The Civic Federation

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CHICAGO PARK DISTRICT FY2010 BUDGET:

Analysis and Recommendations

December 2, 2009

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The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

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EXECUTIVE SUMMARY

The Civic Federation offers **qualified support** for the FY2010 Chicago Park District's proposed operating budget of $391.9 million. The District is proposing a responsible budget that reduces expenditures and holds the property tax levy flat by using operating efficiencies, personnel cuts and a modest increase in certain fees to balance the budget.

The District's budget also proposes closing $7.7 million of its budget gap with proceeds from the parking garage lease that were initially set aside for capital projects. Although the Civic Federation supports the use of long-term asset reserve funds in times of need, we urge the District to only use these reserves in the amount that equals the decrease in economically sensitive revenues projected for the upcoming year. For the District, this sum would equal $7.2 million, which is equal to the projected decrease in economically sensitive personal property replacement tax revenues in FY2010. Our support for the budget proposal is thus contingent on the District eliminating the remaining $0.5 million through additional fee increases or expenditure cuts.

The Civic Federation offers the following **key findings** on the FY2010 Recommended Budget:

- The FY2010 proposed budget is $391.9 million, a $1.4 million or 0.3% decrease from FY2009 budgeted appropriations;
- The property tax levy will be frozen at $259.9 million for the fifth consecutive year;
- Permits and fee revenues will increase this year by 15.6% or $6.8 million over FY2009;
- Personal Property Replacement Tax (PPRT) revenues are projected to decrease by $7.2 million from FY2009; and
- Total personnel costs are budgeted at $160.0 million. This is a 1.5% or $2.3 million increase over the $157.7 million that was budgeted for total personnel costs in FY2009. These costs include salaries and benefits.

The Civic Federation **supports** several elements of the proposed budget including:

- Producing a fiscally responsible plan for FY2010 that reduces appropriations for the second year in a row;
- Freezing the District's property tax levy for the fifth consecutive year at $259.9 million;
- Renegotiating the golf course operating contract for an agreement that results in higher revenue for the District; and
- Adopting a formal fund balance policy that sets the minimum amount of reserves at $85.0 million.

However, the Civic Federation has **concerns** about the FY2010 proposed budget including:

- Using $7.7 million from the capital projects reserve fund established by the lease of parking garages for operating expenses in order to close a portion of its $23.9 million budget deficit;
- Relying on one-time revenue sources to balance annual budgets; and
- Maintaining the District's pension fund at a funded ratio below a level considered financially healthy.

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

- Strengthen the District's formal fund balance policy by setting a limit on the amount the District can draw down on its long-term asset reserves;
- Implement comprehensive pension reform, including establishing a two-tiered pension system, limit annual annuity increases for new hires to the lesser of CPI or 3% and seek reform of the pension fund governing structure to ensure a greater balance of interests;
- Develop and utilize a performance measurement system for all District programs as part of a broader strategic planning strategy and publish these measures in the Budget Book;
- Create 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;
- Assume operational control of the Illinois International Port District's Haborside Golf Center as part of a larger proposed dissolution of the entire Port District governmental structure; and
- Improve the District's budget format by aggregating all personnel data by full-time equivalent employee status and providing five-year trend data for both revenues and appropriations.

CIVIC FEDERATION POSITION

The Civic Federation offers **qualified support** for the FY2010 Chicago Park District budget. The District's operating budget totals $391.9 million and is 0.3% less than the FY2009 operating budget. The District is proposing a responsible budget that reduces expenditures and holds the property tax levy flat by using operating efficiencies, personnel cuts and a modest increase in certain fees to balance the budget.

The District is also using $7.7 million in long-term asset lease reserve funds to close this budget deficit. The Civic Federation is not opposed to using long-term asset lease reserve funds in times of need. However, we strongly urge the District to only use these reserves in an amount that equals the decrease in economically sensitive revenues projected for the upcoming fiscal year. For the District, this sum would equal $7.2 million. Our support for the budget proposal is thus contingent on the District eliminating the remaining $0.5 million through additional fee increases or expenditure cuts.

ISSUES THE CIVIC FEDERATION SUPPORTS

The Civic Federation supports the following issues related to the FY2010 Chicago Park District budget.

Decreasing FY2010 Appropriations

In FY2010 the District is proposing an operating budget that is 0.3% less than FY2009 operating appropriations. This is the second year in a row the District has reduced appropriations from the previous year. Salary and wage appropriations are decreasing by 0.3% or $0.3 million in FY2010 over FY2009. Personnel appropriations, which will constitute 41% of the FY2010 budget, include a net reduction of 51 positions.

Over the previous ten year period the District's total appropriations have grown by $64.5 million or 19.7%, which is less than the inflation rate of roughly 20.7%. Between FY2001 and FY2010 annual budgeted appropriation growth averaged 1.8%.

The Civic Federation commends the District for continually producing financial plans that emphasize cost containment. Reducing annual appropriations during this economic downturn is a prudent measure and sets an example for all other governments to follow.

Holding the Property Tax Levy Flat

For the fifth consecutive year the District is holding the property tax levy flat. The levy, which totals $259.9 million, includes $253.9 million for general operations and $6.0 million for Special Recreation purposes. 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.

The Civic Federation supports the District's continued use of prudent financial management to limit the pressure placed on property taxes. We believe that property tax increases should only be considered as a last resort.

Renegotiating the Golf Course Operating Contract

In 1993 the District first privatized the management of its six golf courses, three driving ranges, two miniature golf courses and three learning centers. In 2009 the District entered into a golf course management contract with a new private operator. This contract requires the private company to manage the operations of the courses and make necessary capital improvements to the courses.

Under the District's previous golf contract only net revenues were included in the operating budget without associated expenditures. Under the new agreement with Billy Casper Golf, gross revenues and related operating expenditures are included in the budgeted totals for the golf activities. The new agreement will boost annual golf revenue from this source by $500,000 in FY2010.[1]

The Federation applauds the District for exercising its right to enter into a new golf course management contract. This action has resulted in higher revenue for the District and is another example of how the District is able to limit its annual expenditure increases.

Adopting a Formal Fund Balance Policy

In 2009 the District acted on a previous Civic Federation recommendation and adopted a formal fund balance policy. The policy sets the minimum amount of reserves at $85.0 million. The policy states that funds can be withdrawn from the reserves to bridge the gap between property tax collections, with the reserve repaid when the next installment of property tax revenue is

[1] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

received. The policy also states that "any other draw from the reserve must be approved by the Board of Commissioners and should only be for nonrecurring expenditures or one-time capital costs and not ongoing operational type expenditures."

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.[2]

The Civic Federation commends the District for adopting a formal policy governing its fund balance and we support the use of reserve funds to bridge the gap between property tax collections and reduce the District's reliance on Tax Anticipation Notes.

CIVIC FEDERATION CONCERNS

The Civic Federation has concerns about three financial issues facing the Chicago Park District budget.

Use of Reserves for Operating Expenses

The District is proposing to close a portion of its $23.9 million FY2010 budget deficit with $7.7 million from the capital projects fund that was established with proceeds from the long-term lease of the parking garages. As a general rule, the Civic Federation opposes the use of proceeds from long-term assets for operating expenditures. However, we recognize that there are exceptions to this rule and we recommend that governments adopt fund balance policies to govern the use of asset lease reserve funds.

In 2009 the District adopted our recommendation and implemented a policy that outlines the minimum fund balance and circumstances for drawing down reserves.

Replacing revenues lost due to an economic recession is, in theory, a nonrecurring expense and therefore the use of reserves for this purpose falls within the District's policy. The Civic Federation is not opposed to the use of long-term asset lease reserve funds to replace economically sensitive revenues during economic recessions, but we strongly urge the District to only use reserves in an amount that equals the decrease in economically sensitive revenues projected in the upcoming fiscal year that will be used for the Corporate Fund. For the District, this sum would equal $7.2 million. The remaining $0.5 million should be eliminated through additional fee increases or expenditure cuts.

Pattern of Using One-Time Revenue Sources to Balance Annual Budgets

FY2010 marks the fourth year in a row the District is proposing to draw on non-tax or fee resources to balance its budget. In FY2009 the District used $10.0 million in interest earnings from its Parking Garage Capital Fund as a revenue source for the operating budget. In FY2008

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[2] 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).

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 strongly opposed the transfer of $10.0 million from the Pension Fund to the Corporate Fund. However, the Civic Federation agrees that interest from long-term reserves can be used for operating expenses and has also supported the use of fund balances to bridge temporary budget deficits and offset the need for a tax increase.

This year we are concerned about the pattern emerging from the District's reliance on one-time revenue sources to balance its annual budgets. The District listed a structural deficit gap of $10 million as one of the contributing factors to its FY2010 budget deficit. In the three years prior the District has had to eliminate the same $10.0 million budget gap. This structural deficit may be an early indicator of future financial problems and we encourage the District to develop a long-term financial plan address this annual gap.

Deterioration of the Fiscal Health of the CPD Pension Fund

The funded ratio of the Chicago Park District pension fund fell to 73.8% in FY2008, the last year for which data is available. Since FY2003 the funded ratio has dropped from 82.6%. Unfunded liabilities rose by $80.4 million in the five-year period between FY2004 and FY2008, from $128.3 million to $208.7 million. It is likely that the situation will decline further as the full impact of the economic recession is felt.

The 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 liabilities. This can be done by seeking legislative approval for implementing common sense pension funding reforms, including reducing benefits for new employees and limiting annuity increases for new hires at the lesser of 3.0% or the rate of inflation.

CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations on ways to improve the Chicago Park District's financial and transparency practices.

Strengthen Fund Balance Policy

In 2009 the District introduced a fund balance policy that governs the use of the District's long-term income reserve fund assets. The policy specifies the minimum amount of reserves that the District must maintain, $85.0 million and outlines the situations under which the District can draw down the reserves.

The Civic Federation commends the District for adopting a policy governing the use of its long-term reserves. We recommend that the District strengthen its current policy to create a limit on the amount the District can draw down on its long-term asset reserves. This is a third layer of protection to ensure that the reserves are used in a judicious manner by placing a cap on the amount of the reserves available for each fiscal year that is equal to the projected decrease in economically sensitive revenues.

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 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 protected 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.[3] The proper role of a pension board is to safeguard the fund's assets and to oversee benefit administration. 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.

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 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.[4]

The District has already taken positive steps towards 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.

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

[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).

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.

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.[5]

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. In order for this to occur, the enabling legislation must be approved at the state level.

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 public-supported enterprise.

Improve the Budget Book Format

The Chicago Park District continues to provide a high level of detail in its annual 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

[5] *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.

could and should be provided moving forward from the earliest possible fiscal year for which complete information is available.

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.

BUDGET DEFICIT

The Chicago Park District faced a $23.9 million deficit in FY2010. The deficit is driven in part by rising costs, including employee health care and debt service expenses, falling personal property replacement tax revenues and declining interest earnings. The District also faced a $10 million structural deficit gap in 2009, which it closed by transferring interest earnings from the parking garage capital fund.[6]

Chicago Park District Budget Deficit: FY2010 (in $ millions)		
Expenditure Increases		
Workers Compensation	$	1.0
Health Care	$	1.1
Pension	$	0.5
Debt Service	$	2.5
Subtotal Expenditure Increases	**$**	**5.1**
Revenue Decreases		
PPRT	$	7.2
Interest Earnings	$	1.6
Subtotal Revenue Decreases	**$**	**8.8**
Structural Deficit	**$**	**10.0**
Total	**$**	**23.9**

Source: Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

The District will close the majority of the FY2010 budget gap through a combination of $9.2 million in expenditure reductions, $1.5 million in revenue enhancements and the use of a $8.9 million one-time payment from the Parking Garage Capital Fund. The $8.9 million includes $1.2 million in interest earnings and $7.7 million transferred from the principal of the fund.

[6] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

A number of the gap closing measures are recurring actions that will also result in future savings, including the elimination of positions, reducing the property tax subsidy and renegotiating concession and golf contracts.

The District is also employing one-time gap closing measures, including the use of furlough days, reimbursement for capital projects, termination of tax increment financing districts and the transfer from the parking garage capital projects fund.

Chicago Park District Gap Closing Measures: FY2010 (in $ millions)		
Expenditure Decreases		
Museum Tax Subsidy	$	3.0
Elimination of 53 FTE positions	$	3.2
Unpaid furlough days	$	3.0
Subtotal Expenditure Decreases	**$**	**9.2**
Revenue Increases		
TIF Termination	$	1.0
Golf Revenue	$	0.5
Concesssion Revenue	$	0.6
Subtotal Revenue Increases	**$**	**1.5**
Reimburse Corporate Fund From Capital Projects Fund	**$**	**2.7**
Transfer From Asset Sale Capital Fund	**$**	**8.9**
Total	**$**	**22.3**

Source: Email communication betw een the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

FY2010 marks the fourth year in a row the District is forced to address a budget shortfall by transferring $10.0 million to its operating fund. In FY2009 the District used $10.0 million in interest earnings from its Parking Garage Capital Fund as a revenue source for the operating 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.

APPROPRIATIONS

This section presents an analysis of the District's budget appropriation trends by object.

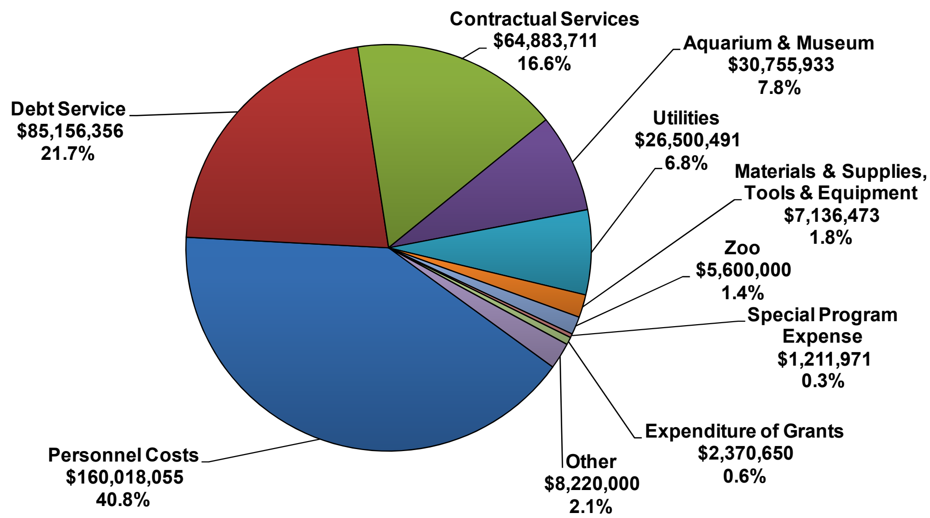
Two-Year and Five-Year Total Appropriations by Object

Total Chicago Park District appropriations are projected to decline from $393.2 million originally budgeted for FY2009 to $391.9 million in FY2010, a $1.4 million or 0.3% decrease. This is the second consecutive year that budgeted appropriations will decline.

Approximately 40.8% of FY2010 appropriations are budgeted for personnel costs (including pensions, workers' compensation, and unemployment insurance), while Debt Service represents

21.7% of appropriations. Contractual Services will comprise $64.9 million, or 16.6% of the FY2010 budget.

Chicago Park District FY2010 Appropriations as Percent of Total



Source: Chicago Park District FY2010 Budget Recommendations Summary, p. 43

Total personnel costs, including pensions, workers' compensation, and unemployment, are expected to increase by 1.3% from $158.0 million in FY2009 to $160.0 million in FY2010. Debt service appropriations will increase by 3.0%, from $82.7 million to $85.2 million.

The District will reduce its appropriation for the Museums in the Park (Aquarium & Museum line) by $3.5 million, or 10.3%, for FY2010.[7] This decrease is due to a decrease in both the property tax subsidy and personal property replacement tax subsidy for the museums.[8] The Zoo appropriation will remain flat at $5.6 million. This appropriation is for the Lincoln Park Zoo, which is operated by a non-profit organization, and its management of the small Indian Boundary Zoo.[9]

Appropriations for Special Program Expenses, which has been used as a catch-all account for various District expenditures, will decrease by 76.9% over FY2009 proposed appropriations. The decrease is a result of a policy change that requires departments to itemize recurring Special Program expenditures in the appropriate line item. As a result of this policy change,

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[7] Museums in the Park are cultural institutions situated on District-owned land. They are the Adler Planetarium, Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Notebaert Nature Museum, and John G. Shedd Aquarium.
[8] Chicago Park District FY2010 Budget Summary, p. 41
[9] Chicago Park District FY2010 Budget Summary, p. 40.

corresponding increases will occur in the parks' General Contractual accounts and janitorial service expenditures.[10]

Organization expenses will increase slightly by $50,000 or 2.0% in FY2010. This line item includes the amount budgeted by the District to help support various organizations that partner with the District. This amount includes appropriations of $210,000 to the Parkways Foundation, $100,000 to Neighborspace, $180,000 to the Garfield Park Conservatory Alliance and $2.3 million to the Grant Park Music Festival.[11]

Accessibility Capital Projects will not receive appropriations in FY2010. This account was historically used for the portion of the Special Recreation Assessment (SRA) levy that was reserved for capital projects and was divided between programming expenditures and capital expenditures. The capital allocation was budgeted in the Accessibility Capital Projects account line. In 2008, the District issued bonds for accessibility projects and what was previous allocated for capital projects is now allocated to support the resulting debt service.[12]

Chicago Park District Appropriations by Object: FY2009 & FY2010

	FY2009 Budget	FY2010 Recommended	$ change	% change
Personnel Costs	$ 158,023,950	$ 160,018,055	$ 1,994,105	1.3%
Debt Service	$ 82,698,173	$ 85,156,356	$ 2,458,183	3.0%
Contractual Services	$ 58,587,533	$ 60,449,169	$ 1,861,636	3.2%
Aquarium & Museum	$ 34,287,366	$ 30,755,933	$ (3,531,433)	-10.3%
Utilities	$ 26,422,441	$ 26,500,491	$ 78,050	0.3%
Materials & Supplies, Tools & Equipment	$ 7,292,541	$ 7,136,473	$ (156,068)	-2.1%
Zoo	$ 5,600,000	$ 5,600,000	$ -	0.0%
Golf Management Expense	$ -	$ 4,434,542	$ 4,434,542	100%
Special Program Expense	$ 5,254,019	$ 1,211,971	$ (4,042,048)	-76.9%
Expenditure of Grants	$ 5,000,000	$ 2,370,650	$ (2,629,350)	-52.6%
Liability Insurance & Judgments	$ 4,750,000	$ 4,750,000	$ -	0.0%
Organizations	$ 2,440,000	$ 2,490,000	$ 50,000	2.0%
Accessiblity Capital Projects	$ 1,664,571	$ -	$ (1,664,571)	-100.0%
Facilities Rentals	$ 1,202,200	$ 980,000	$ (222,200)	-18.5%
Total	**$ 393,222,794**	**$ 391,853,640**	**$ (1,369,154)**	**-0.3%**

Source: Chicago Park District FY2010 Budget Recommendations Summary, p. 43

The following exhibit presents a five-year trend of appropriations by object. The FY2010 budget is only 0.2% larger than the FY2006 total appropriations. Personnel costs will increase $14.1 million, or 9.6% and Contractual Services will increase 16.9% over FY2006.

Facilities Rentals will decrease by nearly $2.5 million or 71.7% over the five-year period. According to the District, this account covers expenses related to the maintenance of the Park

[10] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.
[11] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.
[12] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

District administration building. The decrease is a result of the District being granted an exemption from the property taxes due on the floors purchased in the administrative building. The 2009 budget included a portion of the final taxes due.[13]

Expenditure of Grants is projected to total $2.4 million in FY2010, a decrease of $6.6 million or 73.7%. Prior to 2008, the District budgeted $9.0 million in anticipated grants receipts. In 2008, this amount was reduced to a lesser more accurate amount of $5.0 million. The District still budgets $5.0 million in anticipated grant receipts. However, in the 2010 budget, the District budgeted known grant expenses. The difference between known and anticipated grant receipts is budgeted in the Expenditure of Grants account.[14]

Reserve for Restructuring will not receive appropriations in FY2010, compared to the $3.4 million allocated in FY2006. In FY2010 this account is known as the Accessibility Capital Projects but is no longer receiving operating appropriations. The funds that were previously allocated for capital projects are now allocated to support the debt service for a bond issuance tied to ongoing accessibility projects.

Chicago Park District Appropriations by Object: FY2006 & FY2010

	FY2006	FY2010 Recommended	$ change	% change
Personnel Costs	$ 145,964,925	$ 160,018,055	$ 14,053,130	9.6%
Debt Service	$ 95,107,758	$ 85,156,356	$ (9,951,402)	-10.5%
Contractual Services	$ 55,524,985	$ 64,883,711	$ 9,358,726	16.9%
Aquarium & Museum	$ 33,533,966	$ 30,755,933	$ (2,778,033)	-8.3%
Utilities	$ 20,163,935	$ 26,500,491	$ 6,336,556	31.4%
Materials & Supplies, Tools & Equipment	$ 6,336,430	$ 7,136,473	$ 800,043	12.6%
Zoo	$ 5,584,000	$ 5,600,000	$ 16,000	0.3%
Special Program Expense	$ 5,904,269	$ 1,211,971	$ (4,692,298)	-79.5%
Expenditure of Grants	$ 9,000,000	$ 2,370,650	$ (6,629,350)	-73.7%
Liability Insurance & Judgments	$ 4,959,168	$ 4,750,000	$ (209,168)	-4.2%
Organizations	$ 2,160,000	$ 2,490,000	$ 330,000	15.3%
Facilities Rentals	$ 3,466,684	$ 980,000	$ (2,486,684)	-71.7%
Reserve for Restructuring	$ 3,376,000	$ -	$ (3,376,000)	-100.0%
Total	**$ 391,082,120**	**$ 391,853,640**	**$ 771,520**	**0.2%**

Source: Chicago Park District FY2007 Budget Recommendations Summary, p. 14, and Chicago Park District FY2010 Budget Recommendations Summary, p. 43

Two-Year and Five-Year Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for FY2009 and FY2010. Overall, the District will increase Contractual Services appropriations by 10.7%, from $58.6 million to $64.9 million. The majority of this increase is attributable to the $5.1 million rise in General Contractual Services appropriations, which include a variety of expenses such as

[13] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.
[14] Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

printing, travel, waste disposal, and postage.[15] This increase is primarily due to the reallocation of expenses from the Special Program Expense.[16]

In FY2010 the District will terminate the contract for the concessions manager and assume responsibility of this function with in-house personnel. The District anticipates a savings of at least $0.6 million whether the manager renegotiates the terms of their contract or the District resumes this responsibility.[17]

Other Management Fee Expenses will decrease by nearly $2.3 million, or 11.7%, between FY2009 and FY2010. The accounts associated with this category include ice skating management, litigation expenses, professional services expenses, reprographic services and management fees. The decrease is a result of reductions in the amounts the District budgets for maintenance on its vehicle fleet, fuel for the fleet and rodent control.[18]

Chicago Park District Contractual Services Appropriations: FY2009 & FY2010

Contractual Services	FY2009 Budget	FY2010 Recommended	$ change	% change
Soldier Field	$ 11,539,782	$ 12,295,437	$ 755,655	6.5%
General Contractual Services	$ 9,799,003	$ 14,864,744	$ 5,065,741	51.7%
Harbor Management	$ 8,907,480	$ 8,117,123	$ (790,357)	-8.9%
Landscape Services	$ 5,152,600	$ 3,997,100	$ (1,155,500)	-22.4%
MLK Center Management	$ 1,191,949	$ 959,316	$ (232,633)	-19.5%
Repair & Maintenance	$ 1,150,668	$ 1,290,205	$ 139,537	12.1%
Concessions Management	$ 750,000	$ -	$ (750,000)	-100.0%
Golf Management Expense	$ -	$ 4,434,542	$ 4,434,542	100.0%
Parking Management	$ 471,378	$ 1,588,603	$ 1,117,225	237.0%
Other Management Fee Expense	$ 19,624,673	$ 17,336,641	$ (2,288,032)	-11.7%
Total	**$ 58,587,533**	**$ 64,883,711**	**$ 6,296,178**	**10.7%**

Source: Chicago Park District FY2010 Budget Recommendations Summary, p. 43

Contractual Services appropriations will increase 16.9% between FY2006 and FY2010. The largest increase is in General Contractual Services, which will more than double to $14.9 million in FY2010. The decline in Parking Management reflects the District's sale of its parking garages in late 2006.[19]

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[15] Information on General Contractual Services types provided by Chicago Park District Budget Director Tanya Anthony, October 31, 2008.
[16] Email communication between the Civic Federation and the Chicago Park District Office of Management and Budget, November 25, 2009.
[17] Email communication between the Civic Federation and the Chicago Park District Office of Management and Budget, November 25, 2009.
[18] Email communication between the Civic Federation and the Chicago Park District Office of Management and Budget, November 25, 2009.
[19] The District sold its garages to the City of Chicago, which entered into a long-term lease agreement with a private company to operate the garages. See City of Chicago FY2008 Comprehensive Annual Financial Report, p. 65.

Landscaping expenditures will increase by $1.5 million or 58.6% over the five year period. Since 2006 the District has acquired over 200 additional acres and this account supports the maintenance of those additional acres as well as accounts for any contractual cost increases.[20]

Appropriations for the Dr. Martin Luther King , Jr. Park and Family Entertainment Center will fall by 30.3% between FY2006 and FY2010. According to the District, revenue generated by the MLK center has been declining and in order to remain profitable expenses must be reduced.[21]

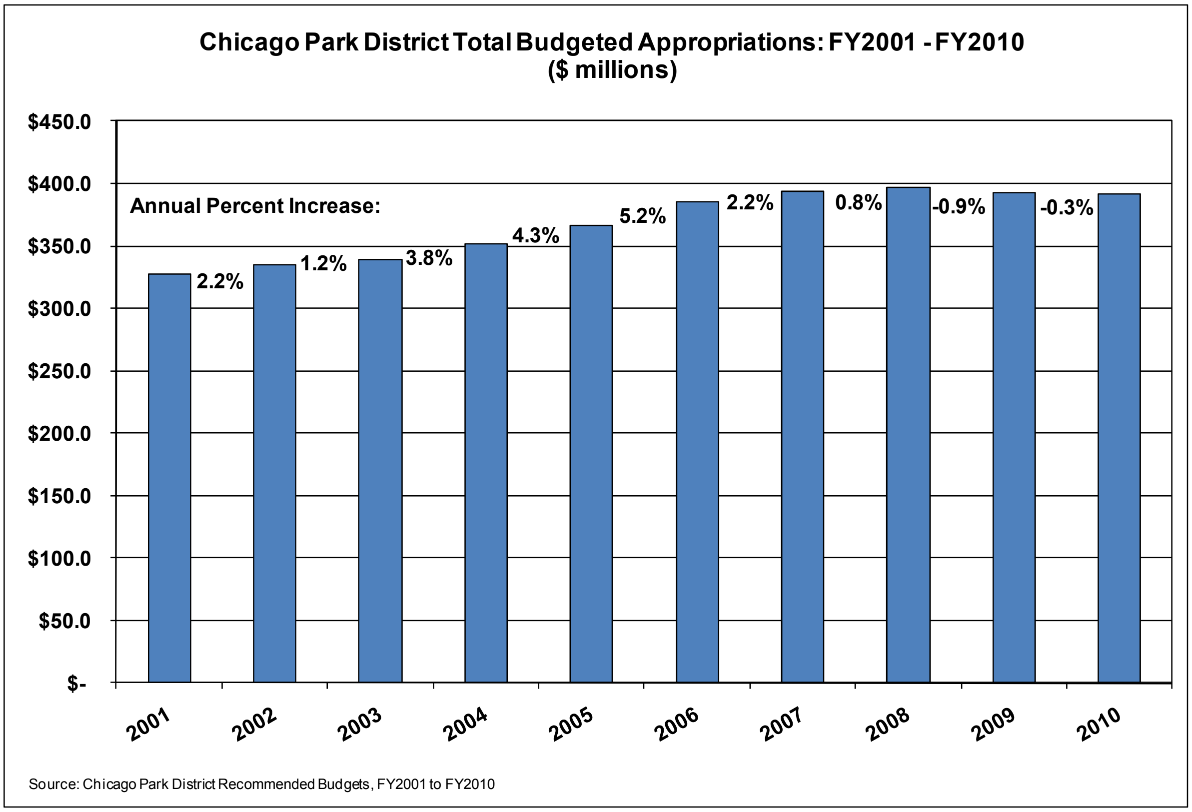
Chicago Park District Contractual Services Appropriations: FY2006 & FY2010				
Contractual Services	**FY2006**	**FY2010 Recommended**	**$ change**	**% change**
Soldier Field	$ 11,016,225	$ 12,295,437	$ 1,279,212	11.6%
General Contractual Services	$ 7,048,747	$ 14,864,744	$ 7,815,997	110.9%
Harbor Management	$ 7,638,384	$ 8,117,123	$ 478,739	6.3%
Landscape Services	$ 2,519,700	$ 3,997,100	$ 1,477,400	58.6%
MLK Center Management	$ 1,376,207	$ 959,316	$ (416,891)	-30.3%
Repair & Maintenance	$ 1,166,730	$ 1,290,205	$ 123,475	10.6%
Concessions Management	$ 525,000	$ -	$ (525,000)	-100.0%
Golf Management Expense	$ -	$ 4,434,542	$ 4,434,542	100.0%
Parking Management	$ 6,486,331	$ 1,588,603	$ (4,897,728)	-75.5%
Other Management Fee Expense	$ 17,747,661	$ 17,336,641	$ (411,020)	-2.3%
Total	**$ 55,524,985**	**$ 64,883,711**	**$ 9,358,726**	**16.9%**

Source: Chicago Park District FY2007 Budget Recommendations Summary, p. 14, and Chicago Park District FY2010 Budget Recommendations Summary, p. 43

Ten-Year Appropriation Trend

Over the last ten years, total appropriations have grown by $64.5 million, or 19.7%, which is less than the inflation rate of roughly 20.7%.[22] Between FY2001 and FY2010, annual budgeted appropriation growth averaged 1.8%. FY2010 will be the second consecutive year of appropriation reduction.

[20] Email communication between the Civic Federation and the Chicago Park District Office of Management and Budget, November 25, 2009.
[21] Email communication between the Civic Federation and the Chicago Park District Office of Management and Budget, November 25, 2009.Budget, November 25, 2009.
[22] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 20.7% between October 2000 and October 2009, the most recent month available. U.S. Bureau of Labor Statistics.



REVENUE AND RESOURCE TRENDS

Resources for all funds are projected to total $391.9 million in FY2010, a decrease of 0.3% or $1.4 million from the FY2009 budget. Tax revenues for the District are budgeted to decrease by 2.6% in FY2010, falling from $298.9 million to nearly $291.0 million. The decrease is due primarily to an anticipated $7.2 million decrease in personal property replacement taxes (PPRT), which is a form of the corporate income tax. The District anticipates reduced revenues for this tax due to the ongoing economic downturn. There is no increase in the District's property tax levy of $259.9 million in FY2010.

Revenues from the rental of District facilities will decrease by 0.8%, from $26.7 million to $26.5 million. Revenue from the rental of Soldier Field is projected to remain flat at $23.6 million. Northerly Island rental revenue will rise from $0.2 million to nearly $0.4 million. Rentals of gyms, halls, ice rinks, tennis courts, and other District properties will decrease by 13.5%, or $0.4 million.

Permit and fee revenues are projected to increase by $6.8 million, or 15.6%. This category includes parking fees, permit revenues, harbor fees, park fees and golf courses. Fee revenues for park programs and marinas will rise by $1.9 million, golf revenues will increase by $4.8 million and parking revenues will increase by 4.9% or $0.1 million. The fee revenue increases are primarily due to two factors:

- The CPD proposes to increase user fees for park programs and marina use by an average of 5% in FY2010 to recover a greater share of programming costs.[23]

- The District entered into a new management contract with Billy Casper Golf, the private operator manages all of the District's golf facilities for management of its golf courses in 2009.[24] The agreement covers operating costs as well as capital improvements. The new agreement will boost annual revenue from this source from $500,000 to $5.3 million. It is important to note, however, that under the District's previous golf contract only net revenues were included in the operating budget without associated expenditures. Under the new agreement with Billy Casper Golf, gross revenues are included in the budgeted revenue amount.

Grants and Donations revenues are expected to remain flat at $5.0 million in FY2010. Investment income will be decrease steeply, falling by 58.3% to $0.5 million as a consequence of the continuing economic downturn. Concession revenue is expected to dip by 2.2% to nearly $3.8 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.[25]

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 $0.3 million, down from $2.1 million the previous year.[26]

The District also proposes to use $8.9 million from the Parking Garage Revenue Capital Improvements Fund to balance the FY2010 budget. This amount includes $1.16 million in interest earnings from the fund and a one-time transfer of $7.7 million.[27]

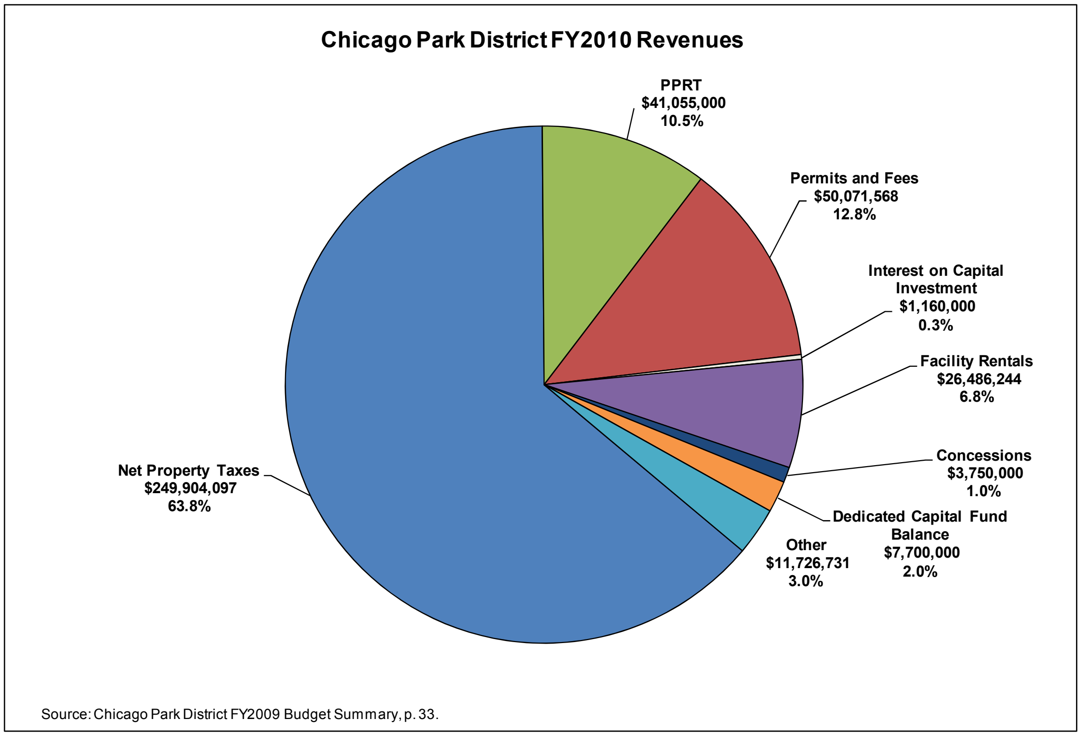
This is the fourth year in a row the Park District has drawn on non-tax or fee resources to balance the budget. In FY2009 the District used $10.0 million in interest earnings from its Parking Garage Capital Fund as a revenue source. In FY2008 the District used $10.0 million of the FY2007 Corporate Fund Balance as a revenue source. In FY2007 the District transferred $10.0 million from its Pension Fund into its Corporate Fund.

[23] Chicago Park District 2010 Budget Summary, 25.
[24] Chicago Park District 2010 Budget Summary, 25.
[25] Chicago Park District 2008 Budget Summary, 12.
[26] Chicago Park District 2009 Budget Summary, 37.
[27] Chicago Park District 2010 Budget Summary, 27.

Chicago Park District Resources by Source: FY2009 and FY2010				
	2009 Budget	2010 Budget	$ change	% change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (9,356,784)	$ (10,006,560)	$ (649,776)	6.9%
Personal Property Replacement Tax	$ 48,300,000	$ 41,055,000	$ (7,245,000)	-15.0%
Subtotal Tax Revenues	**$ 298,853,873**	**$ 290,959,097**	**$ (7,894,776)**	**-2.6%**
Rental of Soldier Field	$ 23,598,532	$ 23,598,532	$ -	0.0%
Rentals	$ 2,886,232	$ 2,496,211	$ (390,021)	-13.5%
Northerly Island Pavilion	$ 209,376	$ 391,501	$ 182,125	87.0%
Subtotal Facility Rentals	**$ 26,694,140**	**$ 26,486,244**	**$ (207,896)**	**-0.8%**
Parking Fees	$ 2,466,165	$ 2,587,542	$ 121,377	4.9%
Harbor Fees	$ 22,331,700	$ 22,416,851	$ 85,151	0.4%
Park Fees	$ 12,786,060	$ 14,611,721	$ 1,825,661	14.3%
Permits	$ 5,173,180	$ 5,095,793	$ (77,387)	-1.5%
Golf Course Fees	$ 550,000	$ 5,359,661	$ 4,809,661	874.5%
Subtotal Permits and Fees	**$ 43,307,105**	**$ 50,071,568**	**$ 6,764,463**	**15.6%**
Concessions	$ 3,832,699	$ 3,750,000	$ (82,699)	-2.2%
Grants and Donations	$ 5,000,000	$ 5,000,000	$ -	0.0%
Investment Income	$ 1,200,000	$ 500,000	$ (700,000)	-58.3%
Long Term Income Reserve (parking garage lease)	$ 2,100,000	$ 380,000	$ (1,720,000)	-81.9%
Miscellaneous	$ 1,034,977	$ 1,950,000	$ 915,023	88.4%
Capital Contributions	$ 1,200,000	$ 3,896,731	$ 2,696,731	224.7%
Dedicated Capital Fund Balance	$ -	$ 7,700,000	$ 7,700,000	100.0%
Interest on Capital Investment	$ 10,000,000	$ 1,160,000	$ (8,840,000)	-88.4%
GRAND TOTAL	**$ 393,222,794**	**$ 391,853,640**	**$ (1,369,154)**	**-0.3%**

Source: Chicago Park District FY2009 Budget Summary, p. 33 and FY2010 Budget Summary, p. 37.

The following exhibit shows the distribution of District resources in FY2010. Total net tax revenues (property tax and PPRT) constitute 74.3% of District revenues. The next largest revenue source is Permits and Fees, at 12.8%, followed by Facility Rentals at 6.8%.



The next exhibit shows resource trends during the five-year period between FY2006 appropriations and the FY2010 budget. During that period resources are projected to increase by 0.2%, rising from $391.1 million to $391.9 million.

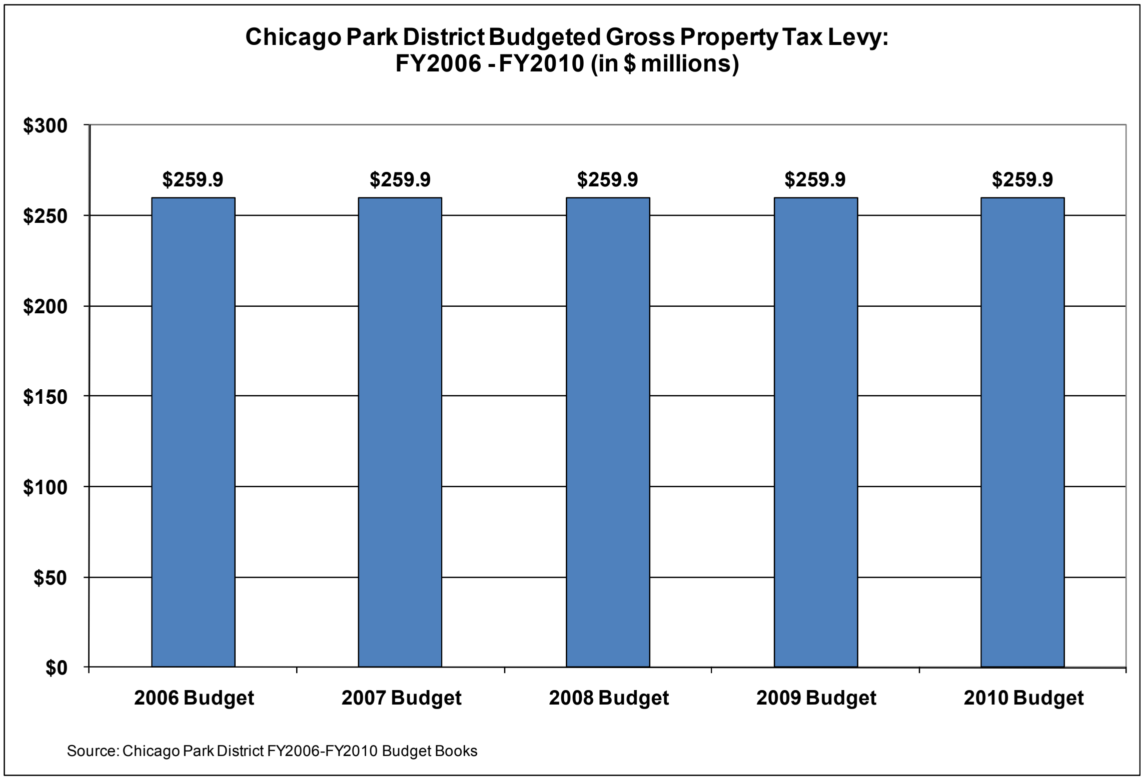
- The gross property tax levy has been frozen during that time at $259.9 million.
- PPRT revenues will have increased slightly, by 3.9% or nearly $1.6 million.
- Facility rental revenues have risen by 7.9%, increasing from $24.5 million to $26.5 million. This increase is due primarily to $1.5 million in increased rental fees from Soldier Field.
- Permit and fee revenue has declined, falling by 8.0%. 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: FY2006 and FY2010	2006 Approp.	2010 Budget	$ change	% change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (9,096,843)	$ (10,006,560)	$ (909,717)	10.0%
Personal Property Replacement Tax	$ 39,500,000	$ 41,055,000	$ 1,555,000	3.9%
Subtotal Tax Revenues	**$ 290,313,814**	**$ 290,959,097**	**$ 645,283**	**0.2%**
Rental of Soldier Field	$ 22,066,062	$ 23,598,532	$ 1,532,470	6.9%
Rentals	$ 2,306,937	$ 2,496,211	$ 189,274	8.2%
Northerly Island Pavilion	$ 163,104	$ 391,501	$ 228,397	140.0%
Subtotal Facility Rentals	**$ 24,536,103**	**$ 26,486,244**	**$ 1,950,141**	**7.9%**
Parking Fees	$ 21,774,214	$ 2,587,542	$ (19,186,672)	-88.1%
Harbor Fees	$ 18,199,468	$ 22,416,851	$ 4,217,383	23.2%
Park Fees	$ 11,661,801	$ 14,611,721	$ 2,949,920	25.3%
Permits	$ 2,312,034	$ 5,095,793	$ 2,783,759	120.4%
Golf Course Fees	$ 500,000	$ 5,359,661	$ 4,859,661	971.9%
Subtotal Permits and Fees	**$ 54,447,517**	**$ 50,071,568**	**$ (4,375,949)**	**-8.0%**
Concessions	$ 2,152,700	$ 3,750,000	$ 1,597,300	74.2%
Grants and Donations	$ 9,000,000	$ 5,000,000	$ (4,000,000)	-44.4%
Investment Income	$ 1,250,000	$ 500,000	$ (750,000)	-60.0%
Long Term Income Reserve (parking garage lease)	$ -	$ 380,000	$ 380,000	100.0%
Miscellaneous	$ 3,881,987	$ 1,950,000	$ (1,931,987)	-49.8%
Capital Contributions	$ -	$ 3,896,731	$ 3,896,731	100.0%
Dedicated Capital Fund Balance	$ -	$ 7,700,000	$ 7,700,000	100.0%
Dedicated Operating Fund Balance	$ 5,500,000	$ -	$ (5,500,000)	-100.0%
Interest on Capital Investment	$ -	$ 1,160,000	$ 1,160,000	100.0%
GRAND TOTAL	**$ 391,082,121**	**$ 391,853,640**	**$ 771,519**	**0.2%**

Source: Chicago Park District FY2007 Budget Summary, p. 9 and FY2009 Budget Summary, p. 33.

Gross Property Tax Levy

The Chicago Park District's FY2010 gross property tax levy will be held flat at $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 purposes. FY2005 was the first year that the District had a separate levy for Special Recreation purposes.



The gross levy for the Corporate Fund will increase by 5.8% or $7.9 million in FY2010. The levy for the Park District employees pension fund will increase by $0.5 million or 5.4%. 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 rise by 2.6%, from $9.3 million to $9.6 million. The Aquarium and Museums Bond Debt Service levy will increase by 2.1%, to $11.5 million.

The biggest dollar decline will be in the Aquarium and Museum operating levy; this levy which will fall by $2.9 million or 9.7%. The levy for Special Recreation will be held flat at $6.0 million.

Chicago Park District Property Tax Gross Levy by Fund: FY2009 and FY2010

Fund	2009	2010	$ change	% change
Corporate	$ 137,259,127	$ 145,160,436	$ 7,901,309	5.8%
Special Recreation	$ 6,000,000	$ 6,000,000	$ -	0.0%
Park District Employees Pension	$ 10,294,209	$ 10,850,508	$ 556,299	5.4%
Public Building Commission				
Rental of Facilities	$ 3,903,129	$ 3,905,760	$ 2,631	0.1%
Operations & Maintenance	$ 11,539,782	$ 5,500,000	$ (6,039,782)	-52.3%
Liability, Workers Comp., Unemployment	$ 9,387,000	$ 9,627,670	$ 240,670	2.6%
Bond Debt Service Fund	$ 39,624,327	$ 39,714,568	$ 90,241	0.2%
Aquarium and Museum Bond Debt Service	$ 11,254,639	$ 11,487,223	$ 232,584	2.1%
Aquarium and Museum Purposes	$ 30,648,444	$ 27,664,491	$ (2,983,953)	-9.7%
Total	**$ 259,910,657**	**$ 259,910,656**	**$ -**	**0.0%**

Source: Chicago Park District FY2009 Budget, p. 343 and FY2010 Budget, p. 386.

In the five-year period between FY2006 and FY2010, the total gross levy has increased by 2.4%, rising from $253.9 million to $259.9 million. The Corporate Fund levy will have increased by $8.5 million, or 6.2%. The Special Recreation levy was introduced for the first time in FY2005. The pension levy has increased by $1.1 million or 11.9% during this period. Property tax dollars reserved for liability claims have increased by 28.8%, rising from $7.5 million to $9.6 million.

Chicago Park District Property Tax Gross Levy by Fund: FY2006 and FY2010				
Fund	**2006 Approp.**	**2010**	**$ change**	**% change**
Corporate	$ 136,624,769	$ 145,160,436	$ 8,535,667	6.2%
Special Recreation	$ -	$ 6,000,000	$ 6,000,000	100.0%
Park District Employees Pension	$ 9,700,241	$ 10,850,508	$ 1,150,267	11.9%
Public Building Commission				
Rental of Facilities	$ 4,198,788	$ 3,905,760	$ (293,028)	-7.0%
Operations & Maintenance	$ 11,436,286	$ 5,500,000	$ (5,936,286)	-51.9%
Liability, Workers Comp., Unemployment	$ 7,476,668	$ 9,627,670	$ 2,151,002	28.8%
Bond Debt Service Fund	$ 41,587,669	$ 39,714,568	$ (1,873,101)	-4.5%
Aquarium and Museum Bond Debt Service	$ 12,290,531	$ 11,487,223	$ (803,308)	-6.5%
Aquarium and Museum Purposes	$ 30,595,706	$ 27,664,491	$ (2,931,215)	-9.6%
Total	**$ 253,910,658**	**$ 259,910,656**	**$ 5,999,998**	**2.4%**

Source: Chicago Park District FY2007 Budget, p. 339, and FY2010 Budget, p. 386.

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	**2009**	**2010**	**% change**
Park District	$ 248,656,018	$ 248,423,433	-0.1%
Aquarium & Museum Debt Service	$ 11,254,639	$ 11,487,223	2.1%
Total	**$ 259,910,657**	**$ 259,910,656**	**0.0%**

Source: Chicago Park District FY2009 Budget, p. 343 and FY2010 Budget, p. 386.

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.[28]

In FY2006, however, the Corporate Fund ratio declined to just 2.8%. In FY2007 the District greatly increased the size of unreserved Corporate Fund balance to $14.1 million and the fund balance ratio rose to 6.1%. The following year it increased again to 7.3%.

The fund balance ratios for FY2007 and FY2008 are 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.

[28] 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.

Chicago Park District Unrestricted Net Assets for General Fund Activities: FY2004-FY2008			
	Undesignated Governmental Fund Balance	Operating Expenditures	Ratio
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%
FY2008	$18,154,000	$249,374,000	7.3%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2004-FY2008.

PERSONNEL AND PERSONAL SERVICES TRENDS

The District is budgeting for a total of 3,149 full-time equivalent (FTE) positions in FY2010, including 1,535 full-time positions and 1,614 part-time and seasonal positions.

Full-time positions will decline by 53 over FY2009 while part-time and seasonal positions will increase by 2 FTEs, for a net decrease of 51 FTE positions.[29] Of the eliminated positions, 11 positions will result from laying off existing employees, while the remaining 42 eliminated positions are currently vacant.[30] 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.[31] In FY2010 the continued shift to part-time employees is expected to save the District nearly $0.3 million. Total FTEs will decline by 1.6% in FY2010, from 3,200 to 3,140.[32]

Chicago Park District Budgeted Personnel: FY2009 & FY2010				
Full-Time Equivalent Positions	FY2009	FY2010	# Change	% Change
Full-Time	1,588	1,535	-53	-3.3%
Part-Time	887	889	2	0.2%
Seasonal	725	725	0	0.0%
Total	**3,200**	**3,149**	**-51**	**-1.6%**

Source: Information provided by the Chicago Park District November 25, 2009.

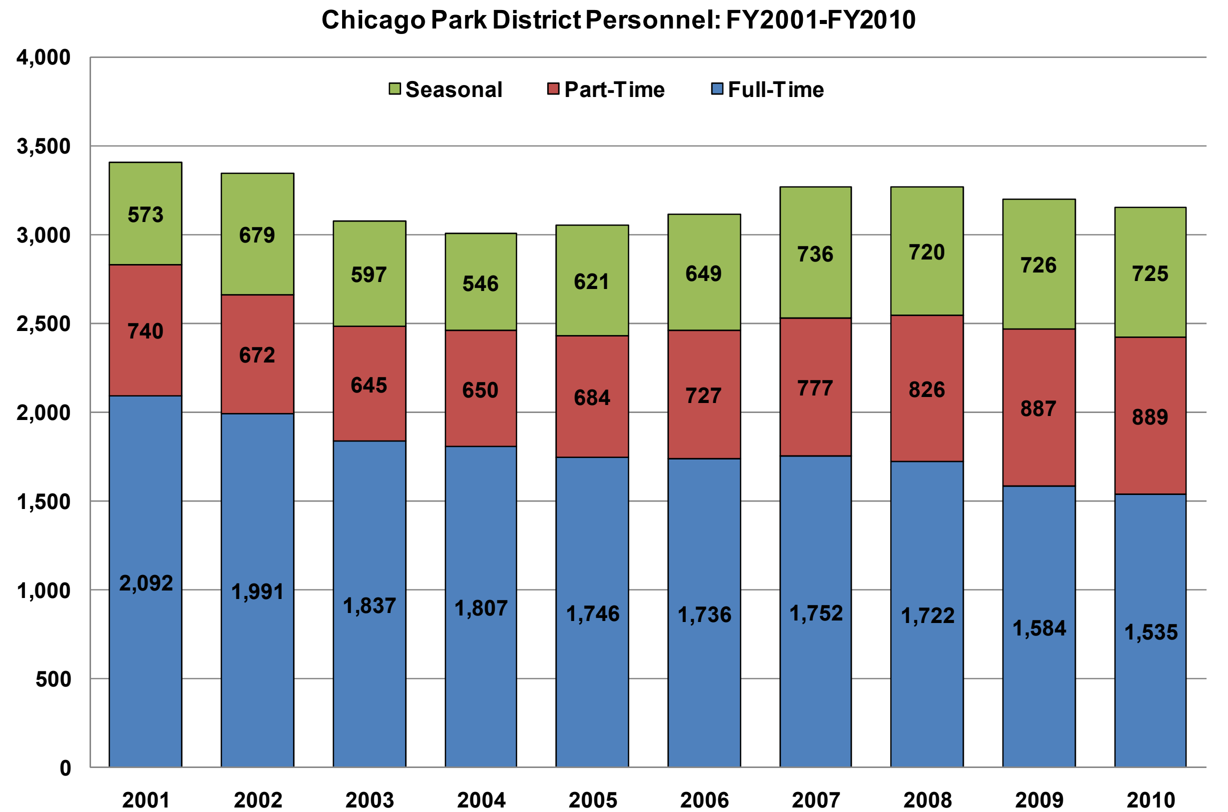
Over the last five years the District has cut 201 full-time positions, has increased part-time positions by 162 FTEs and increased seasonal personnel by 76 FTEs. Since FY2006 the Chicago Park District's personnel has increased by 37 FTE positions or 1.2%.

[29] FY2009 and FY2010 FTE data was provided to the Civic Federation by the Chicago Park District Office of Budget and Management, November 25, 2009.
[30] Presentation to the Civic Federation by Chicago Park District, November 16, 2009.
[31] Chicago Park District FY2010 Budget Summary, p. 39.
[32] 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.

Chicago Park District Budgeted Personnel: FY2006 & FY2010				
Full-Time Equivalent Positions	**FY2006**	**FY2010**	**# Change**	**% Change**
Full-Time	1,736	1,535	-201	-11.6%
Part-Time	727	889	162	22.3%
Seasonal	649	725	76	11.7%
Total	**3,112**	**3,149**	**37**	**1.2%**

Source: Chicago Park District FY2006 Budget Recommendations, p. 358; Information provided by the Chicago Park District, November 29, 2006 and November 25, 2009.

Since FY2001, 625 full-time positions and a net total of 256 FTEs have been eliminated.



Source: Chicago Park District Budget Recommendations FY2001-FY2010; E-mail communication between the Civic Federation and Chicago Park District Office of Budget and Management, November 25, 2009.

The following exhibit presents personnel appropriations in FY2009 and FY2010. Total personnel costs will increase by 1.5 %, or $2.3 million, from $157.7 million in FY2009 to $160.0 million in FY2010. In FY2010 the District is budgeting for a 0.3% decrease in salaries and wages.

The employee contribution to their health care premiums will remain flat, while the District cost will increase by 7.5%. The employee health care contribution is based upon a percentage of salary.[33] Prescription drug, dental, and life insurance benefits will decline as a result of fewer full-time positions.

Payroll taxes (Medicare, Social Security) are projected to remain flat. Appropriations for pensions will increase by 5.4% or approximately $0.6 million in FY2010, rising to nearly $10.9 million. The District's contribution is set by statute at 1.1 times the amount contributed by District employees two years prior.

Chicago Park District Personnel Costs: FY2009 & FY2010				
	FY2009	FY2010	$ Change	% Change
Salary & Wages	$ 123,896,325	$ 123,513,924	$ (382,401)	-0.3%
Health Benefits	$ 14,588,798	$ 15,678,405	$ 1,089,607	7.5%
Health Benefits Employee Contributions	$ (1,550,000)	$ (1,550,000)	$ -	0.0%
Health Benefits Retirees	$ 1,285,900	$ 1,401,631	$ 115,731	9.0%
Prescription Drugs	$ 2,291,760	$ 2,067,269	$ (224,491)	-9.8%
Dental Benefits	$ 395,712	$ 337,983	$ (57,729)	-14.6%
Life Insurance Benefits	$ 182,274	$ 177,354	$ (4,920)	-2.7%
Medicare Tax	$ 1,045,600	$ 1,045,601	$ 1	0.0%
Social Security	$ 908,800	$ 908,801	$ 1	0.0%
Subtotal Salaries & Benefits	**$ 143,045,169**	**$ 143,580,968**	**$ 535,799**	**0.4%**
Unemployment Obligations	$ 1,050,000	$ 1,270,280	$ 220,280	21.0%
Workers Compensation	$ 3,300,000	$ 4,300,000	$ 1,000,000	30.3%
Pension	$ 10,313,384	$ 10,866,807	$ 553,423	5.4%
Total	**$ 157,708,553**	**$ 160,018,055**	**$ 2,309,502**	**1.5%**

Source: Chicago Park District FY2009 Budget Summary, p. 39; FY2010 Budget Summary, p. 43.

The following exhibit presents personnel appropriations in FY2007 and FY2010.[34] Total personnel costs will increase by 3.8%, or $5.9 million, from $154.1 million in FY2007 to $160.0 million in FY2010. In FY2010 the District will experience a 1.9% increase in salaries and wages over FY2007.

The employee contribution to their health care premiums will increase by 30.1%, while the District cost will increase by 108.6%. The employee health care contribution is based upon a percentage of salary.[35] Expenditures for prescription drugs, dental benefits and life insurance benefits are projected to decrease under FY2007 recommendations.

Payroll taxes (Medicare, Social Security) are projected to decrease by 16.4% and 16.3%, respectively. Appropriations for pensions will increase by 19.0% or $1.7 million over FY2007 recommendations, rising to $10.9 million. The District's contribution is set by statute at 1.1 times the amount contributed by District employees two years prior.

[33] Information provided by the Chicago Park District, November 3, 2008.
[34] FY2007 is the earliest year for which personnel data comparable to FY2010 personnel data is available.
[35] Information provided by the Chicago Park District, November 3, 2008.

Chicago Park District Personnel Costs: FY2007 & FY2010				
	FY2007	FY2010	$ Change	% Change
Salary & Wages	$ 121,189,115	$ 123,513,924	$ 2,324,809	1.9%
Health Benefits	$ 14,305,271	$ 15,678,405	$ 1,373,134	9.6%
Health Benefits Employee Contributions	$ (1,191,479)	$ (1,550,000)	$ (358,521)	30.1%
Health Benefits Retirees	$ 672,000	$ 1,401,631	$ 729,631	108.6%
Prescription Drugs	$ 2,807,200	$ 2,067,269	$ (739,931)	-26.4%
Dental Benefits	$ 744,883	$ 337,983	$ (406,900)	-54.6%
Life Insurance Benefits	$ 204,662	$ 177,354	$ (27,308)	-13.3%
Medicare Tax	$ 1,250,800	$ 1,045,601	$ (205,199)	-16.4%
Social Security	$ 1,086,000	$ 908,801	$ (177,199)	-16.3%
Subtotal Salaries & Benefits	**$ 141,068,452**	**$ 143,580,968**	**$ 2,512,516**	**1.8%**
Unemployment Obligations	$ 1,300,000	$ 1,270,280	$ (29,720)	-2.3%
Workers Compensation	$ 2,600,000	$ 4,300,000	$ 1,700,000	65.4%
Pension	$ 9,130,361	$ 10,866,807	$ 1,736,446	19.0%
Total	**$ 154,098,813**	**$ 160,018,055**	**$ 5,919,242**	**3.8%**

Source: Chicago Park District FY2008 Budget Summary, p. 16; FY2010 Budget Summary, p. 43.

SHORT TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The Chicago Park District did not issue direct short-term debt in FY2008 but did report the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report (CAFR) over the past five years:

- Accounts Payable & Accrued Expense: unpaid bills owed to vendors for goods and services carried over into the new fiscal year;
- Accrued Payroll: employee compensation, related payroll taxes and benefits that have been earned by CPD employees but have not yet been paid or recorded in the District's accounts;
- Accrued Interest: includes interest due on deposits payable by the District in the next fiscal year;
- Due To other Organizations: funds to be paid to other governments or agencies carried over from the previous fiscal year;
- Retainage Payable: amounts due on construction or other contracts not paid pending final inspection or completion of the project or the lapse of a specified period, or both;
- Other Liabilities: include self-insurance funds, unclaimed property and other unspecified liabilities;
- Deposits: funds held by the District or its agents to collateralize other investment risks;
- Tax Anticipation Notes (TAN): are short-term debts issued anticipation of future tax revenues to pay for current operating expense, CPD has not issued TANs since FY2006. These were paid back in full in FY2007;
- Unearned Revenue: revenues from program fees and other sources not collected from the previous fiscal year.

In FY2008 the District's short-term liabilities increased by $16.4 million from the previous year or 18.3%. Since 2004, short-term liabilities overall have decreased by $51.0 million or 32.5%.

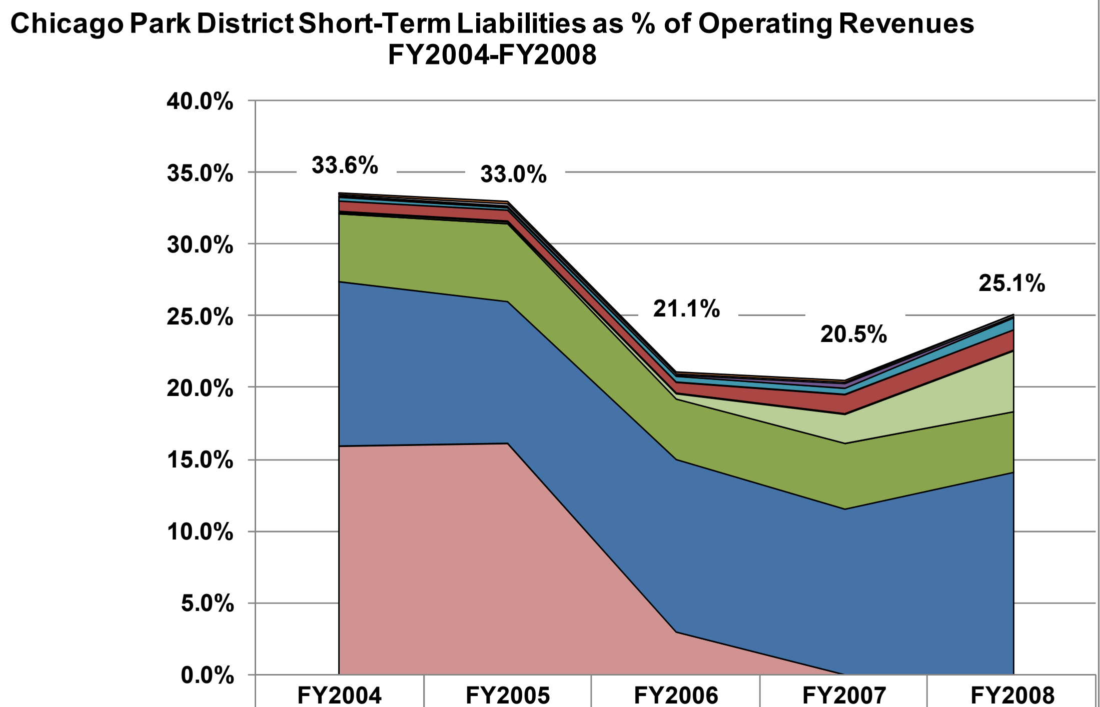
The following chart shows short-term liabilities by category and the percent change between FY2004 and FY2008.

Chicago Park District Short-Term Liabilities FY2004-FY2008 (in $ thousands)							
Type	**FY2004**	**FY2005**	**FY2006**	**FY2007**	**FY2008**	**5-year Change**	**5-year % Change**
Accounts Payable & Expenses	$ 53,784.2	$ 44,512.7	$ 57,274.0	$ 50,721.0	$ 59,784.0	$ 5,999.8	11.2%
Accrued Payroll	$ 3,545.3	$ 3,597.7	$ 3,468.0	$ 5,740.0	$ 5,912.0	$ 2,366.7	66.8%
Accrued Interest	$ 22,140.6	$ 24,336.0	$ 20,031.0	$ 20,004.0	$ 17,853.0	$ (4,287.6)	-19.4%
Due to Other Organizations	$ 380.3	$ 440.6	$ 426.0	$ 1,430.0	$ 379.0	$ (1.3)	-0.3%
Retainage Payable	$ 1,239.8	$ 762.0	$ 1,945.0	$ 1,877.0	$ 3,562.0	$ 2,322.2	187.3%
Other liabilities	$ 529.4	$ 734.5	$ 662.0	$ 582.0	$ 12.0	$ (517.4)	-97.7%
Deposits	$ 309.2	$ 595.7	$ 275.0	$ 319.0	$ 497.0	$ 187.8	60.7%
Tax Anticipation Notes	$ 74,485.0	$ 72,270.0	$ 14,090.0	$ -	$ -	$ (74,485.0)	NA
Unearned Revenue							
Program Fees	$ 479.3	$ 516.8	$ 868.0	$ 452.0	$ 887.0	$ 407.7	85.1%
Other	$ -	$ -	$ 862.0	$ 8,401.0	$ 16,998.0	$ 16,998.0	NA
Total Unearned Revenue	**$ 479.3**	**$ 516.8**	**$ 1,730.0**	**$ 8,853.0**	**$ 17,885.0**	**$ 17,405.7**	**3631.5%**
Total	**$ 156,893.1**	**$ 147,766.0**	**$ 99,901.0**	**$ 89,526.0**	**$ 105,884.0**	**$ (51,009.1)**	**-32.5%**

Source: Chicago Park District CAFR FY2004-FY2008.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[36] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. The Chicago Park District has shown downward trend in short-term liabilities compared to total operating revenue between FY2004 and FY2008 from 33.6% to 25.1%. The following graph shows the five-year trend in the District's short-term liabilities by category.

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



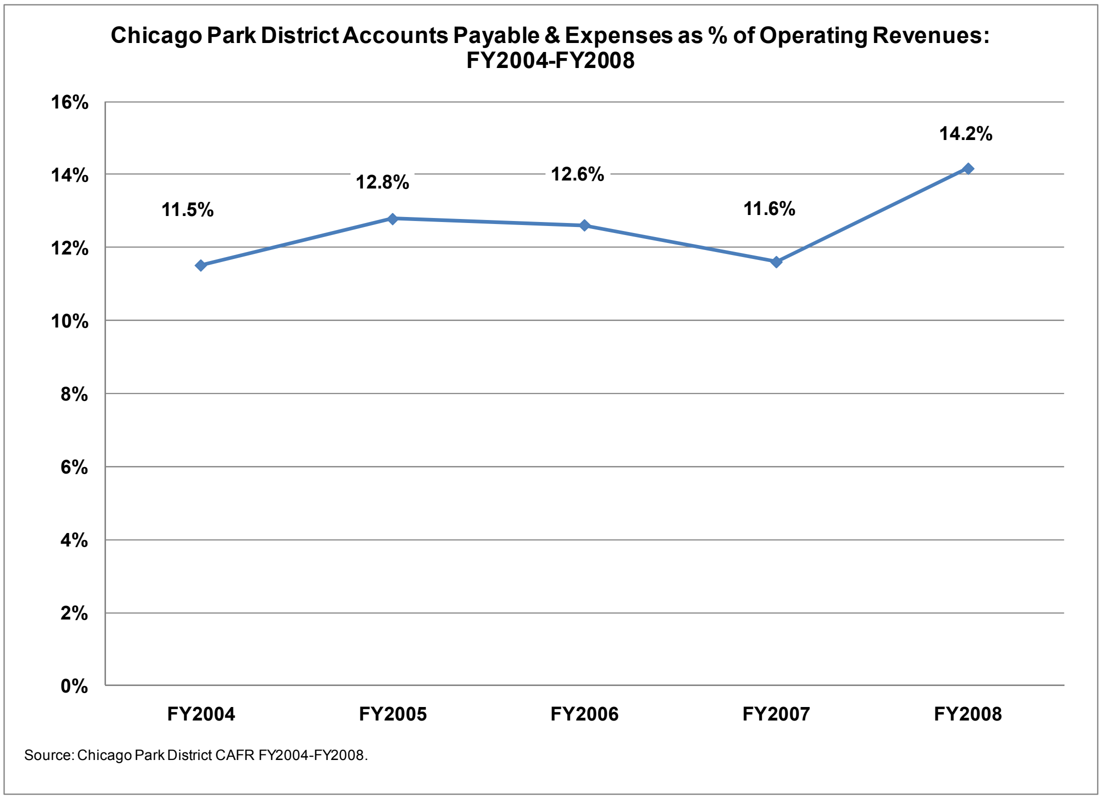
	FY2004	FY2005	FY2006	FY2007	FY2008
Other Liabilities	0.1%	0.2%	0.1%	0.1%	0.0%
Deposits	0.1%	0.1%	0.1%	0.1%	0.1%
Due to Other Organizations	0.1%	0.1%	0.1%	0.3%	0.1%
Retainage Payable	0.3%	0.2%	0.4%	0.4%	0.8%
Accrued Payroll	0.8%	0.8%	0.7%	1.3%	1.4%
Unearned Revenue	0.1%	0.1%	0.4%	2.0%	4.2%
Accrued Interest	4.7%	5.4%	4.2%	4.6%	4.2%
Accounts Payable & Expenses	11.5%	9.9%	12.1%	11.6%	14.2%
Tax Anticipation Notes	15.9%	16.1%	3.0%	0.0%	0.0%

Source: Chicago Park District CAFR FY2004-FY2008.

Although overall this ratio has decreased by 8.5 percentage points between FY2004 to FY2008 the recent upward turn from FY2007 and FY2008, driven primarily by increases in Accounts Payable and Expenses, warrants watching for future budgetary stress.

Accounts Payable

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable to operating revenues has remained mostly stable over the past five years but is slightly higher in FY2008 than it was in FY2004, rising from 11.5% to 14.2% and averaging 12.5% over the past five years. The following graph shows the District's ratio of accounts payable to operating revenue over this period.

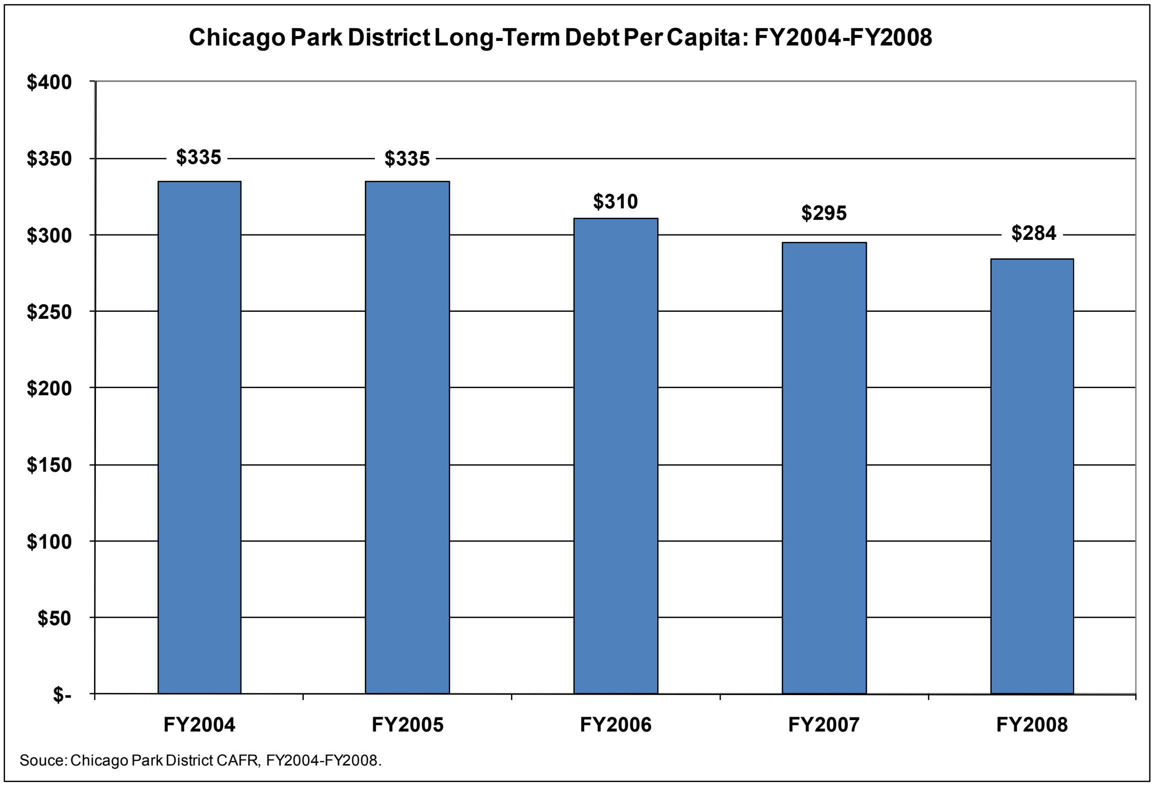


Although the District's proportion of accounts payable has not changed dramatically in FY2008 it is the highest it has been in recent years. To be sure spending does not outpace revenues this ratio should be watched closely for signs of increase strain on the District's budget.

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 it can be a sign of increasing financial risk.

The exhibit that follows shows that the Chicago Park District's long-term debt burden declined by 17.4% during the five-year period between FY2004 and FY2008. In FY2004, long-term debt per capita was $335 and five years later debt per capita decreased to $284.



The CPD reported a total of $887.3 million in long-term obligations outstanding as of December 31, 2008. Of that amount, $768.4 million was owed for General Obligation (GO) bonds that funded capital improvements and $38.1 million was outstanding GO debt owed for Aquarium and Museum capital projects. Compared to the end of FY2007 total long-term debt has decreased by 2.9% or $26.4 million. A year-to-year comparison of all outstanding long-term obligations is provided below.

Chicago Park District Long-Term Obligations: FY2007 to FY2008 (in $millions)

Government Activities	FY2007	FY2008	$ Change	% Change
General Obligation Bonds				
Capital Improvement	$ 767,955	$ 768,460	$ 505	0.1%
Aquarium and Museums	$ 68,110	$ 38,080	$ (30,030)	-44.1%
Unamortized Premiums	$ 21,524	$ 24,618	$ 3,094	14.4%
Deferred Amount on Refunding	$ (20,579)	$ (19,689)	$ 890	-4.3%
Subtotal GO Bonds	**$ 837,010**	**$ 811,469**	**$ (25,541)**	**-3.1%**
Capital Lease PBC	$ 18,505	$ 15,610	$ (2,895)	-15.6%
Compensated Absences	$ 8,793	$ 8,121	$ (672)	-7.6%
Claims & Judgments	$ 14,328	$ 9,849	$ (4,479)	-31.3%
Property Tax Claim Payable	$ 19,119	$ 27,221	$ 8,102	42.4%
Worker's Compensation	$ 15,923	$ 15,058	$ (865)	-5.4%
Total	**$ 913,678**	**$ 887,328**	**$ (26,350)**	**-2.9%**

Source: Chicago Park District FY2007-FY2008 CAFR, p. 64, p.68.

Debt Service Appropriations

Chicago Park District debt service appropriations in the proposed budget for FY2010 constitute 22.5% of the District's total $391.9 million in total appropriations. The District will spend $88.2 million for debt service this year.[37] Debt service expenditures as a percentage of total General Fund expenditures burden is considered high by the rating agencies when debt-service payments represent 15-20%.

PENSION FUND TRENDS

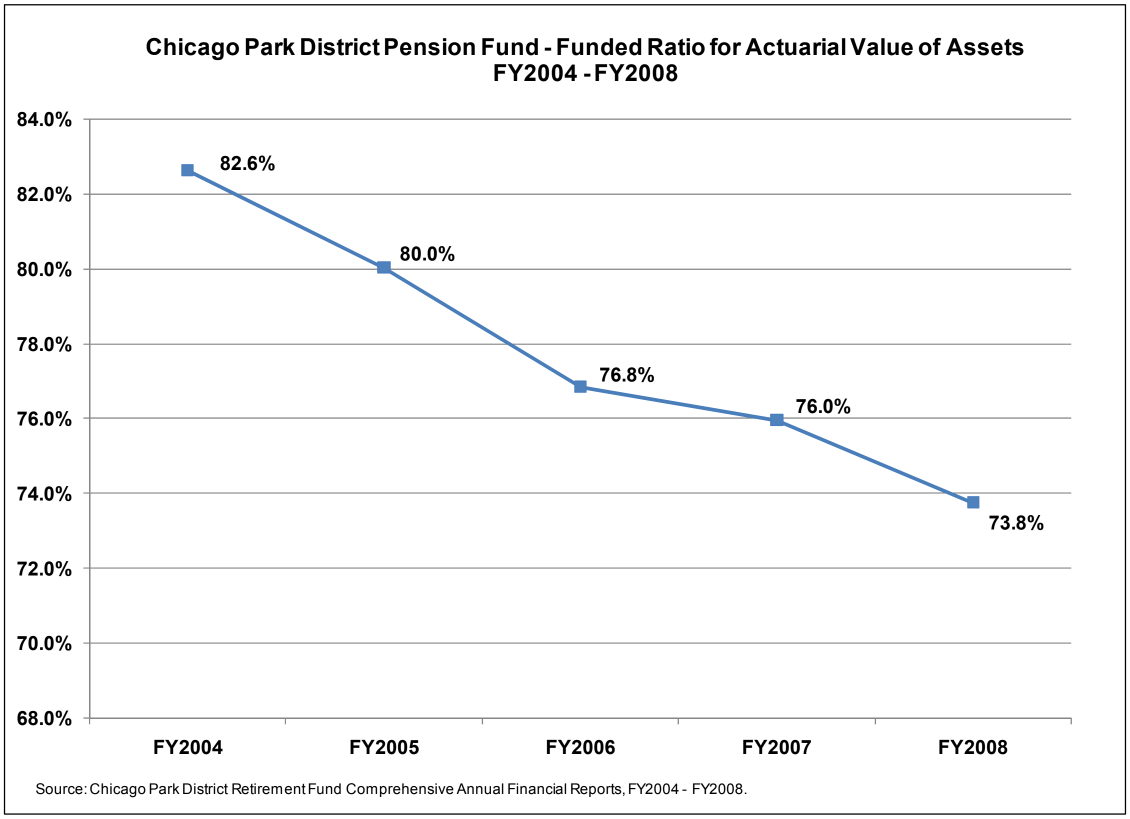
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Park District's pension fund: funded ratios, the value of unfunded liabilities, and the investment rate of return. A comparison of ten local government pension funds, including the Chicago Park District, can be found in the Civic Federation's annual Status of Local Pensions reports.[38]

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 82.6% in FY2004 to 73.8% 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.

[37] Chicago Park District FY2010 Budget Summary, p. 44.
[38] Civic Federation. "Status of Local Pension Funding FY2007: An Evaluation of Ten Local Government Pension Funds in Cook County" March 30, 2009 at http://civicfed.org/civic-federation/publications/status-local-pension-funding-fiscal-year-2007-evaluation-ten-local-gov (last visited on October 6, 2009).

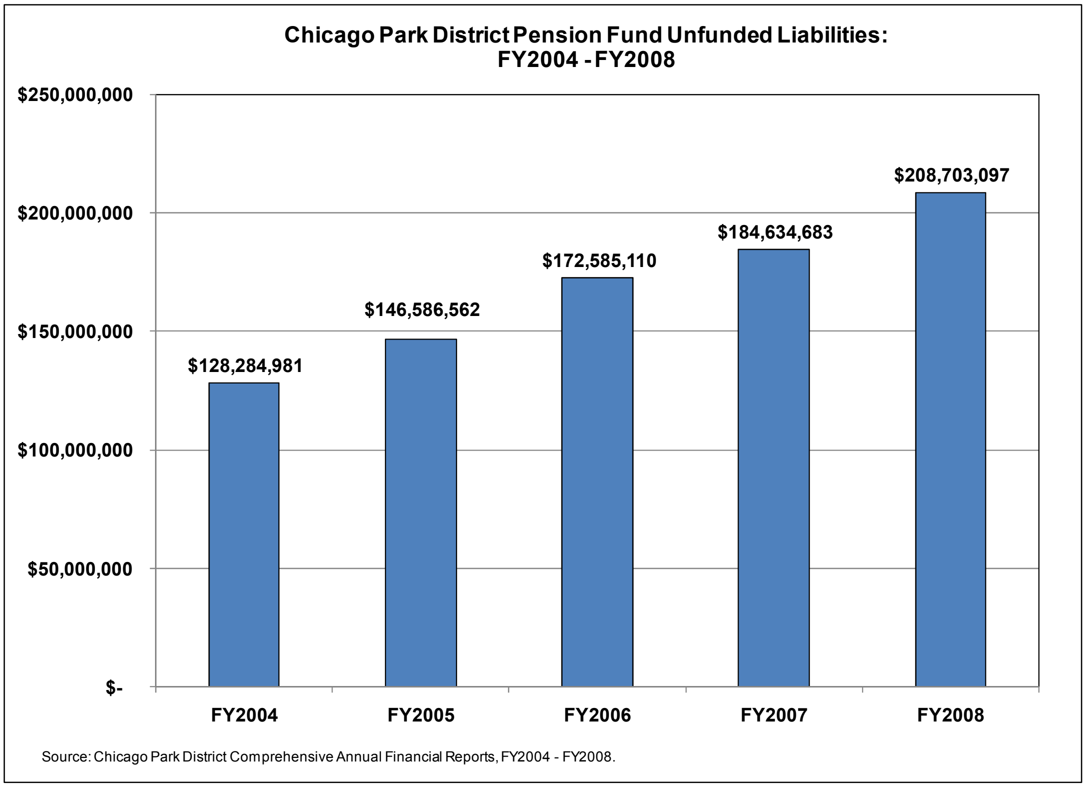


Unfunded Pension Liabilities

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 $208.7 million in FY2008. This was a 13.1%, or $24.1 million increase in unfunded liabilities over FY2007. Over the five-year period of analysis, unfunded liabilities rose by 62.7%, or $80.4 million.

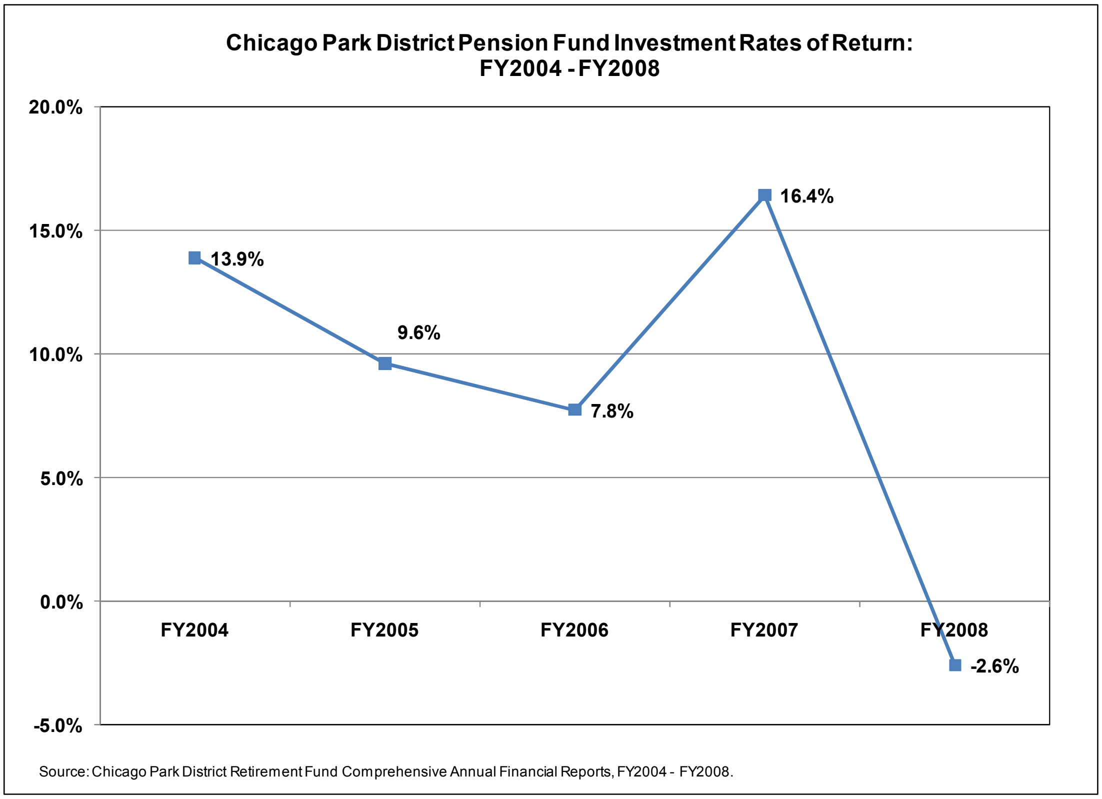
The Park District successfully sought legislation in 2003 that allowed it to reduce its employer contributions by $5 million in FY2004 and FY2005 (Public Act 93-654).[39] FY2005 employer contributions were thereby reduced by more than half, from $9.8 million to $4.8 million.[40] Even if the full employer 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.

[39] 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.
[40] 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. The rate of return declined for the pension between FY2004 and FY2006, falling from 13.9% in FY2004 to 9.6% in FY2005 and 7.8% in FY2006. However, the trend changed in FY2007 when the investment rate of return increased substantially, rising to 16.4%. This rate fell dramatically, given the recent economic downturn, to -2.6% in FY2008. 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 FY2008, the District contributed $1.0 million to the plan and plan members contributed $1.7 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 nearly $3.9 million. Contributions were made in the amount of $1.0 million, reducing the total OPEB obligation by $2.9 million by the end of FY2008.[41]

[41] 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: FY2008 (in $ thousands)		
Annual Required Contribution	$	3,930.0
Adjustment to ARC	$	(158.0)
Interest on net OPEB obligation	$	113.0
Annual OPEB Cost	**$**	**3,885.0**
Contributions Made	**$**	**1,012.0**
Increase (decrease) in net OPEB Obligation	$	(2,873.0)
Net OPEB Obligation - Beginning of Year	**$**	**(2,845.0)**
Net OPEB Obligation - End of Year	**$**	**(5,718.0)**

Source: Chicago Park District FY2008 CAFR, p. 79.

OPEB Plan Funded Status

The actuarial accrued liability for CPD retiree healthcare benefits was $47.2 million in FY2008. 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: FY2008 (in $ millions)	
Actuarial Accrued Liability	$47.2
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$47.2

Source: Chicago Park District FY2008 CAFR, p. 79.