



**CHICAGO PARK DISTRICT
FY2004 PROPOSED BUDGET
Analysis and Recommendations**

**Prepared By
The Civic Federation
December 11, 2003**

EXECUTIVE SUMMARY

The Chicago Park District proposes a FY2004 budget of \$351 million. The District faces a \$30 million deficit for FY2004, which will be addressed through a number of management efficiencies and revenue enhancements, including a \$4 million, 1.7% increase in the property tax levy.

The Civic Federation **supports** the Chicago Park District's FY2004 budget. Our support is based on the following points:

- The Chicago Park District has a long history of implementing management efficiencies before resorting to property tax increases.
- Sixty percent of gap-closing measures are achieved through cost savings rather than revenue enhancements.
- The District has enacted cost cutting reforms, such as privatizing its golf courses as well as the management of the marinas, Lincoln Park Zoo, and Soldier Field.
- Full-time positions have been reduced by 20%, or 430 positions, over the last five years.
- The District has made significant progress over the last 10 years in shifting revenues from property taxes to user fees.
- The District has raised property taxes in only 2 of the last 10 years, and this year's 1.7% increase is below the 2.4% maximum rate allowed under the tax cap law.

The Civic Federation offers the following **key findings** on the Chicago Park District's finances from an analysis of its FY2004 budget and FY2002 audited financial statements:

- The FY2004 budget will **increase** by 3.7%, or \$13 million, from \$338 million to \$351 million.
- The District's **\$30 million budget gap** will be closed through a combination of \$18 million in cost savings and \$12 million in revenue enhancements.
- The **cost savings** will be generated from Central Administration restructuring including 10 layoffs and 10 vacancies eliminated (\$1.2 million), cuts to Facilities and Landscaping contracts (\$3.5 million), a reduction in the Aquarium & Museum subsidy (\$3 million), and debt refinancing (\$5 million).
- **Revenue enhancements** in the budget include fee increases for harbors and selected services (\$2 million), a 1.7% property tax increase (\$4 million), and renegotiated contract fees (\$2 million).
- The number of full-time positions will **decrease** by 58 positions, or 3.2%.
- Long-term debt per capita **increased** by 46% between F1998 and FY2002, from \$231 to \$337.
- The District's overlapping debt burden is considered **moderate to high**, at \$4,050, of 7.1% or true value and the District's debt service carrying charges are **moderate to high**, at 20% of operating expenditures in 2001. However, the District's outstanding debt is expected to decrease in the future because a number of its capital improvement projects have been completed and the District has maintained ratings of AA (Standard & Poor's), AAA (Moody's), and AA (Fitch).

The Civic Federation offers the following specific **recommendations** on ways to improve the Park District's revenue stream and financial management:

- The **budget format** should be dramatically revised to make the document more transparent and user-friendly for citizens.
- The District should pursue **joint purchasing of health insurance** with other local governments, for a potential savings of \$1 million annually.
- The District should develop and report **performance measures** for the programs and services it provides.
- The District should adopt and implement written **financial policies** to guide the development of its annual budget.

STATEMENT MADE AT THE PUBLIC HEARING ON THE PROPOSED FY2004 CHICAGO PARK DISTRICT BUDGET, DECEMBER 11, 2003

The Civic Federation would like to thank General Superintendent David Doig, Board of Commissioners President [María Saldaña](#) and the members of the Board for this opportunity to comment on the proposed FY2004 Chicago Park District budget. We would also like to commend Chief Financial Officer James Chiampas, Budget Director Dennis Kelleher-Hernandez, and the Park District's financial management staff for their efforts in preparing this budget. We greatly appreciate the cooperation we have received from them and Park District budget and finance office staff in preparing our analysis.

The Civic Federation is a government tax and fiscal research organization. We have monitored and commented on the fiscal health of local area governments since 1894.

OVERVIEW OF TESTIMONY

The Civic Federation recently concluded an analysis of financial issues related to the Chicago Park District's proposed FY2004 budget. Based upon that review, we would like to offer the following comments. The full text of our analysis follows this summary and is also available on our Web site at www.civicfed.org.

The Civic Federation **supports** the FY2004 Chicago Park District budget of \$351 million. We believe that the District's plan to close its projected \$30 million FY2004 budget deficit by the elimination of 20 Central Administration positions, \$3.5 million in contractual expenditure reductions, \$5 million in savings from debt refinancing, a \$3 million decrease in the annual Aquarium and Museums subsidy, \$1 million in marine fee increases and a modest 1.7% or \$4 million property tax increase is a reasonable and balanced approach.

The FY2004 budget has earned our support this year for several important reasons related to the way the Board and General Superintendent have managed the District's operations.

First, the Park District has a strong track record of implementing key management efficiencies before resorting to tax increases. It has led the way in local government privatization efforts, including the privatization of golf course management, marina management and the operations of the Lincoln Park Zoo and Soldier Field. Efforts to decentralize the management of the District that began in 1988 continue today, including plans to allow all revenues generated in each Park District region to remain in those regions, thus providing an important incentive for revenue generation.

Second, the District has dramatically reduced its workforce. Overall, the total number of full-time, part-time and seasonal employees has declined by 470 full-time equivalents since FY1995, from 3,598 to 3,128. The number of full-time personnel will have been reduced by 589 positions, from 2,368 to 1,779. The Park District today is much leaner and operates more efficiently than many other local governments.

Third, the District has made significant progress over the last ten years in shifting its revenue base from an overwhelming reliance on property taxes to a greater emphasis on targeted user fees. The District has raised property taxes in only two of the last ten years and this year's 1.7% increase is below the estimated 2.4% maximum rate allowed under the tax cap law. In fact, the

Chicago Park District is one of the very few governments in the region that has consistently held the line on property taxes.

All of these strategies show a strong commitment on the part of the Chicago Park District to manage its resources to the benefit of the public. It is our hope that the District will continue to focus on ways to further improve how it delivers public services.

Although the Civic Federation supports this budget, we do have some recommendations for improvement.

The format of the current budget document is not transparent and it fails to provide the public with a good overview of District operations and financial trends. The current budget document must be improved to allow for the public and Commissioners to better understand the financial condition and priorities of the district. For example, there is no narrative description of programs. Data is not presented in consistent categories from year to year to permit meaningful trend comparisons. The Park District has a precedent for a better budget presentation; the budget documents from the 1990s include transmittal letters and some narrative descriptions of programs. We believe that it is time for the budget format to be dramatically improved to increase the public's ability to comprehend the District's financial decisions. In order to promote a more transparent and user-friendly budget document, the budget format should contain features such as:

- A transmittal letter that describes in general terms the highlights of the budget
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;
- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

In addition, the Civic Federation urges the Chicago Park District to implement a performance measurement system to evaluate the performance of programs and services it provides as part of the budgetary process. This is an effective management tool for determining if programs are accomplishing intended program goals and making efficient use of resources.

We encourage the Chicago Park District and the other six governments that have successfully finalized a Request for Proposals (RFP) for joint purchasing of prescription drugs to proceed with a subsequent agreement for the joint purchasing of health insurance. A recent Civic Federation study found that forming such an agreement could save \$1 million annually for the Park District.

FY2004 BUDGET HIGHLIGHTS

The proposed FY2004 Chicago Park District budget is \$351 million. This is a \$13 million, or 3.7% increase from the FY2003 appropriation. The District projects an approximately \$30 million budget gap for FY2004, to be closed through a combination of \$18 million in cost savings and \$12 million in revenue enhancements.

The cost savings will be generated from Central Administration restructuring including 10 layoffs and 10 vacancies eliminated (\$1.2 million), cuts to Facilities and Landscaping contracts (\$3.5 million), a reduction in the Aquarium & Museum subsidy (\$3 million), and debt refinancing (\$5 million). Revenue enhancements will include Soldier Field revenues (\$5 million), a 1.7% property tax increase (\$4 million), Marine Fee increases (\$1 million), and a new dinosaur exhibit at the Garfield Park Conservatory (\$1 million). The following table summarizes the District's gap-closing measures.

Chicago Park District Projected FY2004 Budget Gap-Closing Measures		
COST SAVINGS		% of total gap-closing measures
Central Administration Restructuring (10% Reduction)		
Marketing/Press refocusing	\$ 900,000	3.2%
Telecommunications rationalization	\$ 800,000	2.9%
Operational reductions	\$ 700,000	2.5%
10 layoffs	\$ 600,000	2.2%
10 vacancies	\$ 575,000	2.1%
Controls on Unemployment and Worker's Compensation Claims	\$ 500,000	1.8%
Treasury Fee Reductions	\$ 400,000	1.4%
Subtotal	\$ 4,475,000	16.1%
Contract Management Reductions		
Facilities Management cuts	\$ 2,355,000	8.5%
Landscaping cuts	\$ 1,160,000	4.2%
Subtotal	\$ 3,515,000	12.7%
Regional Operational Efficiencies	\$ 2,000,000	7.2%
Aquarium/Museum Reduction	\$ 3,000,000	10.8%
Debt Refinancing	\$ 5,000,000	18.0%
Subtotal Cost Savings	\$ 17,990,000	59.0%
REVENUE ENHANCEMENTS		
Soldier Field	\$ 5,000,000	18.0%
Property Tax Levy (1.7% increase)	\$ 4,000,000	14.4%
Marine Fees	\$ 1,000,000	3.6%
Dinosaurs at Garfield Conservatory	\$ 1,000,000	3.6%
Permits/Leagues	\$ 500,000	1.8%
Donations	\$ 500,000	1.8%
Sponsorships	\$ 500,000	1.8%
Subtotal Revenue Enhancements	\$ 12,500,000	41.0%
GRAND TOTAL	\$ 30,490,000	100.0%

FINANCIAL ISSUES AND TRENDS

This section provides summaries of key expenditure and revenue issues and trends likely to affect the Chicago Park District's financial situation in the upcoming fiscal year.

All Fund Appropriations: 3.7% increase from \$338 million to \$351 million

Chicago Park District appropriations are projected to increase from \$338 million to \$351 million between FY2003 and FY2004, a 3.7% increase. The various Park District parks and programs

are organized into 5 regions. The budget category “Regions/Parks” includes the budgets of the 5 regions, utilities, the Department of Environment, Culture, and Special Events, all Sports and Recreation Departments, the Department of Natural Resources, payment of police services to the City of Chicago, and anticipated grants. Appropriations for Regions/Parks will decrease slightly, by 0.2%, in FY2004.¹ The “Park Services” category includes expenses for parking, harbors, and Soldier Field. Appropriations for Park Services will increase by 25%, or \$5 million. Central Administration appropriations will jump 157%, or \$12.9 million. This is because in 2002 and 2003, \$10 million of Central Administration expenses were funded outside the Corporate Fund with Short Term General Obligation bonds. These bonds have expired, and the expense has been returned to the Corporate Fund.²

Chicago Park District Appropriations by Expense Areas: FY03-FY04				
	2003 Budget	2004 Budget	% change	\$ change
Regions/Parks	\$ 146,634,053	\$ 146,371,947	-0.2%	\$ (262,106)
Debt Service	\$ 88,730,133	\$ 87,451,879	-1.4%	\$ (1,278,254)
Aquarium & Museum	\$ 35,509,342	\$ 32,403,866	-8.7%	\$ (3,105,476)
Park Services	\$ 21,119,189	\$ 26,504,419	25.5%	\$ 5,385,230
Facilities & Maintenance	\$ 15,323,672	\$ 14,804,366	-3.4%	\$ (519,306)
Pension	\$ 10,126,784	\$ 9,830,705	-2.9%	\$ (296,079)
Central Administration	\$ 8,212,426	\$ 21,128,847	157.3%	\$ 12,916,421
District-wide & Liability	\$ 7,325,183	\$ 7,242,578	-1.1%	\$ (82,605)
Zoological	\$ 5,584,000	\$ 5,584,000	0.0%	\$ -
Total	\$ 338,564,782	\$ 351,322,607	3.8%	\$ 12,757,825

Over the last 5 years, total appropriations have grown 7%, an average of 1.4% annually. The largest dollar amount increase in that time was for Debt Service, which has grown by \$27 million due to a number of capital projects. Debt Service expenses are expected to peak in 2005. Park Services appropriations have increased 135%, or \$15 million since FY2000.

Chicago Park District Appropriations by Expense Areas: FY00 & FY04				
	2000 Actual	2004 Budget	% change	\$ change
Regions/Parks	\$ 128,286,524	\$ 146,371,947	14.1%	\$ 18,085,423
Debt Service	\$ 60,499,071	\$ 87,451,879	44.6%	\$ 26,952,808
Aquarium & Museum	\$ 37,270,384	\$ 32,403,866	-13.1%	\$ (4,866,518)
Park Services	\$ 11,254,665	\$ 26,504,419	135.5%	\$ 15,249,754
Facilities & Maintenance	\$ 38,900,150	\$ 14,804,366	-61.9%	\$ (24,095,784)
Pension	\$ 9,188,728	\$ 9,830,705	7.0%	\$ 641,977
Central Administration	\$ 30,134,103	\$ 21,128,847	-29.9%	\$ (9,005,256)
District-wide & Liability	\$ 7,122,491	\$ 7,242,578	1.7%	\$ 120,087
Zoological	\$ 5,584,000	\$ 5,584,000	0.0%	\$ -
Total	\$ 328,240,116	\$ 351,322,607	7.0%	\$ 23,082,491

Over the last 10 years, total appropriations have grown 21.7%, an average of 2.2% annually. The largest relative increase has been in appropriations for Park Services, which has doubled since FY1995, while the Facilities and Maintenance budget has been reduced by 52%.

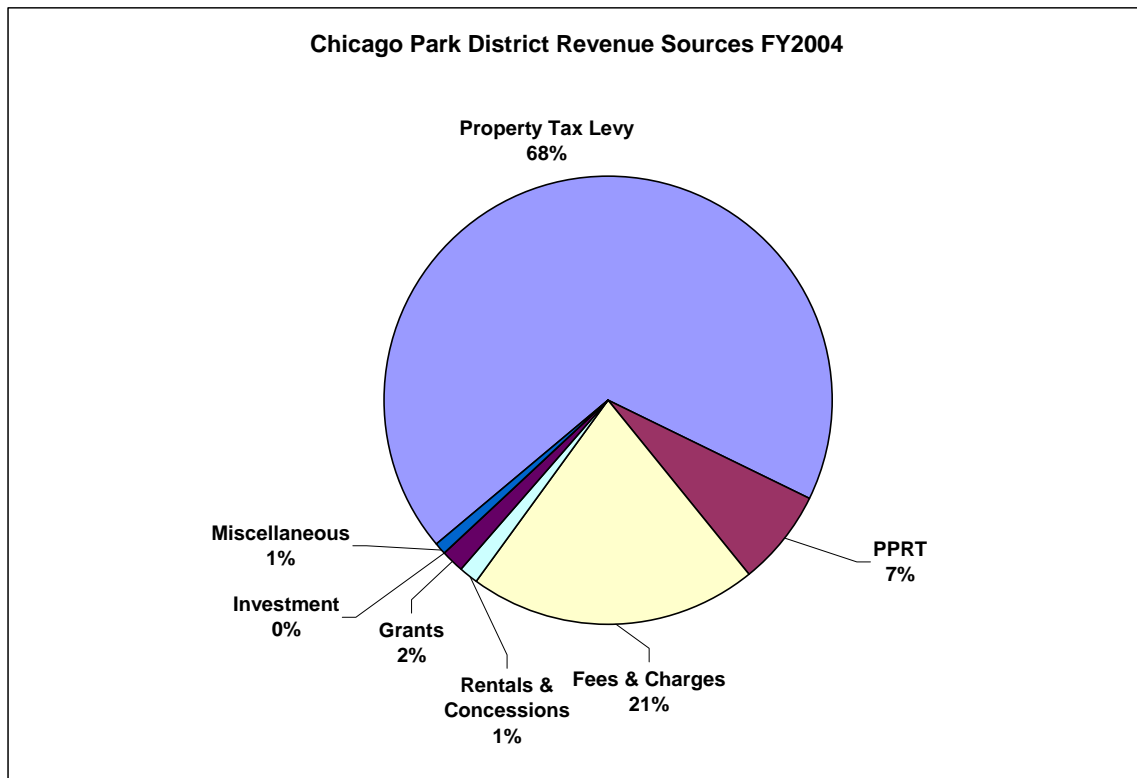
¹ Definitions of these categories are not provided in the District budget book, but are from a communication with Chief Financial Officer Jim Chiampas, December 8, 2003.

² Communication with Chief Financial Officer Jim Chiampas, December 8, 2003.

Chicago Park District Appropriations by Expense Areas: FY95 & FY04				
	1995 Actual	2004 Budget	% change	\$ change
Regions/Parks	\$ 98,064,282	\$ 146,371,947	49.3%	\$ 48,307,665
Debt Service	\$ 55,908,624	\$ 87,451,879	56.4%	\$ 31,543,255
Aquarium & Museum	\$ 35,366,258	\$ 32,403,866	-8.4%	\$ (2,962,392)
Park Services	\$ 12,733,283	\$ 26,504,419	108.2%	\$ 13,771,136
Facilities & Maintenance	\$ 30,913,555	\$ 14,804,366	-52.1%	\$ (16,109,189)
Pension	\$ 14,348,697	\$ 9,830,705	-31.5%	\$ (4,517,992)
Central Administration	\$ 22,578,767	\$ 21,128,847	-6.4%	\$ (1,449,920)
District-wide & Liability	\$ 12,718,061	\$ 7,242,578	-43.1%	\$ (5,475,483)
Zoological	\$ 6,058,650	\$ 5,584,000	-7.8%	\$ (474,650)
Total	\$ 288,690,177	\$ 351,322,607	21.7%	\$ 62,632,430

Revenue Sources and Trends

The property tax levy represents 68% of the District’s estimated FY2004 revenues, and the Personal Property Replacement Tax (PPRT) represents 7%. Fees and Charges from Park Services, Recreation, and Marine are expected to provide 21% of revenues in 2004. In FY1995, property taxes represented 74% of revenues while Fees and Charges yielded only 10%.



Chicago Park District Revenue Sources by % of Total: 1995, 2000, 2004						
Source	1995		2000		2004	
	1995	% of total	Actual	% of total	Budget	% of total
Property Tax Levy	\$ 214,454,037	74.3%	\$ 230,767,333	68.1%	\$ 240,225,531	68.4%
PPRT	\$ 28,031,871	9.7%	\$ 40,040,255	11.8%	\$ 24,000,000	6.8%
Fees & Charges*	\$ 37,307,946	12.9%	\$ 54,320,304	16.0%	\$ 73,134,403	20.8%
Rentals & Concessions	\$ 2,805,304	1.0%	\$ 3,027,258	0.9%	\$ 4,729,798	1.3%
Grants	\$ 2,810,423	1.0%	\$ 3,406,894	1.0%	\$ 5,984,915	1.7%
Investment	\$ 2,423,256	0.8%	\$ 5,832,081	1.7%	\$ 750,000	0.2%
Miscellaneous	\$ 165,389	0.1%	\$ 1,296,357	0.4%	\$ 2,497,959	0.7%
Use of Surplus	\$ 691,951	0.2%	\$ -	0.0%	\$ -	-
Total	\$ 288,692,172	100.0%	\$ 338,690,482	100.0%	\$ 351,322,606	100.0%

*Park Services, Recreation, and Marine

Three economically sensitive revenue streams are expected to decline in FY2004. PPRT will be down \$1.4 million, or 5.5%; investments will lose \$550,000, or 42%; and Rentals & Concessions will be down \$531,050, or 10%. However, property taxes are expected to generate \$4.1 million more than FY2003 due to the 1.7% increase in the levy. Fee increases and restructuring will increase Park Services revenues by almost \$8 million, up 23% over FY2003.

Chicago Park District Revenues by Source: 2003 & 2004				
	2003 Budget	2004 Budget	% change	\$ change
Property Tax Levy	\$ 236,074,574	\$ 240,225,531	1.8%	\$ 4,150,957
Personal Property Replacement Tax	\$ 25,400,000	\$ 24,000,000	-5.5%	\$ (1,400,000)
Park Services	\$ 35,229,360	\$ 43,221,786	22.7%	\$ 7,992,426
Recreation	\$ 12,000,000	\$ 12,912,617	7.6%	\$ 912,617
Marine	\$ 16,100,000	\$ 17,000,000	5.6%	\$ 900,000
Rentals & Concessions	\$ 5,260,848	\$ 4,729,798	-10.1%	\$ (531,050)
Grants	\$ 5,000,000	\$ 5,984,915	19.7%	\$ 984,915
Investment	\$ 1,300,000	\$ 750,000	-42.3%	\$ (550,000)
Miscellaneous	\$ 2,200,000	\$ 2,497,959	13.5%	\$ 297,959
Total	\$ 338,564,782	\$ 351,322,606	3.8%	\$ 12,757,824

Over the last 5 years, PPRT and investment revenues have declined, by \$16 million and \$5 million, respectively. This decline has been offset by increased revenues from the Park Services, Recreation, and Marine fees and charges, totaling \$19 million.

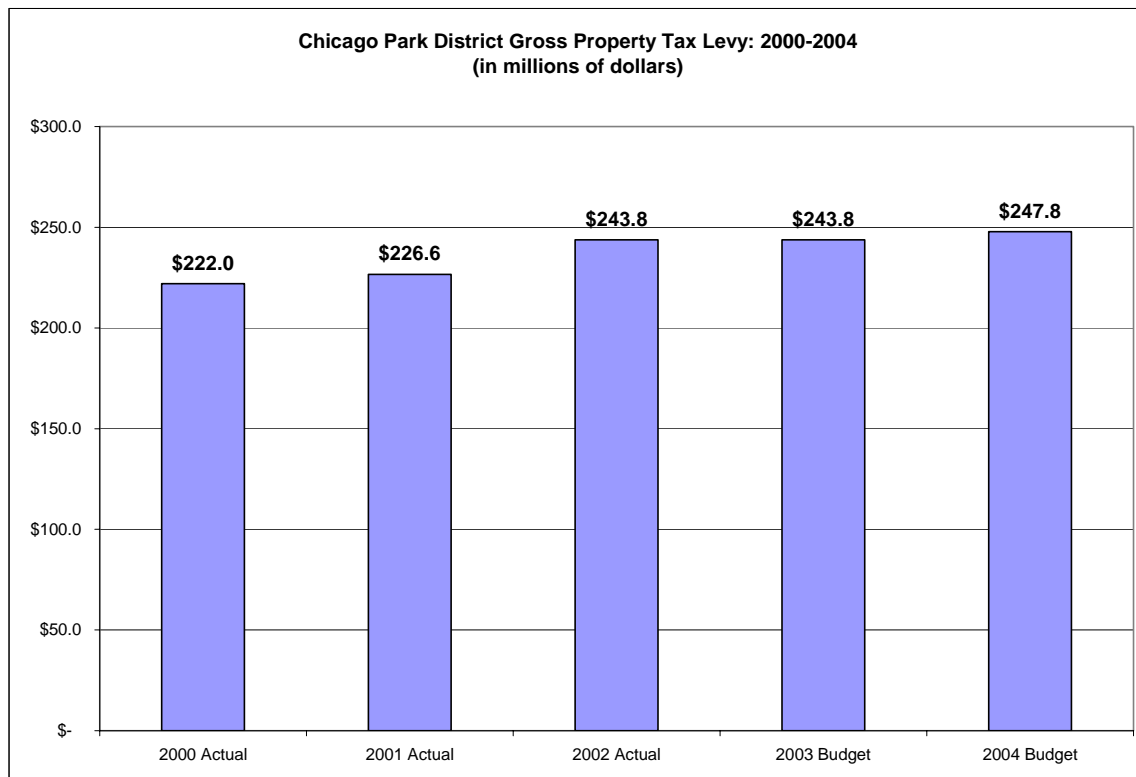
Chicago Park District Revenues by Source: 2000 & 2004				
Source	2000 Actual	2004 Budget	% change	\$ change
Property Tax Levy	\$ 230,767,333	\$ 240,225,531	4.1%	\$ 9,458,198
Personal Property Replacement Tax	\$ 40,040,255	\$ 24,000,000	-40.1%	\$ (16,040,255)
Park Services	\$ 36,275,665	\$ 43,221,786	19.1%	\$ 6,946,121
Recreation	\$ 7,120,266	\$ 12,912,617	81.4%	\$ 5,792,351
Marine	\$ 10,924,373	\$ 17,000,000	55.6%	\$ 6,075,627
Rentals & Concessions	\$ 3,027,258	\$ 4,729,798	56.2%	\$ 1,702,540
Grants	\$ 3,406,894	\$ 5,984,915	75.7%	\$ 2,578,021
Investment	\$ 5,832,081	\$ 750,000	-87.1%	\$ (5,082,081)
Miscellaneous	\$ 1,296,357	\$ 2,497,959	92.7%	\$ 1,201,602
Total	\$ 338,690,482	\$ 351,322,606	3.7%	\$ 12,632,124

Over the last 10 years, PPRT and investment revenues have declined by 14% and 69%, respectively. Property tax revenues have increased an average of 1.2% annually. Revenues from the Park Services, Recreation, and Marine fees and charges have nearly doubled since FY1995, increasing from \$37 million to \$73 million.

Chicago Park District Revenues by Source: 1995 & 2004				
	1995 Actual	2004 Budget	% change	\$ change
Property Tax Levy	\$ 214,454,037	\$ 240,225,531	12.0%	\$ 25,771,494
Personal Property Replacement Tax	\$ 28,031,871	\$ 24,000,000	-14.4%	\$ (4,031,871)
Park Services	\$ 27,872,037	\$ 43,221,786	55.1%	\$ 15,349,749
Recreation	\$ 4,967,043	\$ 12,912,617	160.0%	\$ 7,945,574
Marine	\$ 4,468,866	\$ 17,000,000	280.4%	\$ 12,531,134
Rentals & Concessions	\$ 2,805,304	\$ 4,729,798	68.6%	\$ 1,924,494
Grants	\$ 2,810,423	\$ 5,984,915	113.0%	\$ 3,174,492
Investment	\$ 2,423,256	\$ 750,000	-69.0%	\$ (1,673,256)
Miscellaneous	\$ 165,389	\$ 2,497,959	1410.4%	\$ 2,332,570
Use of Surplus	\$ 691,951	\$ -		\$ -
Total	\$ 288,690,177	\$ 351,322,606	21.7%	\$ 62,632,429

Property Tax Levy: Gross Levy of \$247.8 million, up \$4 million over FY2003

The Chicago Park District's FY2004 gross property tax levy is \$247.8 million. The net levy of \$240.2 is the amount projected to remain after \$7.6 million is budgeted for loss and cost of collection. The gross levy has increased 11.6% over the last 5 years.



The gross levy for the Corporate Fund will increase by 2.2% and the Public Building Commission Operations & Maintenance Fund will increase by 100.5%. The levy for all other funds will remain constant or decline.

Chicago Park District Property Tax Gross Levy by Fund: 2003 & 2004			
Fund	2003	2004	% change
Corporate	\$ 128,462,010	\$ 131,258,062	2.2%
Pension			
Municipal Employees of Chicago	\$ 5,900	\$ -	
Park District Employees	\$ 10,116,700	\$ 9,821,177	-2.9%
Laborers	\$ -	\$ -	
Public Building Commission			
Rental of Facilities	\$ 4,198,954	\$ 4,200,476	0.0%
Operations & Maintenance	\$ 5,174,906	\$ 10,373,872	100.5%
Liability, Workers Comp., Unemployment	\$ 7,325,183	\$ 7,242,578	-1.1%
Bond Debt Service Fund	\$ 42,142,000	\$ 42,091,518	-0.1%
Aquarium and Museum Bond Debt Service	\$ 12,840,013	\$ 12,277,983	-4.4%
Aquarium and Museum Purposes	\$ 33,595,706	\$ 30,595,706	-8.9%
Total	\$ 243,861,372	\$ 247,861,372	1.6%

Since FY2000, the total gross levy has increased by 11.6%. The portions of the levy earmarked for the Corporate Fund and the CPD Employees' Pension Fund increased over the last 5 years, by 10.9% and 4.2%, respectively. All other funds declined since FY2000.

Chicago Park District Property Tax Gross Levy by Fund: 2000 & 2004			
Fund	2000	2004	% change
Corporate	\$ 118,379,745	\$ 131,258,062	10.9%
Pension			
Municipal Employees of Chicago	\$ 5,900	\$ -	
Park District Employees	\$ 9,421,409	\$ 9,821,177	4.2%
Laborers	\$ 4,600	\$ -	
Public Building Commission			
Rental of Facilities	\$ 4,301,185	\$ 4,200,476	-2.3%
Operations & Maintenance	\$ 5,489,826	\$ 10,373,872	
Liability, Workers Comp., Unemployment	\$ 7,541,066	\$ 7,242,578	-4.0%
Bond Debt Service Fund	\$ 42,142,942	\$ 42,091,518	-0.1%
Aquarium and Museum Bond Debt Service	\$ -	\$ 12,277,983	
Aquarium and Museum Purposes	\$ 34,806,718	\$ 30,595,706	-12.1%
Total	\$ 222,093,391	\$ 247,861,372	11.6%

Since 2001, the District's total property tax levy has appeared on tax bills as two separate line items: one for taxes levied to support the District and a second for the share of the levy earmarked to support the Aquarium and Museum's debt service.

Chicago Park District Property Tax Levy by Purpose			
Fund	2003	2004 Proj.	% of Total Levy
Park District	\$ 231,021,359	\$ 235,583,449	2.0%
Aquarium & Museum Debt Service	\$ 12,840,013	\$ 12,277,923	-4.4%
Total	\$ 243,861,372	\$ 247,861,372	1.6%

Total Support for Cultural Institutions: Reduced by \$3 million, or 8.7%

Although they are private, non-profit institutions, the Aquarium and Museums receive financial support from the Chicago Park District and are located on lands owned by the District. The CPD must approve any fee increases for admittance to these institutions. The District provides not

only an annual subsidy to these cultural institutions, but it also assists them with debt service payments.

For FY2004, the Aquarium and Museums will receive \$32.4 million in operating funds. This is a \$3.1 million decrease from FY2003, and each cultural institution's subsidy will be cut by 8.7%. This is the second year in a row that the Aquarium and Museum subsidy was cut; in FY2003, the Aquarium and Museum subsidy was reduced by \$1.1 million from the previous year.

In FY2004, Aquariums and Museums will receive \$30.5 million from the property tax levy and \$1.8 million from PPRT. In addition, the Aquarium and Museums will levy \$12.2 million through CPD for debt service payments. Thus, the total FY2004 tax revenue projected to support the Aquarium and Museums is \$44.6 million.

Chicago Park District Aquarium and Museum Funding: FY03-FY04			
	2003	2004	% change
Operations	\$ 35,509,342	\$ 32,403,866	-8.7%
Debt Service	\$ 12,840,013	\$ 12,277,983	-4.4%
Total	\$ 48,349,355	\$ 44,681,849	-7.6%

Chicago Park District Aquarium and Museum Purposes Fund Appropriations: FY03-FY04							
	2003			2004			Total % change
	Property Tax	PPRT	Total	Property Tax	PPRT	Total	
Museum of Science and Industry	\$ 6,967,749	\$ 396,888	\$ 7,364,637	\$ 6,345,549	\$ 375,012	\$ 6,720,561	-8.7%
Field Museum of Natural History	\$ 6,967,749	\$ 396,888	\$ 7,364,637	\$ 6,345,549	\$ 375,012	\$ 6,720,561	-8.7%
Art Institute	\$ 6,967,749	\$ 396,888	\$ 7,364,637	\$ 6,345,549	\$ 375,012	\$ 6,720,561	-8.7%
Shedd Aquarium	\$ 4,992,321	\$ 284,366	\$ 5,276,687	\$ 4,546,521	\$ 268,693	\$ 4,815,214	-8.7%
Historical Society	\$ 2,160,205	\$ 123,047	\$ 2,283,252	\$ 1,967,305	\$ 116,265	\$ 2,083,570	-8.7%
Academy of Sciences	\$ 1,172,490	\$ 66,786	\$ 1,239,276	\$ 1,067,790	\$ 63,105	\$ 1,130,895	-8.7%
Adler Planetarium	\$ 2,156,844	\$ 122,855	\$ 2,279,699	\$ 1,964,244	\$ 116,084	\$ 2,080,328	-8.7%
DuSable Museum	\$ 1,105,299	\$ 62,959	\$ 1,168,258	\$ 1,006,599	\$ 59,488	\$ 1,066,087	-8.7%
Mexican Fine Arts Museum	\$ 1,105,299	\$ 62,959	\$ 1,168,258	\$ 1,006,599	\$ 59,488	\$ 1,066,087	-8.7%
Total	\$ 33,595,705	\$ 1,913,636	\$ 35,509,341	\$ 30,595,705	\$1,808,159	\$32,403,864	-8.7%

Current Fund Balance Ratio: Adequate (16%)

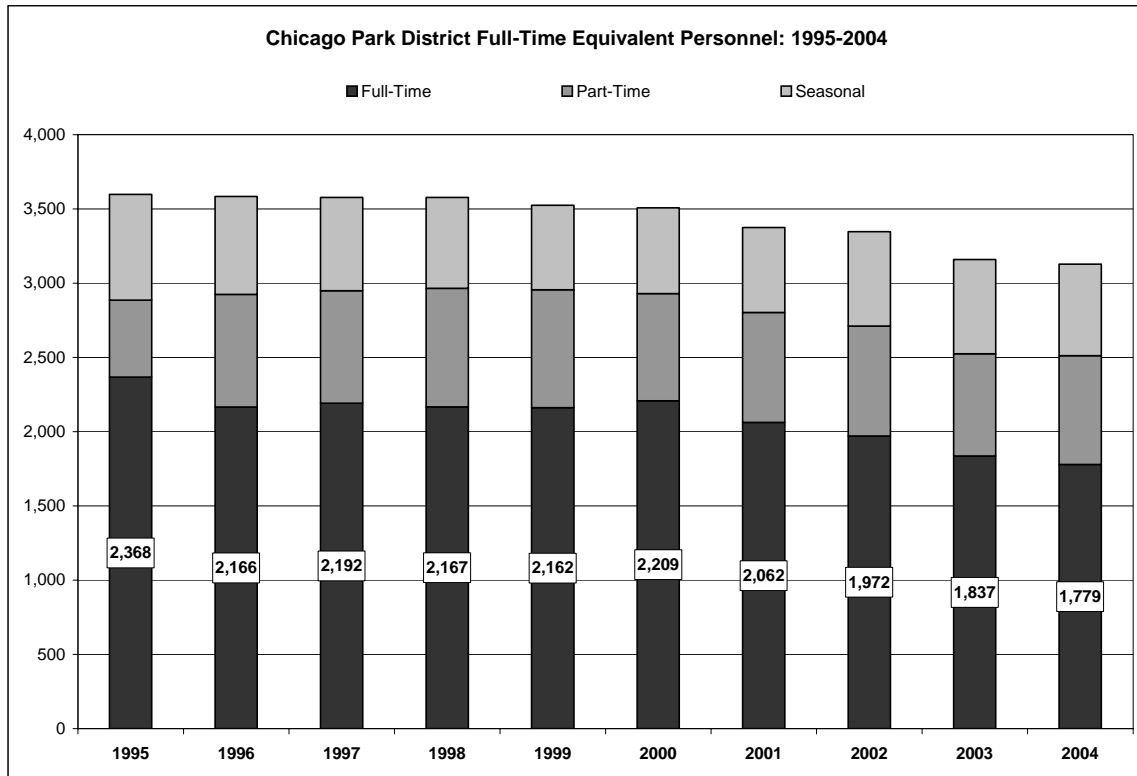
The current fund balance ratio was devised by the Civic Federation to measure a government's ability to meet its financial obligations over time, long enough to convert illiquid assets to cash. It is calculated by dividing Governmental activity expenses by the unrestricted net assets recorded for those activities. Ratios under 10% are categorized as "Low" while ratios between 10% and 25% are categorized as "Adequate." Because the Chicago Park District audited financial statements were prepared in FY2002 according to the new requirements of Statement Number 34 of the Government Accounting Standards Board, the ratio calculated is not comparable to ratios calculated in previous years.

In FY2002, the current fund balance ratio for the Governmental Activities of the Chicago Park District was 16%, placing the CPD in the "Adequate" category.

Current Fund Balance Ratio	
Unrestricted Net Assets	\$ 52,418,598
Expenses	\$ 326,678,463
Ratio	16%
Rating	Adequate

Personnel Trends: 58 full-time positions cut

The District plans to reduce personnel by 58 full-time positions and 19 seasonal equivalents (FTEs), while adding 45 part-time FTEs. Since FY1995, 589 full-time positions have been cut.



Chicago Park District Personnel: 2003 & 2004				
	2003	2004	% change	# change
Full-Time	1,837	1,779	-3.2%	-58
Part-Time	688	733	6.5%	45
Seasonal	635	616	-3.0%	-19
Total	3,160	3,128	-1.0%	-32

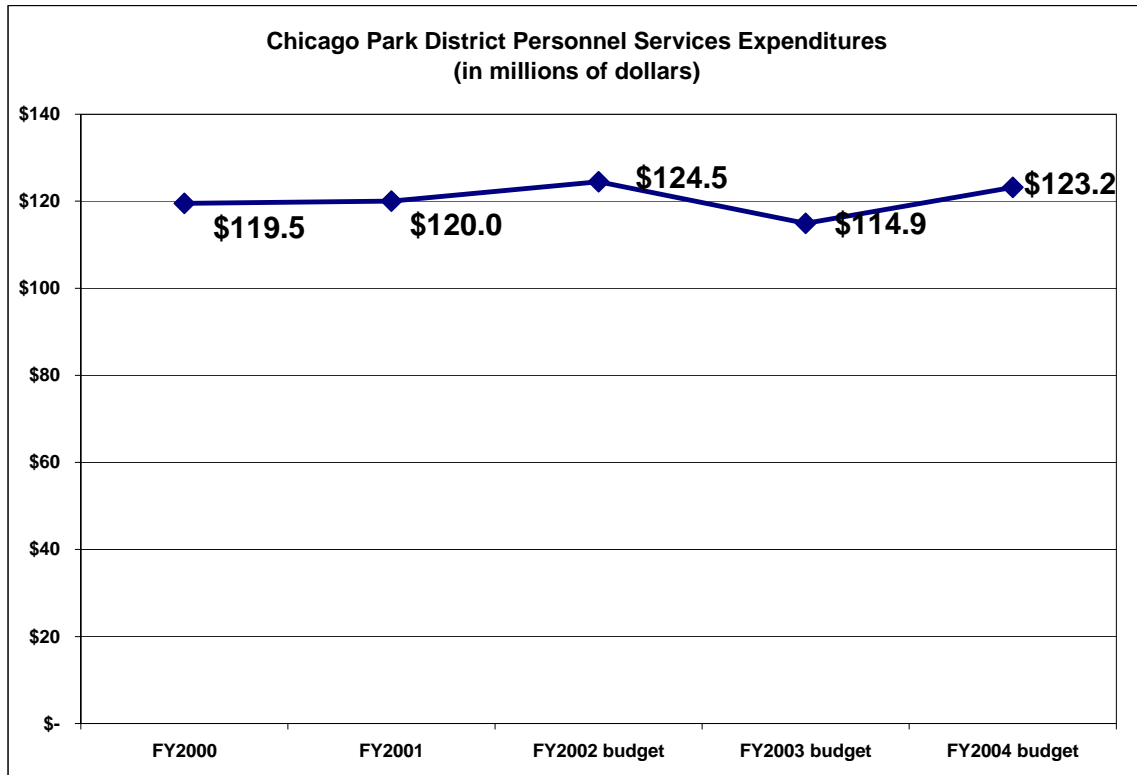
Over the last 5 years, the District has reduced full-time personnel by 430 positions, while increasing seasonal and part-time personnel. Over the last 10 years, the District has reduced full-time personnel by 589 positions, while increasing part-time personnel.

Chicago Park District Personnel: 2000 & 2004				
	2000	2004	% change	# change
Full-Time	2,209	1,779	-19.5%	-430
Part-Time	721	733	1.7%	12
Seasonal	578	616	6.6%	38
Total	3,508	3,128	-10.8%	-380

Chicago Park District Personnel: 1995 & 2004				
	1995	2004	% change	# change
Full-Time	2,368	1,779	-24.9%	-589
Part-Time	517	733	41.8%	216
Seasonal	713	616	-13.6%	-97
Total	3,598	3,128	-13.1%	-470

Personnel Service Appropriations: Increase of \$8.3 million over FY2003

Personnel Services appropriations for FY2004 will increase by \$8.3 million over the previous year.



Debt Trends

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

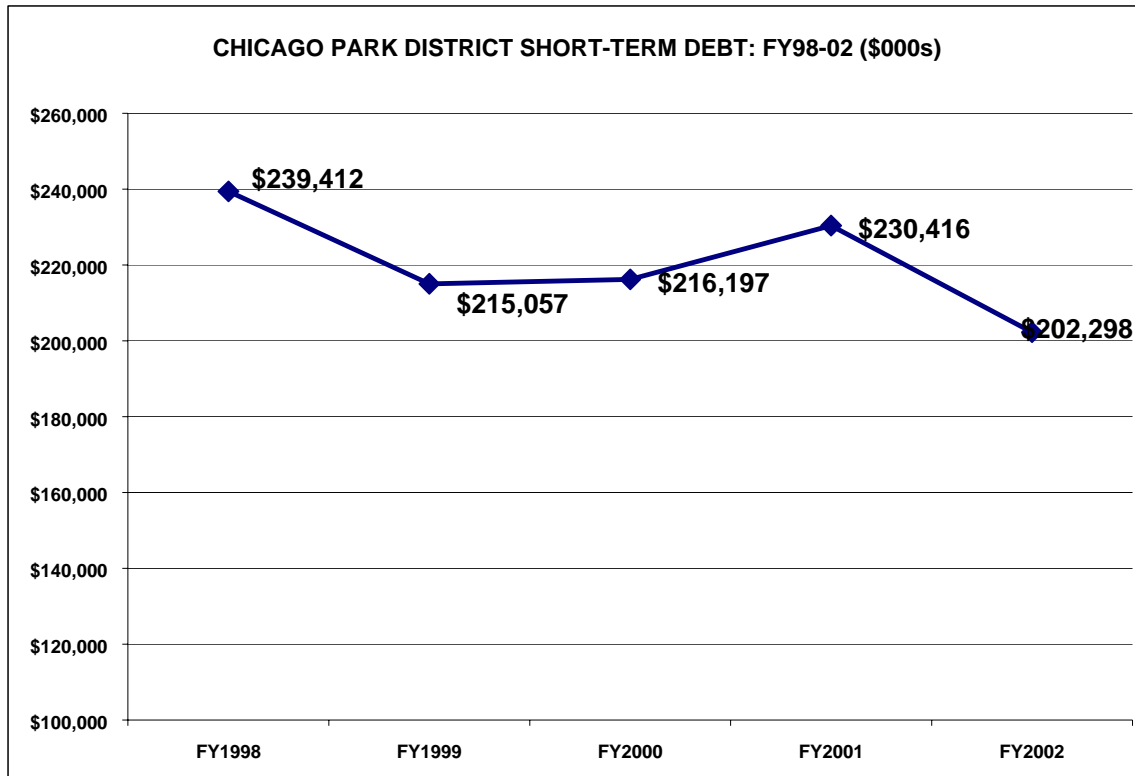
Short-Term Debt Trends: 16% Decrease by FY2002

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.

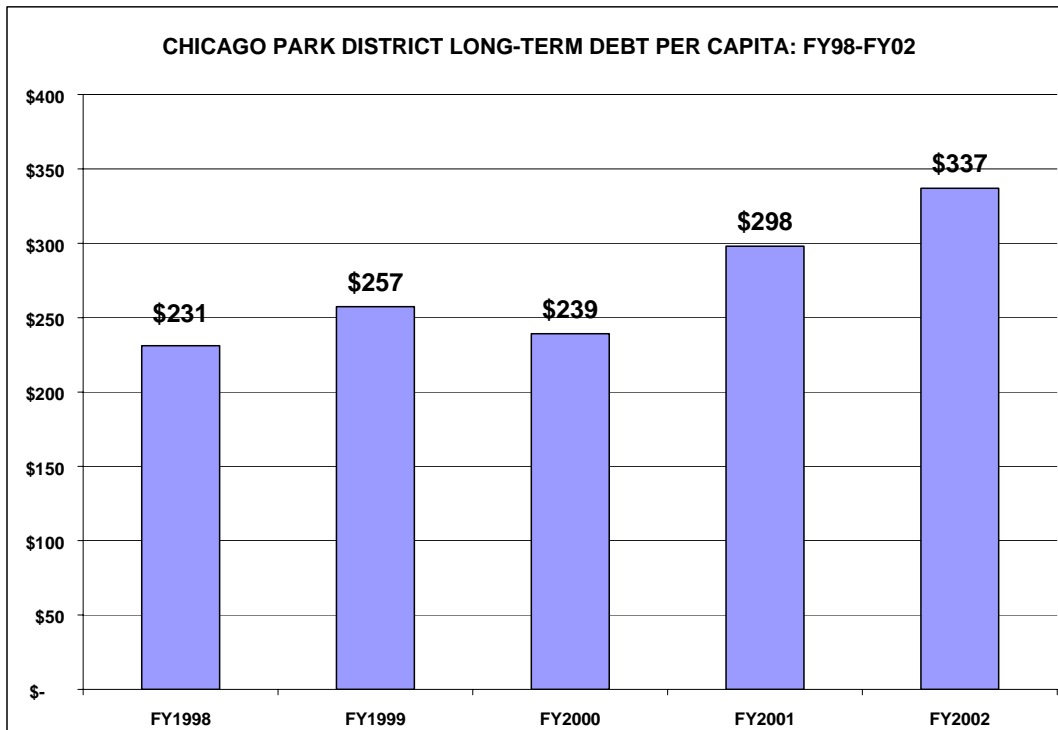
Between FY1998 and FY2002, CPD short-term debt declined by 16%. This represents a \$37 million decrease from \$239 million to \$202 million. The decrease is a positive sign.



Long-Term Debt Per Capita: 46% Increase Between FY1998 and FY2002

Long-term debt per capita is a measure of a government's ability to maintain its current financial policies. This long-term debt analysis takes the total liabilities in the General Long-Term Obligations Account Group and divides them by population. The Chicago Park District's long-term debt includes general obligation bonds payable, capital leases payable, compensated absences, claims and judgments payable, and worker's compensation. Increases in this indicator bear watching as a potential sign of increasing financial risk.

The exhibit that follows shows that the Chicago Park District's debt burden grew substantially during the 5-year period between FY1998 and FY2002. In FY1998, long-term debt per capita was \$231. Five years later, it had increased by 46% to \$337. Continued increases in this category would be a cause for concern, particularly as the Park District's revenue base consists primarily of economically sensitive revenues and property tax revenues, which cannot grow faster than the rate of inflation or 5%, whichever is less.



The CPD had a total of \$977 million in long-term obligations outstanding as of December 31, 2002. \$480 million of that amount was earmarked for General Obligation bonds for capital improvement purposes. \$97 million of G.O. debt outstanding was earmarked for Aquarium and Museum capital projects. \$63 million for harbor improvements constitute all of the District's outstanding revenue debt. A complete list of outstanding long-term obligations is provided below.

CPD LONG-TERM OBLIGATIONS FY2002	
General Obligation Bonds	
Capital Improvement	\$ 480,875,000
Aquarium and Museums	\$ 97,835,000
Refunding	\$ 294,010,000
Unamortized Premiums	\$ 3,016,612
Deferred Amount on Refunding	\$ (11,670,798)
Subtotal G. O. Bonds	\$ 864,065,814
Capital Lease PBC	\$ 29,970,000
Compensated Absences	\$ 7,464,762
Claims & Judgments	\$ 3,897,000
Property Tax Claim Payable	\$ 1,895,864
Worker's Compensation	\$ 6,634,853
Total Governmental Activities	\$ 913,928,293
Harbor Revenue Bonds Payable	\$ 61,925,000
Harbor Revenue Bonds Unamortized Premium	\$ 1,300,806
Total Harbor	\$ 63,225,806
Total Business-Type Activities	\$ 63,225,806
Grand Total	\$ 977,154,099

Chicago Park District Bond Ratings

The Chicago Park District currently has the following bond ratings: Standard & Poor's AA, Moody's AAA, and Fitch AA. Standard & Poor's and Moody's agree that the factors in analyzing debt are, in order of importance:

1. Local economy (property values)
2. Finances (revenues, expenditures, and fund balance)
3. Debt (amount outstanding)
4. Management (efficiencies)

Since CPD's local economy and finances are secure, CPD's bond ratings reflect issues related to the third most important factor, debt.

Is the Chicago Park District Debt Burden too High?

The District's overlapping debt burden is considered moderate to high, at \$4,050, of 7.1% of true value. CPD's debt service carrying charges are moderate to high, at 20% of operating expenditures in 2001. A debt burden is considered high when debt-service payments represent 15-20% of the combined operating and debt-service fund expenditures. However, the District's outstanding debt is expected to decrease in the future because a number of its capital improvement projects have been completed.

Pension Fund Trends

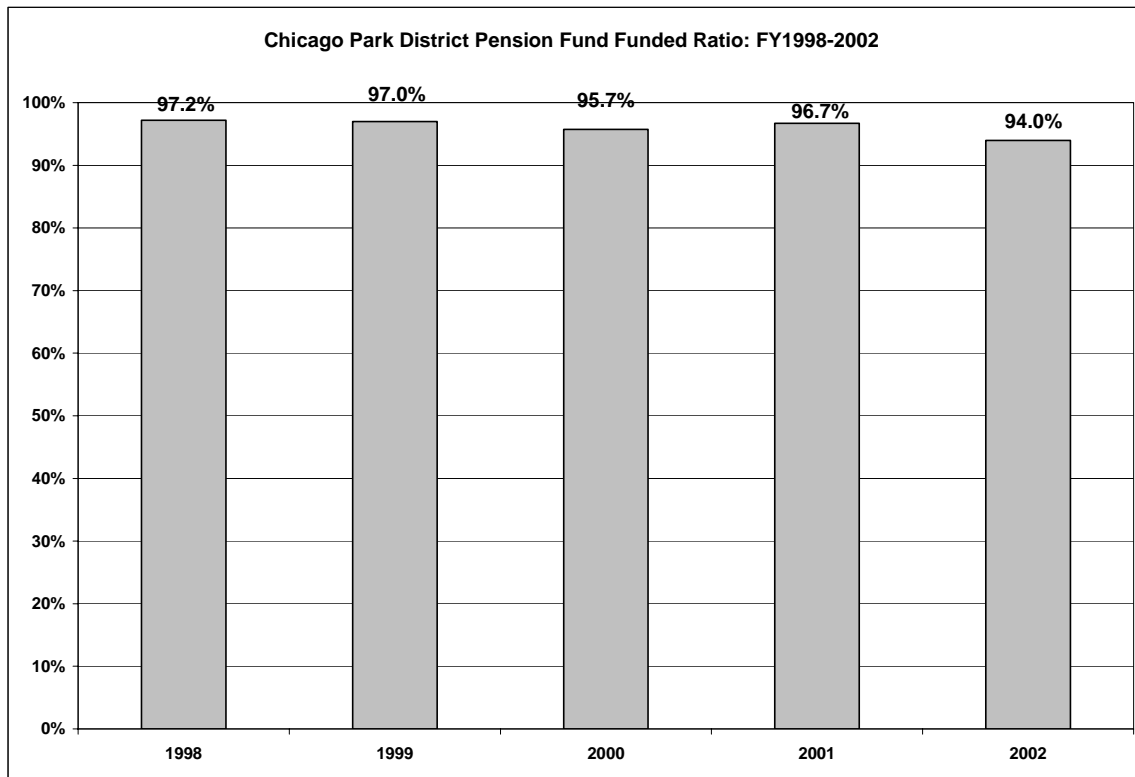
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Park District's pension fund: funded ratios, the value of unfunded liabilities, and the investment rate of return.³

Funded Ratios – Actuarial Value of Assets: High, at 94.0%

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.

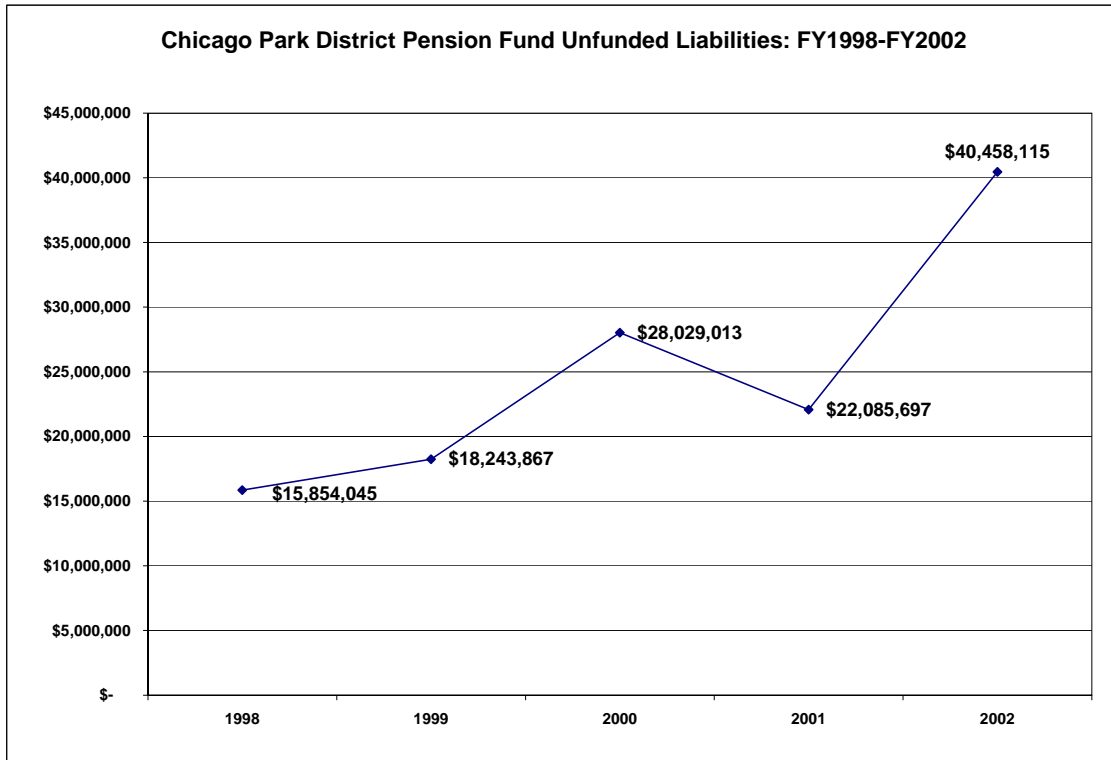
The funded ratio for the CPD's pension fund averaged 96.1% between FY1998 and FY2002. The funded ratio decreased slightly, from 96.7% in 2001 to 94.0% in 2002. The high funded ratio indicates that the Chicago Park District has sufficient assets to cover pension liabilities in the long term.

³ The discussion of the Chicago Park District's pension fund trend is drawn from Scott Metcalf. *Status of Local Pension Funding* (Chicago: Civic Federation, 2003).



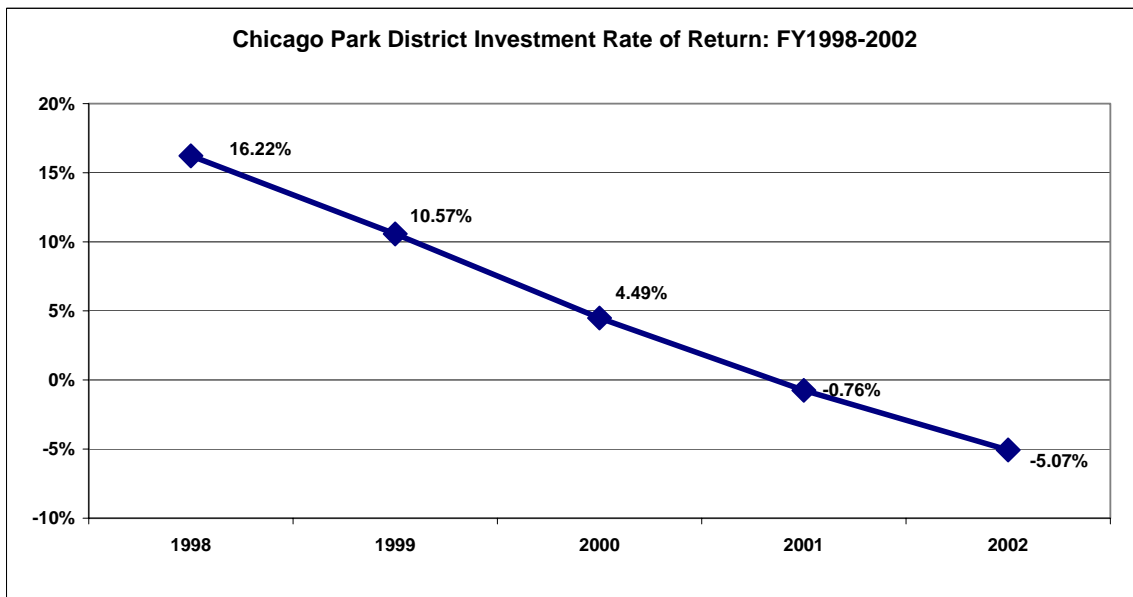
Unfunded Pension Liabilities: \$18 Million Increase Between FY2001 and FY2002

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 approximately \$40.5 million in FY2002. There was an 83%, or \$18 million, increase in unfunded liabilities in FY2002 from the previous year. Over the 5-year period of analysis, unfunded liabilities rose by 155%, from \$15.8 million to \$40.5 million. This increase is due in large part to the decline in investment returns in 2001 and 2002.



Investment Rates of Return: Returns Negative in FY2001 and FY2002

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Since FY1998, CPD investment rates of return have declined from 16.2% to -5.1%. Because the pension fund remains well funded, this is not yet a cause for concern.



CIVIC FEDERATION RECOMMENDATIONS

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

Improve Budget Format

The Civic Federation strongly urges the Chicago Park District to improve the format of the annual budget and restore much of the narrative description provided in budgets during the 1990s. In order to create a more transparent and user-friendly budget document for citizens, the budget should contain features such as:

- A transmittal letter that describes in general terms the highlights of the budget
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;
- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

Implement Formal Financial Policies

The Civic Federation recommends that the Chicago Park District adopt written financial policies to guide the development of its annual budget, and that these policies be listed in the budget document.

Develop and Utilize Performance Measures

The Civic Federation agrees with the International City Management Association (ICMA), the Government Finance Officers' Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB) that all governments should evaluate the performance of programs and services they provide. This is the best means available to 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 actual results compared to expectations.⁴

The Civic Federation urges the Chicago Park District to develop performance measures to be reported in all subsequent budgets.

Implement Joint Purchasing of Employee Health Insurance

It is our hope that the Chicago Park District and the other 6 governments that have successfully finalized a Request for Proposals (RFP) for joint purchasing of prescription drugs will finalize a subsequent agreement for the joint purchasing of health insurance. A recent Civic Federation

⁴ 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).

study found that forming such an agreement consisting of the employees of seven major local governments could yield projected savings of \$40.1 million for all the governments in the first year or \$222 million over a 5-year period and savings of over \$1 million annually for the Park District.⁵

⁵ The Civic Federation. *Feasibility Study of Consolidated Purchasing: Chicago Public Employers. A Study Conducted by the Segal Company.* February 23, 2001.