



DUPAGE COUNTY FY2010 PROPOSED BUDGET

Analysis and Recommendations

**Prepared By:
The Civic Federation
October 27, 2009**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
CIVIC FEDERATION POSITION	5
ISSUES THE CIVIC FEDERATION SUPPORTS	6
<i>Reducing the Annual Property Tax Levy for FY2010</i>	6
<i>Minimizing Increases in Personnel Expenses</i>	6
<i>Publishing a Budget Calendar, Scheduling Public Hearings Prior to Release of the Budget</i>	6
<i>Maintaining Adequate Reserve Funds</i>	7
<i>Pursuing Alternative Options for Operating Youth Home</i>	7
CIVIC FEDERATION CONCERNS.....	8
<i>Optimistic Sales Tax Projections</i>	8
<i>Lack of a Performance Measurement System</i>	9
<i>Lack of a Complete Formal Capital Improvement Plan</i>	9
<i>Lack of a Formal Long-Term Financial Plan.....</i>	10
CIVIC FEDERATION RECOMMENDATIONS	10
<i>Continue to Improve Budget Document Transparency.....</i>	10
<i>Develop and Implement a Performance Measurement System</i>	12
<i>Develop a Formal Capital Improvement Plan</i>	13
<i>Implement a Formal Long-Term Financial Planning Process</i>	13
ACKNOWLEDGMENTS	14
APPROPRIATIONS	14
TWO-YEAR AND FIVE-YEAR APPROPRIATIONS FOR ALL FUNDS	14
TWO-YEAR AND FIVE-YEAR APPROPRIATIONS BY OBJECT FOR ALL FUNDS	16
TWO-YEAR APPROPRIATION BY FUNCTION FOR ALL FUNDS	17
YOUTH HOME.....	17
<i>Appropriations</i>	18
<i>Resources</i>	18
UNRESERVED GENERAL FUND BALANCE.....	19
REVENUES	20
TWO-YEAR AND FIVE-YEAR REVENUE TRENDS: GENERAL FUND.....	20
PROPERTY TAX LEVY	22
<i>Distribution of the Property Tax Levy.....</i>	24
PERSONNEL.....	26
SHORT-TERM LIABILITIES	28
ACCOUNTS PAYABLE.....	30
LONG-TERM OBLIGATIONS.....	31
TOTAL GROSS GENERAL OBLIGATION BONDED DEBT	31
TOTAL GROSS GENERAL OBLIGATION BONDED DEBT PER CAPITA.....	31
DUPAGE LONG-TERM DEBT COMPARED TO OVERLAPPING DEBT	32
CURRENT DUPAGE COUNTY BOND RATINGS	33
FEDERAL RECOVERY FUNDING.....	34
DUPAGE COUNTY RECOVERY ZONE BONDS	34
PENSION FUNDING.....	36
FUNDED RATIOS – ACTUARIAL VALUE OF ASSETS.....	36
UNFUNDED PENSION LIABILITIES	37
OTHER POST EMPLOYMENT BENEFITS (OPEB).....	38

EXECUTIVE SUMMARY

The Civic Federation **supports** the DuPage County FY2010 proposed budget. The County will minimize increases to personnel expenses and maintain funding for core operating programs while simultaneously reducing its property tax levy. The County will achieve this by reducing funding for Capital Outlay expenses, forgoing a transfer to the Capital Improvement Fund and by forgoing funding for new strategic initiatives in FY2010.

Notably, the County enhanced transparency for this year's budget process by creating an online budget calendar and by instituting formal public hearings on the budget.

The Civic Federation has some concerns regarding the proposed budget, however, including the County's optimistic sales tax projections. Going forward, the Civic Federation offers additional planning and transparency recommendations to the County, including implementing long-term financial and capital improvement plans and a performance measurement system.

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

- The FY2010 proposed budget of \$521.2 million, including grant revenue estimates, represents an increase of \$16.2 million, or 3.2%, over the FY2009 proposed appropriation of \$505.0 million;
- General Fund appropriations will decrease to \$171.7 million, declining by \$9.0 million or 5.0% from last year's proposed appropriation of \$180.7 million;
- The total DuPage County property tax levy, including the Health Department levy, will decrease in tax year 2009. The entire levy will total \$66.3 million, decreasing by 0.2% or \$0.1 million from the tax year 2008 levy of \$66.4 million;
- In FY2010 the Corporate Fund will be the single largest recipient of total property tax dollars, receiving an estimated \$22.7 million or 34.3% of the total levy; the Health Department levy will receive \$17.9 million, or 27.0% of the total levy; the next biggest share of the levy; or 12.8%, will be earmarked for the Stormwater Management Fund;
- The total full-time personnel headcount for DuPage County government is proposed to rise by approximately 31 full-time employees, or 1.2%, in FY2010, rising from 2,482 to an estimated 2,513 full-time employees;
- Between FY2004 and FY2008, the amount of unreserved fund balance in the DuPage County Corporate Fund increased from 23.5% of operating revenues to 32.3%; and
- Between FY2004 and FY2008, the gross general obligation bonded debt outstanding burden of DuPage County fell from \$204.2 million to \$181.9 million. This is a \$22.2 million, or 10.9%, decline.

The Civic Federation offers its **support** for the following items contained in the County's FY2010 proposed budget:

- Reduction of the County's property tax levy by \$100,000 and using property taxes remitted to the County to fund core programs at current levels;

- Minimizing increases in personnel expenses by forgoing general compensation enhancements for most non-union employees, which comprise the majority of DuPage's staff;
- Significant improvements to transparency for this year's budget process by developing an online county budget calendar and by scheduling public hearings to allow citizens to provide input about the County's proposed and amended budgets;
- Adequate financial safety net via proper funding of the General Fund cash balance reserves and establishment of the newly-created Strategic Reserve account for the General Fund; and
- Examination of options for more efficiently providing services offered by the County's Youth Home through consolidation or partnerships with other counties.

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

- Unlike other local governments in the region, the County is proposing that its FY2010 sales tax revenues are expected to increase by 4.1% over projected actual FY2009 revenues, an assumption the Civic Federation cautions the County to closely examine;
- Lack of a performance measurement system that would allow the County to provide quantitative and qualitative measures of its services that could be offered to the public and used by the county in its evaluation of program performance;
- Lack of a formal capital improvement plan that would give the public access to aggregate data, financing strategies, timelines and narrative sections explaining how projects are identified and prioritized; and
- Lack of a formal, comprehensive, publicly-available long-term financial plan that is shared with and reviewed by key policy makers and stakeholders.

The Civic Federation offers the following recommendations to improve DuPage County's financial management:

- Build upon recent efforts to improve the budget format by adding the following to further improve transparency: additional narrative sections, grant data, a narrative section explaining links between strategic goals and budget priorities, a transmittal letter from the County Board chairman outlining key priorities and a Capital Improvement Plan Budget that begins with summary financial information;
- Develop and implement a performance measurement system in order to facilitate analysis of program results and to keep policymakers and taxpayers informed of the County's achievements compared with expectations;
- Create a formal Capital Improvement Plan in order to keep taxpayers abreast of capital projects and priorities, as well as the progress of capital projects; and
- Implement a formal long-term financial planning process involving public input that links policy and program priorities to the County's financial resources and prepares for future contingencies before they arise.

CIVIC FEDERATION POSITION

The Civic Federation **supports** DuPage County's FY2010 proposed budget. The County is maintaining funding for core operating programs while simultaneously reducing its property tax levy.

Like many other units of local government, a sharp decline in revenues has resulted in the need for the County to produce a maintenance budget for FY2010. DuPage County is projecting a decline in economically sensitive resources, including income taxes, personal property replacement taxes, as well as investment funds for FY2010.¹

Unlike other governments, however, this maintenance budget is balanced without reductions to core operating services or a cutback in staffing levels. The County is able to achieve a balanced budget by significantly reducing funding for Capital Outlay expenses, forgoing a transfer to the Capital Improvement Fund, and eliminating funding for new strategic initiatives in FY2010.² The County is also relying on one-time stimulus revenue totaling \$19.0 million in FY2010. The use of these funds is intended to counteract the loss of local revenue due to the ongoing economic recession.

However, the significant reductions in the County's capital spending in FY2010, along with the use of one-time federal revenues, raises the issue of the sustainability of the County's government over time. Reducing capital expenditures and using one-time revenue sources to fund operating costs may be an indication that future funding problems lie ahead.

The Civic Federation is pleased that DuPage County has also focused its attention towards improving the transparency of its budget process. This year DuPage County created a formal budget calendar prior to the release of the proposed financial plan and held formal public hearings for citizens to hear and react to the plan. We applaud the County for making transparency a priority. Dedication to improving its internal and external processes will benefit not only the residents of DuPage, but the government itself as it seeks to better serve its citizens.

The Civic Federation offers a few cautionary notes for the County. First, we are concerned that DuPage County is projecting a 4.1% increase in sales tax revenues for FY2010 over actual projected FY2009 collections. The projected 4.1% growth in sales tax receipts is more aggressive than the projections of other governments. The City of Chicago is predicting a 5.2% decline in sales tax revenues while the Regional Transit Authority is predicting a 1.5% increase in sales tax revenues for its six-county area, including DuPage County.

DuPage County may be over-relying on an expedited economic recovery in its revenue and expenditure projections for FY2010. We advise the County to closely examine its FY2010 revenue projections before final approval of the financial plan. The County may be better served by forecasting more conservative sales tax projections, reducing the number of new employees and right-sizing its operations. While the economy many begin to improve in FY2010, we encourage staff to provide detailed supporting evidence for these projections.

¹ DuPage County FY2010 Financial Plan, pp. 70,74.

² DuPage County FY2010 Financial Plan, p. 70.

Also, while recognizing the strides that have been made in revising the County's financial planning process, the Federation believes that in order for the County to become a model for other governments to follow, it must also implement formal long-term financial and capital improvement plans, along with a performance measurement system. A prioritized, publicly-released capital improvement plan is especially necessary in light of the reduction of capital expenditures in FY2010. The County should produce a plan to ensure that its infrastructure will be properly maintained in the coming years.

Issues the Civic Federation Supports

The Civic Federation offers its support for the following items contained in the County's FY2010 proposed financial plan.

Reducing the Annual Property Tax Levy for FY2010

For FY2010 the County is proposing to slightly reduce its property tax levy by \$100,000. The total amount of property taxes remitted to the County, \$50.5 million or 11.2% of all revenues, will be used to fund programs at current levels. Additionally, the County's long-term financial outlook does not project a property tax increase through 2014.

The Civic Federation applauds DuPage County for its efforts to reduce the tax burden on its residents. It is no secret that citizens of DuPage are feeling the effects of the recession. The County is taking responsible action by working with the revenues it currently collects and we urge other units of local government to follow this example.

Minimizing Increases in Personnel Expenses

DuPage County is proposing a maintenance budget for FY2010 that preserves funding for core programs and does not require layoffs or furlough days. One method the County is employing to achieve its maintenance budget is to minimize increases in personnel expenses. More specifically, the County is proposing to forgo general compensation increases for most non-union employees in FY2010.

The Civic Federation supports both limiting increases to current staffing levels and eliminating compensation increases for most employees for the upcoming fiscal year. DuPage County, like many other governments, has experienced decreased revenues from many tax sources. This has resulted in fewer resources for the County to use for daily operations. Containing staffing expenses is a prudent measure and sound fiscal policy.

Publishing a Budget Calendar, Scheduling Public Hearings Prior to Release of the Budget

Last year the Civic Federation recommended that DuPage County improve the transparency of its budget process by developing and publishing a budget calendar prior to the release of its annual budget and scheduling public hearings for citizens to discuss the County's proposed budget. Based upon these recommendations, the County has made significant improvements in the transparency of its budgeting procedures, including the establishment of formal public hearings on the proposed and revised budget plans.

The County has also produced a budget calendar, which it has placed online for citizens to view. The production of a budget calendar is a best practice recommended by the National Advisory Council on State and Local Budgeting (NACSLB) as it provides stakeholders with the knowledge of “when key budget tasks, events, and decisions will occur so they have an opportunity to plan and to participate in the process.”³

The Federation commends the County for its commitment to improving transparency in its budgeting procedures. The County adopted both of our transparency recommendations, with the budget calendar being placed online before the release of the FY2010 proposed financial plan and the scheduling of three public hearings at locations across the County. Providing opportunities for stakeholder input will not only benefit County residents, it will also offer the County an opportunity to promote its work and solicit ideas for further improvement to County services.

Maintaining Adequate Reserve Funds

The County maintains a General Fund cash balance that includes a newly-created Strategic Reserve account. The projected cash reserves, as calculated for FY2008 as part of the County’s Comprehensive Annual Financial Report, will total \$51.7 million. The Strategic Reserve account totals \$4.0 million, the full amount of which is taken from the General Fund reserve account, but may only be accessed with express approval of two-thirds of the County Board. Both options provide the County with a safety net should additional declines in revenues occur.⁴

The Civic Federation supports the County’s efforts to maintain its reserve fund. Having a healthy reserve fund allows the government to adjust to unexpected events without having to go to the taxpayer each time for additional funding. The Government Finance Officer’s Association recommends that a unit of government maintain an unreserved fund balance of 5% to 15% of its operating revenues. The County’s reserve meets this requirement.

Pursuing Alternative Options for Operating Youth Home

The County is also exploring its options with regard to the services provided by its Youth Home. The Youth Home, appropriations for which will total \$3.9 million in FY2010, is part of the County’s larger criminal court system and operates as a detention center for juvenile cases. For FY2010 State of Illinois reimbursements and grant subsidies for both probation and Youth Home services were reduced by 56% or \$1.9 million. In light of significantly reduced State funding for its Youth Home in FY2010, the County is proposing to consolidate these services, either by closing its own home and working with another County to partner in providing Youth Home services, or by serving as the youth services hub for other counties.⁵

The Civic Federation supports the County’s efforts to maximize the efficiency in delivering Youth Home services by moving forward with a formal feasibility analysis of this option. The Civic Federation believes that when certain guidelines are met, consolidation of services can

³ See National Advisory Council on State and Local Budgeting (NACSLB) website at <http://www.gfoa.org/services/nacslb/> (last visited on September 23, 2009).

⁴ DuPage County FY2010 Financial Plan, p. 38.

⁵ DuPage County FY2010 Financial Plan, p. 33.

result in more efficient and cost-effective service delivery. Reductions in state funding highlight a need to streamline this service. We recommend that the County conduct a formal review, similar to the recent review of the County's Convalescent Center, to properly determine how to provide this service going forward.

Civic Federation Concerns

The Civic Federation has the following concerns about the County's FY2010 financial plan.

Optimistic Sales Tax Projections

The Federation cautions DuPage County to closely examine its sales tax revenue projections for FY2010. The County is projecting an increase in sales tax revenues in FY2010.⁶ The County reports sales tax revenues for FY2009 will actually total \$79.0 million, and is projecting FY2010 sales tax receipts to total \$82.3 million, resulting in an increase of 4.1% or \$3.2 million.⁷ As part of its executive summary to the FY2010 budget proposal, the County states:

The Fiscal Year 2010 budget recommendation is predicated on the supposition that the economy is entering a recovery phase, and assumes relatively modest overall economic based growth affecting sales taxes, income tax distributions, and income from housing starts and sales.⁸

Other governments do not share the County's optimistic view regarding sales tax revenue projections. The City of Chicago, in its *FY2010 Preliminary Budget Estimates* report, projects that sales tax revenues will decline 5.2% from the 2009 year-end estimate.⁹ The City also stated that sales tax revenues were 11.4% below budgeted expectations in FY2009, and "are not anticipated to rebound in the near term."¹⁰

The Regional Transit Authority, while more optimistic than the City of Chicago, is only projecting a 1.5% increase in sales tax receipts in calendar year 2010 compared to estimated end of 2009 collections for the six-county Chicago region.¹¹ DuPage County is included in this six-county calculation.

The Civic Federation cautions DuPage County to closely examine its sales tax revenue projections for FY2010. Other governments are projecting either decreases or significantly

⁶ On a budget-to-budget basis, DuPage County sales tax revenues are projected to fall by 10.8% or nearly \$10 million, dropping from \$92.2 million in the FY2009 proposed budget to \$82.3 million in the FY2010 proposed budget. This comparison is reflected later in our analysis. While budget-to-budget comparisons are useful as a basis of comparison for the budget overall, this section compares actual-to-budget projections for sales tax revenues as a means of assessing the soundness of the sales tax revenue projections.

⁷ The \$79.0 million figure is reported as the FY2010 "budget base," or the amount to be collected in FY2009 that will be used as the starting assumption for FY2010 sales tax increase projections. *DuPage County FY2010 Financial Plan*, p. 83.

⁸ DuPage County FY2010 Financial Plan, p. 38.

⁹ City of Chicago FY2010 Preliminary Budget Estimates, p. 5.

¹⁰ City of Chicago FY2010 Preliminary Budget Estimates p. 2.

¹¹ Email communication between the Civic Federation and Regional Transportation Authority Chief Financial Officer Joe Costello, September 24, 2009.

smaller increases in sales tax revenues. If the County proceeds with these projections, it should clearly demonstrate to the Board and the public that these projections are based on strong economic assumptions.

Lack of a Performance Measurement System

According to the NACSLB, government activities should be “periodically reviewed to determine whether they are accomplishing intended program goals and making efficient use of resources.”¹² According to the NACSLB, implementing a performance measurement system results in information on which governments can base funding decisions.

For each agency or program, the FY2010 DuPage County Financial Plan includes a mission statement, a list of accomplishments from the prior fiscal year, as well as short-term and long-term goals. These features do present some information regarding the activities, services, and functions carried out by organizational units. However, the budget does not provide any quantitative or qualitative measures that allow the public, or the County, to evaluate program performance.

Lack of a Complete Formal Capital Improvement Plan

In DuPage County’s Financial Plan there is a detailed capital projects listing that itemizes by fund the projected capital expenditures through FY2014.¹³ Costs per year are listed for each project and these lists are updated annually in the Fiscal Plan. There is also a section that describes the uses of bond funded capital projects.¹⁴

The Civic Federation is pleased to see that this important information is provided to the public. However, we are concerned by the lack of a formal capital improvement plan (CIP) that would include aggregate data, financing strategies, timelines and narrative sections explaining how projects are identified and prioritized.

First, the existing capital projects list does not provide concise, aggregate financial information reflecting the amount that will be spent on capital projects. Aggregate data, reflecting the total costs of capital projects for each year by both fund and program are necessary to give residents of DuPage County a complete understanding of the capital plan.

Second, there is no specific description of funding sources. It is difficult to understand how DuPage intends to finance the various capital projects. The Civic Federation is concerned that the public does not have access to information identifying how cost projections were developed. It is also difficult for the public to assess the affordability of the projects proposed without the County identifying funding sources.

Third, listing projects or providing tables and charts without any accompanying narrative explanation of the data contained seriously limits the effectiveness of the entire capital

¹² See National Advisory Council on State and Local Budgeting (NACSLB) website at <http://www.gfoa.org/services/nacslb/> (last visited on September 23, 2009).

¹³ DuPage County FY2010 Financial Plan, pp. 457-497.

¹⁴ DuPage County FY2010 Financial Plan, pp. 413-456.

improvement plan. Written analysis and explanation is a key element of any capital improvement plan and the lack of such a section gives us pause when evaluating the FY2010 financial plan. Narrative explanations could also link the capital improvement plan to the goals identified in the recently-released strategic plan.

Fourth, there is no discussion of the prioritization process used to identify and select projects for funding. It is difficult to determine how projects were chosen using just the information provided in the FY2010 plan. Fifth, no information is provided regarding the time frame for fulfilling capital projects. It is important for taxpayers to know how long it will take to complete a project as well as its total cost.

A large, professional and modern government, such as DuPage County, should develop and make publicly available a formal capital improvement plan.

Lack of a Formal Long-Term Financial Plan

The DuPage County Board undoubtedly employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. The FY2010 Financial Plan does include a five-year outlook for the General Fund, Stormwater Management, Public Works, the Division of Transportation and the Convalescent Center. This is important information and we commend the County for including it in the budget.¹⁵ However, the County Board has not developed a formal, comprehensive, publicly-available long-term financial plan that is shared with and reviewed by key policymakers and stakeholders.

Long-term financial planning is a strategic process that provides governments with the insights and information they need to establish multi-year financial policies and pursue actions that maintain good fiscal health. This plan also provides stakeholders with important information about the future of the County. In light of the County's reliance on one-time federal stimulus revenue for FY2010, a formal long-term financial plan is increasingly necessary as the County may face difficult decisions once these funds run dry.

Civic Federation Recommendations

The Civic Federation recommends that the County build on the transparency reforms already implemented and continue to work toward being a model for other governments by implementing further improvements to its budget document, developing a performance measurement system, creating a prioritized capital improvement plan and creating a formal long-term financial plan.

Continue to Improve Budget Document Transparency

DuPage County continues to make improvements to the format of its budget document, including the addition of a separate, concise executive summary, a budget calendar and an organizational chart of the County government. However, the Financial Plan can be further improved. We

¹⁵ DuPage County FY2010 Financial Plan, pp. 45-51.

recommend making the following general changes to help better inform the residents of DuPage County:

- *Additional Narrative Sections:* While it is important to include raw data and accompanying charts in each financial plan, too often this information is difficult to understand without an accompanying narrative section. Written explanations of appropriations and revenues for each fund, as well as for each program, are necessary to explain the data contained in the charts included in the budget for a more complete understanding of the County's annual financial plans. The executive summary is a very useful tool for the reader to understand the broad policies advanced by the budget. However, smaller summaries describing the charts that follow the executive summary are also necessary as the broad scope of the executive summary does not assist the reader in understanding the information contained in the multitude of charts that follow.
- *Grant Data:* The Civic Federation recommends that the County include financial data regarding its grant funds in future budget documents. While we understand the uncertain nature of this revenue stream, it is difficult for a reader to fully understand the County's revenue and expenditures without this information. Additionally, personnel data for grant-funded positions should also be included in future budgets for the same reason.
- *Personnel Data:* The Federation recommends that DuPage County present personnel data as full-time equivalent (FTE) positions. Currently, the County's personnel data only reflects the number of full-time, salaried employees. The employee totals do not include part-time employees. Full-time equivalent employee calculations reflect the total number of people employed by a unit of government, including full-time, part-time and temporary employees. The Federation urges the County to calculate its personnel totals based upon FTE standards as it provides a more accurate reflection of the County's total workforce.
- *Remaining NACSLB Best Practice Recommendations:* Last year the Federation included six best practice features, as suggested by the NACSLB, for the County to incorporate in its annual budget document. The County adopted four of these recommendations, but the following two still need to be implemented:¹⁶
 - A transmittal letter from the County Board Chairman outlining key priorities; and
 - A Capital Improvement Plan Budget that begins with summary financial information.
- *Narrative Section Explaining Links Between Strategic Goals and Budget Priorities:* The Civic Federation recommends that the County add narrative information to the strategic planning and budget charts in the annual Financial Plan. In 2006 a Strategic Planning Steering Committee was formed, consisting of both County Board members and other elected officials. With the assistance of the Regional Development Institute at Northern Illinois University and using both public and county employee input to create the plan, the

¹⁶ All of the recommendations for budget transparency, except for the gross property tax narrative description, are derived from the National Advisory Council on State and Local Budgeting Recommended Budget Practices: A Framework for Improved State and Local Budgeting. (Chicago: Government Finance Officers Association, 1998).

County Board approved the final draft of the strategic plan on May 22, 2007. Since then, a permanent Strategic Planning Committee has been created by the Board to oversee the implementation of the plan's recommendations.¹⁷ A copy of the strategic plan is not only available on the County's website, it is also included in this year's financial plan.

The DuPage County FY2010 Financial Plan provides a chart that links budget recommendations to strategic issues and goals identified in the County's strategic plan.¹⁸ These charts are very useful in that they provide lists by both fund and functional area that identify how strategic planning issues and goals are being addressed by the current financial plan.

However, while the charts are a useful addition to the budget and help identify funding priorities, it is difficult for the reader to fully understand the data. A detailed narrative section, describing both the chart data and the organization of the chart itself, would make this information more useful and easier to understand. While small written descriptions of the links between some budget recommendations and the strategic plan are in place, they are brief and lack substantive information. This lack of consistent, comprehensive information makes it difficult for the public to determine whether the County is funding new or existing initiatives, as well as how the funding priorities relate to the strategic plan.

Develop and Implement a Performance Measurement System

Given the current administration's stated intention of improving management efficiency over the long term, the Civic Federation believes a performance measurement program is an essential tool for DuPage County Government. The performance measurement system should be used to inform and guide annual appropriation decisions. By evaluating and reporting program measurement results, the County Board can also keep policymakers and taxpayers informed about actual achievements as compared to expectations.¹⁹

It is both expensive and inefficient to produce reams of measures that are developed without the involvement of management and staff or that are not connected to program goals and objectives. However, a few well-chosen measures of efficiency and effectiveness, implemented consistently and utilized to inform management decisions, could prove valuable as the DuPage County Board seeks to improve its management and operations. Many governments pilot such programs initially to deal with problems that may arise, to test different approaches and to facilitate staff cooperation. This approach is a reasonable way to approach the implementation of a performance measurement system.

The Civic Federation urges the DuPage County Board to develop and adopt a comprehensive performance measurement system.

¹⁷ DuPage County Strategic Plan website at http://www.dupageco.org/agendas/generic.cfm?doc_id=3077 (last visited on September 23, 2009).

¹⁸ DuPage County FY2010 Financial Plan, p. 56.

¹⁹ See Recommended Practice 11.1 "Monitor, Measure, and Evaluate Program Performance," in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998).

Develop a Formal Capital Improvement Plan

The Civic Federation agrees with the National Advisory Council on State and Local Budgeting that all governments should develop a five-year capital improvement plan (CIP) that identifies priorities, provides a timeline for completing projects and identifies funding sources for projects. The CIP should be updated annually and have formal approval by the governing body.²⁰ A formal capital improvement plan includes the following information:

- A five-year summary list of projects, expenditures per project and funding sources per project;
- Information about the impact of capital spending on the annual operating budget for each project;
- Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project; and
- The time frame for fulfilling capital projects and priorities.

Above all, the capital improvement plan should be predicated on a publicly disclosed needs assessment and prioritization process.

In addition, the CIP should be made publicly available for review by elected officials and citizens. It should be published in the budget or as a separate document. The CIP should be also made available on the government's website.

Implement a Formal Long-Term Financial Planning Process

The Civic Federation recommends that the DuPage County Board develop and implement a formal long-term financial planning process that is not only reviewed internally, but that is made widely available to allow for input from key policy stakeholders and the public.

A long-term financial plan (LTFP) is a formal document that summarizes the information and insights developed during the long-term financial planning process. The 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.²¹ A typical LTFP consists of a three- to five-year forecasts of revenues, expenditures and debt capacity and an assessment of historic economic and financial trends. It also includes an evaluation of problems or opportunities, as well as the actions required to address them properly, such as gap-closing or surplus management. The benefits of long-term financial planning include:

- Revenues are adequate to maintain services at current levels;
- Financial resources are sufficient to address future operating and capital expenditures;
- It is possible to expand existing programs or initiate new ones; and
- It is prudent to issue new debt to fund new capital projects.

²⁰ National Advisory Council on State and Local Budgeting. Recommended Practice 9.6: Develop a Capital Improvement Plan.

²¹ See National Advisory Council on State and Local Budgeting and Government Finance Officers Association.

By effectively linking policy and program priorities to the financial resources available currently and in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

We recommend that the County Board develop a long-term financial plan that is based upon, and complements, the completed strategic plan. Both the NACSLB and the GFOA recommend that all governments develop and formally adopt long-term financial plans as key components of a sound budget process.²² By linking the strategic goals to the financial resources available now and in the future, a long-term financial plan will complete the County's long range view and help to maintain good fiscal health over time.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to DuPage County Chief Financial Officer Fred Backfield, Chief of Staff Tom Cuculich and staff for their hard work in preparing this budget and their willingness to answer our many questions.

APPROPRIATIONS

This section of the analysis presents an overview of DuPage County government appropriation trends. Appropriations are compared across two- and five-year trends, as well as by object and function.

Two-Year and Five-Year Appropriations for All Funds

DuPage County government proposes a FY2010 budget of \$521.2 million. This is a 3.2% or approximately \$16.2 million increase over the previous year's proposed budget of \$505.0 million. This is a comparison between the originally proposed budgeted appropriations for both FY2009 and FY2010. These figures exclude the budget of the DuPage County Health Department, which has a separate governance structure, but they do include grant appropriation estimates provided by the DuPage County Finance Department.

General Fund appropriations will decrease by nearly \$9.0 million or 5.0%, from \$180.6 million to \$171.7 million. The General Fund is also transferring out to other funds an additional \$17.0 million for specific strategic initiatives, including:

- \$5.2 million for proposed RZ Opportunities debt service;²³
- \$3.7 million for jail bonds debt service;
- \$3.0 million for Stormwater Management;
- \$2.4 million to the Convalescent Center;
- \$0.8 million for the Transit Job Access Reverse Commute (JARC) Circulator;
- \$0.75 million for tort liability;

²² See National Advisory Council on State and Local Budgeting at <http://www.gfoa.org/services/nacslb/> (last visited on September 23, 2009) and Government Finance Officers Association at http://www.gfoa.org/index.php?option=com_content&task=view&id=360 (last visited on September 23, 2009).

²³ RZ Opportunities is a bond-funded program totaling approximately \$77 million to fund the County's capital needs identified in its DuPage 2013 capital plan. DuPage County FY2010 Financial Plan, p. 41.

- \$0.5 million to the *Choose DuPage* economic partnership program designed to continue economic growth in the region;
- \$0.45 million for the Youth Home; and
- \$0.2 million to Transit J-Route.

The JARC Circulator is designed to enhance mobility throughout the county to provide residents with greater accessibility to jobs.²⁴ The Transit J-Route funds will go to preliminary planning and an engineer phase of a Bus Rapid Transit route centering on portions of I-55, I-355 and Cermak/22nd Street.²⁵

Appropriations for the Special Revenue Funds will decrease by 22.5%. This is a \$55.7 million decrease from \$247.5 million to approximately \$191.9 million.

DuPage County Appropriations: FY2009 & FY2010*				
Fund	FY2009	FY2010	\$ Change	% Change
General Fund	\$ 180,661,354	\$ 171,696,887	\$ (8,964,467)	-5.0%
Special Revenue Funds	\$ 247,516,732	\$ 191,851,515	\$ (55,665,217)	-22.5%
Capital Projects Fund	\$ 21,017,498	\$ 47,456,838	\$ 26,439,340	125.8%
Debt Service Fund	\$ 13,378,961	\$ 18,173,589	\$ 4,794,628	35.8%
Grants**	\$ 42,431,688	\$ 92,000,000	\$ 49,568,312	116.8%
Total	\$ 505,006,233	\$ 521,178,829	\$ 16,172,596	3.2%

* Excluding DuPage County Health Department and Special Service Areas for both FY2009 and FY2010.

** FY2010 grants figure is an estimate supplied by the DuPage County Department of Finance.

Source: DuPage County Financial Plan FY2009 pp. 36, 476; and FY2010 Financial Plan p. 72.

From FY2006 to FY2010, the DuPage County Government's budget appropriations are projected to increase by 7.9%, rising from \$482.8 million to \$521.2 million. This is a \$38.3 million increase over FY2006. Appropriations for the Capital Projects Fund will increase by 60.1% or nearly \$17.8 million over this five-year period. Corporate Fund appropriations will increase by 22.1%, increasing from \$140.6 million to \$171.7 million.

DuPage County Appropriations: FY2006 & FY2010*				
Fund	FY2006	FY2010	\$ Change	% Change
General Fund	\$ 140,618,308	\$ 171,696,887	\$ 31,078,579	22.1%
Special Revenue Funds	\$ 255,395,780	\$ 191,851,515	\$ (63,544,265)	-24.9%
Capital Projects Fund	\$ 29,637,407	\$ 47,456,838	\$ 17,819,431	60.1%
Debt Service Fund	\$ 2,074,000	\$ 18,173,589	\$ 16,099,589	776.3%
Grants**	\$ 55,111,971	\$ 92,000,000	\$ 36,888,029	66.9%
Total	\$ 482,837,466	\$ 521,178,829	\$ 38,341,363	7.9%

* Excluding DuPage County Health Department and Special Service Areas for both FY2006 and FY2010.

** FY2010 grants figure is an estimate supplied by the DuPage County Department of Finance.

Source: DuPage County FY2006 Financial Plan pp. 7-12; and FY2010 Financial Plan, p. 72.

²⁴ DuPage County FY2010 Financial Plan, p. 52.

²⁵ Email communication between the Civic Federation and DuPage County Finance Department, October 3, 2008.

Two-Year and Five-Year Appropriations by Object for All Funds

The FY2010 DuPage County budget proposes an appropriation of approximately \$450.9 million, *excluding grant funds*.²⁶ This is a decrease of 2.5%, or \$11.7 million, from the previous fiscal year proposed budget. Personnel appropriations will increase by 4.6% or \$7.9 million over FY2009 proposed budgeted amounts. Contractual and Capital Outlay expenses, on the other hand, will experience declines, falling by 3.7% and 2.4%, respectively. Bond and Debt expenditures will increase, rising from \$15.8 million in FY2009 to \$20.3 million in FY2010. This increase is due to the annual debt service payments associated with the *RZ Opportunities* program.²⁷

DuPage County Appropriations by Object for All Funds: FY2009 & FY2010*				
Object	FY2009	FY2010	\$ Change	% Change
Personnel	\$ 173,499,742	\$ 181,424,727	\$ 7,924,985	4.6%
Commodities	\$ 20,220,240	\$ 22,103,933	\$ 1,883,693	9.3%
Contractual	\$ 97,947,498	\$ 94,368,764	\$ (3,578,734)	-3.7%
Capital Outlay	\$ 110,926,512	\$ 108,209,969	\$ (2,716,543)	-2.4%
Bond & Debt	\$ 15,804,393	\$ 20,258,828	\$ 4,454,435	28.2%
Transfers Out	\$ 19,572,052	\$ 24,504,794	\$ 4,932,742	25.2%
Strategic Initiatives	\$ 24,604,108	\$ -	\$ (24,604,108)	100.0%
Total	\$ 462,574,545	\$ 450,871,015	\$ (11,703,530)	-2.5%

*Excludes Grants, Health Department and Special Service Areas for both FY2009 and FY2010

Source: DuPage County FY2009 Financial Plan p. 36; and FY2010 Financial Plan, p. 70.

Over the five-year period from FY2006 to FY2010, appropriations will decrease by 6.6%, or nearly \$32.0 million. Personnel appropriations will increase by 2.2%, or \$3.9 million, over the five-year span. Transfers out have increased by 842.5%, rising from \$2.6 million in FY2006 to \$24.5 million in FY2010. This substantial increase results from an accounting change made in 2008, designed to better reflect the interfund nature of meeting debt service requirements.²⁸ Capital Outlay appropriations, on the other hand, have decreased by 26.1%, falling from \$146.3 million in FY2006 to \$108.2 million in FY2010.

²⁶ Due to insufficient Grant information in the County's FY2009 and FY2010 financial plans, we are unable to analyze how grant funds are spent by object. The FY2010 total appropriation of \$450.9 million for this section does not include \$92.0 million in grant funds the County anticipates receiving during the 2010 fiscal year. The previous section takes grant money into account, thereby resulting in a different total appropriation number.

²⁷ Email communication between the Civic Federation and DuPage County Chief Financial Officer Fred Backfield, September 23, 2009.

²⁸ Email communication between the Civic Federation and DuPage County Chief Financial Officer Fred Backfield, September 23, 2009.

DuPage County Appropriations by Object for All Funds: FY2006 & FY2010*				
Object	FY2006	FY2010	\$ Change	% Change
Personnel	\$ 177,499,626	\$ 181,424,727	\$ 3,925,101	2.2%
Commodities	\$ 20,857,165	\$ 22,103,933	\$ 1,246,768	6.0%
Contractual	\$ 119,813,129	\$ 94,368,764	\$ (25,444,365)	-21.2%
Capital Outlay	\$ 146,346,315	\$ 108,209,969	\$ (38,136,346)	-26.1%
Bond & Debt	\$ 15,721,232	\$ 20,258,828	\$ 4,537,596	28.9%
Transfers Out	\$ 2,600,000	\$ 24,504,794	\$ 21,904,794	842.5%
Total	\$ 482,837,467	\$ 450,871,015	\$ (31,966,452)	-6.6%

*Excludes Grants, Health Department and Special Service Areas for both FY2006 and FY2010.

Source: DuPage County FY2006 Financial Plan, p. 7; and DuPage County FY2010 Financial Plan, p. 70.

Two-Year Appropriation by Function for All Funds

The following chart depicts appropriations by function for FY2010 compared to final budgeted appropriations for FY2009. Grant funds are not included in this chart.

Appropriations for Public Safety in FY2010 will decrease by 1.6% over FY2009 final budgeted appropriation levels, falling from nearly \$99.0 million in FY2009 to \$97.4 million in FY2010. Transportation and Economic Development appropriations will decrease by 28.4% over FY2009 final budgeted appropriation levels, falling by \$30.5 million. General Government appropriations, on the other hand, will increase by \$17.9 million or 48.1% over FY2009 final budgeted appropriations.

DuPage County Appropriations by Function for All Funds: FY2009 & FY2010*				
Function	FY2009**	FY2010	\$ Change	% Change
Public Safety	\$ 98,975,400	\$ 97,383,800	\$ (1,591,600)	-1.6%
Transport & Econ Devel	\$ 107,476,500	\$ 76,990,600	\$ (30,485,900)	-28.4%
Environ & Land Use	\$ 91,005,200	\$ 77,053,600	\$ (13,951,600)	-15.3%
Health & Human Services	\$ 38,263,900	\$ 38,250,400	\$ (13,500)	0.0%
Education	\$ 849,900	\$ 849,300	\$ (600)	-0.1%
General Government	\$ 37,204,300	\$ 55,093,400	\$ 17,889,100	48.1%
Agency Support	\$ 107,078,400	\$ 105,249,800	\$ (1,828,600)	-1.7%
Total	\$ 480,853,600	\$ 450,870,900	\$ (29,982,700)	-6.2%

*Excludes Grants, Health Department and Special Service Districts for both FY2009 and FY2010

**FY2009 data is taken from the final budgeted appropriation plan, not the proposed budgeted appropriation plan.

Source: DuPage County FY2010 Financial Plan, p. 53.

Youth Home

DuPage County operates a youth home detention center as part of its larger criminal court system. Under the control of the Director of Probation and Court Services, the youth home's primary function is to detain juveniles who are awaiting trial in the DuPage County system. The residents have been deemed either a flight risk or detention is necessary for the protection of the

minor. After trial, the youth home may also serve as a detention alternative as part of a sentence.²⁹

The youth home also provides rehabilitative services to juveniles who have entered the County's criminal justice system. Youth home residents are able to fulfill community service sentences from this setting. These are also rehabilitation programs operating out of the youth home, including art and gardening programs.³⁰

In 2009 the average daily population for the youth home was 24.9 residents. The projected average daily population for FY2010 is 28.9 residents. Budgeted staffing levels between FY2009 and FY2010 will be held constant at 46 full-time employees, 3 part-time employees and 1 temporary employee.³¹

Appropriations

Appropriations for the Youth Home will total nearly \$3.9 million in FY2010. This is a \$0.3 million or 7.2% decrease over FY2009 final budgeted appropriations. Contractual services will decrease by 32.2% over final FY2009 budgeted appropriations. Decreases in utility expenses are one reason for this decrease, in addition to the elimination of a contingency expense line item and a decrease in technical, professional and data services.³²

DuPage County Youth Home Appropriations: FY2009 & FY2010				
	FY2009	FY2010	\$ Change	% Change
Personnel	\$ 3,071,912	\$ 3,078,357	\$ 6,445	0.2%
Commodities	\$ 323,060	\$ 262,874	\$ (60,186)	-18.6%
Contractual Services	\$ 770,587	\$ 522,368	\$ (248,219)	-32.2%
Total	\$ 4,165,559	\$ 3,863,599	\$ (301,960)	-7.2%

Source: DuPage FY2010 Financial Plan, p. 116.

Resources

Total resources for the Youth Home in FY2010 will be \$3,233,433. Resources include \$26,392 in fund balance appropriations, \$2,613,433 in revenue and \$620,000 in subsidies or transfers in from other funds.³³ The youth home will receive 3.0% of the 2009 property tax levy distribution.³⁴ The estimated 2009 levy for the Youth Home will total \$1.9 million.

State reimbursement and grant subsidies for probation and youth home services in FY2010 were reduced by 56%, or \$1.9 million, from 2009 stated reimbursement and subsidy levels. In order to compensate for this reduction in state funding, the County is proposing to use transfers from

²⁹ DuPage County FY2010 Financial Plan, p. 342.

³⁰ DuPage County FY2010 Financial Plan, p. 343.

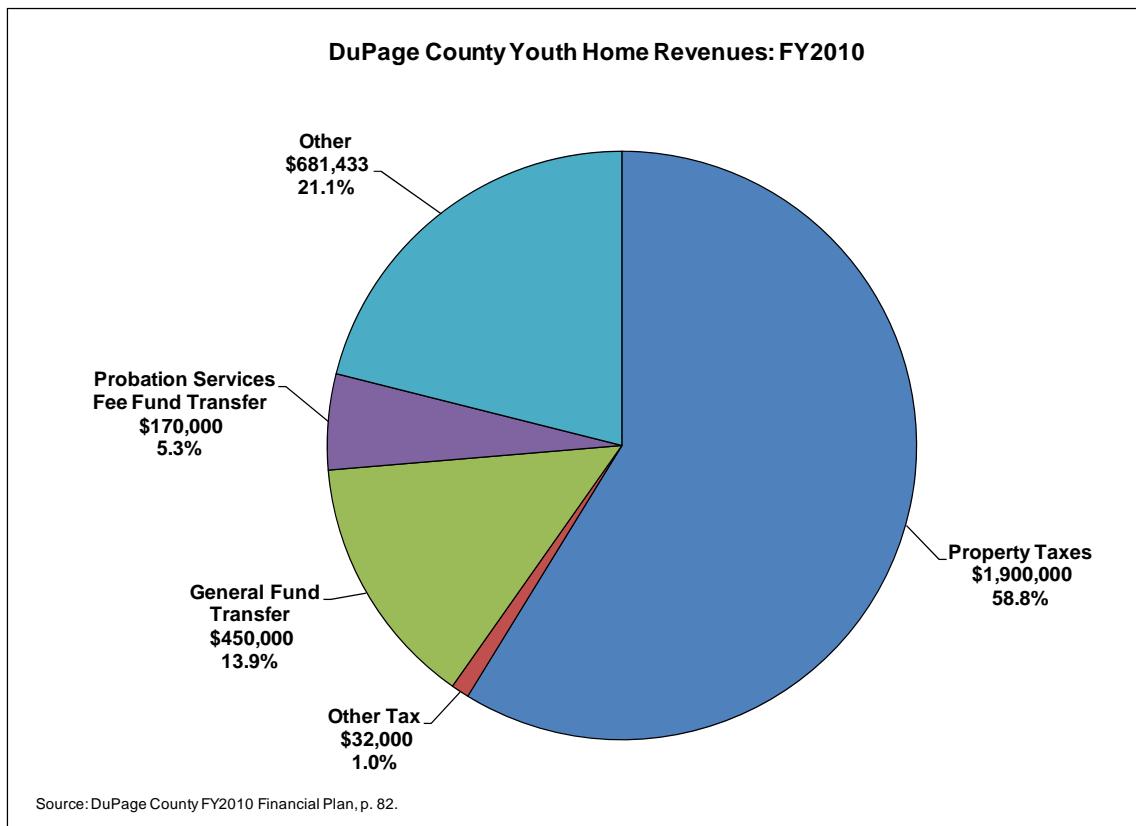
³¹ DuPage County FY2010 Financial Plan, p. 343.

³² DuPage County FY2010 Financial Plan, p. 345.

³³ DuPage County FY2010 Financial Plan, p. 72.

³⁴ DuPage County FY2010 Financial Plan, p. 78.

the General Fund and the Probation Services Fee Fund to maintain youth home operations in FY2010.³⁵



UNRESERVED GENERAL FUND BALANCE

Between FY2004 and FY2008, the amount of unreserved fund balance in the DuPage County General Fund increased from 23.5% of operating revenues in that fund to 32.3%. In dollar amounts, the unreserved fund balance rose from \$31.6 million to \$51.7 million. In all five years examined, the ratio was well above the 5% to 15% minimum recommended by the Government Finance Officers Association for a healthy fund balance.

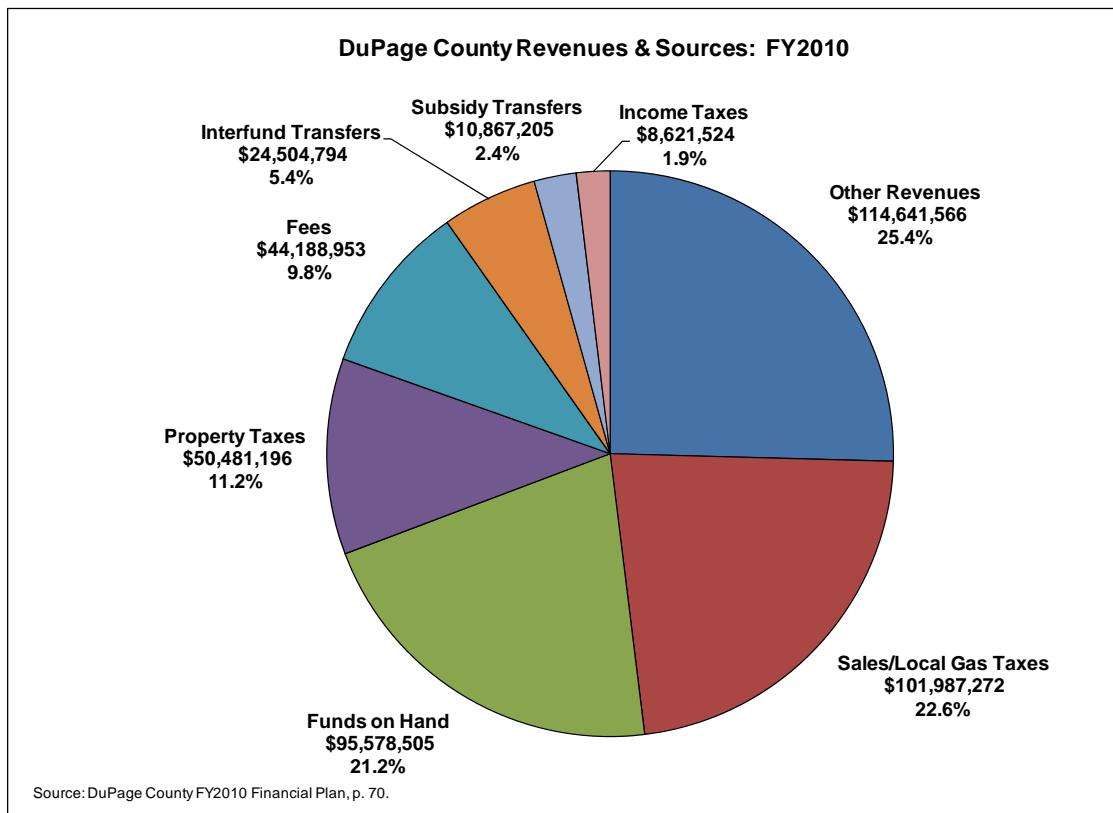
DuPage County Unreserved Corporate Fund Balance Ratio			
	Unreserved Fund Balance	Operating Revenues	Ratio
FY2004	\$ 31,616,190	\$ 134,383,901	23.5%
FY2005	\$ 32,751,692	\$ 135,269,262	24.2%
FY2006	\$ 33,453,220	\$ 139,386,271	24.0%
FY2007	\$ 41,675,308	\$ 146,735,035	28.4%
FY2008	\$ 51,741,245	\$ 160,169,598	32.3%

Source: DuPage County Comprehensive Annual Financial Reports FY2004-FY2008.

³⁵ DuPage County FY2010 Financial Plan, p. 76.

REVENUES

This year for the first time, the DuPage County government financial plan contains aggregate information about all fund revenues.³⁶ In FY2010, sales and local motor fuel taxes will generate approximately \$101.9 million or 22.6% of all revenues. Other revenues, which will be 25.4% of all revenues or \$114.6 million, are comprised of a variety of individual revenue sources, including interest earnings, personal property replacement taxes, fines and charges, inheritance taxes and miscellaneous fees and taxes. “Funds on hand” or reserves will total \$95.5 million or 21.2% of all resources. Property taxes will generate 11.2% of all revenues, or \$50.5 million.



Two-Year and Five-Year Revenue Trends: General Fund

The General Fund accounts for revenues and expenditures for the general operations of DuPage County government. Total General Fund revenues are projected to decrease by 4.9% in FY2010 from the FY2009 proposed budget figures, from \$180.7 million to nearly \$171.7 million. The decrease is in large part due to reduced revenues from sales taxes as the negative impact of the recession on consumer spending continues. On a budget-to-budget basis, sales tax revenues will fall by 10.8% or nearly \$10 million, dropping from \$92.2 million to \$82.2 million. This

³⁶ Because all fund revenue information was not provided in prior years, the Civic Federation was unable to report prior year comparisons.

downturn comes even with the 0.25 percentage point increase in the DuPage County sales tax rate approved in 2008.³⁷

It is important to note that the County reports sales tax revenues for FY2009 will actually be \$79.0 million, not the \$92.2 million originally budgeted last year. The County projects an increase of 4.1% or \$3.2 million in FY2010 from the amount that they believe will actually be collected in FY2009.³⁸

General Fund property tax revenue will increase slightly to \$28.4 million, up \$0.2 million from the previous budget year. Fee revenues, derived from fees charged by the Recorder of Deeds, Circuit Court Clerk, the Sheriff, the County Clerk and the County Jail, as well as real estate transactions, are expected to increase by 7.1% in FY2010, for a revenue increase of \$2.3 million. A portion of the increase is due to increases in court security fees.³⁹

Other revenues, which include personal property replacement taxes, fees charged by other offices, charges, interest earnings and other smaller miscellaneous income, are projected to decrease by 4.9%, from approximately \$18.8 million to \$17.9 million.

Other units of government are projecting similar downward trends in other economically-sensitive revenue streams. The State of Illinois is projecting that Personal Property Replacement Tax (PPRT) receipts, the State's version of a corporate income tax, will total \$2.8 million in FY2010 for DuPage County. This is a \$0.6 million or 20.9% decrease over final PPRT payment totals to the County in FY2009.⁴⁰

In its FY2010 budget proposal, City Colleges projected that PPRT revenues would stay flat over FY2009 estimates, remaining at \$14.5 million. PPRT revenues were projected to decline in Chicago Public Schools' FY2010 budget, falling from \$191.5 million in FY2009 to \$161.5 million in FY2010.

DuPage County General Fund Revenues: FY2009 & FY2010				
Revenue	FY2009	FY2010	\$ Change	% Change
Sales Taxes	\$ 92,250,000	\$ 82,250,272	\$ (9,999,728)	-10.8%
Property Tax	\$ 28,250,000	\$ 28,481,196	\$ 231,196	0.8%
Fee Offices/Elected Officials	\$ 32,194,608	\$ 34,494,720	\$ 2,300,112	7.1%
Income Tax	\$ 9,100,000	\$ 8,621,524	\$ (478,476)	-5.3%
Other	\$ 18,866,745	\$ 17,941,533	\$ (925,212)	-4.9%
Total	\$ 180,661,353	\$ 171,789,245	\$ (8,872,108)	-4.9%

Source: DuPage County FY2009 Financial Plan p. 75; and FY2010 Financial Plan, p. 83.

³⁷ State legislation, approved in January of 2008, allowed DuPage County to increase their sales tax rate by 0.25% and spend the proceeds on transportation and public safety needs . See 70 ILCS 3615/4.03 (2008).

³⁸ The \$79.0 million figure is reported as the FY2010 "budget base," or the amount to be collected in FY2009 that will be used as the starting assumption for FY2010 sales tax increase projections. *DuPage County FY2010 Financial Plan*, p. 83.

³⁹ DuPage County FY2010 Financial Plan, p. 75.

⁴⁰ Illinois Department of Revenue, Estimate for Replacement Taxes FY2010 at <http://www.revenue.state.il.us/LocalGovernment/RASEST10.pdf> (last visited on September 23, 2009).

Between FY2006 and FY2010, all General Fund revenues will increase by 22.2% or \$31.2 million. Sales tax revenues have seen a dramatic rise over this five year period, increasing by 95.3% or \$40.1 million. This is primarily due to the introduction of the 0.25 percentage point sales tax increase in 2008. During this period, property tax revenues have also increased by 21.7%, or approximately \$5.1 million. Fee revenues are expected to increase by 3.3% over the five-year period, for an increase of \$1.1 million. The intergovernmental revenues reported in FY2006 represented a transfer from the DuPage Water Commission; state legislation approved in 2003 allowed DuPage County to receive an annual transfer of \$15 million per year through 2007 from the Commission.⁴¹

DuPage County General Fund Revenues: FY2006 & FY2010				
Revenue	FY2006	FY2010	\$ Change	% Change
Sales Taxes	\$ 42,113,500	\$ 82,250,272	\$ 40,136,772	95.3%
Property Tax	\$ 23,400,000	\$ 28,481,196	\$ 5,081,196	21.7%
Fee Offices/Elected Officials	\$ 33,382,020	\$ 34,494,720	\$ 1,112,700	3.3%
Income Tax	\$ 7,733,000	\$ 8,621,524	\$ 888,524	11.5%
Intergovernmental Revenues	\$ 15,210,000	\$ -	\$ (15,210,000)	-
Other	\$ 18,779,788	\$ 17,941,533	\$ (838,255)	-4.5%
Total	\$ 140,618,308	\$ 171,789,245	\$ 31,170,937	22.2%

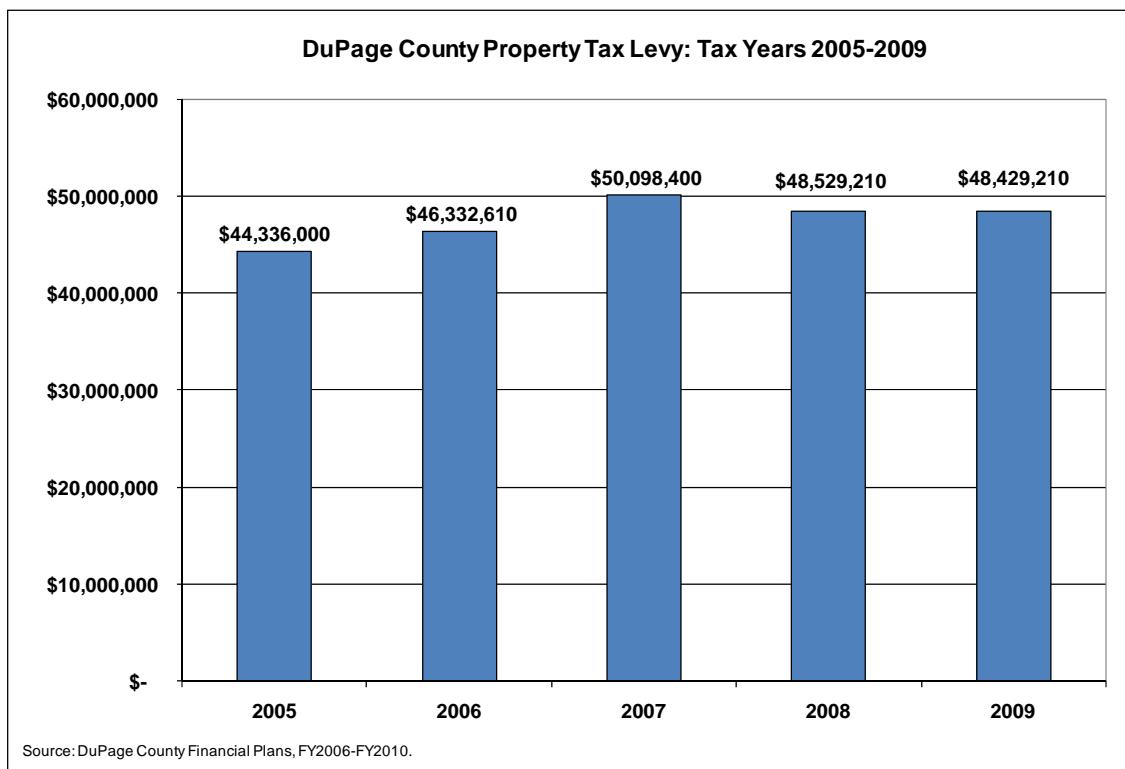
Source: DuPage County FY2006 Financial Plan p. 18; and FY2010 Financial Plan p. 83.

Property Tax Levy

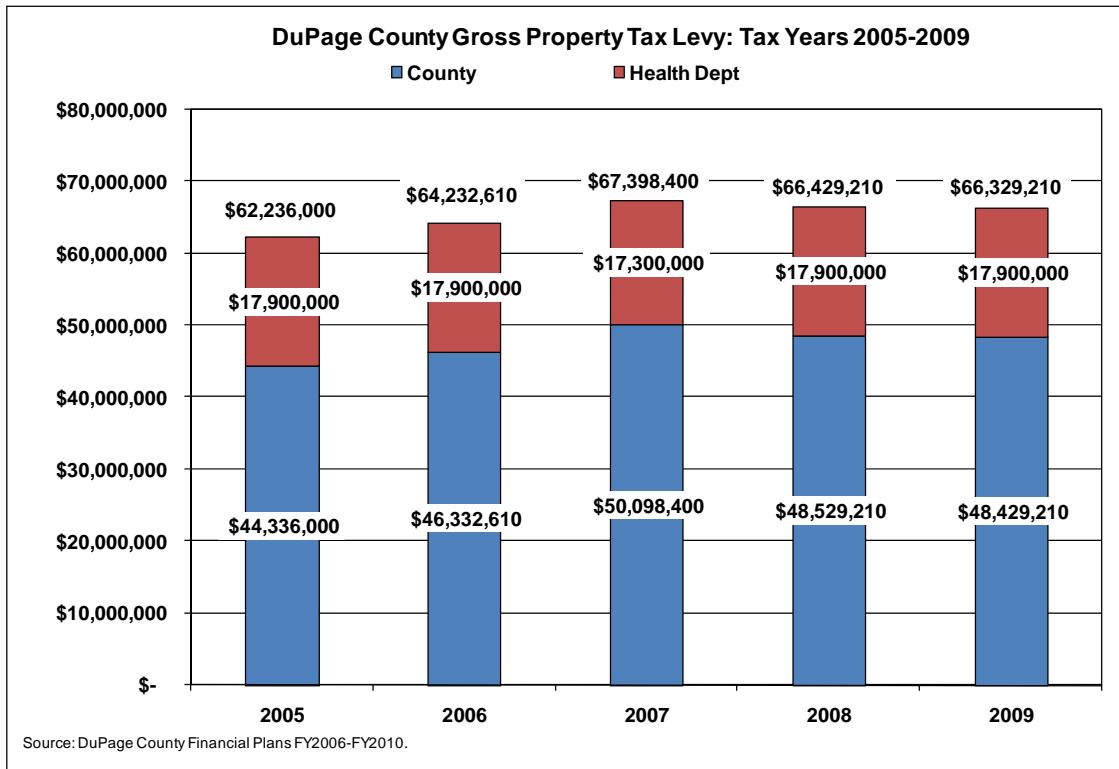
The DuPage County property tax levy year differs from DuPage County's fiscal year, with the County's fiscal year running from December 1st to November 30th and the property tax levy year following the calendar year.

The tax year 2009 property tax levy (collected in FY2010) for DuPage County government will decrease by \$100,000 from 2008 levels and is projected to fall by nearly \$1.6 million or 3.3% over the 2007 levy. These general figures exclude the separate Health Department levy. The decrease is due to a reduction in the General Fund levy. Since tax year 2005, the levy has increased by 9.2% or nearly \$4.1 million.

⁴¹ DuPage County FY2005 Financial Plan, p. 2.

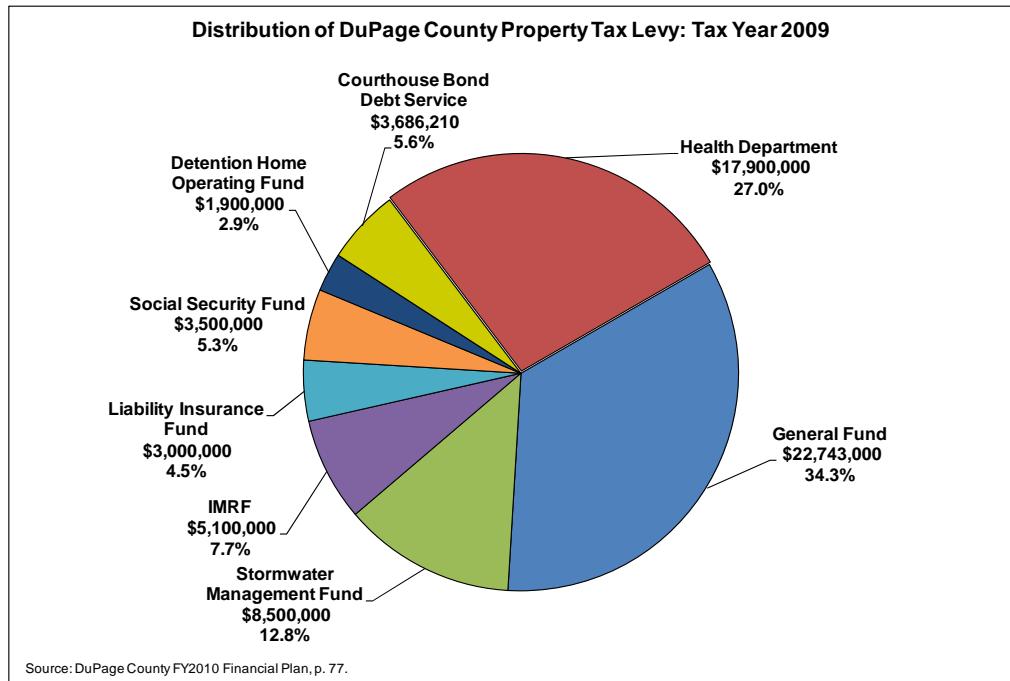


In tax year 2009, the total DuPage County levy, including the Health Department levy, is expected to decrease by 0.2%, a \$100,000 decrease from \$66.4 million to \$66.3 million. Between 2005 and 2009, the levy will rise by 6.6%, a nearly \$4.1 million increase. The levy for the Health Department has been held constant at \$17.9 million for four of the past five years, the only exception being in 2007 when the levy was reduced to \$17.3 million.

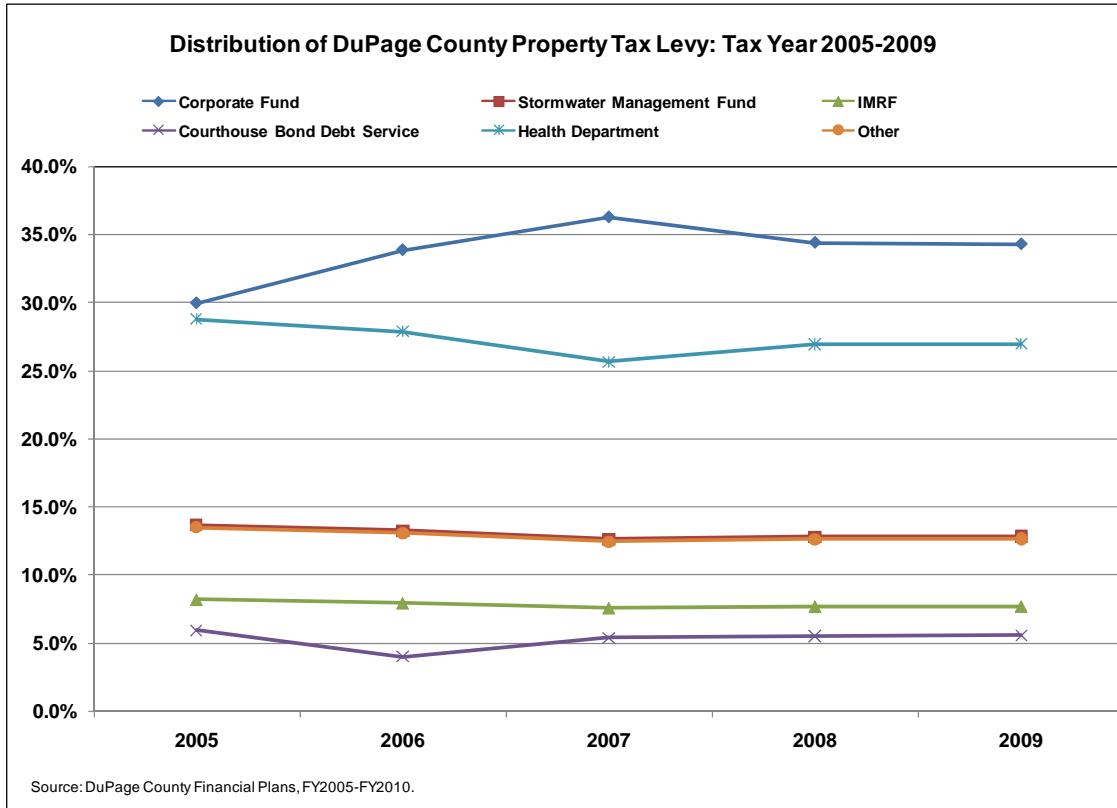


Distribution of the Property Tax Levy

The General Fund will be the single largest recipient of property tax dollars in FY2009, receiving an estimated \$22.7 million or 34.3% of the total levy. The Health Department levy will be \$17.9 million, or 27.0% of the total levy. The next biggest share of the levy, or 12.8%, will be earmarked for the Stormwater Management Fund.



Between tax years 2005 and 2009, the share of the levy earmarked for the General Fund has risen from 29.9% to 34.3%. During the same period, the Health Department levy has decreased from 28.8% to 27.0% of the total levy.



PERSONNEL

In its analysis of personnel data for the DuPage County FY2010 proposed budget, the Civic Federation used full-time headcount data. Data for full-time equivalent positions was not included in the proposed budget. Full-time headcount data only includes full-time salaried positions and does not include data for part-time employees.

The total full-time headcount for DuPage County government is proposed to rise by 1.2% in FY2010. This is a total increase in the number of overall positions of 31 full-time positions, rising from 2,482 to 2,513 full-time positions.

The Sheriff's Office will gain the most number of employees for one area, rising from 530 to 545 positions. "Other" offices and departments will experience the only percentage increase, 0.4%, falling from 253 to 252 positions. Grant funded positions are estimated to increase by at approximately 12 positions, which will be funded by ARRA funds. The amount of grant funded full-time positions at the County are subject to change as grants are approved independently throughout the year.

DuPage County Full-Time Personnel Headcount: All Funds and Grants				
FY2009 & FY2010				
	FY2009 Proposed	FY2010 Proposed	# Change	% Change
Corporate Fund				
Sheriff	530	545	15	2.8%
Probation	174	174	0	0.0%
All Other Offices and Departments	253	252	-1	-0.4%
Circuit Clerk	189	189	0	0.0%
Facilities Management	94	94	0	0.0%
Public Defender	45	45	0	0.0%
Information Technology	45	45	0	0.0%
Finance	35	35	0	0.0%
Treasurer	23	23	0	0.0%
Recorder of Deeds	25	25	0	0.0%
Human Services	25	26	1	4.0%
Human Resources	17	17	0	0.0%
State's Attorney	150	150	0	0.0%
Subtotal Corporate Fund	1605	1620	15	0.9%
Other Funds				
Public Works	89	93	4	4.5%
Storm Water Management	14	14	0	0.0%
Transportation	109	109	0	0.0%
Neutral Site Custody Exchange	1	1	0	0.0%
Economic Development & Planning	40	40	0	0.0%
Youth Home	46	46	0	0.0%
Convalescent Center	374	374	0	0.0%
All Others	70	70	0	0.0%
Subtotal Other Funds	743	747	4	0.5%
Grants	134	146*	12	9.0%
Total	2482	2513	31	1.2%

*The Civic Federation calculated this number using an estimated range for the total amount of grant funded positions provided by the County.

Source: DuPage County FY2009 Financial Plan, pp. 32-33; FY2010 Financial Plan, p. 67; E-mail communication between the Civic Federation and Fred Backfield, chief financial officer for DuPage County, September 23, 2009.

A comparison of actual full-time headcount data from 2006 to the proposed FY2010 full-time headcount data reveals that full-time positions will increase from 2,357 positions to 2,513 positions. This represents an increase of 6.6% or 156 positions. Two of the County's major departments are projected to lose full-time employees during this five-year period. The Youth Home will lose nine full-time positions and the Information Technology department will lose one full-time position. The County's Probation Department will experience the largest increase, rising by 27 full-time positions. Storm Water Management will experience the highest percentage staffing increase, 40.0%, rising from 10 full-time positions to 14 full-time positions.

DuPage County Full-Time Personnel Headcount: All Funds and Grants Actual FY2006 & Proposed FY2010				
	FY2006 Actual**	FY2010 Proposed	# Change	% Change
Corporate Fund				
Sheriff	529	545	16	3.0%
Probation	147	174	27	18.4%
All Other Offices and Departments	226	252	26	11.5%
Circuit Clerk	185	189	4	2.2%
Facilities Management	89	94	5	5.6%
Public Defender	41	45	4	9.8%
Information Technology	46	45	-1	-2.2%
Finance	35	35	0	0.0%
Treasurer	21	23	2	9.5%
Recorder of Deeds	25	25	0	0.0%
Human Services	25	26	1	4.0%
Human Resources	15	17	2	13.3%
State's Attorney	137	150	13	9.5%
Subtotal Corporate Fund	1521	1620	99	6.5%
Other Funds				
Public Works	85	93	8	9.4%
Storm Water Management	10	14	4	40.0%
Transportation	101	109	8	7.9%
Neutral Site Custody Exchange	1	1	0	0.0%
Economic Development & Planning	32	40	8	25.0%
Youth Home	55	46	-9	-16.4%
Convalescent Center	367	374	7	1.9%
All Others	56	70	14	25.0%
Subtotal Other Funds	707	747	40	5.7%
Grants	129	146*	17	13.2%
Total	2357	2513	156	6.6%

**The FY2006 personnel numbers are from the actual personnel figures taken from the FY2009 proposed financial plan.

*The Civic Federation calculated this number using an estimated range for the total amount of grant funded positions provided by the County.

Source: DuPage County FY2009 Financial Plan, pp. 32-33; E-mail communication between the Civic Federation and Fred Backfield, chief financial officer for DuPage County, September 23, 2009.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. DuPage County currently reports no short-term debt but does include the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report.⁴²

⁴² DuPage County FY2008 Comprehensive Annual Financial Report, p. 15.

- *Deferred Revenue*: receivables not collected within 60 days;
- *Accounts payable*: monies owed to vendors for goods and services;
- *Accrued payroll and benefits*: employee pay and benefits carried over from the previous year;
- *Funds due to other governments*: amounts that must be paid to other government entities through intergovernmental transfers and other agreements;
- *Liabilities Payable*: these can include self insurance funds, unclaimed property and other unspecified liabilities; and
- *Claims Payable*: claims against the county that are owed in the next calendar year.

In FY2008, short-term liabilities in the Governmental Funds decreased by approximately \$7.6 million or 7.2% from the previous year. Since FY2004, short-term liabilities have increased by \$12.8 million or 14.9%. The bulk of the DuPage County's short-term liabilities are made up of deferred revenue, which increased from \$60.7 million to \$67.0 million in FY2008 and averaged 68.3% of the annual short-term liabilities over the last five years. The following chart shows short-term liabilities by category and the percent change over the past five years.

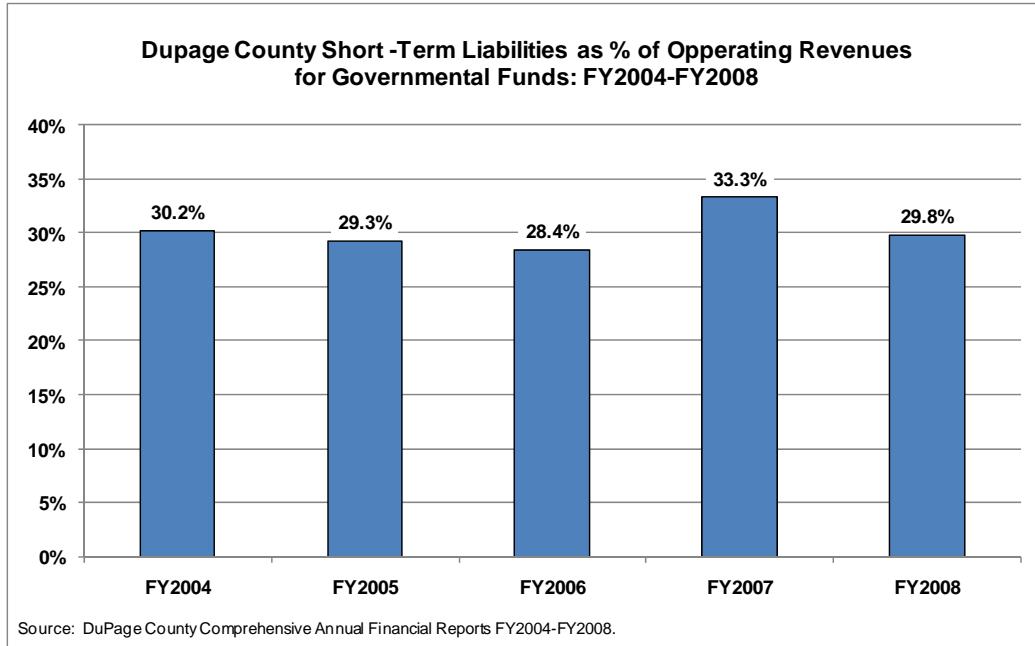
Dupage County Short-Term Liabilities in the Governmental Funds FY2004-FY2008 (in \$ thousands)							
	FY2004	FY2005	FY2006	FY2007	FY2008	5-year Change	5-year % Change
Defered Revenue	\$ 60,652	\$ 63,260	\$ 65,228	\$ 67,387	\$ 66,964	\$ 6,312	10.4%
Accounts payable	\$ 16,388	\$ 16,135	\$ 18,588	\$ 25,098	\$ 19,493	\$ 3,105	18.9%
Accrued Payroll	\$ 3,593	\$ 4,208	\$ 4,804	\$ 8,896	\$ 6,210	\$ 2,617	72.8%
Funds Due to Other Gov't	\$ 1,682	\$ 2,050	\$ 2,660	\$ 2,219	\$ 4,294	\$ 2,612	155.3%
Liabilities Payable	\$ 2,843	\$ 2,561	\$ 2,161	\$ 2,168	\$ 2,010	\$ (833)	-29.3%
Claims Payable*	\$ 1,004	\$ 783	\$ 830	\$ 835	\$ -	NA	NA
Total	\$ 86,162	\$ 88,997	\$ 94,271	\$ 106,603	\$ 98,971	\$ 12,809	14.9%

*No Claims Payable were reported in the FY2008 CAFR

Source: DuPage County Comprehensive Annual Financial Reports FY2004-FY2008.

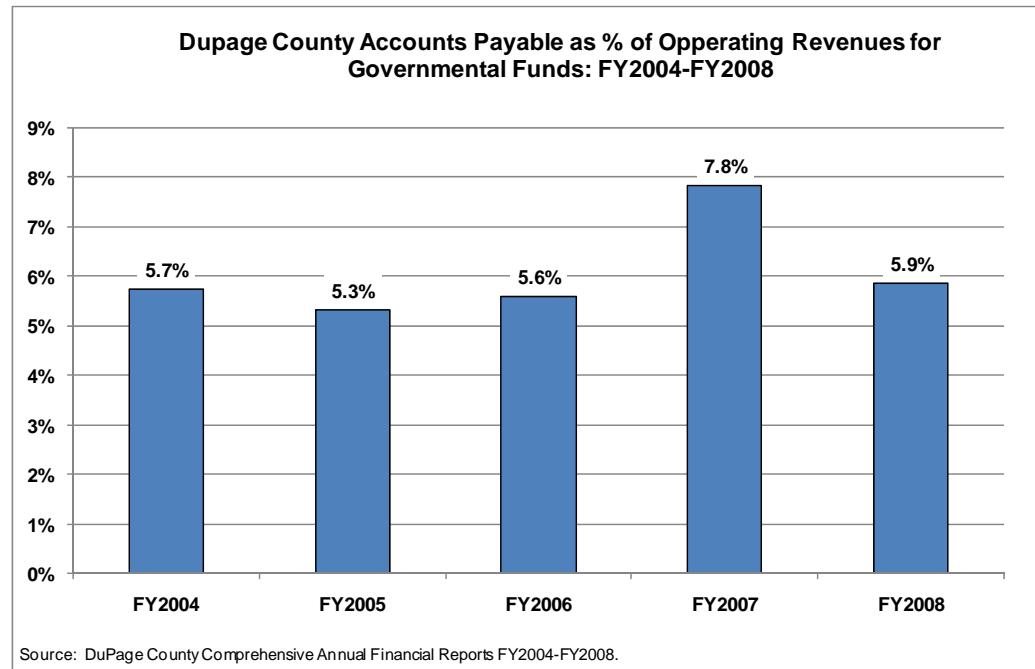
Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of a government's future financial difficulties.⁴³ This indicator, developed by the International City/County Management Association (ICMA), is a measure 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. DuPage County showed a positive trend by reducing its short-term liabilities compared to total operating revenue between FY2007 to FY2008 from 33.3% to 29.8%, which is below the five-year average of 30.2%.

⁴³ Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), p. 77 and p. 169.



Accounts Payable

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. DuPage County's ratio of operating funds accounts payable to operating revenues averaged 6.1% between FY2004 and FY2008. The ratio was at its lowest in FY2005 at 5.3% but spiked to its highest rate in FY2007, peaking at 7.8%. Although accounts payable compared to operating revenues decreased significantly in FY2008, to 5.9%, any future spikes in this ratio warrant watching as an indication of fiscal stability of the County government.

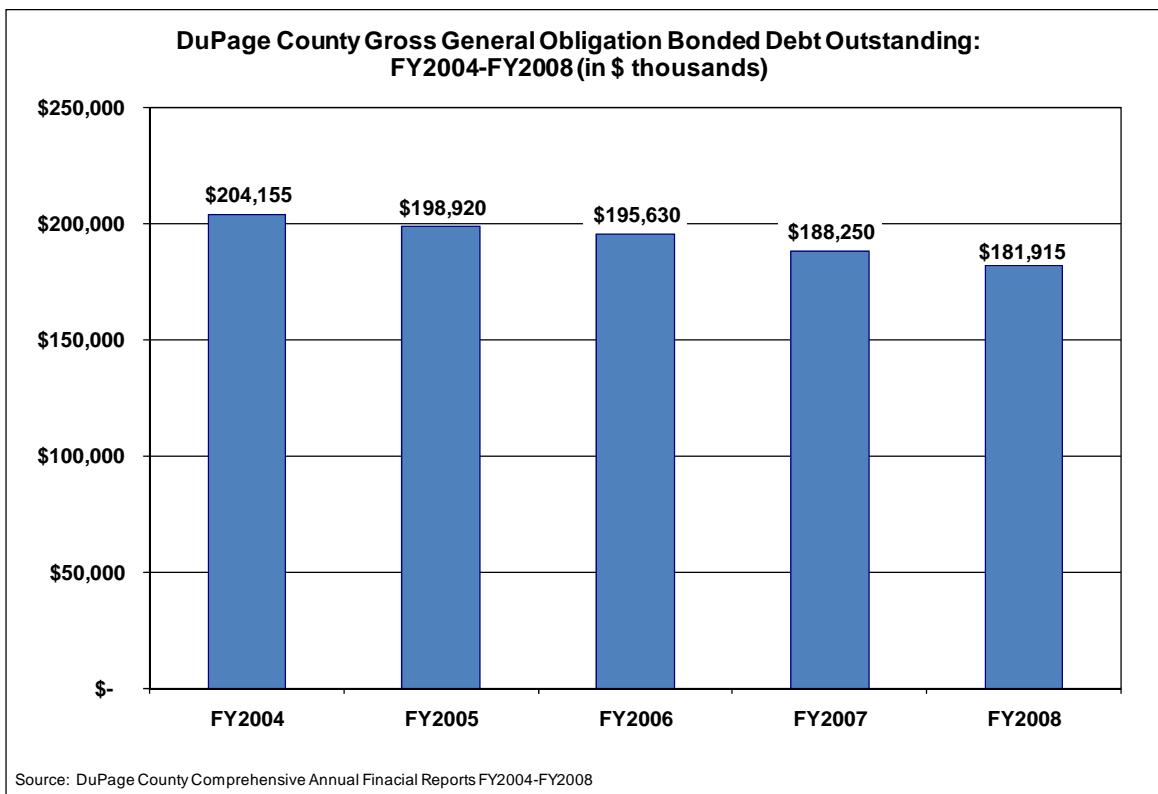


LONG-TERM OBLIGATIONS

This section presents information about long-term debt trends of DuPage County. It includes information about trends for net general bonded debt, long-term debt per capita, overlapping debt and bond ratings.

Total Gross General Obligation Bonded Debt

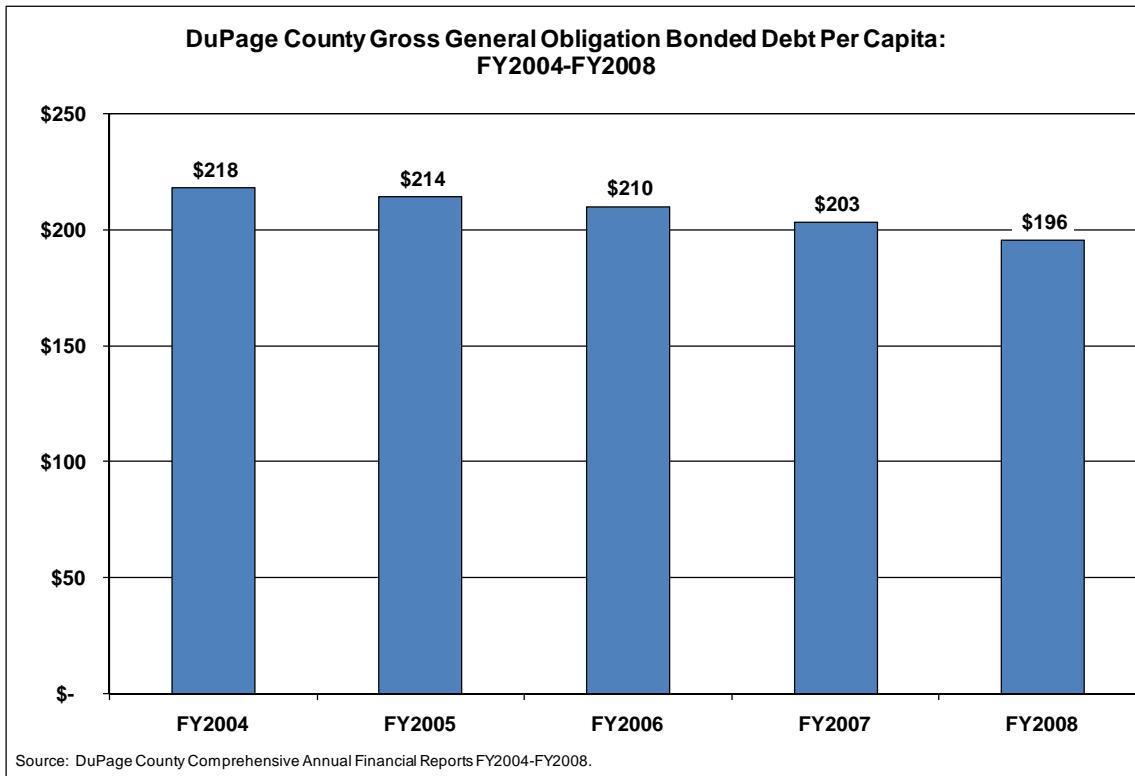
Between FY2004 and FY2008, the gross general obligation bonded debt outstanding burden of DuPage County fell from \$204.2 million to \$181.9 million. This is a 10.9% decline totaling \$22.2 million.



Total Gross General Obligation Bonded Debt Per Capita

The next exhibit presents historic DuPage County gross general obligation bonded debt per capita figures. Steady increases in long-term debt bear watching as a potential sign of increasing financial risk. Debt per capita is a measure of a government's ability to maintain its current financial policies. This analysis takes DuPage County's total gross general obligation bonded debt amount per year and divides it by population.

DuPage County has shown a downward trend in debt per capita for the past five years. The gross general bonded obligation debt per capita decreased by 10.3% between FY2004 and FY2008, from \$218 to \$196.



DuPage Long-Term Debt Compared to Overlapping Debt

The following two exhibits compare total long-term debt issued by the various local governments in DuPage County with debt issued by DuPage County government. Rating agencies and other financial analysts commonly monitor overlapping debt trends as an affordability or capacity indicator when governments consider debt issuance.

DuPage County government issued approximately 1.5% of the \$11.7 billion long-term debt issued by the various overlapping governments with boundaries wholly or partially within the County in FY2008. Municipalities issued the largest share of all long-term debt, or \$7.8 billion, which represented 66.1% of all local debt. Unit school districts were responsible for the next largest amount of the overlapping debt, or 13.0% of the total.

DuPage County & Other Governments Overlapping Debt: FY2008			
	Total Debt Outstanding	% Applicable to DuPage County	% of Total Debt
DuPage County*	\$ 181,915,000	100.0%	1.5%
Overlapping Governments			
Cities & Villages	\$ 7,756,326,615	9.5%	66.1%
Unit Schools	\$ 1,527,138,955	60.9%	13.0%
Parks	\$ 922,045,678	36.3%	7.9%
Grade Schools	\$ 433,239,081	94.6%	3.7%
High Schools	\$ 407,505,841	96.5%	3.5%
Forest Preserve District	\$ 248,578,400	100.0%	2.1%
Community Colleges	\$ 132,053,186	64.4%	1.1%
Water Commission	\$ 43,270,000	98.4%	0.4%
Library	\$ 58,850,000	43.6%	0.5%
Fire Protection	\$ 23,605,000	97.2%	0.2%
Special Service	\$ 7,997,525	100.0%	0.1%
Townships	\$ 360,000	100.0%	0.003%
Subtotal Overlapping	\$ 11,560,970,281		98.5%
Total	\$ 11,742,885,281		100.0%

* Includes City of Chicago for which a portion overlaps into DuPage County.

Source: DuPage County FY2008 Comprehensive Annual Financial Report, p. 304.

The rate of growth for the various overlapping governments was 26.4% during the 5-year period between FY2004 and FY2008. This was in contrast to the 10.9% **decrease** reported by DuPage County government during the same period.

DuPage County Government vs. Overlapping Governments' Debt: FY2004 - FY2008			
	DuPage County Government	Overlapping Governments	Total
FY2004	\$204,155,000	\$9,147,039,330	\$9,351,194,330
FY2005	\$198,920,000	\$9,992,035,215	\$10,190,955,215
FY2006	\$195,630,000	\$10,280,478,507	\$10,476,108,507
FY2007	\$188,250,000	\$11,353,098,249	\$11,541,348,249
FY2008	\$181,915,000	\$11,560,970,281	\$11,742,885,281
\$ Change	-\$22,240,000	\$2,413,930,951	\$2,190,153,919
% Change	-10.9%	26.4%	25.6%

Source: DuPage County Comprehensive Annual Financial Reports FY2004-FY2008.

Current DuPage County Bond Ratings

DuPage County has the following bond ratings:

- Standard and Poor's – AAA
- Fitch – AAA
- Moody's – Aaa

FEDERAL RECOVERY FUNDING

In February 2009, Congress passed the American Recovery and Reinvestment Act to provide direct federal stimulus funding intended to counteract the effects of the global economic recession. The legislation provided billions in funding for state and local governments to support infrastructure projects, to create jobs and provide fiscal stabilization funds to soften the blow of the downturn in revenues experienced by local governments. The following chart shows the total confirmed direct federal ARRA funding provided to DuPage County. These are one-time federal funds appropriated to the County from the stimulus legislation that do not require matching funds or to be repaid.

DuPage County Federal Recovery Funds FY2010 (in \$ thousands)		
Grant Type	Total	Department
Workforce Investment Act	\$ 4,713.0	Economic Development & Planning
Energy Efficiency and Conservation	\$ 4,653.7	Economic Development & Planning
Highways & Bridges	\$ 3,615.0	Transportation
Home Weatherization	\$ 2,268.2	Community Services
Homeless Prevention & Re-Housing	\$ 1,443.7	Community Services
Community Service Block Grant	\$ 1,203.3	Community Services
Community Development Block Grant	\$ 1,067.6	Community Services
Justice Assistance Grant	\$ 51.3	Sheriff's Office
Total	\$ 19,015.9	

Source: DuPage County FY2010 Financial Plan, p. 498.

The County has applied for additional funding available through competitive ARRA grants. The following chart shows funding applied for by the County but not yet awarded.

DuPage County Additional Federal Recovery Funds requested FY2010 (in \$ thousands)		
Grant Type	Total	Department
Neighborhood Stabilization	\$ 5,176.4	Community Services
COPS Hiring	\$ 3,096.8	Sheriff's Office
Competitive Justice Grant	\$ 1,010.7	Probation
Illinois Transportation Enhancement Grant	\$ 601.0	Transportation
Competitive Justice Grant	\$ 449.0	Sheriff's Office
Chicago Clean Cities for CNG Fuel & Stations	\$ 393.6	Transportation
Total	\$ 10,727.5	

Source: DuPage County FY2010 Financial Plan, p. 498.

Any grants are awarded to the County could be added to the FY2010 financial plan during the fiscal year.

DUPAGE COUNTY RECOVERY ZONE BONDS

The American Recovery and Reinvestment Act (ARRA) also encourages new debt funded capital spending for local governments through federally subsidized bonds called Build America Bonds (BAB). There are several types of BABs supported by the federal stimulus legislation

including \$10 billion of Federal Recovery Zone Bonds available nationally.⁴⁴ These bonds allow state and local governments to obtain lower borrowing costs through a new direct federal subsidy for 45% of the interest on these bonds to finance a broad range of qualified economic development projects, such as job training and educational programs. DuPage County proposed selling \$77 million of new Federal Recovery Zone Bonds as part of the capital spending proposed in the FY2010 financial plan.⁴⁵

The following chart shows the projects included in the FY2010 budget to be funded through Recovery Zone Economic Development Bonds.

DuPage County Recovery Zone Economic Development Bond Projects FY2010 (in \$ millions)		
Project	Location	Estimated Cost
Street Widening	Fabyan Pwy (County line to IL38)	\$14.4
ERP Software Upgrade	Various County Buildings	\$12.0
Emergency Generators	Various County Buildings	\$11.1
Street Widening	Gary Ave (North Ave to Army Trail Rd)	\$10.5
Street Widening	75th St (Woodwar to Lyman)	\$8.5
Kitchen Renovation	Convalescent Center	\$5.1
HVAC	Various County Buildings	\$4.2
I.T. Dept. Move/Rennovation	421 Building	\$3.7
Street Widening	Curtis St (at Belmont Rd)	\$3.0
Fire-panel, Alarms, Bldg Automation	Various County Buildings	\$2.5
Street Widening	55th St (Cass Ave to Holmes Ave)	\$1.4
Total		\$76.4

Source: DuPage County FY2010 Financial Plan, p. 417.

Although DuPage County anticipates an annual debt service savings of savings of up to \$1.1 million by participating in the recovery bonds program, the County has only been allocated \$46 million in economic development bonds by the U.S. Treasury Department.⁴⁶ Thus, the anticipated savings may be much lower since not all of the bonds may qualify for the 45 % federal reimbursement of the interest cost of this debt. The County estimates its usual AAA rated debt to cost 4.5% to 5.5 % in interest. DuPage estimates recovery zone bonds interest at 3.5% after the federal subsidy is applied.⁴⁷ The FY2010 budget projects spending \$35 million on these capital projects in the next fiscal year but the all recovery bonds must be sold by January 1, 2011 to participate in the program.

It is questionable as to whether the \$12 million Enterprise Resource Planning software (ERP) upgrade would qualify for the program, which only applies to expenditures for capital assets, public infrastructure, construction of public facilities and expenditures for job training and educational programs.⁴⁸ The ERP upgrade is for internal operational software for county elected

⁴⁴ American Recovery and Reinvestment Act of 2009, Division B, sec. 1401, Recovery Zone Bonds.

⁴⁵ DuPage County FY2010 Financial Plan, p. 413.

⁴⁶ Recovery Zone Bond Program Allocation List, p. 21. http://www.treas.gov/press/releases/docs/rzballocation-local_AR-ZS.pdf

⁴⁷ DuPage County FY2010 Financial Plan, p. 417.

⁴⁸ American Recovery and Reinvestment Act of 2009, Division B, sec. 1401, Recovery Zone Bonds.

officials and staff.⁴⁹ The County did not include details of the total annual debt service cost or if any additional revenue outside of the general funds will be used to pay for the increased debt service.

Several cities in DuPage County have populations over 100,000 and qualify for direct Federal Recovery Zone Bond including Aurora and Naperville, which qualify for \$9.1 million and \$8 million in subsidized bonds respectively.

PENSION FUNDING

DuPage County employees are enrolled in the Illinois Municipal Retirement Fund (IMRF), a multi-employer defined benefit pension plan. The IMRF plan provides retirement, disability, annual cost of living adjustments and death benefits to DuPage County employees. The IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. In FY2007, there were 3,386 active DuPage County members in the IMRF.⁵⁰

Four different groups of DuPage County employees are covered in the IMRF: Regular Employees, Elected County Officials, Veterans' Assistance Commission and Sheriff's Law Enforcement Personnel. The exhibit below shows employer and employee contribution rates for the four different groups.

Pension Contribution Rates for DuPage County Employees		
	Employee Contribution	Employer 2008 Contribution Rate
Regular County Employees	4.5% of covered salary	8.94% of covered payroll
Elected County Officials	7.5% of covered salary	38.00% of covered payroll
Sheriff's Law Enforcement Personnel	7.5% of covered salary	20.72% of covered payroll
Veteran's Assistance Commission	4.5% of covered salary	2.49% of covered payroll

Source: DuPage County FY2008 CAFR, p. 71.

The Civic Federation used two measures to present a multi-year evaluation of the fiscal health of the DuPage County portion of the Illinois Municipal Retirement pension fund: funded ratios and the value of unfunded liabilities.

Funded Ratios – Actuarial Value of Assets

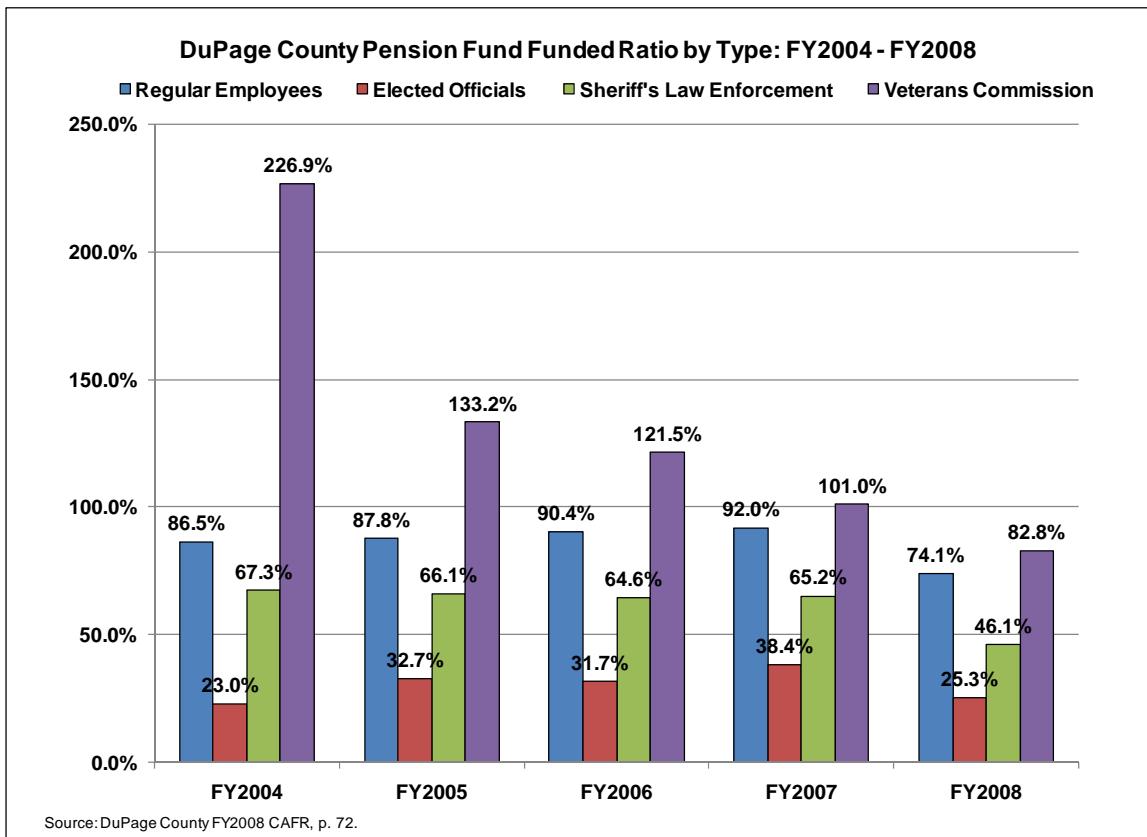
The following exhibit shows funded ratios for each of the four employee groups. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage the more difficulty a government may have in meeting future obligations.

The funded ratios of all four DuPage County employee pension groups – the Regular Employees, Elected Officials and Sheriff's Law Enforcement Personnel - fell in FY2008. The following provides a breakdown of the decline for each group:

⁴⁹ DuPage County FY2010 Financial Plan, pg. 420.

⁵⁰ Illinois Municipal Retirement Fund FY2008 Comprehensive Annual Financial Report, p. 72.

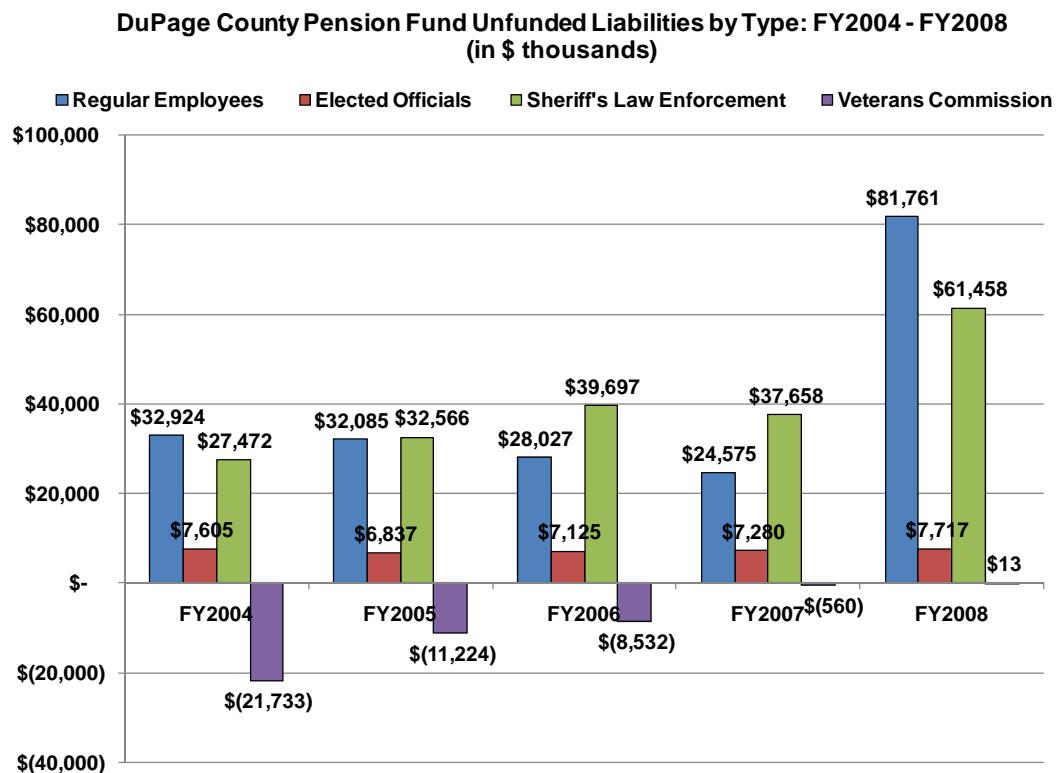
- The Regular Employees group, which is proportionately the largest of the three, experienced a 17.9% decrease, from 92.0% to 74.1%;
- The Elected County Officials group funded ratio dropped from 38.4% in FY2007 to 25.3% one year later;
- The Sheriff's Law Enforcement Personnel group funded ratio fell by 19.1%, from 65.2% to 46.1%; and
- The Veteran's Commission group funded ratio declined from 101.0% to 82.8%.



Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities have risen for all four DuPage County employee groups. The Veteran's Commission group, which had previously maintained a surplus (i.e., it was overfunded), reported an unfunded liability for FY2008.

The unfunded liabilities of the Regular Employees group rose dramatically from \$24.6 million to \$81.8 million between FY2007 and FY2008 alone, a 232.5% increase. Unfunded liabilities for the Elected Officials group increased from \$7.3 million to \$7.7 million between FY2007 and FY2008. The Sheriff's Law Enforcement group reported an increase in unfunded liabilities from nearly \$37.7 million to \$61.5 million.



OTHER POST EMPLOYMENT BENEFITS (OPEB)

Non-pension benefits provided to employees after employment ends are referred to as Other Post Employment Benefits or OPEB. OPEB includes health insurance coverage for retirees and their families, dental insurance, life insurance and term care coverage. It does not include termination benefits such as accrued sick leave and vacation.

DuPage County provides very limited healthcare and life insurance benefits for retirees. The County requires that retirees reimburse a majority of the cost of other post employment premiums.⁵¹ As of December 31, 2008, membership in this plan totaled 3,386.

The County's unfunded actuarial accrued liability for OPEB benefits for the year ending November 30, 2008 was \$6,176,135.⁵² The County pays \$200 to \$300 per month for the employer portion of healthcare costs until the retiree is eligible for Medicare.

⁵¹ DuPage County FY2008 CAFR, p. 73.

⁵² DuPage County FY2008 CAFR, p. 73.