The Civic Federation

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CHICAGO PARK DISTRICT FY2011 BUDGET:

Analysis and Recommendations

December 1, 2010

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2011 proposed operating budget of $397.6 million. The District is proposing to hold the property tax levy flat and maintain expenditures at close to FY2010 levels by using operating efficiencies and personnel cuts. The District is also proposing to eliminate its $22.0 million budget deficit in part by using $12.0 million of TIF surplus and $3.0 million of Corporate Fund balance. The District is projecting modest increases in new non-tax revenues from increased fees, corporate sponsorships and winter boat storage.

The Civic Federation offers the following **key findings** on the FY2011 Recommended Budget:

- The FY2011 proposed budget is $397.6 million, a $5.7 million, or 1.5% increase from FY2010 budgeted appropriations;
- The property tax levy will be $259.9 million for the sixth consecutive year;
- Revenue from permits and fees will increase by $1.2 million, or 2.5% from FY2010;
- Personal Property Replacement Tax (PPRT) revenues are projected to decrease by $2.1 million or 5.0% from FY2010; and
- Total personnel costs are budgeted at $166.0 million. This is a 2.3% or $3.7 million increase over the $162.4 million that was budgeted in FY2010, despite a net decrease of nine FTE positions. These costs include salaries and benefits.

The Civic Federation **supports** several elements of the proposed budget including:

- Raising revenue from non-tax sources, including the introduction of winter boat storage, corporate sponsorships and modest fee increases;
- Freezing the District's property tax levy for the sixth consecutive year at $259.9 million; and
- Taking positive steps toward the implementation of a performance measurement system by including multiple performance measures for all departments with actual, budgeted and projected figures.

However, the Civic Federation has **concerns** about the FY2011 proposed budget including:

- The continued use of non-recurring sources to balance the budget deficit, which appears to indicate a structural deficit. These resources include $3 million from the Corporate Fund balance and $12 million from TIF surplus to balance this year's $22 million deficit; and
- Maintaining the District's pension fund at a funded ratio below a level considered financially healthy. The funded ratio fell from 95.7% in FY2000 to 67.2% in FY2009.

The Civic Federation offers the following **recommendations** to improve the Chicago Park District's financial management:

- Strengthen the District's formal fund balance policy by specifying the circumstances under which the District can draw down on its reserves for operations and setting a General Fund balance target;

- Implement pension reform, including employer and employee contributions that relate to funded status of the plan, reduced benefits for current employees if the District is unable to secure adequate funding for its pension promises, consideration of pension fund consolidation with the Illinois Municipal Retirement Fund and reform of pension board governance;
- Build on the District's performance measurement system by including outcome and efficiency measures and strengthening the link between goals and performance measures with numeric objectives;
- Implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public;
- Assume operational control of the Illinois International Port District's Harborside Golf Center as part of a larger proposed dissolution of the entire Port District governmental structure; and
- Improve the District's budget format, providing five-year trend data for both revenues and appropriations and clarifying the uses and sources of reserve funds.

CIVIC FEDERATIONS POSITION

The Civic Federation **supports** the FY2011 Chicago Park District budget. The District's proposed operating budget of $397.6 million is an increase of only 1.5% from the previous year. The District is continuing to successfully pursue non-tax revenues, is holding the property tax levy flat for the sixth straight year and will have a slight decrease in Full-Time Equivalent positions.

However, the Civic Federation is concerned about the District's pattern of reliance on non-recurring revenue sources, which appears to indicate a structural deficit. One of the primary sources of such funds has been reserves available from transferring control of its three downtown parking garages to the City of Chicago in 2006. The Civic Federation recommends that the District strengthen its policy for using reserve funds and increase clarity in the budget about how these funds have been used.

ISSUES THE CIVIC FEDERATION SUPPORTS

The Civic Federation supports the following issues related to the FY2011 Chicago Park District budget.

Increasing Non-Tax Revenues

The Chicago Park District has been successful in raising revenues from a number of non-tax sources in recent years. For example, the District is introducing winter boat storage, which is expected to generate $475,000 in FY2011 and is also increasing harbor fees. In addition, the District is pursuing corporate sponsorships, which it projects will generate $850,000. It is also standardizing fees across the District and expects an average 1% increase. In 1993 the District first privatized the management of its six golf courses, three driving ranges, two miniature golf courses and three learning centers. In 2009 the District changed the operator and entered into a new golf management contract, which had more favorable terms and resulted in additional revenues.[1] Over the past five years permit and fee revenue has increased by 37.6% or $14.0 million, reflecting large increases in all categories including a $4.7 million or 940.7% increase in Golf Course Fees.

The Civic Federation commends the District's efforts to generate revenue from non-tax sources. The increase in these revenue sources helps mitigate the impact of declining economically sensitive tax revenues such as the Personal Property Replacement Tax and provides diversification to protect against individual revenue fluctuations.

Holding the Property Tax Levy Flat

For the sixth consecutive year the District is holding the property tax levy flat. The levy, which totals $259.9 million, includes $253.9 million for general operations and $6.0 million for Special Recreation purposes. This has been possible largely because the District has utilized a

[1] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

combination of increased fee revenues, new revenue sources, reductions in personnel and use of proceeds from privatization.

It is prudent to look at alternatives to raising taxes as City residents struggle to deal with the aftermath of the recession and the housing foreclosure crisis. The Civic Federation supports the District's continued efforts to limit the pressure placed on property taxes. However, the District will need to utilize long-term financial planning to ensure that it is prepared when one-time revenue sources are no longer available and to prevent an overdependence on non-recurring sources.

Limiting Appropriation Increases

The District is proposing a budget for FY2011 with appropriations rising only 1.5%, including only a nominal increase in General Fund[2] expenditures. The District has had success in containing expenditures over the past five years; the FY2011 budget is only increasing 0.9% over FY2007 budgeted levels. Personnel costs are the largest area of expenditures for the District, which makes it a crucial area to address. From FY2007 to FY2011, the number of Full-Time Equivalent (FTE) positions has been reduced by 127 positions or 3.9%. The District has also increased the proportion of staff that are part-time from 46.4% of FTEs in FY2007 to 50.9% in FY2011.

Inclusion of Performance Measurement Data

The District has taken positive steps toward the implementation of a performance measurement system. Although not meeting all best practices, the District has included multiple performance measures for all of its departments with a 2011 projection, 2010 budgeted number and 2009 actual. Not all departments have incorporated outcome measures, although they have grouped the measures by the corresponding goal. Some departments also list accomplishments that relate to the performance measures. Performance measurement data is important both to provide management with a tool to improve operations and to provide public accountability for results.

CIVIC FEDERATION CONCERNS

The Civic Federation has concerns about two financial issues facing the Chicago Park District.

Continued Use of Non-Recurring Revenue Sources Indicates a Structural Deficit

The District appears to have a structural deficit that has persisted through the use of non-recurring revenue sources. The District will close its FY2011 deficit of $22.0 million in part by utilizing non-recurring sources such as $3.0 million from the Corporate Fund balance and $12.0 million in a surplus TIF fund distribution from the City of Chicago. The Park District is also continuing to implement furlough days, which are not a permanent budgetary solution. The Civic

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[2] The term "General Fund" is used in this analysis to refer to the District's primary operating fund consistent with the District's financial statements. The District's Budget Summary appears to utilize three different terms to refer to this fund including General Corporate Purposes Fund, Corporate Fund, and General Fund. The description of the Park District fund structure categorizes three other funds in addition to the Corporate Fund as "General Funds."

Federation does not object to any of these techniques individually. For example, utilizing a portion of fund balance during an economic downturn to address short-term revenue fluctuations can be appropriate. However, the Civic Federation is concerned that the District shows a pattern of reliance on non-recurring methods to balance its annual budgets, indicating that the District has a structural deficit where ongoing revenues are not sufficient to meet ongoing expenditures.

This is at least the fifth year in a row that the District has utilized non-recurring revenue sources. This practice dates back to FY2007, prior to a decline in economically sensitive revenues. The non-recurring revenues utilized in recent years include the following:

- In FY2010, $7.7 million was transferred from the Parking Garage Revenue Capital Improvements Fund.
- In FY2009, $10.0 million was budgeted from Interest on Capital Investment.
- In both FY2007 and FY2008 $10.0 million was transferred from unreserved fund balance.

Also, in FY2007 the District transferred $10.0 million into its Corporate Fund from its Pension Fund,[3] which has seen a significant decline in its funded ratio.

Deterioration of the Fiscal Health of the Park District Pension Fund

The funded ratio of the Chicago Park District pension fund fell to 67.2% in FY2009, the last year for which data is available. Since FY2000 the funded ratio has dropped from 95.7%. Unfunded liabilities totaled $270.1 million in FY2009. This is an increase of $242.1 million or nearly ten times the $28.0 million of unfunded liabilities in FY2000. The funded ratio is falling below a level considered financially healthy. The District must act to improve the financial health of the fund by reducing its mounting unfunded liabilities.

CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations on ways to improve the Chicago Park District's financial and transparency practices.

Strengthen Reserve Fund Balance Policy

In 2009 the District introduced a fund balance policy that guides the use of the District's Long-Term Income Reserve Fund that was created after the District transferred control of its downtown parking garages to a private operator. The District's policy establishes a floor of $85.0 million for the Long-Term Income Reserve Fund and allows for internal lending to the General Fund in order to bridge timing gaps in property tax collections. Any other drawdown is to be used for one-time capital costs and not ongoing operational expenditures. The District should be commended for taking a first step toward a fund balance policy, but the policy should be strengthened by clearly stating the procedure for transferring interest earnings and addressing the Garage Revenue Capital Improvements Fund.

The Garage Revenue Capital Improvements Fund was also created with the parking garage proceeds and it has also transferred funds for use as a general revenue source. The fund balance policy should be expanded to specify the circumstances under which the Garage Revenue Capital

[3] Chicago Park District FY2007 Comprehensive Annual Financial Report p. 61.

Improvements Fund can be used for operations. For example, the policy could specify the economic conditions and/or revenue declines under which this source could be used for operations.

Establish a General Fund Balance Policy

The Park District should have a policy that directly addresses the General Fund fund balance. The Government Finance Officers Association (GFOA) recommends that governments establish a policy for the level of unrestricted fund balance that should be maintained in the General Fund.[4] The policy should express a fund balance target as a percentage of operating expenditures or revenues. The GFOA recommends at least two months of operating expenses or revenues, which is approximately 17%. The Long-Term Income Reserve Fund as designed is not a substitute for a General Fund fund balance. Interest earnings from the fund are intended to replace lost revenue from the leased parking garages and the District's policy does not allow the principal to be used for operational expenses. A General Fund fund balance policy is needed to address cases of operational revenue shortfalls and unanticipated expenditures. A fund balance policy provides a guide for governments to develop budgets based on sound fiscal management.

Implement Comprehensive Pension Reform

The Civic Federation offers the following specific recommendations to improve the long-term financial health of the Chicago Park District Pension Fund. These measures would require General Assembly authorization. The Civic Federation supported Public Act 96-0889, which created a different tier of benefits for many public employees hired on or after January 1, 2011. Over time these benefit changes for new hires will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier. However, the pension fund's actuarial funded ratio has fallen to 67.2% and the District needs to take action immediately. We strongly urge the District to seek approval for additional reforms.

Reduce Benefits for Current Employees if Adequate Funding for Pension Promises Is Not Secured

The Park District's unfunded pension liabilities have grown tenfold over the last decade, from $28.0 million in FY2000 to $270.1 million in FY2009. The actuarially required contribution (ARC) has jumped from only 7.0% of payroll to 20.1% of payroll over the same period (see page 42 of this report), although the District only contributed the equivalent of 8.9% of payroll in FY2009. If the District does not take dramatic action to significantly increase its contributions immediately, the contributions needed to rescue the fund will become so substantial that the District will have great difficulty funding the pension promises it has made to its employees. Raising taxes high enough to deal with the problem may not be a viable option. Therefore, the District may have to seriously consider supporting reductions in non-vested pension benefits for current employees in future pension reform legislation.

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

Require Employer and Employee Contributions to Relate to Funded Status of the Plans

The Park District's employer contribution to its pension fund is a multiple of past employee contributions with no relationship to the funded status of the plan. The employee contributions are a fixed percentage of pay. The Civic Federation recommends that employer and employee contributions be tied to actuarial liabilities and funded ratios, such that contributions are at levels consistent with the actuarially calculated annual required contribution (ARC). This will require additional revenues or reductions.

The Civic Federation believes that employees need to share in the rising costs of public pension plans and recommends that employer and employee contributions be restructured such that employees pay a proportion of required contributions, similar to the new structure of the Chicago Transit Authority pension fund contributions. A proportional relationship should be set whereby, for example, the employer pays 50% and the employees pay 50% of the annual required contribution. Whether the proportion is 50%/50%, 60%/40%, or some other ratio, it is critical that both parties pay a share of required contributions, and that those contributions relate to the fiscal health of the fund.

Study Consolidation with the Illinois Municipal Retirement Fund

Currently the Chicago Park District is the only park district in Illinois that does not participate in the Illinois Municipal Retirement Fund. There could be efficiency gains by merging the Chicago Park District Pension Fund with the IMRF, and the Civic Federation strongly recommends that the District study this option.

Park District Pension Fund Governance Reform

The Park Employees' Annuity and Benefit Fund of Chicago is governed by a seven-member Board of Trustees that includes four active employees and three representatives from management.[5] The proper role of a pension board is to safeguard the fund's assets and to oversee benefit administration. If the District does not join the Illinois Municipal Retirement Fund, the Civic Federation recommends that the composition of the pension board of trustees be revised in three ways. The balance of employee and management representation on the board should be changed so that employees do not hold the majority of seats. A tripartite structure should be created that includes independent citizen representation on the board. Finally, financial experts should be included on the pension board and financial training for non-expert members should be required.[6]

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[5] Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois* (February 13, 2006), http://www.civicfed.org/civic-federation/publications/recommendations-reform-public-pension-boards-trustees-illinois.

[6] Government Finance Officers Association, "Best Practice: Governance of Public Employee Post-Retirement Benefits Systems (2010)." http://www.gfoa.org/downloads/GFOA_governanceretirementbenefitssystemsBP.pdf. See also Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois* (February 13, 2006.

Build on Performance Measurement System

The Civic Federation encourages the Chicago Park District to build on the performance measurement system it has in place. All governments should report on the performance of the 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 how actual results compare to expectations.[7] In addition, during this period of fiscal constraint performance measures can be a valuable tool to communicate the impact of budgetary options to policy makers and the public.

There are a number of steps that can be taken to improve the performance measurement system. The District should include outcome and efficiency measures for all departments, which focus on end results and accomplishments. Currently, many departments only have output and input measures. The District could also strengthen the link between goals and performance measures. Numeric objectives can be used to show the relationship between the performance measure and departmental goals. Lastly, a narrative description of the District's performance measurement system in the budget document would be helpful to understand the validity of the data and management's use of the data. The description in the budget summary section titled "how the district budgets" has no mention of performance measurement, which suggests that performance outcomes are not used in the budgeting process.

Implement a Formal Long-Term Financial Plan

The Chicago Park District 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 District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public. A five-year forecast of revenue and expenditures should also be summarized in the budget document.

Assume Operational Control of Illinois International Port District Harborside Golf Center

The Civic Federation believes that the Illinois International Port District (IIPD) should be dissolved and ownership of the IIPD's Haborside International Golf Center should be transferred to the Chicago Park District.[8]

Our call for the dissolution of the IIPD stems from a continued lack of transparency, accountability and strategic planning that inhibits the Port of Chicago from becoming a more vibrant center of maritime commerce and regional economic and industrial development. We are calling for a complete dissolution of the Port District, with a transfer of port operations and

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[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).

[8] *See* "A Call for the Dissolution and Restructuring of the Illinois International Port Authority" by The Civic Federation, June 30, 2008 at http://www.civicfed.org/articles/civicfed_273.pdf.

related lands to the City of Chicago, open lands to the Forest Preserve District of Cook County and the golf center to the Chicago Park District. In order for this to occur, the enabling legislation must be approved at the state level.

We believe management of a golf course should not be the primary activity of a port authority. Instead, it falls squarely within the parameters of a park district's recreational duties. This transfer will benefit both the Chicago Park District, as they will acquire a valuable recreational asset, and the residents of Chicago as a transparent and open governmental entity will be controlling this public-supported enterprise.

Improve the Budget Book Format

The Chicago Park District continues to provide a high level of detail in its annual budget documents, including the development of a Budget Summary, increased information regarding the District's capital budget and a breakdown of personnel expenses. The Civic Federation applauds this important effort at budget transparency. This year we offer the following recommendations to further increase the user-friendly features of the District's budget documents:

- *Provide five years of trend data for appropriations and revenues.* The Civic Federation recommends the inclusion of budget data for the three prior fiscal years (actual data), the current year adopted budget and the upcoming proposed budget to show trends in revenues and expenditures.

- *Clarify the use and source of reserve funds in the budget document.* The District created three reserve funds from revenue generated when it leased its downtown parking garages to a private operator in 2006. The budget document does not provide the reader with a complete understanding of the funds budgeted from these reserve accounts. Currently, the chart "Financial Summary for All Revenues" has a line for the Long-Term Income Reserve Fund and the text states that "interest earned on these proceeds is budgeted to replace net operating income the District had been receiving from the garages."[9] This description is unclear due to the following:

    1. The budget document does not specify when interest revenue is being earned. Typically, interest and other revenues are budgeted in the year in which they are earned. For example, a government would normally budget FY2011 revenue based on what it expects to receive in FY2011. In this case, the District budgets the Long-Term Income Reserve Fund revenue based on the estimated interest that will be earned by year-end in the previous year. The $100,000 budgeted for FY2011 is based on anticipated 2010 revenues, not 2011.[10] The $10 million in "Interest on Capital Investment" in FY2009 is also not clear. In this case, the District budgeted the interest earnings from the Parking Garage Revenue Capital

[9] Chicago Park District FY2011 Budget Summary, p. 35.
[10] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

Improvements Fund and the Reserve for Park Improvements fund from the time they were established through December 2008.[11]

2. Although the Park District is attempting to transfer only actual interest earnings,[12] it is transferring an estimated amount. As shown in the following chart there is a difference between the year-end actual interest earnings and the amount transferred. While this is understandable, actual earnings should also be reported in subsequent budget documents to demonstrate reasonable estimates.

Long-Term Income Reserve Fund (in $ thousands)				
Fiscal Year	Actual Interest Earnings	Following Fiscal Year	Budget	Difference
2006	$ -	2007	$ 5,000	$ 5,000
2007	$ 4,977	2008	$ 5,000	$ (23)
2008	$ 1,726	2009	$ 2,100	$ (374)
2009	$ 536	2010	$ 380	$ 156

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2009.

3. Interest earnings have not been sufficient to replace all of the net operating income the District was receiving from the garages. In addition, the initial $5 million did not come from interest earnings.

The District should clearly describe in its narrative whether interest earnings are intended to be generated that year or are being taken from previous year earnings (fund balance). It should also detail in the budget document the revenue, expenditure and fund balance history of these funds in a similar fashion to the General Fund presentation on page 36 of the FY2011 Budget Summary. This will provide the reader with a complete understanding of the status of these funds including actual interest earnings.

ACKNOWLEDGEMENTS

The Civic Federation would like to thank General Superintendent Timothy Mitchell, Chief Financial Officer Steve Hughes, Budget Director Tanya Anthony 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 all of them in answering our questions.

[11] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

[12] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

CHICAGO PARK DISTRICT DEFICIT

The Chicago Park District faced a $22.0 million deficit in FY2011. The deficit is driven primarily by falling Personal Property Replacement Tax revenues, increases in salaries and wages due to cost of living negotiations and increases in health benefits and debt service.[13] In FY2010, the District closed a $23.9 million deficit through a combination of expenditure reductions, revenue enhancements and the use of a $7.7 million one-time payment from the Parking Garage Revenue Capital Improvements Fund.[14]

The District will close the FY2011 budget gap through a combination of reductions in full-time employee counts and non-personnel expenses, increases in fees and new revenue sources. Personnel reductions include eight mandatory unpaid furlough days and a net decrease of nine full-time equivalent positions for a total of $2.6 million in savings. Reductions in utilities will result in $0.7 million in savings. Additionally, the District will utilize non-recurring sources, including $12.0 million from TIF surplus and $3.0 million from the Corporate Fund balance.

Chicago Park District Gap Closing Measures: FY2011 (in $ millions)		
Expenditure Decreases		
Furlough/Personnel Reductions	$	2.6
Utilities Reduction	$	0.7
Interest Expense Reduction	$	0.7
Projected Health Benefits Cost Reduction	$	0.6
Reduction of Vacant Hours	$	0.5
Insurance Reduction	$	0.3
Workers Compensation Reduction	$	0.2
Museums PPRT Savings	$	0.2
Various Expense Reductions	$	0.1
Subtotal Expenditure Decreases	**$**	**5.8**
Revenue Increases		
TIF Surplus	$	12.0
Use of Fund Balance	$	3.0
Corporate Sponsorships	$	0.9
Winter Boat Storage	$	0.4
Subtotal Revenue Increases	**$**	**16.2**
Total	**$**	**22.0**

Source: Email communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

[13] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[14] An additional $1.2 million in interest earned from the Garage Revenue Capital Improvement Fund was to be transferred in FY2010. E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 25, 2009.

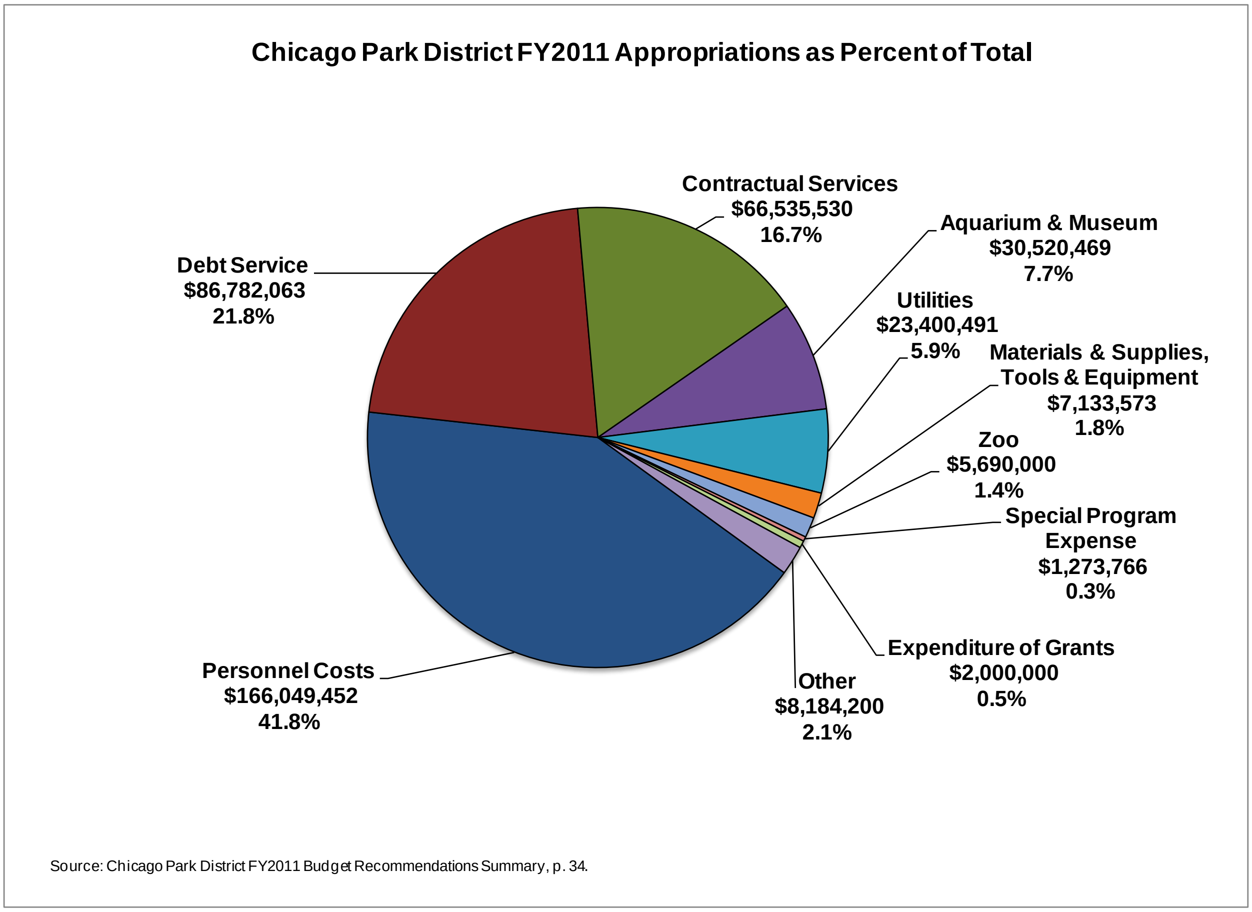
APPROPRIATIONS

This section presents an analysis of the District's budget appropriation trends by object.

Two-Year and Five-Year Total Appropriations by Object

Total Chicago Park District appropriations are proposed to increase from $391.9 million budgeted for FY2010 to $397.6 million in FY2011, a $5.7 million or 1.5% increase.

Approximately 41.8% of FY2011 appropriations are budgeted for personnel costs (including pensions, workers' compensation and unemployment insurance), while Debt Service represents 21.8% of appropriations. Contractual Services will comprise $66.5 million, or 16.7% of the FY2011 budget.



Total personnel costs, including health, dental and life insurance, are expected to increase by 2.3% from $162.4 million in FY2010 to $166.0 million in FY2011. This increase is primarily due to escalating expenses related to health benefits and cost of living increases.[15] Debt service appropriations will grow by 1.9%, from $85.2 million to $86.8 million. The increased payments are due to the issuance of general obligation bonds over the past few years to support ongoing

[15] Chicago Park District FY2011 Budget Summary, p. 43.

capital improvement projects.[16] Contractual services appropriations will also grow by $1.6 million to $66.5 million in FY2011.

The District will reduce its appropriation for the Museums in the Park (Aquarium & Museum line) by $235,500, or 0.8%, for FY2011.[17] The Zoo appropriation will increase by $90,000, or 1.6%, to $5.7 million for FY2011. This appropriation is for the Lincoln Park Zoo, which is operated by a non-profit organization and its management of the small Indian Boundary Zoo.

Chicago Park District Appropriations by Object: FY2010 & FY2011

	FY2010 Budget	FY2011 Proposed	$ change	% change
Personnel Costs	$ 162,386,902	$ 166,049,452	$ 3,662,550	2.3%
Debt Service	$ 85,156,360	$ 86,782,063	$ 1,625,703	1.9%
Contractual Services	$ 64,964,860	$ 66,535,530	$ 1,570,670	2.4%
Aquarium & Museum	$ 30,755,933	$ 30,520,469	$ (235,464)	-0.8%
Utilities	$ 24,100,491	$ 23,400,491	$ (700,000)	-2.9%
Materials & Supplies, Tools & Equipment	$ 7,136,473	$ 7,133,573	$ (2,900)	0.0%
Zoo	$ 5,600,000	$ 5,690,000	$ 90,000	1.6%
Special Program Expense	$ 1,161,971	$ 1,273,766	$ 111,795	9.6%
Expenditure of Grants	$ 2,370,650	$ 2,000,000	$ (370,650)	-15.6%
Liability Insurance & Judgments	$ 4,750,000	$ 4,475,000	$ (275,000)	-5.8%
Organizations	$ 2,490,000	$ 2,690,000	$ 200,000	8.0%
Accessiblity Capital Projects	$ -	$ -	$ -	0.0%
Facilities Rentals	$ 980,000	$ 1,019,200	$ 39,200	4.0%
Total	**$ 391,853,640**	**$ 397,569,544**	**$ 5,715,904**	**1.5%**

Source: Chicago Park District FY2011 Budget Recommendations Summary, p. 34.

[16] Chicago Park District FY2011 Budget Summary, p. 44.
[17] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the Adler Planetarium, Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Notebaert Nature Museum, and John G. Shedd Aquarium. Chicago Park District 2011 Budget Summary, p. 44.

The following exhibit presents a five-year trend of appropriations by object. The FY2011 proposed budget is only 0.9% larger than the FY2007 adopted budget. Personnel costs will increase $12.0 million, or 7.8% and Contractual Services will increase 30.0% over FY2007.

Chicago Park District Appropriations by Object: FY2007 & FY2011				
	FY2007 Budget	FY2011 Proposed	$ change	% change
Personnel Costs	$ 154,098,813	$ 166,049,452	$ 11,950,639	7.8%
Debt Service	$ 87,693,938	$ 86,782,063	$ (911,875)	-1.0%
Contractual Services	$ 51,198,128	$ 66,535,530	$ 15,337,402	30.0%
Aquarium & Museum	$ 33,835,326	$ 30,520,469	$ (3,314,857)	-9.8%
Utilities	$ 23,811,482	$ 23,400,491	$ (410,991)	-1.7%
Materials & Supplies, Tools & Equipment	$ 6,314,278	$ 7,133,573	$ 819,295	13.0%
Zoo	$ 5,600,000	$ 5,690,000	$ 90,000	1.6%
Special Program Expense	$ 5,195,357	$ 1,273,766	$ (3,921,591)	-75.5%
Expenditure of Grants	$ 9,000,000	$ 2,000,000	$ (7,000,000)	-77.8%
Liability Insurance & Judgments	$ 5,165,943	$ 4,475,000	$ (690,943)	-13.4%
Organizations	$ 2,360,000	$ 2,690,000	$ 330,000	14.0%
Facilities Rentals	$ 3,870,685	$ 1,019,200	$ (2,851,485)	-73.7%
Accessibility Capital Projects	$ 5,753,138	$ -	$ (5,753,138)	-100.0%
Total	**$ 393,897,088**	**$ 397,569,544**	**$ 3,672,456**	**0.9%**

Source: Chicago Park District FY2009 Budget Recommendations Summary, p. 39; FY2011 Budget Recommendations Summary, p. 34.

Two-Year and Five-Year Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for FY2010 and FY2011. Overall, the District will increase Contractual Services appropriations by 2.4%, from $65.0 million to $66.5 million. The majority of this increase is attributable to the increases in General Contractual Services ($639,500), Harbor Management ($802,900) and Landscape Services ($550,000). The increase in General Contractual Services is primarily due to the reallocation of expenses from the Special Program Expense, which allows the District to better monitor expenditures the parks incur.[18] Harbor Management will face increased expenses due to the new winter boat storage, an added marketing plan and increased personnel costs, while Landscape Services appropriations will rise to maintain increased park district acreage.[19] The largest decrease in appropriations for FY2011 will occur in Golf Management, which will decrease by $0.3 million due in part to changes from a new golf contract.

Other Management Fee Expenses, which include accounts for Professional Services, Reprographic Services, Ice Skating Management and Litigation Expenses, will decline from $17.2 million in FY2010 to $17.0 million in FY2011. The reduction is a result of lowered budgets for maintenance of equipment due to more efficient lawnmowers and vehicles.[20]

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[18] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[19] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[20] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

Chicago Park District Contractual Services Appropriations: FY2010 & FY2011				
Contractual Services	FY2010 Budget	FY2011 Proposed	$ change	% change
Soldier Field	$ 12,295,437	$ 12,240,764	$ (54,673)	-0.4%
General Contractual Services	$ 14,724,383	$ 15,363,914	$ 639,531	4.3%
Harbor Management	$ 8,117,123	$ 8,920,023	$ 802,900	9.9%
Landscape Services	$ 3,997,100	$ 4,547,100	$ 550,000	13.8%
MLK Center Management	$ 1,109,351	$ 1,091,718	$ (17,633)	-1.6%
Repair & Maintenance	$ 1,290,205	$ 1,460,666	$ 170,461	13.2%
Concessions Management	$ 650,000	$ 675,000	$ 25,000	3.8%
Golf Management Expense	$ 4,434,542	$ 4,123,427	$ (311,115)	-7.0%
Parking Management	$ 1,117,228	$ 1,148,541	$ 31,313	2.8%
Other Management Fee Expense	$ 17,229,491	$ 16,964,377	$ (265,114)	-1.5%
Total	**$ 64,964,860**	**$ 66,535,530**	**$ 1,570,670**	**2.4%**

Source: Chicago Park District FY2011 Budget Recommendations Summary, p. 34.

Contractual Services will increase 30.0% between the FY2007 budget and FY2011 proposed appropriations. The largest increase is in General Contractual Services, which will almost double to $15.4 million in FY2011. Typically, this category increases 10-15% annually partly due to increases in disposal of waste and communication services, however most recently the account increased significantly as a result of reallocating expenses from the Special Program Expense account.[21] Over the same five-year period, appropriations for Harbor Management and Landscape Services will each increase by $1.6 million due to increases in contractual management fees and park acreage. Appropriations for the Golf Management Expense began in FY2010 after the District entered into a new contract with Billy Casper Golf in October 2009.[22]

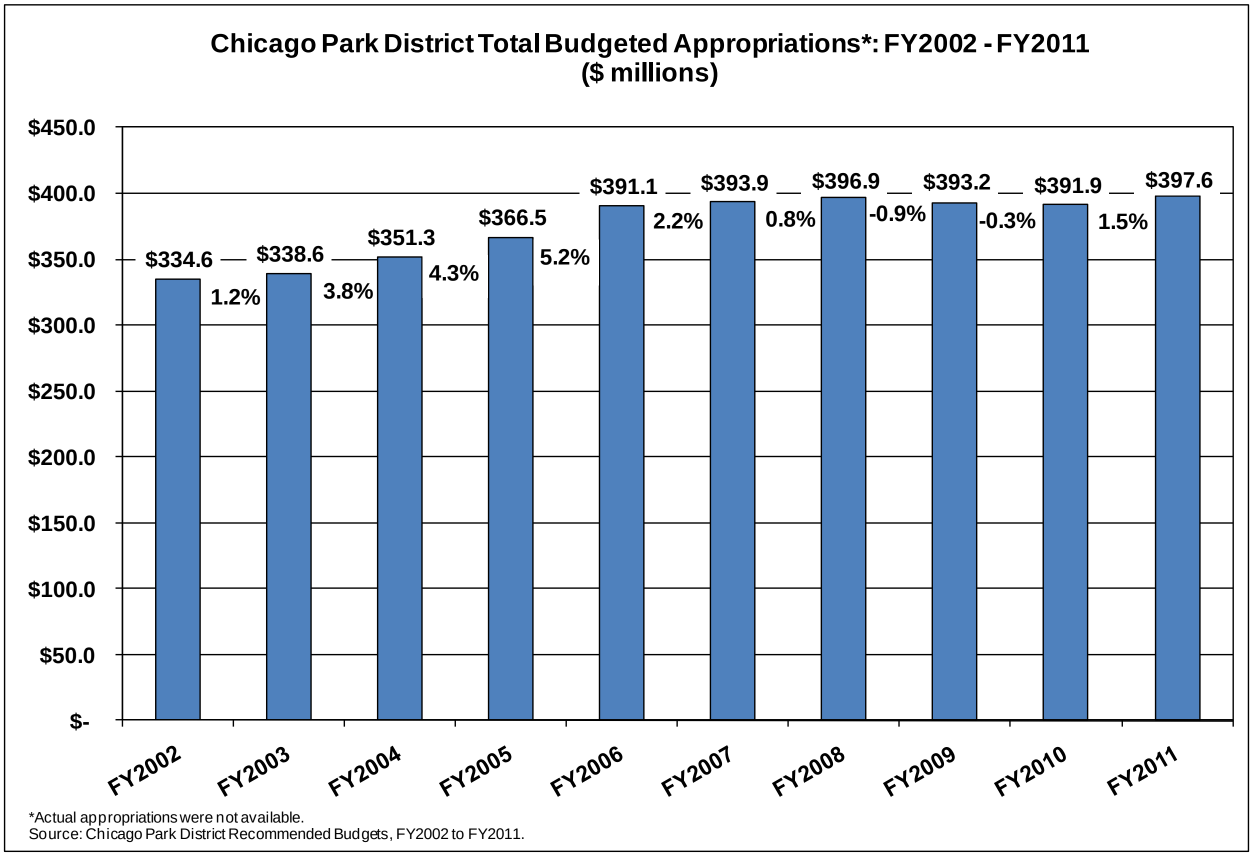
Chicago Park District Contractual Services Appropriations: FY2007 & FY2011				
Contractual Services	FY2007 Budget	FY2011 Proposed	$ change	% change
Soldier Field	$ 11,800,445	$ 12,240,764	$ 440,319	3.7%
General Contractual Services	$ 8,075,259	$ 15,363,914	$ 7,288,655	90.3%
Harbor Management	$ 7,315,000	$ 8,920,023	$ 1,605,023	21.9%
Landscape Services	$ 2,900,000	$ 4,547,100	$ 1,647,100	56.8%
MLK Center Management	$ 1,464,202	$ 1,091,718	$ (372,484)	-25.4%
Repair & Maintenance	$ 921,200	$ 1,460,666	$ 539,466	58.6%
Concessions Management	$ 750,000	$ 675,000	$ (75,000)	-10.0%
Golf Management Expense	$ -	$ 4,123,427	$ 4,123,427	100.0%
Parking Management	$ 321,987	$ 1,148,541	$ 826,554	256.7%
Other Management Fee Expense	$ 17,650,035	$ 16,964,377	$ (685,658)	-3.9%
Total	**$ 51,198,128**	**$ 66,535,530**	**$ 15,337,402**	**30.0%**

Source: Chicago Park District FY2009 Budget Recommendations Summary, p. 39; FY2011 Budget Recommendations Summary, p. 34.

[21] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[22] Chicago Park District FY2010 Budget Summary, p. 43.

Ten-Year Appropriation Trend

Over the last ten years, total budgeted appropriations have increased by $63.0 million, or 18.8%. Between FY2002 and FY2009, the annual budgeted appropriations growth averaged 2.3%, which is slightly greater than the average rate of inflation per year of 2.0%.[23] FY2011 will be the first year of appropriation increase since FY2008.



RESOURCES

This section provides an overview of the resources the District is proposing to utilize in FY2011 with comparisons to previous years.

All Fund Resources

Total revenues for the District are projected to be $394.6 million in FY2011, an increase of 2.7% or $10.4 million from FY2010. An additional $3.0 million is proposed to be withdrawn from the fund balance, bringing total resources to $397.6 million. Total resources will increase by $5.7 million or 1.5% from $391.9 million in FY2010.

Tax revenues for the District are budgeted to increase by 3.4% or $9.8 million in FY2011, rising from $291.0 million to $300.8 million. The increase is due to the release of Tax Increment

[23] The annual Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased by 2.0% on average between 2002 and 2009 (base period: 1982-84 = 100). U.S. Bureau of Labor Statistics.

Financing (TIF) surplus revenue by the City of Chicago. The District will receive surplus TIF funds relative to its share of the Chicago property tax bill, which is currently 6.68%. This will result in an estimated $12.0 million in one-time revenue. Due to economic conditions, the District is anticipating a continued decline in Personal Property Replacement Taxes (PPRT), which is a form of the corporate income tax. It is projecting a 5.0% or $2.1 million decrease in PPRT from $41.1 million in FY2010 to $39.0 million in FY2011. The District is expecting a slight increase in loss in property tax collections from 3.85% to 3.9%.[24]

Revenues generated from the rental of District facilities are expected to increase by 1.9%, from $26.5 million to $27.0 million. This includes revenue from the rental of Soldier Field, which is rising 3.4% to $24.4 million based on planned events.[25] Permit and fee revenues are projected to increase by $1.2 million or 2.5%. This category includes parking fees, permit revenues, harbor fees, park fees and golf courses. Permit fees paid by groups holding events on District property will increase 20.3% or $1.0 million. Harbor Fees will increase $1.0 million or 4.7%. The District has contracted with a private company to help maximize revenues and it has also introduced Winter Boat Storage, which is expected to generate $475,000 in FY2011.[26]

Grants and Donations revenues are expected to remain flat at $5.0 million in FY2011. Investment income will decrease steeply, falling by 60.0% to $200,000, due to delayed economic recovery.[27] Concession revenue is expected to increase slightly to $3.8 million. Capital Contributions are budgeted at $4.1 million and represent the charge back of salaries for District employees who work on capital projects.[28]

A Long-Term Income Reserve Fund of $120.0 million was established with proceeds related to the leasing of three downtown parking garages.[29] The amount used as a resource in the FY2011 budget will be $100,000 down 73.7% or $280,000 from FY2010. The District is not proposing withdrawing any resources from the Parking Garage Revenue Capital Improvements Fund in the upcoming year; in FY2010 there was $7.7 million budgeted from the fund.

In FY2011 the District will utilize non-recurring revenues including $3.0 million from the Corporate Fund fund balance and $12.0 million in surplus TIF funds. This is at least the fifth year in a row that the District has utilized non-recurring revenues indicating a structural deficit. The non-recurring revenue utilized in recent years includes the following:

- In FY2010, $7.7 million is from a transfer from the Parking Garage Revenue Capital Improvements Fund.[30]
- In FY2009, $10.0 million was budgeted from Interest on Capital Investment. This is interest earnings from the Parking Garage Revenue Capital Improvements Fund and

[24] Chicago Park District 2011 Budget Summary, 7.
[25] Chicago Park District 2011 Budget Summary, 40.
[26] Chicago Park District 2011 Budget Summary, 40.
[27] Chicago Park District 2011 Budget Summary, 42.
[28] Chicago Park District FY2009 Comprehensive Annual Financial Report, p. 33.
[29] Please see Parking Garage Proceeds section for more details.
[30] Please see Parking Garage Proceeds section for more information on this fund. This revenue is labeled in the FY2011 Budget Summary as Dedicated Capital Fund Balance.

Reserve for Park Replacement fund from the close of the garage lease transaction in December 2006 to December 2008.[31]

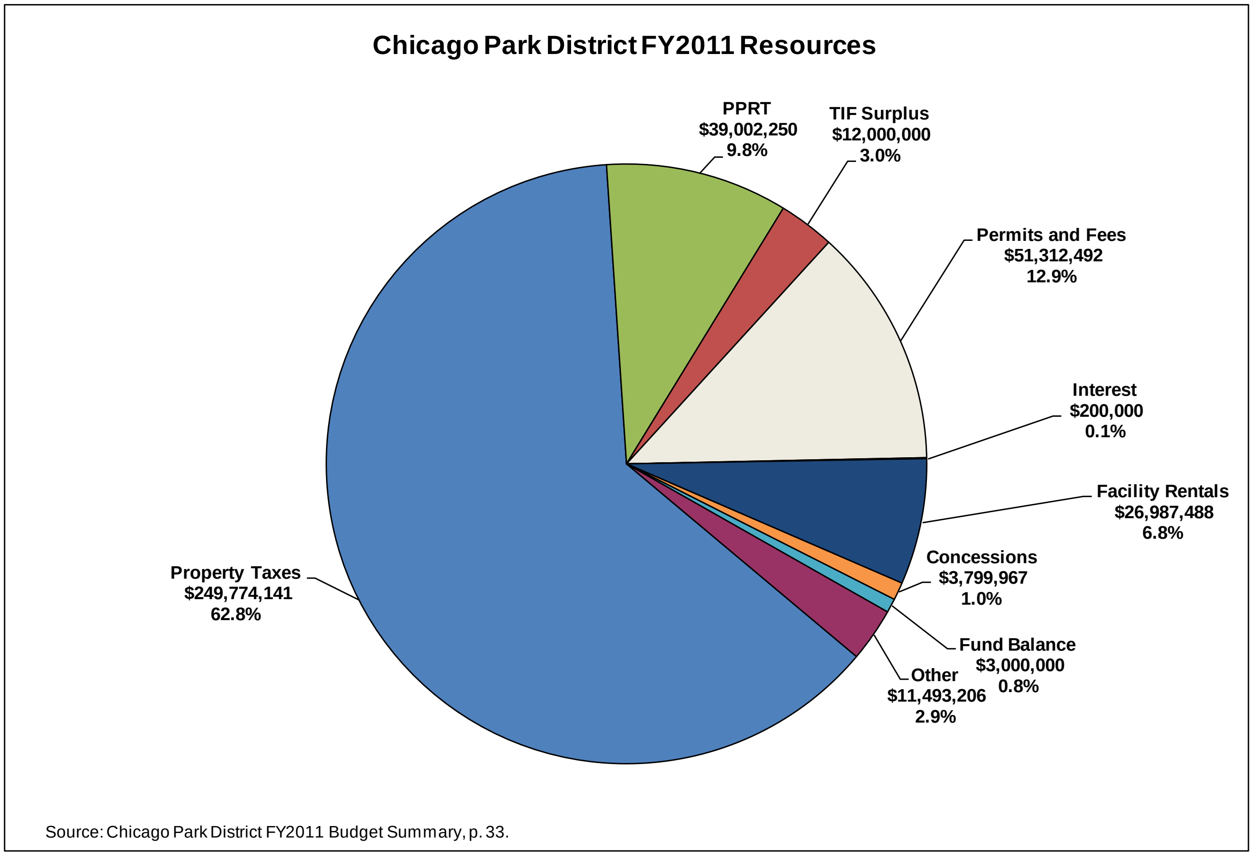
- In both FY2007 and FY2008 $10.0 million was transferred from unreserved fund balance.[32]

Chicago Park District Resources by Source: FY2010 and FY2011				
	2010 Adopted	2011 Proposed	$ change	% change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (10,006,560)	$ (10,136,516)	$ (129,956)	1.3%
Other Property Tax Income (TIF Surplus)	$ -	$ 12,000,000	$ 12,000,000	-
Personal Property Replacement Tax	$ 41,055,000	$ 39,002,250	$ (2,052,750)	-5.0%
Subtotal Tax Revenues	**$ 290,959,097**	**$ 300,776,391**	**$ 9,817,294**	**3.4%**
Rental of Soldier Field	$ 23,598,532	$ 24,393,864	$ 795,332	3.4%
Rentals	$ 2,496,211	$ 2,217,861	$ (278,350)	-11.2%
Northerly Island Pavilion	$ 391,501	$ 375,763	$ (15,738)	-4.0%
Subtotal Facility Rentals	**$ 26,486,244**	**$ 26,987,488**	**$ 501,244**	**1.9%**
Parking Fees	$ 2,587,542	$ 2,435,862	$ (151,680)	-5.9%
Harbor Fees	$ 22,416,851	$ 23,461,707	$ 1,044,856	4.7%
Park Fees	$ 14,611,721	$ 14,079,363	$ (532,358)	-3.6%
Permits	$ 5,095,793	$ 6,132,300	$ 1,036,507	20.3%
Golf Course Fees	$ 5,359,661	$ 5,203,260	$ (156,401)	-2.9%
Subtotal Permits and Fees	**$ 50,071,568**	**$ 51,312,492**	**$ 1,240,924**	**2.5%**
Concessions	$ 3,750,000	$ 3,799,967	$ 49,967	1.3%
Corporate Sponsorships	$ -	$ 850,000	$ 850,000	-
Grants and Donations	$ 5,000,000	$ 5,000,000	$ -	0.0%
Investment Income	$ 500,000	$ 200,000	$ (300,000)	-60.0%
Long-Term Income Reserve (Parking)*	$ 380,000	$ 100,000	$ (280,000)	-73.7%
Miscellaneous	$ 1,950,000	$ 1,405,000	$ (545,000)	-27.9%
Capital Contributions	$ 3,896,731	$ 4,138,206	$ 241,475	6.2%
Interest on Capital Investment	$ 1,160,000	$ -	$ (1,160,000)	-100.0%
Total Revenues	**$ 384,153,640**	**$ 394,569,544**	**$ 10,415,904**	**2.7%**
Dedicated Capital Fund Balance	$ 7,700,000	$ -	$ (7,700,000)	-100.0%
Fund Balance Transfer	$ -	$ 3,000,000	$ 3,000,000	-
TOTAL RESOURCES	**$ 391,853,640**	**$ 397,569,544**	**$ 5,715,904**	**1.5%**

Source: Chicago Park District FY2011 Budget Summary, p. 33.
*Includes both Interest Earnings and Principal.

[31] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[32] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010. It is labeled in the previous year's Budget Summary documents as Dedicated Fund Balance.

The following exhibit shows the distribution of District resources in FY2011. Total net tax revenues (property tax, PPRT, TIF surplus) constitute 75.7% of District revenues. The next largest revenue source is Permits and Fees at 12.9%, followed by Facility Rentals at 6.8%.



The next exhibit shows resource trends during the five-year period between FY2007 and FY2011. During that period revenues are projected to increase by 3.5% while total resources are projected to increase at a slower rate (0.9%) reflecting the large use of fund balances in FY2007. Other five year trend highlights include the following.

- The gross property tax levy has been frozen during that time at $259.9 million.
- PPRT revenues will have decreased by 9.3% or nearly $4.0 million.
- Facility rental revenues have risen by 7.9%, increasing from $25.0 million to $27.0 million. This increase is due primarily to $1.8 million in increased rental fees from Soldier Field.
- Permit and fee revenue has increased by 37.6% or $14.0 million reflecting large increases in all categories including a $4.7 million or 940.7% increase in Golf Course Fees.

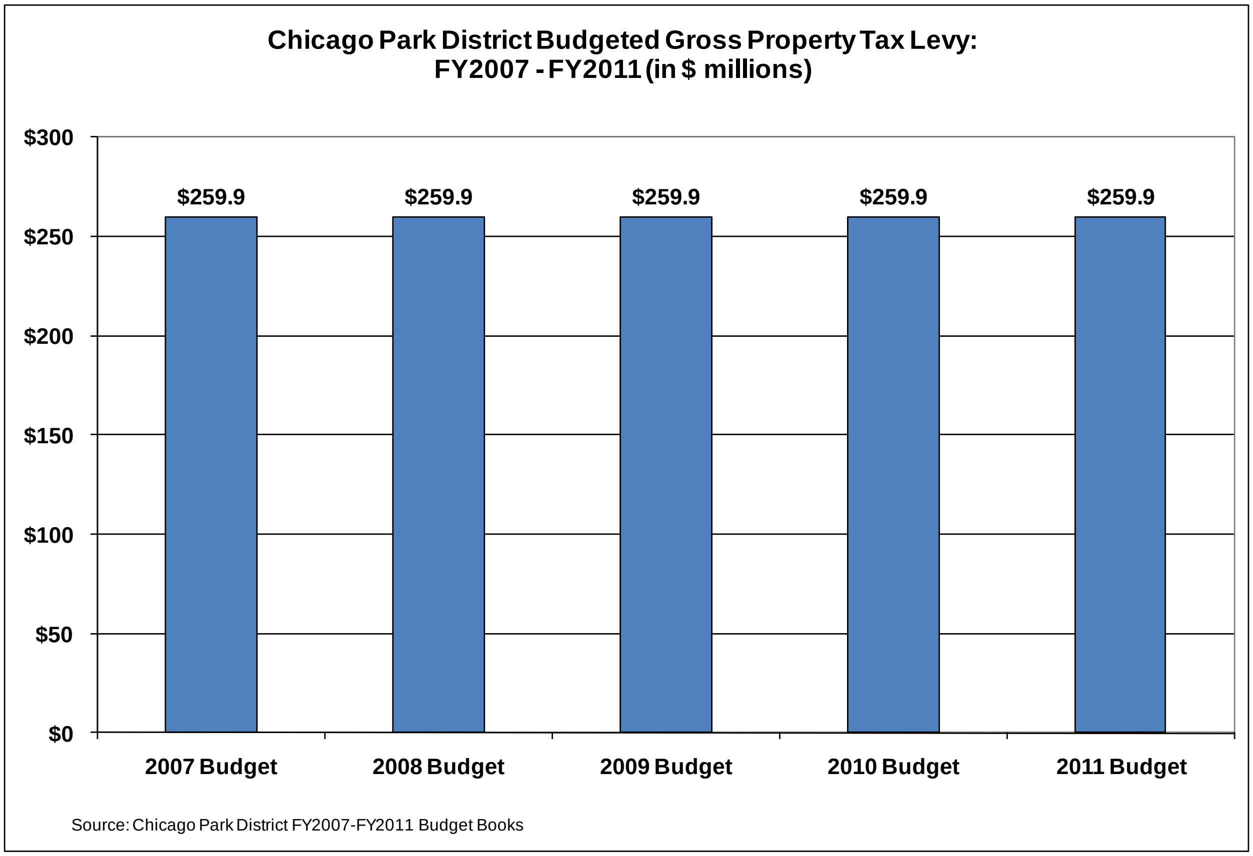
Chicago Park District Resources by Source: FY2007 and FY2011				
	2007 Budget	2011 Proposed	$ change	% change
Gross Property Tax Levy	$ 259,910,657	$ 259,910,657	$ -	0.0%
Property Tax Loss in Collection	$ (9,096,873)	$ (10,136,516)	$ (1,039,643)	11.4%
Other Property Tax Income (TIF Surplus)	$ -	$ 12,000,000		
Personal Property Replacement Tax	$ 43,000,000	$ 39,002,250	$ (3,997,750)	-9.3%
Subtotal Tax Revenues	**$ 293,813,784**	**$ 300,776,391**	**$ 6,962,607**	**2.4%**
Rental of Soldier Field	$ 22,561,164	$ 24,393,864	$ 1,832,700	8.1%
Rentals	$ 2,245,821	$ 2,217,861	$ (27,960)	-1.2%
Northerly Island Pavilion	$ 200,994	$ 375,763	$ 174,769	87.0%
Subtotal Facility Rentals	**$ 25,007,979**	**$ 26,987,488**	**$ 1,979,509**	**7.9%**
Parking Fees	$ 1,668,034	$ 2,435,862	$ 767,828	46.0%
Harbor Fees	$ 20,426,400	$ 23,461,707	$ 3,035,307	14.9%
Park Fees	$ 11,955,132	$ 14,079,363	$ 2,124,231	17.8%
Permits	$ 2,742,575	$ 6,132,300	$ 3,389,725	123.6%
Golf Course Fees	$ 500,000	$ 5,203,260	$ 4,703,260	940.7%
Subtotal Permits and Fees	**$ 37,292,141**	**$ 51,312,492**	**$ 14,020,351**	**37.6%**
Concessions	$ 5,409,035	$ 3,799,967	$ (1,609,068)	-29.7%
Corporate Sponsorships	$ -	$ 850,000	$ -	-
Grants and Donations	$ 9,000,000	$ 5,000,000	$ (4,000,000)	-44.4%
Investment Income	$ 2,350,000	$ 200,000	$ (2,150,000)	-91.5%
Long Term Income Reserve (Parking)	$ 5,000,000	$ 100,000	$ (4,900,000)	100.0%
Miscellaneous	$ 2,124,148	$ 1,405,000	$ (719,148)	-33.9%
Capital Contributions	$ 1,200,000	$ 4,138,206	$ 2,938,206	244.9%
Interest on Capital Investment	$ -	$ -	$ -	-
Total Revenues	**$ 381,197,087**	**$ 394,569,544**	**$ 13,372,457**	**3.5%**
Dedicated Capital Fund Balance	$ 10,000,000	$ -	$ (10,000,000)	-
Fund Balance Transfer	$ -	$ 3,000,000	$ 3,000,000	-
SRA Fund Balance	$ 2,700,000	$ -	$ (2,700,000)	-
TOTAL RESOURCES	**$ 393,897,087**	**$ 397,569,544**	**$ 3,672,457**	**0.9%**

Source: Chicago Park District FY2009 Budget Summary, p. 33 and FY2011 Budget Summary, p. 33.

Gross Property Tax Levy

The Chicago Park District's FY2011 gross property tax levy will be held flat at $259.9 million for the sixth straight year.[33] The total includes $6.0 million for Special Recreation that was established as a separate levy starting in FY2005 to pay for the expenses related to increasing the accessibility of facilities including related programming and personnel costs.

[33] Chicago Park District 2011 Budget Summary, 38.



The following table compares FY2010 actual property tax collections with the proposed FY2011 budget. The gross levy for the Corporate Fund will increase by 0.9% or $2.2 million in FY2011.[34] The levy for the Park District Employees Pension Fund will decrease by $120,700 or 1.1%. This amount reflects the statutory formula for the pension fund levy, which requires that the District levy 1.1 times the total employee contribution made two years prior. The Bond Debt Service Fund levy will increase by 6.1% or $2.4 million to $42.1 million.

Chicago Park District Property Tax Gross Levy by Fund: FY2010 and FY2011

Fund	2010 Actual Collections	2011 Proposed Levy	$ change	% change
Corporate	$ 142,291,200	$ 142,291,200	$ -	0.0%
Special Recreation	$ 6,000,000	$ 6,000,000	$ -	0.0%
Park District Employees Pension	$ 10,850,508	$ 10,729,785	$ (120,723)	-1.1%
Public Building Commission				
Rental of Facilities	$ 3,905,760	$ 3,906,605	$ 845	0.0%
Operations & Maintenance	$ 5,500,000	$ 5,500,000	$ -	0.0%
Liability, Workers Comp., Unemployment	$ 10,270,240	$ 10,270,240	$ -	0.0%
Bond Debt Service Fund	$ 39,714,568	$ 42,142,942	$ 2,428,374	6.1%
Aquarium and Museum Bond Debt Service	$ 11,487,223	$ 11,486,285	$ (938)	0.0%
Aquarium and Museum Purposes	$ 27,664,491	$ 27,583,600	$ (80,891)	-0.3%
Total	**$ 257,683,990**	**$ 259,910,657**	**$ 2,226,667**	**0.9%**

Source: Chicago Park District FY2011 Budget Recommendations, p. 400.

[34] The previous year numbers are actual collections and therefore differ from the levy.

In the five-year period between FY2007 and FY2011, the total gross levy has increased by 0.6%, rising slightly from $258.3 million to $259.9 million. The Corporate Fund levy will have increased by $7.6 million or 5.6%. The pension levy has increased by $1.6 million or 17.7% during this period. Operations & Maintenance has the largest decrease falling 53.4% or $6.3 million. Since 2001, the share of the levy earmarked to support the Aquarium and Museum's debt service has appeared as a separate line item on tax bills. The Bond Debt Service Fund decreased 7.8% or $977,500 from 2007 to 2011.

Chicago Park District Property Tax Gross Levy by Fund: FY2007 and FY2011

Fund	2007 Actual Collections	2011 Proposed Levy	$ change	% change
Corporate	$ 134,735,810	$ 142,291,200	$ 7,555,390	5.6%
Special Recreation	$ 6,000,000	$ 6,000,000	$ -	0.0%
Park District Employees Pension	$ 9,113,290	$ 10,729,785	$ 1,616,495	17.7%
Public Building Commission				
Rental of Facilities	$ 3,904,479	$ 3,906,605	$ 2,126	0.1%
Operations & Maintenance	$ 11,800,445	$ 5,500,000	$ (6,300,445)	-53.4%
Liability, Workers Comp., Unemployment	$ 9,233,443	$ 10,270,240	$ 1,036,797	11.2%
Bond Debt Service Fund	$ 40,423,692	$ 42,142,942	$ 1,719,250	4.3%
Aquarium and Museum Bond Debt Service	$ 12,463,761	$ 11,486,285	$ (977,476)	-7.8%
Aquarium and Museum Purposes	$ 30,595,706	$ 27,583,600	$ (3,012,106)	-9.8%
Total	**$ 258,270,626**	**$ 259,910,657**	**$ 1,640,031**	**0.6%**

Source: Chicago Park District FY2011 Budget Recommendations, p. 400.

PARKING GARAGE PROCEEDS

In 2006, the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages (Grant Park North, Grant Park South, and East Monroe) to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a private operator, which gave the lease holder the right to provide parking garage services for 99 years.[35]

The proceeds allowed the District to extinguish garage related bonds and establish three funds:

- Defeasance of Garage Bonds – $69.1 million was used to extinguish garage related bonds. The full cash defeasance was $76.0 million, with the balance coming from funds that were already set aside to cover debt service and unspent cash proceeds.[36]
- Garage Revenue Capital Improvements Fund – $122.0 million earmarked for capital improvement to neighborhood parks.
- Reserve for Park Replacement Fund – $35.0 million was set aside for park repair at Daley Bi-Centennial plaza above the East Monroe Garage once the Concessionaire completes agreed upon repairs to the garage.
- Long-Term Income Reserve Fund – $121.7 million to generate earnings to replace the approximately $5.0 million that was generated annually through parking garage revenues.[37]

[35] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp.8, 72
[36] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[37] Chicago Park District 2008 Budget Summary, 12.

Distribution of Parking Garage Proceeds: (in $ millions)		
Long-Term Income Reserve	$	121.7
Garage Revenue Capital Improvements Fund	$	122.0
Reserve for Park Replacement Fund	$	35.0
Subtotal Allocated to Reserve Funds	**$**	**278.7**
Bond Defeasance	$	69.1
Total Lease Transaction Proceeds	**$**	**347.8**

Source: Chicago Park District FY2006 Comprehensive Annual Financial Report;
E-mail communication between the Civic Federation and the Chicago Park District, November 26, 2010.

The following chart illustrates the revenues and expenses for the reserve funds for years that actual data is available. Some significant expenditure highlights of the funds include the following:

- In FY2008, $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space.
- The Long-Term Income Reserve fund has earned a total $7.2 million in interest and transferred out $12.1 million to replace lost parking garage revenues.
- The Garage Revenue Capital Improvements Fund has spent a total of $67.2 million on capital improvements.
- In 2009, a combined total of $10.0 million was transferred for General Fund operations from the Garage Revenue Capital Improvement Fund and the Reserve for Park Replacement Fund.

Parking Garage Reserve Funds: FY2006-FY2009 (in $ millions)			
	Long-Term Income Reserve	Garage Revenue Capital Improvements Fund	Reserve for Park Replacement Fund
Revenue			
Proceeds	$ 121.7	$ 122.0	$ 35.0
Interest and Misc. Earnings	$ 7.2	$ 8.4	$ 2.5
Transfers In	$ 0.9	$ -	$ -
Total	**$ 129.8**	**$ 130.4**	**$ 37.5**
Transfers-Out to General Fund			
FY2006	$ -	$ -	$ -
FY2007	$ (5.0)	$ -	$ -
FY2008	$ (5.0)	$ -	$ -
FY2009	$ (2.1)	$ (8.0)	$ (2.0)
Total	**$ (12.1)**	**$ (8.0)**	**$ (2.0)**
Capital Expense			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
Total	**$ (21.9)**	**$ (67.2)**	**$ -**
Balance FY2009	**$ 95.8**	**$ 55.2**	**$ 35.5**

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2009.

FUND BALANCE

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[38] The *unreserved* fund balance refers to resources that do not have any external legal restrictions or constraints.

General Fund Fund Balance

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." Two months of operating expenditures is approximately 17%.[39]

[38] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[39] Previously the GFOA had recommended a general fund balance of 5 to 15%.

The Chicago Park District reported recurring deficits in its unreserved General Fund fund balance between FY2002 and FY2004. General Fund expenditures greatly exceeded revenues during those years. The situation was rectified in FY2005, when the District reported a 7.1% or $18.9 million unreserved fund balance due to better than expected tax collections and lesser spending than budgeted for Personnel Services.[40]

The General Fund fund balance has since greatly fluctuated. In FY2006, the General Fund ratio declined to just 2.8% of operating expenditures. In FY2007 the size of the unreserved balance more than doubled to $14.2 million and the fund balance ratio rose to 6.1%. The following year it increased slightly to 7.3%. In FY2009 the fund balance again more than doubled to 16.1%. The Chicago Park District attributes the increase in the General Fund balance in FY2009 to a $10.6 million transfer of fund balance from the PBC Operating Fund, a $7.9 million transfer from the Garage Revenue Capital Improvements Fund, $2.1 million transfer from the Long Term Income Reserve Fund and revenues exceeding expenditures.[41]

The fund balance ratio for FY2009 nearly reaches the GFOA recommendation to maintain the equivalent of two months of operating expenditures or revenues.

Chicago Park District General Fund Balance: FY2005-FY2009			
	Unreserved General Fund Balance	General Fund Expenditures	Ratio
FY2005	$18,880,676	$ 265,796,563	7.1%
FY2006	$6,488,000	$ 230,775,000	2.8%
FY2007	$14,175,000	$ 233,747,000	6.1%
FY2008	$18,154,000	$ 249,374,000	7.3%
FY2009	$40,111,000	$ 248,466,000	16.1%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2005-FY2009.

Chicago Park District Fund Balance Policy – Long-Term Income Reserve Fund

The Chicago Park District has a policy in place to maintain a balance in its Long-Term Income Reserve Fund, but the policy does not address the General Fund. The reserve is available due to the transfer of several public parking structures to the City of Chicago in 2006.[42] Interest earnings from the fund are intended to replace the revenue that was formerly generated through parking garage revenues. The District's policy establishes a floor of $85.0 million for the Long-Term Income Reserve Fund and allows for internal lending to the General Fund in order to bridge timing gaps in property tax collections.

The Long-Term Reserve Fund was established with $121.7 million. In FY2007, the transfer-out to the General Fund was roughly equal to the investment income and the fund balance remained steady. In FY2008, the balance decreased by nearly $24.9 million due primarily to the purchase of administrative office space for $22 million.[43] Contributing to the decline in fund balance were transfers made to the General Fund that were larger than the investment income earned over the

[40] Chicago Park District FY2005 Financial Statements, p. 9.
[41] Chicago Park District 2011 Budget Summary, p. 36.
[42] Chicago Park District FY2009 Comprehensive Annual Financial Report, p.55.
[43] Chicago Park District FY2008 Comprehensive Annual Financial Report, p.21.

four years.[44] There was $95.8 million in the fund at the end of FY2009, meeting the minimum established by the District's policy.[45] This is a decline of 21.3% from the $121.7 million that was available at the end of FY2006.[46]

Long-Term Income Reserve Fund: (in $ thousands)					
	Transfer-In	Investment Income	Expenses	Transfer-Out	Fund Balance
FY2006	$ 121,706	$ -	$ -	$ -	$ 121,706
FY2007	$ 642	$ 4,977	$ -	$ 5,000	$ 122,325
FY2008	$ 213	$ 1,726	$ 21,877	$ 5,000	$ 97,387
FY2009	$ -	$ 536	$ 49	$ 2,100	$ 95,774
Total	**$ 122,561**	**$ 7,239**	**$ 21,926**	**$ 12,100**	**$ 95,774**

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2009.

PERSONNEL

The District is budgeting for a total of 3,135 full-time equivalent (FTE) positions in FY2011, including 1,540 full-time positions and 1,595 part-time and seasonal positions. Full-time positions will increase by 5 over FY2010 while part-time and seasonal positions will decrease by 14 FTEs, for a net decrease of 9 FTE positions.

Chicago Park District Budgeted Personnel: FY2010 & FY2011				
Full-Time Equivalent Positions	**FY2010**	**FY2011**	**# Change**	**% Change**
Part-Time	884	890	6	0.6%
Seasonal	725	706	-20	-2.7%
Subtotal Part-Time and Seasonal	**1,609**	**1,595**	**-14**	**-0.9%**
Full-Time	1,535	1,540	5	0.3%
Total	**3,144**	**3,135**	**-9**	**-0.3%**

Source: Chicago Park District FY2011 Budget Summary, p. 54; E-mail communication betw een the Civic Federation and the Chicago Park District, November 26, 2010

The following chart shows the change in FTEs by Division. The District will be decreasing the amount of Parks and Programming hours by an equivalent of 12 FTEs. The reduction is based on the amount of hours that have been budgeted, but unused. The Finance department will see an increase of 4 FTEs. This increase is attributed to the transfer of one position from Park Services, the addition of a Grants Manager position and three part-time positions to replace previously deleted fulltime positions.[47]

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[44] The budget is based on the previous year's earnings, which creates a lag time between revenue declines and a reduction in amount budgeted.
[45] Chicago Park District FY2009 Comprehensive Annual Financial Report, p.38.
[46] Chicago Park District FY2006 Comprehensive Annual Financial Report, p.32.
[47] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

Chicago Park District FTEs by Division: FY2010 to 2011				
Parks and Programing	**FY2010**	**FY2011**	**# Change**	**% Change**
Parks and Programing	2,935	2,923	-12	-0.4%
Operations	56	56	0	0.0%
Executive	20	19	-1	-5.0%
Law	25	24	-1	-4.0%
Finance	49	53	4	8.2%
Administration	59	60	1	1.7%
Total	**3,144**	**3,135**	**-9**	**-0.3%**

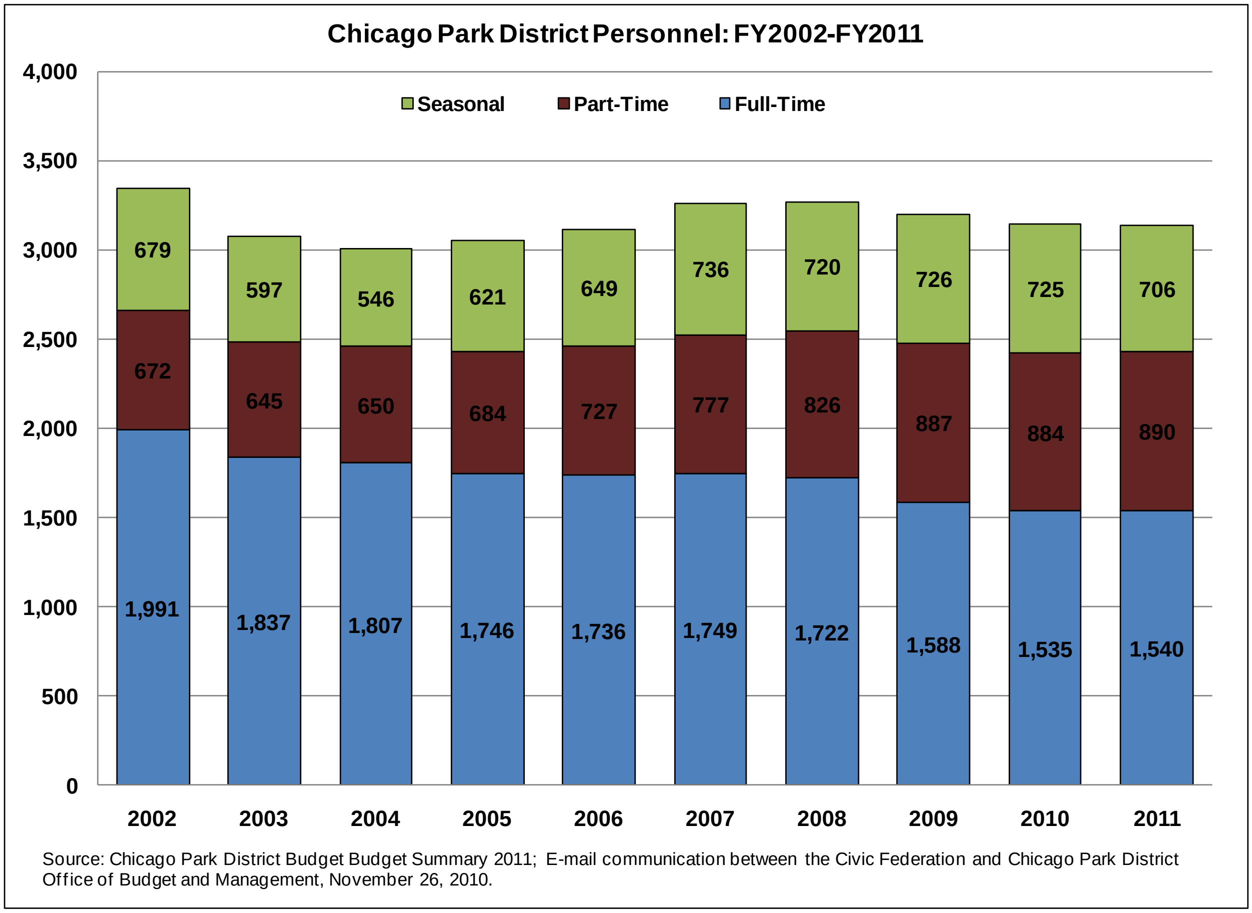
Source: Chicago Park District FY2011 Budget Summary, p. 53

Over the last five years the District has cut 209 full-time positions and has increased part-time and seasonal positions by 82 FTEs. Since FY2007 the Chicago Park District's personnel has decreased by 127 FTE positions or 3.9%.

Chicago Park District Budgeted Personnel: FY2007 & FY2011				
Full-Time Equivalent Positions	**FY2007**	**FY2011**	**# Change**	**% Change**
Part-Time	777	890	113	14.5%
Seasonal	736	706	-31	-4.1%
Subtotal Part-Time and Seasonal	**1,513**	**1,595**	**82**	**5.4%**
Full-Time	1,749	1,540	-209	-11.9%
Total	**3,262**	**3,135**	**-127**	**-3.9%**

Source: Chicago Park District FY2011 Budget Summary, p. 54; E-mail communication between the Civic Federation and the Chicago Park District, November 26, 2010

Since FY2002, 451 full-time positions and a net total of 207 FTEs have been eliminated.



Total personnel costs will increase by 2.3% or $3.7 million, from $162.4 million in FY2010 to $166.1 million in FY2011. In FY2011 the District is budgeting for a 1.7% or $2.2 million increase in salaries and wages. Health benefit costs are increasing 4.3% or $675,000 with the employee contribution rising by 2.5%. The employee health care contribution is based upon a percentage of salary as follows: 1.5% for single, 2.0% for employee +1, and 2.5% for family.[48]

Payroll taxes are increasing significantly, with Medicare Tax increasing 27.7% and Social Security rising 34.2%. The increase is based on actual expenditures,[49] as FY2009 actual expenditures were higher than the FY2010 budget. Appropriations for pensions will decrease slightly, falling by 1.1% or $121,500 to $10.7 million. The District's contribution is set by statute at 1.1 times the amount contributed by District employees two years prior.

[48] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[49] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

Chicago Park District Personnel Costs: FY2010 & FY2011				
	FY2010 Adopted	FY2011 Proposed	$ Change	% Change
Health Benefits	$ 15,757,532	$ 16,432,715	$ 675,183	4.3%
Health Benefits Employee Contributions	$ (1,550,000)	$ (1,588,750)	$ (38,750)	2.5%
Health Benefits Retirees	$ 1,401,631	$ 1,513,761	$ 112,130	8.0%
Prescription Drugs	$ 2,067,269	$ 2,232,651	$ 165,382	8.0%
Dental Benefits	$ 339,992	$ 336,527	$ (3,465)	-1.0%
Life Insurance Benefits	$ 177,539	$ 177,118	$ (421)	-0.2%
Medicare Tax	$ 1,045,601	$ 1,335,000	$ 289,399	27.7%
Social Security	$ 908,801	$ 1,220,000	$ 311,199	34.2%
Unemployment Obligations	$ 1,270,280	$ 1,587,850	$ 317,570	25.0%
Workers Compensation	$ 4,200,000	$ 4,000,000	$ (200,000)	-4.8%
Pension	$ 10,866,807	$ 10,745,269	$ (121,538)	-1.1%
Subtotal Benefits	**$ 36,485,452**	**$ 37,992,141**	**$ 1,506,689**	**4.1%**
Salary & Wages	$ 125,901,450	$ 128,057,311	$ 2,155,861	1.7%
Total	**$ 162,386,902**	**$ 166,049,452**	**$ 3,662,550**	**2.3%**

Source: Chicago Park District FY2011 Budget Summary, p. 34.

The following exhibit presents personnel appropriations in FY2007 and FY2011. Total personnel costs will increase by 7.8% or $12.0 million, from $154.1 million in FY2007 to $166.0 million in FY2011. Salaries and wages increase 5.7% or $6.9 million from FY2007 to FY2011.

The District's employee health benefits costs rise 14.9% over the five-year period while employee contributions rise by 33.3%. The result is the employee share of the premium rising from 8.3% of costs to 9.7%. Expenditures for prescription drugs and dental benefits are projected to decline significantly at 20.5% and 54.8% respectively, but result in less than $1 million in savings combined. The decrease in prescription drug costs is due to changing the allocation of retiree health care costs to the retiree benefits account and the decrease in dental benefit costs is the result of favorable claims experiences combined with a decrease in the fulltime workforce.[50] Workers Compensation costs increase by 53.8% or $1.4 million and Pension contributions increase 17.7% or $1.6 million. Retiree Health Benefits have increased by 125.3% or $841,800. The District attributes the increase to more accurate accounting and budgeting of retiree health care costs related to implementation of Governmental Accounting Standards Board Statement 45 (GASB 45).[51]

[50] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.
[51] E-mail communication between the Civic Federation and the Chicago Park District Office of Budget and Management, November 26, 2010.

Chicago Park District Personnel Costs: FY2007 & FY2011				
	FY2007 Budget	FY2011 Proposed	$ Change	% Change
Health Benefits	$ 14,305,271	$ 16,432,715	$ 2,127,444	14.9%
Health Benefits Employee Contributions	$ (1,191,479)	$ (1,588,750)	$ (397,271)	33.3%
Health Benefits Retirees	$ 672,000	$ 1,513,761	$ 841,761	125.3%
Prescription Drugs	$ 2,807,200	$ 2,232,651	$ (574,549)	-20.5%
Dental Benefits	$ 744,883	$ 336,527	$ (408,356)	-54.8%
Life Insurance Benefits	$ 204,662	$ 177,118	$ (27,544)	-13.5%
Medicare Tax	$ 1,250,800	$ 1,335,000	$ 84,200	6.7%
Social Security	$ 1,086,000	$ 1,220,000	$ 134,000	12.3%
Unemployment Obligations	$ 1,300,000	$ 1,587,850	$ 287,850	22.1%
Workers Compensation	$ 2,600,000	$ 4,000,000	$ 1,400,000	53.8%
Pension	$ 9,130,361	$ 10,745,269	$ 1,614,908	17.7%
Subtotal Benefits	**$ 32,909,698**	**$ 37,992,141**	**$ 5,082,443**	**15.4%**
Salary & Wages	$ 121,189,115	$ 128,057,311	$ 6,868,196	5.7%
Total	**$ 154,098,813**	**$ 166,049,452**	**$ 11,950,639**	**7.8%**

Source: Chicago Park District FY2009 Budget Summary, p. 39; FY2011 Budget Summary, p. 34.

SHORT-TERM LIABILITIES

Short-term liabilities are financial liabilities that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. Here are the different types of short-term liabilities reported in the FY2005-FY2009 Chicago Park District audited financial reports:

- Accounts Payable & Accrued Expense: unpaid bills owed to vendors for goods and services carried over into the new fiscal year;
- Accrued Payroll: employee compensation, related payroll taxes and benefits that have been earned by District employees but have not yet been paid or recorded in the District's accounts;
- Accrued Interest: includes interest due on deposits payable by the District in the next fiscal year;
- Due To other Organizations: funds to be paid to other governments or agencies carried over from the previous fiscal year;
- Retainage Payable: amounts due on construction or other contracts not paid pending final inspection or completion of the project or the lapse of a specified period, or both;
- Other Liabilities: include self-insurance funds, unclaimed property and other unspecified liabilities;
- Deposits: funds held by the District or its agents to collateralize other investment risks;
- Tax Anticipation Notes (TAN): are short-term debts issued in anticipation of future tax revenues to pay for current operating expense, the District has not issued TANs since FY2006. These were paid back in full in FY2007; and
- Unearned Revenue: revenues from program fees and other sources received before a good or service has been provided.[52]

[52] Unearned revenue is a payment received before a good is sold or a service is provided. Unearned revenue is classified as a current liability on the balance sheet until it is recognized as earned during the accounting cycle. See http://www.businessdictionary.com/definition/unearned-revenue.html#ixzz14ow1LgZo.

In FY2009 the District's short-term liabilities increased by $10.4 million from the previous year or 9.8%. Since 2005, short-term liabilities overall have decreased by $31.5 million or 21.3%. The following chart shows short-term liabilities by category and the percent change between FY2005 and FY2009.

Chicago Park District Short-Term Liabilities FY2005-FY2009 (in $ thousands)							
Type	**FY2005**	**FY2006**	**FY2007**	**FY2008**	**FY2009**	**5-year Change**	**5-year % Change**
Accounts Payable & Expenses	$ 44,512.7	$ 57,274.0	$ 50,721.0	$ 59,784.0	$ 66,605.0	$ 22,092.3	49.6%
Accrued Payroll	$ 3,597.7	$ 3,468.0	$ 5,740.0	$ 5,912.0	$ 4,851.0	$ 1,253.3	34.8%
Accrued Interest	$ 24,336.0	$ 20,031.0	$ 20,004.0	$ 17,853.0	$ 19,311.0	$ (5,025.0)	-20.6%
Due to Other Organizations	$ 440.6	$ 426.0	$ 1,430.0	$ 379.0	$ 397.0	$ (43.6)	-9.9%
Retainage Payable	$ 762.0	$ 1,945.0	$ 1,877.0	$ 3,562.0	$ 2,156.0	$ 1,394.0	182.9%
Other liabilities	$ 734.5	$ 662.0	$ 582.0	$ 12.0	$ 7.0	$ (727.5)	-99.0%
Deposits	$ 595.7	$ 275.0	$ 319.0	$ 497.0	$ 475.0	$ (120.7)	-20.3%
Tax Anticipation Notes	$ 72,270.0	$ 14,090.0	$ -	$ -	$ -	$ (72,270.0)	N/A
Unearned Revenue*							
Program Fees	$ 516.8	$ 868.0	$ 452.0	$ 887.0	$ 1,080.0	$ 563.2	109.0%
Other	$ -	$ 862.0	$ 8,401.0	$ 16,998.0	$ 21,394.0	$ 21,394.0	N/A
Subtotal Unearned Revenue	**$ 516.8**	**$ 1,730.0**	**$ 8,853.0**	**$ 17,885.0**	**$ 22,474.0**	**$ 21,957.2**	**4248.7%**
Total	**$147,766.0**	**$ 99,901.0**	**$ 89,526.0**	**$105,884.0**	**$116,276.0**	**$ (31,490.0)**	**-21.3%**

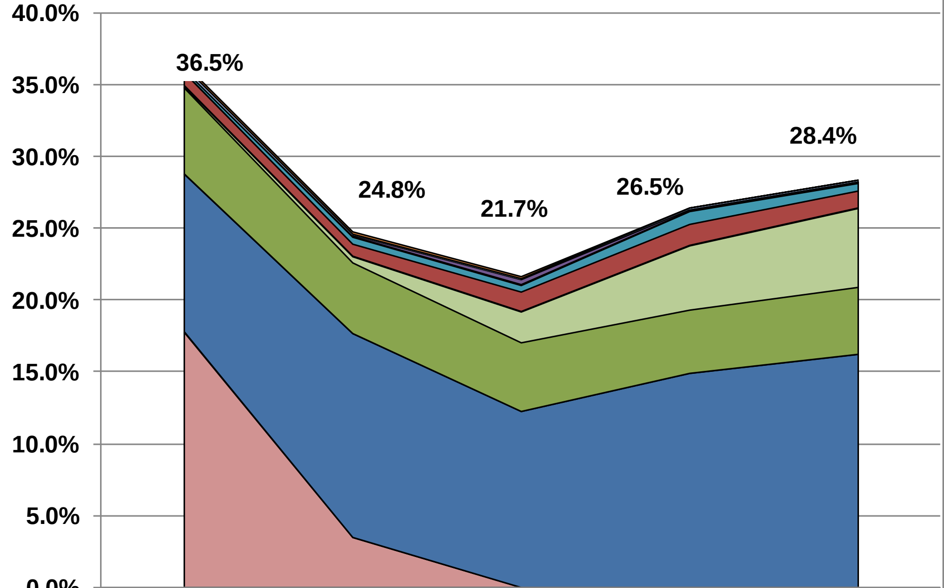
* Does not include unearned revenue for Soldier Field - that revenue is deferred and amortized over the life of the stadium lease.

Source: Chicago Park District CAFR FY2005-FY2009.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[53] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. The Chicago Park District has shown a downward trend in short-term liabilities compared to total operating revenue between FY2005 and FY2009 from 36.5% to 28.4%. The following graph shows the five-year trend in the District's short-term liabilities by category.

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

Chicago Park District Short-Term Liabilities as % of Operating Revenues FY2005-FY2009



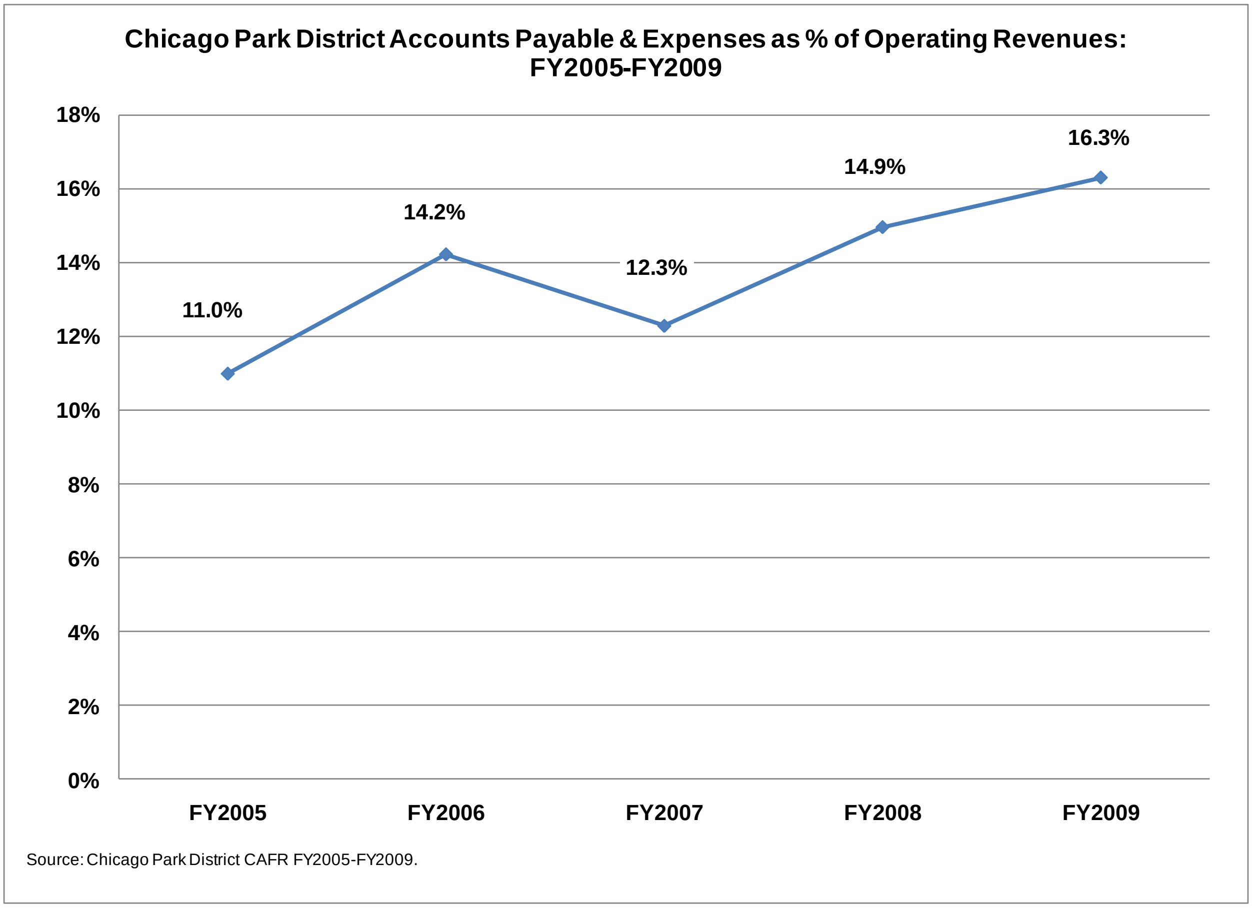
	FY2005	FY2006	FY2007	FY2008	FY2009
Other Liabilities	0.2%	0.2%	0.1%	0.0%	0.0%
Deposits	0.1%	0.1%	0.1%	0.1%	0.1%
Due to Other Organizations	0.1%	0.1%	0.3%	0.1%	0.1%
Retainage Payable	0.2%	0.5%	0.5%	0.9%	0.5%
Accrued Payroll	0.9%	0.9%	1.4%	1.5%	1.2%
Unearned Revenue	0.1%	0.4%	2.1%	4.5%	5.5%
Accrued Interest	6.0%	5.0%	4.8%	4.5%	4.7%
Accounts Payable & Expenses	11.0%	14.2%	12.3%	14.9%	16.3%
Tax Anticipation Notes	17.8%	3.5%	0.0%	0.0%	0.0%

Source: Chicago Park District CAFR FY2005-FY2009.

However, it is important to note that while the overall ratio has decreased by 8.1 percentage points between FY2005 to FY2009, there has been an increase in recent years. The ratio rose from 21.7% in FY2007 to 28.4% two years later. This increase is driven primarily by increases in Accounts Payable and Expenses and warrants watching for future budgetary stress.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable to operating revenues has risen slightly between FY2005 and FY2009, increasing from 11.0% to 16.3%. The following graph shows the District's ratio of accounts payable to operating revenue over this period.



Long-Term Liabilities

This section of the analysis examines trends in the Chicago Park District's long-term liabilities. This includes a review of trends in long-term tax supported debt, long-term debt per capita and long-term liabilities.

Long-Term Debt

The Chicago Park District had a total of $816.1 million in long-term tax supported debt outstanding in FY2009. This was a 1.3%, $10.9 million decrease from the previous year. Most of the long-term debt outstanding was in the form of general obligation capital improvement bonds; they represented approximately 93.5% of all long-term debt outstanding in both FY2008 and FY2009. In addition, there was a 30.8% decrease in capital leases with the Chicago Public Building Commission (PBC). The District has entered into several capital lease arrangements with the PBC for park projects and construction projects, including projects at the Lincoln Park Zoo. All of these agreements require taxes be levied to pay for future lease payments.[54]

Chicago Park District Long-Term Debt: FY2008 to FY2009 (in $ thousands)				
Government Activities	**FY2008**	**FY2009**	**$ Change**	**% Change**
General Obligation Bonds				
Capital Improvement	$ 768,460.0	$ 768,230.0	$ (230.0)	0.0%
Aquarium and Museums	$ 38,080.0	$ 32,730.0	$ (5,350.0)	-14.0%
Unamortized Premiums	$ 24,618.0	$ 21,468.0	$ (3,150.0)	-12.8%
Deferred Amount on Refunding	$ (19,689.0)	$ (17,077.0)	$ 2,612.0	-13.3%
Subtotal GO Bonds	**$ 811,469.0**	**$ 805,351.0**	**$ (6,118.0)**	**-0.8%**
Capital Lease PBC	$ 15,610.0	$ 10,795.0	$ (4,815.0)	-30.8%
Total	**$ 827,079.0**	**$ 816,146.0**	**$ (10,933.0)**	**-1.3%**

Source: Chicago Park District FY2008 CAFR, p. 68 and FY2009 CAFR, p. 66.

Between FY2005 and FY2009, total Chicago Park District long-term debt decreased by 15.8%, falling from $969 million to $816.1 million. The largest percentage decrease came in debt issued for the Aquarium and Museums; these liabilities declined by 60.0% or $49.0 million.

Chicago Park District Long-Term Debt: FY2005 to FY2009 (in $ thousands)				
Government Activities	**FY2005**	**FY2009**	**$ Change**	**% Change**
General Obligation Bonds				
Capital Improvement	$ 872,445.0	$ 768,230.0	$ (104,215.0)	-11.9%
Aquarium and Museums	$ 81,840.0	$ 32,730.0	$ (49,110.0)	-60.0%
Unamortized Premiums	$ 20,772.0	$ 21,468.0	$ 696.0	3.4%
Deferred Amount on Refunding	$ (29,092.0)	$ (17,077.0)	$ 12,015.0	-41.3%
Subtotal GO Bonds	**$ 945,965.0**	**$ 805,351.0**	**$ (140,614.0)**	**-14.9%**
Capital Lease PBC	$ 23,390.0	$ 10,795.0	$ (12,595.0)	-53.8%
Total	**$ 969,355.0**	**$ 816,146.0**	**$ (153,209.0)**	**-15.8%**

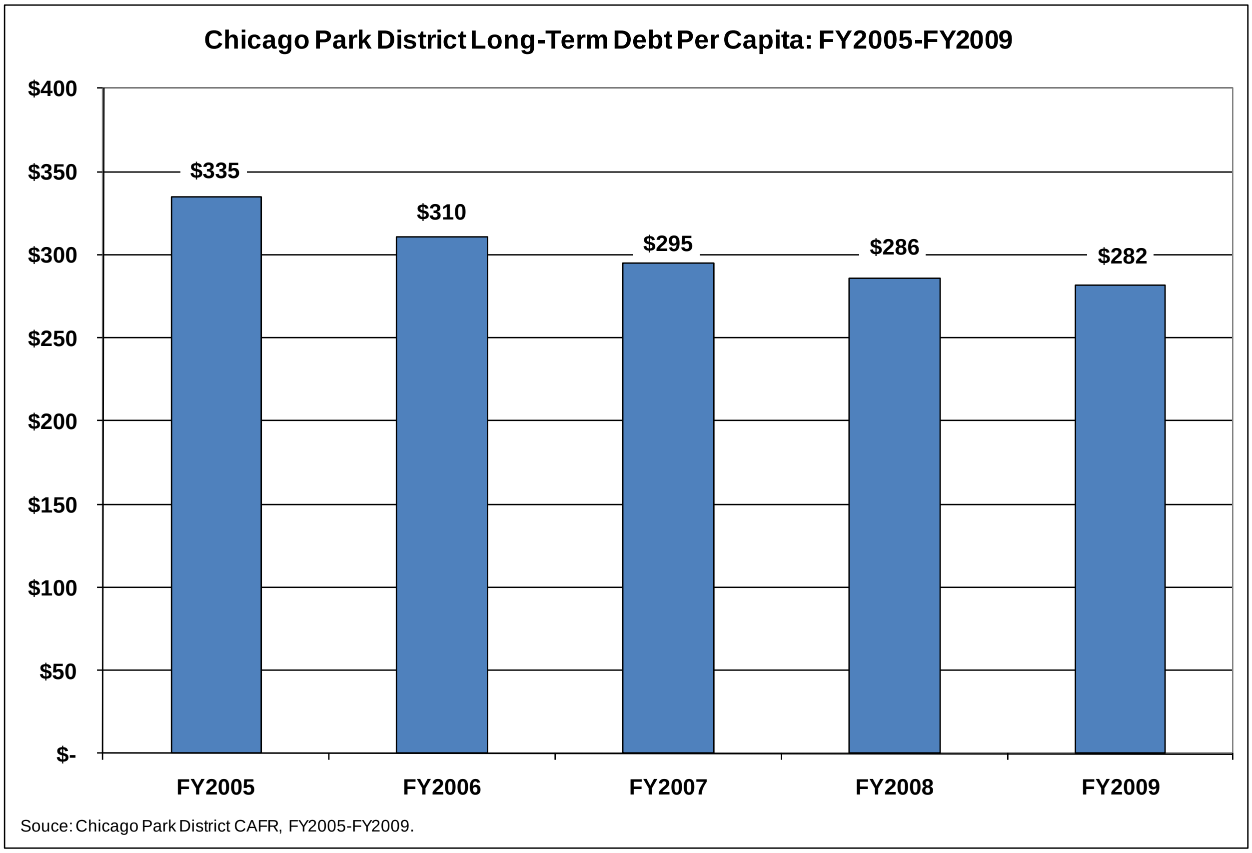
Source: Chicago Park District FY2005 CAFR, p. 36 and FY2009 CAFR, p. 66.

Long-Term Debt Per Capita

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 long-term debt per capita bear watching as it can be a sign of increasing financial risk.

[54] Chicago Park District FY2009 CAFR, p. 68.

The exhibit that follows shows that the Chicago Park District's long-term debt burden declined by 17.4% during the five-year period between FY2005 and FY2009. In FY2005, long-term debt per capita was $335 and five years later debt per capita decreased to $282. This is a 15.8% decrease.



Long-Term Liabilities

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

- Compensated absences: liabilities owed for employees' time off with pay for vacations, holidays, and sick days.
- Claims and judgments: liabilities owed as a result of claims for tort liability and property judgments.
- Net pension liabilities (NPO): The cumulative difference, since the effective date of GASB Statement 27, between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt.[55]

[55] http://www.gasb.org/st/summary/gstsm27.html.

- Net Other Post Employment Benefit (OPEB) liabilities: The cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan.
- Property tax claims payable: Property tax refunds to taxpayers that have not yet been paid.
- Worker's compensation claims: payments owed for some part of the cost of injuries or disease incurred by employees in the course of their work.

Between FY2008 and FY2009, total Chicago Park District long-term liabilities fell by 1.0%, decreasing from $903.8 million to $895.8 million. The largest increase was for net pension liabilities, which rose by $5.5 million or 50.7%.

Chicago Park District Long-Term Liabilities: FY2008 to FY2009 (in $ thousands)

Government Activities	FY2008	FY2009	$ Change	% Change
General Obligation Bonds				
Capital Improvement	$ 768,460.0	$ 768,230.0	$ (230.0)	0.0%
Aquarium and Museums	$ 38,080.0	$ 32,730.0	$ (5,350.0)	-14.0%
Unamortized Premiums	$ 24,618.0	$ 21,468.0	$ (3,150.0)	-12.8%
Deferred Amount on Refunding	$ (19,689.0)	$ (17,077.0)	$ 2,612.0	-13.3%
Subtotal GO Bonds	**$ 811,469.0**	**$ 805,351.0**	**$ (6,118.0)**	**-0.8%**
Contractor Long Term Financing	$ -	$ 919.0	$ 919.0	…..
Capital Lease PBC	$ 15,610.0	$ 10,795.0	$ (4,815.0)	-30.8%
Compensated Absences	$ 8,121.0	$ 8,236.0	$ 115.0	1.4%
Claims & Judgments	$ 9,849.0	$ 7,581.0	$ (2,268.0)	-23.0%
Net Pension Obligation	$ 10,839.0	$ 16,337.0	$ 5,498.0	50.7%
Net OPEB Obligation	$ 5,718.0	$ 8,693.0	$ 2,975.0	52.0%
Property Tax Claim Payable	$ 27,221.0	$ 22,979.0	$ (4,242.0)	-15.6%
Worker's Compensation	$ 15,058.0	$ 14,937.0	$ (121.0)	-0.8%
Total	**$ 903,885.0**	**$ 895,828.0**	**$ (8,976.0)**	**-1.0%**

Source: Chicago Park District FY2008 CAFR, p. 68 and FY2009 CAFR, p. 66.

Over the 5-year period between FY2005 and FY2009, long-term liabilities decreased by 12.1%, falling from $1.0 billion to $895.8 million.

Chicago Park District Long-Term Liabilities: FY2005 to FY2009 (in $ thousands)				
Government Activities	**FY2005**	**FY2009**	**$ Change**	**% Change**
General Obligation Bonds				
Capital Improvement	$ 872,445.0	$ 768,230.0	$ (104,215.0)	-11.9%
Aquarium and Museums	$ 81,840.0	$ 32,730.0	$ (49,110.0)	-60.0%
Unamortized Premiums	$ 20,772.0	$ 21,468.0	$ 696.0	3.4%
Deferred Amount on Refunding	$ (29,092.0)	$ (17,077.0)	$ 12,015.0	-41.3%
Subtotal GO Bonds	**$ 945,965.0**	**$ 805,351.0**	**$ (140,614.0)**	**-14.9%**
Contractor Long Term Financing	$ -	$ 919.0	$ 919.0	…..
Capital Lease PBC	$ 23,390.0	$ 10,795.0	$ (12,595.0)	-53.8%
Compensated Absences	$ 7,204.0	$ 8,236.0	$ 1,032.0	14.3%
Claims & Judgments	$ 5,937.0	$ 7,581.0	$ 1,644.0	27.7%
Net Pension Obligation*	$ -	$ 16,337.0	$ 16,337.0	…
Net OPEB Obligation*	$ -	$ 8,693.0	$ 8,693.0	…
Property Tax Claim Payable	$ 20,938.0	$ 22,979.0	$ 2,041.0	9.7%
Worker's Compensation	$ 14,256.0	$ 14,937.0	$ 681.0	4.8%
Total	**$ 1,017,690.0**	**$ 895,828.0**	**$ (122,781.0)**	**-12.1%**

* Not reported in FY2005

Source: Chicago Park District FY2005 CAFR, p. 36 and FY2009 CAFR, p. 66.

Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. Debt service payments of 15-20% of all appropriations are considered high.

Chicago Park District debt service appropriations in the proposed budget for FY2011 are expected to be 21.8% of the District's $397.6 million in total appropriations. The District will spend $86.8 million for debt service in the upcoming fiscal year. The debt service to total appropriations ratio will average 21.6% between FY2007 to FY2011, a "high" rating. In each of the 5 years reviewed, the ratio was at least 21.0%.

Chicago Park District Debt Service Appropriations as a Percentage of Total Appropriations: FY2007-FY2011					
	FY2007	**FY2008**	**FY2009**	**FY2010**	**FY2011 Budget**
Debt Service Appropriations	$ 87,693,938	$ 83,506,872	$ 82,698,173	$ 85,156,360	$ 86,782,063
Total Appropriations	$ 393,897,087	$ 396,943,542	$ 393,222,794	$ 391,853,640	$ 397,569,544
Debt Service as a % of Total Appropriations	**22.3%**	**21.0%**	**21.0%**	**21.7%**	**21.8%**

Source: Chicago Park District Budgets.

PENSION FUND TRENDS

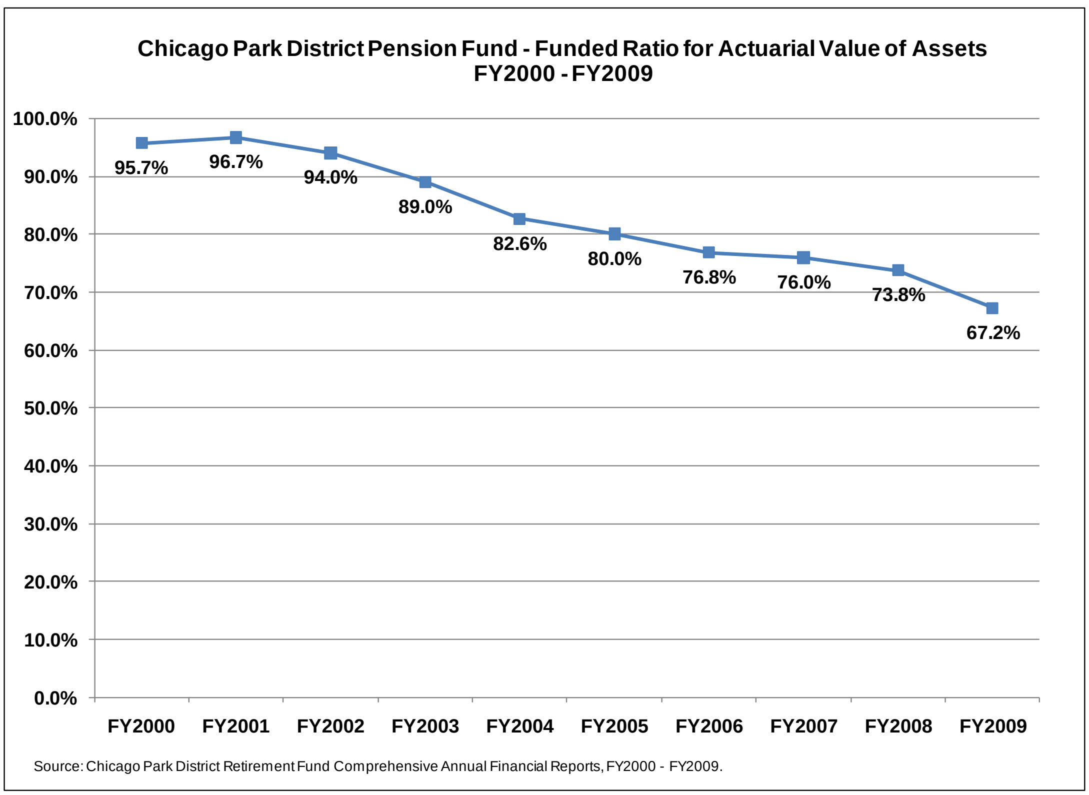
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Park District's pension fund: actuarial value funded ratios, unfunded actuarial accrued liabilities, and investment rate of return. This section also describes the pension benefits and annual required employer contributions to the fund.

In FY2009 there were 3,013 active members of the pension fund and 2,865 beneficiaries.[56] The fiscal year of the pension fund is July 1 to June 30, while the fiscal year of the Chicago Park District is January 1 to December 31. The Chicago Park District is the only park district in Illinois whose employees who do not participate in the Illinois Municipal Retirement Fund.

Funded Ratios – Actuarial Value of Assets

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.

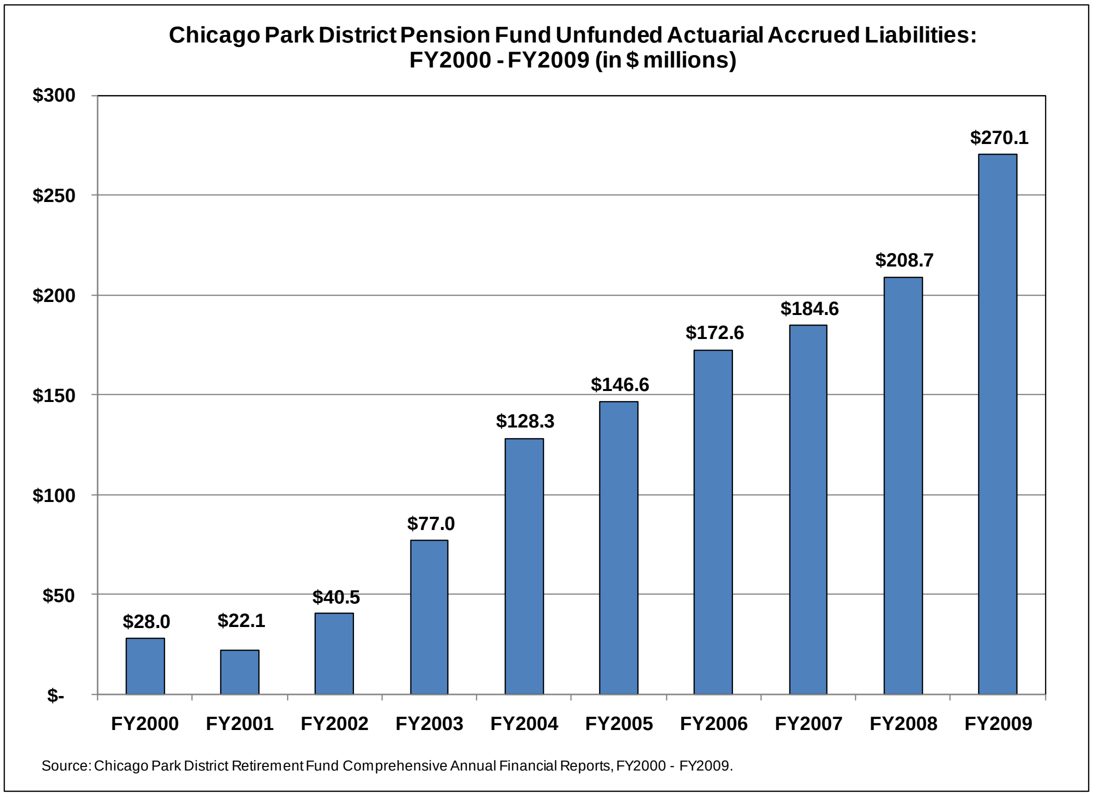
The funded ratio for the District's pension fund decreased from 95.7% in FY2000 to 67.2% in FY2009. This decline is cause for concern. In general, a funded ratio below 80% is considered to be an indication that the fund is in poor health.



[56] Chicago Park District Retirement Fund FY2009 Comprehensive Annual Financial Report, p. 25.

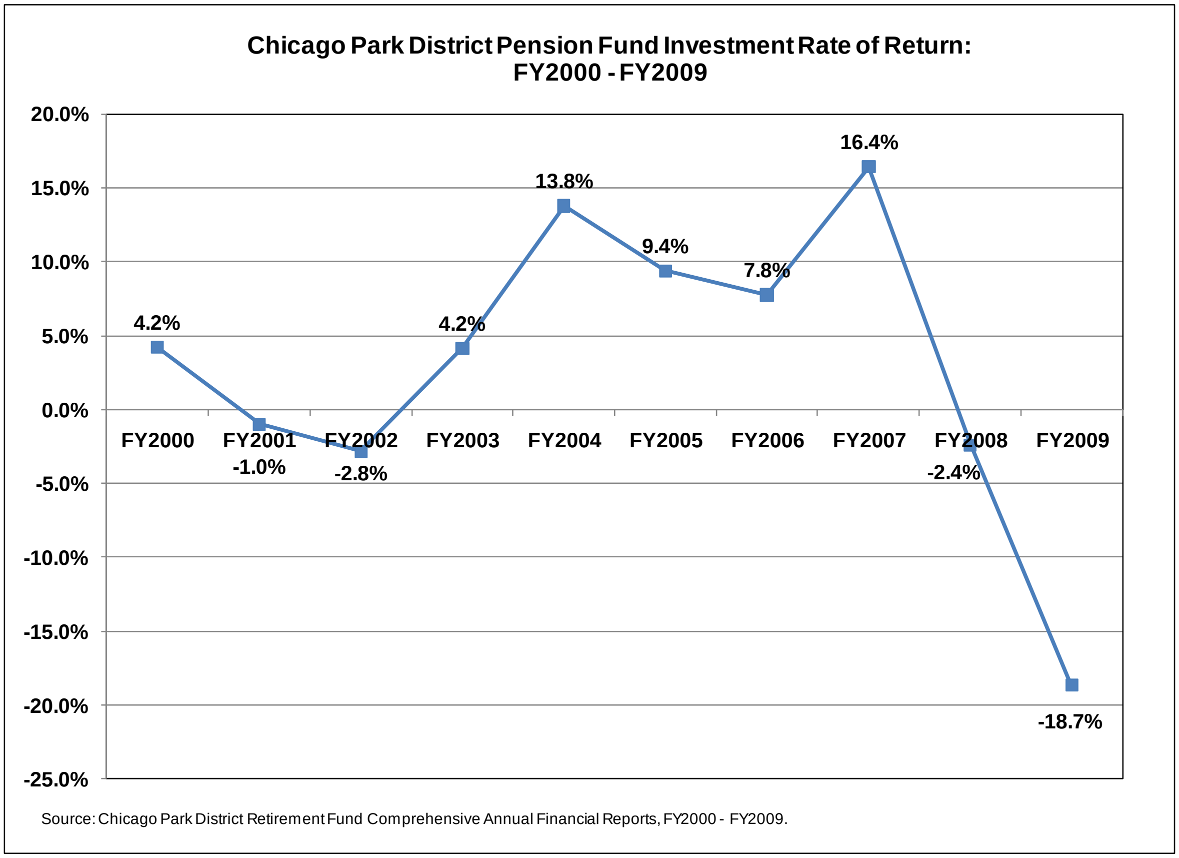
Unfunded Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded actuarial accrued liabilities for the District's pension fund totaled $270.1 million in FY2009. This is an increase of $242.1 million, or nearly ten times the $28.0 million of unfunded liabilities in FY2000. Between FY2008 and FY2009 the unfunded liabilities grew by $61.4 million, or 29.4%.



Investment Rate of Return

Five years of positive returns from FY2003 to FY2007 peaked at 16.4% in FY2007 but fell to -2.4% in FY2008. Prior losses of -1.0% and -2.8% occurred in FY2001 and FY2002. The FY2009 return of -18.7% reflects the period from July 1, 2008 to June 30, 2009, which included the autumn 2008 crisis in the financial markets.



Pension Benefits

Public Act 96-0889, enacted in April 2010, creates a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Chicago Park District pension fund. This report will refer to "current employees" as those persons hired before the effective date of Public Act 96-0889 and "new hires" as those persons hired on or after January 1, 2011. Over time these benefit changes will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier. However, this change will not affect District pension contributions under the current state statute requiring its contributions to be a fixed multiple of 1.1 times employee contributions made two years prior.[57]

[57] See Civic Federation, "Status of Local Pension Funding Fiscal Year 2008," March 8, 2010, p. 41ff. for an explanation of employer contributions. http://www.civicfed.org/civic-federation/publications/fy2008statuslocalpensions

Current employees participating in the Chicago Park District pension fund are eligible for full retirement benefits once they reach age 60 and have at least 4 years of employment at the District or age 50 with 30 years of service. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of service and a $60,000 final average salary could retire with a $43,200 annuity: 30 x $60,000 x 2.4% = $43,200.[58] The annuity increases every year by an automatic 3.0% cost of living adjustment (COLA) based on the original annuity amount. Employees with 10 years of service may retire as young as age 50 but their benefit is reduced by 0.25% for each month they are under age 60.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62; the reduction of final average salary from the highest 4 year average to the highest 8 year average; the $106,800 cap on final average salary; and the reduction of the automatic COLA from 3% to the lesser of 3% or one half of the increase in Consumer Price Index.

Major Chicago Park District Pension Benefit Provisions		
	Current Employees (hired before 1/1/2011)	**New Hires (hired on or after 1/1/2011)**
Full Retirement Eligibility: Age & Service	age 60 with 4 years of service or age 50 with 30 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.25% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	
Annuity Automatic COLA on Retiree or Surviving Spouse Annuity	3% simple interest; begins at later of age 60 or first anniversary of retirement	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

*The $106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year.

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

Sources: Chicago Park District FY2009 pension fund CAFR, p. 61, and Public Act 96-0889.

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

[58] The average age at time of retirement at June 30, 2009 was 59.2 years. The single largest age of service category of retirees for the past five years was people with 30+ years of service. The average final average salary for that group was $58,296. Chicago Park District Retirement Fund FY2009 CAFR pp. 75, 85.

Employer Annual Required Contribution

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

ARC is a financial reporting requirement but not a funding requirement. The statutorily required Chicago Park District contribution to its pension fund is set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does represent a reasonably sound funding policy, the ARC can be used as an indicator how well a public entity is actually funding its pension plan.

The following table compares the ARC to the actual District contribution over the last ten years. From FY2000 to FY2004 employer contributions exceeded the ARC. In FY2005, however, employer contributions were only 32.5% of the ARC and have failed to meet the ARC ever since. The significant drop in employer contributions as a percent of ARC in FY2005 is due in large part to Public Act 93-0654 (enacted January 16, 2004), which increased benefits, created an early retirement program, and gave the District a pension contribution holiday. The retirement formula was changed from a sliding scale depending on years of service to a flat 2.4% rate.[59] This and other benefit changes in P.A. 93-0654 added $57.2 million to the unfunded liability.[60] The District was allowed to reduce its employer pension contributions by $5.0 million in the fall of 2004 and by $4.9 million in the first quarter of 2005.[61] The pension fund was permitted to recognize the first reduction in FY2005 and the second in FY2006.[62] The reductions added $10.0 million to the unfunded liabilities in FY2005 and another $10.1 million in FY2006.[63]

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[59] The previous rates were 1.9% for each of the first ten years of service, plus 2.2% for each of the next ten years of service, plus 2.4% for each of the next 10 years of service, plus 2.8% for each year of service over 30. Park Employees' Annuity and Benefit Fund of Chicago, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2003, p. 60.

[60] Park Employees' Annuity and Benefit Fund of Chicago, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2004, p. 57.

[61] The Park District still levied the full amount of property taxes required for the pension fund by statutory formula, but transferred the $9.9 million to the Corporate Fund. The Civic Federation opposed this diversion of property taxes from the pension fund.

[62] Park Employees' Annuity and Benefit Fund of Chicago, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2006, p. 30.

[63] Park Employees' Annuity and Benefit Fund of Chicago, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2005, p. 59 and Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2006, p. 59.

The difference between the ARC and the actual employer contribution went from a surplus in FY2000-FY2004 to a $12.2 million shortfall in FY2009. The cumulative ten-year difference between ARC and actual employer contribution is $36.2 million, including the five years when the employer contribution exceeded the ARC.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2000 the ARC was 7.0% of payroll while the actual employer contribution was 9.8% of payroll. In FY2009 the pension ARC was 20.1% of payroll and the actual employer contribution was 8.9% of payroll. Employees contribute 9.0% of salary.

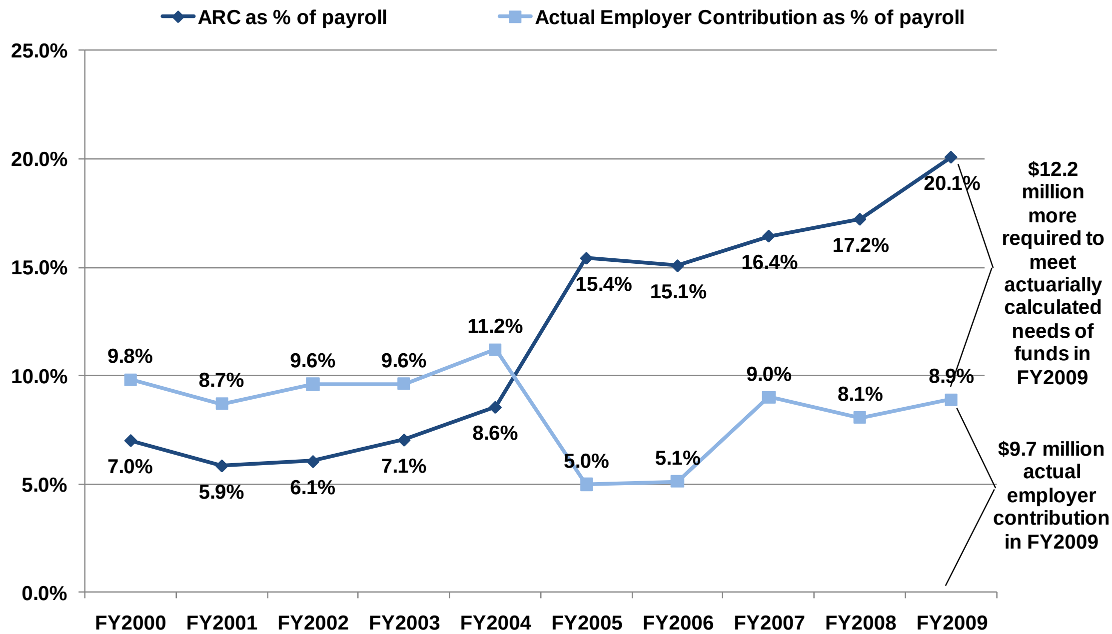
Chicago Park District Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statement 25

Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll	Actuarial Funded Ratio
2000	$ 6,427,000	$ 8,982,701	$ (2,555,701)	139.8%	$ 91,486,242	7.0%	9.8%	95.7%
2001	$ 6,197,000	$ 9,206,851	$ (3,009,851)	148.6%	$105,739,601	5.9%	8.7%	96.7%
2002	$ 6,288,000	$ 9,977,765	$ (3,689,765)	158.7%	$103,786,911	6.1%	9.6%	94.0%
2003	$ 7,215,000	$ 9,842,559	$ (2,627,559)	136.4%	$102,329,721	7.1%	9.6%	89.0%
2004	$ 7,518,000	$ 9,840,681	$ (2,322,681)	130.9%	$ 87,840,802	8.6%	11.2%	82.6%
2005	$ 14,760,000	$ 4,768,605	$ 9,991,395	32.3%	$ 95,707,132	15.4%	5.0%	80.0%
2006	$ 15,235,000	$ 5,173,860	$ 10,061,140	34.0%	$101,058,024	15.1%	5.1%	76.8%
2007	$ 17,529,000	$ 9,594,593	$ 7,934,407	54.7%	$106,601,982	16.4%	9.0%	76.0%
2008	$ 19,237,000	$ 8,998,687	$ 10,238,313	46.8%	$111,698,366	17.2%	8.1%	73.8%
2009	$ 21,862,000	$ 9,677,765	$ 12,184,235	44.3%	$108,882,742	20.1%	8.9%	67.2%

Note: A dollar amount actual employer contribution is not disclosed in the Schedule of Employer Contributions for this fund so the Employer Contributions listed in the Statement of Plan Net Assets for each year is used.
Source: Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000, p. 27 Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004, p. 29 and Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009, p. 32.

The graph below illustrates the growing gap between the ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from a 2.8 percentage point surplus in FY2000 to an 11.2 percentage point shortfall in FY2009. In other words, to fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability over 30 years the District would have needed to contribute an additional 11.2% of payroll, or $12.2 million, in FY2009.

Chicago Park District Pension Fund
Annual Required Contribution vs. Actual Employer Contribution: FY2000-FY2009
(calculated according to Governmental Accounting Standards Board Statement 25)



Source: Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000, p. 27 Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004, p. 29 and Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009, p. 32.

OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a healthcare plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least 4 years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65 are not covered by the District's healthcare plan.

The District funds retiree healthcare on a pay-as-you-go basis. In FY2009, the District contributed nearly $1.0 million and plan members contributed $1.8 million, or 64% of premiums. The monthly required retiree contributions for HMO/PPO coverage are $410/$670 for retiree only, $820/$1,210 for retiree and spouse, and $1,180/$1,680 for family coverage, respectively.[64]

[64] Rates are higher for persons who retired after December 31, 2007 and choose the PPO plan. Chicago Park District FY2009 Comprehensive Annual Financial Report, pp. 75-76.

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement Number 45. The ARC represents the amount needed to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2009 was nearly $3.9 million. Contributions were made in the amount of $0.9 million, increasing the net OPEB obligation by nearly $3.0 million, from $5.7 million to $8.7 million.[65]

OPEB Costs for Chicago Park District Retiree Heathcare Plan: FY2009 (in $ thousands)		
Annual Required Contribution	$	3,992.0
Adjustment to ARC	$	(324.0)
Interest on net OPEB obligation	$	229.0
Annual OPEB Cost	**$**	**3,897.0**
Contributions Made	**$**	**922.0**
Increase in net OPEB obligation	$	(2,975.0)
Net OPEB Obligation - Beginning of Year	**$**	**(5,718.0)**
Net OPEB Obligation - End of Year	**$**	**(8,693.0)**

Source: Chicago Park District FY2009 CAFR, p. 76.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree healthcare benefits was $45.8 million in FY2009, down slightly from $47.2 million in FY2008. The plan has no assets because it is funded on a pay-as-you-go basis; thus all liabilities are unfunded and the funded ratio is 0%.

Chicago Park District OPEB Funded Status: FY2009 (in $ millions)	
Actuarial Accrued Liability	$45.8
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$45.8

Source: Chicago Park District FY2009 CAFR, p. 77.

[65] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.