



**DUPAGE BUDGET OK IN SHORT-TERM BUT MUST MODERNIZE**  
*Reform and Rationalization Necessary to Avoid Continual Tax Increases*

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The Civic Federation announced its **support** for the \$469.5 million proposed FY2007 DuPage County preliminary budget on Monday, citing a combination of prudent fiscal management and spending cuts.

The Federation recognized the County for working to curb spending by proposing a 2.8% reduction in spending over the previous year and a 25.7% reduction since FY2003. "The Civic Federation commends Chairman Schillerstrom for his efforts to cut and control spending by DuPage County government over time," said Laurence Msall, president of the Civic Federation. The Federation urged support for the Chairman's request that the elected officials reduce their budgets by 9.9%, a reasonable request that unfortunately has gone unheeded in years past. The Federation firmly believes that the burden of budget cuts should not rest solely on those departments controlled by the Chairman. The Federation expressed disappointment, however, that the budget contained the maximum property tax increase allowed under the tax cap law for the second consecutive year.

The Federation was also disappointed by the lack of transparency in the budget document, which makes meaningful public input and understanding extremely difficult. The Civic Federation also recommends that the Chairman release a final executive budget rather than a tentative and incomplete financial plan that may change substantially during negotiations between elected officials and the Chairman. "A more user-friendly budget document would both raise the quality and relevance of public commentary and demonstrate to County residents that their government takes public input seriously," said Msall.

In looking at DuPage County's longer term financial health, the Federation found that the County faces a number of serious financial challenges common to mature, urban counties. These include a stagnant, narrow revenue base and new and growing expenses due to demographic changes. The County's outdated government structure hinders progress in overcoming these fiscal challenges. Without serious reform, the financial pressures will require continuous property tax increases for the foreseeable future and an expanding burden on taxpayers. The Civic Federation's analysis included a number of key recommendations for reform that would improve the efficiency and accountability of County operations:

- 1) Consolidate DuPage County government and the County Health Department into a single unified legal entity that would allow the County to streamline service delivery and introduce greater efficiencies and accountability into government and Health Department operations.
- 2) Look into alternative options for operating the Convalescent Center, including privatization. If efficient and modern business practices are not implemented, the County's current financial structure will not be able to absorb the continual growth in expenses the Center will incur.
- 3) Reduce the number of elected officials in County government to help ameliorate the problem of fragmentation of authority, which leads to costly duplication of functions and a lack of coordination among departments and agencies. Excessive numbers of elected officials makes it difficult for the public to determine which official is responsible for governmental actions and therefore to hold appropriate officials accountable for service quality and demands for tax increases.

"Changes to the structure of the DuPage County government will not come without challenges," said Msall, "but continuing on the path of divided authority and inefficient government is no longer sustainable or fiscally responsible."

\* Executive Committee

☼ Past Chairmen's Council

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*The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.*



**DUPAGE COUNTY  
FY2007 PROPOSED BUDGET  
Analysis and Recommendations**

**Prepared By  
The Civic Federation**

**November 20, 2006**

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## EXECUTIVE SUMMARY

The Civic Federation **supports** this \$469.5 million budget, which reduces spending by 2.8% from FY2006. We commend Chairman Schillerstrom for his successful efforts over time to cut and control spending by the DuPage County government. Unlike many other local governments, DuPage County has a tradition of focusing on cost reduction **before** seeking revenue increases. Under the current administration's leadership, the County government has cut spending, reduced headcount, and drawn down an excessive Corporate Fund balance to a more reasonable level. Until last year, the property tax levy had been held constant for ten years.

As part of his efforts to contain spending in FY2007, the Chairman reasonably requested that the County's numerous elected officials reduce their budgets by 9.9%.<sup>1</sup> In the past, the elected officials have failed to do their part to rein in spending. The Civic Federation believes that the burden of budget cuts cannot and should not rest solely on those departments controlled by the Chairman. The elected officials must do their part as well. The County should represent a unified government, not a series of independent fiefdoms.

The Civic Federation is disappointed that DuPage County will raise property taxes to the maximum amount allowed under the tax cap law for the second consecutive year. The Civic Federation acknowledges that the County currently faces a number of serious financial challenges, including stagnant Corporate Fund revenues, the loss of a \$15 million annual transfer from the DuPage Water Commission, and continued spending pressures. But unless the County modernizes the structure of its government and diversifies its revenue base, DuPage will be compelled to make maximum property tax increases for the foreseeable future. Without systemic change, DuPage County homeowners and businesses will face an ever-growing property tax burden.

DuPage County is now a mature, urban county facing many of the demographic pressures and expenses of other urban counties. Unfortunately, the County's governmental structure is antiquated, better suited for the 19<sup>th</sup> century than the 21<sup>st</sup>. The Civic Federation believes that DuPage County needs to modernize its governmental structures in order to meet its growing challenges. The modernization and rationalization of disparate government functions will bring opportunities for greater efficiency and accountability into County operations. The County should seriously consider reforms such as:

- Consolidating DuPage County government and the DuPage County Health Department into a single unified legal entity. Consolidating these functions would allow the County to streamline service delivery, better utilize resources, and introduce greater efficiencies into government operations. Consolidation would also guarantee greater accountability for taxpayers by putting the Health Department under the direct responsibility of elected County officials rather than dispersing responsibility amongst appointed or non-county officials.
- Privatizing the operations of the DuPage County Convalescent Center.

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<sup>1</sup> The Civic Federation has used the list of elected officials provided on the DuPage County website ([http://www.dupageco.org/generic.cfm?doc\\_id=1578](http://www.dupageco.org/generic.cfm?doc_id=1578)) in order to determine which departments and programs should be included in the calculation of this figure. The complete list of departments and programs used in this calculation is available on page 16 of this analysis.

- Reduce the number of elected officials in County government to help ameliorate the problem of fragmentation of authority, which leads to costly duplication of functions and a lack of coordination among departments and agencies. The offices of Auditor and Coroner should be made into appointed positions, and the County should consider merging the Offices of Clerk and Recorder of Deeds. The County should also establish a new, independent Office of Auditor General to conduct program and financial audits of Cook County programs on a regular basis. The Auditor General would be chosen by the County Board Chairman and confirmed by the Board of Commissioners for a term longer than the Board's 4-year term. Finally, the County should evaluate the possibility of abolishing other elected offices and replacing them if necessary with positions appointed by the County Board Chairman with the advice and consent of the County Board of Commissioners.

The Civic Federation believes that it is not important which government delivers a service, but how efficiently and effectively government as a whole fulfills its promises to taxpayers. DuPage County government has amply demonstrated its ability to manage County resources in a responsible and efficient manner, and we believe that County taxpayers and residents would be well served in the long term by a change in how the County operates.

### **Process Reform Recommendations**

- DuPage County should substantially improve the transparency of its budget to make it a more user-friendly document. The improved budget document should provide information by department, not just by fund, and should give complete information about personnel numbers and costs.
- DuPage County should release a final executive budget rather than a tentative and incomplete financial plan that may change substantially during negotiations between elected officials and the Chairman.
- The County should develop and utilize a performance measurement system to help evaluate the efficiency and effectiveness of programs.
- The County should complete its strategic planning process as soon as possible. Completing and implementing a strategic plan is critical if the County is to face its daunting fiscal problems rationally.
- The County must develop a long term financial plan. Developing such a plan and incorporating input from elected officials, departmental staff, and citizens would help the County devise comprehensive and rational strategies for addressing its long-term fiscal problems.

### **FY2007 Budget Highlights**

- The FY2007 Chairman's Recommended budget of \$469.5 million represents a decrease of \$13.3 million, or 2.8%, from the FY2006 appropriation of \$482.8 million.
- Corporate Fund appropriations will decrease to \$137.4 million, down \$3.2 million or 2.3% from last year's \$140.6 million. That decrease includes a \$2.0 million cut in the subsidy provided to the Health Department out of the Corporate Fund. Overall the FY2007 Financial Plan proposes significant cuts to 65.1% of the departments and programs funded through the Corporate Fund.

- The total DuPage County property tax levy, including the Health Department levy, is expected to increase to \$64.2 million, up \$2.0 million, or 3.2%, over last year's levy of \$62.2 million. This represents the maximum increase allowed under the State's tax cap law.
- In FY2007, 33.9% of the total property tax levy will go to the Corporate Fund. The Health Department will receive 27.9%, the Stormwater Fund 13.2%, Social Security 5.4%, and Tort Liability 4.7%. Youth Home and Courthouse Bond Debt Service will receive 3.0% and 4.0% respectively.
- In FY2005, the last year for which long-term debt figures are available, DuPage County's total long-term debt had diminished by \$28.2 million or 12.4% since FY2001. For all governments whose boundaries wholly or partially overlap with DuPage (not including DuPage County itself), their aggregate long term debt rose by \$4.8 billion or 92.1% over the same five-year period.

## OVERVIEW

The Civic Federation **supports** this budget. The Civic Federation **commends** Chairman Schillerstrom for his successful efforts over time to cut and control spending by DuPage County government. Unlike many other local governments, DuPage County has a tradition of focusing on cost reduction **before** seeking increased revenues.

Chairman Schillerstrom and his financial team have an established track record of prudent financial management. Over time, the County Government has cut spending, reduced headcount, and drawn down its excessive Corporate Fund balance to a more reasonable level. Until last year, the property tax levy was held constant for ten years.

The Civic Federation is disappointed that, despite the success of Chairman Schillerstrom's spending reductions, DuPage County will raise property taxes to the maximum amount allowed under the tax cap law for the second consecutive year. We urge the County to move quickly to modernize its functions and diversify its revenue base. Failure to do so will guarantee maximum property tax increases for the foreseeable future and an ever-growing property tax burden on DuPage County homeowners and businesses.

The DuPage County government's proposed FY2007 appropriation totals \$469.5 million. Since FY2003, the County will have cut spending by 25.7%, reducing appropriations from \$631.7 million. The total proposed appropriation for FY2007 is a reduction of 2.8% from the FY2006 proposal. As part of his cost stabilization efforts, the Chairman will not offer County employees any cost of living increase this year. He will only offer them a 2.5% merit salary increases in June 2007.<sup>2</sup>

Some of the budget reductions being sought this year are meant to anticipate the loss in FY2008 of a \$15 million per year intergovernmental transfer from the DuPage Water Commission. In accordance with Public Act 93-0226, the County will have received these transfers for five years, beginning in FY2003 and ending in FY2007. The County's anticipatory actions to curtail expenditures make good fiscal sense.

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<sup>2</sup> Robert J. Schillerstrom (Board Chairman, DuPage County), FY2007 budget presentation statement, 4.

In his FY2007 budget, the Chairman has reasonably requested that the County's numerous elected officials reduce their FY2007 budgets by 9.9%. In the past, however, DuPage's elected officials have failed to do their part to rein in spending. In FY2006, the administration recommended that \$79.6 million be allocated for departments and programs overseen by DuPage County elected officials. After negotiations with the elected officials, the allocation finally adopted for their departments and programs was \$2.1 million or 2.6% more than the Chairman had recommended. Compared to the County's FY2003 recommended budget, Chairman Schillerstrom has recommended a budget in FY2007 that would **cut** appropriations to elected officials' budgets by 8.1%; the elected officials, however, requested budget appropriations that represent a 3.2% **increase** over the appropriations recommended five years prior, in FY2003. The elected officials and the Chairman, who together with the Board of Commissioners has responsibility for the entire government, are working at cross purposes.

*The Civic Federation believes that the burden of budget cuts cannot and should not rest solely on the departments controlled by the Chairman. The elected officials must do their part as well. The County should represent a unified government, not a series of independent fiefdoms.*

## **DuPage County Faces Critical Fiscal Challenges**

DuPage County faces critical long-term financial challenges that require long-term solutions. Clearly, DuPage officials must take a hard look at operations and revenues as they outline future priorities and plan how to pay for them. Several of the challenges facing DuPage are listed below.

### Flat or Stagnant Corporate Fund Revenues

DuPage County Corporate Fund revenues, which are used to pay for general operations and programs, continue to be relatively stagnant. All Corporate Fund revenues will grow by only 1.5% or \$2.1 million in FY2007, rising from \$140.6 million to \$142.7 million. Since FY2005, Corporate Fund revenues have risen by only a modest 5.8%, up from \$134.8 million to \$142.7 million.

Fee revenues in FY2007 will decline by 2.2%, falling from \$33.3 million to \$32.6 million, and fee revenues since FY2005 have dropped by 2.9%. This continuing trend of stagnant fee revenues may suggest the need to revise the County's fee structure.

### Loss of DuPage Water Commission Intergovernmental Transfers

DuPage County won legislative approval to receive an annual intergovernmental funds transfer of \$15 million for five years (FY2003 to FY2007) from the cash-rich DuPage Water Commission. These transfers expire in FY2008. The County has used some of the Water Commission revenues for operating expenses. In effect it has used revenues received on a short-term basis to pay for expenses that will continue indefinitely. This is not sound fiscal policy. However, in the FY2007 budget the County is reducing spending in anticipation of the end of this revenue source. This is a prudent policy decision.



### Increasing Property Taxes to the Maximum

As a result of stagnant revenue growth, the County will turn to a maximum property tax increase this year as it did last year, and as it will probably do again next year. In FY2007, the County's projected property tax levy (excluding the separate Health Department levy) is projected to rise by \$2.0 million to a total of \$46.3 million. This 4.5% increase is the maximum amount allowed under the tax cap law. *County revenues that, overall, are flat or decreasing over time will translate directly into an ever-expanding property tax burden for DuPage County homeowners and businesses.*

### Continued Spending Pressures

DuPage County is experiencing dramatic demographic change. By 2020, 15% of the population will be over 65, up from 10% today. This will undoubtedly contribute to greater utilization of the County Convalescent Center and County health services. The number of immigrants living in DuPage County is surging, with new immigrants accounting for 15% of the total population. Over 56,000 DuPage County residents live at or near the poverty level, up from 34, 241 in 2000.<sup>3</sup> All of these factors will place fiscal and service delivery strains on the County's social service network.

### **DuPage Must Modernize its Government**

DuPage County is now a mature urban county facing many of the demographic pressures and expenses of other urban counties. Unfortunately, the County's governmental structure is antiquated and better suited for the 19<sup>th</sup> century than the 21<sup>st</sup>. Its revenue base is very narrow, which will put considerable pressure on the County President to levy maximum property tax increases for many years to come. The Civic Federation believes the time has come for DuPage County to re-think and modernize its government so that County resources can be used as effectively as possible. Modernization and rationalization of government functions will bring considerable opportunities for greater efficiency to County operations.

### Consolidate Government Functions

Major governmental functions in DuPage County are scattered among a variety of legal entities.

The **DuPage County government**, with a proposed budget of \$470 million in FY2007, provides key public services like public safety, transportation, and human services. It is governed by a Chairman elected countywide and an 18-member Board of Commissioners. The executive function is divided between the Chairman and numerous countywide elected officials.

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<sup>3</sup> Schillerstrom, FY2007 budget presentation statement, 4; and *Illinois 2004 Statistical Abstract*, <http://www.igpa.uiuc.edu/Abstract/Population/index.htm>.

The **DuPage County Health Department** has a separate governance structure, overseen by an 11-member Board of Directors appointed by the County Board Chair.<sup>4</sup> The County Board of Commissioners makes appropriations for the Health Department Fund, while the County Board Chair has the power to veto or reduce line items in the Department's appropriation ordinance.<sup>5</sup> In FY2006 the Health Department budget was \$53.8 million.

The division of these major DuPage County services among separate legal entities is inefficient. Consolidating the County government and the Health Department would allow the County to streamline service delivery and introduce greater efficiencies into government operations. Consolidation would also guarantee greater accountability for taxpayers. Rather than the unelected Health Department Board, the elected Chairman and County Board would be directly responsible for how well services are delivered and how resources are used.

The Civic Federation believes that it is not important which government delivers a service, but how efficiently and effectively government as a whole fulfills its promises to taxpayers. Chairman Schillerstrom and his financial team have amply demonstrated their ability to manage County resources in a responsible and efficient manner. Therefore, *the Civic Federation recommends that the County government and the DuPage County Health Department be merged into a single unified government under the authority of the County Board Chairman and the Board of Commissioners.*

As part of its modernization efforts, the County should also explore the possibility of bringing the DuPage Water Commission under the authority of the County President and Board. The incorporation of the Water Commission into the County Government may provide additional opportunities for increased efficiency and help to diversify the County's revenue base.

We recognize that making significant changes to the structure of DuPage government would be challenging. Implementing these modernizing reforms would require legislative approval or alternatively a referendum. However, continuing on the current path of divided authority and inefficient government is no longer sustainable given the County's revenue and operational constraints.

#### Consider Privatization of Convalescent Center

The DuPage County Convalescent Center provides long term care and rehabilitative services for County residents. The proposed FY2007 budget for the Center is \$29.5 million. Of that amount, 71% or \$20.9 million is earmarked for personnel related expenses. The FY2007 proposal is a \$2.1 million reduction from the FY2006 budget and a 10% reduction from the Center's original budget request.<sup>6</sup>

Operating the Convalescent Center is a DuPage County government policy and program priority. Given the County's precarious financial situation, however, if modern and efficient business

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<sup>4</sup> The DuPage County Health Department was established through a referendum vote in November of 1944 and began operations in the old courthouse in Wheaton in March of 1945. See [www.dupagehealth.org](http://www.dupagehealth.org).

<sup>5</sup> See 55 ILCS 5/5-25010.

<sup>6</sup> FY2007 DuPage County Financial Plan, 228-230.

practices are not implemented, the County's current financial structure will not be able to absorb the continual growth in expenses that the Center will incur. The Civic Federation thinks it is a good time to consider alternative options for operating the Convalescent Center, including the privatization of its operations and management.

Privatization involves either the long-term concession to operate a facility or program to one or more third parties from the private or nonprofit sector, or the transfer of the ownership or leasehold interest for a defined period of time to such a party or parties. Possible privatization structures to be evaluated should include sale of a long-term concession for operation of the Convalescent Center or the privatization of all non-medical operations, including finance, facilities, and purchasing.

Alternative service delivery or privatization is **not** a panacea for a government's financial problems. Transferring responsibility for service delivery to a private firm or nonprofit organization can be beneficial only if there is a marketplace of competitive, qualified vendors or service providers and strong, sustained management oversight by the government. Governments must establish a mechanism to monitor and evaluate cost saving and efficiency benefits produced by any alternative service or privatization efforts. These efforts should include the public reporting of efficiencies and/or savings achieved.

However, privatization often achieves cost savings and increases in the efficiency of government operations. *The Civic Federation believes that DuPage County should seriously consider this option for the Convalescent Center and other government functions.*

#### Reduce the Number of Elected Officials

DuPage County government is plagued by an excessive fragmentation of authority. An inordinate number of officials is elected by the voters, including the Chairman of the County Board of Commissioners, eighteen members of the Board of Commissioners, the Clerk of the Circuit Court, the Auditor, the Clerk, the Treasurer, the Coroner, the Recorder, the State's Attorney and the Sheriff. Services are delivered by numerous different departments and offices; it is difficult, in fact, to provide an accurate tally of these departments because of the fragmented, fund-based organization of the budget.

There are two consequences that follow from DuPage County's diffuse governmental structure. The first is inefficiency, with its attendant cost implications, because of a duplication of functions and activities and a lack of coordination among departments and agencies. The second is a lack of accountability by government officials to the general public. The government's fragmentation often makes it extremely difficult for the public to pinpoint responsibility for the County's actions. Confusion in the public mind over which official is responsible for a particular program makes it easier for officials who are not functioning adequately to escape public notice.

The Civic Federation proposes the following changes:

- Abolish the elected position of Coroner, replacing it with an Office of the Medical Examiner headed by an official appointed by the DuPage County Board Chairman.

- Consider the consolidation of the Clerk and Recorder of Deeds offices. In Illinois counties with a population of under 60,000, the county clerk is also the recorder. This is also the case in many counties across the nation.
- Change the current elected Auditor's office into a position appointed by the County Board Chair. The appointed Auditor would continue to perform the office's current functions. In addition, DuPage County should establish a new independent **Office of the Auditor General** that would be charged with conducting program and financial audits of all County programs on a regular basis.<sup>7</sup> More specifically, the office would be charged with reviewing the obligation, expenditure, receipt and use of public funds. The Auditor General's tasks would include reviewing department's financial records, their compliance with state and federal regulations, and program performance after the close of their fiscal year. The Auditor General would be required to be a Certified Public Accountant. He or she would be appointed by the County Board Chairman and confirmed by the County Board of Commissioners. The Auditor General could only be removed by supermajority vote of the Board, would serve a longer term than County Board members, and would have a guaranteed funding stream to ensure independence. This office would function in much the same manner as the State of Illinois Auditor General.
- Evaluate the possibility of abolishing other elected offices and replacing them if necessary with positions appointed by the County Board Chairman with the advice and consent of the County Board of Commissioners. Conducting a comprehensive review and analysis of the structure of DuPage County and its excessive fragmentation of authority is beyond the scope of this report. In our view, however, such an analysis is long overdue.

## **CIVIC FEDERATION PROCESS REFORM RECOMMENDATIONS**

The Civic Federation offers several **recommendations** on ways to improve the County's financial management processes. We believe that implementing these recommendations will significantly improve the transparency of County financial documents and increase the County's ability to manage its resources more effectively.

### **Complete the Strategic Plan**

The Civic Federation praised DuPage County last year for beginning a strategic planning process. The Civic Federation considers long-term planning to be a crucial component of any governmental budgeting process, since a budget must balance current fiscal needs with future priorities and expected revenues.

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<sup>7</sup> The current County Auditor audits the financial records of all County fee departments, works with the external auditors on the annual financial audit, and performs audits of information systems in the County. The Auditor's Office also performs special audits as directed by the President and County Board of Commissioners. These include unannounced payroll observations, contract compliance reviews, participation in information system implementations, and internal control evaluations. Information Systems audits are performed to determine that hardware, software, and data are protected, and that the information systems environment provides data and programs that are reliable, accurate, and complete.

Unfortunately, however, the County has not completed the strategic plan it initiated over a year ago. We are disappointed that the planning process has not yet begun to yield insights that the County can incorporate into its budgeting and long-term financial planning process. Completing and implementing a strategic plan is critical if the County is to face its daunting fiscal problems rationally.

#### Substantially Improve Budget Transparency

The FY2007 Financial Plan is not a transparent or user-friendly document. The lack of transparency makes it very difficult for citizens to meaningfully analyze this budget proposal. A more user-friendly budget document would both raise the quality and relevance of public commentary and demonstrate to County residents that their government takes public input seriously. Specific deficiencies in the FY2007 Financial Plan include the following:

- Information in the Financial Plan is provided by fund, not by department or program. This makes it virtually impossible to understand shifts in the government's spending priorities and year-to-year changes in the government's overall financial situation.
- The Financial Plan provides easily readable, aggregate financial information for the Corporate Fund, but not for the remaining 70.7% of the budget. The other funds total \$332.1 million. In our view, it is just as important to present aggregate information for these other funds as it is for the Corporate Fund.
- The Capital Improvements Plan Budget should provide easily readable, aggregate financial information that totals how much will be spent on capital projects for the fiscal year.
- This Financial Plan contains no personnel or personal services information.
- This Financial Plan contains no information about proposed expenditures by object (line item).

The Civic Federation believes the DuPage County Board Chairman should also substantially improve the budget format by releasing a final executive budget proposal and by organizing the Financial Plan according to department or program area rather than by fund. These two changes would dramatically enhance the Financial Plan's transparency. An improved Financial Plan should also include the following features:

- A transmittal letter from the County Board Chairman outlining his priorities;
- An organizational chart of the County government;
- A concise Executive Summary offering complete and comprehensive information on all revenues and all spending. The Executive Summary should include:
  - A brief narrative discussion of new issues, programs, and initiatives;
  - Appropriations and Expenditures by Object for each Department and each of the Fund groups; and
  - Three to five years of summary financial information for all funds, including:
    - Appropriations and Expenditures for each Department and each of the Fund groups;
    - Revenues by Fund; and

- Five years of comparable personnel information that shows Positions by Fund and by Department.

### Release a Final Executive Budget

The budget that the public is asked to review is a work in progress. It is released before important phases of negotiation between the Chairman and elected officials have been completed. It is extremely difficult for the public to offer any meaningful commentary on a budget whose numbers remain subject to substantial changes. Most other governments reviewed by the Civic Federation present a budget that is the executive's final proposal. The legislative body then debates and amends the budget.

DuPage County should wait and release a **final budget proposal** for public review rather than put forward a tentative and incomplete financial plan that remains subject to substantial change. A final budget proposal would incorporate specific information for all funds using all of the best data available. The current practice of issuing only an incomplete financial plan that remains a work-in-progress before producing a final budget document for consideration by the Board limits the utility of public input and represents a significant departure from the budget practices of virtually every other government in the region. We understand the importance of completing a budget proposal by a target date, but the desire to meet such an objective should never compromise reasonable standards of completeness and accuracy.

### Develop and Implement a Performance Measurement System

For each agency or program, the FY2007 DuPage County Financial Plan includes a mission statement, a list of accomplishments from the prior fiscal year, and short-term and long-term goals. These features do present some information regarding the activities, services, and functions carried out by organizational units, but the budget provides no quantitative or qualitative measures that allow the public to evaluate program performance.

Given the current administration's stated intention of improving management efficiency over the long term, the Civic Federation believes a performance measurement program would prove a useful tool for DuPage County Government. By evaluating and reporting program results, the County can keep policymakers and taxpayers informed about actual achievements as compared with expectations.<sup>8</sup>

It is both expensive and inefficient to produce reams of measures that are developed without the involvement of management and staff, or that are unconnected to program goals and objectives. However, a few well-chosen measures of efficiency and effectiveness, implemented consistently and utilized to inform management decisions, could prove valuable as DuPage County seeks to improve its management and operations.

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<sup>8</sup> 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).

### Adopt Formal Financial Policies

The Civic Federation recommends that DuPage County adopt written financial policies to guide the development of its annual budget, and that the County publish those policies in its Financial Plan. Formal financial policies provide policymakers and financial managers with a long-range, comprehensive perspective, enabling them to craft acceptable policy options within a limited range of resources. The process of developing a particular policy requires a government's elected officials and financial management team to focus on a jurisdiction's overall financial condition, as opposed to individual, ad hoc issues. Because they demand a long-term perspective, formal financial policies also help governments to prepare for contingencies and avoid reliance on short-term, stopgap measures.<sup>9</sup>

### Implement a Formal Long-Term Financial Planning Process

DuPage County undoubtedly employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that DuPage County develop and implement a formal long-term financial planning process that is not only reviewed internally, but that is made widely available to allow for input from the County Board of Commissioners and other key policy stakeholders, including the public.

## **ACKNOWLEDGMENTS**

The Civic Federation would like to express its appreciation to DuPage County Chief Financial Officer Fred Backfield and the County's budget and finance staff for their hard work in preparing this budget and their willingness to answer many of our questions.

## **APPROPRIATIONS**

This section of the analysis presents an overview of DuPage County government appropriation trends. It includes discussions of appropriations of the County Government by itself as well as the County Government and the Health Department together.

### **County Government Appropriations FY2006-FY2007**

DuPage County Government proposes a FY2007 budget of \$469.5 million. This is a 2.8% or approximately \$13.3 million decrease over the previous year's proposed budget of \$482.8 million. These figures exclude the budget of the DuPage County Health Department, which has a separate governance structure. Information about all County government operations including the Health Department are provided in a separate section below.

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<sup>9</sup> W. Maureen Godsey, "Establishing Financial Policies: What, Why and How," in John Matzer, Jr, editor. *Practical Financial Management: New Techniques for Local Government* (Washington, D.C.: ICMA 1984), p. 28-29.

In FY2007 the Chairman’s Recommendation proposes a decrease in the Corporate Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. Grants are projected to increase.

Corporate Fund appropriations will decrease by \$3.2 million or 2.3%, from \$140.6 million to \$137.4 million. Approximately \$2 million will be transferred from the Corporate Fund to the Convalescent Center operating budget, and \$140,000 will be transferred to the Historical Museum to support operations as it continues its transition to becoming a self supporting entity.<sup>10</sup>

Grant appropriations will rise by 6.0%, from \$55.1 million to \$58.4 million. This figure for grant appropriations only includes those grants that are active and continuing as of December 1, 2006. The County receives grants from the state and federal governments throughout the fiscal year. The total amount that the County will receive is not precisely known when the financial plan is prepared, but the County does expect to receive substantially more than it budgets for. In order to be conservative, the Chairman’s Recommendation only includes those grants that are active and continuing.<sup>11</sup> DuPage’s *FY2006 Financial Plan* stated that the County would receive \$55.1 million in grants; as of September 30, 2006, the County had in fact received \$93.9 million in grants.

Appropriations for the Special Revenue Funds will decrease by 0.3%. This is a \$0.7 million decrease from \$255.4 million to approximately \$254.7 million. Appropriations for the Wetland Mitigation Banks Fund will increase by \$4.6 million, up 74.5% from \$6.2 million to \$10.7 million. The Court Document Storage Fund will increase by 163.2% or \$1.6 million, the County Clerk Automation Fund will increase by 69.9% or \$1.1 million, and the Highway Impact Fee Operations Fund will increase by 35.0% or \$2.6 million. Several funds will see significant decreases, including the Youth Home (-22.9% or \$1.3 million), the Convalescent Center Fund (-9.8% or \$3.2 million), and the Stormwater Management Fund (-22.3% or \$6.1 million).

<b>DUPAGE COUNTY APPROPRIATIONS: FY2006 &amp; FY2007*</b>				
<b>FUND</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHG</b>	<b>% CHG</b>
Corporate Fund	\$ 140,618,308	137,433,924	(3,184,384)	-2.3%
Special Revenue Funds	\$ 255,395,780	254,684,302	(711,478)	-0.3%
Capital Projects Fund	\$ 29,637,407	16,887,316	(12,750,091)	-43.0%
Debt Service Fund	\$ 2,074,000	2,072,000	(2,000)	-0.1%
Grants	\$ 55,111,971	58,442,584	3,330,613	6.0%
<b>Grand Total</b>	<b>\$ 482,837,466</b>	<b>469,520,126</b>	<b>(13,317,340)</b>	<b>-2.8%</b>

\* Excluding DuPage County Health Department

Source: DuPage County FY2007 Financial Plan and Budget Office

### **Elected Officials’ Budgets in FY2006: Chairman’s Recommended and the Current Budget**

For FY2006 the DuPage County Chairman recommended that \$79.6 million be allocated for departments and programs overseen by DuPage County elected officials like the County Sheriff

<sup>10</sup> The Convalescent Center is funded primarily from Special Revenue Fund revenues; the proposed FY2007 appropriations will be approximately \$30.6 million. See *DuPage County FY2007 Financial Plan*, pp. 227-237.

<sup>11</sup> *DuPage County FY2007 Financial Plan*, p. iv.



and the County's Circuit Court Judges. The allocation for elected officials' departments and programs that was adopted in the FY2006 Current Budget was \$2.1 million or 2.6% more than the Chairman had recommended. Of this \$2.1 million, \$1.2 million went to the County Sheriff, whose FY2006 adopted budget appropriations increased from \$35.9 million to \$37.1 million. A Rental Housing Support program costing \$130,000 was added to the Recorder of Deeds's department. The largest percentage increase went to the State's Attorney Children's Center, whose adopted budget appropriations increased by 26.6% or \$64,000 over the Chairman's recommendation.

<b>DuPage County Elected Officials' Departments and Programs: FY2006 Chairman's Recommended Budget and FY2006 Current Budget</b>				
<b>Departments and Program Areas</b>	<b>2006 Chairman's Recommended Budget</b>	<b>2006 Current Budget</b>	<b>\$ Difference</b>	<b>% Difference</b>
County Board	\$ 1,709,042	\$ 1,780,042	\$ 71,000	4.2%
Ethics Commission	\$ 26,000	\$ 26,000	\$ -	0.0%
Clerk of the Circuit Court	\$ 8,233,941	\$ 8,389,941	\$ 156,000	1.9%
Circuit Court	\$ 1,994,355	\$ 2,015,355	\$ 21,000	1.1%
Drug Court Program	\$ 224,631	\$ 178,380	\$ (46,251)	-20.6%
Public Defender	\$ 2,311,321	\$ 2,352,821	\$ 41,500	1.8%
Jury Commission	\$ 621,756	\$ 628,756	\$ 7,000	1.1%
Mental Health Court	\$ 231,482	\$ 231,482	\$ -	0.0%
Probation & Court Services	\$ 8,118,248	\$ 8,118,248	\$ -	0.0%
DUI Evaluation Program	\$ 681,469	\$ 699,469	\$ 18,000	2.6%
County Sheriff	\$ 35,860,100	\$ 37,060,100	\$ 1,200,000	3.3%
Sheriff's Merit Commission	\$ 62,500	\$ 62,500	\$ -	0.0%
State's Attorney	\$ 7,790,814	\$ 8,116,534	\$ 325,720	4.2%
State's Attorney Children's Center	\$ 240,759	\$ 304,759	\$ 64,000	26.6%
County Coroner	\$ 1,240,557	\$ 1,240,557	\$ -	0.0%
County Auditor	\$ 425,377	\$ 434,877	\$ 9,500	2.2%
County Audit	\$ 275,000	\$ 275,000	\$ -	0.0%
Regional Office of Education	\$ 637,766	\$ 655,766	\$ 18,000	2.8%
Supervisor of Assessments	\$ 1,048,520	\$ 1,075,520	\$ 27,000	2.6%
Board of Tax Review	\$ 145,812	\$ 145,812	\$ -	0.0%
County Clerk	\$ 990,501	\$ 990,501	\$ -	0.0%
County Treasurer	\$ 1,368,308	\$ 1,368,308	\$ -	0.0%
Recorder of Deeds	\$ 1,289,825	\$ 1,289,825	\$ -	0.0%
Recorder-Rental Housing Support	\$ -	\$ 130,000	\$ 130,000	100.0%
Board of Election Commissioners	\$ 4,068,122	\$ 4,119,122	\$ 51,000	1.3%
<b>TOTAL</b>	<b>\$ 79,596,206</b>	<b>\$ 81,689,675</b>	<b>\$ 2,093,469</b>	<b>2.6%</b>

### **Elected Officials' Budgets in FY2007: Department Requested and Chairman's Recommended Budgets**

The Chairman's Recommended Budget is issued after the Chairman has considered elected officials' budgetary requests for the coming fiscal year. The FY2007 Chairman's Recommended Budget allocates 9.9% less to the elected officials' departments and programs than was requested. Some small programs, including the Drug Court Program, Mental Health Court, and

the Sheriff's Merit Commission, saw recommended reductions of between 38.9% and 50.0%. For most departments whose requested budget was smaller than \$2.0 million, the Chairman requested cuts of approximately 3.5%. For most departments whose requested appropriation was more than \$2.0 million, the Chairman requested cuts ranging from 7.5% to 12.0%.

<b>DuPage County Elected Officials' Departments and Programs: FY2007 Department Requested and FY2007 Chairman's Recommended Budgets</b>				
<b>Departments and Program Areas</b>	<b>2007 Department Requested Budget</b>	<b>2007 Chairman's Recommended Budget</b>	<b>\$ Difference</b>	<b>% Difference</b>
County Board	\$ 1,672,977	\$ 1,656,246	\$ (16,731)	-1.0%
Ethics Commission	\$ 14,000	\$ 14,000	\$ -	0.0%
Clerk of the Circuit Court	\$ 8,473,906	\$ 7,626,515	\$ (847,391)	-10.0%
Circuit Court	\$ 1,991,627	\$ 1,842,256	\$ (149,371)	-7.5%
Drug Court Program	\$ 116,379	\$ 58,190	\$ (58,189)	-50.0%
Public Defender	\$ 2,491,945	\$ 2,224,832	\$ (267,113)	-10.7%
Jury Commission	\$ 623,333	\$ 601,518	\$ (21,815)	-3.5%
Mental Health Court	\$ 234,765	\$ 117,314	\$ (117,451)	-50.0%
Probation & Court Services	\$ 8,670,730	\$ 7,803,658	\$ (867,072)	-10.0%
DUI Evaluation Program	\$ 694,749	\$ 670,434	\$ (24,315)	-3.5%
County Sheriff	\$ 39,255,456	\$ 34,655,210	\$ (4,600,246)	-11.7%
Sheriff's Merit Commission	\$ 88,003	\$ 53,778	\$ (34,225)	-38.9%
State's Attorney	\$ 8,481,690	\$ 7,633,521	\$ (848,169)	-10.0%
State's Attorney Children's Center	\$ 275,773	\$ 266,123	\$ (9,650)	-3.5%
County Coroner	\$ 1,230,749	\$ 1,187,675	\$ (43,074)	-3.5%
County Auditor	\$ 441,083	\$ 425,647	\$ (15,436)	-3.5%
County Audit	\$ 275,000	\$ 275,000	\$ -	0.0%
Regional Office of Education	\$ 653,286	\$ 630,420	\$ (22,866)	-3.5%
Supervisor of Assessments	\$ 1,278,455	\$ 1,228,687	\$ (49,768)	-3.9%
Board of Tax Review	\$ 143,484	\$ 143,484	\$ -	0.0%
County Clerk	\$ 1,010,758	\$ 975,384	\$ (35,374)	-3.5%
County Treasurer	\$ 1,373,552	\$ 1,325,478	\$ (48,074)	-3.5%
Recorder of Deeds	\$ 1,225,945	\$ 1,183,039	\$ (42,906)	-3.5%
Recorder-Rental Housing Support	\$ 130,000	\$ 130,000	\$ -	0.0%
Board of Election Commissioners	\$ 4,475,000	\$ 4,139,376	\$ (335,624)	-7.5%
<b>TOTAL</b>	<b>\$ 85,322,645</b>	<b>\$ 76,867,785</b>	<b>\$ (8,454,860)</b>	<b>-9.9%</b>

### **County Government Appropriations by Fund: Five-Year Trend**

From FY2003 to FY2007, the DuPage County Government's budget appropriations are projected to decrease by 25.7%, falling from \$631.7 million to \$469.5 million. This is a \$162.2 million decrease. Appropriations for the Capital Projects Fund will drop by 90.4% or \$159.3 million over this five-year period, and Corporate Fund appropriations will decrease by 9.3%, falling from \$151.5 million to \$137.4 million. The largest increase comes in the Special Revenue Fund appropriations, which will rise by 6.1%, or by \$14.6 million.

<b>TOTAL DUPAGE COUNTY APPROPRIATIONS: ALL FUNDS FY2003-FY2007</b>						
	<b>Corporate</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Grants</b>	<b>TOTAL</b>
<b>FY2003</b>	\$ 151,451,393	\$ 240,050,066	\$ 176,165,972	\$ 7,928,443	\$ 56,090,916	\$ 631,686,790
<b>FY2004</b>	\$ 134,187,302	\$ 227,605,779	\$ 92,162,011	\$ 2,061,543	\$ 57,678,345	\$ 513,694,980
<b>FY2005</b>	\$ 134,845,207	\$ 217,712,483	\$ 54,503,568	\$ 13,398,696	\$ 54,094,966	\$ 474,554,920
<b>FY2006</b>	\$ 140,618,308	\$ 255,395,780	\$ 29,637,407	\$ 2,074,000	\$ 55,111,971	\$ 482,837,466
<b>FY2007</b>	\$ 137,433,924	\$ 254,684,302	\$ 16,887,316	\$ 2,072,000	\$ 58,442,584	\$ 469,520,126
<b>5 YEAR \$ CHG</b>	\$ (14,017,469)	\$ 14,634,236	\$ (159,278,656)	\$ (5,856,443)	\$ 2,351,668	\$ (162,166,664)
<b>5 YEAR % CHG</b>	-9.3%	6.1%	-90.4%	-73.9%	4.2%	-25.7%

\* Excluding DuPage County Health Department

Sources: DuPage County Financial Plans FY2003-FY2007

## **FY2007 County Government Appropriations by Object**

An analysis of appropriations by object is not possible based on the data provided in the DuPage County FY2007 Financial Plan. Chairman Schillerstrom used his FY2007 budget to issue target budget allocations for elected officials' departments and programs, and has asked elected officials to respond to these targets with details as to how those allocations will be spent. The Recommended Budget, therefore, does not project personnel expenditures or otherwise specify how more than half of all Corporate Fund appropriations will be spent.

The DuPage County FY2007 Financial Plan, the primary budget document available for public review prior to the formal adoption of a County budget, is in fact a work in progress. Executive budgets for governmental units are typically subject to debate and amendment by a government's legislative body, but DuPage's Financial Plan is released before preliminary negotiations between the Chairman and elected officials have been completed. The fact that the Chairman's targets remain subject to negotiation makes it extremely difficult for the public to have any meaningful input into the budget process. Most other governments reviewed by the Civic Federation present a budget that is the executive's complete and final proposal. DuPage County should move toward preparation of a true executive budget.

## **Appropriations for the DuPage County Health Department**

The DuPage County Health Department has a separate governance structure. It is overseen by an 11-member Board of Directors appointed by the County Board Chair.<sup>12</sup> The County Board of Commissioners makes appropriations for the Health Department Fund, while the County Board Chair has the power to veto or reduce line items in the Department's appropriation ordinance.<sup>13</sup>

The Health Department's FY2007 Budget was not available at the time of this analysis's production. DuPage's FY2007 Financial Plan indicates that the Health Department's property tax levy, which has been held flat at \$17.9 million since FY2004, will remain at \$17.9 million in FY2007. The Financial Plan also states that the County's Corporate Fund subsidy to the Health Department will decrease by \$2.0 million, falling from \$3.5 million in FY2006 to \$1.5 million in FY2007.

<sup>12</sup> The DuPage County Health Department was established through a referendum vote in November of 1944 and began operations in the old courthouse in Wheaton in March of 1945. See [www.dupagehealth.org](http://www.dupagehealth.org).

<sup>13</sup> See 55 ILCS 5/5-25010.

## REVENUES

This section presents information about Corporate Fund revenues and the property tax levy. Because of budget format changes in FY2005, comparable information is not available to calculate five-year trends for all fund revenues.

### Corporate Fund Revenues

Total Corporate Fund revenues are projected to increase by 1.5% in FY2007, from \$140.6 million to \$142.7 million. Economically sensitive revenues like sales and income taxes are expected to increase because of the improving Illinois economy, while the County's property tax hike will generate \$2.5 million in increased property tax revenues for the Corporate Fund.

Sales tax revenues are expected to grow by 6.0%. Sales tax receipts include the portion of the State sales tax remitted to the County, which equals 1% of the State's 6.25% rate, and the Countywide sales tax of 0.25% levied on purchases of general merchandise made within the County. Fueled in large part by projected increases in corporate income tax revenues, income tax revenues overall are expected to register a 7.7% increase.

Fee revenues, derived from fees charged by the Recorder of Deeds, Circuit Clerk, the Sheriff, the County Clerk and the County Jail, are expected to decrease by 2.2% in FY2007, a \$0.7 million reduction in revenue.

Intergovernmental revenues, which include a transfer from the DuPage Water Commission, will decrease slightly, from approximately \$15.2 million to \$15.0 million. State legislation approved in 2003 allowed DuPage County to receive an annual transfer of \$15 million per year through 2007 from the Commission.<sup>14</sup>

Other revenues, which include interest earned on investments and revenues not classified elsewhere, are expected to decrease by 13.5%, or from \$18.8 million to \$16.2 million.

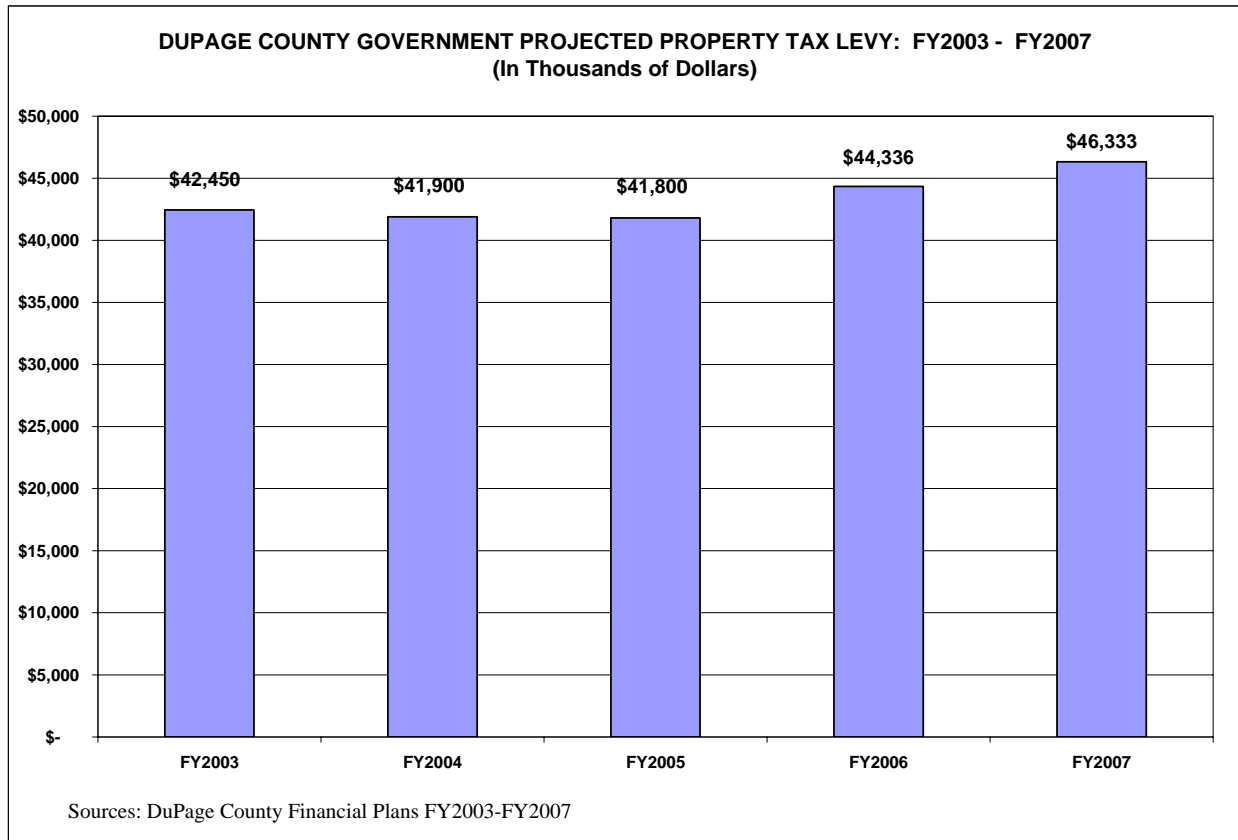
<b>DUPAGE COUNTY CORPORATE FUND REVENUES: FY2006 &amp; FY2007</b>				
<b>Revenue</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHG</b>	<b>% CHG</b>
Sales Taxes	\$ 42,113,500	\$ 44,655,391	\$ 2,541,891	6.0%
Property Tax	\$ 23,400,000	\$ 25,850,000	\$ 2,450,000	10.5%
Fee Offices/Elected Officials	\$ 33,382,020	\$ 32,652,500	\$ (729,520)	-2.2%
Income Tax	\$ 7,733,000	\$ 8,325,931	\$ 592,931	7.7%
Intergovernmental Revenues	\$ 15,210,000	\$ 15,000,000	\$ (210,000)	-1.4%
Other	\$ 18,779,788	\$ 16,247,272	\$ (2,532,516)	-13.5%
<b>TOTAL</b>	<b>\$ 140,618,308</b>	<b>\$ 142,731,094</b>	<b>\$ 2,112,786</b>	<b>1.5%</b>

Source: DuPage County FY2006 Financial Plan, p. 18, and FY2007 Financial Plan, p. 7

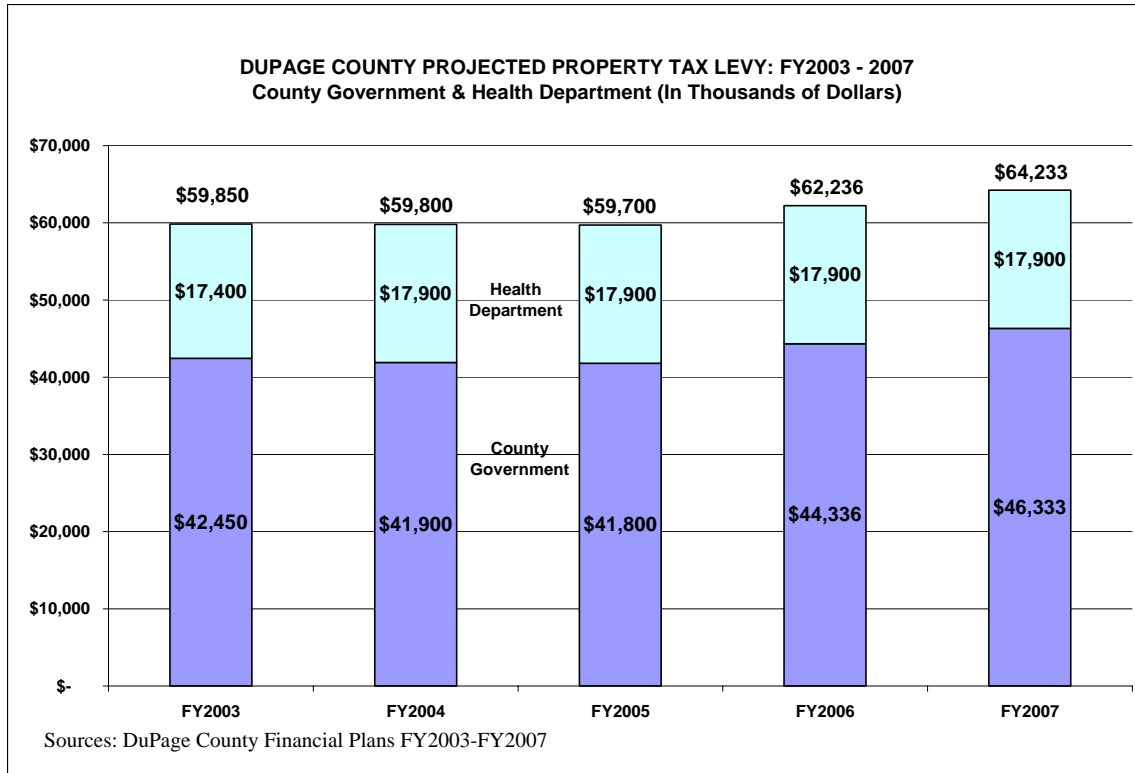
<sup>14</sup> DuPage County FY2005 Financial Plan, p. 2.

## Property Tax Levy

The property tax levy for DuPage County government, excluding the Health Department levy, is projected to rise by \$2.0 million to a total of \$46.3 million. This 4.5% increase is the maximum amount allowed under the tax cap law. Since FY2003, the levy has increased by 9.1% or \$3.9 million.



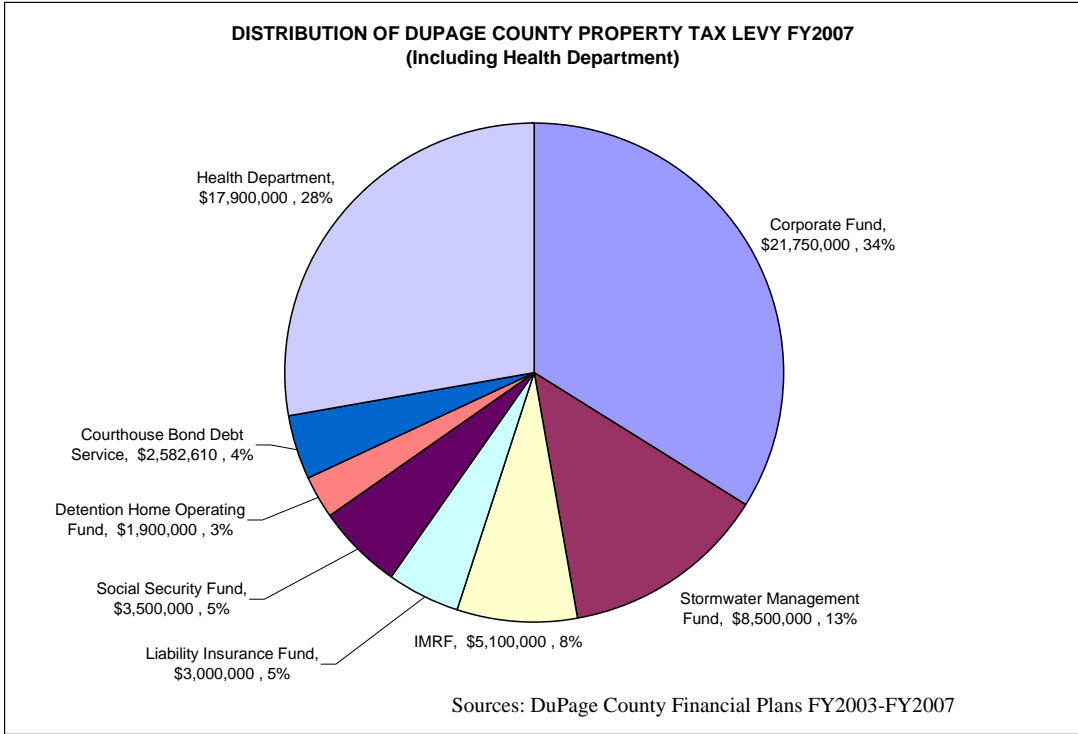
In FY2007, the total DuPage County levy, including the Health Department levy, is expected to increase by 3.2%, a \$2.0 million increase from \$62.2 million to \$64.2 million. Between FY2003 and FY2007, the levy rose 7.3%, a \$4.4 million increase.



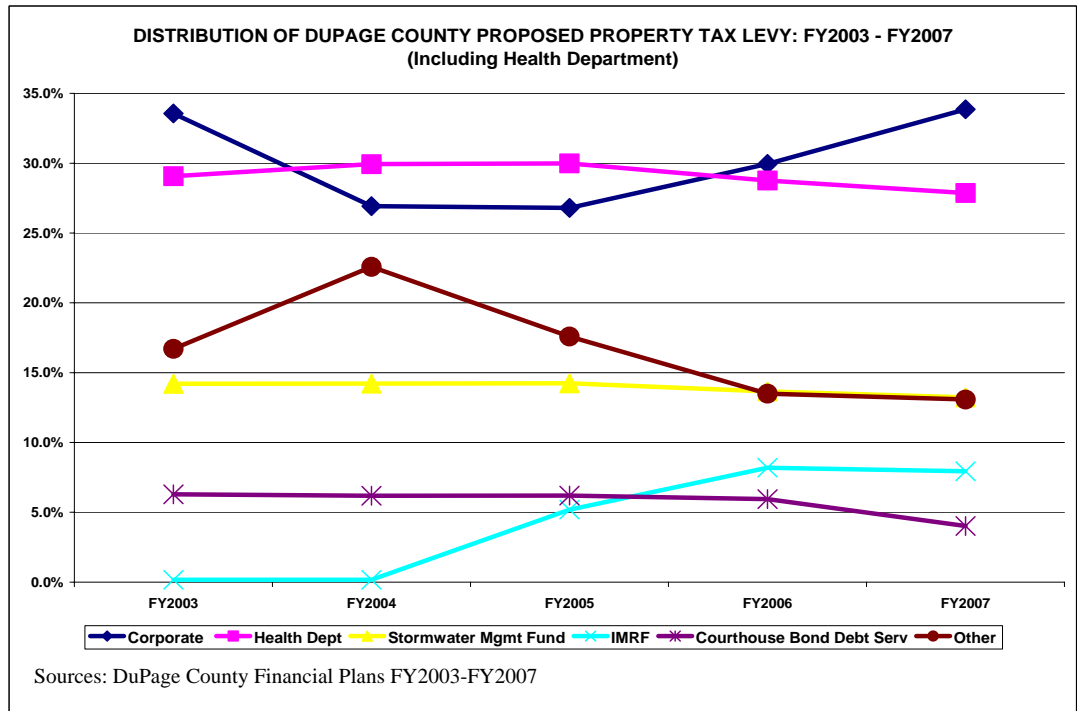
FY2006 was the first time in ten years that DuPage County raised its property tax levy. During the nine years between FY1997 and FY2005, the levy was essentially held flat, dropping slightly by 1.0% or from \$60.3 million to \$59.7 million over that nine-year period. In FY2007, DuPage will raise the Corporate Fund levy to the maximum amount allowed under the tax cap for the second consecutive year. Over the 10-year period between FY1998 and FY 2007, DuPage County's total property tax levy will have increased \$4.0 million or 6.6%, from \$60.2 million to \$64.2 million.

*Distribution of the Property Tax Levy*

The Corporate Fund will be the single largest recipient of property tax dollars in FY2007, receiving an estimated \$21.8 million or 33.9% of the total. The Health Department levy will be \$17.9 million, or 27.9% of the total levy. The next biggest share of the levy, or 13.2%, will be earmarked for the Stormwater Management Fund.



Between FY2003 and FY2007, the share of the levy earmarked for the Corporate Fund has risen slightly from 33.6% to 33.9%. During the same period, the IMRF (pension) levy has jumped from just 0.2% or \$100,000 to 7.9% of the total or \$5.1 million. Much of the increase in IMRF funding from the levy is due to a funding shift away from subsidies from other funds.



## UNRESERVED, UNDESIGNATED GENERAL FUND BALANCE

Between FY2001 and FY2005, the unreserved, undesignated fund balance in the DuPage County Corporate Fund increased from 25.3% of operating expenditures in that fund to 28.0%. The fund balance rose from \$31.2 million to \$32.7 million. In all five years examined, the ratio was well above the 5% to 15% minimum recommended by the Government Finance Officers Association for a healthy fund balance.

<b>DUPAGE COUNTY UNRESERVED, UNDESIGNATED FUND BALANCE RATIO</b>			
	<b>Unreserved, Undesignated Fund Balance</b>	<b>Operating Expenditures</b>	<b>Ratio</b>
<b>FY2001</b>	\$ 31,289,077	\$ 123,731,784	25.3%
<b>FY2002</b>	\$ 28,942,906	\$ 123,477,555	23.4%
<b>FY2003</b>	\$ 27,436,575	\$ 134,220,862	20.4%
<b>FY2004</b>	\$ 31,616,190	\$ 116,695,755	27.1%
<b>FY2005</b>	\$ 32,751,692	\$ 116,936,098	28.0%

Source: DuPage County Comprehensive Annual Financial Reports

In FY2007, DuPage County proposes a \$33.4 million Corporate Fund ending cash balance. This is 24.3% of projected Corporate Fund appropriations of \$137.4 million.<sup>15</sup>

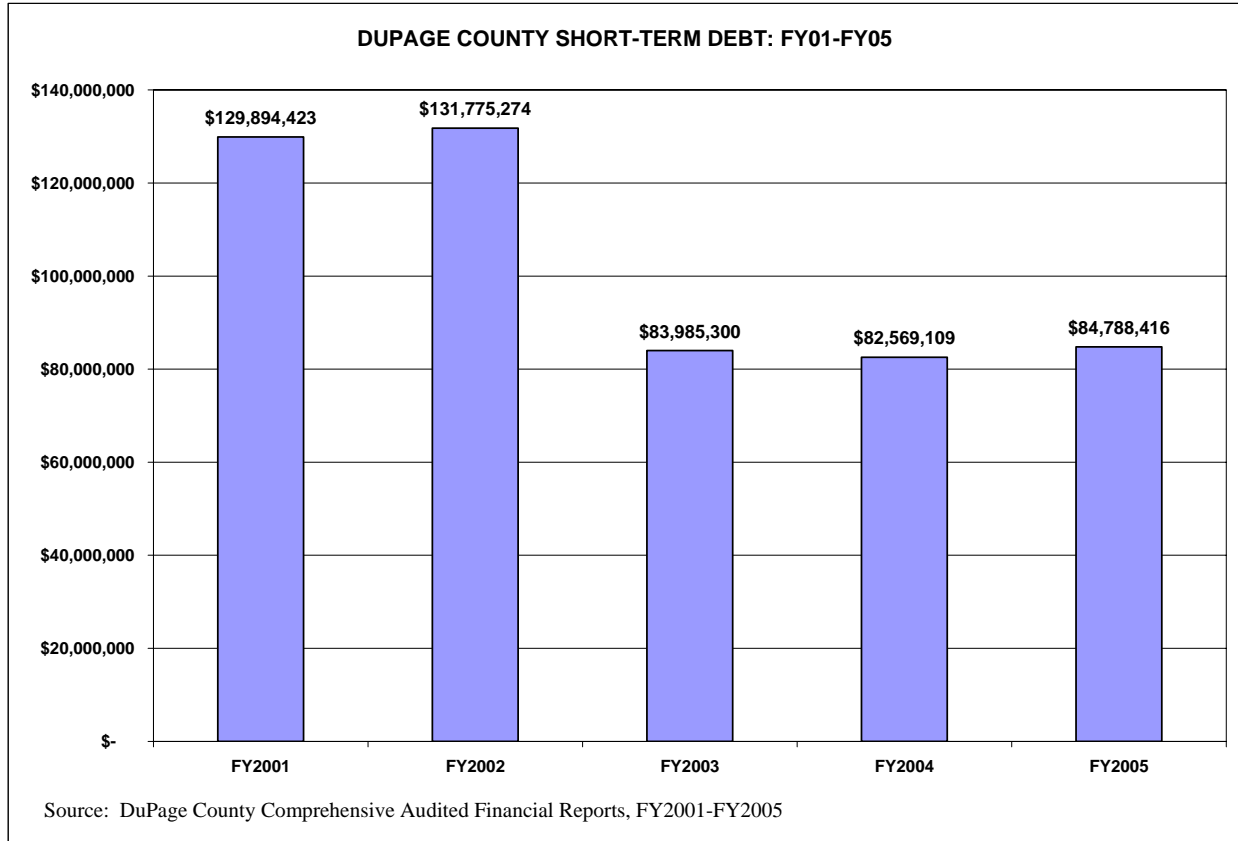
## SHORT-TERM DEBT TRENDS

Short-term debt is a financial obligation that must be satisfied within one year. An increasing trend in short-term debt may be a warning sign of future financial difficulties. It is a measure of budgetary solvency, that is, a government's ability to generate enough revenue over the course of a normal budgetary period to meet its expenditures and prevent deficits. For purposes of this analysis, short-term debt in the Governmental Funds includes obligations such as accounts payable, claims payable, refundable deposits, amounts due to other governments, advances payable, liabilities payable, and deferred revenue.

The exhibit below presents DuPage County short-term debt trends for Fiscal Years 2001 through 2005. Short term debt did increase slightly between FY2004 and FY2005, rising by 2.7%. However, during the entire five-year period between FY2001 and FY2005, short-term debt obligations have fallen by 34.7%. This represents a \$45.1 million drop from \$129.8 million to \$84.7 million. This is a positive sign.

<sup>15</sup> DuPage County FY2007 Financial Plan, p. 4.





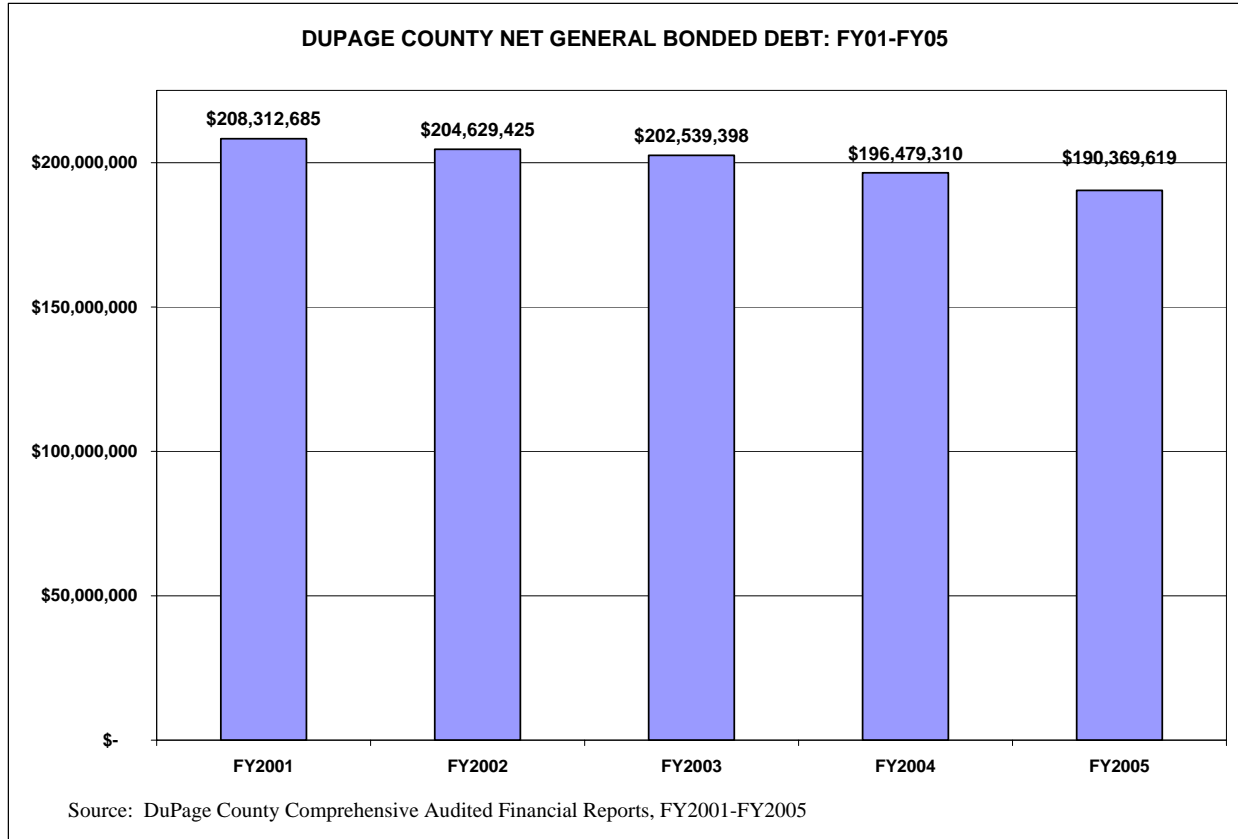
## LONG-TERM OBLIGATIONS

This section presents information about long-term debt trends of DuPage County. It includes information about total net general bonded debt, long-term debt per capita, overlapping debt, and bond ratings.

### Total Net General Bonded Debt

In FY2005 the net general bonded debt burden of DuPage County fell from \$196.4 million to \$190.3 million. Between FY2001 and FY2005, net bonded general debt decreased from \$208.3 million to \$190.3 million.<sup>16</sup> This is a \$17.9 million, 8.6% decrease.

<sup>16</sup> Net general bonded debt is gross general debt less debt service payments.



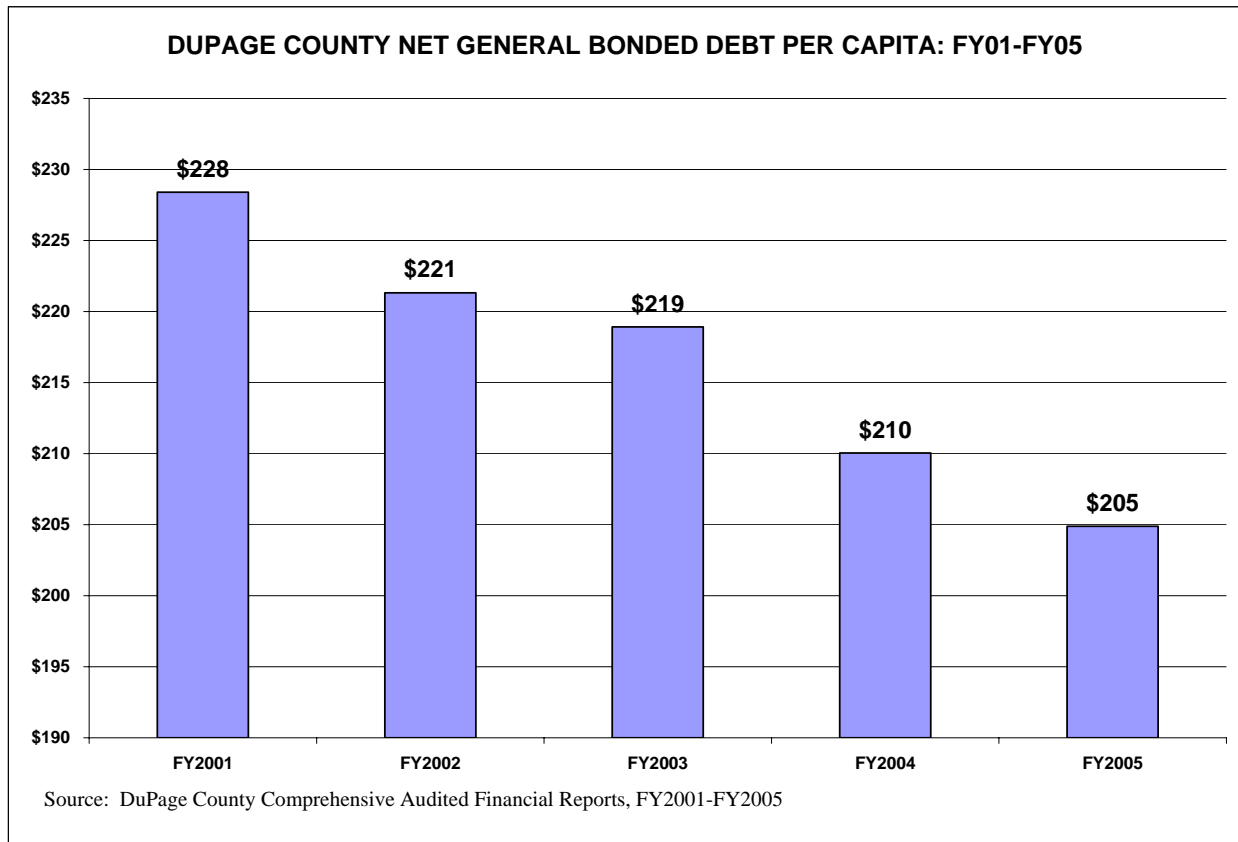
### Net General Bonded Debt Per Capita

The next exhibit presents historic DuPage County net general bonded debt per capita figures. This analysis takes DuPage County's total net general bonded debt amount per year and divides it by population. Debt per capita is a measure of a government's ability to maintain its current financial policies. It excludes other long-term obligations such as accrued pension obligations, accrued sick pay benefits, tort liabilities and accrued workers' compensation claims. Steady increases in long-term debt bear watching as a potential sign of increasing financial risk. In DuPage County, long-term debt includes the following issues:

- Series 1993 Jail Expansion Project Bonds – Alternate Revenue Bonds;
- Series 1993 Stormwater Project Bonds – Alternate Revenue Bonds;
- Series 2001 Drainage Project Alternate Revenue Bonds;
- Series 2001 Courthouse Annex General Obligation Limited Tax Bonds;
- Series 2001 Stormwater Project - Alternate Revenue Bonds;
- Series 2002 Jail Project – Alternate Revenue Refunding Bonds;
- Series 2002 Refinancing Stormwater Bonds – Alternate Revenue Refunding Bonds;
- Special Service Area Bonds.
- 2005 Refunding Drainage Bonds – Alternate Revenue Bonds.<sup>17</sup>

<sup>17</sup> FY2005 DuPage County Comprehensive Annual Financial Report, p. 285.

DuPage County net general bonded debt per capita fell from \$210 in FY2004 to \$205 in FY2005. Since FY2001, the debt per capita burden has fallen by 10.3%, from \$228 to \$205.



### **DuPage Long-Term Debt Compared to Overlapping Debt**

The following two exhibits compare total long-term debt issued by the various local governments in DuPage County with debt issued by DuPage County government. Rating agencies and other financial analysts commonly monitor overlapping debt trends as an affordability or capacity indicator when governments consider debt issuance.

DuPage County government issued approximately 1.9% of the \$10.2 billion long-term debt that has been issued by the various governments with boundaries wholly or partially within the County. Municipalities issued the largest share of all long-term debt, or \$6.6 billion, which represented 65.5% of all local debt. Unit school districts were responsible for the next largest amount of the overlapping debt, or 13.4% of the total.

<b>DUPAGE COUNTY OVERLAPPING DEBT FY2005</b>			
	<b>Total Debt Outstanding</b>	<b>% Applicable to DuPage County</b>	<b>% of Total Debt</b>
<b>Government</b>			
DuPage County*	\$ 198,920,000	100.0%	1.9%
<b>Subtotal County</b>	<b>\$ 198,920,000</b>		
Cities & Villages	\$ 6,685,536,764	9.6%	65.5%
Unit Schools	\$ 1,370,521,507	50.4%	13.4%
Parks	\$ 837,068,428	26.9%	8.2%
Grade Schools	\$ 398,205,470	92.8%	3.9%
High Schools	\$ 257,079,508	98.9%	2.5%
Forest Preserve District	\$ 178,586,835	100.0%	1.8%
Community Colleges	\$ 131,008,678	5.2%	1.3%
Water Commission	\$ 85,225,000	98.4%	0.8%
Library	\$ 25,255,000	52.6%	0.2%
Fire Protection	\$ 18,700,000	90.8%	0.2%
Airport	\$ 12,320,000	93.6%	0.1%
Special Service	\$ 4,383,025	100.0%	0.0%
Townships	\$ 465,000	100.0%	0.0%
<b>Subtotal Overlapping</b>	<b>\$ 10,004,355,215</b>		<b>98.1%</b>
<b>GRAND TOTAL</b>	<b>\$ 10,203,275,215</b>		<b>100.0%</b>

\* Includes City of Chicago for which a portion overlaps into DuPage County

Source: *FY2005 DuPage County Comprehensive Annual Financial Report*, p. 288.

The rate of growth for the various overlapping governments was 92.1% during the five-year period between FY2001 and FY2005. This was much higher than the 12.4% rate of decline reported by DuPage County government.

<b>DuPage County Government vs. Overlapping Governments' Debt FY2001 to FY2005</b>			
	<b>DuPage County Government</b>	<b>Overlapping Governments</b>	<b>Total</b>
<b>FY2001</b>	\$ 227,140,000	\$ 5,206,874,911	\$ 5,434,014,911
<b>FY2002</b>	\$ 223,590,000	\$ 8,648,748,010	\$ 8,872,338,010
<b>FY2003</b>	\$ 217,806,000	\$ 8,788,858,487	\$ 9,006,664,487
<b>FY2004</b>	\$ 204,155,000	\$ 9,164,939,330	\$ 9,369,094,330
<b>FY2005</b>	\$ 198,920,000	\$ 10,004,355,215	\$ 10,203,275,215
<b>\$ Change</b>	<b>\$ (28,220,000)</b>	<b>\$ 4,797,480,304</b>	<b>\$ 4,769,260,304</b>
<b>% Change</b>	<b>-12.4%</b>	<b>92.1%</b>	<b>87.8%</b>

Source: DuPage County Comprehensive Annual Financial Reports

### *Current DuPage County Bond Ratings*

DuPage County has a bond rating of AAA from the Moody's, Standard & Poor's, and Fitch rating agencies. That rating was most recently reaffirmed in the rating agencies' rating of the County's FY2006 bond activities.<sup>18</sup>

<sup>18</sup> *DuPage County FY2007 Financial Plan*, p. 413.

## PENSION FUNDING

DuPage County employees are enrolled in the Illinois Municipal Retirement Fund (IMRF), a defined benefit pension plan. In 2004, there were 3,294 active DuPage County members in the IMRF.<sup>19</sup>

Three different groups of DuPage County employees are covered in the IMRF: Regular Employees, Elected County Officials, and Sheriff's Law Enforcement Personnel. The exhibit below shows employer and employee contribution rates for the three different groups.

<b>Pension Contribution Rates for DuPage County Employees</b>		
	<b>Employee Contribution</b>	<b>Employer 2004 Contribution Rate</b>
<b>Regular County Employees</b>	4.5% of covered salary	9.23% of covered payroll
<b>Elected County Officials</b>	7.5% of covered salary	43.43% of covered payroll
<b>Sheriff's Law Enforcement Personnel</b>	6.5% of covered salary	17.62% of covered payroll

Source: Illinois Municipal Retirement Fund, GASB 27 Footnote Disclosures.

The Civic Federation used two measures to present a multi-year evaluation of the fiscal health of the DuPage County portion of the Illinois Municipal Retirement pension fund: funded ratios and the value of unfunded liabilities.

### **Funded Ratios– Actuarial Value of Assets**

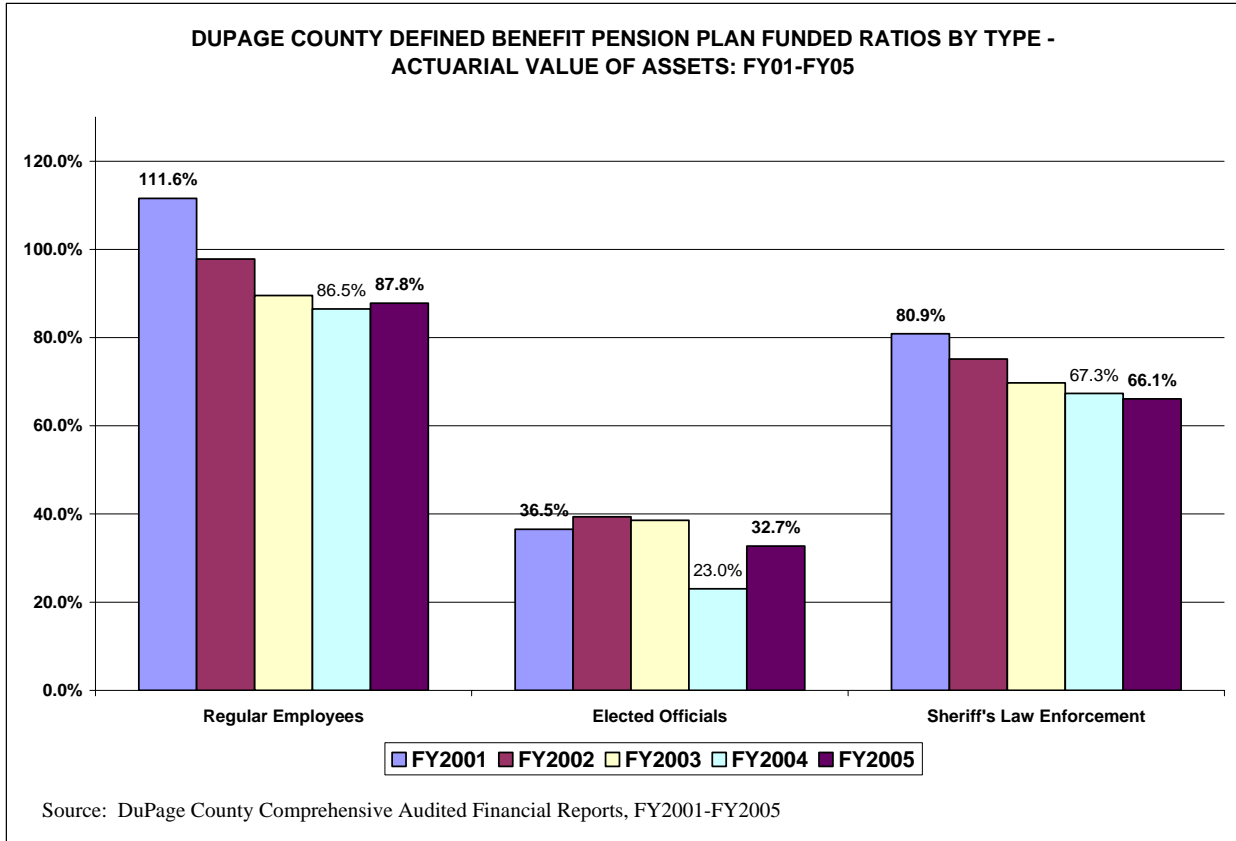
The following exhibit shows funded ratios for each of the three employee groups. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage the more difficulty a government may have in meeting future obligations.

The funded ratios of two DuPage employee pension groups rose and one dropped in FY2005:

- The Elected County Officials group funded ratio rose from 23.0% to only 32.7%;
- The Sheriff's Law Enforcement Personnel group funded ratio fell slightly from 67.3% to 66.1%;
- The Regular Employees group, which is proportionately the largest of the three, experienced an increase from 86.5% to 87.8%.

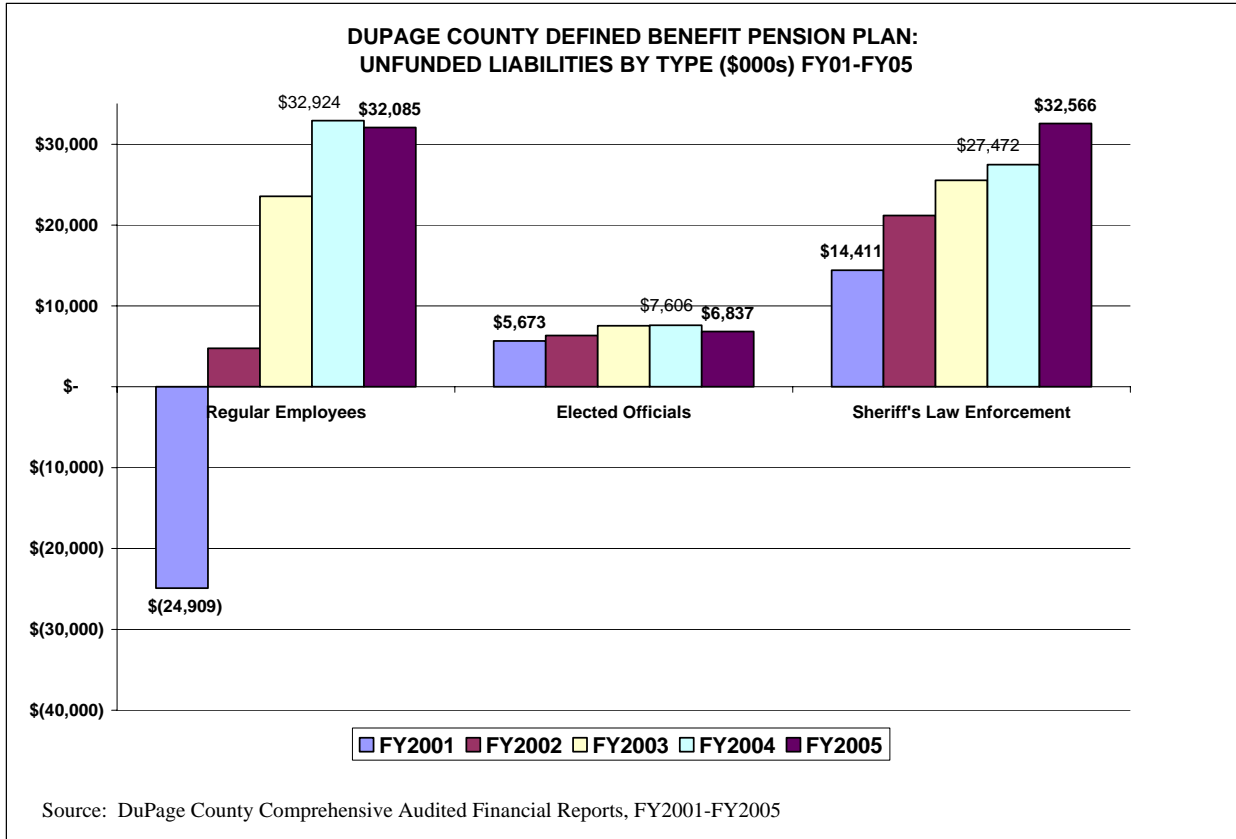
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<sup>19</sup> *Illinois Municipal Retirement Fund FY2005 Comprehensive Annual Financial Report*, p. 76.



### Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities have risen sharply for all three DuPage County employee groups. The increases are the result of investment losses and increasing benefit costs. The Regular Employees group changed from a \$24.9 million surplus in assets in FY2001 to \$32.0 million in unfunded liabilities five years later. Unfunded liabilities for the Elected Officials group increased from \$5.6 million to \$6.8 million. Finally, the Sheriff's Law Enforcement group reported an increase in unfunded liabilities of 126.0%. This represented an increase from \$14.4 million to \$32.5 million.



## CIVIC FEDERATION RECOMMENDATIONS

The following section sets forth the Civic Federation’s recommendations on ways that DuPage County could improve its financial management and governance practices.

### Consolidate Government Functions

The Civic Federation believes the time has come for DuPage County to re-think and modernize its government. Modernization and rationalization of government functions will bring opportunities for greater efficiency into County operations.

Major governmental functions in DuPage County are scattered among a variety of legal entities.

The **DuPage County government**, with a proposed budget of \$470 million in FY2007, provides key public services like public safety, transportation, and human services. It is governed by a Chairman elected countywide and an 18-member Board of Commissioners. The executive function is divided between the Chairman and numerous countywide elected officials.

The **DuPage County Health Department** has a separate governance structure, overseen by an 11-member Board of Directors appointed by the County Board Chair.<sup>20</sup> The County Board of Commissioners makes appropriations for the Health Department Fund, while the County Board Chair has the power to veto or reduce line items in the Department's appropriation ordinance.<sup>21</sup> In FY2006 the Health Department budget was \$53.8 million.

The division of these major DuPage County services among separate legal entities is inefficient. Consolidating the County government and the Health Department would allow the County to streamline service delivery and introduce greater efficiencies into government operations. Consolidation would also guarantee greater accountability for taxpayers. Rather than the unelected Health Department Board, the elected Chairman and County Board would be directly responsible for how well services are delivered and how resources are used.

The Civic Federation believes that it is not important which government delivers a service, but how efficiently and effectively government as a whole fulfills its promises to taxpayers. Chairman Schillerstrom and his financial team have amply demonstrated their ability to manage County resources in a responsible and efficient manner. Therefore, *the Civic Federation recommends that the County government and the DuPage County Health Department be merged into a single unified government under the authority of the County Board Chairman and the Board of Commissioners.*

As part of its modernization efforts, the County should also explore the possibility of bringing the DuPage Water Commission under the authority of the County President and Board. The incorporation of the Water Commission into the County Government may provide additional opportunities for increased efficiency and help to diversify the County's revenue base.

We recognize that making significant changes to the structure of DuPage government would be challenging. Implementing these modernizing reforms would require legislative approval or alternatively a referendum. However, continuing on the current path of divided authority and inefficient government is no longer sustainable given the County's revenue and operational constraints.

### **Consider Privatization of Convalescent Center**

Operating the Convalescent Center is a DuPage County government policy and program priority. Given the County's precarious financial situation, however, if modern and efficient business practices are not implemented, the County's current financial structure will not be able to absorb the continual growth in expenses that the Center will incur. The Civic Federation thinks it is a good time to consider alternative options for operating the Convalescent Center, including the privatization of its operations and management.

Privatization involves either the long-term concession to operate a facility or program to one or more third parties from the private or nonprofit sector, or the transfer of the ownership or

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<sup>20</sup> The DuPage County Health Department was established through a referendum vote in November of 1944 and began operations in the old courthouse in Wheaton in March of 1945. See [www.dupagehealth.org](http://www.dupagehealth.org).

<sup>21</sup> See 55 ILCS 5/5-25010.



leasehold interest for a defined period of time to such a party or parties. Possible privatization structures to be evaluated should include the sale of a long-term concession for operation of the Convalescent Center or the privatization of all non-medical operations, including finance, facilities, and purchasing.

Alternative service delivery or privatization is **not** a panacea for a government's financial problems. Transferring responsibility for service delivery to a private firm or nonprofit organization can be beneficial only if there is a marketplace of competitive, qualified vendors or service providers and strong, sustained management oversight by the government. Governments must establish a mechanism to monitor and evaluate cost saving and efficiency benefits produced by any alternative service or privatization efforts. These efforts should include the public reporting of efficiencies and/or savings achieved.

However, privatization often achieves cost savings and increases in the efficiency of government operations. *The Civic Federation believes that DuPage County should seriously consider this option for the Convalescent Center and other government functions.*

### **Reduce the Number of Elected Officials**

DuPage County government is plagued by an excessive fragmentation of authority. A total of 27 different officials are elected by the voters: the Chairman of the County Board of Commissioners, eight other executive-level elected officials, and eighteen members of the Board of Commissioners. Services are delivered by numerous different departments and offices; it is difficult, in fact, to provide an accurate tally of these departments because of the fragmented, fund-based organization of the budget.

There are two consequences of DuPage County's diffuse governmental structure. The first is inefficiency, with its attendant cost implications, because of a duplication of functions and activities and a lack of coordination among departments and agencies. The second is a lack of accountability by government officials to the general public. The government's fragmentation often makes it extremely difficult for the public to pinpoint responsibility for the County's actions. Confusion in the public mind over which official is responsible for a particular program makes it easier for officials who are not functioning adequately to escape public notice.

The Civic Federation proposes the following structural changes:

- Abolish the elected position of Coroner, replacing it with an Office of the Medical Examiner headed by an official appointed by the DuPage County Board Chairman.
- Consider the consolidation of the Clerk and Recorder of Deeds offices. In Illinois counties with a population of under 60,000, the county clerk is also the recorder. This is also the case in many counties across the nation.
- Change the current elected Auditor's office into a position appointed by the Country Board Chair. The appointed Auditor would continue to perform the office's current functions. In addition, DuPage County should establish a new independent **Office of the Auditor General**

that would be charged with conducting program and financial audits of all County programs on a regular basis. More specifically, the office would be charged with reviewing the obligation, expenditure, receipt and use of public funds. The Auditor General's tasks would include reviewing department's financial records, their compliance with state and federal regulations, and program performance after the close of their fiscal year. The Auditor General would be required to be a Certified Public Accountant. He or she would be appointed by the County Board Chairman and confirmed by the County Board of Commissioners. The Auditor General could only be removed by supermajority vote of the Board, would serve a longer term than County Board members, and would have a guaranteed funding stream to ensure independence. This office would function in much the same manner as the State of Illinois Auditor General.

- Evaluate the possibility of abolishing other elected offices and replacing them if necessary with positions appointed by the County Board Chairman with the advice and consent of the County Board of Commissioners. Conducting a comprehensive review and analysis of the structure of DuPage County and its excessive fragmentation of authority is beyond the scope of this report. In our view, however, such an analysis is long overdue.

### **Civic Federation Process Reform Recommendations**

The Civic Federation offers several **recommendations** on ways to improve the County's financial management processes. We believe that implementing these recommendations will significantly improve the transparency of County financial documents and increase the County's ability to manage its resources more effectively.

#### *Complete the Strategic Plan*

The Civic Federation praised DuPage County last year for beginning a strategic planning process. The Civic Federation considers long-term planning to be a crucial component of any governmental budgeting process, since a budget must balance current fiscal needs with future priorities and expected revenues.

Unfortunately, however, the County has not completed the strategic plan it initiated over a year ago. We are disappointed that the planning process has not yet begun to yield insights that the County can incorporate into its budgeting and long-term financial planning process. Completing and implementing a strategic plan is critical if the County is to face its daunting fiscal problems rationally.

#### *Substantially Improve Budget Transparency*

The FY2007 Financial Plan is not a transparent or user-friendly document. The lack of transparency makes it very difficult for citizens to meaningfully analyze this budget proposal. Specific deficiencies in the FY2007 Financial Plan include the following:

- Information in the Financial Plan is provided by fund, not by department or program. This makes it virtually impossible to understand shifts in the government's spending priorities and year-to-year changes in the government's overall financial situation.
- The Financial Plan provides easily readable, aggregate financial information for the Corporate Fund, but not for the remaining 70.7% of the budget. The other funds total \$332.1 million. In our view, it is just as important to present aggregate information for these other funds as it is for the Corporate Fund.
- The Capital Improvements Plan Budget should provide easily readable, aggregate financial information that totals how much will be spent on capital projects for the fiscal year.
- This Financial Plan contains no personnel information.
- This Financial Plan contains no information about proposed expenditures by object (line item).

The Civic Federation believes the DuPage County Board Chairman should also substantially improve the budget format by releasing a final executive budget proposal and by organizing the Financial Plan according to department or program area rather than by fund. These two changes would dramatically enhance the Financial Plan's transparency. An improved Financial Plan should also include the following features:

- A transmittal letter from the County Board Chairman outlining his priorities;
- An organizational chart of the County government;
- A concise Executive Summary offering complete and comprehensive information on all revenues and all spending. The Executive Summary should include:
  - A brief narrative discussion of new issues, programs, and initiatives;
  - Appropriations and Expenditures by Object for each Department and each of the Fund groups; and
  - Three to five years of summary financial information for all funds, including:
    - Appropriations and Expenditures for each Department and each of the Fund groups;
    - Revenues by Fund; and
    - Five years of comparable personnel information that shows Positions by Fund and by Department.

#### *Release a Final Executive Budget*

The budget that the public is asked to review is a work in progress. It is released before important phases of negotiation between the Chairman and elected officials have been completed. It is extremely difficult for the public to offer any meaningful commentary on a budget whose numbers remain subject to substantial changes. Most other governments reviewed by the Civic Federation present a budget that is the executive's final proposal. The legislative body then debates and amends the budget.

DuPage County should wait and release a **final budget proposal** for public review rather than put forward a tentative and incomplete financial plan that remains subject to substantial change. A final budget proposal would incorporate specific information for all funds using all of the best data available. The current practice of issuing only an incomplete financial plan that remains a

work-in-progress before producing a final budget document for consideration by the Board limits the utility of public input and represents a significant departure from the budget practices of virtually every other government in the region. We understand the importance of completing a budget proposal by a target date, but the desire to meet such an objective should never compromise reasonable standards of completeness and accuracy.

#### *Develop and Implement a Performance Measurement System*

For each agency or program, the FY2007 DuPage County Financial Plan includes a mission statement, a list of accomplishments from the prior fiscal year, and short-term and long-term goals. These features do present some information regarding the activities, services, and functions carried out by organizational units, but the budget provides no quantitative or qualitative measures that allow the public to evaluate program performance.

Given the current administration's stated intention of improving management efficiency over the long term, the Civic Federation believes a performance measurement program would prove a useful tool for DuPage County Government. By evaluating and reporting program results, the County can keep policymakers and taxpayers informed about actual achievements as compared with expectations.<sup>22</sup>

It is both expensive and inefficient to produce reams of measures that are developed without the involvement of management and staff, or that are unconnected to program goals and objectives. However, a few well-chosen measures of efficiency and effectiveness, implemented consistently and utilized to inform management decisions, could prove valuable as DuPage County seeks to improve its management and operations.

#### *Adopt Formal Financial Policies*

The Civic Federation recommends that DuPage County adopt written financial policies to guide the development of its annual budget, and that the County publish those policies in its Financial Plan. Formal financial policies provide policymakers and financial managers with a long-range, comprehensive perspective, enabling them to craft acceptable policy options within a limited range of resources. The process of developing a particular policy requires a government's elected officials and financial management team to focus on a jurisdiction's overall financial condition, as opposed to individual, ad hoc issues. Because they demand a long-term perspective, formal financial policies also help governments to prepare for contingencies and avoid reliance on short-term, stopgap measures.<sup>23</sup>

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<sup>22</sup> 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).

<sup>23</sup> W. Maureen Godsey, "Establishing Financial Policies: What, Why and How," in John Matzer, Jr, editor. *Practical Financial Management: New Techniques for Local Government* (Washington, D.C.: ICMA 1984), p. 28-29.

*Implement a Formal Long-Term Financial Planning Process*

DuPage County undoubtedly employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that DuPage County develop and implement a formal long-term financial planning process that is not only reviewed internally, but that is made widely available to allow for input from the County Board of Commissioners and other key policy stakeholders, including the public.