The Civic Federation

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COOK COUNTY FY2013 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

October 26, 2012

The Civic Federation ● 177 N. State Street ● Chicago, IL 60601 ● civicfed.org

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Cook County FY2013 Executive Budget Recommendation totaling $2.9 billion in operating appropriations. Cook County Board President Toni Preckwinkle's proposed $2.3 billion General Fund budget is a 2.7%, or $61.4 million, increase from the FY2012 adopted budget. The budget closes a $267.5 million shortfall with $47.9 million in expenditure reductions, including the elimination of 462 positions across all funds; $43.3 million in revenue enhancements primarily through tax increases and new taxes; and $176.2 million in other revenue such as $99.0 million in net revenue from the Cook County Health and Hospitals System's Medicaid expansion plan.[1]

The Civic Federation commends Board President Preckwinkle and her team for taking the final steps toward the full repeal of the ill-conceived one percentage point 2008 sales tax increase, implementing expenditure reductions and operational efficiencies, holding the property tax levy nearly flat, continuing the STAR performance management initiative and issuing tax bills on time for the first time in 34 years. The Federation is also encouraged by the County's initial steps toward pension reform, its plan to maximize federal Medicaid revenue for the Health System and President Preckwinkle's support for the Unincorporated Cook County Task Force recommendation to eliminate unincorporated areas of Cook County. Finally, the Civic Federation supports the addition of proposed financial policies, particularly the fund balance policy, to the FY2013 Executive Budget Recommendation.

However, the Civic Federation does have a few concerns about this budget. The Federation is concerned that the County may not be able to achieve its revenue goals. The federal government has not yet approved the Medicaid expansion plan, and the plan's enrollment goal of 115,000 patients will be difficult to achieve. It also is likely that at least two of the County's proposed new taxes will be challenged in court. Additionally, the Civic Federation is disappointed in the insufficient time for public review of the budget between the release of the budget and the first public budget hearing. Furthermore, the Civic Federation remains concerned about the County's long-term structural deficit.

The Federation offers recommendations to help the County improve efficiency and strengthen its financial stability, including fully repealing the sales tax increase, undertaking a long-term financial planning process that involves all stakeholders, implementing pension reforms, developing contingency plans for certain revenue and financing sources, reforming components of County governance and establishing additional financial policies.

The Civic Federation offers the following **key findings** on the Cook County FY2013 proposed budget:

- The County's operating budget, which includes the General and Special Purpose Funds, will decrease by 2.7%, or $61.4 million, to $2.95 billion from FY2012 adopted appropriations of $2.96 billion.
- The FY2013 Cook County budget proposes a decrease of 421.5 full-time equivalent (FTE) positions across all funds, including Health System positions and vacancies. This is a 1.8% decrease from the adopted FY2012 budget of 22,994.8 FTEs to 22,573.3.[2]
- The number of positions for the Health System is 6,667.1, a decline of 5.5%, or 390.7 FTEs, from 7,057.8 in FY2012.[3] It is important to note that most vacant and new positions were funded at only 20% of the full amount in FY2012.

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[1] The elimination of 462 positions includes both the elimination of 365 vacancies in the Health System and eleven layoffs, according to information provided by the Cook County Department of Budget and Management Services, October 17, 2012.

[2] Details of the exact number of layoffs, including the number of part-time and full-time layoffs, vacancy eliminations and descriptions are not included in the proposed FY2013 budget narrative.

[3] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2011.

- Personal service appropriations will constitute 64.8% of the total budget, down 13.4 percentage points from 78.2% in FY2012. FY2013 marks the lowest ratio of personnel appropriations to operating budget in the past five years.
- The property tax levy will increase slightly to $724.9 million in FY2013 as Cook County captures roughly $4.5 million from new property, expiring property tax incentives and expiring and eliminated TIF districts. The Cook County property tax levy was held constant at $720.5 million from FY2001 to FY2011.

The Civic Federation **supports** the following elements of the Cook County FY2013 proposed budget:

- Repealing the final 0.25 percentage point of the 2008 sales tax increase;
- Making expenditure reductions, especially in personnel costs;
- Proposing targeted revenue enhancements;
- Holding the property tax levy nearly flat;
- Establishing goal to eliminate unincorporated areas of Cook County;
- Implementing operational and government service efficiencies;
- Instituting managed competition for custodial services;
- Maximizing federal Medicaid revenue for the Health System through the Medicaid expansion plan;
- Planning for pension reform;
- Proposing new financial policies and including them in the budget document;
- Strengthening the separation between the County and the Forest Preserve District of Cook County through the elimination of building and zoning fee waivers;
- Producing audited financial statements approximately six months after the close of the fiscal year;
- Continuing with the Set Targets, Achieve Results performance management initiative;
- Improving budgeting practices at the Health System; and
- Providing additional information regarding Health System subsidy in the budget document.

The Civic Federation has **concerns** about the following fiscal issues:

- The County will continue to have a significant gap between ongoing revenues and expenditures in future years even with the actions taken in FY2013 to reduce the structural deficit;
- Uncertainty regarding certain revenue and financing sources relied on to the balance the FY2013 budget, including the Medicaid expansion plan, the cigarette tax increase and the new ammunition and "non-titled" use taxes;
- Lack of progress on governance reforms, specifically with regard to the creation of a unified property tax administration office and the merging of the offices of the County Clerk and Recorder of Deeds;
- Insufficient time for public review of the budget; and
- The FY2013 budget document lacks significant detail regarding revenue sources.

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

- Implement comprehensive pension reforms, as proposed through OpenPensions.org;
- Develop and implement a formal long-term financial plan;
- Develop contingency plans for projected revenue and financing sources;
- Establish financial policies recommended by the Government Finance Officers Association;
- Adopt the governance reforms outlined in the Civic Federation's Cook County Modernization Report;
- Produce a comprehensive Capital Improvement Plan that includes a prioritized list of all proposed capital projects and funding sources;
- Improve budget documents by adding more details to the narratives and appropriations and resources data.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Cook County FY2013 Executive Budget Recommendation totaling $2.9 billion in operating appropriations. Cook County Board President Toni Preckwinkle's proposed $2.3 billion General Fund budget is a 2.7%, or $61.4 million, increase from the FY2012 adopted budget. The budget closes a $267.5 million shortfall with $47.9 million in expenditure reductions, including the elimination of 462 positions across all funds; $43.3 million in revenue enhancements primarily through tax increases and new taxes; and $176.2 million in other revenue such as $99.0 million in net revenue through the Cook County Health and Hospitals System's Medicaid expansion plan.[4]

The Civic Federation commends Board President Preckwinkle and her team for taking the final steps toward the full repeal of the ill-conceived one percentage point 2008 sales tax increase, implementing expenditure reductions and operational efficiencies, holding the property tax levy nearly flat, continuing the STAR performance management initiative and issuing tax bills on time for the first time in 34 years. The Federation is also encouraged by the County's initial steps toward pension reform, its plan to maximize federal Medicaid revenue for the Health System and President Preckwinkle's support for the Unincorporated Cook County Task Force recommendation to eliminate unincorporated areas of Cook County. Finally, the Civic Federation supports the proposed financial policies, particularly the fund balance policy in the FY2013 Executive Budget Recommendation document.

However, the Civic Federation is concerned whether the County will be able to achieve its revenue goals. The federal government has not yet approved the Medicaid expansion plan and the plan's enrollment goal of 115,000 patients will be difficult to achieve. It also is likely that several of the County's proposed revenue enhancements will be challenged in court. Additionally, the Civic Federation is disappointed in the insufficient time for public review of the budget between the release of the proposed budget and the first public budget hearing. Furthermore, the Civic Federation remains concerned about the County's long-term structural deficit.

The Civic Federation remains concerned about the County's long-term structural deficit. The County projects that even when taking into account this year's structural changes, deficits will grow from $133 million in FY2014 and to $464 million in FY2017.[5] Even with the elimination of 388.5 full-time equivalent positions, a decrease of 1.8% in the General Funds, spending for personal services in the General Funds is projected to decrease by 0.02%, or $378,500, in FY2013.[6]

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[4] The elimination of 462 positions includes both the elimination of 365 vacancies in the Health System and eleven layoffs, according to information provided by the Cook County Department of Budget and Management Services, October 17, 2012.

[5] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 8. Cook County is required by law to pass a balanced budget so it does not have a budget "deficit" in the same sense that the U.S. federal government has a deficit. The "budget deficit" is a commonly used synonym for the projected budget gap calculated by the County before its budget is developed. It refers to the gap between projected revenues and expenditures for the next fiscal year, which must be addressed in the proposed budget ordinance.

[6] The County reports additional savings of $27.0 million across all funds, through the elimination of the 462 positions. Information provided by Cook County Department of Budget and Management Services, October 23, 2012.

Addressing the structural deficit will require additional operational reforms, which may include further staffing reductions. To drive this process in a rational and transparent way, the County needs to develop a long-range financial plan that addresses the County's cost drivers, stabilizes skyrocketing pension obligations and increases the efficiency of service delivery.

Issues the Civic Federation Supports

The Civic Federation supports the following elements of Cook County's FY2013 Executive Budget Recommendation.

Repealing the Final 0.25 Percentage Point of the 2008 Sales Tax Increase

Fiscal year 2013 will mark the fulfillment of Board President Preckwinkle's pledge to fully roll back the County's home rule sales tax to 0.75%. The strategy has been to roll back the increase in three stages: 0.50% in FY2010, 0.25% in FY2012 and 0.25% in FY2013 (the latter two effective January 1, 2012 and January 1, 2013, respectively). If the FY2013 reduction is maintained by the County Board, the County's home rule sales tax will fall to 0.75% in 2013 and the composite rate in the City of Chicago will be 9.25%. The FY2013 reduction translates into $86.0 million less in revenues.[7]

Board President Preckwinkle is to be commended for exercising leadership on this key financial management issue. The sales tax increase was ill-conceived and not justified by evidence of demonstrated need. Its full repeal will be welcomed by County residents.

Expenditure Reductions

The proposed FY2013 budget gap-closing measures include $47.9 million in cost reductions. These reductions are the result of the elimination of 462 full-time equivalent positions, leading to a savings of $27.0 million across all funds; $9.0 million in reductions in personnel benefit costs, $5.6 million in energy savings; and $2.0 million in savings from implementing managed competition for custodial services.[8] Expenditure reductions represent 17.9% of all measures being proposed to eliminate the $267.5 million deficit.

Targeted Revenue Enhancements

The budget proposes a number of targeted revenue enhancements, including the addition of three new taxes. For more information on the proposed new taxes and revenue initiatives, see the section FY2013 Budget Deficit and Gap-Closing Measures on page 23 of this report. The revenue enhancements include:

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[7] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 3.

[8] The elimination of 462 positions includes the elimination of 365 vacancies in the Health System and eleven layoffs, according to information provided by the Cook County Department of Budget and Management Services, October 17, 2012.

- Increasing the County's cigarette tax by $1 per pack ($25.6 million);
- New tax of $800 annually per gambling machine ($1.3 million);
- New tax on firearms and ammunition of $25 per firearm and $0.05 per bullet ($1.0 million)
- New 1.25% use tax on "non-titled" personal property purchased outside of Cook County ($15.0 million);
- Eliminating building and zoning fee waivers for the Brookfield Zoo and Chicago Botanic Gardens, under governance of the Forest Preserve District of Cook County, and Loyola University Medical Center ($250,000); and
- Increasing Medical Examiner and Highway fees ($200,000).

The Civic Federation supports these revenue enhancements as reasonable adjustments to the County's revenue base, but is concerned about the feasibility of reaching some of the revenue projections as estimated.

Holding Property Tax Revenue Nearly Flat

The FY2013 budget proposes to raise the County property tax levy by nearly $4.5 million, from $720.4 million to $724.9 million. The increase reflects the County's intention to capture $1.6 million in property tax revenues from expiring Chicago Tax Increment Financing (TIF) districts, $74,228 from incentives and $2.8 million from new property.[9] However, the levy increase related to TIF districts is not an increase in the amount of money existing taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.6 million for TIF district expenses to the City of Chicago. Now, they will pay the $1.6 million instead as part of the Cook County levy.

Establishing Goal to Eliminate Unincorporated Areas of Cook County

At the beginning of the 2012 fiscal year, President Preckwinkle created the Unincorporated Cook County Task Force to examine the issue of subsidy to residents of unincorporated areas of Cook County.[10] The Task Force presented its initial findings to the President on April 30, 2012 with the recommendation to eventually eliminate unincorporated areas of the County. The Task Force remains in place and has been divided into two working groups, focusing on infrastructure and policing.

In her FY2013 budget address, President Preckwinkle announced the creation of the Unincorporated Cook Infrastructure Improvement Fund (UCIIF) with an initial investment of $5.0 million. The UCIIF will provide funding for municipalities in the form of matching grants for improvement of infrastructure in unincorporated areas of Cook County, conditional upon annexation of the unincorporated areas.[11]

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[9] Cook County FY2013 Executive Budget Recommendation, Revenue Estimates, p. 21.
[10] Civic Federation President Laurence Msall serves as a member on the Task Force.
[11] Office of the Cook County Board President, "Cook County Board President Toni Preckwinkle's remarks as prepared on the Cook County," Press Release, October 18, 2012 and information provided by the Unincorporated Cook County Task Force, October 18, 2012.

The Civic Federation endorses the Task Force and the County's recommendations and long-term goal to eliminate unincorporated areas of the County. The Federation believes that as a matter of fundamental fairness, all taxpayers should pay their fair share of the cost of County services. This was a key recommendation of our Cook County Modernization Report released in October 2010.[12] We support the administration's direction in moving to implement this critical reform.

Implementation of Operational and Government Services Efficiencies

Cook County's FY2013 proposed budget contains several initiatives intended to promote efficiency and cost-savings in the County's operations and government services. These initiatives include:

- Transitioning Board of Review records from paper to electronic;[13]
- Continuing upgrades of the County's new Property Tax Portal website, which went live in April 2012 and combines information from various County offices into one unified site;
- Releasing tax bills on time for the first time since 1977;[14]
- Reforming bond court operations through investments in personnel and resources to help reduce the length of time people who cannot afford bonds must spend in jail while awaiting a trial date;
- Improving timing and mode of payments to vendors by reducing required payment time from 31 days to 7 days and transitioning to electronic and wireless transfer methods of payment;[15]
- Renovating the top two floors of the County-owned George Dunne Building downtown in preparation to rent out the space to external parties;[16] and
- Continuing efforts to reduce the population at the Juvenile Temporary Detention Center from 250 to 200, as well as at the County jail, through an investment of $2.0 million.[17]

Managed Competition for Custodial Services

The County estimates $2.0 million in savings through the implementation of a managed competition process for custodial services.[18] The Civic Federation has long been supportive of alternative service delivery efforts in government when appropriate and given proper oversight. Custodial services are an area where there is a marketplace of qualified vendors, and it is very

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[12] Civic Federation, *Cook County Modernization Report. A Roadmap for Cook County Government*, October 25, 2010, pp. 136-139.
[13] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 4.
[14] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 13.
[15] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 10 and Cook County, Executive Budget Briefing – FY2013 Executive Budget Recommendation, PowerPoint Presentation, October 17, 2012.
[16] Office of the Cook County Board President, "Cook County Board President Toni Preckwinkle's remarks as prepared on the Cook County Budget," Press Release, October 18, 2012 and Cook County, Executive Budget Briefing – FY2013 Executive Budget Recommendation, PowerPoint Presentation, October 17, 2012.
[17] Cook County, Executive Budget Briefing – FY2013 Executive Budget Recommendation, PowerPoint Presentation, October 17, 2012.
[18] Cook County, Executive Budget Briefing – FY2013 Executive Budget Recommendation, PowerPoint Presentation, October 17, 2012.

appropriate to use a competitive model to improve the efficiency of service provision and lower costs to taxpayers.

The County is also seeking third-party administration for its absence and leave management program, which is expected to be implemented in April 2013.[19] We urge the County to evaluate whether there are additional services that could benefit from outsourcing or managed competition.

Plan to Maximize Federal Medicaid Revenue for Health System

Over the next few years, changes to the Medicaid program at the federal and State levels are expected to have a significant impact on the Cook County Health and Hospitals System. The State of Illinois enacted Medicaid reform legislation in January 2011 that requires 50% of Medicaid patients to be enrolled in care coordination programs (also known as managed care) by January 2015. Meanwhile, national healthcare reform is scheduled to expand the Medicaid-eligible population to low-income, childless adults who are neither elderly nor disabled beginning in January 2014. Patients who become eligible for coverage by Medicaid under healthcare reform may decide to seek care from other hospitals and doctors, leaving the Health System with an even larger share of uninsured patients.

To prepare for these changes and improve its financial condition, the Health System has submitted a proposal to the federal government to gain early access to the expanded Medicaid population. The Medicaid expansion plan is the centerpiece of the Health System's FY2013 budget, providing a projected $99 million in net revenue. The Health System hopes to enroll 115,000 patients, many of whom are uninsured patients of the System, into a new managed care plan to be known as County Care.

The Civic Federation supports the Health System's efforts to prepare for changes in healthcare by pursuing early access to the expanded Medicaid population and moving towards the provision of managed care. To continue performing its function as a healthcare provider of last resort, the Health System must be able to retain Medicaid patients and deliver care in the most cost-effective way possible.

Plans for Pension Reform

In her FY2013 budget address, President Preckwinkle announced that the County is prepared to participate in the consideration and implementation of reforms to the County's pension fund once the Illinois General Assembly expresses that it is ready to do so. The County has also reported that part of this process involves evaluating possible pension solutions in cooperation with the unions.[20] This news is encouraging to the Civic Federation. The Civic Federation was also encouraged by the creation of the Pension Committee as a subcommittee of the Finance Committee of the Cook County Board of Commissioners in December 2010, as well as Pension Committee Chairman Bridget Gainer's development of the OpenPensions.org website. The website features reams of pension data and alternative scenarios and strategies for addressing the

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[19] Cook County, "Cook County Solicits Bids For Absence Management," Press Release, April 13, 2012.
[20] Information provided by Cook County, October 17, 2012.

County's pension problems with a praiseworthy focus on the ultimate goal of making the pensions sustainable.

The Civic Federation commends the County for taking the first steps in the reform process. However, the Federation strongly urges the County not to wait for the General Assembly, but to take action as soon as possible to identify the reforms it needs to make its pension system sustainable in the long run for both taxpayers and employees and promote necessary legislation to implement those reforms in the General Assembly.

Proposal of New Financial Policies

In previous years the Civic Federation urged the County to develop and adopt financial policies as recommended by the GFOA and NACSLB and publish the financial policies in its budget document. Appendix E of the County's FY2013 proposed budget features financial policies on the following topics: adoption of a timely balanced budget, balanced budget, revenue policies, capital and debt management, investment management, financial reserve (fund balance), financial reporting and performance management. Including a statement on the County's fund balance policy is an especially significant improvement to the budget document as a fund balance policy establishes the level of unrestricted fund balance that should be maintained in the General Fund and lays out steps that must be taken to replenish the fund if it falls below levels set forth by the policy.[21] An adequate fund balance is essential for fiscal stability to protect against revenue and expenditure fluctuations.

The Civic Federation applauds the County for including the financial policies in its budget to be adopted by the County Board of Commissioners for the first time as it shows commitment to being transparent in its financial planning process. By sharing these policies, the County is opening itself up to be held accountable by the public.

Strengthening Separation from the Forest Preserve District of Cook County

The Civic Federation has long supported the separation of the Board governance of Cook County and the Forest Preserve District of Cook County due to the conflict of interest that arises from commissioners serving on both boards, as recommended in the Cook County Modernization Report. In the FY2013 budget, the County proposes elimination of building and zoning fee waivers for the Brookfield Zoo and Botanic Garden, both under the governance of the Forest Preserve District.[22] The Civic Federation supports the elimination of the fee waiver as it strengthens the separation between the two government entities, requiring the County and District to conduct reimbursements and payments in the same transparent way that other governments must conduct intergovernmental financial exchanges. However, such exchanges must be reciprocal between the two governments if the County is to avoid the appearance of transferring funds from the Forest Preserve District to the County.

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[21] Government Finance Officers Association, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted October 2009).

[22] The FY2013 budget also proposes to eliminate building and zoning fee waivers for Loyola University Medical Center.

Producing Audited Financial Statements Approximately Six Months after the Close of Fiscal Year

In 2012, for the first time in several years, Cook County released its audited financial statement, or Comprehensive Annual Financial Report (CAFR), on June 5, approximately six months after the close of the 2011 fiscal year. Cook County did not release its FY2010 CAFR until September 6, 2011, nine months after the close of the fiscal year. This was a significant delay.

Cook County's fiscal year begins on December 1 and ends on November 30. The Civic Federation believes that all governments should release audited financial statements no later than six months after the close of their fiscal year. For the County, this would mean releasing the Comprehensive Annual Financial Report (CAFR) on May 31 of the following calendar year. This is a minimum best practice, reflected in the Government Finance Officers Association requirement that submissions for its annual Excellence in Financial Reporting award be postmarked no later than six months after the government's fiscal year end.[23]

County Performance Management Initiative (STAR)

Cook County's STAR (Set Targets, Achieve Results) initiative requires that each department and office prepare a quarterly report that establishes measurable performance goals for services provided. The reports describe what each department does, what it is trying to achieve, what goals it has set and measures progress made toward meeting those goals. These reports also provide policymakers with data that they can use to make evidence-based decisions on budgets and programs. To date, seven quarterly reports have been published; the most recent report available to date is the FY2012 Second Quarter – March 1-May 31 installment.

The Civic Federation recommended in its 2010 Cook County Modernization Report that performance measures be incorporated into the budgeting and management process.[24] STAR is a concrete effort to do that, and we are encouraged by the County's continued use of the initiative in its budgeting and planning processes. The Federation recommends that the County take the next steps and use performance data as a management tool. The Federation also looks forward to seeing other ways the County incorporates performance management into its future operations.

Budgeting Practice Improvements

The FY2013 budget incorporates realistic assumptions about Health System patient fee revenues and staffing levels. Unlike the FY2012 budget, which was based on overly optimistic assumptions about the percentage of patients whose expenses would be covered by Medicaid, the FY2013 budget is based on actual payer mix. Similarly, the FY2012 budget used an inflated personnel number for the Health System, although most new and vacant positions were only funded at 20% of the required level. Health System officials were concerned that if they eliminated budgeted positions, they would have difficulty in obtaining authorization to create new positions. In the FY2013 budget, vacant positions are expected to be filled by the end of the year.

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[23] http://www.gfoa.org/downloads/CAFREligibility.pdf

[24] Civic Federation. *Cook County Modernization Report. A Roadmap for Cook County Government*. October 25, 2010. pp. 131-132.

Last year the Civic Federation expressed concern about the Health System's reliance on aggressive forecasts of patient fee revenues to support higher appropriation levels. We are encouraged that the FY2013 budget reflects more accurate forecasts of patient fee revenues and staffing levels.

Budget Document Improvements

The FY2013 budget includes useful new information about the subsidy provided to the Health System by the County in order to bridge the gap between Health System expenditures and operating revenues.[25] The FY2013 budget shows the subsidy for the past five years and gives estimates of pension and debt service payments related to the Health System. Taxpayers need information on the subsidy to understand the extent of County support for the Health System.

Civic Federation Concerns

The Civic Federation has the following concerns related to Cook County's FY2013 Executive Budget Recommendation and financial health.

Structural Deficit

Cook County projects that it will continue to have budget deficits in future years even with the actions taken in FY2013 to reduce the structural deficit. The FY2013 Executive Budget Recommendation presents a General Fund forecast showing that the FY2014 gap between revenues and expenditures will be $133 million. By FY2017 the deficit could grow to $464 million.[26] The factors driving future budget gaps include:

- *Healthcare costs:* The County has significant exposure to healthcare costs, which affect both employee health insurance expenses and the cost of operating the Health System. The deficit forecast in the FY2013 budget document assumes that health costs will grow at the industry rate of 7.45%.
- *Personnel costs:* The County has significant employee costs that will continue to put pressure on the budget in future years. For example, even with the elimination of 462 full-time equivalent positions, spending for personnel services in the General and Special Purpose Funds is projected to decrease by only 0.02%, or $378,500, in FY2013 from FY2012 adopted appropriations.[27]
- *Downward trend in revenues for operations*: The proposed FY2013 budget reports that the County expects property tax and sales tax revenues for the General Fund to experience overall declines in the next few years. Net property taxes are projected to fall as bond and interest payments increase from $187 million in FY2013 to $299 million in FY2017 as result of borrowing in FY2009 and FY2010. Revenue from property taxes first goes toward bond and interest payments before being allocated for operations. Sales

[25] Cook County FY2013 Executive Budget Recommendation, Revenue, p. 25.
[26] Cook County FY2012 Executive Budget Recommendation, Resident's Guide, p. 8.
[27] The County reports additional savings of $27.0 million across all funds, through the elimination of the 462 positions. Information provided by Cook County Department of Budget and Management Services, October 23, 2012.

tax revenue will decline as the full repeal of the 2008 sales tax increase takes effect in 2013 and are projected to grow slowly thereafter.[28]

The FY2014-FY2017 budget gap estimates presented in the FY2013 proposed budget do not include projections of increases to pension payments due to pending reforms. However, the declining financial health of the pension fund does play a significant role in the County's fiscal stability. The County's pension funded ratio continues to decline, falling to 57.5% funded on an actuarial basis in FY2011. The unfunded actuarial accrued liabilities have grown from nearly $2.0 billion in FY2002 to $5.8 billion in FY2011. This situation will require increased funding and/or a reduction in pension benefits for current employees and retirees. It will certainly put additional pressure on the rest of the budget as the pension fund requires increased resources.

It is also important to note that the according to the County's FY2013 Preliminary Budget Estimates report released on June 27, 2012, the County had to close an FY2012 year-end budget deficit estimated at $22.4 million. The report states that the deficit materialized primarily because $52.9 million in projected revenues in the Health System were not realized. The shortfall was offset by reported savings of $30.4 million from not filling vacancies as quickly as they arose, savings on technology contracts, energy saving initiatives, full-year savings from 2012 initiatives such as managed competition and $10.0 million in savings in employee healthcare costs.[29]

While great strides have been made, the County must address its ongoing structural fiscal problems by continuing to evaluate its operations, reduce costs and improve efficiencies. This is a multi-year process.

Feasibility of Medicaid Expansion Plan

While the Civic Federation supports the Health System's pursuit of the Medicaid expansion plan, we are concerned about its feasibility, including the timing of federal approval, the potential for subsequent changes based on the outcome of the 2012 Presidential election and the ability of the Health System to meet enrollment targets and provide managed care according to the plan.

If the plan is approved, as expected, before the beginning of the County's 2013 fiscal year on December 1, 2012, the Health System still faces the potential for repeal of national healthcare reform due to a change in Presidential administrations.

The greatest challenge, however, is the ambitious target of enrolling 115,000 patients in the County Care plan. Although an estimated 69,000 are already patients of the Health System, their choice to enroll in the new plan will be voluntary. Enrollment is crucial to achieving the plan's projected financial benefits, because the Health System will be reimbursed by the federal government based on a fixed monthly per patient fee.

[28] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 7.
[29] Cook County FY2013 Preliminary Budget Estimates, p. 1

Achievability of Projected Revenue Estimates for New and Increased Taxes

The County's FY2013 budget proposes a number of new and increased taxes, including an increase in the cigarette tax of $1 per pack of cigarettes, taxes of $25 per firearm and $0.05 per round of ammunition, an annual tax of $800 per gambling machine and a 1.25% tax on "non-titled" personal property purchased outside of Cook County. Altogether, these taxes are expected to bring in $42.9 million in additional revenue in FY2013.

While the Civic Federation does not oppose these taxes, we are concerned whether the projected revenue estimates will be achieved, specifically with regard to the cigarette tax increase, the implementation of the ammunition tax and "non-titled" use tax. With the cigarette tax increase, the composite tax rate on a pack of cigarettes in the City of Chicago will be one of the highest in the nation at $6.67 and may discourage consumers from purchasing cigarettes within Cook County, possibly leading to actual revenue received below budgeted amounts. The County reports that they have taken probable reductions in sales due to both the $1 County tax increase and the recent $1 State tax increase into account when making their projections.[30]

In regard to the proposed "non-titled" use and ammunition taxes, the Civic Federation is concerned about the County's reliance for much-needed revenue on the "non-titled" use tax, which may be challenged in court as an unlawful extension of the County's taxing authority,[31] and the ammunition tax, which may be challenged as an unconstitutional limitation of Second Amendment rights. This could significantly delay implementation of these taxes or result in the elimination of the taxes altogether.

Declining Health of Pension Fund

In the ten years since FY2002, the unfunded actuarial accrued liabilities of the Cook County Annuity and Benefit Fund have grown from approximately $2.0 billion to $5.8 billion in FY2011, the most recent year for which data is available. Similarly, the actuarial value funded ratio for the County's pension fund has fallen from 74.7% to 57.5% over the same time period. A funded ratio below 80% is a cause for concern as it raises questions about the ability of the government to adequately fund its retirement systems over time. The County's pension problems have been caused largely by inadequate investment rates of return and consecutive years of contributions that were insufficient for the level of benefits promised. Without immediate action for pension reform, the County's challenges will become more difficult as its pension liabilities could create an even greater burden on its existing structural deficit.

Lack of Progress on Governance Reforms

In its Cook County Modernization Report, the Civic Federation made recommendations for two specific governance reforms and called for the creation of a unified property tax administration office and merging the offices of the County Clerk and Recorder of Deeds. The Civic Federation is disappointed with the lack of progress made on each of these recommendations, as described below.

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[30] The County projects that the number of cigarette packs sold will decline by approximately 600,000 in FY2013. This figure is based on estimates from the Illinois Department of Revenue. Information provided by the Cook County Department of Budget and Management Services, October 24, 2012.

[31] 55 ILCS 5/5-1009

Recommendation to Create a Unified Property Tax Administration Office

In April 2012, the Committee on Legislation and Intergovernmental Relations of the Cook County Board of Commissioners approved a resolution requiring the County Assessor, Clerk, Recorder of Deeds, Treasurer and President of the Board of Commissioners to meet to determine whether it was possible to draft a plan for creating an interoffice agreement establishing an Office of Tax Administration. Since the April meeting, no further action has been taken by the Board regarding the creation of the Office of Tax Administration.

In its Cook County Modernization Report, the Federation recommended a unified property tax administration office as a way to streamline functions related to property taxes and eliminate costly duplicative services. The Civic Federation proposed that a unified property tax administration office similar to the one proposed via the County resolution be created that would merge the Treasurer's office; the County Clerk's tax extension, tax redemption and map divisions; the part of the Recorder's office dealing with property records; and the Auditor's property functions via County referendum. The Federation believes that a tax system should be simple enough that taxpayers can understand it, collectors can effectively administer it and lawmakers can be held accountable for it.

Recommendation to Merge Clerk and Recorder of Deeds Offices

In February 2012 the Cook County Board of Commissioners considered an initiative that would have provided for a countywide referendum on whether to eliminate the Cook County Recorder of Deeds office and transfer its functions to the County Clerk. The proposed referendum was to be included on the November 2012 ballot and would have given Cook County voters the opportunity to support or reject this modernization effort that would reform the governance structure of the County, consolidate similar administrative functions and realize potential cost savings for taxpayers.

A public hearing was to be held at a special meeting of the Finance Committee on February 14, 2012; however, the meeting could not officially be called to order since only eight of the 17 commissioners were in attendance. Members of the public who had planned to testify were allowed to speak to those eight commissioners. The proposed resolution was then included on the meeting notice for the March 1st meeting of the Finance Committee. No notice of a public hearing was given.

On March 1, despite concerns voiced by resolution sponsor Commissioner John Fritchey, Finance Committee Chairman John Daley allowed speakers to testify without public notice. Current candidate for Recorder of Deeds Karen Yarbrough spoke against the proposed resolution, as did Kankakee County Recorder Lori Gadbois. Those members of the public who previously spoke on February 14, including Civic Federation President Laurence Msall, were not able to testify before the full committee on March 1 because of the lack of notice of a public hearing.

After public comments, the Finance Committee discussed the issue. Some commissioners expressed concerns that Cook County voters might not be capable of making an informed decision based on the referendum's language. Others objected to the timeframe or preferred other reforms. The Finance Committee ultimately rejected the referendum. President Preckwinkle did not take a public position on the resolution.[32]

The Civic Federation continues to support this important modernization of County operations and maintains its recommendation that the Offices of County Clerk and the Recorder of Deeds should be merged. In Illinois counties with population of under 60,000, the county clerk is also the recorder. This is also the case in many counties across the nation. If the Office of Tax Administration as discussed above were adopted, a consolidated Clerk-Recorder would retain responsibility for vital records and elections. Implementing this proposal would require approval by county referendum.[33] The *Reinventing Cook County* report by Commissioner Quigley estimated in 2003 that this effort could save approximately $616,000 through elimination of duplicative functions.[34]

Insufficient Time for Public Review of Budget

The County's proposed FY2013 budget was released on Thursday, October 18, 2012, and its first public hearing was held on Thursday, October 25, 2012 - only four working days after the budget was released. This is a woefully inadequate amount of time for the public to comprehend a complex two-volume budget document. All governments have a duty to allow for public input related their proposed budgets. The County's failure to allow for sufficient time for public input on the proposed budget is a missed opportunity to help educate, inform and build support for their proposed $3.3 billion expenditure of tax dollars.

Lack of Estimated Revenue Details

The FY2013 Executive Budget Recommendation omits important revenue data that was available in prior year budget documents, similar to data omitted from the FY2012 Executive Budget Recommendation. The FY2011 Revenue Estimate was seventy pages and included five years of revenue data by source and by fund. The FY2013 Revenue Estimates section is twenty-six pages and includes details on revenues by source for the General Fund, historical breakdown of the property tax levy, summary of projected revenues by source for three years of data, summary of Special Purpose Funds and summary of subsidy for the Health System with five years of data.

Since the County has discretion over the distribution of home rule sales and use taxes, it is important to make this data available so the public may examine the Corporate Fund, Public Safety Fund and Health Fund's shares of each resource. It is also important to provide detailed information on the source of Health System's patient fee revenues, which was included in the FY2011 budget book but not in the FY2012 or FY2013 budget books.[35]

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[32] John Byrne, "County Board rejects referendum on closing recorder of deeds office," *Chicago Tribune*, March 2, 2012.
[33] Illinois State Constitution Article VII Section 4(c) County Officers.
[34] Cook County Commissioner Mike Quigley, *Reinventing Cook County,* Part I, December 2003, p. 23. The report assumed a 5% savings from consolidation.

[35] Cook County FY2011 Executive Budget Recommendation, Revenue Estimate, p. 33.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to support improved efficiency and to enhance financial practices. Additional recommendations for reforming Cook County government can be found in the Cook County Modernization Report.

Implement Pension Reforms

The Cook County pension fund actuarial value funded ratio has fallen from 74.7% to 57.5% over the ten-year period between FY2002 and FY2011. The unfunded actuarial accrued liabilities reached $5.8 billion in FY2011. The County's pension fund is not yet in as dire straits as some other state and local pension funds, but it will be soon if no action is taken. Major reforms to contributions and benefits will keep the pension fund solvent and distribute taxpayers' burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.

The Civic Federation is encouraged by the data provided on Commissioner Gainer's OpenPensions.org website and commends the initiative's recommendations for pension reform. The recommendations are as follows:

- Increase retirement age eligibility by five years:
    - Full benefit for employees who are age 65 with 10 years of service or age 55 with 30 years of service
    - Reduced benefit for employees who are between age 55-65 with less than 30 years of service or for employees who have less than 30 years of service, reduced benefit by 0.5% for every month before age 65;
- Reduce benefit multiplier from 2.4% to 2.2%;
- Increase final average salary to the highest consecutive eight years in the last 10 years of service;
- Reduce cost-of-living adjustment to simple 3% or half the Consumer Price Index, whichever is lower;
- Increase employee contributions by 1.0%; and
- Lower vesting time period from ten years to five years.

The recommendations on OpenPensions.org also propose that when the funded status of the pension fund is below 80%, the cost-of-living adjustment should be frozen and retirees would only receive a 3% compounded cost-of-living adjustment increase every fifth consecutive year. Upon returning to an 80% funded status, the annual cost-of-living adjustment of 3% or half the Consumer Price Index, simple interest, would be reinstated.

The Civic Federation further recommends the following two reforms be implemented within the next four years, as stated in the Cook County Modernization Report.

<u>Implement Governance Reforms</u>

The County should reform pension board governance to be more balanced between management and current and former employees rather than be employee/retiree-dominated. Citizen participation on the Board should also be explored.

Prohibit Benefit Enhancements Until 90% Funded

Cook County should pursue legislation to prohibit benefit enhancements unless the plan is over 90% funded, enhancements are fully funded with contributions and will expire in five years.

Develop and Implement a Formal Long-Term Financial Plan

The Cook County FY2013 proposed budget includes a forecast of revenues and expenditures through FY2017.[36] It is important for governments to disclose forecasts to help stakeholders understand what their future financial situations will be and set a framework for future budgets and plans. The County needs to take the next step and develop a formal long-term financial plan that is shared with and reviewed by key policymakers and stakeholders. This plan must include concrete action steps to address the County's long-term fiscal balance.

The National Advisory Council on State and Local Budgeting (NACSLB) and the GFOA both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.[37] A long-term financial plan typically includes a review of historical financial and programmatic trends; multi-year projections of revenues, expenditures and debt; an analysis of those trends and projections; and the modeling of options to address problems and opportunities. The plan helps governments address fiscal challenges before they become fiscal crises.

A key component of financial planning is engaging all stakeholders in the process of development of the plan. The GFOA describes long-term financial planning as "not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public."[38] Among other benefits, involving all stakeholders can help staff refine forecasts, institutionalize planning processes and promote strategic decision-making. The County should immediately begin mobilizing for a comprehensive long-term financial planning process.

Therefore, we recommend that in the new fiscal year the County undertake a long-term financial planning process that would proceed in four stages.[39] First, the Board President and her administration would articulate fiscal and programmatic goals and priorities informed by public input. The Long-Term Financial Plan would evaluate financial and service data in order to determine how to accomplish the goals and priorities. It would include a review of the County's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced Cook County budget that is fiscally sustainable each year. The plan would then be regularly monitored to ensure its viability by means of regular financial reports.

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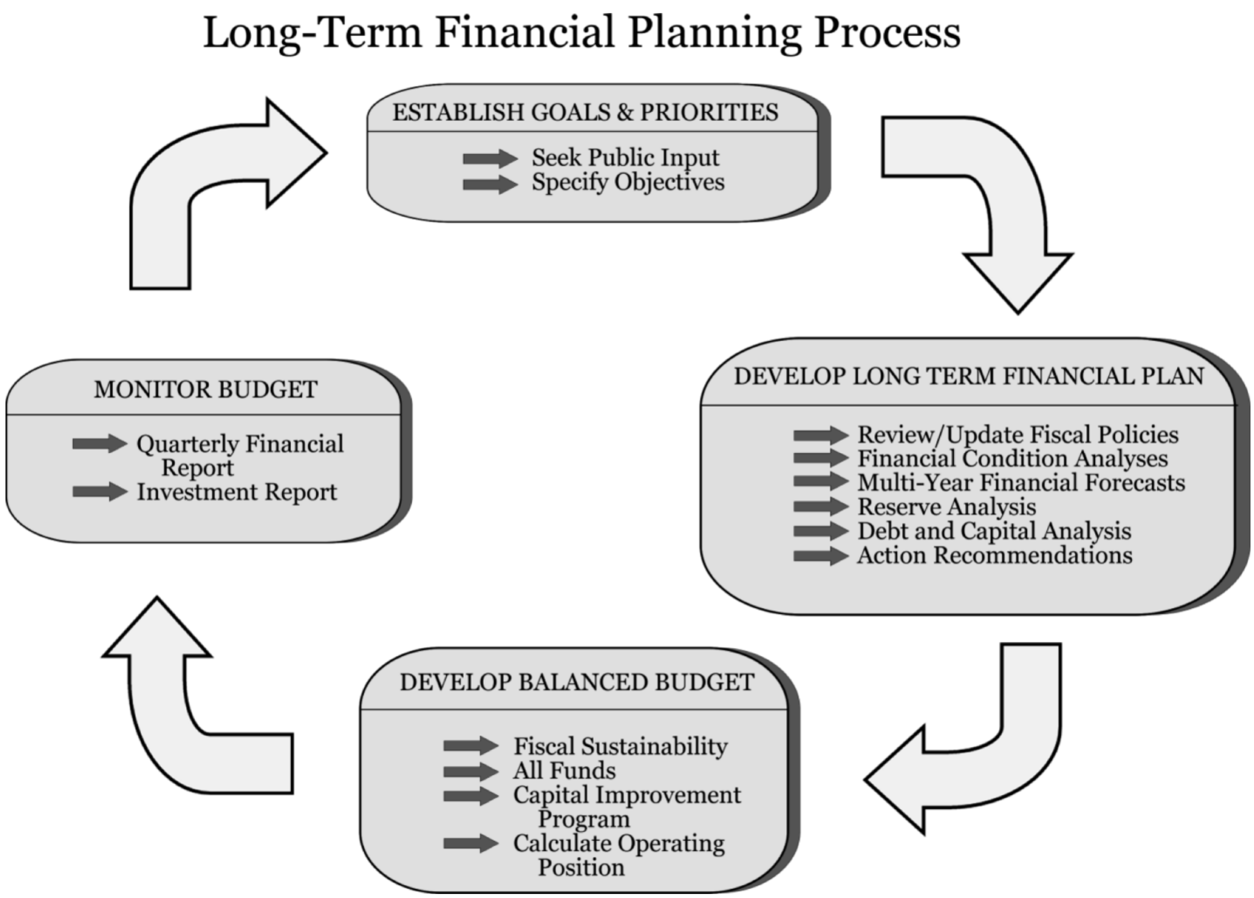
[36] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 8.
[37] See National Advisory Council on State and Local Budgeting and Government Finance Officers Association.
[38] Government Finance Officers Association, "An Introduction to Financial Planning," http://www.gfoa.org/downloads/LTFPbrochure.pdf (last visited on January 10, 2011).
[39] The graphic illustration of the long-term financial planning process is based on the City of San Clemente, California's Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document "Long-Term Financial Planning for Governments" available at http://www.gfoa.org/downloads/LTFPbrochure.pdf.



If the County chooses not to undertake a full long-term financial planning process, then, at a minimum, an annual document should be developed and published that would include:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues. For example, a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the County's financial challenges.

Develop Contingency Plans for Projected Revenue Sources

There is uncertainty regarding whether certain revenue and financing sources relied upon to balance the FY2013 County budget will be delayed or occur at all because of political issues and likely legal challenges. These include the Medicaid expansion plan, the cigarette tax increase and the new ammunition and "non-titled" use taxes. The Civic Federation recommends that the County develop contingency plans for these revenue sources as they amount to a total of approximately $139 million in estimated revenue for FY2013 and would create significant gaps in the County budget if not achieved.

Establish Additional Financial Policies

Historically the Civic Federation has urged the County to develop financial policies as recommended by the GFOA and NACSLB and add a section on financial policies to its budget document. The GFOA recommends that the policies be developed by professional staff, adopted by the governing body and summarized in the budget document. It is important to adopt financial polices to help guide the budget process, frame major policy initiatives and provide a benchmark for future financial performance. Financial policies can also be an important building block for long-term financial planning.

For the first time, several financial policies were proposed in the FY2013 budget book, including policies on adoption of a timely balanced budget, balanced budget, revenue policies, capital and debt management, investment management, financial reserve (fund balance), financial reporting and performance management. The Civic Federation encourages the County to add the following remaining financial policies, as recommended by the GFOA:

- **Long-Range Planning**: Supports a financial planning process that assesses the long-term financial implications of budgets, policies, programs and assumptions.
- **Operating/Capital Expenditure Accountability**: Compares actual expenditures to budgeted expenditures periodically to decide what actions are necessary to bring the budget into balance.
- **Use of One-time Revenues**: Discourages the use of one-time revenues for ongoing expenditures.
- **Use of Unpredictable Revenues**: Describes the collection and use of major revenues sources that are considered unpredictable.[40]

Adopt Governance Reforms

Although many of the reforms outlined in the Civic Federation's Cook County Modernization Report have been embraced by the current administration, there has been limited progress on the report's governance recommendations. Governance is a key area to address because the County's current structure obscures responsibility, which is one of the root causes of its inefficient operations. The County should consider the following Modernization Report governance recommendations:[41]

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[40] Government Finance Officers Association, "Adoption of Financial Policies" (2001).
[41] See updates to the Modernization Report Recommendations on page 28 of this report for further details on progress made by the County on these recommendations.

- Separate the Cook County Forest Preserve District Board from the Cook County Board;
- Create a unified property tax administration office;
- Merge Clerk and Recorder of Deeds Offices; and
- Allow the judiciary to appoint the Clerk of the Circuit Court.[42]

Develop a Formal Capital Improvement Plan

The County's FY2013 proposed budget includes some information on its capital program such as estimated five-year cost and descriptions of the projects to be funded. However, more detail regarding the capital needs and the prioritization of projects should be made available in future budgets.

In order to ensure the effectiveness of capital spending, Cook County should develop a comprehensive capital improvement plan (CIP) that includes a prioritized list of all proposed capital projects and funding sources, separate from the proposed budget document. Goals and guidelines in a CIP document help manage capital spending effectively to meet specific targets. The goals should include maintaining current assets while improving those assets through upgrades and monitoring any increase in operational costs that often accompany new capital projects. The prioritization method used should be disclosed and discussed as well.

The County's capital program should identify the funding source for all current and future planned capital investments. The type of funding should be analyzed for the appropriate use of bond funds, pay-as-you-go funds and ongoing capital leases. Long-term bond proceeds should only be used to fund projects with an estimated life as long as or longer than the term of the debt. Investments in capital assets with shorter life spans should be analyzed and prioritized for pay-as-you-go funding or capital leases to ensure effective use of capital funding sources.

Improve Budget Document

The Civic Federation offers the following recommendations to improve the transparency and usefulness of the County's budget documents.

Clarifying Budget Descriptions

The budget document should use clarifying language to specify whether figures labeled as "FY2012 Expenditures" are year-end estimates, year-to-date expenditures or representative of another calculation. This is an important factor in order to accurately compare past and proposed expenditures. The same principle should apply for labeling other figures in the budget document such as full-time equivalent positions.

Additional Appropriations Data

Additional data on appropriations is needed in order to show past and proposed spending in meaningful formats, including:

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[42] More information on these recommendations can be accessed at http://civicfed.org/civic-federation/cookcountymodernization.

- Aggregate historical actual data by object classification and by fund;
- Breakdown of historical, countywide grant funds and personnel costs, including salaries, pensions and healthcare data; and
- Narrative explanation of all significant expenditure changes. Each departmental summary should include a description of each significant change over 10%.

Additional Revenue Data

The FY2013 Executive Recommendation omits important revenue data that was available in the prior year budget documents. The FY2013 budget's revenue section includes details on revenues by source for the General Fund, historical breakdown of the property tax levy, summary of projected revenues by source for three years of data, Special Purpose Funds summary and summary of subsidy for the Health System with five years of data. Included in previous years, but not in this year's or last year's (FY2012) budget proposal, were the following:

- Overview of revenues for all funds;
- Estimated revenues and resources by fund;
- Breakdown of home rule taxes, sales and use taxes and gas tax by fund;
- Fees by fund;
- Intergovernmental revenues by fund;
- Miscellaneous revenues by fund; and
- Detailed breakdown of Health System patient fee revenues.

Personnel Data

The FY2013 Executive Budget Recommendation's Proposed Expenditures section includes charts with personal service appropriations, full-time equivalent position count and salary appropriations. However, the proposed budget lacks narrative and detail on personnel changes. The Resident's Guide and Proposed Expenditures sections indicate that the County's workforce will decline by 462 FTEs and refer to eleven layoffs However, the breakdown of full- and part-time positions and vacancy eliminations are not included. Personnel count details such as these would be helpful in understanding the Board President's proposal to reduce the County's workforce.

Additional Explanatory Information

The budget would benefit from additional narrative and summary charts with more thorough explanations of current budgetary issues, such as detailed lists and descriptions of the factors specifically contributing to budget deficits with associated dollar amounts and whether budget gap-closing measures are one-time or long-term, structural solutions. The summary chart shown on page 6 of the Resident's Guide is very useful in illustrating how the County closed the $267.5 million FY2013 budget deficit, and it would be additionally beneficial to organize the related narrative descriptions of the gap-closing measures in a manner that corresponds directly to the summary chart.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to Cook County Budget Director Andrea Gibson, Deputy Budget Director Shellie Riedle, Chief Financial Officer Tariq Malhance, Chief of Staff to President Preckwinkle Kurt Summers, Cook County Health and Hospitals System Chief Executive Officer Ramanathan Raju, Deputy Chief of Staff Neil Khare, Director of External Affairs Doris Salomón and their staffs for their efforts in preparing this budget. We appreciate their willingness to answer many of our budget questions.

FY2013 BUDGET DEFICIT & GAP-CLOSING MEASURES

In the Cook County 2013 Preliminary Budget Estimates report, released on June 27, 2012, the Department of Budget and Management Services projected a $267.5 million budget deficit in the General Funds for FY2013.[43]

The FY2013 preliminary budget reflected the ongoing financial difficulties facing the County as it continues to modernize its operations and deal with growing personnel expenditures. The budget shortfall was attributable to a revenue shortfall of $251.4 million and an increase of $16.1 million in expenditures, primarily a result of contractual wage increases. The decline in revenue was driven primarily by a $152.0 million revenue shortfall from the Health System.[44] Other contributing factors included a decrease in sales tax revenue due to the planned 0.25% roll back of the County sales tax on January 1, 2013 ($87.8 million), a decrease in Cook County tobacco tax revenue ($20.0 million), continued reductions in court filing fee revenue at the Circuit Court ($12.0 million), a decrease in gas and diesel tax revenue ($3.8 million) and the elimination of inheritance tax collections by the State of Illinois ($3.8 million).[45]

Anticipated increases in expenditures are due to contractual employee wage increases, rising vendor costs for drug treatment programs and food at Cook County correctional facilities, information technology maintenance contracts for the Wide Area Network (WAN), Health System technology costs and a lack of reimbursements, primarily from the State of Illinois to the County's Public Defender for capital litigation-related expenses.[46]

General Fund revenues for FY2013 were projected to be $198.6 million, or 9.1%, less than the FY2012 year-end estimates. General Fund expenditures for FY2013 were projected to be $46.5 million, or 2.1%, more than FY2012 year-end estimates.

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[43] Cook County is required by law to pass a balanced budget so it does not have a budget "deficit" in the same sense that the U.S. federal government has a deficit. The "budget deficit" is a commonly used synonym for the projected budget gap calculated by the County before its budget is developed. It refers to the gap between projected revenues and expenditures for the next fiscal year, which must be addressed in the proposed budget ordinance.

[44] Office of Cook County Board President, "President Preckwinkle Releases 2013 Preliminary Budget," Press Release, June 27, 2012.

[45] Office of Cook County Board President, "President Preckwinkle Releases 2013 Preliminary Budget," Press Release, June 27, 2012.

[46] Office of Cook County Board President, *2013 Preliminary Budget Estimates*, June 27, 2012, p. 2.

Cook County FY2013 Projected Budget Deficit					
	FY2012 Adopted Budget	FY2012 Year-End Estimate	FY2013 Projected Budget	$ Change from Year-End	% Change from Year-End
General Fund Revenues	$ 2,236,030,164	$ 2,183,160,231	$ 1,984,591,961	$ (198,568,270)	-9.1%
General Fund Expenditures	$ 2,236,030,164	$ 2,205,583,244	$ 2,252,103,487	$ 46,520,243	2.1%
Budget Surplus (Deficit)	**$ -**	**$ (22,423,013)**	**$ (267,511,526)**	**-**	**-**

Source: Cook County FY2013 Preliminary Budget, p. 1.

Gap-Closing Measures

The County's FY2013 Executive Budget Recommendation includes a summary chart in the Resident's Guide section illustrating the measures taken to close the FY2013 budget deficit. The following table depicts these cost reductions and revenue initiatives. Selected measures are described below.

Expenditure reductions: Estimated $69.9 million

- The elimination of 462 full-time equivalent positions, including vacancies and 11 layoffs, will lead to a projected savings of $27.0 million across all funds. This includes the elimination of 365 positions from the Health System.[47]
- Partially as a result of the personnel position eliminations, the County expects to save $9.0 million in healthcare, prescription drugs and other benefits costs.
- Savings from cost-reductions in electricity and natural gas usage will amount to $5.6 million.
- As announced in April 2012 by County Board President Preckwinkle, the County is seeking alternative service delivery for custodial services through managed competition with an expected savings of $2.0 million.
- The County expects to save $3.0 million through improvements to the County's procurement operations, including the implementation of the online purchase system, Cook County Marketplace.
- Through the consolidation of leases, improved management and sale of excess land, the County expects to save $1.0 million in FY2013.[48]
- The County estimates $300,000 in fleet cost-savings as it implements car-sharing programs.

Revenue Initiatives: Estimated $43.3 million

- The County proposes to increase its cigarette tax by $1 per pack, resulting in additional revenue of $25.6 million for public health.
- An $800 annual tax per gambling machine will lead to $1.3 million in revenue for public safety in FY2013.
- The County plans to impose taxes of $25 per firearm and $0.05 per bullet. The $1.0 million in revenue from the new firearm and ammunition taxes will go towards public health and safety funds.
- A 1.25% use tax on "non-titled" personal property purchased outside of Cook County is estimated to bring in $15.0 million in new revenue. The tax is intended to encourage

[47] Information provided by Cook County Department of Budget and Management Services, October 23, 2012.
[48] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 10.

businesses to purchase equipment within the County and revenue will be collected on a self-reporting basis.

- Through the elimination of building and zoning fee waivers for the Brookfield Zoo and Chicago Botanic Garden, under the Forest Preserve District of Cook County, and Loyola University, the County expects to receive $250,000.
- Increases in Medical Examiner and Highway fees will result in $200,000 in additional revenue.

Other Initiatives and Revenue: Estimated $169.5 million

- Cook County estimates an additional $13.5 million in revenue growth.
- The County is projecting $99.0 million in net revenue due to the Medicaid expansion plan;
- As a result of improved billing and collections services and updated rates of reimbursement at the Health System, the County expects to receive $28.3 million in additional revenue.
- One-time revenue sources, including a tax increment financing (TIF) surplus of $1.4 million, will bring in $3.9 million for the County.
- In FY2013, the property tax levy will capture $2.8 million in new property coming onto the market.

Budget Deficit-Closing Measures: FY2013 (in $ millions)	
Expenditure Reductions	
Elimination of 462 positions*	$ 27.0
Reductions in benefit costs	$ 9.0
Energy savings	$ 5.6
Managed competition for custodial services	$ 2.0
Procurement savings	$ 3.0
Real estate and lease savings	$ 1.0
Fleet cost reduction	$ 0.3
Subtotal Expenditure Reductions	**$ 47.9**
Revenue Enhancements	
Cigarette tax increase	$ 25.6
Gambling machine tax	$ 1.3
Firearm and ammunition taxes	$ 1.0
"Non-titled" use tax	$ 15.0
Elimination of building & zoning fee waivers	$ 0.3
Medical Examiner & Highway fee increases	$ 0.2
Subtotal Revenue Initiatives	**$ 43.4**
Other Revenue	
Medicaid expansion plan	$ 99.0
Revenue growth	$ 13.5
Maximizing reimbursements, transfers and collections	$ 23.0
Incentive and rebate payments	$ 5.7
Improved Health System billing/collections and updated rates	$ 28.3
One-Time Revenue	$ 3.9
New Properties in Property Tax Levy	$ 2.8
Subtotal Other Initiatives	**$ 176.2**
Total	**$ 267.5**

*Full-time equivalent positions. Reflects savings in all funds.

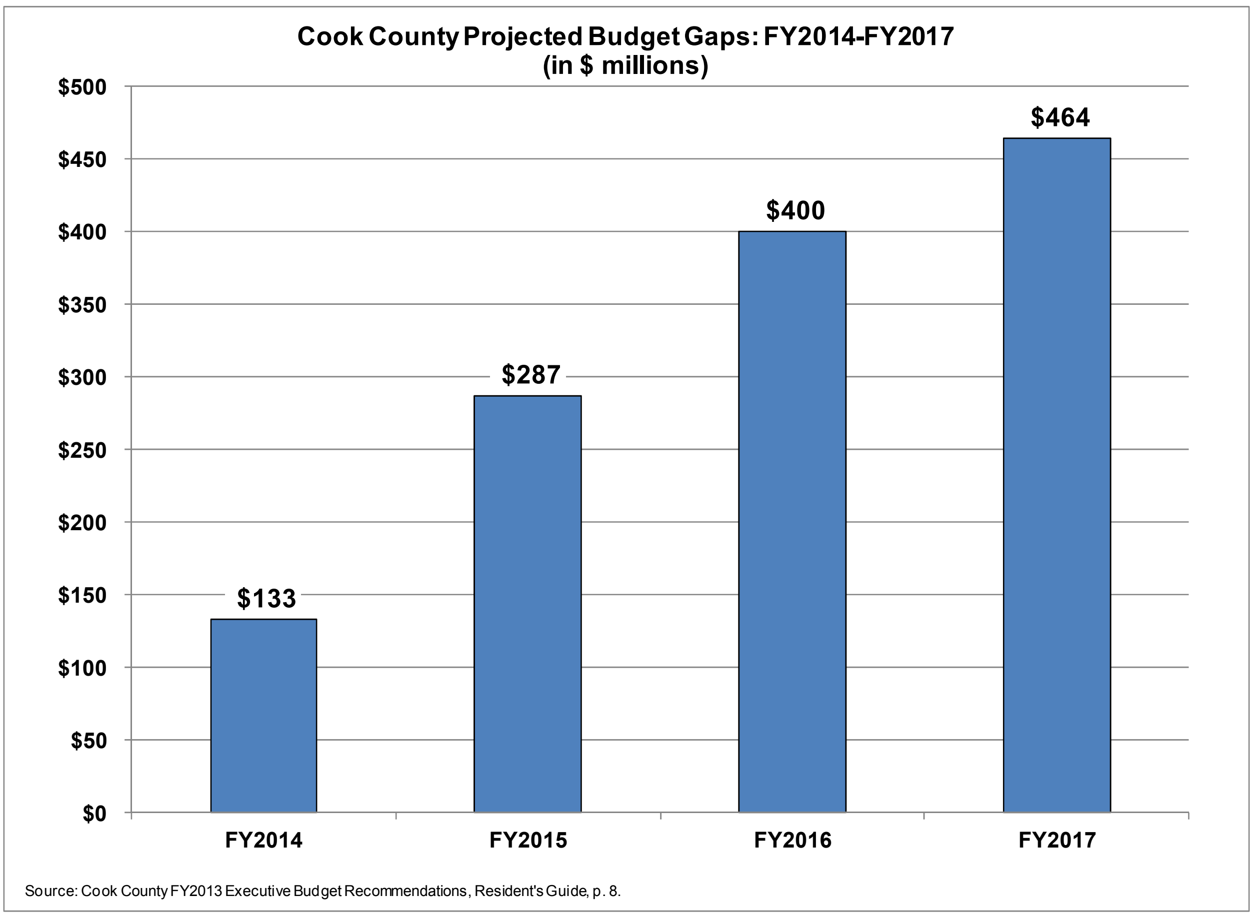
Source: Cook County FY2013 Executive Budget Recommendations, Resident's Guide and Revenue Estimate and Executive Budget Briefing PowerPoint Presentation, October 18, 2012.

Projected FY2014-FY2017 Budget Gaps

The County's FY2013 Executive Budget Recommendation provides a graph showing FY2008 through FY2017 projected General Fund budget gaps.[49] This was a requirement of Board President Preckwinkle's Executive Order 2011-1 issued on June 29, 2011. The exhibit below shows projected budget gaps from FY2014-FY2017.

The budget book does not provide complete details on the assumptions used to make the projections. Regarding expenditures, the projection assumes that General Fund healthcare-related expenditures will grow at the industry rate of 7.45% annually, while most non-health-related expenditures will increase at 2.44%, the average annual increase in the Consumer Price Index over the last ten years. The projections below do not include any increases to pension payments due to past underfunding and possible reforms.

These projections demonstrate that even with the structural changes proposed in the FY2013 budget, the County will continue to face growing budget deficits in the future.



[49] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 8. The graph does not include numbers for the FY2008 to FY2013 gaps; it only includes numbers for the FY2014 to FY2017 gaps.

COOK COUNTY MODERNIZATION REPORT

There is widespread recognition that Cook County continues to face a multitude of challenges including a large structural deficit, inefficient operations and an outmoded governance structure. The Civic Federation embarked on the Cook County Modernization project in 2010 to provide a roadmap for creating a county government that is more efficient, less costly and more accountable.[50]

The report addressed all Cook County functions, but particular emphasis was paid to improving operational efficiency across the Offices under the President, reforming the governance structure and proposing reforms for the Health System. The report also contained detailed information and analysis regarding Cook County's governance and administration, budget and pension fund.

The Modernization Report contained recommendations that could be implemented in the first 100 days of Board President Preckwinkle's administration as well as others that will require a sustained, multi-year effort. The Modernization Report recommendations were a mixture of new ideas and previously proposed solutions that were never implemented by prior County administrations. The recommendations included a timeline for action and identified the responsible county officials to lead and implement the changes.

In March 2011 and included in last year's analysis of Cook County's proposed FY2012 budget, the Civic Federation released reviews summarizing the status of all 36 recommendations made in the Modernization Project, as well as a dashboard rating system for recommendations. The report found that the County had made substantial progress in implementing many of the recommendations. For example, in its March 2011 update, the Civic Federation reported that the County had adopted an ordinance to fully repeal the one percentage point sales tax increase of 2008 and had adopted a budget that included some significant cost reductions. The administration took steps to incorporate performance measurement into the budget process and made attempts to centralize some key administrative functions.

Identified below are actions that are consistent with the Modernization Project recommendations taken by the County under the leadership of County Board President Preckwinkle over the past year.

- The FY2012 budget made significant efforts to help close a $315.2 million budget deficit using spending cuts, revenue enhancements and layoffs; however, the Health System is expecting a significant shortfall in revenues by end of the fiscal year. The System's budget gap will be partially closed by lower expenses. The proposed FY2013 budget uses mostly recurring sources to close a $267.5 million budget deficit, but deficits are still projected for fiscal years 2014 through 2017. (*Recommendation #2 – Close the FY2011 Budget Deficit*)
- The County continues to adhere to the President's Set Targets, Achieve Results (STAR) performance management program by issuing quarterly reports. (*Recommendation #8 – Integrate Performance Measurement into Budgeting and Make the Information Public*)

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[50] Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, http://civicfed.org/civic-federation/cookcountymodernization.

- For the first time since 2002, the County released its FY2011 Comprehensive Annual Financial Report within six months of the close of the fiscal year. (*Recommendation #11 – Produce Audited Financial Statements within Six Months of Close of Fiscal Year*)
- In April 2012 the County announced two alternative service delivery initiatives for 1) managed competition for County custodial services and 2) third-party administration of the County's employee absence and leave management. (*Recommendation #17 – Implement Alternative Service Delivery Options*)
- President Preckwinkle created the Unincorporated Cook County Task Force at the end of 2011 to examine the subsidy paid by County taxpayers who reside in municipalities to residents of unincorporated areas of the County. The Task Force presented its initial report to the President on April 30, 2012 with the recommendation to eventually eliminate unincorporated areas of the County. The Task Force is currently still in place and has been divided into two working groups, focusing on infrastructure and policing. In the FY2013 budget address, President Preckwinkle announced the creation of the Unincorporated Cook Infrastructure Improvement Fund (UCIIF) with an initial investment of $5.0 million. The UCIIF will provide funding for municipalities in the form of matching grants for improvement of infrastructure in unincorporated areas of Cook County, conditional upon annexation of the unincorporated areas. (*Recommendation #16 – Eliminate Subsidy for Unincorporated Areas*)
- The Health System's preliminary budget for FY2013 kept the subsidy unchanged from FY2012, providing for increases in both appropriations and revenues. (*Recommendation #3 – Give Health System Budgetary Flexibility*)
- The Health System is waiting for approval from the federal government for a Medicaid expansion plan that will provide the System with early access to individuals who will be eligible for Medicaid beginning in 2014 under national healthcare reform. The program is expected to substantially increase the System's revenues, but depends on aggressive assumptions about service delivery improvements and patient enrollment. (*Recommendation #18 – Aggressively Pursue Medicaid Patients and Revenues*)
- In 2012 Cook County Board Commissioner Bridget Gainer, Chairman of the Pension Committee of the County Board, launched OpenPensions.org, a website featuring pension data and alternative scenarios and strategies for addressing the pension problems facing the Cook County pension fund. In her FY2013 budget address, President Preckwinkle announced that the County is prepared to participate in the process to implement pension reforms to the County's pension fund once the Illinois General Assembly expresses that it is ready to do so. The County has also reported that part of this process involves evaluating possible pension solutions in cooperation with the unions. (*Recommendation #34 – Implement Pension Reforms)*

The dashboard on the following pages illustrates progress made on the Civic Federation's Modernization Report recommendations. A short narrative on each recommendation is provided in the Appendix on page 84.

Cook County Modernization Report Recommendations Status			
Recommendation	**Rating**	**Status**	**Timeline**
1. Roll Back the Sales Tax Increase		Implemented	First 100 Days
4. Appoint a Public Safety Task Force		Implemented	First 100 Days
5. Delay New Hiring Until January 1, 2011		Implemented	First 100 Days
8. Integrate Performance Measurement into Budgeting and Make the Information Public		Implemented	First 100 Days
12. Adopt Budget Prior to the Start of the Fiscal Year		Implemented	2011
20. Reform Purchasing Practices		Implemented	2011
11. Produce Audited Financial Statements within Six Months of Close of Fiscal Year		Implemented	2011
2. Close the FY2011 Budget Deficit		Significant Progress	First 100 Days
6. Upgrade Enterprise Resource Planning System		Significant Progress	First 100 Days
9. Adopt and Publish Financial Policies		Signficant Progress	First 100 Days
14. Include All Operating Expenses of the Health System in the System's Budget		Significant Progress	First 100 Days
22. Fully Exercise Presdential Budgetary Authority		Significant Progress	First 100 Days
3. Give Health System Budgetary Flexibility		Significant Progress	First 100 Days
7. Centralize Key Administrative Functions		Significant Progress	First 100 Days
16. Eliminate Subsidy for Unincorporated Areas		Significant Progress	2011
17. Implement Alternative Service Delivery Options		Significant Progress	2011
18. Aggressively Pursue Medicaid Patients and Revenues		Significant Progress	2011
19. Reform Information Technology Practices		Significant Progress	2011
26. Reform Criminal Justice Practices		Significant Progress	2012
13. Enhance Pension Fund Financial Reporting Data		Limited Progress	First 100 Days
15. Report Key Indicators of Health System Performance on System Website		Limited Progress	First 100 Days
21. Provide Incentives for Further Expenditure Reductions and Fee Revenue Enhancements		Limited Progress	2011
29. Identify and Restrict Cost-Shifting to the Health System from Other Healthcare Providers		Limited Progress	2012
30. Create a Unified Property Tax Administration Office		Limited Progress	2013
31. Merge Clerk and Recorder of Deeds Offices		Limited Progress	2013
34. Implement Pension Reforms		Limited Progress	2014
36. Develop a Vision for the County Revenue Structure		Limited Progress	2014

Cook County Modernization Report Recommendations Status			
Recommendation	**Rating**	**Status**	**Timeline**
23. Prepare a Comprehensive Capital Improvement Program Updated Annually		Supported, But No Implementation	2011
24. Implement a Formal Long-Term Financial Planning Process		Supported, But No Implementation	2011
25. Develop, Track and Publicize Purchasing Performance Goals and Metrics		Supported, But No Implementation	2011
27. Reevaluate Health System Strategic Plan Based on Financial Resources and Geographic Needs		Supported, But No Implementation	2012
33. Establish Reserve Funds for Capital Equipment Replacement		Supported, But No Implementation	2012
28. Separate the Cook County Forest Preserve District from the Cook County Board		Opposed	First 100 Days
32. Allow the Judiciary to Appoint the Clerk of the Circuit Court		Position Not Determined	2013
35. Consider Establishing a Dedicated Revenue Stream for the Health System		Position Not Determined	2014

Key

Implemented	
Significant Progress	
Limited Progress	
Supported But No implementation	
Opposed	
Position Not Determined	

Note: Implementation timelines have been reassessed, but the numbering from the Modernization Report was maintained. As a result, some recommendations are not in numeric order.

APPROPRIATIONS

The following section presents trends for FY2013 appropriations for all funds by fund and by control officer. FY2013 appropriations are compared to actual expenditures for FY2009-FY2011 and FY2012 adopted appropriations.

All Funds Appropriations by Fund

Cook County total FY2013 appropriations, including the operating budget and capital improvement funds, will decrease by 0.8%, or $25.9 million, to $3.32 billion from FY2012 appropriations of $3.35 billion. The operating budget is comprised of the General Funds, which includes the Corporate, Public Safety and Health Funds used for general County expenses, and the Special Purpose Funds, which include revenues restricted for particular uses only.

Appropriations for the Health and Public Safety Funds will increase from the FY2012 adopted budget by 8.0%, or $71.8 million, and 0.6%, or $7.5 million, respectively.[51] At the same time, appropriations for the Corporate Fund will decline by 10.9%, or $17.8 million, between FY2012 and FY2013. General Funds appropriations will increase by 2.7%, or $61.4 million, from $2.2 billion in FY2012 to $2.3 billion in FY2013. Appropriations for Special Purpose Funds are projected to decrease by 7.9%, or $44.4 million, falling from $561.7 million in FY2012 to $517.3 million in FY2013. Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Appropriations for all three categories of Special Purpose Funds will decrease over the two-year period.

In a five-year comparison, all funds appropriations are expected to increase by 8.2%, or $252.3 million, from nearly $3.1 billion in FY2009 to $3.3 billion in FY2013. Appropriations for the General Funds will rise by an amount similar to that of the two-year comparison, increasing by 2.8%, or $63.7 million. As in the two-year comparison, the Health and Public Safety Funds appropriations will increase, while Corporate Funds appropriations will decrease. The Health and Public Safety Funds expenditures will increase by 3.8% and 3.9%, respectively, while Corporate Funds expenditures will decline by 10.1%. The latter trend is due mostly to the FY2013 cuts.

Special Purpose Funds appropriations will increase over the five-year period, by 2.2%, or $11.0 million. Agency Special Purpose Funds will rise by 23.4%, or $25.9 million. Restricted Funds, or grants, will increase by 12.4%, or $14.9 million, while Capital Improvements appropriations will increase by 88.1%, or $174.2 million, between FY2009 and FY2013. This significant increase is primarily due to the $202.9 million, or 107.5%, increase in Capital Improvements between FY2011 and FY2012. However, actual expenditures in Capital Improvements for FY2012 are projected to be only $46.3 million. Given the nature of capital spending, each year much more is appropriated for capital expenditures than is actually spent.

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[51] For more information on the Health Fund, see page 48 of this report. The Public Safety Fund includes the following: Justice Advisory Council, Office of the Sheriff, Police Department, Department of Corrections, Medical Examiner, Public Defender, Public Guardian, Office of the Chief Judge, State's Attorney, Juvenile Probation and Court Services, Juvenile Temporary Detention Center and Clerk of the Circuit Court, as well as other departments/offices. See Proposed Expenditures, p. 10 of the FY2013 Executive Budget Recommendation for more details.

Cook County Appropriations All Funds by Fund: FY2009-FY2013 (in $ millions)									
Fund	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted	FY2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$ 161.5	$ 190.1	$ 131.8	$ 163.0	$ 145.2	$ (17.8)	-10.9%	$ (16.3)	-10.1%
Health	$ 930.6	$ 952.6	$ 822.6	$ 894.1	$ 965.9	$ 71.8	8.0%	$ 35.3	3.8%
Public Safety	$ 1,141.6	$ 1,165.9	$ 1,172.2	$ 1,178.9	$ 1,186.3	$ 7.5	0.6%	$ 44.7	3.9%
Subtotal General Funds	**$ 2,233.7**	**$ 2,308.6**	**$ 2,126.6**	**$ 2,236.0**	**$ 2,297.4**	**$ 61.4**	**2.7%**	**$ 63.7**	**2.8%**
Annuity & Benefits	$ 186.1	$ 186.6	$ 192.2	$ 196.1	$ 193.0	$ (3.2)	-1.6%	$ 6.9	3.7%
Bond & Interest	$ 209.1	$ 190.8	$ 272.1	$ 193.5	$ 187.4	$ (6.1)	-3.2%	$ (21.8)	-10.4%
Agency Special Purpose Funds	$ 111.0	$ 138.5	$ 33.9	$ 172.0	$ 136.9	$ (35.1)	-20.4%	$ 25.9	23.4%
Subtotal Special Purpose Funds	**$ 506.2**	**$ 515.9**	**$ 498.2**	**$ 561.7**	**$ 517.3**	**$ (44.4)**	**-7.9%**	**$ 11.0**	**2.2%**
Allowance for Uncollected Taxes	$ 11.5	$ 11.6	$ 8.7	$ 8.7	$ -	$ (8.7)	-100.0%	$ (11.5)	-100.0%
Restricted Funds (Grants)	$ 119.6	$ 160.8	$ 185.0	$ 148.9	$ 134.4	$ (14.5)	-9.7%	$ 14.9	12.4%
Subtotal Operating Funds	**$ 2,871.1**	**$ 2,996.9**	**$ 2,818.6**	**$ 2,955.4**	**$ 2,949.1**	**$ (6.3)**	**-0.2%**	**$ 78.1**	**2.7%**
Capital Improvements	$ 197.8	$ 216.3	$ 188.7	$ 391.7	$ 372.0	$ (19.7)	-5.0%	$ 174.2	88.1%
Total	**$ 3,068.9**	**$ 3,213.3**	**$ 3,007.3**	**$ 3,347.1**	**$ 3,321.1**	**$ (25.9)**	**-0.8%**	**$ 252.3**	**8.2%**

Note: In the FY2013 budget Allowance For Uncollected Taxes was treated as an offset to property tax revenue instead of as an expense to more accurately reflect actual collections. The amount for FY2013 is $11,007.8. Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 7 and 12.

All Funds Appropriations by Control Officer

The operating budget is comprised of the General Funds, which include the Corporate, Public Safety and Health Funds used for general County expenses, and the Special Purpose Funds, which include revenues restricted for particular uses only. Cook County also has a number of independently elected officials who play important roles in the budget process; therefore, the Civic Federation examines expenditures by control officer. The following section describes two-year and five-year trends for appropriations for all funds by control officer.

Appropriations for all funds in FY2013, including capital improvement expenditures, are projected to decrease by 0.8%, or $25.9 million, from the adopted FY2012 appropriations. The County's operating budget will decrease slightly by 0.2%, or $6.3 million, to $2.95 billion from FY2012 appropriations of $2.96 billion.

General Funds

The General Funds budget will increase by 2.7%, or $61.4 million, to $2.3 billion in FY2013 from FY2012 appropriations of $2.2 billion. The budget for departments controlled by the President will increase by 2.3%, or $3.4 million, while departments controlled by other elected officials are expected to increase by 6.2%, or $49.2 million, between FY2012 and FY2013. The budget for the Cook County Health and Hospitals System is projected to increase by 8.0%, or $71.8 million, over the two-year period.

Between FY2012 and FY2013 proposed expenditures by control officer for the majority of elected officials will rise while most budgets by control officers under the President will experience declines in expenditures. The most significant decline of any control officer will occur within the Treasurer's office as expenditures will fall by 19.3%, or $935,500, from a budget of nearly $4.9 million in FY2012 to $3.9 million in FY2013. Approximately $335,000 of the $935,000 of the decrease is attributable to reductions in personnel costs.[52]

[52] Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

Conversely, expenditures for the Sheriff's department will rise by $37.6 million, or 9.3%, over the two-year period from nearly $406.0 million to $443.5 million. The increase can be attributed to increases in salaries as a result of a collective bargaining agreement that increased some salaries by as much as 8.5% and the addition of 157.2 full-time equivalent positions. Other contributing factors include increase to program expenses for the Sheriff such as electronic monitoring services ($1.5 million), food services ($1.0 million) and treatment program contracts ($1.6 million).[53]

Appropriations for Human Resources will rise by a significant percentage of 16.1% while Fixed Charges and Special Purpose expenditures will decrease by 15.6%, or nearly $63.0 million, between FY2012 and FY2013.[54] Factors pertaining to the decline in appropriations for Fixed Charges and Special Purposes include a decrease in the amount set aside for unemployment compensation as the County does not anticipate a large workforce reduction and lower countywide costs for utility services (gas, electric, water, sewer), communication services, health benefits and other professional and managerial services. The County also budgeted less for the amount reserved for salary increases as the 2013-2016 union contracts are not expected to be settled in FY2013.[55]

In a five-year trend analysis, Cook County's operating budget will increase by 2.7%, or $78.1 million, from $2.87 billion in FY2009 to $2.95 billion in FY2013. The General Funds budget will increase by 2.8%, or $63.7 million, to approximately $2.3 billion in FY2013 from $2.2 billion in FY2009. Overall expenditures for Offices Under the President will decline by 9.5%, or $15.7 million, over the five-year period while expenditures for other Elected Officials will fall by 4.0%, or $35.3 million. Fixed Charges and Special Purpose appropriations will increase by 30.4%, or $79.3 million, in FY2013 over FY2009 actual expenditures.

Appropriations for the Chief Judge will fall by the most significant dollar amount in the General Funds between FY2009 and FY2013, by $13.7 million, or 7.2%. Appropriations for the Recorder of Deeds and Treasurer will decline by 29.2% and 33.1%, respectively. Health System appropriations will increase by 3.8%, or $35.3 million, to $965.9 million in FY2013 from $930.6 in FY2009. Appropriations for the Office of the Inspector General will rise by 218.4%, or nearly $1.2 million, over the five-year period, due in part to the hiring of four additional employees in FY2012 to investigate compliance issues, primarily within the Health System.[56]

It is important to note that some of the budget trends cited above are partially offset by trends in Special Purpose Funds described below. For example, in the two-year trend analyses, the decline in appropriations for the Treasurer of $935,000 in the General Funds is offset by an increase of $836,900 in Special Purpose Funds. This means that the overall decline in the Treasurer's budget between FY2012 and FY2013 is $98,100.

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[53] Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

[54] Fixed Charges and Special Purpose appropriations include items or costs that cannot be readily distributed to any one department within the respective funds as the items or costs contribute to operations of some or all departments of these funds. This line item was moved from Offices Under the President to the General Fund in the FY2013 budget, which differs from previous budgets. Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 4.

[55] Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

[56] Cook County FY2012 Executive Budget Recommendation, Independent Inspector General, p. J-3.

Special Purpose Funds

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Appropriations for Special Purpose Funds will decline by 7.9%, or $44.4 million, from $561.7 million in FY2012 to $517.3 million in FY2013. The greatest decrease in Special Purpose Funds will occur under the Board of Election Commissioners, where expenditures will fall by 94.8%, or $16.5 million. Appropriations for the County Clerk will also decline significantly, by 20.8%, or $5.3 million. These declines are likely due to the fact that the FY2012 budgets for these departments included additional expenses for the 2012 elections that will not be necessary in FY2013.

The offices of the Chief Information Officer and the Clerk of the Circuit Court will also experience significant declines as their Special Purpose Funds budgets fall by 25.6% and 34.7%, respectively, between FY2012 and FY2013. Appropriations for the Chief Information Officer will fall due to the fact that the department will not receive reimbursement for capital equipment in FY2013 and will also receive a lower reimbursement for geographic information systems (GIS) work performed by external agencies. The decrease in expenditures for the Clerk of the Circuit Court reflects a departmental budget that does not require additional resources from the Special Purpose Funds and is within the amount available from the prior year's revenues and fund balance.[57]

At the same time, appropriations for the State's Attorney office will rise by 27.9%, or $962.8 million, from $3.5 million in FY2012 to $4.4 million in FY2013, primarily due to wage increases. Salary expenses in the State's Attorney's office have grown by $479,668 due to cost-of-living adjustments and corresponding benefits costs increased by $279,120. Other contributing factors include the implementation of the Bad Check Diversion Program Fund, which provides $130,000 in non-personnel appropriations; additional costs for office and technology supplies; and a Special Purpose Fund which generates $100,000 to offset the costs of data automation.[58]

Special Purpose Funds appropriations for the Public Defender will include $100,000 in FY2013 compared to an absence of Special Purpose Funds appropriations in previous years. This estimated amount reflects the signing of Public Act 97-673 into Illinois law on February 6, 2012, allowing the Public Defender to collect a $2 fee at the disposition of certain cases for the purposes of funding data automation.[59]

Between FY2009 and FY2013, Special Purpose Funds will increase by 2.2%, or $11.0 million, from $506.2 million to $517.3 million. Most control officers will increase their Special Purpose Funds budgets over the five-year period; however, a large portion of the overall increase can be attributed to the 70.4%, or $13.3 million, rise in Chief Administrative Officer appropriations. This increase is attributable to the transfer of more than 80 highway positions from the General

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[57] Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.
[58] See 55 ILCS 5/4-2002 for more information on the Special Purpose Fund. Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.
[59] 55 ILCS 5/4-2002 and information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

Funds to the Motor Fuel Tax 1st (MFT 1st) Special Purpose Fund since FY2009.[60] Other large increases will occur under the control officers for the Chief Judge ($6.5 million), Annuity and Benefits, or pensions, ($6.9 million) and the Chief Information Officer ($7.6 million). Special Purpose Fund appropriations for the Board of Election Commissioners and the Clerk of the Circuit Court will fall by 75.0% and 26.4%, respectively.

Cook County Appropriations All Funds by Control Officer: FY2009-FY2013 (in $ thousands)

Control Officers	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted	FY2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Fund									
Offices Under President									
President	$ 3,812.2	$ 3,540.3	$ 2,301.7	$ 3,243.6	$ 2,972.2	$ (271.3)	-8.4%	$ (840.0)	-22.0%
Chief Administrative Officer	$ 28,881.3	$ 27,312.8	$ 18,753.3	$ 19,700.3	$ 19,638.2	$ (62.2)	-0.3%	$ (9,243.1)	-32.0%
Chief Financial Officer	$ 12,306.9	$ 11,963.0	$ 10,787.8	$ 10,249.2	$ 11,196.8	$ 947.7	9.2%	$ (1,110.1)	-9.0%
Chief of Human Resources	$ 4,091.1	$ 4,188.3	$ 3,719.3	$ 3,923.6	$ 4,556.8	$ 633.2	16.1%	$ 465.7	11.4%
Chief Information Officer	$ 16,260.8	$ 12,903.2	$ 11,431.3	$ 12,263.6	$ 11,477.4	$ (786.2)	-6.4%	$ (4,783.4)	-29.4%
Chief of Economic Development	$ 7,437.6	$ 6,675.8	$ 5,832.3	$ 6,218.9	$ 5,951.0	$ (268.0)	-4.3%	$ (1,486.6)	-20.0%
Facilities Management	$ 34,484.2	$ 36,471.4	$ 32,377.6	$ 35,188.8	$ 34,782.2	$ (406.6)	-1.2%	$ 298.0	0.9%
Other Agency*	$ 56,668.7	$ 58,657.6	$ 58,239.5	$ 54,103.7	$ 57,715.0	$ 3,611.3	6.7%	$ 1,046.3	1.8%
Subtotal Offices Under President	**$ 163,942.7**	**$ 161,712.4**	**$ 143,442.8**	**$ 144,891.6**	**$ 148,289.6**	**$ 3,398.0**	**2.3%**	**$ (15,653.1)**	**-9.5%**
Elected Officials									
Cook County Board of Commissioners	$ 7,414.5	$ 7,307.4	$ 6,305.1	$ 7,283.1	$ 7,364.7	$ 81.5	1.1%	$ (49.9)	-0.7%
Assessor	$ 27,181.1	$ 25,391.0	$ 22,355.0	$ 21,582.1	$ 22,737.2	$ 1,155.1	5.4%	$ (4,443.9)	-16.3%
Board of Review	$ 7,543.2	$ 8,091.9	$ 6,930.3	$ 7,679.8	$ 8,227.0	$ 547.2	7.1%	$ 683.7	9.1%
Clerk of the Circuit Court	$ 81,787.4	$ 77,211.0	$ 73,831.5	$ 71,801.1	$ 73,176.2	$ 1,375.0	1.9%	$ (8,611.2)	-10.5%
Chief Judge	$ 191,103.8	$ 194,976.0	$ 166,809.7	$ 170,373.2	$ 177,391.5	$ 7,018.2	4.1%	$ (13,712.4)	-7.2%
County Clerk	$ 8,254.4	$ 8,222.3	$ 7,291.0	$ 7,642.4	$ 7,371.5	$ (270.9)	-3.5%	$ (882.9)	-10.7%
Recorder of Deeds	$ 7,850.2	$ 6,884.8	$ 5,764.6	$ 5,605.9	$ 5,555.6	$ (50.4)	-0.9%	$ (2,294.6)	-29.2%
Sheriff	$ 440,590.3	$ 447,129.9	$ 428,150.0	$ 405,963.1	$ 443,515.3	$ 37,552.2	9.3%	$ 2,925.1	0.7%
State's Attorney	$ 98,788.5	$ 98,973.5	$ 92,925.4	$ 87,916.1	$ 90,678.2	$ 2,762.0	3.1%	$ (8,110.3)	-8.2%
Treasurer	$ 5,854.2	$ 5,248.7	$ 4,407.2	$ 4,853.0	$ 3,917.5	$ (935.5)	-19.3%	$ (1,936.7)	-33.1%
Inspector General	$ 538.2	$ 889.1	$ 1,050.9	$ 1,719.9	$ 1,713.5	$ (6.4)	-0.4%	$ 1,175.3	218.4%
Public Administrator	$ 1,169.2	$ 1,121.5	$ 1,112.1	$ 1,160.5	$ 1,143.8	$ (16.6)	-1.4%	$ (25.3)	-2.2%
Subtotal Elected Officials	**$ 878,075.0**	**$ 881,447.0**	**$ 816,932.9**	**$ 793,580.3**	**$ 842,791.9**	**$ 49,211.6**	**6.2%**	**$ (35,283.1)**	**-4.0%**
Cook County Health and Hospital System	$ 930,614.8	$ 952,593.3	$ 822,616.1	$ 894,133.0	$ 965,885.5	$ 71,752.4	8.0%	$ 35,270.6	3.8%
Fixed Charges and Special Purpose**	$ 261,106.0	$ 312,883.4	$ 343,631.2	$ 403,425.1	$ 340,431.7	$ (62,993.4)	-15.6%	$ 79,325.8	30.4%
Subtotal General Fund	**$ 2,233,738.5**	**$ 2,308,636.1**	**$ 2,126,623.0**	**$ 2,236,030.2**	**$ 2,297,398.8**	**$ 61,368.6**	**2.7%**	**$ 63,660.3**	**2.8%**
Special Purpose Fund									
President	$ 550.8	$ 1,478.9	$ 784.7	$ -	$ -	$ -	-	$ (550.8)	-100.0%
Chief Administrative Officer	$ 18,911.8	$ 20,598.2	$ 28,869.1	$ 32,827.6	$ 32,218.7	$ (608.9)	-1.9%	$ 13,306.9	70.4%
Chief Financial Officer	$ -	$ 93.4	$ (10,995.0)	$ -	$ -	$ -	-	$ -	-
Chief Information Officer	$ 5,682.7	$ 9,143.3	$ 4,787.6	$ 17,834.8	$ 13,272.6	$ (4,562.1)	-25.6%	$ 7,589.9	133.6%
Public Defender	$ -	$ -	$ -	$ -	$ 100.0	$ 100.0	-	$ 100.0	-
Cook County Health and Hospital System	$ 5,935.6	$ 4,952.1	$ 5,572.8	$ 7,104.9	$ 7,139.1	$ 34.3	0.5%	$ 1,203.5	20.3%
Assessor	$ -	$ -	$ -	$ 1,237.5	$ 750.0	-	-	-	-
Board of Election Commissioners	$ 3,630.3	$ 17,341.0	$ 478.6	$ 17,397.2	$ 908.1	$ (16,489.1)	-94.8%	$ (2,722.2)	-75.0%
Clerk of the Circuit Court	$ 26,955.3	$ 32,151.9	$ 29,748.9	$ 30,357.1	$ 19,827.7	$ (10,529.4)	-34.7%	$ (7,127.6)	-26.4%
Chief Judge	$ 12,266.0	$ 11,431.9	$ 26,657.2	$ 18,048.8	$ 18,731.2	$ 682.4	3.8%	$ 6,465.2	52.7%
County Clerk	$ 19,454.8	$ 22,987.2	$ 15,743.1	$ 25,506.7	$ 20,202.4	$ (5,304.3)	-20.8%	$ 747.6	3.8%
Recorder of Deeds	$ 4,890.6	$ 4,714.6	$ 5,624.2	$ 5,717.3	$ 6,216.7	$ 499.4	8.7%	$ 1,326.1	27.1%
Sheriff	$ 1,212.0	$ 1,472.0	$ 1,847.6	$ 3,641.8	$ 3,398.4	$ (243.4)	-6.7%	$ 2,186.4	180.4%
State's Attorney	$ 5,015.6	$ 5,377.9	$ 2,701.6	$ 3,454.5	$ 4,417.2	$ 962.8	27.9%	$ (598.3)	-11.9%
Treasurer	$ 6,495.3	$ 6,797.2	$ 7,051.4	$ 8,913.0	$ 9,750.0	$ 836.9	9.4%	$ 3,254.6	50.1%
Annuity and Benefits	$ 186,100.0	$ 186,600.0	$ 192,234.2	$ 196,139.5	$ 192,969.5	$ (3,170.0)	-1.6%	$ 6,869.5	3.7%
Bond and Interest	$ 209,147.1	$ 190,760.4	$ 272,080.7	$ 193,532.4	$ 187,384.8	$ (6,147.7)	-3.2%	$ (21,762.3)	-10.4%
Less Debt Restructuring	$ -	$ -	$ (85,000.0)			-	-	$ -	-
Subtotal Special Purpose Funds	**$ 506,248.0**	**$ 515,899.9**	**$ 498,186.6**	**$ 561,713.0**	**$ 517,286.4**	**$ (44,426.6)**	**-7.9%**	**$ 11,038.5**	**2.2%**
Allowance for Uncollected Taxes	$ 11,527.1	$ 11,598.0	$ 8,727.2	$ 8,727.2	$ -	$ (8,727.2)	-100.0%	$ (11,527.1)	-100.0%
Other Restricted Funds (Grants)	$ 119,550.7	$ 160,810.1	$ 185,029.7	$ 148,928.4	$ 134,433.1	$ (14,495.2)	-9.7%	$ 14,882.4	12.4%
Total Operating Funds	**$ 2,871,064.3**	**$ 2,996,944.2**	**$ 2,818,566.5**	**$ 2,955,398.7**	**$ 2,949,118.3**	**$ (6,280.4)**	**-0.2%**	**$ 78,054.1**	**2.7%**
Capital Improvements	$ 197,798.7	$ 216,318.3	$ 188,739.8	$ 391,689.6	$ 372,020.8	$ (19,668.8)	-5.0%	$ 174,222.1	88.1%
Total Budget	**$ 3,068,863.0**	**$ 3,213,262.4**	**$ 3,007,306.3**	**$ 3,347,088.3**	**$ 3,321,139.2**	**$ (25,949.1)**	**-0.8%**	**$ 252,276.2**	**8.2%**

*Includes Department of Administrative Hearings, County Auditor and Public Defender.

** This line item was moved from Offices Under the President to the General Fund in the FY2013 budget to more accurately reflect actual operations, which differs from previous budgets.

Note: In the FY2013 budget Allowance For Uncollected Taxes was treated as an offset to property tax revenue instead of as an expense to more accurately reflect actual collections. The amount for FY2013 is $11,007.8.
Sources: Cook County FY2012 Executive Budget Recommendation, Proposed Expenditures, pp. 12, 15-20 and information provided by the Cook County Office of Budget and Management Services, October 23, 2012.

Grant Funds as a Percentage of Total Appropriations

In FY2013 grant funds will represent 3.6% of the total budget for Cook County. In other words, grant funds will account for $134.4 million of the County's nearly $3.4 billion budget. The Offices Under the President will receive 11.6%, or $75.1 million, of its $649.4 million total all

[60] Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

funds budget in grant funds. The amount allocated for the President's Office represents over half, or 64.8%, of total grant funds for Offices Under the President. Of the total appropriations for Elected Officials, 4.7%, or $45.6 million, will come from grants. A large portion, 50.2%, of Elected Officials grants funds will go toward the State's Attorney. Of the control officers in the Other category, only the Cook County Health and Hospitals System will receive grant funds. The Health System is expected to receive 1.4%, or $13.7 million, of its $986.7 million budget in grant funding.

Cook County FY2013 Grant Funds as a % of Total Appropriations

Control Officers	Grant Funds	Total Appropriations	Grants as % of Total Appropriations
Offices Under President			
President	$ 48,654,810	$ 51,627,047	94.2%
Chief Administrative Officer	$ 2,823,775	$ 54,680,704	5.2%
Chief Financial Officer	$ -	$ 11,196,810	0.0%
Chief of Human Resources	$ -	$ 4,556,808	0.0%
Chief Information Officer	$ 1,364,689	$ 26,114,731	5.2%
Chief of Economic Development	$ 22,120,047	$ 28,070,999	78.8%
Facilities	$ -	$ 34,782,227	0.0%
Other Agency*	$ 159,929	$ 438,329,147	0.0%
Subtotal Offices Under President	**$ 75,123,250**	**$ 649,358,473**	**11.6%**
Elected Officials			
Cook County Board of Commissioners	$ -	$ 7,364,663	0.0%
Assessor	$ -	$ 23,487,234	0.0%
Board of Review	$ -	$ 8,226,970	0.0%
Chief Judge	$ 4,773,925	$ 200,896,596	2.4%
Clerk of the Circuit Court	$ 5,529,600	$ 98,533,459	5.6%
County Clerk	$ 3,719,370	$ 31,293,287	11.9%
Recorder of Deeds	$ -	$ 11,772,234	0.0%
Sheriff	$ 8,688,869	$ 455,602,619	1.9%
State's Attorney	$ 22,888,486	$ 117,983,908	19.4%
Treasurer	$ -	$ 13,667,465	0.0%
Inspector General	$ -	$ 1,713,509	0.0%
Public Administrator	$ -	$ 1,143,832	0.0%
Subtotal Elected Officials	**$ 45,600,250**	**$ 971,685,776**	**4.7%**
Other			
Cook County Health and Hospital System	$ 13,709,626	$ 986,734,229	1.4%
Board of Election Commissioners	$ -	$ 908,102	0.0%
Annuity and Benefits	$ -	$ 192,969,505	0.0%
Bond and Interest	$ -	$ 187,384,752	0.0%
Capital Improvements	$ -	$ 372,020,827	0.0%
Subtotal Other	**$ 13,709,626**	**$ 1,740,017,415**	**0.8%**
Fixed Charges and Special Purpose	$ -	$ 340,431,747	0.0%
Total Budget	**$ 134,433,126**	**$ 3,701,493,411**	**3.6%**

*Includes Department of Administrative Hearings, County Auditor, Public Defender and Other Funds, which refers operational expenses that do not have dedicated revenue sources.

Source: Cook County, FY2012 Executive Budget Recommendation, Proposed Expenditures, pp. 12 and 36.

RESOURCES

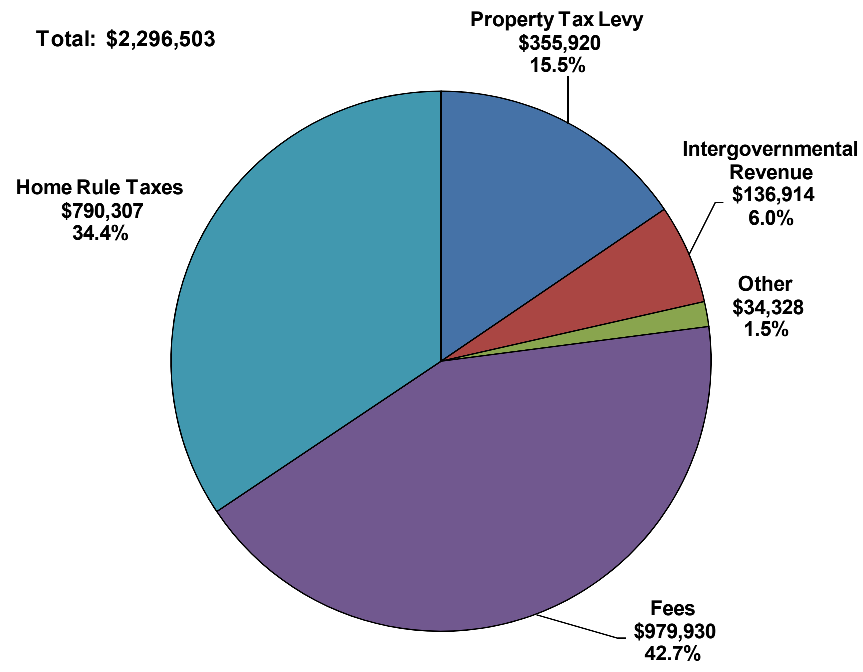
This section describes General Funds resources for Cook County and the property tax levy, which is used for all fund purposes.

Proposed FY2013 General Funds Resources

In FY2013 the County expects to generate a total of nearly $2.3 billion from various General Funds revenue sources, which include its Corporate, Public Safety and Health Funds. The Corporate Fund is the County's general operating fund and accounts for approximately 6.3%, or $145.2 million, of the County's revenues in FY2013. The Public Safety Fund accounts for the County's criminal justice system, including its jails, courts and related programs. The Public Safety Fund makes up roughly 51.6% of the FY2013 resources at $1.18 billion. The Health Fund accounts for the County's public healthcare system and makes up 42.0%, or $965.9 million, of the County's resources.[61]

Of the $2.3 billion in General Funds revenues, fees represent the largest resource at $979.9 million or 42.7% of the total. Home rule taxes are the second largest source of revenue at 34.4%, bringing in $790.3 million in FY2013. Property taxes will make up 15.5% of General Funds resources with $355.9 million.

Cook County FY2013 General Funds Resources: Corporate, Health and Public Safety Funds (in $ thousands)



Source: Cook County FY2013 Executive Budget Recommendation, Revenue Estimate, p. 15.

[61] Cook County FY2013 Executive Recommendation, Revenue Estimates, p. 20.

General Funds Resource Trends

Cook County General Funds resources are projected to increase by $61.4 million, or 2.7% between the FY2012 adopted budget and FY2013 proposed budget. In the five-year period between actual FY2009 revenues and those proposed for FY2013, Cook County General Funds resources will increase by $8.2 million, or 0.4%.

The proposed budget includes proposals for several revenue enhancements that are expected to generate $43.3 million in new revenues:[62]

- A $1 per pack increase in the home rule cigarette tax ($25.6 million in new revenues);
- An expansion of the use tax to non-titled property valued at more than $2,000 ($15.0 million in new revenues);
- A tax on ammunition and firearms; this would impose a $0.05 per bullet and $25 per firearm tax ($1 million in new revenues);
- An $800 per slot and video poker machine tax ($1.3 million in new revenues);
- Increased Highway and Medical Examiner fees ($200,000 in new revenues); and
- Elimination of building and zoning fee waivers for certain entities ($250,000 in new revenues).

Sales and Use Taxes

In March of 2008, the County increased its home rule sales tax rate. The one percentage point sales tax increase, from 0.75% to 1.75%, was effective on July 1, 2008.

Effective July 1, 2010, the County Board reduced the sales tax to 1.25%. At the February 25, 2011 Cook County Board meeting, an ordinance amendment proposed by Board President Preckwinkle was passed (12 to 5) by the County Board to lower the County's home rule sales tax to 1.0% beginning in January 2012 and to 0.75% beginning in January 2013.

In this budget, Board President Preckwinkle fulfills her pledge to fully roll back the County's home rule sales tax to 0.75%. If the FY2013 reduction is maintained by the County Board, the County's home rule sales tax will fall to 0.75% in 2013 and the composite rate in the City of Chicago will be 9.25%. The FY2013 roll back of the home rule sales tax will decrease County revenues by $86.0 million.[63]

The FY2013 budget proposes expanding the County home rule use tax to non-titled property. Currently, only titled property purchased outside Cook County is subject to a 1.00% use tax. This proposal would expand the use tax to all personal property that is purchased outside of Cook County for use within the County valued above a $2,000 threshold exemption. The rate for the non-titled property use tax would be 1.25%, which will be 0.5% higher than the FY2013 home rule sales tax rate. Titled property would continue to be taxed at the 1.00% rate. This revenue enhancement is expected to generate $15.0 million in FY2013. The stated purpose of

[62] Cook County FY2013 Executive Budget Recommendation, Revenue Estimates, p. 2.
[63] Cook County FY2013 Executive Budget Recommendation, Revenue Estimates, p. 7.

this tax increase is to encourage the purchase of personal property by businesses within Cook County.[64]

Combined receipts of both the home rule sales and use taxes are expected to be $436.9 million in FY2013, down $68.1 million or 13.5%, from the FY2012 projected budget. Since FY2009 sales tax revenues will decrease by $109.5 million, or 20.0%, largely as a result of the staged sales tax roll back.

Other Taxes and Fees

In FY2013 the Cook County property tax levy will total $724.9 million. The levy remained at $720.4 million from 2001 to 2011 and then increased to capture $1.2 million in revenue from expiring City of Chicago tax increment financing (TIF) districts. In FY2013 the levy will increase again as Cook County captures roughly $4.5 million from new property, expiring property tax incentives and expiring TIF districts.[65] The portion of the levy used for General Funds purposes in FY2013 will be $355.9 million, a slight increase from $335.2 million the previous year. Since FY2009, the portion of the levy used for General Funds purposes will increase by 0.5%, or $1.6 million.

A major source of home rule tax revenue is tobacco taxes, which include the cigarette tax and a tax on other tobacco products. In FY2013, the County proposes increasing the home rule cigarette tax by $1 per pack to a total of $3 per pack. If approved, this will increase the composite cigarette tax rate in Chicago to $6.67 per pack, one of the highest in the nation. The County estimates that this tax increase will generate about $25.6 million in additional revenue; this figure accounts for decreased consumption due to the imposition of this tax and the State's recent $1 per pack tax hike.[66] Overall, tobacco taxes are projected to increase by 8.4%, or $11.0 million, in FY2013, rising from a budgeted level of $130.0 million to $141.3 million. Since FY2009, tobacco tax revenues will have increased by 3.3%, or $4.5 million.[67]

As noted above, fees represent the largest source of all General Funds revenues, at $979.9 million or 42.7%. These include patient fees from the Cook County Health and Hospitals System, court fees collected by the Clerk of the Circuit Court, Recorder of Deeds fees and Treasurer's Office fees. The County is projecting an increase in revenue from fees, from $891.6 million in FY2012 to $979.9 million in FY2013, a $3.6 million, or 9.9% increase. Over the five years of this review fee revenues are expected to rise by 4.0%, from $942.5 million to $979.9 million. This is an increase of $37.4 million.

The largest source of fee revenue is from patient fees, which are projected to increase by 11.9%, or $75.8 million, in FY2013. The increase is largely due to an anticipated $197.0 million in revenues to be made available from the federal government for Medicaid expansion. Since FY2009, patient fees are expected to rise by $46.7 million, or 7.0%, from $663.4 million in FY2009 to an anticipated $710.1 million.

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[64] Cook County FY2013 Executive Budget Recommendation, Revenue Estimates p. 2.
[65] Cook County FY2013 Executive Recommendation, Revenue Estimates p. 21.
[66] Information provided by the Cook County Department of Budget and Management Services, October 17, 2012.
[67] In 2012, the County approved a tax on other tobacco products, effective March 1, 2012.

Much of the revenue in the patient fees category is comprised of Medicaid revenues from the federal government based on patient fees and supplemental Medicaid payments designed for hospitals serving large numbers of uninsured patients. These revenues include:
1) Disproportionate Share Hospital (DSH) payments and 2) payments provided under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement Protection Act (BIPA) of 2000. In addition, the Health System has submitted a proposal to the federal government to gain early access to expanded Medicaid funding under the provisions of the Affordable Care Act. This is expected to provide a total of $197.0 million in FY2013. For more detail on Health System operating revenues, please see page 42 of this analysis.

Miscellaneous revenue includes commissions on public telephones, construction and hauling permits, real estate rental income, sale of excess real estate, medical examiner office revenue, interest income and some health revenues.[68] Miscellaneous revenue is expected to increase in FY2013 by 12.4%, or $3.8 million, from FY2012. This is largely due to increases in Health System miscellaneous revenues for various revenues from parking, physician's fees, pharmacy service charges, medical records and cafeteria charges.[69]

Intergovernmental revenues include state sales and income tax distributions, gaming revenues, motor fuel tax grants and reimbursements from other governments. These revenues are expected to decrease by 2.7%, or $3.8 million, in FY2013. This will be a decrease from $140.7 million to $136.9 million. From FY2009 to FY2013, intergovernmental revenues are expected to increase by $47.8 million, or 53.6%, to $136.9 million.

[68] Cook County FY2013 Executive Recommendation, Revenue Estimates p. 13.
[69] Cook County FY2013 Executive Recommendation, Revenue Estimates p. 13.

Cook County General Funds Resources FY2009-FY2013 (in $ thousands)	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted	FY2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Property Taxes	**$ 354,279**	**$ 333,613**	**$ 392,365**	**$ 335,209**	**$ 355,920**	**$ 20,711**	**6.2%**	**$ 1,641**	**0.5%**
Home Rule Taxes									
Sales**	$ 632,705	$ 654,239	$ 503,606	$ 448,800	$ 362,507	$ (86,293)	-19.2%	$ (270,198)	-42.7%
TAN Repayment (Sales Tax)	$ (121,814)	$ -	$ -	$ -	$ -	$ -	-	$ 121,814	-
Use	$ 35,611	$ 35,109	$ 39,561	$ 56,278	$ 59,450	$ 3,172	5.6%	$ 23,839	66.9%
Non Titled Use Tax	$ -	$ -	$ -	$ -	$ 15,000	$ -	-	$ -	-
Subtotal Sales & Use Taxes	**$ 546,502**	**$ 689,348**	**$ 543,167**	**$ 505,078**	**$ 436,957**	**$ (68,121)**	**-13.5%**	**$ (109,545)**	**-20.0%**
Alcoholic Beverage	$ 26,718	$ 24,878	$ 25,550	$ 37,300	$ 39,100	$ 1,800	4.8%	$ 12,382	46.3%
Non-Retailer Transactions	$ -	$ -	$ -	$ 8,500	$ 7,800	$ (700)	-8.2%	$ 7,800	-
Cigarette and Other Tobacco	$ 136,792	$ 131,018	$ 123,250	$ 130,300	$ 141,310	$ 11,010	8.4%	$ 4,518	3.3%
Gas	$ 89,940	$ 93,857	$ 86,836	$ 90,600	$ 87,130	$ (3,470)	-3.8%	$ (2,810)	-3.1%
Retail Sale/Motor Vehicles	$ 2,006	$ 2,057	$ 2,351	$ 2,600	$ 2,900	$ 460	13.0%	$ 1,994	99.4%
Wheel	$ 1,878	$ 1,950	$ 2,034	$ 3,540	$ 4,000	$ 2,350	9.8%	$ 24,372	1297.6%
Amusement	$ 20,258	$ 22,000	$ 22,654	$ 23,900	$ 26,250	$ 2,350	9.8%	$ 5,992	29.6%
Parking Lot	$ 36,556	$ 36,070	$ 35,299	$ 36,120	$ 42,560	$ 6,440	17.8%	$ 6,004	16.4%
Gaming Amusement Machine Tax	$ -	$ -	$ -	$ -	$ 1,300	$ 1,300	-	$ 1,300	-
Firearms and Ammunition Tax	$ -	$ -	$ -	$ -	$ 1,000	$ 1,000	-	$ 1,000	-
Home Rule Projects	$ -	$ -	$ 7,711	$ -	$ -	$ -	-	$ -	-
Subtotal Home Rule Taxes	**$ 860,650**	**$1,001,178**	**$ 848,851**	**$ 837,938**	**$ 790,307**	**$ (47,631)**	**-5.7%**	**$ (70,343)**	**-8.2%**
Fee Revenue									
Patient Fees	$ 663,388	$ 533,627	$ 474,660	$ 634,362	$ 710,120	$ 75,758	11.9%	$ 46,732	7.0%
Clerk of Circuit Court	$ 103,159	$ 104,367	$ 94,405	$ 102,291	$ 95,000	$ (7,291)	-7.1%	$ (8,159)	-7.9%
Recorder of Deeds Fees	$ 34,151	$ 33,572	$ 32,410	$ 32,100	$ 33,364	$ 1,264	3.9%	$ (787)	-2.3%
Treasurer's Fees	$ 79,972	$ 94,284	$ 75,067	$ 60,007	$ 76,000	$ 15,993	26.7%	$ (3,972)	-5.0%
Other	$ 61,837	$ 60,043	$ 58,524	$ 62,844	$ 65,446	$ 1,777	4.1%	$ 3,609	5.8%
Subtotal Fee Revenue	**$ 942,507**	**$ 825,894**	**$ 735,065**	**$ 891,604**	**$ 979,930**	**$ 3,553**	**9.9%**	**$ 37,422**	**4.0%**
Misc. Revenues									
Misc. Revenues	$ 42,595	$ 33,675	$ 68,985	$ 30,542	$ 34,328	$ 3,786	12.4%	$ (8,267)	-19.4%
Subtotal Misc. Revenues	**$ 42,595**	**$ 33,675**	**$ 68,985**	**$ 30,542**	**$ 34,328**	**$ 3,786**	**12.4%**	**$ (8,267)**	**-19.4%**
Intergovernmental Revenues									
Motor Fuel Tax	$ 43,500	$ 44,500	$ 44,500	$ 74,500	$ 74,500	$ -	0.0%	$ 31,000	71.3%
OTB Commissions	$ 2,821	$ 2,079	$ 2,683	$ 2,300	$ 2,550	$ 250	10.9%	$ (271)	-9.6%
State Sales Tax	$ 2,983	$ 2,835	$ 2,868	$ 3,000	$ 3,200	$ 200	6.7%	$ 217	7.3%
State Income Tax	$ 9,602	$ 9,027	$ 9,756	$ 9,800	$ 12,400	$ 2,600	26.5%	$ 2,798	29.1%
Gaming	$ -	$ -	$ -	$ 6,000	$ 8,000	$ 2,000	-	$ 8,000	-
Chicago TIF Distribution	$ -	$ -	$ 19,046	$ 4,300	$ 1,428	$ (2,872)	-	$ 1,428	-
Reimbursements Other Governments***	$ 30,215	$ 30,328	$ 38,128	$ 40,836	$ 34,836	$ (6,000)	-14.7%	$ 4,621	15.3%
Subtotal Intergovernmental Revenues	**$ 89,120**	**$ 88,769**	**$ 116,981**	**$ 140,736**	**$ 136,914**	**$ (3,822)**	**-2.7%**	**$ 47,793**	**53.6%**
Total	**$2,289,152**	**$2,283,130**	**$2,162,248**	**$2,236,029**	**$2,297,399**	**$ 61,370**	**2.7%**	**$ 8,247**	**0.4%**

Note: Totals may not add due to rounding.

*Total revenues for FY2011includes $85.0 million from debt restructuring.

**Sales Tax includes allocation of Sales Tax to Special Fund in the amount of ($26,127) in FY2009.

***Reimbursements include State Criminal Alien Assistance Program (SCAAP), Probation Officer, Juvenile Court , JTDC and indirect costs.

Sources: Cook County FY2011 Appropriation Bill, Citizen's Summary, p. 43; FY2013 Executive Recommendation, Revenue Estimate, p. 15.

Property Tax Levy for All Funds

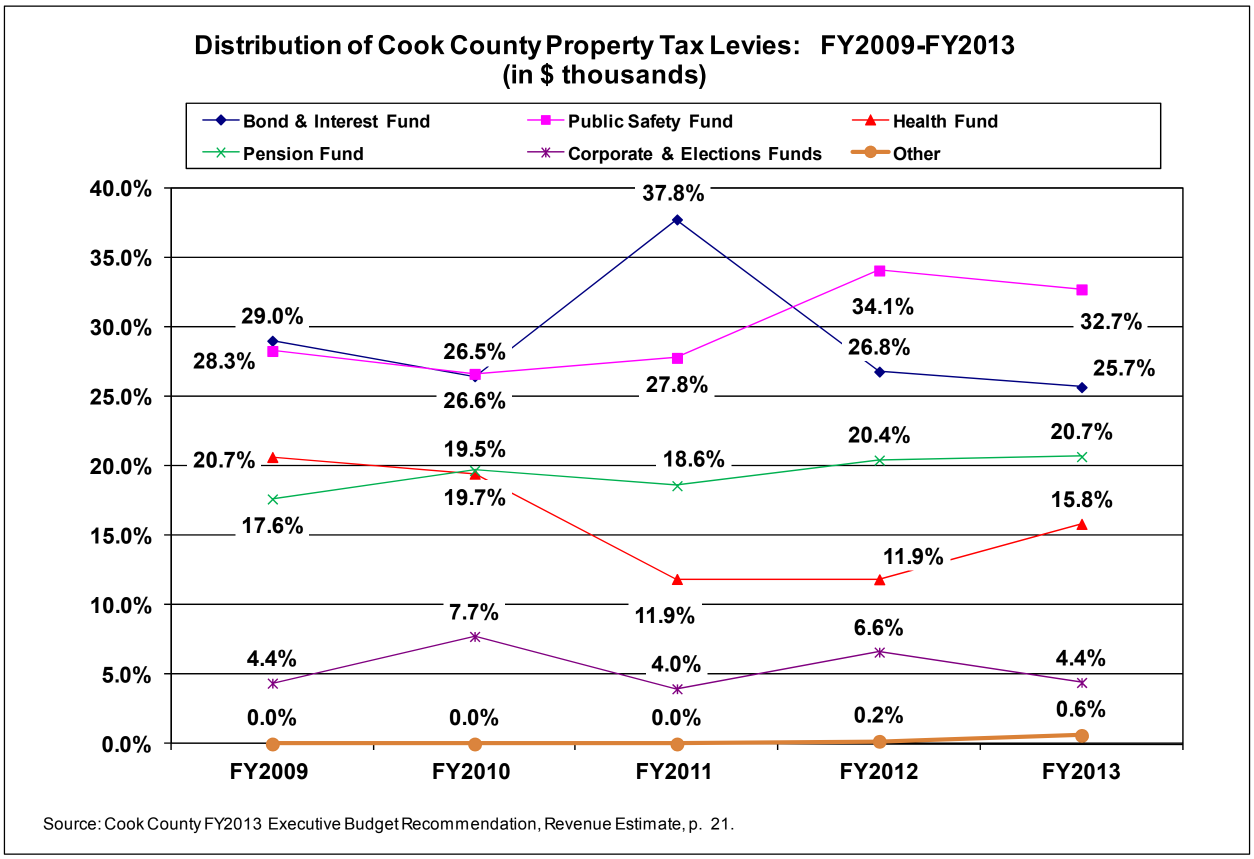
In FY2013 the Cook County property tax levy will total $724.9 million. The levy remained at $720.4 million from 2001 to 2011 and then increased to capture $1.2 million in revenue from expiring City of Chicago tax increment financing (TIF) districts. In FY2013 the levy will increase again as Cook County captures roughly $4.5 million from new property, expiring tax incentives and expiring and eliminated TIF districts.[70] The levy increase related to TIF districts is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.6 million for Chicago TIF district expenses. Now, they will pay the $1.6 million instead as part of the Cook County levy. The levy on new property only affects those new taxpayers.

Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health, Bond and Interest and Pension (also known as the Annuity and Benefit Fund). Changes in distribution of the levy between FY2009 and FY2013 are shown below.

[70] Cook County FY2013 Executive Recommendation, Revenue Estimate, p. 21.

Three of the funds, Public Safety, Pension and Bond and Interest Funds, will consume 79.1%, or $573.5 million, of the levy in FY2013. The Public Safety Fund will consume the largest amount of the levy at $237.3 million, or 32.7% of the total. This is a slight decrease from Public Safety's 34.1% share in FY2012 and an increase of 4.4 percentage points from Public Safety's 28.3% share in FY2009. The Bond and Interest Fund will spend 25.7%, or $186.2 million, in FY2013. Finally, the Pension Fund will be the third largest expenditure for levy resources at 20.7%, or $150.0 million, of the total levy in FY2013.

For purposes of our analysis, the relatively small Corporate and Election Funds have been combined. In FY2013 the portion of the levy dedicated to these funds will be 4.4%. The decrease from 6.6% in FY2012 to 4.4% in FY2013 is because there will not be national and state primary and general elections in 2013, only local elections.



PERSONNEL TRENDS

The following section addresses trends for budgeted personnel by fund and by control officer and trends in personal service appropriations for all funds. Although personnel data for the Cook County Health and Hospitals System is included, details on the Health System are discussed on page 47 of this report.

The County proposes a reduction of 421.5 full-time equivalent (FTE) positions in the General and Special Purpose Funds for a total of 22,573 FTEs in FY2013.[71] When grant funds are included, the total workforce is 23,197.3 FTEs, a reduction of 462.1 FTEs.[72] The proposed FTE reduction includes approximately 11 layoffs, all within the offices under the President, and vacancy eliminations.[73] Details of the layoffs, including the number of part-time and full-time layoffs, vacancy eliminations and descriptions are not included in the proposed FY2013 budget narrative.

Full-Time Equivalent Positions by Fund

The County's FY2013 budget proposes to reduce FTE positions in the Corporate Fund and Special Purpose Funds.[74] The Corporate Fund's FTEs will decrease by 37.2, or 2.4%, from the FY2012 approved FTEs and by 251.1, or 14.1%, from FY2009 approved FTEs. FTEs designated in Other Special Purpose Funds are declining by 33 FTEs, or 3.5%, from the FY2012 approved budget, but over the five-year period, they are increasing by 101.5 FTEs, or by 12.5%. Over the same five-year period, the Public Safety Fund will decrease by 908 FTEs, or 6.4%, though FTEs will increase by 39.4 over FY2012 approved FTEs.

Cook County Budgeted FTEs by Fund: FY2009-FY2013

Fund	FY2009 Adopted	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,783.7	1,781.3	1,481.9	1,569.8	1,532.6	(37.2)	-2.4%	(251.1)	-14.1%
Public Safety Fund	14,234.7	14,411.7	14,023.2	13,287.3	13,326.7	39.4	0.3%	(908.0)	-6.4%
Election Fund	121.5	125.0	129.6	133.0	133.0	0.0	0.0%	11.5	9.5%
Other Special Purpose Funds	812.4	889.4	987.5	946.9	913.9	(33.0)	-3.5%	101.5	12.5%
Subtotal without Health Fund	**16,952.3**	**17,207.4**	**16,622.2**	**15,937.0**	**15,906.2**	**(30.8)**	**-0.2%**	**(1,046.1)**	**-6.2%**
Health Fund	7,501.4	7,626.7	6,638.1	7,057.8	6,667.1	(390.7)	-5.5%	(834.3)	-11.1%
Grand Total	**24,453.7**	**24,834.1**	**23,260.3**	**22,994.8**	**22,573.3**	**(421.5)**	**-1.8%**	**(1,880.4)**	**-7.7%**

Note: Some differences in totals may appear due to rounding. Figures do not include grant-funded positions.
Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 37-40.

[71] Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 41-42. Some differences occur due to rounding. This number does not include grant-funded positions. Not all reductions are layoffs.
[72] Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 2.
[73] Information provided by the Cook County Department of Budget and Management Services, October 17, 2012.
[74] Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.

Full-Time Equivalent Positions by Control Officer

The General and Special Purpose Funds in the FY2013 Cook County budget propose a decrease of 421.5 FTEs. This is a 1.8% decrease from the adopted FY2012 budget, falling from 22,994.8 FTEs to 22,573.3 FTEs. The most significant reduction in FTEs, aside from the Health System, occurs with the Chief Judge's offices, which will decline by 134.3 FTEs, or 4.3%. The Sheriff's office will increase FTEs by 157.2, or 2.4%. The Offices Under the President will also increase in FTE count, from 2,123.1 in FY2012 to 2,159.6 in FY2013. The 1.7% growth is driven by an increase of 48.7 FTEs in the office of the Chief Financial Officer.[75] Over the five-year period, all areas of Cook County will experience declines in FTEs except for the Offices Under the President, which will increase by 39.5 FTEs, or 1.9%. The increase over the five-year period is driven by higher FTEs in the Chief Administration Officer's office due to increased funds in FY2010 and FY2011 in the Motor Fuel Tax Illinois First Fund, which pays for construction and improvements of roads and bridges in unincorporated Cook County.[76]

Cook County FTEs by Control Officer for All Funds: FY2009-FY2013

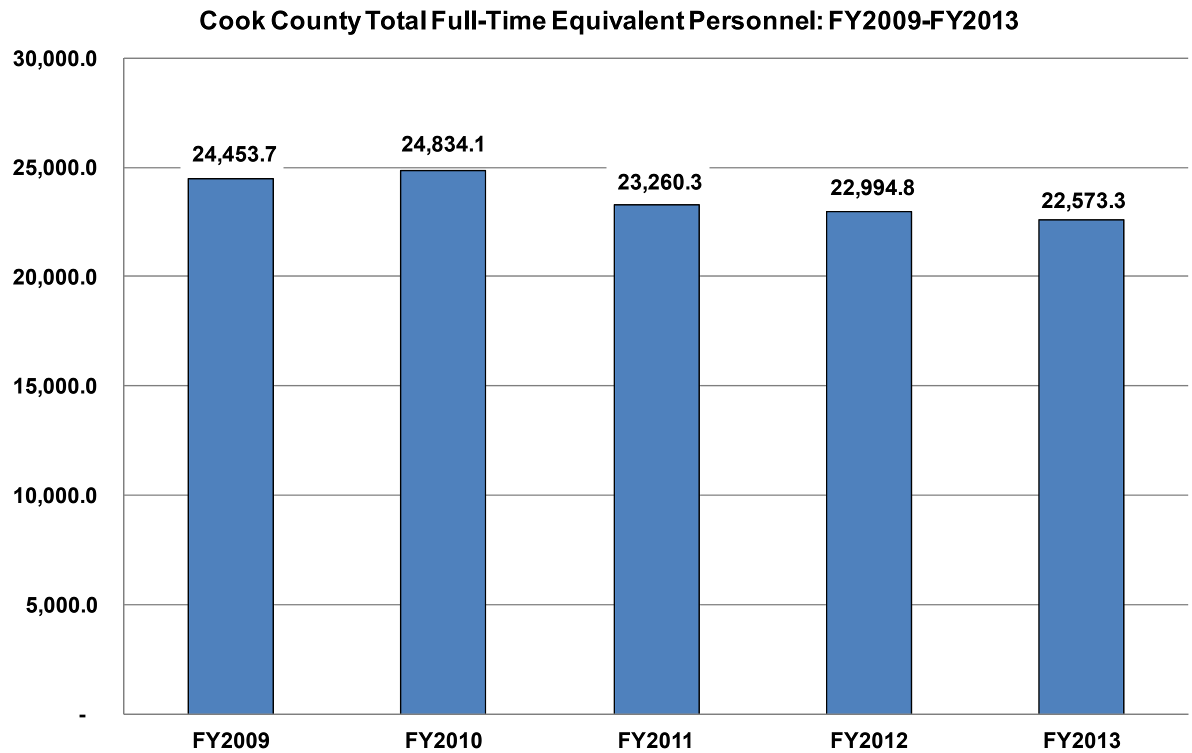
Control Officer	FY2009 Adopted	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,120.1	2,251.9	2,117.5	2,123.1	2,159.6	36.5	1.7%	39.5	1.9%
Board of Commissioners	93.8	90.7	91.3	91.6	90.6	(1.0)	-1.1%	(3.2)	-3.4%
County Clerk	288.3	301.0	285.4	286.0	280.0	(6.0)	-2.1%	(8.3)	-2.9%
Recorder of Deeds	225.7	221.0	206.0	193.0	196.5	3.5	1.8%	(29.2)	-12.9%
Treasurer	130.9	120.0	114.2	109.0	105.2	(3.8)	-3.5%	(25.7)	-19.6%
Sheriff	6,814.1	6,899.2	6,698.4	6,425.6	6,582.8	157.2	2.4%	(231.3)	-3.4%
State's Attorney	1,353.5	1,361.6	1,332.9	1,179.7	1,176.7	(3.0)	-0.3%	(176.8)	-13.1%
Chief Judge	3,288.6	3,309.0	3,209.5	3,131.5	2,997.2	(134.3)	-4.3%	(291.4)	-8.9%
Clerk of the Circuit Court	2,027.6	2,036.0	2,020.1	1,814.0	1,765.5	(48.5)	-2.7%	(262.1)	-12.9%
Other Elected Officials*	556.7	563.0	498.9	535.5	511.0	(24.5)	-4.6%	(45.7)	-8.2%
Health and Hospitals System	7,554.4	7,680.7	6,686.1	7,105.8	6,708.1	(397.7)	-5.6%	(846.3)	-11.2%
Total	**24,453.7**	**24,834.1**	**23,260.3**	**22,994.8**	**22,573.3**	**(421.5)**	**-1.8%**	**(1,880.4)**	**-7.7%**

Note: The figures above do not include grant-funded FTEs. Some differences in totals may appear due to rounding.
*Other Elected Officials include the County Assessor, Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners. Some of these control officers are appointed; however, they are presented as Other Elected Officials in the Executive Budget Recommendation.

Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 41-42.

[75] Cook County, FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 41.
[76] Cook County, FY2011 Executive Recommendations, B-1.

The next exhibit shows total full-time equivalent positions for the five years between FY2009 and FY2013 for all funds. Since the peak in FY2010 the proposed number of FTEs has fallen from 24,834.1 FTEs to 22,573.3 FTEs proposed in FY2013, a decline of 9.1%, or 2,260.8 FTEs.



Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 37-40.

Personal Service Appropriations

The following chart compares personal service appropriations to the total County operating budget. In FY2013 personal service appropriations will constitute 64.8% of the total budget, down 13.4 percentage points from 78.2% in FY2012. FY2013 marks the lowest ratio of personnel appropriations to operating budget in the past five years. During the five-year period, the ratio has decreased by 7.4 percentage points.

Ratio of Personal Service to Total Operating Funds Appropriations: FY2009-FY2013			
	Personal Services Appropriation*	Total Operating Funds Expenditures	Personal Services as % of Total Operating Funds
FY2009	$ 2,074,024,675	$ 2,871,064,274	72.2%
FY2010	$ 2,182,801,997	$ 2,996,944,155	72.8%
FY2011	$ 2,158,026,832	$ 2,818,566,474	76.6%
FY2012	$ 1,911,957,733	$ 2,444,148,903	78.2%
FY2013 Proposed	$ 1,911,579,183	$ 2,949,118,327	64.8%

*Adopted appropriations are used because actual expenditures are not available.
Sources: Cook County FY2009 Appropriations Ordinance, Citizens Summary, p. 48; FY2010, p. 54; FY2011, p. 88; Cook County FY2012 Appropriations Ordinance, Proposed Expenditures, p. 23; and Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 12 and 35.

In FY2013 the County will appropriate $1.4 billion for salary expenditures, an increase of 1.3%, or $17.8 million, from FY2012 adopted figures. Salary appropriations for all control officers will increase except for the Treasurer, which will decrease by 0.5%, or $40,000, and the Health and Hospitals System, which will decrease by 6.3%, or $32.7 million. The largest two-year dollar increase will be for the Sheriff, with a $31.6 million, or 8.7%, increase over FY2012 approved appropriations. The Sheriff's department will experience an increase in salaries from the addition of 157.2 FTE positions and as a result of collective bargaining agreement where some salaries rose by as much as 8.5%.[77] Though the majority of salary appropriations will increase over the two-year period, they have steadily declined over the five-year period beginning FY2009. The largest five-year dollar decline, aside from the Health System, is for the Chief Judge, whose salary appropriations will decline by $9.7 million, or 6.0%. Since FY2009, salary appropriations will increase for the Sheriff (by $19.7 million, or 5.3%), the President's offices (by $12.0 million, or 8.0%) and the Board of Commissioners ($155,000, or 2.5%).

Cook County Salaries by Control Officer for All Funds: FY2009-FY2013 (in $ thousands)									
Control Officer	**FY2009 Adopted**	**FY2010 Adopted**	**FY2011 Adopted**	**FY2012 Adopted**	**FY2013 Proposed**	**Two-Year # Change**	**Two-Year % Change**	**Five-Year # Change**	**Five-Year % Change**
Offices Under the President	$ 148,527	$ 162,395	$ 154,178	$ 153,649	$ 160,478	$ 6,829	4.4%	$ 11,952	8.0%
Board of Commissioners	$ 6,204	$ 6,700	$ 6,260	$ 6,270	$ 6,359	$ 89	1.4%	$ 155	2.5%
County Clerk	$ 14,915	$ 15,854	$ 15,351	$ 14,797	$ 14,916	$ 118	0.8%	$ 0	0.0%
Recorder of Deeds	$ 10,558	$ 10,671	$ 9,815	$ 9,136	$ 9,750	$ 614	6.7%	$ (807)	-7.6%
Treasurer	$ 8,686	$ 8,382	$ 8,132	$ 7,425	$ 7,385	$ (40)	-0.5%	$ (1,301)	-15.0%
Sheriff	$ 374,403	$ 401,211	$ 368,947	$ 362,491	$ 394,095	$ 31,604	8.7%	$ 19,693	5.3%
State's Attorney	$ 92,484	$ 98,584	$ 94,269	$ 86,518	$ 90,002	$ 3,484	4.0%	$ (2,482)	-2.7%
Chief Judge	$ 161,669	$ 165,231	$ 153,015	$ 146,395	$ 152,008	$ 5,612	3.8%	$ (9,661)	-6.0%
Clerk of the Circuit Court	$ 87,996	$ 91,958	$ 85,361	$ 79,067	$ 80,339	$ 1,273	1.6%	$ (7,657)	-8.7%
Other Elected Officials*	$ 31,479	$ 33,740	$ 29,441	$ 30,336	$ 31,258	$ 922	3.0%	$ (221)	-0.7%
Health and Hospitals System	$ 507,411	$ 530,058	$ 492,367	$ 518,081	$ 485,348	$ (32,732)	-6.3%	$ (22,063)	-4.3%
Total	**$1,444,331**	**$1,524,785**	**$1,417,136**	**$1,414,166**	**$1,431,939**	**$ 17,773**	**1.3%**	**$ (12,392)**	**-0.9%**

Note: Some differences in totals may appear due to rounding.
*Other Elected Officials include the County Assessor, Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners. Some of these control officers are appointed; however, they are presented as Other Elected Officials in the Executive Budget Recommendation.

Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 41-42.

77 Information provided by the Cook County Department of Budget and Management Services, October 23, 2012.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

This section examines the budget of the Cook County Health and Hospitals System. The analysis focuses on the Health Fund, which is a component of the County's General Fund and accounts for nearly all of the Health System's activities.[78]

Overview of the Health System

The Cook County Health and Hospitals System is one of the largest public hospital systems in the U.S. operated by a unit of local government and the largest provider of medical care to the uninsured in the State of Illinois.[79] The Health System operates John H. Stroger Jr. and Provident Hospitals. It provides additional services through the Oak Forest Health Center, which was formerly Oak Forest Hospital, and the Ambulatory and Community Health Network (ACHN), which operates clinics across the County and specialty outpatient clinics at the System's hospitals.

The Health System's operations also include the CORE Center, an outpatient facility for patients with HIV/AIDS and related diseases; Cermak Health Services, the infirmary for the Cook County Jail; the Juvenile Temporary Detention Center Health Services (JTDC), which serves children detained by the County; and the Cook County Department of Public Health.

More than half of the Health System's charges are incurred by patients without health insurance of any kind, who generally do not pay for their medical services. Most of the System's operating revenues come from Medicaid, the joint federal-state program for certain categories of low-income people. The County bridges the gap between the Health System's expenditures and operating revenues through a subsidy consisting mainly of property, cigarette and sales tax revenues.

Since mid-2008, the Health System has been governed by its own Board of Directors. The Board has authority over day-to-day decision-making but must get approval from the Cook County Board of Commissioners for annual budgets and major policy matters, such as hospital closings and strategic plans.[80]

The budget process for the Health System is different from that of other components of County government. The budgets of other county offices are only reviewed by the County Board as part of the Board President's recommended budget. In contrast, the Health System submits a preliminary budget to the County Board.[81] After receiving approval from the County Board, the Health System's budget is incorporated into the Board President's recommended budget. The Health System's preliminary budget for FY2013 was approved by the County Board on October 2, 2012.

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[78] The FY2013 recommended budget for the Health System includes $965.9 million in Health Fund appropriations; $7.1 million in appropriations to two Special Purpose Funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District; and $13.7 million in grants.
[79] Cook County FY2011 Comprehensive Annual Financial Report, p. 18.
[80] Cook County Code of Ordinances, Chapter 38, Article V, Sections 38-82 and 38-83.
[81] Cook County Code of Ordinances, Chapter 38, Article V, Section 38-83.

On July 13, 2010 the County Board approved the Health System's five-year strategic plan, which aims to shift resources away from inpatient care and toward outpatient care in order to serve more patients and deliver care more efficiently.[82] In FY2011 the Health System ended emergency room and inpatient services at Oak Forest Hospital. The System also scaled back inpatient service at Provident Hospital and stopped accepting ambulance patients at Provident's emergency room. A regional outpatient center is being developed at the Oak Forest site and is part of the strategic plan for Provident.

Over the next few years, changes to the Medicaid program at the federal and State levels are expected to have a significant impact on the Health System's operations. The State of Illinois enacted Medicaid reform legislation in January 2011 that requires 50% of Medicaid patients to be enrolled in care coordination programs (also known as managed care) by January 2015.[83] Managed care is intended to improve patient care and reduce costs by emphasizing preventive care and avoiding unnecessary hospitalizations and duplicative prescriptions. National healthcare reform expands the Medicaid-eligible population to low-income, childless adults who are neither elderly nor disabled beginning in January 2014.[84] Patients who become eligible for coverage by Medicaid due to healthcare reform may decide to seek care from other hospitals and doctors, leaving the Health System with an even larger share of uninsured patients.

Medicaid Expansion Plan

To prepare for these changes and improve its financial condition, the Health System in January 2012 submitted a proposal to the federal government to gain early access to expanded Medicaid funding.[85] The Medicaid expansion plan, known as County Care, is the centerpiece of the Health System's FY2013 budget, providing a projected $99 million in net revenue. Dr. Ram Raju, who became the Health System's Chief Executive Officer in October 2011, has said that the plan presents major challenges but is essential to the System's survival.[86]

Beginning in January 2014, the federal Affordable Care Act extends Medicaid coverage to all adult citizens with annual incomes up to 133% of the federal poverty level.[87] Roughly 250,000 people are expected to gain coverage in Cook County.[88] The Health System expects to enroll 115,000 of the new recipients in County Care in FY2013, a target that Dr. Raju has described as

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[82] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010.

[83] Public Act 96-1501. The legislation defines coordinated care as integrated healthcare delivery systems in which healthcare providers are at financial risk for the cost of patients' care.

[84] Patient Protection and Affordable Care Act, Public Law 111-148, Title II, Subtitle A, Section 2001.

[85] Illinois Department of Healthcare and Family Services and Cook County Health and Hospitals System, *Cook County Health and Hospitals System's Care Coordination Enhancements and Bridge to ACA, Medicaid 1115 Waiver, Proposal,* January 6, 2012, http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/il/il-new-demo-request-pa.pdf (last visited on October 20, 2012).

[86] Statement by Dr. Ram Raju, Chief Executive Officer of the Cook County Health and Hospitals System, at the September 4, 2012 meeting of the Health System Board of Directors.

[87] The effective limit is actually 138% because 5% of income is disregarded in determining eligibility. The federal poverty level is currently set at $11,170 for an individual.

[88] Illinois Department of Healthcare and Family Services and Cook County Health and Hospitals System, *Cook County Health and Hospitals System's Care Coordination Enhancements and Bridge to ACA, Medicaid 1115 Waiver, Proposal,* January 6, 2012, p. 3, http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/il/il-new-demo-request-pa.pdf (last visited on October 20, 2012).

aggressive.[89] The total includes approximately 69,000 Health System patients who currently lack insurance coverage and do not pay for their medical services.[90] The total also includes roughly 9,160 City of Chicago residents whose medical coverage under the General Assistance program was eliminated by the State as part of sweeping medical program reductions enacted in June 2012.[91] Additional patients are expected to be recruited from Federally Qualified Health Centers (FQHCs), primary care clinics that receive federal subsidies for treating low-income patients.

County Care is designed to be a managed care program in which a patient is assigned to a "medical home" or team of doctors and other medical staff that would be responsible for the patient's care. The Health System plans to create registries of patients with chronic diseases such as diabetes, so the conditions can be managed through preventive care and emergency room visits avoided. Health System officials have acknowledged that this kind of care represents a cultural transformation for the System, where patients are accustomed to lining up before clinics open to make sure they are seen by a doctor and to receive treatment at any System facility.[92] Currently, 66% of phone calls to the service center for the Health System's clinics are handled on a timely basis, compared with 45% in FY2011 and a goal of 80%. The clinics plan to give priority to managed care patients in scheduling appointments.[93]

County Care patients would have access to a new regional network of healthcare providers consisting of Health System hospitals and clinics, as well as subcontracted community partners such as FQHCs. Except for emergencies, patients would be required to receive their care within the network. Patients would not be able to enroll in Medicaid through the Health System and then seek care elsewhere.

Total revenues from the expansion plan are projected at $197.0 million in FY2013. The Health System would be reimbursed on a "per member per month" basis, with administrative costs covered separately. The monthly amount negotiated with the Centers for Medicare and Medicaid Services (CMS) of the U.S. Department of Health and Human Services is more than $600, which is above the initial rate of $379 proposed in the Health System's application.[94] Actual costs will depend on the healthcare needs of the patients who enroll in County Care. If actual costs are below the amount set by CMS, then the Health System could be required to refund the excess. The Health System plans to upgrade its information systems in order to accurately track these patient costs.

Although the federal government is scheduled to cover as much as 100% of the costs for newly eligible Medicaid recipients beginning in 2014, regular reimbursement rates apply before that

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[89] Statement by Dr. Ram Raju at the August 24, 2012 meeting of the Finance Committee of the Cook County Health and Hospitals System.
[90] Statement by Dr. Ram Raju to the Civic Federation, September 18, 2012. Expenses for existing patients who enroll in the expansion plan will be reallocated during the year.
[91] Illinois Department of Healthcare and Family Services, *FY13 Medical Assistance Budget Actions Associated with Senate Bill 2840*, May 24, 2012. General Assistance is a public aid program for the City of Chicago administered by the State of Illinois.
[92] Statement by Dr. Ram Raju to the Civic Federation, September 18, 2012.
[93] Cook County FY2013 Executive Budget Recommendation, pp. L-52 to L-53.
[94] Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 18.

time.[95] States typically pay for Medicaid expenses and are then reimbursed by the federal government; the reimbursement rate for Illinois is 50%. But under a special financing arrangement known as an intergovernmental transfer, the non-federal share of Medicaid spending for the Health System is contributed by Cook County, rather than the State. The projected $197.0 million in revenue from the expansion plan is net of the County contribution.

Total expansion plan expenses are budgeted at $98.0 million in FY2013.[96] Most of the expenses—$59.2 million—are for outside professional and managerial services, including payments to community partners and to a third-party administrator to process claims for outside healthcare providers and to staff a call center for members and providers. Expenses also cover $10.5 million for 247 new employees, including case managers to coordinate patient care.

The Health System applied for the early Medicaid expansion under Section 1115 of the Social Security Act, which gives the federal government authority to waive provisions of the Medicaid program and to allow states to use federal Medicaid funds in ways not otherwise allowed under federal rules. To approve a Section 1115 Medicaid Demonstration Waiver, CMS must determine that the initiative is an "experimental, pilot, or demonstration project" that is "likely to assist in promoting the objectives" of the Medicaid program.[97]

As of May 2012, seven states, including California, had obtained 1115 Waivers to get an early start on the 2014 Medicaid expansion.[98] The Health System expects to receive approval from CMS before the start of the County's 2013 fiscal year on December 1, 2012.

The Health System's plan also required an amendment to Illinois' 2011 Medicaid reform law, which placed a two-year moratorium on expansion of eligibility for the State's Medicaid program.[99] Legislation granting an exemption for the Health System plan was signed by Illinois Governor Pat Quinn in June 2012.[100] The legislation also specified that the State could not pay any costs related to the Health System plan and that the plan would end if Congress repealed the portion of the Affordable Care Act dealing with Medicaid expansion.

In addition, the June 2012 legislation extended Illinois' Medicaid expansion moratorium until 2015, meaning that an amendment would be required for the State to participate in the national Medicaid expansion in 2014. Medicaid expansions required as a federal condition of state participation in the Medicaid program were exempted from the Illinois moratorium. However, the Supreme Court in a June 28, 2012 decision ruled that the expansion under national healthcare reform is a state option.[101] Before the ruling, the expansion appeared to be required for states that wanted to continue receiving federal matching funds for their Medicaid programs.

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[95] The federal government is scheduled to pay 100% of the cost for newly eligible recipients in 2014 to 2016; 95% in 2017; 94% in 2018; 93% in 2019; and 90% in 2020 and thereafter.
[96] Cook County FY2013 Executive Budget Recommendation, p. L-81.
[97] Kaiser Commission on Medicaid and the Uninsured, *An Overview of Recent Section 1115 Medicaid Demonstration Waiver Activity*, May 2012, p. 3.
[98] Kaiser Commission on Medicaid and the Uninsured, An Overview of Recent Section 1115 Medicaid Demonstration Waiver Activity, May 2012, p. 7.
[99] Public Act 96-1501.
[100] Public Act 97-0687.
[101] 132 S.Ct. 2566, National Federation of Independent Business v. Sebelius, 567 U.S. _ (2012).

The outcome of the Presidential election on November 6, 2012 could affect the Health System's Medicaid expansion plan. Former Governor Mitt Romney has said that, if elected, he would work to repeal the Affordable Care Act.[102] Repealing the law would also depend on Congressional election results.

The resolution that accompanies Cook County's annual appropriation bill is expected to state that, if the Medicaid expansion plan does not proceed, then the Health System budget will be reduced accordingly.[103]

Health System Appropriations

The Health System's proposed appropriations for FY2013 total $965.9 million, or 42.0% of the County's General Fund budget of $2.3 billion. The System's FY2013 appropriations will increase by 8.0%, or $71.8 million, from $894.1 million in FY2012. The $98.0 million increase in appropriations related to the Medicaid expansion plan is partially offset by a $26.2 million decline in other areas, including savings on supply costs and the elimination of 365 vacant positions.

Appropriations for Oak Forest Health Center will decline by $22.7 million, or 64.5%, from $35.2 million in FY2012 to $12.5 million in FY2013. Expenses for medical services at Oak Forest Health Center were moved to Stroger Hospital and ACHN in the budget; remaining appropriations relate to the cost of maintaining the Oak Forest site.

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[102] Sara R. Collins, Stuart Guterman, Rachel Nuzum, Mark A. Zezza, Tracy Garber and Jennie Smith, *Health Care in the 2012 Presidential Election: How the Obama and Romney Plans Stack Up*, The Commonwealth Fund, October 2012, p. 9.

[103] Communication between the Civic Federation and the Cook County Department of Budget and Management Services, October 17, 2012.

The table below shows actual expenditures for FY2008 to FY2011, adopted appropriations for FY2012 and proposed appropriations for FY2013. The major reductions over the five-year period reflect the conversion of Oak Forest Hospital to an outpatient facility and the scaling back of operations at Provident Hospital, as discussed above. Total appropriations increase by $35.3 million, or 3.8%, due to the Medicaid expansion plan.

Cook County Health and Hospitals System Appropriations by Department: FY2009-FY2013 (in $ millions)									
Department	**FY2009 Actual**	**FY2010 Actual**	**FY2011 Actual**	**FY2012 Adopted**	**FY2013 Proposed**	**Two Year $ Change**	**Two Year % Change**	**Five Year $ Change**	**Five Year % Change**
Office of the Chief Health Administrator	$ 145.7	$ 177.3	$ 127.2	$ 168.7	$ 154.9	$ (13.8)	-8.2%	$ 9.2	6.3%
Cermak Health Services	$ 30.8	$ 32.1	$ 33.6	$ 40.1	$ 40.9	$ 0.8	2.0%	$ 10.1	32.8%
JTDC Health Services	$ 5.9	$ 2.7	$ 2.8	$ 3.9	$ 3.9	$ -	0.0%	$ (2.0)	-33.9%
Provident Hospital	$ 81.9	$ 72.3	$ 53.5	$ 51.5	$ 49.5	$ (2.0)	-3.9%	$ (32.4)	-39.6%
Ambulatory and Community Health Network	$ 43.5	$ 44.7	$ 41.4	$ 47.1	$ 51.8	$ 4.7	10.0%	$ 8.3	19.1%
CORE Center	$ 10.9	$ 11.1	$ 10.8	$ 11.8	$ 11.7	$ (0.1)	-0.8%	$ 0.8	7.3%
Department of Public Health	$ 14.8	$ 15.5	$ 15.5	$ 17.2	$ 16.1	$ (1.1)	-6.4%	$ 1.3	8.8%
Medicaid Expanison Plan	$ -	$ -	$ -	$ -	$ 98.0	$ 98.0	-	$ 98.0	-
Stroger Hospital	$ 402.9	$ 398.2	$ 379.9	$ 429.8	$ 426.0	$ (3.8)	-0.9%	$ 23.1	5.7%
Oak Forest Health Center*	$ 79.8	$ 70.0	$ 48.0	$ 35.2	$ 12.5	$ (22.7)	-64.5%	$ (67.3)	-84.3%
Subtotal Departmental Appropriations	**$ 816.2**	**$ 823.9**	**$ 712.7**	**$ 805.3**	**$ 865.3**	$ 60.0	7.5%	$ 49.1	6.0%
Fixed Charges and Special Purpose Appropriations	$ 114.6	$ 128.7	$ 109.9	$ 88.9	$ 100.7	$ 11.8	13.3%	$ (13.9)	-12.1%
Total**	**$ 930.6**	**$952.6**	**$822.6**	**$894.1**	**$965.9**	**$ 71.8**	**8.0%**	**$ 35.3**	**3.8%**

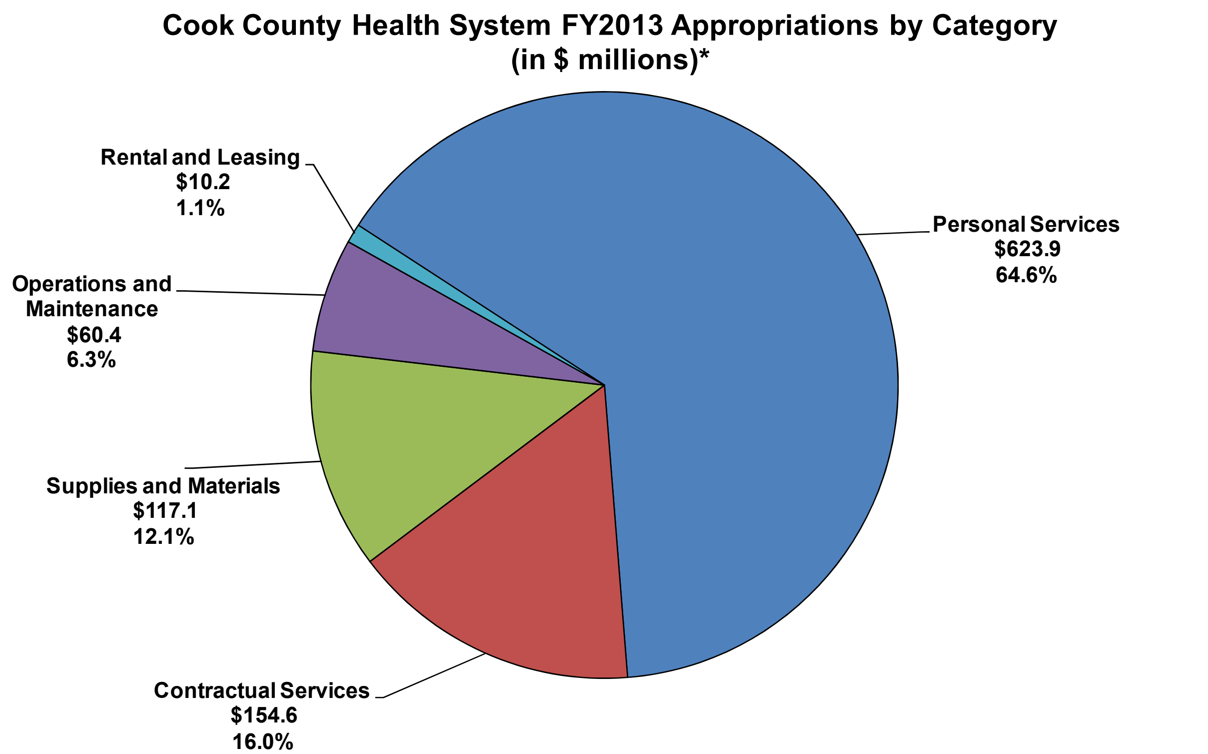
*Oak Forest Hospital was renamed Oak Forest Health Center in FY2011. Healthcare expenses at Oak Forest Health Center were moved to the budgets of Stroger Hospital and ACHN in FY2013, with revenue credited accordingly. Remaining costs at Oak Forest reflect costs of operating the campus.

**Totals may not sum due to rounding.

Source: Cook County FY2012 Executive Budget Recommendation, Proposed Expenditures, p. 10; Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 9.

Health System appropriations cover departmental appropriations as well as Fixed Charges and Special Purpose appropriations. Fixed charges include costs related to employee health and life insurance, workers' compensation and medical malpractice and other insurance claims. Payments for Health System-related pension and debt service costs are not allocated to the Health System in the budget. However, the FY2013 budget provides estimates of these payments, which will be discussed below.

The next chart shows FY2013 Health System appropriations by category. Personnel accounts for 64.6% of total appropriations, followed by Contractual Services at 16.0% and Supplies and Materials at 12.1%.



*Does not reflect contingency and special purpose appropriations of -$0.4 million.
Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 30.

Health System Resources

Health System resources consist of operating revenues and the County subsidy. Most of the Health System's operating revenues come from Medicaid, while the County subsidy is funded mainly from property, cigarette and sales taxes.

Health System Operating Revenues

Health System operating revenues are projected to increase to $712.2 million in FY2013. That represents an increase of $71.8 million, or 11.2%, from a budgeted level of $640.4 million in FY2012. An additional $197.0 million in projected revenue from the Medicaid expansion plan is partially offset by a projected decline of $132.0 million in budgeted patient fee revenue.

The next table shows actual operating revenues from FY2009 to FY2011, adopted revenues for FY2012 and proposed operating revenues for FY2013.

Cook County Health and Hospitals System Operating Revenues: FY2009-FY2013 (in $ millions)									
	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted	FY2013 Proposed	Two Year $ Change	Two Year % Change	Five Year $ Change	Five Year % Change
Patient Fee Revenue	$ 238.0	$ 239.6	$ 190.3	$ 363.1	$ 231.1	$ (132.0)	-36.4%	$ (6.9)	-2.9%
BIPA*	$ 131.3	$ 131.3	$ 131.3	$ 131.3	$ 131.3	$ -	0.0%	$ -	0.0%
DSH**	$ 294.1	$ 162.8	$ 153.1	$ 140.0	$ 150.8	$ 10.8	7.7%	$ (143.3)	-48.7%
Medicaid Expansion Plan	$ -	$ -	$ -	$ -	$ 197.0	$ 197.0	-	$ 197.0	-
Miscellaneous***	$ 6.5	$ 7.3	$ 4.1	$ 6.0	$ 2.0	$ (4.0)	-66.7%	$ (4.5)	-69.2%
Total	**$ 669.9**	**$ 541.0**	**$ 478.8**	**$ 640.4**	**$ 712.2**	**$ 71.8**	**11.2%**	**$ 42.3**	**6.3%**

*Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

**Disproportionate Share Hospital payments.

***Includes revenue from cafeteria, medical records, parking income, physicians fees and pharmacy service charge.

Source: Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 9 and Revenue Estimate, p. 25.

Most of the Health System's services are provided to patients who lack insurance of any kind. In the thirteen months ended September 2013, an estimated 57.3% of the System's charges related to patients without insurance.[104] Uninsured patients generally do not pay for their care. Uninsured patients accounted for $6.4 million, or 3.6%, of $176.6 million in net patient fee cash receipts for the ten months ended in September 2012.[105]

Most of the Health System's operating revenues come from Medicaid. The System receives Medicaid revenues based on patient fees and supplemental Medicaid payments designed for hospitals that serve large numbers of uninsured patients. Supplemental revenues consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).[106]

The Health System began receiving DSH payments under an agreement completed in mid-2009 that was retroactive to July 1, 2008. BIPA payments are provided under legislation that earmarks $375 million annually to "a certain public hospital" meeting criteria satisfied only by the Health System.[107] Of that total, 65% is provided to the State for its Medicaid program and 35% is kept by the Health System. In FY2009 the Health System's DSH payments were $294.1 million due to one-time retroactive payments.

In FY2012, which ends on November 1, 2012, actual operating revenues are expected to total $572.6 million, down $67.8 million, or 10.6%, from budgeted operating revenues of $640.4 million. Despite efforts to improve patient billing and collection and enroll patients in Medicaid, actual revenues from patient fees have come in below budgeted levels for several years.[108] Patient fees were budgeted at $363.1 million in FY2012 but are expected to total $284.5 million, by the end of that fiscal year—a shortfall of $78.6 million or 21.6%. The shortfall would have been larger without one-time revenue enhancements related to Medicaid reimbursement. Results

[104] Cook County Health and Hospitals System, *Financial Operations and Statistical Reports (Non GAAP) For the Month Ended September 30, 2012*, October 19, 2012, p. 7.

[105] Cook County Health and Hospitals System, *Financial Operations and Statistical Reports (Non GAAP) For the Month Ended September 30, 2012*, October 19, 2012, p. 4.

[106] Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d)(2).

[107] Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

[108] The Civic Federation, *Cook County FY2012 Executive Budget Recommendation: Analysis and Recommendation*, November 3, 2011, pp. 48-49, http://www.civicfed.org/civic-federation/publications/cook-county-fy2012-executive-budget-recommendation-analysis-and-recomm (last visited on October 21, 2012).

in FY2012 are expected to be bolstered by roughly $67 million in one-time enhancements, including approximately $37 million that had not been budgeted.[109]

The next table compares proposed and estimated FY2012 operating revenues with proposed FY2013 operating revenues. The shortfall in patient fee revenues in FY2012 stemmed partly from overly optimistic budgetary assumptions about the payer mix (percentage of patients covered by different types of insurance or uninsured). In FY2011 uninsured patients actually accounted for 61.5% of the 27,144 total hospital admissions; however, the FY2012 budget through September projected that uninsured patients would account for only 46.2%. On the other hand, Medicaid-covered patients accounted for 23.6% of total admissions in FY2011 but were projected to account for 38.3% in the FY2012 budget through September. [110]

In the FY2013 budget, patient fee projections are based on FY2012's actual payer mix.[111] Medicaid fees, for example, are projected to decline by $77.5 million, or 37.7%, from $205.8 million budgeted in FY2012 to $128.2 million budgeted in FY2013.[112]

Total projected patient fees of $231.1 million in FY2013 also reflect successful efforts to improve billing practices and take advantage of federal incentives to use electronic medical records. The FY2013 budget includes revenues of $13.1 million related to billing separately for doctors' services. The FY2013 budget also includes $8.7 million in federal payments for meeting requirements for "meaningful use" of electronic records.[113]

Cook County Health and Hospitals System Operating Revenues: FY2012-FY2013 (in $ millions)

	FY2012 Proposed	FY2012 Estimated	FY2013 Proposed
Patient Fee Revenue	$ 363.1	$ 284.5	$ 231.1
BIPA*	$ 131.3	$ 131.3	$ 131.3
DSH**	$ 140.0	$ 150.8	$ 150.8
Medicaid Expansion Plan	$ -	$ -	$ 197.0
Miscellaneous***	$ 6.0	$ 6.0	$ 2.0
Total	**$ 640.4**	**$ 572.6**	**$ 712.2**

*Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

**Disproportionate Share Hospital payments.

***Includes revenue from cafeteria, medical records, parking income, physicians fees and pharmacy service charge.

Source: Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 9 and Revenue Estimate, p. 25; and communication between Civic Federation and Cook County Department of Budget and Management Services, October 22, 2012.

109 Cook County Health and Hospitals System, *Report of the Chief Financial Officer May 2012*, Finance Committee meeting, June 22, 2012, p. 6.
110 Data in this paragraph are from Cook County Health and Hospitals System, *Report of the Chief Financial Officer September 2012*, October 19, 2012, p. 10.
111 Cook County Health and Hospitals System, *FY2013 Preliminary Operating Budget*, August 24, 2012, p. 3.
112 Cook County Health and Hospitals System, *FY2013 Preliminary Operating Budget*, August 24, 2012, p. 6.
113 Cook County Health and Hospitals System, *FY2013 Preliminary Operating Budget*, August 24, 2012, p. 6.

County Subsidy

The Health System's subsidy from the County is intended to bridge the gap between the System's expenditures and operating revenues. Largely due to the Medicaid expansion plan, the FY2013 subsidy is expected to remain unchanged from the budgeted FY2012 level at $253.8 million.

The next table shows the initial budgeted subsidy from FY2009 to FY2013. It should be noted that the County does not allocate pension and debt service payments to the Health System, so the budgeted subsidy numbers below do not include those payments.

Cook County Health and Hospitals System Initial Budgeted Subsidy: FY2009-FY2013 (in millions)*					
	FY2009	FY2010	FY2011	FY2012	FY2013
Budgeted Expenditures	$ 974.7	$ 973.9	$ 911.9	$ 894.1	$ 965.9
Budgeted Operating Revenues	$ 493.3	$ 584.7	$ 635.6	$ 640.4	$ 712.1
Initial Budgeted Subsidy**	**$ 481.4**	**$ 389.2**	**$ 276.3**	**$ 253.8**	**$ 253.8**

*Does not include pension or debt service payments.

**Totals may not sum due to rounding.

Source: County County FY2013 Executive Budget Recommendation, Revenue Estimate, p. 25.

The actual amount of County resources devoted to the Health System can differ from the initial budgeted subsidy if actual expenditures and revenues differ from the budgeted amounts. The financial adjustment for the difference between the budgeted and actual subsidy is the Health System's surplus or deficit. The next table shows the actual amount of County resources devoted to the Health System (not including pension and debt service payments).[114]

In FY2009 the Health System's initial budgeted surplus was $481.4 million. However, actual operating revenues exceeded budgeted amounts by $177.2 million due to retroactive DSH payments, and expenditures were below budget by $44.1 million. As a result, the Health System had a surplus of $231.5 million, resulting in an actual subsidy of $260.1 million.

In FY2011 the Health System's initial budgeted surplus was $276.3 million. But actual operating revenues for the fiscal year were below budged amounts by $156.8 million and actual expenditures were $47.5 million below budgeted amount. The Health System had a deficit of $109.2 million, resulting in an actual subsidy of $385.6 million.

[114] The budgeted subsidy in this table may differ from the budgeted subsidy in the previous table due to changes in the classification of revenues and expenditures.

In FY2012 the Health System is expected to show a deficit of approximately $28 million. Operating revenues for the year are expected to be $68 million below the budgeted level, but expenditures are also expected to be $40 million below budget.

Cook County Health and Hospitals System Actual County Subsidy: FY2009-FY2013 (in $ millions)*						
	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted	FY2012 Estimated	FY2013 Proposed
Sales Tax	$ 295.2	$ 229.2	$ 131.7	$ 72.4	$ 72.4	$ 32.6
Cigarette Tax (and other tobacco)	$ 35.0	$ 23.9	$ 20.5	$ 112.7	$ 112.7	$ 138.0
Property Tax**	$ 144.4	$ 136.0	$ 82.0	$ 63.0	$ 63.0	$ 80.7
Firearms and Ammunition	$ -	$ -	$ -	$ -	$ -	$ 0.5
TIF	$ -	$ -	$ 7.6	$ 5.8		$ -
Interest Earnings/Transfer Out/Debt Restructuring	$ 17.0	$ -	$ 34.6	$ -	$ -	$ 2.0
Budgeted Subsidy	**$ 491.6**	**$ 389.1**	**$ 276.4**	**$ 253.8**	**$ 253.8**	**$ 253.8**
Operating Revenues	**$ 670.5**	**$ 541.2**	**$ 478.8**	**$ 640.4**	**$ 572.6**	$ 712.0
Total Revenues	**$ 1,162.1**	**$ 930.3**	**$ 755.2**	**$ 894.2**	**$ 826.4**	**$ 965.8**
Less Expenditures	$ 930.6	$ 952.4	$ 864.4	$ 894.1	$ 854.5	$ 965.9
Surplus (Deficit)	**$ 231.5**	**$ (22.1)**	**$ (109.2)**	**-**	**$ (28.1)**	**-**
Total Actual Subsidy: Budgeted Subsidy Minus Surplus (Deficit)	**$ 260.1**	**$ 411.2**	**$ 385.6**		**$ 281.9**	

*Does not include County payments for pension contributions and debt service.

**Property tax levy net of allowance for uncollected taxes.

***Totals may not sum due to rounding.

Source: Communication between Civic Federation and Cook County Department of Budget and Management Services, October 22, 2012.

The Health System is accounted for as an enterprise fund in the County's Comprehensive Annual Financial Report (CAFR). Deficits and surpluses are subtracted from or added to the Health System's fund balance. As of November 30, 2011, the Health System had a fund balance of $168.1 million.[115]

The County does not allocate payments for pension contributions and debt service to the Health System in the budget. However, the FY2013 budget shows estimated amounts for these payments in order to provide a fuller picture of the Health System's use of County resources. The total County subsidy for FY2013, including the budgeted subsidy of $253.8 million and pension and debt service payments of $136.4 million, is $390.2 million.

Estimated Pension and Debt Service Payments for Cook County Health and Hospitals System: FY2009-FY2013 (in $ millions)					
	FY2009	FY2010	FY2011	FY2012	FY2013
Pension Payments	$ 58.2	$ 57.2	$ 60.5	$ 60.9	$ 57.6
Debt Service Payments	$ 54.5	$ 37.1	$ -	$ 88.5	$ 78.8
Total	**$ 112.7**	**$ 94.3**	**$ 60.5**	**$ 149.4**	**$ 136.4**

Source: Cook County FY2013 Executive Budget Recommendation, Revenue Estimate, p. 25.

[115] Cook County FY2011 Comprehensive Annual Financial Report, p. 197. Fund balances of enterprise funds are technically known as unrestricted net assets .

Health System Personnel

The FY2013 budget includes 6,667.1 full-time equivalent positions (FTEs) for the Health System, down 390.7 FTEs, or 5.5%, from 7,057.8 FTEs in FY2012.[116]

Between FY2010 and FY2011, full-time equivalent positions decreased significantly from 7,626.7 to 6,628.1. This decrease of 988.1 FTEs represents layoffs of approximately 404 individuals and a reduction of some FTEs to part-time to account for the timing of filling positions. For instance, an FTE position intended to be funded for only half of the fiscal year would be shown as 0.5 FTEs in the budget.[117]

The Health System's FY2012 budget included 1,182.1 vacant and new FTEs, most of which were funded at only 20% of the required amount. The FY2012 personnel number for fully funded positions was 6,240.9.[118] The vacant and new positions were funded at a fraction of the full amount, at 20%, because of inadequate resources and the System's expected inability to fill positions quickly. Health System officials did not eliminate vacant positions from the budget due to concern about obtaining authorization for new positions.[119]

The FY2013 budget eliminates 365 vacant positions and includes only FTEs for positions that are expected to be filled. The total 390.7 FTE reduction includes 25.7 FTEs for long-term leaves of absence that were deleted by the County.[120] The Health System's remaining 952 vacancies are either in the process of being filled or are expected to be filled during FY2013.[121]

The Medicaid expansion plan has 247.0 positions in the FY2013 budget, including 134.0 medical assistants and 54.0 clinical nurses.[122] Much of the hiring in other areas of the Health System is focused on nursing.[123] Medical services personnel at Oak Forest Health Center are now included in the budgets of Stroger and ACHN.

The following table shows the change in Health System personnel from FY2009 to FY2013.

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[116] Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 38. Like the rest of this section, the discussion of Health System personnel is based only on the Health Fund. The Special Purpose Funds have 41.0 FTEs in FY2013.
[117] Information provided by the Cook County Department of Budget and Management Services, October 25, 2012.
[118] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2011.
[119] Cook County Health and Hospitals System, Special Board of Directors meeting, September 16, 2011.
[120] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 24, 2012.
[121] Cook County Health and Hospitals System, Finance Committee meeting, August 24, 2012.
[122] Cook County FY2013 Executive Budget Recommendation, p. L-83.
[123] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 22, 2012.

Cook County Health and Hospitals Sysyem Personnel: FY2009-FY2013 (FTEs)									
	FY2009 Adopted	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted*	FY2013 Proposed	Two Year # Change	Two Year % Change	Five Year # Change	Five Year % Change
Office of the Chief Health Administrator	505.2	553.5	554.3	581.0	608.0	27.0	4.6%	102.8	20.3%
Cermak Health Services	445.2	486.5	516.0	527.0	502.1	-24.9	-4.8%	56.9	12.8%
JTDC Health Services	39.0	39.0	36.8	37.0	36.0	-1.0	-2.7%	-3.0	-7.7%
Provident Hospital	690.0	683.6	462.9	468.0	383.0	-85.0	-18.4%	-307.0	-44.5%
Ambulatory and Community Health Network	678.6	702.2	705.1	677.3	652.0	-25.3	-3.6%	-26.6	-3.9%
CORE Center	61.4	67.7	67.4	70.0	66.0	-4.0	-5.9%	4.6	7.5%
Department of Public Health	160.6	171.6	170.8	176.0	155.0	-21.0	-12.3%	-5.6	-3.5%
Medicaid Expansion Plan	0.0	0.0	0.0	0.0	247.0	247.0	-	247.0	-
Stroger Hospital	3,866.4	3,898.3	3,614.9	4,184.0	3,902.0	-282.0	-7.8%	35.6	0.9%
Oak Forest Health Center**	1,055.0	1,024.3	509.9	337.5	116.0	-221.5	-43.4%	-939.0	-89.0%
Total	**7,501.4**	**7,626.7**	**6,638.1**	**7,057.8**	**6,667.1**	**-390.7**	**-5.5%**	**-834.3**	**-11.1%**

*In FY2012 most vacant and new positions were funded at 0.2 FTEs. The fully funded FTE number would have been 6,240.9.

**Oak Forest Hospital was renamed Oak Forest Health Center in FY2011. Healthcare positions at Oak Forest Health Center were moved to the budgets of Stroger Hospital and ACHN in FY2013. Remaining positions at Oak Forest are connected with operating the campus.

Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, pp. 38.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[124] Fund balance is an important financial indicator for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities. It is more a measure of liquidity than of net worth.[125] It can be thought of as the savings account of the local government.

This section discusses three aspects of fund balance: recent changes to fund balance reporting, fund balance policy and definitions and an analysis of Cook County's fund balance levels.

Recent Changes to Fund Balance Reporting

The FY2011 audited financial statements for Cook County include a modification in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[126]

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to

[124] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[125] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 9.
[126] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.

be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[127]

New Components of Fund Balance

GASB Statement No. 54 creates five components of fund balance, though not every government or governmental fund will report all components. The five components are:

- *Nonspendable fund balance* – resources that inherently cannot be spent, such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment.
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments.
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation.
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance.
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[128]

Historically, the focus of the Civic Federation fund balance analysis has been on the unreserved general fund balance. Given the new components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's unrestricted fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are nearly synonymous.[129]

In the interest of government transparency, the Civic Federation recommends, when possible, that all local governments provide ten years of fiscal data in the GASB Statement No. 54 format in the statistical section of their audited financial statements. A multi-year trend analysis of the County's fund balance levels including the most recent FY2011 numbers is not possible because the data has been classified differently with the implementation of changes to GASB Statement No. 54. For instance, Cook County previously reported the Emergency Management Agency and Capital Litigation Funds as Special Revenue Funds; however, with the implementation of GASB Statement No. 54, these funds are now reported as part of the General Fund. Therefore, a

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[127] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[128] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[129] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.

restatement of prior years' fiscal data according to the new categorization of the County's funds is warranted in order to conduct a thorough trend analysis.

Cook County Financial Policy and GFOA Best Practices

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."[130] Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller size reserve may be appropriate for the largest governments. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.[131]

For the first time, in the FY2013 Executive Budget Recommendation, the County includes a policy statement regarding fund balance in Appendix E, Financial Policies section of the budget document. The policy states that the County must maintain "an unassigned fund balance in the General Fund of no less than one month, with a targeted goal of two months, of the prior year audited General Fund operating expenditures." If the unassigned fund balance drops below the level equal to one month of audited General Fund expenditures, the policy also requires the County to develop a plan to replenish the fund balance and incorporate the plan into budget preparation.[132]

General Fund Balance Ratio

Cook County's General Fund consists of three operating accounts: the Corporate Account, Public Safety Account and Self Insurance Account. The chart below displays the General Fund fund balance as a ratio of General Fund unrestricted fund balance to operating expenditures for FY2011, according to the new reporting standards of GASB Statement No. 54. In FY2011 Cook County's fund balance ratio was at a fiscally appropriate level of 14.2%.

The unassigned portion of the unrestricted General Fund balance is $159,382,015, which is greater than the new proposed minimum standard equal to one month or 8.3% of operating expenditures, which would be equal to $115,506,112.

Cook County Unrestricted General Fund Fund Balance Ratio: FY2011

	Unrestricted General Fund Balance	Operating Expenditures	Ratio
FY2011	$ 197,104,388	$ 1,386,073,338	14.2%

Source: Cook County, FY2011 Comprehensive Annual Financial Report.

130 Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
131 Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
132 Cook County FY2013 Executive Budget Recommendation, Appendices, p. 193.

From FY2002 to FY2006, Cook County's General Fund maintained an unreserved fund balance ranging from 18.6% to 19.7% of expenditures, reflecting a level of reserves that exceeded the GFOA's minimum standard. However, from FY2007 to FY2010 the fund balance ratio declined below that standard. Between FY2006 and FY2008, the unreserved fund balance declined from $259.5 million to $103.6 million, a 60.1% decrease.

The Cook County FY2009 Comprehensive Annual Financial Report initially reported a fund balance of $142.5 million, or 11.2% of operating expenditures in reserves. However, after further review, it was discovered in June 2011 that this fund balance was calculated in error.[133] The corrected FY2009 General Fund Balance is reported to be $51.3 million, or 4.1% of FY2009 operating expenditures.

At FY2010 year-end, the County's fund balance dropped to its lowest amount since 2002 - $30.8 million, or 2.3% of total operating expenditures.

General Fund* Unreserved Fund Balance			
FY2002-FY2010			
	General Fund Balance	Actual Expenditures	Ratio
FY2002	$ 206,477,041	$ 1,101,908,206	18.7%
FY2003	$ 188,564,680	$ 1,104,266,689	17.1%
FY2004	$ 226,636,823	$ 1,157,661,049	19.6%
FY2005	$ 221,838,393	$ 1,194,257,547	18.6%
FY2006	$ 259,516,065	$ 1,316,014,115	19.7%
FY2007	$ 203,554,454	$ 1,309,985,163	15.5%
FY2008	$ 103,565,761	$ 1,279,065,307	8.1%
FY2009**	$ 51,335,834	$ 1,266,752,817	4.1%
FY2010	$ 30,798,552	$ 1,320,303,924	2.3%

*Includes Corporate Account, Public Safety Account and Self Insurance Accounts (except for years FY2002-FY2005 when the Self Insurance Account was not included in the General Fund).

**FY2009 General Fund Balance reflects the restated figure as reported in the Cook County FY2010 CAFR,Statistical Section, Schedule S-3, p. 225. The previously reported fund balance in the Cook County FY2009 CAFR was found to be in error. The Statistical Section of the FY2010 CAFR was referenced in this analysis because an updated version of the FY2009 CAFR is not available.

Note: FY2001 figure is not included in chart because different accounting standards were used in FY2001 as compared to FY2002 and later years.

Source: Cook County CAFRs, FY2002-FY2010.

COOK COUNTY PENSION FUND

The Civic Federation analyzed four indicators of the fiscal health of the Cook County's pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual

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[133] Letter from the Cook County Bureau of Finance regarding FY2009 CAFR errors, issued June 10, 2011, http://www.cookcountygov.com/taxonomy2/Finance,%20Bureau%20of/PDF/cc_2009CAFR_Letter.pdf.

required employer contributions. This section presents multi-year data for those indicators up to FY2011, the most recent year for which audited data are available, and describes the Cook County pension benefits.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[134] Plan benefits and contribution amounts can only be amended through State legislation.[135] The fiscal year of the Cook County pension fund is January 1 to December 31.[136]

The Cook County pension fund is governed by a nine-member Board of Trustees.[137] As prescribed in state statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

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[134] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2011, p. 8.

[135] The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

[136] This is different from the fiscal year of Cook County, which is December 1 to November 30.

[137] The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however, and is not included in this analysis. For more information see the Civic Federation's annual Status of Local Pension Funding report, http://www.civicfed.org/sites/default/files/Status%20of%20Local%20Pension%20Funding%20Fiscal%20Year%202010.pdf.

In FY2011 the fund had 22,037 active employee members and 15,866 beneficiaries for a ratio of 1.39 active members for every beneficiary. This ratio has fallen from 2.33 in FY2002 as the number of active members has declined and the number of beneficiaries has risen. This trend puts financial stress on the fund as there are fewer employees contributing to the fund and more annuity payments to make.

Cook County Pension Fund Membership: FY2002-FY2011

Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2002	26,571	11,396	2.33
FY2003	25,513	13,672	1.87
FY2004	25,848	13,782	1.88
FY2005	25,726	13,926	1.85
FY2006	25,555	14,173	1.80
FY2007	23,456	14,469	1.62
FY2008	23,436	14,745	1.59
FY2009	23,570	14,915	1.58
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
10-Year Change	**-4,534**	**4,470**	**-0.9**
10-Year % Change	**-17.1%**	**39.2%**	**-40.4%**

Note: Fiscal year of pension fund is January 1 to December 31.
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2002-FY2011.

Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including new members of the Cook County pension fund.[138] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of service and a $70,000 final average salary could retire with a $50,400 annuity: 30 x $70,000 x 2.4% = $50,400.[139] The annuity increases every year by an automatic compounded 3.0%.

Tier 1 employees with ten years of service may retire as young as age 50, but their benefit is reduced by 0.5% for each month they are under age 60. This reduction is waived for employees

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[138] A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

[139] The average FY2010 salary of Cook County employees 60-64 years old with 30-34 years of service was $70,715 so $70,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2011, p. 4.

with 30 or more years of service, such that a 50 year-old with 30 years of service may retire with an unreduced benefit.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County, the reduction of final average salary from the highest 4 year average to the highest 8 year average, the $106,800 cap on pensionable salary and the reduction of the automatic annuity increase from 3% compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.

Major Cook CountyBenefit Provisions for Regular Employees		
	Tier 1 Employees (hired before 1/1/2011)	**Tier 2 Employees (hired on or after 1/1/2011)**
Full Retirement Eligibility: Age & Service	age 60 with 10 years of service, or age 50 with 30 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; pensionable salary capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	same as current employees
Early Retirement Formula Reduction	0.5% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	same as current employees
Annuity Automatic Increase on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

Note: This table does not show benefits for Cook Cook Sheriff's Police or elected officials.

*The $106,800 maximum pensionable salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U.

Note: Tier 2 employees are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2010; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

Members of the Cook County pension fund do not participate in the federal Social Security program so they are not eligible for Social Security benefits related to their County employment when they retire.

Alternate Annuity for County Officers

Cook County officials who were elected to office on or before January 1, 2008 may choose an alternate annuity. The official may contribute an additional 3% of salary annually and receive in exchange an annuity equal to 3% of final salary at time of termination (not final average salary) for the first eight years of service, 4% for the next four years and 5% thereafter subject to a maximum of 80% of final salary. Public Act 95-0654 eliminated this benefit for officials hired after January 1, 2008.

Optional Pension Plan

An additional optional Cook County pension fund benefit existed between 1985 and 2005. The Optional Pension Plan was created in 1985 by the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005.[140] It permitted employees to make additional contributions equal to 3% of salary in exchange for an additional 1% of final average salary benefit for each year for which the additional contribution was paid.

Numerous employees elected to make Optional Plan contributions prior to the expiration of the plan, causing a one-time increase in FY2005 employee contributions. This created a one-time matching employer contribution increase of $104 million two years later.[141] However, the County did not raise its property tax levy to accommodate the one-time increase in employer contribution. The FY2007 and FY2009 Cook County Budget Recommendations proposed issuing $104.1 million in bonds to pay for the obligation.[142] The Civic Federation opposed this borrowing. The Cook County Board of Commissioners debated and declined to issue the bonds several times before approving the issuance of $78.0 million in February 2010.[143] As obligations payable to retirees exercising the Optional Plan came due after July 1, 2005, the County provided funds for its matching share, which reduced the obligation from $104.1 million to $78.0 million in 2010.[144] In June 2010 Cook County sold $80.0 million in short-term taxable general obligation bonds maturing by 2013 in order to pay the $78.0 million owed to the Cook County pension fund.[145] The deposit was to be made to the pension fund by July 30, 2010.

Other Post Employment Benefits

State statute permits the Cook County pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the County's employee health insurance plans.[146] The Cook County pension fund currently subsidizes roughly 55% of retiree premiums (including dependent coverage) and 70% of surviving spouse premiums (including dependent coverage). The remaining premium amount is paid by the participant.[147] The subsidy is funded on a pay-as-you-go basis from the same asset pool used to pay pension benefits; a separate irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

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[140] 40 ILCS 5/9-179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40.

[141] Cook County, Illinois Official Statement for $357,950,000 in Series 2010A and Series 2010C Bonds Dated June 11, 2010, p. 14 ; Cook County Board of Commissioners Meeting of February 9, 2010 New Items Agenda; and Cook County Ordinance 10-O-20, which passed April 6, 2010.

[142] See Civic Federation, *Cook County FY2007 Proposed Budget Analysis and Recommendations*, January 29, 2007 and Civic Federation, *Cook County FY2009 Proposed Budget Analysis and Recommendations*, December 18, 2009.

[143] Cook County Board of Commissioners Meeting of February 9, 2010 New Items Agenda and Cook County Ordinance 10-O-20 passed April 6, 2010.

[144] Cook County, Illinois Official Statement for $357,950,000 in Series 2010A and Series 2010C Bonds Dated June 11, 2010, pp. 14-15.

[145] Cook County, Illinois Official Statement for $357,950,000 in Series 2010A and Series 2010C Bonds Dated June 11, 2010.

[146] 40 ILCS 5/9-239. The statute also specifies that this group health benefit shall not be considered a pension benefit as defined by the Illinois Constitution, Section 5 Article XIII.

[147] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2011, p. 20.

Cook County government does not directly contribute to the retirees' premium costs. However, as the employer sponsor of the pension plan, the County is required to report other post employment benefit (OPEB) liabilities in its financial statements. The OPEB plan is treated as another pension benefit and does not have a separate contribution rate or asset pool associated with it. The employer contribution for OPEB reported in the County's financial statements is roughly equal to the cost of the premium subsidy.[148]

In 2011 there were 7,925 retiree and surviving spouse participants whose health plan costs were subsidized by the pension fund.[149] This is an increase of 371 participants over the prior year. Retiree health plan data was first disclosed in Cook County's FY2007 financial statements.

Cook County Pension Fund Retiree Health Plan Participants: FY2006-FY2011						
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Retiree and Surviving Spouse Participants	7,132	7,459	7,300	7,367	7,554	7,925

Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements, FY2007, p. 18 and FY2011, p. 20.

Funded Ratios

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

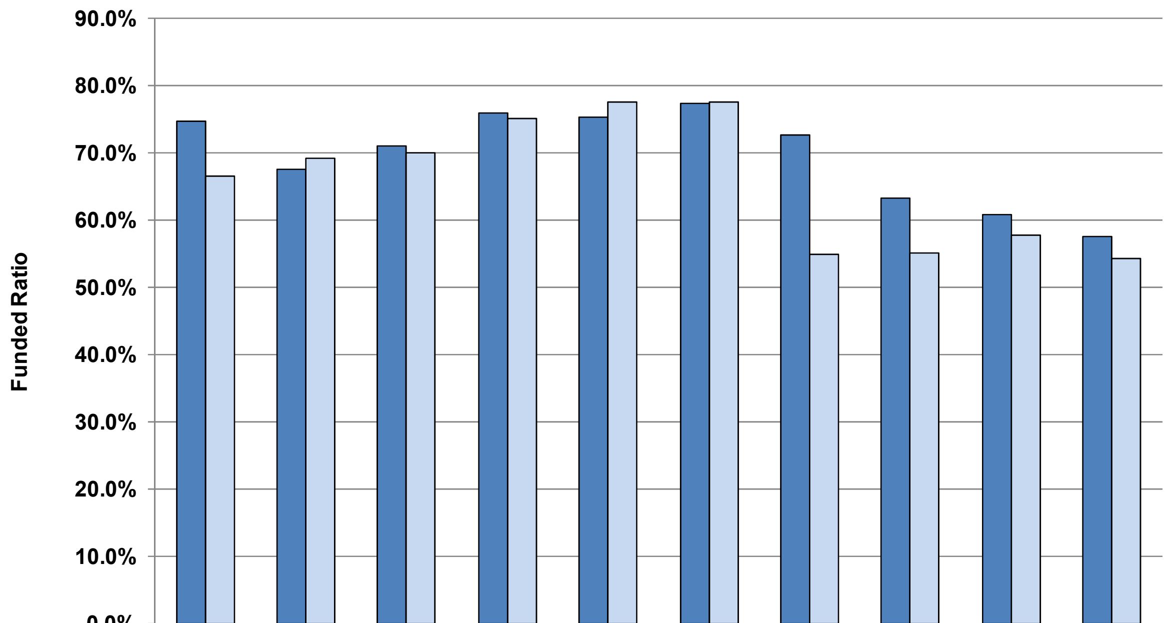
The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[150] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 74.7% in FY2002 and reached a high of 77.3% in FY2007 before falling to 57.5% in FY2011. The market value funded ratio rose from 66.6% in FY2002 to a high of 77.4% in fiscal years 2006 and 2007 before falling to 54.2% in FY2011. The sizeable difference between FY2008 actuarial and market value funded

[148] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2011, p. 20.
[149] These figures do not include the retired pension fund employees who also participate in the plan. There were eight such retired participants in FY2011. County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2011, p. 20.
[150] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2010,* June 25, 2012.

ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years.

Cook County Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets: FY2002-FY2011



	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Actuarial Value	74.7%	67.5%	70.9%	75.8%	75.3%	77.3%	72.6%	63.2%	60.7%	57.5%
Market Value	66.6%	69.1%	70.0%	75.1%	77.4%	77.4%	54.8%	55.1%	57.6%	54.2%

Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2002-FY2011.

Several changes in actuarial assumptions affected the funded ratios over this ten-year period. In FY2004 the Cook County pension plan changed actuaries. The new actuary used a different method for smoothing asset values than the previous actuary.[151] The new actuary also analyzed the fund experience from 2000-2003 and subsequently made two significant assumption changes: 1) the discount rate assumption was lowered from 8.0% to 7.5% per year; and 2) the salary increase assumption was lowered from 5.5% to 5.0% per year.[152] The fund actuary estimated that using the old methods and assumptions, the Cook County FY2004 actuarial value funded ratio would have been 69.5% rather than 70.9%.[153]

[151] The previous actuary used a 5-year smoothed average ratio of market to book value while the new actuary used a 5-year smoothing of unexpected investment gains or losses (market value only), a more common method. County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2003, p. 69 and County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2004, pp. 7-8.
[152] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2004, p. 10.
[153] Estimates provided by Sandor Goldstein via e-mail to the Civic Federation, January 24, 2008.

In FY2005 the actuary changed the methods used to calculate actuarial liabilities in order to more accurately model the liabilities of the Cook County pension fund. These changes resulted in a decrease of $729.6 million in unfunded liabilities for Cook County.[154] Without these changes, the FY2005 Cook County actuarial value funded ratio would have been 70.3% rather than 75.8%.

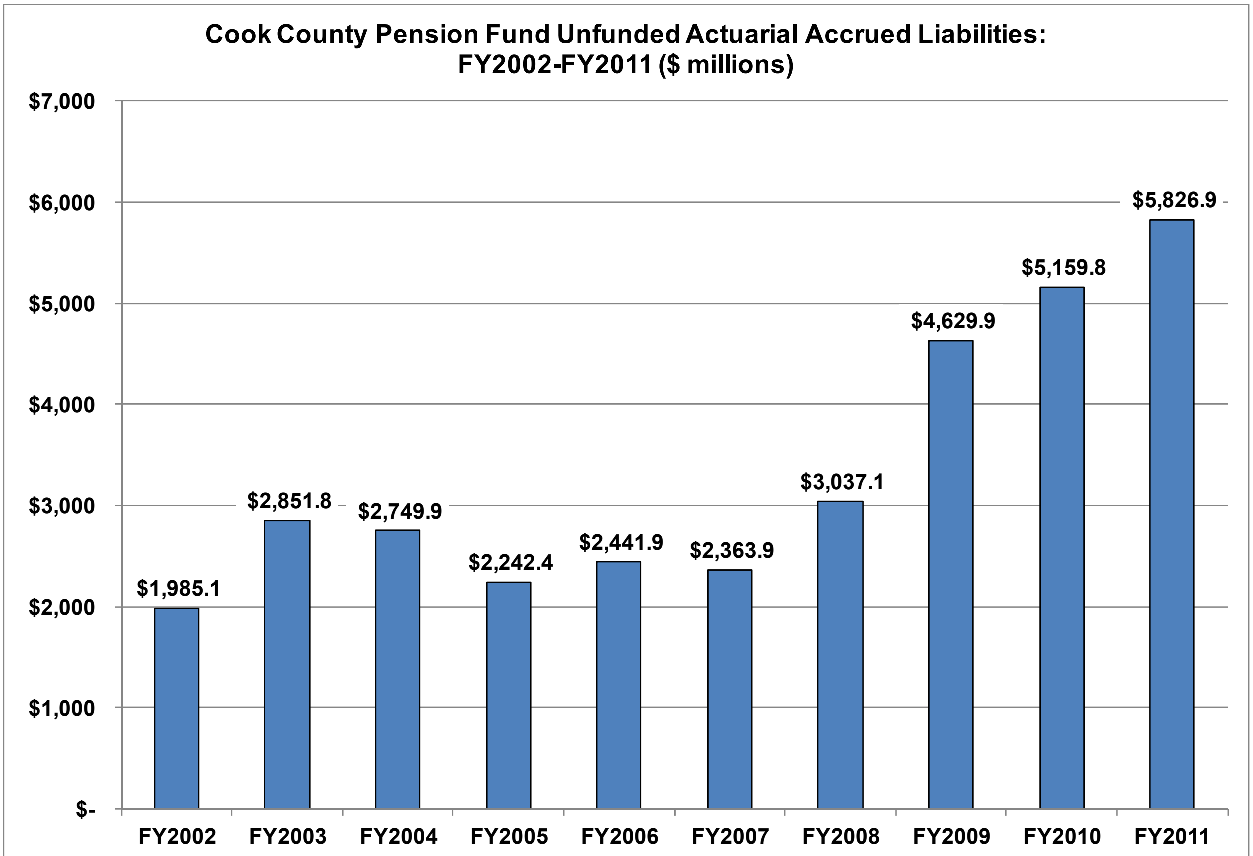
In FY2009 the actuary changed some assumptions based on the experience of the fund between 2005 and 2008. The mortality table was changed from the 1983 table to the 1994 table, termination rates were increased and retirement rates were revised.[155] The result was an increase in actuarial liability of $810.8 million.[156] Without these changes, the FY2009 Cook County actuarial value funded ratio would have been 67.5% rather than 63.2%.

[154] 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.
[155] For details see page 11 and Appendix 1 of the County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009.
[156] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p.13.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liability for Cook County's pension fund totaled $5.8 billion in FY2011, up from nearly $2.0 billion in FY2002.

The largest contributor to the $3.1 billion growth in unfunded liabilities between the beginning of FY2005 and the end of FY2011 was investment returns failing to meet the 7.5% expected rate of return.[157] This added nearly $2.0 billion to the UAAL. The second largest contributor was the shortfall in employer contributions as compared to the annual required contribution (ARC),[158] which added $1.6 billion to the unfunded actuarial accrued liability over seven years.



Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2002-FY2011.

[157] The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2010*, June 25, 2012.

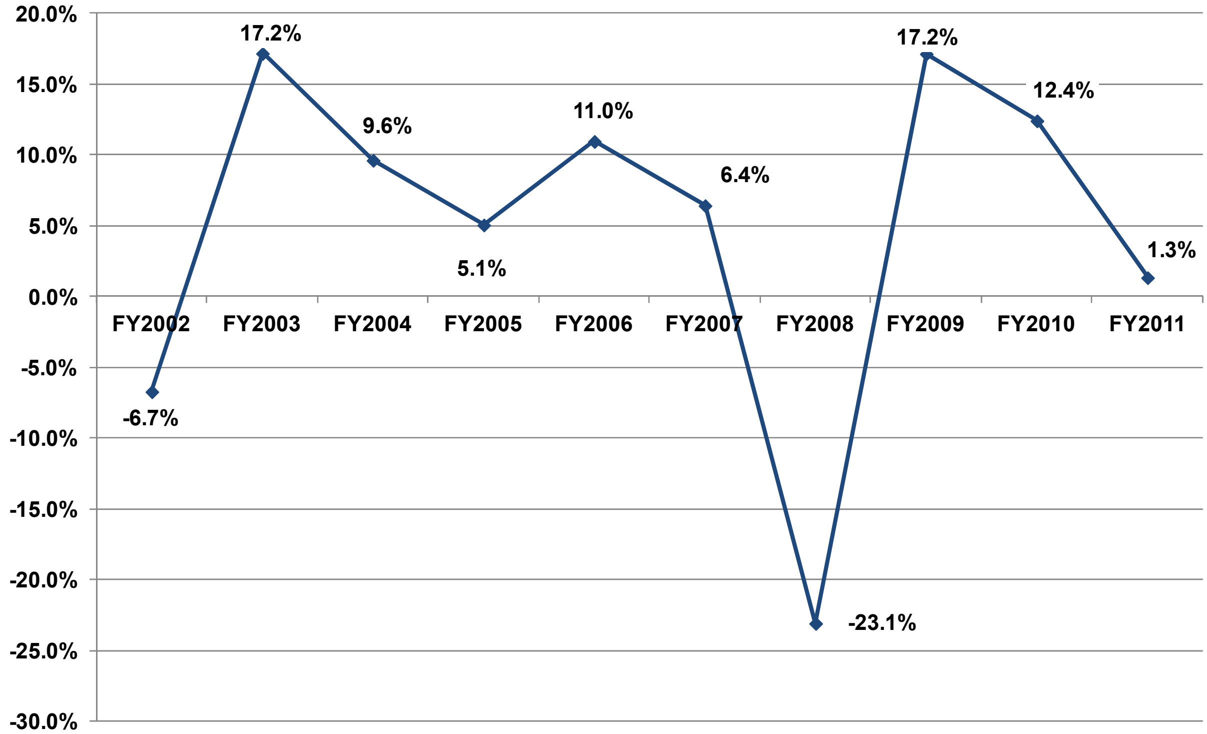
[158] See page 73 for more information on ARC.

Investment Rate 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 FY2002 and FY2011 the Cook County pension fund's average annual rate of return was 5.0%.[159]

Returns ranged from highs of 17.2% in FY2003 and FY2009 to a low of -23.1% in FY2008 due to the financial market crisis and corresponding sharp decline in equities. Returns rebounded in FY2009 and FY2010 only to decline to 1.3% in FY2011, reflecting national public pension fund trends of low investment returns for 2011.[160]

Cook County Pension Fund Investment Rate of Return: FY2002-FY2011



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2002-FY2011.

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[159] The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income/ (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets – Current Year Gross Investment Income)). This is not necessarily the formula used by the pension fund's actuary and investment managers, thus investment rates of return reported here may differ from those reported in a fund's actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.

[160] National Association of State Retirement Administrators, "NASRA Issue Brief: Public Pension Plan Investment Return Assumptions." August 2012. According to this report, the median annualized investment returns for U.S. public pension funds in 2011 was 0.8%.

Employer Annual Required Contribution

The financial reporting requirements for public pension funds and their associated governments are set by the Governmental Accounting Standards Board (GASB). The standards require disclosure of an annual required contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years.[161] Normal cost is the portion of the present value of pension plan benefits and administrative expenses that is allocated to a given valuation year and is calculated using one of six standard actuarial cost methods. Each of these methods provides a way to calculate the present value of future benefit payments owed to active employees. The methods also specify procedures for systematically allocating the present value of benefits to time periods, usually in the form of the normal cost for the valuation year and the actuarial accrued liability (AAL). The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

ARC is a financial reporting requirement but not a funding requirement. The statutorily required Cook County contribution to its pension fund is set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does represent a reasonably sound funding policy, the ARC can be used as an indicator of how well a public entity is actually funding its pension plan. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years earlier.[162] The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.

Before examining the ARC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the retirement systems of large governments—those with over $100 million in annual revenue—to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree health care on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets—often a long-term money market rate of roughly 4.5%.

In order to comply with these accounting standards, the Cook County pension fund produces three separate actuarial valuations: one valuation of pension liabilities using a 7.5% discount rate, another valuation of OPEB liabilities using a 4.5% discount rate and a "combined" valuation using a 7.5% discount rate for both pension and OPEB liabilities. The Cook County pension fund considers the "combined" valuation to be the best reflection of its assets and

[161] The ARC reporting requirement was established by GASB Statements No. 25 and 27. GASB Statements No. 67 and 68 will end the requirement for ARC disclosure starting in 2013 and 2014. No substitute measure of a government's annual pension funding adequacy has been proposed.
[162] 40 ILCS 5/9-169.

liabilities because the pension and OPEB benefits are paid from the same asset pool.[163] However, the separate pension and OPEB valuations done for GASB purposes are the ones used to compute the net pension and OPEB obligations of Cook County government that appear on the government's balance sheet.

The table below shows only the "combined" valuation comparison of the ARC to the actual Cook County contribution over the last ten years.[164] The employer contribution did not equal 100% of the ARC in any of the years FY2002 through FY2011. In FY2002 the $178.4 million employer contribution represented 70.3% of the ARC, meaning that $75.5 million more would need to have been contributed to meet the ARC that year. In FY2011 the $198.8 million employer contribution represented only 32.4% of the ARC for the "combined" valuation of pension and OPEB, for a shortfall of $415.1 million that year. The cumulative ten-year difference between ARC and actual employer contribution for "combined" pension and OPEB is a $2.4 billion shortfall. In 2011 the combined ARC for pension and OPEB was nearly $614.0 million, or over three times the actual employer contribution of only $198.8 million.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2002 the ARC was 19.1% of payroll while the actual employer contribution was 13.4% of payroll. In FY2011 the "combined" pension and OPEB ARC was 42.2% of payroll, while the actual employer contribution was 13.7% of payroll.

Cook County Pension Fund
Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation

Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll
2002	$ 253,942,375	$ 178,410,973	$ 75,531,402	70.3%	$ 1,330,456,896	19.1%	13.4%
2003	$ 364,658,305	$ 185,608,032	$ 179,050,273	50.9%	$ 1,307,079,312	27.9%	14.2%
2004	$ 457,427,014	$ 201,957,937	$ 255,469,077	44.2%	$ 1,371,540,481	33.4%	14.7%
2005	$ 428,971,126	$ 218,292,478	$ 210,678,648	50.9%	$ 1,387,459,142	30.9%	15.7%
2006	$ 398,340,979	$ 225,438,363	$ 172,902,616	56.6%	$ 1,412,878,627	28.2%	16.0%
2007	$ 421,092,345	$ 261,534,551	$ 159,557,794	62.1%	$ 1,370,844,734	30.7%	19.1%
2008	$ 406,625,773	$ 188,008,670	$ 218,617,103	46.2%	$ 1,463,372,408	27.8%	12.8%
2009	$ 468,181,943	$ 188,285,316	$ 279,896,627	40.2%	$ 1,498,161,713	31.3%	12.6%
2010	$ 572,318,384	$ 184,722,634	$ 387,595,750	32.3%	$ 1,494,093,569	38.3%	12.4%
2011	$ 613,952,848	$ 198,837,424	$ 415,115,424	32.4%	$ 1,456,444,123	42.2%	13.7%

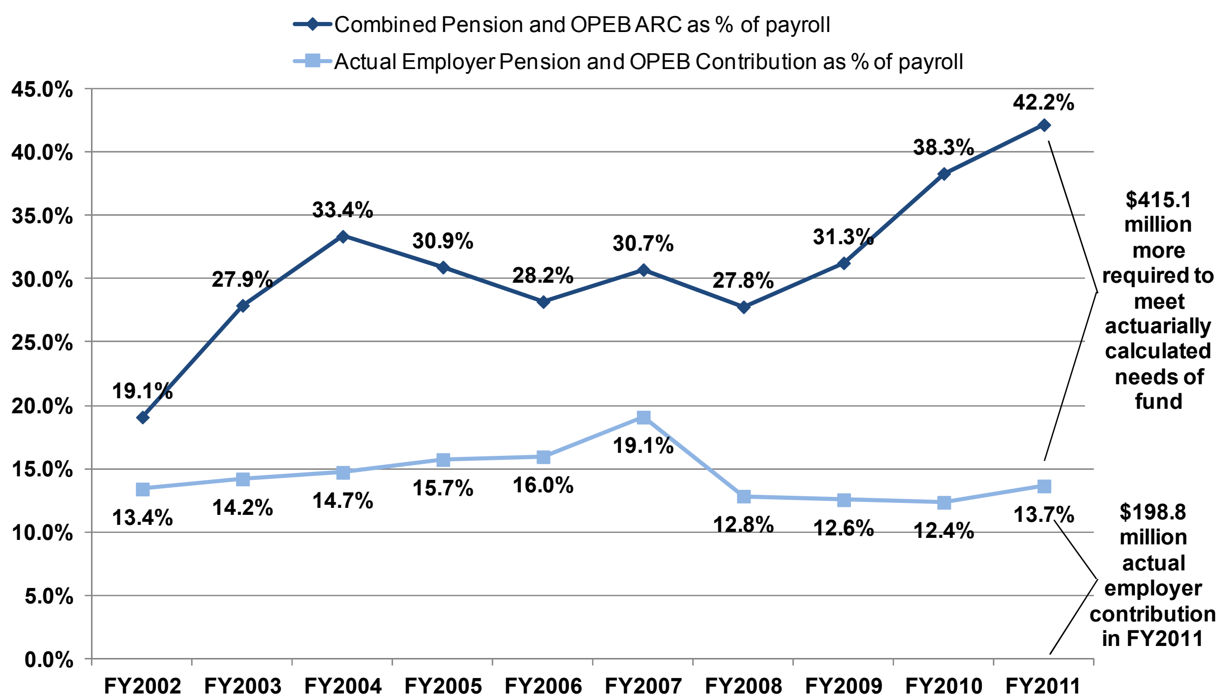
Note: This combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.

Sources: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, pp. 22 and 23; and Financial Statements as of December 31, 2011, p. 25.

[163] Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.
[164] The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund's financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

The graph below illustrates the growing gap between the "combined" pension and OPEB ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from 5.7% of payroll, or $75.5 million, in FY2002 to 28.5% of payroll in FY2011. In other words, to fund the pension and retiree health care plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years Cook County would have needed to contribute an additional 28.5% of payroll, or $415.1 million, in FY2012.

Cook County Combined Pension and OPEB Valuation Annual Required Contribution vs. Actual Employer Contribution: FY2002-FY2011



Note: The combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.
Sources: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, pp. 22 and 23; and Financial Statements as of December 31, 2011, p. 25.

Cook County has consistently levied and contributed its statutorily required amount of 1.54 times the employee contribution made two years prior. However, that amount has been less than the ARC for each of the last ten years. The pension fund actuary estimates that in order to contribute an amount sufficient to meet the ARC in FY2012, Cook County would need to levy property taxes equal to a tax multiple of 5.22 rather than 1.54.[165]

[165] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2011, p. 17.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. These include short-term notes, accounts payable, accrued payroll and other current liabilities. Cook County reports a variety of short-term obligations due for the next fiscal year in the statement of net assets included in its annual Comprehensive Annual Financial Report (CAFR), which include:

- Accounts payable: monies owed to vendors for goods and services carried over into the new fiscal year;
- Accrued salaries: employee pay carried over from the previous year;
- Amounts held for outstanding warrants: Cash balance maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputed these claims;[166]
- Due to other funds, others or governments: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- Notes payable: short-term loans due within the next fiscal year;
- Arbitrage Liability: The Tax Reform Act of 1986 requires issuers of state and local government bonds to rebate to the federal government arbitrage profits earned on those bonds under certain circumstances. There was no arbitrage rebate liability as of November 30, 2010;[167] and
- Other liabilities: include self insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers' compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

In FY2011, short-term liabilities totaled $212.4 million, a decrease of 30.5%, or $93.0 million, from the prior fiscal year. Since FY2007 short-term liabilities have decreased by $66.0 million, or 23.7%. Accounts payable have always been the largest share of short-term liabilities, averaging 55.0%. The decrease in short-term liabilities is a positive sign.

Cook County Short-Term Liabilities in the Governmental Funds : FY2007-FY2011
(in $ thousands)

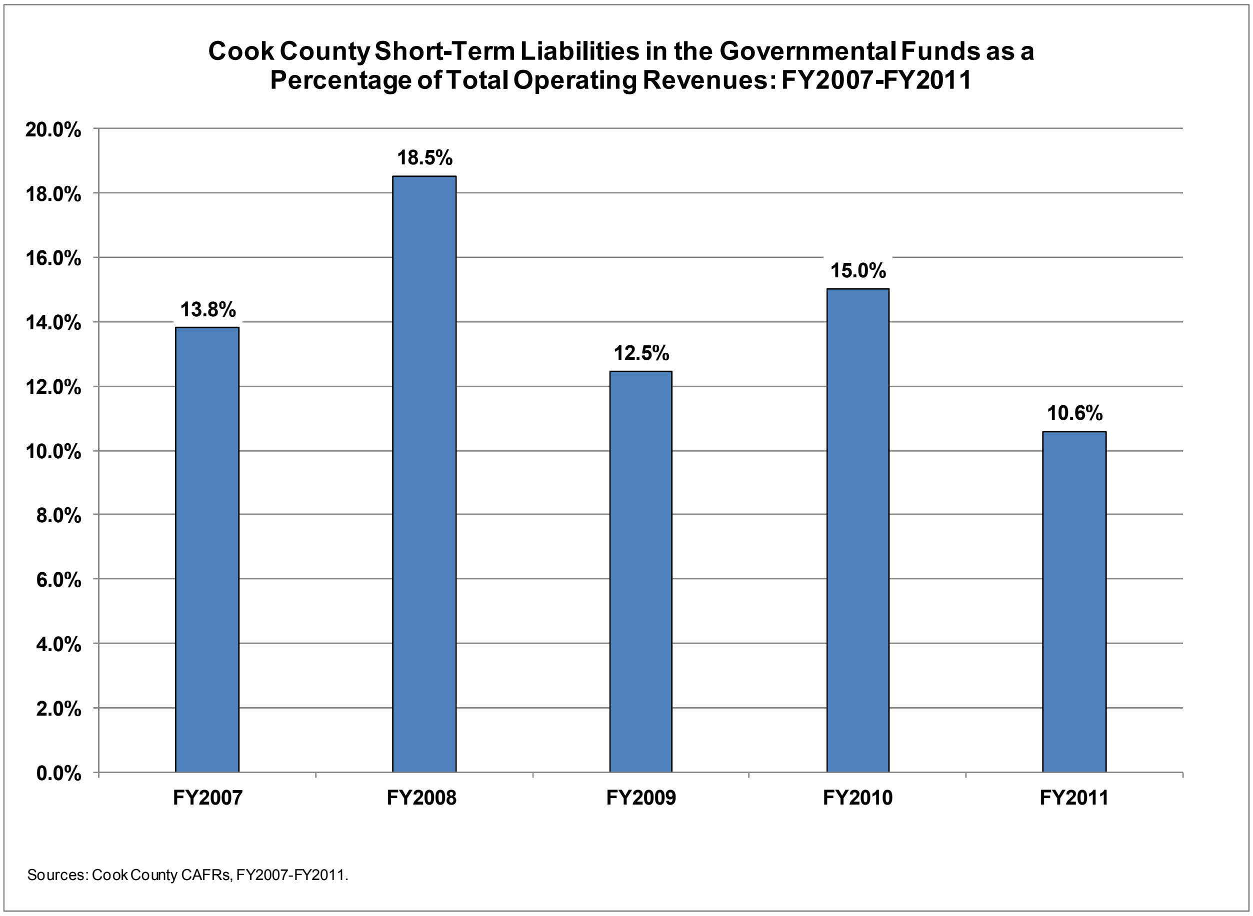
Type	FY2007	FY2008	FY2009	FY2010	FY2011	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accounts Payable	$ 172,707	$ 159,078	$ 154,153	$ 150,008	$ 130,313	$ (19,695)	-13.1%	$ (42,393)	-24.5%
Accrued Salaries Payable	$ 18,829	$ 25,125	$ 27,078	$ 32,114	$ 52,400	$ 20,286	63.2%	$ 33,570	178.3%
Amounts held for outstanding warrants	$ 2,605	$ 3,625	$ 4,045	$ 5,764	$ 6,425	$ 661	11.5%	$ 3,820	146.7%
Due to other Funds	$ 28,914	$ 51,043	$ 2,998	$ 46,787	$ 9,313	$ (37,474)	-80.1%	$ (19,601)	-67.8%
Due to Others	$ -	$ -	$ -	$ -	$ 12,502	$ 12,502	-	$ 12,502	-
Due to Other Governments	$ 54,816	$ 12,015	$ 7,697	$ 54,563	$ 1,467	$ (53,096)	-97.3%	$ (53,349)	-97.3%
Arbitrage liability	$ -	$ 336	$ 118	$ -	$ -	$ -	-	-	-
Notes payable	$ -	$ 118,268	$ -	$ -	$ -	$ -	-	-	-
Other liabilities	$ 551	$ 1,507	$ 62,103	$ 16,201	$ -	$ (16,201)	-100.0%	$ (551)	-100.0%
Total	**$ 278,422**	**$ 370,996**	**$ 258,191**	**$ 305,436**	**$ 212,419**	**$ (93,017)**	**-30.5%**	**$ (66,003)**	**-23.7%**

Source: Cook County CAFRs, Governmental Funds Balance Sheets, FY2007-FY2011.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government's future financial

[166] Cook County FY2008 CAFR, p. 103.
[167] Cook County FY2010 CAFR, p. 94.

difficulties.[168] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. Cook County's short-term liabilities compared to total operating revenue have fluctuated over time. The ratio rose from 13.8% in FY2007 to 18.5% in FY2008 before dropping again to 12.5% in FY2009. By FY2011, it was 10.6%. The ratio averaged 14.1% over the five-year period.



Accounts Payable

Over time, rising amounts of accounts payable compared to operating funds 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 decreased from 8.6% between FY2007 to 6.5% in FY2011. The ratio has remained relatively stable during the 5-year period reviewed and is not a cause for concern.

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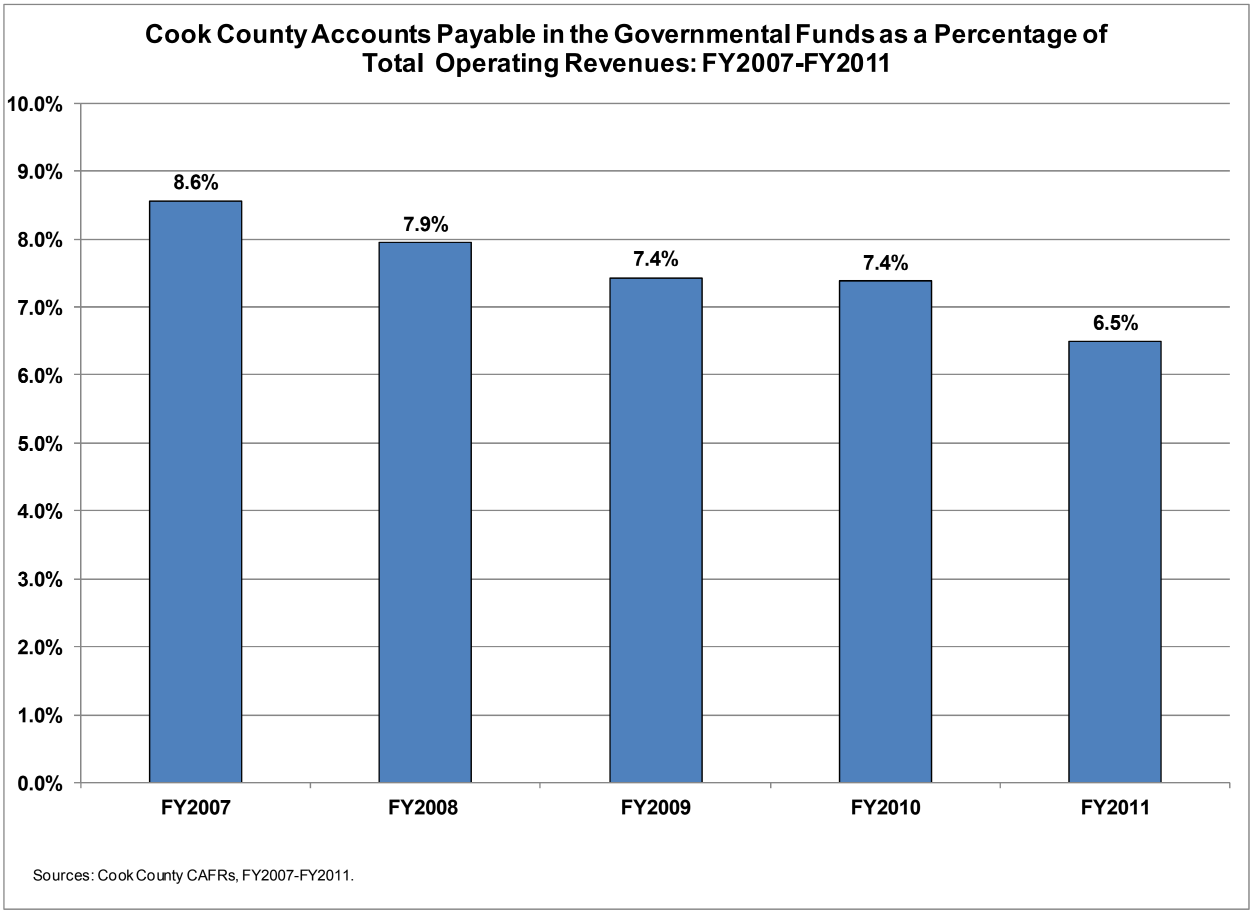
[168] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County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



Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[169]

In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of a government, including:

- *Cash and cash equivalents*: assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including grants, property taxes and accrued interest;

[169] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations.* (Upper Saddle River, NJ, 2001), p. 476.

- *Due from other governments:* Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government; and
- *Due from other funds or others* are receivables from those sources that are outstanding at the end of the fiscal year; and

Cook County's current ratio was 9.8 in FY2011, the most recent year for which data is available. In the past five years, the ratio ranged from 4.7 to 9.8. In each of the five years reviewed, it was far above 2.0, indicating that the County had more than sufficient liquidity.

Cook County Current Ratio of the Governmental Funds: FY2007-FY2011
(in $ thousands)

	FY2007	FY2008	FY2009	FY2010	FY2011	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Current Assets									
Cash and Investments	$ 790,102	$ 780,428	$ 468,171	$ 419,717	$ 747,344	$ 327,626	78.1%	$ (42,758)	-5.4%
Cash and Investments with escrow agent	$ -	$ 30,498	$ -	$ -	$ 39,131	$ 39,131	-	$ 39,131	---
Cash and investments with trustees	$ 72,342	$ 72,364	$ 355,656	$ 542,511	$ 461,345	$ (81,166)	-15.0%	$ 389,003	537.7%
Taxes receivable net - tax levy current year	$ 625,952	$ 626,955	$ 626,637	$ 639,600	$ 600,172	$ (39,428)	-6.2%	$ (25,780)	-4.1%
Taxes receivable net - tax levy prior year	$ 189,593	$ 57,327	$ 198,993	$ 253,995	$ 26,460	$(227,534)	-89.6%	$(163,132)	-86.0%
Accrued interest receivable	$ 2,656	$ 557	$ 61	$ 647	$ 621	$ (26)	-4.0%	$ (2,034)	-76.6%
Accounts receivable - due from others	$ 3,022	$ 29,568	$ 13,176	$ 27,709	$ 25,675	$ (2,033)	-7.3%	$ 22,654	749.7%
Accounts receivable - due from other governments	$ 113,413	$ 155,062	$ 289,609	$ 194,127	$ 168,493	$ (25,634)	-13.2%	$ 55,080	48.6%
Due from other funds	$ 7,426	$ 1,138	$ 679	$ 23,043	$ 3,910	$ (19,134)	-83.0%	$ (3,516)	-47.3%
Total Current Assets	**$ 1,804,504**	**$ 1,753,897**	**$ 1,952,982**	**$ 2,101,349**	**$ 2,073,151**	**$ (28,198)**	**-1.3%**	**$ 268,647**	**14.9%**
Current Liabilities									
Accounts Payable	$ 172,707	$ 159,078	$ 154,153	$ 150,008	$ 130,313	$ (19,695)	-13.1%	$ (42,393)	-24.5%
Accrued Salaries Payable	$ 18,829	$ 25,125	$ 27,078	$ 32,114	$ 52,400	$ 20,286	63.2%	$ 33,570	178.3%
Amounts held for outstanding warrants	$ 2,605	$ 3,625	$ 4,045	$ 5,764	$ 6,425	$ 661	11.5%	$ 3,820	146.7%
Due to other Funds	$ 28,914	$ 51,043	$ 2,998	$ 46,787	$ 9,313	$ (37,474)	-80.1%	$ (19,601)	-67.8%
Due to Others	$ -	$ -	$ -	$ -	$ 12,502	$ 12,502	-	$ 12,502	-
Due to Other Governments	$ 54,816	$ 12,015	$ 7,697	$ 54,563	$ 1,467	$ (53,096)	-97.3%	$ (53,349)	-97.3%
Arbitrage liability	$ -	$ 336	$ 118	$ -	$ -	$ -	-	$ -	-
Notes payable	$ -	$ 118,268	$ -	$ -	$ -	$ -	-	$ -	-
Other liabilities	$ 551	$ 1,507	$ 62,103	$ 16,201	$ -	$ (16,201)	-100.0%	$ (551)	-100.0%
Total Current Liabilities	**$ 278,422**	**$ 370,996**	**$ 258,191**	**$ 305,436**	**$ 212,419**	**$ (93,017)**	**-30.5%**	**$ (66,003)**	**-23.7%**
Current Ratio	**6.5**	**4.7**	**7.6**	**6.9**	**9.8**				

Source: Cook County CAFRs, Governmental Funds Balance Sheets, FY2007-FY2011.

LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. The Forest Preserve District is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens.[170] Therefore, the District is reported in the governmental activities of Cook County as a blended component unit and is included in the long-term liabilities of the County.[171]

Total Long-Term Liabilities

Long-term liabilities are all of the liabilities owed by a government. Increases in long-term obligations over time could be a sign of fiscal stress. They include long-term debt as well as:

[170] Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," http://www.gasb.org/st/summary/gstsm14.html (Last Visited January 11, 2010).
[171] Cook County FY2010 CAFR, p. 6.

- Estimated pollution related liabilities: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49.[172]
- Self-Insurance claims: Incurred but not yet reported (IBNR) losses. The County reports liabilities it feels are adequate to provide for potential losses resulting from medical malpractice, worker's compensation and general liability claims.[173]
- Property tax adjustments: Estimated probable amounts payable related to property tax suits as well as for specific property tax objections and errors for which refunds are expected to be paid.[174]
- Compensated absences: Liabilities owed for employees' time off with pay for vacations, holidays and sick days.
- Net pension obligations (NPO): The cumulative difference, since the effective date of GASB Statement No. 27, between the annual pension cost and the employer's contributions to the plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt.[175]
- Net Other Post Employment Benefit (OPEB) obligations: The cumulative difference, since the effective date of GASB Statement No. 45 in 2008, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB plan.

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[172] Governmental Accounting Standards Boards, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," http://www.gasb.org/st/summary/gstsm49.html (Last Visited on January 11, 2011).

[173] Cook County FY2010 CAFR, p. 91.

[174] Cook County FY2010 CAFR, p. 90.

[175] Governmental Accounting Standards Boards, "Summary of Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers* (Issued 11/94)," http://www.gasb.org/st/summary/gstsm27.html (last visited on December 17, 2010).

Between FY2009 and FY2010, total County long-term obligations rose by 9.0%, increasing from $6.0 billion to $6.5 billion. Over the five-year period, liabilities increased by 43.8%, or nearly $2.0 billion. The increases were primarily due to increases in net OPEB obligations, net pension obligations and long-term debt. Net pension obligations rose by $936.4 million, a 104.8% increase, while long-term debt increased by $759.9 million, or 24.5%. The large increases in long-term liabilities are a cause for concern.

Cook County Long-Term Liabilities Governmental Activities: FY2007-FY2011 (in $ thousands)

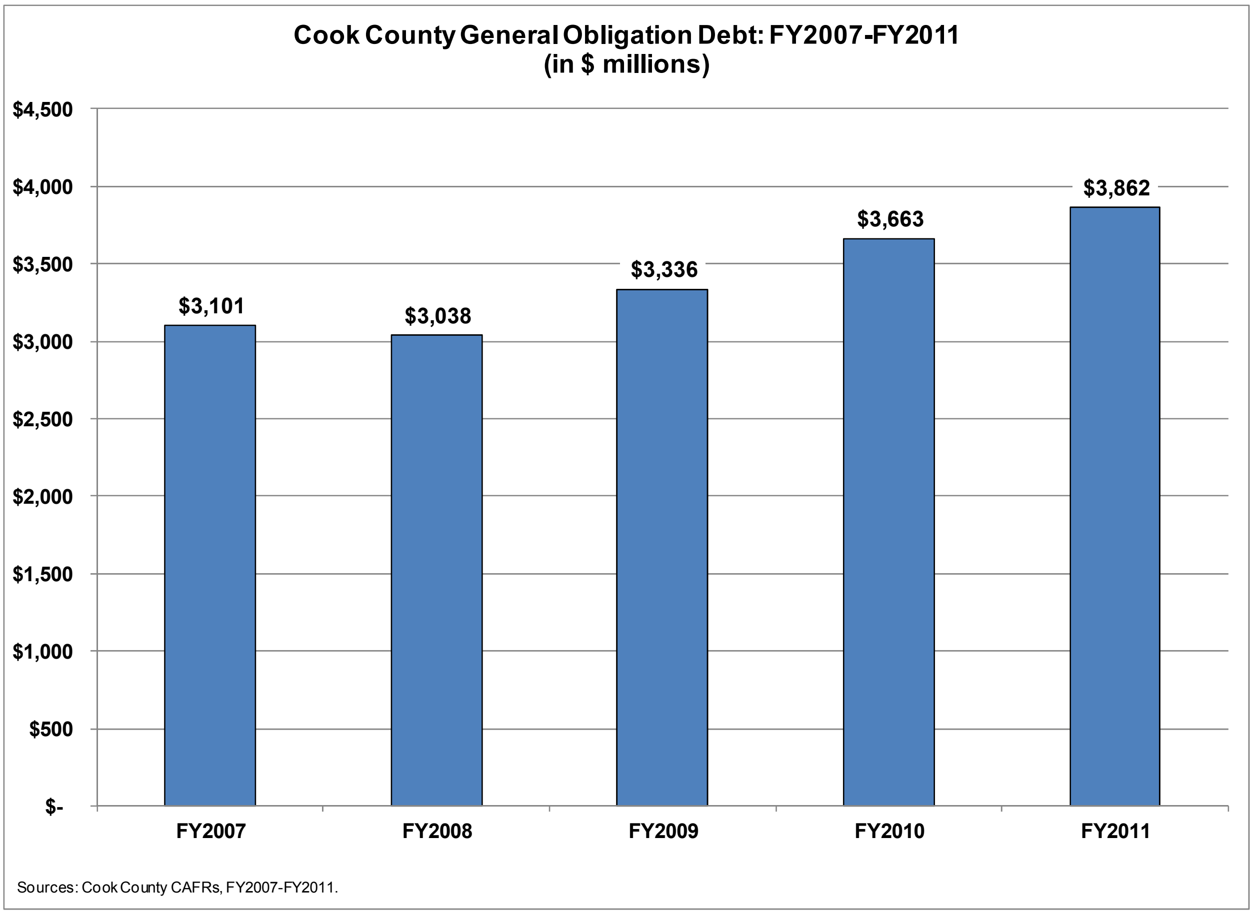
	FY2007	FY2008	FY2009	FY2010	FY2011	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Total General Obligation Bonds	$3,074,880	$3,013,080	$3,293,495	$3,601,550	$3,814,460	$212,910	5.9%	$ 739,580	24.1%
Net Discount*	$ 85,617	$ 80,206	$ 102,664	$ 122,446	$ 120,217	$ (2,229)	-1.8%	$ 34,600	40.4%
Refunding	$ (58,810)	$ (54,722)	$ (59,493)	$ (60,511)	$ (73,131)	$ (12,620)	20.9%	$ (14,320)	24.3%
Subtotal Long-Term Debt	**$ 3,101,686**	**$ 3,038,564**	**$ 3,336,666**	**$ 3,663,485**	**$ 3,861,547**	**$198,062**	**5.4%**	**$ 759,860**	**24.5%**
Capital Lease	$ 1,969	$ 1,434	$ 4,674	$ 418	$ -	$ (418)	-100.0%	$ (1,969)	-100.0%
Pollution Remediation Liability	$ -	$ -	$ 575	$ 3,598	$ 526	$ (3,072)	-85.4%	$ 526	-
Self Insurance Claims	$ 467,983	$ 429,108	$ 377,073	$ 351,710	$ 269,930	$ (81,780)	-23.3%	$ (198,053)	-42.3%
Property Tax Objections	$ 42,584	$ 35,592	$ 27,435	$ 28,969	$ 40,782	$ 11,813	40.8%	$ (1,802)	-4.2%
Compensated Absences	$ 55,876	$ 41,103	$ 63,005	$ 64,414	$ 65,716	$ 1,302	2.0%	$ 9,840	17.6%
Net Pension Obligation	$ 893,836	$ 1,024,586	$ 1,221,587	$ 1,529,849	$ 1,830,262	$300,413	19.6%	$ 936,426	104.8%
Net OPEB Obligations	$ -	$ 134,329	$ 256,736	$ 379,090	$ 493,559	$114,469	30.2%	$ 493,559	-
Total Long-Term Liabilities	**$ 4,563,934**	**$ 4,704,715**	**$ 5,287,751**	**$ 6,021,533**	**$ 6,562,321**	**$540,788**	**9.0%**	**$ 1,998,387**	**43.8%**

* A bond discount is an amount below the debt issuance's par value - underwriters may pay a discounted price for debt, with the price paid equal to par less the discount. See Vogt, J. Capital Budgeting and Finance: A Guide for Local Governments (Washington, D.C.: ICMA, 2004), p. 383.

Sources: Cook County CAFRs, FY2007-FY2011.

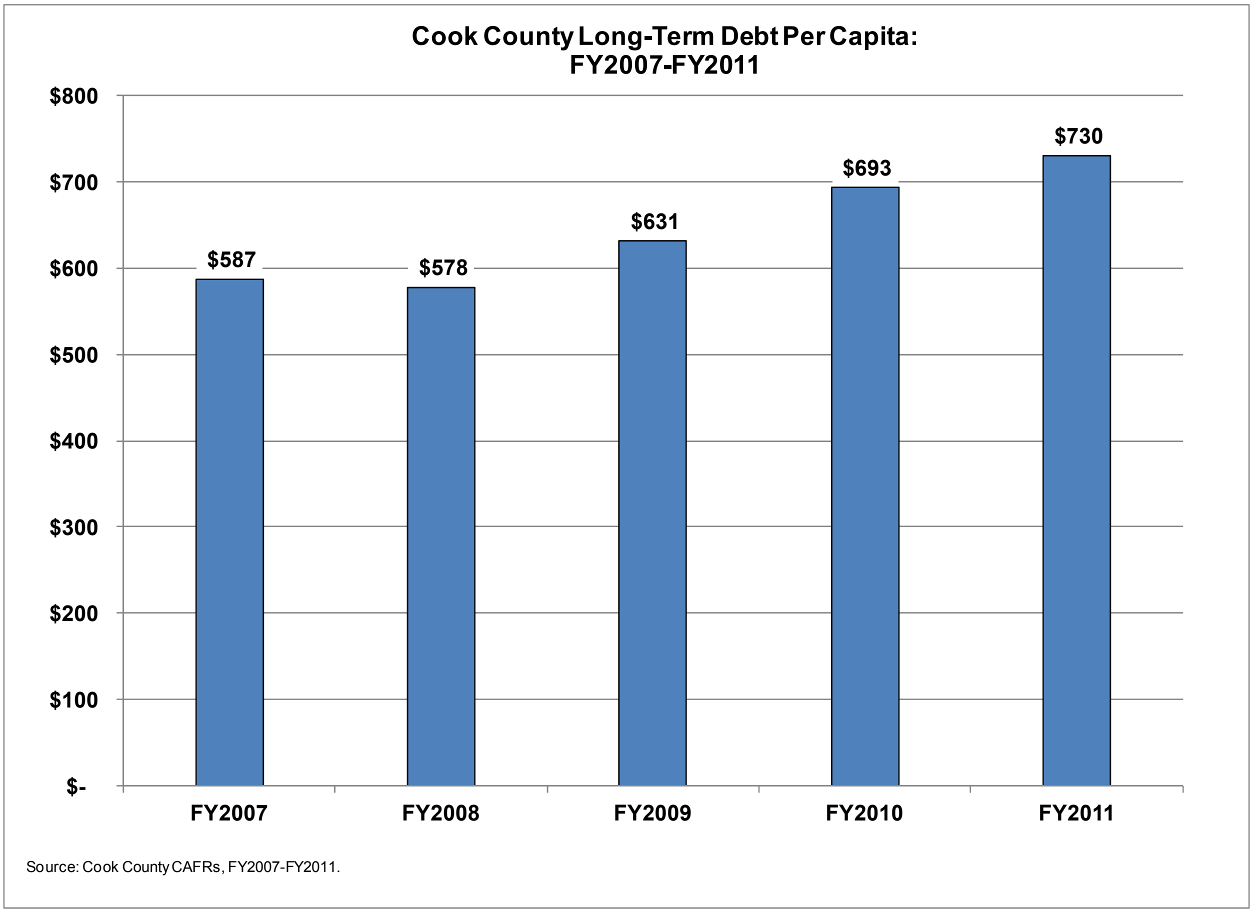
Long-Term Tax Supported Debt

Increases over time in a government's long-term tax-supported debt bear watching as a potential sign of rising financial risk. Cook County long-term debt includes tax-supported debt issues as well as bond premium and issuance costs. All Cook County long-term debt is general obligation debt. Between FY2007 and FY2011, long-term general obligation debt for Cook County increased by 24.5%, or $759.9 million. This was an increase from $3.1 billion to $3.9 billion. The steady increases bear watching.



Long-Term Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This long-term debt analysis takes the total long-term debt amount reported in the County's financial statements and divides them by population. The County's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator should be monitored as a potential sign of growing financial risk. The County's long-term per capita debt burden increased from $587 to $730 between FY2007 and FY2011, a 24.5% increase. The large increase bears watching in future years.



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high.[176] The County has not exceeded the 15% threshold in the five years examined. The debt service ratio has fluctuated over this period, from a high of 9.0% in FY2011 to a low of 5.6% for the projected FY2013 budget.

Cook County Debt Service Expenditures as a Percentage of Total Expenditures

	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Approp.	FY2013 Proposed
Debt Service Expenditures	$ 209,147,064	$ 190,760,412	$ 272,080,716	$ 193,532,419	$ 187,384,752
Total Expenditures	$ 3,068,862,953	$ 3,213,262,439	$ 3,007,306,280	$ 3,347,088,302	$ 3,321,139,154
Debt Service as a % of Total Expenditures	**6.8%**	**5.9%**	**9.0%**	**5.8%**	**5.6%**

Source: Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 12.

[176] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

Cook County Bond Ratings

Standard & Poor's affirmed the County's AA rating in June 2011.[177] However, both Fitch and Moody's downgraded the general obligation bond rating for the County in September 2011.[178] Moody's reduced the Cook County bond rating in June 2011 from Aa3 to Aa2 with a stable outlook while Fitch reduced the bond rating from AA to AA-.[179] A key reason for the downgrades was Cook County's rising unfunded pension liabilities.

[177] Caitlin Devitt, "S&P Affirms Cook's AA," *The Bond Buyer,* June 29, 2011.
[178] Lisa Donovan, "Downgrade for Cook Co. bond rating," *Chicago Sun-Times,* June 16, 2011.
[179] Timothy Inklebarger, "Fitch downgrades Cook County bonds over pension liabilities," *Crain's Chicago Business,* September 21, 2011.

APPENDIX: COOK COUNTY MODERNIZATION REPORT RECOMMENDATIONS STATUS – EXPANDED

Cook County Modernization Report Recommendations Status			
Recommendation	**Status**	**Notes**	**Timeline**
1. Roll Back the Sales Tax Increase	Implemented	At the February 25, 2011 Cook County Board Meeting, an ordinance amendment was passed (12 to 5) to lower the County's sales tax by 0.25% in 2012 and by another 0.25% in 2013.	First 100 Days
4. Appoint a Public Safety Task Force	Implemented	Included in the Transition Report. The administration had made changes to the Judiciary Advisory Council and Cook County Justice Coordinating Council to accomplish the goals of a public safety task force.	First 100 Days
5. Delay New Hiring Until January 1, 2011	Implemented	The Board President's office reports that between December 6 and December 31, 2010, a total of 32 exempt positions were vacated and the President only filled 17 positions.	First 100 Days
8. Integrate Performance Measurement into Budgeting and Make the Information Public	Implemented	Board President Preckwinkle proposed an ordinance, which was passed by the Board in February 2011, to link performance management to the budget process. It requires each department to prepare a quarterly report that establishes measurable goals for the services provided and show the relationship to resources. In July 2011, the County released the first of the S.T.A.R. quarterly reports. The most recent report available to date is the FY2012 Second Quarter - March 1-May 31 installment.	First 100 Days
12. Adopt Budget Prior to the Start of the Fiscal Year	Implemented	Included in Transition Report. President Preckwinkle issued an Executive Order, 2011-1, requiring the Department of Budget and Management Services to issue a preliminary budget by July 31st of each year and to present an executive budget recommendation to the Board by October 31st of each year. The FY2012 budget was adopted on November 18, 2011, before the start of the FY2012 fiscal year. The FY2013 budget is expected to be adopted on November 14, 2012.	2011
20. Reform Purchasing Practices	Implemented	Included in Transition Report. In September 2011, the County Board passed a new Procurement Ordinance which streamlines the procurement and purchasing processes and eliminates step-by-step Board approval. Contract information will be accessible to the public on the County's website.	2011
11. Produce Audited Financial Statements within Six Months of Close of Fiscal Year	Implemented	Included in Transition Report. The FY2010 CAFR was released on September 6, 2011, more than nine months after the close of the fiscal year. However, the FY2011 CAFR was released on June 5, 2012, approximately six months after the close of the FY2011 fiscal year.	2011
2. Close the FY2011 Budget Deficit	Significant Progress	On February 26, 2011, the Board of Commissioners approved the FY2011 budget. The budget made significant reductions to County agencies and the Health System subsidy. The budget included some temporary measures, such as one-time revenues and furlough days. The Civic Federation believed that the budget would be challenging to implement and that the County would likely continue to face budget shortfalls. The FY2012 budget made significant efforts to help close a $315.2 million budget deficit using spending cuts, revenue enhancements and layoffs; however, the Health System is expecting a significant shortfall in revenues by end of the fiscal year. The System's budget gap will be partially closed by lower expenses. The proposed County FY2013 budget closed a $267.5 million deficit using mostly recurring sources; however, deficits are still projected for fiscal years 2014 through 2017.	First 100 Days
6. Upgrade Enterprise Resource Planning System	Significant Progress	The County has solicited information from potential vendors and planned to issue a Request for Proposal by the fourth quarter of FY2011. A "Meet & Greet" event was held in May 2011 to allow vendors to meet and discuss potential collaboration for joint bids. In March 2012 the first annual briefing was held to internally prepare the County for changes in business processing and RFP efforts.	First 100 Days
9. Adopt and Publish Financial Policies	Significant Progress	Appendix E of the County's FY2013 proposed budget features financial policies on the following topics: adoption of a timely balanced budget, balanced budget, revenue policies, capital and debt management, investment management, financial reserve (fund balance), financial reporting and performance management.	First 100 Days
10. Report Additional Appropriations and Resources Data in Budgets	Significant Progress	The County's recent budget documents have included budget summaries with additional explanations, but not all of the data specified in the Modernization Report.	First 100 Days
14. Include All Operating Expenses of the Health System in the System's budget.	Significant Progress	Fixed charges were allocated to the Health System, but pension and debt service contributions were not; however, the budget indicates the amount of pension and debt service payments to the System.	First 100 Days

Cook County Modernization Report Recommendations Status			
Recommendation	**Status**	**Notes**	**Timeline**
22. Fully Exercise Presidential Budgetary Authority	Significant Progress	Agencies were required to make significant reductions. Administration has utilized budget allotments. President Preckwinkle has exercised her authority through several initiatives including: repealing the sales tax increase by FY2013, imposing an Executive Order to formalize the budget process and establishing a subcommittee on pension reform. In February 2012 President Preckwinkle issued an Executive Order mandating that preliminary budgets be released no later than June 30 of each year.	First 100 Days
3. Give Health System Budgetary Flexibility	Significant Progress	The Health System's FY2011 budget reduction was based on its County subsidy. However, the County Board limited System flexibility by requiring that certain Medicaid revenues go to the County and requiring System furlough days instead of layoffs. The Health System's preliminary budget for FY2013 kept the subsidy unchanged from FY2012, providing for increases in both appropriations and revenues.	First 100 Days
7. Centralize Key Administrative Functions	Significant Progress	Included in Transition Report. FY2011 Budget Amendment 25 proposed to realign IT departments and place them under the responsibility of the Cook County CIO. The amendment was not passed by the Board due largely to State's Attorney concerns, but most commissioners expressed support. The County is seeking third-party administration of countywide sick leave and absence management.	First 100 Days
16. Eliminate Subsidy for Unincorporated Areas	Significant Progress	In the FY2012 Executive Budget Recommendation, the County proposed to end the subsidy for residents of unincorporated Cook County. The proposal was not included in the final approved Ordinance; however, an Unincorporated Cook County Task Force was created to further study the issue. The Task Force presented its initial formal report to President Preckwinkle on April 30, 2012 and recommended the eventual elimination of unincorporated areas of Cook County. The Task Force is still in place and has been divided into two working groups to examine additional issues related to infrastructure and policing in unincorporated areas, based on the Task Force's recommendations report. In the FY2013 budget address, President Preckwinkle announced the creation of the Unincorporated Cook Infrastructure Improvement Fund (UCIIF) with an initial investment of $5.0 million. The UCIIF will provide funding for municipalities in the form of matching grants for improvement of infrastructure in unincorporated areas of Cook County, conditional upon annexation of the unincorporated areas.	2011
17. Implement Alternative Service Delivery Options	Signficant Progress	In March 2011, the County and the City of Chicago created a joint city-county committee to explore possible service-delivery partnerships. As of June 2011, the committee identified three initial areas of cost-savings: custodial services, energy management and joint purchasing. The collaboration achieved $9.2 million in savings. In April 2012 the County announced two initiatives in alternative service delivery: 1) managed competition for County custodial services and 2) third-party administration of the County's employee absence and leave management, expected to begin May 2013.	2011
18. Aggressively Pursue Medicaid Patients and Revenues	Significant Progress	The Health System is waiting for approval from the federal government for a Medicaid expansion plan that will provide the System with early access to individuals who will be eligible for Medicaid beginning in 2014 under national healthcare reform. The program is expected to substantially increase the System's revenues, but depends on aggressive assumptions about service delivery improvements and patient enrollment.	2011
19. Reform Information Technology Practices	Significant Progress	In addition to taking steps to select an ERP system, the County, in collaboration with the City of Chicago and State of Illinois, created the first cloud-based open data site - metrochicago.org. The County is also considering the potential for Voice Over Internet Protocol and has developed a plan for countywide IT governance and performance management.	2011
26. Reform Criminal Justice Practices	Significant Progress	Included in the Transition Report. The administration has made changes to the Judiciary Advisory Council and Cook County Criminal Justice Coordinating Council, has taken steps to reach substantial compliance and brough together stakeholders to apply for a technical assistance grant. In September 2011, the Board passed an Ordinance amendment allowing the County Sheriff's police to fine, rather than arrest, persons possessing minimal amounts of cannabis in areas of the County patrolled by the Sheriff's police and not municipal police forces. In June 2012 the City Council voted in favor of a marijuana policy complimentary to the County's ordinance. In October 2012, President Preckwinkle reported a decrease in the population at the Juvenile Temporary Detention Center in FY2012 of 50 children and a goal to reduce the population by another 50 in FY2013. The FY2013 proposed budget includes a $2.0 million investment in reducing the County's jail population and an investment in reforming bond court operations to help reduce the length of time people who cannot afford bonds must spend in jail while awaiting a trial date.	2012

Cook County Modernization Report Recommendations Status

Recommendation	Status	Notes	Timeline
13. Enhance Pension Fund Financial Reporting Data	Limited Progress	Included in Transition Report, but not specific. The 100-Day report card considers initiative 23 complete. The County's website features some data on pension fund finances, but the data is not comprehensive. In 2012 Commissioner Gainer launched OpenPensions.org, a website featuring pension data and alternative scenarios and strategies for addressing the pension problems facing the Cook County pension fund.	First 100 Days
15. Report Key Indicators of Health System Performance on System Website	Limited Progress	Information to track the Health System's progress is available in the minutes of meetings of Board committees on its website, but is not easily accessible by the public.	First 100 Days
21. Provide Incentives for Further Expenditure Reductions and Fee Revenue Enhancements	Limited Progress	Transition Report recommended crediting departments for performance-enhancing ideas.	2011
25. Develop, Track and Publicize Purchasing Performance Goals and Metrics	Limited Progress	Included in Transition Report. The most recent installment of the STAR report (FY2012, 3rd Quarter) states that the County is in the process of developing an online purchase system for County agencies, the Cook County Marketplace, and a central system for procurement, contract and vendor information called Prodagio.	2011
29. Identify and Restrict Cost-Shifiting to the Health System from Other Healthcare Providers	Limited Progress	The Health System has taken steps to curb cost-shifting, but requires system improvements to fully implement.	2012
30. Create a Unified Property Tax Administration Office	Limited Progress	The Cook County Board of Commissioners considered a resolution creating the Cook County Office of Tax Administration in April 2012. An amended resolution passed required Board President Preckwinkle, the Assessor, Clerk, Recorder of Deeds and Treasurer to, if possible, draft an interoffice agreement establishing the unified property tax office within 60 days. Board President Preckwinkle is supportive of streamlining property tax administration, but believes this initiative needs in-depth analysis and public meetings before moving forward. Cook County's new Property Tax Portal, which went live in April 2012, is a collaborative effort that combines information from various county offices into one unified site, saving time and promoting efficiency.	2013
31. Merge Clerk and Recorder of Deeds Offices	Limited Progress	A group of Cook County Board Commissioners proposed a resolution (315458) to present a public question via a countywide referendum abolishing the office of the Cook County Recorder of Deeds. The resolution failed in the Finance Committee on March 1, 2012. Board President Preckwinkle did not take a position on the resolution.	2013
34. Implement Pension Reforms	Limited Progress	A Pension Committee was created in December 2010 as a subcomittee of the Finance Committee of the Cook County Board. The Pension Committee has met three times since its formation. In 2012 Chairman of the Pension Committee Commissioner Gainer launched OpenPensions.org, a website featuring pension data and alternative scenarios and strategies for addressing the pension problems facing the Cook County Pension Fund. In her FY2013 budget address, President Preckwinkle announced that the County is prepared to participate in the process to implement pension reforms to the County's pension fund once the Illinois General Assembly expresses that it is ready to do so. The County has also reported that part of this process involves evaluating possible pension solutions in cooperation with the unions. Additionally, in December 2011, Board President Preckwinkle expressed support for Governor Quinn's creation of a panel to address pension problems.	2014
36. Develop a Vision for the County Revenue Structure	Limited Progress	In February 2011, Ordinance 11-0-18 adjusted a number of fees. The Board President has committed to financial planning as a means to enable the sales tax repeal.	2014
23. Prepare a Comprehensive Capital Improvement Program Updated Annually	Supported, But No Implementation	In FY2011 President Preckwinkle placed a moratorium on non-essential capital projects, recognizing the need for capital planning reforms. The FY2012 budget proposal included information regarding capital expenditures and a 2011 Capital Improvement Program report was released in April 2011, but a five-year comprehensive plan has not been published.	2011
24. Implement a Formal Long-Term Financial Planning Process	Supported, But No Implementation	Included in Transition Report.	2011
27. Reevaluate Health System Strategic Plan Based on Financial Resources and Geographic Needs	Supported, But No Implementation	The Health System recently began to implement its strategic plan and has not made changes as of yet.	2012
33. Establish Reserve Funds for Capital Equipment Replacement	Supported, But No Implementation	Included in Transition Report.	2012
28. Separate the Cook County Forest Preserve District from the Cook County Board	Opposed	Board President Preckwinkle has indicated that she does not support.	First 100 Days
32. Allow the Judiciary to Appoint the Clerk of the Circuit Court	Position Not Determined	Board President Preckwinkle is not taking a position on this issue.	2013
35. Consider Establishing a Dedicated Revenue Stream for the Health System	Position Not Determined	The Health System supports this recommendation and has considered how it could be implemented.	2014