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**CIVIC FEDERATION SUPPORTS FISCALLY RESPONSIBLE
DUPAGE COUNTY BUDGET CUTS**

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DuPage County faces serious fiscal challenges that have left it with no responsible choice but to make deep spending cuts next year, the Civic Federation found in its analysis of the \$480.5 million recommended county budget. The full report, including complete findings and recommendations, will be released today on the Federation's website, www.civicfed.org.

The proposed FY2008 budget includes a 12.1%, \$60.1 million decrease in spending. It also calls for the elimination of 10% of the workforce or 241 full-time positions, including 168 positions in public safety. Unfortunately, in times of severe financial stress, the pain of workforce cuts must be spread across all areas and departments. "The Civic Federation recognizes that this has been a painful process for all parties and particularly commends Chairman Schillerstrom for his leadership in making the necessary choices to balance this budget," said Federation President Laurence Msall. So long as every effort is made to protect priority services and first responders, the Civic Federation strongly believes there is opportunity for greater efficiency in every government's public safety spending.

The primary reason the Civic Federation supports this budget is because DuPage County has an established record of managing its existing resources and responsibly living within the means its citizens provide. Nevertheless, the county's fiscal problems are likely to continue, with a narrow revenue base and increasing spending pressures that mature and urban counties experience. The recommended budget includes an increase in property taxes of \$4.9 million, the maximum level allowable under state law. County officials have also attempted to enhance revenues via an increase in the cigarette sales tax, which has so far failed to get state legislative approval. The Civic Federation supports the cigarette tax increase because it would help diversify county revenues.

However, the Civic Federation believes the time has come for DuPage County to review, re-think, and reform its revenue base and modernize its structure. The Federation offered several recommendations that would help eliminate costly duplication and streamline service delivery. They include:

- Consolidation of County Government and the DuPage County Health Department;
- Elimination and/or Consolidation of Certain Elected Offices; and
- Privatization of the Convalescent Center.

The Federation also recommended DuPage use a performance measurement system and develop a long-term financial plan to chart how the county will cope with its fiscal challenges. In its analysis, the Federation also registered its disappointment that the County Board failed to use the county's multi-year strategic planning process to establish consensus regarding prioritization of county programs. "A strategic planning process is only useful if it is used to establish baseline priorities for spending," Msall said. "It is more difficult to make necessary spending cuts if there is no agreement among stakeholders as to which county functions are most important."

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.



**DUPAGE COUNTY
FY2008 PROPOSED BUDGET**

Analysis and Recommendations

**Prepared By
The Civic Federation
November 27, 2007**

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EXECUTIVE SUMMARY

The Civic Federation **supports** the FY2008 DuPage County budget of \$420.4 million.¹ The budget proposes a 12.5% or \$60.1 million **decrease** over the previous year's total proposed budget of \$480.5 million. It includes a property tax increase of \$3.7 million, the maximum amount allowable under the tax cap law.²

We commend Chairman Schillerstrom for his leadership in making the painful choices necessary to balance this budget. The County has no choice this year but to make deep spending cuts and eliminate 241 full-time positions, fully one-tenth of the County workforce. The personnel cuts include the elimination of 168 public safety positions.³ This is unfortunate, but in times of fiscal stress no department or program can be spared from reductions, including law enforcement, as there are always opportunities for greater efficiency and economy in every area of government. However, we do recommend that the County focuses on cutting non-essential positions within Public Safety departments, as opposed to sworn officers that provide direct service or are first responders.

DuPage County faces serious fiscal challenges in future years from changing demographics and a limited revenue base. The Civic Federation urges DuPage County to develop and implement a long-term financial plan and a performance measurement system to deal with future financial difficulties. The County should also modernize its anachronistic governmental structure to more efficiently manage its resources. These efforts should include consolidating the County government and Health Department, privatizing the Convalescent Center and consolidating certain elected offices.

FY2008 Budget Highlights

- The FY2008 Chairman's Recommended budget of \$420.4 million represents a decrease of \$60.1 million, or 12.5%, from the FY2007 appropriation of \$480.5 million.
- Corporate Fund appropriations will decrease to \$131.9 million, down \$5.5 million or 4.0% from last year's \$137.4 million. That decrease includes the elimination of the subsidy provided to the Health Department from the Corporate Fund, which totaled \$1.5 million in FY2007.
- The total DuPage County property tax levy, including the Health Department levy, is expected to increase to \$67.4 million, up \$4.9 million, or 3.1%, over last year's levy of \$64.2 million. This represents the maximum increase allowed under the State's tax cap law.
- In FY2008, 36.3% of the total property tax levy will go to the Corporate Fund. The Health Department will receive 25.7%, the Stormwater Fund 12.6%, Social Security 5.2%, and Tort Liability 4.5%. Youth Home and Courthouse Bond Debt Service will receive 2.8% and 5.4% respectively.

¹ The total budget figures in the Overview section of this report include grants.

² This figure does not include the DuPage County Health Department property tax levy increase.

³ This total represents positions in the following offices: Sheriff, Probation, Circuit Clerk, Public Defender, State's Attorney, Jury Commission, Mental Health Court, Drug Court, County Coroner, Emergency Management and DUI Evaluation.

- Total headcount for DuPage County government is expected to decline by 241 positions, from 2,406 in FY2007 to 2,165 in FY2008. Approximately 69.7% of the positions eliminated are Public Safety, including a reduction of 104 positions from the Sheriff's department, 29 positions from the Probation Department, 18 positions from the Circuit Clerk's Office and 8 positions from the Public Defender's Office.
- Between FY2002 and FY2006, DuPage County's total long-term debt diminished by \$20.4 million or 9.4%. DuPage County only issued 1.9% of all long-term debt issued within the county by all other governmental institutions.

Civic Federation Recommendations

- Consolidate DuPage County government and the DuPage County Health Department into a single unified legal entity. Consolidating these functions would allow the County to streamline service delivery, better utilize resources, and introduce greater efficiencies into government operations through reductions in duplicative positions.
- Consider privatizing the operations of the DuPage County Convalescent Center.
- Reduce the number of elected officials in County government to help ameliorate the problem of fragmentation of authority, which leads to costly duplication of functions and a lack of coordination among departments and agencies. The offices of Auditor and Coroner should be made into appointed positions, and the County should consider merging the Offices of Clerk and Recorder of Deeds.
- Provide greater budget transparency by developing a format that provides summary information by department or program, as well as by fund.
- Release a final executive budget rather than a tentative and incomplete financial plan that may change substantially during negotiations between elected officials and the Chairman.
- Develop and utilize a performance measurement system to help evaluate the efficiency and effectiveness of programs.
- Develop a long term financial plan. Developing such a plan and incorporating input from elected officials, departmental staff, and citizens would help the County devise comprehensive and rational strategies for addressing its long-term fiscal problems.

OVERVIEW

The Civic Federation **supports** the FY2008 DuPage County budget of \$420.4 million.⁴ The budget proposes a 12.5% or \$60.1 million **decrease** over the previous year's proposed budget of \$480.5 million.

We recognize that this has been a difficult process for all parties and we commend Chairman Schillerstrom for his leadership in making the painful choices necessary to balance this budget. The County has no choice this year but to make deep spending cuts and eliminate 241 full-time positions, fully one-tenth of the County workforce.

The personnel cuts have include the elimination of 168 public safety positions.⁵ This is unfortunate, but in times of fiscal stress no department or program can be spared from

⁴ The total budget figures in the Overview section of this report include grants.

reductions, including law enforcement, as there are always opportunities for greater efficiency and economy in every area of government. However, we do recommend that the County focuses on cutting non-essential positions within Public Safety departments, as opposed to sworn officers that provide direct service or are first responders.

Under the current administration, DuPage County has consistently focused first on controlling spending. Since FY2004, the County has reduced total spending by 24.8% or from \$558.8 million to the proposed \$420.4 million. The primary reason the Civic Federation endorses this budget is because DuPage County has an established record of managing its existing resources and responsibly living within its means. Far too many other governments avoid taking these steps.

DuPage County's fiscal problems are likely to continue, as highlighted by the following three financial trends. First, the County has lost its four-year \$15 million annual intergovernmental transfer from the DuPage Water Commission. In addition, according to the DuPage County Finance Department, total Corporate Fund operational expenses are projected to grow by only 1.5% between FY2008 and FY2012, from \$142.4 million to \$144.6 million. This increase is far less than the rate of inflation. Finally, the Corporate fund ending cash balance will be drawn down by 32.5%, from \$20.0 million to \$13.5 million. Absent new revenues, all of this translates into additional deep budget cuts in future years.⁶

Dealing with DuPage County's future budget problems will require utilization of a wide variety of management tools and techniques. The Civic Federation is disappointed that the County Board of Commissioners has failed to utilize its multi-year strategic planning process to develop a consensus among stakeholders that would establish top program priorities. The strategic planning process is a good first step in developing guidelines for how to deal with financial problems in future years, but only if it is used to set priorities as part of the regular budget process.

The County has sought additional revenues this year through increasing property taxes by the maximum amount allowable under the tax cap law. It has unsuccessfully attempted to win legislative approval for a county cigarette tax, a measure the Civic Federation supports. This would help diversify County revenues and improve its long-term financial condition. In the long-term, it is appropriate to review and adjust DuPage County's revenue base to help ease reliance on the highly regressive property tax. However, any infusion of new revenues must be balanced with a thorough examination of County spending priorities, linked to the development and implementation of performance measures, and include the use of a publicly disclosed long-term financial plan. Taxpayers are entitled to a full understanding of how and why the County spends their money and how well these programs operate.

⁵ This total represents positions in the following offices: Sheriff, Probation, Circuit Clerk, Public Defender, State's Attorney, Jury Commission, Mental Health Court, Drug Court, County Coroner, Emergency Management and DUI Evaluation.

⁶ DuPage County FY2008 Budget, p. E-9.

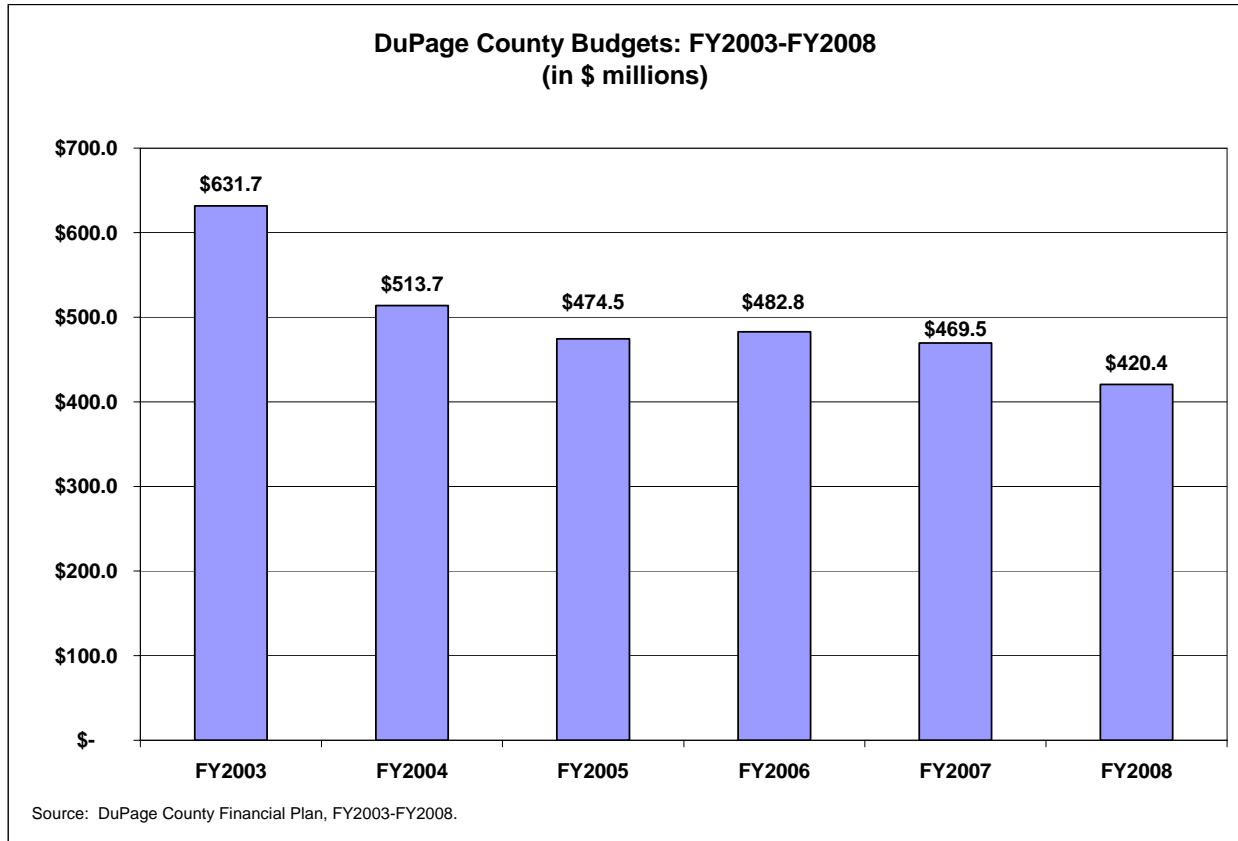
Issues The Civic Federation Supports

The Civic Federation supports the following issues related to the FY2008 DuPage County budget.

Spending Reductions

The FY2008 DuPage County budget reduces spending for the second consecutive year. Since FY2003, the budget has been cut by 33.4% or \$211.3 million (from \$631.7 million to \$420.4 million). The budget cuts have come in part because of reductions in the County’s capital program and also to prepare for the elimination of the four-year intergovernmental transfer from the DuPage Water Commission. This year, the cuts are essential to deal with the twin problems of rising expenses and a restricted revenue base. It is likely that more reductions will be necessary in the coming years.

The Chairman’s proposed FY2008 budget cuts are fiscally responsible. This effort represents a commendable emphasis on cost containment and is noteworthy for taking the rare but necessary step of making cuts in all areas of the budget.



Personnel Reductions

Approximately 56.7% of the DuPage County Corporate Fund budget, or \$80.7 million out of \$142.4 million in total operational expenses, is earmarked for personal services.⁷ Therefore, any attempt to control or reduce spending must focus on personnel-related costs.

Since FY2005, DuPage County will have reduced its personnel headcount by 10.9%, or from 2,429 to 2,165. Corporate Fund positions will be reduced by 14.5%, down from 1,550 to 1,326.

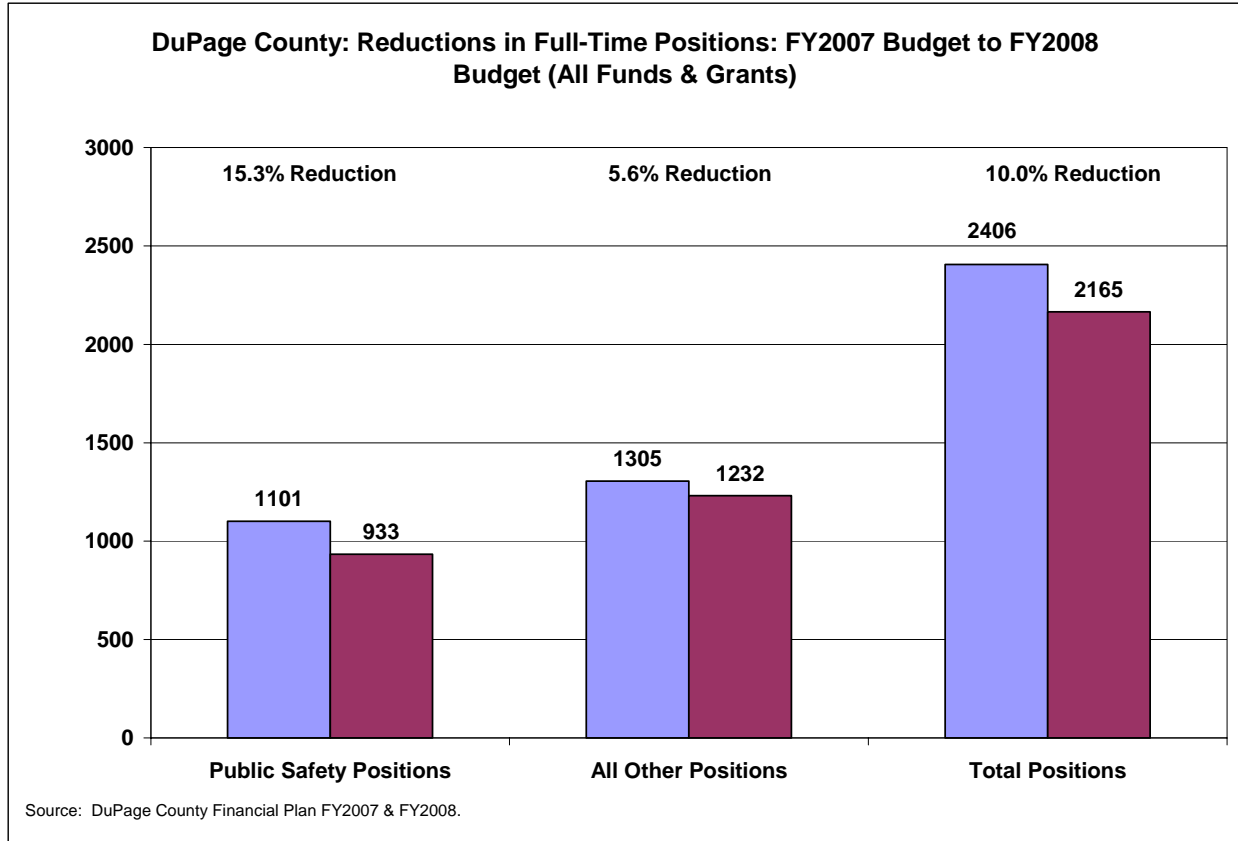
The FY2008 budget proposes eliminating 10.0% of all full-time positions, totaling 241 positions. The cuts will be deepest in the Public Safety area, where 168 positions will be eliminated, a 15.3% reduction over FY2007 Public Service personnel positions.⁸ Thus, nearly 69% of all job cuts will be in Public Safety related positions. Of the total number of positions in DuPage County government in FY2008, 43.1% are in the public safety area (933 out of 2,165).

Given that DuPage County's biggest expense is for personnel, the administration must move to reduce headcount. In the absence of other revenue sources, there is no other viable option. Cuts must be made throughout County government, including the public safety area. The Civic Federation strongly supports these measures.

If elected officials or citizens wish to reverse personnel cuts in the public safety or another area, the option exists for approval by referendum of earmarked revenues. However, the case must be made by proponents as to why such an action should be taken and what specific services will be maintained or enhanced.

⁷ DuPage County FY2008 Budget, p. E-9.

⁸ For purposes of this analysis, Public Safety includes the following offices and departments: Sheriff, Probation, Circuit Clerk, Public Defender, State's Attorney, Jury Commission, Mental Health Court, Drug Court, County Coroner, Emergency Management and DUI Evaluation. It does not include the Circuit Court as the Court handles both civil and criminal cases.



Budget Format Improvements

The FY2008 Financial Plan has been substantially improved from previous years. Specifically, the Plan now includes:

- Four years of information about expenditures by object (line item) for the entire budget and for each fund group;⁹
- Four years of comparable personnel information that shows full-time personnel head count by Fund and by Department;¹⁰
- Narrative descriptions for each fund;
- More complete descriptions of debt service activity. Rather than showing only the initial appropriation, the budget now also includes the amount of Interfund transfers that will be made later in the fiscal year. Thus, it is now possible to make year to year comparisons; and
- Five year outlook projections for FY2008-FY2012 for the Corporate Funds (assuming no revenue alternatives). Corporate Funds include Stormwater Management, Economic Development and Planning, the Convalescent Center, Public Works, Division of Transportation.¹¹

⁹ DuPage County FY2008 Budget, p. E-34.

¹⁰ DuPage County FY2008 Budget, pp. E-32 and E-33.

¹¹ DuPage County FY2008 Budget, pp. E-9 to E-156.

The Civic Federation **commends** the DuPage County financial management team for working to improve the transparency of its financial plan.

Issues of Concern

The Civic Federation has two concerns related to DuPage County's long term financial condition.

DuPage County is an Anachronistic Government

DuPage County is now a mature urban county facing many of the demographic pressures and expenses of other urban counties. Unfortunately, the County's governmental structure is antiquated and better suited for the 19th century than the 21st. As noted above, its revenue base is very narrow, which will put considerable pressure on the County Chairman to levy maximum property tax increases for many years to come. The Civic Federation believes the time has come for DuPage County to re-think and modernize its government so that County resources can be used as effectively as possible. We offer several recommendations in this report on ways to reform DuPage County government including:

- Consolidation of County Government and the DuPage County Health Department;
- Elimination of Certain Elected Offices; and
- Privatization of the Convalescent Center.

Modernization and rationalization of government functions will bring considerable opportunities for greater efficiency to County operations.

Long-Term Financial Fiscal Stress

DuPage County faces long-term fiscal stress in part because of demographic change and its revenue structure, which lacks diversity and is increasingly reliant on property taxes.

By 2020, 15% of the DuPage County population will be over 65, up from 10% today. This will undoubtedly contribute to greater utilization of the County Convalescent Center and County health services. The number of immigrants living in DuPage County is surging, with new immigrants accounting for 15% of the total population. Over 56,000 DuPage County residents live at or near the poverty level, up from 34, 241 in 2000.¹² All of these factors will place continued fiscal and service delivery strains on the County's social service network.

Corporate Fund revenues, which are used to pay for general operations and programs, are increasing at a slow rate. Subtracting out the \$15 million Water Commission intergovernmental transfer, which expired in FY2007, Corporate Fund revenues will only increase by 3.4% in FY2008, from \$127.7 million to \$132.0 million. Much of this increase is due to the property tax

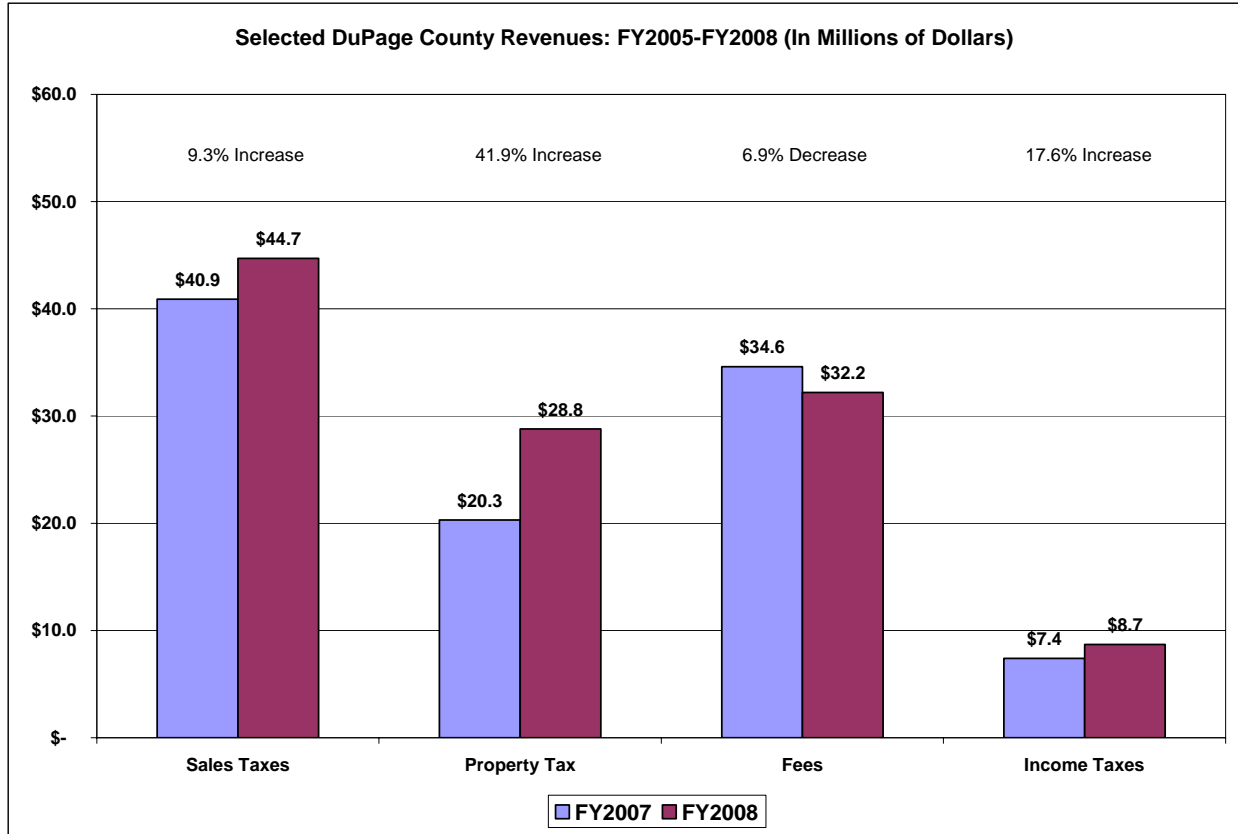
¹² Chairman Robert J. Schillerstrom, FY2007 budget presentation statement, 4; and *Illinois 2004 Statistical Abstract*, <http://www.igpa.uiuc.edu/Abstract/Population/index.htm>.

increase; fee revenue will decline by 1.3% and sales tax revenue will increase only slightly by 0.2%. At the same time, even with the necessary personnel cuts, the average cost per full-time equivalent position will rise by 2.2%, from \$69,183 to \$70,762.¹³ The portion of the total budget earmarked for personal services will rise from 38.9% to 40.8%. The combination of these events illustrates the need for the County to continue to manage its personnel costs.

The exhibit below shows the trends for selected major Corporate Fund revenue sources between FY2005 and FY2008. Sales and income tax revenues, which are economically sensitive, have increased by 9.3% and 17.6% respectively over the four-year period. However, a recession can and will reduce the amounts available from these revenues. As the State of Illinois faces continuing financial constraints, there could be pressure to reduce the State's allocation of shared tax revenues to local governments. Fee revenues have declined by 6.9% since FY2005, falling from \$34.6 million to \$32.2 million. This continuing trend of declining fee revenues may suggest the need to revise the County's fee structure. The one area of strong percentage growth has been the property tax. Since FY2005, property tax revenues have risen by 41.9%, or from \$20.3 million to \$28.8 million.

As other revenues fail to keep up with spending pressures, the County is becoming increasingly reliant on the most regressive revenue source, the property tax. Property taxes have risen from 15.0% of all Corporate Fund revenues in FY2005 (\$20.3 million out of \$135.4 million) to nearly 22% in FY2008 (\$28.8 million out of \$132.0 million).

¹³ These figures are based on total personal service costs for FY2007 and FY2008 divided by the total number of budgeted FTEs for each year.



ACKNOWLEDGMENTS

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

APPROPRIATIONS

This section of the analysis presents an overview of DuPage County government appropriation trends. It includes discussions of appropriations of the County Government.

County Government Appropriations by Fund: Two-Year Trend

DuPage County Government proposes a FY2008 budget of \$420.4 million. This is a 12.5% or approximately \$60.1 million **decrease** over the previous year’s proposed budget of \$480.5 million. These figures exclude the budget of the DuPage County Health Department, which has a separate governance structure. Limited information about the County’s Health Department is provided in a separate section below.

In FY2008 the Chairman proposes a decrease in the Corporate Fund, the Special Revenue Fund, and the Capital Projects Fund. He is also recommending a slight increase in the Debt Service Fund. Grants are projected to decrease.

Corporate Fund appropriations will decrease by \$5.5 million or 4.0%, from \$137.4 million to \$131.9 million. Approximately \$1.8 million will be transferred from the Corporate Fund to the Convalescent Center operating budget,¹⁴ and \$140,000 will be transferred to the Historical Museum to support operations as it continues its transition to becoming a self-supporting entity.

Grant appropriations will fall by 23.8%, from \$58.4 million to \$44.5 million. This figure for grant appropriations only includes those grants that are active and continuing as of December 1, 2007. The County receives grants from the state and federal governments throughout the fiscal year, including Community Development Block Grants, Workforce Investment Act grants and Office of Homeland Security and Emergency Management grants.¹⁵ The total amount that the County will receive is not precisely known when the financial plan is prepared, but the County does expect to receive substantially more than it budgets for. In order to be conservative, the Chairman's Recommendation only includes those grants that are active and continuing.¹⁶ DuPage County's *FY2007 Financial Plan* stated that the County would receive \$58.4 million in grants; as of August 31, 2007, the County had in fact received \$63.0 million in grants.¹⁷

Appropriations for the Special Revenue Funds will decrease by 14.2%. This is a \$36.1 million decrease from \$254.7 million to approximately \$218.6 million. The Court Document Storage Fund will increase by 30.8% or \$800,000 and the Highway Impact Fee Operations Fund will increase by 11.9% or \$1.2 million. Appropriations for the Wetland Mitigation Banks Fund will decrease by approximately \$340,000, down 3.2% from \$10.8 million to \$10.4 million. Several other funds will see significant decreases, including the Youth Home (-14.6% or approximately \$650,000), the Convalescent Center Fund (-0.3% or nearly \$100,000), and the Stormwater Management Fund (-22.9% or \$4.9 million).

| DuPage County Appropriations: FY2007 & FY2008* | | | | |
|---|-----------------------|-----------------------|------------------------|-----------------|
| Fund | FY2007 | FY2008 | \$ Change | % Change |
| Corporate Fund | \$ 137,433,924 | \$ 131,947,495 | \$ (5,486,429) | -4.0% |
| Special Revenue Funds | \$ 254,684,302 | \$ 218,564,335 | \$ (36,119,967) | -14.2% |
| Capital Projects Fund | \$ 16,887,316 | \$ 12,172,574 | \$ (4,714,742) | -27.9% |
| Debt Service Fund | \$ 13,053,563 | \$ 13,197,383 | \$ 143,820 | 1.1% |
| Grants | \$ 58,442,584 | \$ 44,540,996 | \$ (13,901,588) | -23.8% |
| Total | \$ 480,501,689 | \$ 420,422,783 | \$ (60,078,906) | -12.5% |

* Excluding DuPage County Health Department

Source: DuPage County FY2007 Financial Plan and FY2008 Financial Plan, pp. E-30, E-34.

¹⁴ The Convalescent Center is funded primarily from Special Revenue Fund revenues; the proposed FY2008 appropriations will be approximately \$38.5 million. See *DuPage County FY2008 Financial Plan*, pp. E-14, E-25.

¹⁵ *DuPage County FY2008 Financial Plan*, p. 345.

¹⁶ *DuPage County FY2008 Financial Plan*, p. E-3.

¹⁷ *DuPage County FY2008 Financial Plan*, p. 344.

County Government Appropriations by Fund: Five-Year Trend

From FY2004 to FY2008, the DuPage County Government’s budget appropriations are projected to decrease by 24.8%, falling from \$558.8 million to \$420.4 million. This is a \$138.4 million decrease and largely due to a significant drop in appropriations for the Capital Projects Fund. Appropriations for the Capital Projects Fund will drop by 86.9% or approximately \$81.0 million over this five-year period, and Corporate Fund appropriations will decrease by 1.7%, falling from \$134.2 million to \$131.9 million.

| DuPage County Appropriations: FY2004 & FY2008* | | | | |
|---|-----------------------|-----------------------|-------------------------|-----------------|
| Fund | FY2004 | FY2008 | \$ Change | % Change |
| Corporate Fund | \$ 134,187,302 | \$ 131,947,495 | \$ (2,239,807) | -1.7% |
| Special Revenue Funds | \$ 228,474,852 | \$ 218,564,335 | \$ (9,910,517) | -4.3% |
| Capital Projects Fund | \$ 93,212,511 | \$ 12,172,574 | \$ (81,039,937) | -86.9% |
| Debt Service Fund | \$ 13,379,339 | \$ 13,197,383 | \$ (181,956) | -1.4% |
| Grants | \$ 89,560,541 | \$ 44,540,996 | \$ (45,019,545) | -50.3% |
| Total | \$ 558,814,545 | \$ 420,422,783 | \$ (138,391,762) | -24.8% |

*Excluding DuPage County Health Department

Source: DuPage County Department of Finance, and DuPage County FY2008 Financial Plan p. E-34.

FY2008 County Government Appropriations by Object

The FY2008 DuPage County budget proposes an appropriation of approximately \$375.9 million by object, not including funds from grants.¹⁸ This is a decrease of 12.2%, or \$52.4 million, from the previous fiscal year. Due to the aforementioned revenue source deficiencies, appropriations for every budgetary category decreased over last year, with the exception of Transfers Out. Transfers Out increased by 408.9%, largely due to transfers to Stormwater Refinancing Funds.¹⁹ Bond and Debt appropriations are projected to decrease by 41.5%, or \$10.7 million, over FY2007. Capital Outlay appropriations are decreasing as well, by 31.7% or nearly \$39.5 million.

¹⁸ Due to insufficient Grant information in the County’s FY2008 financial plan, we are unable to analyze how grant funds are spent by object. The total appropriation of \$375.9 million for this section does not include \$44.5 million in grant funds the County anticipates receiving during the 2008 fiscal year. The previous section takes grant money into account, thereby resulting in a different total appropriation number.

¹⁹ DuPage County FY2008 Financial Plan, p. E-31.

| DuPage County Appropriations by Object: FY2007 & FY2008 | | | | |
|--|----------------------------------|-----------------------------------|------------------------|-----------------|
| Object | FY2007 Current Budget | FY2008 Proposed Budget | \$ Change | % Change |
| Personnel | \$ 166,454,575 | \$ 153,199,785 | \$ (13,254,790) | -8.0% |
| Commodities | \$ 18,585,759 | \$ 18,061,633 | \$ (524,126) | -2.8% |
| Contractual | \$ 89,312,644 | \$ 86,856,704 | \$ (2,455,940) | -2.7% |
| Capital Outlay | \$ 124,589,417 | \$ 85,110,867 | \$ (39,478,550) | -31.7% |
| Bond & Debt | \$ 25,884,127 | \$ 15,145,521 | \$ (10,738,606) | -41.5% |
| Transfers Out | \$ 3,440,000 | \$ 17,507,277 | \$ 14,067,277 | 408.9% |
| Total | \$ 428,266,522 | \$ 375,881,787 | \$ (52,384,735) | -12.2% |

Source: DuPage County FY2008 Financial Plan, pp. E-31, E-34.

Over the five-year period from FY2004 to FY2008, net appropriations have decreased by 29.1%, or approximately \$154.1 million. Personnel appropriations have decreased by 8.6%, or \$14.4 million, over the five-year span. Capital Outlay appropriations experienced a significant decrease of 53.7%, or over \$98.8 million, due to the completion of large capital projects in recent years, including transportation upgrades, stormwater and drainage projects and the construction of the new courthouse.²⁰

| DuPage County Appropriations by Object: FY2004 & FY2008 | | | | |
|--|-----------------------|-----------------------|-------------------------|-----------------|
| Object | FY2004 | FY2008 | \$ Change | % Change |
| Personnel | \$ 167,619,239 | \$ 153,199,785 | \$ (14,419,454) | -8.6% |
| Commodities | \$ 17,936,746 | \$ 18,061,633 | \$ 124,887 | 0.7% |
| Contractual | \$ 129,142,608 | \$ 86,856,704 | \$ (42,285,904) | -32.7% |
| Capital Outlay | \$ 183,925,937 | \$ 85,110,867 | \$ (98,815,070) | -53.7% |
| Bond & Debt | \$ 15,070,450 | \$ 15,145,521 | \$ 75,071 | 0.5% |
| Transfers Out | \$ 16,308,736 | \$ 17,507,277 | \$ 1,198,541 | 7.3% |
| Total | \$ 530,003,716 | \$ 375,881,787 | \$ (154,121,929) | -29.1% |

Source: DuPage County FY2004 Financial Plan, pp. I.3 - I.38; IV.2, and DuPage County FY2008 Financial Plan, p. E-34.

Appropriations for the DuPage County Health Department

The DuPage County Health Department has a separate governance structure. It is overseen by an 11-member Board of Directors appointed by the County Board Chair.²¹ The County Board of Commissioners makes appropriations for the Health Department Fund, while the County Board Chair has the power to veto or reduce line items in the Department's appropriation ordinance.²²

The Health Department's adopted FY2007 Budget was \$50,227,717. The proposed FY2008 budget will be \$49,811,672.²³ This is a 0.8% or \$416,045 reduction.

²⁰ Information provided by the DuPage Department of Finance, in a conversation with the Civic Federation, November 9, 2007.

²¹ The DuPage County Health Department was established through a referendum vote in November of 1944 and began operations in the old courthouse in Wheaton in March of 1945. See www.dupagehealth.org.

²² See 55 ILCS 5/5-25010.

²³ Information provided by the DuPage County Health Department, November 13, 2007.

DuPage County's FY2008 Financial Plan indicates that the Health Department's property tax levy, which has been held flat at \$17.9 million since FY2004, will decrease to \$17.3 million in FY2008. The Financial Plan also states that the County's Corporate Fund subsidy to the Health Department will be eliminated in FY2008, falling from \$1.5 million in FY2007.²⁴

REVENUES

This section presents information about Corporate Fund revenues and the property tax levy.

Corporate Fund Revenues: Two-Year Trend

Total Corporate Fund revenues are projected to **decrease** by 7.5% in FY2008, from \$142.7 million to \$132.0 million. The main cause of this year's revenue decline is the absence of an intergovernmental transfer from the 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.²⁵ This is the first year since the enactment of the legislation that DuPage will not receive \$15 million from the Commission.

The County's largest revenue increase for FY2008 is a property tax hike that will generate an additional \$2.9 million in revenues for the Corporate Fund.²⁶

Sales tax revenues are expected to grow by only 0.2%. Sales tax receipts include the portion of the State sales tax remitted to the County, which equals 1% of the State's 6.25% rate, and the countywide sales tax of 0.25% levied on purchases of general merchandise made within the County. Due to an expected shift in the timing of the State's distribution of income tax revenues, income tax revenues overall are expected to register a 4.4% increase.

Fee revenues, derived from fees charged by the Recorder of Deeds, Circuit Clerk, the Sheriff, the County Clerk and the County Jail, are expected to decrease by 1.3% in FY2008, a \$0.4 million reduction in revenue.

For FY2008, the intergovernmental revenues section has been combined with the "Other Revenue" section.²⁷ Other revenues, which also includes fees, charges, interest earnings and other smaller miscellaneous income, are projected to increase by 8.4%, from approximately \$16.2 million to \$17.6 million.

²⁴ DuPage County FY2008 Financial Plan, p. E-34.

²⁵ DuPage County FY2005 Financial Plan, p. 2.

²⁶ The amount of property tax revenues reported is larger than the property tax levy amount because it includes funds carried over from the previous year and revenues from penalties and interest earnings. Information provided by DuPage County Chief Financial Officer Frederick Backfield, November 7, 2007.

²⁷ DuPage County FY2008 Financial Plan, p. E-25.

| DuPage County Corporate Fund Revenues: FY2007 & FY2008 | | | | |
|---|-----------------------|-----------------------|------------------------|-----------------|
| Revenue | FY2007 | FY2008 | \$ Change | % Change |
| Sales Taxes | \$ 44,655,391 | \$ 44,745,504 | \$ 90,113 | 0.2% |
| Property Tax | \$ 25,850,000 | \$ 28,750,000 | \$ 2,900,000 | 11.2% |
| Fee Offices/Elected Officials | \$ 32,652,500 | \$ 32,231,000 | \$ (421,500) | -1.3% |
| Income Tax | \$ 8,325,931 | \$ 8,694,000 | \$ 368,069 | 4.4% |
| Intergovernmental Revenues | \$ 15,000,000 | \$ - | \$ (15,000,000) | -100.0% |
| Other | \$ 16,247,272 | \$ 17,619,601 | \$ 1,372,329 | 8.4% |
| Total | \$ 142,731,094 | \$ 132,040,105 | \$ (10,690,989) | -7.5% |

Source: DuPage County FY2007 Financial Plan, p. 7, and FY2008 Financial Plan, p. E-25.

Corporate Fund Revenues: Four-Year Trend

Due to budget format changes in FY2005, comparable information is not available to calculate five-year trends for all fund revenues. Based upon data available in the FY2008 budget, the following is a four-year comparison of actual FY2005 revenues and projected FY2008 revenues.

Between FY2005 and FY2008, all Corporate Fund revenues have decreased by 2.5%, or \$3.4 million. During this period, property tax revenues increased substantially by 41.9%, or \$8.5 million. Fee revenues, on the other hand, have decreased by 6.9% over the four-year period, for a loss of \$2.4 million.

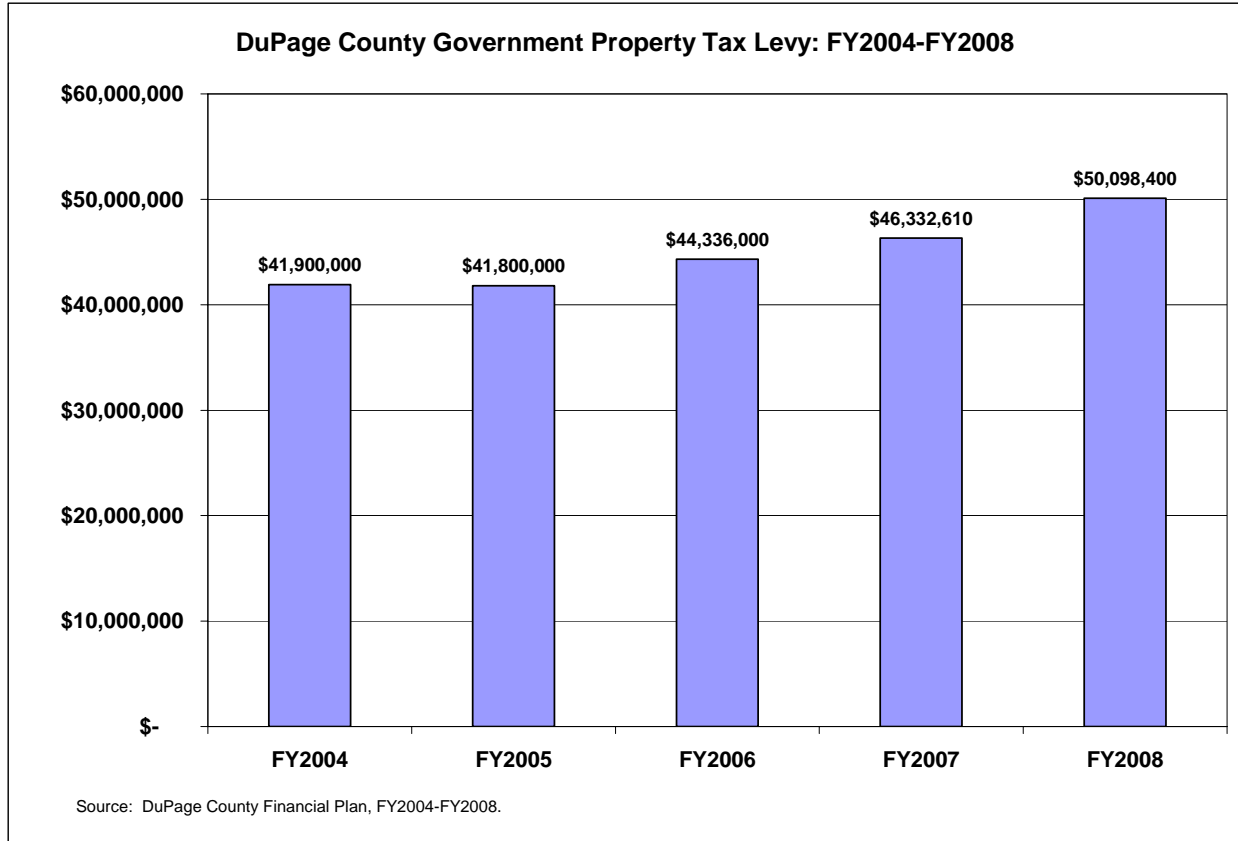
| DuPage County Corporate Fund Revenues: FY2005 & FY2008 (in \$ millions) | | | | |
|--|----------------------------|-------------------------------|------------------|-----------------|
| Revenue | FY2005 - Actual | FY2008 - Projected | \$ Change | % Change |
| Sales Taxes | \$ 40.9 | \$ 44.7 | \$ 3.8 | 9.3% |
| Property Tax | \$ 20.3 | \$ 28.8 | \$ 8.5 | 41.9% |
| Fee Offices/Elected Officials | \$ 34.6 | \$ 32.2 | \$ (2.4) | -6.9% |
| Income Tax | \$ 7.4 | \$ 8.7 | \$ 1.3 | 17.6% |
| Intergovernmental Revenues | \$ 15.3 | \$ - | \$ (15.3) | -100.0% |
| Other | \$ 16.9 | \$ 17.6 | \$ 0.7 | 4.1% |
| Total | \$ 135.4 | \$ 132.0 | \$ (3.4) | -2.5% |

Source: DuPage County FY2008 Financial Plan, p. E-9.

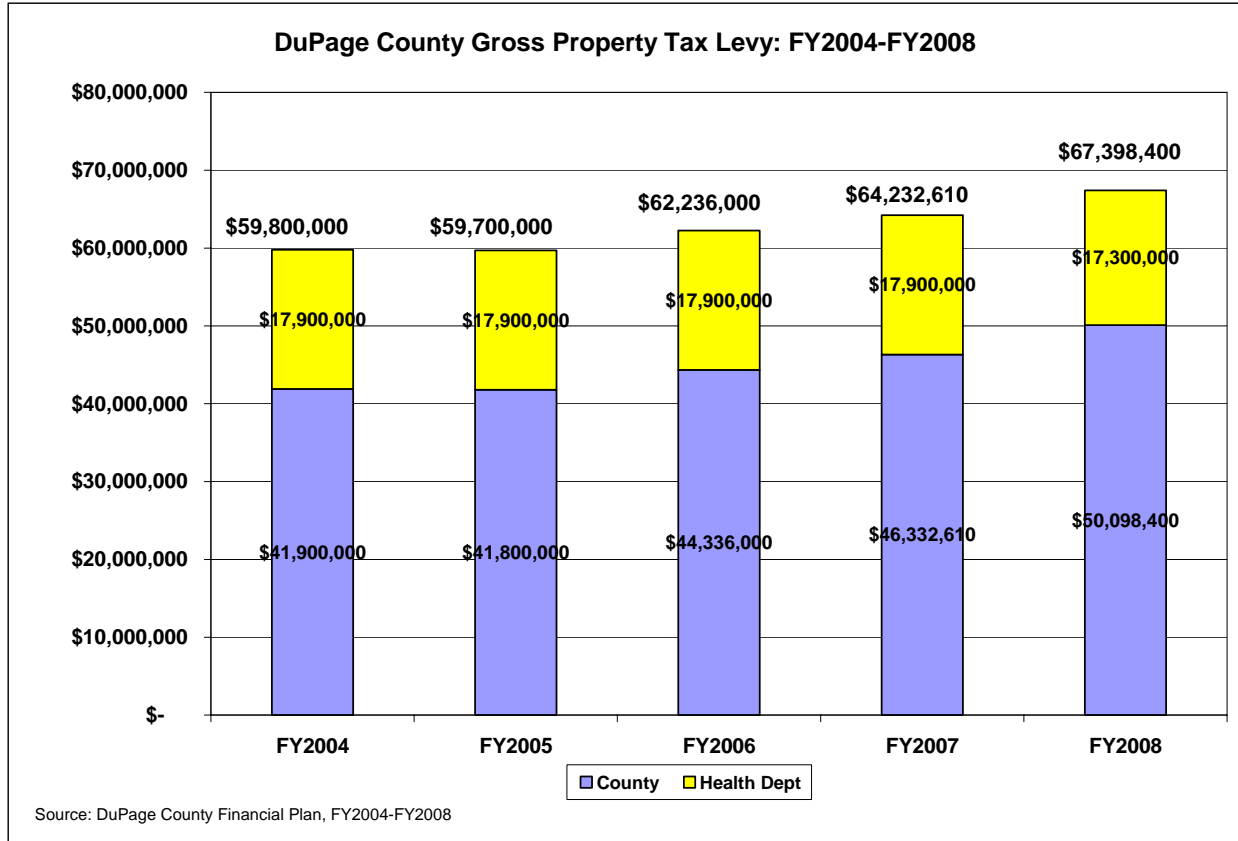
Property Tax Levy

The property tax levy for DuPage County government, excluding the Health Department levy, is projected to rise by \$3.7 million, or 8.1%, to a total of nearly \$50.1 million. The Corporate Fund levy will increase by 2.5%, the maximum amount allowed under the tax cap law.²⁸ Since FY2004, the levy has increased by 19.6% or \$8.2 million.

²⁸ Information provided by DuPage County Chief Financial Officer Frederick Backfield, November 7, 2006. The Corporate levy includes a portion subject to the tax cap, a portion that is not subject to the tax cap because it reflects new construction and a transfer of \$600,000 from the Health Department levy.



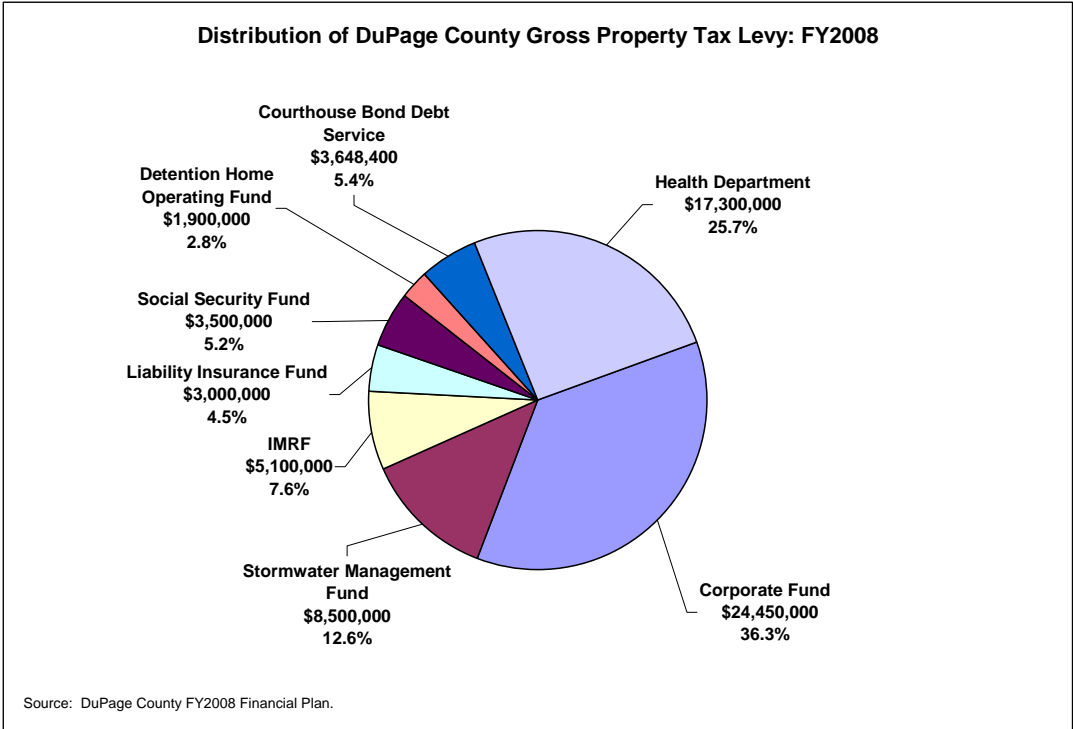
In FY2008, the total DuPage County levy, including the Health Department levy, is expected to increase by 3.1%, a \$4.9 million increase from \$64.2 million to nearly \$67.4 million. Between FY2004 and FY2008, the levy rose 12.7%, a \$7.6 million increase.



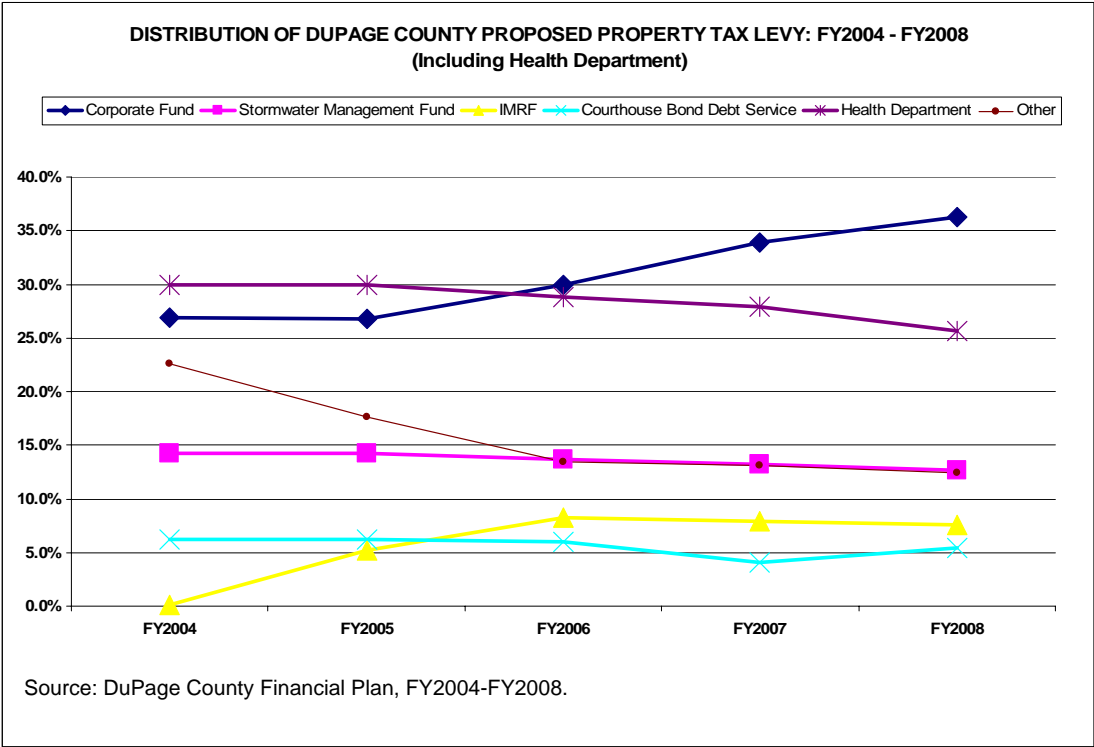
FY2006 was the first time in ten years that DuPage County raised its property tax levy. During the nine years between FY1997 and FY2005, the levy was essentially held flat, dropping slightly by 1.0% or from \$60.3 million to \$59.7 million over that nine-year period. In FY2008, DuPage will raise the Corporate Fund levy to the maximum amount allowed under the tax cap for the third consecutive year.

Distribution of the Property Tax Levy

The Corporate Fund will be the single largest recipient of property tax dollars in FY2008, receiving an estimated \$24.4 million or 36.3% of the total levy. The Health Department levy will be \$17.3 million, or 25.7 % of the total levy. The next biggest share of the levy, or 12.6%, will be earmarked for the Stormwater Management Fund.



Between FY2004 and FY2008, the share of the levy earmarked for the Corporate Fund has risen from 26.9% to 36.3%. During the same period, the IMRF (pension) levy has jumped from just 0.2% or \$100,000 to 7.6% of the total or \$5.1 million. Much of the increase in IMRF funding from the levy is due to a funding shift away from subsidies for other funds.



Cigarette Tax Authorization

In response to the elimination of the intergovernmental transfer of funds from the Water Commission, as well as changing demographics in county as a whole, DuPage has begun to look for alternate revenue sources. One option the County is pursuing is to levy a cigarette tax. The measure would require legislative approval from the State of Illinois General Assembly, but a bill authorizing the County to levy cigarette tax has passed in the Illinois Senate and is currently before Illinois' House of Representatives.

The bill, HB-0556, authorizes Will, Lake, McHenry, Kane and DuPage counties to levy their own cigarette tax at a rate of \$1 per pack of 20 cigarettes. After being approved by the Senate, the House has delayed action on the bill seven times. Currently, the House of Representatives has until November 30, 2007 to vote on the legislation.

PERSONNEL

The total headcount for DuPage County government is proposed to decline by 10.0% in FY2008. This is a reduction of 241 positions, decreasing from 2,406 to 2,165 employees. Approximately 69.7% of the cuts, or 168 positions, will be in the Public Safety area. The personnel reductions include the elimination of 104 positions from the Sheriff's Office, 29 positions from the Probation Department, 18 positions from the Circuit Clerk's Office, and 8 positions from the Public Defender's Office. The Office of the State's Attorney will lose 14 positions, but gain an additional 11 positions for a net reduction of 3 positions. This represents a decrease from 133 positions to 130 positions.

| DuPage County Full-Time Personnel Headcount: FY2007 & FY2008 | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| All Funds and Grants | | | | |
| | FY2007 | FY2008 | | |
| | Budgeted | Proposed | # Change | % Change |
| Corporate Fund | | | | |
| Sheriff | 530 | 426 | -104 | -19.6% |
| Probation | 160 | 131 | -29 | -18.1% |
| All Other Offices and Departments | 237 | 213 | -24 | -10.1% |
| Circuit Clerk | 189 | 171 | -18 | -9.5% |
| Facilities Management | 92 | 78 | -14 | -15.2% |
| Public Defender | 43 | 35 | -8 | -18.6% |
| Information Technology | 46 | 40 | -6 | -13.0% |
| Finance | 35 | 30 | -5 | -14.3% |
| Treasurer | 23 | 19 | -4 | -17.4% |
| Recorder of Deeds | 25 | 21 | -4 | -16.0% |
| Human Services | 23 | 19 | -4 | -17.4% |
| Human Resources | 17 | 13 | -4 | -23.5% |
| State's Attorney* | 133 | 130 | -3 | -2.3% |
| Subtotal Corporate Fund | 1553 | 1326 | -227 | -14.6% |
| Other Funds | | | | |
| Public Works | 97 | 85 | -12 | -12.4% |
| Storm Water Management | 12 | 9 | -3 | -25.0% |
| Transportation | 104 | 102 | -2 | -1.9% |
| Neutral Site Custody Exchange | 0 | 1 | 1 | 100% |
| Economic Development & Planning | 40 | 40 | 0 | 100% |
| Youth Home | 42 | 42 | 0 | 100% |
| Convalescent Center | 360 | 360 | 0 | 100% |
| All Others | 66 | 66 | 0 | 0.0% |
| Subtotal Other Funds | 721 | 705 | -16 | -2.2% |
| Grants | 132 | 134 | 2 | 1.5% |
| Total | 2406 | 2165 | -241 | -10.0% |

Source: FY2008 DuPage County Budget, pp. E-32 and E-33.

* The State's Attorney's Office will be reduced from 133 budgeted positions in FY2007 to 119 positions; however, 11 new positions will be added for a net reduction of 3 positions.

Since FY2005, the earliest year for which comparable data are available, the number of DuPage County positions is projected to decline from 2,429 to 2,165. This represents a reduction of 264 positions for a 10.9% decrease. The single largest reduction comes in the Sheriff's Office, which will experience a 22.4%, or 123 position, reduction. The staff of the Youth Home will be cut by 37.3% (from 67 to 42 positions) and the Convalescent Center will experience an 8.6% reduction in staffing, going from 394 to 360 employees.

| DuPage County Full-Time Personnel Headcount: FY2005 & FY2008 | | | | |
|---|--------------------------|----------------------------|-----------------|-----------------|
| All Funds and Grants | | | | |
| | FY2005 Actual | FY2008 Proposed | # Change | % Change |
| Corporate Fund | | | | |
| Sheriff | 549 | 426 | -123 | -22.4% |
| Probation | 146 | 131 | -15 | -10.3% |
| All Other Offices and Departments | 230 | 213 | -17 | -7.4% |
| State's Attorney | 142 | 130 | -12 | -8.5% |
| Circuit Clerk | 188 | 171 | -17 | -9.0% |
| Facilities Management | 88 | 78 | -10 | -11.4% |
| Public Defender | 43 | 35 | -8 | -18.6% |
| Information Technology | 43 | 40 | -3 | -7.0% |
| Finance | 34 | 30 | -4 | -11.8% |
| Treasurer | 23 | 19 | -4 | -17.4% |
| Recorder of Deeds | 24 | 21 | -3 | -12.5% |
| Human Services | 24 | 19 | -5 | -20.8% |
| Human Resources | 16 | 13 | -3 | -18.8% |
| Subtotal Corporate Fund | 1550 | 1326 | -224 | -14.5% |
| Other Funds | | | | |
| Public Works | 83 | 85 | 2 | 2.4% |
| Storm Water Management | 12 | 9 | -3 | -25.0% |
| Transportation | 98 | 102 | 4 | 4.1% |
| Neutral Site Custody Exchange | 1 | 1 | 0 | 0.0% |
| Economic Development & Planning | 33 | 40 | 7 | 21.2% |
| Youth Home | 67 | 42 | -25 | -37.3% |
| Convalescent Center | 394 | 360 | -34 | -8.6% |
| All Others | 60 | 66 | 6 | 10.0% |
| Subtotal Other Funds | 748 | 705 | -43 | -5.7% |
| Grants | | | | |
| | 131 | 134 | 3 | 2.3% |
| Total | 2429 | 2165 | -264 | -10.9% |

Source: FY2008 DuPage County Budget, pp. E-32 and E-33.

UNRESERVED, UNDESIGNATED GENERAL FUND BALANCE

Between FY2002 and FY2006, the amount of unreserved, undesignated fund balance in the DuPage County Corporate Fund increased from 23.4% to 27.6% of operating expenditures in that fund. In dollar amounts, the fund balance rose from \$28.9 million to \$33.4 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.

In FY2006, DuPage County had a \$33.4 million Corporate Fund beginning and ending cash balance. This is 27.6% of projected Corporate Fund appropriations of \$121.4 million.²⁹

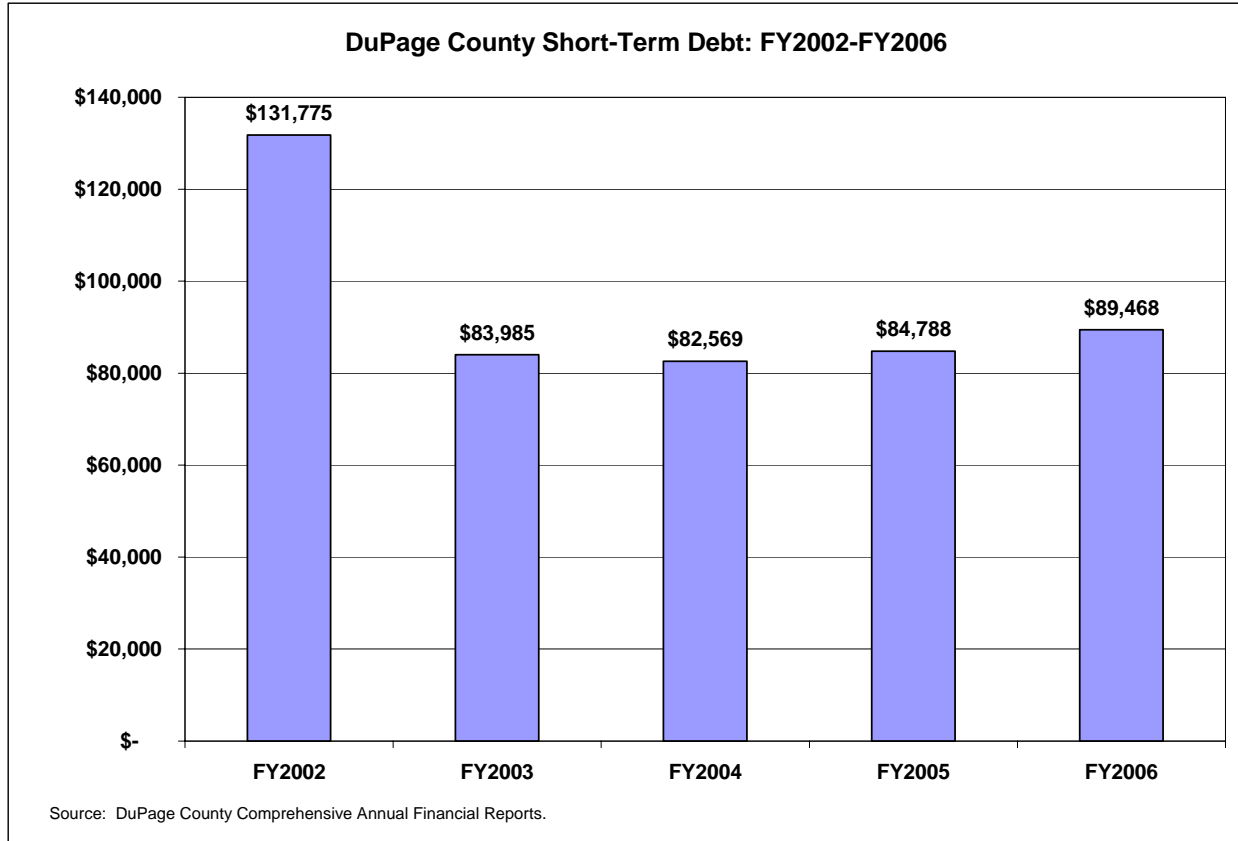
| DuPage County Unreserved, Undesignated Corporate Fund Balance Ratio | | | |
|--|--|-------------------------------|--------------|
| | Unreserved, Undesignated Fund Balance | Operating Expenditures | Ratio |
| FY2002 | \$ 28,942,906 | \$ 123,477,555 | 23.4% |
| FY2003 | \$ 27,436,575 | \$ 134,220,862 | 20.4% |
| FY2004 | \$ 31,616,190 | \$ 116,695,755 | 27.1% |
| FY2005 | \$ 32,751,692 | \$ 116,936,098 | 28.0% |
| FY2006 | \$ 33,453,220 | \$ 121,419,244 | 27.6% |

Source: DuPage County Comprehensive Annual Financial Reports

SHORT-TERM DEBT TRENDS

Short-term debt is a financial obligation that must be satisfied within one year. Increasing amounts of short-term debt may be a warning sign of future financial difficulties. It is a measure of budgetary solvency, that is, a government's ability to generate enough revenue over the course of a normal budgetary period to meet its expenditures and prevent deficits. For purposes of this analysis, short-term debt in the Governmental Funds includes obligations such as accounts payable, claims payable, refundable deposits, amounts due to other governments, advances payable, liabilities payable and deferred revenue. The exhibit below presents DuPage County short-term debt trends for Fiscal Years 2002 through 2006. During that five-year period, short-term debt obligations decreased by 32.1% or by approximately \$42.3 million. However, short-term debt did rise by 8.4% between FY2004 and FY2006. This represents an approximately \$6.9 million increase. The decrease since FY2002 is a positive sign.

²⁹ DuPage County FY2006 Financial Plan, p. 1.



LONG-TERM OBLIGATIONS

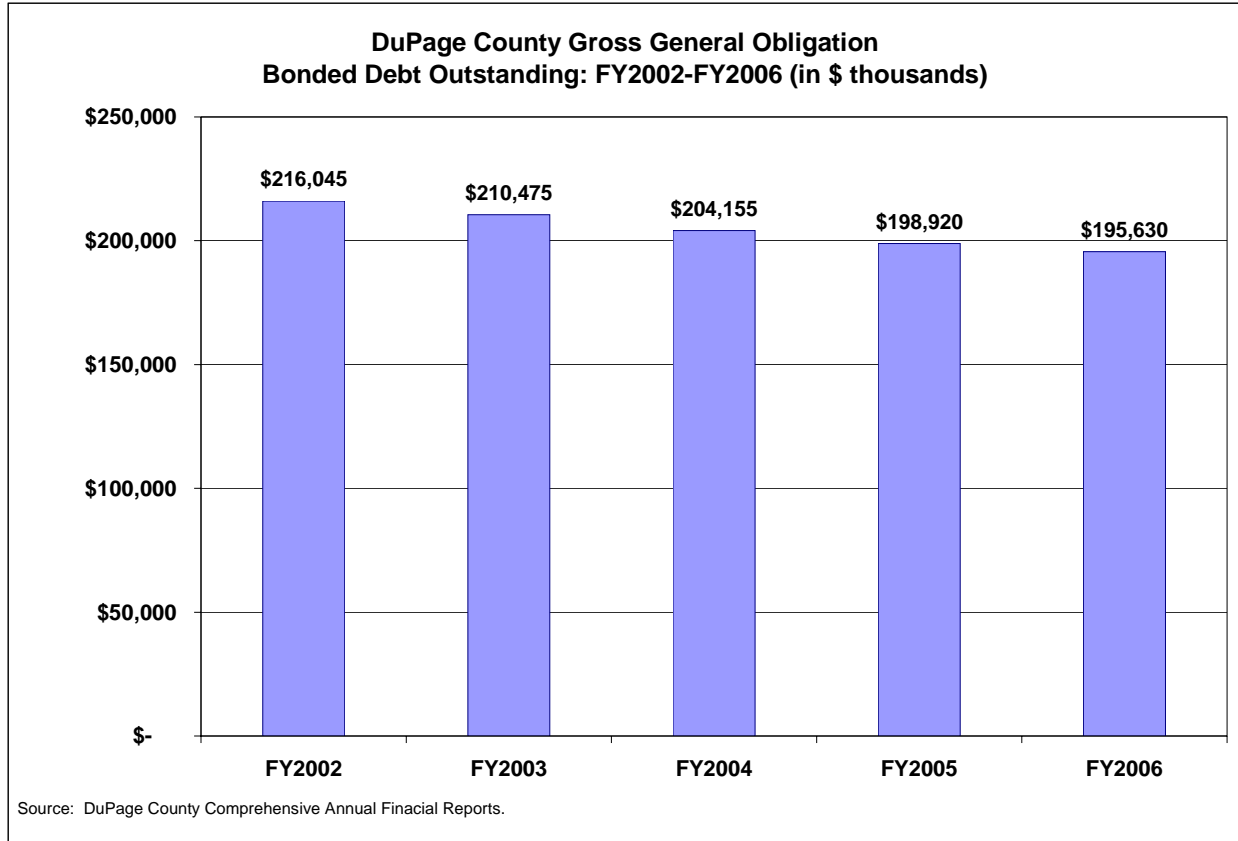
This section presents information about long-term debt trends of DuPage County. It includes information about long-term debt per capita, overlapping debt and bond ratings.

Long-Term Debt Trends

This section presents information about trends for net general bonded debt, debt per capita trends, overlapping debt and bond ratings.

Total Gross General Obligation Bonded Debt

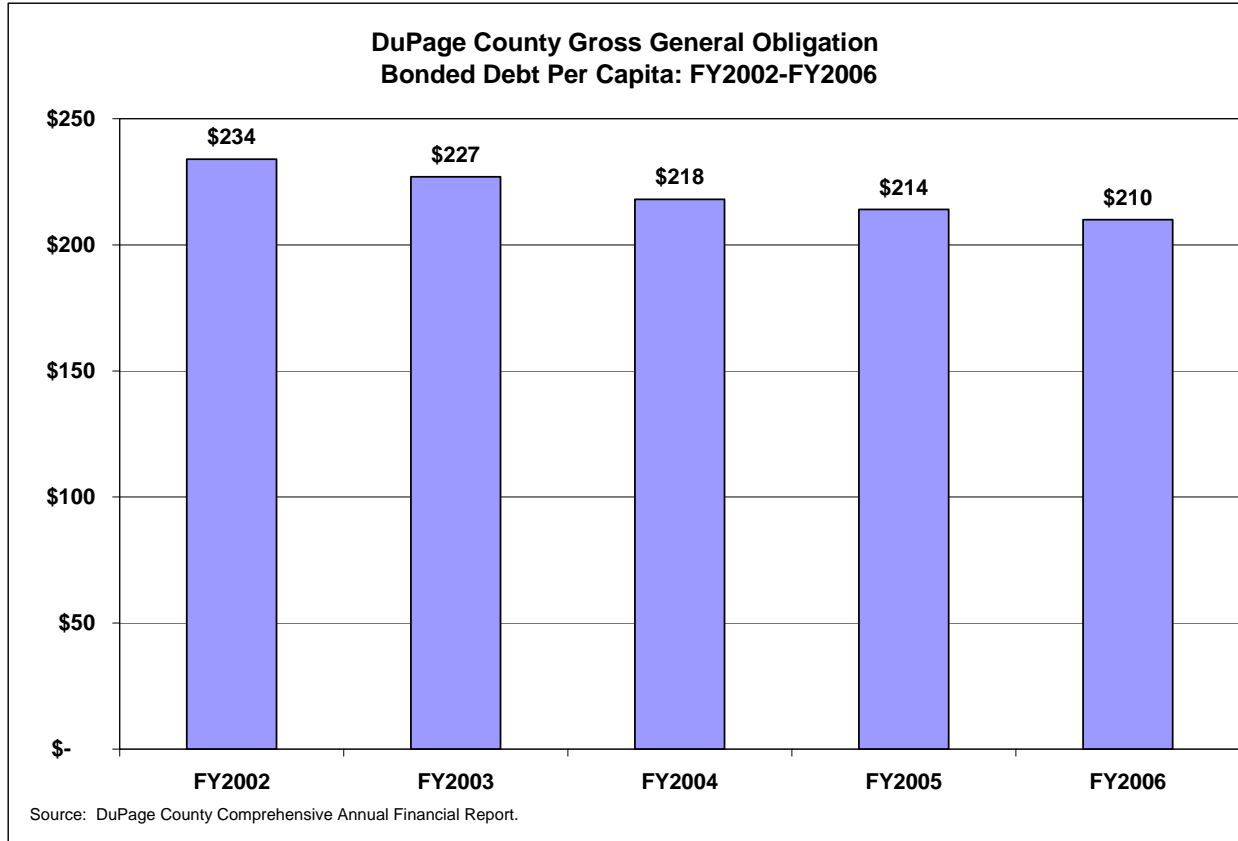
Between FY2002 and FY2006, the gross general obligation bonded debt outstanding burden of DuPage County decreased by from \$216.0 million to \$195.6 million. This is a \$20.4 million, or 9.4%, decrease.



Total Gross General Obligation Bonded Debt Per Capita

The next exhibit presents historic DuPage County gross 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, shown by distributing the liability to each County resident. This analysis takes DuPage County’s total gross general obligation bonded debt amount per year and divides it by population.

DuPage County gross general bonded obligation debt per capita decreased by 10.3% between FY2002 and FY2006, from \$234 to \$210.



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 1.9% of the \$10.4 billion long-term debt issued by the various governments with boundaries wholly or partially within the County in FY2006. Municipalities issued the largest share of all long-term debt, or \$6.7 billion, which represented 64.2% of all local debt. Unit school districts were responsible for the next largest amount of the overlapping debt, or 14.2% of the total.

| DuPage County & Other Governments Overlapping Debt: FY2006 | | | |
|---|-----------------------------------|--|--------------------------------|
| | Total Debt Outstanding | % Applicable to DuPage County | % of Total Debt |
| DuPage County* | \$ 195,630,000 | 100.0% | 1.9% |
| Overlapping Governments | | | |
| Cities & Villages | \$ 6,738,291,764 | 9.6% | 64.2% |
| Unit Schools | \$ 1,490,673,964 | 54.0% | 14.2% |
| Parks | \$ 881,969,294 | 31.2% | 8.4% |
| Grade Schools | \$ 432,397,489 | 93.7% | 4.1% |
| High Schools | \$ 325,637,083 | 95.6% | 3.1% |
| Forest Preserve District | \$ 209,896,312 | 100.0% | 2.0% |
| Community Colleges | \$ 87,251,276 | 14.9% | 0.8% |
| Water Commission | \$ 65,400,000 | 98.4% | 0.6% |
| Library | \$ 29,440,000 | 61.7% | 0.3% |
| Fire Protection | \$ 17,120,000 | 91.9% | 0.2% |
| Airport | \$ 10,698,089 | 93.6% | 0.1% |
| Special Service | \$ 4,971,325 | 100.0% | 0.0% |
| Townships | \$ 430,000 | 100.0% | 0.0% |
| Subtotal Overlapping | \$ 10,294,176,596 | | 98.1% |
| Total | \$ 10,489,806,596 | | 100.0% |

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

Source: FY2006 DuPage County Comprehensive Annual Financial Report, p. 297.

The rate of growth for the various overlapping governments was 18.2% during the five-year period between FY2002 and FY2006. This was in sharp contrast to the 12.5% **decrease** reported by DuPage County government during the same time period.

| DuPage County Government vs. Overlapping Governments' Debt FY2002 to FY2006 | | | |
|--|-------------------------------------|------------------------------------|------------------------|
| | DuPage County Government | Overlapping Governments | Total |
| FY2002 | \$223,590,000 | \$8,648,748,010 | \$8,872,338,010 |
| FY2003 | \$217,806,000 | \$8,788,858,487 | \$9,006,664,487 |
| FY2004 | \$204,155,000 | \$9,164,939,330 | \$9,369,094,330 |
| FY2005 | \$198,920,000 | \$10,004,355,215 | \$10,203,275,215 |
| FY2006 | \$195,630,000 | \$10,291,176,596 | \$10,486,806,596 |
| \$ Change | -\$27,960,000 | \$1,642,428,586 | \$1,614,468,586 |
| % Change | -12.5% | 19.0% | 18.2% |

Source: DuPage County Comprehensive Annual Financial Reports

Current DuPage County Bond Ratings

DuPage County has a bond rating of AAA from the Moody's, Standard & Poor's and Fitch rating agencies. That rating was most recently reaffirmed in the agencies' rating of the County's FY2005 bond activities.³⁰

PENSION FUNDING

DuPage County employees are enrolled in the Illinois Municipal Retirement Fund (IMRF), a multi-employer defined benefit pension plan. In FY2006, there were 3,474 active DuPage County members in the IMRF.³¹

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 2006 Contribution Rate |
| Regular County Employees | 4.5% of covered salary | 10.35% of covered payroll |
| Elected County Officials | 7.5% of covered salary | 47.56% of covered payroll |
| Sheriff's Law Enforcement Personnel | 7.5% of covered salary | 19.59% of covered payroll |
| Veterans Assistance Commission | 4.5% of covered salary | 1.48% of covered payroll |

Source: DuPage County FY2006 CAFR, p. 73.

The Civic Federation uses 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.

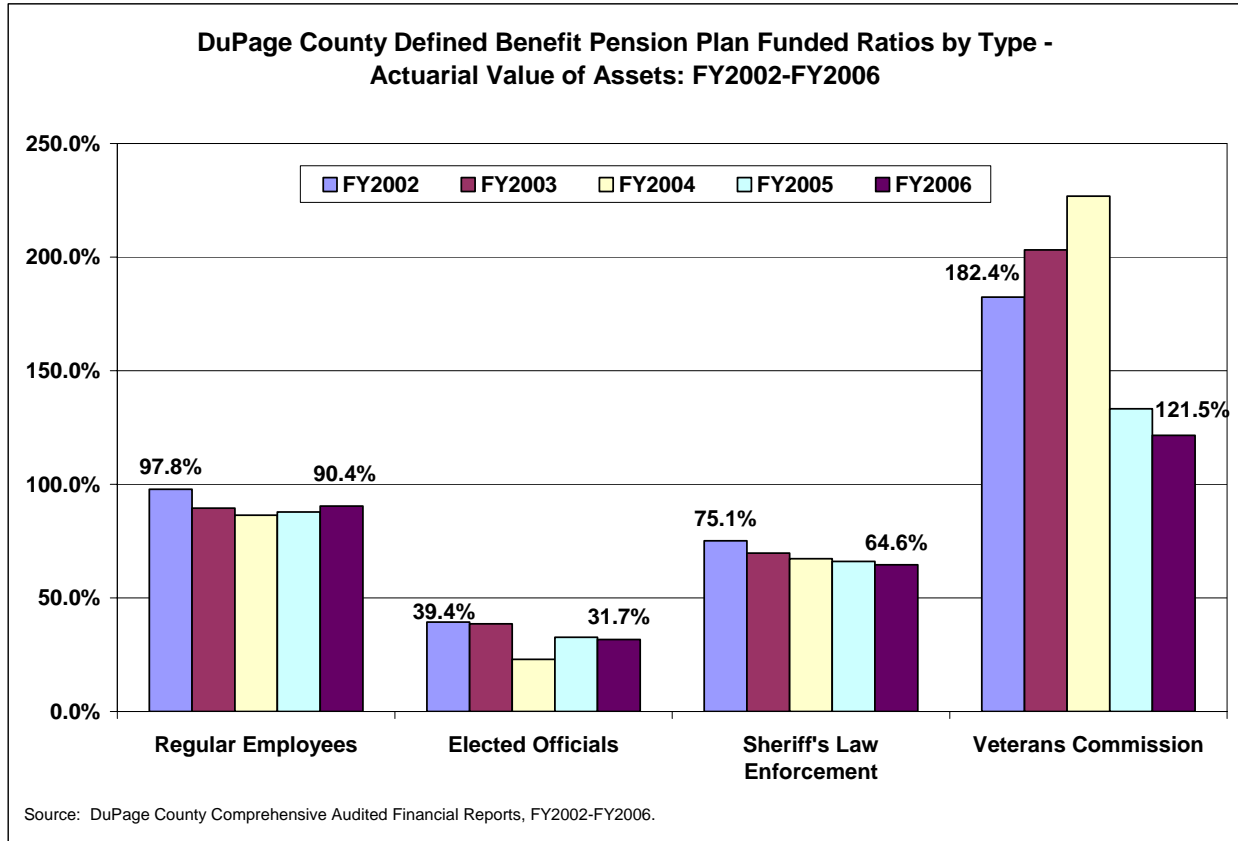
The funded ratios of all four DuPage employee pension groups fell in FY2006. They also declined between FY2002 and FY2006. The following is a breakdown of the funding ratios for each employee group:

- The Elected County Officials group funded ratio dropped from 39.4% in FY2002 to 31.7% five years later;
- The Sheriff's Law Enforcement Personnel group funded ratio fell from 75.1% to 64.6%;

³⁰ *DuPage County FY2006 Financial Plan*, p. 185.

³¹ *Illinois Municipal Retirement Fund FY2006 Comprehensive Annual Financial Report*, p. 79.

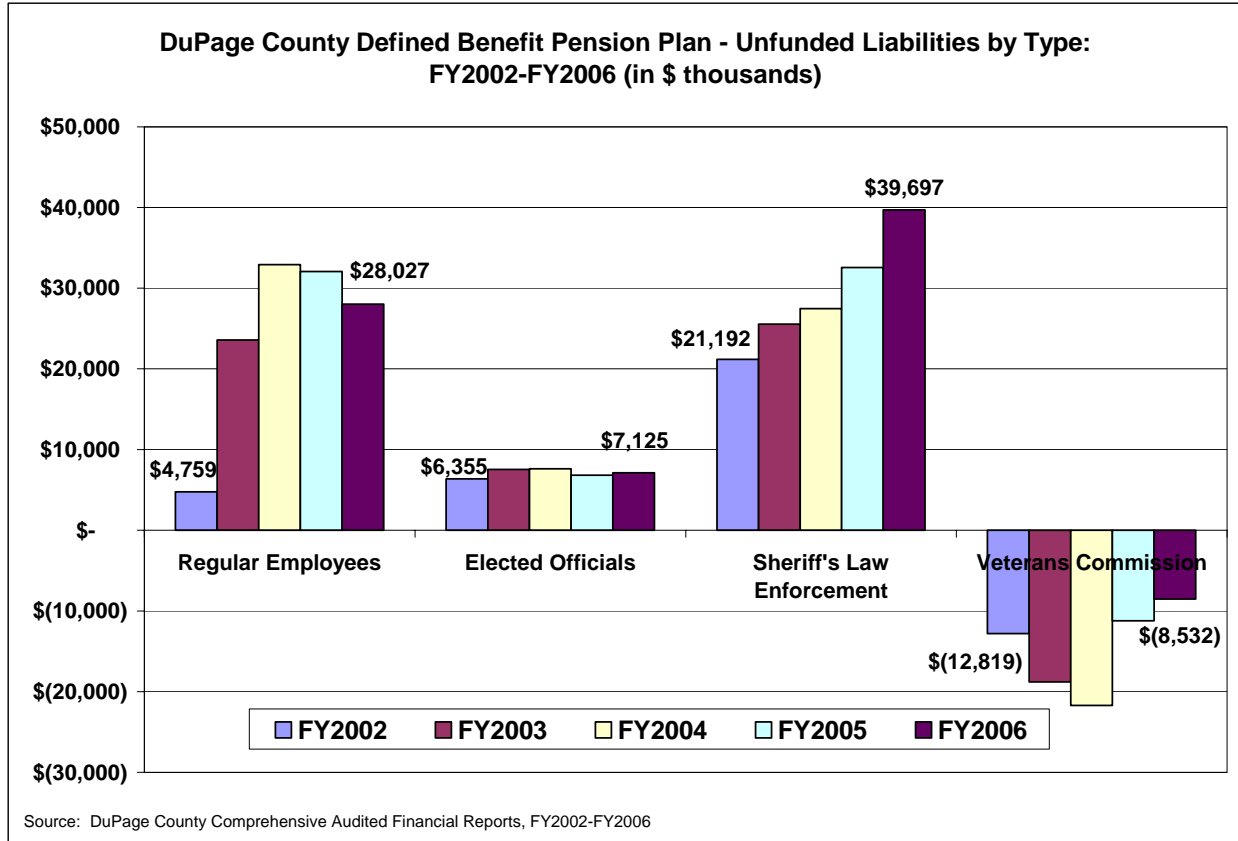
- The Regular Employees group, which is proportionately the largest of the three, experienced a decrease from 97.8% to 90.4%; and
- The Veteran’s Commission group funded ratio declined from 181.4% to 121.5% (after rising to 226.9% in FY2004).



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 sharply for three of the four DuPage County employee groups. The Veteran’s Commission group maintained a surplus (i.e., it is overfunded) for each of the five years examined.

The unfunded liabilities of the Regular Employees group rose from \$4.7 million to \$28.0 million between FY2002 and FY2006, a 488.9% increase. Unfunded liabilities for the Elected Officials group increased from \$6.3 million to \$7.1 million while the Sheriff’s Law Enforcement group reported an increase in unfunded liabilities of 87.3%. This represented an increase from nearly \$21.2 million to \$39.7 million.



CIVIC FEDERATION RECOMMENDATIONS

The following section sets forth the Civic Federation’s recommendations on ways DuPage County can improve its financial management and governance practices. Many of the structural recommendations were originally made in our FY2007 DuPage County Budget analysis. We believe that they are important enough to repeat as part of our review of the FY2008 budget.

Consolidate County Government and Health Department

The Civic Federation believes the time has come for DuPage County to re-think and modernize its government. Modernization and rationalization of government functions will bring opportunities for greater efficiency into County operations.

Major governmental functions in DuPage County are scattered among a variety of legal entities.

The **DuPage County government**, with a proposed budget of \$420.4 million in FY2008, provides key public services like public safety, transportation, and human services. It is governed by a Chairman elected countywide and an 18-member Board of Commissioners. The executive function is divided between the Chairman and numerous countywide elected officials.

The **DuPage County Health Department** has a separate governance structure, overseen by an 11-member Board of Directors appointed by the County Board Chair.³² The County Board of Commissioners makes appropriations for the Health Department Fund, while the County Board Chair has the power to veto or reduce line items in the Department's appropriation ordinance.³³ In FY2008 the Health Department budget is proposed to be \$49.8 million.

The division of these major DuPage County services among separate legal entities is inefficient. Consolidating the County government and the Health Department would allow the County to streamline service delivery and introduce greater efficiencies into government operations. Initially, this could involve cost savings from the elimination of duplicative administrative positions. In future years, after a comprehensive review of Department operations, additional efficiencies could be achieved through the identification and elimination of non-core positions or functions. The County could also evaluate the possibility of outsourcing non-essential functions.

Consolidation would also guarantee greater accountability for taxpayers. Rather than the unelected Health Department Board, the elected Chairman and County Board would be directly responsible for how well services are delivered and how resources are used.

The Civic Federation believes that it is not important which government delivers a service, but how efficiently and effectively government as a whole fulfills its promises to taxpayers. Chairman Schillerstrom and his financial team have amply demonstrated their ability to manage County resources in a responsible and efficient manner. Therefore, *the Civic Federation recommends that the County government and the DuPage County Health Department be merged into a single unified government under the authority of the County Board Chairman and the Board of Commissioners.*

We recognize that making significant changes to the structure of DuPage government would be challenging. Implementing these modernizing reforms would require legislative approval or alternatively a referendum. However, continuing on the current path of divided authority and inefficient government is no longer sustainable given the County's revenue and operational constraints.

Consider Privatization of Convalescent Center

Operating the Convalescent Center is a DuPage County government policy and program priority. Given the County's precarious financial situation, however, if modern and efficient business practices are not implemented, the County's current financial structure will not be able to absorb the continual growth in expenses that the Center will incur. The Civic Federation thinks it is a good time to consider alternative options for operating the Convalescent Center, including the privatization of its operations and management.

Privatization involves either the long-term concession to operate a facility or program to one or more third parties from the private or nonprofit sector, or the transfer of the ownership or

³² The DuPage County Health Department was established through a referendum vote in November of 1944 and began operations in the old courthouse in Wheaton in March of 1945. See www.dupagehealth.org.

³³ See 55 ILCS 5/5-25010.

leasehold interest for a defined period of time to such a party or parties. Possible privatization structures to be evaluated should include the sale of a long-term concession for operation of the Convalescent Center or the privatization of all non-medical operations, including finance, facilities, and purchasing.

Alternative service delivery or privatization is **not** a panacea for a government's financial problems. Transferring responsibility for service delivery to a private firm or nonprofit organization can be beneficial only if there is a marketplace of competitive, qualified vendors or service providers and strong, sustained management oversight by the government. Governments must establish a mechanism to monitor and evaluate cost saving and efficiency benefits produced by any alternative service or privatization efforts. These efforts should include the public reporting of efficiencies and/or savings achieved.

However, privatization often achieves cost savings and increases in the efficiency of government operations. *The Civic Federation believes that DuPage County should seriously consider this option for the Convalescent Center and other government functions.*

Reduce the Number of Elected Officials

DuPage County government is plagued by an excessive fragmentation of authority. A total of 27 different officials are elected by the voters: the Chairman of the County Board of Commissioners, eight other executive-level elected officials, and eighteen members of the Board of Commissioners. Services are delivered by numerous different departments and offices; it is difficult, in fact, to provide an accurate tally of these departments because of the fragmented, fund-based organization of the budget.

There are two consequences of DuPage County's diffuse governmental structure. The first is inefficiency, with its attendant cost implications because of a duplication of functions and activities and a lack of coordination among departments and agencies. The second is a lack of accountability by government officials to the general public. The government's fragmentation often makes it extremely difficult for the public to pinpoint responsibility for the County's actions. Confusion in the public mind over which official is responsible for a particular program makes it easier for officials who are not functioning adequately to escape public notice.

The Civic Federation proposes the following structural changes:

- Abolish the elected position of Coroner, replacing it with an Office of the Medical Examiner headed by an official appointed by the DuPage County Board Chairman.
- Consider the consolidation of the Clerk and Recorder of Deeds offices.³⁴ In Illinois counties with a population of under 60,000, the county clerk is also the recorder.³⁵ This is also the case in many counties across the nation.

³⁴ This recommendation would require legislation amending the current law that requires counties with populations exceeding 60,000 to elect a recorder.

³⁵ 55 Ill. Comp. Stat. § 5/3-5001 (Thompson/West 2006).

- Change the current elected Auditor's office into a position appointed by the County Board Chair, with the advice and consent of the County Board.³⁶ The appointed Auditor would continue to perform the office's current functions, which include conducting internal audits, evaluating the use, protection and recording of County resources, and evaluating how County departments are operating.³⁷ The Auditor also prepares recommendations for improving systems and processes.³⁸
- DuPage County should establish a new independent **Office of the Auditor General** that would be charged with conducting program and financial audits of all County programs on a regular basis. More specifically, the office would be charged with reviewing the obligation, expenditure, receipt and use of public funds. The Auditor General's tasks would include reviewing department's financial records, their compliance with state and federal regulations, and program performance after the close of their fiscal year. The Auditor General would be required to be a Certified Public Accountant. He or she would be appointed by the County Board Chairman and confirmed by the County Board of Commissioners. The Auditor General could only be removed by supermajority vote of the Board, would serve a longer term than County Board members, and would have a guaranteed funding stream to ensure independence. This office would function in much the same manner as the State of Illinois Auditor General.

The duties of the Auditor General be much broader than that of the County Auditor, focusing on providing an independent review of departmental and office performance. The office would provide oversight of County operations and assist in providing evidence of ways the County could operate more efficiently and effectively. Savings from recommendations of this office could, over time, help offset at least part of its operating costs. A model for the County to follow when enacting this office is the Office of the Auditor General established by the State of Illinois.³⁹

- Evaluate the possibility of abolishing other elected offices and replacing them if necessary with positions appointed by the County Board Chairman with the advice and consent of the County Board of Commissioners. Conducting a comprehensive review and analysis of the structure of DuPage County and its excessive fragmentation of authority is beyond the scope of this report. In our view, however, such an analysis is long overdue.

Continue to Improve Budget Transparency

In FY2008, the DuPage County Financial Plan has been improved to a great degree. However, the Financial Plan still is not as transparent as many other local government documents because:

³⁶ This recommendation would require amending current legislation that requires counties with populations of over 75,000 but less than 3,000,000 to elect an auditor. Currently, only counties with a population that is under 75,000 are statutorily allowed to appoint auditors. 55 Ill. Comp. Stat. § 5/3 – 1003 (Thompson/West 2006).

³⁷ DuPage County Auditor Homepage at www.co.dupage.il.us/auditor/ (last visited on November 21, 2007).

³⁸ DuPage County Auditor Homepage at www.co.dupage.il.us/auditor/ (last visited on November 21, 2007).

³⁹ Illinois' Auditor General Homepage at <http://www.auditor.illinois.gov/> (last visited on November 21, 2007).

- Information in the Financial Plan is provided by fund, not by department or program. This makes it difficult to fully understand shifts in the government's spending priorities and year-to-year changes in the government's overall financial situation. All budgets should include fund-based information to fulfill budgetary compliance requirements. However, budgets should also be user-friendly to the public, which requires the addition of budgetary information broken down by program or department.
- The Capital Improvements Plan Budget does not provide concise, aggregate financial information that totals the amount that will be spent on capital projects for the upcoming fiscal year.

The Civic Federation believes that the DuPage County Financial Plan could be more transparent and user friendly if it was organized according to program area and department, in addition to by fund. An improved Financial Plan should also include the following best practice features, as suggested by the National Advisory Council on State and Local Budgeting (NACSLB):⁴⁰

- A transmittal letter from the County Board Chairman outlining key priorities;
- An organizational chart of the County government;
- A Capital Improvement Plan Budget that begins with summary financial information; and
- A concise Executive Summary offering complete and comprehensive information on all revenues and all spending. The Executive Summary should include:
 - A brief narrative discussion of new issues, programs, and initiatives;
 - Three to five years of summary financial information for each Agency or Office that aggregates revenue and expenditures from various funds;
 - Three to five years of summary revenue information for each Agency or Office that aggregates revenues from various funds; and
 - A narrative description regarding the components of the gross property tax levy.

Release a Final Executive Budget

The budget that the public is asked to review is a work in progress. It is released before important phases of negotiation between the Chairman and elected officials have been completed. It is extremely difficult for the public to offer any meaningful commentary on a budget whose numbers remain subject to substantial changes. Most other governments reviewed by the Civic Federation present a budget that is the executive's final proposal. The legislative body then debates and amends the budget.

DuPage County should wait and release a **final budget proposal** for public review rather than put forward a tentative and incomplete financial plan that remains subject to substantial change. A final budget proposal would incorporate specific information for all funds using all of the best data available. The current practice of issuing only an incomplete financial plan that remains a work-in-progress before producing a final budget document for consideration by the Board limits

⁴⁰ 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).

the utility of public input and represents a significant departure from the budget practices of virtually every other government in the region. We understand the importance of completing a budget proposal by a target date, but the desire to meet such an objective should never compromise reasonable standards of completeness and accuracy.

Develop and Implement a Performance Measurement System

For each agency or program, the FY2008 DuPage County Financial Plan includes a mission statement, a list of accomplishments from the prior fiscal year, and short-term and long-term goals. These features do present some information regarding the activities, services, and functions carried out by organizational units, but the budget provides no quantitative or qualitative measures that allow the public to evaluate program performance.

Given the current administration's stated intention of improving management efficiency over the long term, the Civic Federation believes a performance measurement program would prove a useful tool for DuPage County Government. By evaluating and reporting program results, the County can keep policymakers and taxpayers informed about actual achievements as compared with expectations.⁴¹

It is both expensive and inefficient to produce reams of measures that are developed without the involvement of management and staff, or that are unconnected 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 DuPage County seeks to improve its management and operations.

Implement a Formal Long-Term Financial Planning Process

DuPage County 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. However, the County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that DuPage County 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 the County Board of Commissioners and other key policy stakeholders, including the public.

⁴¹ 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).