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CIVIC FEDERATION SUPPORTS CHICAGO PARK DISTRICT'S ECONOMICAL BUDGET

The Chicago Park District's proposed FY2009 budget of $393.2 million dollars will cut spending by $3 million over last year and freeze property taxes for the fifth year in a row, garnering the **support** of the Civic Federation.

"The Civic Federation is pleased the Chicago Park District is showing fiscal restraint during these tough economic times," said Laurence Msall, president of the Civic Federation. "The District's financial team has long put a praiseworthy emphasis on controlling costs and avoiding property tax increases." Instead, the District balanced its budget through $10.3 million in spending reductions, $3.7 million in user fee increases, and $10.0 million in interest from the Parking Garage Capital Fund.

The District will hold the line on personnel cuts by continuing its strategy of replacing full-time positions with hourly positions in order to reduce costs while maintaining service. Through an increase in part-time and seasonal positions, vacancy eliminations, and voluntary separations, the District will reduce its payroll by 128 full-time equivalent positions. Total personnel costs, including benefits, will decrease by an impressive 1.2% compared to FY2008.

The Civic Federation again commends the District for its ongoing efforts to diversify its revenue sources and emphasize user fees rather than general tax increases. The Park District will increase several fees and charges in FY2009, a strategy the Federation supports. User fees and charges are an appropriate way to maintain non-essential, but important services by directly charging the people who voluntarily use them. By contrast, essential services that benefit all residents are properly financed through taxes.

While the District is in good financial shape in the short-term, there are two important issues the Chicago Park District must address to secure its future fiscal stability. First and foremost, the District must make immediate moves to shore up its rapidly-deteriorating pension fund. Between FY2003 and FY2007, the most recent year for which data are available, the funded ratio fell from a healthy 89% to a worrying 76%. Unfunded liabilities rose by over $107 million and will likely further increase when the full impact of the market downturn on the fund's investments is calculated. The Civic Federation recommends that the Park District work with the General Assembly to reform its pension plan by creating a two-tiered system with reduced benefit levels for new employees and changing employer contribution requirements to ensure the CPD will provide sufficient resources to keep the fund financially healthy.

This is the third year in a row the District has drawn upon one-time revenue sources to balance its budget. In FY2008 the District used $10.0 million of the FY2007 Corporate Fund Balance as a revenue source. In FY2007 the District transferred $10.0 million from its Pension Fund into its Corporate Fund. The Civic Federation supported the lease of the Grant Park garages in 2006, but is strongly opposed to the use of one-time proceeds from asset sales for operating expenses. Recurring operating programs should only be funded from recurring revenues.

The Federation's full report, including detailed recommendations, is available today on our website, www.civicfed.org.

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.

CHICAGO PARK DISTRICT
FY2009 PROPOSED BUDGET
Analysis and Recommendations

Prepared By:
The Civic Federation
November 5, 2008

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2009 budget because it is a fiscally responsible plan and demonstrates a commendable emphasis on cost containment. The Chicago Park District (CPD) recommends a FY2009 budget of $393.2 million, which is a decrease of $3.7 million or 0.9% from FY2008 budgeted appropriations. The budget freezes property taxes, capping the levy at $259.9 million for the fifth consecutive year. The budget is balanced through $10.3 million in spending reductions, $3.7 million in user fee increases and the one-time use of $10.0 million in interest earnings from the District's Parking Garage Capital Fund.

We commend the District for producing a fiscally responsible plan that emphasizes cost containment and avoids a property tax increase. This has been accomplished utilizing reasonable increases in user fees and charges, as well as $10.3 million in expenditure reductions, which include the elimination of 102 full-time equivalent vacant positions, departmental consolidations and a three day District shutdown.

Personnel costs will total $157.7 million in FY2009, decreasing by 1.2% or $2.0 million from FY2008 appropriations. The full-time workforce will decline by 138 full-time positions over the FY2008 budgeted number of 1,722. Part-time and seasonal positions will increase by 49 FTEs, for a net decrease of 89 FTEs. This is due to the District's strategy to reduce full-time positions and replace them with part-time positions as a means of reducing personnel expenditures and increasing flexibility.

Rentals, permits, and fees will be increased, but these increases are appropriate and preferable to general tax increases as they target those who directly benefit from a program or service.

Despite these cost-containment efforts, the Civic Federation points to two issues that must be addressed to maintain fiscal stability in the future. First, the funded ratio of the District's pension fund's is falling below a level considered financially healthy. The District must act to improve the financial health of the fund by reducing its mounting costs and liabilities, as well as seeking pension funding reforms. Second, this is the third year in a row that the Park District has drawn on a one-time revenue resource to balance its budget.

FY2009 Budget Highlights

- The FY2009 proposed budget totals $393.2 million, a $3.7 million decrease from FY2008 budgeted appropriations.
- The property tax levy will be frozen at $259.9 million for the fifth consecutive year.
- Permits and fees revenues will increase this year by 8.5% or $3.4 million over FY2008. There will be an average 3.0% increase in boat slip fees at the District's marinas and golf fees will rise by 10.0% per a new contract agreement with the courses' private operator. Parking fees will rise on account of new meters being installed at lakefront beaches.
- Personal Property Replacement Tax (PPRT) revenues are projected to decrease by $0.7 million or 1.4% from FY2008.

- The District has budgeted for a decrease of 138 full-time positions from the 1,722 full-time positions budgeted in FY2008. Since FY2005, the District will have reduced its full-time workforce by 162 positions, while increasing its seasonal and part-time workforce.
- Total personnel costs are budgeted at $157.7 million. This is a 1.2% or $2.0 million decrease from the $159.7 million that was budgeted for total personnel costs in FY2008.

Issues the Civic Federation Supports

- In FY2009 the District has produced a fiscally responsible plan that emphasizes cost containment and decreases spending by $3.7 million over FY2008. Over the last ten years, total appropriations have grown by $75.0 million, or 19.8%, which is under the inflation rate of roughly 27.0%.[1]
- CPD has frozen its property tax levy for the fifth consecutive year at $259.9 million.
- The increase of several fees and charges in FY2009 is appropriate to maintain facilities and provide important, yet non-essential, services that can be enjoyed on a voluntary basis.
- The District is holding the line on personnel cuts through a series of full-time position cuts, while increasing part-time and seasonal employees in order to provide a continual level of service to the residents of Chicago.
- The District continues to make important changes to its budget document format, increasing the transparency of this unit of local government.

Civic Federation Concerns

- In FY2007 the Chicago Park District Pension Fund reported a funded ratio of 76.0%. Since FY2003 the funded ratio has declined from a healthy rate of 89.0%. Correspondingly, unfunded liabilities have risen dramatically by $107.0 million. This is an increase from $76.9 million to $184.6 million. This data indicates that the pension fund is in financial distress and requires substantial reform.
- The District will balance its FY2009 budget in part with a one-time transfer of $10.0 million in interest earnings from its long-term lease of parking garages for the third consecutive year. This use of one-time revenues for operations is not sound fiscal policy.

Civic Federation Recommendations

- The District should seek legislation in Springfield to reform the Park District Employees' Fund governing structure to ensure a greater balance of interests between employees, management and taxpayers.
- CPD should continue to build on the important budget format changes made during the previous years by aggregating all personnel data by full-time equivalent employee status and providing five-year trend data for both revenues and appropriations.
- The District should continue to develop and utilize a performance measurement system for all District programs as part of a broader strategic planning strategy. The performance measures should be published in the Budget Book.

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[1] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 27.0% between September 1999 and September 2008, the most recent month available. U.S. Bureau of Labor Statistics.

- The District should adopt a formal fund balance or reserve policy that would require a certain percentage of expenditures or revenues to be set aside for contingencies. The Government Finance Officers Association (GFOA) standard of 5% to 15% of operating revenues or expenditures is a good guideline for such a policy.
- The CPD should develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public.
- The District should assume operational control of the Illinois International Port District's Haborside Golf Center as part of a larger proposed plan to dissolve the entire Port District.
- The District should seek legislation in Springfield that authorizes the District to implement measures to control pension costs. These measures should include: reducing benefits for new employees; fixing annual annuity increases for new hires at the projected Consumer Price Index or 3%, whichever is less; prohibiting benefit enhancements unless the plan is over 90% funded; and requiring that employer contributions be related to funding levels rather than set by arbitrary multipliers.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's $393.2 million budget for FY2009. The budget freezes property taxes for the fifth year and decreases by $3.7 million from FY2008 budgeted appropriations. The property tax levy will be capped at $259.9 million for the fifth consecutive year. The budget is balanced through $10.3 million in spending reductions, $3.7 million in user fee increases and the one-time use of $10.0 million in interest earnings from the District's Parking Garage Capital Fund.

We commend the District for producing a fiscally responsible plan that emphasizes cost containment and avoids a property tax increase. This has been accomplished by using reasonable increases in user fees and charges, as well as $10.3 million in expenditure reductions, which include the elimination of 89 full-time equivalent vacant positions, departmental consolidations and a three day District shutdown.

By reallocating resources and strategically reducing staffing, the District has been able to hold spending flat this year. The CPD also continues to diversify its revenue stream by shifting a greater portion of its funding for non-core activities from taxes to user fees and charges. This is a sound strategy as only those who voluntarily use a service pay for it, as opposed to burdening the general public with these non-essential costs.

Despite the aforementioned cost cutting measures, the Civic Federation points to two issues that must be addressed to maintain fiscal stability in the future. First, the District's Pension Fund's funded ratio is falling below a level considered financially healthy, dropping to just 76.0% in FY2007, the last year for which data are available. Unfunded liabilities rose by over $107.0 million in the five-year period between FY2003 and FY2007, from $76.9 million to $184.6 million. It is likely that the situation will decline further as the full impact of the current serious economic downturn is felt and pension fund investment returns drop. The District must act to improve the financial health of the fund and to reduce its mounting costs and liabilities.

Second, the proposed budget relies on the use of a one-time infusion of $10.0 million in interest earnings from its Parking Garage Capital Fund to fund operations. Using one-time revenues for operating expenses is not sound fiscal policy. Unfortunately, this is the third year in a row the District has drawn on one-time revenue resources to balance its budget. In FY2008 the District used $10.0 million of the FY2007 Corporate Fund Balance as a revenue source. In FY2007 the District transferred $10.0 million from its Pension Fund into its Corporate Fund. These actions appear to indicate that the District is facing a structural deficit, and dealing with it will require a long-term solution.

Issues The Civic Federation Supports

The Civic Federation supports the following issues related to the FY2009 Chicago Park District budget.

Spending Restraint: FY2009 Budget is Less Than the Previous Year

The Civic Federation commends General Superintendent Mitchell and his financial team for continually producing fiscally responsible financial plans that emphasize cost containment. The Chicago Park District continues its commitment to fiscal restraint in FY2009 by proposing a budget less than the previous year. Overall, the District's spending plan will **decrease** by 0.9% in FY2009. This represents a $3.7 million decrease, falling from $396.9 million in FY2008 to $393.2 million in FY2009.

Between FY2000 and FY2009 total Chicago Park District appropriations have grown by 19.8%, or $75.0 million. Annual budgeted appropriation growth for the District averaged 2.0%. Over the last ten years, total appropriations have grown by $75.0 million, or 19.8%, which is under the inflation rate of roughly 27.0%.[2] The Civic Federation applauds the District as the FY2009 CPD budget continues a decade-long record of fiscal restraint.

No Property Tax Levy Increases for Five Years

The CPD has frozen its property tax levy for the fifth consecutive year at $259.9 million. The District has managed to avoid property tax increases over the past five years, in part thanks to a combination of steadily increasing fee revenues and prudent management strategies, including reductions in personnel, privatization and the utilization of public-private partnerships.

We believe that property tax increases should only be considered as a last resort, after cost-cutting measures and increased efficiencies have been implemented. In this turbulent economic climate the last thing beleaguered taxpayers need is yet another tax increase. The Civic Federation applauds the District for once again successfully avoiding a property tax increase.

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[2] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 27.0% between September 1999 and September 2008, the most recent month available. U.S. Bureau of Labor Statistics.

Emphasis on Funding Non-Core Services With User Fees and Charges

The Chicago Park District will increase several fees and charges in FY2009. Overall, fee and permit revenues are expected to generate $43.3 million in FY2009. An additional $26.7 million will be derived from facility rental fees. These combined resources will total 17.8% of the total $393.2 million in budgeted revenues. This is an increase from the 16.6% of the total budget last year of $396.9 million. The District uses revenues from user fees and charges in part to maintain facilities and provide important, but non-essential, non-core services.

The Civic Federation strongly supports the use of user fees and charges by the Chicago Park District for the provision of non-core services. Those who voluntarily use the service pay the fee or charge, as opposed to having the general public absorb the cost of these voluntary efforts. In contrast, critical services, whose provision benefits everyone in the jurisdiction either directly or indirectly, are appropriately financed through taxes. The Civic Federation commends the Chicago Park District for its efforts to diversify its revenue sources and move toward aligning programs with appropriate funding sources.

Holding the Line on Personnel Costs

The District will reduce full-time employees by 138 positions in FY2009. This move is part of an ongoing effort to replace full-time positions with hourly positions as a means of providing more flexibility and reducing benefit expenses. As a result of this plan, part-time and seasonal positions will increase by 49 FTEs in FY2009, for a net position decrease of 89 FTE positions overall. The reduction in full-time positions was achieved through the elimination of vacant positions, department consolidation, and the implementation of a Voluntary Severance Incentive program in which 71 employees voluntarily separated from the District.

The Civic Federation supports the District's move towards additional part-time employees as a means of reducing overall personnel costs while still maintaining the same level of service for City residents.

Budget Format Improvements

The Chicago Park District has greatly improved the format of its budget documents over the years. This year the District increased the transparency of their budget document by providing information regarding the District's capital budget and a breakdown of personnel expenses. The Civic Federation applauds the District for these additions as they provide the general public with a greater understanding of how their tax dollars are being spent for recreation in the City of Chicago. We urge the District to take on additional format changes, which can be found in the recommendations section of this report.

Issues of Concern to The Civic Federation

The Civic Federation has **<u>concerns</u>** about two financial issues facing the Chicago Park District budget.

Deterioration in the Fiscal Health of the CPS Pension Fund

The funded ratio of the Chicago Park District pension fund fell to 76.0% in FY2007, the last year for which data are available. Since FY2003, the funded ratio has dropped from 89.0%. Unfunded liabilities rose by over $107.0 million in the five-year period between FY2003 and FY2007, from $76.9 million to $184.6 million. It is likely that the situation will decline further as the full impact of the current serious economic downturn is felt and pension fund investment returns drop.

The CPD pension fund funded ratio is falling below a level considered financially healthy. The District must act to improve the financial health of the fund by reducing its mounting costs and liabilities. This can be done by seeking legislative approval for implementing common sense pension funding reforms, such as reducing benefits for new employees and limiting annuity increases for new hires at the lesser of 3.0% or the rate of inflation.

Use of Parking Garage Capital Fund Interest Earnings for Operations

In FY2009 the CPD budget is balanced with the use of $10.0 million in interest earnings from its Parking Garage Capital Fund. The Civic Federation supported the long-term lease of Chicago Park District parking garages in 2006. In our view, this was a reasonable alternative service delivery transaction.

However, we are **strongly opposed** to the use of one-time proceeds from asset sales or long-term leases for operating expenses. The National Advisory Council on State and Local Budgeting notes: "By definition, one-time revenues cannot be relied on in future budget periods."[3] Therefore, governments should adopt a policy, "limiting the use of one-time revenues for ongoing expenditures*." In short, recurring operating programs should only be funded from recurring revenues.* To do otherwise is not a prudent use of financial resources.

Unfortunately, this is the third year in a row the District has drawn on one-time revenue resources to balance its budget. In FY2008 the District used $10.0 million of the FY2007 Corporate Fund Balance as a revenue source. In FY2007 the District transferred $10.0 million from its Pension Fund into its Corporate Fund.

Civic Federation Recommendations

The Civic Federation has several recommendations on ways to improve the Chicago Park District's financial management and reduce its expenditures.

Implement Comprehensive Pension Reform

The Civic Federation offers the following specific recommendations to improve the long-term financial health of the Chicago Park District Pension Fund. These measures would require

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[3] National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework For Improved State and Local Government Budgeting*. Recommended Practice 4.4: Develop Policy on Use of One-Time Revenues. (Chicago: Government Finance Officers Association, 2000).

General Assembly authorization. We strongly urge the District to seek such approval as soon as possible.

Establish a Two-Tiered System

Although the pension benefits for current public employees and retirees are guaranteed by the Illinois Constitution, benefit levels can be reduced for new employees. Reducing benefits for new employees would mean the creation of two-tiered benefit systems where existing and new employees receive different retirement benefits. Given the rising cost of pension benefits, this is a reasonable approach that the District should undertake.

Annuity Increases for New Hires Should be Fixed at the Lesser of 3% or CPI

Currently, CPD pension fund beneficiaries receive 3% annual cost of living increases. However, this rate can and often does exceed the rate of inflation. To control costs, annual annuity increases for new hires should be fixed at the projected Consumer Price Index or 3%, whichever is less.

Prohibit Benefit Increases Unless the Plan is Over 90% Funded

Benefit enhancements are a major source of increased liabilities for pension funds. The Civic Federation recommends that no new retirement benefit enhancements be granted unless the pension fund is over 90% funded. A healthy pension fund (one that is over 90% funded) should be permitted to grant benefit enhancements only if employer and/or employee contributions are increased sufficiently to fully fund the enhancements. Any benefit enhancement granted should also expire after five years, subject to renewal. The Civic Federation urges the CPD to request these legislative changes from the General Assembly in order to control pension costs and shore up the health of the fund.

Require Employer Contributions to Relate to Funding Levels

The Chicago Park District's employer contributions are determined by a multiplier that is not tied to the fund's funded ratio. The CPD's multiplier is set by state statute at 1.10 times the total employee contribution made two years prior. Unfortunately, meeting this statutory funding requirement does not ensure that the CPD will provide sufficient resources to keep its Pension Fund financially healthy. The Civic Federation believes that, at a minimum, employer contributions should be tied to funded ratios so that additional contributions are required whenever the ratio drops below a given level. Linking pension contributions to actuarially required contribution (ARC) levels would be an even more effective way of guaranteeing the Pension Fund's financial health.

A 1% Increase in Employee Contributions

Employees covered by the Park District retirement systems contribute a percentage of their compensation for their own pensions and to fund survivors' benefits. The Civic Federation believes that all Park District employees covered by the District's retirement system should contribute an additional 1% of their salaries to the cost of their pensions.

Park District Pension Fund Governance Reform

The Park Employees' Annuity and Benefit Fund of Chicago is governed by a seven-member Board of Trustees that includes four active employees and three representatives from management.[4] The proper role of a pension board is to safeguard the fund's assets and to balance the interests of the employees and retirees who receive benefits and the taxpayers who pay for pension benefits. The employer, employees, retirees, and taxpayers all have an interest in the management of the fund. However, the overrepresentation of employees and retirees on the Park District Pension Board raises questions about how objective the Board can be in its work. In our view, a pension board should:

- Balance employee and management representation on pension boards;
- Develop a tripartite structure that includes citizen representation on pension boards;
- Include financial experts on pension boards; and
- Require financial training for non-experts.

We urge the Chicago Park District to seek reform of the Park District Employees' Fund governing structure to ensure a greater balance of interests.

Budget Format Improvements

The Chicago Park District has greatly improved the format of its budget documents, including the development of a Budget Summary, increased information regarding the District's capital budget and a breakdown of personnel expenses. The Civic Federation applauds this important effort to increase budget transparency. This year, we offer several recommendations to further increase the user friendly features of the District's budget documents:

- Convert all personnel position information provided in the Summary Budget (i.e., for part-time and seasonal workers as well as full time staff) to full-time equivalent (FTE) positions. This would provide a consistent, comparative overview of the District's entire workforce.
- Provide five years of trend data for appropriations and revenues. We understand that data comparability problems have made this difficult if not impossible to date. However, trends could and should be provided moving forward from the earliest possible fiscal year for which complete information is available.

Develop and Implement Performance Measures

The Civic Federation encourages the Chicago Park District to move quickly toward full implementation of a performance management system. All governments should evaluate the performance of the programs and services they provide. This is the best means available to

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[4] Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois* (February 13, 2006), www.civicfed.org.

determine if they are accomplishing intended program goals and making efficient use of resources. Evaluating and reporting on program results keeps all citizens and stakeholders apprised of how actual results compare to expectations.[5]

The District has already taken positive steps towards full implementation of an effective performance management system. In the FY2009 budget document some departments list goals and measures, with actual data for 2006 through 2008 and projected data for 2009. While useful, the District must take the next step and tie the goals to the performance measures, showing how achievement of specific quantities of a measure will result in a goal being achieved. We applaud the District for beginning this process and encourage them to connect the pieces to create a final product and apply this process throughout all District departments.

Adopt Formal Financial Policies Including a Fund Balance Policy

Formal written financial policies are plans that guide and determine a government's decision-making in regards to present and future financial operations. Both the National Advisory Council on State and Local Budgeting and the Government Finance Officers Association recommend that all jurisdictions adopt formal written financial policies.[6]

The Civic Federation recommends that the Chicago Park District adopt written financial policies to guide the development of its annual budget. We strongly urge the District to move quickly to adopt a fund balance or reserve policy requiring that a certain percentage of expenditures or revenues be set aside for contingencies. The GFOA standard of 5% to 15% of General Fund operating revenues or expenditures is a good guideline for such a policy. While the District's fund balance has been increasing between FY2004 and FY2007, a formal policy will act to prevent future negative fund balances like the ones experienced by the District in FY2002 and FY2003.

Implement a Formal Long-Term Financial Plan

The Chicago Park District employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that the CPD develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public.

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[5] 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).

[6] See Recommended Practices 4.1 – 4.7 in National Advisory Council on State and Local Budgeting, *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998), and Committee on Governmental Budgeting and Management, "Adopting Financial Policies," *Recommended Practice* (2001).

Assume Operational Control of Illinois International Port District Harborside Golf Center

The Civic Federation believes that the Illinois International Port District (IIPD) should be dissolved and ownership of the IIPD's Haborside International Golf Center should be transferred to the Chicago Park District.[7]

Our call for the dissolution of the IIPD stems from a continued lack of transparency, accountability, and strategic planning that inhibits the Port of Chicago from becoming a more vibrant center of maritime commerce and regional economic and industrial development. We are calling for a complete dissolution of the Port District, with a transfer of port operations and related lands to the City of Chicago, open lands to the Forest Preserve District of Cook County and the golf center to the Chicago Park District.

We believe management of a golf course should not be the primary activity of a port authority. Instead, it falls squarely within the parameters of a park district's recreational duties. This transfer will benefit both the Chicago Park District, as they will acquire a valuable recreational asset, and the residents of Chicago as a transparent and open governmental entity will be controlling this tax-supported enterprise.

ACKNOWLEDGEMENTS

The Civic Federation would like to thank General Superintendent Timothy Mitchell, Chief Financial Officer Steve Hughes, Budget Director Tanya Anthony, and the Chicago Park District's financial management staff for their efforts in preparing this budget. We greatly appreciate the cooperation we have received from all of them in answering our questions.

CHICAGO PARK DISTRICT DEFICIT

The Chicago Park District faced a $24.0 million deficit in FY2009. The deficit is driven in part by rising personnel costs, falling personal property replacement tax revenues and declining interest earnings.

The CPD administration will close the FY2009 budget gap through a combination of $10.3 million in expenditure reductions, $3.7 million in revenue enhancements and the use of a $10.0 million one-time payment of interest income from the Parking Garage Capital Fund.

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[7] *See* "A Call for the Dissolution and Restructuring of the Illinois International Port Authority" by The Civic Federation, June 30, 2008 at http://www.civicfed.org/articles/civicfed_273.pdf.

CPD FY2009 Gap Closing Measures (in $ millions)	
Expenditure Reductions	
3 Day Park District Shutdown	$1.3
Departmental Consolidations	$1.1
Voluntary Severance Incentive Program	$2.4
Elimination of Vacant Full Time Positions	$3.9
Reduction in Beach Lifeguard Schedule	$0.7
Sewer Fee Waiver	$0.9
Subtotal Expenditure Reductions	**$10.3**
Revenue Enhancements	
Increase Harbor Slip Fess by 4%	$1.1
Increase Harbor Transient Fees by 9%	$0.1
Growth from Rental/Permit Fees	$1.5
Increased Day Camp Fees	$0.3
Lakefront Parking Meter Expansion	$0.7
Subtotal Revenue Enhancements	**$3.7**
One Time Revenues	
Interest from Parking Garage Capital Fund	$10.0
Subtotal One-Time Revenues	**$10.0**
Total	**$24.0**

Source: Chicago Park District Budget Presentation, October 23, 2008.

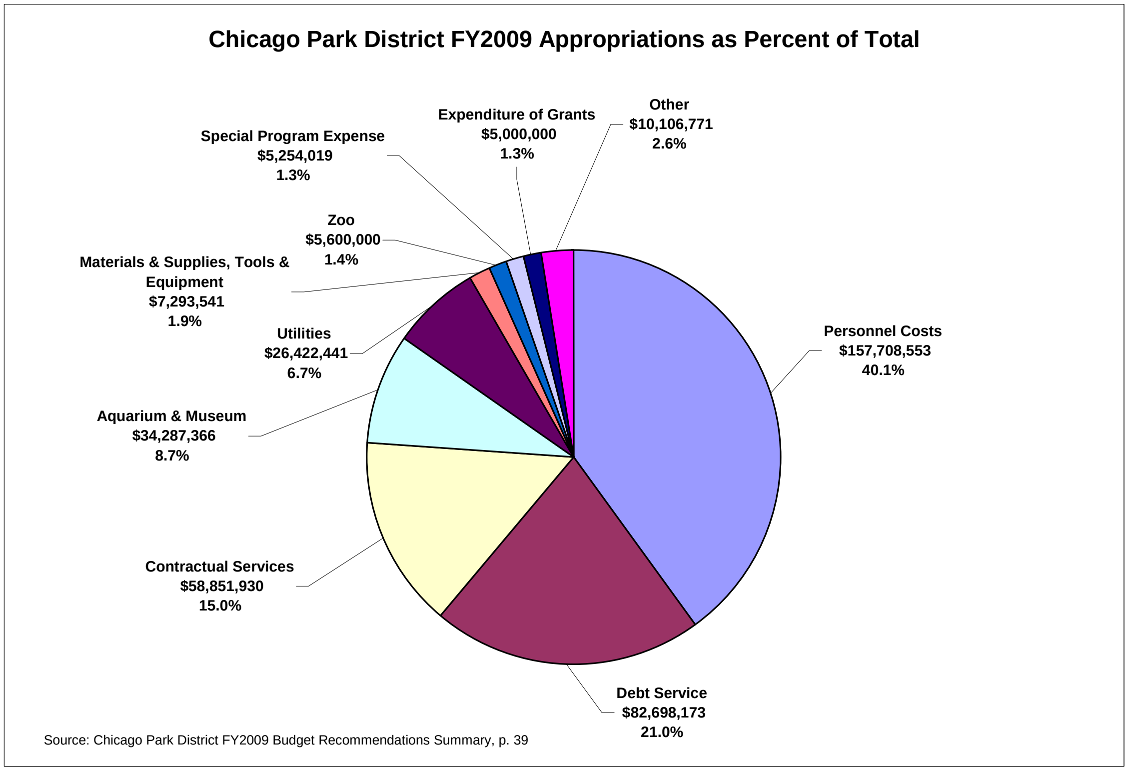
APPROPRIATIONS

Total Chicago Park District appropriations are projected to decline from $396.9 million in FY2008 to $393.2 million in FY2009, a $3.7 million or 0.9% decrease. Total personnel costs, including pensions, workers' compensation, and unemployment, are expected to decline by 1.2% from $159.7 million to $157.7 million. Debt service appropriations will fall by 1.0%, from $83.5 million to $82.7 million. Accessibility Capital Projects will decline by 60.4%, or $2.5 million.

Chicago Park District Appropriations by Object: FY2008 & FY2009				
	FY2008 Adopted	**FY2009 Recommended**	**$ change**	**% change**
Personnel Costs	$ 159,694,844	$ 157,708,553	$ (1,986,291)	-1.2%
Debt Service	$ 83,506,872	$ 82,698,173	$ (808,699)	-1.0%
Contractual Services	$ 57,346,855	$ 58,851,930	$ 1,505,075	2.6%
Aquarium & Museum	$ 34,287,366	$ 34,287,366	$ -	0.0%
Utilities	$ 25,743,772	$ 26,422,441	$ 678,669	2.6%
Materials & Supplies, Tools & Equipment	$ 7,815,501	$ 7,293,541	$ (521,960)	-6.7%
Zoo	$ 5,600,000	$ 5,600,000	$ -	0.0%
Special Program Expense	$ 5,408,332	$ 5,254,019	$ (154,313)	-2.9%
Expenditure of Grants	$ 5,000,000	$ 5,000,000	$ -	0.0%
Liability Insurance & Judgments	$ 4,750,000	$ 4,750,000	$ -	0.0%
Organizations	$ 2,390,000	$ 2,490,000	$ 100,000	4.2%
Accessiblity Capital Projects	$ 4,200,000	$ 1,664,571	$ (2,535,429)	-60.4%
Facilities Rental (headquarters)	$ 1,200,000	$ 1,202,200	$ 2,200	0.2%
Total	**$ 396,943,542**	**$ 393,222,794**	**$ (3,720,748)**	**-0.9%**

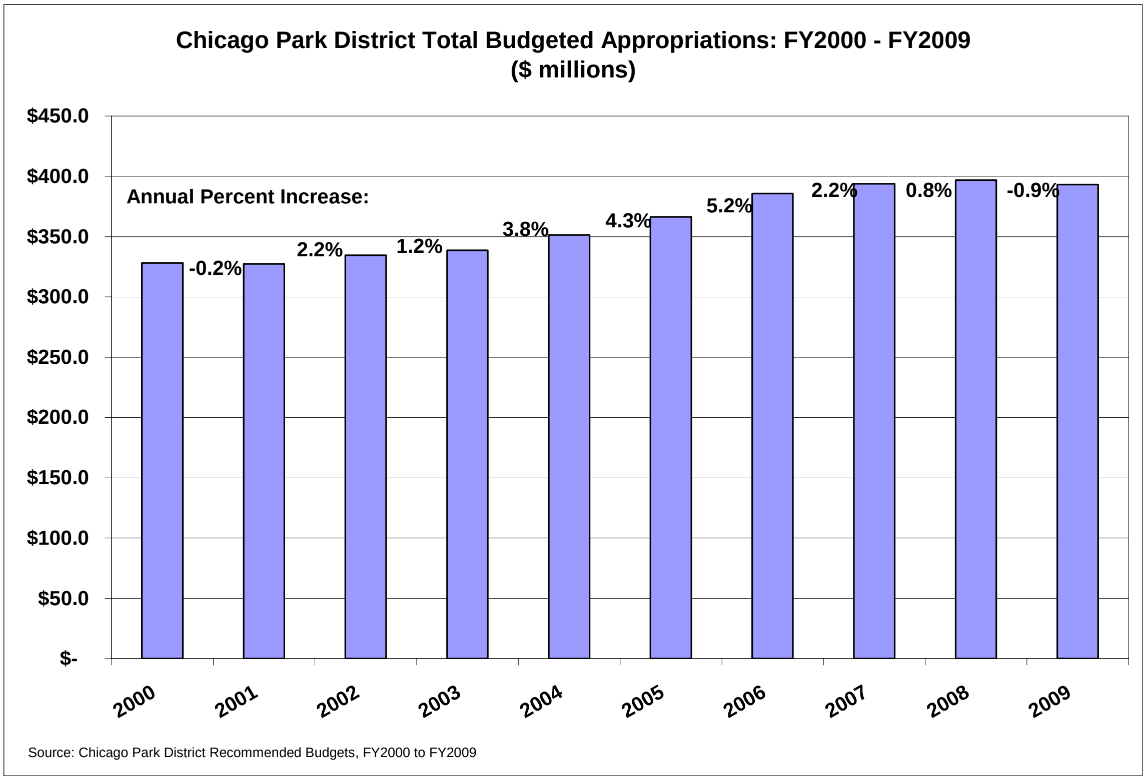
Source: Chicago Park District FY2009 Budget Recommendations p. 39

Approximately 40.1% of FY2009 appropriations are budgeted for personnel costs (including pensions, workers' compensation, and unemployment insurance), while Debt Service represents 21.0% of appropriations.



Over the last ten years, total appropriations have grown by $75.0 million, or 19.8%, which is under the inflation rate of roughly 27.0%.[8] Between FY1999 and FY2009, annual budgeted appropriation growth averaged 2.0%.

[8] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 27.0% between September 1999 and September 2008, the most recent month available. U.S. Bureau of Labor Statistics.



The next exhibit provides a detailed listing of Contractual Services appropriations. Overall, the District will increase Contractual Services appropriations by 4.4%, from $37.6 million to $39.2 million. General Contractual Services include a variety of expenses such as printing, travel, waste disposal, and postage, and will increase 13.1%, or $1.2 million.[9]

Chicago Park District Contractual Serivces Appropriations: FY2008 & FY2009				
Contractual Services	**FY2008**	**FY2009**	**$ change**	**% change**
Soldier Field	$ 11,649,782	$ 11,539,782	$ (110,000)	-0.9%
General Contractual Services	$ 8,896,149	$ 10,063,400	$ 1,167,251	13.1%
Harbor Management	$ 8,195,525	$ 8,907,480	$ 711,955	8.7%
Landscape Services	$ 4,675,000	$ 5,152,600	$ 477,600	10.2%
MLK Center Management	$ 1,369,891	$ 1,191,949	$ (177,942)	-13.0%
Repair & Maintenance	$ 1,563,841	$ 1,150,668	$ (413,173)	-26.4%
Concessions Management	$ 750,000	$ 750,000	$ -	0.0%
Parking Management	$ 457,724	$ 471,378	$ 13,654	3.0%
Other Management Fee Expense	$ 19,788,943	$ 19,624,673	$ (164,270)	-0.8%
Total	**$ 37,557,912**	**$ 39,227,257**	**$ 1,669,345**	**4.4%**

Source: Chicago Park District FY2009 Budget Recommendations p. 39

PERSONNEL AND PERSONAL SERVICES TRENDS

The District is budgeting for a total of 3,197 full-time equivalent (FTE) positions in FY2009, including 1,584 full-time positions and 1,613 part-time and seasonal positions.

[9] Information provided by Chicago Park District Budget Director Tanya Anthony, October 31, 2008.

Full-time positions will decline by 138 over FY2008 originally budget numbers, while part-time and seasonal positions will increase by 49 FTEs, for a net decrease of 89 FTE positions.[10] This is a continuation of the District's move toward replacing full-time positions with hourly positions in order to increase staff flexibility and decrease benefit expenses.[11] The reduction in full-time positions was achieved through the elimination of vacant positions, department consolidation, and the implementation of a Voluntary Severance Incentive program in which 71 employees voluntarily separated from the District.[12] Total FTEs will decline by 2.7% in FY2009, from 3,286 to 3,197.[13]

Chicago Park District Budgeted Personnel: FY2008 & FY2009				
Full-Time Equivalent Positions	**FY2008**	**FY2009**	**# change**	**% change**
Full-Time	1,722	1,584	-138	-8.0%
Part-Time	844	887	43	5.1%
Seasonal	720	726	6	0.8%
Total	**3,286**	**3,197**	**-89**	**-2.7%**

Source: Information provided by the Chicago Park District, November 29, 2007, and November 3, 2008.

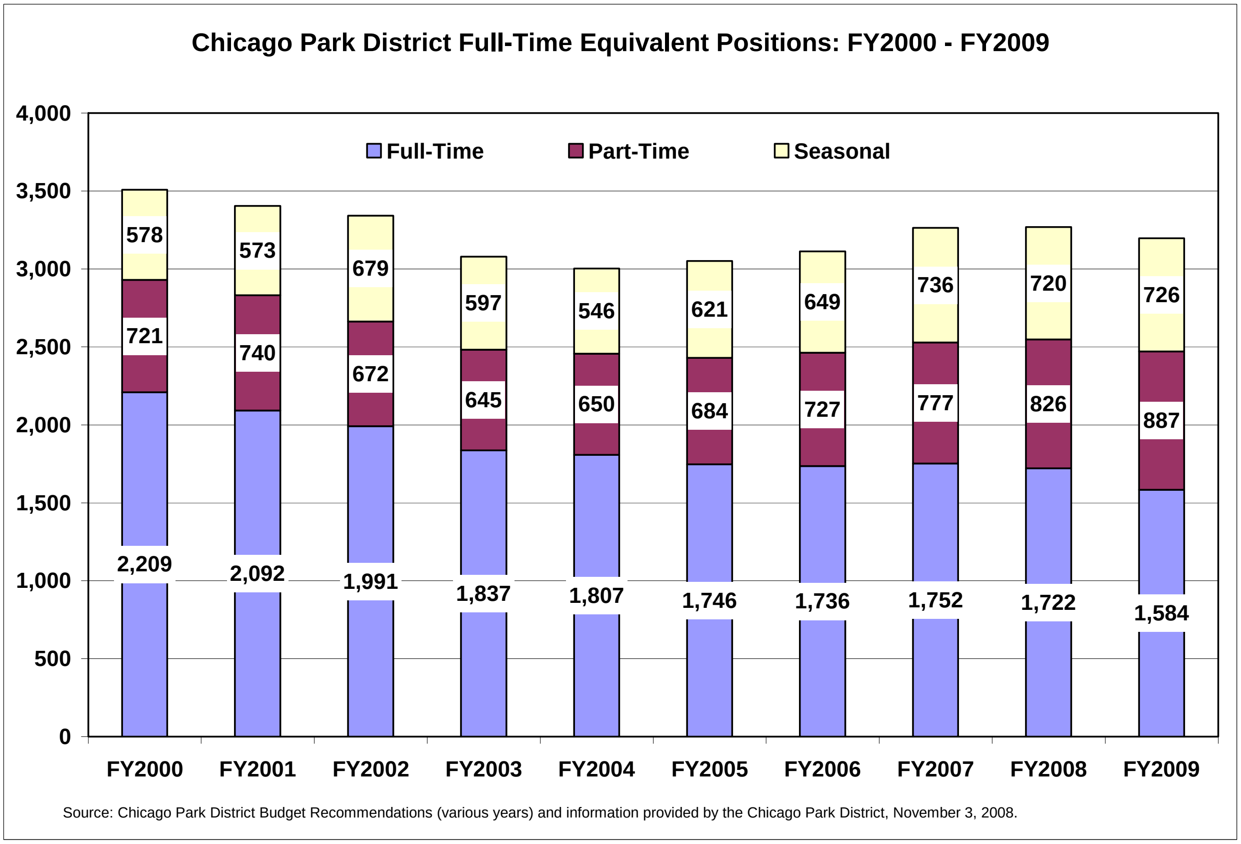
Over the last five years the District has cut 162 full-time positions, has increased part-time positions by 204 FTEs and increased seasonal personnel by 105 FTEs. Since FY2005 the Chicago Park District's personnel has increased by 147 FTE positions or 4.8%.

Chicago Park District Personnel: FY2005 & FY2009				
Full-Time Equivalent Positions	**FY2005**	**FY2009**	**# change**	**% change**
Full-Time	1,746	1,584	-162	-9.3%
Part-Time	683	887	204	29.9%
Seasonal	621	726	105	16.9%
Total	**3,050**	**3,197**	**147**	**4.8%**

Source: Chicago Park District FY2005 Budget Recommendations, p. 350; and information provided by the Chicago Park District, November 3, 2008.

Since FY2000, 625 full-time positions and a net total of 311 FTEs have been eliminated.

[10] FY2008 FTE data is taken from the final FY2008 budget document. Chicago Park District FY2009 Proposed Budget p. 48.
[11] Chicago Park District FY2009 Proposed Budget p. 40.
[12] Chicago Park District FY2009 Proposed Budget p. 40.
[13] For accuracy of comparisons over time, the Civic Federation compares budgeted to budgeted figures. However, the actual number of positions filled in a given year may differ from the budgeted number.



The following exhibit presents personnel appropriations in FY2008 and FY2009. Total personnel costs will decrease by 1.2 %, or $2.0 million, from $159.7 million in FY2008 to $157.7 million in FY2009. In FY2009 the District is budgeting for a 1.8% decrease in salaries and wages. The employee contribution to their health care premiums will increase 14.0%, while the District cost will decline 0.3%. The employee health care contribution is based upon a percentage of salary.[14] Prescription drug, dental, and life insurance benefits will decline as a result of fewer full-time positions, as well as a transfer of retiree prescription drug costs to the "Health Benefits Retirees" line item. The District has also benefited from a 2008 dental care joint purchasing agreement with other governments.[15]

Payroll taxes (Medicare, Social Security) are projected to decline by 20.0%, reflecting the position reductions. Appropriations for pensions will increase by 4.8% or $0.5 million in FY2009, rising to $10.3 million. The District's contribution is set by statute at 1.1 times the amount contributed by District employees two years prior.

[14] Information provided by the Chicago Park District, November 3, 2008.
[15] Information provided by the Chicago Park District, November 3, 2008.

Chicago Park District Personnel Costs: FY2008 vs. FY2009				
	2008 Adopted	2009 Recommended	$ change	% change
Salary & Wages	$ 126,129,338	$ 123,896,325	$ (2,233,013)	-1.8%
Health Benefits	$ 14,639,560	$ 14,588,798	$ (50,762)	-0.3%
Health Benefits Employee Contributions	$ (1,360,000)	$ (1,550,000)	$ (190,000)	14.0%
Health Benefits Retirees	$ 838,000	$ 1,285,900	$ 447,900	53.4%
Prescription Drugs	$ 2,725,000	$ 2,291,760	$ (433,240)	-15.9%
Dental Benefits	$ 693,917	$ 395,712	$ (298,205)	-43.0%
Life Benefits	$ 199,379	$ 182,274	$ (17,105)	-8.6%
Medicare Tax	$ 1,307,000	$ 1,045,600	$ (261,400)	-20.0%
Social Security	$ 1,136,000	$ 908,800	$ (227,200)	-20.0%
Subtotal Salaries & Benefits	**$ 146,308,194**	**$ 143,045,169**	**$ (3,263,025)**	**-2.2%**
Unemployment Obligations	$ 1,050,000	$ 1,050,000	$ -	0.0%
Workers Compensation	$ 2,500,000	$ 3,300,000	$ 800,000	32.0%
Pension	$ 9,836,650	$ 10,313,384	$ 476,734	4.8%
GRAND TOTAL	**$ 159,694,844**	**$ 157,708,553**	**$ (1,986,291)**	**-1.2%**

Source: Chicago Park District FY2009 Budget Recommendations Summary, p. 39

As shown in the table above, retiree health benefit costs to the District are projected to increase 53.4%, or $447,900. This is due in part to the Voluntary Severance Incentive offered in 2008, which increased the number of retirees this year. It is also due to an 18% increase in monthly premiums due to the health care provider, and more comprehensive reporting of retiree health care costs than in previous years.[16] The District subsidizes health insurance for retirees until they become Medicare eligible at age 65, except for retirees with a start date prior to April 1, 1984 (they are not required to switch to Medicare). Retirees pay over 50% of health insurance premiums as shown in the table below.

Chicago Park District Retiree Health Insurance Percent of Premium Paid by Retiree		
	Retired on or before 12/31/03	Retired on or before 1/1/04
HMO	53% to 54%	54% to 58%
PPO	59% to 69%	59% to 69%

Note: percents vary depending on plan coverage (single, single+1, family)

Source: Information provided by the Chicago Park District November 29, 2007.

REVENUES AND RESOURCES TRENDS

Tax revenues for the District are budgeted to decrease by 0.3% in FY2009, falling slightly from $299.8 million to $298.8 million. The decrease is primarily due to an anticipated $0.7 million decrease in personal property replacement taxes (PPRT). The PPRT is a form of corporate income tax and the CPD anticipates reduced revenues due to the current economic downturn. There is no increase in the District's property tax levy in FY2009.

Revenues from the rental of District facilities will increase by 2.5%, from $26.0 million to $26.6 million. Revenue from the rental of Soldier Field and Northerly Island will rise, increasing by

[16] Information provided by the Chicago Park District, November 3, 2008.

4.2% and 3.0%, respectively. Rentals of gyms, halls, ice rinks, tennis courts, and other District properties will decrease by 9.5%, or $0.3 million.

Permit and fee revenues are projected to increase by $3.4 million, or 8.5%. This category includes parking fees, permit revenues, harbor fees, park fees and golf course fees.

The golf fees are generated as part of an agreement with the private operator who manages all of the District's golf facilities and covers operating costs as well as capital improvements. Golf course fees will rise by 10.0% as a result of a new contract expected to be approved before the end of 2008.[17]

Harbor fees will increase by 5.2% ($1.1 million), with an average slip fee increase of 3% for the 2009 boating season.[18] The harbors are operated by a private company that specializes in harbor operation. Park fee income will remain flat at $12.7 million, while permit revenues will increase by 38.9% or $1.4 million.

Total parking fee revenue will increase by nearly $0.8 million in FY2009, rising from $1.6 million to $2.4 million. This includes revenue from parking fees and meters. The District will expand parking meters along the Lakefront next year; this expansion is projected to generate at least $0.7 million.[19]

Grants and Donations revenues are expected to be flat at $5.0 million in FY2009. Investment income will be decrease steeply, falling by 48.9% to $1.2 million as a consequence of the economic downturn. Concession revenue is expected to dip by 23.0%, or $1.1 million.

The Long Term Income Reserve is a product of the District's 2006 agreement to enter into a 99-year lease of its three downtown parking garages (Grant Park North, Grant Park South, and East Monroe). The transaction yielded $347 million for the District, of which $122 million was earmarked for capital improvements to neighborhood parks. An additional $35 million from the garage lease was also designated as a reserve for park repair at Daley Bi-Centennial plaza when the East Monroe Garage is reconstructed as planned by the new private operator in five years.[20]

The intention was to replace the parking fee revenue stream with $5 million annually generated from a Long Term Income Reserve of $120 million. The amount used as a resource in the FY2009 budget will be $2.1 million, down from $5.0 million the previous year.[21]

In FY2009 the District will use $10.0 million in interest earnings from its Parking Garage Capital Fund as a revenue source. The Fund includes revenues from the $122 million earmarked for park capital improvements and the $35 million set aside as a reserve for park repair. Of that $10

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[17] *Chicago Park District 2009 Budget Summary*, 36.
[18] *Chicago Park District 2009 Budget Summary*, 36.
[19] *Chicago Park District 2009 Budget Summary*, 35.
[20] *Chicago Park District 2008 Budget Summary*, 12.
[21] *Chicago Park District 2009 Budget Summary*, 37.

million amount, $2.3 million in interest will be transferred from the reserve for park replacement and $7.7 million from the reserve for park improvements.[22]

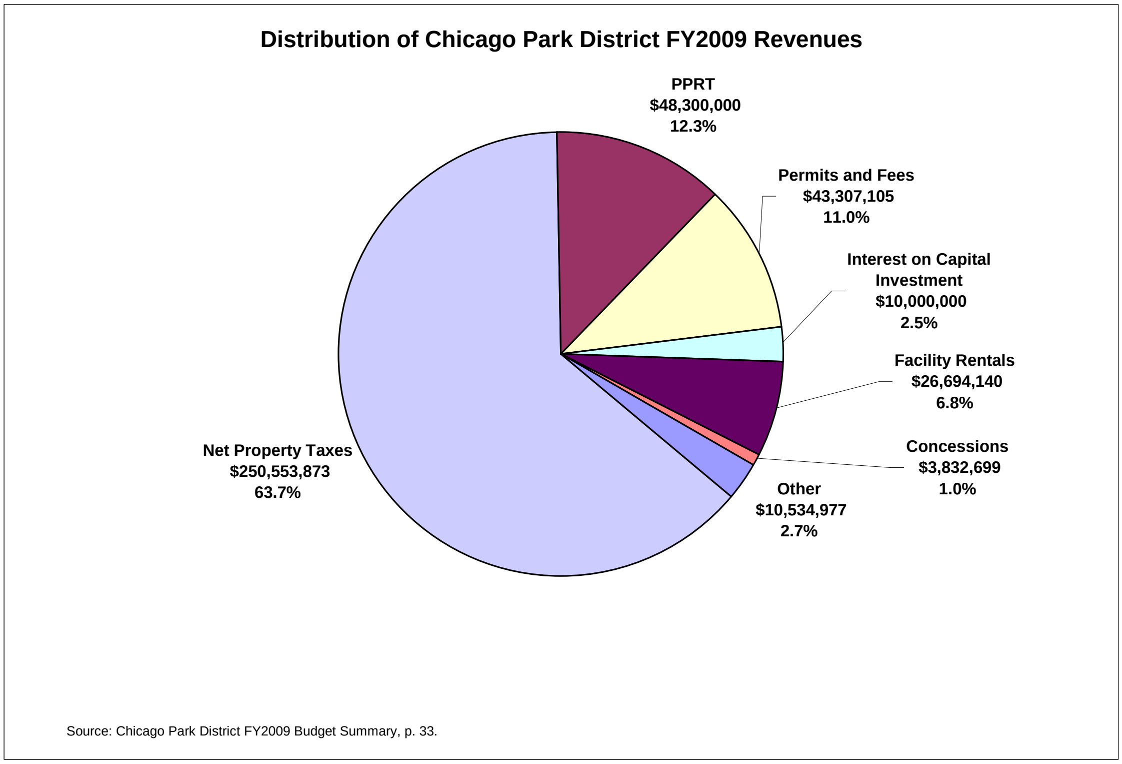
This is the 3rd year in a row the Park District has drawn on non tax or fee resources to balance the budget. In FY2008, the District used $10.0 million of the FY2007 Corporate Fund Balance as a revenue source. In FY2007, the District transferred $10.0 million from its Pension Fund into its Corporate Fund.

Chicago Park District Resources by Source: FY2008 and FY2009				
	2008 Budget	2009 Budget	$ change	% change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (9,096,873)	$ (9,356,784)	$ (259,911)	2.9%
Personal Property Replacement Tax	$ 49,000,000	$ 48,300,000	$ (700,000)	-1.4%
Subtotal Tax Revenues	**$ 299,813,784**	**$ 298,853,873**	**$ (959,911)**	**-0.3%**
Rental of Soldier Field	$ 22,640,752	$ 23,598,532	$ 957,780	4.2%
Rentals	$ 3,187,511	$ 2,886,232	$ (301,279)	-9.5%
Northerly Island Pavilion	$ 203,246	$ 209,376	$ 6,130	3.0%
Subtotal Facility Rentals	**$ 26,031,509**	**$ 26,694,140**	**$ 662,631**	**2.5%**
Parking Fees	$ 1,669,500	$ 1,466,165	$ (203,335)	-12.2%
Parking Meters	$ -	$ 1,000,000	$ 1,000,000	100.0%
Harbor Fees	$ 21,223,500	$ 22,331,700	$ 1,108,200	5.2%
Park Fees	$ 12,786,060	$ 12,786,060	$ -	0.0%
Permits	$ 3,723,174	$ 5,173,180	$ 1,450,006	38.9%
Golf Course Fees	$ 500,000	$ 550,000	$ 50,000	10.0%
Subtotal Permits and Fees	**$ 39,902,234**	**$ 43,307,105**	**$ 3,404,871**	**8.5%**
Concessions	$ 4,978,889	$ 3,832,699	$ (1,146,190)	-23.0%
Grants and Donations	$ 5,000,000	$ 5,000,000	$ -	0.0%
Investment Income	$ 2,350,000	$ 1,200,000	$ (1,150,000)	-48.9%
Long Term Income Reserve (parking sale)	$ 5,000,000	$ 2,100,000	$ (2,900,000)	-58.0%
Miscellaneous	$ 467,125	$ 1,034,977	$ 567,852	121.6%
Capital Contributions	$ 1,200,000	$ 1,200,000	$ -	0.0%
Corporate Fund Designated Fund Balance	$ 10,000,000	$ -	$ (10,000,000)	-100.0%
Special Recreation Fund Balance	$ 2,200,000	$ -	$ (2,200,000)	-100.0%
Interest on Capital Investment		$ 10,000,000	$ 10,000,000	100.0%
GRAND TOTAL	**$ 396,943,541**	**$ 393,222,794**	**$ (3,720,747)**	**-0.9%**

Source: Chicago Park District FY2008 Budget Summary, p. 10 and FY2009 Budget Summary, p. 33.

The following exhibit shows the distribution of District revenues in FY2009, not including the $1.2 million in Capital Contributions or the $10.0 million that will be transferred from the Corporate Fund Balance. Total tax revenues (property tax and PPRT) constitute 76.0% of District revenues. The next largest revenue source is Permits and Fees, at 11.0%, followed by Facility Rentals at 6.8%.

[22] Chicago Park District FY2009 Budget, pp. 350-351.



The next exhibit shows resource trends during the five year period between FY2005 and FY2009. During that period, resources increased by 7.3%, rising from $366.4 million to $393.2 million.

- The gross property tax levy has been frozen during that time. PPRT revenues have increased dramatically, by 61.0%, reflecting growth in the economy between FY2005 and FY2008.

- Facility rental revenues have risen by 10.8%. This increase is due primarily to increased rental fees from Soldier Field.

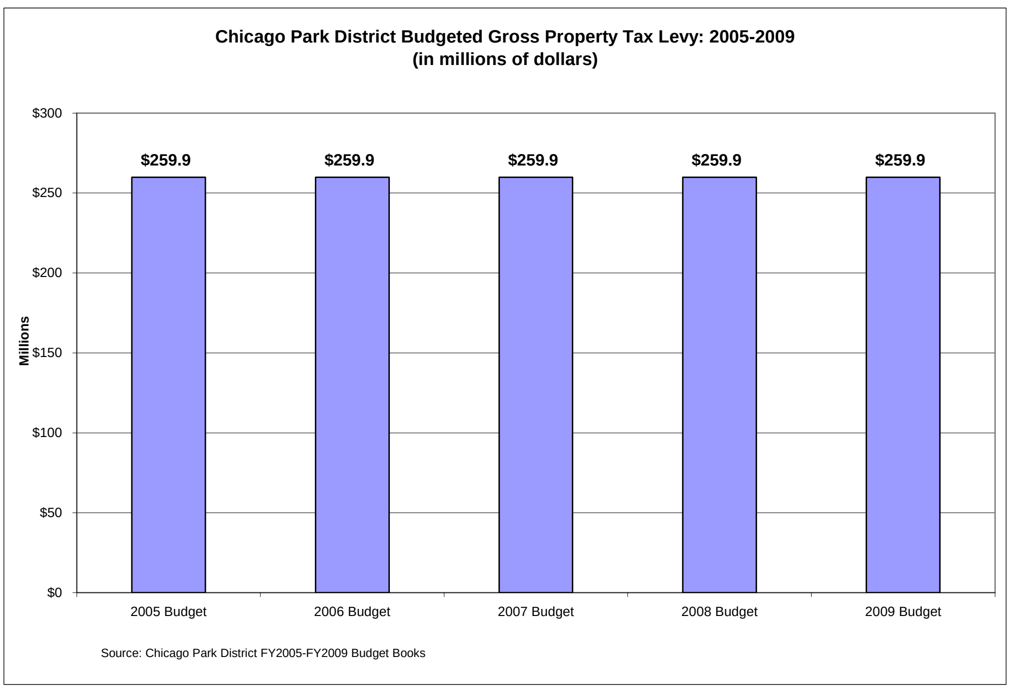
- Permit and fee revenue has declined, falling 14.4%. However, most of the decrease is due to a decline in parking revenues because of the long-term lease of the Park District's downtown parking facilities which no longer generate revenues for the District.

Chicago Park District Resources by Source: FY2005 and FY2009				
	2005 Budget	2009 Budget	$ change	% change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (9,296,873)	$ (9,356,784)	$ (59,911)	0.6%
Personal Property Replacement Tax	$ 30,000,000	$ 48,300,000	$ 18,300,000	61.0%
Subtotal Tax Revenues	**$ 280,613,784**	**$ 298,853,873**	**$ 18,240,089**	**6.5%**
Rental of Soldier Field	$ 19,812,692	$ 23,598,532	$ 3,785,840	19.1%
Rentals	$ 4,290,000	$ 2,886,232	$ (1,403,768)	-32.7%
Northerly Island Pavilion	$ -	$ 209,376	$ 209,376	100.0%
Subtotal Facility Rentals	**$ 24,102,692**	**$ 26,694,140**	**$ 2,591,448**	**10.8%**
Parking Fees	$ 18,957,884	$ 1,466,165	$ (17,491,719)	-92.3%
Parking Meters	$ -	$ 1,000,000	$ 1,000,000	100.0%
Harbor Fees	$ 17,700,000	$ 22,331,700	$ 4,631,700	26.2%
Park Fees	$ 11,660,000	$ 12,786,060	$ 1,126,060	9.7%
Permits	$ 1,758,444	$ 5,173,180	$ 3,414,736	194.2%
Golf Course Fees	$ 500,000	$ 550,000	$ 50,000	10.0%
Subtotal Permits and Fees	**$ 50,576,328**	**$ 43,307,105**	**$ (7,269,223)**	**-14.4%**
Concessions	$ 2,090,000	$ 3,832,699	$ 1,742,699	83.4%
Grants and Donations	$ 7,000,000	$ 5,000,000	$ (2,000,000)	-28.6%
Investment Income	$ 550,000	$ 1,200,000	$ 650,000	118.2%
Long Term Income Reserve (parking sale)	$ -	$ 2,100,000	$ 2,100,000	100.0%
Miscellaneous	$ 1,550,000	$ 1,034,977	$ (515,023)	-33.2%
Capital Contributions	$ -	$ 1,200,000	$ 1,200,000	100.0%
Interest on Capital Investment	$ -	$ 10,000,000	$ 10,000,000	100.0%
GRAND TOTAL	**$ 366,482,804**	**$ 393,222,794**	**$ 26,739,990**	**7.3%**

Source: Chicago Park District FY2005 Budget, p. 345 and FY2009 Budget Summary, p. 33.

Gross Property Tax Levy

The Chicago Park District's FY2009 gross property tax levy is expected to be $259.9 million, the same amount as it has been since the FY2005 budget. This includes a $253.9 million levy for general operations and $6.0 million for Special Recreation. FY2005 was the first year that the District had a separate levy for Special Recreation.



The gross levy for the Corporate Fund will increase slightly by 0.5% or $0.6 million in FY2009. The levy for the Park District employees pension fund will increase by $0.4 million or 4.7%. This amount reflects the statutory formula for the pension fund levy, which requires that the District levy 1.1 times the total employee contribution made two years prior.

The Liability levy will register the single biggest percentage increase. It will rise by 11.5%, from $8.4 million to $9.3 million. The biggest dollar decline is in the Aquarium and Museum Bond Debt Service levy, which will fall by $1.2 million, or 9.7%. The operating levy for the Aquarium and Museums will increase slightly, by 0.2%, to $30.6 million.

The Special Recreation property tax levy will also be held constant at $6.0 million.

Chicago Park District Property Tax Gross Levy by Fund: FY2008 and FY2009

Fund	2008	2009	$ change	% change
Corporate	$ 136,619,177	$ 137,259,127	$ 639,950	0.5%
Special Recreation	$ 6,000,000	$ 6,000,000	$ -	0.0%
Park District Employees Pension	$ 9,836,650	$ 10,294,209	$ 457,559	4.7%
Public Building Commission				
Rental of Facilities	$ 3,904,479	$ 3,903,129	$ (1,350)	0.0%
Operations & Maintenance	$ 11,649,782	$ 11,539,782	$ (110,000)	-0.9%
Liability, Workers Comp., Unemployment	$ 8,417,500	$ 9,387,000	$ 969,500	11.5%
Bond Debt Service Fund	$ 40,423,692	$ 39,624,327	$ (799,365)	-2.0%
Aquarium and Museum Bond Debt Service	$ 12,463,671	$ 11,254,639	$ (1,209,032)	-9.7%
Aquarium and Museum Purposes	$ 30,595,706	$ 30,648,444	$ 52,738	0.2%
Total	**$ 259,910,657**	**$ 259,910,657**	**$ -**	**0.0%**

Source: Chicago Park District FY2008 Budget, p. 377 and FY2009 Budget, p. 343.

In the five-year period between FY2005 and FY2009, the total gross levy has been flat as the District did not increase the levy. The Corporate Fund levy will have decreased by $10.2 million, or 6.9%. The Special Recreation levy was introduced for the first time in FY2005. The pension levy has increased by $5.2 million or 104.5% during this period. Property tax dollars reserved for liability claims have increased by 29.6%, rising from $7.2 million to $9.3 million.

Chicago Park District Property Tax Gross Levy by Fund: FY2005 and FY2009

Fund	2005	2009	$ change	% change
Corporate	$ 147,488,182	$ 137,259,127	$ (10,229,055)	-6.9%
Special Recreation	$ -	$ 6,000,000	$ 6,000,000	100.0%
Park District Employees Pension	$ 5,033,508	$ 10,294,209	$ 5,260,701	104.5%
Public Building Commission				
Rental of Facilities	$ 4,200,699	$ 3,903,129	$ (297,570)	-7.1%
Operations & Maintenance	$ 11,016,225	$ 11,539,782	$ 523,557	4.8%
Liability, Workers Comp., Unemployment	$ 7,241,099	$ 9,387,000	$ 2,145,901	29.6%
Bond Debt Service Fund	$ 42,092,165	$ 39,624,327	$ (2,467,838)	-5.9%
Aquarium and Museum Bond Debt Service	$ 12,243,073	$ 11,254,639	$ (988,434)	-8.1%
Aquarium and Museum Purposes	$ 30,595,706	$ 30,648,444	$ 52,738	0.2%
Total	**$ 259,910,657**	**$ 259,910,657**	**$ -**	**0.0%**

Source: Chicago Park District FY2005 Budget, p. 348, and FY2009 Budget, p. 343.

Since 2001, the share of the levy earmarked to support the Aquarium and Museum’s debt service has appeared as a separate line item on tax bills.

Chicago Park District Property Tax Levy by Purpose			
Fund	**2008**	**2009**	**% change**
Park District	$ 248,656,018	$ 248,656,018	0.0%
Aquarium & Museum Debt Service	$ 11,254,639	$ 11,254,639	0.0%
Total	**$ 259,910,657**	**$ 259,910,657**	**0.0%**

Source: Chicago Park District FY2008 Budget, p. 377 and FY2009 Budget, p. 343.

UNDESIGNATED FUND BALANCE

The Chicago Park District reported recurring deficits in its undesignated Corporate Fund balances between FY2002 and FY2004. Corporate Fund expenditures greatly exceeded revenues during those years. The situation was rectified in FY2005, when the District reported a 7.1% or $18.8 million undesignated fund balance.[23] In FY2006, however, the Corporate Fund ratio declined to just 2.8%. However, in FY2007, the District greatly increased the size of unreserved Corporate Fund balance to $14.1 million. The fund balance ratio rose to 6.1%, well within the guidelines proposed by the Government Finance Officers Association (GFOA). GFOA recommends that governments establish a general fund balance of 5 to 15% of regular general fund operating revenues or expenditures.

Chicago Park District Undesignated Corporate Fund Balance Ratio: FY2003-FY2007			
	Undesignated Corporate Fund Balance	**Operating Expenditures**	**Ratio**
FY2003	-$65,679,132	$267,646,072	-24.5%
FY2004	-$87,569,536	$256,813,250	-34.1%
FY2005	$18,880,676	$265,796,563	7.1%
FY2006	$6,488,000	$230,775,000	2.8%
FY2007	$14,175,000	$233,747,000	6.1%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2003-FY2007.

The District reports that its unreserved corporate fund balance will be approximately $26.5 to $27.0 million in FY2009. It is important to note that these are preliminary figures; they are subject to change over the course of the fiscal year as actual revenues are collected and used for reserve purposes.[24]

Despite the Corporate Fund's deficits between FY2002 through FY2004, the aggregate undesignated fund balances for all Governmental Funds showed a positive balances in each of the five years reviewed. The large increase in undesignated fund balance in FY2006 and FY2007 was due to an infusion of resources from the long term lease of the District's parking garages.[25]

[23] The increase in fund balance in FY2005 was due to better than expected tax collections and lesser spending than budgeted for Personnel Services. See *FY2005 Chicago Park District Financial Statements*, p. 9.
[24] Information provided by Chicago Park District Chief Financial Officer Steve Hughes, October 27, 2008.
[25] *FY2006 Chicago Park District Comprehensive Annual Financial Report*, p. 23.

Chicago Park District Unrestricted Net Assets for Governmental Activities: FY2003-FY2007			
	Undesignated Governmental Fund Balance	Operating Expenditures	Ratio
FY2003	$40,826,839	$419,311,732	9.7%
FY2004	$14,348,272	$344,376,611	4.2%
FY2005	$135,235,768	$394,067,680	34.3%
FY2006	$355,759,000	$517,888,000	68.7%
FY2007	$353,161,000	$423,987,000	83.3%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2003-FY2007.

PENSION FUND TRENDS

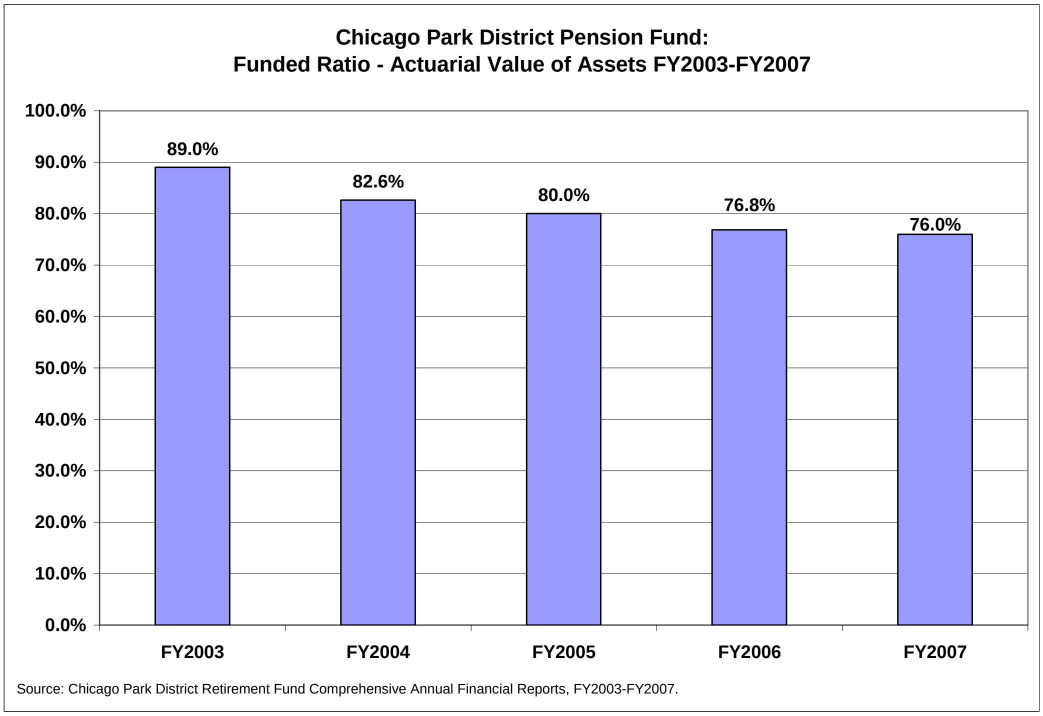
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Park District's pension fund: funded ratios, the value of unfunded liabilities, and the investment rate of return. A comparison of ten local government pension funds, including the Chicago Park District, can be found in the Civic Federation's annual Status of Local Pensions reports.[26]

Funded Ratios – Actuarial Value of Assets

The following exhibit shows the funded ratio for the Chicago Park District's pension fund. 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 ratio for the CPD's pension fund decreased from 89.0% in FY2003 to 76.0% five years later. This steady decline is cause for concern, especially now that the funded ratio has dipped below 80%. In general, a funded ratio below 80% is considered to be an indication that the fund is in poor health.

[26] Civic Federation. "Status of Local Pension Funding FY2006: An Evaluation of Ten Local Government Pension Funds in Cook County" February 4, 2008 at http://www.civicfed.org/pubs_research.php?page=2 (last visited on November 4, 2008).

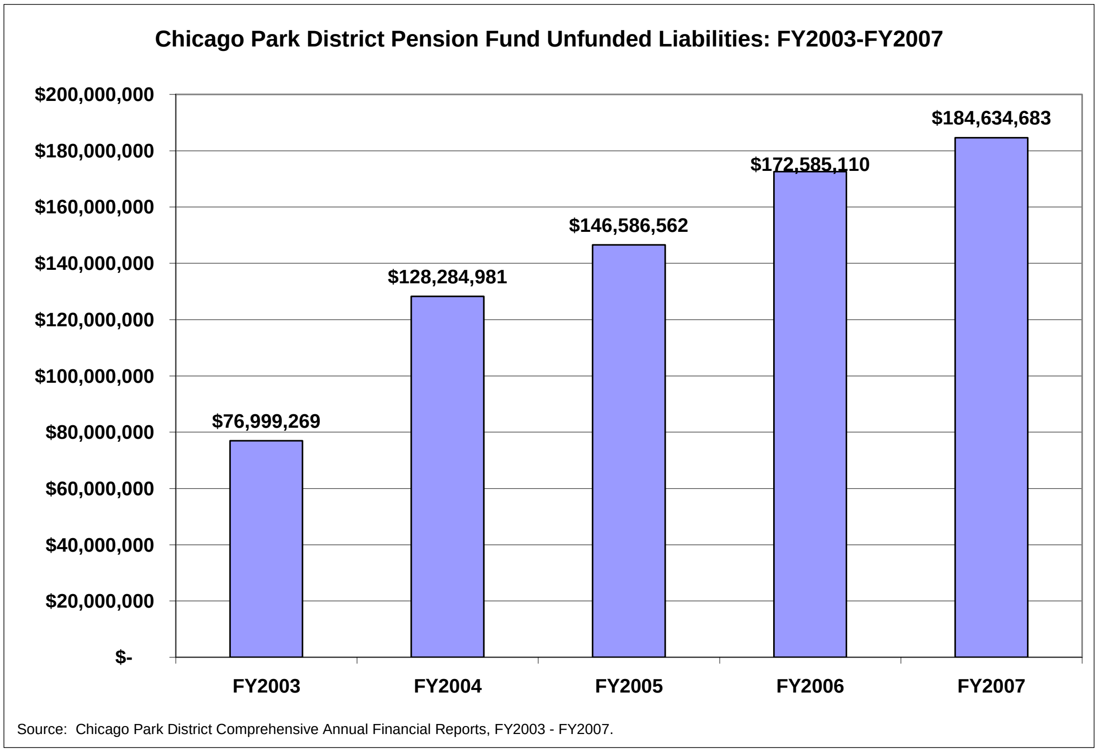


Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for the CPD's pension fund totaled $184.6 million in FY2007. There was a 7.0%, or $12.0 million increase in unfunded liabilities in FY2007 over the previous year. Over the five-year period of analysis, unfunded liabilities rose by 139.8%, or $107.6 million.

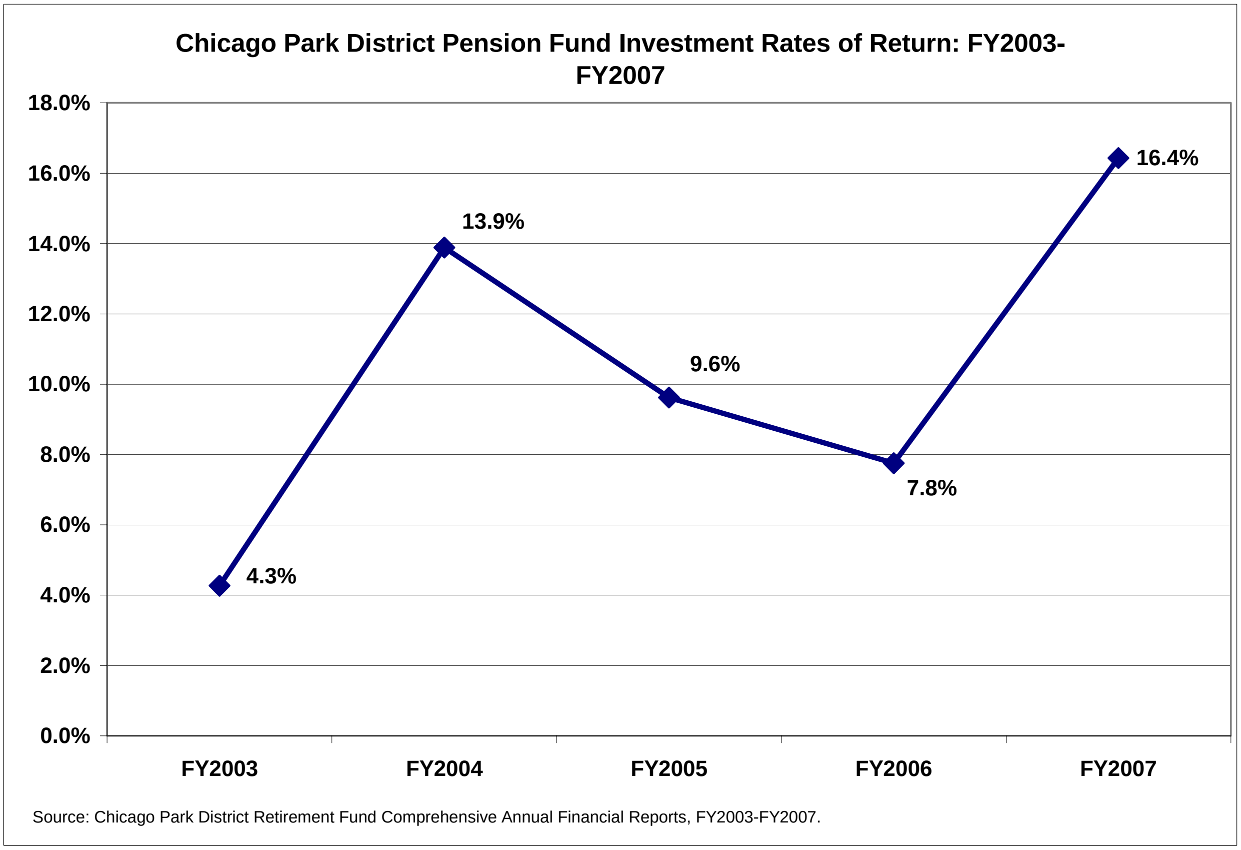
The Park District successfully sought legislation in 2003 that allowed it to reduce its employer contributions by $5 million in FY2004 and FY2005 (Public Act 93-654).[27] FY2005 employer contributions were thereby reduced by more than half, from $9.8 million to $4.8 million.[28] Even if the full employer contribution had been made, however, it still would not have been sufficient to fund the actuarially required contribution (ARC) for funding normal cost plus the amortization of the unfunded liability. The ARC payment would have been $14.8 million, $10.0 million more than the District actually contributed. This shortfall increased the unfunded liability by $10.0 million.

[27] In those years the Park District still levied the full amount of property taxes required for the pension funds by statutory formula, but transferred $5 million of the receipts to the Corporate Fund. The Civic Federation opposed this diversion of property taxes from the pension fund.
[28] 40 ILCS 5/12-149 requires the District to levy for the pension fund an amount equal to 1.1 times the total employee contribution made two years prior.



Investment Rates of Return

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. In FY2003, after two years of decline the economy began to recover, resulting in a positive pension fund investment rates of return. In FY2004 this positive trend continued and the investment rate of return increased substantially to 13.9%, before dropping to a healthy 9.6% in FY2005 and 7.8% in FY2006. The investment rate of return for FY2007 increased substantially once more, rising to 16.4%. However, given the recent economic downturn, it is unlikely that this trend will either continue or hold steady in the coming years.



OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a defined benefit healthcare plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least 4 years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65 are not covered by the District's healthcare plan.

Required contributions to the retiree healthcare plan are based on a pay as you go basis. In FY2007, the District contributed $1.1 million to the plan and plan members contributed $1.8 million through their required contributions.

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement Number 45. The ARC represents the amount needed to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2007 was $3.9 million. Contributions were made in the amount of $1.0 million, reducing the total OPEB obligation by $2.8 million by the end of FY2007.[29]

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

OPEB Costs for Chicago Park District Retiree Heathcare Plan FY2007 (in $ thousands)	
Annual Required Contribution	$3,930
Adjustment to ARC	$0
Annual OPEB Cost	$3,930
Contributions Made	**$1,075**
Increase (decrease) in net OPEB Obligation	($2,845)
Net OPEB Obligation - Beginning of Year	**$0**
Net OPEB Obligation - End of Year	**($2,845)**

Source: Chicago Park District FY2007 CAFR, p. 71.

OPEB Plan Funded Status

The actuarial accrued liability for CPD retiree healthcare benefits was $47.2 million in FY2007. The plans had no assets as they are funded on a pay as you basis; thus there was a 100% unfunded liability.

Chicago Park District OPEB Funded Status FY2007 (in $ millions)	
Actuarial Accrued Liability	$47.2
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$47.2

Source: Chicago Park District FY2007 CAFR, p. 72.

DEBT TRENDS

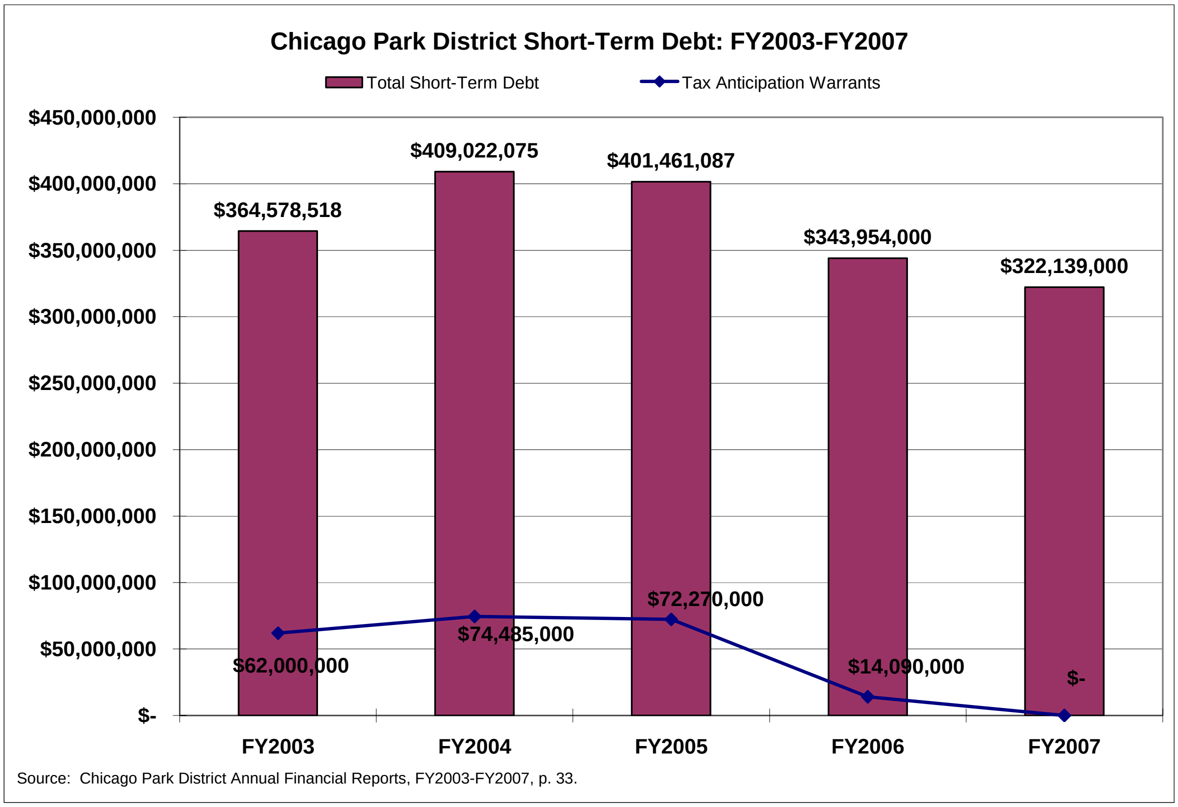
The Civic Federation has employed two measures of debt for the purposes of this analysis: short-term debt trends and long-term debt per capita trends.

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. Short-term debt in governmental activities includes obligations such as accounts payable, contracts payable, deposits, interest payable, interest, due to other funds, and liabilities from restricted assets. In sum, it includes all liabilities except accrued salaries and wages, accrued payroll, compensated absences, and long-term debt.

Between FY2003 and FY2007, CPD short-term debt decreased by 11.6%. This represents a $42.4 million decrease from $364.6 million in FY2003 to $322.1 million in FY2007. This is a positive sign and is largely due to the large reduction in Tax Anticipation Warrants issued in FY2006 and the fact that none were issued in FY2007.

Tax Anticipation Warrants are short-term loans used to bridge the timing gap between levy and collection of property taxes. In FY2006, $14.1 million in Tax Anticipation Warrants were issued, compared with $72.3 million in FY2005. This decrease occurred because second installment property tax bills were due earlier than usual in 2006 (September 1).[30] In FY2007 and FY2008 the District loaned itself cash from the Long Term Reserve account in lieu of issuing Tax Anticipation Warrants, thus saving the associated transaction costs. The District did not issue any Tax Anticipation Warrants in FY2007.[31]

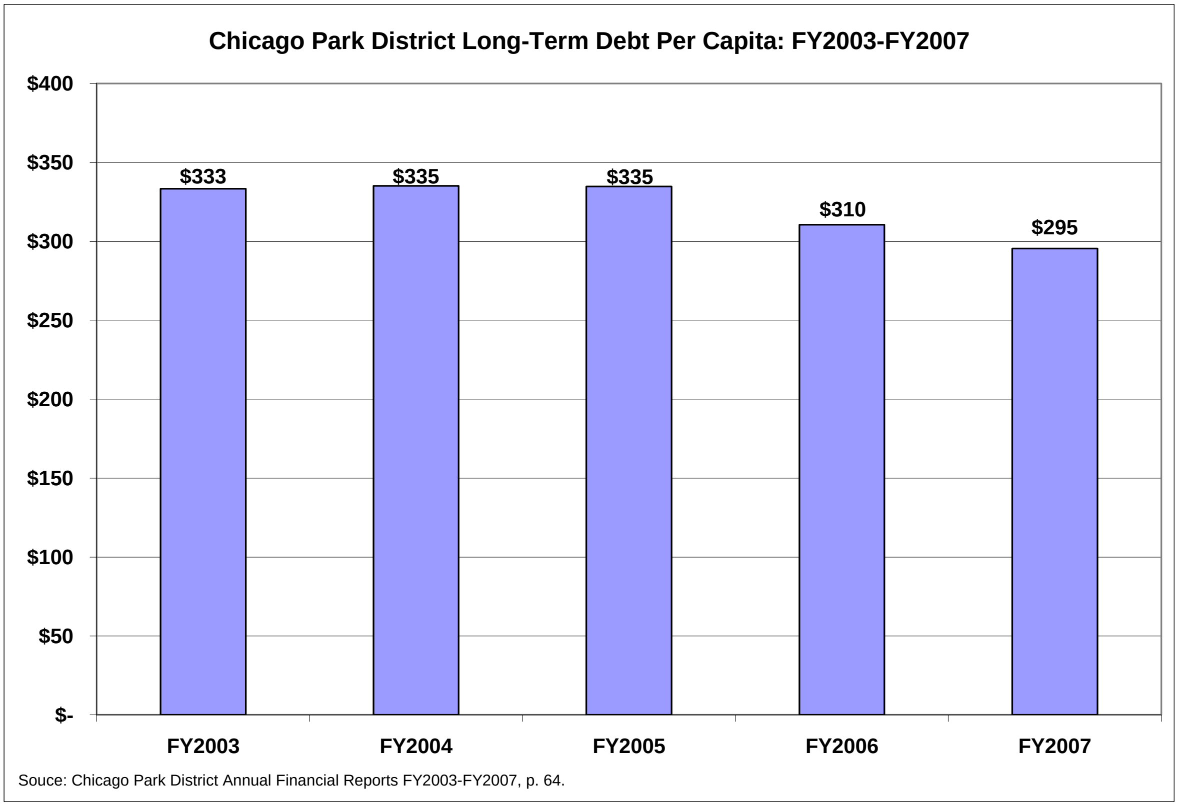


Long-Term Debt Per Capita

Long-term debt per capita is a measure of a government's ability to maintain its current financial policies. The Chicago Park District's long-term debt includes general obligation bonds, revenue bonds, and Public Building Commission capital lease debt. Increases in long-term debt per capita bear watching as a potential sign of increasing financial risk.

The exhibit that follows shows that the Chicago Park District's long-term debt burden declined by 11.4% during the five-year period between FY2003 and FY2007. In FY2003 long-term debt per capita was $333. Five years later, it had decreased slightly to $295.

[30] Information provided by the Chicago Park District, November 29, 2007.
[31] Chicago Park District FY2007 Comprehensive Annual Financial Report, p. 63.



The CPD had a total of $913.7 million in long-term obligations outstanding as of December 31, 2007. Of that amount, $768.0 million was owed for General Obligation bonds that funded capital improvements and $68.1 million was outstanding G.O. debt owed for Aquarium and Museum capital projects. A compete list of outstanding long-term obligations is provided below.

Chicago Park District Long-Term Obligations: FY2007		
Government Activities	**Balance 12/31/07**	
General Obligation Bonds		
Capital Improvement	$	767,955,000
Aquarium and Museums	$	68,110,000
Unamortized Premiums	$	21,524,000
Deferred Amount on Refunding	$	(20,579,000)
Subtotal G. O. Bonds	**$**	**837,010,000**
Capital Lease PBC	$	18,505,000
Compensated Absences	$	8,793,000
Claims & Judgments	$	14,328,000
Property Tax Claim Payable	$	19,119,000
Worker's Compensation	$	15,923,000
Total	**$**	**913,678,000**

Source: Chicago Park District FY2006 Comprehensive Audited Financial Report, p. 64.

Debt Service Appropriations

Chicago Park District debt service appropriations in FY2009 are expected to constitute 22.8% of the District's total $387.3 million appropriation. The District will appropriate $88.5 million for debt service.

Debt service expenditures as a percentage of General Fund and Bonded Debt Service expenditures in FY2007, the last year for which audited financial information is available, were 19.5%.[32] A debt service burden is considered high by the rating agencies when debt-service payments represent 15-20% of the combined operating and debt-service fund expenditures.

[32] *Chicago Park District FY2007 Comprehensive Annual Financial Report*, p. 36.