6 | \$ 7,653.5 | \$ (333.1) | -4.2% | \$ 112.9 | 1.5% |
| Resident Watchman Facilities | \$ 500.0 | \$ 500.0 | \$ 500.0 | \$ 200.0 | \$ 250.0 | \$ 50.0 | 25.0% | \$ (250.0) | -50.0% |
| Recreation, Volunteer Resources & Permits** | \$ 1,564.5 | \$ 1,659.3 | \$ 1,678.2 | \$ 2,707.6 | \$ 3,046.9 | \$ 339.4 | 12.5% | \$ 1,482.5 | 94.8% |
| Law Enforcement | \$ 8,628.8 | \$ 9,477.8 | \$ 9,579.3 | \$ 9,633.5 | \$ 9,514.6 | \$ (118.9) | -1.2% | \$ 885.9 | 10.3% |
| Legal Department | \$ 1,235.4 | \$ 1,472.1 | \$ 1,459.2 | \$ 1,429.7 | \$ 1,366.0 | \$ (63.8) | -4.5% | \$ 130.6 | 10.6% |
| Planning and Development | \$ 2,160.2 | \$ 1,999.4 | \$ 1,902.8 | \$ 1,735.3 | \$ 1,813.5 | \$ 78.2 | 4.5% | \$ (346.6) | -16.0% |
| District Wide Programs*** | \$ 2,433.7 | \$ 2,073.9 | \$ 1,959.5 | \$ 2,709.5 | \$ 3,170.0 | \$ 460.5 | 17.0% | \$ 736.3 | 30.3% |
| Operating Transfer to Capital Improvement | \$ 4,275.0 | \$ 5,750.0 | \$ 2,000.0 | \$ - | \$ 1,800.0 | \$ 1,800.0 | 100.0% | \$ (2,475.0) | -57.9% |
| Operating Transfer to Real Estate Acquisition | \$ 3,000.0 | \$ 3,000.0 | \$ 4,506.1 | \$ 4,000.0 | \$ - | \$ (4,000.0) | -100.0% | \$ (3,000.0) | -100.0% |
| Operating Transfer to Self-Insurance | \$ - | \$ - | \$ 3,000.0 | \$ 3,000.0 | \$ - | \$ (3,000.0) | -100.0% | \$ - | - |
| General Maintenance**** | | | | | | | | | |
| Landscape Maintenance | - | - | - | - | \$ 10,436.2 | - | - | - | - |
| Facilities & Fleet Maintenance | - | - | - | - | \$ 9,203.1 | - | - | - | - |
| General Maintenance Subtotal | \$ 17,395.7 | \$ 17,849.6 | \$ 18,155.9 | \$ 20,027.6 | \$ 19,639.3 | \$ (388.3) | -1.9% | \$ 2,243.6 | 12.9% |
| Total | \$ 52,670.8 | \$ 55,252.9 | \$ 57,138.1 | \$ 58,013.4 | \$ 52,846.7 | \$ (5,166.7) | -8.9% | \$ 175.9 | 0.3% |

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.

** Recreation, Volunteer Resources & Permits was referred to as 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, FY2009-FY2013 and information provided by the Forest Preserve District of Cook County Department of Finance and Administration, November 9, 2012.

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 FY2013 Executive Budget Recommendation. Adopted appropriations were used as actual expenditures were only available for FY2011.

The District also maintains a Self-Insurance Fund, which functions as an internal service fund to account for future estimated claims and judgments. In FY2013 the budgeted premium for the Self-Insurance Fund will stay flat from the FY2012 appropriation of \$3.0 million.⁵³

Operating Funds

The Forest Preserve District resources for operating funds (Corporate Fund, Pension Fund and Bond and Interest Fund) will decrease by 3.0% in FY2013.⁵⁴ This represents a \$2.2 million decrease from \$73.2 million in FY2012 to \$71.0 million in FY2013. Over the five-year period beginning in FY2009, operating funds resources will increase by 3.6%, or \$2.5 million.

- Corporate Fund resources will decrease by 8.9%, or \$5.2 million, from FY2012 to \$52.8 million in FY2013;

⁵³ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 121.

⁵⁴ The analysis of the Zoological and Botanic Funds will be presented in a separate section on page 31.

- The decline in Corporate Fund resources is largely due to a decrease in the amount of Personal Property Replacement Taxes (PPRT) distributed to the Corporate Fund, which is down \$4.1 million from the FY2012 recommended amount. PPRT is instead going to the Bond and Interest Fund and Pension Fund. Additionally, a smaller contribution will be made to the Corporate Fund from the District's Corporate Fund fund balance compared to FY2012;
- The difference in PPRT and fund balance contributions is partially offset by an increase of \$5.2 million, or 13.1%, in the amount of the property tax levy going toward the Corporate Fund. Although the Corporate Fund will receive more property tax revenues, the overall levy remains flat for the District. Further analysis of the property tax levy is presented later in this section;
- The Pension Fund property tax levy will increase by 3.7% to nearly \$3.0 million from \$2.9 million in FY2012; and
- Bond and Interest Fund (debt service fund) resources will increase to \$14.9 million as a result of a \$4.0 million PPRT contribution offset by a \$1.1 million reduction in the amount of property tax revenues distributed to the fund.

| Forest Preserve District Total Budgeted Resources Operating Funds: FY2009-FY2013 (in \$ thousands) | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| Corporate Fund | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Property Tax Levy (Net) | \$ 40,285 | \$ 39,659 | \$ 39,325 | \$ 39,795 | \$ 45,018 | \$ 5,223 | 13.1% | \$ 4,733 | 11.7% |
| PPRT | \$ 6,525 | \$ 4,847 | \$ 4,808 | \$ 5,200 | \$ 1,084 | \$ (4,116) | -79.2% | \$ (5,441) | -83.4% |
| Non-Tax Revenues | \$ 5,220 | \$ 4,392 | \$ 3,831 | \$ 4,487 | \$ 4,760 | \$ 273 | 6.1% | \$ (460) | -8.8% |
| Fund Balance Contribution | \$ 640 | \$ 9,355 | \$ 9,175 | \$ 8,532 | \$ 1,984 | \$ (6,547) | -76.7% | \$ 1,344 | 210.1% |
| Corporate Fund Total | \$ 52,671 | \$ 58,253 | \$ 57,138 | \$ 58,013 | \$ 52,847 | \$ (5,167) | -8.9% | \$ 176 | 0.3% |
| Pension Fund | | | | | | | | | |
| Property Tax Levy | \$ 2,324 | \$ 2,479 | \$ 2,830 | \$ 2,869 | \$ 2,976 | \$ 106 | 3.7% | \$ 651 | 28.0% |
| PPRT | \$ 259 | \$ 276 | \$ 315 | \$ 319 | \$ 298 | \$ (21) | -6.7% | \$ 39 | 15.2% |
| Pension Fund Total | \$ 2,583 | \$ 2,755 | \$ 3,144 | \$ 3,189 | \$ 3,274 | \$ 85 | 2.7% | \$ 691 | 26.7% |
| Bond & Interest Fund | | | | | | | | | |
| Property Tax Levy* | \$ 13,302 | \$ 12,008 | \$ 12,010 | \$ 12,001 | \$ 10,889 | \$ (1,112) | -9.3% | \$ (2,413) | -18.1% |
| PPRT | \$ - | \$ - | \$ - | \$ - | \$ 3,996 | \$ 3,996 | - | \$ 3,996 | - |
| Bond & Interest Fund Total | \$ 13,302 | \$ 12,008 | \$ 12,010 | \$ 12,001 | \$ 14,886 | \$ 2,884 | 24.0% | \$ 1,583 | 11.9% |
| Total | \$ 68,556 | \$ 73,016 | \$ 72,292 | \$ 73,203 | \$ 71,006 | \$ (2,197) | -3.0% | \$ 2,450 | 3.6% |

*In FY2013 the gross property tax levy for Bond & Interest includes a \$5.0 million abatement.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2009-FY2012, Attachment A and Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, Attachment A.

Corporate Fund Resources

The next exhibit presents Corporate Fund resources since FY2009. Total Corporate Fund resources will be \$52.8 million in FY2013, a decline of \$5.2 million, or 8.9%, from FY2012 and an increase of approximately \$176,000, or 0.3%, from FY2009. The overall decline from FY2012 resources is due to PPRT revenue going to the debt service fund and a lower contribution from the Corporate Fund fund balance, partially offset by an increase in property tax going to the Corporate Fund. The Corporate Fund's share of PPRT revenue will decrease by 79.2%, or \$4.1 million, from \$5.2 million in FY2012 to \$1.1 million in FY2013. At the same time, the Bond and Interest Fund will gain nearly \$4.0 million in PPRT revenues. In addition, the District used \$8.5 million of fund balance as available resources in FY2012, whereas in FY2013 the District proposes using approximately \$2.0 million. This represents 3.8% of Corporate Fund total resources, which is a significantly smaller portion of total resources compared to the largest contribution in FY2010. In FY2010 the \$9.4 million fund balance contribution represented 16.1% of total resources. When looking only at Corporate Fund revenues excluding fund

balance, there will be an increase of \$1.4 million, or 2.8%, over FY2012 revenues and a decline of \$1.2 million, or 2.2%, from FY2009 revenues.

In FY2013 Corporate Fund revenues will generally increase over FY2012 amounts, including a 21.1%, or approximately \$335,000, increase in revenues from various fines, fees and permits, and a 33.3%, or approximately \$50,000, increase in concessions revenues. Some of this revenue increase is due to increases in the District's fee schedule, which is presented later in this section. Investment Earnings are projected to increase by \$100,000, or by 200.0%. Investment income decreased from \$500,000 in FY2009 to \$50,000 in FY2012, largely due to the District's use of existing bond proceeds and a significant drop in the rate of return on investments.⁵⁵ The increase projected for FY2013 is due to anticipated returns from more actively investing the District's cash in diversified securities rather than low-yield money market funds. In addition, the District is seeing higher interest earned due to an increase in principal from its bond issuance earlier this year.⁵⁶

In its FY2013 budget, the District identifies a portion of revenues received from license agreements that goes to youth education, land acquisition and restoration (YELAR).⁵⁷ Previously, this revenue was included in License Agreements.

| Forest Preserve District Resources Corporate Fund: FY2009-FY2013 | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| (in \$ thousands) | | | | | | | | | |
| Resources | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Property Tax Levy (Net) | \$ 40,285 | \$ 39,659 | \$ 39,325 | \$ 39,795 | \$ 45,018 | \$ 5,223 | 13.1% | \$ 4,733 | 11.7% |
| PPRT | \$ 6,525 | \$ 4,847 | \$ 4,808 | \$ 5,200 | \$ 1,084 | \$ (4,116) | -79.2% | \$ (5,441) | -83.4% |
| Subtotal Tax Revenues | \$ 46,811 | \$ 44,506 | \$ 44,133 | \$ 44,995 | \$ 46,102 | \$ 1,107 | 2.5% | \$ (708) | -1.5% |
| Fines, Fees & Permits* | \$ 1,475 | \$ 1,556 | \$ 1,540 | \$ 1,585 | \$ 1,920 | \$ 335 | 21.1% | \$ 445 | 30.2% |
| License Agreements | \$ 1,700 | \$ 1,500 | \$ 1,100 | \$ 1,752 | \$ 1,166 | \$ (586) | -33.5% | \$ (534) | -31.4% |
| Golf Privatization Fees | \$ 1,270 | \$ 1,016 | \$ 950 | \$ 900 | \$ 990 | \$ 90 | 10.0% | \$ (280) | -22.1% |
| Concessions | \$ 150 | \$ 150 | \$ 146 | \$ 150 | \$ 200 | \$ 50 | 33.3% | \$ 50 | 33.3% |
| Investment Earnings | \$ 500 | \$ 70 | \$ 70 | \$ 50 | \$ 150 | \$ 100 | 200.0% | \$ (350) | -70.0% |
| Miscellaneous Income | \$ 125 | \$ 100 | \$ 25 | \$ 50 | \$ 100 | \$ 50 | 100.0% | \$ (25) | -20.0% |
| YELAR** | \$ - | \$ - | \$ - | \$ - | \$ 234 | \$ 234 | - | \$ 234 | - |
| Subtotal Non-Tax Revenue | \$ 5,220 | \$ 4,392 | \$ 3,831 | \$ 4,487 | \$ 4,760 | \$ 273 | 6.1% | \$ (460) | -8.8% |
| Total Appropriated Revenues | \$ 52,031 | \$ 48,898 | \$ 47,963 | \$ 49,482 | \$ 50,862 | \$ 1,381 | 2.8% | \$ (1,169) | -2.2% |
| Fund Balance Contribution | \$ 640 | \$ 9,355 | \$ 9,175 | \$ 8,532 | \$ 1,984 | \$ (6,547) | -76.7% | \$ 1,344 | 100.0% |
| Total Resources | \$ 52,671 | \$ 58,253 | \$ 57,138 | \$ 58,013 | \$ 52,847 | \$ (5,167) | -8.9% | \$ 176 | 0.3% |

*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.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2009-FY2012, Chart 1-J and Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 23.

Fee Schedule

The Forest Preserve District is proposing to raise several fees in FY2013. 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). Despite the proposed increase in fees, there is no significant shift away from revenues generated through taxes and toward revenues generated from fees and fines from the prior year. 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

⁵⁵ Communication with the Forest Preserve District of Cook County, November 21, 2011.

⁵⁶ Communication with the Forest Preserve District of Cook County, November 9, 2012.

⁵⁷ The YELAR fee is an additional fee on licenses that designates revenues for the purposes of youth education, land acquisition and restoration.

increase from 5.0% of total Corporate Fund revenues in FY2012 to 5.7% in FY2013. Tax revenues will decrease from 90.9% of total revenues in FY2012 to 90.6% in FY2013. Other Revenues – which include revenues earned from license agreements, concessions, investment earnings, miscellaneous income and YELAR – will decrease from 4.8% in FY2009 to 3.6% in FY2013.

| Forest Preserve District Corporate Fund Revenues: FY2009-FY2013 | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| (in \$ thousands) | | | | | | | | | |
| Revenues | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Fees and Permits* | \$ 2,595 | \$ 2,372 | \$ 2,340 | \$ 2,310 | \$ 2,590 | \$ 280 | 12.1% | \$ (5) | -0.2% |
| Fines | \$ 150 | \$ 200 | \$ 150 | \$ 175 | \$ 320 | \$ 145 | 82.9% | \$ 170 | 113.3% |
| Subtotal Fees and Fines | \$ 2,745 | \$ 2,572 | \$ 2,490 | \$ 2,485 | \$ 2,910 | \$ 425 | 17.1% | \$ 165 | 6.0% |
| Percent of Total | 5.3% | 5.3% | 5.2% | 5.0% | 5.7% | | | | |
| Tax Revenues | \$ 46,811 | \$ 44,506 | \$ 44,133 | \$ 44,995 | \$ 46,102 | \$ 1,107 | 2.5% | \$ (708) | -1.5% |
| Percent of Total | 90.0% | 91.0% | 92.0% | 90.9% | 90.6% | | | | |
| Other Revenues** | \$ 2,475 | \$ 1,820 | \$ 1,341 | \$ 2,002 | \$ 1,850 | \$ (152) | -7.6% | \$ (625) | - |
| Percent of Total | 4.8% | 3.7% | 2.8% | 4.0% | 3.6% | | | | |
| Total Revenues | \$ 52,031 | \$ 48,898 | \$ 47,963 | \$ 49,482 | \$ 50,862 | \$ 1,381 | 2.8% | \$ (1,169) | -2.2% |

*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.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2009-FY2012, Chart 1-J and Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 23.

The following chart provides details on the District's proposed changes to its fee and permit schedule for FY2013. Significant changes include:

- Some picnic permits are increasing by as much as \$200;
- Cabin and Tent fees are increasing by 100% to \$50 per night and \$20 per night, respectively;
- Family season passes to the District's pools are increasing by \$25, or 20%, to \$150; and
- A new maximum vending fee is being implemented for \$500.

| Forest Preserve District of Cook County Fees/Permits: 2012 and 2013 | | | | |
|--|----------------------|-------------------------------------|-----------|----------|
| Fee/Permit | 2012 | 2013 | \$ Change | % Change |
| Permit Applications | | | | |
| Permit Application Fee | - | \$10 | \$10 | - |
| Special Use Permit Application Fee* | \$20 + \$10 per item | \$25 + \$10 per item | \$5 | 25.0% |
| Picnic Permits | | | | |
| Picnic Permit (no shelter) - 10-99 | \$35 | \$37 | \$2 | 5.7% |
| Picnic Permit (no shelter) - 100-399 | \$85 | \$90 | \$5 | 5.9% |
| Picnic Permit (no shelter) - 400-999 | \$335 | \$535 | \$200 | 59.7% |
| Picnic Permit (no shelter) - 1,000 or more | \$760 | \$960 | \$200 | 26.3% |
| Picnic Permit (with shelter) - 10-99 | \$50 | \$53 | \$3 | 6.0% |
| Picnic Permit (with shelter) - 100-399 | \$100 | \$105 | \$5 | 5.0% |
| Picnic Permit (with shelter) - 400-999 | \$460 | \$550 | \$90 | 19.6% |
| Picnic Permit (with shelter) - 1,000 or more | \$760 | \$960 | \$200 | 26.3% |
| Picnic Permit Change Fee | \$5 | \$5 | \$0 | 0.0% |
| Picnic Permit Copy | \$2 | \$2 | \$0 | 0.0% |
| Other Permits | | | | |
| Maximum Vending Fee | | \$500 | \$500 | - |
| Special Event Permit** | \$150 | \$175 | \$25 | 16.7% |
| Still Photography | \$50 | \$55/hour | \$5 | 10.0% |
| Commercial Photography (Video) | \$100 | \$125/hour | \$25 | 25.0% |
| Day Camp Permit | \$20 | \$30/day | \$10 | 50.0% |
| Cabin Fee Per Night | \$25 | \$50 | \$25 | 100.0% |
| Tent Fee Per Night | \$10 | \$20 | \$10 | 100.0% |
| Field Permit Fee | \$50 + \$10/day | N/A | - | - |
| Field Permit Fee | | Max. Youth Fee: \$50 + \$10/hour | - | - |
| Field Permit Fee | | Max. Adult Fee: \$50 + \$20/hour | - | - |
| Pool Fees | | | | |
| Child (3-12 years) | \$3 | \$4 | \$1 | 33.3% |
| Adult | \$5 | \$6 | \$1 | 20.0% |
| Season Pass - Family up to 4 members | \$125 | \$150 | \$25 | 20.0% |
| Additional members | \$10 | \$35 | \$25 | 250.0% |
| Season Pass (Individual) | \$75 | \$40 | -\$35 | -46.7% |
| Annual Horse License | | | | |
| Resident | \$25 | \$35 | \$10 | 40.0% |
| Non-Resident | \$40 | \$50 | \$10 | 25.0% |
| Annual Rider License | \$3 | \$5 | \$2 | 66.7% |
| Annual Dog License | | | | |
| Resident | \$50 | \$55 | \$5 | 10.0% |
| Non-Resident | \$100 | \$110 | \$10 | 10.0% |
| Snowmobile Permit | | | | |
| Resident | \$20 | \$25 | \$5 | 25.0% |
| Non-Resident | \$40 | \$50 | \$10 | 25.0% |
| Cross-Country Skiing | | | | |
| Ski Rental | \$12 | \$15 | \$3 | 25.0% |
| Ski Rental - Senior | \$10 | \$10 | \$0 | 0.0% |
| Ski Rental - Family up to 4 members | \$30 | \$40 | \$10 | 33.3% |
| Ski Rental - Group (10 or more) | \$10 | \$5 | -\$5 | -50.0% |
| Lesson & Ski Rental | \$20 | \$30 | \$10 | 50.0% |
| Lesson | \$12 | \$20 | \$8 | 66.7% |

Note: Non-profit organizations may qualify for a reduced rate of 50% on designated permit charges with proper documentation.

*Special use permits also require a picnic permit fee and proof of \$1,000,000 liability insurance.

**Usually sold to group organizations or businesses. Requires a fee and proof of \$1,000,000 liability insurance.

Source: Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 180-182.

In addition to the fee and permit schedule above, proposed golf fee increases include identification card increases that range from \$2 to \$4, \$1 cart fee increases and various course fee increases that range from \$1 to \$3.⁵⁸

Zoological and Botanic Funds

The resources for the Zoological Fund and the Botanic Fund will increase by 3.0%, or \$2.7 million, in FY2013 to a total of \$93.3 million. The increase is due entirely to projected increases in self-generated resources: program income for the Zoological Fund will increase by approximately \$890,000, or 1.9%, and funding provided by the Garden for the Botanic Fund will increase by \$1.4 million, or 7.2%. There will be no changes in the property tax levy for these funds and Personal Property Replacement Tax (PPRT) revenue will decline by 2.6% for each fund.

Between FY2009 and FY2013, total Zoological Fund and Botanic Fund resources will grow by 8.2%, or nearly \$7.1 million. The property tax levy will remain flat at \$14.9 million for the Zoological Fund and \$9.3 million for the Botanic Fund for the five-year period. During the same time, PPRT revenue will decline by 26.9% for both funds. Zoological Fund resources will increase by 4.5%, or \$2.7 million, due to expected increases in program income. Similarly, the Botanic Fund will increase by 16.8%, or \$4.4 million, due to projected increases in funds generated by the Garden.

| Forest Preserve District Total Budgeted Resources Zoological and Botanic Funds: FY2009-FY2013 (in \$ thousands) | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| | FY2009 Estimated | FY2010 Estimated | FY2011 Estimated | FY2012 Estimated | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Zoological Fund | | | | | | | | | |
| Property Tax Levy | \$ 14,885 | \$ 14,885 | \$ 14,885 | \$ 14,885 | \$ 14,885 | \$ - | 0.0% | \$ - | 0.0% |
| PPRT | \$ 820 | \$ 615 | \$ 615 | \$ 615 | \$ 599 | \$ (16) | -2.6% | \$ (221) | -26.9% |
| Program Income | \$ 44,661 | \$ 44,260 | \$ 43,887 | \$ 46,822 | \$ 47,711 | \$ 890 | 1.9% | \$ 3,051 | 6.8% |
| Reserves | \$ (447) | \$ (744) | \$ (744) | \$ (744) | \$ (547) | \$ 198 | -26.6% | \$ (100) | 22.4% |
| Deferred Collections | \$ 151 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ - | 0.0% | \$ (51) | -33.6% |
| Zoological Fund Total | \$ 60,070 | \$ 59,115 | \$ 58,743 | \$ 61,678 | \$ 62,749 | \$ 1,072 | 1.7% | \$ 2,679 | 4.5% |
| Botanic Fund | | | | | | | | | |
| Property Tax Levy | \$ 9,348 | \$ 9,348 | \$ 9,348 | \$ 9,348 | \$ 9,348 | \$ - | 0.0% | \$ - | 0.0% |
| PPRT | \$ 350 | \$ 263 | \$ 263 | \$ 263 | \$ 256 | \$ (7) | -2.6% | \$ (94) | -26.9% |
| Provided by Garden | \$ 16,590 | \$ 17,954 | \$ 18,660 | \$ 19,781 | \$ 21,209 | \$ 1,428 | 7.2% | \$ 4,619 | 27.8% |
| Reserves | \$ (144) | \$ (467) | \$ (467) | \$ (467) | \$ (280) | \$ 187 | -40.0% | \$ (137) | 95.1% |
| Botanic Fund Total | \$ 26,144 | \$ 27,097 | \$ 27,803 | \$ 28,924 | \$ 30,532 | \$ 1,608 | 5.6% | \$ 4,388 | 16.8% |
| Total | \$ 86,214 | \$ 86,212 | \$ 86,546 | \$ 90,602 | \$ 93,281 | \$ 2,679 | 3.0% | \$ 7,067 | 8.2% |

Source: Forest Preserve District of Cook County Executive Budget Recommendations, FY2010, p. 142 and 153; FY2011, p. 138 and 150; FY2012, p. 133 and 148; FY2013, p. 133 and 151.

Property Tax Levy

The Forest Preserve District proposes to maintain its gross property tax levy at \$86.5 million in FY2012. The District has held its total property tax levy at the same level since lowering it by \$1.1 million, or 1.3%, in FY2010.

The next exhibit shows the distribution of gross property tax revenues by fund from FY2009 to FY2013. The share of the property tax levy distributed to the Corporate Fund was held relatively

⁵⁸ For detailed information on the proposed golf fee schedule, see the Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 182.

flat from FY2009 to FY2012 and will increase by \$5.0 million, or 12.2%, to \$46.4 million in FY2013.⁵⁹ This large increase for the Corporate Fund will be offset by a decrease of \$4.0 million, or 66.9%, distributed to the Construction and Development Fund and a decrease of \$1.1 million, or 9.3%, to the Bond and Interest Fund. The District is able to reallocate more property tax revenue to the Corporate Fund for government operations due to a series of bond issuances and refinancing in 2012 that will provide more funding for capital projects and reduce the amount of debt service due. The levies for the Brookfield Zoo, the Chicago Botanic Garden and the Construction and Development Fund have been held flat over the five-year period.

| Forest Preserve District Gross Property Tax Levy Recommendations by Fund: FY2009-FY2013 | | | | | | | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|-------------------------------|------------------------------|--------------------------------|-------------------------------|
| (in \$ thousands) | | | | | | | | | |
| Fund | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Corporate | \$ 41,747 | \$ 41,747 | \$ 41,395 | \$ 41,363 | \$ 46,411 | \$ 5,047 | 12.2% | \$ 4,664 | 11.2% |
| Zoological and Botanic | \$ 24,233 | \$ 24,233 | \$ 24,233 | \$ 24,233 | \$ 24,233 | \$ - | 0.0% | \$ - | 0.0% |
| Bond & Interest* | \$ 13,302 | \$ 12,008 | \$ 12,010 | \$ 12,001 | \$ 10,889 | \$ (1,112) | -9.3% | \$ (2,413) | -18.1% |
| Construction & Development | \$ 6,042 | \$ 6,042 | \$ 6,042 | \$ 6,042 | \$ 2,000 | \$ (4,042) | -66.9% | \$ (4,042) | -66.9% |
| Pension | \$ 2,324 | \$ 2,479 | \$ 2,830 | \$ 2,869 | \$ 2,976 | \$ 106 | 3.7% | \$ 651 | 28.0% |
| Total | \$ 87,648 | \$ 86,509 | \$ 86,509 | \$ 86,509 | \$ 86,509 | \$ (0) | 0.0% | \$ (1,139) | -1.3% |

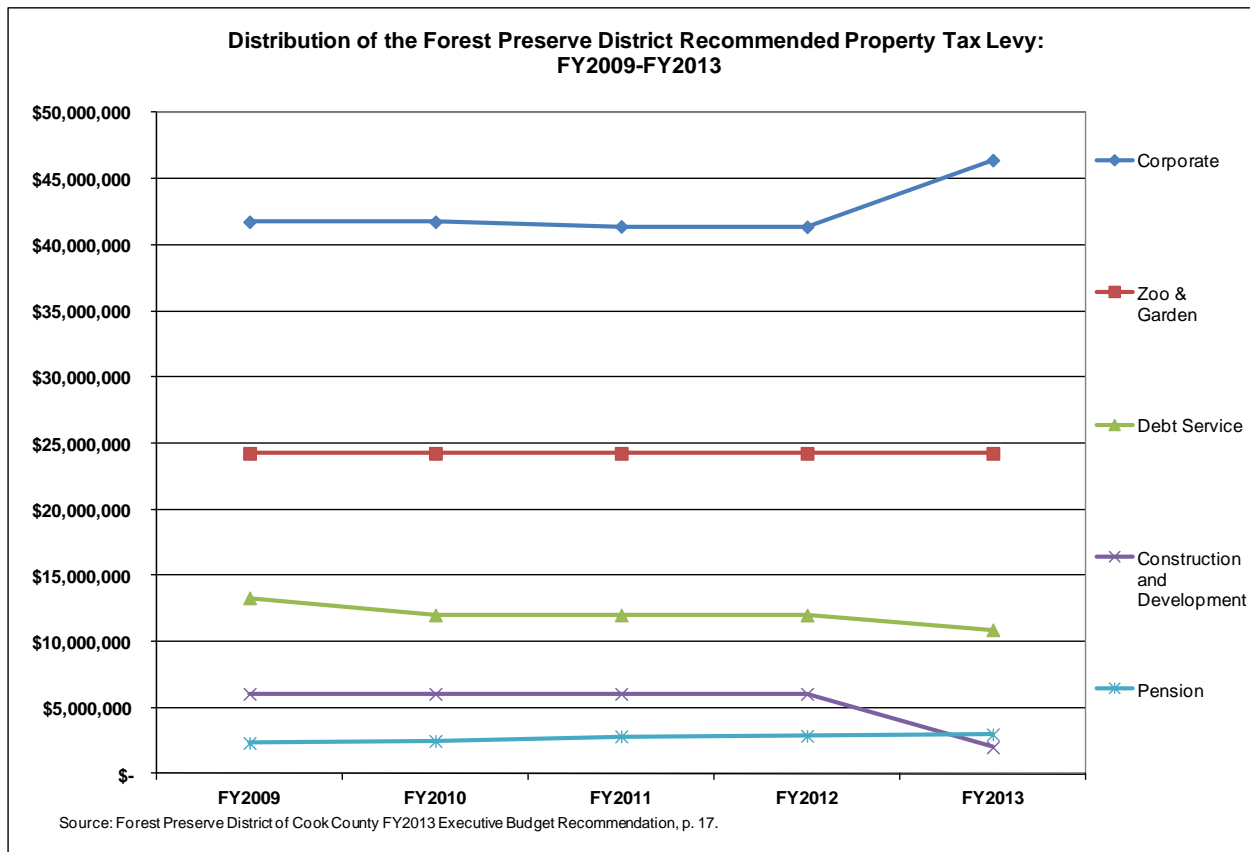
Note: Totals may differ from budget books due to rounding.

*In FY2013 the gross property tax levy for Bond & Interest includes a \$5.0 million abatement.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2009-FY2011, Attachment A and Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 17.

⁵⁹ The gross property tax levy does not subtract allowances for uncollectible taxes and tax refunds.

The chart below shows the District’s distribution of property tax revenues over the five-year period beginning in FY2009. The District maintained relatively stable shares of the levy from FY2009 to FY2012, but will alter the distributions significantly with the FY2013 proposed budget. The share of the levy dedicated to the Corporate Fund will increase significantly from 47.6% of the total in FY2009 to 53.6% of the total in FY2013. The increase is offset by a declining share of property tax revenue for Construction and Development, which will decrease from 6.9% of the total in FY2009 to 2.3% of the total in FY2013. Property taxes earmarked for Debt Service will decrease from 15.2% of the total in FY2009 to 12.6% in FY2013. The share of the levy dedicated to pension payments will increase over the five-year period, from 2.7% of the total levy in FY2009 to 3.4% in FY2013.



PERSONNEL AND PERSONNEL SERVICES APPROPRIATIONS

The following section provides an analysis of the Forest Preserve District’s personnel numbers and appropriations in the Corporate Fund. The Corporate Fund is the District’s general operation fund which supports the District’s operations and services. This section does not include a personnel analysis of the Brookfield Zoo or the Chicago Botanic Garden.

In the FY2013 budget, the Forest Preserve District will add 16.2 full-time equivalent (FTE) net positions for a total of 589.8 FTEs. This is a 2.8% increase from FY2012 appropriated FTEs. This reflects a net increase of 3.0 full-time positions as well as part-time or seasonal positions equivalent to 13.2 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.⁶⁰ 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.⁶¹ The District also contracted with AMD Business Solutions, Inc. to revise its job descriptions so that titles better reflect the work performed.⁶² As a result, the FY2013 Executive Budget Recommendations include a number of title changes due to job description revisions. For example, all General Maintenance positions will be divided between the new Landscape Maintenance and Facilities and Fleet Maintenance departments and four vacant positions will be eliminated.

In FY2013 the District will add the following new full-time positions:

- Graphic Designer will support communications and branding strategy in the General Office;
- Contract Compliance Administrator will manage a new minority- and women-owned business enterprise (MWBE) program in Finance and Administration;
- Human Resources Generalist will support human resources functions;
- Geographic Information System (GIS) Specialist will support increasing use of GIS applications;
- Concession Manager will be added to better manage food and recreation vendors; and
- Building Architect will be added to support bond-funded projects.⁶³

⁶⁰ See the District's website for the desk audit report and quarterly reports available at <http://fpdcc.com/results-of-the-desk-audit/>

⁶¹ 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.

⁶² Forest Preserve District of Cook County, "Forest Preserve District of Cook County Desk Audit Update: 2nd Quarter 2012," press release, August 14, 2012.

⁶³ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 16.

The District will add part-time/seasonal positions equivalent to 6.6 full-time positions to the Resource Management Department, which aims to protect, restore and preserve the natural resources of the District. The District will add part-time/seasonal positions equivalent to 6.5 full-time positions to the Recreation, Volunteer Resources and Permits Department. This department issues licenses and permits for use of District properties and monitors concessions. The increases are intended to improve natural resource management and to enhance recreation and outreach programs.⁶⁴ The chart below shows the change in full-time equivalent positions between FY2012 and FY2013 by department, including the change in full-time and part-time/seasonal positions.

| Forest Preserve District Corporate Fund | | | | |
|--|---------------------------|-------------------------------|-----------------|-----------------|
| Full-Time Equivalent Positions Summary: FY2012 & FY2013 | | | | |
| Department | FY2012 Adopted | FY2013 Recommended | # Change | % Change |
| General Maintenance* | 203.0 | - | - | - |
| Part-Time/Seasonal | 30.0 | - | - | - |
| Landscape Maintenance* | - | 140.0 | - | - |
| Part-Time/Seasonal | - | 29.5 | - | - |
| Facilities & 54 - Fleet Maintenance* | - | 58.0 | - | - |
| Part-Time/Seasonal | - | 0.5 | - | - |
| Maintenance Subtotal | 203.0 | 198.0 | (5.0) | -2.5% |
| Part-Time/Seasonal | 30.0 | 30.0 | 0.0 | 0.0% |
| Law Enforcement | 122.0 | 122.0 | 0.0 | 0.0% |
| Resource Management | 92.0 | 92.0 | 0.0 | 0.0% |
| Part-Time/Seasonal | 9.0 | 15.6 | 6.6 | 73.3% |
| Recreation, Volunteer Resources & Permits** | 21.0 | 23.0 | 2.0 | 9.5% |
| Part-Time/Seasonal | 24.0 | 30.5 | 6.5 | 27.1% |
| Finance & Administration | 16.0 | 19.0 | 3.0 | 18.8% |
| Part-Time/Seasonal | 0.0 | 1.0 | 1.0 | - |
| Planning & Development | 18.0 | 19.0 | 1.0 | 5.6% |
| Part-Time/Seasonal | 0.5 | 0.9 | 0.4 | 88.9% |
| General Office | 16.0 | 17.0 | 1.0 | 6.3% |
| Part-Time/Seasonal | 0.0 | 1.8 | 1.8 | - |
| Legal | 13.0 | 13.0 | 0.0 | 0.0% |
| Part-Time/Seasonal | 0.3 | 0.5 | 0.2 | 61.3% |
| Human Resources*** | 5.0 | 6.0 | 1.0 | 20.0% |
| Part-Time/Seasonal | 3.8 | 0.6 | (3.3) | -85.5% |
| Sub-Total Full-Time FTEs | 506.0 | 509.0 | 3.0 | 0.6% |
| Sub-Total Part-Time/Seasonal FTEs | 67.6 | 80.8 | 13.2 | 19.6% |
| Total | 573.6 | 589.8 | 16.2 | 2.8% |

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 in previous budgets.

*** Human Resources functions were transferred from Finance & Administration to their own department in FY2012.

Source: Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 14.

Over the five-year period from FY2009 to FY2013, the District will gain 53.8 FTE positions, an increase of 10.0% of the District's workforce. Much of this growth is due to personnel increases in maintenance departments (17.0 FTEs) and Recreation, Volunteer Resources and Permits (19

⁶⁴ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 8.

FTEs), which are partly due to moving positions to their appropriate department. Since FY2009 reductions in personnel only appear in the Department of Planning and Development.

| Forest Preserve District Corporate Fund Full-Time Equivalent Positions Summary: FY2009-FY2013 | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| Department | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year # Change | Two-Year % Change | Five-Year # Change | Five-Year % Change |
| Maintenance | | | | | | | | | |
| General Maintenance* | 211.0 | 211.0 | 211.0 | 233.0 | - | - | - | - | - |
| Landscape Maintenance* | - | - | - | - | 169.5 | - | - | - | - |
| Facilities & 54 - Fleet Maintenance* | - | - | - | - | 58.5 | - | - | - | - |
| Maintenance Subtotal | 211.0 | 211.0 | 211.0 | 233.0 | 228.0 | (5.0) | -2.1% | 17.0 | 8.1% |
| Law Enforcement | 121.0 | 121.0 | 122.0 | 122.0 | 122.0 | 0.0 | 0.0% | 1.0 | 0.8% |
| Resource Management | 102.5 | 103.5 | 109.0 | 101.0 | 107.6 | 6.6 | 6.5% | 5.1 | 5.0% |
| Recreation, Volunteer Resources & Permits** | 34.5 | 35.5 | 36.0 | 45.0 | 53.5 | 8.5 | 18.9% | 19.0 | 55.1% |
| Finance & Administration | 20.0 | 21.0 | 21.0 | 16.0 | 20.0 | 4.0 | 25.0% | 0.0 | 0.0% |
| Planning & Development | 21.0 | 20.0 | 19.0 | 18.5 | 19.9 | 1.4 | 7.6% | (1.2) | -5.5% |
| General Office | 14.0 | 12.0 | 13.0 | 16.0 | 18.8 | 2.8 | 17.5% | 4.8 | 34.3% |
| Legal | 12.0 | 13.5 | 13.5 | 13.3 | 13.5 | 0.2 | 1.4% | 1.5 | 12.5% |
| Human Resources*** | 0.0 | 0.0 | 0.0 | 8.8 | 6.6 | (2.3) | -25.6% | 6.6 | - |
| Total | 536.0 | 537.5 | 544.5 | 573.6 | 589.8 | 16.2 | 2.8% | 53.8 | 10.0% |

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 in previous budgets.

*** Human Resources functions were transferred from Finance & Administration to their own department in FY2012.

Source: Forest Preserve District of Cook County Executive Budget Recommendations, FY2010, p. 43; FY2011 Revised, p. 42; FY2012, p. 14; FY2013, p. 14.

Personnel Services Appropriations

The following exhibit presents Corporate Fund appropriations for salaries and wages from FY2009 through FY2013. Salaries will increase by \$6.2 million, or 23.3%, over the five-year period. The largest year-to-year increase occurs between FY2012 and FY2013 when salaries and wages will grow by \$3.4 million, or 11.6%, to \$32.8 million from \$29.4 million.

| Forest Preserve District Corporate Fund Salaries and Wages: FY2009-FY2013 | | | |
|---|---------------|---------------------|-------------------|
| | Total | Two-Year \$ Change | Two-Year % Change |
| FY2009 | \$ 26,610,512 | - | - |
| FY2010 | \$ 27,483,782 | \$ 873,270 | 3.3% |
| FY2011 | \$ 27,781,543 | \$ 297,761 | 1.1% |
| FY2012 | \$ 29,389,218 | \$ 1,607,675 | 5.8% |
| FY2013 | \$ 32,798,672 | \$ 3,409,454 | 11.6% |
| Five-Year Change | | \$ 6,188,160 | 23.3% |

Source: Forest Preserve District of Cook County Executive Budget Recommendations, FY2010-FY2013.

The following chart shows Corporate Fund personnel services appropriations as a percentage of total Corporate Fund appropriations. In FY2013 recommended Corporate Fund personnel services appropriations will represent approximately 75.8% of total recommended Corporate Fund expenditures. Personnel services appropriations include salary, hospital and life insurance, dental and vision plans and appropriation services adjustments.⁶⁵ During the five-year period, personnel services appropriations will increase by \$13.4 million, or 50.5%, while Corporate Fund total appropriations will increase by approximately \$176,000, or 0.3%. 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

⁶⁵ Appropriation services adjustments is a term the District uses to budget expenses for retroactive payments that cover a late resolution of union contracts.

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.⁶⁶ A breakdown of benefit expenses over the five-year period is provided later in this section. The drop in Program Expenses in FY2013 from FY2012 recommended appropriations is due to a \$7.0 million transfer out of the Corporate Fund to the Real Estate Acquisition and Self-Insurance Funds in FY2012.⁶⁷ Without large 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: FY2009-FY2013 (in \$ thousands) | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| | FY2009 Adopted | FY2010 Adopted | FY2011 Adopted | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Personnel Services | \$ 26,611 | \$ 27,484 | \$ 38,341 | \$ 40,557 | \$ 40,045 | \$ (512) | -1.3% | \$ 13,434 | 50.5% |
| Program Expenses* | \$ 26,060 | \$ 30,769 | \$ 18,798 | \$ 17,457 | \$ 12,802 | \$ (4,655) | -26.7% | \$ (13,258) | -50.9% |
| Total Corporate Fund | | | | | | | | | |
| Appropriations | \$ 52,671 | \$ 58,253 | \$ 57,138 | \$ 58,013 | \$ 52,847 | \$ (5,167) | -8.9% | \$ 176 | 0.3% |
| % of Total | 50.5% | 47.2% | 67.1% | 69.9% | 75.8% | | | | |

*Referred to as Other and Fixed Charges in FY2009 and FY2010.

Source: Forest Preserve District of Cook County Annual Appropriation Ordinances, FY2009, p. 42; FY2010, p. 41; FY2011, p. 40; FY2012, p. 23; Forest Preserve District of Cook County Executive Budget Recommendation, p. 24.

Forest Preserve District Employee Benefit Expenses

Expenses for employee benefits will increase by \$3.2 million, or 55.1%, from \$5.7 million in FY2009 to \$8.9 million in FY2013. During this five-year period, all of the District's employee benefits expenses will grow between 41.2% and 60.2%, except for life insurance which will decline by \$20,049, or 16.7%. The largest dollar increase will be for hospital insurance, which will increase by 57.1%, or nearly \$3.1 million, to \$8.5 million in FY2013. This growth was most significant between FY2011 and FY2012 when the District proposed to add 16.0 additional full-time positions.⁶⁸

| Forest Preserve District Benefit Expenses*: FY2009-FY2013 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| | FY2009 Adopted | FY2010 Adopted | FY2011 Actual | FY2012 Adopted | FY2013 Recommended | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Hospital Insurance | \$ 5,379,262 | \$ 7,682,746 | \$ 6,521,694 | \$ 8,400,226 | \$ 8,450,228 | \$ 50,002 | 0.6% | \$ 3,070,966 | 57.1% |
| Life Insurance | \$ 120,052 | \$ 91,894 | \$ 71,819 | \$ 99,020 | \$ 100,003 | \$ 983 | 1.0% | \$ (20,049) | -16.7% |
| Dental Care Plan | \$ 182,294 | \$ 235,402 | \$ 183,420 | \$ 254,904 | \$ 257,431 | \$ 2,527 | 1.0% | \$ 75,137 | 41.2% |
| Vision Plan | \$ 54,650 | \$ 80,057 | \$ 61,734 | \$ 86,699 | \$ 87,558 | \$ 859 | 1.0% | \$ 32,908 | 60.2% |
| Total Benefits | \$ 5,736,258 | \$ 8,090,099 | \$ 6,838,667 | \$ 8,840,849 | \$ 8,895,220 | \$ 50,002 | 0.6% | \$ 3,158,962 | 55.1% |

*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 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, FY2010-FY2013.

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.⁶⁹ It is an important financial indicator for local governments. Fund balance is the difference between the assets and liabilities in a governmental

⁶⁶ Information provided by the Forest Preserve District of Cook County, November 30, 2011.

⁶⁷ Forest Preserve District of Cook County FY2012 Executive Budget Recommendation, p. 24.

⁶⁸ Forest Preserve District of Cook County FY2012 Executive Budget Recommendation, p. 7.

⁶⁹ Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

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.⁷⁰

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

The FY2011 audited financial statements for the District include a modification in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."⁷¹

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.⁷²

New Components of Fund Balance

GASB Statement No. 54 creates 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

⁷⁰ Stephen J. Gauthier. *The New Fund Balance*. Chicago: GFOA, 2009, p. 34.

⁷¹ Stephen J. Gauthier. "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.

⁷² Stephen J. Gauthier. "Fund Balance: New and Improved," Government Finance Review, April 2009.

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.⁷³

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.⁷⁴

In response to the classification changes, in its FY2011 Comprehensive Annual Financial Report (CAFR), the District provides a definition of each of the five new classifications, including descriptions of how each new classification specifically affects the District's individual funds and overall financial policies. 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 general fund operating expenditures.” Two months of operating expenditures is approximately 17%.⁷⁵

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.⁷⁶

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 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.

⁷³ Stephen J. Gauthier. “Fund Balance: New and Improved,” Government Finance Review, April 2009.

⁷⁴ Stephen J. Gauthier. *The New Fund Balance*. Chicago: GFOA, 2009, p. 34.

⁷⁵ Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

⁷⁶ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 5.

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.⁷⁷

Corporate Fund Fund Balance Level

The following chart outlines 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. 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.⁷⁸ The transfer out 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 FY2009.⁷⁹ 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 reserves. 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 CAFRs, FY2006-FY2010.

At the end of FY2011, the District’s unrestricted corporate fund balance was \$40.8 million, or 98.0% of operating expenditures. This level of fund balance greatly exceeds the GFOA recommended minimum fund balance.

| Forest Preserve District of Cook County FY2011 Corporate Fund Balance Ratio | | | |
|--|--|-------------------------------|--------------|
| | Unrestricted Corporate Fund Balance | Operating Expenditures | Ratio |
| FY2011 | \$ 40,816,819 | \$ 41,646,735 | 98.0% |

Source: Forest Preserve District of Cook County, FY2011 CAFR.

⁷⁷ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 5.

⁷⁸ Phone communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 16, 2010.

⁷⁹ 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. This ratio also indicates a sustained high level of fund balance for the District since FY2007.

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.⁸⁰

| Forest Preserve District of Cook County Corporate Fund Balance Ratio: 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 CAFRs, FY2006-FY2010.

Including Corporate Fund operating expenditures and transfers out, the FY2011 year-end fund balance ratio was 78.7%.

| Forest Preserve District of Cook County FY2011 Corporate Fund Balance Ratio + Transfers Out | | | | |
|--|--|-----------------------------------|----------------------|------------------------------|
| | Unreserved Corporate Fund Balance | Operating Expenditures | Transfers Out | Alternative Ratio |
| FY2011 | \$ 40,816,819 | \$ 41,646,735 | \$ 10,220,375 | 78.7% |

Source: Forest Preserve District of Cook County, FY2011 CAFR.

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.

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, accounts payable, accrued payroll and other current liabilities. The Forest Preserve District

⁸⁰ Information provided by the Forest Preserve District of Cook County, November 21, 2011 and November 14, 2012.

reported the following short-term liabilities in the Governmental Funds Balance Sheet in its annual Comprehensive Annual Financial Report (CAFR) 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 the District employees but have not yet been paid or recorded in the District's accounts;
- *Interfund payables*: These are 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.

One of the key items to evaluate in a review of current liabilities is accounts payable trends. Accounts payable are bills that remain unpaid at the end of the prior fiscal year. A growing trend in accounts payable could be a warning sign of fiscal distress. Forest Preserve District accounts payable rose by 25.2%, or \$1.6 million, between FY2007 and FY2011. However, much of the five-year increase was due to the one-time addition of \$7.0 million at the end of FY2010 for land acquisition.⁸¹ Accounts payable liabilities then dropped significantly between FY2010 and FY2011 by \$2.9 million, or 27.4%, to \$7.8 million, a figure closer to the amount in previous years.

In FY2011 the District's total short-term liabilities increased from FY2010 by about \$2.5 million, or 11.7%. Since FY2007 short-term liabilities have decreased by \$4.1 million, or 14.5%. The decrease is driven in large part by a 30.9%, or \$6.1 million, decrease in interfund payables over this five-year period. The overall decrease is a positive sign.

| Forest Preserve District of Cook County Short-Term Liabilities in the Governmental Funds: FY2007-FY2011 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|
| Type | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | Two Year \$ Change | Two Year % Change | Five Year \$ Change | Five Year % Change |
| Accounts Payable | \$ 6,251,061 | \$ 7,762,608 | \$ 6,528,481 | \$ 10,782,055 | \$ 7,826,864 | \$(2,955,191) | -27.4% | \$ 1,575,803 | 25.2% |
| Accrued Payroll | \$ 1,530,854 | \$ 1,681,730 | \$ 944,387 | \$ 976,782 | \$ 1,720,156 | \$ 743,374 | 76.1% | \$ 189,302 | 12.4% |
| Interfund payable | \$ 19,825,472 | \$ 26,592,896 | \$ 35,697,643 | \$ 8,900,764 | \$ 13,704,578 | \$ 4,803,814 | 54.0% | \$(6,120,894) | -30.9% |
| Intergovernmental Payable | \$ 103,315 | \$ 64,289 | \$ 55,042 | \$ 298,134 | \$ - | \$(298,134) | -100.0% | \$ (103,315) | -100.0% |
| Other liabilities | \$ 378,374 | \$ 378,374 | \$ 493,553 | \$ 557,115 | \$ 780,446 | \$ 223,331 | 40.1% | \$ 402,072 | 106.3% |
| Deposits | \$ 61,526 | \$ 49,830 | \$ 51,167 | \$ 34,561 | \$ 31,398 | \$(3,163) | -9.2% | \$ (30,128) | -49.0% |
| Total | \$ 28,150,602 | \$ 36,529,727 | \$ 43,770,273 | \$ 21,549,411 | \$ 24,063,442 | \$ 2,514,031 | 11.7% | \$(4,087,160) | -14.5% |

Source: Forest Preserve District of Cook County CAFR Governmental Funds Balance Sheets, FY2007-FY2011.

⁸¹ 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

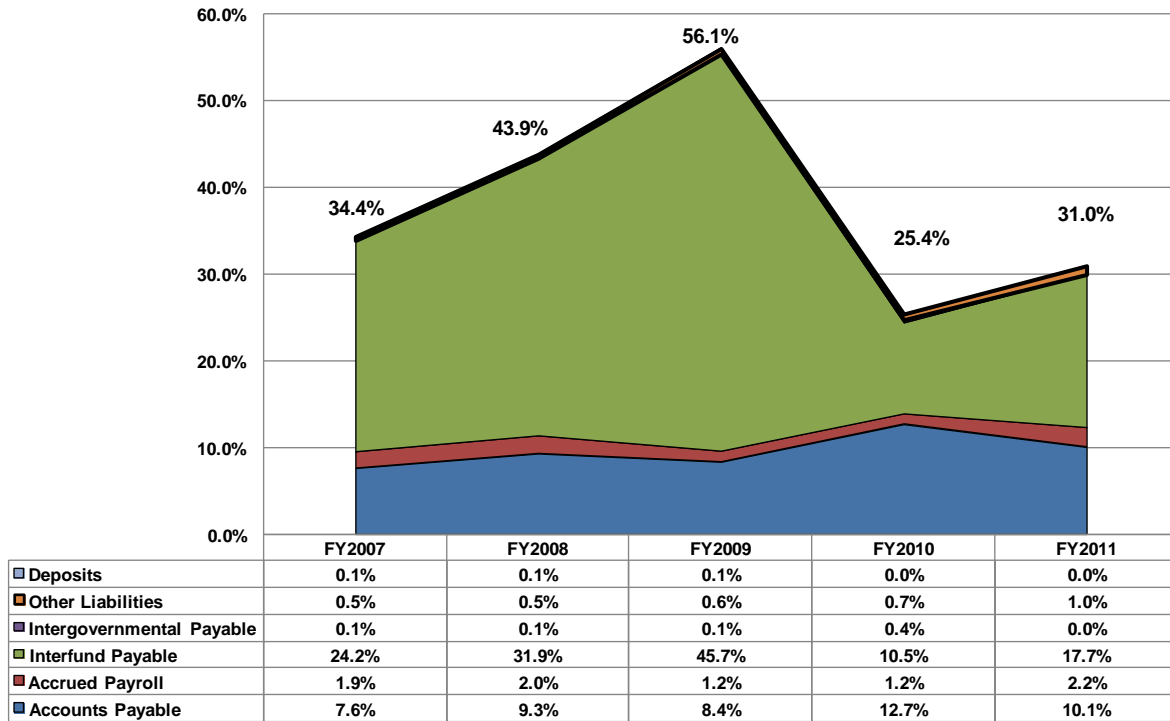
Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.⁸² This indicator, developed by the International City/County Management Association (ICMA), is a measure of 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 34.4% in FY2007 to 56.1% in FY2009 before falling to 25.4% in FY2010 and rising again to 31.0% in FY2011. The average ratio over this five-year period was 38.2%. The decrease over time is positive.

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.⁸³

⁸² 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.

⁸³ See Forest Preserve District of Cook County FY2011 Comprehensive Annual Financial Report, Note 6: Interfund Receivables and Payables, p. 39-40.

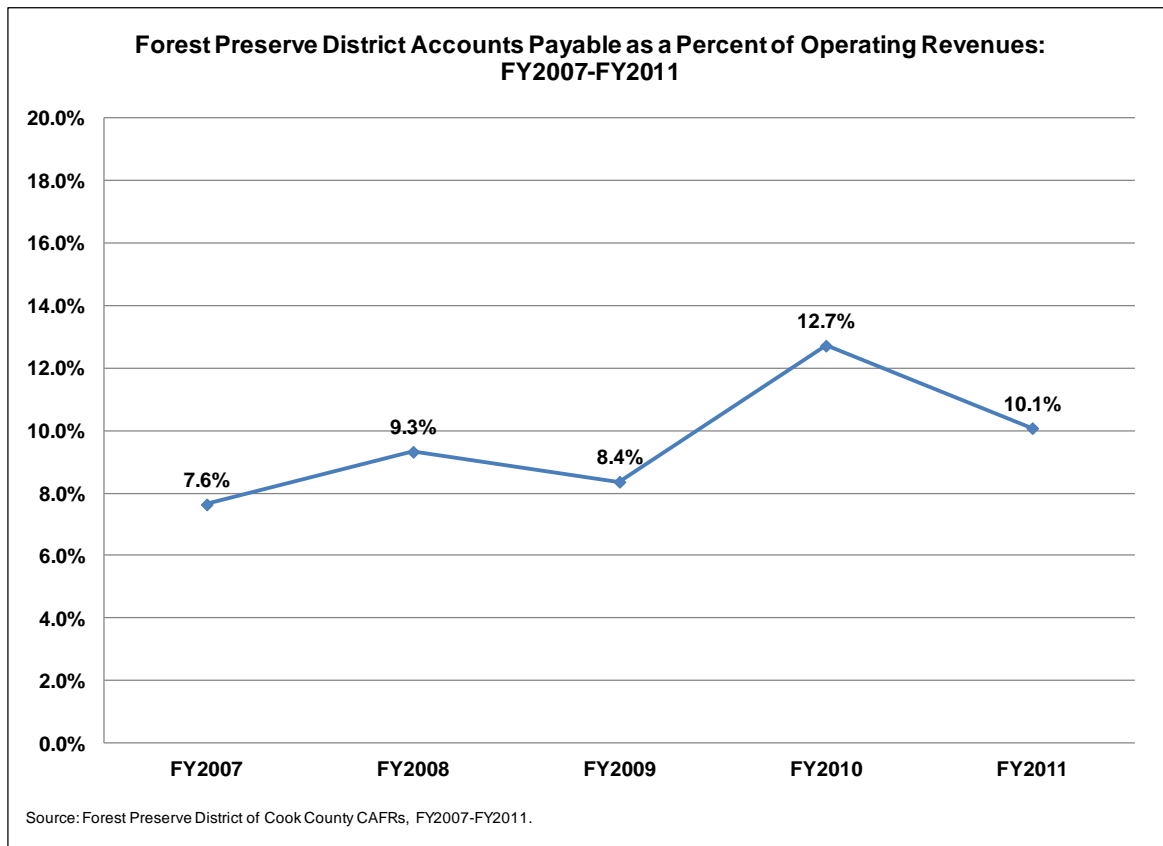
**Forest Preserve District Short-Term Liabilities in the Governmental Funds as a %
of Operating Revenues: FY2007-FY2011**



Source: Forest Preserve District of Cook County CAFRs, FY2007-FY2011.

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 FY2007 and FY2011, the Forest Preserve District’s ratio of accounts payable to operating revenues increased from 7.6% to 10.1%. After increasing steadily from FY2007 to 12.7% in FY2010, the ratio decreased in FY2011 to 10.1%. The average ratio over this five-year period was 9.6%.



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.⁸⁴

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

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

⁸⁴ Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations*. Upper Saddle River, NJ, 2001, p. 476.

The Forest Preserve District's current ratio was 8.0 in FY2011, the most recent year for which data is available. In the past five years, the District's current ratio averaged 6.8, which is above the preferred benchmark of 2.0 and thus demonstrates a healthy level of liquidity. From FY2007 to FY2011, the current ratio increased slightly from 7.0 to 8.0.

| Forest Preserve District Current Ratio in the Governmental Funds: FY2007-FY2011 | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|--------------------|-----------------------|----------------------|------------------------|-----------------------|
| (in \$ thousands) | | | | | | | | | |
| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | Two-Year \$ Change | Two-Year % Change | Five-Year \$ Change | Five-Year % Change |
| Current Assets | | | | | | | | | |
| Cash and cash equivalents | \$ 21,544 | \$ 38,039 | \$ 50,533 | \$ 27,507 | \$ 39,135 | \$ 11,628 | 42.3% | \$ 17,591 | 81.7% |
| Short-term investments | \$105,580 | \$ 60,634 | \$ 62,118 | \$ 77,143 | \$ 72,811 | \$ (4,333) | -5.6% | \$ (32,770) | -31.0% |
| Accrued interest | \$ 523 | \$ 203 | \$ 39 | \$ 16 | \$ 13 | \$ (3) | -16.3% | \$ (510) | -97.4% |
| Property taxes receivable | \$ 65,922 | \$ 66,092 | \$ 65,881 | \$ 70,934 | \$ 64,536 | \$ (6,398) | -9.0% | \$ (1,386) | -2.1% |
| Intergovernmental receivable | \$ 971 | \$ 742 | \$ 802 | \$ 1,066 | \$ 900 | \$ (166) | -15.6% | \$ (71) | -7.3% |
| Grant receivable | \$ 373 | \$ 230 | \$ 205 | \$ 58 | \$ 750 | \$ 692 | 1192.4% | \$ 377 | 101.0% |
| Golf receivable | \$ 1,084 | \$ 977 | \$ 696 | \$ 715 | \$ 809 | \$ 94 | 13.1% | \$ (275) | -25.4% |
| Concession Receivable | \$ 153 | \$ 159 | \$ 102 | \$ 83 | \$ 70 | \$ (13) | -15.4% | \$ (83) | -54.1% |
| Other receivables | \$ 281 | \$ - | \$ - | \$ - | \$ - | \$ - | - | \$ (281) | -100.0% |
| License fee receivable | \$ - | \$ - | \$ - | \$ 496 | \$ 1,391 | \$ 895 | 180.5% | \$ 1,391 | - |
| Interfund receivable | \$ - | \$ 25,978 | \$ 30,772 | \$ 8,700 | \$ 12,504 | \$ 3,804 | 43.7% | \$ 12,504 | - |
| Total Current Assets | \$196,431 | \$193,054 | \$211,148 | \$186,718 | \$ 192,919 | \$ 6,201 | 3.3% | \$ (3,512) | -1.8% |
| Current Liabilities | | | | | | | | | |
| Accounts Payable | \$ 6,251 | \$ 7,762 | \$ 6,528 | \$ 10,782 | \$ 7,826.0 | \$ (2,956) | -27.4% | \$ 1,575 | 25.2% |
| Accrued Payroll | \$ 1,530 | \$ 1,681 | \$ 944 | \$ 976 | \$ 1,720.0 | \$ 744 | 76.2% | \$ 190 | 12.4% |
| Interfund payable | \$ 19,825 | \$ 26,592 | \$ 35,697 | \$ 8,900 | \$ 13,704.0 | \$ 4,804 | 54.0% | \$ (6,121) | -30.9% |
| Intergovernmental Payable | \$ 103 | \$ 64 | \$ 55 | \$ 298 | \$ - | \$ (298) | -100.0% | \$ (103) | -100.0% |
| Other liabilities | \$ 378 | \$ 378 | \$ 493 | \$ 557 | \$ 780.0 | \$ 223 | 40.0% | \$ 402 | 106.3% |
| Deposits | \$ 61 | \$ 49 | \$ 51 | \$ 34 | \$ 31.0 | \$ (3) | -8.8% | \$ (30) | -49.2% |
| Total Current Liabilities | \$ 28,148 | \$ 36,526 | \$ 43,768 | \$ 21,547 | \$ 24,061.0 | \$ 2,514 | 11.7% | \$ (4,087) | -14.5% |
| Current Ratio | 7.0 | 5.3 | 4.8 | 8.7 | 8.0 | | | | |

Source: Forest Preserve District of Cook County CAFRs, Governmental Funds Balance Sheets, FY2007-FY2011.

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, since 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; and⁸⁵

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

Between FY2010 and FY2011, total Forest Preserve District long-term obligations rose by 1.0%, increasing from \$142.1 million to \$143.5 million. Over the five-year period between FY2007 and FY2011, long-term obligations fell slightly by 0.1%, or \$194,216. The largest increase for the five-year period was for net pension/net post employment obligations, which rose by \$27.9 million, or 254.7%.

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 FY2007 and FY2011, long-term general obligation debt for the Forest Preserve District decreased by 21.5%, or roughly \$28.1 million. In the two-year period between FY2010 and FY2011, long-term debt outstanding fell by 6.8%, or \$7.5 million. In this period, debt levels were falling as the District retired its outstanding long-term debt, including the \$35.3 million G.O. Refunding Series A and B bonds issued in 2001 and the \$100 million 2004 G.O. Bond issue.⁸⁶

| Forest Preserve District Long-Term Liabilities: FY2007-FY2011 | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|
| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | Two Year \$ Change | Two Year % Change | Five Year \$ Change | Five Year % Change |
| General Obligation Bond Series 2001 A & B | \$ 27,945,000 | \$ 25,330,000 | \$ 22,620,000 | \$ 19,810,000 | \$ 16,885,000 | \$(2,925,000) | -14.8% | \$(11,060,000) | -39.6% |
| General Obligation Bond Series 2004 | \$ 93,325,000 | \$ 89,775,000 | \$ 86,045,000 | \$ 82,125,000 | \$ 78,000,000 | \$(4,125,000) | -5.0% | \$(15,325,000) | -16.4% |
| Bond Premium and Issuance Costs | \$ 9,643,852 | \$ 9,249,390 | \$ 8,834,651 | \$ 8,398,587 | \$ 7,940,094 | \$(458,493) | -5.5% | \$(1,703,758) | -17.7% |
| Subtotal Long-Term Debt | \$ 130,913,852 | \$ 124,354,390 | \$ 117,499,651 | \$ 110,333,587 | \$ 102,825,094 | \$(7,508,493) | -6.8% | \$(28,088,758) | -21.5% |
| Compensated Absences | \$ 1,656,098 | \$ 1,796,201 | \$ 1,890,488 | \$ 1,828,772 | \$ 1,792,974 | \$(35,798) | -2.0% | \$ 136,876 | 8.3% |
| Provision for Settlement of Tort | \$ 170,000 | \$ 150,000 | \$ - | \$ - | \$ - | - | - | \$(170,000) | - |
| Net Pension/Post Employment Obligations | \$ 10,965,900 | \$ 15,987,613 | \$ 21,310,270 | \$ 29,978,879 | \$ 38,893,566 | \$ 8,914,687 | 29.7% | \$ 27,927,666 | 254.7% |
| Total | \$ 143,705,850 | \$ 142,288,204 | \$ 140,700,409 | \$ 142,141,238 | \$ 143,511,634 | \$ 1,370,396 | 1.0% | \$ (194,216) | -0.1% |

Sources: Forest Preserve District of Cook County CAFRs, FY2007-FY2011.

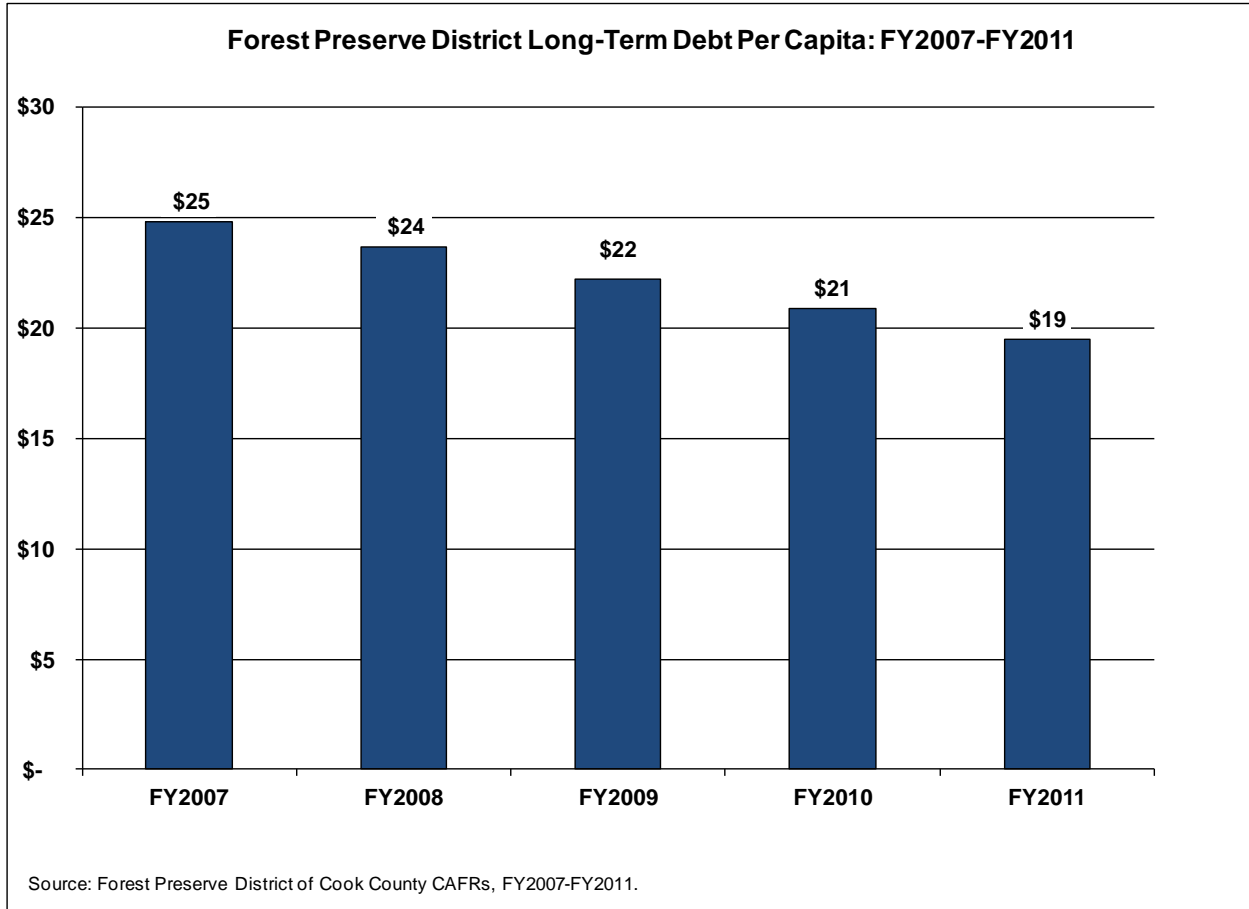
Long-Term Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is direct 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

⁸⁵Governmental 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).

⁸⁶ Forest Preserve District of Cook County FY2012 Executive Budget Recommendation, p. 42.

potential sign of growing financial risk. The District's long-term debt burden decreased by 21.5% between FY2007 and FY2011, falling from \$25 to \$19 per capita.



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 rating agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high by the rating agencies.⁸⁷

⁸⁷ 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.

Forest Preserve District debt service appropriations in the proposed budget for FY2013 will constitute 7.8% of the District's total of nearly \$190.3 million in total appropriations. The District will spend \$14.9 million for debt service this year. 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 2012.⁸⁸ Since FY2009 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: FY2009-FY2013 | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013* |
| Debt Service Appropriations | \$ 13,302,237 | \$ 12,008,168 | \$ 12,009,596 | \$ 12,001,306 | \$ 14,885,323 |
| Total Appropriations | \$ 193,225,871 | \$ 198,228,262 | \$ 197,546,604 | \$ 194,982,844 | \$ 190,275,871 |
| Debt Service as a % of Total Appropriations | 6.9% | 6.1% | 6.1% | 6.2% | 7.8% |

* Net of a Bond and Interest property tax levy abatement of \$4,996,350.

Source: Forest Preserve District of Cook County Budget Recommendations, FY2009-FY2013, Comparative Appropriation Summaries.

Bond Ratings

The Forest Preserve District has the following credit ratings as of November 1, 2012:

| Forest Preserve District of Cook County Bond Ratings | |
|---|-----|
| Standard & Poor's | AA |
| Moody's | Aa2 |
| Fitch | AA |

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

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.⁸⁹

⁸⁸ Forest Preserve District of Cook County FY2013 Executive Budget Recommendation, p. 7.

⁸⁹ Forest Preserve District of Cook County, "Forest Preserve District Secures Historically Low Interest Rate on Bond Sale," press release, June 14, 2012.

FY2012-FY2016 Capital Plan

The Forest Preserve District published a Final FY2012-FY2016 Capital Improvement Plan (CIP) in January 2012. Its FY2013 budget includes additional information about capital expenditures. The District proposes \$134.3 million in projects over that five-year period. The CIP provides information on capital projects for FY2012-FY2016 by location, category and timing. Opportunities were provided for public input on the CIP at six different County locations. Additional meetings were held with stakeholders and advocates in August 2011 and public comments have been posted on the District website.

| Forest Preserve District Capital Improvement Plan: FY2012-FY2016 | |
|---|-----------------------|
| FY2012 | \$ 33,418,540 |
| FY2013 | \$ 36,616,624 |
| FY2014 | \$ 21,391,000 |
| FY2015 | \$ 34,142,000 |
| FY2016 | \$ 8,770,000 |
| Total | \$ 134,338,164 |

Source: Forest Preserve District of Cook County FY2012-FY2016 Capital Improvement Plan, p. 27.

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.

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.⁹⁰ Plan benefits and contribution amounts can only be amended through state legislation.⁹¹

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 FY2011 the fund had 408 active employees and 520 beneficiaries for a ratio of 0.78 active members for every beneficiary. This ratio fell from 1.52 in FY2002 as the number of active members declined by 33.6% and the number of beneficiaries rose by 28.4%. Such a trend puts

⁹⁰ Forest Preserve District Employees' Annuity and Benefit Fund, Financial Statements as of December 31, 2011, p. 7.

⁹¹ 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.

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-FY2011 | | | |
|--|-------------------------|----------------------|---------------------------------------|
| 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 |
| Ten-Year Change | -206 | 115 | -0.7 |
| Ten-Year % Change | -33.6% | 28.4% | -48.2% |

Source: Forest Preserve District Employees' Annuity and Benefit Fund, Financial Statements, FY2002-FY2011.

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.

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, 2011; 40 ILCS 5/9; Comprehensive Annual Financial Report for the Year Ending December 31, 2011; 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, 2005.⁹² 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.⁹³ The pension fund currently subsidizes roughly 55% of retiree premiums

⁹² 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.

⁹³ 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.

(including dependent coverage) and 70% of surviving spouse premiums (including dependent coverage). The remaining premium amount is paid by the participant.⁹⁴ 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 FY2011 there were 279 retiree and surviving spouse participants whose health plan costs were subsidized by the pension fund. This is a decrease from 291 participants in FY2007.

| Forest Preserve District Pension Fund Retiree Health Plan Participants: FY2007-FY2011 | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |
| Retiree and Surviving Spouse Participants | 291 | 279 | 282 | 275 | 279 |

Source: Forest Preserve District Employees' Annuity and Benefit Fund, Financial Statements, FY2007, p. 16; FY2008, p. 17 and FY2011, p. 17.

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.⁹⁵

The actuarial accrued liability for District retiree healthcare benefits was \$40.4 million in FY2011, down from \$43.1 million in FY2010. 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 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.

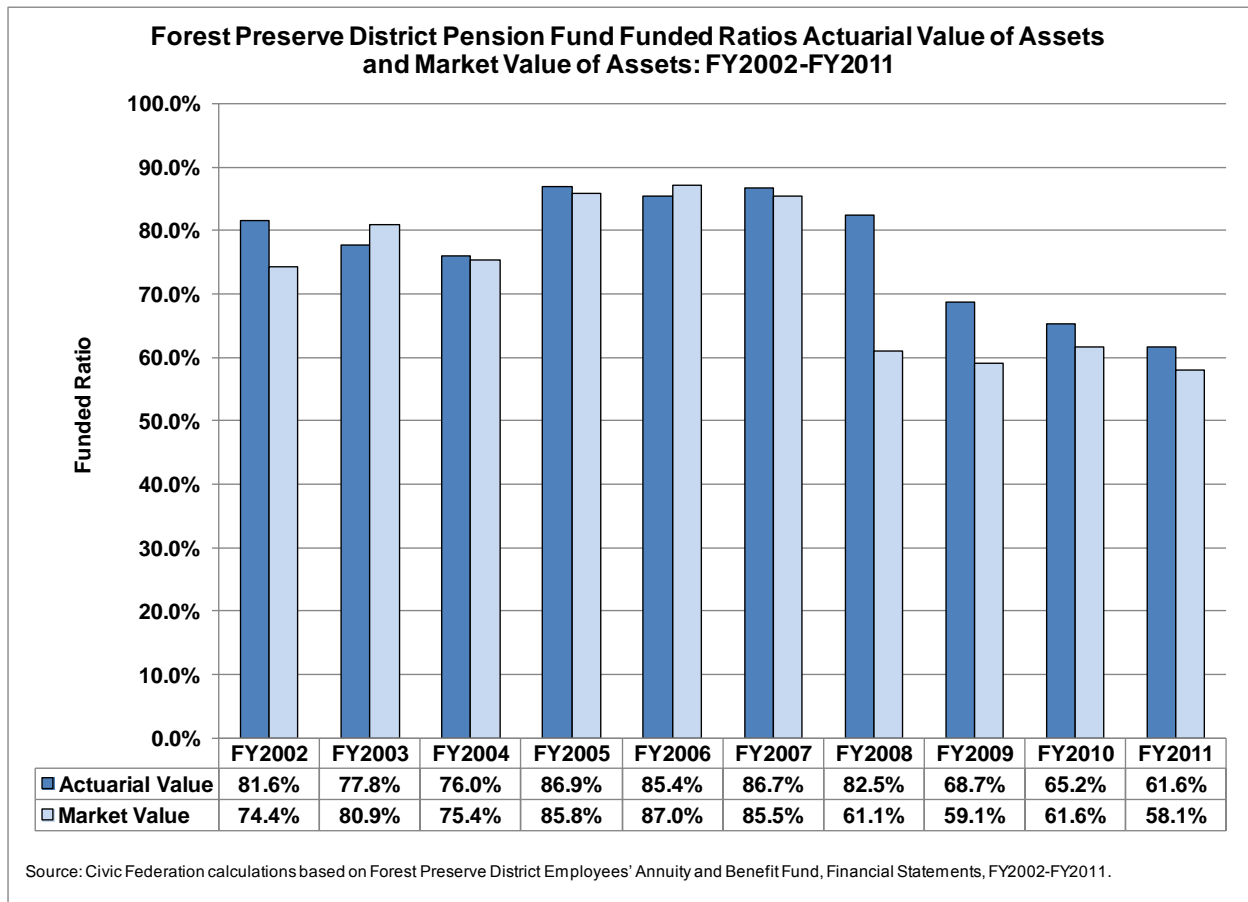
The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.⁹⁶ The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments 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.

⁹⁴ Forest Preserve District Employees' Annuity and Benefit Fund, Financial Statements as of December 31, 2011, p. 17 and Forest Preserve District Comprehensive Annual Financial Report for the Year Ended December 31, 2010, p. 51.

⁹⁵ Forest Preserve District of Cook County Comprehensive Annual Financial Report for the Year Ended December 31, 2011, p. 51.

⁹⁶ For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding Fiscal Year 2010*, June 25, 2012.

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 81.6% in FY2002 to 76.0% in FY2004 before rising to 86.9% in FY2005 and then falling to 61.6% in FY2011. The market value funded ratio rose from 74.4% in FY2002 to a high of 87.0% in FY2006 before falling to 58.1% in FY2011. 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 changed actuaries. The new actuary used a different method for smoothing asset value than the previous actuary.⁹⁷ These changes resulted in a decrease of \$34.4 million in unfunded liabilities for the Forest Preserve District.⁹⁸ 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

⁹⁷ 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.

⁹⁸ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County: Financial Statements as of December 31, 2005, p. 3a.

assumptions based on Fund experience.⁹⁹ This increased the Fund's total actuarial liability by \$24.7 million.¹⁰⁰ 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. Unfunded liability for the Forest Preserve District pension fund totaled \$111.2 million in FY2011, up from \$39.1 million in FY2002.

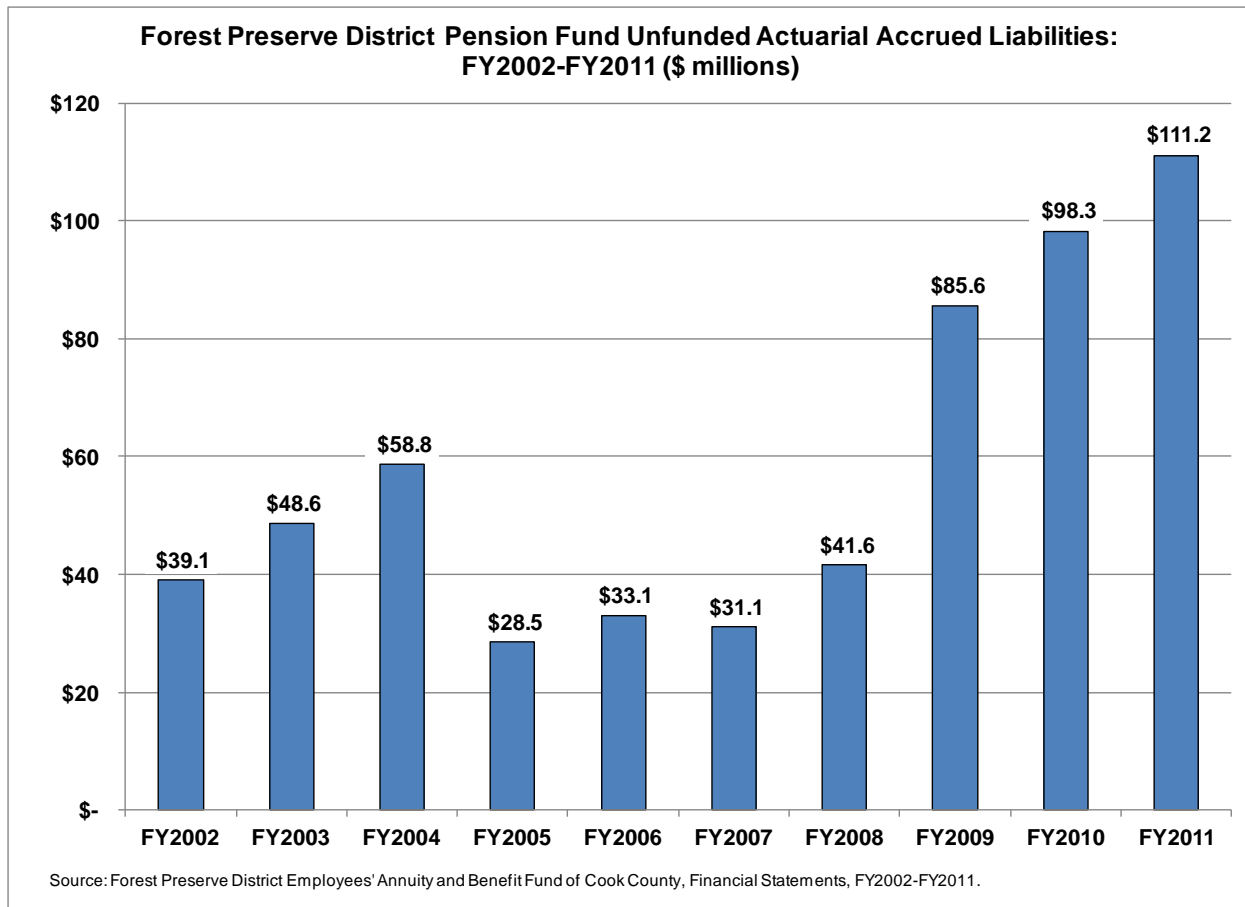
There have been considerable increases and decreases in unfunded liabilities over the ten-year period. The largest contributor to the \$82.7 million growth in unfunded liabilities between the beginning of FY2006 and the end of FY2011 was investment returns failing to meet the 7.5% expected rate of return.¹⁰¹ This added \$48.3 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 \$29.2 million to the UAAL over five years, followed closely by the change in actuarial assumptions in FY2009, which added \$24.7 million.¹⁰²

⁹⁹ 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.

¹⁰⁰ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 13.

¹⁰¹ 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 2010*, June 25, 2012.

¹⁰² 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.

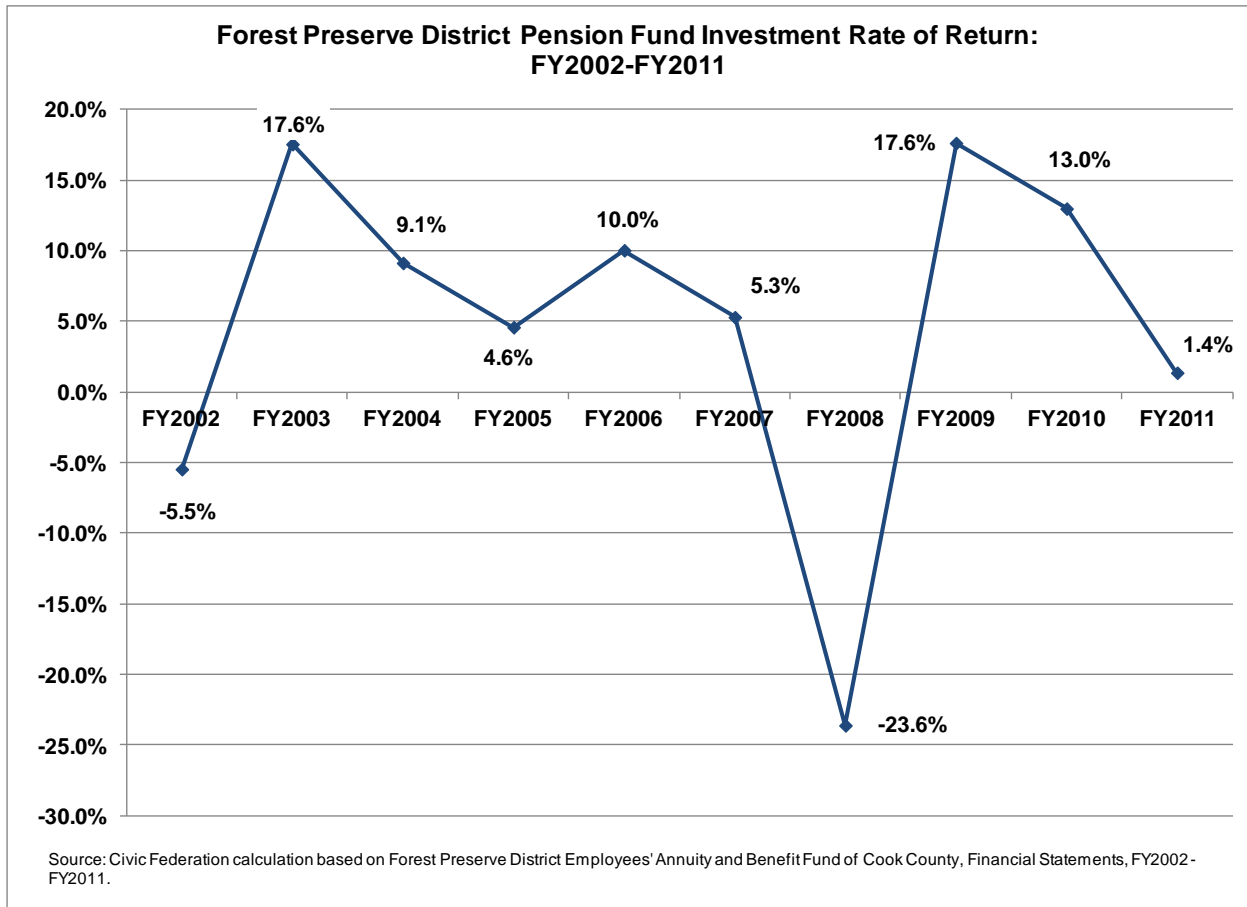


Investment Rates of Return

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 FY2011 the pension fund average annual rate of return was 5.0%.¹⁰³ Returns ranged from highs of 17.6% in FY2003 and FY2009 to a low of -23.6% in FY2008. In FY2011 returns of 1.4% reflected national public pension fund trends of low returns.¹⁰⁴

¹⁰³ The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income/ (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets – Current Year Gross Investment Income)). This is not necessarily the formula used by the pension fund’s actuary and investment managers, thus investment rates of return reported here may differ from those reported in a fund’s actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.

¹⁰⁴ National Association of State Retirement Administrators, “NASRA Issue Brief: Public Pension Plan Investment Return Assumptions.” August 2012. According to this report, the median annualized investment returns for U.S. public pension funds in 2011 was 0.8%.



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 not more than 30 years.¹⁰⁵ 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).¹⁰⁶ The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

¹⁰⁵ 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 in 2013 and 2014. No substitute measure of a government's annual pension funding adequacy has been proposed.

¹⁰⁶ 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.

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.¹⁰⁷ 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.¹⁰⁸ 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.

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 did not equal 100% of the ARC in any of the years FY2002 through FY2011. In FY2002 the \$4.0 million employer contribution represented 77.3% of the ARC, meaning that \$1.2 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.¹⁰⁹ In FY2011 the \$3.4 million employer contribution represented only 30.4% of the ARC for the “combined” valuation of pension and OPEB, for a shortfall of \$7.7 million that year. The cumulative ten-year difference between ARC and actual employer contribution for “combined” pension and OPEB is a nearly \$45.0 million

¹⁰⁷ 40 ILCS 5/10-107.

¹⁰⁸ Information provided by Daniel Degnan, Executive Director, Cook County Employees’ and Officers’ Annuity and Benefit Fund of Cook County, February 14, 2011.

shortfall. In 2011 the combined ARC for pension and OPEB was \$11.1 million, or over three times the actual employer contribution of only \$3.4 million.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2002 the ARC was 20.0% of payroll while the actual employer contribution was 15.5% of payroll. In FY2011 the “combined” pension and OPEB ARC was 49.0% of payroll, while the actual employer contribution was 14.9% of payroll.

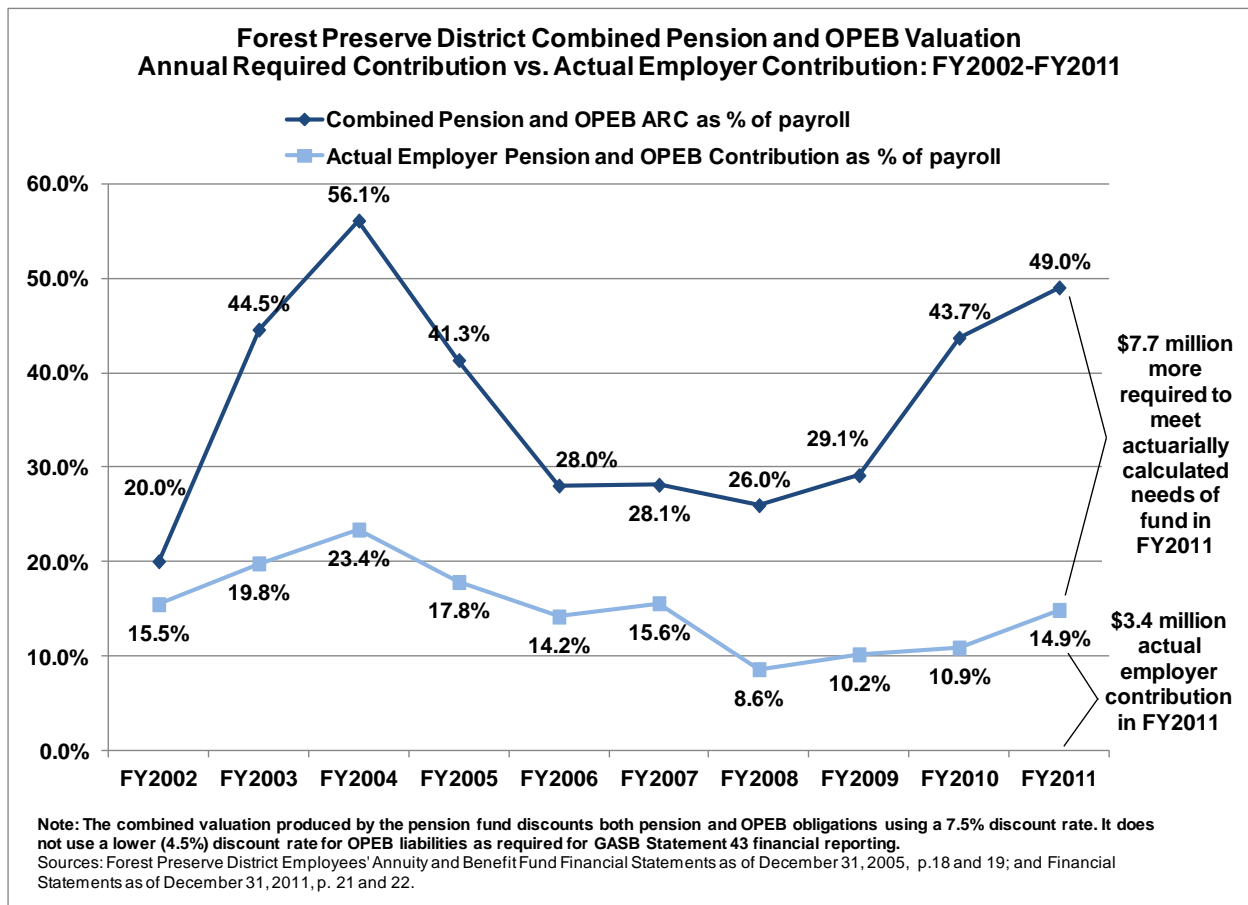
| Forest Preserve District Pension Fund Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation FY2002-FY2011 | | | | | | | |
|--|---|----------------------------------|-----------------|----------------------|---------------|---------------------|--|
| Fiscal Year | Employer Annual Required Contribution (1) | Actual Employer Contribution (2) | Shortfall (1-2) | % of ARC contributed | Payroll | ARC as % of payroll | Actual Employer Contribution as % of payroll |
| 2002 | \$ 5,165,491 | \$ 3,993,607 | \$ 1,171,884 | 77.3% | \$ 25,781,400 | 20.0% | 15.5% |
| 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 | \$ 11,110,044 | \$ 3,375,487 | \$ 7,734,557 | 30.4% | \$ 22,678,566 | 49.0% | 14.9% |

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.

Sources: Forest Preserve District Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2006, pp. 18 and 19; and Financial Statements as of December 31, 2011, p. 14-15.

¹⁰⁹ 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 4.5% of payroll, or \$1.2 million, in FY2002 to 34.1% of payroll in FY2011. 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 34.1% of payroll, or \$7.7 million, in FY2011.



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 FY2011, the District would need to levy property taxes equal to a tax multiple of 5.22 rather than 1.30.¹¹⁰

¹¹⁰ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2011, p. 17-18.