The Civic Federation

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COOK COUNTY FY2015 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

November 13, 2014

The Civic Federation ● 177 N. State Street ● Chicago, IL 60601 ● civicfed.org

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 Cook County FY2015 Executive Budget Recommendation, totaling $3.7 billion in operating appropriations, because it represents a reasonable and balanced approach for the next fiscal year. The budget closes a $168.9 million shortfall with $53.6 million in expenditure reductions, $92.9 million in CountyCare and other source revenue increases and $22.5 million in management and efficiency initiatives.

The Civic Federation is encouraged by and acknowledges the substantial effort taken by Cook County Board President Preckwinkle and her administration over the last four years to reform County operations and services. Since taking office, President Preckwinkle has implemented the full repeal of the one percentage point 2008 sales tax increase. There have been notable efforts made to reduce expenditures, implement operational efficiencies, enhance budget document features and integrate performance management metrics into management and budgeting at the County. In establishing its pension subcommittee and designing and bringing to Springfield an innovative pension reform package, the County has also taken significant steps towards necessary reform of retirement benefits. The Federation is also encouraged by the ongoing transformation of the Cook County Health and Hospitals System, especially its aggressive pursuit of revenue under the federal Affordable Care Act.

However, while the FY2015 proposed budget is reasonable, even weightier challenges for the County lie ahead. Both the Health System and the County's proposed pension reforms, two essential elements to the County's fiscal well-being, have large risks and unknowns in their paths forward. Additionally, a lack of cooperation among the County's elected officials associated with public safety hampers efforts to improve the operations of the criminal justice system. All of these challenges need to be addressed in the next fiscal year.

The Civic Federation offers the following **key findings** on the Cook County FY2015 proposed budget:

- The County's operating budget, which includes the General, Health and Special Purpose Funds, will increase by 16.8%, or $539.1 million, to $3.7 billion from FY2014 adopted appropriations of $3.2 billion.
- General and Health Fund resources will increase by $464.0 million, or 18.5%, from $2.5 billion in FY2014 to nearly $3.0 billion in FY2015, primarily due to an increase in revenues from CountyCare.
- Due to the projected increase in CountyCare revenues, the Health System's tax allocation[1] from the County declines by $11.0 million, or 6.3%, from $175.0 million in FY2014 to $164.0 million in FY2015.
- The FY2015 Cook County budget proposes an increase of 58.1 full-time equivalent (FTE) positions in the General, Health and Special Purpose Funds. This is a 0.3% increase from the adopted FY2014 budget of 23,144.7 FTEs to 23,202.8.
- Personnel service appropriations will constitute 54.8% of the total budget, down 7.5 percentage points from 62.3% in FY2014. FY2015 marks the lowest ratio of personnel appropriations to operating budget in the past five years.

[1] Formerly known as the Health System subsidy.

- The net property tax levy will increase to $730.1 million in FY2015 as Cook County captures revenue from new property, expiring property tax incentives and expiring and eliminated TIF districts. The Cook County property tax levy was held constant at $720.5 million from FY2001 to FY2011.
- Cook County's ratio of General Fund unrestricted fund balance to operating expenditures was 10.9% in FY2013. This is a decrease from a ratio of 14.6% in FY2012.
- The unfunded actuarial accrued liabilities for the County's pension fund have grown from approximately $2.7 billion in FY2004 to $6.4 billion in FY2013. The actuarial value funded ratio for the County's pension fund has fallen from 70.9% to 56.6% over the same time period.
- Long-term liabilities for governmental activities have grown from $5.3 billion in FY2009 to $7.6 billion in FY2013. This is an increase of $2.3 billion, or 43.5%, over the five-year period.

The Civic Federation **supports** the following elements of the Cook County FY2015 proposed budget:
- Effort to develop CountyCare into a competitive Medicaid managed care plan;
- Holding property tax levy relatively flat, no new fines or fees in last two budgets;
- Developing and introducing pension reform legislation;
- Progress on rightsizing operations;
- Progress on improving operations; and
- Improvements in financial policies and procedures.

The Civic Federation has **concerns** about the following fiscal issues:
- Uncertainties and risks inherent to CountyCare;
- Uncertainty regarding pension reform;
- Slow progress on upgrade to new Enterprise Resource Planning system;
- Lack of cooperation among elected officials to reform public safety system; and
- Insufficient opportunities for public input on County finances.

The Civic Federation offers the following **recommendations** to Cook County:
- Consider risk-based contracts with CountyCare network partners;
- Update Health and Hospitals System's Strategic Plan and publicly issue a multi-year forecast for the System;
- Consider upgrading Fantus Health Center;
- Continue to work with General Assembly to implement comprehensive pension reform;
- Elected County officials must work together to achieve public safety reform;
- Increase opportunities for public review of the County's finances; and
- Develop and implement a formal Long-Term Financial Plan.

CIVIC FEDERATION POSITION

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Issues the Civic Federation Supports

The Civic Federation supports the following elements of Cook County's FY2015 Executive Budget Recommendation.

Effort to Develop CountyCare into a Competitive Medicaid Managed Care Plan

CountyCare began in early 2013 as a demonstration project that allowed the Cook County Health and Hospitals System to get a head start on Medicaid expansion under the federal Affordable Care Act (ACA). The ACA expanded Medicaid eligibility to low-income, non-elderly, non-disabled adult citizens on January 1, 2014, but the Health System was permitted to sign up Cook County residents for CountyCare in advance of the official starting date.

The plan was essential to the Health System's survival because it brought in new revenue and gave the System an edge in attracting and retaining Medicaid patients. It also prepared the System to compete in 2015, when virtually all Cook County Medicaid recipients will be required by the State of Illinois to be in managed care.

CountyCare has been successful in attracting members, with a peak enrollment of more than 100,000. When the demonstration project ended in June 2014, the plan was converted into a broad-based Medicaid managed care plan that can enroll all Medicaid recipients rather than being limited only to those who are newly eligible for coverage. Beginning in early 2015, CountyCare members will have the option of switching to more than a dozen other managed care plans.

The Civic Federation supports the County's efforts to pursue Medicaid revenue and adapt to changes in the wider healthcare system by developing CountyCare into a competitive managed care plan. Running a managed care plan is a complicated and risky business that is far removed from the traditional operations of a hospital-centered public health system. However, Medicaid is the Health System's main source of revenue. The Health System must be a viable option for Medicaid patients in order to continue as a healthcare provider for those who will remain uninsured, even under the ACA.

The Civic Federation is encouraged by the Health System's detailed monthly reports showing membership statistics and financial results for CountyCare. Because the new health plan is expected to account for more than 30% of total County revenue in FY2015, it is critical that its performance be closely scrutinized to detect negative trends so that changes can be implemented quickly.

Relatively Flat Property Tax Levy, No New Fines or Fees in Last Two Budgets

The Federation supports the County's decision to hold its levy relatively flat. The FY2015 budget proposes to raise the County's net property tax levy by $13.1 million from FY2014 to $730.1 million. The increase reflects the County's intention to capture property tax revenues from expiring and eliminated Chicago Tax Increment Financing (TIF) districts and new property.[2] However, the levy increase related to expiring TIF districts is not an increase in the amount of money existing taxpayers will owe in property taxes. While taxpayers previously paid TIF district expenses to the City of Chicago, they will now pay the amount as part of the Cook County levy.

Furthermore for the second year in a row, the County did not institute any new fines or fees in the FY2015 budget. The FY2015 budget instead relies on greater enforcement of existing fines, fees and taxes to maximize collected revenues.

Development and Introduction of Pension Reform Legislation

While the County's pension fund is not yet in as dire straits as some other State and local pension funds, it will be soon if no action is taken. Major reforms to contributions and benefits will keep the pension fund solvent and distribute taxpayers' burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.

After over two years of work with stakeholders, including members of the pensions subcommittee of the Cook County Board of Commissioners that was formed from a goal of President Preckwinkle's 2010 Transition Report, numerous affected unions representing County employees and others, the County presented pension reform legislation to the Illinois General

[2] Cook County FY2014 Executive Budget Recommendation, Revenue, p. 37.

Assembly in May 2014. While the pension reform package contained in House Bill 1154 (Senate Amendment 2) passed the Illinois Senate on May 27, 2014, it was not called for a vote in the House before the end of the legislative session on May 31.

The pension reform package used a number of cost-reducing levers that had not been included in previous iterations of pension reform in Illinois. Some of these levers include reducing the annuity formula[3] and downside protections that would protect the fund from future market downturns. The major downside adjustment would start in 2020 and apply a reduced accrual rate and suspend cost of living adjustments to retirees' benefits if the fund falls below 60% funded. The reform package also includes higher employer and employee contributions and other benefit changes.[4]

The Civic Federation supported HB1154 as an innovative reform package tailored to the needs of the County's and the Forest Preserve District's pension plans. As such, the Federation calls on the Illinois House to pass the legislation and the governor to sign the bill into law.

Progress on Rightsizing Operations

The Civic Federation supports the County's efforts to rightsize operations. In the last several budgets, the County has engaged in a number of efforts to increase the cost effectiveness and efficiency of its operations and service delivery. In addition, the County has made notable efforts to match recurring expenditures with recurring revenue and this sound fiscal practice has had the effect of shrinking, though not eliminating, the preliminary budget gap. In a comparison of forecasted preliminary budget gaps in the FY2014 and FY2015 proposed budgets, the projected deficits for FY2016 and FY2017, while still substantial, are expected to fall by $85 million and $66 million respectively.

The proposed FY2015 budget deficit-closing measures include $53.6 million in expenditure reductions. These reductions include of the following cost saving measures: vacancy reduction and year-long moderated hiring, health and pharmacy benefit savings, contract and vendor savings, and Health System net expenditure reductions. Expenditure reductions and operational efficiencies represent 31.7% of all measures being proposed to eliminate the $168.9 million deficit.

The FY2015 proposed budget also includes $92.9 million in revenue increases. These increases make up 55% of the preliminary gap closing solutions and include some natural revenue growth, net revenue increases from CountyCare, higher reimbursements for some court positions paid by the Administrative Office of the Illinois Court and levying to capture expiring TIF increment and new property.

Structural changes implemented in FY2015 and in previous years have reduced the operating deficit and helped to maximize the limited growth in economically sensitive revenues. However, further solutions will still be needed in FY2016 and beyond when payments for pensions could

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[3] The annuity formula is the number (2.4 for current Cook County pension benefits) by which years of service and final average salary are multiplied to determine a retiree's annuity.
[4] See the Pension section on page 67 of this analysis for more detail on the County's proposed reforms.

rise and debt service will rise by $147 million and $75 million respectively.[5] It should be noted that the $147 million increase in pension payments in FY2016 is not included in the County's projected FY2016 deficit of $179 million because it is contingent on enactment of HB1154.

Progress on Improving Operations

The County has improved its operations as measured by progress on goals in President Preckwinkle's Transition Plan and the Civic Federation's Modernization Report. The Federation published the Cook County Modernization Report: A Roadmap for Cook County Government in 2010, shortly before the Preckwinkle administration took office. The Modernization Report provided a roadmap for creating a government that is more efficient, less costly and more accountable. The recommendations were a mixture of new ideas and previously proposed solutions that had not been implemented by previous County administrators. Shortly after the publication of the Modernization Report, the Preckwinkle administration published the Cook County Transition Report, which outlined recommendations for making the County more efficient, more transparent and more responsive. The two reports shared many of the same goals.

Cook County has achieved many of the goals set forth by these two reports. Both reports outlined necessary actions for improving fiscal responsibility, leadership and management, transparency and accountability and delivery of services in Cook County. By achieving many of the goals included in the reports, Cook County has become a more accountable and efficient steward of public resources.

Identified below are Modernization Report and/or Transition Report recommendations that have been fully implemented by the County over the last four years.

Progress Report: Cook County Modernization and Transition Report Goals Achieved	
Goal	**Report Source**
Repeal 2008 sales tax increase	CF Modernization Report, Preckwinkle Transition Report
Establish public safety task force	CF Modernization Report, Preckwinkle Transition Report
Integrate performance management into budgeting	CF Modernization Report, Preckwinkle Transition Report
Adopt budget prior to start of fiscal year	CF Modernization Report, Preckwinkle Transition Report
Produce audited financial statements within 6 months of close of fiscal year	CF Modernization Report
Adopt and publish financial polices	CF Modernization Report
Aggressively pursue Medicaid patients and revenues	CF Modernization Report
Prepare a capital improvement program updated annually	CF Modernization Report
Explore enhancing revenues by securing grant funding	Preckwinkle Transition Report
Improve collections management, including delinquent property taxes	Preckwinkle Transition Report
Expand electronic monitoring for low-risk, non-violent offenders who cannot pay bail	Preckwinkle Transition Report

In addition to those listed above, there are a number of recommended actions that have been substantially, but not fully, implemented by the County, including progress made in reforming County purchasing practices, centralizing administrative functions and improving transparency. While great strides have been made, the County must address its future enormous fiscal problems by continuing to evaluate its operations, reduce costs and improve efficiency. This is a multi-year process that will require the development of a publicly-shared long-term financial plan.

[5] $147 million is the expected pension payment increase under President Preckwinkle's pension reform package. Actual pension payments in FY2016 may be higher or lower depending on whether the Illinois General Assembly passes the pension reform bill.

Improvements in Financial Policies and Procedures

The Civic Federation in its FY2014 budget analysis applauded Cook County for including and highlighting a number of financial policies in the FY2014 budget that was adopted by the County Board of Commissioners. These policies demonstrate a commitment to improving transparency in its financial planning process. By sharing these policies, the County is allowing itself to be held accountable by the public. In the FY2015 proposed budget, the County revised some of its financial policies and procedures and these changes further show a willingness to be accountable and transparent in its budgeting. Improvements in the proposed FY2015 budget include:

(1) A shift in policy to limit the number of reimbursements made to each department from Fixed Charges. With appropriations now being made directly to departments, this change creates a more transparent system and also introduces budgetary savings by improving efficiency and reducing the administrative time of processing transfers and reimbursements;
(2) A shift in some IT expenses from capital to operating funds to lessen the amount of long-term borrowing and to better align spending time frames with useful life time frames; and
(3) A shift in budget format, better aligning how revenue categories are organized in the budget with how the same revenue categories are organized in the audited financial statements.

Civic Federation Concerns

The Civic Federation has the following concerns related to Cook County's FY2015 Executive Budget Recommendation and financial health.

CountyCare Concerns

Although the Cook County Health and Hospitals System has been successful in attracting members to its CountyCare managed care plan, the toughest challenges lie ahead. CountyCare has already seen a decrease in membership due to the State's annual renewal process for Medicaid. Average monthly membership declined to 88,921 in October from 100,658 in August largely because of members who were dropped from the Medicaid program after failing to complete the required State forms.

Beginning in early 2015, CountyCare members will have the option of switching to more than a dozen other managed care plans. The Health System will face intense competition in attracting new members.

Besides competition for members, the Health System has financial pressures related to the popularity of its network partners. CountyCare patients have access to a regional network of 138 healthcare providers consisting of Health System facilities as well as subcontracted partners such as Federally Qualified Health Centers (FQHCs) and hospitals. The broad network gives CountyCare an advantage in attracting patients but potentially reduces the health plan's financial benefit to the Health System.

Before CountyCare began, Health System officials predicted that 58% of the plan's members would be existing Health System patients. In contrast, approximately two-thirds of CountyCare patients chose primary care doctors at outside clinics. Currently 91% of prescription drug cost is incurred at outside pharmacies. More than 58% of the plan's medical expense in FY2015 is projected to come from elsewhere in the network.

CountyCare provides the greatest financial benefit to the Health System when members use its services and facilities. By treating newly eligible Medicaid recipients under the Affordable Care Act in house, the System receives payment for previously uncompensated services. The incremental cost of treating another patient at the Health System is low, and the monthly fee received for each member can be used to help cover the high fixed costs of hospital operations.

CountyCare members' use of other network providers also exposes the Health System to financial risk. While the Health System is paid a fixed monthly fee for CountyCare members, it pays most of its partners on a fee-for-service basis. Outside providers have six months to turn in medical claims, making it difficult to estimate costs that have been incurred.

The Health System is taking steps to make visits to its clinics more convenient by opening them on Saturdays—a practice already followed by many FQHCs. The FY2015 budget also includes plans to create a call center and develop a centralized scheduling process. While these are good ideas to make using the Health System more attractive, the Civic Federation remains concerned that there are so many significant uncertainties related to such a large portion of the County's budget.

Uncertainty Regarding Pension Reform

While the County's pension fund is in better shape than some other local and State funds, it is not in good fiscal health. In the ten years since FY2004, the unfunded actuarial accrued liabilities of the Cook County Annuity and Benefit Fund have grown from approximately $2.7 billion to $6.4 billion in FY2013, the most recent year for which data are available. Similarly, the actuarial value funded ratio for the County's pension fund has fallen from 70.9% to 56.6% over the same time period. It is currently projected that the fund will become insolvent in 2038.[6] The County's pension problems have been caused largely by inadequate investment rates of return and consecutive years of statutorily established employer contributions that were insufficient for the level of benefits promised. Without immediate pension reform, it will become exceedingly difficult to make the pension fund fiscally sustainable without creating even greater projected deficits.

While the County should be commended for making great strides in terms of convening its stakeholders and putting together a pension reform package that was approved by two-thirds of the unions that represent County employees,[7] it is uncertain whether the package will pass the

[6] FY2015 Executive Budget Recommendation: Budget Briefing Presentation, p. 10. Given on October 8, 2014.
[7] Dave McKinney, "Preckwinkle throws in the towel on county pension reform plan," *Chicago Sun Times,* May 30, 2014. http://politics.suntimes.com/article/springfield/preckwinkle-throws-towel-county-pension-reform-plan/fri-05302014-1029pm. (Last visited November 6, 2014).

Illinois House. Given the funded ratio and the unfunded actuarial accrued liabilities of the fund stated above, failure by the Illinois General Assembly to pass the pension reform legislation brought forth by the County or some amended version puts the fund's stability and the County's fiscal outlook in doubt.

Slow Progress on Upgrade to New Enterprise Resource Planning System

Currently the County and the Health System use two different Enterprise Resource Planning (ERP) systems. An ERP system is business software that can be purchased in modules to integrate 'back-office' business processes and information silos.[8] The County uses an outmoded, unsupported version of a JD Edwards system, while the Health System in June of 2009 entered into a $34.0 million, five-year contract for the purchase and installation of the Lawson System.

The use of two major ERP systems results in two separate silos of financial and business processes. While the County is in the process of upgrading to a new ERP system, there has been only slow progress since the decision to upgrade was made. Despite the ERP being a major administration goal since taking office, according to an August 2014 briefing by the Cook County Bureau of Finance Enterprise Resource Planning Center of Excellence, the first phase of the new ERP system is not scheduled to go live until January 2016. This slow progress is of concern because a well-implemented ERP system can reduce costs and inefficiencies and allow for data consistency and sharing across offices and divisions. An updated ERP system would also allow the County to engage in more comprehensive reporting and better data analysis.

Insufficient Opportunities for Public Input on County Finances

While strong progress has been made in many areas of financial transparency, and while County citizens have been given the opportunity to tweet or email the County regarding the annual budget, more progress in this area is still needed to accomplish the level of stakeholder input and participation that will ensure full accountability to the taxpayers of Cook County. For the third year in a row, the County released its budget and the County Board's Finance Committee held its first budget hearing within less than ten working days. This is an inadequate amount of time for the public to comprehend a complex two-volume budget document with hundreds of pages and we urge the Finance Committee to allow more time in the future. All governments have a duty to allow for public input related to their proposed budgets. The County and Board Finance Committee's failure to allow for sufficient time for public input on the proposed budget is a missed opportunity to help educate, inform and build support for their proposed nearly $4.0 billion expenditure of tax dollars.

The County also has not solicited stakeholder input via public forum or town hall meeting on its Capital Improvement Plan, which proposes hundreds of millions of dollars in capital and infrastructure upgrades. Furthermore, in order to ensure the effectiveness of capital spending, Cook County should develop a more comprehensive capital improvement plan (CIP) that includes a prioritized list of all proposed capital projects and funding sources, separate from the

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[8] Countywide Enterprise Resource Planning (ERP) System, What is ERP? http://www.cookcountyil.gov/office-of-the-chief-procurement-officer/countywide-enterprise-resource-planning-erp-system/. Last visited 11/4/2014.

proposed budget document, and give the public an opportunity to weigh in on the County's capital priorities.

Lack of Cooperation Among Elected Officials to Reform Public Safety System

Public safety in Cook County encompasses a variety of functions including operation of the second largest judicial system in the nation and two detention centers: the Cook County Jail and the Temporary Juvenile Detention Center. Public safety is one of the largest areas of Cook County expenditures. In the FY2015 proposed budget, Cook County is planning to appropriate nearly $1.3 billion for public safety operating expenditures, which totals nearly 33.4% of the County's total operating budget. Public safety also comprises 89.5% of the County's General Fund full-time equivalent (FTE) positions.

Resolving Cook County's financial challenges will not be possible without reform of the County's public safety policies and spending. Such reform will require the full cooperation of all elected public safety officials. There are undoubtedly opportunities to address waste and inefficiency in the criminal justice system, but this will not happen until all County officials come together in agreement over the necessary steps to reform. The Civic Federation will be analyzing the fiscal and public policy challenges of the County's public safety system and issuing recommendations in its second edition of the Cook County Modernization Report next year.

Civic Federation Recommendations

The Civic Federation offers the following recommendations[9] to support improved efficiency and to enhance financial practices.

CountyCare Recommendations

<u>Consider Risk-Based Contracts with CountyCare Network Partners</u>

The Health System receives a fixed monthly fee for each CountyCare member but pays most of its subcontracted network partners on a fee-for-service basis. This payment system apparently was necessary to attract enough partners for a broad-based managed care network, but it also exposes the Health System to the risk of escalating outside expenses and reduces the incentive for outside healthcare providers to manage patient costs. The Health System should consider shifting more of the risk to its network partners as it develops its Medicaid managed care program.

[9] Additional recommendations for reforming Cook County government, especially the public safety system, will be published in the Civic Federation's second edition of the Cook County Modernization Report.

Multi-Year Forecast

Given the uncertainties associated with CountyCare's membership and expenses, it is particularly difficult to make multi-year budget projections. However, the Civic Federation still recommends that the Health System develop and publicly release a three- to five-year forecast showing resources projected to be available and how they should be allocated as a part of its budget process. A multi-year projection would allow the public to assess the longer term consequences of current decisions.

Update of Strategic Plan

County law requires that the Health System develop a strategic and financial plan covering three fiscal years. The Health System's current strategic plan was completed in FY2010 and ends in FY2015. The current plan was developed before the creation of CountyCare and before the State of Illinois passed a law requiring that at least half of Medicaid recipients be covered by risk-based managed care by January 1, 2015. Work on a new plan has apparently been delayed by changes in the composition of the Health System's eleven-member Board of Directors. Five seats became vacant in 2014, due to the expiration of four terms and the resignation of one director. Three of the five seats have been filled and two remain vacant. Once the new directors are nominated by Board President Preckwinkle and approved by the County Board, the Health System should complete a new strategic and financial plan.

Consider Upgrading Fantus Health Center

A new building for Fantus Health Center was considered vital to the Health System's current strategic plan and is in line with goals for CountyCare. Fantus, the Health System's largest clinic, is located in a 55-year-old building on the campus of Stroger Hospital. A new building for this facility should thus be considered among the highest capital priorities for the Health System. No County funds have been allocated for a new Fantus building in the FY2015 capital budget, but County officials have said that a contractor for the project will be chosen by next spring.

Continue to Work with General Assembly to Implement Comprehensive Pension Reform

The Federation calls on the Cook County Board of Commissioners and the Illinois General Assembly to work with the Administration to pass the pension reform legislation that the County introduced earlier this year. While the Civic Federation is encouraged by Board President Preckwinkle's work with labor unions that successfully crafted a pension reform agreement and by the President's plan to continue to promote the reform in the veto and lame duck session, it is incumbent on State lawmakers to pass and the governor to sign this legislation into law.

Develop and Implement a Formal Long-Term Financial Plan

The Cook County FY2015 proposed budget includes a forecast of revenues and expenditures through FY2019.[10] The forecast projects significant and growing budget deficits in future years.

[10] Cook County FY2014 Executive Budget Recommendation, Resident's Guide, pp. 7-9.

It is important for governments to disclose forecasts to help stakeholders understand what their future financial situation will be and set a framework for future budgets and plans. However, we also encourage the County to take the next step and develop a formal long-term financial plan that is shared with and reviewed by key policymakers and stakeholders. This plan must include concrete action steps to address the County's long-term fiscal balance. We understand that County officials are putting the first steps toward such a plan in place and we support that progress.

The NACSLB and the GFOA both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.[11] A long-term financial plan typically includes a review of historical financial and programmatic trends; multi-year projections of revenues, expenditures and debt; an analysis of those trends and projections; and the modeling of options to address problems and opportunities. The plan helps governments address fiscal challenges before they become fiscal crises.

A key component of financial planning is engaging all stakeholders in the process of developing the plan. The GFOA describes long-term financial planning as "not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public."[12] Among other benefits, involving all stakeholders can help staff refine forecasts, institutionalize planning processes and promote strategic decision-making. The County should immediately begin mobilizing for a comprehensive long-term financial planning process.

Therefore, we recommend that in the new fiscal year the County complete and publicly release a long-term financial planning process that would proceed in four stages.[13] First, the Board President and her administration would articulate fiscal and programmatic goals and priorities informed by public input. The Long-Term Financial Plan would evaluate financial and service data in order to determine how to accomplish the goals and priorities. It would include a review of the County's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced Cook County budget that is fiscally sustainable each year. The plan would then be regularly monitored to ensure its viability by means of regular financial reports.

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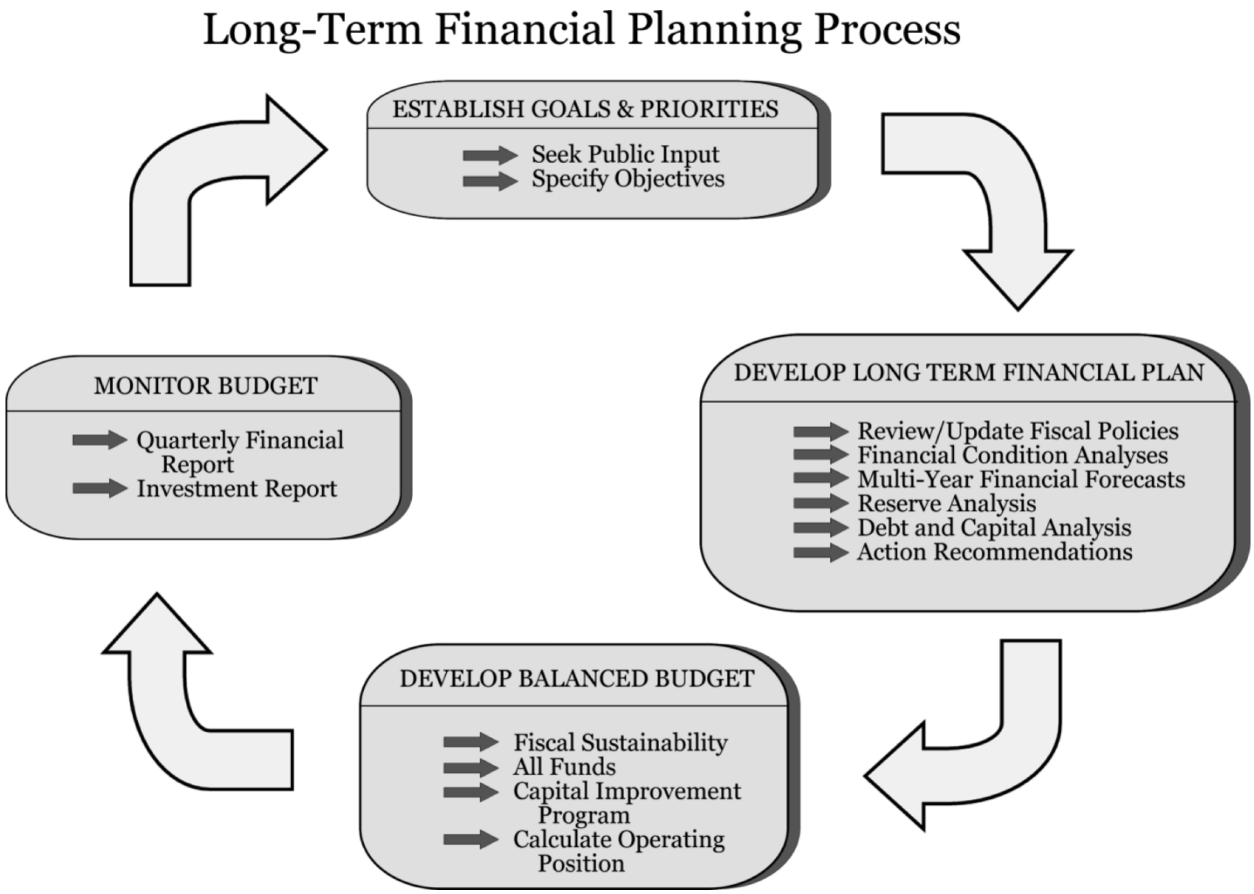
[11] See National Advisory Council on State and Local Budgeting and Government Finance Officers Association.
[12] Government Finance Officers Association, "An Introduction to Financial Planning," http://www.gfoa.org/downloads/LTFPbrochure.pdf (last visited on January 10, 2011).
[13] The graphic illustration of the long-term financial planning process is based on the City of San Clemente, California's Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document "Long-Term Financial Planning for Governments" available at http://www.gfoa.org/downloads/LTFPbrochure.pdf.



If the County chooses not to undertake a full long-term financial planning process, then, at a minimum, an annual document should be developed and published that would include:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues. For example, a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the County's financial challenges.

Elected Officials Must Work Together to Achieve Public Safety Reform

Some of the greatest areas for cost savings and reform of the Cook County public safety system involve larger public policy questions such as how to address non-violent and mentally ill offenders, the proper adjudication process including the possible role for recognizance bonds and electronic monitoring, diversion programs and juvenile detention alternatives. The Civic Federation urges cooperation among all elected officials as imperative to address these public safety challenges.

Increase Opportunities for Public Review of the County's Finances

The County Board's Finance Committee should allow more time for the public to review and understand Cook County's annual budget. At a minimum, **ten working days** should be allowed for the public review period before the first public testimony is heard. Only in this way can citizens offer fully informed commentary on a prominent government such as Cook County. In addition, the County should provide its stakeholders with more opportunity to review and comment on the other elements of the County's finances, including its Capital Improvement Plan and Long-Term Financial Plan. Increased opportunity for public review will improve the relationship between the County and its taxpayers through enhanced transparency and greater accountability.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to Cook County Budget Director Andrea Gibson, Deputy Budget Director Shellie Riedle, Chief Financial Officer Ivan Samstein, Cook County Health and Hospitals System Chief Executive Officer Dr. Jay Shannon and Health System Budget Director Aaron Galeener, and their staffs for their efforts in preparing this budget. We appreciate their cooperation and willingness to answer our many budget questions and follow-ups.

FY2015 BUDGET DEFICIT & GAP-CLOSING MEASURES

In the Cook County 2015 Preliminary Budget Estimates report, released on June 27, 2013, the Department of Budget and Management Services projected a $168.9 million budget deficit in the General and Health Funds for FY2015.[14]

Preliminary budget estimates[15] for FY2015 showed revenues of $2.8 billion and expenditures of nearly $3.0 billion, resulting in an initial General and Health Funds deficit of $168.9 million. This is slightly larger than the $152.1 million budget gap for FY2014 projected by the County in October 2013. However, it continued the decline in deficits under the Preckwinkle administration from $487.0 million in FY2011.

The FY2015 deficit estimate of $168.9 million primarily reflected an increase in FY2014 expenditures of $75.2 million in the General Fund and a net increase of $50 million in the Health Fund. A $43 million decrease in FY2014 expected revenues in the General Fund also contributes to this gap. Expenditure increases include higher projected wages including public safety overtime expenses ($48.1 million), employee health benefit increases ($20.1 million), a reserve for insurance claims ($6.7 million) and increased utility costs ($2.4 million).

General and Health Funds revenues for FY2015 were projected to be $36.6 million, or 1.3%, more than the FY2014 year-end estimates. General and Health Funds expenditures for FY2015 were projected to be $163.9 million, or 5.9%, more than FY2014 year-end estimates.

Cook County FY2015 Projected Budget Deficit					
	FY2014 Adopted Budget	FY2014 Year-End Estimate	FY2015 Projected Budget	$ Change from Year-End	% Change from Year-End
General & Health Fund Revenues	$ 2,502,248,689	$ 2,756,118,823	$ 2,792,683,715	$ 36,564,892	1.3%
General & Health Fund Expenditures	$ 2,502,248,689	$ 2,797,693,771	$ 2,961,599,162	$ 163,905,391	5.9%
Budget Surplus (Deficit)	**$ -**	**$ (41,574,948)**	**$ (168,915,447)**		

Source: Cook County Preliminary Forecast FY2015, p. 2.

Gap-Closing Measures

The County's FY2015 Executive Budget Recommendation includes a summary chart in the Resident's Guide section illustrating the measures taken to close the FY2015 budget deficit. The following table and narrative describe these revenue increases and expenditure reductions.[16]

[14] Cook County is required by law to pass a balanced budget so it does not have a budget "deficit" in the same sense that the U.S. federal government has a deficit. The "budget deficit" is a commonly used synonym for the projected budget gap calculated by the County before its budget is developed. It refers to the gap between projected revenues and expenditures for the next fiscal year, which must be addressed in the proposed budget ordinance.

[15] Cook County Preliminary Forecast, FY2015, pp. 1-5.

[16] Additional details to those provided in the budget book can be found in the Cook County Finance Department's FY2015 budget briefing to the Cook County Finance Committee on October 16, 2014 found here: https://cook-county.legistar.com/MeetingDetail.aspx?ID=347629&GUID=7615003D-13F2-470F-A401-DC19BDB0D9EC&Options=info|&Search=

FY2015 Budget Deficit-Closing Measures (in $ millions)		
Revenue Increases		
Recapture of 2014 expiring TIF/New Property	$	9.2
TIF Surplus	$	3.6
Non-retailer Transaction Tax	$	2.6
Treasurer Revenue	$	2.0
Sales Tax	$	1.8
Other net changes	$	1.7
AOIC Reimbursements	$	13.2
Use Tax	$	2.5
Net impact of CountyCare	$	56.3
Subtotal Revenue Increases	**$**	**92.9**
Expenditure Reductions		
Reduction of Vacancies/hiring timing	$	9.6
Health and pharmacy benefit savings	$	8.1
Contract and vendor savings	$	7.9
Professional services and special programs	$	1.7
Reserve for claims	$	1.5
Savings from prior year favorable variable interest rates	$	13.3
Other savings	$	6.7
CCHHS net expenditure solutions	$	4.8
Subtotal Expenditure Reductions	**$**	**53.6**
Management Initiatives		
Settlements/reimbursements	$	9.1
State collection of non-retailer transactions	$	2.5
Delinquent traffic violations	$	1.0
Lease payments and energy efficiency rebates	$	0.8
Forest Preserve reimbursements	$	0.5
Enforcement Initiatives	$	7.1
Other initiatives	$	1.5
Subtotal Management Initiatives	**$**	**22.5**
Total	**$**	**169.0**

Source: Cook County FY2015 Executive Budget Briefing PowerPoint Presentation, October 8, 2014 and FY2015 Executive Budget Recommendation, Volume 1, p. 2.

Revenue Increases - Cook County anticipates $92.9 million in increased revenue in FY2015, including net revenue from CountyCare.

Net revenue increase for CountyCare ($56.3 million in revenue) – The Health System was responsible for the largest net revenue solution to the preliminary budget gap. Through a combination of net revenue from CountyCare ($56.3 million) and net expenditure reductions ($4.8 million), the Health System reduced the preliminary deficit by $61.1 million. The major driver of the net revenue was an increase in the Federal Reimbursement rate for CountyCare, from $570 per member, per month (PMPM) to $630.

Countywide Net Revenue Growth and Higher State Reimbursements ($36.6 million in revenue) – The County expects both natural revenue growth above FY2014 mid-year projections in FY2015 as well as additional reimbursements from the Administrative Office of the Illinois Courts (AOIC). The AOIC subsidizes the salaries of probation officers and administrative staff who work within adult and juvenile probation. AOIC is expected to reimburse the County an additional $13.2 million in FY2015 as a result of the expected transition of the Juvenile Temporary Detention Center from a federally appointed Temporary Administrator to the Office of the Chief Judge. Additionally, the County anticipates higher AOIC reimbursement rates, from 69% of eligible Adult and Juvenile Probation Department salaries in FY2014 to 88% in FY2015. Total increased revenues from AOIC in FY2015 are expected to yield $13.2 million.[17]

Improved revenue forecast trends from the Preliminary budget, including higher collections of non-retailer transaction tax ($2.6 million), use tax ($2.5 million) and sales tax ($1.8 million) contribute a total of $23.4 million toward gap closing. Included in this category is $3.6 million in TIF Surplus.

Expenditure Reductions - The County proposes to implement $53.6 million in expenditure reductions in FY2015.

Health System Expenditure Reductions ($4.8 million in savings) - In addition to the higher net revenue, the Health System (non-CountyCare) reduced net expenditures by $4.8 million, primarily through hiring savings.

Vacancy Elimination and Delayed Hiring ($9.6 million in savings) – By eliminating vacancies and moderating hiring throughout the year, the County expects to generate $9.6 million.

Debt Service Savings ($13.3 million in savings) – The County generated $13.3 million in savings from prior year favorable variable interest rates.

Health and Pharmacy Benefit Savings ($8.1 million in savings)- As a result of pharmacy rebates and the elimination of the compound pharmacy, among other initiatives, the County anticipates $8.1 million in savings.

Management and Efficiency Initiatives- The County proposes to generate $22.5 million by implementing enhancements to the management and enforcement of revenues and payments to vendors.

In FY2015 the County will continue to enhance enforcement of tax compliance for cigarettes/tobacco, gas/diesel, alcoholic beverage and parking lots. The enhanced enforcement is expected to yield $7.15 million. Increases or reduced decline rates in revenues from the tax areas listed above will be achieved through the addition of investigators within the Department of Revenue. The Alcohol Beverage Tax is expected to increase $1.2 million over FY2014 due to the assignment of field auditors to maximize compliance.[18] Similarly, the decline in consumption of cigarettes/tobacco due to price sensitivity to higher tax rates and declines in smoking rates are offset by increased compliance efforts conducted by the Department of Revenue utilizing tobacco-sniffing dogs as well as public outreach programs such as the

[17] Cook County FY2015 Executive Budget Recommendation, p. 30.
[18] Cook County FY2015 Executive Budget Recommendation, p. 6.

whistleblower telephone hotline.[19] Additional management initiatives planned to increase revenue include leasing office space, recovering subrogation fees, reducing vendor costs through electronic payment, conducting bank service audits and maximizing reimbursements.

Projected FY2015-FY2019 Budget Deficits

The County's FY2015 Executive Budget Recommendation provides a graph showing FY2012 through FY2019 projected General Fund budget deficits.[20] This was a requirement of Board President Preckwinkle's Executive Order 2011-1 issued on June 29, 2011. The exhibit below shows projected budget deficits for FY2016-FY2019.

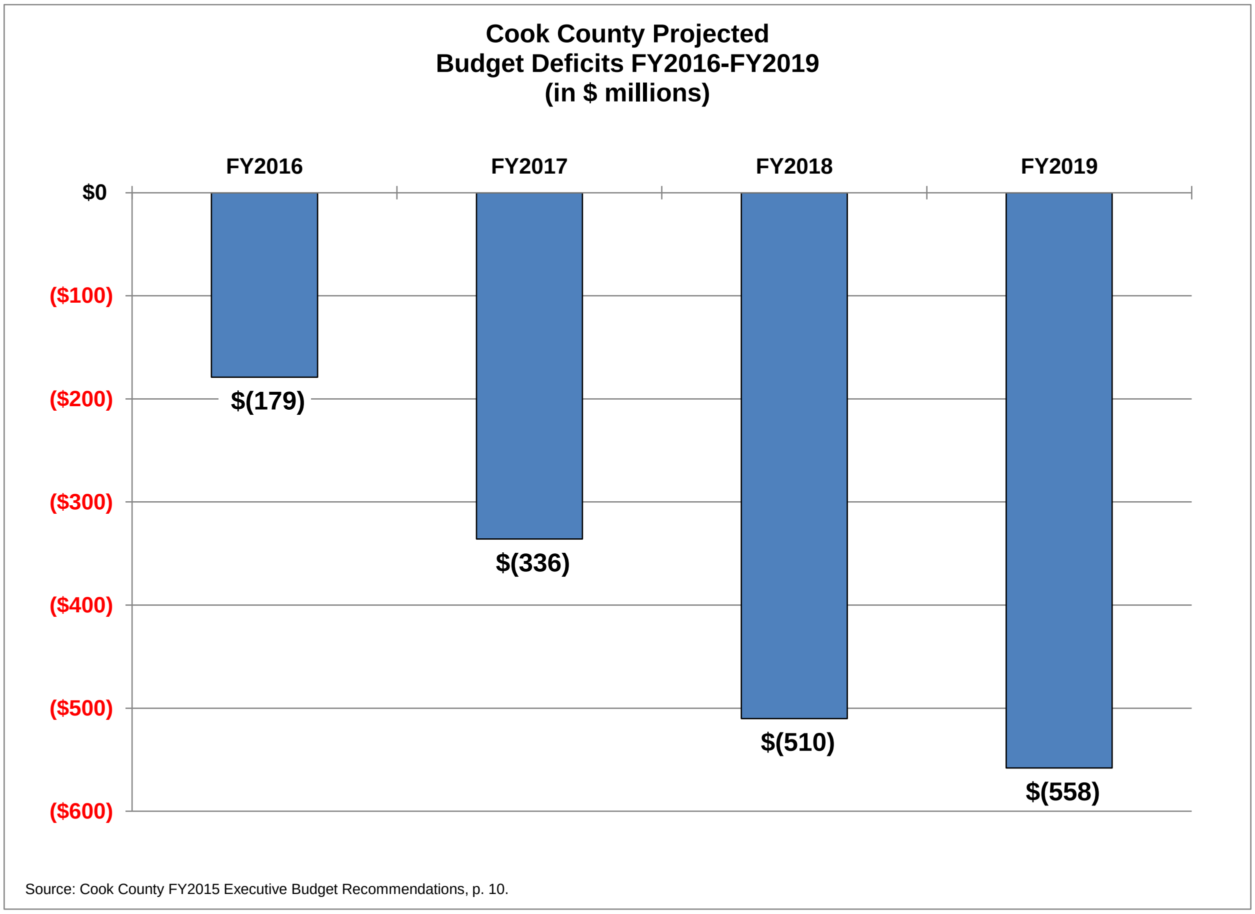
Regarding expenditures, the projection assumes that General Fund healthcare-related expenditures will grow faster than inflation at a rate of 7.2% for health insurance and 9.3% for pharmacy costs. The majority of the non-health related expenses, including salaries, supplies, and utilities, will grow at 2.3%, which is the average annual increase in the Consumer Price Index over the last ten years. The projections below do not include proposed increases in the County's employer share of the pension contribution under HB1154. If the pension reform legislation were to pass, these projected deficits would be higher.

Revenue for the County is expected to decline over the coming years, specifically for the following areas:

- Declining revenue from cigarette and fuel taxes due to falling sales; and
- Less net property tax revenue available for operations as more net property tax revenue will have to be allocated to growing debt service payments.

These projections demonstrate that, even with the structural changes proposed in the FY2015 and previous years' budgets, the County will continue to face growing budget deficits in the future.

[19] Cook County FY2015 Executive Budget Recommendation, p. 27.
[20] Cook County FY2015 Executive Budget Recommendation, p. 10.


Cook County Projected
Budget Deficits FY2016-FY2019
(in $ millions)
FY2016
FY2017
FY2018
FY2019
$0
($100)
($200)
($300)
($400)
($500)
($600)
$(179)
$(336)
$(510)
$(558)
Source: Cook County FY2015 Executive Budget Recommendations, p. 10.

APPROPRIATIONS

The following section presents trends for Cook County FY2015 appropriations for all funds by fund and by control officer. FY2015 proposed appropriations are compared to actual expenditures for FY2011-FY2013 and FY2014 adopted appropriations.

All Funds Appropriations by Fund

Cook County total FY2015 appropriations, including the operating budget and capital improvement funds, will amount to nearly $4.0 billion. This is an increase of $462.6 million, or 13.1%, from the FY2014 adopted budget of $3.5 billion.

The operating budget will also grow to $3.7 billion in FY2015 from $3.2 billion in FY2014. This is an increase of $539.1 million or 16.8%. The operating budget is comprised of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Enterprise Fund, used for Health and Hospital System expenses; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants. The major special purpose funds are: GIS Fee Fund, Law Library, and several automation funds.[21]

Starting with the FY2014 budget, the County, for the first time, separated the Health Fund from the General Fund as an independent fund entitled the Enterprise Fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures.[22] Together, the General Fund, Health Enterprise Fund, grants, and special purpose funds are referred to as the operating budget. The total budget is composed of the operating budget plus capital improvement funds. The charts below compare the organization of the County's operating funds prior to FY2014 and in the current budget.

<table>
<tr><th colspan="5">FY2013 Total Operating Funds</th></tr>
<tr><td colspan="3">General Fund</td><td rowspan="2">Special Purpose Funds</td><td rowspan="2">Restricted Funds (Grants)</td></tr>
<tr><td>Corporate Fund</td><td>Public Safety Fund</td><td>Health Fund</td></tr>
</table>

<table>
<tr><th colspan="5">FY2015 Total Operating Funds</th></tr>
<tr><td colspan="2">General Fund</td><td rowspan="2">Health (Enterprise) Fund</td><td rowspan="2">Special Purpose Funds</td><td rowspan="2">Restricted Funds (Grants)</td></tr>
<tr><td>Corporate Fund</td><td>Public Safety Fund</td></tr>
</table>

The following table shows Cook County Appropriations for all funds by fund for FY2011-FY2015. From FY2014 to FY2015, General Fund appropriations are expected to increase by $54.2 million, or 3.9%. Appropriations for the Corporate Fund will increase by $19.2 million or 11.9%. Spending in the Public Safety Fund will also rise slightly, by $35.0 million or 2.9%. During the same time period, appropriations for the Health Enterprise Fund will see a substantial

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[21] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 5.
[22] Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 5.

increase, rising by $409.8 million, or 36.4%, in FY2015, growing to $1.5 billion from $1.1 billion in FY2014.

Special Purpose Funds appropriations are projected to increase by $16.3 million, or 3.0%, between FY2014 and FY2015. Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Under Special Purpose Funds, appropriations for Annuity and Benefits, or pensions, will decrease by $1.9 million, or 1.0%, while spending for Bond and Interest will increase by $37.6 million, or 20.1%, from FY2014 approved appropriations.

Appropriations for Capital Improvements will decline from FY2014 appropriations, decreasing by $76.5 million, or 23.3%, to $252.2 million in FY2015.

In a five-year trend analysis, the County’s total budget will rise by $904.6 million, or 29.2%, from $3.1 billion in FY2011 to just under $4.0 billion in FY2015. Over the same period, Corporate Fund spending will rise by 32.3% while the Health and Public Safety Funds grow by 77.6% and 4.6%, respectively. This will result in an overall increase to the General and Health Funds of $770.6 million, or 35.1%, in the five-year period.

Special Purpose Funds appropriations will increase to $559.9 million from $516.8 million between FY2011 and FY2015. The main driver of the increase is attributable to spending growth in the Agency Special Purpose Funds, which are special purpose funds allocated to agencies across the County. They will increase over the five-year period by $89.6 million or 170.6%. Annuity and Benefits appropriations will stay nearly flat, increasing by $0.6 million, or 0.3%, while Bond and Interest spending will decrease by $47.1 million or 17.3%.

While Capital Improvements appropriations will fall between FY2014 and FY2015, they will rise in a five-year trend analysis, to $252.2 million from $188.7 million. This is an increase of $63.4 million or 33.6%. However, given the nature of capital spending, much more is appropriated each year for capital expenditures than is typically actually spent.

Cook County Appropriations All Funds by Fund: FY2011-FY2015 (in $ millions)

Fund	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$ 136.2	$ 157.6	$ 138.6	$ 161.1	$ 180.3	$ 19.2	11.9%	$ 44.1	32.3%
Public Safety	$ 1,195.0	$ 1,152.5	$ 1,176.5	$ 1,215.5	$ 1,250.5	$ 35.0	2.9%	$ 55.5	4.6%
Subtotal General Fund	**$ 1,331.2**	**$ 1,310.1**	**$ 1,315.0**	**$ 1,376.5**	**$ 1,430.8**	**$ 54.2**	**3.9%**	**$ 99.6**	**7.5%**
Health	$ 864.4	$ 865.0	$ 961.7	$ 1,125.7	$ 1,535.5	$ 409.8	36.4%	$ 671.1	77.6%
Subtotal General & Health Funds	**$ 2,195.6**	**$ 2,175.1**	**$ 2,276.7**	**$ 2,502.2**	**$ 2,966.3**	**$ 464.0**	**18.5%**	**$ 770.6**	**35.1%**
Annuity & Benefits	$ 192.2	$ 196.1	$ 193.0	$ 194.7	$ 192.8	$ (1.9)	-1.0%	$ 0.6	0.3%
Bond & Interest	$ 272.1	$ 193.5	$ 187.4	$ 187.4	$ 225.0	$ 37.6	20.1%	$ (47.1)	-17.3%
Agency Special Purpose Funds	$ 52.5	$ 158.5	$ 127.7	$ 161.5	$ 142.1	$ (19.4)	-12.0%	$ 89.6	170.6%
Subtotal Special Purpose Funds	**$ 516.8**	**$ 548.2**	**$ 508.0**	**$ 543.5**	**$ 559.9**	**$ 16.3**	**3.0%**	**$ 43.0**	**8.3%**
Allowance for Uncollected Taxes	$ 8.7	$ 8.7	$ -	$ -	$ -	$ -	-	$ (8.7)	-100.0%
Restricted Funds (Grants)	$ 185.0	$ 148.9	$ 134.4	$ 162.5	$ 221.2	$ 58.7	36.2%	$ 36.2	19.5%
Subtotal Operating Funds	**$ 2,906.2**	**$ 2,880.9**	**$ 2,919.2**	**$ 3,208.2**	**$ 3,747.3**	**$ 539.1**	**16.8%**	**$ 841.1**	**28.9%**
Capital Improvements	$ 188.7	$ 46.3	$ 75.0	$ 328.7	$ 252.2	$ (76.5)	-23.3%	$ 63.4	33.6%
Total	**$ 3,094.9**	**$ 2,927.2**	**$ 2,994.2**	**$ 3,536.9**	**$ 3,999.5**	**$ 462.6**	**13.1%**	**$ 904.6**	**29.2%**

Note: In the FY2013-FY2015 budgets, the Allowance For Uncollected Taxes is treated as an offset to property tax revenue instead of as an expense to more accurately reflect actual collections. The amount for FY2013 was $11,007,841; $10,826,477 for FY2014; $11,474,158 for FY2015..

Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 56 and 61.

All Funds Appropriations by Control Officer

The following exhibit shows the Cook County Appropriations for all funds by fund and control officer for FY2011-FY2015.

Cook County Appropriations All Funds by Control Officer: FY2011-FY2015 (in $ millions)

Control Officers	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Fund									
Offices Under President									
President	$ 2.3	$ 2.8	$ 2.5	$ 3.5	$ 4.4	$ 0.9	25.3%	$2.1	90.1%
Chief Administrative Officer	$ 19.4	$ 18.5	$ 18.8	$ 21.2	$ 21.0	$ (0.2)	-1.0%	$1.5	7.8%
Chief Financial Officer	$ 10.9	$ 10.6	$ 11.9	$ 11.9	$ 18.2	$ 6.3	52.6%	$7.3	66.9%
Chief of Human Resources	$ 3.1	$ 3.1	$ 3.5	$ 4.1	$ 4.2	$ 0.2	4.7%	$1.1	37.0%
Chief Information Officer	$ 12.1	$ 13.7	$ 10.9	$ 10.9	$ 13.0	$ 2.1	19.0%	$0.9	7.6%
Chief of Economic Development	$ 4.6	$ 45.0	$ 4.9	$ 5.5	$ 5.3	$ (0.2)	-3.6%	$0.7	14.9%
Department of Human Rights and Ethics	$ 0.7	$ 0.8	$ 0.7	$ 0.8	$ 0.8	$ 0.0	2.5%	$0.1	20.0%
Chief of Asset Management	$ 35.2	$ 37.7	$ 36.1	$ 36.6	$ 46.7	$ 10.1	27.6%	$11.5	32.8%
Other Agency*	$ 58.4	$ 17.7	$ 56.1	$ 57.2	$ 63.1	$ 5.8	10.2%	$4.7	8.0%
Subtotal Offices Under President	**$ 146.6**	**$ 149.8**	**$ 145.3**	**$ 151.6**	**$ 176.6**	**$ 25.0**	**16.5%**	**$30.0**	**20.5%**
Elected & Appointed Officials									
Cook County Board of Commissioners	$ 6.5	$ 6.7	$ 6.7	$ 7.3	$ 7.6	$ 0.2	2.9%	$1.1	16.7%
Assessor	$ 22.9	$ 21.7	$ 22.2	$ 24.6	$ 24.4	$ (0.2)	-0.8%	$1.6	6.9%
Board of Review	$ 7.0	$ 7.8	$ 8.3	$ 8.2	$ 8.5	$ 0.3	3.3%	$1.5	22.3%
Chief Judge	$ 173.1	$ 184.1	$ 175.1	$ 192.4	$ 203.5	$ 11.0	5.7%	$30.4	17.5%
Clerk of the Circuit Court	$ 74.4	$ 74.6	$ 75.2	$ 74.9	$ 77.9	$ 3.0	4.0%	$3.5	4.7%
County Clerk	$ 7.4	$ 7.5	$ 7.5	$ 7.6	$ 7.5	$ (0.1)	-1.5%	$0.2	2.1%
Recorder of Deeds	$ 5.8	$ 5.6	$ 5.2	$ 5.7	$ 5.5	$ (0.2)	-3.6%	-$0.4	-6.0%
Sheriff	$ 436.0	$ 444.3	$ 473.7	$ 462.5	$ 496.2	$ 33.7	7.3%	$60.2	13.8%
State's Attorney	$ 93.2	$ 92.5	$ 92.4	$ 93.2	$ 99.1	$ 5.8	6.3%	$5.9	6.3%
Treasurer	$ 4.9	$ 4.7	$ 3.8	$ 2.0	$ 1.3	$ (0.6)	-33.2%	-$3.6	-73.2%
Inspector General	$ 1.1	$ 1.3	$ 1.3	$ 1.8	$ 1.8	$ 0.1	4.0%	$0.8	73.3%
Public Administrator	$ 1.1	$ 1.1	$ 1.0	$ 1.1	$ 1.1	$ 0.0	1.1%	$0.0	-0.3%
Veterans Assistance Commission	$ 0.4	$ 0.4	$ -	$ 0.4	$ 0.4	$ -	0.0%	$0.0	-1.2%
Subtotal Elected & Appointed Officials	**$ 833.6**	**$ 852.4**	**$ 872.4**	**$ 881.8**	**$ 934.8**	**$ 53.0**	**6.0%**	**$101.2**	**12.1%**
Fixed Charges and Special Purpose	$ 351.0	$ 307.8	$ 297.4	$ 343.1	$ 319.4	$ (23.7)	-6.9%	-$31.6	-9.0%
Total General Fund	**$ 1,331.2**	**$ 1,310.1**	**$ 1,315.0**	**$ 1,376.5**	**$ 1,430.8**	**$ 54.2**	**3.9%**	**$99.6**	**7.5%**
Enterprise Health Fund									
Cook County Health and Hospitals System	$ 864.4	$ 865.0	$ 961.7	$ 1,125.7	$ 1,535.5	$ 409.8	36.4%	$671.1	77.6%
Total General & Enterprise Funds	**$ 2,195.6**	**$ 2,175.1**	**$ 2,276.7**	**$ 2,502.2**	**$ 2,966.3**	**$ 464.0**	**18.5%**	**$770.6**	**35.1%**
Special Purpose and Election Funds									
President	$ 0.9	$ 0.0	$ -	$ -	$ -	$ -		-$0.9	-100.0%
Chief Administrative Officer	$ 29.7	$ 30.5	$ 28.4	$ 32.2	$ 33.4	$ 1.2	3.6%	$3.7	12.5%
Chief Financial Officer	$ (0.0)	$ 0.5	$ -	$ -	$ -	$ -		$0.0	-100.0%
Chief Information Officer	$ 5.5	$ 11.6	$ 10.8	$ 15.5	$ 20.2	$ 4.7	30.4%	$14.7	266.3%
Public Defender	$ -	$ -	$ 0.1	$ 0.2	$ 0.2	$ -		$0.2	
Cook County Health and Hospitals System	$ 6.5	$ 5.6	$ 5.0	$ 7.8	$ 6.4	$ (1.4)	-17.5%	-$0.1	-1.0%
Assessor	$ -	$ 1.0	$ 0.5	$ 0.8	$ 0.8	$ -	0.0%	$0.8	
Board of Election Commissioners	$ 0.5	$ 16.9	$ 1.9	$ 16.2	$ 1.1	$ 1.1	6.6%	$0.6	122.2%
Chief Judge	$ 28.0	$ 17.4	$ 16.4	$ 16.5	$ 11.7	$ (4.7)	-28.7%	-$16.2	-58.0%
Clerk of the Circuit Court	$ 31.3	$ 29.0	$ 21.7	$ 21.6	$ 19.1	$ (2.6)	-12.0%	-$12.2	-39.1%
County Clerk	$ 17.8	$ 24.4	$ 19.4	$ 25.6	$ 20.3	$ (5.3)	-20.9%	$2.5	14.1%
Recorder of Deeds	$ 5.8	$ 5.5	$ 5.8	$ 8.9	$ 8.5	$ (0.4)	-4.9%	$2.8	47.8%
Sheriff	$ 1.8	$ 4.2	$ 4.0	$ 1.2	$ 2.1	$ 0.9	75.2%	$0.3	14.6%
State's Attorney	$ 2.8	$ 4.0	$ 4.4	$ 4.5	$ 4.5	$ 0.1	1.9%	$1.8	65.0%
Treasurer	$ 7.1	$ 8.1	$ 9.2	$ 9.6	$ 10.5	$ 0.9	9.1%	$3.3	46.7%
Cook County Land Bank Authority	$ -	$ -	$ -	$ 1.0	$ 3.5	$ 2.5	245.0%	$3.5	
Annuity and Benefits	$ 192.2	$ 196.1	$ 193.0	$ 194.7	$ 192.8	$ (1.9)	-1.0%	$0.6	0.3%
Bond and Interest	$ 272.1	$ 193.5	$ 187.4	$ 187.4	$ 225.0	$ 37.6	20.1%	-$47.1	-17.3%
Less Debt Restructuring	$ (85.0)	$ -	$ -	$ -	$ -				
Subtotal Special Purpose Funds	**$ 516.8**	**$ 548.2**	**$ 508.0**	**$ 543.5**	**$ 559.9**	**$ 16.3**	**3.0%**	**$43.0**	**8.3%**
Allowance for Uncollected Taxes	$ 8.7	$ 8.7	$ -	$ -	$ -	$ -		-$8.7	-100.0%
Other Restricted Funds (Grants)	$ 185.0	$ 148.9	$ 134.4	$ 162.5	$ 221.2	$ 58.7	36.2%	$36.2	19.5%
Total Operating Funds	**$ 2,906.2**	**$ 2,880.9**	**$ 2,919.2**	**$ 3,208.2**	**$ 3,747.3**	**$ 539.1**	**16.8%**	**$841.1**	**28.9%**
Capital Improvements	$ 188.7	$ 46.3	$ 75.0	$ 328.7	$ 252.2	$ (76.5)	-23.3%	$63.4	33.6%
Total Budget	**$ 3,094.9**	**$ 2,927.2**	**$ 2,994.2**	**$ 3,536.9**	**$ 3,999.5**	**$ 462.6**	**13.1%**	**$904.6**	**29.2%**

*Includes Department of Administrative Hearings, County Auditor and Public Defender.

Note: In the FY2013 and FY2014 budgets, the Allowance For Uncollected Taxes is treated as an offset to property tax revenue instead of as an expense to more accurately reflect actual collections. The amount for FY2013 was $11,007,841; $10,826,477 for FY2014; $11,474,158 for FY2015. FY2015 Executive Budget Recommendation, p. 43.

Sources: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 63-69

The operating budget is comprised of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Health Fund; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants. Cook County also has a number of independently elected officials who play important roles in the budget process; therefore, the Civic Federation examines expenditures by control officer. The following section describes two-year and five-year trends for appropriations for all funds by fund and control officer.

General and Health Funds

The General and Health Funds budgets will collectively increase by $464.0 million, or 18.5%, to just under $3.0 billion in FY2015 from FY2014 approved appropriations of $2.5 billion. The General Fund budget for Offices Under the President will grow by $25.0 million, or 16.5%. Appropriations for the Chief of Asset Management will increase by the greatest dollar amount for Offices Under the President, rising by $10.1 million to $46.7 million. The Bureau of Asset Management is a new office under the President and consolidates the Department of Facilities Management and the office of Real Estate Management with Department of Capital Planning into the new bureau.[23]

The General Fund portion of the Chief Financial Officer's budget will also see a substantial increase, rising 52.6% or $6.3 million. The $6.3 million increase under the CFO's budget is driven by elimination of reimbursements, mostly from fixed charges. This is most heavily reflected in the Department of Risk Management and the Department of Revenue. This will lead to better budgeting and transparency through the reduction in administrative time spent processing reimbursements that were transferring within the same fund. The Office of Enterprise and Resource Planning (ERP) is increasing by $1.8 million because the ERP appropriation had previously been paid for out of capital rather than operating funds.[24]

The budget for the Cook County Health and Hospitals System under the General Fund is projected to increase to $1.5 billion from $1.1 billion between FY2014 and FY2015. This is an increase of $409.8 million, or 36.4%. The increase in Health and Hospitals System appropriations represents 88.3% of the increase in the combined General and Health Funds.[25]

The most significant appropriation reductions in the General Fund will occur in the Treasurer's Office as spending will fall by $0.6 million, or 33.2%, to approximately $1.3 million from $2.0 million. The Treasurer's Office has seen a decrease in actual spending in the General Fund from FY2011-FY2013 and a decrease in actual and proposed appropriations in FY2014 and FY2015, respectively. As with the reductions that occurred in the FY2013 and FY2014 budgets, the majority of the decrease in the FY2015 budget is attributable to reductions in headcount and personnel costs, with FTEs falling from 106 in FY2014 to 92 in FY2015.[26]

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[23] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 310.
[24] Information provided by the Cook County Department of Budget and Management Services, October 29, 2014.
[25] For more information on revenue and expenditure trends, see the Health and Hospitals chapter on p. 44.
[26] Cook County FY2015 Executive Budget Recommendation, County Treasurer, T-4.

Appropriations in the General Fund for the Chief Judge will increase by $11.0 million, or 5.7%, in FY2015 due to new positions that are being added in the Adult Probation Department, which will aid in compliance with the recommendations from the Administrative Office of the Illinois Courts (AOIC) that were given to the Chief Judge in 2014.[27] Appropriations under the Office of the Sheriff will see the largest increase, rising by 7.3%, from $462.5 million in FY2014 to $496.2 in FY2015. This increase is primarily driven by increases in wages and salaries and overtime spending.[28] Out of the $33.7 million increase, $24.4 million is for rising personnel costs, including $5.5 million in increased wages and salaries and $14.0 million in overtime costs in the Department of Corrections.[29]

Fixed Charges and Special Purpose expenditures will decrease by $23.7 million, or 6.9%, between FY2014 and FY2015.[30] The net decrease is the result of a shift in appropriations to departments. Rather than paying out reimbursements from fixed charges, the County is appropriating that amount to the actual departments and incurring budgetary savings from the elimination of administrative costs spent processing transfers and reimbursements.[31]

In a five-year trend analysis of FY2011-FY2015, total spending in the General and Health Enterprise Funds will increase by 35.1% or $770.6 million. Appropriations in the Offices Under the President will increase by $30.0 million, or 20.5%. During the same time period, spending for Elected and Appointed Officials will increase by $101.2 million, or 12.1%. Appropriations for control officers under each of these categories will all see increases between FY2011 and FY2015 with the exception of the Recorder of Deeds, Treasurer, Public Administrator and Veterans Assistance Commission.

Fixed Charges and Special Purpose appropriations will decrease by 9.0%, or $31.6 million, in FY2015 over FY2011 actual expenditures.

Appropriations for the Treasurer's Office will fall by the most significant dollar amount in the General and Health Funds between FY2011 and FY2015, by $3.6 million or 73.2%. Appropriations for the Recorder of Deeds and the Veterans Assistance Commission will decline by 6.0% and 1.2%, respectively. Health System appropriations will increase by $671.1 million, or 77.6%, from $864.4 in FY2011 to $1.5 billion in FY2015.

Appropriations for the Office of the Inspector General will rise by approximately $779,563, or 73.3%, over the five-year period, due to in part to planned staffing growth of 2.1 FTEs between FY2011 and FY2015.[32]

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[27] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 3.
[28] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 3.
[29] Cook County FY2015 Executive Budget Recommendation, Office of the Sheriff, Z-45.
[30] Fixed Charges and Special Purpose appropriations include items or costs that cannot be readily distributed to any one department within the respective funds as the items or costs contribute to operations of some or all departments of these funds. This line item was moved from Offices Under the President to the General Fund in the FY2013 budget, which differs from previous budgets. Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 4.
[31] Information provided by the Cook County Department of Budget and Management Services, October 29, 2014.
[32] Information provided by the Cook County Department of Budget and Management Services, October 29, 2014.

It is important to note that some of the budget trends cited above are partially offset by trends in Special Purpose Funds described below. For example, in the five-year trend analyses, the decline in appropriations for the Treasurer of $3.6 million in the General Funds is mostly offset by an increase of $3.3 million in Special Purpose Funds. This means that the overall decline in the Treasurer's budget between FY2011 and FY2015 will be approximately $200,000 or 1.7%.

Special Purpose Funds

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Appropriations for Special Purpose Funds will increase by $16.3 million, or 3.0%, to $559.9 million in FY2015 from $543.5 million in FY2014. The primary driver to the overall increase is the rise in appropriations for Bond and Interest appropriations, which will grow by 20.1% or $37.6 million in FY2015. The greatest decreases, in terms of dollar amount, will occur in the Offices of the Chief Judge, Clerk of the Circuit Court and County Clerk, where appropriations will fall by $4.7 million, $2.6 million and $5.3 million, respectively. Appropriations for the Chief Information Officer will increase by $4.7 million, or 30.4%, due to funding a new system that will be utilized by a number of different agencies to collect, monitor and document revenue and expenses related to property taxes.[33]

After many years of no Special Purpose Funds appropriations for the Public Defender, the FY2013 budget appropriated $100,000 to the department from the funds. This estimated amount reflected the signing of Public Act 97-673 into Illinois law on February 6, 2012, allowing the Public Defender to collect a $2 fee at the disposition of certain cases for the purposes of funding data automation.[34] The Special Purpose Funds appropriation for the Public Defender was budgeted to increase again in FY2014, by approximately $58,000, as a result of anticipated higher revenues in FY2014, which will support the department's technology needs.[35] The Special Purpose Funds appropriations for the Public Defender will remain flat in FY2015 at $158,000.

In a comparison of FY2011 actual expenditures and FY2015 proposed appropriations, total Special Purpose Funds will increase by $43.0 million or 8.3%. Most control officers will increase their Special Purpose Funds budgets over the five-year period; however, a large portion of the overall increase can be attributed to the $14.7 million, or 266.3%, rise in Chief Information Officer appropriations. Other large increases will occur under the Chief Administrative officer ($3.7 million), Treasurer ($3.3) and Cook County Land Bank Authority ($3.5 million).

Grant Funds as a Percentage of Total Appropriations

The County receives grant funding from federal and state agencies as well as private organizations for a variety of direct and indirect services it provides to its 5.2 million residents.[36]

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[33] Information provided by the Cook County Department of Budget and Management Services, October 29, 2014.
[34] 55 ILCS 5/4-2002 and information provided by the Cook County Department of Budget and Management Services, October 23, 2012.
[35] Information provided by the Cook County Department of Budget and Management Services, October 19, 2013.
[36] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 101.

In FY2015 grant funds will amount to 5.5% of the total budget for Cook County, or $221.2 million of the County's nearly $4.0 billion total budget. In FY2015 the County's grant funding will increase by $58.7 million, or 36.2%, from the FY2014 amount of $162.5 million. A large portion of the increase in grant funding can be attributed to the increase in funds that are anticipated by the Chief of Economic Development. The Department of Planning and Development and Capital Planning and Policy, under the Bureau of Economic Development, will see 362% and 446% increases, respectively, from FY2014 funding levels. This increase is in part due to the U.S. Department of Housing and Urban Development Disaster Recovery funding focused on providing long-term support for areas of suburban Cook County impacted by flooding.[37] Another portion of the increase, $3.6 million, is attributable to the County's Land Bank Authority, which was established in FY2014 to restore vacant and abandoned properties through acquisition and management of foreclosed properties in the County.[38]

The Offices Under the President will receive 42.4%, or $169.7 million, of its $400.1 million total all funds budget in grant funds. The amount allocated for the Offices Under the President represents 76.7% of total grant funds as a portion of total appropriations. The President's Office and the Chief of Economic Development both have grant funding as the vast majority of their appropriations, at 93.5% and 95.1% respectively. Of the total appropriations for Elected Officials, $38.0 million, or 3.6%, will come from grants. A large portion, 52.4%, of Elected Officials' grants funds will go toward the State's Attorney by way of the Child Support Enforcement grant and National Insurance Crime grant, among others.[39] Cook County Health and Hospitals System will also receive grant funds. The Health System is expected to receive $9.9 million, or 0.6%, of its $1.6 billion budget in grant funding.

[37] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 101.
[38] Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 2.
[39] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 107.

Cook County FY2015 Grant Funds as a % of Total Appropriations			
Control Officers	**Grant Funds**	**Total Appropriations**	**Grants as % of Total Appropriations**
Offices Under President			
President	$ 63,184,973	$ 67,600,053	93.5%
Chief Administrative Officer	$ 4,733,326	$ 59,063,246	8.0%
Chief Financial Officer	$ -	$ 18,191,474	
Chief of Human Resources	$ -	$ 4,240,784	0.0%
Chief Information Officer	$ -	$ 33,146,774	0.0%
Chief of Economic Development	$ 101,264,389	$ 106,519,048	95.1%
Chief of Asset Management	$ -	$ 46,722,990	0.0%
Department of Human Rights and Ethics		$ 795,895	0.0%
Other Agency*	$ 562,994	$ 63,775,873	0.9%
Subtotal Offices Under President	**$ 169,745,682**	**$ 400,056,137**	**42.4%**
Elected Officials			
Cook County Board of Commissioners	$ -	$ 7,552,037	0.0%
Assessor	$ -	$ 25,188,754	0.0%
Board of Review	$ -	$ 8,506,129	0.0%
Board of Election Commissioners	$ -	$ 1,063,158	0.0%
Chief Judge	$ 4,424,446	$ 219,617,898	2.0%
Clerk of the Circuit Court	$ 4,285,079	$ 101,232,335	4.2%
County Clerk	$ 931,727	$ 28,718,058	3.2%
Recorder of Deeds	$ -	$ 13,989,977	0.0%
Sheriff	$ 8,415,339	$ 506,730,256	1.7%
State's Attorney	$ 19,910,691	$ 123,517,776	16.1%
Treasurer	$ -	$ 11,789,180	0.0%
Inspector General	$ -	$ 1,843,297	0.0%
Public Administrator	$ -	$ 1,109,485	0.0%
Veterans Assistance Commission	$ -	$ 400,000	0.0%
Subtotal Elected Officials	**$ 37,967,282**	**$ 1,051,258,340**	**3.6%**
Health System			
Cook County Health and Hospitals System	$ 9,911,879	$ 1,551,839,571	0.6%
Other			
Cook County Land Bank Authority	$ 3,556,297	$ 7,006,297	50.8%
Capital Improvements	$ -	$ 252,189,007	0.0%
Subtotal Other	**$ 13,468,176**	**$ 1,811,034,875**	**0.7%**
Fixed Charges and Special Purpose	$ -	$ 737,161,472	0.0%
Total Budget	**$ 221,181,140**	**$ 3,999,510,824**	**5.5%**

*Includes Department of Administrative Hearings, County Auditor, Public Defender, which refer to operational expenses that do not have dedicated revenue sources.
Source: Cook County, FY2015 Executive Budget Recommendation, Grants, pp. 86-87.

RESOURCES

This section describes General and Health Fund resources for Cook County and the property tax levy, which is used for all fund purposes. The following section presents trends for Cook County proposed FY2015 resources for all funds by fund and by control officer. FY2015 proposed resources are compared to actual revenues for FY2011-FY2013 and FY2014 adopted resources.

Proposed FY2015 General and Health Fund Resources

The County's operating budget consists of the General Fund and the Health Enterprise Fund.[40] In FY2015 the County expects to generate nearly $3.0 billion from General and Health Fund revenue sources. The Corporate Fund is the County's general operating fund and accounts for approximately 6.1%, or nearly $180.3 million, of the County's revenues in FY2015. The Public Safety Fund accounts for the County's criminal justice system, including its jails, courts and related programs. The Public Safety Fund makes up roughly 42.2% of the total FY2015 operating resources at $1.3 billion. The Health Fund accounts for the County's public healthcare system and makes up 51.7%, or $1.5 billion, of the County's total operating resources.[41]

Of the $3.0 billion in General and Health Fund revenues, fees represent the largest resource at $1.6 billion, or 55.0%, of the total resources in FY2015. Non-property taxes are the second largest resource at 27.4%, bringing in $812.0 million in FY2015. Non-property taxes include the Cook County sales tax and use tax, state income tax, and various consumer taxes, such as the alcohol, cigarette, gas, gambling machine, wheel and amusement taxes and other sources.[42] Property taxes, which include TIF surplus, will make up 12.0% of General and Health Fund resources at $355.7 million.

Other sources, which make up 2.7% of resources, refer to revenues generated from the Motor Fuel Tax which the State collects and remits to the County and indirect costs reimbursed from Special Purpose Funds and Grants and allocated accordingly back to the General Fund.[43] Intergovernmental revenues, which make up 1.4% of resources, include revenues distributed by the State, such as revenue from the Administrative Office of the Illinois Courts (AOIC) for the reimbursement of salaries for probation officers and administrative staff. In addition, the Juvenile Temporary Detention Center is expected to transition from a Federal Transitional Administrator to the Office of Chief Judge resulting in an increase in employees eligible for the reimbursement.[44] Miscellaneous revenue, which refers to property rental income from County buildings, the sale of excess real estate, the commissions on public telephones, proceeds from unclaimed estates, investment income and other sources, such as the sale of salvage, parking fees and energy efficiency rebates.[45] Miscellaneous revenue is expected to increase by 93.7%, or $22.4 million, in FY2015 when compared to FY2014 adopted appropriations.

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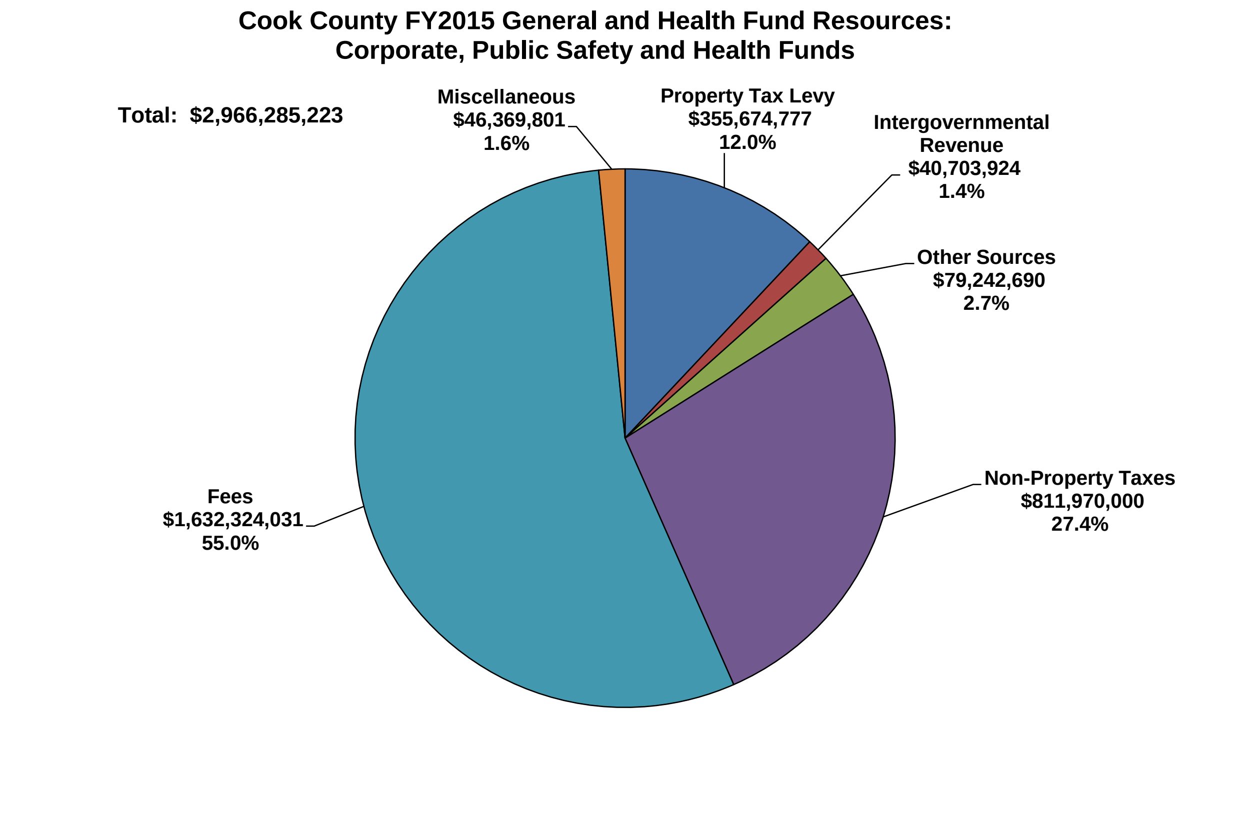
[40] For a more detailed discussion of the Cook County Health and Hospitals System and Health Fund resources, see page 44 of this report.
[41] Cook County FY2015 Executive Recommendation, Revenue Estimates, p. 19.
[42] Cook County FY2015 Executive Budget Recommendation, pp. 25-28
[43] Cook County FY2015 Executive Budget Recommendation, p. 32.
[44] Cook County FY2015 Executive Budget Recommendation, p. 30.
[45] Cook County FY2015 Executive Budget Recommendation, p. 31.



Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimate, p. 20.

General and Health Fund Resource Trends

Cook County's General and Health Enterprise Fund resources are projected to increase by $464.0 million, or 18.5% between the FY2014 adopted budget and FY2015 proposed budget. In the five-year period between actual FY2011 resources and those proposed for FY2015, Cook County operating and enterprise resources will increase by $803.0 million or 37.1%.

The proposed budget reflects the second full fiscal year of the rollback of the 1% sales tax increase that was implemented in 2008. It also reflects increased membership of approximately 150,000 patients enrolled in CountyCare, Cook County's Medicaid Expansion project. In FY2015 as in FY2014 the federal government will reimburse the County at 100% of the costs for newly eligible Medicaid recipients under the Affordable Care Act. The increase in the Health System resources reflects the projected increase in County Care population.

The FY2015 operating budget, for the second year in a row, does not include any general tax or fee increases.

Property Taxes

In FY2015 the gross Cook County property tax levy will total $741.6 million. The levy remained at $720.4 million from 2001 to 2011 and then increased slightly over the subsequent years to capture tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. In FY2015 the gross levy will increase again as Cook County captures roughly $13.8 million in new gross revenue from new property, expiring property tax incentives and expiring TIF districts.[46] The total levy net of uncollected taxes will be $730.1 million. The portion of the net levy used for operating purposes in FY2015 will be nearly $351.1 million, a slight increase from $350.1 million the previous year. Since FY2011, the portion of the net levy used for operating purposes will increase by 22.2% or $63.8 million.

Non-Property Taxes

Effective July 1, 2008, the County increased its home rule sales tax rate from 0.75% to 1.75%.

Effective July 1, 2010, the County Board rolled back half of the sales tax increase, leaving a sales tax of 1.25%. At the February 25, 2011 Cook County Board meeting, an ordinance amendment proposed by Board President Preckwinkle was passed (12 to 5) by the County Board to lower the County's home rule sales tax to 1.0% beginning in January 2012 and to 0.75% beginning on January 1, 2013. FY2014, which runs from December 1, 2013 to November 30, 2014, was the first full fiscal year reflecting the full rollback of the sales tax increase.

The FY2013 budget expanded the County home rule use tax to non-titled property in order to encourage the purchase of personal property by businesses within Cook County.[47] Previously, only titled property purchased outside Cook County valued above $3,500 was subject to a 1.00% use tax. The policy change expanded the use tax to all personal property purchased outside of Cook County for use within the County. The rate for the non-titled property use tax was originally proposed to be 1.25%, but was reduced to 0.75% effective June 1, 2013.[48] The rate reduction made the use tax equal to the FY2013 home rule sales tax rate. Titled property continued to be taxed at the 1.00% rate.

The Cook County Circuit Court made a preliminary injunction against the tax and the County appealed.[49] On August 4, 2014, the Illinois Appellate Court affirmed the Circuit Court decision striking down Cook County's use tax on non-titled personal property because the tax violated the Illinois Counties Code.[50] The FY2014 adopted budget and FY2015 proposed budget do not include revenues from the tax. Actual FY2013 revenues were approximately $4.2 million, significantly lower than the budgeted $13.8 million.

[46] Cook County FY2015 Executive Recommendation, Revenue Estimates, p. 42.
[47] Cook County FY2013 Executive Budget Recommendation, Revenue Estimates, p. 2.
[48] "Non-Titled Personal Property Use Tax," last visited October 11, 2013, http://www.cookcountygov.com/portal/server.pt/community/revenue,_department_of/313/non-titled_personal_property_use_tax.
[49] John Byrne, "Preckwinkle's use tax takes a hit," *Chicago Tribune*, October 8, 2013.
[50] http://www.grantthornton.com/~/media/content-page-files/tax/pdfs/RSS-SALT/2014/IL-Cook-County-Use-Tax-8-13-14.pdf?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original (last accessed October 17, 2014).

Combined receipts of both the home rule sales and use taxes are expected to be $418.5 million in FY2015, up $12.8 million, or 3.2%, from the FY2014 adopted figures. Sales tax revenues will increase for the first time since 2010, as the rate roll-back has impacted collections through FY2014.[51]

A major source of home rule tax revenue is tobacco taxes, which include the cigarette tax and a tax on other tobacco products. On March 1, 2013, the County increased the home rule cigarette tax by $1 per pack to a total of $3 per pack. This increased the composite cigarette tax rate in Chicago to $6.67 per pack, one of the highest in the nation. Overall, tobacco taxes are projected to decrease by 0.1%, or $80,000 in FY2015, falling from a budgeted level of $142.2 million in FY2014 to $142.1 million. Since FY2011 tobacco tax revenues will have increased by 15.3%, or $18.9 million.

Fee Revenues

As noted above, fees represent the largest source of all General and Health Fund revenues, at $1.6 billion or 48.8%. The largest source of fee revenue will be patient fees from the Cook County Health and Hospitals System. Other fees include court fees collected by the Clerk of the Circuit Court, Recorder of Deeds fees and Treasurer’s Office fees among others. The County is projecting an increase in revenue from fees, from $1.2 billion in FY2014 to $1.6 billion in FY2015, a $407.5 million, or 33.3% increase. Over the five-year period, fee revenues are expected to rise by 122.1%, or $897.2 million, from $735.1 million in FY2011 to $1.6 billion in FY2015. Almost all of the two- year and five-year increases come from patient fees at the Health System.

Patient fees are projected to increase by 44.3%, or $420.8 million, from $950.7 million in FY2014 to $1.4 billion in FY2015. The revenue in the patient fees category is comprised of Medicaid revenues from the federal government based on patient fees and supplemental Medicaid payments designed for hospitals serving large numbers of uninsured patients. These revenues include: 1) Disproportionate Share Hospital (DSH) payments and 2) payments provided under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement Protection Act (BIPA) of 2000.

The 44.3% increase in patient fees is largely due to the projected increase of Medicaid patient numbers associated with the second full-year of Medicaid expansion and 100% reimbursement from the federal government. Revenues for Medicaid expansion are projected to be $914.6 million in FY2015, up from $468.2 million budgeted for FY2014. However, the County has estimated that actual revenues will be closer to $682.7 million for FY2014.

Miscellaneous, Intergovernmental and Other Revenue Sources

Miscellaneous revenue is expected to increase in FY2015 by 93.7%, or $22.4 million, from FY2014 budgeted appropriations. Miscellaneous revenue includes commissions on public telephones, real estate rental income, sale of excess real estate, proceeds from the estates of

[51] Cook County FY2014 Executive Recommendation, Revenue Estimates, p. 25.

unknown heirs, investment income, and other forms of revenue such as energy efficiency rebates, parking fees, and the sale of salvage.[52]

Intergovernmental revenues are resources granted by the federal and state government and include reimbursements for the salaries of the State's Attorney and Public Defender, revenue from the State Criminal Alien Assistance Program (SCAAP), probation, juvenile court, and Juvenile Temporary Detention Center (JTDC). These revenues are expected to increase by 104.2%, or $20.8 million, in FY2015 largely due to an increase in funding from the Administrative Office of the Illinois Courts (AOIC). This will be an increase in AOIC reimbursements from $23.9 million to $46.4 million. From FY2011 to FY2015, intergovernmental revenues are expected to increase by $21.5 million or 111.9%. This is due in part because the Juvenile Temporary Detention Center is expected to transition from a Federal Transitional Administrator to the Office of the Chief Judge, resulting in additional personnel being eligible for the AOIC subsidy. Furthermore, in previous years a portion of the AOIC subsidy was deposited into a Special Purpose Fund which will be dissolved in FY2015.[53]

Other financing sources include revenue generated from the State collected Motor Fuel Tax and indirect costs reimbursed from Special Purpose Funds and Grants and allocated back to the Cook County General Fund. Proposed FY2015 other financing sources revenues are expected to generate $79.2 million. This is a decrease of $10.6 million, or 11.8%, from the FY2014 adopted budget.

[52] Cook County FY2015 Executive Recommendation, Revenue Estimates, p. 31.
[53] Cook County FY2015 Executive Recommendation, Revenue Estimates, p. 30.

Cook County General and Health Fund Resources FY2011-FY2015 (in $ thousands)	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Property Taxes									
Tax Levy	$ 287,244	$ 335,209	$ 355,920	$ 350,056	$ 351,067	$ 1,011	0.3%	$ 63,823	22.2%
TIF Surplus	$ 19,046	$ 4,441	$ 1,909	$ 3,000	$ 4,608	$ 1,608	53.6%	$ (14,438)	-75.8%
Subtotal Property Taxes	**$ 306,290**	**$ 339,650**	**$ 357,829**	**$ 353,056**	**$ 355,675**	**$ 2,619**	**0.7%**	**$ 49,384**	**16.1%**
Non-Property Taxes									
Sales	$ 503,606	$ 458,191	$ 363,837	$ 337,400	$ 345,000	$ 7,600	2.3%	$ (158,606)	-31.5%
Use	$ 39,239	$ 57,366	$ 65,337	$ 68,300	$ 73,500	$ 5,200	7.6%	$ 34,261	87.3%
Subtotal Sales & Use Taxes	**$ 542,845**	**$ 515,558**	**$ 429,174**	**$ 405,700**	**$ 418,500**	**$ 12,800**	**3.2%**	**$ (124,345)**	**-22.9%**
Alcoholic Beverage	$ 25,550	$ 33,969	$ 35,029	$ 36,500	$ 37,750	$ 1,250	3.4%	$ 12,200	47.7%
State Sales Tax (Retailer's Occupation)	$ 2,868	$ 2,948	$ 3,114	$ 3,290	$ 2,870	$ (420)	-12.8%	$ 2	0.1%
Non-Retailer Transactions	$ -	$ 878	$ 14,923	$ 11,460	$ 15,100	$ 3,640	31.8%	$ 15,100	-
Cigarette and Other Tobacco	$ 123,247	$ 129,995	$ 155,697	$ 142,180	$ 142,100	$ (80)	-0.1%	$ 18,853	15.3%
Gas	$ 86,836	$ 89,596	$ 85,710	$ 87,050	$ 89,000	$ 1,950	2.2%	$ 2,164	2.5%
Retail Sale/Motor Vehicles	$ 2,350	$ 2,656	$ 2,830	$ 3,095	$ 3,200	$ 105	3.4%	$ 850	36.2%
Wheel	$ 2,034	$ 4,206	$ 3,735	$ 4,100	$ 4,100	$ -	0.0%	$ 2,066	101.6%
Amusement	$ 22,653	$ 32,660	$ 25,827	$ 29,475	$ 30,000	$ 525	1.8%	$ 7,347	32.4%
Parking Lot	$ 35,299	$ 39,618	$ 41,535	$ 42,600	$ 44,500	$ 1,900	4.5%	$ 9,201	26.1%
Gaming Amusement Machine Tax	$ -	$ -	$ 233	$ 1,350	$ 1,400	$ 50	3.7%	$ 1,400	-
Firearms and Ammunition Tax	$ -	$ -	$ 489	$ 750	$ 950	$ 200	26.7%	$ 950	-
Non Titled Use Tax	$ 7,711	$ -	$ 4,214	$ -	$ -	$ -	-	$ (7,711)	-
OTB Commissions	$ 2,683	$ 1,649	$ 2,567	$ 2,423	$ 1,450	$ (973)	-40.1%	$ (1,233)	-46.0%
Gaming	$ -	$ 8,345	$ 8,345	$ 8,300	$ 8,500	$ 200	2.4%	$ 8,500	-
State Income Tax	$ 9,756	$ 10,751	$ 11,748	$ 12,351	$ 12,550	$ 199	1.6%	$ 2,794	28.6%
Subtotal Non-Property Taxes	**$ 863,830**	**$ 872,830**	**$ 825,171**	**$ 790,624**	**$ 811,970**	**$ 21,347**	**2.7%**	**$ (51,860)**	**-6.0%**
						$ -			
Fee Revenue						$ -			
Patient Fees*	$ 474,660	$ 577,957	$ 673,831	$ 950,717	$ 1,371,512	$ 420,795	44.3%	$ 896,852	188.9%
Clerk of Circuit Court	$ 94,418	$ 94,212	$ 87,615	$ 96,750	$ 93,500	$ (3,250)	-3.4%	$ (918)	-1.0%
Recorder of Deeds Fees**	$ 32,410	$ 35,820	$ 40,220	$ 42,500	$ 34,916	$ (7,584)	-17.8%	$ 2,506	7.7%
Treasurer's Fees	$ 75,067	$ 90,244	$ 84,119	$ 70,000	$ 70,000	$ -	0.0%	$ (5,067)	-6.7%
Other***	$ 58,553	$ 60,493	$ 61,474	$ 64,866	$ 62,396	$ (2,471)	-3.8%	$ 3,842	6.6%
Subtotal Fee Revenue	**$ 735,109**	**$ 858,726**	**$ 947,259**	**$ 1,224,833**	**$ 1,632,324**	**$ 407,491**	**33.3%**	**$ 897,216**	**122.1%**
						$ -			
Miscellaneous Revenues						$ -			
Misc. Revenues****	$ 175,182	$ 28,074	$ 22,420	$ 23,935	$ 46,370	$ 22,435	93.7%	$ (128,812)	-28.9%
Subtotal Misc. Revenues	**$ 175,182**	**$ 28,074**	**$ 22,420**	**$ 23,935**	**$ 46,370**	**$ 22,435**	**93.7%**	**$ (128,812)**	**-574.5%**
						$ -			
Intergovernmental Revenues						$ -			
Intergovernmental Revenues*****	$ 19,211	$ 19,258	$ 19,486	$ 19,937	$ 40,704	$ 20,767	104.2%	$ 21,493	111.9%
Subtotal Intergovernmental Revenues	**$ 19,211**	**$ 19,258**	**$ 19,486**	**$ 19,937**	**$ 40,704**	**$ 20,767**	**104.2%**	**$ 21,493**	**111.9%**
Other Financing Sources						$ -			
Motor Fuel Tax	$ 44,500	$ 74,500	$ 74,500	$ 74,500	$ 64,500	$ (10,000)	-13.4%	$ 20,000	44.9%
Indirect Costs	$ 19,142	$ 19,223	$ 13,111	$ 15,363	$ 14,743	$ (621)	-4.0%	$ (4,399)	-23.0%
Subtotal Other Financing Sources	**$ 63,642**	**$ 93,723**	**$ 87,611**	**$ 89,863**	**$ 79,243**	**$ (10,621)**	**-11.8%**	**$ 15,601**	**24.5%**
Total	**$ 2,163,263**	**$ 2,212,262**	**$ 2,259,776**	**$ 2,502,249**	**$ 2,966,285**	**$ 464,037**	**18.5%**	**$ 803,022**	**37.1%**

Note: Most recent actual data was used.

*Patient Fees include revenues from patient fees and supplemental payments for care provided at County hospitals (including from Medicare, Medicaid, private payers and other carriers and the Cook County Managed Care Community Network, or CountyCare). Supplemental payments include Benefits Improvement and Protection Act (BIPA) and Disproportionate Share Hospital (DSH) payments and incentives from the federal government. Miscellaneous health care revenues are not included in patient fees. FY2013-FY2015 Patient Fees include federal reimbursement for Medicaid expansion under the Affordable Care Act.

**Recorder of Deeds Fees include Recorder Audit Revenues.

***Other fee revenue includes but is not limited to resources generated from fees and permits paid to the various county agencies such as liquor licenses, building and zoning permits and court fees.

****Miscellaneous Revenue includes investment income, estates of unknown heirs, telephone commissions, property rental income and other sources.

*****Intergovernmental revenues include State Criminal Alien Assistance Program (SCAAP), Probation Officer, Juvenile Court , JTDC and salaries of the State's Attorney and Public Defender.

Sources: FY2015 Executive Recommendation, Revenue Estimate, p. 34; information provided by Cook County budget office staff through email, November 6, 2014.

Property Tax Levy for All Funds

In FY2015 the Cook County gross property tax levy will total $741.6 million. The levy remained at $720.5 million from 2001 to 2011 and then increased each subsequent year to capture revenue from new property and expiring City of Chicago tax increment financing (TIF) districts. The gross levy will increase in FY2015 as Cook County captures roughly $6.5 million from new property and incentives and $7.3 million from expiring and eliminated TIF districts.[54] The $7.3 million levy related to TIF districts is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $7.3 million for Chicago TIF district expenses. Now, they will pay the $7.3 million instead as part of the Cook County levy. The levy on new property only affects those taxpayers whose property has been improved.

[54] Cook County FY2015 Executive Recommendation, Revenue Estimates, p. 42.

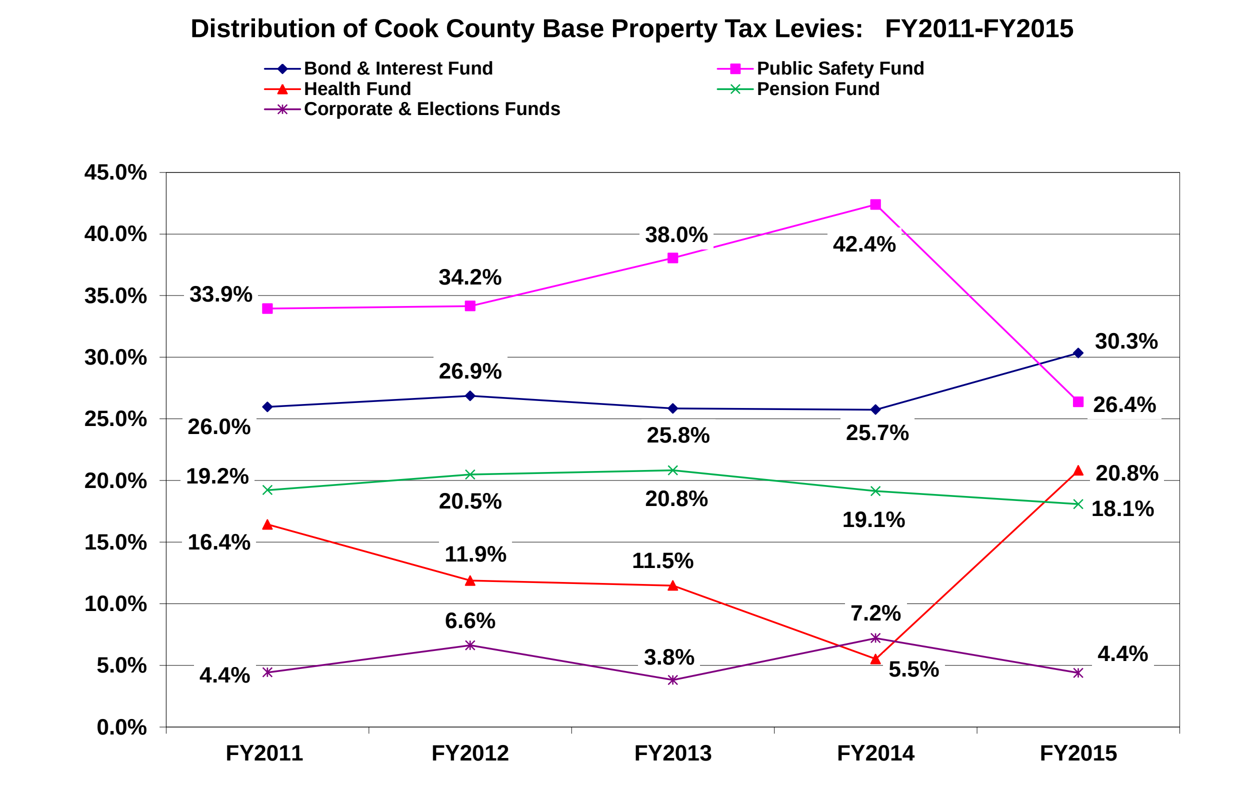
Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health Enterprise, Bond and Interest and Pension (also known as the Employee Annuity and Benefit Fund). However, because the distribution of the levy related to expiring TIF districts, property tax incentives and new property to the various funds was not described in some previous years, they are not included in the chart below. The chart below only includes the base property tax levy. It does not include the levy for expiring TIF districts, property tax incentives and new property. Changes in the distribution of the base levy between FY2011 and FY2015 are shown below.

Three of the funds, Public Safety, Bond and Interest and Health Funds, will consume 77.5%, or $558.6 million, of the base levy in FY2015. The Bond and Interest Fund will consume the largest amount of the base levy at $218.6 million or 30.3% of the total. This is an increase of 4.6 percentage points from Bond and Interest's 25.7% share in FY2014. The Public Safety Fund will spend 26.4%, or $190.0 million, in FY2015. This is a decrease of 16.0 percentage points from Public Safety's 42.4% share in FY2014. Finally, the Health Enterprise Fund will be the third largest expenditure for levy resources at 20.8%, or $150.0 million, of the base levy in FY2015, a 15.3 percentage point increase. In comparison to FY2014, Public Safety is being allocated more revenue from non-property taxes and less from the property tax while the opposite is true for the Health Enterprise Fund.[55]

The Pension Fund will consume 18.1%, or $130.3 million, of property tax revenue for FY2015. Over the past five years, the portion of property tax levy revenues distributed to the Pension Fund has decreased by 1.1 percentage points.

[55] Cook County FY2015 Executive Recommendation, Revenue Estimates, p. 37; and FY2014, p. 32.

For purposes of our analysis, the relatively small Corporate and Election Funds have been combined. In FY2015 the portion of the levy dedicated to these funds will be 4.4%. The year-to-year fluctuation of this portion of the levy coincided with federal and State election years.



Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimate, p. 43.

PERSONNEL TRENDS

The following section addresses trends for budgeted personnel by fund and by control officer as well as trends in personal service appropriations for all funds.[56]

The County proposes an increase of 58.1 full-time equivalent (FTE) positions in the General Fund, Special Purpose Funds and Health Fund for a total of 23,202.8 FTEs in FY2015.[57] When grant funds are included, the total workforce is 23,687.2 FTEs, an increase of 26.5 FTEs, or 0.1%, from FY2014.[58] The proposed increase in FTEs is primarily in the Public Safety Fund as a result of mandated public safety hiring, the implementation of "Raise the Age" legislation enacted by the State of Illinois and new programs in the Cook County Department of Corrections.[59]

Full-Time Equivalent Positions by Fund

The County's FY2015 budget proposes to increase FTE positions in the Public Safety Fund, Election Fund and Health Fund.[60] The Corporate Fund's FTEs will decrease by 28.9, or 1.9%, from the FY2014 approved FTEs. The Public Safety Fund will increase by 189.2 FTEs, or by 1.4%, due to mandated public safety hiring and an increase in population at the Juvenile Temporary Detention Center as a result of legislation enacted by the State.[61] The Health Fund will increase by 1.0 FTE or by 0.01%. Designated FTEs in Other Special Purpose Funds are declining by 104.2 FTEs, or 11.6%, from the FY2014 approved budget.

Over the five-year period beginning FY2011, the Corporate Fund workforce has increased by 28.5 FTEs or 1.9%. The Public Safety workforce has been reduced by 2.2 FTEs or 0.02%.

Cook County Budgeted FTEs by Fund: FY2011-FY2015

Fund	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,481.9	1,569.8	1,531.5	1,539.3	1,510.4	(28.9)	-1.9%	28.5	1.9%
Public Safety Fund	14,023.2	13,287.3	13,329.4	13,831.8	14,021.0	189.2	1.4%	(2.2)	0.0%
Election Fund	129.6	133.0	133.0	133.0	134.0	1.0	0.8%	4.4	3.4%
Other Special Purpose Funds	987.5	946.9	916.9	896.5	792.3	(104.2)	-11.6%	(195.2)	-19.8%
Subtotal without Health Fund	**16,622.2**	**15,937.0**	**15,910.8**	**16,400.6**	**16,457.7**	**57.1**	**0.3%**	**(164.5)**	**-1.0%**
Health Fund	6,638.1	7,057.8	6,668.1	6,744.1	6,745.1	1.0	0.0%	107.0	1.6%
Total	**23,260.3**	**22,994.8**	**22,578.9**	**23,144.7**	**23,202.8**	**58.1**	**0.3%**	**(57.5)**	**-0.2%**

Note: Some differences in totals may appear due to rounding. Figures do not include grant-funded positions.
Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 88-91.

Full-Time Equivalent Positions by Control Officer

The General Fund, Special Purpose Funds and Health Fund will increase by 58.1 FTEs for a total of 23,202.8 FTEs in FY2015. This is a 0.3% increase from the adopted FY2014 budget. The most significant growth in FTEs over the two-year period occurs under the Office of the Chief

56 Although personnel data for the Cook County Health and Hospitals System is included, details on the Health System are discussed on page 44 of this report.
57 This number does not include grant-funded positions.
58 Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 88-91.
59 Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 3.
60 Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.
61 Cook County FY2015 Executive Budget Recommendation, Resident's Guide, pp 3-7.

Judge which will increase by 2.7% or 84.5 FTEs. The majority of this growth is due to increased positions within the Adult Probation department based on recommendations from the Administrative Office of the Illinois Courts (AOIC) to improve pre-trial services.

Over the past five years, the County has reduced its workforce by 57.5 FTEs, or 0.2%.[62] The most significant decline in FTEs has occurred with the Clerk of the Circuit Court, which has declined by 274.4 FTEs, or 13.6%, from FY2011. The Treasurer's department has decreased by the largest percentage, with a decline of 25.2 FTEs, or 22.1%. The only areas that have experienced growth over the past five years are the Offices Under the President, the Sheriff's Office and the Health and Hospitals System, which has increased by 273.8 FTEs, 66.7 FTEs and 98 FTEs, or by 12.9%, 1.0% and 1.5% respectively.

Cook County FTEs by Control Officer for All Funds: FY2011-FY2015

Control Officer	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,114.5	2,120.1	2,162.2	2,371.5	2,388.3	16.8	0.7%	273.8	12.9%
Board of Commissioners	87.3	87.6	85.6	85.9	86.3	0.4	0.5%	(1.0)	-1.1%
County Clerk	285.4	286.0	280.0	278.0	278.0	0.0	0.0%	(7.4)	-2.6%
Recorder of Deeds	206.0	193.0	196.5	190.0	181.0	(9.0)	-4.7%	(25.0)	-12.1%
Treasurer	114.2	109.0	105.2	92.0	89.0	(3.0)	-3.3%	(25.2)	-22.1%
Sheriff	6,698.4	6,425.6	6,582.8	6,767.1	6,765.1	(2.0)	0.0%	66.7	1.0%
State's Attorney	1,332.9	1,179.7	1,176.8	1,193.3	1,204.4	11.1	0.9%	(128.5)	-9.6%
Chief Judge	3,209.5	3,131.5	3,000.2	3,091.4	3,175.9	84.5	2.7%	(33.6)	-1.0%
Clerk of the Circuit Court	2,020.1	1,814.0	1,765.5	1,762.4	1,745.7	(16.7)	-0.9%	(274.4)	-13.6%
Other Elected Officials*	505.9	542.5	515.0	527.0	505.0	(22.0)	-4.2%	(0.9)	-0.2%
Health and Hospitals System	6,686.1	7,105.8	6,709.1	6,786.1	6,784.1	(2.0)	0.0%	98.0	1.5%
Total	**23,260.3**	**22,994.8**	**22,578.9**	**23,144.7**	**23,202.8**	**58.1**	**0.3%**	**(57.5)**	**-0.2%**

Note: The figures above do not include grant-funded FTEs. Some differences in totals may appear due to rounding.

*Other Elected Officials include the County Assessor, Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners. Some of these control officers are appointed; however, they are presented as Other Elected Officials in the Executive Budget Recommendation.

Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 92-93.

Personal Service Appropriations

The following chart compares the FY2011-FY2014 adopted and FY2015 proposed budgets for personal services appropriations to the total County operating budget, excluding grant funds. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employee's Medicare contributions and pensions.[63] Also included are employee expenses such as training programs or professional seminars.[64]

In FY2015 personal service appropriations will constitute 54.8% of the total budget, down 7.5 percentage points from 62.3% in FY2014. FY2015 marks the lowest ratio of personal services appropriations to operating budget in the past five years. The ratio has decreased by 24.7 percentage points from its peak of 79.5% in FY2011.

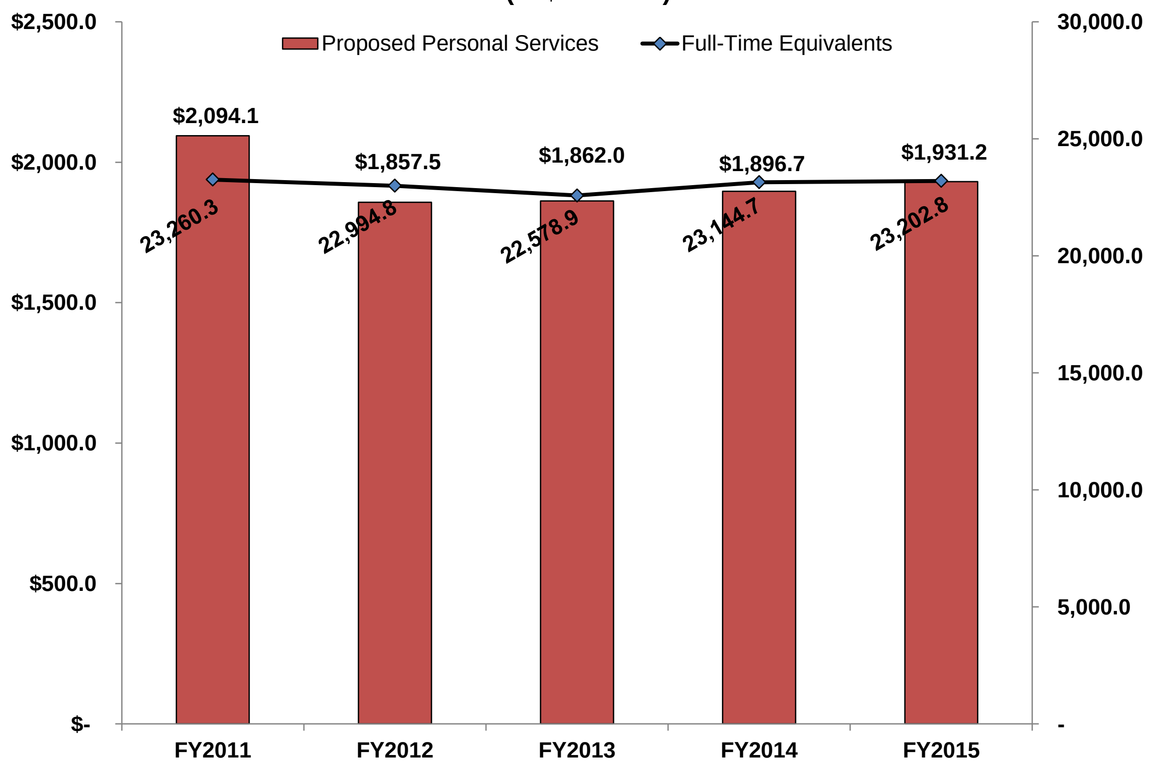
[62] This does not include grant-funded positions.
[63] Cook County FY2015 Executive Budget Recommendation, Appendices, p. 330.
[64] Cook County FY2015 Executive Budget Recommendation, Appendices, p. 327.

Ratio of Personal Services Appropriations to Total General, Special Purpose and Health Funds Appropriations: FY2011-FY2015			
	Personal Services Appropriation	Total Operating Funds Expenditures	Personal Services as % of Total Operating Funds
FY2011	$ 2,094,085,995	$ 2,633,536,728	79.5%
FY2012	$ 1,857,532,114	$ 2,806,470,367	66.2%
FY2013	$ 1,862,016,811	$ 2,813,385,201	66.2%
FY2014	$ 1,897,719,798	$ 3,045,766,407	62.3%
FY2015 Proposed	$ 1,931,156,781	$ 3,526,140,677	54.8%

Note: Adopted appropriations are used because actual expenditures are not available. Figures do not include grant funds.
Sources: Cook County FY2010 Appropriations Ordinance, p. 73; FY2011, p. 88; FY2012, p. 23; FY2013, p. 36; FY2014, p. 84; and FY2015 Executive Budget Recommendation, p. 85.

The next exhibit shows total full-time equivalent positions and personal services appropriations for the five years between FY2011 and FY2015 for all funds, excluding grants. Since FY2011 the proposed number of FTEs has fallen from 23,260.3 FTEs to 23,202.8 FTEs in the proposed FY2015 budget, a decline of 0.2%, or 57.5 FTEs. Similarly, personal services appropriations have decreased from $2.1 billion in FY2011 to $1.9 billion in FY2015, a decline of 8.4% or $162.9 million. Over the past five years, personal services appropriations have generally reflected change in FTE count.

Cook County Full-Time Equivalent Positions and Personal Service Appropriations for all Funds: FY2011-FY2015 (in $ millions)



Source: Cook County FY2010 Appropriations Ordinance, p. 73; FY2011, p. 88; FY2012, p. 23; FY2013, p. 36; FY2014, pp.77 and 84; and Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 82-85 and p. 91.

Salaries by Control Officer

The following chart compares adopted salary appropriations for FY2011 to FY2014 with the FY2015 proposed budget. In FY2015 the County will appropriate nearly $1.5 billion for salary expenditures, a decrease of 0.3%, or $4.5 million, from FY2014 adopted figures. Salary appropriations for all control officers will increase except for the Recorder of Deeds, Treasurer, Chief Judge, Other Elected Officials and the Health and Hospitals System. The two largest two-year dollar increases will be for the Offices Under the President, which will increase by $3.6 million or 2.1% and the Sheriff's Office, with a $7.3 million or 1.8% increase over FY2014 approved appropriations. The most significant increases in salary expenditures under the Sheriff will occur in the Office of Professional Review, Professional Integrity & Special Investigations, Police Department and Department of Corrections.[65] The most significant increases in the Offices Under the President will occur with the Department of Homeland Security and Emergency Management- General Fund, Enterprise Technology and the Department of Revenue.[66]

The majority of salary appropriations will increase over the two-year and five-year period beginning FY2011. The largest five-year dollar decline, aside from the Health System, is for the Clerk of the Circuit Court, whose salary appropriations will decline by $1.7 million, or 1.9%. The two largest dollar increases over the five-year period will occur with the Sheriff's Office, which will increase by $43.3 million, or 11.7%, and the President's offices by $21.5 million, or 14.0%.

Cook County Salaries by Control Officer for All Funds: FY2011-FY2015
(in $ thousands)

Control Officer	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	$ 153,972	$ 153,468	$ 160,541	$ 171,929	$ 175,508	$ 3,579	2.1%	$ 21,536	14.0%
Board of Commissioners	$ 6,260	$ 6,270	$ 6,269	$ 6,378	$ 6,530	$ 152	2.4%	$ 270	4.3%
County Clerk	$ 15,351	$ 14,797	$ 14,916	$ 15,411	$ 15,434	$ 22	0.1%	$ 83	0.5%
Recorder of Deeds	$ 9,815	$ 9,136	$ 9,750	$ 9,879	$ 9,465	$ (413)	-4.2%	$ (350)	-3.6%
Treasurer	$ 8,132	$ 7,425	$ 7,385	$ 6,813	$ 6,519	$ (294)	-4.3%	$ (1,613)	-19.8%
Sheriff	$ 368,947	$ 362,491	$ 394,095	$ 404,926	$ 412,260	$ 7,334	1.8%	$ 43,313	11.7%
State's Attorney	$ 94,270	$ 86,518	$ 90,002	$ 92,864	$ 93,378	$ 515	0.6%	$ (891)	-0.9%
Chief Judge	$ 153,015	$ 146,395	$ 152,116	$ 161,735	$ 161,526	$ (209)	-0.1%	$ 8,510	5.6%
Clerk of the Circuit Court	$ 85,361	$ 79,067	$ 80,339	$ 83,236	$ 83,697	$ 460	0.6%	$ (1,664)	-1.9%
Other Elected Officials*	$ 29,647	$ 30,518	$ 31,269	$ 32,197	$ 31,036	$ (1,161)	-3.6%	$ 1,389	4.7%
Health and Hospitals System	$ 492,367	$ 518,081	$ 485,438	$ 485,496	$ 471,057	$ (14,439)	-3.0%	$ (21,311)	-4.3%
Total	**$ 1,417,136**	**$ 1,414,166**	**$ 1,432,121**	**$ 1,470,864**	**$ 1,466,409**	**$ (4,455)**	**-0.3%**	**$ 49,273**	**3.5%**

Note: Some differences in totals may appear due to rounding.
*Other Elected Officials include the County Assessor, Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners. Some of these control officers are appointed; however, they are presented as Other Elected Officials in the Executive Budget Recommendation.

Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 94-99

[65] Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, p. 96.
[66] Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, p. 94.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

This section examines the FY2015 budget of the Cook County Health and Hospitals System.[67] In FY2015 nearly two-thirds of the Health System's operating revenues are projected to come from CountyCare, the managed care plan for Medicaid recipients that was launched two years ago.

Overview of the Health System

The Cook County Health and Hospitals System is one of the largest public hospital systems in the U.S. operated by a unit of local government and the largest provider of medical care to the uninsured and underinsured in the State of Illinois.[68] The Health System provided an estimated $603.4 million of uncompensated care in the fiscal year that ended on November 30, 2013.[69]

The Health System operates John H. Stroger Jr. and Provident Hospitals. It provides outpatient services through the Oak Forest Health Center (formerly Oak Forest Hospital) and the Ambulatory and Community Health Network (ACHN), which operates clinics across the County and at the System's hospitals.

The Health System's operations also include the CORE Center, an outpatient facility for patients with HIV/AIDS and related diseases; Cermak Health Services, the infirmary for the Cook County Jail; the Juvenile Temporary Detention Center Health Services (JTDC), which serves children detained by the County; and the Cook County Department of Public Health, which provides services outside Chicago.

As a result of CountyCare, the Health System is now seeing more insured patients than uninsured patients.[70] Previously more than half of the Health System's patients were uninsured and generally did not pay for services.

In the healthcare industry, the breakdown of how patients' bills are paid is typically measured by payer mix. Payer mix shows the share of total charges by type of payment source, rather than the percentage of patients in each payment category. Payer mix is a key indicator of a public health system's financial condition because a large share of uninsured patients limits the amount of revenue collected.

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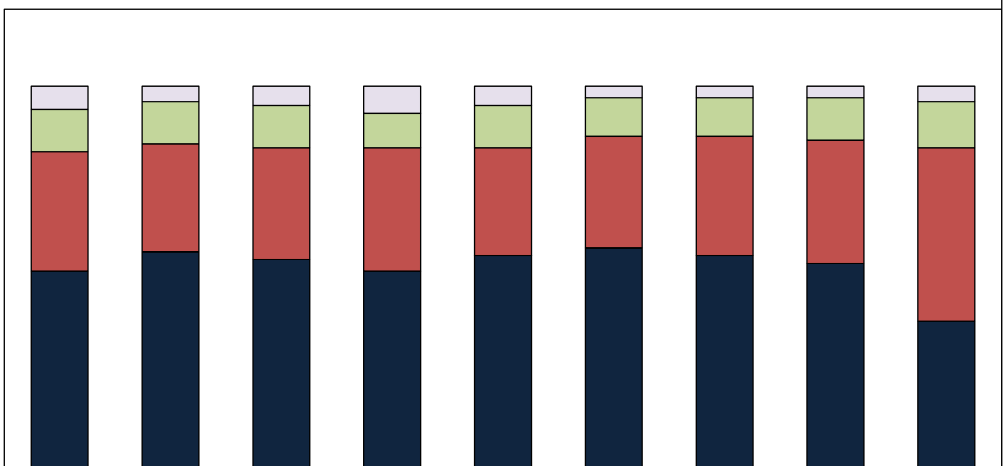
[67] The analysis focuses on the Health Fund, which accounts for $1.5 billion of the Health System's FY2015 recommended appropriations. The FY2015 budget also includes $6.4 million in appropriations to two Special Purpose Funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District. In addition, the Health System administers $9.9 million in grants.
[68] Cook County FY2013 Comprehensive Annual Financial Report, p. 19.
[69] Cook County Health and Hospitals System, Financial Report, November 30, 2013, pp. 15 and 23. Uncompensated care consists of charity care and bad debt.
[70] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 7.

The following chart shows the share of total charges to each type of payer from FY2006 through FY2013 and for the 13 months ended August 2014. In the recent 13-month period, 39% of charges were attributed to uninsured patients, down from 56% in FY2012. The share of insured patients increased from 44% in FY2012 to 61% in the 13 months ended August 2014, largely due to an increase in the percentage of Medicaid charges. The Medicaid share rose from 31% in FY2012 to 45% in the recent 13-month period, with CountyCare accounting for 18%.

Cook County Health and Hospitals System Payer Mix: FY2006-FY2014*



	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014**
Other	6%	4%	5%	7%	5%	3%	3%	3%	4%
Medicare	11%	11%	11%	9%	11%	10%	10%	11%	12%
Medicaid***	31%	28%	29%	32%	28%	29%	31%	32%	45%
Uninsured Patients	52%	57%	55%	52%	56%	58%	56%	54%	39%

*Percentage of charges by source of payment.
**For the 13 months ended August 2014.
***Medicaid percentage includes the following contributions from CountyCare: 10% in FY2013 and 18% in FY2014.
Source: Cook County Comprehensive Annual Financial Reports, FY2006-FY2013; Cook County Health and Hospitals System, *Financial Operations and Statistical Reports (Non GAAP) For the Month Ended August 31, 2014*, p. 8.

The Health System's operating revenues (actual cash received, rather than charges) mainly come from Medicaid, the joint federal-state program that finances medical services for certain categories of low-income people, including children, parents, pregnant women, the elderly and the disabled. The County bridges the gap between the Health System's expenditures and operating revenues through a tax allocation (formerly known as a subsidy) that has consisted largely of property, cigarette and sales tax revenues.

In the County budget, the Health System has been shown as an enterprise fund rather than a component of the County's General Fund since FY2014. This designation mirrors the accounting classification used in the County's Comprehensive Annual Financial Report (CAFR) and is intended to emphasize the growing financial independence of the Health System.[71] Enterprise funds are used to account for government activities that are run on a business-like basis, charging

[71] Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 4.

fees to the public for the services consumed.[72] Activities accounted for through enterprise funds are typically expected to be self-supporting or nearly so.[73] Even though the Health System is not self-supporting, maintaining such activities as enterprise funds provides useful information on the amount of subsidy required to support them.

Since mid-2008, the Health System has been overseen by its own Board of Directors rather than directly by the Cook County Board of Commissioners. This governing structure was created in response to a decline in federal funding in 2006 that forced job and service cuts at the Health System (then called the Bureau of Health Services). In order to obtain additional federal funds, Illinois' congressional delegation urged County leaders to overhaul the governance of the Health Bureau.[74]

The Bureau was widely respected as a pioneer in medical education and a provider of high-quality healthcare, particularly in areas such as trauma care. However, it was also regarded as a highly inefficient operation, lacking even basic systems to charge patients and collect bills, and as a haven for political patronage workers.[75] A committee appointed to evaluate the Bureau concluded that it could not be operated efficiently if it were not in charge of its own routine decisions.[76]

The six-year-old Health System Board has authority over day-to-day operations, including hiring and purchasing decisions. However, the Health System is not independent because the County Board supplies its tax allocation and approves its budgets, strategic plans and any moves to close hospitals.[77]

The annual budget process for the Health System is different from that of other components of County government. The budgets of other county offices are only reviewed by the County Board as part of the Board President's recommended budget, but the Health System submits a preliminary budget to the County Board.[78] After receiving approval from the County Board, the Health System's preliminary budget is incorporated into the Board President's recommended budget. The Health System's preliminary budget for FY2015 was approved by the County Board on September 8, 2014.

County law requires that the Health System develop a strategic and financial plan covering three fiscal years.[79] The current five-year strategic and financial plan, approved by the County Board in July 2010, aimed to shift resources away from inpatient care and toward outpatient care in

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[72] Steven A. Finkler, Robert M. Purtell, Thad D. Calabrese and Daniel L. Smith, *Financial Management for Public, Health, and Not-for-Profit Organizations* (Upper Saddle River, N.J.: Pearson Education Inc., 2013), p. 448.
[73] Robert L. Bland, *A Revenue Guide for Local Government* (Washington, D.C.: International City/County Management Association, 2010), p. 205.
[74] Mike Colias, "Dems in D.C. Scold Stroger; County Prez Must Fix Hospital System, Sen. Durbin Warns," *Crain's Chicago Business*, May 14, 2007.
[75] Steve Patterson, "Study: Patronage bad for County's health; Says Cook County Bureau of Health has too many political workers to run properly," *Chicago Sun-Times*, August 8, 2006.
[76] Cook County Board of Commissioners, *Report of the Cook County Bureau of Health Services Review Committee*, October 2007, p. 32.
[77] Cook County Code of Ordinances, Chapter 38, Article V, Sections 38-82 and 38-83.
[78] Cook County Code of Ordinances, Chapter 38, Article V, Section 38-83.
[79] Cook County Code of Ordinances, Article V, Sec 38-82.

order to serve more patients and deliver care more efficiently.[80] The plan envisioned an increase of nearly 50% in clinic visits to 900,000 in 2015 from 613,983 in 2009.[81] In accordance with the plan, the Health System ended emergency room and inpatient services at Oak Forest Hospital, scaled back inpatient service at Provident Hospital and stopped accepting patients brought by ambulance to Provident's emergency room. However, clinic visits have declined since that time to 588,948 in 2013 (the number increases to 604,492 if urgent care visits to Oak Forest are included).[82]

Among other steps deemed vital for the strategic plan's implementation was the construction of a new, $90 million Fantus Health Center—a project that is still on the drawing board.[83] Fantus, the System's largest outpatient facility, is housed in a 55-year-old building on the campus of Stroger Hospital. The County plans to select a contractor for a new Fantus building next spring.[84] The hospital itself got a new facility in 2002, leaving the old Cook County Hospital building vacant. County officials recently revived plans to redevelop the old hospital, which was built in 1914.[85]

The Board is expected to create a new strategic plan in FY2015 that will reflect recent dramatic changes to Medicaid at the State and federal levels. The current strategic plan was approved three months after the passage of the federal Affordable Care Act (ACA) in March 2010.[86] Although the plan's emphasis on preventive care was in line with the goals of the ACA, the plan did not anticipate the creation of CountyCare. In addition, the State enacted Medicaid reform legislation in January 2011 that requires at least 50% of Medicaid patients to be enrolled in care coordination programs (also known as managed care) by January 2015.[87] This represents a major change for Illinois, which has lagged most other states in the use of managed care in its Medicaid program.[88]

CountyCare

Beginning in January 2014 for Illinois and other states that chose to participate, the ACA expanded the Medicaid-eligible population to low-income citizens who are neither elderly nor disabled and who do not have dependent children.[89] The federal government is scheduled to pay 100% of the cost for newly eligible recipients in 2014 to 2016; 95% in 2017; 94% in 2018; 93% in 2019; and 90% in 2020 and thereafter.

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[80] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010.
[81] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, p.17; Cook County FY2013 Comprehensive Annual Financial Report, p. 244.
[82] Cook County FY2013 Comprehensive Annual Financial Report, p. 245.
[83] Cook County 2015 Executive Budget Recommendation, Capital Planning, p. 247.
[84] Communication between the Civic Federation and the Cook County Department of Budget and Management Services, October 31, 2014.
[85] Office of the Cook County Board President, "Cook County Bureau of Economic Development Hosts Ideas Workshop 'Charrette' to Gather Insight on Potential Mixed-Use Redevelopment of the Old Cook County Hospital Building," *news release*, September 8, 2014.
[86] Patient Protection and Affordable Care Act, Public Law 111-148, Title II, Subtitle A, Section 2001.
[87] Public Act 96-1501, signed on January 25, 2011. The legislation defines coordinated care as integrated healthcare delivery systems in which healthcare providers are at financial risk for the cost of patients' care.
[88] Illinois Department of Healthcare and Family Services, *The Path to Transformation: Illinois 1115 Waiver Proposal*, June 4, 2014, p. 5.
[89] Illinois Public Act 98-0104, signed on July 22, 2013, authorized participation in the ACA Medicaid expansion.

The Health System in January 2012 applied to the federal government to get a head start on the ACA expansion by signing up newly eligible individuals for Medicaid in advance of the official starting date. The federal Centers for Medicare and Medicaid Services (CMS) of the U.S. Department of Health and Human Services approved the plan in October 2012 as a demonstration project under Section 1115 of the federal Social Security Act—commonly known as a Section 1115 waiver. CMS initially set December 31, 2013 as the ending date for the project but subsequently extended the date to June 30, 2014.

Health System officials believed that CountyCare was essential to the System's survival because it would bring in needed revenue and help prepare for the State's move to Medicaid managed care.[90] The plan gave the Health System the opportunity to generate revenue from existing patients who lacked insurance and were not paying for their medical services. The Health System hoped to sign up 115,000 members; of that total, 67,000 or approximately 58% were projected to be existing System patients.[91] Additional members were expected to be patients of Federally Qualified Health Centers (FQHCs), primary care clinics that receive federal subsidies for treating low-income patients, and former detainees upon release from the Cook County Jail.

CountyCare also allowed the Health System to focus on managed care, which is intended to improve patient care and reduce costs over the long run by emphasizing preventive care. A standard form of managed care shifts financial risk to healthcare organizations by paying them a fixed monthly fee, or capitation rate, for each patient. The idea of this payment system is to provide an incentive to keep patients healthy and avoid unnecessary tests and hospitalizations. This is in contrast to the traditional fee-for-service system, in which payment is based on the volume of services provided.

County Care members are assigned to "medical homes" built around primary care providers who coordinate a patient's care.[92] This kind of care represents a transformation for the Health System, where patients have been accustomed to lining up before clinics open to make sure they can see a doctor and to going to the emergency room for primary care.[93] As explained on the Health System's website, "the CountyCare transformation is changing the way that patients enter (the System), as they will be assigned intelligently (based on risk complexity and need) to patient-centered medical homes instead of relying on the emergency department for basic services while waiting for new appointment availability."[94]

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[90] Statements by Dr. Ram Raju, then Chief Executive Officer of the Cook County Health and Hospitals System, at the August 24, 2012 meeting of the Finance Committee and the September 4, 2012 meeting of the Board of Directors.

[91] Office of the Secretary to the Board, Cook County Board of Commissioners, Cook County Streaming Media Archive, Archived Videos, Cook County Budget FY2013 Departmental Reviews: Cook County Health and Hospitals System, October 29, 2012, http://cook-county.granicus.com/MediaPlayer.php?view_id=3&clip_id=377 (last visited on October 26, 2014).

[92] Cook County Health and Hospitals System, http://www.cookcountyhhs.org/patient-services/county-care/ (last visited on October 28, 2014).

[93] Communication between the Civic Federation and the Cook County Health and Hospitals System, September 18, 2012.

[94] Cook County Health and Hospitals System, http://www.cookcountyhhs.org/patient-services/county-care/ (last visited on October 15, 2013).

CountyCare patients were given access to a new regional network of 138 healthcare providers consisting of Health System facilities as well as subcontracted partners such as FQHCs and hospitals.[95] Certain services that were previously not available to System patients—notably mental health and substance abuse services—are covered by CountyCare. Except for emergencies, patients were required to receive their care within the network through June 30, 2014. During that time, patients were not able to seek care elsewhere after enrolling in Medicaid through the Health System.

Payments for CountyCare members were initially based on a fee of $629 per member per month (PMPM) set by CMS.[96] Although the federal government is scheduled to cover 100% of the costs for newly eligible Medicaid recipients in 2014, regular reimbursement rates applied before that time. In the case of the Health System, that meant the federal government would pay 50% of the total, or a PMPM fee of $314.50.

States typically pay for Medicaid expenses and are then reimbursed by the federal government; the reimbursement rate for Illinois was 50%.[97] Under a financing arrangement known as an intergovernmental transfer, the non-federal share of Medicaid spending for the Health System is contributed by Cook County, rather than the State. The County contribution is sent to the State and matched by the federal government. The total amount—both the County and federal portions—is then paid to the County. Because the County's initial contribution is returned, the net financial impact on the Health System is the additional federal revenue. In January 2014 the federal government began covering the entire PMPM amount.

By June 2014, CountyCare had 94,929 members.[98] In contrast to initial projections, approximately two-thirds of the members had primary care doctors at FQHCs in October 2014, rather than at Health System clinics.[99] Similarly, claims expenses for CountyCare were mainly related to healthcare providers outside of the Health System, which accounted for 68% of the total in FY2013.[100] Health System officials said CMS required a broader network than initially anticipated as a condition for granting the Section 1115 waiver.[101]

After the Section 1115 waiver ended on June 30, 2014, CountyCare became a Medicaid managed care plan known as a Managed Care Community Network (MCCN). The plan's enrollment is expanding to include those traditionally covered by Medicaid: children, parents, pregnant women, seniors and persons with disabilities. The change comes as the State is beginning

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[95] Cook County Health and Hospitals System, Financial Report, November 30, 2013, p. 17.
[96] Cook County Health and Hospitals System, Financial Report, June 30, 2013, p. 33.
[97] The State's Medicaid reimbursement rate increased to 50.76% for federal fiscal year 2015, which began on October 1, 2014.
[98] Cook County Health and Hospitals System, *CountyCare Update Prepared for: CCHHS Board Finance Committee*, August 15, 2014, p. 6.
[99] Communication between the Civic Federation and the Cook County Health and Hospitals System. November 3, 2014.
[100] Cook County Health and Hospitals System, Financial Report, November 30, 2013, p. 33.
[101] Communication between the Civic Federation and the Cook County Health and Hospitals System, November 3, 2014.

mandatory enrollment of most Medicaid clients in five regions, including Greater Chicago (Cook County and the five collar counties), in managed care.[102]

As an MCCN, the Health System benefits from costs that are lower than PMPM payments, but it remains at risk for higher costs. Under the waiver, the Health System had to cover any shortfalls between costs and fees and repay the federal government for any fees in excess of costs.

CountyCare now receives a PMPM fee that varies depending on the category of member, age, gender and other factors. Under the waiver, the PMPM fee for ACA adults in the first six months of calendar year 2014 was $632.48. The October 2014 composite monthly rate for that same group was $638.80[103] and is expected to average $630 in FY2015.[104]

After growing steadily, CountyCare has recently been losing members due to the State's annual renewal process for Medicaid recipients. Membership declined to 88,921 in October from 100,658 in August largely because of members who were dropped from the Medicaid program after failing to complete the required forms.[105]

In early 2015, all CountyCare members will have the choice of moving to other managed care plans. During the open enrollment period, they will receive mailings from the Illinois Department of Healthcare and Family Services outlining their options. Newly eligible adults, for example, will be able to sign up for more than a dozen other health plans.[106]

As a result of this competition, the Health System's FY2015 budget provides for a decline to 79,500 in the average monthly membership of ACA adults.[107] This decrease is projected to be offset by enrollment of 65,000 in the family health plan (covering children, parents and pregnant women) and of 4,700 seniors and disabled persons. Total average monthly membership in CountyCare is projected at 149,200 in FY2015.

If far fewer Medicaid-covered patients choose CountyCare, the Health System could be left with a higher percentage of uninsured patients. Because Medicaid eligibility is limited to low-income U.S. citizens and certain lawfully residing immigrants, undocumented adult immigrants represent the largest ineligible population.[108] The Health System has historically provided medical care without regard to citizenship status.

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[102] Illinois Department of Healthcare and Family Services, *Managed Care Expansion Mail Schedules, Updated August 29, 2014*, http://www2.illinois.gov/hfs/SiteCollectionDocuments/CC__mailsched.pdf (last visited on October 28, 2014). The Health System has also been authorized by the Illinois General Assembly to operate as a Health Maintenance Organization (HMO) for non-Medicaid patients but is not expected to start that project until FY2016.
[103] Cook County Health and Hospitals System, *CountyCare Update Prepared for: CCHHS Board Finance Committee*, November 7, 2014, p. 8.
[104] Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, August 15, 2014, p. 9. The PMPM rate now includes administrative expenses; under the waiver, these were reimbursed separately.
[105] Cook County Health and Hospitals System, *CountyCare Update Prepared for: CCHHS Board Finance Committee*, November 7, 2014, p. 6.
[106] Illinois Department of Healthcare and Family Services, *Care Coordination Expansion*, August 22, 2014, http://www2.illinois.gov/hfs/SiteCollectionDocuments/CCExpansionMap.pdf (last visited on October 28, 2014).
[107] Cook County Health and Hospitals System, *Proposed FY2015 Preliminary Budget*, August 15, 2014, p. 11.
[108] The State of Illinois uses its own funds to provide medical services for undocumented low-income children.

Besides competition from other healthcare plans, the Health System also faces financial pressures related to CountyCare members' use of healthcare services within the CountyCare network but outside of the System. The FY2015 budget assumes that $354 million, or 41.6%, of CountyCare's projected medical expense will be incurred within the System and $496 million, or 58.4%, will come from elsewhere in the network.[109]

CountyCare provides the greatest financial benefit to the Health System when members use its services and facilities. By treating ACA adults in house, the System receives payment for previously uncompensated services. The incremental cost of treating another patient at the Health System is low, and the PMPM fee can be used to help cover the high fixed costs of hospital operations.

CountyCare members' use of other network providers also exposes the Health System to financial risk. While the Health System is paid a fixed monthly fee for CountyCare members, it pays most of its partners on a fee-for-service basis. To rein in outside health claims, Health System officials plan to steer CountyCare prescriptions to the System's mail-order pharmacy.[110] In September 2014, 91% of CountyCare's pharmacy cost came from outside the Health System.[111] In addition, the Health System is relying on CountyCare's third-party administrator, the IlliniCare Health Plan unit of Centene Corporation, to help manage the costs of high-risk patients, including those with chronic diseases such as diabetes.[112]

The Health System is making efforts to retain and attract patients by keeping its clinics open on Saturdays—a practice already followed by many FQHCs—and offering dental benefits beyond those required for Illinois Medicaid patients. The FY2015 budget also includes plans to open a call center and develop a centralized scheduling process. The current system is "both archaic and confusing," with a single clerk at some clinics greeting and registering patients while also answering phone calls about prescriptions and appointments, CEO Dr. Jay Shannon told Cook County Commissioners at a budget hearing in October.[113]

These problems are reflected in the indicators used to measure clinic performance. For 2014 the clinics were projected to have scores of 59.5% on the ease of reaching clinics on the phone and 67.5% on waiting times at clinics, compared with targeted scores for the year of 75%.[114] On the other hand, 87% of children were projected to be up to date on pediatric immunizations at 24 months, close to the target of 90% and up from 75% in 2013.

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[109] Cook County Health and Hospitals System, *Proposed FY2015 Preliminary Budget*, August 15, 2014, p. 11.
[110] Cook County Health and Hospitals System, *Proposed FY2015 Preliminary Budget*, August 15, 2014, p. 7.
[111] Cook County Health and Hospitals System, *CountyCare Update Prepared for: CCHHS Board Finance Committee*, November 7, 2014, p.9.
[112] Cook County Health and Hospitals System, Board Approval Request #1, Board of Directors Meeting, August 29, 2014.
[113] Statement by Dr. Jay Shannon, CEO, at departmental budget hearing for the Cook County Health and Hospitals System before the Cook County Finance Committee, October 17, 2014.
[114] Cook County FY2015 Executive Budget Recommendation, Healthcare, p. O-47.

Health System Appropriations

The Health System's proposed appropriations for FY2015 total $1.5 billion, an increase of $212.4 million, or 16.1%, from adjusted appropriations of $1.3 billion in FY2014. Appropriations for CountyCare increase by $166.0 million, or 41.4%, to $566.8 million in FY2015 from $400.9 million in FY2014.

It should be noted that these comparisons are based on adjusted FY2014 appropriations, rather than adopted FY2014 appropriations as in the rest of this report. In the case of the Health System, adjusted appropriations are more relevant because authorized spending increased significantly during the year along with CountyCare revenues.

The County's budget resolution for FY2014 specifically allowed CountyCare expenses to increase in line with any growth in Health System revenues associated with higher than anticipated enrollment.[115] The proposed FY2015 budget resolution has similar language, permitting higher than budgeted revenues from CountyCare to be used for CountyCare costs in FY2015 rather than added to the Health System's reserves.[116]

As discussed below, actual expenditures for CountyCare in FY2014 are expected to be higher than the authorized spending reflected in the Health System's adopted appropriations or in the adjusted appropriations. The initial FY2014 budget was based on average monthly enrollment of 56,131, compared with actual average enrollment for the fiscal year now estimated at 94,000.[117]

Appropriations for CountyCare (shown as Managed Care in the FY2015 budget) include medical and administrative costs of the plan outside the System. Internal medical expenses related to CountyCare patients are shown throughout the System's budget. PMPM payments to network healthcare providers increase by $263.9 million, or 159.1%, to $429.8 million in FY2015 from an adjusted appropriation of $165.9 million in FY2014.[118]

CountyCare appropriations for pharmaceutical supplies decline by $30.2 million, or 31.3%, to $66.4 million in FY2015 from an adjusted FY2014 appropriation of $96.6 million. The Health System plans to fill more prescriptions internally, particularly through its mail-order pharmacy, as part of the effort to curb outside medical expenses. Health System officials hope to reduce pharmacy dispensing fees by encouraging patients to order longer term supplies of expensive drugs.[119] In addition, the Health System can take advantage of price discounts on outpatient drugs under the federal 340B Drug Pricing Program.[120] CountyCare salaries and wages decline by $10.6 million, from an adjusted FY2014 appropriation of $12.6 million to $1.9 million in

115 Cook County FY2015 FY2014 Appropriation Bill, Resolution, p. 270.
116 Cook County FY2015 Executive Budget Recommendation, Resolution, p. 309.
117 Communication between the Civic Federation and the Cook County Health and Hospitals System, November 7, 2014.
118 Cook County FY2015 Executive Budget Recommendation, Healthcare, p. O-75.
119 Kristen Schorsch, "Cook County Health eyes new call center, more nurses to better compete for patients," *Crain's Chicago Business*, August 19, 2014.
120 For more information on the 340B Drug Pricing Program, see U.S. Governmental Accounting Office, *Drug Pricing: Manufacturer Discounts in the 340B Program Offer Benefits, but Federal Oversight Needs Improvement*, September 2011.

FY2015. The decrease reflects the reallocation of appropriations for CountyCare personnel to ACHN, which is in line with their actual duties.[121]

Appropriations for Health System administration decline by $68.2 million from an adjusted FY2014 appropriation of $187.0 million to $118.8 million in FY2015 due to a reallocation of pharmacy positions and supply costs to Stroger and Provident Hospitals and Cermak Health Services. Due to higher supply and personnel costs, appropriations for Stroger increase by $81.6 million to $525.0 million. Appropriations for the Department of Public Health decline by $3.2 million from adjusted appropriations of $14.5 million in FY2014 to $11.3 million in FY2015. Certain positions and medical services of the Public Health Department are moved to ACHN in FY2015 so that patients can be assigned to medical homes.[122]

The following table shows actual expenditures for FY2011 to FY2013, adjusted appropriations for FY2014 and proposed appropriations for FY2015. Total appropriations increase by $671.1 million, or 77.6%, from $864.4 million in FY2011, due mainly to the growth of CountyCare.

Cook County Health and Hospitals System Appropriations and Expenditures by Department: FY2011-FY2015 (in $ thousands)

Department	FY2011 Actual Exp.	FY2012 Actual Exp.	FY2013 Actual Exp.	FY2014 Adj. Approps.	FY2015 Proposed Approps.	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health System Administration	$ 139,877.0	$ 154,760.0	$ 170,258.0	$ 186,990.9	$ 118,823.5	$ (68,167.4)	-36.5%	$ (21,053.5)	-15.1%
Cermak Health Services	$ 33,983.5	$ 38,517.6	$ 40,805.8	$ 46,881.1	$ 56,299.7	$ 9,418.6	20.1%	$ 22,316.2	65.7%
JTDC Health Services	$ 2,819.5	$ 3,098.5	$ 3,135.3	$ 3,926.3	$ 3,741.3	$ (185.0)	-4.7%	$ 921.8	32.7%
Provident Hospital	$ 56,626.3	$ 47,915.7	$ 45,210.0	$ 47,720.2	$ 52,606.7	$ 4,886.5	10.2%	$ (4,019.6)	-7.1%
Ambulatory and Community Health Network	$ 42,886.1	$ 44,183.1	$ 48,151.9	$ 47,489.0	$ 59,280.6	$ 11,791.6	24.8%	$ 16,394.5	38.2%
CORE Center	$ 10,907.0	$ 11,087.3	$ 11,012.4	$ 11,623.8	$ 11,661.6	$ 37.8	0.3%	$ 754.6	6.9%
Department of Public Health	$ 15,836.0	$ 15,469.7	$ 12,001.9	$ 14,509.7	$ 11,274.5	$ (3,235.2)	-22.3%	$ (4,561.5)	-28.8%
Managed Care	$ -	$ -	$ 103,377.0	$ 400,890.8	$ 566,844.0	$ 165,953.2	41.4%	$ 566,844.0	n/a
Stroger Hospital	$ 400,649.1	$ 416,121.5	$ 416,111.0	$ 443,433.0	$ 525,032.4	$ 81,599.4	18.4%	$ 124,383.3	31.0%
Oak Forest Health Center*	$ 50,776.0	$ 26,471.8	$ 11,002.0	$ 11,143.1	$ 11,090.7	$ (52.4)	-0.5%	$ (39,685.3)	-78.2%
Subtotal Departmental Appropriations	**$ 754,360.5**	**$ 757,625.2**	**$ 861,065.3**	**$ 1,214,607.9**	**$ 1,416,655.0**	**$ 202,047.1**	16.6%	**$ 662,294.5**	**87.8%**
Fixed Charges and Special Purpose Appropriations	$ 110,068.2	$ 107,397.7	$ 100,603.4	$ 108,497.2	$ 118,857.4	$ 10,360.2	9.5%	$ 8,789.2	8.0%
Total	**$864,428.7**	**$865,022.9**	**$961,668.7**	**$1,323,105.1**	**$1,535,512.4**	**$ 212,407.3**	**16.1%**	**$ 671,083.7**	**77.6%**

*Oak Forest Hospital was renamed Oak Forest Health Center in FY2011. Healthcare expenses at Oak Forest Health Center were moved to the budgets of Stroger Hospital and ACHN in FY2013, with revenue credited accordingly. Remaining costs at Oak Forest reflect costs of operating the campus.

Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 66-67, and Health Care, p. O-1; Cook County FY2013 Appropriation Bill, Proposed Expenditures, pp. 9-10.

Health System appropriations cover departmental appropriations as well as fixed charges and special purpose appropriations. Fixed charges include costs related to employee health and life insurance, workers' compensation and medical malpractice and other insurance claims. Appropriations for fixed charges and special purpose appropriations increase by $10.4 million in FY2015 due to an allocation for collective bargaining agreements to cover the possibility of contract settlements during the fiscal year.[123]

The next table compares the Health System's proposed FY2015 appropriations with adopted appropriations and projected actual spending in FY2014. The System's FY2015 budget of $1.5

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[121] Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, August 15, 2014, p. 13.
[122] Statement by Dr. Jay Shannon, CEO, at departmental budget hearing for the Cook County Health and Hospitals System before the Cook County Finance Committee, October 17, 2014.
[123] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 28, 2014.

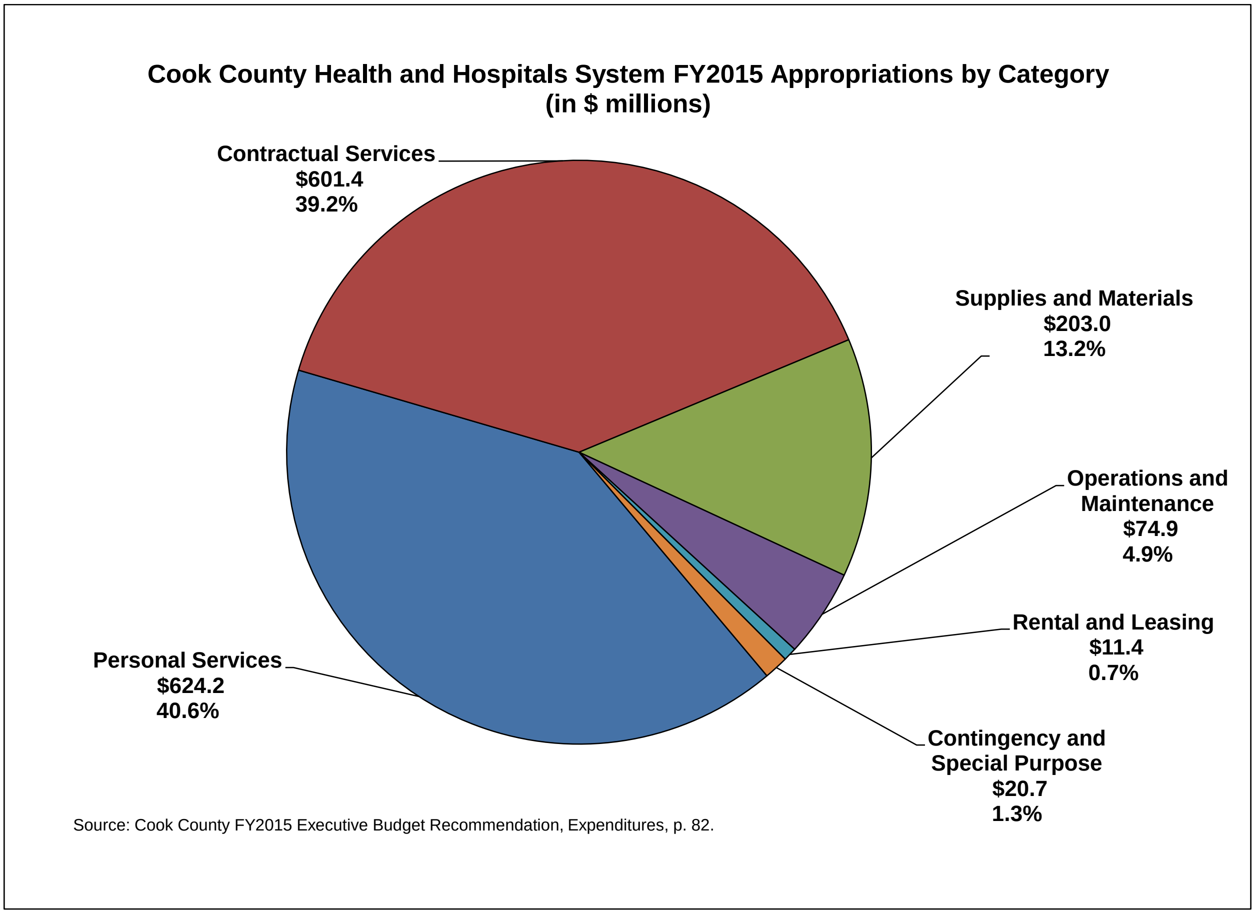
billion represents an increase of $413.8 million, or 36.8%, from the adopted budget of $1.1 billion. Proposed FY2015 appropriations increase by $126.4 million, or 9.0%, from projected FY2014 spending of $1.4 billion.

Cook County Health and Hospitals System Appropriations and Projected Expenditures by Department: FY2014-FY2015 (in $ thousands)								
Department	**(1) FY2014 Adopted Approps.**	**(2) FY2014 Adjusted Approps.**	**(3) FY2014 Projected Exp.**	**(4) FY2015 Proposed Approps.**	**(4)-(1) $ Change**	**(4)-(1) % Change**	**(4)-(3) $ Change**	**(4)-(3) % Change**
Health System Administration	$ 189,471.4	$ 186,990.9	$ 180,516.1	$ 118,823.5	$ (70,647.9)	-37.3%	$ (61,692.6)	-34.2%
Cermak Health Services	$ 46,630.8	$ 46,881.1	$ 42,035.7	$ 56,299.7	$ 9,668.9	20.7%	$ 14,264.0	33.9%
JTDC Health Services	$ 3,910.4	$ 3,926.3	$ 3,225.2	$ 3,741.3	$ (169.1)	-4.3%	$ 516.1	16.0%
Provident Hospital	$ 48,357.8	$ 47,720.2	$ 47,444.1	$ 52,606.7	$ 4,248.9	8.8%	$ 5,162.6	10.9%
Ambulatory and Community Health Network	$ 51,465.5	$ 47,489.0	$ 46,716.0	$ 59,280.6	$ 7,815.1	15.2%	$ 12,564.6	26.9%
CORE Center	$ 11,753.1	$ 11,623.8	$ 11,512.5	$ 11,661.6	$ (91.5)	-0.8%	$ 149.1	1.3%
Department of Public Health	$ 14,450.3	$ 14,509.7	$ 13,348.1	$ 11,274.5	$ (3,175.8)	-22.0%	$ (2,073.6)	-15.5%
Managed Care	$ 190,804.3	$ 400,890.8	$ 495,209.9	$ 566,844.0	$ 376,039.7	197.1%	$ 71,634.1	14.5%
Stroger Hospital	$ 445,202.5	$ 443,433.0	$ 453,374.2	$ 525,032.4	$ 79,829.9	17.9%	$ 71,658.2	15.8%
Oak Forest Health Center	$ 11,216.1	$ 11,143.1	$ 10,931.9	$ 11,090.7	$ (125.4)	-1.1%	$ 158.8	1.5%
Subtotal Departmental Appropriations	**$1,013,262.2**	**$ 1,214,607.9**	**$1,304,313.7**	**$ 1,416,655.0**	**$ 403,392.8**	**39.8%**	**$112,341.3**	**8.6%**
Fixed Charges and Special Purpose Appropriations	$ 112,455.1	$ 108,497.2	$ 104,801.5	$ 118,857.4	$ 10,360.2	9.2%	$ 14,055.9	13.4%
Total	**$1,125,717.3**	**$1,323,105.1**	**$1,409,115.2**	**$1,535,512.4**	**$413,753.0**	**36.8%**	**$126,397.2**	**9.0%**

Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, pp. 66-67, and Health Care, p. O-1; Cook County Health and Hospitals System, *FY2015 Bureau Account Summary* , http://www.cookcountyhhs.org/wp-content/uploads/2014/08/FY2015-Proposed-Prelim-Budget-detail-08-15-14.pdf.

Projected FY2014 expenditures increase due to the growth in CountyCare. The Health System's projected spending of $1.4 billion in FY2014 represents an increase of $283.4 million, or 25.2%, from the adopted budget of $1.1 billion. Projected expenditures for CountyCare in FY2014 are $495.2 million, more than 2.5 times the initially budgeted amount of $190.8 million.

The following chart shows FY2015 Health System appropriations by category. Personnel accounts for $624.2 million, or 40.6% of total appropriations; contractual services (mostly outside healthcare providers) account for $601.4 million, or 39.2%; and supplies and material account for $203.0 million, or 13.2%.



As a result of CountyCare, payments to outside healthcare providers have increased dramatically since FY2012, while spending on personnel has remained relatively flat. In FY2012 personnel appropriations accounted for $602.9 million, or 67.4% of total appropriations, and contractual services accounted for $111.3 million, or 12.4%.[124]

Health System Resources

Health System resources consist of operating revenues and the County tax allocation. Most of the Health System's operating revenues come from Medicaid, while the County tax allocation has been funded mainly from property, cigarette and sales taxes. Before the growth of CountyCare, the Health System repeatedly was unable to meet budgeted revenue projections and was required to use its reserves to cover budget deficits.

[124] Cook County FY2012 Appropriation Bill, Proposed Expenditures, p. 20.

Health System Operating Revenues

Health System operating revenues are projected to increase by $141.3 million, or 11.5%, to $1.38 billion in FY2015 from an estimated $1.23 billion in FY2014. CountyCare revenues rise by $231.9 million, or 34.0%, to $914.6 million from $682.7 million. That increase is partially offset by a reduction of $119.5 million in other patient fee revenue, which is expected to decline as patients who are eligible for Medicaid join managed care plans, including CountyCare.

The following table shows actual operating revenues from FY2011 to FY2013, estimated operating revenues for FY2014 and proposed operating revenues for FY2015. Estimated FY2014 revenues are more meaningful than budgeted revenues because of the growth of CountyCare. When the FY2014 budget was approved in November 2013, total Health System operating revenues were projected at $950.7 million, with $468.2 million from CountyCare. The health plan's FY2014 revenues are reduced by $33.5 million to account for the repayment of PMPM amounts received in FY2013 that exceeded actual costs. The exact amount of the overpayment is still being determined.[125]

Cook County Health and Hospitals System Operating Revenues: FY2011-FY2015 (in $ thousands)

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Estimated	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Patient Fee Revenue	$ 190,347.7	$ 276,117.0	$ 233,393.0	$ 278,704.7	$ 159,225.2	$ (119,479.5)	-42.9%	$ (31,123)	-16.4%
BIPA*	$ 131,250.0	$ 131,250.0	$ 161,300.0	$ 101,250.0	$ 131,250.0	$ 30,000.0	29.6%	$ -	0.0%
DSH**	$ 153,062.4	$ 170,589.8	$ 170,941.1	$ 162,338.2	$ 162,338.2	$ -	0.0%	$ 9,276	6.1%
Managed Care	$ -	$ -	$ 101,891.5	$ 682,747.8	$ 914,645.0	$ 231,897.2	34.0%	$914,645	n/a
Miscellaneous***	$ 13,126.1	$ 6,806.8	$ 6,377.5	$ 9,151.1	$ 8,050.0	$ (1,101.1)	-12.0%	$ (5,076)	n/a
Total	**$ 487,786.2**	**$ 584,763.6**	**$ 673,903.1**	**$1,234,191.8**	**$1,375,508.4**	**$ 141,316.6**	**11.5%**	**$887,722**	**182.0%**

*Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

**Disproportionate Share Hospital payments.

***Includes revenue from cafeteria, medical records, parking income, physicans fees, pharmacy service charges and Department of Public Health fees.

Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, p. 34; Cook County FY2014 Appropriation Bill, Revenue Estimates, p. 29, Cook County FY2013 Appropriation Bill, Resident's Guide, p. 9; Communication between Civic Federation and Cook County Department of Budget and Management Services, November 3, 2014.

Patient fee revenue (other than CountyCare) consists of cash received for patient services. During the first nine months of FY2014, these receipts totaled $187.7 million, of which $110.0 million, or 58.6%, came from Medicaid; $55.5 million, or 29.6%, came from Medicare; $18.3 million, or 9.7%, came from commercial insurers; and $3.9 million, or 2.1%, came from uninsured patients.[126]

The Health System also receives supplemental Medicaid payments designed for hospitals that serve the poor. Supplemental revenues consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).[127]

States make DSH payments to hospitals that serve a large share of Medicaid and low-income patients. The Health System began receiving DSH payments under an agreement completed in mid-2009 that was retroactive to July 1, 2008. DSH payments are scheduled to decline

[125] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 28, 2014.
[126] Cook County Health and Hospitals System, *Financial Operations and Statistical Reports (Non GAAP) For the Month Ended August 31, 2014*, October 17, 2014, p. 4. These receipts are net of any payments out of revenue.
[127] Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2).

significantly under the ACA. The reductions were initially scheduled to start in federal FY2014, beginning on October 1, 2013, but they have been postponed to federal FY2017.[128] The County projects that DSH payments to the Health System will decline by 35.8% from $162.3 million in FY2015 to $104.1 million in FY2018.[129]

BIPA payments are provided under legislation that earmarks $375 million annually to "a certain public hospital" meeting criteria satisfied only by the Health System.[130] Of that total, 65% is provided to the State for its Medicaid program and 35% is kept by the Health System.
In FY2013 the Health System received an advance BIPA payment of $30 million from the State to offset a shortfall in CountyCare revenue compared with budgeted amounts. The advance was repaid in FY2014, reducing BIPA revenues in that year.

County Tax Allocation

The Health System's tax allocation from the County (formerly known as the subsidy) is intended to bridge the gap between the System's expenditures and operating revenues. Due to projected CountyCare revenues, the FY2015 tax allocation declines by $11.0 million from $175.0 million in FY2014 to $164.0 million in FY2015.

The following table shows the tax allocation from FY2009 to FY2015. The data begin in FY2009 to show County funding trends since the creation of the Health System Board. The tax allocation declines from $481.4 million in FY2009 to $164.0 million in FY2015. It should be noted that the budgeted tax allocation numbers below do not include pension and debt service payments because the County does not allocate those payments to the Health System.

Cook County Health and Hospitals System Tax Allocation: FY2009-FY2015 (in thousands)

	FY2009 Budget	FY2010 Budget	FY2011 Budget	FY2012 Budget	FY2013 Budget	FY2014 Budget	FY2015 Budget
Budgeted Operating Revenues	$ 493,276.2	$ 584,737.4	$ 635,602.8	$ 640,362.1	$ 712,114.5	$ 950,717.1	$ 1,371,512.5
Budgeted Expenditures	$ (974,696.1)	$ (973,850.7)	$ (911,860.2)	$ (894,133.0)	$ (963,658.5)	$ (1,125,717.2)	$ (1,535,512.5)
Health System Deficit	**$ (481,419.9)**	**$ (389,113.3)**	**$ (276,257.4)**	**$ (253,770.9)**	**$ (251,544.0)**	**$ (175,000.1)**	**$ (164,000.0)**
Health System Tax Allocation	**$ 481,419.9**	**$ 389,113.3**	**$ 276,257.4**	**$ 253,770.9**	**$ 251,544.0**	**$ 175,000.1**	**$ 164,000.0**

Does not include pension or debt service payments.

Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, p. 45; Cook County FY2014 Appropriation Bill, Revenue Estimates, p. 40;

[128] Association of American Medical Colleges, *Washington Highlights: MACPAC Meets to Discuss Future of CHIP funding, Medicaid Premium Assistance, and Mandated DSH Study*, September 19, 2014.
[129] Cook County FY2015 Executive Budget Recommendation, Resident's Guide, p. 11.
[130] Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

The next table shows the components of the Health System's tax allocation. In FY2015 the proposed allocation consists of $149.8 million in property taxes, $13.8 million in cigarette and other tobacco product taxes and $475,000 in firearms taxes. As in FY2014, no sales taxes are included in the tax allocation.

Cook County Health and Hospitals System County Tax Allocation: FY2009-FY2015 (in thousands)							
	FY2009 Appropriation	FY2010 Appropriation	FY2011 Appropriation	FY2012 Appropriation	FY2013 Appropriation	FY2014 Appropriation	FY2015 Proposed
Property Taxes*	$ 144,388.1	$ 135,965.5	$ 116,650.1	$ 62,962.4	$ 80,675.1	$ 38,924.9	$ 149,756.0
Intergovernmental Revenues	$ -	$ -	$ 7,571.8	$ 5,762.0	$ 2,000.0	$ -	$ -
Sales Tax	$ 302,069.0	$ 228,147.3	$ 130,988.0	$ 72,382.9	$ 32,595.9	$ -	$ -
Cigarette Tax	$ 35,000.0	$ 25,000.0	$ 21,047.4	$ 104,449.5	$ 130,000.0	$ 129,808.6	$ 12,984.1
Other Tobacco Products	$ -	$ -	$ -	$ 8,214.2	$ 5,973.0	$ 5,891.6	$ 784.9
Firearms Tax	$ -	$ -	$ -	$ -	$ 300.0	$ 375.0	$ 475.0
Total	**$ 481,457.1**	**$ 389,112.8**	**$ 276,257.3**	**$ 253,771.0**	**$ 251,544.0**	**$ 175,000.1**	**$ 164,000.0**

*Property tax revenues are net of allowance for uncollected taxes.

Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, p. 36; Cook County FY2014 Appropriation Bill, Revenue Estimates, p.32; Cook County FY2013 Appropriation Bill, Revenue Estimates, p. 20; Cook County FY2012 Appropriation Bill, Revenue Estimates, p. 18; Cook County FY2011 Appropriation Bill, Revenue Estimates p. 33; Cook County FY2010 Appropriation Bill, Revenue Estimates, p. 40; Cook County FY2009 Appropriation Bill, Revenue Estimates, p. 40; Communication between Civic Federation and Cook County Department of Budget and Management Services, October 29, 2014.

Although the County budget does not allocate payments for pension contributions and debt service to the Health System, estimated amounts for these payments are presented in order to provide a fuller picture of the Health System's use of County resources. The total proposed amount that that County will spend for the Health System in FY2015, including the budgeted tax allocation of $164.0 million and pension and debt service payments of $151.6 million, is $315.6 million.

Estimated Pension and Debt Service Payments Paid by Cook County on Behalf of Cook County Health and Hospitals System: FY2009-FY2015 (in $ thousands)							
	FY2009 Budget	FY2010 Budget	FY2011 Budget	FY2012 Budget	FY2013 Budget	FY2014 Budget	FY2015 Proposed
Pension Payments	$ 58,214.1	$ 57,207.0	$ 60,522.7	$ 60,858.6	$ 57,622.6	$ 57,037.0	$ 57,073.5
Debt Service Payments	$ 54,549.4	$ 73,230.0	$ 79,446.1	$ 88,596.2	$ 78,781.7	$ 84,332.2	$ 94,515.8
Total	**$ 112,763.5**	**$ 130,437.0**	**$ 139,968.8**	**$ 149,454.8**	**$ 136,404.3**	**$ 141,369.2**	**$ 151,589.3**

Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, p. 45; Cook County FY2014 Appropriation Bill, Revenue Estimates, p. 40; Communication between Civic Federation and Cook County Department of Budget and Management Services, November 6, 2014.

The actual amount of County resources devoted to the Health System can differ from the tax allocation if actual expenditures and revenues differ from the budgeted amounts. The financial adjustment for the difference between the tax allocation and actual resources used for the Health System's annual operation is the Health System's surplus or deficit.

The following table shows the System's surplus or deficit from FY2009 to FY2014.

Cook County Health and Hospitals System Operating Results FY2009-FY2014 (in $ thousands)						
	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Estimated
Operating Revenues	$ 686,893.6	$ 541,183.2	$ 487,786.2	$ 584,763.7	$ 673,903.2	$ 1,234,191.8
Expenditures	$ 930,614.8	$ 952,592.7	$ 864,428.7	$ 865,022.9	$ 961,668.7	$ 1,409,115.2
Operating Surplus (Deficit)	**$ (243,721.2)**	**$ (411,409.5)**	**$ (376,642.5)**	**$ (280,259.2)**	**$ (287,765.5)**	**$ (174,923.4)**
County Tax Allocation*	$ 481,457.1	$ 389,113.2	$ 276,257.4	$ 253,771.0	$ 251,544.0	$ 175,000.0
Surplus (Deficit)**	**$ 237,735.9**	**$ (22,296.3)**	**$ (100,385.1)**	**$ (26,488.2)**	**$ (36,221.5)**	**$ 76.6**

*Does not include County pension contributions and debt service payments.

**Surplus or deficit represents adjustment of Health System unrestricted net position to account for increase or decrease in resources used by Health System in comparison to County tax allocation.

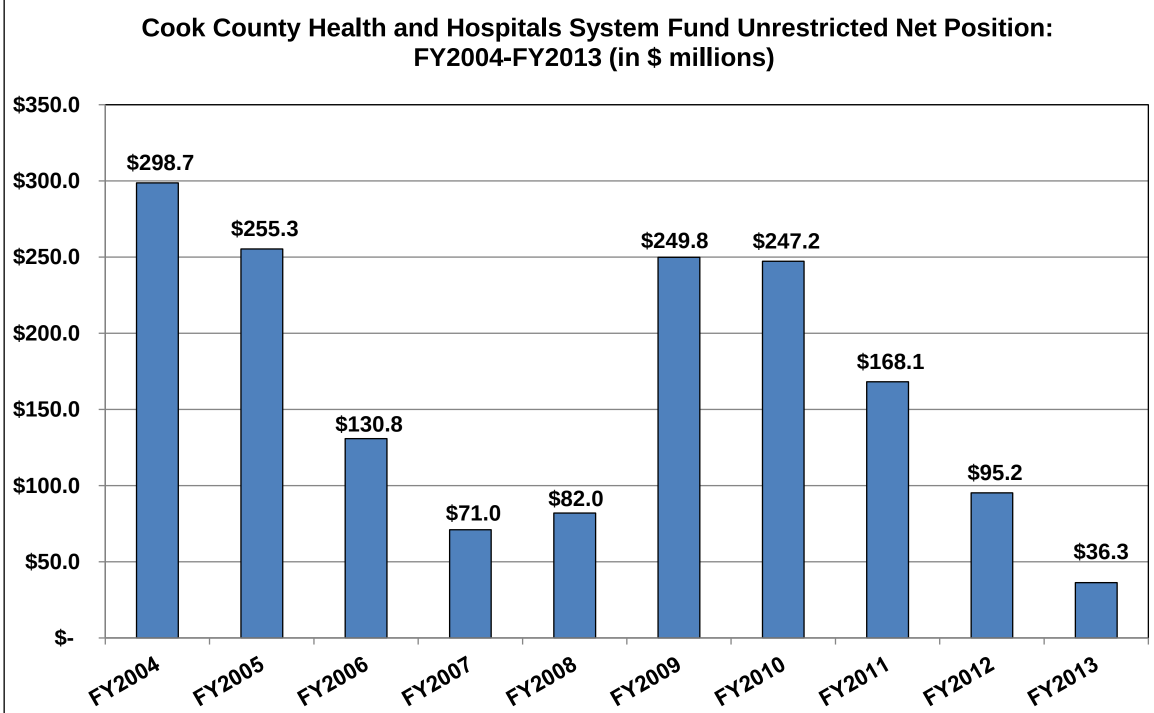
Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, pp. 34 and 45; Cook County FY2014 Executive Budget Recommendation, Revenue Estimates, p. 40; Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, p. 14; Communication between Civic Federation and Cook County Health and Hospitals System, September 23, 2014; Communication between Civic Federation and Cook County Department of Budget and Management Services, November 3, 2014.

The surplus of $237.7 million in FY2009 was mainly related to the receipt of retroactive DSH payments, as discussed above. From FY2010 through FY2013, the Health System's actual revenues were less than budgeted revenues, resulting in deficits. The Health System is projected to end FY2014 with a slight surplus of $76,600.

The Health System is accounted for as an enterprise fund in the County's Comprehensive Annual Financial Reports (CAFRs). Deficits and surpluses are subtracted from or added to the Health System's unrestricted net position. As of November 30, 2013, the Health System had an unrestricted net position of $36.3 million, down from $95.1 million in FY2012.[131]

[131] Cook County FY2012 Comprehensive Annual Financial Report, p. 9.

The following chart shows the Health System's unrestricted net position from the end of FY2004 to the end of FY2013. It should be noted that budgetary accounting and CAFR accounting are not comparable; the table below is intended to show general trends in the Health System's reserves.



Source: Cook County Comprehensive Annual Financial Reports, FY2004 to FY2012; Cook County Health and Hospitals System, Financial Report, November 30, 2013, p. 7.

Health System Personnel

The FY2015 budget includes 6,745.1 full-time equivalent positions (FTEs) for the Health System, up by 1.0 FTEs from 6,744.1 in FY2014.[132] However, approximately 1,100 positions were vacant when the budget was prepared.[133]

[132] Cook County FY2015 Executive Budget Recommendation, Expenditures, p. 90. Like the rest of this section, the discussion of Health System personnel is based only on the Health Fund. The Special Purpose Funds associated with the Health System have 39.0 FTEs in the FY2015 budget recommendation.
[133] Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, August 15, 2014, p. 15.

The following table shows Health System position numbers from FY2011 to FY2015.

Cook County Health and Hospitals System FTEs: FY2011-FY2015									
	FY2011 Adopted	**FY2012 Adopted***	**FY2013 Adopted**	**FY2014 Adopted**	**FY2015 Proposed**	**Two-Year # Change**	**Two-Year % Change**	**Five-Year # Change**	**Five-Year % Change**
Health System Administration	554.3	581.0	608.0	647.0	401.8	(245.2)	-37.9%	(152.5)	-27.5%
Cermak Health Services	516.0	527.0	502.1	578.4	615.0	36.6	6.3%	99.0	19.2%
JTDC Health Services	36.8	37.0	36.0	37.0	37.0	0.0	0.0%	0.2	0.5%
Provident Hospital	462.9	468.0	383.0	357.5	386.0	28.5	8.0%	(76.9)	-16.6%
Ambulatory and Community Health Network	705.1	677.3	652.0	620.0	855.7	235.7	38.0%	150.6	21.4%
CORE Center	67.4	70.0	66.0	69.3	75.0	5.7	8.2%	7.6	11.3%
Department of Public Health	170.8	176.0	155.0	148.0	125.0	(23.0)	-15.5%	(45.8)	-26.8%
Managed Care	0.0	0.0	247.0	266.3	30.0	(236.3)	-88.7%	30.0	n/a
Stroger Hospital	3,614.9	4,184.0	3,903.0	3,905.6	4,108.6	203.0	5.2%	493.7	13.7%
Oak Forest Health Center**	509.9	337.5	116.0	115.0	111.0	(4.0)	-3.5%	(398.9)	-78.2%
Total	**6,638.1**	**7,057.8**	**6,668.1**	**6,744.1**	**6,745.1**	**1.0**	**0.0%**	**107.0**	**1.6%**

*In FY2012 most vacant and new positions were funded at 0.2 FTEs. The fully funded FTE number would have been 6,240.9.

**Oak Forest Hospital was renamed Oak Forest Health Center in FY2011. Healthcare positions at Oak Forest Health Center were moved to the budgets of Stroger Hospital and ACHN in FY2013. Remaining positions at Oak Forest are connected with operating the campus.

Source: Cook County FY2015 Executive Budget Recommendation, Proposed Expenditures, p. 90.

The number of positions budgeted for Health System administration declines by 245.2 in FY2015, reflecting a reallocation of pharmacy FTEs to Stroger and Provident Hospitals and Cermak Health Services.[134] An increase of 235.7 positions at ACHN is related to the reallocation of CountyCare personnel to the System's clinics, which is in line with their actual duties.[135] A decrease of 23.0 positions at the Department of Public Health reflects a shift of those FTEs to the clinic network in an attempt to improve care coordination.[136]

The Health System's hiring plan calls for filling 500 vacancies by the end of FY2015 at a cost of about $22 million.[137] Dr. Shannon has said that maintaining 600 vacancies, or 8% to 10% of the workforce, is an appropriate goal, in light of industry standards and routine turnover.[138]

Much of the hiring effort is focused on nurses, who account for about one-third of Health System positions.[139] The vacancy rate for front-line nurses is 18.6%.[140] Gaps are filled by hiring nurses from outside agencies and through overtime work. In October the Health System Board approved three-year contracts with seven nurse staffing agencies totaling $8.9 million.[141] Total Health System overtime is budgeted at $25.9 million in FY2015, or 5.5% of regular salaries and wages of $468.5 million.[142]

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[134] Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, August 15, 2014, p. 13.
[135] Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, August 15, 2014, p. 13.
[136] Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, August 15, 2014, p. 13.
[137] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 28, 2014.
[138] Minutes of the meeting of the Human Resources Committee of the Board of Directors of the Cook County Health and Hospitals System, June 20, 2014, p. 2.
[139] Statement by Agnes Therady, Executive Director of Nursing, at meeting of the Board of Directors of the Cook County Health and Hospitals System, July 25, 2014.
[140] Statement by Agnes Therady, Executive Director of Nursing, at meeting of the Board of Directors of the Cook County Health and Hospitals System, July 25, 2014.
[141] Minutes of the meeting of the Finance Committee of the Cook County Health and Hospitals System, p. 19.
[142] Cook County FY2015 Executive Budget Recommendation, Healthcare, p. O-3.

Reducing vacancies could be more challenging in FY2015 due to an increase in retirements. Health System officials expect a surge in retirements if the Illinois General Assembly approves legislation that changes pension benefits.[143] So far in FY2014 through October, an average of 36 employees per month has left the Health System, with 63% of the departures due to retirement.[144]

[143] Statement by CEO Dr. Jay Shannon at the meeting of the Human Resources Committee of the Board of Directors of the Cook County Health and Hospitals System, October 17, 2014.
[144] Cook County Health and Hospitals System Human Resources Committee, *Report by Chief of Human Resources*, November 7, 2014, p. 9.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[145] Fund balance is an important financial indicator for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities. It is more a measure of liquidity than of net worth.[146] It can be thought of as the savings account of the local government.

This section discusses three aspects of fund balance: recent changes to fund balance reporting, fund balance policy and definitions and an analysis of Cook County's fund balance levels.

Recent Changes to Fund Balance Reporting

Beginning in FY2011, Cook County's audited financial statements include a modification in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[147]

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[148]

Components of Fund Balance

GASB Statement No. 54 created five components of fund balance, though not every government or governmental fund will report all components. The five components are:

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment.
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments.

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[145] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[146] Stephen J. Gauthier, *The New Fund Balance,* Chicago: GFOA, 2009, p. 34.
[147] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.
[148] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009.

- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation.
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance.
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[149]

Historically, the focus of the Civic Federation fund balance analysis has been on the unreserved general fund balance. Given the components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's unrestricted fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are synonymous.[150]

In the interest of government transparency, the Civic Federation recommends when possible, all local governments provide ten years of fiscal data in the GASB Statement No. 54 format in the statistical section of their audited financial statements. A multi-year trend analysis of the County's fund balance levels including the most recent FY2011- FY2013 numbers is not possible because the data has been classified differently with the implementation of GASB Statement No. 54. For instance, Cook County previously reported the Emergency Management Agency and Capital Litigation Funds as Special Revenue Funds; however, with the implementation of GASB Statement No. 54, these funds are now reported as part of the General Fund. Therefore, a restatement of prior years' fiscal data according to the new categorization of the County's funds is warranted in order to conduct a thorough trend analysis.

Cook County Financial Policy and GFOA Best Practices

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." [151] Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller size reserve may be appropriate for the largest governments. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.[152]

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[149] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009.
[150] Stephen J. Gauthier, *The New Fund Balance,* Chicago: GFOA, 2009, p. 34.
[151] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[152] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

In its Executive Budget Recommendation, the County includes a policy statement regarding fund balance, or financial reserve, in the Financial Policies section. The policy states that the County must maintain "an unassigned fund balance in the General Fund of no less than one month, with a targeted goal of two months, of the prior year audited General Fund operating expenditures." If the unassigned fund balance drops below the level equal to one month of audited General Fund expenditures, the policy also requires the County to develop a plan to replenish the fund balance and incorporate the plan into budget preparation.[153]

General Fund Fund Balance Ratio

Cook County's General Fund consists of five accounts: Corporate, Public Safety, Self-Insurance, Capital Litigation and the Emergency Management Agency.[154] The chart below displays the General Fund fund balance as a ratio of General Fund unrestricted fund balance to operating expenditures for FY2011 – FY2013, according to the reporting standards of GASB No. 54. Over the past three years, Cook County's unrestricted General Fund fund balance ratio has remained substantial, but below the GFOA's recommended level, fluctuating from 14.2% in FY2011 to 10.9% in FY2013.

Cook County Unrestricted General Fund Fund Balance Ratio: FY2011 - FY2013

	Unrestricted General Fund Fund Balance	Operating Expenditures	Ratio
FY2011	$ 197,104,388	$ 1,386,073,338	14.2%
FY2012	$ 194,691,967	$ 1,334,180,931	14.6%
FY2013	$ 145,262,944	$ 1,335,220,403	10.9%

Source: Cook County, Comprehensive Annual Financial Reports, FY2011, pp. 29 & 32; FY2012, pp. 30 & 33; FY2013, pp. 31 & 33.

The unassigned portion of the FY2013 unrestricted General Fund fund balance is $123,292,490 which is greater than the required amount equal to one month of operating expenditures, $111,268,367, according to the County's fund balance policy. While Cook County does not meet the GFOA recommended fund balance level, the County has observed its own fund balance policy for the last three years.

As is presented in the table below, from FY2002 to FY2006, Cook County's General Fund maintained an unreserved fund balance ranging from 17.1% to 19.7% of expenditures, reflecting a level of reserves that exceeded the GFOA's minimum standard. However, from FY2007 to FY2010 the fund balance ratio declined below that standard. Between FY2006 to FY2008, the unreserved fund balance declined from $259.5 million to $103.6 million, a 60.1% decrease.

The Cook County FY2009 Comprehensive Annual Financial Report initially reported a fund balance of $142.5 million, or 11.2% of operating expenditures in reserves. However, after further review, it was discovered in June 2011 that this fund balance was calculated in error.[155] The

[153] Cook County FY2014 Executive Budget Recommendations, Financial Policies, p. 268.

corrected FY2009 General Fund Balance is reported to be $51.3 million, or 4.1% of FY2009 operating expenditures.

At FY2010 year-end, the County's fund balance dropped to its lowest amount since 2002 – $30.8 million, or 2.3% of total operating expenditures.

General Fund* Unreserved Fund Balance			
FY2002-FY2010			
	General Fund Balance	Actual Expenditures	Ratio
FY2002	$ 206,477,041	$ 1,101,908,206	18.7%
FY2003	$ 188,564,680	$ 1,104,266,689	17.1%
FY2004	$ 226,636,823	$ 1,157,661,049	19.6%
FY2005	$ 221,838,393	$ 1,194,257,547	18.6%
FY2006	$ 259,516,065	$ 1,316,014,115	19.7%
FY2007	$ 203,554,454	$ 1,309,985,163	15.5%
FY2008	$ 103,565,761	$ 1,279,065,307	8.1%
FY2009**	$ 51,335,834	$ 1,266,752,817	4.1%
FY2010	$ 30,798,552	$ 1,320,303,924	2.3%

*Includes Corporate, Public Safety, Self-Insurance, Capital Litigation and Emergency Management Agency Accounts (except for years FY2002-FY2005 when the Self-Insurance Account was not included in the General Fund).

**FY2009 General Fund Fund Balance reflects the restated figure as reported in the Cook County FY2010 CAFR,Statistical Section, Schedule S-3, p. 225. The previously reported fund balance in the Cook County FY2009 CAFR was found to be in error. The Statistical Section of the FY2010 CAFR was referenced in this analysis because an updated version of the FY2009 CAFR is not available.

Note: FY2001 figure is not included in chart because different accounting standards were used in FY2001 as compared to FY2002 and later years.

Source: Cook County CAFRs, FY2002-FY2010.

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154 Cook County FY2012 Comprehensive Annual Financial Report, p. 8. The General Fund includes the Cook County Health and Hospitals System. For the first time, the FY2014 budget separates the Health Fund out from the General Fund as a separate fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures. It should be noted that this change was not in effect as of FY2013 Comprehensive Annual Financial Report, on which this analysis of fund balance is based. See the Appropriations section on page 24 for more information.

155 Letter from the Cook County Bureau of Finance regarding FY2009 CAFR errors, issued June 10, 2011, http://www.cookcountygov.com/taxonomy2/Finance,%20Bureau%20of/PDF/cc_2009CAFR_Letter.pdf.

COOK COUNTY PENSION FUND

The Civic Federation analyzed four indicators of the fiscal health of Cook County's pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators up to FY2013, the most recent year for which audited data are available, and describes Cook County pension benefits.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[156] Plan benefits and contribution amounts can only be amended through State legislation.[157] The fiscal year of the Cook County pension fund is January 1 to December 31.[158]

The Cook County pension fund is governed by a nine-member Board of Trustees.[159] As prescribed in state statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including new members of the Cook County pension fund.[160] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of

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[156] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2013, p. 9.

[157] The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

[158] This is different from the fiscal year of Cook County, which is December 1 to November 30.

[159] The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however, and is not included in this analysis. For more information, see the Civic Federation's annual Status of Local Pension Funding report, http://www.civicfed.org/civic-federation/publications/StatusOfLocalPensionFundingFY2012.

[160] A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

service and a $74,000 final average salary could retire with a $53,280 annuity: 30 x $74,000 x 2.4% = $53,280.[161] The annuity increases every year by an automatic compounded 3.0%.

Tier 1 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 for Cook County, the reduction of final average salary from the highest four year average to the highest eight year average, the $106,800 cap on pensionable salary and the reduction of the automatic annuity increase from 3% compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.[162]

Major Cook County Benefit Provisions for Regular Employees

	Tier 1 Employees (hired before 1/1/2011)	Tier 2 Employees (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; pensionable salary capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	same as current employees
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	same as current employees
Annuity Automatic Increase on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary with 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

Note: This table does not show benefits for Cook County Sheriff's Police or elected officials.

*The $106,800 maximum pensionable salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U.

Note: Tier 2 employees are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2013; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

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161 The average FY2013 salary of Cook County employees 60-64 years old with 30-34 years of service was $75,440 so $74,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2013, p. 28.

162 An alternate annuity for county officers was available for Cook County officials who came into office on or before January 1, 2008. This benefit was eliminated for officials hired after January 1, 2008 via Public Act 95-0654. Another optional pension plan 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. 40 ILCS 5/9-179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40. For more about these alternative pension options, see the Civic Federation's analysis of the FY2014 proposed county budget.

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

The County introduced a package of pension reforms including changes to current employees' retiree benefits and an increase to employee and employer contributions to the fund, House Bill 1154, Senate Amendment 2, in the final days of the spring 2014 legislative session. The bill passed the Senate, but was not brought to a vote in the House before adjournment. President Preckwinkle has said the County will continue to pursue passage of the reforms during the General Assembly's veto and lame duck sessions in November 2014 and January 2015, respectively. The following chart outlines the major provisions of the reform package.

In addition, the legislation would include an increase to the County's employer contribution by $146.9 million in FY2016.

<table>
<tr><th colspan="3">Proposed Employee Benefit Changes Under House Bill 1154 (1/2)</th></tr>
<tr><th>Plan Components</th><th>Current Plan</th><th>Reform Plan</th></tr>
<tr><td rowspan="2">Automatic Annual Increase (AAI)</td><td>Tier 1: 3% compounded</td><td>Tier 1: 1/2 CPI compounded with a 2% floor and 4% ceiling; increases to 1/2 CPI compounded with 3% floor and 4% ceiling when funded ratio reaches 100%.</td></tr>
<tr><td>Tier 2: Lesser of 3% or 1/2 CPI simple</td><td>Tier 2: Lesser of 3% or 1/2 CPI, simple; increases to 1/2 CPI simple with 2% floor and 4% ceiling when funded ratio reaches 100%</td></tr>
<tr><td>AAI Pause/Freeze</td><td>None</td><td>Tier 1 and Tier 2: First COLA increase delayed by one year and pro-rated by retirement month</td></tr>
<tr><td rowspan="3">Retirement Age</td><td rowspan="2">Tier 1 with 30-year service: Age 50
Tier 1 Police: Age 50 (with 20 years of service)
Other Tier 1 employees: Age 60</td><td>Tier 1 employees with 30 or more years of service: Public Safety retirement ages are unchanged and other Tier 1 employees increase to age 55, phased in over 10 years</td></tr>
<tr><td>Tier 1 employees with less than 30 years of service: Public Safety retirement age increases to age 62, phased in over 4 years; other Tier 1 employees increase to age 65, phased in over 10 years.</td></tr>
<tr><td>Tier 2: Age 67</td><td>Public Safety reduced to 62
Other Tier 2 employees reduced to 65, tied to Medicare eligibility</td></tr>
</table>

Proposed Employee Benefit Changes Under House Bill 1154 (2/2)		
Employee Contribution	Tier 1 and 2: 9% for Sheriff's police; 8.5% for other employees	Tier 1 and 2: Increases to 9.5% in 2015 and 10.5% in 2016 and beyond*
Service Accrual Rate (Multiplier)	Tier 1 and 2: 2.4%	Tier 1 and 2: decreases to 2.3% from 1/1/2015 forward
Final Average Salary	Tier 1: Highest 4 years of last 10 Tier 2: Highest 8 years of last 10	Tier 1 and 2: Highest 8 years of last 10, phased in for Tier 1s between 1/1/2016 and 1/1/2019
Pensionable Salary Cap	Tier 1: None Tier 2: $106,800 in 2011, growing by 1/2 CPI	Tier 1 and 2: Cap is the greater of i) the Social Security Cap or ii) current salary on 1/1/2015 adjusted at the lesser of 1/2 CPI or 3% in future years
Downside Adjustments	None	Starting in 2020, if funded ratio falls to 59% or less, AAIs are suspended for all retirees and pension accrual for current employees decreases to 2.2% until funded ratio rises above 59%

* Police may request a refund of excess 0.5% contributions

Sources: House Bill 1154, Senate Amendment 2; Cook County Proposed Pension Reform Summary distributed with Press Release, "Cook County Pension Reform Legislation Expected to be Introduced in Springfield Today," May 27, 2014.

Membership

In FY2013 the fund had 21,079 active employee members and 16,885 beneficiaries for a ratio of 1.25 active members for every beneficiary. This ratio has fallen from 1.88 in FY2004 as the number of active members has declined and the number of beneficiaries has risen. This trend puts financial stress on the fund as there are fewer employees contributing to the fund and more annuity payments to make.

Cook County Pension Fund Membership: FY2004-FY2013			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2004	25,848	13,782	1.88
FY2005	25,726	13,926	1.85
FY2006	25,555	14,173	1.80
FY2007	23,456	14,469	1.62
FY2008	23,436	14,745	1.59
FY2009	23,570	14,915	1.58
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
FY2012	21,187	16,434	1.29
FY2013	21,079	16,885	1.25
10-Year Change	**-4,769**	**3,103**	**-0.6**
10-Year % Change	**-18.5%**	**22.5%**	**-33.4%**

Note: Fiscal year of pension fund is January 1 to December 31.
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2004-FY2013.

Funded Ratios

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show 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 of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[163] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 70.9% in FY2004 and reached a high of 77.3% in FY2007 before falling to 53.5% in FY2012 and rebounding slightly to 56.6% in FY2013. The market value funded ratio rose from 70.0% in FY2004 to a high of 77.4% in fiscal years 2006 and 2007 before falling to 54.8% in FY2008 and staying fairly flat thereafter, reaching 60.3% in FY2013. The sizeable difference between FY2008 actuarial and market value funded ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years. The smoothing effect of actuarial valuation of assets is also why the FY2013 actuarial value is lower than the market value. The FY2013 actuarial value is still taking into account some of the loss in value from FY2011 and only reflects some of the growth from high investment returns in FY2009, FY2010, FY2012 and FY2013.

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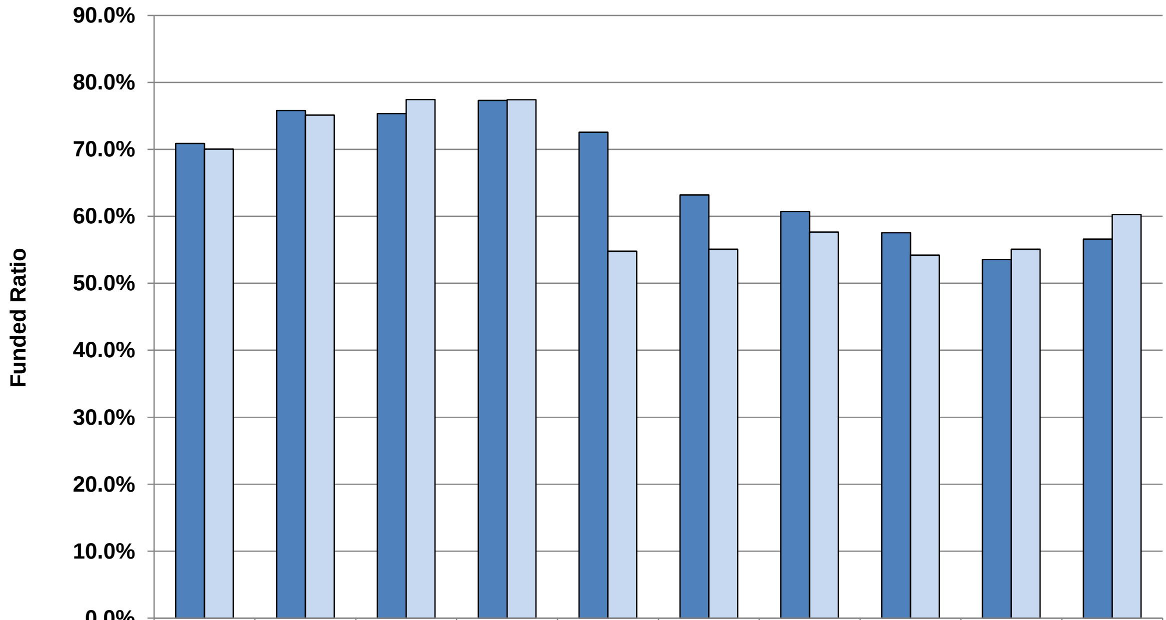
[163] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012*, October 2, 2014.

Cook County Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets: FY2004-FY2013



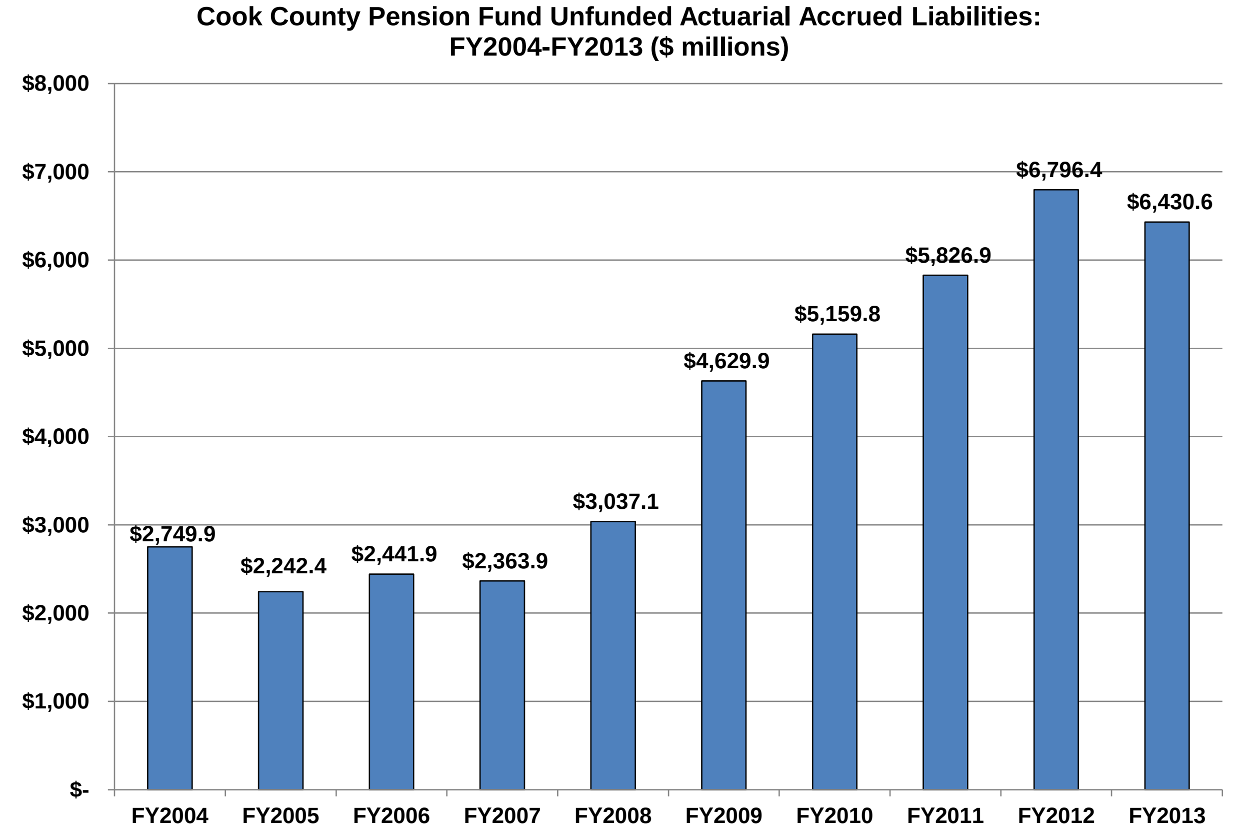
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Actuarial Value	70.9%	75.8%	75.3%	77.3%	72.6%	63.2%	60.7%	57.5%	53.5%	56.6%
Market Value	70.0%	75.1%	77.4%	77.4%	54.8%	55.1%	57.6%	54.2%	55.1%	60.3%

Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2004-FY2013.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liability for Cook County's pension fund totaled $6.4 billion in FY2013, up from $2.7 billion in FY2004. The FY2013 unfunded liability is down by over $365.7 million from the previous year due to strong investment returns and better than expected demographic results, particularly salary increases that were less than expected.[164]

[164] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2013, p. 6.



Note: Unfunded liabilities are on a market value basis.
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2004-FY2013.

The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2005. The largest contributor to the $3.7 billion growth in unfunded liabilities between the beginning of FY2005 and the end of FY2013 was shortfall in employer contributions as compared to the annual required contribution (ARC),[165] which added $2.4 billion to the unfunded actuarial accrued liability over nine years. The second largest contributor was investment returns failing to meet the expected rate of return.[166] This added nearly $1.8 billion to the UAAL.

[165] See page 77 for more information on ARC.
[166] The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2013*, October 2, 2014.

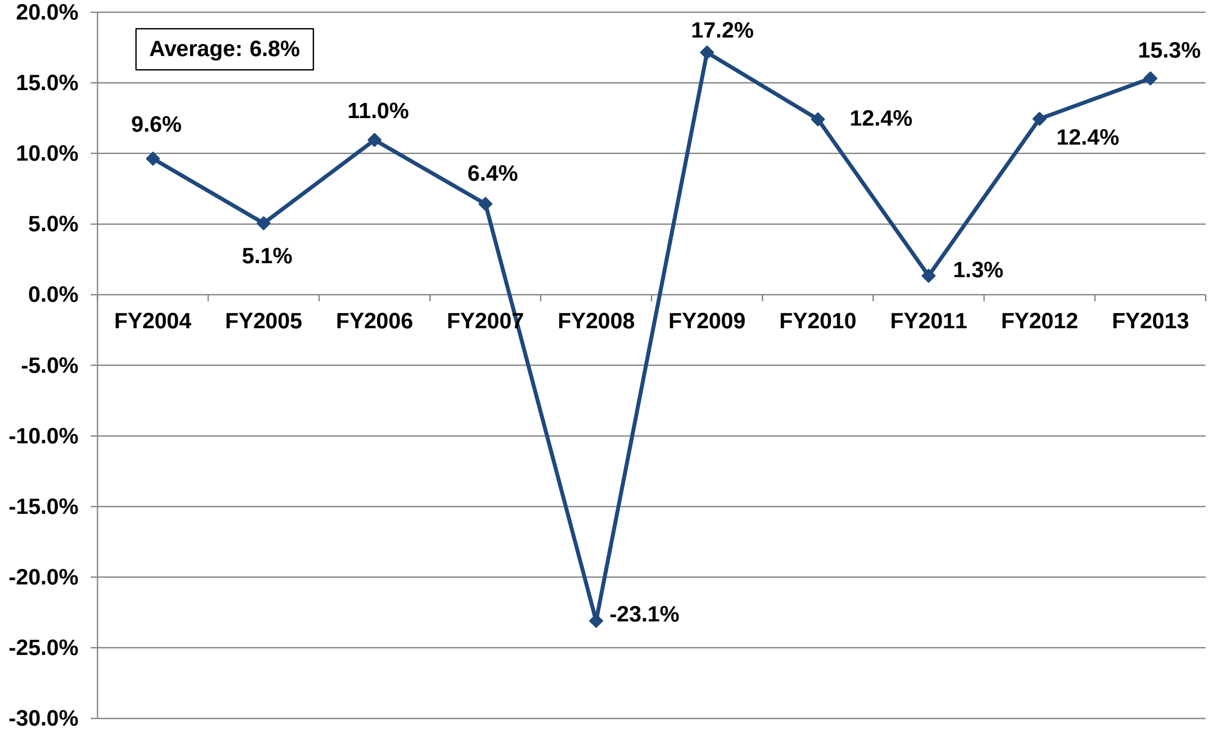
Reasons for Change in Unfunded Actuarial Accrued Liability							
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	**Investment Return Lower/(Higher) Than Assumed**	**Salary Increase (Lower)/Higher Than Assumed**	**Retiree Health Insurance Premium Lower/(Higher) Than Assumed**	**Change in Actuarial Assumptions or Methods**	**Other**	**Total Net UAAL Change**
FY2005	$ 181,602,475	$ 196,928,921	$ (120,058,069)	$ -	$ (729,557,335)	$ (36,418,972)	**$ (507,502,980)**
FY2006	$ 152,221,465	$ 47,913,709	$ (43,191,730)	$ -	$ -	$ 42,515,613	**$ 199,459,057**
FY2007	$ 135,979,428	$ (118,960,238)	$ 78,765,800	$ (103,261,032)	$ -	$ (70,568,914)	**$ (78,044,956)**
FY2008	$ 198,154,784	$ 481,086,534	$ 160,614,779	$ -	$ -	$ (166,599,641)	**$ 673,256,456**
FY2009	$ 258,309,848	$ 534,155,051	$ (138,750,205)	$ -	$ 810,786,835	$ 128,340,572	**$ 1,592,842,101**
FY2010	$ 349,354,012	$ 364,312,504	$ (185,530,277)	$ -	$ -	$ 1,683,624	**$ 529,819,863**
FY2011	$ 371,793,485	$ 459,875,129	$ (138,554,686)	$ -	$ -	$ (25,972,161)	**$ 667,141,767**
FY2012	$ 252,886,106	$ 376,601,751	$ 34,073,219	$ -	$ -	$ 305,896,670	**$ 969,457,746**
FY2013	$ 513,419,056	$ (586,433,767)	$ (184,385,510)	$ -	$ -	$ (108,324,418)	**$ (365,724,639)**
9-Year Total	**$ 2,413,720,659**	**$ 1,755,479,594**	**$ (537,016,679)**	**$ (103,261,032)**	**$ 81,229,500**	**$ 70,552,373**	**$ 3,680,704,415**

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2005-FY2013.

Investment Rate 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. Between FY2004 and FY2013 the Cook County pension fund's average annual rate of return was 6.8%.[167]

Returns ranged from a high of 17.2% in FY2009 to a low of -23.1% in FY2008 due to the financial market crisis and corresponding sharp decline in equities. Returns rebounded in FY2009 and FY2010 only to decline to 1.3% in FY2011, reflecting national public pension fund trends of low investment returns for 2011.[168] Returns again rebounded in FY2012 and FY2013.



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2004-FY2013.

[167] The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income/ (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets – Current Year Gross Investment Income)). This is not necessarily the formula used by the pension fund's actuary and investment managers, thus investment rates of return reported here may differ from those reported in a fund's actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.

[168] National Association of State Retirement Administrators, "NASRA Issue Brief: Public Pension Plan Investment Return Assumptions." August 2012. According to this report, the median annualized investment returns for U.S. public pension funds in 2011 was 0.8%.

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). The 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.[169] Normal cost is the portion of the present value of pension plan benefits and administrative expenses that 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 Cook County 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. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years earlier.[170] The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.

Before examining the ARC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the retirement systems of large governments—those with over $100 million in annual revenue—to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree health care on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets—often a long-term money market rate of roughly 4.5%.

In order to comply with these accounting standards, the Cook County pension fund produces three separate actuarial valuations: one valuation of pension liabilities using a 7.5% discount rate, another valuation of OPEB liabilities using a 4.5% discount rate and a "combined" valuation using a 7.5% discount rate for both pension and OPEB liabilities. The Cook County pension fund considers the "combined" valuation to be the best reflection of its assets and

[169] The ARC reporting requirement was established by GASB Statements No. 25 and 27. GASB Statements No. 67 and 68 will end the requirement for ARC disclosure for fiscal year 2014 financial statements of the fund and the fiscal year 2015 financial statement of Cook County. No widely accepted substitute measure of a government's annual pension funding adequacy has been proposed.

[170] 40 ILCS 5/9-169.

liabilities because the pension and OPEB benefits are paid from the same asset pool.[171] However, the separate pension and OPEB valuations done for GASB purposes are the ones used to compute the net pension and OPEB obligations of Cook County government that appear on the government's balance sheet.

The table below shows only the "combined" valuation comparison of the ARC to the actual Cook County contribution over the last ten years.[172] The employer contribution did not equal 100% of the ARC in any of the years FY2004 through FY2013. In FY2004 the $202.0 million employer contribution represented 44.2% of the ARC, meaning that $255.5 million more would need to have been contributed to meet the ARC that year. In FY2013 the $187.8 million employer contribution represented only 26.1% of the ARC for the "combined" valuation of pension and OPEB, for a shortfall of $532.1 million that year. The cumulative ten-year difference between ARC and actual employer contribution for "combined" pension and OPEB is a $3.1 billion shortfall. In 2013 the combined ARC for pension and OPEB was $719.9 million, or nearly four times the actual employer contribution of only $187.9 million.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2004 the ARC was 33.4% of payroll while the actual employer contribution was 14.7% of payroll. In FY2013 the "combined" pension and OPEB ARC was 48.5% of payroll, while the actual employer contribution was 12.7% of payroll.

Cook County Pension Fund
Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation

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
2004	$ 457,427,014	$ 201,957,937	$ 255,469,077	44.2%	$ 1,371,540,481	33.4%	14.7%
2005	$ 428,971,126	$ 218,292,478	$ 210,678,648	50.9%	$ 1,387,459,142	30.9%	15.7%
2006	$ 398,340,979	$ 225,438,363	$ 172,902,616	56.6%	$ 1,412,878,627	28.2%	16.0%
2007	$ 421,092,345	$ 261,534,551	$ 159,557,794	62.1%	$ 1,370,844,734	30.7%	19.1%
2008	$ 406,625,773	$ 188,008,670	$ 218,617,103	46.2%	$ 1,463,372,408	27.8%	12.8%
2009	$ 468,181,943	$ 188,285,316	$ 279,896,627	40.2%	$ 1,498,161,713	31.3%	12.6%
2010	$ 572,318,384	$ 184,722,634	$ 387,595,750	32.3%	$ 1,494,093,569	38.3%	12.4%
2011	$ 613,952,848	$ 198,837,424	$ 415,115,424	32.4%	$ 1,456,444,123	42.2%	13.7%
2012	$ 655,800,100	$ 190,720,776	$ 465,079,324	29.1%	$ 1,478,253,368	44.4%	12.9%
2013	$ 719,890,057	$ 187,817,644	$ 532,072,413	26.1%	$ 1,484,269,715	48.5%	12.7%

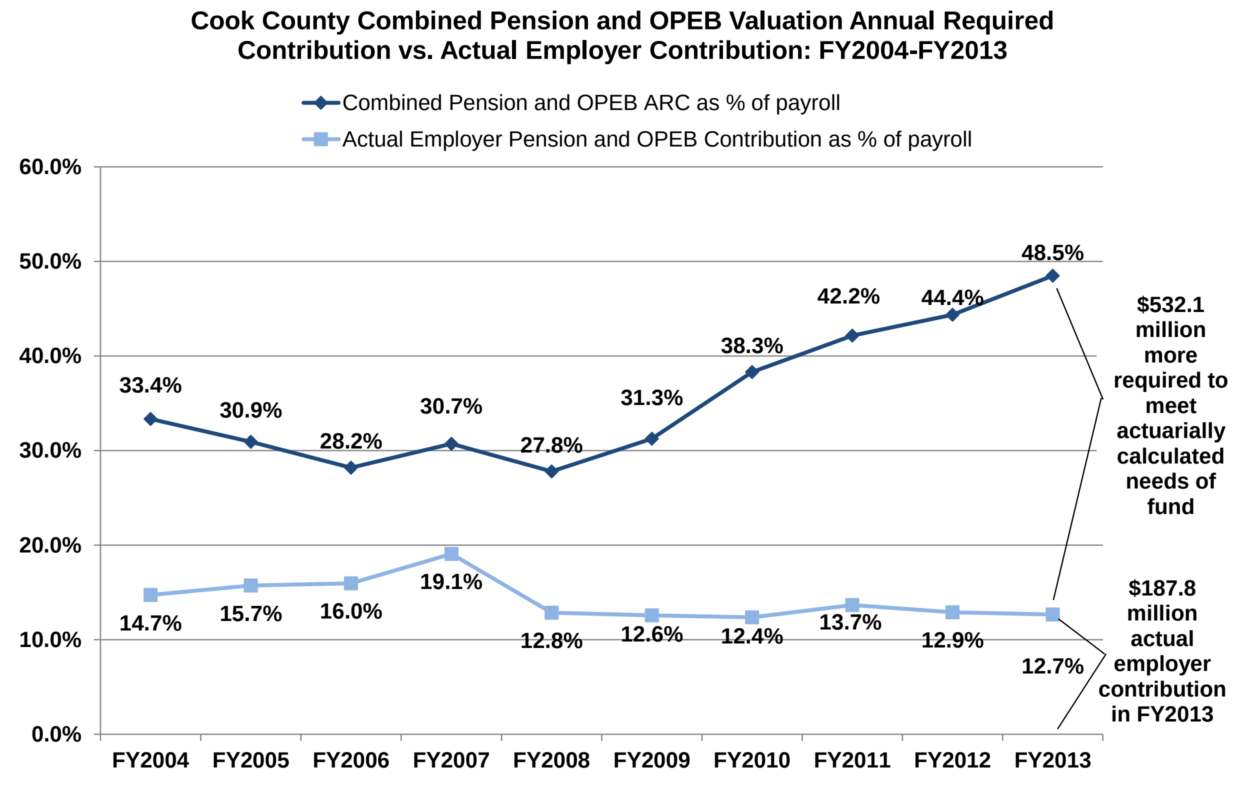
Note: This combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.

Source: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, p. 22-23; Financial Statements as of December 31, 2013, p. 26.

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 18.7% of payroll, or $255.5 million, in FY2004 to 35.8% of payroll in FY2013. 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 Cook

[171] Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.
[172] The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund's financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

County would have needed to contribute an additional 35.8% of payroll, or $532.1 million, in FY2013.



Note: The combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.
Sources: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, pp. 22 and 23; and Financial Statements as of December 31, 2013, p. 26.

Cook County has consistently levied and contributed its statutorily required amount of 1.54 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 FY2014, Cook County would need to levy property taxes equal to a tax multiple of 5.01 rather than 1.54.[173]

Other Post Employment Benefits

State statute permits the Cook County pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the County's employee health insurance plans.[174] The Cook County pension fund currently subsidizes roughly 54% of retiree premiums (including dependent coverage) and 69% of surviving spouse premiums (including dependent

[173] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2013, p. 7.
[174] 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.

coverage). The remaining premium amount is paid by the participant.[175] The subsidy is funded on a pay-as-you-go basis from the same asset pool used to pay pension benefits; a separate irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

Cook County government does not directly contribute to the retirees' premium costs. However, as the employer sponsor of the pension plan, the County 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 County's financial statements is roughly equal to the cost of the premium subsidy.[176]

In 2013 there were 8,536 retiree and surviving spouse participants whose health plan costs were subsidized by the pension fund.[177] This is an increase of 357 participants over the prior year. Retiree health plan data was first disclosed in Cook County's FY2007 financial statements.

Cook County Pension Fund Retiree Health Plan Participants: FY2006-FY2013

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Retiree and Surviving Spouse Participants	7,132	7,459	7,300	7,367	7,554	7,925	8,179	8,536

Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements, FY2007, p. 18; FY2009, p. 20; FY2011, p. 20; and FY2013, p. 21.

[175] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2013, p. 21.
[176] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2013, p. 104.
[177] These figures do not include the retired pension fund employees who also participate in the plan. There were eight such retired participants in FY2013. County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2013, p. 21.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. These include short-term notes, accounts payable, accrued payroll and other current liabilities. Cook County reports a variety of short-term obligations due for the next fiscal year in the statement of net assets included in its Comprehensive Annual Financial Report (CAFR), which include:

- *Accounts payable*: monies owed to vendors for goods and services carried over into the new fiscal year;
- *Accrued salaries payable*: employee pay carried over from the previous year;
- *Amounts held for outstanding warrants*: Cash balance maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputed these claims;[178]
- *Due to other funds, others or other governments*: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Notes payable*: short-term loans due within the next fiscal year;
- *Arbitrage Liability*: The Tax Reform Act of 1986 requires issuers of state and local government bonds to rebate to the federal government arbitrage profits earned on those bonds under certain circumstances. There was no arbitrage liability as of November 30, 2013;[179] and
- *Other liabilities*: include self-insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers' compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

In FY2013 short-term liabilities totaled $147.9 million, a decrease of 22.1%, or $47.0 million, from the prior fiscal year. Since FY2009 short-term liabilities have decreased by $110.3 million or 42.7%. Accounts payable have always been the largest share of short-term liabilities, averaging 54%. The decrease in short-term liabilities is a positive sign and represents an increase in working capital when the current assets level stays the same or increases.

Cook County Short-Term Liabilities in the Governmental Funds : FY2009-FY2013 (in $ thousands)

Type	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accounts Payable	$ 154,153	$ 150,008	$ 130,313	$ 106,186	$ 86,043	$ (20,143)	-19.0%	$ (68,110)	-44.2%
Accrued Salaries Payable	$ 27,078	$ 32,114	$ 52,400	$ 45,949	$ 40,360	$ (5,589)	-12.2%	$ 13,283	49.1%
Amounts held for outstanding warrants	$ 4,045	$ 5,764	$ 6,425	$ 6,580	$ 6,143	$ (437)	-6.6%	$ 2,098	51.9%
Due to Other Funds	$ 2,998	$ 46,787	$ 9,313	$ 5,447	$ 2,413	$ (3,034)	-55.7%	$ (585)	-19.5%
Due to Others	$ -	$ -	$ 12,502	$ 10,718	$ 12,933	$ 2,215	20.7%	$ 12,933	
Due to Other Governments	$ 7,697	$ 54,563	$ 1,467	$ -	$ -	$ -		$ (7,697)	-100.0%
Arbitrage liability	$ 118	$ -	$ -	$ -	$ -	$ -	-	$ (118)	-100.0%
Other liabilities	$ 62,103	$ 16,201	$ -	$ 20,000	$ -	$ (20,000)	0.0%	$ (62,103)	-100.0%
Total	**$ 258,191**	**$ 305,436**	**$ 212,419**	**$ 194,880**	**$ 147,892**	**$ (46,988)**	**-22.1%**	**$ (110,299)**	**-42.7%**

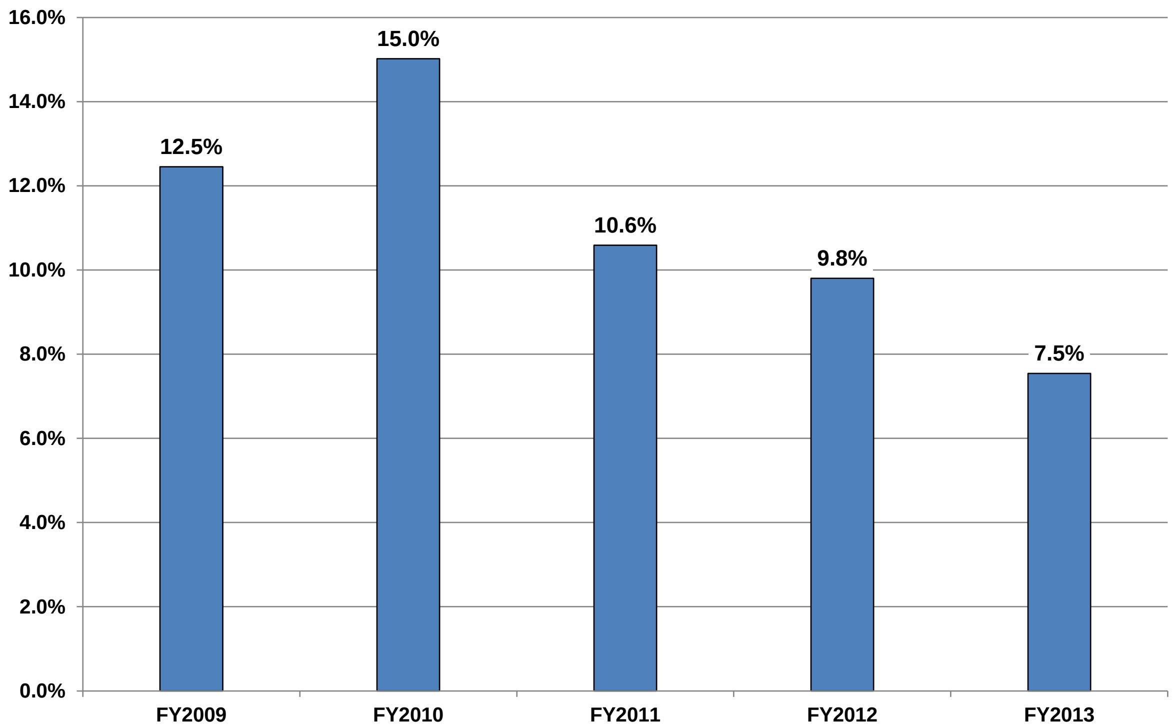
Source: Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets, FY2009 p. 30; FY2010 p.31; FY2011 p. 30; FY2012 p. 31; FY2013 p. 31.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government's future financial difficulties.[180] This indicator, developed by the International City/County Management

[178] Cook County FY2013 CAFR, p. 109.
[179] Cook County FY2013 CAFR, p. 97.
[180] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating*

Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. Cook County's ratio of short-term liabilities to total operating revenue has fluctuated over time. The ratio rose from 12.5% in FY2009 to 15.0% in FY2010. Since FY2011, the ratio has been trending downward to its current its current level of 7.5%. The ratio averaged 10.9% over the five-year period. The significant downward trend in the ratio from FY2010 to FY2013 is a positive sign.

Cook County Short-Term Liabilities in the Governmental Funds as a Percentage of Total Operating Revenues: FY2009-FY2013

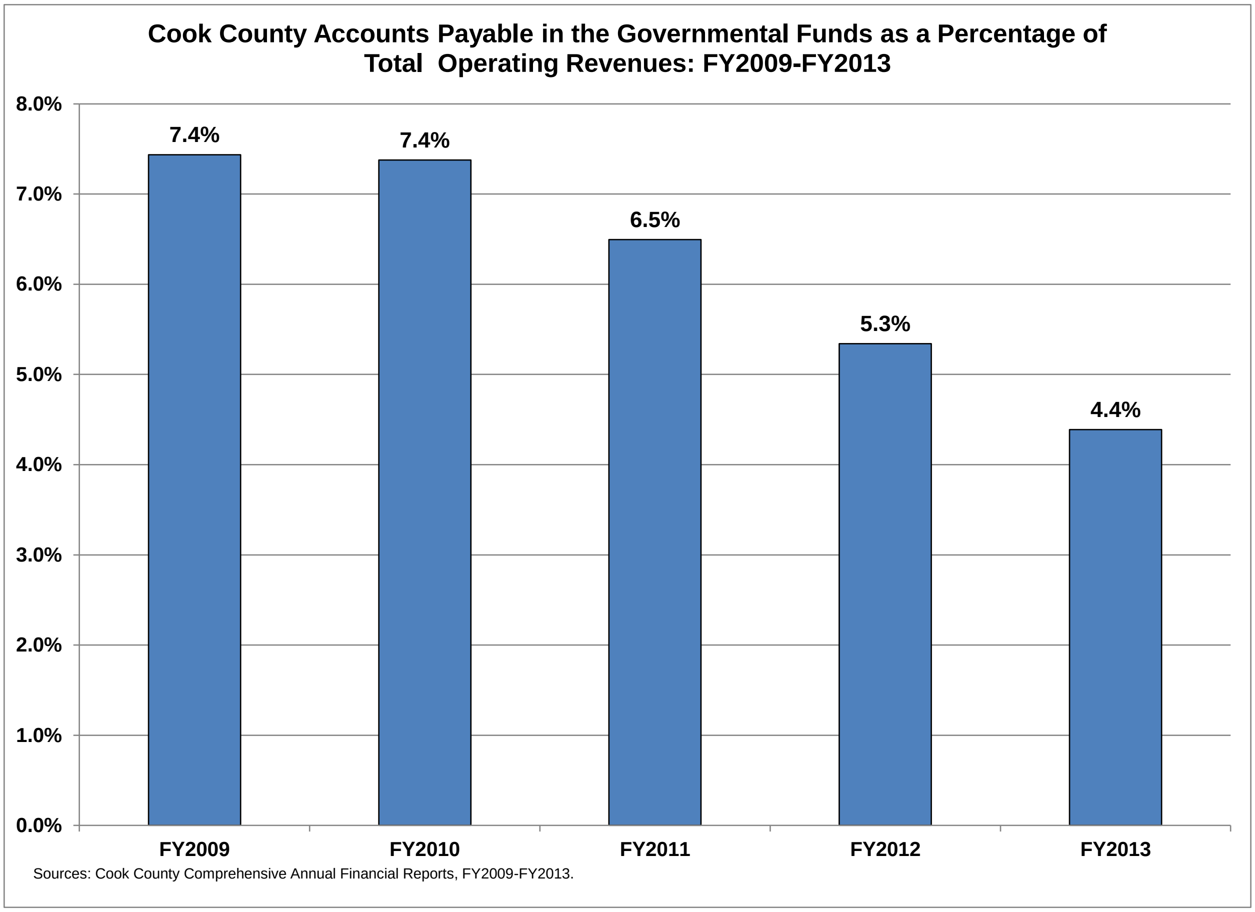


Sources: Cook County Comprehensive Annual Financial Reports, FY2009-FY2013.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable compared to operating revenues may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Cook County's ratio of operating funds accounts payable to operating revenues decreased from 7.4% in FY2009 and FY2010 to 4.4% in FY2013. The ratio has declined significantly during the five-year period reviewed, which is a positive sign.

Financial Condition: A Handbook for Local Government (International City/County Management Association, 2003), pp. 77 and 169.



Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[181]

In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of a government, including:

- *Cash and cash equivalents*: assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including grants, property taxes and accrued interest;

[181] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations.* (Upper Saddle River, NJ, 2001), p. 476.

- *Due from other governments:* Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government; and
- *Due from other funds or others* are receivables from those sources that are outstanding at the end of the fiscal year.

Cook County's current ratio was 11.3 in FY2013, the most recent year for which audited data are available. In the past five years, the ratio rose from 7.6 to 11.3 because even though current assets fell by 14.6%, current liabilities dropped by 42.7%. This is a positive trend. In each of the five years reviewed, it was far above 2.0, indicating that the County had more than sufficient liquidity.

Cook County Current Ratio of the Governmental Funds: FY2009-FY2013
(in $ thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Current Assets									
Cash and investments	$ 468,171	$ 419,717	$ 747,344	$ 588,665	$ 526,435	$ (62,230)	-10.6%	$ 58,264	12.4%
Cash and investments with escrow agent	$ -	$ -	$ 39,131	$ 20,614	$ 6,871	$ (13,743)	-66.7%	$ 6,871	
Cash and investments with trustees	$ 355,656	$ 542,511	$ 461,345	$ 488,619	$ 304,504	$(184,115)	-37.7%	$ (51,152)	-14.4%
Taxes receivable net - tax levy current year	$ 626,637	$ 639,600	$ 600,172	$ 630,919	$ 633,277	$ 2,358	0.4%	$ 6,640	1.1%
Taxes receivable net - tax levy prior year	$ 198,993	$ 253,995	$ 26,460	$ 25,416	$ 21,034	$ (4,382)	-17.2%	$ (177,959)	-89.4%
Accrued interest receivable	$ 61	$ 647	$ 621	$ 1,071	$ 556	$ (515)	-48.1%	$ 495	817.5%
Accounts receivable - due from others	$ 13,176	$ 27,709	$ 25,675	$ 20,447	$ 25,357	$ 4,910	24.0%	$ 12,181	92.4%
Accounts receivable - due from other governments	$ 289,609	$ 194,127	$ 168,493	$ 173,558	$ 149,440	$ (24,118)	-13.9%	$ (140,169)	-48.4%
Due from other funds	$ 679	$ 23,043	$ 3,910	$ 4,583	$ 44	$ (4,539)	-99.0%	$ (635)	-93.5%
Total Current Assets	**$ 1,952,982**	**$ 2,101,349**	**$ 2,073,151**	**$ 1,953,892**	**$ 1,667,518**	**$(286,374)**	**-14.7%**	**$ (285,464)**	**-14.6%**
Current Liabilities									
Accounts payable	$ 154,153	$ 150,008	$ 130,313	$ 106,186	$ 86,043	$ (20,143)	-19.0%	$ (68,110)	-44.2%
Accrued salaries payable	$ 27,078	$ 32,114	$ 52,400	$ 45,949	$ 40,360	$ (5,589)	-12.2%	$ 13,283	49.1%
Amounts held for outstanding warrants	$ 4,045	$ 5,764	$ 6,425	$ 6,580	$ 6,143	$ (437)	-6.6%	$ 2,098	51.9%
Due to other funds	$ 2,998	$ 46,787	$ 9,313	$ 5,447	$ 2,414	$ (3,033)	-55.7%	$ (584)	-19.5%
Due to others	$ -	$ -	$ 12,502	$ 10,718	$ 12,933	$ 2,215	20.7%	$ 12,933	
Due to other governments	$ 7,697	$ 54,563	$ 1,467	$ -	$ -	$ -		$ (7,697)	-100.0%
Arbitrage liability	$ 118	$ -	$ -	$ -	$ -	$ -		$ (118)	-100.0%
Notes payable	$ -	$ -	$ -	$ -	$ -	$ -		$ -	
Other liabilities	$ 62,103	$ 16,201	$ -	$ 20,000	$ -	$ (20,000)	-100.0%	$ (62,103)	-100.0%
Total Current Liabilities	**$ 258,191**	**$ 305,436**	**$ 212,419**	**$ 194,880**	**$ 147,893**	**$ (46,987)**	**-24.1%**	**$ (110,298)**	**-42.7%**
Current Ratio	**7.6**	**6.9**	**9.8**	**10.0**	**11.3**				

Source: Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets, FY2009, p. 30; FY2010, p.31; FY2011, p. 30; FY2012, p. 31; FY2013, p. 31.

LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. The Forest Preserve District is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens. Therefore, the Forest Preserve District is reported in the governmental activities of Cook County as a blended component unit and is included in the long-term liabilities of the County.[182]

Total 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:

- *Estimated pollution related liabilities*: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;[183]
- *Self-Insurance claims*: Incurred but not yet reported (IBNR) losses. The County reports liabilities it feels are adequate to provide for potential losses resulting from medical malpractice, worker's compensation and general liability claims. As of November 30, 2013, the County has recorded a liability of $297.1 million in its government-wide statements for self-insurance claims. The County has recorded $81.6 million of the total liability as long-term liability that is due within one year;[184]
- *Property tax objections*: Estimated probable amounts payable related to property tax suits as well as for specific property tax objections and errors for which refunds are expected to be paid;[185]
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Net pension obligations (NPO):* The cumulative difference, since the effective date of GASB Statement No. 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; and[186]

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[182] Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," http://www.gasb.org/st/summary/gstsm14.html (Last Visited January 11, 2010) and Cook County FY2012 Comprehensive Annual Financial Report, p. 48.
[183] Governmental Accounting Standards Board, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," http://www.gasb.org/st/summary/gstsm49.html (Last Visited on January 11, 2011).
[184] Cook County FY2013 Comprehensive Annual Financial Report, p. 96.
[185] Cook County, FY2013 Comprehensive Annual Financial Report, p. 94.
[186] Governmental Accounting Standards Board, "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).

- *Net Other Post Employment Benefit (OPEB) obligations*: The cumulative difference, since the effective date of GASB Statement No. 45 in 2008, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB plan.

Between FY2012 and FY2013, total County long-term obligations rose by 7.3%, increasing from nearly $7.1 billion to $7.6 billion. This increase was driven by increases in long-term liabilities such as pensions and OPEB liabilities. During the same time, there was a decline in long-term debt due to fewer general obligation bonds issued and greater refunding. Refunding that occurred in December 2012 decreased the County's total debt service by $93.8 million over the next 20 years, resulting in an overall economic gain of $85.9 million.[187] Over the five-year period, liabilities increased by 43.5% or nearly $2.3 billion. The increases were primarily due to increases in net OPEB obligations, net pension obligations and long-term debt. Net pension obligations rose by roughly $1.4 billion, a 116.9% increase, while long-term debt increased by $439.9 million or 13.2%.

Cook County Long-Term Liabilities Governmental Activities: FY2009-FY2013
(in $ thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Total General Obligation Bonds	$3,293,495	$3,601,550	$3,814,460	$3,780,315	$3,698,460	$ (81,855)	-2.2%	$ 404,965	12.3%
Net Discount*	$ 102,664	$ 122,446	$ 120,217	$ 111,062	$ 138,566	$ 27,504	24.8%	$ 35,902	35.0%
Refunding	$ (59,493)	$ (60,511)	$ (73,131)	$ (58,538)	$ (60,470)	$ (1,932)	3.3%	$ (977)	1.6%
Subtotal Long-Term Debt	**$ 3,336,666**	**$ 3,663,485**	**$ 3,861,547**	**$ 3,832,839**	**$ 3,776,556**	**$ (56,283)**	**-1.5%**	**$ 439,890**	**13.2%**
Capital Lease	$ 4,674	$ 418	$ -	$ -	$ -	$ -		$ (4,674)	-100.0%
Pollution Remediation Liability	$ 575	$ 3,598	$ 526	$ 732	$ 602	$ (130)	-17.8%	$ 27	4.8%
Self Insurance Claims	$ 377,073	$ 351,710	$ 269,930	$ 294,884	$ 297,149	$ 2,265	0.8%	$ (79,924)	-21.2%
Property Tax Objections	$ 27,435	$ 28,969	$ 40,782	$ 62,280	$ 67,115	$ 4,835	7.8%	$ 39,680	144.6%
Compensated Absences	$ 63,005	$ 64,414	$ 65,716	$ 64,901	$ 61,656	$ (3,245)	-5.0%	$ (1,349)	-2.1%
Net Pension Obligation	$ 1,221,587	$ 1,529,849	$ 1,830,262	$ 2,210,857	$ 2,650,185	$ 439,328	19.9%	$ 1,428,598	116.9%
Net OPEB Obligations	$ 256,736	$ 379,090	$ 493,559	$ 604,201	$ 732,880	$ 128,679	21.3%	$ 476,144	185.5%
Total Long-Term Liabilities	**$ 5,287,751**	**$ 6,021,533**	**$ 6,562,321**	**$ 7,070,694**	**$ 7,586,143**	**$ 515,449**	**7.3%**	**$ 2,298,392**	**43.5%**

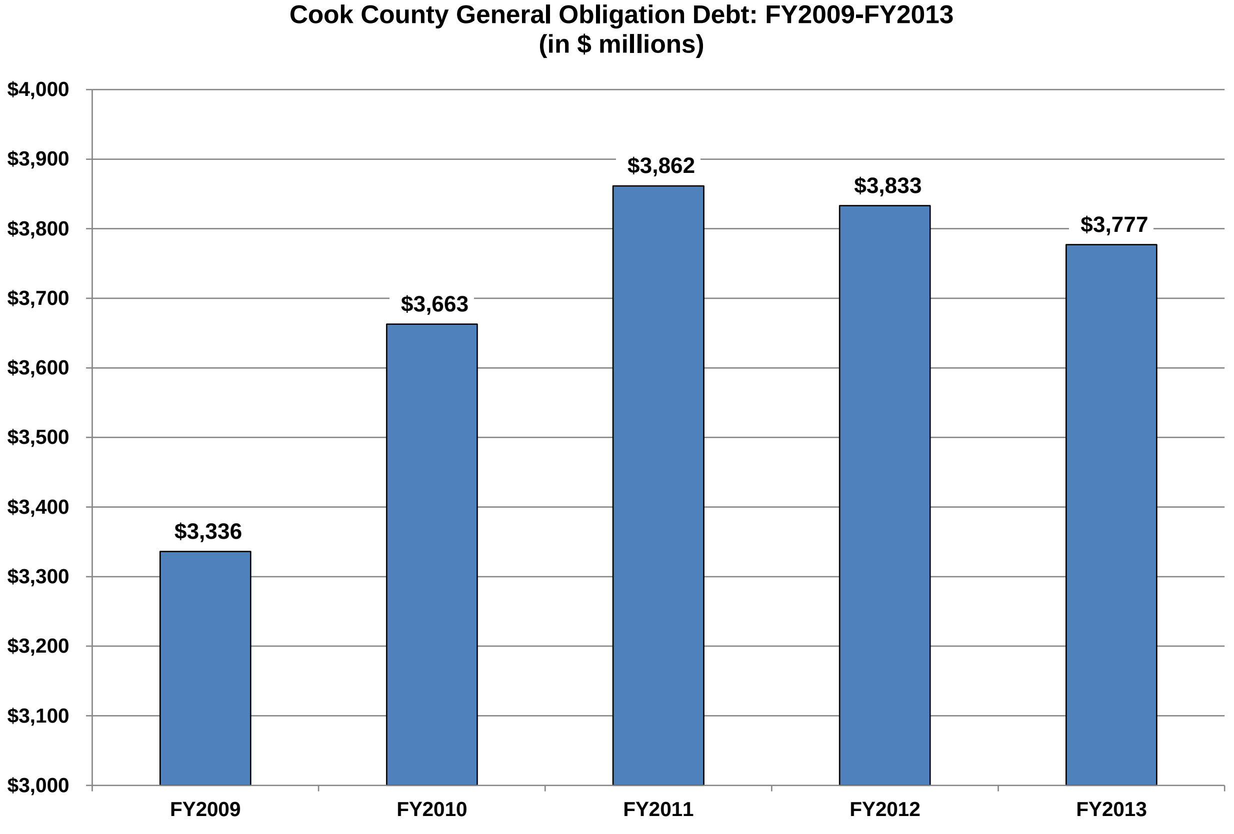
* A bond discount is an amount below the debt issuance's par value - underwriters may pay a discounted price for debt, with the price paid equal to par less the discount. See Vogt, J. Capital Budgeting and Finance: A Guide for Local Governments (Washington, D.C.: ICMA, 2004), p. 383.

Sources: Cook County Comprehensive Annual Financial Reports, FY2009-FY2013.

[187] Cook County FY2013 Comprehensive Annual Financial Report, p. 91.

Long-Term Tax-Supported Debt

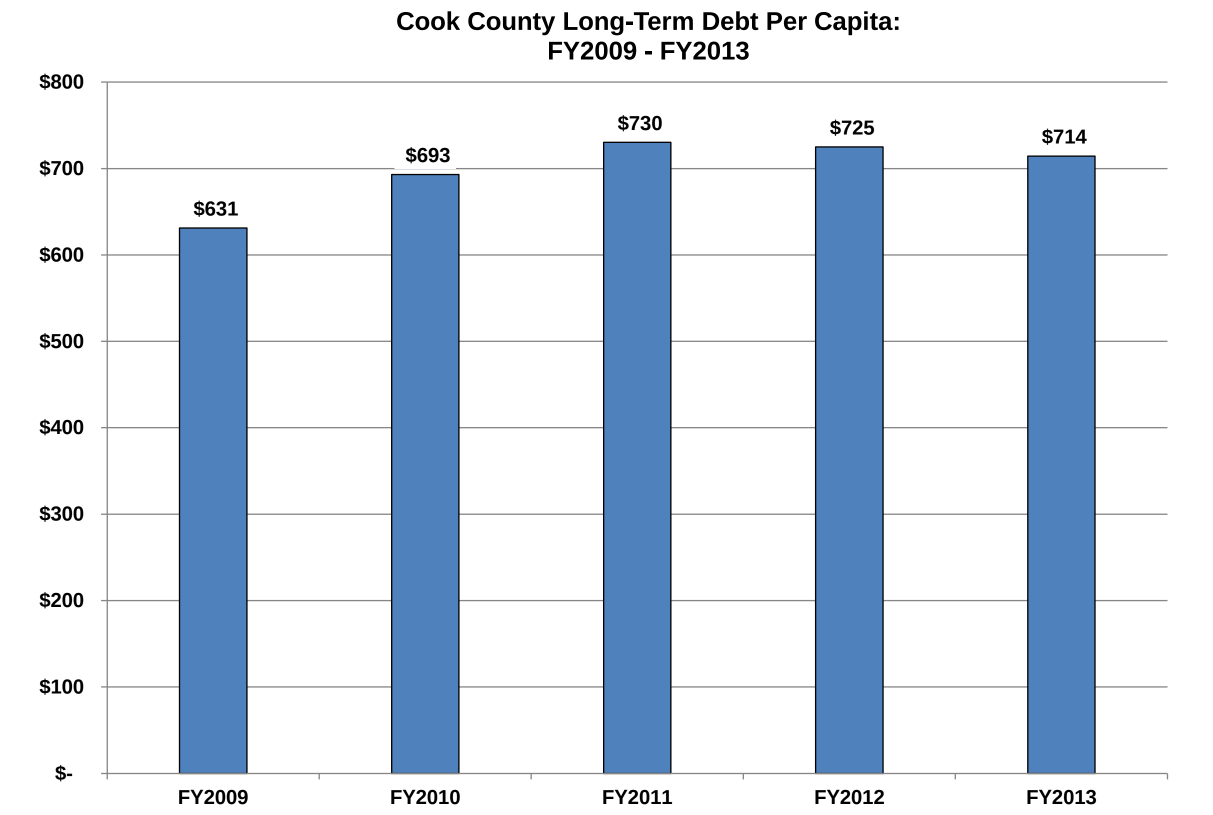
Increases in a government's long-term tax-supported debt over time, also known as direct debt, could be a potential sign of rising financial risk. Cook County long-term debt includes tax-supported debt issues as well as bond premiums and issuance costs. All Cook County long-term debt is general obligation debt. Long-term debt has been falling since FY2011. However, between FY2009 and FY2013, long-term general obligation debt for Cook County increased by 13.2%, or $441.0 million, from $3.3 billion to $3.8 billion.



Sources: Cook County Comprehensive Annual Financial Reports, FY2009-FY2013.

Long-Term Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This long-term debt analysis takes the total long-term debt amount reported in the County's financial statements and divides them by population. The County's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator should be monitored as a potential sign of growing financial risk. The County's long-term per capita debt burden increased from $631 to $714 between FY2009 and FY2013, a 13.2% increase. Since FY2011 the County's long-term debt per capita has been trending downward.



Source: Cook County Comprehensive Annual Financial Reports, FY2009 - FY2013.

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.[188] The County has not come close to the 15% threshold in the five years examined. The debt service ratio has fluctuated over this period, from a high of 8.8% in FY2011 to a low of 5.3% for the FY2014 budget, increasing slightly to 5.6% in the proposed FY2015 budget.

Cook County Debt Service Expenditures as a Percentage of Total Expenditures: FY2011-FY2015

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Appropriations	FY2015 Proposed
Debt Service Expenditures	$ 272,080,716	$ 193,532,419	$ 187,384,752	$ 187,384,752	$ 225,000,000
Total Expenditures	$ 3,094,949,349	$ 2,927,245,910	$ 3,319,839,154	$ 3,536,930,504	$ 3,999,510,824
Debt Service as a % of Total Expenditures	**8.8%**	**6.6%**	**5.6%**	**5.3%**	**5.6%**

Source: Cook County FY2015 Executive Budget Recommendation, Summary of Appropriations and Expenditures by Fund and Department, p. 61.

Cook County Bond Ratings

In June FY2011, Cook County's underlying rating on its governmental purpose bonds was downgraded from Aa2 to Aa3 by Moody's Investors Service, while Fitch issued a downgrade from AA to AA- in September of that year. At that time, Standard & Poor's reaffirmed its AA underlying rating.[189]

In FY2012 the underlying ratings for general obligation bonds were Aa3 from Moody's Investors Service, AA from Standard & Poor's and AA- from Fitch. Both Fitch and Moody's ratings carried a negative outlook. In addition, Cook County sales tax revenue bonds had an AAA rating from Standard & Poor's.[190]

In August 2013, Moody's downgraded the County's general obligation rating from Aa3 to A1 with a negative outlook. The downgrade was based on concerns for the County's growing unfunded pension liabilities. Citing their own concerns over the County's growing unfunded pension liabilities, in July 2014, Fitch downgraded Cook County's general obligation rating from AA- to A+. [191]

[188] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments,* October 2009, p. 18.
[189] Cook County Sales Tax Revenue Bonds, Taxable Series 2013 (Qualified Energy Conservation Bonds – Direct Payment) Official Statement, November 15, 2012.
[190] Cook County FY2013 Comprehensive Annual Financial Report, p. 75.
[191] Reuters. "Update 1- Fitch cuts Cook County, Illinois rating to A-plus," July 11, 2014.

COOK COUNTY CAPITAL PLANNING

According to the National Advisory Council on State and Local Budgeting's best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[192]

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process, including how criteria for projects were determined and whether materials and meetings were made available to the public;
- A five-year summary list of all projects and expenditures per project as well as funding sources per project;
- Criteria for projects to earn funding in the capital budget, including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;
- Information about the impact of capital spending on the annual operating budget of each project;
- Annual updates on actual costs and changes in scope as projects progress;
- Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

Once the CIP process is completed, the plan should be formally adopted by the governing body and integrated into its long-term financial plan. There should be opportunities for public input into the process. A well-organized and annually updated CIP helps ensure efficient and predictable execution of capital projects and helps efficiently allocate scarce resources. It is important that a capital budget prioritize and fund the most critical infrastructure needs before funding new facilities or initiatives.

Cook County FY2015–FY2024 Capital Improvement Plan

Cook County's capital budget and capital improvement plan are published in its annual budget. The County has conducted a comprehensive condition assessment of building structures, systems, utilities, equipment and site systems. That information was the foundation of a needs-based prioritization process used to develop the new FY2015-FY2024 ten-year CIP. The County has implemented a Real Estate Asset Strategic Realignment Plan (REASRP) to conduct an in-depth assessment of the condition and use of its real estate portfolio. This information is being used to better align the County's real estate assets with its mission and available resources.[193]

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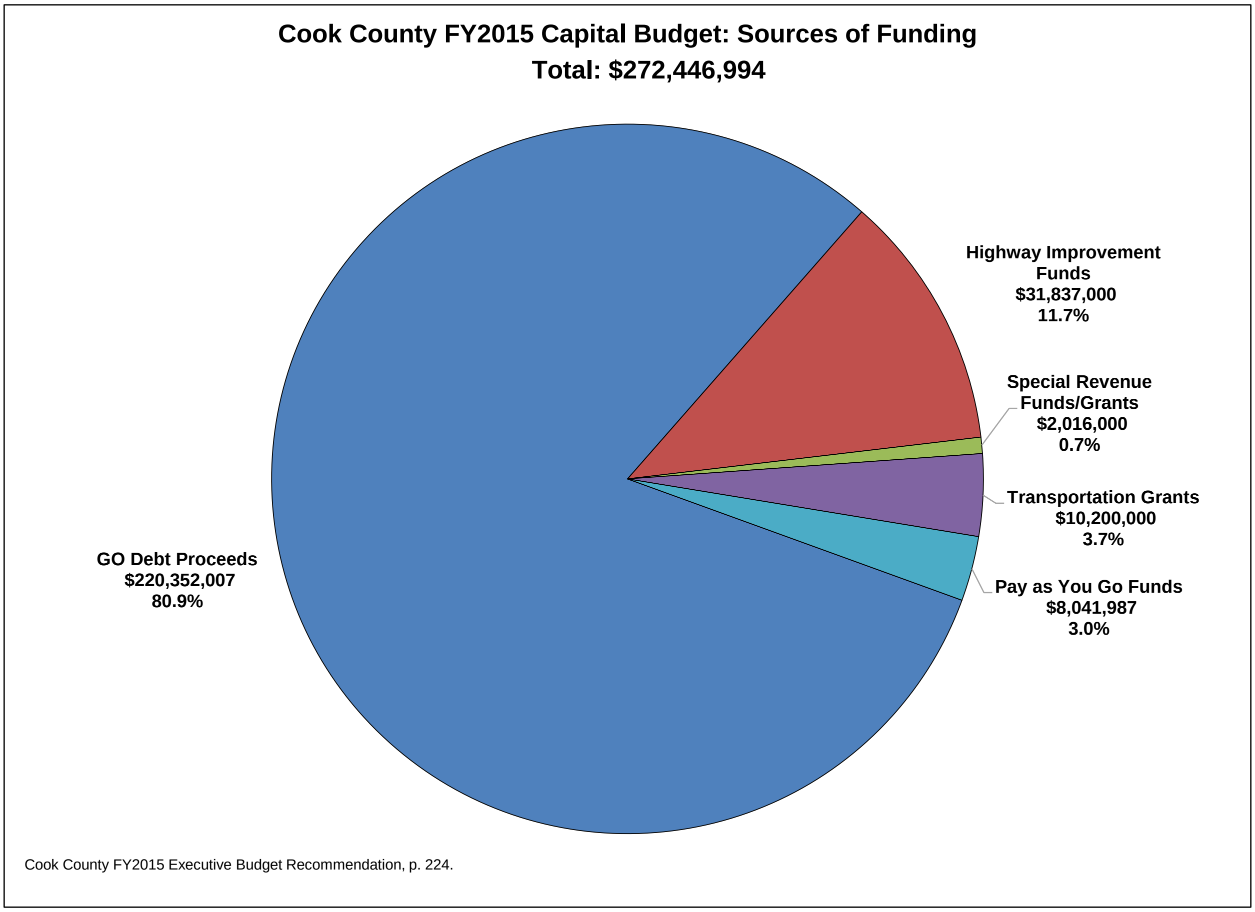
[192] National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.
[193] Cook County FY2015 Executive Budget Recommendation, p. 222.

FY2015 Capital Budget

The first year of a CIP is the capital budget for that fiscal year. Cook County proposes a FY2015 capital budget of $272.4 million. The graph below shows the sources of funding for the capital budget. Nearly 81% of all capital funds, or $220.4 million, will be derived from general obligation debt fund proceeds. Approximately 11.7% of capital funds will come from highway improvement funds. Smaller amounts will be funded by special revenue funds and grants, transportation grants and pay-as-you-go sources from the County's General Funds.



Cook County will use 66.8%, or $182.0 million, of its FY2015 capital budget for capital improvement projects.

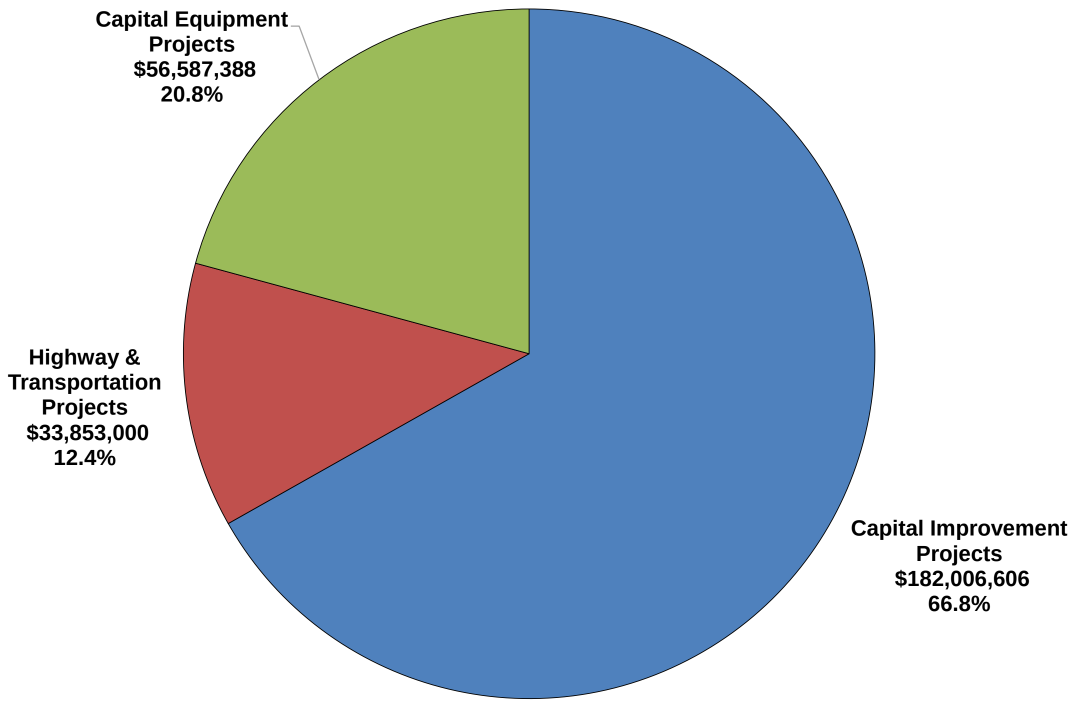
The capital budget includes a five-year transportation and highways plan (FY2015 through FY2018). The County maintains its own transportation and highway system and includes 1,470 miles of paved roads, 135 bridges and 360 traffic signals. The five-year transportation plan includes construction costs and maintenance cost of $181.8 million of which $33.9 million, or 12.4%, of the capital budget is proposed for FY2015.[194]

[194] Cook County FY2015 Executive Budget Recommendation, p. 276.

Capital equipment investments in the capital budget are expected to total 20.8% or $56.6 million. This amount is a reduction from the $158.0 million originally requested by County offices and departments. These requests range from medical equipment for the hospital system to office furniture and county vehicles. A short description of the process for vetting the requests is included as well as information about the County's Vehicle Steering Committee and mention of a FY2013 condition assessment of the County's fleet. Criteria used in the process of qualifying equipment purchases for the FY2015 budget include a usable life of at least five years as well as proof of operational savings and process efficiencies to support departmental core functions.[195]

Cook County FY2015 Capital Budget Use of Capital Funds

Total: $272,446,994



Cook County FY2015 Executive Budget Recommendation, p. 224.

Details of the FY2015-FY2024 Capital Improvement Plan

The proposed 10-year capital plan includes $1.5 billion of infrastructure investment through FY2024. These projects are ranked using a five-point facilities condition index.[196] The CIP includes an overview of the total $1.5 billion proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken.

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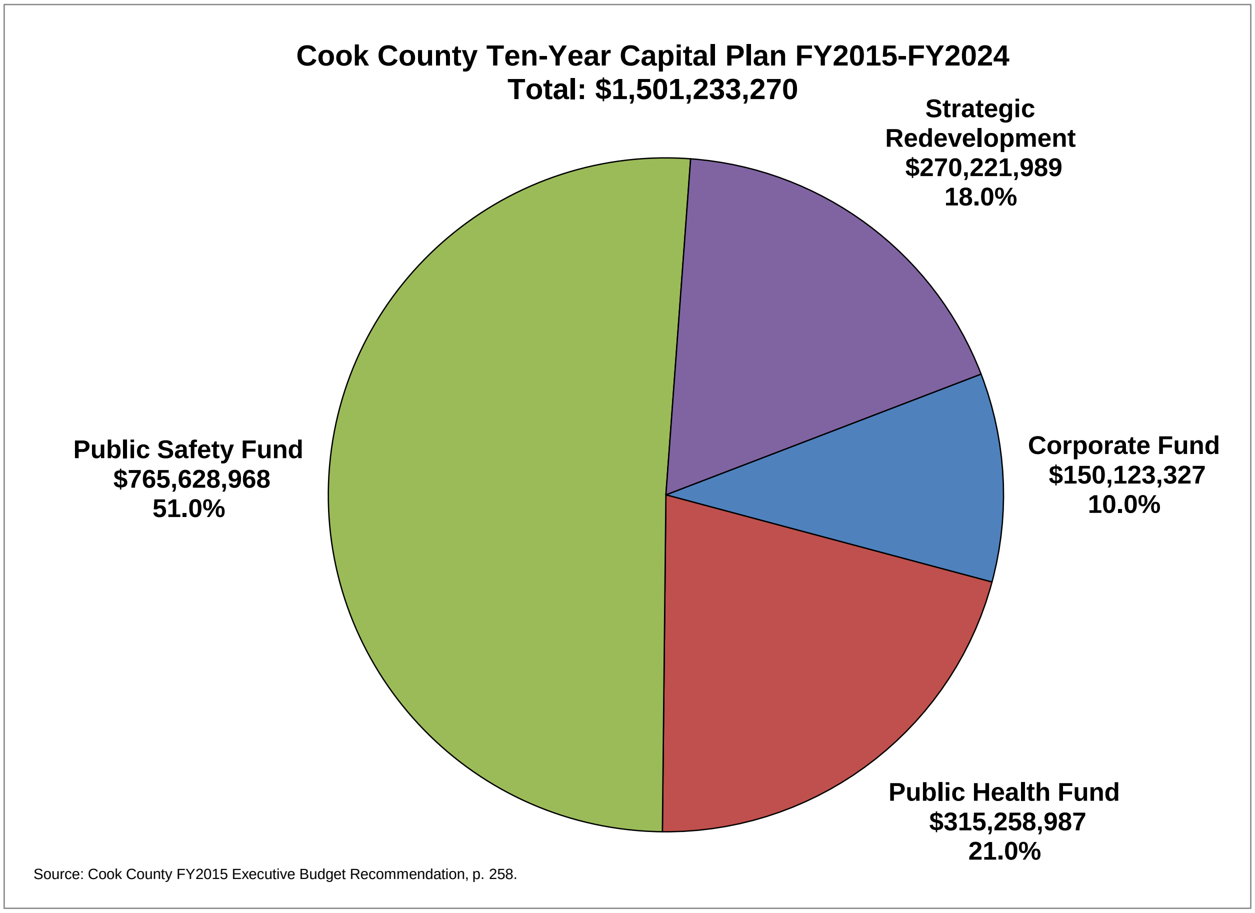
[195] Cook County FY2015 Executive Budget Recommendation, p. 259.
[196] Cook County FY2015 Executive Budget Recommendation, p. 234.

The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan. The chart below shows that 51.0%, or $765.6 million, of the capital expenditures between FY2015 and FY2024 will be earmarked for public safety and Department of Corrections facilities and projects. Additionally, 21.0%, or $315.3 million, will be used for Public Health fund projects, 18.0% or $270.2 million, will be used for strategic redevelopment projects and 10.0%, or $150.1 million, will be spent on Corporate Fund projects.



Review of CIP

Cook County's CIP includes many of the elements of a best practice CIP, such as including a narrative description of the process, using a prioritization system to select projects and making the CIP available on the web. However, some of the elements are still lacking.

- The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures.
- The budget does not identify how capital investments, outside of the transportation plan, will be funded. In the past the Civic Federation has been concerned with the use of long-term bond proceeds by the County to purchase short-term assets similar to the recommended equipment purchases included in the budget.
- Information is not provided about the impact of capital spending on operating budgets.

- Some information is provided about certain projects, but narrative descriptions of all individual projects, including the purpose, need, history and current status of each project, are not provided.
- There are few opportunities for stakeholder participation in the capital planning process other than the public hearings on the entire budget.
- The CIP is not approved by the Board of Commissioners as a stand-alone document.

Cook County Capital Improvement Program Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include:	
• *A narrative description of the CIP process?*	Yes
• *A five year summary list of projects and expenditures per project as well as funding sources per project?*	Partially – expenditures identified; funding sources not identified
• *Information about the impact and amount of capital spending on the annual operating budget for each project?*	No
• *Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?*	Some discussion of countywide projects and Transportation & Highway projects
• *The time frame for fulfilling capital projects?*	Yes
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Yes
Is the capital improvement plan made publicly available for review by elected officials and citizens?	
• *Is the CIP published in the budget or a separate document?*	In the Budget Book
• *Is the CIP available on the Web?*	Yes[197]
Are there opportunities for stakeholders to provide input into the CIP?	
• *Is there stakeholder participation on a CIP advisory or priority setting committee?*	No
• *Does the governing body hold a formal public hearing at which stakeholders may testify?*	Yes, but for the entire budget, not just the capital plan
• *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	Yes
Is the CIP formally approved by the governing body of the government?	No
Is the CIP integrated into a long term financial plan?	Unclear

[197] The Cook County Capital Improvement Plan is available at http://www.cookcountyil.gov/wp-content/uploads/2014/05/2015_ExecRec_Vol1_Capital-Improvement-Programs.pdf.