



**COOK COUNTY
FY2010 PROPOSED BUDGET:
Analysis and Recommendations**

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The Civic Federation
October 30, 2009**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
CIVIC FEDERATION POSITION	3
ISSUES OF CONCERN	4
ISSUES THE CIVIC FEDERATION SUPPORTS	7
CIVIC FEDERATION RECOMMENDATIONS	9
ACKNOWLEDGMENTS.....	14
APPROPRIATIONS	14
TWO- AND FIVE-YEAR ALL FUNDS APPROPRIATIONS BY CONTROL OFFICER	14
TWO- AND FIVE-YEAR ALL FUNDS APPROPRIATIONS BY FUND	17
RESOURCES.....	18
FY2010 RESOURCES	18
TWO- AND FIVE-YEAR RESOURCE TRENDS FOR ALL FUNDS	19
SALES AND USE TAX REVENUES	21
PROPERTY TAX LEVY	22
FUND BALANCE.....	23
PERSONNEL TRENDS.....	24
FULL-TIME EQUIVALENT POSITIONS BY FUND	24
PERSONAL SERVICE APPROPRIATIONS.....	26
COOK COUNTY HEALTH AND HOSPITALS SYSTEM.....	27
OVERVIEW OF HEALTH SYSTEM	27
OVERVIEW OF GOVERNANCE STRUCTURE AND RECENT ACTIVITIES	28
HEALTH SYSTEM APPROPRIATIONS	30
HEALTH SYSTEM RESOURCES	32
HEALTH SYSTEM PERSONNEL.....	32
PENSION FUND TRENDS	34
FUNDED RATIOS – ACTUARIAL VALUE OF ASSETS.....	34
UNFUNDED PENSION LIABILITIES	35
INVESTMENT RATES OF RETURN	35
SHORT TERM LIABILITIES.....	36
ACCOUNTS PAYABLE.....	37
LONG-TERM DEBT	38
NET DIRECT DEBT PER CAPITA	39
COOK COUNTY BOND RATINGS.....	40
COOK COUNTY CAPITAL PROGRAM.....	40

EXECUTIVE SUMMARY

The Civic Federation **opposes** Cook County's \$3.0 billion FY2010 operating budget. Based on an optimistic sales tax revenue projection, coupled with limited evidence of cost-saving efficiencies or structural reforms, Cook County's FY2010 budget is an inadequate plan for uncertain times. At a time when other units of government are cutting back, Cook County's operating budget is increasing by 3.3% over FY2009 proposed operating appropriations. The FY2010 proposed operating budget will increase by 4.5% over the FY2009 final appropriations.

The Civic Federation reiterates its call for the repeal of the one percentage point sales tax increase. When calling for the sales tax increase, Cook County Board President Todd Stroger stated it was necessary to both fund the Cook County Health and Hospital System (Health System) and introduce efficiencies into County operations. However, by addressing funding and staffing needs through alternate means, the Health System is actively reducing its reliance on Cook County for additional resources.

The Civic Federation is disappointed with the County's decision to severely limit the public's time to review the FY2010 budget. Cook County provided fewer than ten working days for the public to review its entire budget proposal. Cook County is failing to meet its obligation to the public of providing a transparent budget approval process whereby citizens can offer informed commentary on the President office's proposal proposed spending plan.

The Civic Federation offers the following **key findings** on the Cook County FY2010 budget:

- The FY2010 Cook County operating budget is projected to increase by 3.3% over FY2009 proposed operating budget appropriations; it will increase by 4.5% over FY2009 final operating appropriations;
- Approximately 71.4% of the total proposed FY2010 Cook County budget is earmarked for personal services, up slightly from 70.9% in FY2009;
- The number of full-time equivalent (FTE) positions funded in FY2010 will decrease by 558.4. This is a 2.3% decrease from the proposed FY2009 appropriation figures, falling from 24,404.2 FTEs to 23,845.8;
- The majority of these reductions will be in the Health System, which will decrease its FTE positions by 658.4 between FY2009 and FY2010. This includes a proposed elimination of 942.3 FY2010 FTE positions as part of the Health System's restructuring efforts;
- The property tax levy will be held flat for the fourteenth consecutive year, or since FY1997, at \$720.5 million; and
- The appropriated fund balance for the General Funds will be \$25.0 million in FY2010, after being unfunded for FY2007, FY2008 and FY2009.

The Civic Federation offers the following **recommendations** to Cook County:

- Repeal the one percentage point sales tax increase;
- Make permanent the independent Board of Directors for the Health System;
- Privatize the delivery of programs or functions for which a competitive private sector exists, such as the pharmacy, dietary and food service functions in the Health System, as well as County print shops, janitorial services and service of process functions for civil lawsuits;
- Outsource the management of selected services to other governments;
- Establish by ordinance a formal budget stabilization policy and fund;
- Develop a formal long-term financial planning process;
- Publish the Comprehensive Annual Financial Report within six months of the close of the fiscal year; and
- Implement comprehensive pension reforms to reduce costs and liabilities, including establishing a two-tiered pension system and requiring employer contribution levels to relate to funding levels.

CIVIC FEDERATION POSITION

The Civic Federation **opposes** Cook County's \$3.0 billion FY2010 operating budget. Based on an optimistic sales tax revenue projection, coupled with limited evidence of cost-saving efficiencies or structural reforms, Cook County's FY2010 budget is an inadequate plan for uncertain times.

At a time when other units of government are cutting back, Cook County's operating budget is increasing by 3.3% over proposed FY2009 appropriations. It is increasing 4.5% over FY2009 final appropriations. Other local governments are holding the line on spending in FY2010 and forgoing new programming, understanding that governments will still be facing economic hardships in both FY2011 and FY2012. Cook County, on the other hand, is increasing its spending in FY2010 and introducing new programs, including the creation of a new film commission. Cook County is crediting its ability to increase spending and create new programs during one of the worst economic downturns in recent history to revenue flowing from the recent one percentage point increase the County approved for its home rule sales tax rate.

The Civic Federation reiterates its call for the repeal of the unnecessary one percentage point sales tax increase. When calling for the sales tax increase, Cook County Board President Todd Stroger stated it was necessary to both fund the County's health system and introduce efficiencies into County operations. Yet as part of its FY2010 budget proposal, the independent board governing the Cook County Health and Hospitals System (Health System) is actively reducing its reliance on Cook County. The Health System reduced its revenue request from the County by \$74 million, or 19%, in FY2010. Cash collections from patients have increased by \$35 million and there are plans to eliminate 942.3 full-time equivalent (FTE) positions in FY2010 for more cost savings.

The Health System is also reducing its reliance on Cook County resources in FY2010 because it is receiving additional federal funding. While this additional funding will expire in 2013 and may not be renewed, the Health System is simultaneously increasing its patient revenue stream and decreasing payroll expenses, as described above. These actions will likely result in the Health System's continued reduced need for County funding.

Instead of relying on increased revenues from an ill-advised sales tax increase that places an even greater burden on struggling residents, Cook County should emulate the actions being taken by the Health System Board. The County should look to decrease its need for public funds by right-sizing its workforce and placing a greater emphasis on fee-based revenues to reduce expenditures by \$377.7 million, the estimated amount of sales tax revenue from the one percentage point increase in FY2010. Streamlining and prioritization should be the County's focus in FY2010.

The County, instead of reducing its annual appropriation, will increase spending in the upcoming fiscal year. Furthermore, the County is adding positions to its rolls, including an additional 135.9 FTE positions for Special Purpose Funds, diminishing the savings achieved by making Health System operations more efficient. Instead of adding employees, the County must streamline its own operations and limit the burden it is placing on taxpayer dollars.

The Civic Federation is also disappointed with the County's decision to severely limit the public's time to review the FY2010 budget. Cook County provided fewer than ten working days

for the public to review its entire budget proposal. In his FY2010 budget address to the Board, President Stroger stated that this budget proposal is designed to allow the County to meet its obligations to both employees and citizens. However, Cook County is failing to meet its obligation to the public of providing a transparent budget approval process whereby citizens can provide informed commentary on the President's proposal to spend taxpayer money.

Issues of Concern

The Civic Federation has the following concerns regarding Cook County's FY2010 Recommended Budget.

Overly Optimistic Sales Tax Projections

The Federation cautions Cook County to closely examine its home rule sales tax revenue projections for FY2010. Cook County imposes a home rule sales tax, a home rule use tax and also receives a share of sales tax collections from the State of Illinois. The County is projecting an increase in home rule sales tax revenues in FY2010 when compared to projected actual collections for FY2009.¹

The County estimates that actual home rule sales tax revenues for FY2009 will total \$651.0 million. For FY2010, the County is predicting that its home rule sales tax revenues will total \$661.0 million, a \$10.0 million or 1.5% increase over projected actual FY2009 receipts. In comparison, the County is showing that the sales tax revenues it receives from the State of Illinois are projected to remain flat over actual FY2009 estimates.²

Other governments do not share the County's optimistic view regarding sales tax revenue projections. The City of Chicago, in its FY2010 budget, projects that sales tax revenues will decline 5.2% from the 2009 year-end estimate.³ The City also stated that sales tax revenues were 11.4% below budgeted expectations in FY2009 and "are not anticipated to rebound in the near term."⁴

The Civic Federation cautions Cook County to closely examine its sales tax revenue projections for FY2010. The City of Chicago, which shares a similar fiscal calendar year and geographical area, is projecting a significant decrease in sales tax revenues for FY2010. If the County proceeds with these projections, it should clearly demonstrate to the Board and the public that they are based on reasonable economic assumptions.

Audited Financial Statements Not Produced Within Six Months of Close of Fiscal Year

The Civic Federation believes that all governments, including Cook County, should release audited financial statements no later than six months after the close of their respective fiscal

¹ On a budget-to-budget basis, Cook County home rule sales tax revenues are projected to fall by 4.7% or nearly \$32.4 million, dropping from \$693.4 million in the FY2009 proposed budget to \$661.0 million in the FY2010 proposed budget. This comparison is reflected later in our analysis. While budget-to-budget comparisons are useful as a basis of comparison for the budget overall, this section compares actual-to-budget projections for sales tax revenues as a means of assessing the soundness of the sales tax revenue projections.

² Cook County FY2010 Executive Budget Recommendation, Revenue Estimates, p. 9.

³ City of Chicago FY2010 Budget, Overview and Revenue Estimates, p. 46.

⁴ City of Chicago FY2010 Preliminary Budget Estimates p. 2.

years. Unfortunately, Cook County has a long history of delaying the release of its Comprehensive Annual Financial Report (CAFR). The following is a list of recent CAFRs and their release dates:

- The FY2002 CAFR was not released until March 31, 2004, sixteen months after the close of FY2002.
- The FY2003 CAFR was not released until February 17, 2005, over fourteen months after the close of the fiscal year.
- The FY2004 CAFR was not released until November 2, 2005, eleven months after the close of the fiscal year.
- The FY2005 CAFR was not released until November 29, 2006, almost twelve months after the close of the fiscal year.
- The FY2006 CAFR was not released until October 29, 2007, approximately eleven months after the close of the fiscal year.
- The FY2007 CAFR was not released until August 31, 2008, approximately ten months after the close of the fiscal year.
- The FY2008 CAFR has not been released as of October 30, 2009, approximately eleven months after the close of the fiscal year.

Cook County's delays in releasing its audited financial statements diminish its accountability because the public does not have timely access to important financial information needed to assess the government's financial condition over time. The Civic Federation believes that the Comprehensive Annual Financial Report should be released to the Board of Commissioners and the public no later than May 31 of the following calendar year or within six months of the close of the fiscal year.

Fewer Than Ten Working Days for Public Budget Review

This year the County released its budget and will conclude its public hearing schedule nine working days after the budget's initial release. At a minimum, the public should be afforded a review period of ten working days *before* public testimony is heard, not as a conclusion to the hearing schedule. The public can only offer fully informed commentary on a if it is given sufficient time to understand that budget's proposals.

Cook County's FY2010 budget is a long and complex document that requires a substantial amount of time to review and understand. The budget document is approximately 1,186 pages and consists of two volumes. The document's sub-section that is geared towards members of the public, called the Citizens' Summary, alone is 96 pages. Additionally, the budget proposes \$3.0 billion operating budget, which totals \$3.6 billion when capital appropriations are included in the calculation. The length, complexity and size of this budget necessitate that more time be allocated between the release of the budget and the public hearings for the public to review and understand what the budget proposes so they can provide informed commentary.

The County's public budget hearing schedule also poses logistical problems for county residents that could prevent some residents from voicing their opinions. Citizens require sufficient time to plan to attend public hearings and arrange transportation to a site where a public hearing will be held. The County's public hearing schedule offers members of the public little flexibility to

make arrangements to attend one of the hearings and may push some citizens out of the budget process.

Compared with other large local governments in the region that have already released their FY2010 budgets, Cook County's FY2010 budget schedule offers members of the public the least amount of time to review the budget and participate in a public hearing. The City of Chicago and Forest Preserve District of Cook County offer citizens as many as 29 and 30 business days, respectively, between the release of the budget and the last public hearing on the budget.

The Civic Federation is very disappointed with the County's decision to severely limit the public's opportunity to review the budget. In his FY2010 budget address to the Board, President Stroger stated that this budget is designed to allow the County to meet its obligations to both employees and citizens alike. However, in his first act of FY2010, President Stroger has failed to meet his obligation to provide a transparent budget approval process.

Involvement of County in Health System Hiring

While eliminating vacant and filled positions that have been identified as unnecessary, the Health System plans to increase staffing in areas such as nursing and information technology. However, progress toward this goal has been slowed by the continued involvement of County officials in many aspects of Health System hiring.⁵ The County controls position descriptions and selects and screens job candidates.⁶

Hiring needed staff quickly has long been identified as a weakness in the County's health and hospitals operation.⁷ The Federation is concerned that the Health System's continuing inability to add personnel quickly is impeding its efforts to improve the delivery of healthcare services.

Lack of Long-Term Planning Processes

Cook County has not developed and implemented core plans to guide its operations. Due to a lack of such plans, the public is ill-served and the County continues to stumble from one fiscal crisis to the next with no clear resolution in sight.

A high performing government engages in comprehensive planning processes. Planning enables governments to better manage their resources, prioritize spending and identify problems before they become crises so reasonable corrective actions can be taken. Key components of a planning process include:

- A strategic plan that helps a government evaluate its environment and develop specific strategies to achieve its mission.
- A formal long-term financial plan that provides governments with the insights and information they need to establish multi-year budgeting and financial policies and pursue actions that maintain good fiscal health.

⁵ Cook County Health and Hospitals System, *One Year Anniversary Report to the County Board by Cook County Health and Hospitals Chairman Warren Batts*, September 16, 2009.

⁶ Email communication between the Civic Federation and Michael Ayres, Chief Financial Officer for the Cook County Health and Hospitals System, October 26, 2009.

⁷ Report of the Cook County Bureau of Health Services Review Committee, October 2007, p.11.

- A multi-year capital improvement plan (CIP) that forecasts future facility, infrastructure and equipment needs; identifies financing sources; and reports the impact of capital spending on the operating budget.

In addition, governments need a performance measurement system to support these planning processes in order to provide the data necessary for effective evaluation of programs and processes. Unfortunately, the County has failed to develop a formal long-term financial plan and is only now beginning to develop a performance measurement system.

If Cook County government had developed and implemented a long-term financial plan, there could have been an informed public discussion of the fiscal options facing the County. The County would have better prepared to make the painful, but necessary, budget adjustments well in advance of this moment in time.

A fully-developed performance measurement system would facilitate spending adjustments based on a careful assessment of program and service performance for both this budget and future plans.

Using Long-Term Debt to Buy Short-Term Assets

The Cook County FY2010 capital program is entirely funded by long-term general obligation bonds, except for the road and bridge projects funded by the Motor Fuel Tax. The County proposes using \$161.6 million of its capital funding to purchase equipment, including short-term assets such as \$9.0 million for new vehicles and \$27.9 million for office furnishings and equipment. Most equipment purchases are short-term assets that may need to be replaced several times during the life of a typical general obligation bond.

Long-term general obligation debt should not be used for basic capital maintenance and routine replacement of short-term capital such as vehicles, computers and software and office renovations.⁸ As is recommended by the Government Finance Officers Association (GFOA), capital maintenance and equipment purchases should be set aside annually in the operating budget or special reserve funds should be established to save up replacement funds over the usable life of the short-term assets.⁹ Short-term notes could be used to purchase equipment and vehicles but only if the usable life of the asset is longer than the term of the debt used to purchase it.

Issues the Civic Federation Supports

The Civic Federation supports the following proposals contained in the FY2010 executive budget recommendation.

Creating General Funds Reserves

In FY2010 Cook County is setting aside \$25.0 million for a general funds reserve after drawing its this reserve down to zero in FY2007. This set-aside totals 1.1% of operating revenues. In

⁸ John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments*, ICMA, 2004, p. 8.

⁹ Government Finance Officers Association Recommended Practices, Capital Maintenance and Replacement (2007) at <http://www.gfoa.org/downloads/capmaintenance.pdf> (last visited October 29, 2009).

FY2005 the County had a general fund balance of \$136.0 million, which represented 6.2% of operating revenues.

It is important for all governments to maintain a healthy fund balance to pay for emergencies or contingencies as they arise. The Government Finance Officers Association recommends that general purpose governments maintain a corporate or general fund balance ratio of 5% to 15% of operating expenditures or revenues. In order to meet this requirement, the County would require a reserve of at least \$114.0 million in FY2010.

We are pleased that the administration has reinstated a plan to fund its reserves in FY2010. We encourage the County to continue this trend to achieve the suggested fund balance ratio put forth by the GFOA. Healthy reserve funds will help mitigate the County's future need to raise taxes and fees.

County Internal Process Improvements

Cook County will implement new fiscal management initiatives in FY2010. The County is proposing a new performance measurement system by which all employees will receive training on what duties they must perform and how to more efficiently deliver County services. The County is also proposing a new fiscal management policy whereby all departments must submit detailed information on how new technology expenditures will positively impact their ability to deliver services to County residents.

According to President Stroger, a Process Review and Improvement Unit will operate within the Department of Budget and Management Services "to work with offices and departments throughout county government to facilitate the development of more efficient systems for serving the public – resulting in greater customer satisfaction and less cost."¹⁰ The Process Review and Improvement unit will review all information technology requests to promote comprehensive information technology strategies to prevent safeguard against the inconsistencies.

In past budget analyses the Civic Federation has called for information technology investments' potential for cost savings to be measured in a systematic, transparent and independent way. We are pleased to see the County following our recommendation this year.

Transparency of Health System Budget Approval Process

This year the Health System utilized a formal budget approval process, ensuring transparency and affording opportunity for public review and participation. Proper public notice for the release of the budget was given and public hearings to take input were held.

Last year the Federation expressed concerns regarding the Health System's process for releasing its proposed budget to the public as it lacked sufficient notice and transparency. This year the Health System addressed our concerns by holding a transparent budget approval process that

¹⁰ Cook County FY2010 Budget Press Release at http://cookcountygov.com/portal/server.pt/gateway/PTARGS_0_0_352_214_487_43/http%3B/backend.cookcounty.gov.com%3B7087/publishedcontent/publish/cook_county_2_/applications/cook_county_press_release_and_features/articles/release_102209_budget.html (last visited on October 25, 2009).

involved both Health System leaders and the general public. The Civic Federation is pleased with the progress made by the independent Board of Directors in making its actions transparent.

Proposed Staffing Reductions at Health System

In FY2010 the Health System plans to lay off 658 workers. The affected jobs were identified by a consulting firm that compared Health System staffing levels to those of other hospitals. The layoffs are part of a restructuring that also calls for eliminating a total of 692 vacant positions and adding roughly 450 workers, including nurses and information technology specialists.

Lingering concerns about patronage hiring¹¹ require a close examination of the Health System's staffing needs. By relying on comparisons to other hospitals, the Health System used a reasonable process to determine which positions to cut. It also plans to add staff in other critical areas. The Federation supports the Health System's efforts to make the best use of its resources.

Freezing the Property Tax Levy for Fourteenth Consecutive Year

Cook County is proposing to hold its property tax levy flat for the fourteenth consecutive year, or since FY1997. The tax levy will total \$720.5 million in FY2010.

The Civic Federation commends Cook County for holding its levy flat and not adding to the burden on Chicago's already property-tax weary citizens. Too often local governments reflexively increase their annual property tax levy to the amount allowed under Illinois' property tax cap legislation. Cook County should be commended for holding the line on its levy and we encourage the County to consider other tax-saving measures.

Civic Federation Recommendations

The Civic Federation offers the following set of recommendations on ways that Cook County can improve management and reduce the costs of Cook County government. They include a variety of short-term and long-term cost reduction, management reforms, and pension recommendations.

Repeal the One Percentage Point Sales Tax Increase

In February of 2008 the Cook County Board of Commissioners approved a one percentage point sales tax increase that is estimated to yield an additional \$377.7 million for the County in FY2010. The sales tax increase pushed the overall sales tax rate in Chicago to 10.25%. The stated purpose for the increase in the County's home rule sales tax rate was to both fund the County's hospital operations and improve efficiencies in County government. However, the Health System's budget will only increase by \$47.7 million over FY2009 proposed appropriations. The Civic Federation calls on Cook County to repeal the one percentage point increase to its home rule sales tax rate.

When taking over management of the Health System in the summer of 2008, the independent Board of Directors identified the need for billing reform and the need for a strategic plan to best serve the needs of the community with the resources available to the Health System. Both of

¹¹ Report of the Cook County Bureau of Health Services Review Committee, October 2007, p. 9.

these needs are being addressed by the Health System, with the billing system being overhauled by outside consultants and a proposed strategic plan is under consideration by the Health System Board.

By addressing these needs, the Health System is actively reducing its reliance on Cook County for additional resources. The Health System reduced its revenue request from the County by \$74 million, or 19%, in FY2010. Patient cash collections have increased by \$35 million and there are plans to eliminate 942.3 full-time equivalent positions in FY2010 for more cost savings.

The Health System is also reducing its reliance on Cook County resources in FY2010 because it is receiving additional federal funding. While this additional funding will expire in 2013 and may not be renewed, the Health System is simultaneously increasing its patient revenue stream and decreasing payroll expenses, as described above. These actions will likely result in the Health System's continued reduced need for County funding.

Instead of relying on increased revenues from an ill-advised sales tax increase that places an even greater burden on struggling residents, Cook County should emulate the actions being taken by the Health System Board. The County should look to decrease its need for public funds by right-sizing its workforce and placing a greater emphasis on fee-based revenues. Prioritization should be the County's focus in FY2010.

Make Permanent the Independent Board of Directors for the Health System

As part of a compromise to pass the aforementioned one percentage point sales tax increase in 2008, Cook County created an independent Board of Directors to oversee its Health System. The Board was authorized to act for three years and its term will expire on February 28, 2011. During its tenure the Board has successfully installed new management across the executive ranks of the Health System, implemented a strategic planning process and introduced operational efficiencies into the Health System.

The Civic Federation supported the creation of the independent Board and calls for it to be made a permanent part of County government. The vast public health system operated by the County requires experienced and knowledgeable oversight from leaders in the health field. The independent Board of Directors provides that type of oversight.

Improve the Health System's Budget Format

The annual budget for the Health System should be expanded to include vital information necessary for public to understand the decisions made by the Board of Directors and management staff. It is important for the Health System to include accompanying narrative sections to describe the policies reflected in its annual appropriation spreadsheets. While stating the mission, goals and major accomplishments for each division of the Health System is useful, it does not paint a complete picture for the reader. Increases and decreases for specific line items, such as personnel or capital expenses, should be fully explained in these narrative sections.

Pursue Alternative Service Delivery Opportunities, Including Privatization

The Civic Federation has long supported privatization of janitorial services formerly under the control of the Cook County Sheriff's office. The County embarked on a limited pilot janitorial

privatization program in President Stroger's first year in the office, but then quickly reversed course. We also recommend that the County conduct efficiency studies to aid in the selection of other services that can be privatized. A list of possible service candidates for which a competitive private-sector option exists includes:

- The pharmacy function in the Health System;
- The four print shop locations serving all County offices;
- Dietary and food service functions in the Health System; and
- The service of process function for civil lawsuits.

Outsource Management of Selected Services to Other Governments

Given the County's ongoing financial difficulties and the opportunities available for cost savings, outsourcing to other governments rather than maintaining full-scale operations more suited to a bygone era makes good fiscal sense. Two areas we find particularly promising were identified in former Commissioner Mike Quigley's 2003 *Reinventing Cook County* report: the County's discontinuous highway system and animal control. Both functions could be outsourced to local municipalities for considerable budgetary savings.

Implement a Formal Long-Term Financial Planning Process

Cook County currently employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and modeling of various revenue and expenditure possibilities. Cook County should develop and implement a formal long-term financial planning process that allows for input from the Cook County Board of Commissioners and key external stakeholders, along with members of the public. The President should submit to the Finance Committee revenue and expenditure projections for the next five fiscal years as well as narrative explanations of assumptions made in order to reach the projections. For an example of what such a plan would look like, please see best practice examples at the website of the Government Finance Officers association, located at www.gfoa.org.

Produce a Prioritized, Publicly-Available Capital Improvement Plan

Cook County's proposed budget for FY2010 includes capital expenditures totaling nearly \$519.0 million.¹² All of the proposed capital spending in will be funded through proceeds from prior debt issuance and new capital bonds except for Motor Fuel Tax receipts totaling \$48.2 million or 9.3% of the total appropriations for FY2010.¹³ Selling new general obligation bonds increases the County's required debt service payments and can have a long-term effect on annual budgets.

Bonds used for capital purposes are typically paid off over 20 to 30 year periods and as total borrowing increases, annual debt service payments rise and can have a long-term effect on annual budgets. Currently, Cook County has \$3.1 billion in outstanding general obligation debt and will pay \$190.8 million in FY2010 for debt service. Including interest, the County will be required to pay a total of \$5.3 billion through FY2033 to repay all of these outstanding bonds.

¹² Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 10.

¹³ Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 3.

In order to ensure the effectiveness of capital spending, Cook County should develop a comprehensive capital improvement plan (CIP) that includes a list of all capital assets and proposed expansions prioritized through a needs-based process open to the public, using objective criteria to rank and initiate investment in infrastructure.

Establish a Formal Budget Stabilization Policy and Fund

Cook County should establish by ordinance a formal budget stabilization policy and fund. Such a fund is a means to control the volatility of unstable revenue sources, such as the sales tax, and is recommended by bonding agencies and the Government Finance Officers Association. Cook County currently appropriates revenues for a fund balance. However, this arrangement does not adequately guarantee that these funds will be used solely for budget stabilization purposes.

With the County's plan to replenish reserve funds in FY2010 by adding \$25 million to its general fund reserve account, the need for a formal policy to govern these monies is immediate. It is important that the good achieved by refunding its reserve accounts is not undone by future diminishment of this account for unnecessary uses.

To be effective, a budget stabilization fund should have an automatic triggering device for deposits and withdrawals. In many jurisdictions, deposits are tied to an objective economic indicator, such as growth in personal income or a formula that considers revenue growth. Withdrawals are also linked to a formula. A budget stabilization fund should have a cap on its size to prevent the unnecessary accumulation of resources. The cap should take the form of: 1) an overall limit on the fund itself; and 2) a limit that considers the balance in a "rainy day" fund plus any other undesignated balance in the general funds.

Produce Audited Financial Statements within Six Months of Close of Fiscal Year

The Civic Federation believes that all governments, including Cook County, should release audited financial statements no later than six months after the close of their respective fiscal years. Unfortunately, Cook County has fallen into a pattern of delaying the release of its Comprehensive Annual Financial Report (CAFR).

Cook County's ongoing delays in releasing its audited financial statements diminish its accountability because the public cannot access important financial information needed to assess the government's financial condition in a timely fashion.

The Civic Federation believes that the Comprehensive Annual Financial Report should be released to the Board of Commissioners and the public no later than May 31 of the following calendar year or within six months of the close of the fiscal year.

Reform County Pension Benefits and Governance

The funded ratio of the Employees' and Officers' Annuity and Benefit Fund of Cook County Fund was reported at 72.6% in FY2008. This figure is below the 80% funded ratio many experts believe is needed for a healthy fiscal position and furthermore does not reflect recent investment losses that are likely to be even more significant.

Cook County should move to adopt a number of pension funding reforms that would help improve the long-term financial health of its Pension Fund:

Establish a Two-Tiered Pension System

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

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

Currently, Cook County pension fund beneficiaries receive 3% annual cost of living increases.¹⁴ 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.

Any Benefit Increases Should Require Contribution Increases

Many benefit enhancements are added to public pensions without accompanying contribution increases. Public Act 94-0004 requires that every new benefit increase made to one of the five state retirement systems must identify and provide for additional funding to fund the resulting annual accrued cost of the increase. It also requires that any benefit increase expire after five years, subject to renewal. We support extending this reasonable control on benefit increases to the County's pension system.

Require Employer Contributions to Relate to Funding Levels

The Cook County government employer contributions are determined by a multiplier that is not tied to the fund's funded ratio. The Cook County multiplier is 1.54 times the total employee contribution made two years prior. The Civic Federation believes that employer contributions should be tied to funded ratios, such that additional contributions are required when the ratio drops below a given level.

Reform Pension Board Composition to Provide Balance between Employees, Government and Taxpayers

The Cook County Employees' Annuity and Benefit Fund and the Cook County Forest Preserve District Employees' Annuity and Benefit Fund are governed by a single nine-member Board of Trustees that consists of: two appointed officials (County comptroller and treasurer, or representatives appointed by them); three elected active employees; two elected annuitants; one elected forest preserve active; and one elected forest preserve annuitant. Therefore, the ratio of management to employee representatives is 2:7, one of the least balanced of the 17 Illinois pension boards recently surveyed by the Civic Federation.¹⁵

¹⁴ Cook County Employees' Annuity and Benefit Fund *Actuarial Valuation as of December 31, 2007*, p. 26.

¹⁵ Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois*, February 13, 2006.

The proper role of a pension board is to safeguard the assets of the fund and to balance the interests of employees and retirees who receive benefits and taxpayers who pay for pension benefits. All of these parties have an interest in the management of the fund. However, the heavy tilt toward employees on the Cook County 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; and
- Include financial experts on pension boards and require financial training for non-experts.

We urge Cook County to seek reform of the Pension Fund governing structure to ensure greater balance of interests.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to Cook County Chief Financial Officer Jaye Morgan Williams, Budget Director Takashi Reinbold, Special Assistant to the President Letitia Close, Cook County Health and Hospitals System Chief Executive Officer William Foley and Chief Financial Officer Michael Ayres, along with the Cook County and Health System staffs, for their efforts in preparing this budget. We appreciate their willingness to provide us with budget briefings. We would also like to thank the Health System for answering many of our budget questions.

APPROPRIATIONS

The following section presents trends for FY2010 appropriations for all funds by control officer and by individual fund.

The proposed FY2010 Cook County operating and capital budget of \$3.6 billion is a \$198.2 million or 5.9% increase from the FY2009 proposed total budget of \$3.4 billion. The operating budget alone will rise by 3.3% or \$97.6 million; this represents an increase from \$2.9 billion to \$3.0 billion. The capital budget will rise from \$418.3 million to nearly \$519.0 million, a 24.1% increase.

Cook County Budget: FY2009-FY2010				
	FY2009	FY2010	\$ Change	% Change
Operating Budget	\$ 2,948,995,126	\$ 3,046,551,131	\$ 97,556,005	3.3%
Capital Budget	\$ 418,280,663	\$ 518,971,730	\$ 100,691,067	24.1%
Total Budget	\$ 3,367,275,789	\$ 3,565,522,861	\$ 198,247,072	5.9%

Source: FY2009 Cook County Budget, p. 8 & FY2010 Cook County Budget, p. 8.

Two- and Five-Year All Funds Appropriations by Control Officer

The Cook County operating budget will increase by 3.3%, rising by \$97.6 million to \$3.0 billion. The budget for departments controlled by the President will increase by 2.9%, or \$5.7 million, rising to \$202.5 million. Departments controlled by elected officials are expected to increase by 6.6% or \$64.2 million. Appropriations for all departments controlled by elected officials will increase. The Board of Election Commissioners budget will increase by \$16.8 million or

1,085.6% because primary and general elections will be held next year. Total appropriations for departments under the Sheriff will increase by nearly \$27.0 million, or 6.0%.

Cook County Appropriations All Funds by Control Officer: FY2009 & FY2010				
Control Officers	FY2009	FY2010	\$ Change	% Change
Offices Under President				
President	\$ 3,229,680	\$ 3,378,919	\$ 149,239	4.6%
Chief Administrative Officer	\$ 51,416,966	\$ 59,380,264	\$ 7,963,298	15.5%
Public Defender	\$ 53,849,451	\$ 56,551,097	\$ 2,701,646	5.0%
Bureau of Human Resources	\$ 3,442,970	\$ 3,304,437	\$ (138,533)	-4.0%
County Auditor	\$ 973,596	\$ 918,433	\$ (55,163)	-5.7%
Office of the Inspector General	\$ 1,402,177	\$ 1,214,465	\$ (187,712)	-13.4%
Bureau of Finance	\$ 12,734,601	\$ 13,053,700	\$ 319,099	2.5%
Bureau of Information Technology	\$ 27,563,723	\$ 27,582,874	\$ 19,151	0.1%
Planning & Urban Development	\$ 41,425,774	\$ 35,173,592	\$ (6,252,182)	-15.1%
Office of Administrative Hearings	\$ 444,117	\$ 927,010	\$ 482,893	100.0%
Department of Homeland Security and Emergency Management*	\$ 352,733	\$ 1,016,639	\$ 663,906	188.2%
Subtotal Offices Under President	\$ 196,835,788	\$ 202,501,430	\$ 5,665,642	2.9%
Other Elected Officials				
Sheriff	\$ 445,955,533	\$ 472,927,722	\$ 26,972,189	6.0%
Chief Judge	\$ 222,229,658	\$ 228,317,876	\$ 6,088,218	2.7%
State's Attorney	\$ 104,925,786	\$ 107,517,314	\$ 2,591,528	2.5%
Clerk Circuit Court	\$ 96,982,334	\$ 101,734,629	\$ 4,752,295	4.9%
County Clerk	\$ 31,293,800	\$ 34,044,795	\$ 2,750,995	8.8%
Board of Election Commissioners	\$ 1,544,168	\$ 18,308,397	\$ 16,764,229	1085.6%
Assessor	\$ 24,537,841	\$ 27,209,441	\$ 2,671,600	10.9%
Recorder of Deeds	\$ 13,438,587	\$ 13,742,162	\$ 303,575	2.3%
Treasurer	\$ 13,106,992	\$ 13,459,860	\$ 352,868	2.7%
Board of Review	\$ 7,521,910	\$ 8,311,088	\$ 789,178	10.5%
County Commissioners	\$ 7,925,859	\$ 7,949,907	\$ 24,048	0.3%
Public Administrator	\$ 1,102,071	\$ 1,212,475	\$ 110,404	10.0%
Subtotal Other Elected Officials	\$ 970,564,539	\$ 1,034,735,666	\$ 64,171,127	6.6%
Cook County Health and Hospitals System	\$ 882,873,917	\$ 903,566,796	\$ 20,692,879	2.3%
Self Insurance	\$ 104,961,245	\$ -	\$ (104,961,245)	-100.0%
Managed Care Support Fund	\$ -	\$ -	\$ -	-
Annuity and Benefits	\$ 186,100,000	\$ 186,600,000	\$ 500,000	0.3%
Bond and Interest	\$ 209,147,064	\$ 190,760,412	\$ (18,386,652)	-8.8%
Other Restricted Funds	\$ 119,550,729	\$ 160,810,112	\$ 41,259,383	34.5%
Allowance for Uncollected Taxes	\$ 11,527,095	\$ 11,598,042	\$ 70,947	0.6%
Fixed Charges and Special Purpose	\$ 267,434,749	\$ 355,978,673	\$ 88,543,924	33.1%
Total Operating Funds	\$ 2,948,995,126	\$ 3,046,551,131	\$ 97,556,005	3.3%
Capital	\$ 418,280,663	\$ 518,971,730	\$ 100,691,067	24.1%
Total Budget	\$ 3,367,275,789	\$ 3,565,522,861	\$ 198,247,072	5.9%

*This department was renamed on September 16, 2009 from the Department of Emergency Management Systems.

Source: Cook County FY2009 Executive Budget Recommendations, Table Q2, pp. 24-25; FY2010 Executive Budget Recommendations, Table

Source: Cook County FY2009 Executive Budget Recommendations, Table Q2, pp. 24-25; FY2010 Executive Budget Recommendations, Table Q2, p. 55-57.

The next exhibit presents five-year appropriation trend information. Between FY2006 and FY2010, appropriations for the various elected officials are projected to increase by 18.0%, from \$877.2 million to \$1.0 billion. During the same period, appropriations for the offices under the President will decrease by 4.6%, from \$212.3 million to \$202.5 million. Due to departmental reorganizations and consolidations in previous fiscal years, some line-items that existed in FY2006 no longer exist and are represented with a zero in the FY2010 column. Additionally,

appropriations for the Health System were removed from Offices Under the President for both FY2006 and FY2010 due to departmental reorganization that took place.

Cook County Appropriations All Funds by Control Officer: FY2006 & FY2010				
Control Officers	FY2006	FY2010	\$ Change	% Change
Offices Under President				
President	\$ 3,066,354	\$ 3,378,919	\$ 312,565	10.2%
Chief Administrative Officer	\$ 59,634,962	\$ 59,380,264	\$ (254,698)	-0.4%
Bureau of Public Safety	\$ 25,692,384	\$ -	\$ (25,692,384)	-100.0%
Public Defender	\$ 52,753,456	\$ 56,551,097	\$ 3,797,641	7.2%
Bureau of Human Resources	\$ 4,041,598	\$ 3,304,437	\$ (737,161)	-18.2%
County Auditor	\$ 1,353,700	\$ 918,433	\$ (435,267)	-32.2%
Office of the Inspector General	\$ 387,804	\$ 1,214,465	\$ 826,661	213.2%
Bureau of Finance*	\$ 10,477,985	\$ 13,053,700	\$ 2,575,715	24.6%
Bureau of Information Technology	\$ 18,775,376	\$ 27,582,874	\$ 8,807,498	46.9%
Capital Planning	\$ 36,148,232	\$ 35,173,592	\$ (974,640)	-2.7%
Office of Administrative Hearings	\$ -	\$ 927,010	\$ 927,010	-
Department of Homeland Security and Emergency Management	\$ -	\$ 1,016,639	\$ 1,016,639	-
Subtotal Offices Under President	\$ 212,331,851	\$ 202,501,430	\$ (9,830,421)	-4.6%
Other Elected Officials				
Sheriff	\$ 394,319,946	\$ 472,927,722	\$ 78,607,776	19.9%
Chief Judge	\$ 166,461,405	\$ 228,317,876	\$ 61,856,471	37.2%
State's Attorney	\$ 96,238,177	\$ 107,517,314	\$ 11,279,137	11.7%
Clerk Circuit Court	\$ 103,434,805	\$ 101,734,629	\$ (1,700,176)	-1.6%
County Clerk	\$ 33,589,861	\$ 34,044,795	\$ 454,934	1.4%
Board of Election Commissioners	\$ 371,451	\$ 18,308,397	\$ 17,936,946	4828.9%
Election Fund	\$ 13,218,298	\$ -	\$ (13,218,298)	-100.0%
Assessor	\$ 25,410,885	\$ 27,209,441	\$ 1,798,556	7.1%
Recorder of Deeds	\$ 15,358,614	\$ 13,742,162	\$ (1,616,452)	-10.5%
Treasurer	\$ 12,635,435	\$ 13,459,860	\$ 824,425	6.5%
Board of Review	\$ 7,448,030	\$ 8,311,088	\$ 863,058	11.6%
County Commissioners	\$ 7,705,994	\$ 7,949,907	\$ 243,913	3.2%
Public Administrator	\$ 1,038,043	\$ 1,212,475	\$ 174,432	16.8%
Subtotal Other Elected Officials	\$ 877,230,944	\$ 1,034,735,666	\$ 157,504,722	18.0%
Cook County Health and Hospitals System**	\$ 829,201,517	\$ 903,566,796	\$ 74,365,279	9.0%
Self Insurance	\$ 108,141,402	\$ -	\$ (108,141,402)	-100.0%
Managed Care Support Fund	\$ 385,000	\$ -	\$ (385,000)	-100.0%
Annuity and Benefits	\$ 223,270,000	\$ 186,600,000	\$ (36,670,000)	-16.4%
Bond and Interest	\$ 180,870,852	\$ 190,760,412	\$ 9,889,560	5.5%
Other Restricted Funds	\$ 173,665,246	\$ 160,810,112	\$ (12,855,134)	-7.4%
Allowance for Uncollected Taxes	\$ 11,004,381	\$ 11,598,042	\$ 593,661	5.4%
Fixed Charges and Special Purpose	\$ -	\$ 355,978,673	\$ 355,978,673	-
Total Operating Funds	\$ 2,616,101,193	\$ 3,046,551,131	\$ 430,449,938	16.5%
Capital	\$ 111,128,588	\$ 518,971,730	\$ 407,843,142	367.0%
Total Budget	\$ 2,727,229,781	\$ 3,565,522,861	\$ 838,293,080	30.7%

*The figure provided for the Bureau of Finance in the FY2006 Executive Budget Recommendation was incorrect. For the purposes of this analysis, the Civic Federation used the FY2006 appropriation figure for the Bureau of Finance in the FY2010 Executive Budget Recommendation on p. 58 of the Citizens' Summary.

**In FY2006 the Cook County Health and Hospitals System was referred to as the Bureau of Health.

Source: Cook County FY2006 Executive Budget Recommendation, Table Q2, pp. C-19 & C-20; FY2010 Executive Budget Recommendation, Table Q2, p. 55-57.

Two- and Five-Year All Funds Appropriations by Fund

In FY2010 appropriations for all funds, including capital improvement expenditures, are projected to increase by 5.9% from FY2009. Total Operating Funds appropriations are expected to increase by 3.3% from the prior year. The FY2010 budget projects a 16.0%, or \$27.5 million, increase in Corporate Fund appropriations. Public Safety appropriations are expected to increase by 2.8%, or \$30.1 million. Health Fund appropriations will increase by 8.9% or \$79.0 million.

In the aggregate, General Fund appropriations will increase by 6.4%, or \$136.6 million, rising from \$2.1 billion to \$2.3 billion. Appropriations for Special Purpose Funds are projected to decrease by 4.9%, falling from \$792.7 million to \$753.6 million. Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes.¹⁶ The largest decrease in this category will be in Agency and Office Special Purpose Funds which will decrease by 22.5% or \$62.5 million; these funds account for federal, state and private grants. Capital improvement funds will increase by 24.1% over the FY2009 proposed budget.

Cook County Appropriations All Funds by Fund: FY2009 & FY2010				
Fund	FY2009	FY2010	\$ Change	% Change
Corporate	\$ 171,575,345	\$ 199,072,914	\$ 27,497,569	16.0%
Public Safety	\$ 1,083,645,279	\$ 1,113,724,686	\$ 30,079,407	2.8%
Health	\$ 889,543,027	\$ 968,545,889	\$ 79,002,862	8.9%
Subtotal General Funds	\$ 2,144,763,651	\$ 2,281,343,489	\$ 136,579,838	6.4%
Annuity & Benefits	\$ 186,100,000	\$ 186,600,000	\$ 500,000	0.3%
Bond & Interest	\$ 209,147,064	\$ 190,760,412	\$ (18,386,652)	-8.8%
Other Restricted Funds	\$ 119,550,729	\$ 160,810,112	\$ 41,259,383	34.5%
Agency and Office Special Purpose Funds	\$ 277,906,587	\$ 215,439,076	\$ (62,467,511)	-22.5%
Subtotal Special Purpose Funds	\$ 792,704,380	\$ 753,609,600	\$ (39,094,780)	-4.9%
Allowance for Uncollected Taxes	\$ 11,527,095	\$ 11,598,042	\$ 70,947	0.6%
Subtotal Operating Funds	\$ 2,948,995,126	\$ 3,046,551,131	\$ 97,556,005	3.3%
Capital Improvements	\$ 418,280,663	\$ 518,971,730	\$ 100,691,067	24.1%
Total	\$ 3,367,275,789	\$ 3,565,522,861	\$ 198,247,072	5.9%

Source: Cook County FY2009 Executive Budget Recommendations, Citizens' Summary, Table Q-1A, pp. 17-19; FY2010 Executive Budget Recommendations, Citizens' Summary, Table Q1-B, pp. 47-50.

The next exhibit presents five-year trend information for appropriations by fund. For the period between FY2006 and FY2010, appropriations for all funds are projected to decrease by 15.9%. This represents an increase from \$3.1 billion to \$3.6 billion. Total Operating Funds appropriations are projected to rise by 2.8% since FY2006. Total General Fund Appropriations will increase by 5.5%, or \$118.8 million.

Public Safety and Health appropriations show increases of 1.5% and 9.8%, respectively, over this five-year period. Corporate Fund appropriations will increase by 9.0%, or \$16.4 million. Special Purpose Funds appropriations will decrease by 4.8%, or \$37.7 million, over the five-year period. Agency and Other Special Purpose Funds will increase by \$134.0 million, or 164.6% over the five-year period. Other Restricted Funds will decrease by \$159.4 million, or 49.8%.

¹⁶ Cook County FY2007 Executive Budget Recommendation, p. A-22.

Cook County Appropriations All Funds by Fund: FY2006 & FY2010				
Fund	FY2006	FY2010	\$ Change	% Change
Corporate	\$ 182,683,010	\$ 199,072,914	\$ 16,389,904	9.0%
Public Safety	\$ 1,097,757,299	\$ 1,113,724,686	\$ 15,967,387	1.5%
Health	\$ 882,060,235	\$ 968,545,889	\$ 86,485,654	9.8%
Subtotal General Funds	\$ 2,162,500,544	\$ 2,281,343,489	\$ 118,842,945	5.5%
Annuity & Benefits	\$ 209,151,000	\$ 186,600,000	\$ (22,551,000)	-10.8%
Bond & Interest	\$ 180,500,663	\$ 190,760,412	\$ 10,259,749	5.7%
Other Restricted Funds	\$ 320,202,697	\$ 160,810,112	\$ (159,392,585)	-49.8%
Agency and Office Special Purpose Funds	\$ 81,410,347	\$ 215,439,076	\$ 134,028,729	164.6%
Subtotal Special Purpose Funds	\$ 791,264,707	\$ 753,609,600	\$ (37,655,107)	-4.8%
Allowance for Uncollected Taxes	\$ 11,004,381	\$ 11,598,042	\$ 593,661	5.4%
Subtotal Operating Funds	\$ 2,964,769,632	\$ 3,046,551,131	\$ 81,781,499	2.8%
Capital Improvements	\$ 111,128,588	\$ 518,971,730	\$ 407,843,142	367.0%
Total	\$ 3,075,898,220	\$ 3,565,522,861	\$ 489,624,641	15.9%

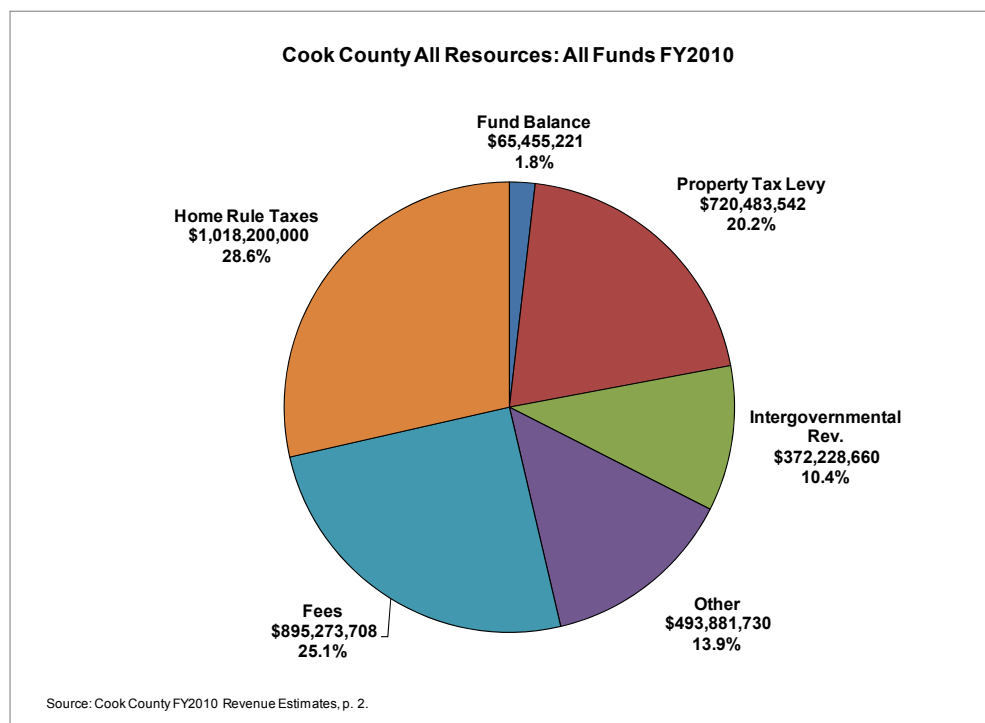
Source: Cook County FY2006 Executive Budget Recommendations, Citizens' Summary, Table Q-1, p. C-7; FY2010 Executive Budget Recommendations, Citizens' Summary, Table Q1-B, pp. 47-50.

RESOURCES

The following section details resources for Cook County operations in FY2010, with detailed descriptions for sales taxes and property taxes.

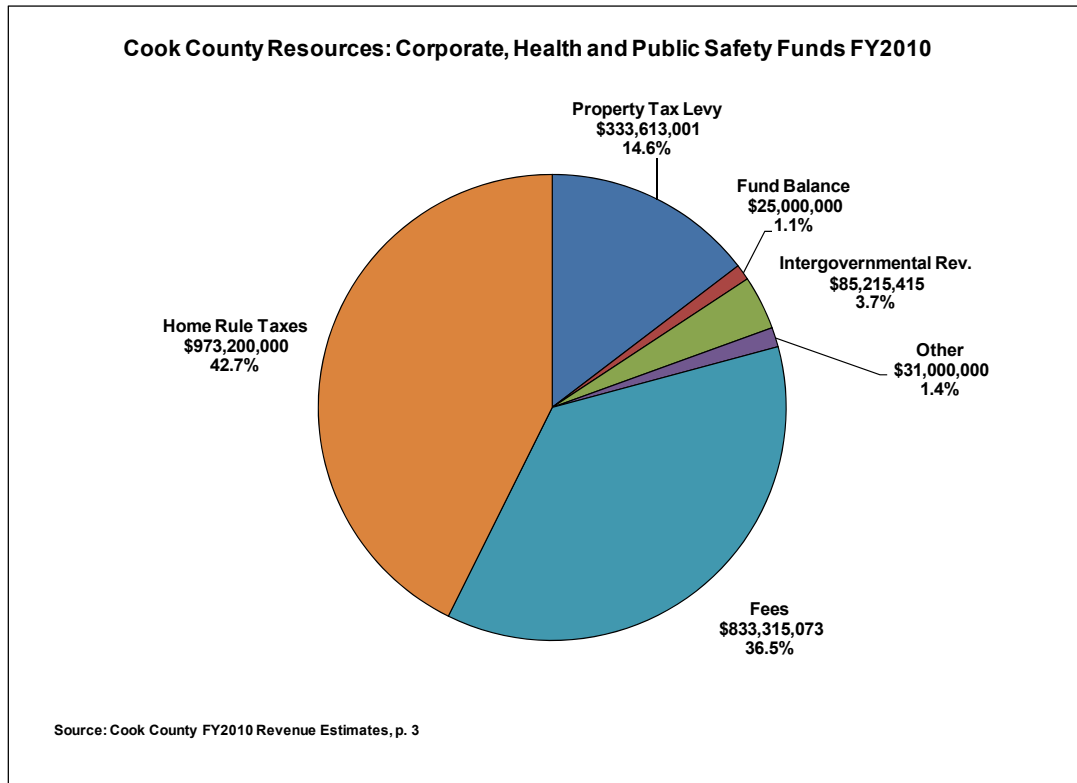
FY2010 Resources

Cook County total resources include revenues and appropriated net assets or fund balance. In FY2010 the County estimates that it can draw upon a total of \$3.5 billion from various revenue sources and a total fund balance of about \$65.5 million for a total of approximately \$3.5 billion.¹⁷ The fund balance represents 1.8% of all resources available from all funds.



¹⁷ Cook County FY2010 Executive Budget Recommendation, Revenue Estimates, p. 2.

The next exhibit shows resources available in the County's General Funds, which include its Corporate, Public Safety and Health Funds. General Fund resources are projected to total \$2.28 billion in FY2010. Fees and home rule taxes will provide 79.2% of all General Fund resources or \$1.8 billion. The Property Tax Levy dedicated to the General Funds will decline from FY2009. In FY2010 \$333.6 million of property tax revenues will be used for these purposes, down from \$354.3 million in FY2009. The County will put \$25.0 million into a General Fund Balance in FY2010.



Two- and Five-Year Resource Trends for All Funds

Cook County resources for all funds are projected to increase by 2.4% between FY2009 and FY2010. This will be a \$69.9 million increase from \$2.91 billion to \$2.98 billion.¹⁸

Cook County increased its home rule sales tax from 0.75% to 1.75% on February 28, 2008. The County's home rule use tax remains at 1.75%. Combined receipts of both the home rule sales and use taxes are expected to be \$697.0 million in FY2010, up \$79.5 million or 12.9% over FY2009 budgeted amounts. Of the projected FY2010 total, \$661.0 million will be from sales tax revenues and \$36.0 million from use tax revenues.¹⁹

The County's property tax levy will be held constant at \$720.5 million for the tenth consecutive year.

¹⁸ Cook County FY2010 Executive Budget Recommendation, Revenue Estimates, p. 52.

¹⁹ Cook County FY2010 Executive Budget Recommendation, Revenue Estimates, p. 55.

County revenue from fees will increase significantly from \$745.5 million to \$895.2 million, a 20.1% or \$149.7 million increase. Health System patient fees, the most significant fee collected, are expected to increase by 37.2%, or \$156.9 million, from nearly \$422.1 million to \$579.0 million.

Intergovernmental revenues provided from other governments will decline by \$82.2 million or 20.7% in FY2010. There will be significant decreases in the economically sensitive revenues the County receives from the State of Illinois, including:

- The non-home rule sales tax revenues Cook County receives from the State of Illinois will decrease by 36.4% in FY2010 from \$4.4 million to \$2.8 million;
- Personal Property Replacement Tax revenues will fall by 24.1% or \$14.2 million; and
- Income tax revenues will drop by 4.8%, falling from \$10.5 million to \$10.0 million.

Reimbursements from other governments, which include federal, state and private grants, will decrease by 26.4%, falling from \$285.0 million to \$209.7 million.

Cook County Revenues				
FY2009-FY2010 (in \$ thousands)				
Tax or Fee	FY2009 Projected	FY2010 Projected	\$ change	% change
Property Taxes	\$ 720,484	\$ 720,484	\$ -	0.0%
Home Rule Taxes				
Sales	\$ 693,443	\$ 661,000	\$ (32,443)	-4.7%
Allowance for TAN Repayment from Sales Tax Receipts	\$ (122,000)	\$ -	\$ 122,000	-100.0%
Use	\$ 46,000	\$ 36,000	\$ (10,000)	-21.7%
Subtotal Sales and Use Taxes	\$ 617,443	\$ 697,000	\$ 79,557	12.9%
Alcoholic Beverage	\$ 27,000	\$ 26,000	\$ (1,000)	-3.7%
Cigarette	\$ 163,000	\$ 137,000	\$ (26,000)	-16.0%
Gas	\$ 100,000	\$ 95,400	\$ (4,600)	-4.6%
Retail Sale/Motor Vehicles	\$ 2,765	\$ 1,800	\$ (965)	-34.9%
Wheel	\$ 2,000	\$ 2,000	\$ -	0.0%
Amusement	\$ 22,000	\$ 22,500	\$ 500	2.3%
Parking Lot	\$ 39,500	\$ 36,500	\$ (3,000)	-7.6%
Subtotal Home Rule Taxes	\$ 973,708	\$ 1,018,200	\$ 44,492	4.6%
Fee Revenue				
Patient Fees	\$ 422,147	\$ 579,000	\$ 156,853	37.2%
Circuit Clerk Fees	\$ 106,177	\$ 102,478	\$ (3,699)	-3.5%
Recorder of Deeds Fees	\$ 45,282	\$ 33,016	\$ (12,266)	-27.1%
Treasurer's Fees	\$ 60,000	\$ 60,700	\$ 700	1.2%
Other	\$ 111,970	\$ 120,079	\$ 8,109	7.2%
Subtotal Fee Revenue	\$ 745,576	\$ 895,273	\$ 149,697	20.1%
Misc. Revenues				
Misc. Revenues	\$ 74,978	\$ 32,850	\$ (42,128)	-56.2%
Subtotal Misc. Revenues	\$ 74,978	\$ 32,850	\$ (42,128)	-56.2%
Intergovernmental Revenues				
Motor Fuel Tax	\$ 34,500	\$ 44,500	\$ 10,000	29.0%
OTB Commissions	\$ 3,000	\$ 2,500	\$ (500)	-16.7%
Personal Property Replacement Tax	\$ 59,000	\$ 44,758	\$ (14,242)	-24.1%
Sales Tax	\$ 4,400	\$ 2,800	\$ (1,600)	-36.4%
Income Tax	\$ 10,500	\$ 10,000	\$ (500)	-4.8%
Reimbursements from Other Governments	\$ 285,040	\$ 209,730	\$ (75,310)	-26.4%
Intergovernmental Revenues	\$ 396,441	\$ 314,288	\$ (82,153)	-20.7%
Total	\$ 2,911,187	\$ 2,981,095	\$ 69,908	2.4%

Source: Cook County FY2010 Revenue Estimates, pp. 52-71.

In the five-year period between FY2006 and FY2010, Cook County all fund revenues will increase by 3.9%. This represents a \$111.5 million increase, from \$2.8 billion to \$2.9 billion. The rate of growth for home rule taxes is projected to be 32.2% over the five-year period. Fees are expected to increase slightly by 0.6% or \$5.0 million. Intergovernmental revenues will decline by 26.8%, falling from \$429.2 million to \$314.3 million.

Cook County Revenues FY2006-FY2010 (in \$ thousands)				
Tax or Fee	FY2006 Projected	FY2010 Projected	\$ change	% change
Property Taxes	\$ 720,484	\$ 720,484	\$ -	0.0%
Home Rule Taxes				
Sales	\$ 307,000	\$ 661,000	\$ 354,000	115.3%
Use	\$ 50,000	\$ 36,000	\$ (14,000)	-28.0%
Subtotal Sales and Use Taxes	\$ 357,000	\$ 697,000	\$ 340,000	95.2%
Alcoholic Beverage	\$ 25,500	\$ 26,000	\$ 500	2.0%
Cigarette	\$ 226,000	\$ 137,000	\$ (89,000)	-39.4%
Gas	\$ 103,000	\$ 95,400	\$ (7,600)	-7.4%
Retail Sale/Motor Vehicles	\$ 3,400	\$ 1,800	\$ (1,600)	-47.1%
Wheel	\$ 2,000	\$ 2,000	\$ -	0.0%
Amusement	\$ 16,000	\$ 22,500	\$ 6,500	40.6%
Parking Lot	\$ 37,500	\$ 36,500	\$ (1,000)	-2.7%
Subtotal Home Rule Taxes	\$ 770,400	\$ 1,018,200	\$ 247,800	32.2%
Fee Revenue				
Patient Fees	\$ 608,535	\$ 579,000	\$ (29,535)	-4.9%
Circuit Clerk Fees	\$ 92,000	\$ 102,478	\$ 10,478	11.4%
Recorder of Deeds Fees	\$ 74,493	\$ 33,016	\$ (41,477)	-55.7%
Treasurer's Fees	\$ 43,000	\$ 60,700	\$ 17,700	41.2%
Other	\$ 72,192	\$ 120,079	\$ 47,887	66.3%
Subtotal Fee Revenue	\$ 890,220	\$ 895,273	\$ 5,053	0.6%
Misc. Revenues				
Misc. Revenues	\$ 59,283	\$ 32,850	\$ (26,433)	-44.6%
Subtotal Misc. Revenues	\$ 59,283	\$ 32,850	\$ (26,433)	-44.6%
Intergovernmental Revenues				
Motor Fuel Tax	\$ 34,500	\$ 44,500	\$ 10,000	29.0%
OTB Commissions	\$ 2,700	\$ 2,500	\$ (200)	-7.4%
Personal Property Replacement Tax	\$ 50,470	\$ 44,758	\$ (5,712)	-11.3%
Sales Tax	\$ 5,000	\$ 2,800	\$ (2,200)	-44.0%
Income Tax	\$ 7,500	\$ 10,000	\$ 2,500	33.3%
Reimbursements from Other Governments	\$ 329,057	\$ 209,730	\$ (119,327)	-36.3%
Intergovernmental Revenues	\$ 429,227	\$ 314,288	\$ (114,939)	-26.8%
Total	\$ 2,869,614	\$ 2,981,095	\$ 111,481	3.9%

Source: Cook County FY2006 and FY2010 Revenue Estimates

Sales and Use Tax Revenues

Cook County imposes a home rule sales tax and a home rule use tax. It also receives a share of sales tax collections from the State of Illinois. The following exhibits present information on sales tax trends on a FY2009-to-FY2010 budget basis and on a projected FY2009 year-end estimate versus FY2010 budget basis. The first exhibit shows what Cook County estimated it would receive from sales taxes at the time budgets were released. The second exhibit revises the FY2009 budget figure to show much sales tax revenue Cook County reports it will actually collect in that year.

Budget-to-Budget Basis

- Home rule sales tax receipts are projected to decrease on a budget-to-budget basis by 4.7%, from \$693.4 million to \$661.0 million.
- Home rule use taxes receipts will decrease by 21.7%, falling from \$46.0 million to \$36.0 million.
- The non-home rule sales tax revenues Cook County receives from the State of Illinois will decrease in FY2010 from \$4.4 million to \$2.8 million or by 36.4%.²⁰

Cook County Sales & Use Tax Receipts: Budget-to-Budget Basis				
FY2009-FY2010 (in \$ thousands)				
Tax	FY2009 Budget	FY2010 Budget	\$ Change	% Change
Home Rule Sales Taxes	\$ 693,443	\$ 661,000	\$ (32,443)	-4.7%
Home Rule Use Taxes	\$ 46,000	\$ 36,000	\$ (10,000)	-21.7%
State Sales Taxes	\$ 4,400	\$ 2,800	\$ (1,600)	-36.4%

Source: Cook County FY2009 & FY2010 Revenue Estimates.

2009 Revenue Forecast to FY2010 Budget

- Home rule sales tax receipts are projected to increase on a forecast-to-budget basis by 1.5%, from \$651.0 million to \$661.0 million.
- Home rule use taxes receipts are expected to increase by 9.1%, rising from \$33.0 million to \$36.0 million.
- The non-home rule sales tax revenues Cook County receives from the State of Illinois will be flat in FY2010 at \$2.8 million.

Cook County Sales & Use Tax Receipts: Forecast-to-Budget Basis				
FY2009-FY2010 (in \$ thousands)				
Tax	FY2009 Forecast	FY2010 Budget	\$ Change	% Change
Home Rule Sales Taxes	\$ 651,000	\$ 661,000	\$ 10,000	1.5%
Home Rule Use Taxes	\$ 33,000	\$ 36,000	\$ 3,000	9.1%
State Sales Taxes	\$ 2,800	\$ 2,800	\$ -	0.0%

Source: Cook County FY2009 & FY2010 Revenue Estimates.

Property Tax Levy

The Cook County property tax levy will be held constant in FY2010, remaining at \$720.5 million for the tenth consecutive year.²¹

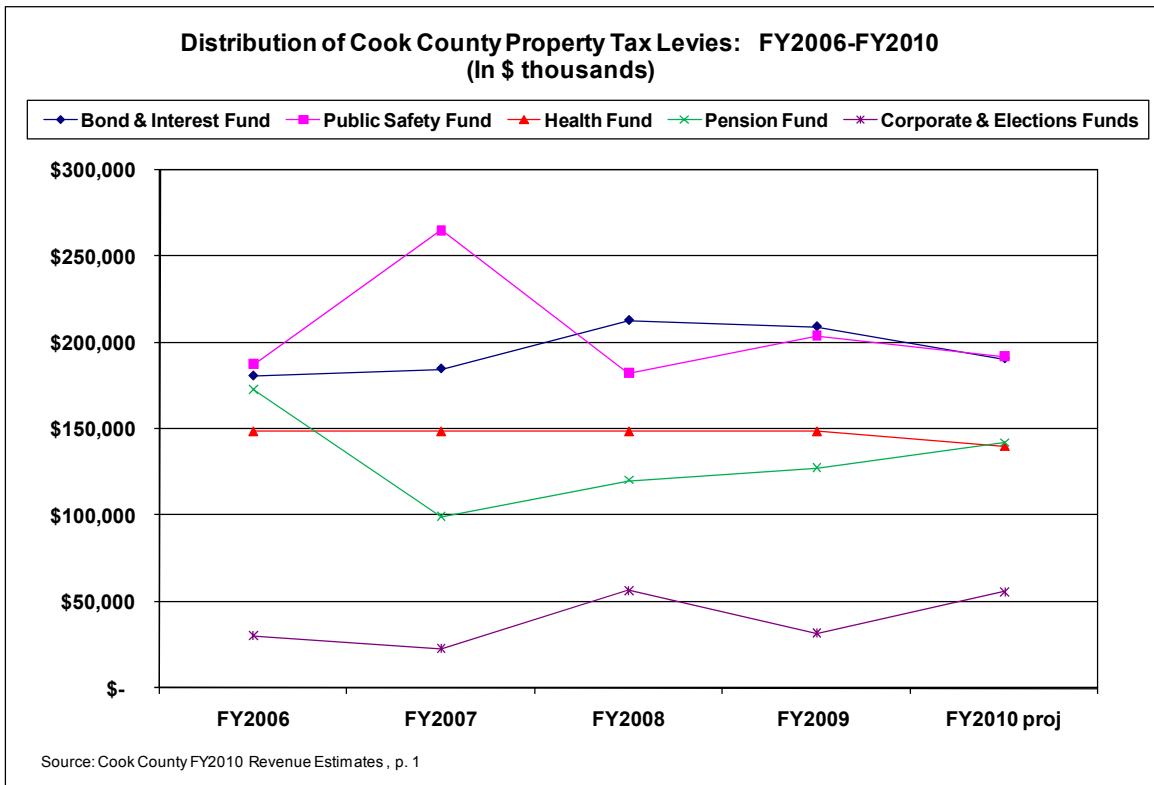
Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health, Bond and Interest and Pension (also known as Annuity and Benefit) Fund. Changes in distribution of the levy between FY2006 and FY2010 are shown below. For purposes of our analysis, the relatively small Corporate and Election Funds have been combined. In FY2010, the

²⁰ Cook County FY2010 Revenue Estimates, p. 61.

²¹ These are the property tax levy figures reported in the Cook County budget books. The Cook County Clerk’s Tax Extension Office reports slightly different figures. In some years, there is up to a \$5 million difference, usually in the Bond & Interest fund levy.

portion of the levy dedicated to these funds will be 7.7% of the total as national and state primary and general elections are held – this is an increase from the 4.4% figure in FY2009 when only local elections were held.

The Public Safety Fund will consume the largest amount of the levy, \$191.9 million, 26.6% of the total. The Bond and Interest Fund, funds earmarked to pay for debt service, will consume the second largest portion of the levy: \$190.7 million, or 26.5% of the total. The County’s Pension Fund will consume the third highest amount at \$141.8 million, or 19.7% of the total. Approximately 19.5% of the levy, or \$140.1 million, is earmarked for the Health Fund.



Fund Balance

The fund balance for the General Funds (i.e. Corporate, Public Health and Public Safety Funds) will be \$25.0 million in FY2010. This is a reversal from the previous three years when there was no fund balance.

A General Funds balance of \$25.0 in FY2010 represents a substantial decline since FY2006, when General Funds had a balance of \$136.0 million, 6.2% of operating revenues. The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain a General Fund balance ratio of 5% to 15% of operating expenditures or revenues. To achieve a 5% ratio, the County would have to reserve \$114.0 million as fund balance in FY2010.

Fund Balance for Corporate, Public Safety & Health Funds: FY2006-FY2010			
	Fund Balance	Revenues	Ratio
FY2006	\$ 66,000,000	\$ 2,162,500,544	3.1%
FY2007	\$ -	\$ 2,055,326,032	0.0%
FY2008	\$ -	\$ 2,157,474,700	0.0%
FY2009	\$ -	\$ 2,144,763,651	0.0%
FY2010	\$ 25,000,000	\$ 2,281,343,489	1.1%

Source: Cook County Revenue Estimates.

The County's fund balance for All Funds has seen a similarly dramatic erosion between FY2006 and FY2010, falling from \$94.2 million in FY2006 to \$65.5 million in FY2010. The latter amount represents 1.8% of all fund resources. The situation has improved since FY2008, when reserves were only \$16.8 million.

Fund Balance for All Funds: FY2006-FY2010			
	Fund Balance	Total Resources	Ratio
FY2006	\$ 94,224,407	\$ 3,080,646,834	3.1%
FY2007	\$ 16,973,292	\$ 3,012,242,652	0.6%
FY2008	\$ 16,790,300	\$ 3,245,797,192	0.5%
FY2009	\$ 37,808,327	\$ 3,367,275,789	1.1%
FY2010	\$ 65,455,221	\$ 3,565,522,861	1.8%

Source: Cook County Revenue Estimates.

PERSONNEL TRENDS

The following section addresses trends for proposed budgeted personnel by fund, and both two-year and five-year trends in personal services appropriations.

Full-Time Equivalent Positions by Fund

The FY2010 Cook County budget proposes a decrease of 558.4 full-time equivalent (FTE) positions. This is a 2.3% decrease from the *proposed* FY2009 budget, from 24,404.2 FTEs to 23,845.8 FTEs.

The largest numerical decrease will come in the Health Fund, which will shed 658.4 FTEs for a total of 6,664.4 FTEs. The total number of full-time equivalent employees for the Cook County Health and Hospitals System in FY2010 is budgeted at 7,606.7 before planned reductions of 942.3 positions.²² The planned reductions would result in 6,664.4 FTEs in FY2010. That total would be 658.4 fewer positions than the 7,322.8 proposed in FY2009.

Excluding the Health Fund, County FTEs are budgeted to increase by 100.0 positions, or 0.6% from the FY2009 budget recommendation. The largest numerical increase will occur in the Special Purpose Funds, which will increase by 135.9 FTEs, or 9.5%, to a total of 1,569.6 FTEs.

²² Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 80; Cook County FY2009 Executive Budget Recommendation, Vol. 1, Citizens' Summary, pp. 48-49.

Cook County Budgeted FTEs by Fund (All Funds): FY2009 & FY2010				
Fund	FY2009 Recommended	FY2010 Recommended	# Change	% Change
Corporate Fund	1,791.2	1,796.9	5.7	0.3%
Public Safety Fund	13,736.0	13,693.9	(42.1)	-0.3%
Election Fund	120.5	121.0	0.5	0.4%
Special Purpose Funds	1,433.7	1,569.6	135.9	9.5%
Subtotal without Health Fund	17,081.4	17,181.4	100.0	0.6%
Health Fund	7,322.8	6,664.4	(658.4)	-9.0%
Grand Total	24,404.2	23,845.8	(558.4)	-2.3%

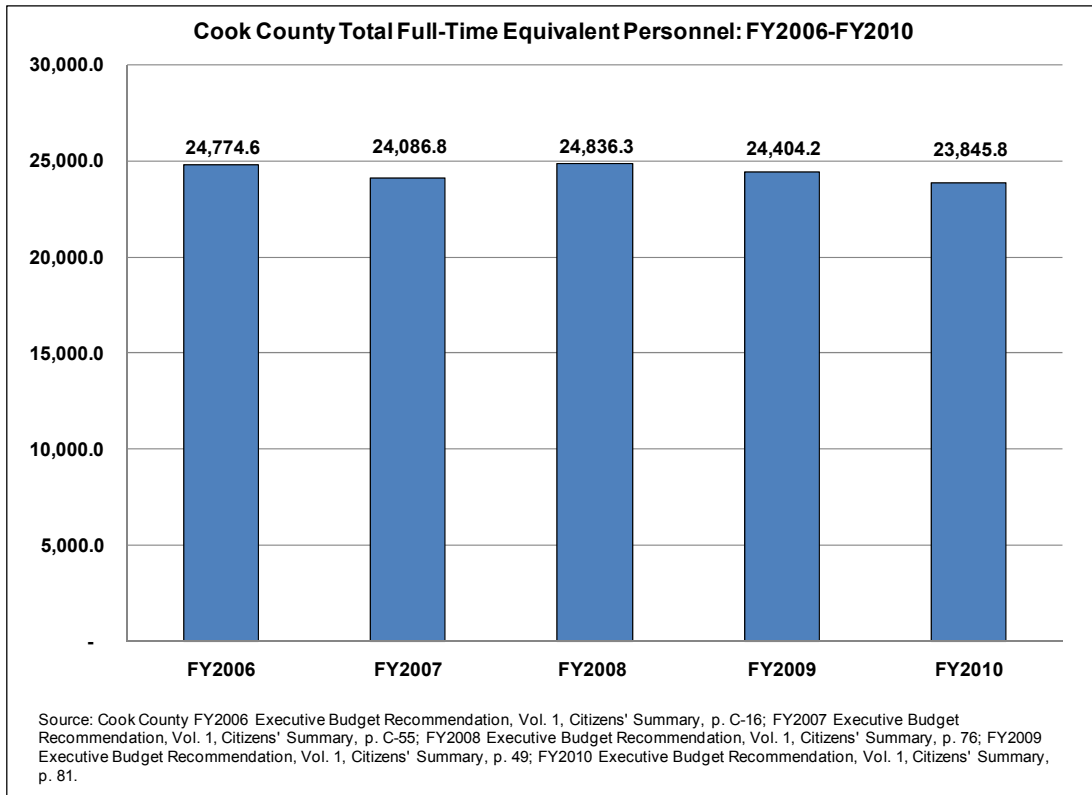
Source: Cook County Executive Budget Recommendation FY2009 Vol. 1, Citizens' Summary, p. 46-48; FY2010 Executive Budget Recommendation Vol. 1. Citizens' Summary, p.78-81.

Over a five-year period from FY2006 to FY2010, Cook County FTEs will decrease by 6.1%. This represents a decrease of 1,554.1 FTEs. Most of the reductions will occur in the Public Safety Fund, in which the number of FTEs will be cut by 1,402.2, or 9.3%, from 15,096.1 to 13,693.9 FTEs. The largest numerical increase over the five-year period will occur in the Special Purpose Funds, which will increase from 583.3 FTEs to 1,569.6 FTEs between FY2006 and FY2010. This represents an increase of 986.3 FTEs, or 169.1%, over FY2006.

Cook County Budgeted FTEs by Fund (All Funds): FY2006 & FY2010				
Fund	FY2006	FY2010	# Change	% Change
Corporate Fund	2,240.2	1,796.9	(443.3)	-19.8%
Public Safety Fund	15,096.1	13,693.9	(1,402.2)	-9.3%
Election Fund	42.0	121.0	79.0	188.1%
Special Purpose Funds	583.3	1,569.6	986.3	169.1%
Subtotal without Health Fund	17,961.6	17,181.4	(780.2)	-4.3%
Health Fund	7,438.3	6,664.4	(773.9)	-10.4%
Total	25,399.9	23,845.8	(1,554.1)	-6.1%

Source: Cook County FY2006 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. C-57; FY2010 Executive Budget Recommendation, Vol. 1. Citizens' Summary, p.78-81.

The next exhibit shows total full-time equivalent positions for each of the five years between FY2006 and FY2010. Since FY2006 the proposed number of FTEs has fallen from 24,774.6 FTEs to 23,845.8 FTEs, a decline of 3.7%, or 928.8 FTEs.



Personal Service Appropriations

The following chart compares total personal service appropriations to the total County operating budget. In FY2010 personal service appropriations will constitute 71.4% of the total budget, up 0.5 percentage points from 70.9% in FY2009. Since FY2006 personnel costs have increased as a percentage of the total operating budget, rising by 3.6 percentage points from 67.8% of the total operating budget in FY2006.

Ratio of Personal Service to Total Appropriations: FY2006-FY2009			
	Personal Services Appropriation	Total Operating Budget	Personal Services as % of Total Operating Budget
FY2006	\$ 2,011,382,191	\$ 2,964,769,632	67.8%
FY2007	\$ 2,060,807,139	\$ 2,838,739,878	72.6%
FY2008	\$ 2,010,191,300	\$ 2,959,614,080	67.9%
FY2009	\$ 2,090,731,279	\$ 2,948,995,126	70.9%
FY2010	\$ 2,175,913,082	\$ 3,046,551,131	71.4%

Source: Cook County FY2006 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. C-16; FY2007 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. C-31; FY2008 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 43; FY2009 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 22; FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 72.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

The following section details the budget for the Cook County Health and Hospitals System (Health System).

Overview of Health System

The Health System is one of the nation's largest public hospital systems and the largest provider of healthcare to uninsured and Medicaid patients in the State of Illinois. The Health System oversees the operation of three public hospitals: John H. Stroger, Jr. Hospital, Provident Hospital and Oak Forest Hospital. These three hospitals combined provide all levels of health care to County residents and serve as teaching hospitals.²³

Additional health services are provided by the Health System's CORE Center, the Cook County Department of Public Health and the Ambulatory and Community Health Network. The CORE Center operates as an outpatient facility for HIV/AIDS patients, as well as those with related diseases. The Cook County Department of Public Health provides regulatory, preventative and protective health services to County residents, including clinical public health visits. The Ambulatory Network operates out of 16 satellite clinical offices located across the County, providing primary and outpatient care services to residents of all ages.

The Health System also operates Cermak Health Services, which serves as the hospital for the Cook County Department of Corrections and the Juvenile Temporary Detention Center Health Services (JTDC). Cermak is the largest single jail health facility in the country and provides public, mental and general health care services to all inmates of the Cook County jail system.²⁴ JTDC provides similar primary, dental and mental health care to the children detained by the County.

The total FY2010 operating budget for the entire Health System is \$968.5 million, which includes \$887.6 million before fixed charges and special purpose appropriations.²⁵

The total number of full-time equivalent employees for the Health System in FY2010 is budgeted at 7,606.7 before planned reductions of 942.3 positions.²⁶ The planned reductions would result in 6,664.4 FTEs in FY2010. That total would be 658.4 fewer positions than the 7,322.8 proposed in FY2009.

Funding for the Health System in FY2010 will come from three primary sources: 1) patient fee revenues, which include special federal Medicaid funds for hospitals that serve a large number of low-income patients; 2) property taxes; and 3) home rule taxes consisting of sales taxes and cigarette taxes.²⁷

²³ Cook County Health and Hospitals System website at <http://cookcountyhealth.net/CCServlet> (last viewed on October 26, 2009).

²⁴ Ibid.

²⁵ Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 45.

²⁶ Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 80; Cook County FY2009 Executive Budget Recommendation, Vol. 1, Citizens' Summary, pp. 48-49.

²⁷ Cook County FY2010 Executive Budget Recommendation, Vol. 1, Revenue Estimate, p. 6.

Overview of Governance Structure and Recent Activities

The Health System is governed by an 11-member Board of Directors that was established to provide independent oversight of the Health System's day-to-day operations.²⁸ Unlike its predecessor, the Cook County Bureau of Health Services, the Health System is not under the direct control of the Cook County Board of Commissioners. According to the Health System's enabling ordinance, passed by the County Board on February 29, 2008, the new oversight board was designed to ensure that a team of experienced professionals would supervise the restructuring of the Health System.²⁹ One County Commissioner, Jerry Butler, Chairman of the County Board's Health and Hospitals Committee, is also a member of the Health System Board. The County Board retains final authority over the Health System, including the power to approve Health System budgets, any hospital closings and strategic and financial plans.

The Health System Board held its first meeting in June of 2008. Under the enabling ordinance, the Health System Board will operate for three years and will terminate in 2011, unless the County Board reauthorizes its powers and responsibilities.

In the past year, Chairman Warren Batts and his fellow Health System Board members addressed problems that must be resolved in order for the Health System to operate efficiently and effectively. The problems and recommendations for fixing them were outlined by a blue-ribbon committee in an October 2007 report, which concluded that the County health system was facing a crisis that jeopardized its critical mission.³⁰

As part of the reorganization process, the Health System hired Chief Executive Officer William Foley, who joined the Health System in May of 2009 after a nationwide search. In the past few months, Mr. Foley has recruited a new senior management team consisting of healthcare professionals.³¹

The Health System began to implement a new information technology (IT) system, designed to provide management with timely and accurate information for the first time. All of the Health System's hospitals and clinics are now using the same technology to support the delivery of services to patients, but the Health System is still in the process of installing corresponding fully-functional IT systems for its business and administrative processes.³²

Several measures undertaken by the Health System resulted in savings in FY2009, with more savings expected in the next fiscal year. The Health System joined a Group Purchasing Organization to take advantage of lower prices available through bulk purchases of supplies. Because of delays in finalizing the contract, the arrangement is expected to generate \$5 million in savings in FY2009 but at least \$20 million in FY2010.

The Health System also cut costs by eliminating personnel positions to bring its ratio of full-time employees to occupied beds in line with other healthcare systems. In FY2009, 692 vacant

²⁸Cook County Code Chapter 38, Article V, Sections 70-93.

²⁹Cook County Code Chapter 38, Article V, Sections 2-5.

³⁰ Report of the Cook County Bureau of Health Services Review Committee, October 2007, p.4.

³¹ Cook County Health and Hospitals System, *One Year Anniversary Report to the County Board by Cook County Health and Hospitals Chairman Warren Batts*, September 16, 2009.

³² Ibid.

positions were eliminated.³³ The Health System is also laying off workers whose positions were identified by a consultant through a performance improvement assessment. In October of 2009, 335 employees were laid off; another 323 workers are expected to lose their jobs in the spring of 2010.³⁴ The layoffs and elimination of vacant positions are expected to save more than \$80 million.

Of the 335 layoffs announced so far, 200 of the jobs were at Oak Forest and 189 were non-clinical positions, such as clerks, telephone operators and painters, according to the Health System.³⁵ The reductions at Oak Forest included 80 food service workers, who outnumbered patients by a ratio of almost two to one.³⁶ Three of the 34 jobs cut at Provident Hospital were in obstetrics and gynecology, where births have dropped to one a day.³⁷ Local 73 of the Service Employees International Union, which represents 1,700 Health System workers, has opposed the cuts, as has Cook County President Todd Stroger.³⁸

Meanwhile, the Health System plans to add 450 positions, including nurses and IT specialists. However, little progress has been made in recruiting these professionals because of delays in getting started and problems with the County's hiring process.³⁹ We do not know how this will impact the final personnel totals.

The Health System increased cash collections by roughly \$35 million by taking steps to improve its procedures for billing patients. Billing problems, such as verifying patients' eligibility for insurance, assigning proper medical codes for procedures and sending out bills for services rendered, have long plagued the system. In FY2008, 55% of patients were uninsured and their care was largely unreimbursed. The figure dropped to 49% in FY2009, as more patients were signed up for Medicaid. Through July of 2009, the latest figures available, 73.5% of the Health System's cash receipts for patient services came from Medicaid.

A bigger revenue boost has come from a new agreement with the State of Illinois concerning federal funding for the Health System. The agreement, effective in FY2008, for the first time provided the Health System with access to federal Medicaid Disproportionate Share Hospital (DSH) funds allocated to the State. DSH funds are designed to aid hospitals that serve a substantial number of low-income patients.

In FY2010, the Health System is expected to receive \$150 million in DSH funds. Largely because of this additional federal funding, the Health System's FY2010 budget includes \$308 million in funding from the County, down \$74 million or 19% from the \$382 million in County

³³ Cook County Health and Hospitals System, FY2010 Budget Transmittal Letter to Cook County Board of Commissioners, August 26, 2009 (revised October 28, 2009).

³⁴ Ibid.

³⁵ Cook County Health and Hospitals System "Facts regarding the announced staff rebalancing," news release, October 26, 2009.

³⁶ Ibid.

³⁷ Ibid.

³⁸ "Cook County Health Board Under Fire," *Chicago Public Radio*, October 27, 2009, <http://www.wbez.org/Content.aspx?audioID=37705> (last viewed on October 27, 2009); "Local 73, Stroger step up fight to save jobs, services in county hospitals system," Service Employees International Union, Local 73, October 27, 2009, <http://www.seiu73.org/> (last viewed on October 27, 2009).

³⁹ Cook County Health and Hospitals System, *One Year Anniversary Report to the County Board by Cook County Health and Hospitals Chairman Warren Batts*, September 16, 2009.

subsidies appropriated in FY2009. The agreement under which the DSH funds are paid ends in 2013.

In addition, revenues are being enhanced by increased federal Medicaid matching funds, which are scheduled to end on December 31, 2010. Stimulus funding under the American Recovery and Reinvestment Act of 2009 added \$36 million to Health System revenues in FY2009 and is expected to add \$39 million in FY2010.⁴⁰

A strategic plan that would include the elimination of inpatient services at Provident and Oak Forest Hospitals, the consolidation of the Health System's network of clinics and the creation of regional clinics that would offer a broad array of services has been under consideration by the Health System Board.⁴¹ The Health System Board had been scheduled to vote on the plan at a meeting on November 5, 2009. However, in the face of strong opposition to the proposed plan from employees and community members, the Health System now expects to delay the vote for several months while it considers possible revisions.⁴²

Health System Appropriations

The following section presents trends for FY2010 appropriations for the Health System by Object and Entity. The comparisons reflect General Funds appropriations.

Appropriation by Object

In FY2010 appropriations will increase by 5.2% or \$47.7 million, rising from \$920.9 million in the FY2009 budget to \$968.6 million in FY2010. Personal services appropriations over the two year period will rise by 2.8% or \$18 million. Contractual services appropriations will increase by 45.8% to \$164.2 million.

Cook County Health and Hospitals System Appropriations by Object FY2009 & FY2010 (in \$ millions)				
Object	FY2009	FY2010	\$ Change	% Change
Personal Services	\$ 642.2	\$ 660.2	\$ 18.0	2.8%
Contractual Services	\$ 112.6	\$ 164.2	\$ 51.6	45.8%
Supplies and Materials	\$ 159.0	\$ 152.0	\$ (7.0)	-4.4%
Operation and Maintenance	\$ 56.9	\$ 55.2	\$ (1.7)	-3.0%
Rental and Leasing	\$ 3.7	\$ 10.1	\$ 6.4	173.0%
Contingency	\$ (53.5)	\$ (73.1)	\$ (19.6)	36.6%
Total	\$ 920.9	\$ 968.6	\$ 47.7	5.2%

Source: Cook County FY2009 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 21; Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, pp. 52-53.

The table below shows five-year trend information on appropriations by object. Between FY2006 and FY2010, total appropriations will increase by 5.0% or \$46.2 million. Personal

⁴⁰ Cook County Health and Hospitals System, FY2010 Budget Transmittal Letter to Cook County Board of Commissioners, August, 26, 2009.

⁴¹ Presentation to Cook County Health and Hospitals Board of Directors by John Abendshien, Integrated Clinical Solutions Inc., October 7, 2009.

⁴² Civic Federation conversation with Cook County Health and Hospital Systems CEO William Foley, October 28, 2009.

services appropriations will rise by 7.9% or \$48.1 million, and contractual service appropriations will grow by 81.2% or \$73.6 million.

Cook County Health & Hospitals System Appropriations by Object FY2006 & FY2010 (in \$ millions)				
Object	FY2006	FY2010	\$ Change	% Change
Personal Services	\$ 612.1	\$ 660.2	\$ 48.1	7.9%
Contractual Services	\$ 90.6	\$ 164.2	\$ 73.6	81.2%
Supplies and Materials	\$ 157.1	\$ 152.0	\$ (5.1)	-3.2%
Operation and Maintenance	\$ 44.9	\$ 55.2	\$ 10.3	23.0%
Rental and Leasing	\$ 4.9	\$ 10.1	\$ 5.2	106.1%
Contingency	\$ 12.8	\$ (73.1)	\$ (85.9)	-672.3%
Total	\$ 922.4	\$ 968.6	\$ 46.2	5.0%

Source: Cook County FY200 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. C-15; Cook County 2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, pp. 52-53.

Appropriations by Entity

Appropriations for Stroger Hospital will increase by 1.7%, rising from \$429.1 million to \$436.6 million. Provident Hospital will receive an additional \$3.0 million in FY2010 over the FY2009 appropriation of \$94.1 million, a 3.2% increase. Appropriations for Oak Forest Hospital will remain unchanged at \$91.1 million.

Cook County HHS Appropriations by Entity FY2009 & FY2010 (in \$ millions)				
	FY2009	FY2010	\$ Change	% Change
Office of Chief Health Administrator	\$ 141.0	\$ 140.4	\$ (0.6)	-0.4%
Provident Hospital	\$ 94.1	\$ 97.1	\$ 3.0	3.2%
Ambulatory/CH Network	\$ 48.5	\$ 51.8	\$ 3.3	6.8%
CORE Center	\$ 11.2	\$ 11.8	\$ 0.6	5.4%
Department of Public Health	\$ 15.9	\$ 17.4	\$ 1.5	9.4%
Stroger Hospital	\$ 429.1	\$ 436.6	\$ 7.5	1.7%
Oak Forest Hospital	\$ 91.1	\$ 91.1	\$ -	0.0%
Cermak Health Services	\$ 35.9	\$ 41.3	\$ 5.4	15.0%
Fixed Charges/Special Purpose	\$ 53.9	\$ 81.0	\$ 27.1	50.3%
Total	\$ 920.7	\$ 968.5	\$ 47.8	5.2%

Source: Cook County FY2009 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 15; Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 45.

Between FY2006 and FY2010, appropriations for Stroger Hospital will decline by 6.2% or \$29.1 million from \$465.8 million. Appropriations for the Ambulatory and Community Health Network will drop by \$2.9 million or 5.3%.

Cook County HHS Appropriations by Entity FY2006 & FY2010 (in \$ millions)				
	FY2006	FY2010	\$ Change	% Change
Office of Chief Health Administrator	\$ 13.5	\$ 140.4	\$ 126.9	940.0%
Provident Hospital	\$ 102.1	\$ 97.1	\$ (5.0)	-4.9%
Ambulatory/CH Network	\$ 54.7	\$ 51.8	\$ (2.9)	-5.3%
CORE Center	\$ 11.1	\$ 11.8	\$ 0.7	6.3%
Department of Public Health	\$ 18.3	\$ 17.4	\$ (0.9)	-4.9%
Stroger Hospital	\$ 465.8	\$ 436.7	\$ (29.1)	-6.2%
Oak Forest Hospital	\$ 96.6	\$ 91.1	\$ (5.5)	-5.7%
Cermak Health Center	\$ 40.2	\$ 41.3	\$ 1.1	2.7%
Fixed Charges/Special Purpose	\$ 96.6	\$ 81.0	\$ (15.6)	-16.1%
Total	\$ 898.9	\$ 968.6	\$ 69.7	7.8%

Source: Cook County FY2006 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. C-9; Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 45.

Health System Resources

In FY2010 the Health System's main sources of revenue will be patient fees, sales taxes and property taxes.⁴³ Patient fee revenues are expected to total \$579.0 million, including the Medicaid DSH funds described above.

The projected sales tax revenue from the one percentage point increase in FY2010 is estimated to total \$377.7 million for the whole County. The total amount of sales tax revenue projected for Cook County in FY2010 will be \$661.0 million. Sales tax revenue allocated to the Health System in FY2010 is projected to total \$222.8 million. Even if the whole amount of sales tax revenue for Health System is taken from the one percentage point increase, only *approximately* 57% of the revenue from the one percentage point sales tax increase will go to the Health System in FY2010. The remaining 43% will go to fund other County operations.

Cook County Health & Hospitals System Revenue Sources: FY2010		
Revenue Source	FY2010	% of Total
2010 Net Property Tax Levy	\$ 135,965,450	14.0%
Patient Fee Revenues	\$ 579,000,000	59.8%
Sales Tax*	\$ 222,765,555	23.0%
Cigarette Tax*	\$ 25,182,193	2.6%
Other	\$ 5,737,425	0.6%
Total	\$ 968,650,623	100.0%

*Home Rule Taxes.

Source: Cook County FY2010 Executive Budget Recommendation, Vol 1, Revenue Estimate, p. 6.

Health System Personnel

The FY2010 Health System budget shows a decrease of approximately 658 full-time equivalent positions from FY2009. In addition, 334 vacant positions will be eliminated. The Health System's budget was prepared before it was determined how these cuts would be allocated by department, so the County budget simply shows a reduction of roughly 942 FTE positions from the total allocated in the FY2010 budget. The County budget states that the 942 FTE reductions

⁴³ Cook County FY2010 Executive Budget Recommendation, Revenue Estimate, p. 54.

are based on implementation of the Health System's strategic plan.⁴⁴ However, Health System officials said the planned reductions are part of a broader restructuring and will be implemented regardless of the outcome of the strategic planning process.⁴⁵

Cook County Health & Hospitals System Personnel: FY2009 & FY2010				
Department	FY2009	FY2010	# Change	% Change
Office of Chief Health Administrator	436.2	553.5	117.3	26.9%
Provident Hospital	693.0	684.6	-8.4	-1.2%
Ambulatory/CH Network	673.2	702.2	29.0	4.3%
CORE Center	61.4	67.7	6.3	10.3%
Department of Public Health	160.6	171.6	11.0	6.8%
Stroger Hospital	3,822.6	3,911.3	88.7	2.3%
Cermak Health Services	414.0	486.5	72.5	17.5%
Oak Forest Hospital	1,061.8	1,029.3	-32.5	-3.1%
Subtotal	7,322.8	7,606.7	283.9	3.9%
Proposed FY2010 Reductions*	-	942.3	-	-
Total	7,322.8	6,664.4	-658.4	-9.0%

*Represents anticipated reductions of 942.3 FTEs.

Source: Cook County FY2009 Executive Budget Recommendation, Vol. 1, Citizens' Summary, pp. 48-49;
Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 80

From FY2006 to FY2010, Health System FTEs will decrease by 15.7% or 1,242.1 FTE positions. This decline also accounts for the planned reductions due to restructuring.

Cook County Health & Hospitals System Personnel: FY2006 & FY2010				
Department	FY2006	FY2010	# Change	% Change
Office of Chief Health Administrator	31.0	553.5	522.5	1685.5%
Provident Hospital	727.1	684.6	-42.5	-5.8%
Ambulatory/CH Network	671.7	702.2	30.5	4.5%
CORE Center	59.0	67.7	8.7	14.7%
Department of Public Health	161.4	171.6	10.2	6.3%
Stroger Hospital	4,272.3	3,911.3	-361.0	-8.4%
Cermak Health Services	468.2	486.5	18.3	3.9%
Oak Forest Hospital	1,515.8	1,029.3	-486.5	-32.1%
Subtotal	7,906.5	7,606.7	-299.8	-3.8%
Proposed FY2010 Reductions*	-	942.3	-	-
Total	7,906.5	6,664.4	-1,242.1	-15.7%

*Represents anticipated reductions of 942.3 FTEs.

Source: Cook County FY2006 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. C-42; Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 80.

⁴⁴ Cook County FY2010 Executive Budget Recommendation, Vol. 1, Citizens' Summary, p. 80.

⁴⁵ Civic Federation conversation with Cook County Health and Hospital Systems Chief Financial Officer Michael Ayres, October 29, 2009.

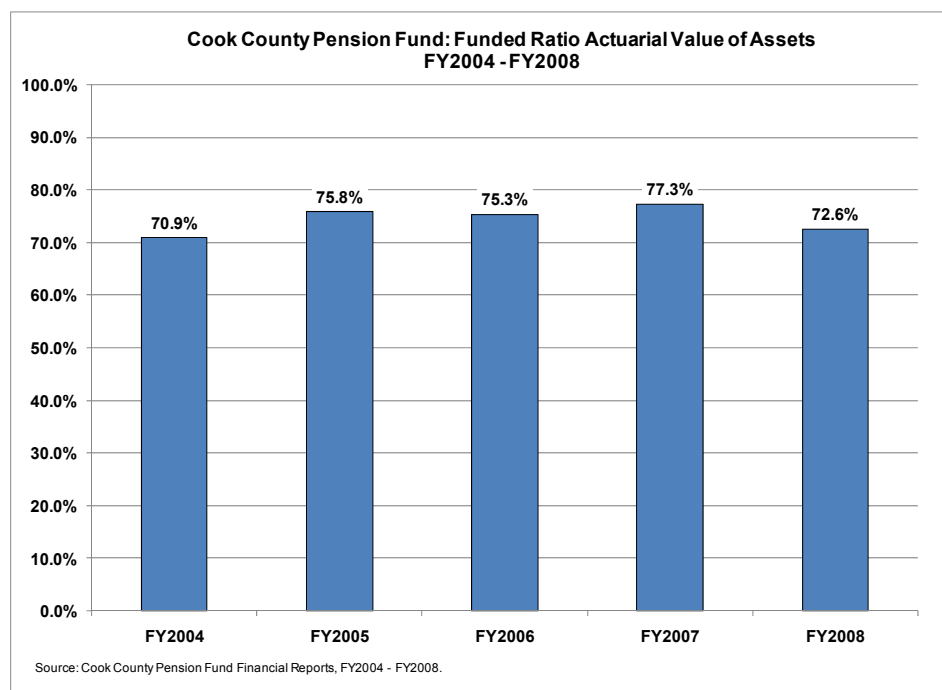
PENSION FUND TRENDS

The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of Cook County's pension fund: funded ratios, the investment rate of return, and the value of unfunded liabilities.⁴⁶

Funded Ratios – Actuarial Value of Assets

The following exhibit shows the funded ratio for Cook County'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 Cook County's pension fund increased from 70.9% to 72.6% between FY2004 and FY2008, the last year for which complete information was available. In FY2008 the funded ratio fell from 77.3% to 72.6%. In FY2004 the funded ratio rose slightly due in part to changes in actuarial assumptions made in preparing the FY2004 actuarial valuations that increased the value of net assets from the amounts that would have been calculated using previous actuarial methods.⁴⁷ In FY2005 the plan actuary changed the methods used to calculate actuarial liabilities in order to more accurately model the liabilities of the fund. These changes resulted in a decrease of \$729.6 million in unfunded liabilities.⁴⁸ Without these changes, the FY2005 Cook County funded ratio would have been 70.3% rather than 75.8%.



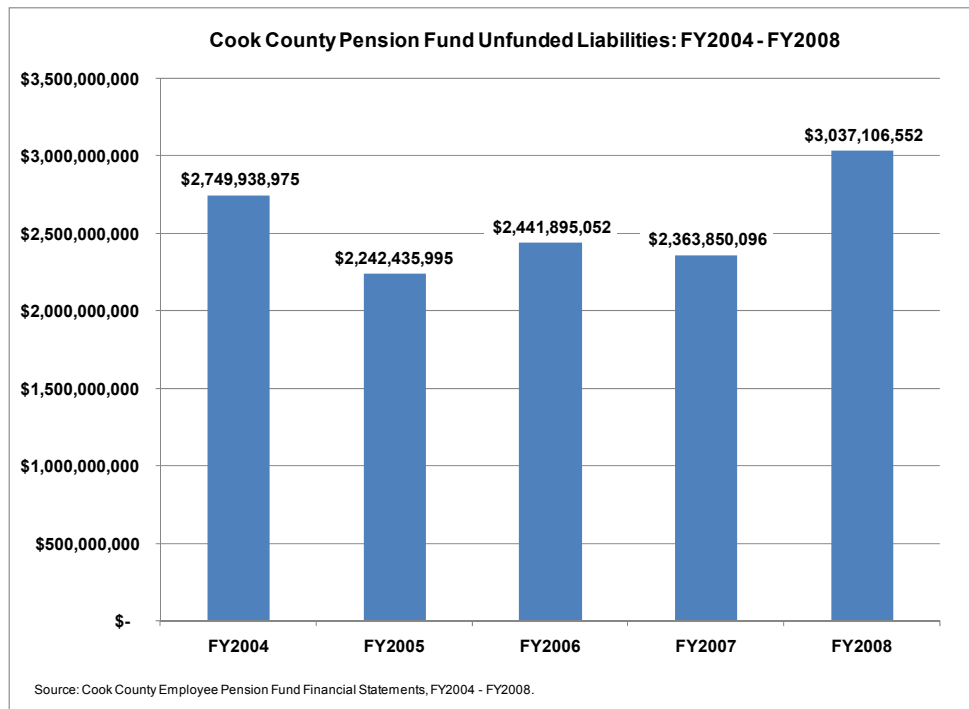
⁴⁶ The discussion of Cook County's pension fund trends is drawn from *Status of Local Pension Funding* (Chicago: Civic Federation, forthcoming 2009).

⁴⁷ The FY2004 *Actuarial Valuation* reports net assets at the beginning of the year as \$6,529,956,047, while the former actuary reported net assets as being \$5,929,201,142. The method boosts the value of net assets by \$600,754,905, thus in part increasing the funded ratio and decreasing unfunded liabilities. County Employees' Annuity and Benefit Fund of Cook County, *Actuarial Valuation as of December 31, 2004*, p. 9.

⁴⁸ County Employees' and Officers' Annuity and Benefit Fund of Cook County, *Actuarial Valuation as of December 31, 2005*, pp. 13-14. The change was a correction to the actuary's computer model. Information provided by Sandor Goldstein, March 20, 2009.

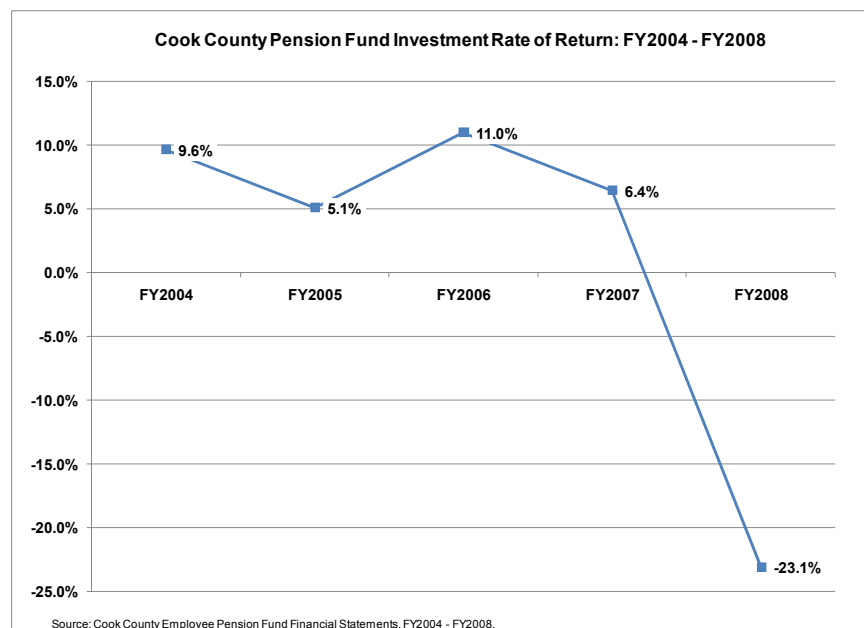
Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for Cook County's pension fund totaled \$3.0 billion in FY2008. There was a 28.5% or \$673.2 million increase in unfunded liabilities from FY2007.



Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2004 and FY2008 Cook County investment rates of return fell from 9.6% to -23.1%.



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. Cook County reported no short-term debt but did include the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report (CAFR) for FY2007, which is the most recent financial statement released by the County:⁴⁹

- Accounts payable: monies owed to vendors for goods and services carried over into the new fiscal year;
- Accrued salaries: employee pay carried over the previous year;
- Deferred Property Tax: property taxes not collected or held pending appeals from the previous year;
- Other Deferred Revenue: revenues not collected from the previous fiscal year;
- Other liabilities: include self insurance funds, unclaimed property and other unspecified liabilities; and
- Accrued Interest: includes interest due on deposits payable by the County in the next fiscal year.

The Civic Federation relies on timely issuance of a government's CAFR in order to analyze actual debt trends and five-year analogs. However, Cook County did not release a CAFR for FY2008 by October 22, 2009 when the proposed budget for FY2010 was released. This delay limited the scope of our debt analysis.

In FY2007 short-term liabilities increased by \$28.5 million from the previous year or 8.6%. Since 2004, short-term liabilities have increased by \$142.1 million or 65.8%. The following chart shows short-term liabilities by category and the percent change between FY2004 and FY2007.

Cook County Short-Term Liabilities: FY2004 - FY2008* (in \$ thousands)							
Type	FY2004	FY2005	FY2006	FY2007	FY2008*	4-Year Change	4-Year % Change
Accounts Payable	\$ 66,888	\$ 126,832	\$ 141,388	\$ 172,707	NA	\$ 105,819	158.2%
Accrued Salaries Payable	\$ 44,898	\$ 47,236	\$ 68,014	\$ 18,829	NA	\$ (26,069)	-58.1%
Deferred Property Tax	\$ 41,276	\$ 46,182	\$ 55,274	\$ 62,062	NA	\$ 20,786	50.4%
Other Deferred Revenue	\$ 16,319	\$ 24,781	\$ 24,161	\$ 19,925	NA	\$ 3,606	22.1%
Other Liabilities	\$ 39,740	\$ 33,762	\$ 32,457	\$ 76,441	NA	\$ 36,701	92.4%
Accrued Interest	\$ 6,854	\$ 8,026	\$ 8,296	\$ 8,087	NA	\$ 1,233	18.0%
Total	\$215,975	\$ 286,819	\$ 329,590	\$ 358,051	NA	\$ 142,076	65.8%

*Cook County FY2008 CAFR not available.

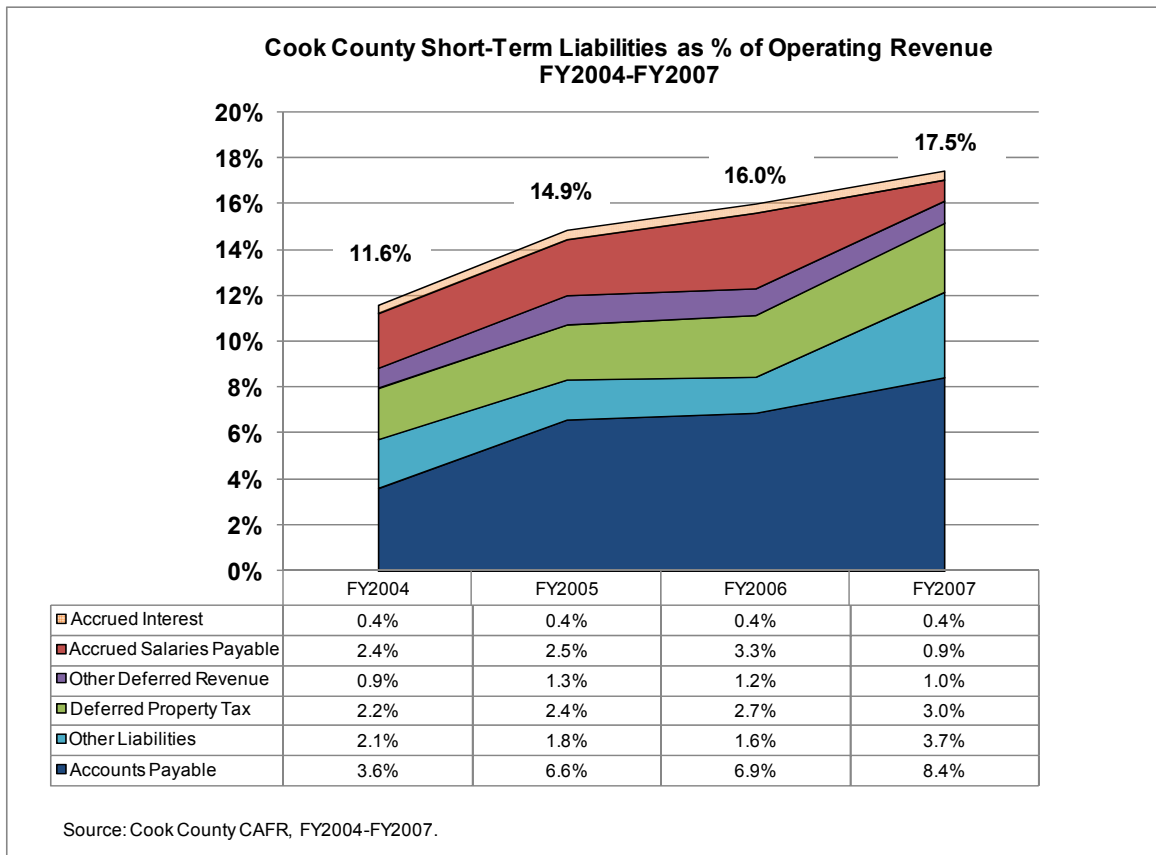
Source: Cook County CAFR, FY2004-FY2007.

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.⁵⁰ This indicator, developed by the International City/County Management

⁴⁹ Cook County CAFR FY2007, p. 26.

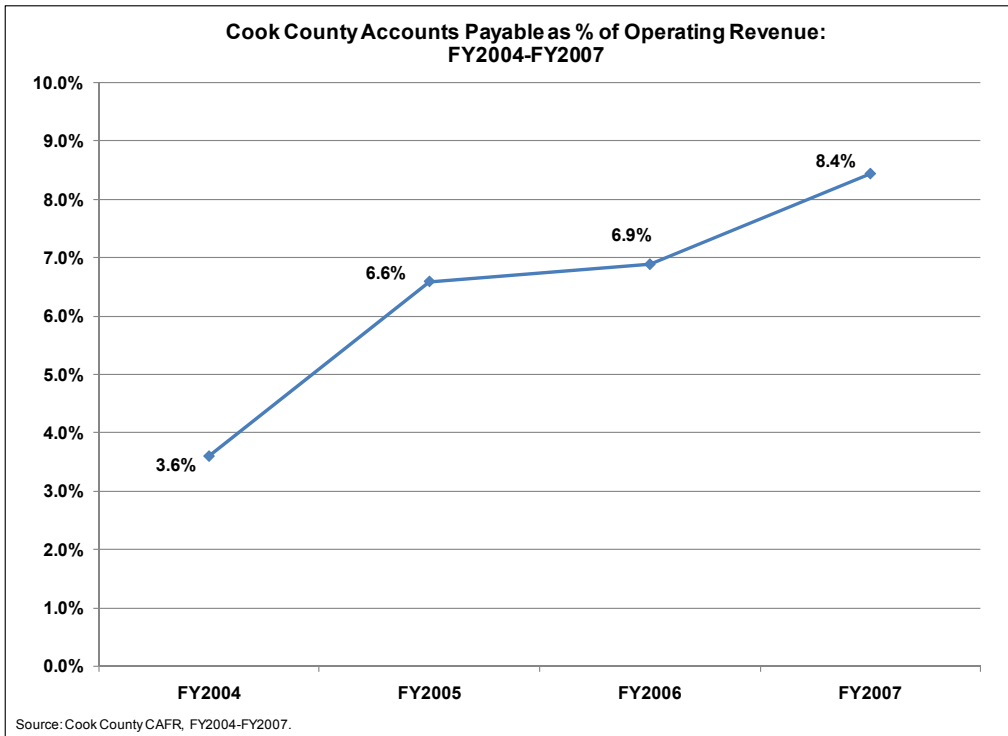
⁵⁰ Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating*

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. Cook County has shown an increase in this trend of short-term liabilities compared to total operating revenue between FY2004 and FY2007 from 11.6% to 17.5%.



Accounts Payable

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Cook County's ratio of operating funds accounts payable to operating revenues has gradually increased between FY2004 and FY2007, from 3.6% to 8.4%. Having more than doubled in a very short period, this trend is cause for concern and warrants further examination as the financial reports for FY2008 and FY2009 become available.

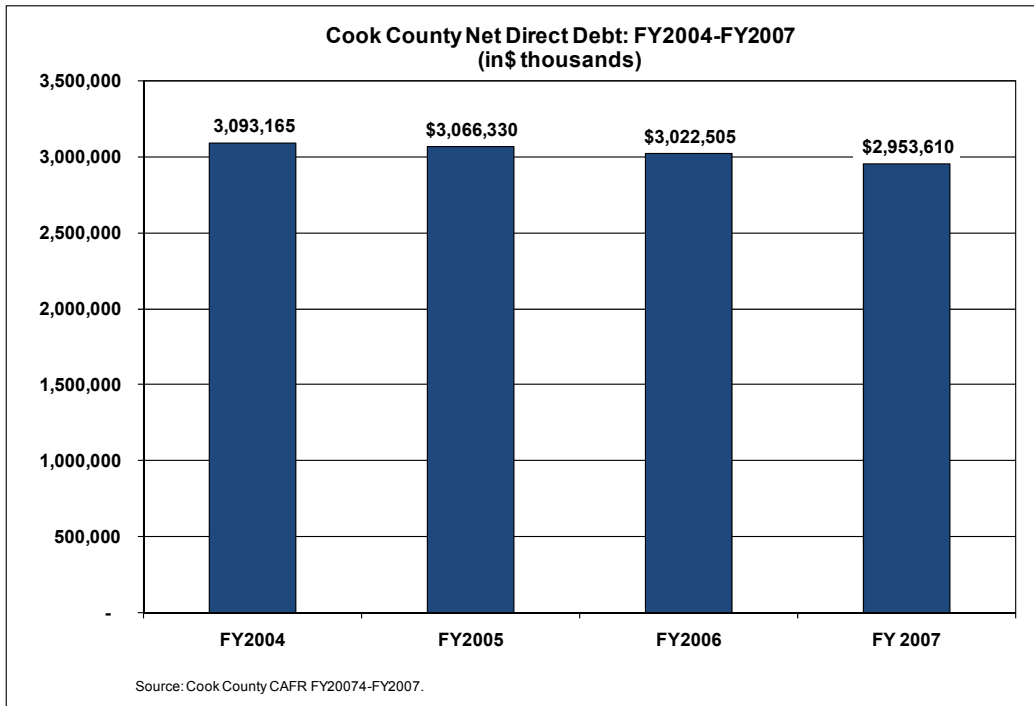


LONG-TERM DEBT

Direct debt is tax-supported debt such as General Obligation debt. For Cook County, net direct debt includes General Obligation bonds less the amount of refunded prior bonds.⁵¹ Long-term debt issued directly by Cook County decreased by \$139.6 million or 4.5% between FY2004 and FY2007.⁵² However, the County has not released audited financial results for FY2008 and has sold more general obligation debt in FY2009. The following graph shows the four years of available audit debt data from FY2004 to FY2007.

⁵¹ For definition, see FY2007 Cook County Comprehensive Annual Financial Report, p. 186.

⁵² Cook County CAFR FY2004-FY2007.



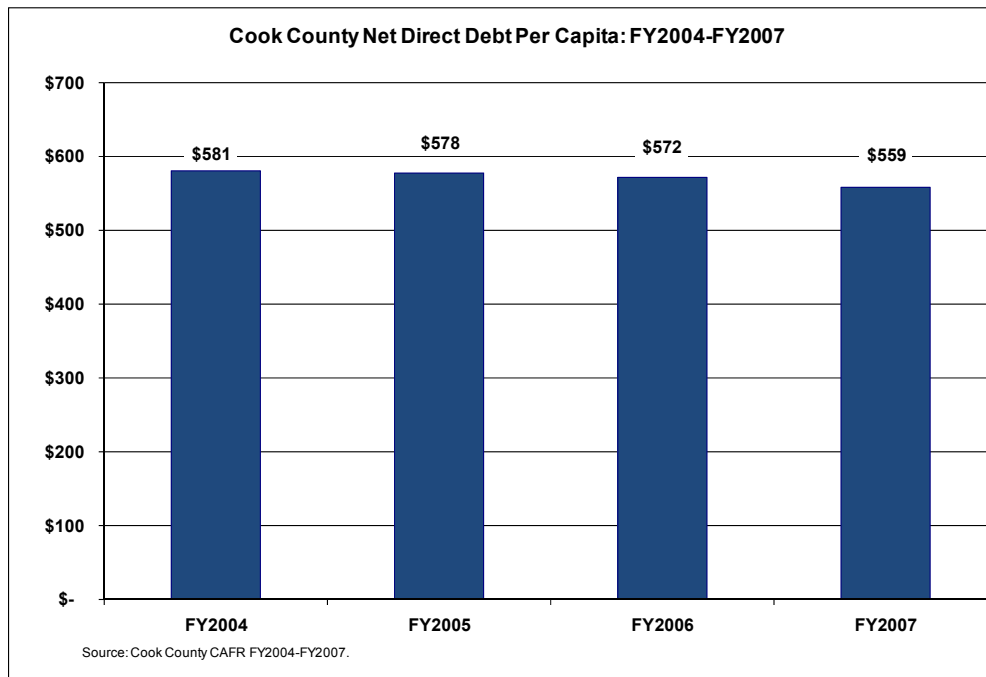
According to the documentation accompanying the most recent bond sale by the County, the current net direct debt level has increased to \$3.14 billion.⁵³

Net Direct Debt Per Capita

Net direct debt per capita is a measure of a government's ability to maintain its current financial policies and increases over time bear watching as a potential sign of increasing financial risk. Cook County's net direct debt per capita has decreased by 3.8% from FY2004 to FY2007.⁵⁴ However, the County has issued more debt since the most recent CAFR was published in FY2007 and the total debt per capita has recently started to increase. The following chart shows the four-year change in debt per capita:

⁵³ Cook County \$427,415,000 Bond Sale, Official Statement, p. 29. July 7, 2009. <http://emma.msrb.org/EA285142-EA3771-EA599321.pdf>

⁵⁴ Cook County CAFR, FY2004-FY2007 .



According to direct debt totals reported in recent bond documents⁵⁵ and an estimated population of 5,288,161⁵⁶ reported in the FY2010 proposed budget, current debt per capita in Cook County is estimated to total \$583, or 4.2% greater than the data reported in the FY2007 CAFR.

Cook County Bond Ratings

Cook County reports the following debt ratings from the three major agencies:⁵⁷

- Standard and Poor's: AA
- Fitch: AA-
- Moody's: Aa3

COOK COUNTY CAPITAL PROGRAM

Cook County' proposed budget for FY2010 includes a capital budget totaling \$519.0 million in new contract authority and an estimated five-year cost of \$916.9 million.⁵⁸

The County supports the majority of its capital investments through long-term general obligation bonds except for road and bridge projects, which are funded through the Motor Fuel Tax.

The following chart shows the new proposed capital contract authority compared to the amount to be spent on capital investments in FY2010 and the total five-year cost of these projects.

⁵⁵ Cook County \$427,415,000 Bond Sale, Official Statement, p. 29. July 7, 2009. <http://emma.msrb.org/EA285142-EA3771-EA599321.pdf>

⁵⁶ Cook County FY2010 Executive Budget Recommendation, Citizens' Summary, p. 1.

⁵⁷ Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 1.

⁵⁸ Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 10.

Cook County Capital Program FY2010-FY2014 (in \$ thousands)			
Purpose	New Contract	FY2010 Expense	Total 5-year Cost
County Building Repairs	\$ 1,900.0	\$ 1,200.0	\$ 1,900.0
Jail South Campus Repairs	\$ 635.0	\$ 635.0	\$ 635.0
County Physical Plant Upgrades	\$ 204,320.1	\$ 61,504.8	\$ 317,261.0
Provident Medical Center Repairs	\$ 380.0	\$ 380.0	\$ 380.0
County Hospital Replacement (planning only)	\$ 4,400.0	\$ -	\$ 4,400.0
69 W. Washington Improvements	\$ 2,642.7	\$ 2,307.7	\$ 2,642.7
County Hospital Repairs	\$ 62,723.0	\$ 14,790.5	\$ 232,973.0
Juvenile Temp. Detention Center Upgrades	\$ 6,427.3	\$ 2,580.0	\$ 8,274.5
Oak Forest Hospital Repairs	\$ 1,858.0	\$ 1,858.0	\$ 1,858.0
Daley Center Structural Repair and General Building Upgrades	\$ 23,900.3	\$ 17,318.8	\$ 23,900.3
Road & Bridge Projects	\$ 48,235.0	\$ 48,235.0	\$ 161,099.0
New Equipment & Replacement	\$ 114,193.5	\$ 114,193.5	\$ 114,193.5
Major Equipment Leases	\$ 41,345.0	\$ 41,345.0	\$ 41,345.0
Long-Term Equipment Leases	\$ 6,011.8	\$ 6,011.8	\$ 6,011.8
Total	\$ 518,971.7	\$ 312,360.1	\$ 916,873.9

Source: Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 9.

All of the proposed capital spending in the budget will be funded through proceeds from prior debt issuance and new capital bonds except for Motor Fuel Tax receipts totaling \$48.2 million or 9.3% of the total appropriations for FY2010.⁵⁹ Selling new general obligation bonds increases the County's required debt service payments and can have a long-term effect on annual budgets.

Currently, Cook County has \$3.1 billion in outstanding general obligation debt⁶⁰ and will pay \$190.8 million for debt service in FY2010.⁶¹ Including interest, the County will pay a total of \$5.3 billion through FY2033 to repay all of these outstanding bonds, not including new borrowing for the proposed FY2010 capital budget.

In order to ensure the effectiveness of capital spending, Cook County should develop a comprehensive capital improvement plan (CIP), which includes a prioritized list of all proposed capital projects and funding sources. Goals and guidelines in a CIP document help manage capital spending effectively to meet legislative goals, which should include maintaining current assets while improving those assets through upgrades and improvements and monitoring any increase in operational costs that often accompany new capital projects. Although the FY2010 Capital Program proposed by the County does include information on the cost and purpose of the proposed capital projects, it does not include an inventory of all capital assets and needs or the criteria used to prioritize projects.

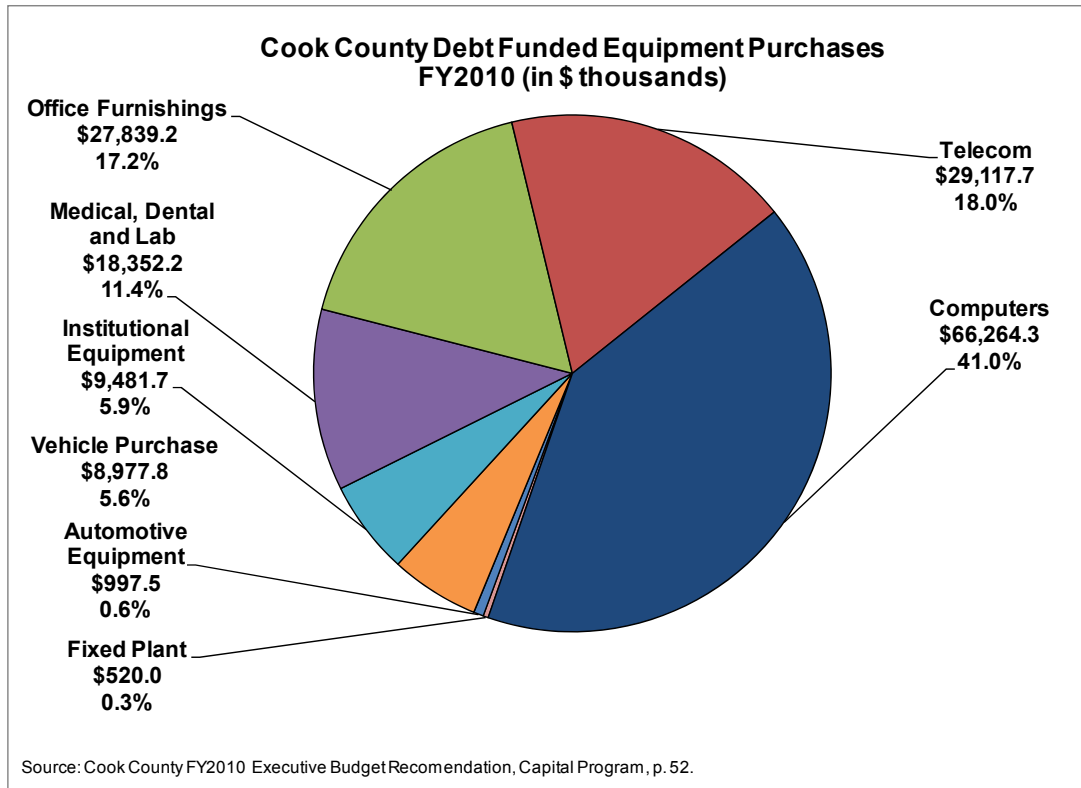
The FY2010 capital program also allocates \$161.6 million for equipment, including short-term assets such as \$9.0 million for new vehicles and \$27.9 million for office furnishings and equipment. Most equipment purchases are short-term assets that may need to be replaced several times during the life of a typical general obligation bond. Capital purpose debt should not be

⁵⁹ Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 3.

⁶⁰ Cook County \$427,415,000 Bond Sale, Official Statement, p. 29. July 7, 2009 at <http://emma.msrb.org/EA285142-EA3771-EA599321.pdf> (last visited on October 29, 2009).

⁶¹ Cook County FY2010 Executive Budget Recommendation, Citizens' Summary, p. 7.

used for basic capital maintenance and routine replacement of short-term capital such as vehicles, computers and software and office renovations.⁶² Capital maintenance and equipment purchases should be set aside annually in the operating budget or special reserve funds should be established to save up replacement funds over the usable life of the short-term assets.⁶³ The following chart shows the \$161.6 million in equipment purchases included in the FY2010 capital budget by type.



⁶² John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments*, ICMA, 2004, p. 8.

⁶³ Government Finance Officers Association Recommended Practices, Capital Maintenance and Replacement (2007). <http://www.gfoa.org/downloads/capmaintenance.pdf> (last visited on October 29, 2009).