



CHICAGO PARK DISTRICT FY2005 PROPOSED BUDGET

Analysis and Recommendations

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The Civic Federation
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EXECUTIVE SUMMARY

The Chicago Park District proposes a FY2005 budget of \$366 million. The District faced a \$15.6 million deficit for FY2005, which will be addressed through a number of management efficiencies and revenue enhancements, including a \$6 million increase in property tax revenues for general purposes and an additional \$6 million in property taxes exempted from the tax cap by the General Assembly for special recreational purposes.

The Civic Federation offers the following **key findings** on the Chicago Park District's finances based on our analysis of its FY2005 budget and FY2003 audited financial statements:

- The FY2005 budget will increase by 4.3% from the original FY2004 budget. This is a \$15 million increase from \$351.3 million to \$366.4 million.
- The FY2005 budget contains \$5.3 million in expenditure reductions, including the elimination of 61 full-time positions.
- \$16.3 million in revenue enhancements are proposed, including a \$12 million property tax increase, restructuring of parking fees, harbor fee increases and facility rental and permit increases.
- The property tax levy for general operations for tax year 2005 (receivable in 2006) will increase by 3.2%, or \$6 million. This is significantly less than the maximum amount of \$8.5 million that the District could have levied under the tax cap law.
- A \$6 million property tax levy for Special Recreation, including fulfilling Americans with Disabilities Act (ADA) requirements, will be authorized.

The Civic Federation **supports** the Chicago Park District's FY2005 proposed budget because:

- The Chicago Park District's FY2005 budget balances reasonable tax and fee increases with efforts to reduce spending and increase efficiency.
- The Civic Federation is pleased that the Chicago Park District chose to exercise restraint in its general operations property tax levy increase. Unlike many other local governments, the District increased property taxes for general operations less than the maximum amount allowed by the tax cap law.
- The District continues to control personnel costs with the elimination of 61 full-time positions. Even though the District is adding 33 part-time and 75 seasonal full-time equivalents in FY2005, the reduction in full-time positions will produce significant savings in employee costs, particularly benefits. Over the last 5 years, the district has reduced full-time personnel by 346 positions.
- The Chicago Park District is moving towards an emphasis on multi-year strategic planning, including the development of a 5-year capital plan.

The Civic Federation has **concerns** about several financial issues related to the budget:

- According to the District, property taxes levied for Special Recreation purposes may be commingled with other property tax funds. We believe that this violates the spirit of Public Act 93-0612 authorizing the Special Recreation levy beyond the existing tax cap limitations.
- Although the Civic Federation is pleased by the cooperation and disclosure by CPD staff in providing the financial details of the FY2005 budget, we are again disappointed by the poor quality of the budget document. At a basic level, the document is not transparent and fails to provide the public with a reasonable overview and basic understanding of District finances and operations.

The Civic Federation offers the following specific **recommendations** on ways to improve the Chicago Park District's financial management and transparency of operations:

- Special Recreation revenues should be segregated in a special revenue fund and used only for special recreation purposes, not to improve the District's general operating position.
- All District employees should be required to contribute to the cost of the health and dental insurance premiums. Virtually no private company or other governments pay the full cost of insurance

premiums. This is an obsolete and overly generous employee benefit the District can no longer afford.

- Transparency of the budget document must be dramatically improved to include summary tables and narrative descriptions.
- The District should build upon its strategic planning efforts to develop and implement a formal long-term financial planning process that includes input from all stakeholders and is publicly provided in a published document.
- The Chicago Park District should develop and utilize a performance measurement system to assist in the process of improving management efficiency.

OVERVIEW OF ANALYSIS

The Civic Federation recently concluded an analysis of financial issues related to the Chicago Park District's proposed FY2005 budget. Based upon that review, we would like to offer the following comments. The full text of our analysis follows this summary and is also available on our Web site at www.civicfed.org.

While The Civic Federation supports much of the Chicago Park District's FY2005 budget, we have some concerns, particularly related to the lack of transparency in the budget documents and the potential commingling of special recreation property tax levy funds with general operating funds.

Issues that the Civic Federation Supports

The Civic Federation applauds the Park District's general operating property tax restraint and its commitment to personnel reductions. We are also encouraged by the District's move toward long-range strategic planning and encourage continued steps in this direction.

Restraint in Property Tax Increase

The Chicago Park District's FY2005 budget proposes a 3.2% increase in the property levy for its general operations. This is a \$6 million increase that will be collected in 2006. However, the District estimates that the maximum 2005 levy allowable under the tax cap law would have been \$8.5 million. Thus, the District is levying roughly 70% of the maximum allowable in 2005.

The Civic Federation is **pleased that the Chicago Park District chose to exercise restraint in its property tax levy increase**. We are not opposed to reasonable tax or fee increases, but believe that such increases should be balanced and preceded by strenuous efforts to reduce spending and increase efficiency. The Chicago Park District this year, as in past years, continues to strive toward this critical need to balance of moderate revenue increases with effective expenditure reductions.

Property taxes are inherently regressive because there is no relationship between increased assessments and a property owner's actual income. We are encouraged when governments act to mitigate the property tax burden on homeowners and businesses. The Chicago Park District's restraint in limiting property tax increases stands in sharp contrast to several other local

governments which increased property taxes this year to the maximum amount allowed instead of balancing revenue increases with spending cuts and efficiency improvements.

Continued Full-Time Personnel Reductions

We are **encouraged** by the Chicago Park District's proposals to **control personnel costs** by eliminating 61 full-time positions. Although the District is adding 33 part-time and 75 seasonal positions in FY2005, the reduction in full-time positions should produce significant savings in operating costs, particularly employee benefits. Over the last 5 years, the District has reduced full-time personnel by 346 positions. Since FY1996, 420 full-time positions have been eliminated.

Improved employee work processes, technological advancements, and increased competition have already driven many private sector industries into significant workforce reductions while maintaining high quality delivery of services. From 2000 to 2003, the U.S. Department of Labor reported that insurance companies were able to reduce staff by more than 10% nationwide, the real estate industry eliminated 9% of their workforce, and the banking industry shed 14% of headcount.¹ The Chicago Park District has been a leader among local governments in its willingness to embrace modernization and improved efficiencies.

The actions that the Chicago Park District has taken to trim staff, coupled with privatization efforts and rationalization of service delivery are steps in the right direction and the Civic Federation applauds the District for pursuing this strategy.

Special Recreation Property Tax Levy

Public Act 93-0612 gives the Chicago Park District the authority to levy additional property taxes for the purpose of funding special recreation programs and transportation. The District expects to levy \$6 million for these purposes in FY2005.² Of this amount, the District is budgeting \$3.3 million for capital projects to bring facilities into compliance with the federal Americans with Disabilities Act (ADA), \$1 million in new programs, and \$1.7 million to cover the costs of existing special recreation initiatives. The Civic Federation supports this new special recreation services levy for the purpose of meeting specific federal ADA requirements and to benefit those citizens with special needs.

Emphasis on Multi-Year Planning

General Superintendent Mitchell has indicated that the Chicago Park District is moving towards an emphasis on multi-year strategic planning.³ This will include the development of a 5-year capital plan. The Civic Federation strongly supports this effort and encourages the CPD to fully develop and utilize best practice financial management standards as it moves forward on these important initiatives.

¹ Data from the U.S. Department of Labor Bureau's of Labor Statistics. 2003 data is the most recent data available as of this writing.

² Chicago Park District Budget Briefing, November 18, 2004. The City's 2003 EAV, the most recent year available, was \$53.2 billion. The special recreation levy limit for that year would have been roughly \$21 million.

³ Chicago Park District Budget Briefing, November 18, 2004.

Issues of Concern to the Civic Federation

Despite the many positive elements in the proposed Chicago Park District budget, The Civic Federation is **concerned** about the transparency and possible confusion created as a result of how the CPD presents its public budget document.

Possible Commingling of Special Recreation and General Funds

According to the Chicago Park District, property taxes levied for the Special Recreation Fund “will probably be” deposited in the District’s Corporate (General) Fund. It is the District’s understanding that the enabling statute does not require establishment of a separate fund. However, a final determination has not yet been made on this matter.

The Civic Federation strongly urges the District to not commingle Special Recreation Fund with Corporate Fund revenues. The extraordinary levy authority granted to the CPD was based on the assumption that there is a critical need for special recreation services and ADA improvements. The District must establish a transparent public record of how these funds are expended. Absorbing the special recreation levy into the General Fund will diminish the public’s confidence that such funds are indeed being expended for extraordinary purposes and not for the routine operations of the District.

The Civic Federation believes that because the CPD received a tax cap exemption to levy the Special Recreation funds for a specific purpose, those funds must be segregated. Special Recreation funds should not be used to improve the general operating position of the CPD, but rather should be spent specifically on the purpose for which they are being levied.

Serious Lack of Budget Transparency

The Chicago Park District budget format now includes a summary table in the overview section.⁴ This is a positive step. However, **the CPD continues to have one of the least transparent budget of any local government.** Much more public disclosure and readability can be found in the public budget documents of the State of Illinois, the Chicago Public Schools, the City of Chicago, Cook County, the City Colleges of Chicago, the Forest Preserve District of Cook County, the Chicago Transit Authority and the Metropolitan Water Reclamation District.

The format of the current CPD budget document is not transparent and it utterly fails to provide the public with a reasonable overview of District operations and financial trends. The current budget document must be improved to allow for the public and the Board of Commissioners to better understand the financial condition and priorities of the District.

Civic Federation Recommendations

The Civic Federation offers several recommendations on ways to improve the District’s financial management and transparency of operations.

⁴ Chicago Park District FY2005 Budget, p. 345.

Segregate Special Recreation Funds

In FY2005, the Chicago Park District will exercise the authority granted to it in November 2003, by Public Act 93-0612 to levy \$6 million in additional property taxes for the purpose of funding special recreation programs and transportation. We support this special levy, which is designed to provide the CPD with adequate resources to fulfill its obligations under the requirements of the federal Americans with Disabilities Act (ADA). Approval of the levy required an exemption from the tax cap law. The enabling statute specifies that the levy may not exceed 0.04% of the equalized assessed value (EAV) of property within the District's boundaries.

At the present time, the District has indicated that it intends to deposit these additional special recreation funds in the general operating fund.⁵ The Civic Federation believes that this would violate the spirit of the law, which was to ensure that the District could meet an unfunded mandate. We urge the Park District to establish a separate fund for special recreation property tax revenues, from which special recreation appropriations would be made. Taxes paid for special recreation purposes should be earmarked for special recreation purposes. Segregating the funds will provide greater clarity and transparency in the use of those funds for their intended purpose.

Require Employee Health Insurance Co-Payments

Currently, unionized Park District employees do not contribute to the cost of their health and dental insurance premiums. This 0% co-payment is an obsolete and overly generous employee benefit that the Park District can no longer afford, given the rapidly escalating costs of health insurance in recent years. Most employers, including most local governments, require some contribution from employees toward their insurance premiums, as a way to share the burden of rising costs. The Civic Federation strongly encourages the Chicago Park District to negotiate insurance premium co-payments with its union employees in future collective bargaining agreements.

Dramatically Improve Budget Transparency

In order to promote a more transparent and user-friendly budget document, the budget format should contain features such as:

- A transmittal letter that describes in general terms the highlights of the budget
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;
- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

⁵ Information provided by Chicago Park District Chief Financial Officer James Chiampas, on November 24, 2004.

The Park District has a precedent for a better budget presentation; the budget documents from the 1990s include transmittal letters and some narrative descriptions of programs. We urge the District to review these previous budgets and budgets from other local governments such as Cook County to improve the transparency of the information presented to the public.

Adopt Formal Financial Policies

Formal or written financial policies are plans that guide and determine a government's present and future financial operations decision-making. Both the National Advisory Council on State and Local Budgeting and the Government Finance Officers' Association recommend that all jurisdictions adopt formal written financial policies.⁶ The Civic Federation recommends that the Chicago Park District adopt written financial policies to guide the development of its annual budget.

Develop and Utilize Performance Measures

All governments should evaluate the performance of programs and services they provide. This is the best means to determine if they are accomplishing intended program goals and making efficient use of resources. Evaluating and reporting on program results helps keep policymakers and taxpayers alike informed about actual results compared to expectations.⁷ The Civic Federation urges the Chicago Park District to work toward evaluation of programs and service delivery by developing performance measures to be reported in all subsequent budgets.

Implement a Long-Term Financial Planning Process

The Chicago Park District is moving toward a process of multi-year strategic planning, an effort the Civic Federation strongly applauds. We encourage the District to institutionalize this effort by moving toward the development of a formal long-term financial plan that is shared with and/or reviewed by key policymakers and stakeholders.

ACKNOWLEDGEMENTS

The Civic Federation would like to thank General Superintendent Timothy Mitchell, Board of Commissioners President María Saldaña and the members of the Board of Commissioners for the opportunity to comment on the proposed FY2005 Chicago Park District budget. We would also like to commend Chief Financial Officer James Chiampas, Budget Director Mark Thomas, and the Chicago Park District's financial management staff for their efforts in preparing this budget. We greatly appreciate the cooperation we have received from them and Park District budget and finance office staff in preparing our analysis.

⁶ See Recommended Practices 4.1 – 4.7 in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998) and “Adopting Financial Policies,” Recommended Practice, Committee on Governmental Budgeting and Management (2001).

⁷ 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).

FY2005 BUDGET HIGHLIGHTS

The proposed FY2005 Chicago Park District budget is \$366 million. This is a \$15 million, or 4.3% increase from the FY2004 appropriation. The District projects a \$15.6 million budget gap for FY2005, to be closed through a combination of \$5.3 million in cost savings and \$10.3 million in revenue enhancements, including a \$6 million increase in the property tax levy.

Gap-Closing Measures

The figure below illustrates measures used to close the District's \$15.6 million budget gap. The cost savings will be generated from Central Administration restructuring, including 4 layoffs, 13 vacancies eliminated, and 2 furlough days for management (\$1.0 million). Cost savings will also come from consolidation of trade functions under Facilities Management and elimination of 16 vacancies and 16 filled trade positions (\$2.4 million). Trade functions are expected to be made more efficient through enabling technologies such as use of the City of Chicago's 311 work order tracking system as well as Global Positioning Satellite technology. Cost savings will also be generated through restructuring of the Regions from 5 regions to 4 and associated elimination of 27 vacancies and 7 filled positions, as well as the equivalent of hourly positions equivalent of 11 full-time positions (\$1.91 million).

Revenue enhancements will include parking revenue generated by changing the end of Early Bird parking rates from 10 a.m. to 9 a.m. (\$0.5 million), requiring concessionaires to reimburse the District for operating costs such as garbage pick-up (\$0.19 million), harbor fee increases (\$0.7 million), establishing fee consistency among park programs (\$1 million), increasing permit fees (\$0.19 million), and increasing facility rental fees (\$0.55 million). In addition, the Park District will use \$1.7 million from the new \$6 million Special Recreation Tax levy to fund existing special recreation programs (see page 13). Finally, the budget gap will be closed with a \$6 million property tax increase (\$5.65 million net loss in cost of collections).

Chicago Park District FY2005 Deficit Closing Measures	
REVENUE ENHANCEMENTS	
Parking Early Bird Change from 10am to 9am	\$ 500,000
Concession Operating Costs Reimbursement	\$ 190,000
Harbor Fee Increases	\$ 700,000
Consistent Program Fees	\$ 1,000,000
Facility Rentals and Permit Increases	\$ 550,000
New Special Recreation Tax Revenue for Existing Programs	\$ 1,700,000
Property Tax Increase of 3.2% (net loss in collections)	\$ 5,650,000
TOTAL Revenue Enhancements	\$ 10,290,000
COST REDUCTIONS	
Central Administration Restructuring	\$ 1,000,000
Trade Consolidations	\$ 2,400,000
Restructuring Regions	\$ 1,910,000
TOTAL Cost Reductions	\$ 5,310,000
TOTAL DEFICIT	\$ 15,600,000

FINANCIAL ISSUES AND TRENDS

This section provides summaries of key issues likely to affect the District's financial situation in the upcoming fiscal year as well as expenditure, appropriation, and revenue trends.

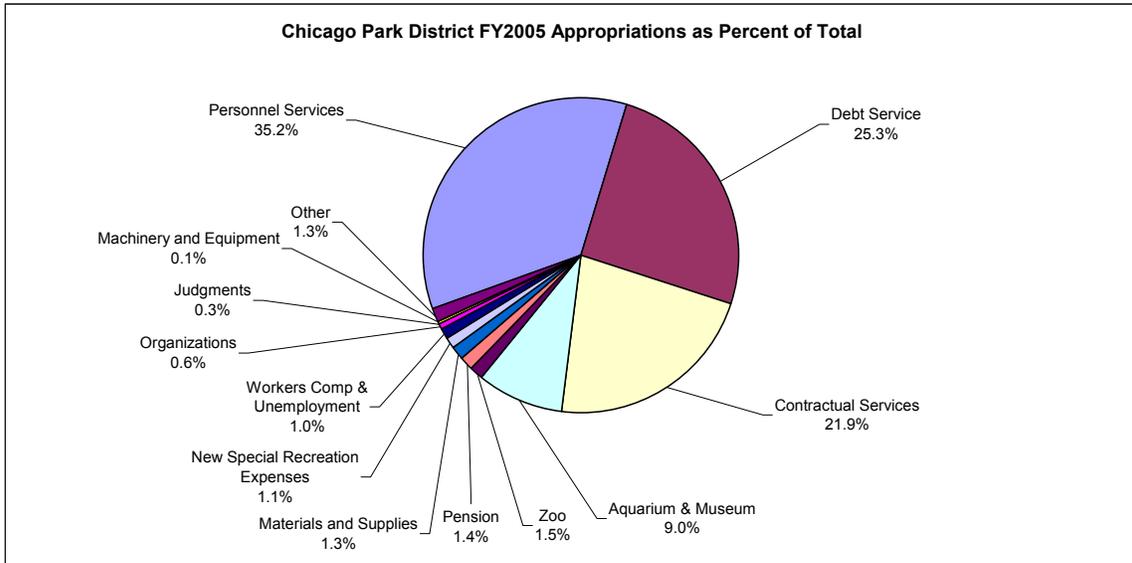
All Fund Appropriations: 4.3% Increase from \$351 million to \$366 million

Total Chicago Park District appropriations are projected to increase from \$351 million in FY2004 to \$366 million in FY2005, a 4.3% increase. Personnel appropriations are expected to increase by 6.3%, from \$87.4 million to \$92.7 million, while debt service appropriations will rise by 6.3%.

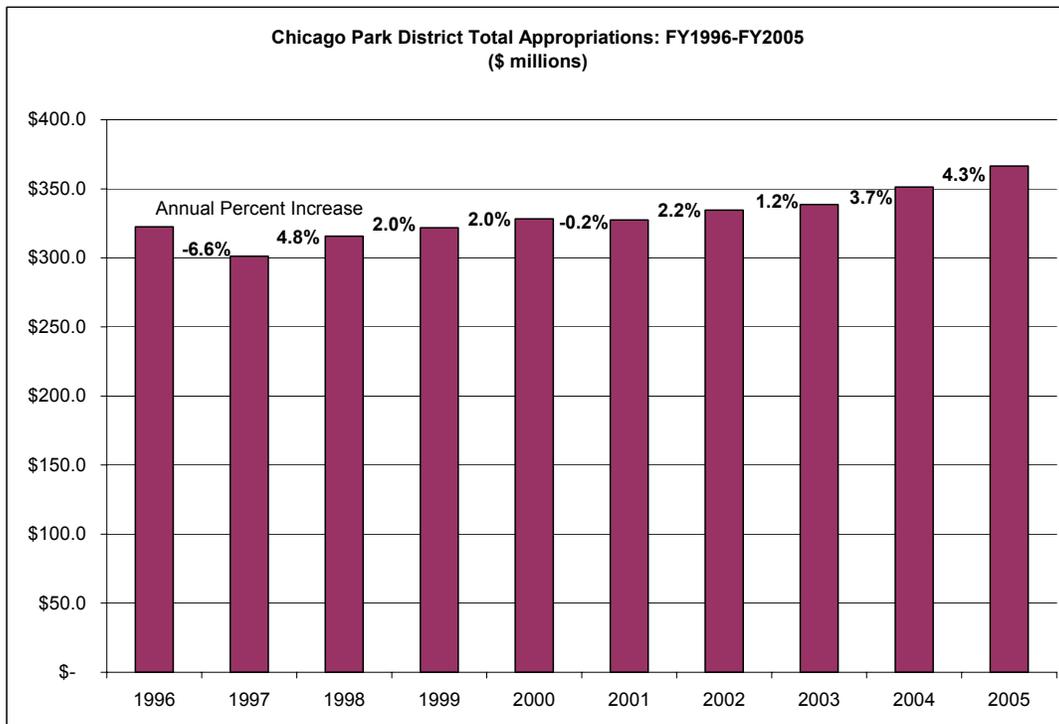
Chicago Park District Appropriations by Object: FY04-FY05				
	2004 Budget	2005 Budget	\$ change	% change
Personnel Services	\$ 121,384,358	\$ 129,019,029	\$ 7,634,671	6.3%
Debt Service	\$ 87,451,879	\$ 92,717,904	\$ 5,266,025	6.0%
Contractual Services	\$ 77,597,985	\$ 80,342,996	\$ 2,745,011	3.5%
Aquarium & Museum	\$ 32,403,866	\$ 32,855,906	\$ 452,040	1.4%
Zoo	\$ 5,584,000	\$ 5,584,000	\$ -	0.0%
Pension	\$ 9,830,705	\$ 5,045,418	\$ (4,785,287)	-48.7%
Materials and Supplies	\$ 4,708,480	\$ 4,720,765	\$ 12,285	0.3%
New Special Recreation Expenses	\$ -	\$ 4,176,000	\$ 4,176,000	-
Workers Comp & Unemployment	\$ 3,641,175	\$ 3,700,000	\$ 58,825	1.6%
Organizations	\$ 1,930,000	\$ 2,275,000	\$ 345,000	17.9%
Judgments	\$ 1,550,000	\$ 1,150,000	\$ (400,000)	-25.8%
Machinery and Equipment	\$ 309,132	\$ 306,782	\$ (2,350)	-0.8%
Other	\$ 4,931,027	\$ 4,589,003	\$ (342,024)	-6.9%
GRAND TOTAL	\$ 351,322,607	\$ 366,482,803	\$ 15,160,196	4.3%

Source: Chicago Park District FY2005 Budget Book, page 345

Approximately 35% of FY2005 appropriations are budgeted for Personnel Services while Debt Service represents 25% of appropriations. Contractual Services represent 22% of total appropriations.



Over the last ten years, total appropriations have grown by 13.5%, or \$44 million, for an average annual increase of 1.5%.



The next exhibit provides a detailed listing of Contractual Services appropriations. Overall, the District will increase Contractual Service appropriations by 3.5%, rising from \$77.5 million to \$80.3 million. The District was able to achieve contract savings for Landscape Services resulting in over \$2.3 million in savings. Job order contracts, previously used to hire outside contractors for emergency repairs or essential jobs, will be eliminated due to the restructuring of the trade functions. The 70% reduction in the City of Chicago contractual services line is due to

a shift in Park District payments; \$700,000 of the \$1 million total amount for security at music festivals will be paid for with Park District funds, not to the City of Chicago.⁸

Chicago Park District Contractual Services Appropriations: FY04-FY05				
Contractual Services	2004 Budget	2005 Budget	\$ change	% change
Park Services Management	\$ 26,039,077	\$ 27,244,097	\$ 1,205,020	4.6%
Management Fee Expense	\$ 6,919,821	\$ 8,296,010	\$ 1,376,189	19.9%
Rent & Utilities	\$ 19,294,000	\$ 21,568,762	\$ 2,274,762	11.8%
Professional Services	\$ 3,631,284	\$ 3,564,561	\$ (66,723)	-1.8%
Communications	\$ 1,311,500	\$ 1,360,400	\$ 48,900	3.7%
City of Chicago (Police & Grant Park Music Festival)	\$ 1,000,000	\$ 300,000	\$ (700,000)	-70.0%
Job Order Contracts	\$ 354,200	\$ -	\$ (354,200)	-
General Contractual Services	\$ 1,935,452	\$ 1,891,544	\$ (43,908)	-2.3%
Expenditures of Grants	\$ 5,877,915	\$ 7,000,000	\$ 1,122,085	19.1%
Insurance	\$ 3,461,403	\$ 3,401,099	\$ (60,304)	-1.7%
Reprographic Services	\$ 720,342	\$ 466,039	\$ (254,303)	-35.3%
Landscape Services	\$ 4,745,000	\$ 2,419,700	\$ (2,325,300)	-49.0%
Other	\$ 2,307,991	\$ 2,830,784	\$ 522,793	22.7%
GRAND TOTAL	\$ 77,597,985	\$ 80,342,996	\$ 2,745,011	3.5%

Revenue Sources and Trends

The property tax levy represents 70.1% of the District's estimated FY2005 revenues, and the Personal Property Replacement Tax (PPRT) represents 6.5%. Fees and Charges from expected to provide 20.9% of revenues in FY2005. These revenues include fees from rentals, golf, parking, harbors and recreational activities as well as permits and concessions.

Property Tax Levy: The gross property tax levy for Park District general operations will increase by 2.4% in FY2005, to \$253.9 million. Because property taxes are collected one year after they are levied in Cook County, this amount is the levy approved by the Chicago Park District last year. The District projects a levy increase this fiscal year (2005) for taxes to be collected next fiscal year (2006) for general operations of 3.2% or \$6 million. This amount is less than the maximum \$8.5 amount the District could have levied under the tax cap law.

The new Special Recreation property tax levy of \$6 million will be levied this year, but not collected until 2006.⁹ These monies will be deposited into the District's Corporate Fund.

Personal Property Replacement Tax (PPRT): Although the District only budgeted \$24 million in PPRT for 2004, it expects to have received \$30 million by the close of the year. It conservatively projects flat PPRT revenues for FY2005.

Recreation Fees: Recreation fee revenues will decrease in FY2005 because the District did not implement \$1 million in fee increases that had been budgeted in 2004. Instead, it is taking a multi-year approach to increasing those fees.

⁸ Chicago Park District FY2005 Budget, p. 107.

⁹ The Chicago Park District does issue tax anticipation notes (TANs) – a form of short-term borrowing – in the last half of each year in advance of levy funds for the upcoming fiscal year.

Rental of Soldier Field: The District expects to receive \$1 million less in Soldier Field rentals for FY2005 from the Illinois Sports Facilities Authority. The Illinois Sports Facilities Authority (ISFA) had provided the CPD with \$1 million in reimbursements for the additional costs of insurance, security and other related expenses in the aftermath of the September 11, 2001 attacks in 2003. The ISFA has pledged to provide \$1 million in each year it enjoys a budget surplus. However, in 2004 there was no surplus and in 2005, the same situation is expected.

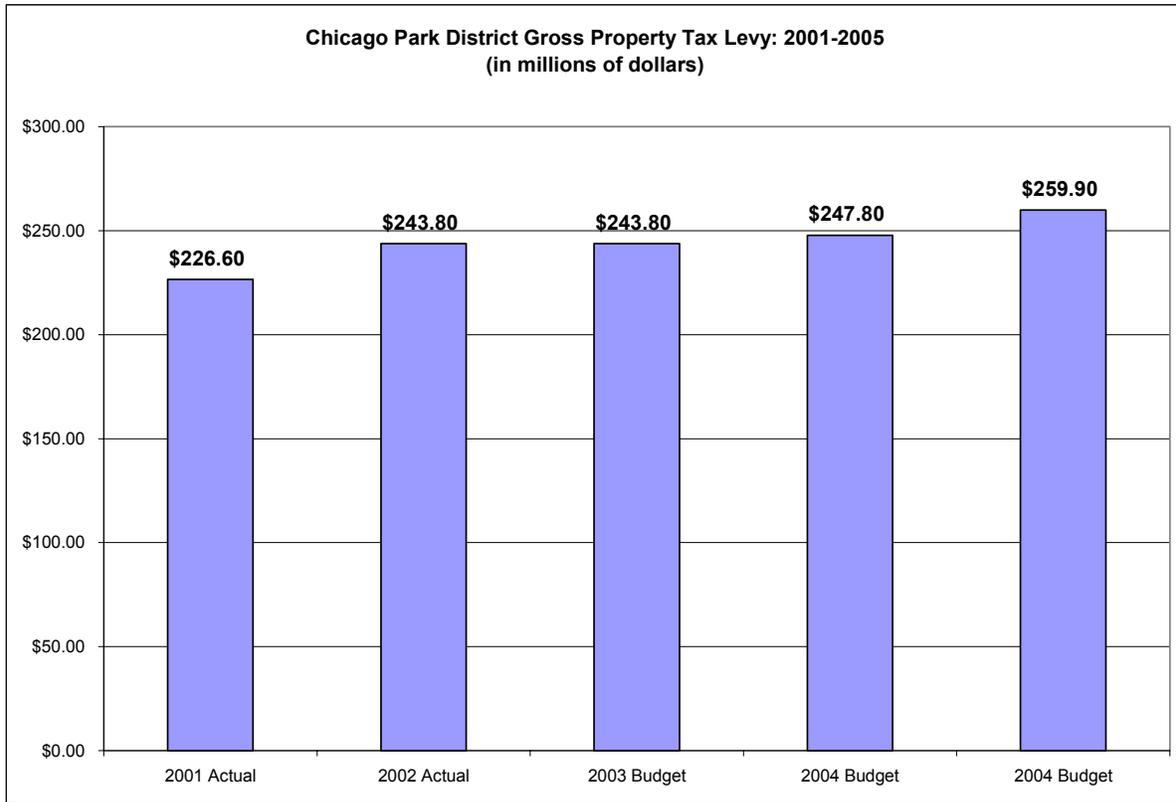
Golf Course fees: Golf course fees from the District's privatized golf operations are set at \$500,000 per year under the current contract, which expires in December 2007. There are two 1-year renewal options for that contract.

Chicago Park District Revenues by Source: 2004 & 2005				
	2004 Budget	2005 Budget	% change	\$ change
Gross Property Tax Levy	\$ 247,861,372	\$ 253,910,657	2.4%	\$ 6,049,285
Special Recreation Property Tax Levy	\$ -	\$ 6,000,000	--	\$ 6,000,000
Property Tax Loss in Collection	\$ (7,635,841)	\$ (9,296,873)	21.8%	\$ (1,661,032)
Personal Property Replacement Tax	\$ 24,000,000	\$ 30,000,000	25.0%	\$ 6,000,000
Rental of Soldier Field	\$ 20,812,692	\$ 19,812,692	-4.8%	\$ (1,000,000)
Rental of Other Property	\$ 3,900,000	\$ 4,290,000	10.0%	\$ 390,000
Parking Fees	\$ 18,457,884	\$ 18,957,884	2.7%	\$ 500,000
Harbor Fees	\$ 17,000,000	\$ 17,700,000	4.1%	\$ 700,000
Recreation	\$ 13,000,000	\$ 11,660,000	-10.3%	\$ (1,340,000)
Grants and Donations	\$ 5,877,915	\$ 7,000,000	19.1%	\$ 1,122,085
Concessions	\$ 1,900,000	\$ 2,090,000	10.0%	\$ 190,000
Permits	\$ 1,598,585	\$ 1,758,444	10.0%	\$ 159,859
Investments	\$ 750,000	\$ 550,000	-26.7%	\$ (200,000)
Golf Course Fees	\$ 500,000	\$ 500,000	0.0%	\$ -
Miscellaneous	\$ 3,300,000	\$ 1,550,000	-53.0%	\$ (1,750,000)
Total	\$ 351,322,607	\$ 366,482,804	4.3%	\$ 15,160,197

Source: Chicago Park District FY2005 Budget, p. 345

Property Tax Levy: \$259.9 million, \$6 Million Increase from FY2004

The Chicago Park District's FY2004 gross property tax levy is expected to be \$259.9 million. This includes a \$253.9 million levy for the Park District's general operations and \$6 million for a new Special Recreation tax levy. The net levy of \$250.6 million is the amount projected to remain after approximately \$9.3 million is budgeted for loss and cost of collection. The gross levy has increased 14.7% over the last 5 years.



The gross levy for the Corporate Fund will increase by 12.4% in FY2005. This increase includes revenues from the new Special Recreation tax levy. The portion of the levy reserved for pension expenses is expected to decline by 48.7%, from \$9.8 million to \$5 million. With the exception of the portion of the levy dedicated to the Public Building Commission Operations & Maintenance Fund, which will increase by 6.2%, the levy for all other funds will remain constant or decline.

Chicago Park District Property Tax Gross Levy by Fund: 2004 & 2005			
Fund	2004	2005	% change
Corporate	\$ 131,258,062	\$ 147,488,182	12.4%
Pension			
Municipal Employees of Chicago	\$ -	\$ -	
Park District Employees	\$ 9,821,177	\$ 5,033,508	-48.7%
Laborers	\$ -	\$ -	
Public Building Commission			
Rental of Facilities	\$ 4,200,476	\$ 4,200,476	0.0%
Operations & Maintenance	\$ 10,373,872	\$ 11,016,225	6.2%
Liability, Workers Comp., Unemployment	\$ 7,242,578	\$ 7,241,099	0.0%
Bond Debt Service Fund	\$ 42,091,518	\$ 42,092,165	0.0%
Aquarium and Museum Bond Debt Service	\$ 12,277,983	\$ 12,243,073	-0.3%
Aquarium and Museum Purposes	\$ 30,595,706	\$ 30,595,706	0.0%
Total	\$ 247,861,372	\$ 259,910,434	4.9%

Since FY2001, the total gross levy has increased by 14.7%. The portion of the levy earmarked for the Corporate Fund will have increased over the last 5 years by 19.9%. Property taxes used

to pay for the CPD Employees' Pension Fund will decrease by 49.7% while funds for the Aquarium and Museum Purposes will have decreased by 11.9% during the same time period.

Chicago Park District Property Tax Gross Levy by Fund: 2001 & 2005			
Fund	2001	2005	% change
Corporate	\$ 122,987,652	\$ 147,488,182	19.9%
Pension			
Municipal Employees of Chicago	\$ 5,900	\$ -	
Park District Employees	\$ 10,006,701	\$ 5,033,508	-49.7%
Laborers	\$ -	\$ -	
Public Building Commission			
Rental of Facilities	\$ 4,200,470	\$ 4,200,476	0.0%
Operations & Maintenance	\$ 5,282,535	\$ 11,016,225	
Liability, Workers Comp., Unemployment	\$ 7,443,412	\$ 7,241,099	-2.7%
Bond Debt Service Fund	\$ 41,939,372	\$ 42,092,165	0.4%
Aquarium and Museum Bond Debt Service	\$ -	\$ 12,243,073	
Aquarium and Museum Purposes	\$ 34,744,694	\$ 30,595,706	-11.9%
Total	\$ 226,610,736	\$ 259,910,434	14.7%

Since 2001, the District's total property tax levy has appeared on tax bills as two separate line items: one for taxes levied to support the District and a second for the share of the levy earmarked to support the Aquarium and Museum's debt service.

Chicago Park District Property Tax Levy by Purpose			
Fund	2004	2005 Proj.	% CHG
Park District	\$ 235,583,449	\$ 247,667,584	5.1%
Aquarium & Museum Debt Service	\$ 12,277,923	\$ 12,243,073	-0.3%
Total	\$ 247,861,372	\$ 259,910,657	4.9%

Special Recreation Tax Levy

In November 2003, Public Act 93-0612 gave the Chicago Park District the authority to levy additional property taxes for the purpose of funding special recreation programs and transportation. The levy may not exceed 0.04% of the equalized assessed value (EAV) of property in the City of Chicago. The District estimates that its levy limit for FY2005 is \$22 million, of which it will levy \$6 million.¹⁰

The \$6 million in special recreation levy revenues will be placed in the general operating fund. For FY2005, the District is budgeting \$3.3 million for new Americans with Disabilities Act (ADA) capital projects, \$1 million in new inclusionary programs, and \$1.7 million to cover the costs of existing special recreation initiatives.

PERSONNEL AND PERSONNEL SERVICES TRENDS

The District plans to reduce full-time personnel by 61 positions, while adding 33 part-time and 75 seasonal full-time equivalents (FTE). The addition of part-time and seasonal workers largely

¹⁰ Chicago Park District Budget Briefing, November 18, 2004. The City's 2003 EAV, the most recent year available, was \$53.2 billion. The special recreation levy limit for that year would have been roughly \$21 million.

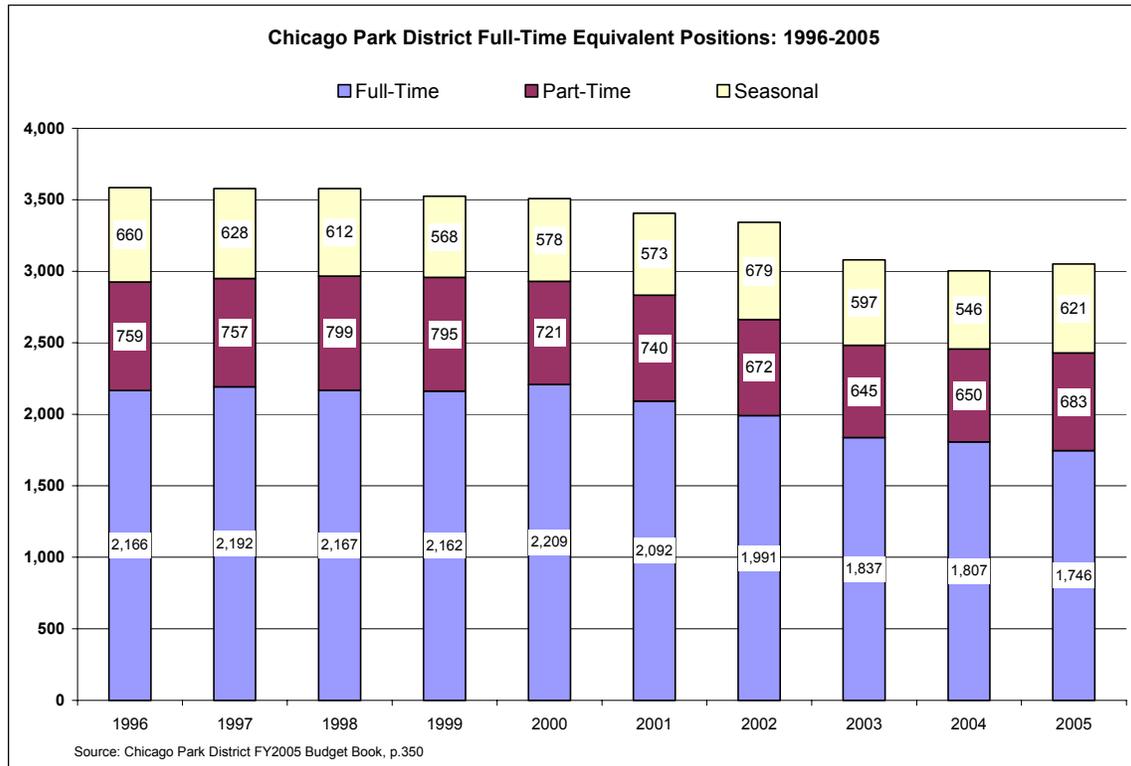
reflects expansion or addition of recreational programs. The net change is an increase of 47 FTEs, or 1.6%.

Chicago Park District Personnel: 2004 & 2005				
FTEs	2004	2005	# Change	% Change
Full-Time	1,807	1,746	-61	-3.4%
Part-Time	650	683	33	5.1%
Seasonal	546	621	75	13.7%
Total	3,003	3,050	47	1.6%

Over the last 5 years, the district has reduced full-time personnel by 346 positions, and part time personnel by 57 FTEs, while increasing seasonal positions.

Chicago Park District Personnel: 2001 & 2005				
FTEs	2001	2005	# Change	% Change
Full-Time	2,092	1,746	-346	-16.5%
Part-Time	740	683	-57	-7.7%
Seasonal	573	621	48	8.4%
Total	3,405	3,050	-355	-10.4%

Since FY1996, 535 FTEs have been eliminated, of which 420 are full-time positions.



The following exhibit presents personnel services appropriations in FY2004 and FY2005.¹¹ Personnel services will increase by 6.6%, or \$8 million, from \$121 million in FY2004 to \$129 million in FY2005. In FY2005, the District is budgeting for a 5.6% increase in salaries and wages and a 13.3% increase in benefits to support the addition of 47 FTEs.

Currently, District union employees do not make a co-payment on their health and dental insurance premiums, so the full cost is borne by the Park District.

Chicago Park District Personnel Services Appropriations: FY2004 & FY2005				
(\$ millions)				
	2004	2005		
	Budget	Budget	\$ change	% change
Salaries and Wages	\$ 106	\$ 112	\$ 6	5.7%
Health, Dental, and Insurance Benefits	\$ 15	\$ 17	\$ 2	13.3%
TOTAL	\$ 121	\$ 129	\$ 8	6.6%

DEBT TRENDS

The Civic Federation has employed two measures of debt for purposes of this analysis: short-term debt trends and long-term debt per capita trends.

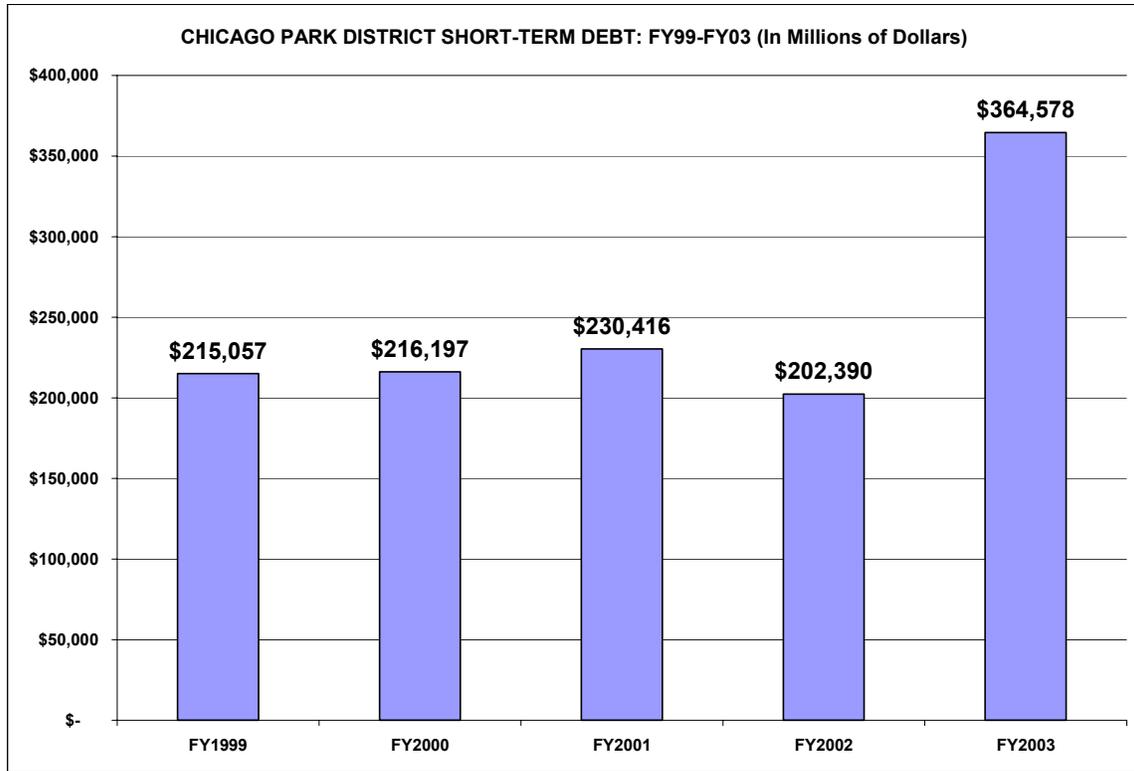
Short-Term Debt Trends: 70% Increase in FY2003

Short-term debt is a financial obligation that must be satisfied within one year. An increasing trend in 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.

Short-term debt in governmental activities includes obligations such as accounts payable, contracts payable, deposits, interest payable, interest, due to other funds, and liabilities from restricted assets. In sum, it includes all liabilities except accrued salaries and wages, accrued payroll, compensated absences and long-term debt.

Between FY1999 and FY2003, CPD short-term debt increased sharply by 70%. This represents a \$162 million increase from \$202 million to \$364 million. If continued in subsequent fiscal years, this large increase could raise concerns.

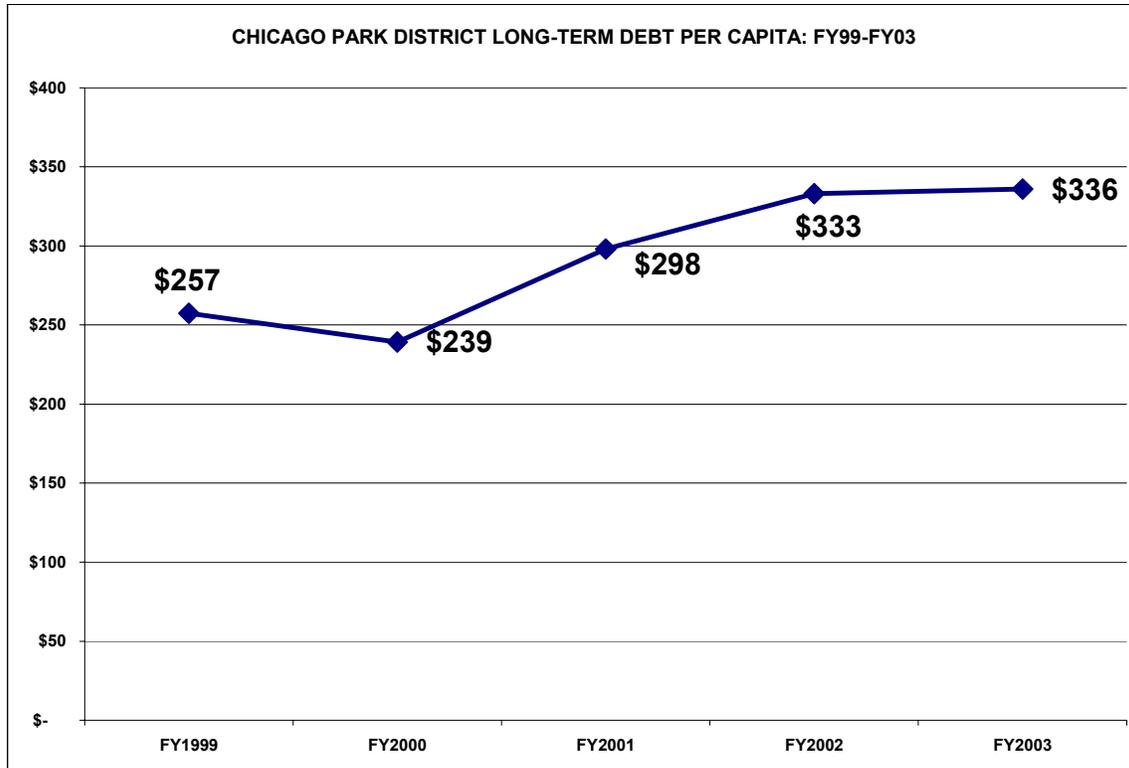
¹¹ Personnel Services information provided by Chicago Park District Chief Financial Officer Jim Chiampas, on November 24, 2004.



Long-Term Debt Per Capita: 31% Increase between FY1999 and FY2003

Long-term debt per capita is a measure of a government’s ability to maintain its current financial policies. The Chicago Park District’s long-term debt includes general obligation bonds, revenue bonds and Public Building Commission capital lease debt. Increases in this indicator bear watching as a potential sign of increasing financial risk.

The exhibit that follows shows that the Chicago Park District’s long-term debt burden grew by 31% during the 5-year period between FY1999 and FY2003. In FY1999, long-term debt per capita was \$257. Five years later, it had increased to \$336. Continued increases in this category would be a cause for concern, particularly as the Park District’s revenue base consists primarily of economically sensitive revenues and property tax revenues, which cannot grow faster than the rate of inflation or 5%, whichever is less. However, the slowing in the District’s rate of growth between FY2002 and FY2003 is a positive sign.



The CPD had a total of \$1 billion in long-term obligations outstanding as of December 31, 2003. \$853 million of that amount was earmarked for General Obligation bonds for capital improvement purposes. \$94.2 million of G.O. debt outstanding was earmarked for Aquarium and Museum capital projects. A complete list of outstanding long-term obligations is provided below.

CPD LONG-TERM OBLIGATIONS FY2003	
General Obligation Bonds	Balance 12/31/03
Capital Improvement	\$ 853,760,000
Aquarium and Museums	\$ 94,250,000
Unamortized Premiums	\$ 11,214,795
Deferred Amount on Refunding	\$ (21,663,697)
Subtotal G. O. Bonds	\$ 937,561,098
Capital Lease PBC	\$ 27,925,000
Compensated Absences	\$ 6,963,834
Claims & Judgments	\$ 2,775,000
Property Tax Claim Payable	\$ 19,510,880
Worker's Compensation	\$ 15,262,723
Total Governmental Activities	\$ 1,009,998,535
Total Business-Type Activities	\$ -
Grand Total	\$ 1,009,998,535

Source: Note 6 (a), *Chicago Park District Financial Statements*, p. 37.

Debt Service Appropriations

Chicago Park District debt service appropriations in FY2005 are expected to be 25% of total appropriations of \$366 million, or \$92 million.

Debt service expenditures as a percentage of General Fund and Bonded Debt Service expenditures in FY2003, the last year for which audited financial information is available, were 21%.¹² A debt burden is considered high by the rating agencies when debt-service payments represent 15-20% of the combined operating and debt-service fund expenditures. However, the District's outstanding debt is expected to decrease in the future because a number of its capital improvement projects have been completed.

PENSION FUND TRENDS

The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Park District's pension fund: funded ratios, the value of unfunded liabilities, and the investment rate of return.¹³

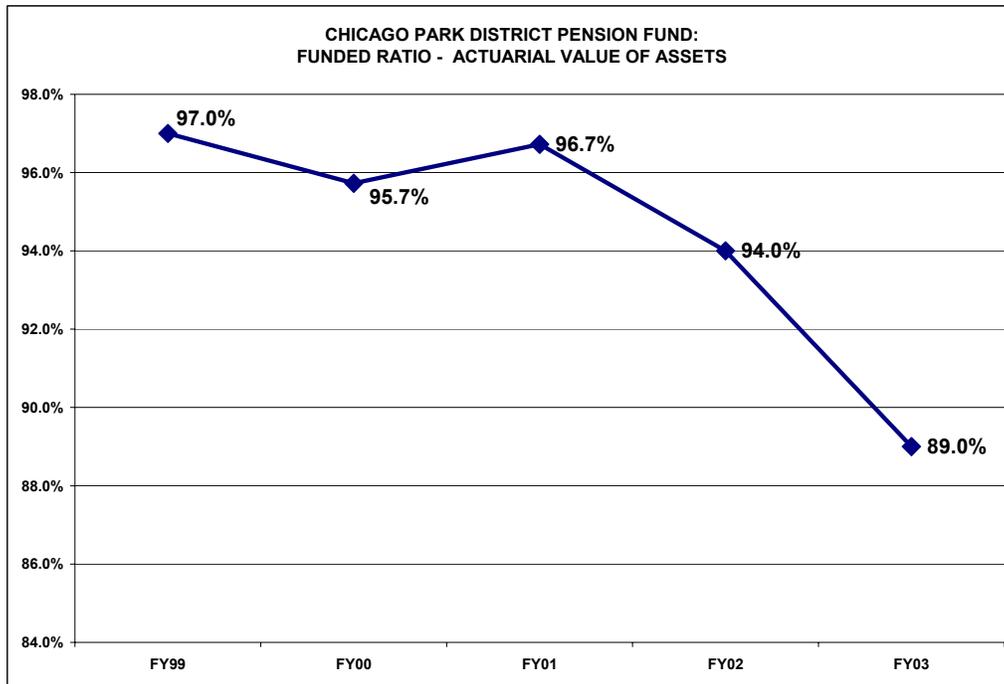
Funded Ratios – Actuarial Value of Assets: High at 94.0%

The following exhibit shows the funded ratio for the Chicago Park District's pension fund. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

The funded ratio for the CPD's pension fund averaged 94.5% between FY1999 and FY2003. The funded ratio decreased from 94.0% in 2002 to 89.0% in 2002. However, the high funded ratio indicates that the Chicago Park District has sufficient assets to cover pension liabilities in the long term.

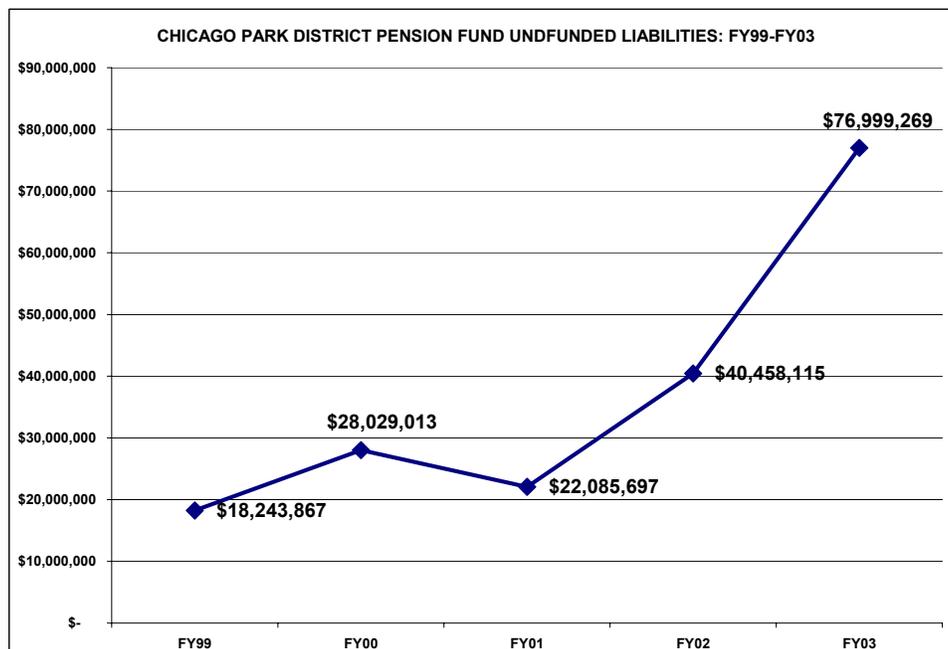
¹² *Chicago Park District FY2003 Financial Statements*, p. 18.

¹³ The discussion of the Chicago Park District's pension fund trend is drawn from Scott Metcalf. *Status of Local Pension Funding* (Chicago: Civic Federation, 2003).



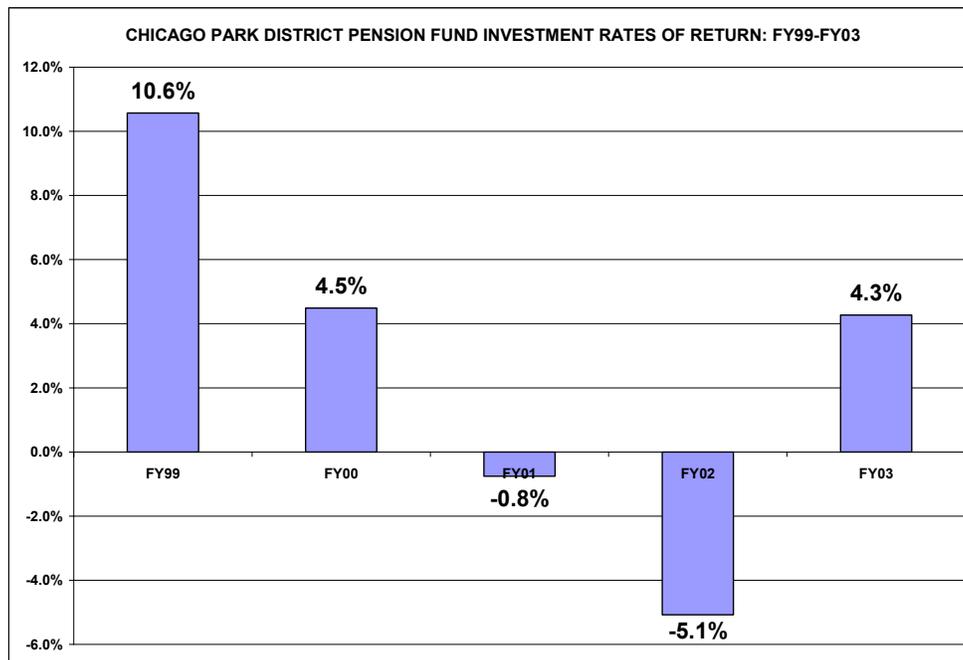
Unfunded Pension Liabilities: \$36 Million Increase Between FY2002 and FY2003

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for the CPD's pension fund totaled nearly \$77 million in FY2003. There was a 90%, \$36 million, increase in unfunded liabilities in FY2003 from the previous year. Over the 5-year period of analysis, unfunded liabilities rose by 322%, from \$18.2 million to \$77 million. This increase is due in large part to the decline in investment returns in FY2001 and FY2002.



Investment Rates of Return: Positive Returns in FY2003

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. In FY2001 and FY2002, CPD investment rates of return declined, reflecting the effects of the economic downturn. However, in FY2003, as the economy began to recover, pension fund investment rates of return were positive, increasing by 4.3%.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve the Chicago Park District's financial management and to reduce expenditures.

Segregate Special Recreation Funds

In FY2005, the Chicago Park District will exercise the authority granted to it in November 2003, by Public Act 93-0612 to levy \$6 million in additional property taxes for the purpose of funding special recreation programs and transportation. At the present time, the District intends to deposit these additional special recreation funds in the general operating fund.¹⁴

The Civic Federation urges the Park District to establish a separate fund for special recreation property tax revenues, from which special recreation appropriations would be made. Segregating the funds will provide greater clarity and transparency in the use of those funds for their intended purpose.

¹⁴ Information provided by Chicago Park District Chief Financial Officer Jim Chiampas, on November 24, 2004.

Require Employee Health Insurance Co-Payments

Currently, unionized Park District employees do not contribute to the cost of their health and dental insurance premiums. This 0% co-payment is an obsolete and overly generous employee benefit that the Park District can no longer afford, given the rapidly escalating costs of health insurance in recent years. Most employers require some contribution from employees toward their insurance premiums, as a way to share the burden of rising costs. The Civic Federation encourages the Chicago Park District to negotiate insurance premium co-payments with its union employees in future collective bargaining agreements.

Improve Budget Format to Provide Greater Transparency

The Chicago Park District budget format now includes a summary table in the overview section.¹⁵ This is a positive step. However, **the CPD continues to have one of the least transparent budget of any local government.** Much more public disclosure and readability can be found in the public budget documents of the State of Illinois, the Chicago Public Schools, the City of Chicago, Cook County, the City Colleges of Chicago, the Forest Preserve District of Cook County, the Chicago Transit Authority and the Metropolitan Water Reclamation District.

The format of the current budget document is not transparent and it utterly fails to provide the public with a reasonable overview of District operations and financial trends. The current budget document must be improved to allow for the public and the Board of Commissioners to better understand the financial condition and priorities of the district. For example, **there is no narrative description of programs.** Data is not presented in consistent categories from year to year to permit meaningful trend comparisons.

The Park District has a precedent for a better budget presentation; the budget documents from the 1990s include transmittal letters and some narrative descriptions of programs. We urge the District to dramatically improve its budget format to increase the public's ability to comprehend the District's financial decisions.

In order to promote a more transparent and user-friendly budget document, the budget format should contain features such as:

- A transmittal letter that describes in general terms the highlights of the budget
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;
- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

¹⁵ Chicago Park District FY2005 Budget, p. 345.

Develop and Utilize Performance Measures

The Civic Federation agrees with the International City Management Association (ICMA), the Government Finance Officers' Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB) that all governments should evaluate the performance of programs and services they provide. This is the best means available to determine if they are accomplishing intended program goals and making efficient use of resources. Evaluating and reporting on program results keeps all citizens and stakeholders apprised of actual results compared to expectations.¹⁶

The Civic Federation urges the Chicago Park District to develop performance measures to be reported in all subsequent budgets.

Adopt Formal Financial Policies

Formal or written financial policies are plans that guide and determine a government's present and future financial operations decision-making. Both the NACSLB and the GFOA recommend that all jurisdictions adopt formal written financial policies.¹⁷ The Civic Federation recommends that the Chicago Park District adopt written financial policies to guide the development of its annual budget.

Implement a Long-Term Financial Planning Process

Increasing numbers of jurisdictions around the nation are preparing and implementing formal long-term financial plans. They include New York, Philadelphia, Washington, D.C., Phoenix and San Diego. The National Advisory Council on State and Local Budgeting (NACSLB) and the Government Finance Officers Association (GFOA) both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.¹⁸

Long term financial planning is a strategic process that provides governments with the insights and information they need to establish sound financial and operations policies and pursue actions that maintain good fiscal health over time. A typical long-term financial plan (LTFP) consists of a 3-5 year forecast of revenues, expenditures and debt capacity; an assessment of historic economic and financial trends; and an evaluation of problems or opportunities and actions to address them, such as gap-closing or surplus management actions. The benefits of long-term financial planning include helping to determine if:

- Revenues are adequate to maintain services at current levels;

¹⁶ 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).

¹⁷ See Recommended Practices 4.1 – 4.7 in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998) and "Adopting Financial Policies," Recommended Practice, Committee on Governmental Budgeting and Management (2001).

¹⁸ See National Advisory Council on State and Local Budgeting and Government Finance Officers Association

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

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.

The Chicago Park District undoubtedly employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends. However, it has not developed a formal long-term financial planning process. The Civic Federation recommends that The Chicago Park District take the next step and develop a formal long-term financial plan that is shared with and/or reviewed by key policymakers and stakeholders.