



The Civic Federation

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FOREST PRESERVE DISTRICT OF COOK COUNTY FY2011 PROPOSED BUDGET:

Analysis and Recommendations

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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 FY2011 Forest Preserve District of Cook County budget of \$198.0 million, which includes both operating and capital expenditures. The proposed FY2011 budget represents a decrease of \$236.3 thousand, or 0.1%, from the FY2010 proposed budget. We commend the District for holding its property tax levy flat at a time when Cook County residents are facing serious economic hardships. The District has also maintained adequate reserve funds per its fund balance policy.

The Civic Federation recognizes that going forward the District will face fiscal pressures due to rising personnel costs. We urge the District to maximize operating efficiencies to prevent future budget deficits. Potential operating efficiencies include transferring swimming pool operations to park districts and exploring the transfer of law enforcement duties to the Cook County Sheriff.

The Federation also strongly urges support for the creation of a separate Board of Commissioners for the Forest Preserve District. The current board structure that oversees both District and Cook County results in an unavoidable conflict of interest. In the past, the conflict has resulted in land use policy violations, poor oversight of District land holdings and inadequate transparency of District finances.

Though the District has made substantial improvements to its budget document, the Civic Federation is still concerned with the document's lack of clarity. The Federation encourages the District to build on its strategic planning capabilities by developing performance measures and improving the Capital Improvement Plan.

The Civic Federation offers the following **key findings** on the FY2011 proposed budget:

- Total appropriations will decrease by 0.1%, or \$236.3 thousand, from the FY2010 proposed appropriations of \$198.2 million to \$198.0 million in FY2011;
- Total resources for operating funds (Corporate Fund, Pension Fund and Bond and Interest Fund) will increase by \$777.5 thousand, or 1.1% in FY2011, from \$73.0 million proposed in FY2010 to \$73.8 million in FY2011;
- Funding for the Brookfield Zoo and Chicago Botanic Garden will total \$87.9 million, which is 44.4% of the total District Budget;
- The District's Property Tax levy will remain flat at \$86.5 million;
- Total full-time equivalent (FTE) positions will increase by 1.1% or 6 positions from 538 FTEs to 544 FTEs in FY2011;
- The District's Corporate Fund balance at FY2009 year-end was \$26.4 million and the FY2011 budget utilizes \$10.7 of fund balance million as a resource;
- The District's short-term liabilities in FY2009 decreased by \$1.6 million or 1.9% from FY2008;
- The District's long-term debt burden fell by 5.5% or \$6.8 million between FY2008 and FY2009;
- The pension fund's unfunded liabilities rose to \$85.6 million, up from a slight surplus in FY2000; and
- The funded ratio for pensions declined from 103.7% in 2000 to 68.7% over the same ten-year period.

The Civic Federation **supports** the following items contained in the District's budget:

- Holding the property tax levy flat from FY2010 to FY2011 at \$86.5 million;
- Adhering to its unreserved Corporate Fund fund balance policy; and
- Providing sufficient time for public review of the FY2011 proposed budget.

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

- Maintaining a governance structure where District and Cook County share the same legislative body;
- Failing to consider the adoption of the FY2011 proposed budget in a timely manner; and
- Maintaining a pension fund that shows signs of declining fiscal health including increasing unfunded liabilities and a declining funded ratio that fell from 103.7% in FY2000 to 68.7% in FY2009.

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

- Explore opportunities for increased efficiencies, including the transfer of ownership of the District's swimming pools to other operators and the possible transfer of the Forest Preserve District Police Department to the Cook County Sheriff's Department.
- Enhance the transparency of rent subsidies for district employees living on district land;
- Develop and report performance measures as a part of a broader strategic planning practice;
- Elect a separate board of commissioners for the Forest Preserve District;
- Release audited financial statements within six months of the close of the fiscal year and post these statements on the District's website;
- Improve the budget document with budget trends and actual data, complete information regarding proposed resources, aggregate object level expenditure data, more detailed fund descriptions and an expansion of the Reader's Guide;
- Implement a long-term financial planning process that is shared and reviewed with key policymakers and public stakeholders;
- Improve the Capital Improvement Plan and process with more specific information, increased public input and a focus on prioritization of projects; and
- Implement comprehensive pension reform including relating employer and employee contributions to the funded status of the plans.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Forest Preserve District of Cook County FY2011 Executive Budget Recommendation totaling \$198.0 million, which includes both operating and capital expenditures.

We commend the District for holding its property tax levy flat during the continued aftermath of the recession and foreclosure crisis. However, the District will need to begin long-term financial planning to ensure fiscal sustainability. We commend the District for the timely release of its budget document. In addition, the District has also shown prudence by maintaining substantial reserves.

The Civic Federation is concerned by the lack of Board action on the budget. The budget has still not been considered by the Board although the District's fiscal year has begun. This lack of adequate attention to the District's budget is yet another example of the negative consequence of the dual structure of the Board of Commissioners. The Civic Federation is also concerned about the decline in the funded ratio of the pension plan from 103.7% in FY2000 to 68.7% in FY2009.

The Civic Federation strongly urges the creation of a separate board of commissioners for the Forest Preserve District. The Federation also recommends that the District explore opportunities for increased efficiencies by focusing on core functions and that it develop a performance measurement system. Lastly, the District should increase transparency through budget format improvements and disclosure of rental subsidies.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Forest Preserve District of Cook County FY2011 Executive Budget Recommendation.

Holding the Property Tax Levy Flat

The Forest Preserve District proposes to hold the property tax level flat at \$86.5 million in FY2011. It is commendable to limit tax increases as County residents struggle to deal with the aftermath of the recession and the housing foreclosure crisis. However, the District must utilize long-term financial planning including projections of future revenues and expenditures to ensure continued fiscal sustainability.

Adhering to Fund Balance Policy

The District's fund balance policy requires a minimum unreserved fund balance totaling the sum of 5.5% of Corporate Fund gross revenues, 1% of Corporate Fund expenditures for unexpected expenditures and 8% of Corporate Fund expenditures to account for insufficient operating cash. The District continues to adhere to its fund balance policy. It had a Corporate Fund fund balance of 71.8% of operating expenditures (59.9% if transfers are added) as of December 31, 2009. By setting aside funds, the District has been able to draw on its fund balance in FY2010 and FY2011 to weather the economic downturn without raising the tax levy. The District should consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that

should be taken should the fund balance continue to grow. A maximum target prevents the unnecessary accumulation of resources that could impact intergenerational equity. The Civic Federation supports the District's prudent measure of adopting and adhering to a fund balance policy to provide fiscal stability.

Timely Release of the Budget

In prior years the Forest Preserve District released its budget less than two weeks before its single scheduled public hearing. The Civic Federation recommended that the District allow a minimum of ten working days for the public to have sufficient time for meaningful review of the budget prior to the public hearing.

During the development of the FY2010 budget, the District offered 24 working days for the public to review its Executive Budget Recommendation. The FY2011 budget was released on October 6, 2010. This would have provided sufficient time had the public hearing been held November. Unfortunately, the public hearing has not yet been set. The Civic Federation commends the District for initially releasing its budget document in a timely manner.

Civic Federation Concerns

The Civic Federation has the following concerns regarding the Forest Preserve District's FY2011 Executive Budget Recommendation.

Improper Governance Structure

Currently the Forest Preserve District is overseen by a dual structure Board of Commissioners that also acts as the legislative body for Cook County. This governance structure results in a conflict of interest for commissioners that are asked to balance the irreconcilable needs and missions of the County and the Forest Preserve District. Over the years it is clear that the District is ill-served by the "double-duty" commissioners.

Lack of Timely Board Action on the Budget

The FY2011 fiscal year has begun and there has still been no board action on the budget. The Civic Federation recommends that all government budgets be adopted no later than one month prior to the start of the fiscal year. With a recommended budget of nearly \$200 million, the District is a government of substantial size and its budget should be carefully considered by the Board, not quickly passed after the start of the fiscal year. The Board is facing very substantial budgetary challenges for Cook County and will likely have limited time to review the Forest Preserve District's budget. The Civic Federation is concerned that lack of attention to the Forest Preserve District budget is another negative result of the dual structure of the Board of Commissioners.

Pension Fund Downward Trend

The funded ratio of the Forest Preserve District pension fund fell from 103.7% in FY2000 to 68.7% in FY2009. The District had a slight surplus of assets in FY2000 and now has unfunded liabilities totaling \$85.6 million. The latest decline in the fund from FY2008 to FY2009 is

partially the result of a change in actuarial assumptions. However, even without that change, the health of the fund would have continued to decline. The funded ratio is falling below a level considered financially healthy. The enormous pension challenges facing many other Northeastern Illinois governments should serve as a warning of how quickly a trend can turn into a crisis.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to support improved efficiency, governance and transparency.

Pursue Opportunities for Increased Efficiencies

There are opportunities for the Forest Preserve District to enhance efficiency by increasing the focus on its core mission. Two possible opportunities include transferring operations of the County's swimming pools to park districts and transferring policing duties to the Cook County Sheriff. Neither law enforcement nor swimming pool operations are central to the District's mission of preserving flora and fauna.

Transfer Ownership of Swimming Pools

Maintaining and operating swimming pools is not a core function of the Forest Preserve District of Cook County. Public pool operations are more closely aligned with the missions of local park districts and community organizations. The FY2011 associated personnel expenses for the pools will total \$722,949 while the pool fee revenue is expected to be \$200,000.¹ Pool user fees only cover 27.7% of the Districts' related personnel costs with the balance subsidized by the District's Corporate Fund.

Over 50 years ago the Advisory Committee to the Cook County Forest Preserve Board of Commissioners recommended that the pools be closed. In 1929, the Advisory Committee had recommended that the Forest Preserve District build swimming pools to provide a sanitary alternative for swimmers using Forest Preserve lakes and rivers. In 1953, however, the Committee recognized that many safe swimming opportunities had become available to County residents and recommended closing the District pools when they became obsolete.²

Indeed, the pools did become obsolete as the District allowed them to fall into disrepair. The District recently spent over \$9.5 million of Illinois FIRST funds from the State of Illinois to renovate Cermak Family Aquatic Center in Lyons and Green Lake Family Aquatic Center in Calumet City. The Cermak pool was re-opened in 2008, and Green Lake pool was opened in 2009.³ The District's third pool, Whelan Aquatic Center, is located on the northwest side of Chicago. The Chicago Park District maintains dozens of indoor and outdoor swimming facilities within the city limits. Suburban park districts and departments and community organizations

¹ Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, pp. 40, 84.

² *Revised Report of Advisory Committee to the Cook County Forest Preserve Commissioners*, Forest Preserve District of Cook County, IL, 1953, p.20. Available at the Harold Washington Library, Chicago IL.

³ Forest Preserve District of Cook County FY2010 Executive Budget Recommendation, p. 84.

maintain many other public swimming pools around Cook County. Clearly, there are many well-qualified providers of this recreational service who can offer interested users plenty of swimming opportunities. The Civic Federation urges the District to transfer ownership and operation of the pools to such entities so that it can focus on its unique mission of restoring and retaining natural lands. This action is supported by the Friends of the Forest Preserves.⁴

Explore Elimination of Forest Preserve District Police Department

In FY2011 the District is proposing to spend \$9.7 million on law enforcement, which includes the administrative and patrol duties for the Forest Preserve District. It has been suggested that the District could eliminate its police force and transfer policing duties to the Sheriff or another municipal police force. In lieu of a police force, the District could employ Civilian Conservation Officers to patrol the preserves, deter illegal activity and provide assistance to the public. Conservation Officers would function as park rangers do in state and national parks, and would contact local police officers when law enforcement was necessary.

Cook County Sheriff Tom Dart has previously suggested that the Forest Preserve District law enforcement duties be transferred to his office.⁵ The transition report for Board President Preckwinkle supported exploring the transfer of Forest Preserve District policing to the Sheriff. The report stated that the “transfer of policing duties would save taxpayer dollars and improve efficiency of public safety services delivered within the Forest Preserve.”⁶ The report notes that the President will work with the Forest Preserve District to identify the best option for policing the District.

The elimination of duplicative services should be pursued wherever possible and the transfer of the District policing duties may present one such opportunity. The Civic Federation supports efforts to explore alternative options for Forest Preserve District policing. However, caution should be given in how this change is pursued due to the conflict of interest inherent in the current governance structure. A recent article reported that one idea being discussed to reduce Cook County’s public safety costs was to eliminate the Forest Preserve District police.⁷ Any transfer of policing duties should be done in a deliberate open process that results in increased efficiency and that provides a benefit not just to the County, but to the Forest Preserve District as well.

Enhance Transparency of Rent Subsidy for District Employees Living on District Land

In return for watching over District land and serving as a deterrent to crime or misuse, the Forest Preserve District rents housing on its property to employees at drastically discounted rates. The Civic Federation approved of the modest step taken by Forest Preserve Commissioners when they passed an ordinance in July 2005 to increase the rent for Resident Employees by 6.6%, from

⁴ Phone communication between the Civic Federation and Benjamin Cox, Executive Director, Friends of the Forest Preserves, December 15, 2010. See also Friends of the Forest Preserve, *The Forest Preserve District of Cook County Study and Recommendations Phase II*, October 2002, p.2.

⁵ Presentation by Cook County Sheriff Tom Dart to the Civic Federation, November 12, 2009.

⁶ Cook County Board President Toni Preckwinkle Transition Team, “Cook County Transition Report,” December 7, 2010.

⁷ Dardick, Hal, “Preckwinkle waiting for offices to come up with 16% cuts,” Chicago Tribune, December 22, 2010.

\$225 to \$240 per month for some residences and from \$450 to \$480 per month for others. The Commissioners also voted to tie annual rent increases to the Consumer Price Index. However, resident employee rental rates are still below market rates.

There is no mention of this rental subsidy program within the District's budget document. The District should include a narrative description of the program within its budget document and report performance metrics on the value of the subsidy it is providing in relation to the services it is receiving. It should also benchmark its level of subsidy to other governmental organizations with similar programs. These steps will allow an evaluation of the effectiveness of the subsidy. The rental subsidy is a form of employee compensation and a fiscal policy of the District that should be completely transparent to the public.

Develop and Report Performance Measures

The Forest Preserve District should collect key performance measurement data and consistently report the data in the budget document. Collecting performance data will provide management and policy-makers with objective information to utilize in strategic planning, allocating resources and improving operational efficiency. The data is also crucial to provide transparency and accountability to the public. All governments should evaluate the performance of the programs and services they provide to ensure that they are accomplishing their intended goals and making efficient use of resources. Evaluating and reporting on program results keeps all stakeholders aware of any variance between expectations and actual achievements.⁸

The District currently has very little performance measurement data in its budget document. There is just a handful of output data reported in the "Capital Asset Statistics" chart. The District also reports some program data in its listing of departmental accomplishments, which indicates that there may be some program data to build upon.

Forest Preserve District staff should work to support the development of performance measures to track the efficiency and effectiveness of management and operations. Adoption of a performance measurement system does not have to be done all at once; it can be implemented in steps and by department. The Government Finance Officers Association (GFOA) recommends the following for governments that are in the early stages of performance measurement:

- Develop its service delivery units in terms of programs;
- Identify goals, short- and long-term, that contribute to the attainment of the mission;
- Identify program goals and objectives that are specific in timeframe and measurable to accomplish goals;
- Identify and track performance measures for a manageable number of services within programs;
- Identify program inputs in the budgeting process that address the amount of resources allocated to each program;
- Identify program outputs in the budgeting process that address the amount of service units produced;

⁸ 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).

- Identify program efficiencies in the budgeting process that address the cost of providing a unit of service;
- Identify program outcomes in the budgeting process that address the extent to which the goals of the program have been accomplished;
- Take steps to ensure that the entire organization is receptive to evaluation of performance;
- Integrate performance measurements into the budget that at a minimum contains by program the goals and input, output, efficiency and outcome measures; and
- Calculate costs and document changes that occur as a direct result of the performance management program in order to review the effectiveness.⁹

Elect a Separate Board of Commissioners for the Forest Preserve District

In 2008, the Civic Federation and the Friends of the Forest Preserves issued a report calling for the creation of a separate board to oversee the operations of the Forest Preserve District of Cook County.¹⁰ The report highlighted the conflict of interest that arises from asking the same commissioners to consider economic development issues in one capacity and land preservation issues in another. The report stated that due to an organizational structure that creates an inherent conflict of interest and inhibits proper oversight, the District suffers from numerous problems that may be mitigated by installing a separate governing body.

In October 2010, the Civic Federation again called for a separate board as part of the Cook County Modernization Report.¹¹ The Civic Federation recommended that the Forest Preserve be separated from Cook County government in 2012, year two of the incoming County administration. Other objective observers have concurred that a separate board would positively impact fiscal management. Fitch Ratings noted that the creation of a separate Board of Commissioners would provide the District greater autonomy to manage its financial resources, which Fitch would consider a positive credit factor.¹²

The Civic Federation and the Friends of the Forest Preserves strongly recommend that a separate elected Board of Commissioners be created for the Forest Preserve District of Cook County. This action does not create a new government entity and its creation should not result in any additional costs. The new board should be elected county-wide via a non-partisan election and have a board president selected among and by the members of the board. A separate board will allow voters to elect Commissioners on the basis of candidates' positions, credentials, experience

⁹ Government Finance Officers Association, Best Practice "Performance Management: Using Performance Measurement for Decision Making (2002 and 2007)" <http://www.gfoa.org/downloads/budgetperfmanagement.pdf> (Last Visited on December 13, 2010).

¹⁰ The Civic Federation and Friends of the Forest Preserves, *Forest Preserve District of Cook County: A Call for a Separate Board of Commissioners*, March 2008, http://www.civiced.org/articles/civiced_269.pdf (last visited on October 20, 2010).

¹¹ The Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 2010, <http://civiced.org/sites/default/files/CookCountyModernizationReport.pdf> (last visited on November 1, 2010).

¹² Fitch Ratings, "Fitch Upgrades Forest Preserve District of Cook County, Illinois' GOs to 'AA-'; Outlook Stable," September 9, 2009.

and interest in forest preserve governance. It will also provide the necessary governance and oversight required for operating one of the largest forest preserve districts in the nation.

Timely and Wide Release of Financial Statements

The Civic Federation believes that all governments, including the Forest Preserve District of Cook County, should release audited financial statements no later than six months after the close of their respective fiscal years and make the statements easily accessible. The District's fiscal year begins on January 1 and ends on December 31. The Civic Federation recommends that the CAFR be released to the Board of Commissioners and the public no later than June 30.

The District vastly improved its release time of the CAFR this year. The FY2009 CAFR was on the Board's July, 14th agenda.¹³ This is in contrast with the FY2008 CAFR, which was not presented until October 7, 2009.¹⁴ Although presented to the Board at an earlier date this year, the District was slow to distribute the document widely and has not posted it on the District website. The CAFR should include a Statement of Revenues, Expenditures, and Changes in Fund Balance, which was missing from a previous edition.

The District now publishes its annual budget proposal and capital improvement plan on its website. In the interest of transparency and accessibility, the Civic Federation urges the District to also publish its audited financial statements on its website. Furthermore, it is recommended that the District retain prior years' documents on its website so that the public may easily access and reference them. The GFOA recommends that every government publish its budget document and financial statement on its website.¹⁵ Many governments in the Chicago area do have CAFRs posted on their websites including Cook County, the City of Chicago, the Metropolitan Water Reclamation District and the Chicago Park District.

Budget Document Improvements

The format of the Forest Preserve District budget document has improved in recent years. Specifically, the budget document now includes:

- An improved executive summary that discusses some changes in each fund;
- Disclosure of the unreserved fund balance policy;
- A multi-year history of staffing by function that is provided in terms of full-time equivalent positions;
- A multi-year trend of the property tax levy by fund; and
- "Capital Asset Statistics" which includes some output data for two activities.

¹³ Forest Preserve District of Cook County Board Agenda, July 14, 2010, <http://www.fpdcc.com/downloads/July%202010%20Board.pdf>, (Last visited December 13, 2010).

¹⁴ Forest Preserve District of Cook County Board Agenda, October 7, 2009, <http://www.fpdcc.com/downloads/October%20Board%202009.pdf>, (Last visited December 13, 2010).

¹⁵ Government Finance Officers' Association, "GFOA Recommended Practice: Using Websites to Improve Access to Budget Documents and Financial Reports (2003)," <http://www.gfoa.org/downloads/caafr-budgets-to-websites.pdf> (Last visited December 13, 2010).

However, the Civic Federation is concerned that in several respects the budget document is still unclear. The Civic Federation offers the following recommendations to further improve the format of the Forest Preserve District budget document:

Budget Trends and Actual Data

Most areas of the budget document include budget data for only the current year appropriation and recommended budget. The document should also include a minimum of one year of actual data in order to make meaningful comparisons. Ideally, five years of data would be included to provide the reader with a clear understanding of budgetary trends. This would consist of three actual years, the current budget and the proposed budget.

Proposed Resources

The budget document does not include complete information regarding proposed resources. The chart called “Primary Funds of Forest Preserve District of Cook County, Illinois Estimated Revenues, Expenditures, and Changes in Fund Balances” lists estimated revenues for some funds, but not all funds receiving tax revenue such as the Pension Fund. The total of this chart does not match the total proposed expenditures. A chart should be added that includes aggregate total proposed resources with details by fund and historical budget data. In addition, narrative describing revenue categories such as “other” and “miscellaneous” should be provided particularly when there are significant year-to-year changes in these figures.

Aggregate Object Level Expenditure Data

It is recommended that aggregate object level data be included in the budget document. The departmental section includes object level expenditures such as salaries and wages, hospital insurance, professional services and other expenses. These categories should be totaled District wide to provide information on overall expenditures.

Fund Descriptions

The executive summary includes a helpful summary of fund activities for the current year and the document includes definitions for the funds. However, the reader is not provided with complete information about the activities and budgets of some funds. For example the Self-Insurance Fund was changed from a Special Revenue Fund in FY2005 to an Internal Service Fund in FY2006.¹⁶ The document does not explain the District’s internal service fund financial processes where the funds are not directly appropriated. The Real Estate Acquisition Fund presentation could also be improved through a narrative description of activity in the fund, information about pending acquisitions and explanation of its fund balance.

Expand Reader’s Guide

The Reader’s Guide should be expanded to note any significant budget format changes so that the public and Forest Preserve District Commissioners may be able to make meaningful comparisons over time.

¹⁶ Information provided by the Forest Preserve District, November 25, 2006.

Implement a Long-Term Financial Forecast and Planning Process

The National Advisory Council on State and Local Budgeting (NACSLB) and GFOA both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.¹⁷ The Civic Federation urges the Forest Preserve District to develop and implement a formal long-term financial plan that is shared with and reviewed by key policymakers and public stakeholders. The District should develop a comprehensive, formal long-term financial plan and the CIP should be integrated into that plan.

Improve the Capital Improvement Plan and Process

The Civic Federation commends the District for publishing an annually updated Capital Improvement Plan (CIP). We understand that the document is a work in progress, but we offer several recommendations for ways to improve the CIP document and the prioritization process going forward:

- The capital projects being undertaken by the Brookfield Zoo and the Chicago Botanic Garden should be subjected to the same standards of disclosure as those initiated for the District. The Zoo and the Garden have a “financially integrated relationship to the District” as the District owns the land sites and their annual property tax levy request is subject to Board approval.¹⁸
- The District should provide more specific information about the CIP process, including:
 1. A description of how the plan is formulated, including the steps that District staff take to develop a needs assessment, the means it employs to solicit input from stakeholders (including the public and Commissioners) and the way that input is incorporated into the capital plan;
 2. A list of Board of Commissioners meeting dates and times (both past and future) at which the CIP is discussed or action is taken; and
 3. A description of how the public may become involved in the planning process, including meeting dates and times (both past and future) and public review periods.
- Each project page should have specific information about anticipated operating costs, including the number of full-time equivalent positions (FTE) to be added or removed, and dollar estimates of any changes in operating expenses. It is important that the District evaluate the potential operating costs or savings of new facilities before investing capital dollars. There is currently some data for proposed allocation of future funding, but there is no narrative description and no information regarding the FTE impact. The District FTEs are up 8.2% over five years due primarily to the staffing needs of new facilities such as pools. This impact should be considered when projects are being proposed.
- Each project page should have the current project status including whether it has been completed, it is in progress or has not yet begun.
- A reader’s guide should be added to explain the charts and terminology used in the report.

¹⁷ See Recommended Practice 9.1 “Conduct Long-Range Financial Planning,” in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998).

¹⁸ Forest Preserve District of Cook County, FY2009 Comprehensive Annual Financial Report, p.19.

- The District should specifically describe how its capital needs are determined and identify on each project page where the project fits in terms of the prioritization criteria set out in the initial pages of the CIP in addition to whom it will benefit.
- The public and the Commissioners should have the opportunity to provide input into the planning process that establishes the prioritization of capital projects. The District can facilitate public input in two ways: 1) by including citizen and Commissioner participation on a committee that undertakes the prioritization; or 2) by providing opportunities for review and comment on the entire CIP by the public and the Commissioners.
- The Board of Commissioners should formally approve the CIP, recognizing that it is a planning document; the time and date for this formal approval should be announced in the CIP.

Implement Comprehensive Pension Reform

The Civic Federation offers the following specific recommendations to improve the long-term financial health of the Forest Preserve District's 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 68.7%. We strongly urge the District to seek approval for additional reforms.

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

The 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 pension fund actuary estimates that in order to contribute an amount sufficient to meet the ARC in FY2010, the Forest Preserve would need a tax multiple of 5.17 rather than 1.30 currently contributed.¹⁹ 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 spending 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.

¹⁹ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 17-18.

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

The pension fund's unfunded liabilities rose to \$85.6 million, up from a slight surplus in FY2000. The actuarially calculated annual required contribution (ARC) has jumped from 11.6% of payroll to 32.0% of payroll over the same period, although the District only contributed the equivalent of 10.2% of payroll in FY2009. To fund the pension and retiree health care plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years the Forest Preserve District would have needed to contribute an additional 21.8% of payroll, or \$5.4 million, in FY2009.

If the District does not begin take action to increase its contributions, 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 particularly as the District is subject to property tax caps. Therefore, the District may have to seriously consider supporting reductions in non-vested pension benefits for current employees in future pension reform legislation.

Study Consolidation with the Illinois Municipal Retirement Fund

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

Pension Fund Governance

The District Employees' Annuity and Benefit Fund of Chicago is governed by a seven-member Board of Trustees that includes five active employees and two representatives from management.²⁰ 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.²¹

²⁰ 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>.

²¹ 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).

ACKNOWLEDGEMENTS

The Civic Federation would like to express its appreciation to Chief Financial Officer Marlo Kemp for providing the Civic Federation with a budget briefing and for answering our questions about the proposed budget.

APPROPRIATIONS

This section provides an analysis of the Forest Preserve District's proposed FY2011 appropriations.

All Fund Appropriations: Two and Five Year Trends

The District is proposing a FY2011 budget that will total \$198.0 million, a 0.1% or \$236.3 thousand decrease from the adopted FY2010 appropriation of \$198.2 million. The proposed operating budget is \$161.7 million, a 1.0% or \$1.6 million increase from the adopted FY2010 budget. The proposed capital budget of \$36.3 million is a 4.8% or \$1.8 million decrease from FY2010.

Corporate Fund budgeted appropriations will increase by 0.7%, or \$386.6 thousand, from \$58.3 million in FY2010 to \$58.6 million in FY2011. The Bond and Interest Fund appropriation will remain flat at \$12.0 million. The Employee Annuity and Benefit Fund appropriation will increase by \$389.5 thousand or 14.1%, from \$2.8 million in FY2010 to \$3.1 million in FY2011. The annual property tax levy for the Fund is set by state statute at 1.3 times the annual employee contribution made two years prior.²² The appropriation for Brookfield Zoo will increase by 2.0% while the Botanic Garden will decline by 1.3%.²³

The Real Estate Acquisition Fund has the largest appropriation reduction, decreasing by \$2.3 million to \$17.1 million in FY2011. This fund is not directly supported by a property tax levy, but appropriates from debt proceeds, contributions, grants, fund transfers, fund balance and investment income.²⁴ The District currently owns over 68,000 acres and is authorized to acquire up to 75,000 acres.

Forest Preserve District All Funds Appropriations: FY2010 & FY2011				
Fund	FY2010 Adopted	FY2011 Recommended	\$ Change	% Change
Operating				
Corporate	\$ 58,252,887	\$ 58,639,501	\$ 386,614	0.7%
Bond & Interest	\$ 12,008,168	\$ 12,009,596	\$ 1,428	0.0%
Employee Annuity & Benefit	\$ 2,754,970	\$ 3,144,432	\$ 389,462	14.1%
Zoological	\$ 59,772,551	\$ 60,955,699	\$ 1,183,148	2.0%
Botanic Garden	\$ 27,265,166	\$ 26,913,166	\$ (352,000)	-1.3%
Subtotal Operating	\$ 160,053,742	\$ 161,662,394	\$ 1,608,652	1.0%
Capital				
Construction & Development	\$ 5,739,520	\$ 5,739,520	\$ -	0.0%
Capital Improvements	\$ 13,050,000	\$ 13,500,000	\$ 450,000	3.4%
Real Estate Acquisition	\$ 19,385,000	\$ 17,090,000	\$ (2,295,000)	-11.8%
Subtotal Capital	\$ 38,174,520	\$ 36,329,520	\$ (1,845,000)	-4.8%
Grand Total	\$ 198,228,262	\$ 197,991,914	\$ (236,348)	-0.1%

Source: Forest Preserve District of Cook County FY2011 Executive Budget Recommendation p. 13.

²² 40 ILCS 5/10-107.

²³ The District appropriation includes the entire budgets of the Brookfield Zoo and Botanic Garden not just the portion that is tax supported.

²⁴ Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p.118.

The next exhibit shows the five-year appropriation trend for all funds. Between FY2007 and FY2011 total appropriations increased by 24.7% or \$39.2 million. Operating fund appropriations increased 9.8% between FY2007 and FY2011, while capital funds appropriations increased 217.1%. The largest operating increase occurred in the Corporate Fund, which rose by \$11.4 million.

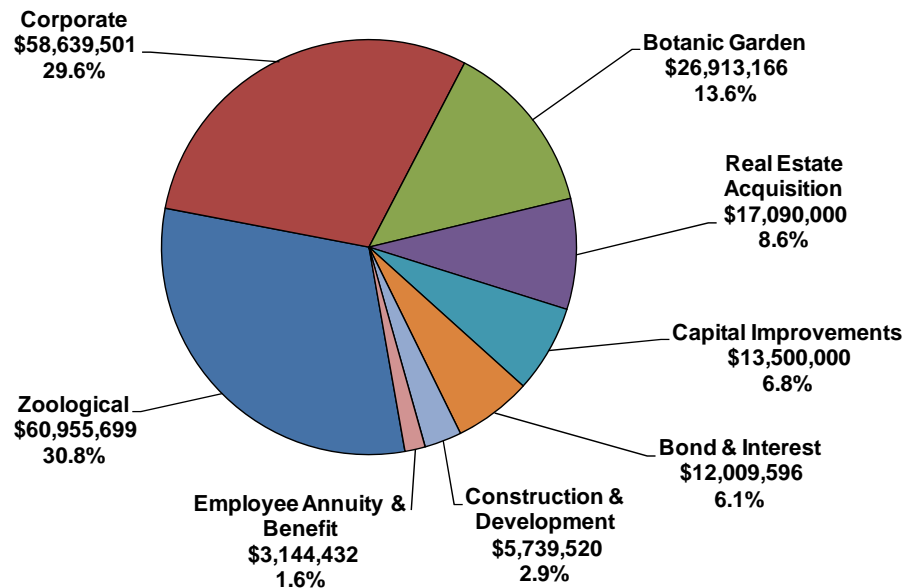
Forest Preserve District All Funds Appropriations: FY2007 & FY2011				
Fund	FY2007 Adopted*	FY2011 Recommended	\$ Change	% Change
Operating				
Corporate	\$ 47,228,449	\$ 58,639,501	\$ 11,411,052	24.2%
Bond & Interest	\$ 13,321,953	\$ 12,009,596	\$ (1,312,357)	-9.9%
Employee Annuity & Benefit	\$ 3,416,000	\$ 3,144,432	\$ (271,568)	-7.9%
Zoological	\$ 55,856,212	\$ 60,955,699	\$ 5,099,487	9.1%
Botanic Garden	\$ 27,474,380	\$ 26,913,166	\$ (561,214)	-2.0%
Subtotal Operating	\$ 147,296,994	\$ 161,662,394	\$ 14,365,400	9.8%
Capital				
Construction & Development	\$ 6,951,000	\$ 5,739,520	\$ (1,211,480)	-17.4%
Capital Improvements	\$ 4,830,000	\$ 13,500,000	\$ 8,670,000	179.5%
Real Estate Acquisition	\$ (325,000)	\$ 17,090,000	\$ 17,415,000	-
Subtotal Capital	\$ 11,456,000	\$ 36,329,520	\$ 24,873,520	217.1%
Grand Total	\$ 158,752,994	\$ 197,991,914	\$ 39,238,920	24.7%

*Actual expenditure was not used because it is unavailable in the budget.

Source: Forest Preserve District of Cook County FY2008 Executive Budget Recommendation, p. 13, and Forest Preserve District of Cook County FY2011 Executive Budget Recommendation p. 13.

The distribution of Forest Preserve District FY2011 appropriations by fund is shown in the next exhibit. Forty-four percent of appropriations will go to the Brookfield Zoo (Zoological Fund) and Chicago Botanic Garden. This includes the entire budget of these units. As illustrated in the revenue section, a significant portion of their operations are funded through program income. The Zoological Fund remains the largest of the District's funds, constituting 30.8% of the Forest Preserve's total appropriation in FY2011. The District's Corporate Fund appropriation of \$58.6 million will make up 29.6% of appropriations.

Distribution of Forest Preserve District Appropriations FY2011



Source: Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p. 13.

Corporate Fund Appropriations: Two and Five Year Trends

The FY2011 proposed Corporate Fund budget is \$58.6 million, an increase of 0.7% or \$386.6 thousand over FY2010 due to the addition of new personnel in Resource Management, Law Enforcement, and Maintenance.²⁵ The largest dollar increase will be in General Maintenance expenditures, which grew by \$481.7 thousand or 2.7%. Resource Management had the largest percentage increase rising by 5.9% or \$447.7 thousand as it has five of the six new positions. The Corporate Fund transfer to the Capital Improvement Fund will decrease by \$750.0 thousand or 13% from \$5.8 million to \$5.0 million.

Forest Preserve District Corporate Fund Appropriations: FY2010 & FY2011				
Category/Department	FY2010 Recommended*	FY2011 Recommended	\$ Change	% Change
General Office	\$ 1,582,307	\$ 1,509,891	\$ (72,416)	-4.6%
Finance and Administration	\$ 2,296,793	\$ 2,394,848	\$ 98,055	4.3%
Resource Management	\$ 7,591,539	\$ 8,039,204	\$ 447,665	5.9%
General Maintenance	\$ 17,849,646	\$ 18,331,320	\$ 481,674	2.7%
Resident Watchman Facilities	\$ 500,000	\$ 500,000	\$ -	0.0%
Permit & Rec. Activities Admin.	\$ 1,659,317	\$ 1,686,646	\$ 27,329	1.6%
Law Enforcement	\$ 9,477,830	\$ 9,703,539	\$ 225,709	2.4%
Legal Department	\$ 1,472,085	\$ 1,475,441	\$ 3,356	0.2%
Planning and Development	\$ 1,999,422	\$ 1,925,415	\$ (74,007)	-3.7%
Fixed Charges	\$ 5,073,949	\$ 5,073,195	\$ (754)	0.0%
Operating Transfer to Capital	\$ 5,750,000	\$ 5,000,000	\$ (750,000)	-13.0%
Operating Transfer to Real Estate Acq.	\$ 3,000,000	\$ 3,000,000	\$ -	0.0%
Total	\$ 58,252,888	\$ 58,639,499	\$ 386,611	0.7%

*Adopted budget was not used because it is unavailable in the budget.

Source: Forest Preserve District of Cook County FY2010 Executive Budget Recommendation, p. 42 and FY2011 p. 41.

²⁵ Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p. 7.

The next exhibit shows the five-year expenditure trend for the Corporate Fund. Between FY2007 and FY2011 total appropriations increased by 24.2% or \$11.4 million. The largest dollar increase was General Maintenance which rose from by \$3.5 million or 23.7% from \$14.8 million to \$18.3 million. The Operating Transfer to Real Estate Acquisition rose by 200% or \$2.0 million since FY2007.

Forest Preserve District Corporate Fund Appropriations: FY2007 & FY2011				
Category/Department	FY2007 Recommended*	FY2011 Recommended	\$ Change	% Change
General Office	\$ 1,434,917	\$ 1,509,891	\$ 74,974	5.2%
Finance and Administration	\$ 2,276,337	\$ 2,394,848	\$ 118,511	5.2%
Resource Management	\$ 6,134,004	\$ 8,039,204	\$ 1,905,200	31.1%
General Maintenance	\$ 14,822,261	\$ 18,331,320	\$ 3,509,059	23.7%
Resident Watchman Facilities	\$ -	\$ 500,000	\$ 500,000	-
Permit & Rec. Activities Admin.	\$ 883,308	\$ 1,686,646	\$ 803,338	90.9%
Law Enforcement	\$ 8,105,381	\$ 9,703,539	\$ 1,598,158	19.7%
Legal Department	\$ 1,193,539	\$ 1,475,441	\$ 281,902	23.6%
Planning and Development	\$ 1,955,874	\$ 1,925,415	\$ (30,459)	-1.6%
Fixed Charges	\$ 7,272,829	\$ 5,073,195	\$ (2,199,634)	-30.2%
Operating Transfer to Capital	\$ 2,150,000	\$ 5,000,000	\$ 2,850,000	132.6%
Operating Transfer to Real Estate Acq.	\$ 1,000,000	\$ 3,000,000	\$ 2,000,000	200.0%
Total	\$ 47,228,450	\$ 58,639,499	\$ 11,411,049	24.2%

*Actual expenditure was not used because it is unavailable in the budget.

Source: Forest Preserve District of Cook County FY2007 Executive Budget Recommendation, p. 23 and Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p. 41.

RESOURCE AND REVENUE TRENDS

The following Forest Preserve District resource and revenue exhibits show two- and five-year trends in the District's operating funds, as well as the Zoological and Botanic Funds. The District also maintains a Self-Insurance Fund, which functions as an internal service fund providing insurance principally to the Corporate Fund. In FY2011 the budgeted premium for the Self-Insurance Fund stayed flat from the FY2010 appropriation of \$3.0 million.

Operating Funds

The Forest Preserve District resources for operating funds (Corporate Fund, Pension Fund and Bond and Interest Fund) will increase by 1.1% in FY2011.²⁶ This represents a \$777.5 thousand increase from \$73.0 million in FY2010 to \$73.8 million in FY2011.

- Corporate Fund resources will increase by 0.7% or \$386.6 thousand, from \$58.3 million to \$58.6 million;
- The Pension Fund property tax levy will increase by 14.1% to \$2.8 million; and
- Bond and interest (debt service fund) resources will remain relatively flat at \$12.0 million.

Forest Preserve District Total Budgeted Resources Operating Funds: FY2007 & FY2011				
	FY2007 Recommended*	FY2011 Recommended	\$ Change	% Change
Corporate Fund				
Property Tax Levy (Net)	\$ 36,430,567	\$ 39,324,969	\$ 2,894,402	7.9%
PPRT	\$ 5,902,882	\$ 4,807,742	\$ (1,095,140)	-18.6%
Non-Tax Revenues	\$ 3,645,000	\$ 3,830,500	\$ 185,500	5.1%
Operating Transfer from Construction & Development Fund	\$ 1,250,000	\$ -	\$ (1,250,000)	-100.0%
Fund Balance Contribution	\$ -	\$ 10,676,290	\$ 10,676,290	-
Corporate Fund Total	\$ 47,228,449	\$ 58,639,501	\$ 11,411,052	24.2%
Pension Fund				
Property Tax Levy	\$ 3,074,058	\$ 2,829,675	\$ (244,383)	-7.9%
PPRT	\$ 341,942	\$ 314,758	\$ (27,184)	-7.9%
Pension Fund Total	\$ 3,416,000	\$ 3,144,433	\$ (271,567)	-7.9%
Bond & Interest Fund				
Property Tax Levy	\$ 13,321,953	\$ 12,009,596	\$ (1,312,357)	-9.9%
Bond & Interest Fund Total	\$ 13,321,953	\$ 12,009,596	\$ (1,312,357)	-9.9%
Total	\$ 63,966,402	\$ 73,793,530	\$ 9,827,128	15.4%

*Actual expenditure was not used because it is unavailable in the budget.

Source: Forest Preserve District Executive Budget Recommendation FY2007 and FY2011.

²⁶ The analysis of the Zoological and Botanic Funds will be presented in a separate section.

In the five-year period between FY2007 and FY2011, operating funds resources increased by approximately \$9.8 million, or 15.4%.

- Corporate Fund resources have increased by 24.2%, rising from \$47.2 million to \$58.6 million, due in part to a fund balance contribution in FY2011. Net property tax revenues will have risen by 7.9% or nearly \$2.9 million, while non-tax revenues such as fines, fees and permits; license fees; and golf privatization fees will increase by 5.1%. Personal property replacement tax (PPRT) will decrease by 18.6% or \$1.1 million.
- The Pension Fund property tax levy will fall by 7.9%, dropping from \$3.1 million to \$2.8 million.
- The Bond and Interest Fund property tax levy will decrease from \$13.3 million in FY2007 to \$12.0 million in FY2011. This is reflective of minor decreases each year until FY2009 and a \$1.3 million decline in FY2010.

Forest Preserve District Total Budgeted Resources Operating Funds: FY2007 & FY2011				
	FY2007	FY2011		
Corporate Fund	Recommended*	Recommended	\$ Change	% Change
Property Tax Levy (Net)	\$ 36,430,567	\$ 39,324,969	\$ 2,894,402	7.9%
PPRT	\$ 5,902,882	\$ 4,807,742	\$ (1,095,140)	-18.6%
Non-Tax Revenues	\$ 3,645,000	\$ 3,830,500	\$ 185,500	5.1%
Operating Transfer from Construction & Development Fund	\$ 1,250,000	\$ -	\$ (1,250,000)	-100.0%
Fund Balance Contribution	\$ -	\$ 10,676,290	\$ 10,676,290	
Corporate Fund Total	\$ 47,228,449	\$ 58,639,501	\$ 11,411,052	24.2%
Pension Fund				
Property Tax Levy	\$ 3,074,058	\$ 2,829,675	\$ (244,383)	-7.9%
PPRT	\$ 341,942	\$ 314,758	\$ (27,184)	-7.9%
Pension Fund Total	\$ 3,416,000	\$ 3,144,433	\$ (271,567)	-7.9%
Bond & Interest Fund				
Property Tax Levy	\$ 13,321,953	\$ 12,009,596	\$ (1,312,357)	-9.9%
Bond & Interest Fund Total	\$ 13,321,953	\$ 12,009,596	\$ (1,312,357)	-9.9%
Total	\$ 63,966,402	\$ 73,793,530	\$ 9,827,128	15.4%

*Actual expenditure was not used because it is unavailable in the budget.

Source: Forest Preserve District Executive Budget Recommendation FY2007 and FY2011.

Corporate Fund Resources

The next exhibit compares Corporate Fund revenues and resources in FY2010 and FY2011. The 0.7% increase from \$58.3 million to \$58.6 million is due to a fund balance contribution of \$10.7 million in FY2011. When looking only at Corporate Fund revenues, there will be a decrease of 1.9% from \$48.9 million in FY2010 to \$48.0 million in FY2011. The District has estimated its FY2011 revenues reflective of the current economic conditions and will use its fund balance in order to continue to provide necessary services in accordance with its fund balance policy. If actual revenues exceed these estimates, the amount of fund balance contribution will decline.²⁷

The following categories of Corporate Fund revenues will experience decreases:

- The net property tax levy will decrease by 0.8%;
- PPRT revenues are expected to decrease by 0.8% as the economy continues to struggle; and
- Non-tax revenues are expected to decrease by 12.8%, due to reductions in license agreements (-26.7%), falling golf privatization fees (-6.5%) and miscellaneous income (-75.0%), which includes one-time, unpredictable sources of income such as jury duty reimbursements. The District estimated declines in revenue for FY2011 in anticipation of continued economic uncertainty.²⁸

²⁷ Email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer of the Forest Preserve District, December 21, 2010.

²⁸ Email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer of the Forest Preserve District, December 21, 2010.

The District will utilize \$10.7 million from its Corporate Fund balance in FY2011. As of December 31, 2009, the total Corporate Fund balance was \$32.9 million. After the \$10.7 million is drawn from the Corporate Fund balance, \$22.2 million will remain in Corporate Fund reserves prior to the FY2010 adjustment.²⁹

Forest Preserve District Budgeted Resources Corporate Fund: FY2010 & FY2011				
Resources	FY2010 Recommended*	FY2011 Recommended	\$ Change	% Change
Property Tax Levy (Net)	\$ 39,659,279	\$ 39,324,969	\$ (334,310)	-0.8%
PPRT	\$ 4,846,728	\$ 4,807,742	\$ (38,986)	-0.8%
Subtotal Tax Revenues	\$ 44,506,007	\$ 44,132,711	\$ (373,296)	-0.8%
Fines, Fees & Permits	\$ 1,556,188	\$ 1,540,000	\$ (16,188)	-1.0%
License Agreements	\$ 1,500,000	\$ 1,100,000	\$ (400,000)	-26.7%
Golf Privatization Fees	\$ 1,016,172	\$ 950,000	\$ (66,172)	-6.5%
Concessions	\$ 150,000	\$ 145,500	\$ (4,500)	-3.0%
Investment Earnings	\$ 70,000	\$ 70,000	\$ -	0.0%
Miscellaneous Income	\$ 100,000	\$ 25,000	\$ (75,000)	-75.0%
Subtotal Non-Tax Revenue	\$ 4,392,360	\$ 3,830,500	\$ (561,860)	-12.8%
Total Appropriated Revenues	\$ 48,898,367	\$ 47,963,211	\$ (935,156)	-1.9%
Fund Balance Contribution	\$ 9,354,520	\$ 10,676,290	\$ 1,321,770	14.1%
Total Resources	\$ 58,252,887	\$ 58,639,501	\$ 386,614	0.7%

*Adopted resources are not available in the budget document.

Source: Forest Preserve District FY2010 Executive Budget Recommendation, p. 41; FY2011, p. 40.

²⁹ Forest Preserve District FY2011 Executive Budget Recommendation, p. 19.

Between FY2007 and FY2011 total Corporate Fund appropriated revenues will decrease by 1.6% or \$734.8 thousand. The net property tax levy will rise by \$2.9 million, or 7.9% during this five-year period. During the same time period, PPRT revenue will decline by \$1.1 million. This decline reflects the overall shortfall in PPRT revenue in FY2008 and FY2009 for the Forest Preserve District.³⁰ Golf privatization revenues will decrease significantly by 29.6% or \$400.0 thousand over this five-year period. Per the golf privatization agreement, the golf management company is allowed to increase its fees by the rate of inflation each year and when golf receipts are insufficient, the District sees declines in revenue.³¹ Fines and fees will grow by 5.5%, or \$80.0 thousand. Miscellaneous income will experience a substantial decrease, falling 92.3% from \$325.0 thousand in FY2007 to \$25.0 thousand in FY2011.

Forest Preserve District Budgeted Resources Corporate Fund: FY2007 & FY2011				
Resources	FY2007 Recommended*	FY2011 Recommended	\$ Change	% Change
Property Tax Levy (Net)	\$ 36,430,567	\$ 39,324,969	\$ 2,894,402	7.9%
PPRT	\$ 5,902,882	\$ 4,807,742	\$ (1,095,140)	-18.6%
Subtotal Tax Revenues	\$ 42,333,449	\$ 44,132,711	\$ 1,799,262	4.3%
Fines, Fees & Permits	\$ 1,460,000	\$ 1,540,000	\$ 80,000	5.5%
License Agreements	\$ -	\$ 1,100,000	\$ 1,100,000	100.0%
Golf Privatization Fees	\$ 1,350,000	\$ 950,000	\$ (400,000)	-29.6%
Concessions	\$ 150,000	\$ 145,500	\$ (4,500)	-3.0%
Investment Earnings	\$ 360,000	\$ 70,000	\$ (290,000)	-80.6%
Miscellaneous Income	\$ 325,000	\$ 25,000	\$ (300,000)	-92.3%
Operating Transfer from Construction & Development Fund	\$ 1,250,000	\$ -	\$ (1,250,000)	-100.0%
Subtotal Non-Tax Revenue	\$ 4,895,000	\$ 3,830,500	\$ (1,064,500)	-21.7%
Total Appropriated Revenues	\$ 47,228,449	\$ 47,963,211	\$ 734,762	1.6%
Fund Balance Contribution	\$ -	\$ 10,676,290	\$ 10,676,290	100.0%
Total Resources	\$ 47,228,449	\$ 58,639,501	\$ 11,411,052	24.2%

*Actual expenditure was not used because it is unavailable in the budget.

Source: Forest Preserve District FY2007 Executive Budget Recommendation, p. 19 and 22; FY2011, p. 40.

³⁰ Forest Preserve District FY2011 Executive Budget Recommendation, p. 24.

³¹ Email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer of the Forest Preserve District, December 21, 2010.

Zoological and Botanic Funds

The Forest Preserve District resources for the Zoological Fund and the Botanic Fund will increase by 1.9% in FY2011. That represents a \$1.7 million increase from \$86.2 million in estimated revenue for FY2010 to \$87.9 million in FY2011. There will be a 3.1% increase in the Zoological Fund while the Botanic Fund resources will decrease from \$27.1 million in FY2010 to \$27.0 million in FY2011. There are no changes in the property tax levy and PPRT for these funds.

Program Income increased for the Brookfield Zoo by 4.2% or \$1.8 million, from \$44.3 million in FY2010 to \$46.1 million in FY2011. Resources for the Botanic Fund are projected to decline due to a \$184,000 or 1.0% in program income.

Forest Preserve District Total Budgeted Resources Zoological and Botanic Funds: FY2010 & FY2011				
	FY2010 Estimated	FY2011 Recommended	\$ Change	% Change
Zoological Fund				
Property Tax Levy	\$ 14,884,927	\$ 14,884,927	\$ -	0.0%
PPRT	\$ 615,000	\$ 615,000	\$ -	0.0%
Program Income	\$ 44,259,540	\$ 46,100,018	\$ 1,840,478	4.2%
Reserves	\$ (744,246)	\$ (744,246)	\$ -	0.0%
Deferred Collections	\$ 100,000	\$ 100,000	\$ -	0.0%
Zoological Fund Total	\$ 59,115,221	\$ 60,955,699	\$ 1,840,478	3.1%
Botanic Fund				
Property Tax Levy	\$ 9,348,070	\$ 9,348,070	\$ -	0.0%
PPRT	\$ 262,500	\$ 262,500	\$ -	0.0%
Provided by Garden	\$ 17,954,000	\$ 17,770,000	\$ (184,000)	-1.0%
Reserves	\$ (467,404)	\$ (467,404)	\$ -	0.0%
Botanic Fund Total	\$ 27,097,166	\$ 26,913,166	\$ (184,000)	-0.7%
Total	\$ 86,212,387	\$ 87,868,865	\$ 1,656,478	1.9%

Source: Forest Preserve District Executive Budget Recommendation FY2011, pp. 138 and 150.

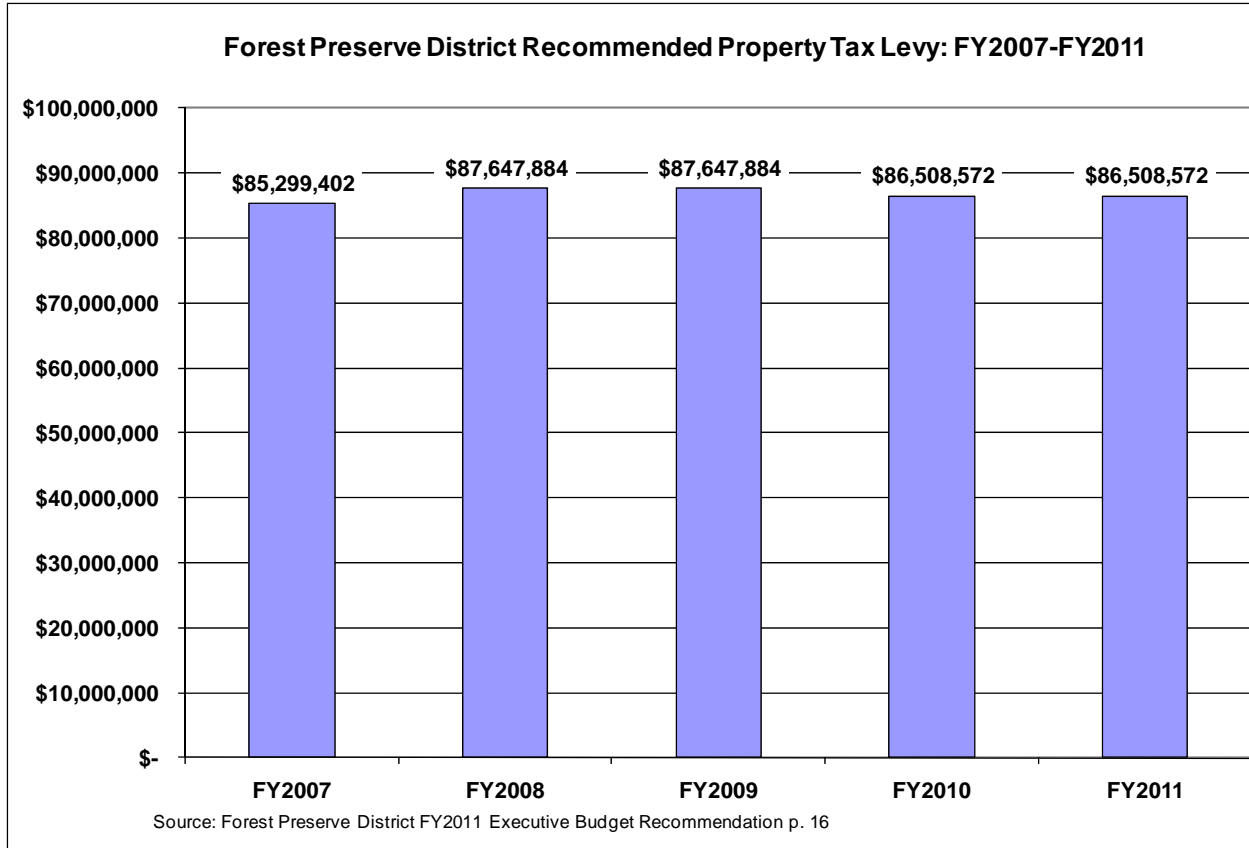
Between FY2007 and FY2011 total Zoological Fund and Botanic Fund resources will grow by 3.0% or \$2.5 million. The property tax levy will rise by 5.1% for the Zoological Fund and 5.0% for the Botanic Fund, for a total increase of \$1.2 million between the five years. During the same time period, PPRT revenue declined by 25.0% for both funds. Zoological Fund resources will increase 5.0% while the Botanic Fund will decrease by 1.5%. The overall resource trends differ as a result of diverging results in self-generated resources.

Forest Preserve District Total Budgeted Resources Zoological and Botanic Funds: FY2007 & FY2011				
	FY2007 Estimated	FY2011 Recommended	\$ Change	% Change
Zoological Fund				
Property Tax Levy	\$ 14,168,025	\$ 14,884,927	\$ 716,902	5.1%
PPRT	\$ 820,000	\$ 615,000	\$ (205,000)	-25.0%
Program Income	\$ 43,681,034	\$ 46,100,018	\$ 2,418,984	5.5%
Reserves	\$ (625,040)	\$ (744,246)	\$ (119,206)	19.1%
Deferred Collections	\$ (9,849)	\$ 100,000	\$ 109,849	-
Zoological Fund Total	\$ 58,034,170	\$ 60,955,699	\$ 2,921,529	5.0%
Botanic Fund				
Property Tax Levy	\$ 8,902,924	\$ 9,348,070	\$ 445,146	5.0%
PPRT	\$ 350,000	\$ 262,500	\$ (87,500)	-25.0%
Provided by Garden	\$ 18,196,000	\$ 17,770,000	\$ (426,000)	-2.3%
Reserves	\$ (133,544)	\$ (467,404)	\$ (333,860)	250.0%
Botanic Fund Total	\$ 27,315,380	\$ 26,913,166	\$ (402,214)	-1.5%
Total	\$ 85,349,550	\$ 87,868,865	\$ 2,519,315	3.0%

Source: Forest Preserve District Executive Budget Recommendation FY2008, pp. 139 and 149; FY2011, pp. 138 and 150.

Property Tax Levy

The Forest Preserve District proposes to maintain its total property tax levy at \$86.5 million in FY2011, the same as the recommended FY2010 amount. Since FY2007, the levy will have risen by \$1.2 million, or 1.4%.

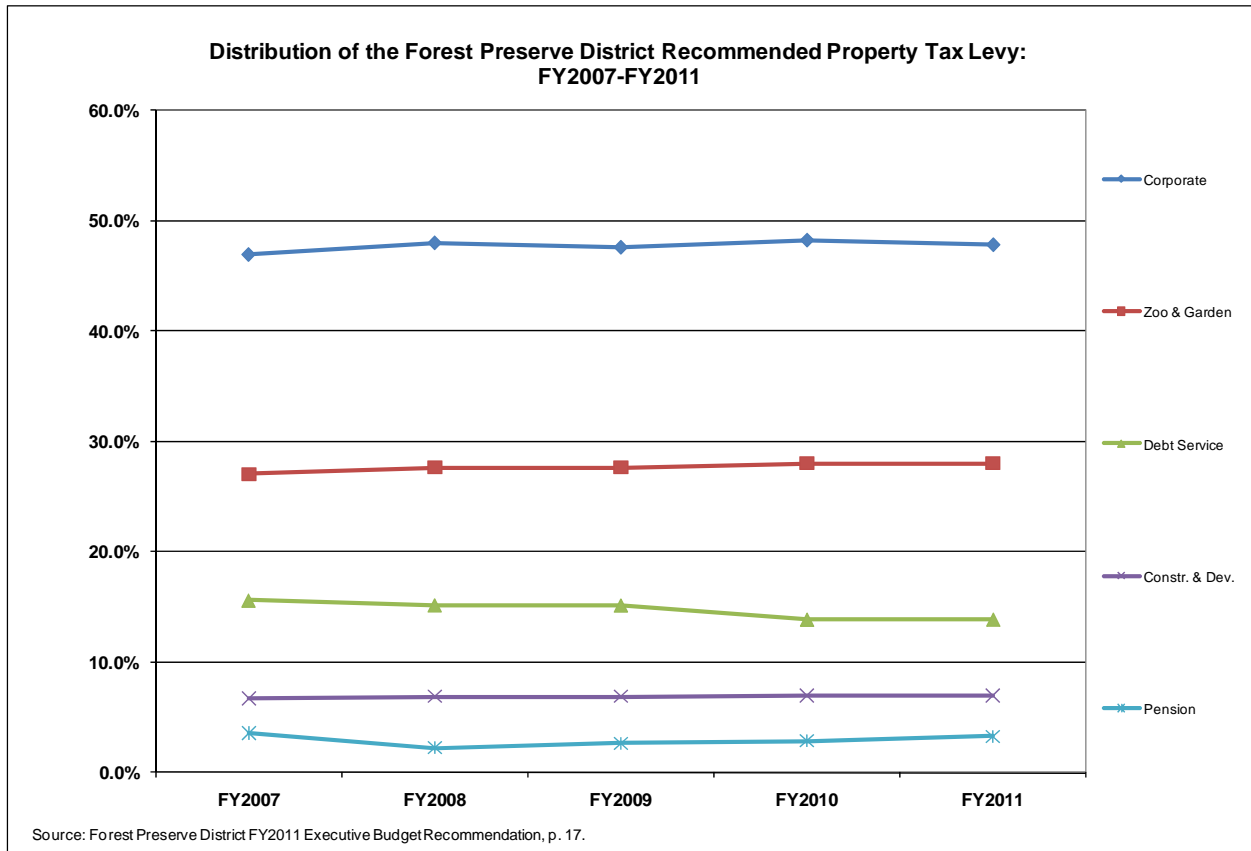


The next exhibit shows the distribution of property tax revenues by fund in FY2010 and FY2011. Corporate Fund property tax revenues will decrease from \$41.7 million in FY2010 to \$41.4 million. The amount of property tax dollars earmarked for debt service payments through the Bond and Interest Fund will rise by less than 1.0% or over one thousand dollars. The Pension Fund levy will increase by 14.1%, or \$350.5 thousand, to \$2.8 million in FY2011. The levies for the Brookfield Zoo, the Chicago Botanic Garden and the Construction and Development Fund will be held flat from FY2010.

Forest Preserve District Gross Property Tax Levy by Fund: FY2010 & FY2011				
Fund	FY2010 Appropriated	FY2011 Recommended	\$ Change	% Change
Corporate	\$ 41,746,609	\$ 41,394,704	\$ (351,905)	-0.8%
Zoological	\$ 14,884,927	\$ 14,884,927	\$ -	0.0%
Bond & Interest	\$ 12,008,168	\$ 12,009,596	\$ 1,428	0.0%
Botanic Garden	\$ 9,348,070	\$ 9,348,070	\$ -	0.0%
Construction & Development	\$ 6,041,600	\$ 6,041,600	\$ -	0.0%
Pension	\$ 2,479,198	\$ 2,829,675	\$ 350,477	14.1%
Total	\$ 86,508,572	\$ 86,508,572	\$ -	0.0%

Source: Forest Preserve District FY2011 Executive Budget Recommendation, p. 17.

The distribution by purpose of the District’s property tax levy over a five-year period reveals that the share of the levy dedicated to the Corporate Fund will increase slightly from 47.0% of the total in FY2007 to 47.9% of the total in FY2011. In contrast, property taxes earmarked for Debt Service will decrease from 15.6% of the total in FY2007 to 13.9% in FY2011. The share of the levy dedicated to the Brookfield Zoo and Chicago Botanic Garden will remain relatively constant over the 5-year period, increasing from 27.0% of the total levy in FY2007 to 28.0% in FY2011.



PERSONNEL AND PERSONAL SERVICES APPROPRIATION TRENDS

In the FY2011 budget the Forest Preserve District will add six full-time equivalent (FTE) positions for a total of 544 FTEs, or a 1.1% increase from FY2010 FTEs. The District converts part-time and seasonal positions into a FTE number in the budget document.

Resource Management will add five FTE positions over FY2010 appropriated levels to continue the expanded programming at two new nature centers. The Planning and Development department will eliminate a vacant GIS Manager position, reducing their FTE count by one. The General Office will reduce their count by one FTE and Finance and Administration will gain one FTE for administrative support. Law Enforcement will gain one Police Sergeant as per negotiated contracts.³²

Forest Preserve District Positions Summary: FY2010 & FY2011				
Department	FY2010 Appropriated	FY2011 Recommended	# Change	% Change
General Maintenance	211.0	212.0	1.0	0.5%
Law Enforcement	121.0	122.0	1.0	0.8%
Resource Management	103.5	108.5	5.0	4.8%
General Office	12.0	11.0	-1.0	-8.3%
Legal	14.0	14.0	0.0	0.0%
Finance & Administration	21.0	22.0	1.0	4.8%
Planning & Development	20.0	19.0	-1.0	-5.0%
Permit & Recreation Activites	35.5	35.5	0.0	0.0%
Total*	538.0	544.0	6.0	1.1%

*Totals vary slightly from the totals provided in the FY2010 and FY2011 budget recommendations due to rounding.

Source: Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p. 42.

³² Forest Preserve District FY2011 Executive Budget Recommendation, p. 7.

Over the five-year period from FY2007 to FY2011, the District will gain 41.2 FTE positions. Resource Management and Permit and Recreation Activities Departments will see the largest numerical increases with 19.0 and 17.2 more FTE positions, respectively. Much of this growth is due to personnel increases in FY2009 to accommodate staffing needs for new recreational sites and pools.³³ Law Enforcement will increase by seven FTEs, General Maintenance will increase by five FTEs and the Legal Department will increase by two FTEs. Since FY2007, reductions in personnel occurred in Finance and Administration, General Office and Department of Planning and Development.

Forest Preserve District Positions Summary: FY2007 & FY2011				
Department	FY2007 Appropriated	FY2011 Recommended	# Change	% Change
General Maintenance	207.0	212.0	5.0	2.4%
Law Enforcement	115.0	122.0	7.0	6.1%
Resource Management	89.5	108.5	19.0	21.2%
General Office	14.0	11.0	-3.0	-21.4%
Legal	12.0	14.0	2.0	16.7%
Finance & Administration*	24.0	22.0	-2.0	-8.3%
Planning & Development	23.0	19.0	-4.0	-17.4%
Permit & Recreation Activities	18.3	35.5	17.2	94.0%
Total**	502.8	544.0	41.2	8.2%

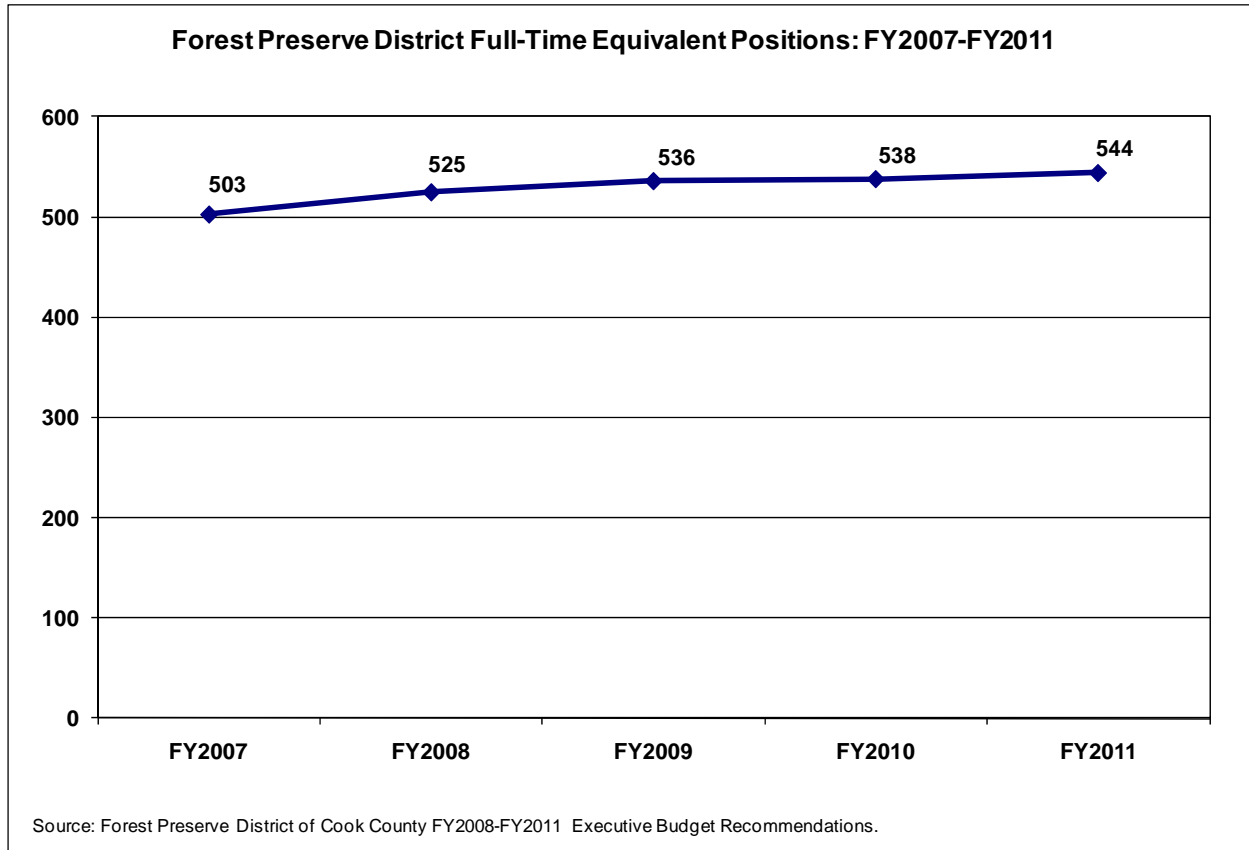
*Finance and Administration includes eight FTE positions in Human Resources for FY2007.

**Totals vary slightly from the totals provided in the FY2008 and FY2011 budget recommendations due to rounding.

Source: Forest Preserve District of Cook County FY2008 Executive Budget Recommendation, p. 42; FY2011 Executive Budget Recommendation, p. 42.

³³ Forest Preserve District FY2009 Executive Budget Recommendation, p. 7.

Over the five-year period from FY2007 to FY2011, the number of Forest Preserve District FTE positions has increased from 503 to 544 or by 8.2%.



Personal Services Appropriations: Two and Five-Year Trends

The following exhibit presents appropriations for salaries and wages from FY2007 through FY2011. Salaries will increase by \$5.4 million, or 24.3% over the five-year period, which includes an increase of \$3.5 million in FY2009 alone. In FY2009, the District added eight FTEs to Resource Management personnel and 23 additional part-time and seasonal positions to staff two new pools.³⁴

Forest Preserve District Corporate Fund Salaries and Wages: FY2007-FY2011			
	Total	\$ Change	% Change
FY2007	\$ 22,439,315	-	-
FY2008	\$ 23,103,977	\$ 664,662	3.0%
FY2009	\$ 26,610,512	\$ 3,506,535	15.2%
FY2010	\$ 27,483,752	\$ 873,240	3.3%
FY2011	\$ 27,882,551	\$ 398,799	1.5%
Five-Year Change		\$ 5,443,236	24.3%

Source: Forest Preserve District FY2008-FY2011 Executive Budget Recommendation.

Corporate Fund salaries and wages appropriations will remain at 47.5% of total Corporate Fund appropriations between FY2007 and FY2011.

Forest Preserve District Corporate Fund Personal Services Appropriations and Total Appropriations: FY2007 & FY2011			
	FY2007 Appropriation	FY2011 Recommended	% Change
Personal Services Appropriations	\$ 22,439,315	\$ 27,882,551	24.3%
Total Appropriations	\$ 47,228,449	\$ 58,639,501	24.2%
% of Total	47.5%	47.5%	

Source: Forest Preserve District of Cook County FY2008 Executive Budget Recommendations, p. 13; FY2011 Executive Budget Recommendations, p. 13.

³⁴ Forest Preserve District FY2009 Executive Director’s Recommendations, p. 7.

Forest Preserve District Employee Benefit Expenses: Two-Year Trend

Expenses for employee benefits will increase by \$277,028 or 3.4%, to \$8.4 million in FY2011. The largest numerical increase will be for hospital insurance, which will grow by 3.4% or \$261,913, to \$7.9 million in FY2011. This growth is due in part to the increase in hospital insurance in the Resource Management department, where five FTE positions are proposed to be added.

Forest Preserve District Benefit Expenses*: FY2010 & FY2011				
	FY2010	FY2011		
	Appropriation	Recommended	\$ Change	% Change
Hospital Insurance	\$ 7,682,746	\$ 7,944,659	\$ 261,913	3.4%
Life Insurance	\$ 91,894	\$ 95,462	\$ 3,568	3.9%
Dental Care Plan	\$ 235,402	\$ 244,011	\$ 8,609	3.7%
Vision Plan	\$ 80,057	\$ 82,995	\$ 2,938	3.7%
Total Benefits	\$ 8,090,099	\$ 8,367,127	\$ 277,028	3.4%

*These figures represent expenses for the District only, not the Garden & Zoo.

Note: These figures do not include expenses for Appropriation Adjustments for Personal Services or Medicare Payments.

Source: Forest Preserve District FY2011 Executive Budget Recommendation Corporate Fund detail pages.

FUND BALANCE

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.³⁵ The *unreserved* fund balance refers to resources that do not have any external legal restrictions or constraints.

Fund Balance Policy

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%.³⁶

The Forest Preserve District’s policy on unreserved fund balance requires the District to annually budget a minimum unreserved fund balance totaling the sum of:

- 5.5% of Corporate Fund gross revenues to account for revenue fluctuations;
- 1% of Corporate Fund expenditures to account for unexpected expenditures; and
- 8% of Corporate Fund expenditures to account for insufficient operating cash.

This policy was introduced for FY2005, when \$6.5 million was earmarked as unreserved Corporate Fund fund balance. The structure of the policy implemented by the District is based on the revenue fluctuations it experienced prior to 2005. This policy is slightly below the current GFOA recommendation, but within its past guidelines. Previously the GFOA had recommended a general fund balance of 5 to 15%.

The unreserved fund balance policy is meant to ensure that the District will have adequate operating cash. According to the District, the amount of cash can be at risk from 1) revenue fluctuations; 2) emergency expenditures; and 3) temporary periods of negative cash flow.³⁷

³⁵ Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

³⁶ Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

³⁷ Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p. 5.

Corporate Fund Balance Level

The following chart outlines the District's Corporate Fund fund balance as a ratio of operating expenditures. The District's fund balance has fluctuated widely from year to year. This is largely a result of transfers to other funds that have varied significantly. For example, the Corporate Fund fund balance had decreased from \$15.5 million in FY2005 to \$1.3 million in FY2006. The net decrease in fund balance was due to a large transfer of funds to the Capital Improvements Fund, which was partially offset by a transfer to the General Fund from Self-Insurance Fund.³⁸

A portion of the large increase in the fund balance since FY2006 can be attributed to a continuing decrease in the amount that needed to be transferred to the Self-Insurance Fund based on claim experience.³⁹ The transfer out to the Self-Insurance Fund has decreased each year since FY2006: in FY2006 the transfer was \$12.6 million, in FY2007 it was \$6.9 million, in FY2008 it was \$1.0 million, and it reached zero in FY2009.⁴⁰ Another factor in the increased fund balance level has been position vacancies and a focus by the District on constraining expenditures, which resulted in expenditures that were under budget.⁴¹ The Forest Preserve District notes that there has been stabilization in the funds involved with transfers and that the growth in the fund balance has slowed each of the past three years.⁴²

At FY2009 year-end the Forest Preserve Corporate Fund had \$26.3 million or 71.8% of operating expenditures in reserves. This is a large fund balance that greatly exceeds the GFOA recommended minimum balance.

Forest Preserve District of Cook County Corporate Fund Balance Ratio: FY2005-FY2009			
	Unreserved Corporate Fund Balance	Operating Expenditures	Ratio
FY2005	\$ 15,537,475	\$ 26,443,306	58.8%
FY2006	\$ 1,304,552	\$ 27,261,512	4.8%
FY2007	\$ 9,891,750	\$ 31,212,640	31.7%
FY2008	\$ 19,774,805	\$ 33,868,166	58.4%
FY2009	\$ 26,299,152	\$ 36,631,265	71.8%

Sources: Forest Preserve District of Cook County CAFR FY2005-FY2009.

³⁸ Email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 21, 2010. See also Cook County Forest Preserve FY2006 Comprehensive Annual Financial Report p.8.

³⁹ Phone communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 16, 2010.

⁴⁰ Forest Preserve of Cook County, Comprehensive Annual Financial Reports, FY2006-FY2009.

⁴¹ Phone communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 16, 2010.

⁴² Email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 21, 2010. See also Cook County Forest Preserve FY2006 Comprehensive Annual Financial Report p.8.

The District is different from many other governments in that much of its Corporate Fund resources are transferred out to other funds. The majority of the transfer out has been to the Real Estate Acquisition Fund, Capital Improvement Fund and Self Insurance Fund. With the high level of transfer out, analyzing only operating expenditures does not give a full picture of the Corporate Fund usage. Therefore, the Civic Federation calculated an alternative fund balance ratio that includes both expenditures and transfers out. The ratio was calculated by dividing the fund balance by the sum of operating expenditures and transfers out. This ratio also indicates a high level of fund balance.

Forest Preserve District of Cook County Corporate Fund Balance Ratio: FY2005-FY2009				
	Unreserved Corporate Fund Balance	Operating Expenditures	Transfer Out	Alternative Ratio
FY2005	\$ 15,537,475	\$ 26,443,306	\$ 6,750,000	46.8%
FY2006	\$ 1,304,552	\$ 27,261,512	\$ 37,220,000	2.0%
FY2007	\$ 9,891,750	\$ 31,212,640	\$ 10,300,000	23.8%
FY2008	\$ 19,774,805	\$ 33,868,166	\$ 10,300,000	44.8%
FY2009	\$ 26,299,152	\$ 36,631,265	\$ 7,275,000	59.9%

Sources: Forest Preserve District of Cook County CAFR FY2005-FY2009.

Many fund balance policies direct the unit of government to maintain a level of fund balance on an actual basis, while the Forest Preserve policy refers specifically to the fund balance amount budgeted. The District expects to use \$10.7 million of fund balance in FY2011, which would leave a fund balance of \$22.2 million at year-end. However, this figure does not account for FY2010 adjustments.⁴³ This would represent a ratio of approximately 37.9% of the \$58.6 million in budgeted operating expenditures, well above the minimum specified by the District's fund balance policy and double the GFOA recommended level.

⁴³ See Forest Preserve District of Cook County FY2011 Executive Budget Recommendation, p. 19.

GOVERNANCE STRUCTURE

The Forest Preserve District of Cook County is a unit of government legally separate and distinct from the government of Cook County. The District is managed by a separate staff, a General Superintendent oversees the District's operations and eight departments handle issues including Finance and Administration, General Office, Resource Management, General Maintenance, Permit and Recreation Activities, Law Enforcement, Legal and Planning and Development.⁴⁴ However, the District is governed by the Cook County Board of Commissioners and the President of the Cook County Board serving in a separate legal capacity as the Board and President of the District.⁴⁵

In 2008, the Civic Federation and the Friends of the Forest Preserves issued a report calling for the creation of a separate board to oversee the operations of the Forest Preserve District of Cook County.⁴⁶ The report highlighted the conflict of interest that arises from asking the same commissioners to consider economic development issues in one capacity and land preservation issues in another.

The 2008 report cited specific actions taken by the Commissioners that illustrate the conflict of interest that can arise when asked to choose between economic development and land preservation. These actions included the sale of District land to the Village of Rosemont in 1999, granting the Village of Morton Grove a permanent easement over District lands in 2000, consideration of a land swap proposal between the District and Mittal Steel in 2005, and the transfer of funds from the District to the County in 2007. In October of 2009 the dual-structure Board of Commissioners voted to continue discussions to lease a 30 acre parcel of land to the Village of Hinsdale so it can be used as a recreational park. The village is continuing to seek permits at this time.⁴⁷

The report also noted the lack of time the Board had to address forest preserve issues. Commissioners are appropriately required to spend great amounts of time dealing with issues pertinent to their County oversight duties, including operating the nation's second-largest unified trial court system and addressing the County's huge structural deficit. These time-consuming County issues leave the Commissioners little time to focus on the needs of the District and inhibit their ability to properly manage the District.

The report pointed to numerous problems arising from the current governance structure. Some of the negative consequences related to the District's finances, including an inadequate adherence to transparent financial procedures and failure to develop a Capital Improvement Plan until after approving a \$100 million bond issue. Other problems are operational and include questionable

⁴⁴ Cook County Forest Preserve District FY2011 Executive Budget Recommendation, District Profile, p. iii.

⁴⁵ Cook County Forest Preserve Act. 70 ILCS 810/5.

⁴⁶ The Civic Federation and Friends of the Forest Preserves, *Forest Preserve District of Cook County: A Call for a Separate Board of Commissioners*, March 2008, http://www.civicfed.org/articles/civicfed_269.pdf (last visited on October 20, 2010).

⁴⁷ According to the District Chief Attorney as reported in an email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer, December 21, 2010.

land management practices, a slow rate of land acquisition, and the allowance of private use of public lands.

In October 2010, the Civic Federation again called for a separate board as part of our Cook County Modernization Report.⁴⁸ The report was an in-depth examination of Cook County government that provides a roadmap for a County government that is more efficient, less costly and more accountable. The Civic Federation recommended that the Forest Preserve be separated from Cook County government in 2012, year two of the incoming County administration.

The Civic Federation and the Friends of the Forest Preserves strongly recommend that a separate elected Board of Commissioners be created for the Forest Preserve District of Cook County. This action does not create a new government entity and its creation should not result in any additional costs for the District. The new board should be elected county-wide via a non-partisan election and have a board president selected among and by the members of the board. A separate board will allow voters to elect Commissioners on the basis of candidates' positions, credentials, experience and interest in forest preserve governance. It will also provide the necessary governance and oversight required for operating one of the largest forest preserve districts in the nation.

⁴⁸ The Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 2010, <http://civicfed.org/sites/default/files/CookCountyModernizationReport.pdf> (Last Visited on November 1, 2010).

PENSION FUND

The Civic Federation analyzed four indicators to evaluate the fiscal health of the Forest Preserve District's pension fund: actuarial value funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators and describes the Forest Preserve pension benefits.

Funded Ratios

The following exhibit shows the funded ratio for the Forest Preserve'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 actuarial value funded ratio for the District's pension fund decreased from 103.7% in FY2000 to 68.7% in FY2009. The decline in the funded ratio is cause for concern. In general, a funded ratio below 80% is considered to be an indication that the fund is in poor health.

It is important to note that the apparent increase in FY2005 was due almost entirely to changes in actuarial methods. In FY2004 Cook County and the Forest Preserve changed actuaries. The new actuary used a different method for smoothing asset value than the previous actuary.⁴⁹ These changes resulted in a decrease of \$34.4 million in unfunded liabilities for the Forest Preserve District.⁵⁰ Without this change, the FY2005 ratio would have been 75.0% rather than 86.9%. The decrease in FY2009 is partly the result of changes in actuarial assumptions based on Fund experience.⁵¹ This increased the Fund's total actuarial liability by \$24.7 million.⁵² Without this change the FY2009 ratio would have been 75.6%, still a decline from FY2008 levels.

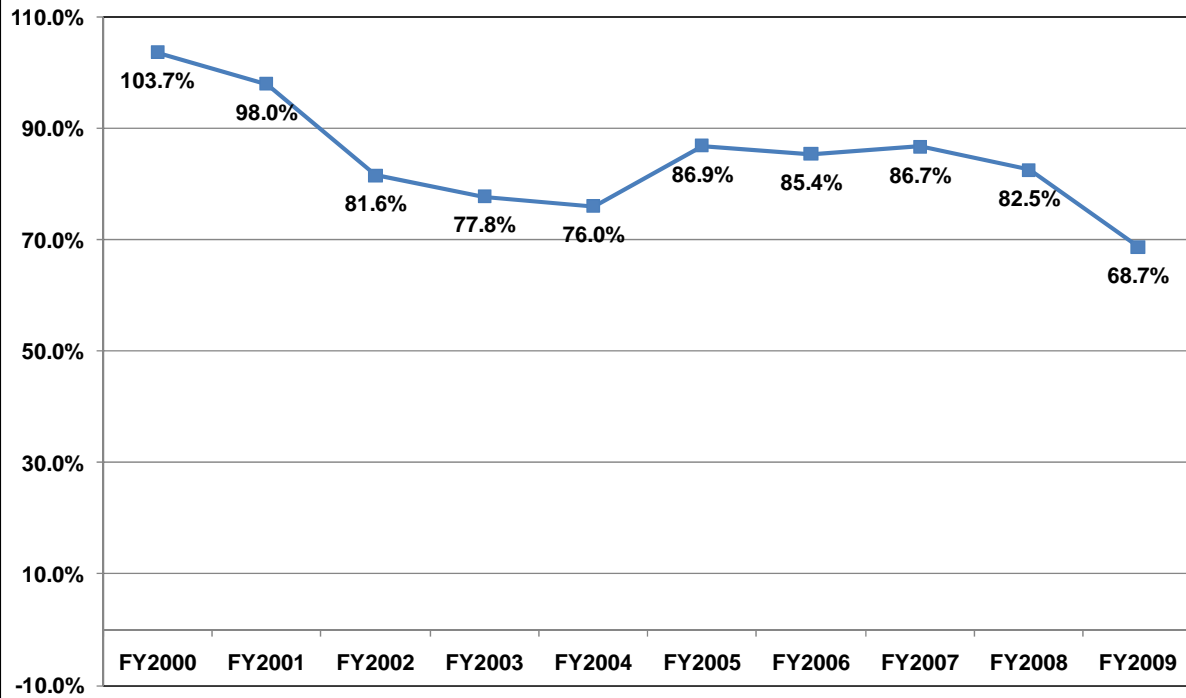
⁴⁹ The previous actuary used a 5-year smoothed average ratio of market to book value while the new actuary used a 5-year smoothing of unexpected investment gains or losses (market value only), a more common method.

⁵⁰ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County: Financial Statements as of December 31, 2005, p. 3a.

⁵¹ The mortality assumption, termination rates and rates of retirement were adjusted. See Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 11.

⁵² Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 13.

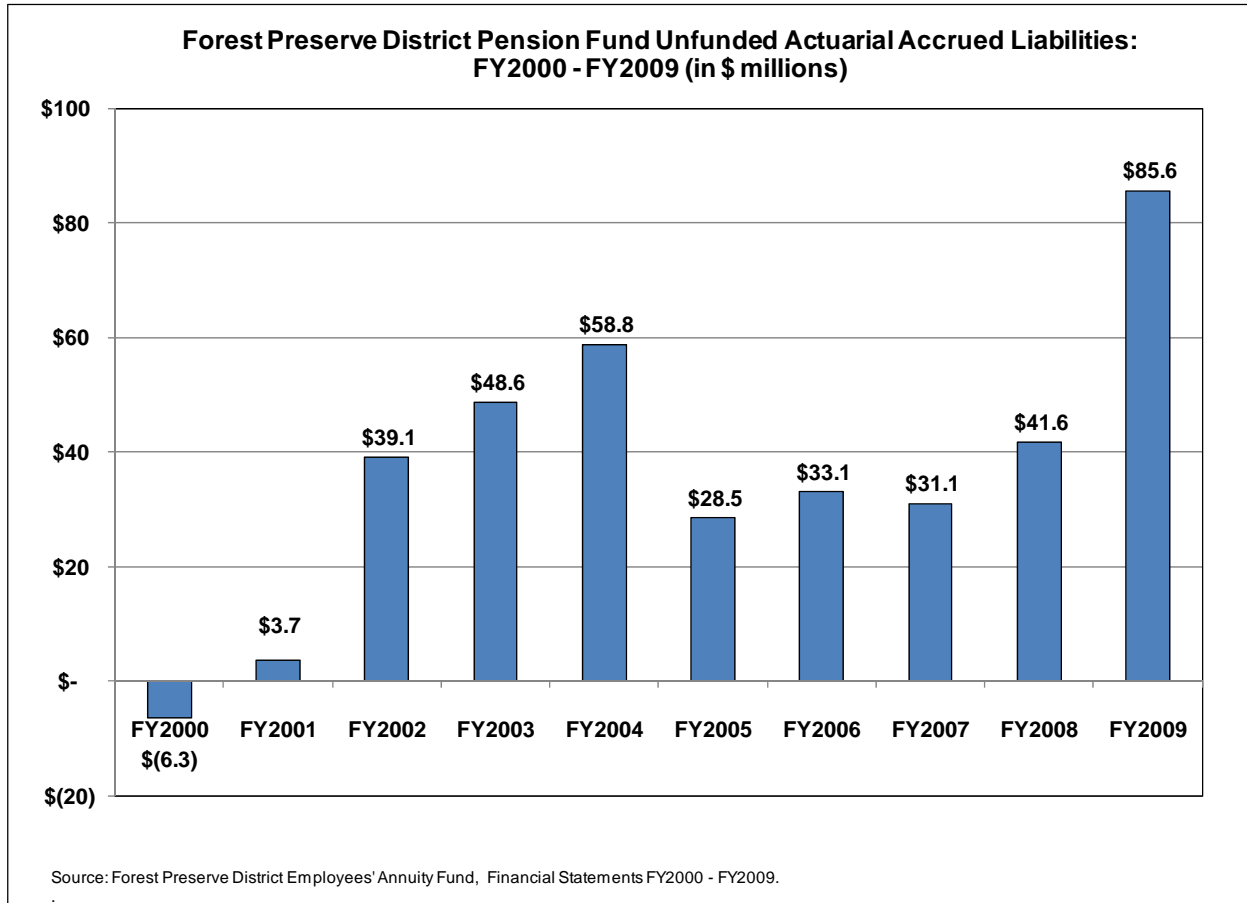
**Forest Preserve District Pension Fund - Funded Ratio for Actuarial Value of Assets
FY2000 - FY2009**



Source: Forest Preserve District Employees' Annuity Fund, Financial Statements FY2000 - FY2009.

Unfunded Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. In FY2000 the Forest Preserve District pension fund had a slight surplus. Beginning in FY2001, the unfunded liabilities increased each year until reaching \$58.8 million in FY2004. There was a decrease in FY2005 that was due almost entirely to changes in actuarial methods.⁵³ Since FY2005, unfunded liabilities rose from \$28.5 million to \$41.6 million in FY2008. A significant portion (\$24.7 million) of the FY2009 increase can be attributed to a change in actuarial assumptions.⁵⁴ Without the change there still would have been a large increase to \$60.9 million.

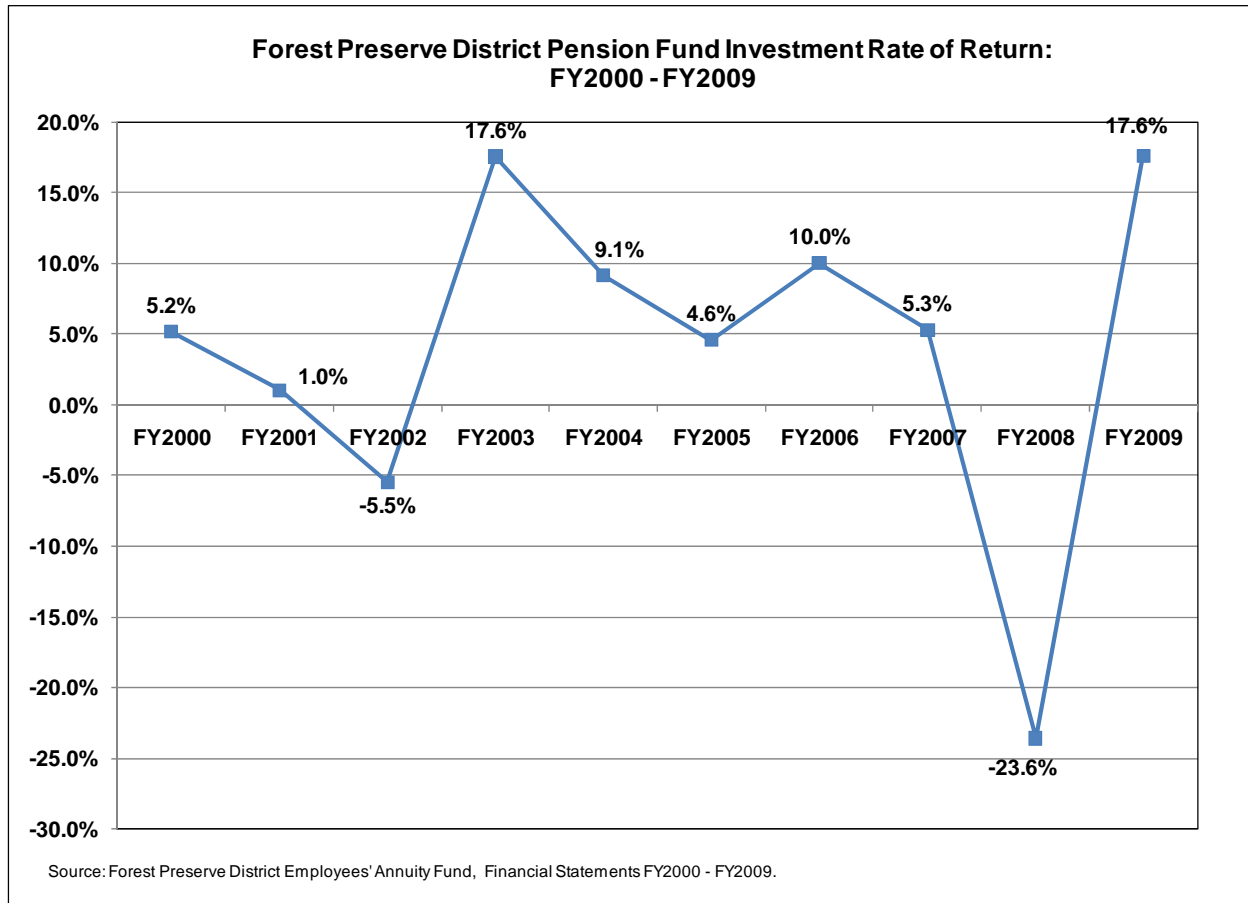


⁵³ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County: Financial Statements as of December 31, 2005, p. 3a.

⁵⁴ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 13.

Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. From FY2000 to FY2002 the investment rate of return declined from a 5.2% return to a 5.5% loss. In FY2003 it rebounded to a 17.6% rate of return. From FY2004 to FY2007 the District had positive returns ranging from 4.6% to 10.0%. In FY2008 there was a loss of 23.6% corresponding to the crisis in the financial markets. There was a large rebound in FY2009 with a 17.6% rate of return.



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 Forest Preserve 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.

Current employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the District. 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. Employees with ten years of service may retire as young as age 50 but their benefit is reduced by 0.5% for each month they are under age 60. This reduction is waived for employees with 30 or more years of service, such that a 50 year-old with 30 years of service may retire with an unreduced benefit.

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

Forest Preserve 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 10 years of service, or age 50 with 30 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; capped at \$106,800*
Annuity Formula	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.5% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	
Annuity Automatic COLA on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

*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: Forest Preserve District Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2009; 40 ILCS 5/9; Comprehensive Annual Financial Report for the Year Ending December 31, 2009; and Public Act 96-0889.

Members of the Forest Preserve 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.

An additional optional Forest Preserve District pension fund benefit existed between 1985 and 2005. The optional pension plan was created in 1985 by the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005.⁵⁵ It permitted employees to make additional contributions equal to 3% of salary in exchange for an additional 1% of final average salary benefit for each year for which the additional contribution was paid.

⁵⁵ 40 ILCS 5/9-179.3. See also the legislative history provided in Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 31.

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 Forest Preserve 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 of how well a public entity is actually funding its pension plan.

The following tables compare the ARC to the actual Forest Preserve District contribution over the last ten years. The Other Post Employment Benefits (OPEB)⁵⁶ ARC shown in the second table has been reported separately from the pension ARC since FY2005. In FY2000 the employer contribution for pension and OPEB was equal to 89.7% of the ARC, but in FY2009 the employer pension contribution equaled only 28.5% of the ARC and the employer OPEB contribution equaled 36.1% of the ARC.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2000 the ARC was 11.6% of payroll while the actual employer contribution was 10.4% of payroll. In FY2009 the pension ARC was 18.0% of payroll and the OPEB ARC was 14.0% of payroll, while the actual employer contributions were 5.1% for both.

The difference between the ARC and the actual employer contribution increased dramatically between FY2000 and FY2009, rising from \$386.2 thousand to \$5.4 million for pension and OPEB combined. The cumulative ten-year difference between ARC and actual employer contribution for pension and OPEB combined is a \$34.2 million shortfall. In 2009, the combined ARC for pension and OPEB was \$8.0 million, or more than double the actual employer contribution of only \$2.5 million. The combined pension and OPEB employer contribution shortfall in FY2009 was \$5.4 million.

⁵⁶OPEB is compensation employees receive after completion of active service. Generically, such benefits are described as *other* postemployment benefits (OPEB) to distinguish them from pensions. See Government Finance Officers Association, Best Practice "*Considerations for Prefunding OPEB Obligations*"(2008).

Forest Preserve 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	\$ 3,741,475	\$ 3,355,316	\$ 386,159	89.7%	\$ 32,211,624	11.6%	10.4%	103.7%
2001	\$ 4,816,346	\$ 3,675,320	\$ 1,141,026	76.3%	\$ 28,631,232	16.8%	12.8%	98.0%
2002	\$ 5,165,491	\$ 3,993,607	\$ 1,171,884	77.3%	\$ 25,781,400	20.0%	15.5%	81.6%
2003	\$ 7,725,882	\$ 3,436,122	\$ 4,289,760	44.5%	\$ 17,348,472	44.5%	19.8%	77.8%
2004	\$ 9,326,465	\$ 3,890,142	\$ 5,436,323	41.7%	\$ 16,635,794	56.1%	23.4%	76.0%
2005*	\$ 4,620,371	\$ 1,897,331	\$ 2,723,040	41.1%	\$ 18,077,621	25.6%	10.5%	86.9%
2006	\$ 2,691,753	\$ 1,532,343	\$ 1,159,410	56.9%	\$ 19,172,756	14.0%	8.0%	85.4%
2007	\$ 2,809,494	\$ 1,995,300	\$ 814,194	71.0%	\$ 21,078,316	13.3%	9.5%	86.7%
2008	\$ 3,329,502	\$ 523,928	\$ 2,805,574	15.7%	\$ 23,474,621	14.2%	2.2%	82.5%
2009	\$ 4,498,036	\$ 1,282,642	\$ 3,215,394	28.5%	\$ 24,967,115	18.0%	5.1%	68.7%

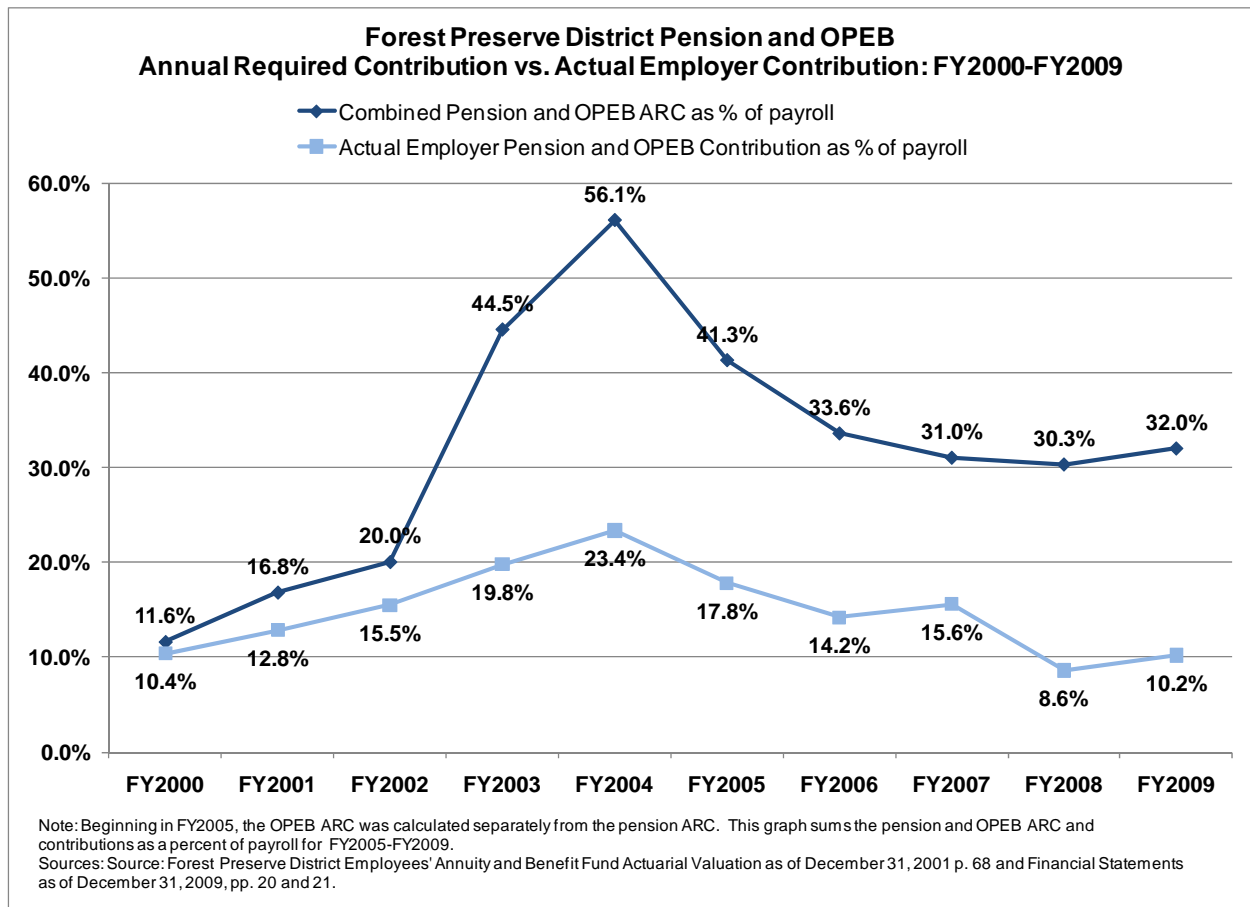
*Beginning in 2005, the ARC excludes other post employment benefits (OPEB). The OPEB ARC is calculated separately.

Source: Forest Preserve District Employees' Annuity and Benefit Fund Actuarial Valuation as of December 31, 2001 p. 68 and Financial Statements as of December 31, 2009, pp. 20 and 21.

Forest Preserve District Pension Fund Schedule of Employer Contributions--OPEB as Computed for GASB Statement 43								
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
2005	\$ 2,846,465	\$ 1,327,412	\$ 1,519,053	46.6%	\$ 18,077,621	15.7%	7.3%	0.0%
2006	\$ 3,747,117	\$ 1,187,670	\$ 2,559,447	31.7%	\$ 19,172,756	19.5%	6.2%	0.0%
2007	\$ 3,729,144	\$ 1,291,740	\$ 2,437,404	34.6%	\$ 21,078,316	17.7%	6.1%	0.0%
2008	\$ 3,785,850	\$ 1,499,520	\$ 2,286,330	39.6%	\$ 23,474,621	16.1%	6.4%	0.0%
2009	\$ 3,490,173	\$ 1,261,052	\$ 2,229,121	36.1%	\$ 24,967,115	14.0%	5.1%	0.0%

Source: Forest Preserve District Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2009, pp. 20 and 21.

The graph below illustrates the growing gap between the combined pension and OPEB ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from 1.2 percentage points, or \$386.1 thousand in FY2000, to 21.8 percentage points or \$5.4 million in FY2009. In other words, to fund the pension and retiree health care plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years the Forest Preserve District would have needed to contribute an additional 21.8% of payroll, or \$5.4 million, in FY2009.



The Forest Preserve is statutorily required to make contributions from its tax levy in an amount equal to 1.30 times the employee contribution made two years prior. However, that amount has been less than the ARC for each of the last ten years. The pension fund actuary estimates that in order to contribute an amount sufficient to meet the ARC in FY2010, the Forest Preserve would need a tax multiple of 5.17 rather than 1.30.⁵⁷

⁵⁷ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 17-18.

Other Post Employment Benefits

State statute permits the Forest Preserve District pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the District's employee health insurance plans.⁵⁸ The Forest Preserve pension fund currently subsidizes roughly 55% of retiree premiums (including dependent coverage) and 70% of surviving spouse premiums (including dependent coverage). The remaining premium amount is paid by the participant.⁵⁹ The subsidy is funded on a pay-as-you-go basis; an irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

The Forest Preserve District government does not directly contribute to the retirees' premium costs. As the employer sponsor of the pension plan, however, the District is required to report other post employment benefit (OPEB) liabilities in its financial statements. The OPEB plan is treated as another pension benefit and does not have a separate contribution rate or asset pool associated with it. The employer contribution for OPEB reported in the District's financial statements is assumed to equal the cost of the premium subsidy for that period.⁶⁰

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 exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Forest Preserve District. The annual OPEB cost in FY2009 was nearly \$3.5 million. Contributions were made in the amount of \$1.3 million, increasing the net OPEB obligation by nearly \$2.2 million, from \$2.3 million to \$4.5 million.⁶¹

OPEB Costs for Forest Preserve District Retiree Healthcare Plan: FY2009	
Annual Required Contribution	\$ 3,490,173
Adjustment to ARC	\$ (137,043)
Interest on net OPEB obligation	\$ 102,885
Annual OPEB Cost	\$ 3,456,015
Contributions Made	\$ 1,261,052
Increase in net OPEB obligation	\$ 2,194,963
Net OPEB Obligation - Beginning of Year	\$ 2,286,330
Net OPEB Obligation - End of Year	\$ 4,481,293

Source: Forest Preserve District FY2009 CAFR, p. 46.

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

⁵⁹ Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2009, p. 17 and Forest Preserve District Comprehensive Annual Financial Report for the Year Ended December 31, 2009, p. 46.

⁶⁰ Forest Preserve District Comprehensive Annual Financial Report for the Year Ended December 31, 2009, p. 46.

⁶¹ Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree healthcare benefits was \$43.1 million in FY2009, up from \$36.0 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%.

Forest Preserve District OPEB Liabilities: FY2006-FY2009				
(in \$ millions)				
	FY2006	FY2007	FY2008	FY2009
Actuarial Accrued Liability	\$ 39.4	\$ 40.6	\$ 36.0	\$ 43.1
Actuarial Value of Assets	\$ -	\$ -	\$ -	\$ -
Unfunded Actuarial Accrued Liability	\$ 39.4	\$ 40.6	\$ 36.0	\$ 43.1
Funded Ratio	0.0%	0.0%	0.0%	0.0%

Source: Forest Preserve District FY2009 CAFR, p. 54.

SHORT-TERM LIABILITIES

Forest Preserve District short-term liabilities are financial obligations related to governmental activities that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The Forest Preserve District reported the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report (CAFR) over the past five years:

- Accounts Payable: 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 the District employees but have not yet been paid or recorded in the District's accounts;
- Claims Payable: includes settlements and legal liabilities payable in the next fiscal year;
- Intergovernmental Payable: funds to be paid to other governments or agencies carried over from the previous fiscal year;
- Unearned Revenues: revenues received before a good is sold or a service is provided.⁶²
- 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.

In FY2009, the District's short-term liabilities decreased from FY2008 by \$1.6 million, or a decrease of 1.9%. However since FY2005, short-term liabilities overall have increased by \$8.5 million or 11.4%. It is important to note that most of the current liabilities in FY2005 through FY2009 are unearned revenues. The District attributes most of its unearned revenue to the timing of property tax receipts.⁶³ The following chart shows short-term liabilities by category and the percent change between FY2005 and FY2009.

Cook County Forest Preserve District Short-Term Liabilities: FY2005-FY2009 (in \$ thousands)							
Type	FY2005	FY2006	FY2007	FY2008	FY2009	5-year Change	5-year % Change
Accounts Payable	\$ 3,348.8	\$ 4,248.7	\$ 6,512.7	\$ 8,450.2	\$ 6,981.9	\$ 3,633.1	108.5%
Accrued Payroll	\$ 1,132.7	\$ 1,142.7	\$ 1,530.9	\$ 1,681.7	\$ 944.4	\$ (188.3)	-16.6%
Claims Payable*	\$ 600.0	\$ 1,012.5	\$ 4,513.0	\$ 1,405.0	\$ 2,154.5	\$ 1,554.5	259.1%
Intergovernmental Payable	\$ 1,183.3	\$ 325.1	\$ 103.3	\$ 64.3	\$ 55.0	\$ (1,128.3)	-95.4%
Unearned Revenue	\$ 66,910.1	\$ 73,205.2	\$ 77,313.6	\$ 71,912.1	\$ 71,687.5	\$ 4,777.4	7.1%
Other liabilities	\$ 1,454.4	\$ 1,353.9	\$ 1,272.0	\$ 1,234.5	\$ 1,310.3	\$ (144.1)	-9.9%
Deposits	\$ 47.0	\$ 49.0	\$ 61.5	\$ 49.8	\$ 51.1	\$ 4.1	8.7%
Total	\$ 74,676.3	\$ 81,337.1	\$ 91,307.0	\$ 84,797.6	\$ 83,184.7	\$ 8,508.4	11.4%

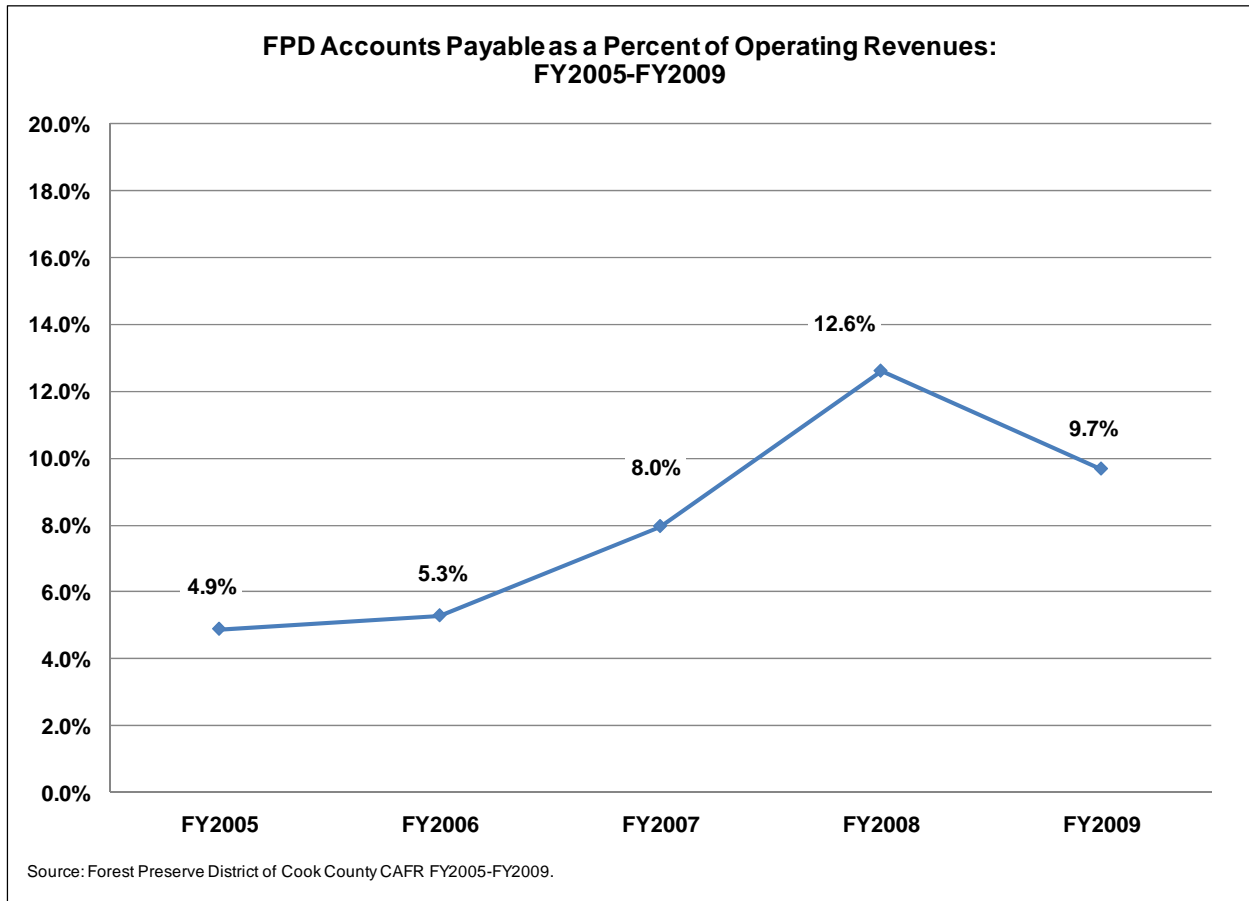
Source: Forest Preserve District CAFR FY2005-FY2009.

⁶² Unearned revenue is classified as a current liability on the balance sheet until it is recognized as earned during the accounting cycle. See www.businessdictionary.com/definition/unearned-revenue.html#ixzz14ow1LgZo (Last Visited on December 23, 2010)

⁶³ Email communication between the Civic Federation and Marlo Kemp, Chief Financial Officer of the Forest Preserve District, December 21, 2010.

Accounts Payable

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Between FY2005 and FY2009, the Forest Preserve District's ratio of accounts payable to revenues increased from 4.8% to 9.7%, a 98.0% increase. However, after increasing steadily from FY2005 to 12.6% in FY2008, the ratio decreased in FY2009 to 9.7%. If sustained over time, the decrease is a positive sign.



LONG-TERM LIABILITIES

This section of the analysis examines trends in the Forest Preserve District's long-term liabilities. This includes a review of long-term debt trends, long-term debt per capita trends and total long-term liability trends.

Long-term Debt

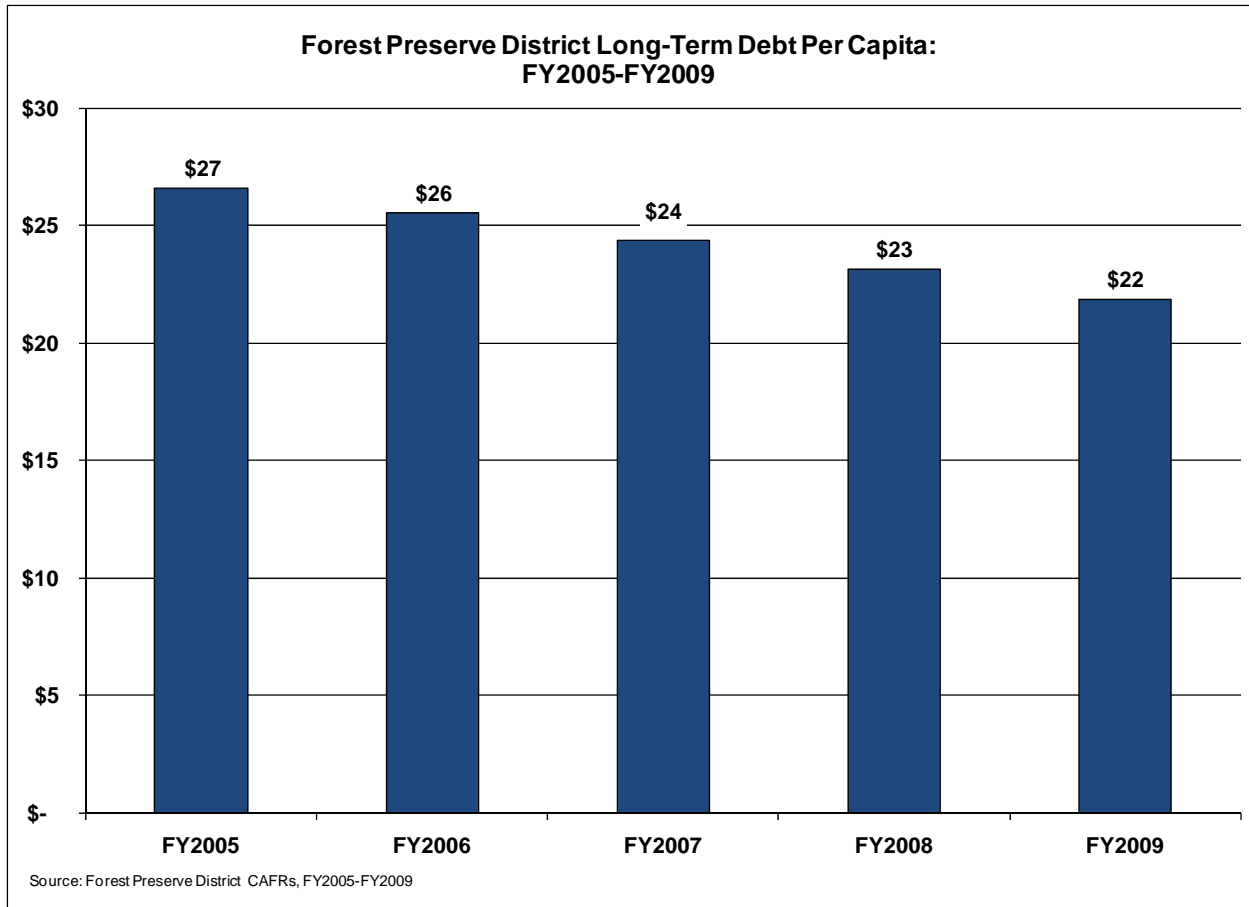
Long-term debt includes tax supported debt issues of the Forest Preserve District as well as bond premium and issuance costs. All Forest Preserve District long-term debt is general obligation debt. Between FY2005 and FY2009, long-term general obligation debt for the Forest Preserve District decreased by 17.8% or \$25.4 million. In the one year period between FY2008 and FY2009, long-term debt outstanding fell by 5.5% or \$6.8 million.

Forest Preserve District Long-Term Debt: FY2005-FY2009							
	FY2005	FY2006	FY2007	FY2008	FY2009	\$ Change	% Change
General Obligation Bond Series 1996	\$ 915,000	\$ -	\$ -	\$ -	\$ -	\$ (915,000)	-100.0%
General Obligation Bond Series 2001 A & B	\$ 31,940,000	\$ 30,455,000	\$ 27,945,000	\$ 25,330,000	\$ 22,620,000	\$ (9,320,000)	-29.2%
General Obligation Bond Series 2004	\$100,000,000	\$ 96,730,000	\$ 93,325,000	\$ 89,775,000	\$ 86,045,000	\$ (13,955,000)	-14.0%
Bond Premium and Issuance Costs	\$ 10,090,710	\$ 10,019,032	\$ 9,643,852	\$ 9,249,390	\$ 8,834,651	\$ (1,256,059)	-12.4%
Total	\$142,945,710	\$137,204,032	\$130,913,852	\$124,354,390	\$117,499,651	\$ (25,446,059)	-17.8%

Sources: Forest Preserve District CAFRs, FY2005-FY2009.

Long-Term Debt Per Capita

Long-term debt per capita is a measure of a government's ability to maintain its current financial policies. This long-term debt analysis takes the total long-term debt amount reported in Note #7 of the District's audited financial statements and divides them by population. The Forest Preserve District's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator bear watching as a potential sign of growing financial risk. The District's long-term debt burden decreased by 17.8% between FY2005 and FY2009, falling from \$27 to \$22 per capita. Between FY2008 and FY2009, long-term debt per capita declined slightly, from \$23 to \$22.



Long-Term Liabilities

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

- Compensated absences: liabilities owed for employees' time off with pay for vacations, holidays, and sick days.
- Provisions for settlement of tort: liabilities owed as a result of claims for tort liability and property judgments.
- Net pension obligations (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.⁶⁴
- Net Other Post Employment Benefit (OPEB) obligations: 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.

Between FY2008 and FY2009, total Forest Preserve District long-term obligations fell by 1.1%, decreasing from \$142.3 million to \$140.7 million. This is due to a decrease long-term debt; net pension and post employment obligations increased 33.3%

Forest Preserve District Long-Term Liabilities: FY2008-FY2009				
	FY2008	FY2009	\$ Change	% Change
General Obligation Bond Series 2001 A & B	\$ 25,330,000	\$ 22,620,000	\$ (2,710,000)	-10.7%
General Obligation Bond Series 2004	\$ 89,775,000	\$ 86,045,000	\$ (3,730,000)	-4.2%
Bond Premium and Issuance Costs	\$ 9,249,390	\$ 8,834,651	\$ (414,739)	-4.5%
Subtotal Long-Term Debt	\$124,354,390	\$117,499,651	\$ (6,854,739)	-5.5%
Compensated Absences	\$ 1,796,201	\$ 1,890,488	\$ 94,287	5.2%
Provision for Settlement of Tort	\$ 150,000	\$ -	\$ (150,000)	N/A
Net Pension/Post Employment Obligations	\$ 15,987,613	\$ 21,310,270	\$ 5,322,657	33.3%
Total	\$142,288,204	\$140,700,409	\$ (1,587,795)	-1.1%

Sources: Forest Preserve District CAFRs, FY2008-FY2009.

⁶⁴Governmental Accounting Standards Boards, "Summary of Statement No. 27 Accounting for Pensions by State and Local Governmental Employers (Issued 11/94), <http://www.gasb.org/st/summary/gstsm27.html> (Last Visited on December 17, 2010).

Over the 5-year period between FY2005 and FY2009, long-term obligations fell by 6.3% or \$9.3 million. The largest increase for the 5-year period was for net pension/net post employment obligations, which rose by \$15.5 million or 269.9%.

Forest Preserve District Long-Term Liabilities: FY2005-FY2009							
	FY2005	FY2006	FY2007	FY2008	FY2009	\$ Change	% Change
General Obligation Bond Series 1996	\$ 915,000	\$ -	\$ -	\$ -	\$ -	\$ (915,000)	-100.0%
General Obligation Bond Series 2001 A & B	\$ 31,940,000	\$ 30,455,000	\$ 27,945,000	\$ 25,330,000	\$ 22,620,000	\$ (9,320,000)	-29.2%
General Obligation Bond Series 2004	\$100,000,000	\$ 96,730,000	\$ 93,325,000	\$ 89,775,000	\$ 86,045,000	\$ (13,955,000)	-14.0%
Bond Premium and Issuance Costs	\$ 10,090,710	\$ 10,019,032	\$ 9,643,852	\$ 9,249,390	\$ 8,834,651	\$ (1,256,059)	-12.4%
Subtotal Long-Term Debt	\$142,945,710	\$137,204,032	\$130,913,852	\$124,354,390	\$117,499,651	\$ (25,446,059)	-17.8%
Compensated Absences	\$ 1,375,309	\$ 1,404,366	\$ 1,656,098	\$ 1,796,201	\$ 1,890,488	\$ 515,179	37.5%
Provision for Settlement of Tort	\$ -	\$ 10,015,000	\$ 170,000	\$ 150,000	\$ -	\$ -	N/A
Net Pension/Post Employment Obligations	\$ 5,760,673	\$ 8,379,152	\$ 10,965,900	\$ 15,987,613	\$ 21,310,270	\$ 15,549,597	269.9%
Total	\$150,081,692	\$157,002,550	\$143,705,850	\$142,288,204	\$140,700,409	\$ (9,381,283)	-6.3%

Sources: Forest Preserve District CAFRs, FY2005-FY2009.

Debt Service Appropriations as a Percentage of Total Appropriations

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

Forest Preserve District debt service appropriations in the proposed budget for FY2011 constitute 6.1% of the District's total of \$197.9 million in total appropriations. The District will spend \$12.0 million for debt service this year. Since FY2007, the percentage appropriated for debt service as a percentage of total appropriations has been consistently below the 15% threshold considered too high.

Forest Preserve District Debt Service Appropriations as a Percentage of Total Appropriations: FY2007-FY2011					
	FY2007	FY2008	FY2009	FY2010	FY2011 Budget
Debt Service Appropriations	\$ 12,008,168	\$ 13,308,743	\$ 13,302,237	\$ 12,008,168	\$ 12,009,596
Total Appropriations	\$ 198,228,262	\$ 176,565,604	\$ 193,225,871	\$ 198,228,262	\$ 197,991,915
Debt Service as a % of Total Appropriations	6.1%	7.5%	6.9%	6.1%	6.1%

Source: Forest Preserve District Budgets, Comparative Appropriation Summaries.