



COOK COUNTY
FY2005 PROPOSED BUDGET
Analysis and Recommendations

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The Civic Federation
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EXECUTIVE SUMMARY

Cook County proposes a total FY2005 budget of \$3.046 billion. The County faced a \$73 million budget deficit, which will be addressed in part through the imposition of \$75 million in new taxes: a 2% prepared food and beverage tax, a 2% hotel accommodations tax, and a new amusement device license fee. The property tax levy is frozen at \$720 million for the third year in a row.

The Civic Federation **opposes** the County's FY2005 budget for the following reasons:

- The budget fails to significantly reduce operational expenses or implement previously proposed efficiencies.
- The budget is balanced by three new, completely unnecessary revenue enhancements that will generate \$75 million in FY2005, and \$125 million per year when fully implemented.
- With the County's proposed 2% increase, the hotel accommodations tax will skyrocket to a composite rate of 17.39% within the City of Chicago. Raising hotel taxes could reduce the competitiveness of the region's important convention and tourism industry in what continues to be a distressed economy.
- The 2% prepared food and beverage tax will only increase the economic burden on the tourism and hospitality industry. It will raise the composite sales tax within parts of the City of Chicago to 12.25%, one of the highest rates in the nation.
- The new hotel and prepared food taxes could be avoided entirely if the operating budget increase were held to a 2.7%, or \$76 million increase over FY2004 instead of the proposed 5.3% increase. A 2.7% increase would still keep ahead of the 2004 Chicago-area inflation rate of 2.2%.

The Civic Federation offers the following **key findings** on the Cook County FY2005 budget:

- The FY2005 budget will increase by 2%, or \$57.8 million, from \$2.99 billion to \$3.04 billion.
- Personal services appropriations will consume 66.1% of the entire Cook County budget in FY2005. This is a 3.7 percentage point increase over the last four years (from 62.4% in FY2001).
- The number of full-time equivalent (FTE) positions will decrease by 651 or 2.5% in FY2005, declining from 26,521 to 25,870. The 651 FTEs do not represent any current staff reductions but are the elimination of vacancies in the budget.
- The number of full-time equivalent positions in offices under the President will be reduced by 6.2%, or by 741 FTEs, in FY2005. However, the number of FTEs employed by the elected officials will increase by 0.6%, or by 89 FTEs. Since FY2001, the number of FTEs in offices under the President has decreased by 9.6%, or 1,183 FTEs. The number of FTEs in offices under the elected officials has fallen by 0.6%, or 82 FTEs.
- Cook County has reduced its workforce by 4.7% since FY2001. By comparison, the City of Chicago reduced its workforce by 9.3% during the same time period.

The Civic Federation offers the following specific **recommendations** on ways to improve Cook County's revenue stream and financial management:

- The County should eliminate automatic annual step increases for its employees, who also receive annual cost of living increases. The step increase costs \$26 million annually.
- All positions vacant for more than one year should be eliminated.
- Cook County should pursue joint purchasing of health insurance with other local governments, which could save as much as \$22.5 million per year.
- Janitorial services for the County Building and courthouses should immediately be privatized for an annual savings of as much as \$5 million. The proposed pilot project to study this move is unnecessary. The Civic Federation has urged this and many other opportunities for privatization in earlier reports to the County.
- Duplicative programs and functions, such as public relations, human resources, legal, finance and purchasing, should be consolidated wherever possible to effect cost savings.
- The County should expedite its efforts to dissolve the Suburban Tuberculosis Sanitarium District.

OVERVIEW OF ANALYSIS

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

Civic Federation Position on FY2005 Budget

The Civic Federation **opposes** the FY2005 Cook County budget because it does not produce real evidence that the County is striving to reduce operational expenses or implement increased efficiencies. Instead, it is balanced by means of completely unnecessary tax increases. Tax or fee hikes should be proposed only as a last resort, and only when coupled with significant operational cuts and efficiencies. This budget makes little attempt to achieve any such balance. Rather, it relies heavily on raising new revenues, for the second year in a row.

Revenue Increases Unnecessary

The Civic Federation strongly opposes the new taxes proposed in this budget. They are completely unnecessary. We especially disagree with the President's proposed new hotel accommodations and prepared food and beverage taxes.

Cook County's proposed 2% hotel accommodations tax will increase the composite hotel tax rate in Chicago from 15.39% to an exorbitant 17.39%, making it one of the highest in the nation. Any increase in hotel taxes in 2005 could threaten the competitiveness of the region's important convention and tourism industry, which is already lagging. For this reason, we also opposed the City of Chicago's 0.5% increase in its hotel accommodations tax for FY2005. While we recognize that the County is not responsible for the tax and fee increases of other units of local government, all public officials must consider the impact of their decisions on the region's overall tax climate.

The 2003 hotel occupancy rate in downtown Chicago was 70.0%. That figure rose only to an estimated 70.8 % last year – still significantly below the 74.7% occupancy rate in 2000. Those hotels report annual gross receipts of \$1.17 billion for 2003 -- \$159 million below gross receipts in 2000.¹ These statistics indicate Chicago's hospitality industry has not yet recovered from the effects of the September 11, 2001 terrorist attacks and the economic recession.

The Civic Federation also opposes the 2% prepared food and beverage tax. This tax will effectively boost the restaurant tax rate in portions of the City of Chicago to the extremely high rate of 12.25%. We believe that the hospitality and tourism industry can ill afford the combined effect of this increase, especially when coupled with the hotel accommodations tax increase.

We also are very concerned about projections that the two taxes, when fully in place, will generate an estimated \$125 million per year. The County has provided insufficient justification for such additional revenues. In the absence of a long-term planning process it is impossible to assess the validity and future use of such extraordinary tax increases.

¹ 2003 is the last year for which complete data are available. The 2004 figures presented are based on year-to-date calculations. Data provided by Chicago Convention and Tourism Bureau, October 29, 2004.

The County projects that the new prepared food and accommodations taxes will generate \$70 million in FY2005, while the operating budget will increase by \$146 million, or 5.3%, over the FY2004 operating budget. The two new taxes could be avoided entirely if the operating budget increase was held to a 2.7%, or \$76 million increase over last year's budget proposal.

Spending Cuts Essential

Cook County must cut spending instead of finding new and creative ways to tax the public.

The Civic Federation strongly believes that Cook County government should follow the example set by Governor Blagojevich, Mayor Daley and other local leaders, and work harder to hold the line on tax increases by redoubling efforts to reduce costs.

We often hear that the County workforce is "cut to the bone" or that it is as efficient as it can possibly be. Yet there is very little objective evidence to prove this assertion. Indeed, facts to the contrary often emerge, such as the duplication of non-essential functions like communications and millions of dollars spent on technology and automation projects with no proof of return on investment or evidence of cost savings.

It is imperative that Cook County government embrace the modernization and improved efficiencies adopted by the rest of the economy if it is to be fiscally responsible and operate within a rational tax environment.

We again urge President Stroger to use the authority he already possesses to control costs by exercising full budgetary authority over the elected officials and the department heads. While some may argue that the President has little or no authority over other elected County officials, research prepared for The Civic Federation shows that the President's authority to establish binding monthly expenditure schedules ultimately gives the President budgetary authority over all County officials.²

Cook County Must Limit Personnel Expenditure Growth

Personnel costs are the single most significant factor driving increases in the Cook County budget. The percentage of total appropriations earmarked for personal services will increase from 62.4% in FY2001 to 66.1% in FY2005. The problem is severely compounded by several practices utilized by the Cook County government, such as granting employees both cost of living adjustments (COLAs) and step increases and requiring only minimal employee contributions toward the cost of health insurance premiums. *Clearly, reining in personnel costs is the **only** way Cook County can get its budget under control.*

Improved employee work processes, technological advancements, and increased competition have already driven many private sector industries to make significant workforce reductions while maintaining high quality delivery of services. From 2000 to 2003, insurance companies

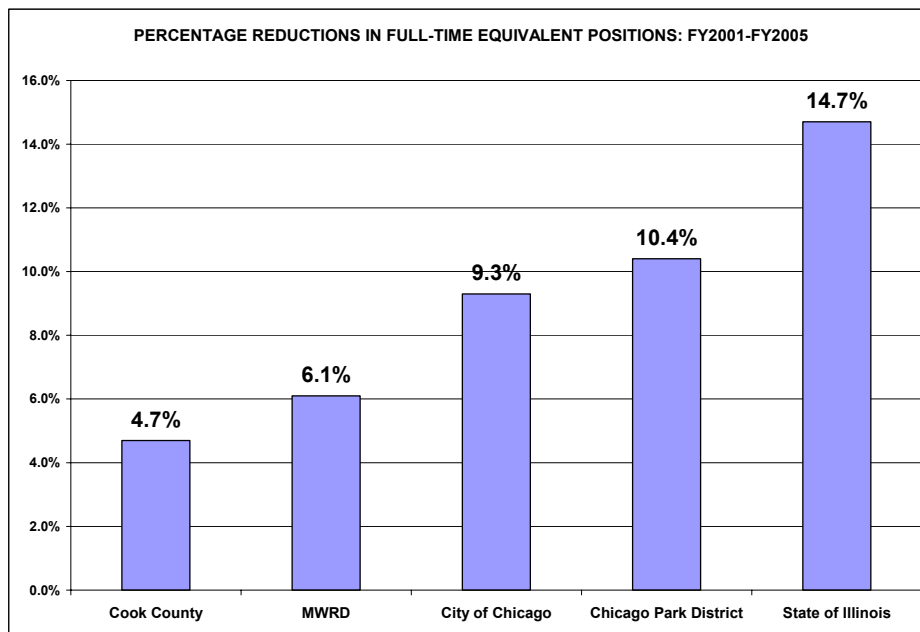
² The Civic Federation and the Chicagoland Chamber of Commerce. *Cook County Cost Control Task Force Report*. June 2001. Chicago: The Civic Federation, p. 59.

were able to reduce staff by more than 10% nationwide, the real estate industry eliminated 9% of its workforce, and the banking industry shed 14% of headcount.³

Other governments also have made substantial workforce reductions. The exhibit below shows the percentage reduction in employee positions for selected governments in Illinois from FY2001 through FY2005. During this 5-year period:

- The State of Illinois reduced its headcount from 69,748 to 59,500, a 14.7% reduction.
- The Chicago Park District cut 355 full and part-time positions, or 10.4% of its 2001 workforce, which totaled 3,050 in FY2005.
- The City of Chicago has reduced its workforce from 44,363 full-time equivalent positions to 40,233, a reduction of 4,130 FTEs, or 9.3%.
- The Metropolitan Water Reclamation District (MWRD) has cut its number of FTEs by 139, from 2,274 to 2,135 -- a 6.1% reduction. The District plans further reductions, and has set a permanent target headcount of just under 2,000 positions.

Contrast these reductions with Cook County's efforts. The County reduced its overall workforce by just 4.7% between FY2001 and FY2005, a cut of 1,270 FTEs. This represents a reduction from 27,141 to 25,870.



Over the past decade, numerous personnel cost reduction proposals have been by the Civic Federation, County commissioners, civic groups, the media and individual citizens. But the County has failed to implement any of these measures.

Some of what we believe to be the most significant recommendations for controlling personnel costs follow.

³ Data from the U.S. Department of Labor Bureau's of Labor Statistics. 2003 data is the most recent data available as of this writing.

Civic Federation Recommendations

Eliminate Automatic Annual Step Increases for All Employees

Cook County employees currently receive both cost of living adjustments (COLA) and step increases each year. The COLA appropriation increases 3% each year, for an average annual increase of \$39 million. Step increases cost approximately \$26 million per year, with an average increase of 4.5%.⁴ The Civic Federation urges the County to push for the elimination of step increases in its collective bargaining negotiations. This is an antiquated, overly generous personnel practice not found in most other governments or the private sector.

Increase Employee Contributions to Health Insurance Premiums

Last year, the County increased monthly health insurance contributions for non-union employees earning salaries of \$65,000 or more to 0.7% of salary for single employees, 1.4% for dependent HMO coverage and 1.5% for family PPO coverage last year. However, union employees were exempt from this increase.⁵

Currently, County employees pay, on average, 4% of the cost of their health insurance premiums.⁶ This is far less than the U.S. and Illinois averages of 18% and the State of Illinois employee average of 11% shown in the table below. The Civic Federation believes all Cook County employees must begin to pay a share of premium costs that more closely mirrors Illinois or national averages. This is essential to reduce rising healthcare costs.

AVERAGE EMPLOYEE CONTRIBUTION TO HEALTH INSURANCE PREMIUM (SINGLE COVERAGE)	
	% of Premium
Cook County employee (2004) ¹	4%
State of Illinois employee (2004) ²	11%
Illinois Average (2002) ³	18%
U.S. Average (2002) ³	18%

¹Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #62), Meeting of January 20, 2005

²Information provided by Hank Scheff, AFSCME

³Kaiser Family Foundation State Health Facts Online. The most recent data available is 2002.

Eliminate All Positions Vacant for More than One Year

The FY2005 budget funds 1,200 positions for 6-9 months and provides full funding for over 200 vacant positions. Approximately 40% of the 1,200 partially funded vacant positions had been open for 12 to 24 months. We believe it is reasonable to assume that positions held vacant for more than one year are not critical to the operations of the County government, and should be eliminated.

⁴ Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #63), Meeting of January 20, 2005.

⁵ Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #62), Meeting of January 20, 2005.

⁶ Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #62), Meeting of January 20, 2005.

Pursue Joint Purchasing of Health Insurance with Major Chicago Area Governments

Cook County has entered into an agreement with other major local governments to jointly purchase prescription drugs. Over time, this will save the County a great deal of money on one of the fastest growing sectors of its personal services budget. We salute the County's financial management for entering into this agreement.

At this time, we urge Cook County to take the next logical step and pursue the joint purchasing of health care insurance with other governments in the Chicago area. Forming a joint insurance pool consisting of the employees of the County (excluding the Forest Preserve District), the City of Chicago, the Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield total projected savings of \$40.1 million in the first year, or \$222 million over a 5-year period. The County alone could save as much as \$22.5 million in the first year.

Pursue Privatization Efforts to Obtain Cost Savings and Service Improvements

Cook County will begin a pilot project in FY2005 to evaluate the potential of privatizing janitorial services in the County Building and in county courthouses. We question why the issue still requires study. For more than a decade, the Civic Federation has advocated that janitorial services be removed from the jurisdiction of the Sheriff and be outsourced. Privatizing janitorial services was discussed in the County's own 2001 County Operations Review Team (CORT) Report, which projected cost savings of \$5 million per year.

The County should follow the lead of Mayor Daley and take action on this issue now. The City of Chicago this year is moving to privatize janitorial services at O'Hare International Airport, a venue that poses enormous security challenges. If the City can safely manage security issues for a privatized workforce at O'Hare, surely the County can manage privatizing the courthouse janitorial staff.

The Civic Federation recognizes that privatization is not a panacea for the County's financial problems. We caution that privatization can be beneficial only if there is a marketplace of competitive, qualified vendors and strong, sustained management oversight. But it is an important tool that can be used to reduce costs and improve efficiency. The County should conduct efficiency studies to select additional promising candidates for privatization, such as the County's print shops and automobile maintenance.

Consolidate Programs and Functions

In the short term, Cook County should move to consolidate individual programs and functions. In the long term, it should consider consolidating offices and agencies.

In 2003 and 2004, the State of Illinois consolidated a number of governmental programs, including functions such as communications, auditing, informational technology, facilities management and purchasing. These initiatives were important because they permitted an effective evaluation of what resources were actually needed to deliver particular services rather than simply relying on tradition and precedent without regard to cost or efficiency. These

measures have eliminated duplication and waste and have yielded substantial savings for the State by reducing personnel and overhead costs.

The Civic Federation strongly agrees with members of the Board of Commissioners that offices under the President, including the Bureau of Health Services, should follow this laudable example. A number of functions lend themselves to consolidation, including public relations, human resources, legal, finance, accounting, and purchasing.

Over the longer term, even more savings can be obtained through sweeping and long overdue structural changes.

In 1959, the Civic Federation called for consolidating all County property tax administrative functions within an Office of Tax Administration.⁷ In 1994, we called for an independent, nonpartisan evaluation to determine the possibility of reducing the number of elected officials and/or consolidating positions.⁸ In 2001, the Civic Federation and the Chicagoland Chamber of Commerce issued the Cook County Cost Control Report, which reiterated these recommendations. In 2003, Commissioner Mike Quigley issued a report recommending a number of structural reforms, including the establishment of a Tax Administration Office and merging the offices of County Clerk and Recorder of Deeds. The report estimated that these efforts would generate approximately \$3.6 million in savings.⁹ These longer-term reforms require legislative authorization. However, that should not prevent Cook County from evaluating the possibility of modernizing its fragmented and inefficient government. *What all of these efforts require is political will and strong leadership.*

Expedite Dissolution of the Suburban Cook County Tuberculosis Sanitarium District

The Civic Federation urges President Stroger to move quickly and fill vacancies on the Board of Commissioners of the Suburban Cook County Tuberculosis Sanitarium District, so this unnecessary and wasteful unit of government can be eliminated as soon as possible. The case for eliminating the District is documented in our recent research report on the subject. The Federation agrees with Cook County that the District's functions should be transferred to the Cook County Bureau of Health Services, which provides the same services more efficiently and cost-effectively. The District's assets, including land and buildings, could then be sold, immediately yielding in unreserved fund balance for the County.¹⁰

Produce Audited Financial Statements within 6 Months of Close of Fiscal Year

The Civic Federation urges the County to release its Comprehensive Annual Financial Report (CAFR) within six months of the close of its fiscal year. The County's FY2002 CAFR was not released until March 31, 2004, or sixteen months after the close of FY2002. The FY2003 CAFR is unavailable upon writing of this report. The City of Chicago, the Forest Preserve District of Cook County, the Chicago Public Schools, the Chicago Park District and the Metropolitan Water

⁷ Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

⁸ Civic Federation Statement Made on the Proposed Cook County FY1996 Budget, November 18, 1993.

⁹ *Reinventing Cook County*, October 2003, pp. 20-24.

¹⁰ The Civic Federation. *A Call for the Elimination of the Suburban Tuberculosis Sanitarium District*. October 20, 2003.

Reclamation District all released their audited financial statements within 6 months of the close of their respective fiscal years. We believe Cook County should follow suit.

Cook County's ongoing delays in releasing its audited financial statements diminish its accountability, because the public cannot access important financial information needed to assess the government's financial condition over time.

Implement a Formal Long-Term Financial Planning Process

Cook County currently employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and modeling of various revenue and expenditure options. However, the County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that Cook County develop and implement a formal long-term financial planning process that would allow input from the Cook County Board of Commissioners, key external policymakers and the media.

ACKNOWLEDGEMENTS

The Civic Federation would like to express its appreciation to Cook County Chief Financial Officer Thomas Glaser, Comptroller Walter Knorr, Director of Budget and Management Services Donna Dunning and Cook County finance staff for their hard work in preparing this budget, and for their willingness to provide us with a briefing and answer many of our budget questions.

FY2005 BUDGET HIGHLIGHTS

Cook County government faces a \$73 million deficit in FY2005. The administration proposes to close that deficit with the following measures:

- Generating \$75 million in new revenues from a new 2% tax on prepared food and beverages that will yield approximately \$50 million in FY2005; a 2% County home rule hotel accommodations tax will generate \$19.8 million in FY2005; and \$200 per device amusement license fee that will yield \$5 million in FY2005.
- Eliminating 651 vacant positions and providing partial funding for 1,200 vacant positions for only 6-9 months. Approximately 40% of the 1,200 vacant positions had been open for 12 to 24 months.
- Imposing a moratorium on new capital expenditures.

Comparative Restaurant Tax Rates

The new proposed 2% tax on prepared foods and beverages will boost the composite sales tax rate in downtown Chicago to 12.25%, one of the highest in the nation.

PREPARED FOOD TAXES IN SELECTED MUNICIPALITIES					
	Chicago McPier**	Chicago not McPier	Schaumburg	Oakbrook	Skokie
State Sales	5.00%	5.00%	5.00%	5.00%	5.00%
Municipal Sales	1.00%	1.00%	1.00%	1.00%	1.00%
County Sales	0.25%	0.25%	0.25%	0.25%	0.25%
County Home Rule Sales	0.75%	0.75%	0.75%	0.75%	0.75%
RTA (Sales)	0.75%	0.75%	0.75%	0.25% or 0.75%*	0.75%
City Home Rule Sales	1.25%	1.25%			
McPier Restaurant	1.00%	0.00%	0.00%	0.00%	0.00%
City Restaurant	0.25%	0.25%	2.00%		1.00%
Cook Restaurant (proposed)	2.00%	2.00%	2.00%	2.00%	2.00%
Composite Rate	12.25%	11.25%	11.75%	8.50% to 9.00%	10.75%

Municipal and County Sales Taxes are collected by the State and distributed to local governments.

* The RTA sales tax is 0.75% in Cook County and 0.25% in DuPage County

** The McPier restaurant tax is only levied in a portion of Chicago (The airports as well as the area bounded by Ashland Avenue, 35th Street & Surf Street)

Comparative Hotel Tax Rates

The proposed 2% Cook County's hotel accommodations tax comes on the heels of City of Chicago increase in the hotel tax from 3% to 3.5% to help close the City's FY2005 budget gap. If the Cook County hotel tax is approved, the composite tax rate in the City of Chicago will be 17.39%, higher than the rate of all major U.S. cities surveyed.

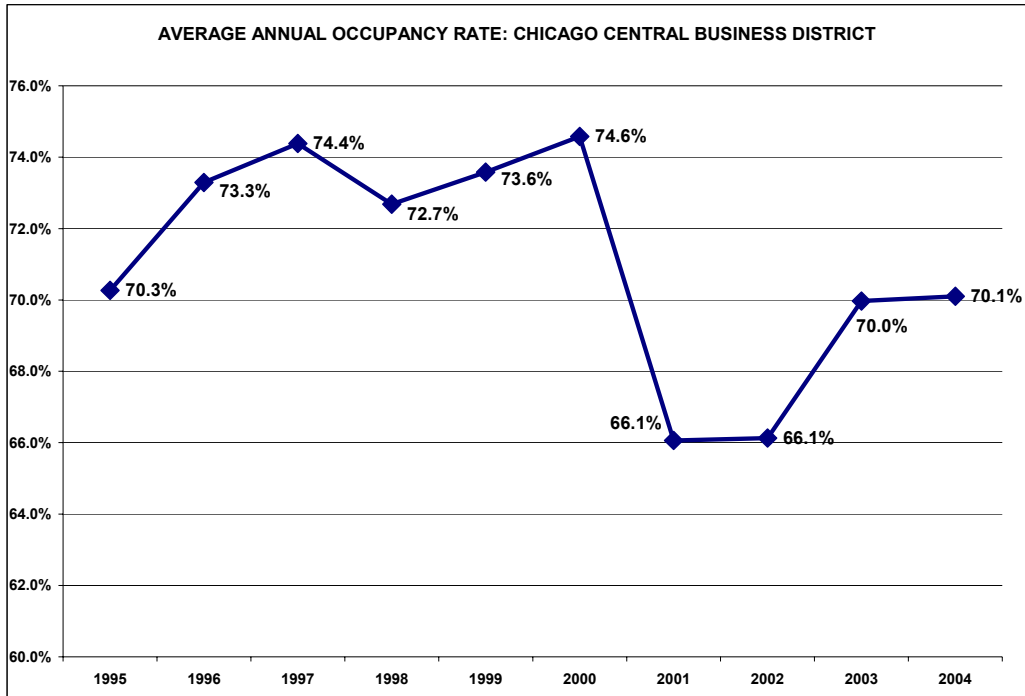
COMPOSITE HOTEL TAX RATE RATE COMPARISON: Selected U.S.Cities	
CHICAGO	17.39%
Houston	17.00%
Columbus	15.75%
Seattle	15.60%
Los Angeles	14.00%
San Francisco	14.00%
Philadelphia	14.00%
New York City	13.25%
Atlanta	13.00%
New Orleans	12.00%
Portland	11.50%

Chicago Hotel Occupancy Rates and Estimated Annual Gross Receipts

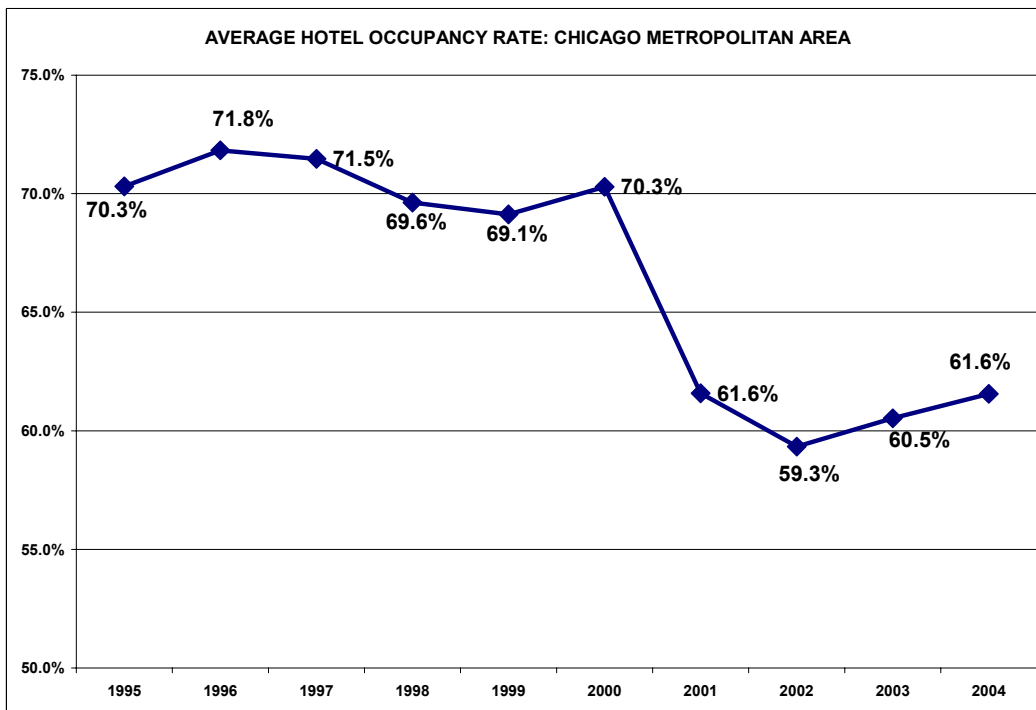
The Chicago hotel industry has not yet recovered from the twin negative effects of the economic recession and the September 11, 2001 attacks on the U.S. While statistics show that a recovery is clearly occurring, neither hotel occupancy rates or gross receipts have yet exceeded 2000 levels.

The following exhibits show average annual hotel occupancy rates for the Central Business District of Chicago (Loop area) and the entire Chicago Metropolitan area for the ten year period from 1995 to 2004. The information was provided by the Chicago Convention and Tourism Bureau.

In the Central Business District of Chicago, the highest average occupancy rate of approximately 75% was observed in the year 2000. In 2004, the estimated average occupancy rate will be 70.1%.



The metropolitan area of Chicago is comprised of the city and surrounding counties including the areas around O'Hare and Midway Airports. For this region, the average occupancy rate in 2000 was 70.3%. In 2004, the estimated average occupancy rate will be 61.6%.



Estimated annual gross receipts for hotels in the Central Business District of Chicago and the entire Chicago Metropolitan area for the ten-year period from 1995 to 2004 are shown next. Estimated annual gross receipts for hotels in the Central Business District of Chicago exhibited steady increases in the range of 6-13% throughout the 1990s, eventually reaching their highest level in 2000 at approximately \$1.3 billion. Estimated annual gross receipts exhibited two consecutive years of declines in 2001 and 2002, with declines from the previous year of 12.1% and 7.8% respectively. In 2003, estimated annual gross receipts recovered to 2001 levels of roughly \$1.16 billion. For 2004, gross receipts for hotels in the Central Business District of Chicago are estimated at \$1.15 billion, down 1.4% from 2003 and \$174.9 million or 13.2% lower than the peak observed in 2000.

ESTIMATED ANNUAL HOTEL GROSS RECEIPTS						
(In Millions of Dollars)						
YEAR	Chicago Central Business District	\$ CHG (Prev Yr)	% CHG (Prev Yr)	Chicago Metro Area	\$ CHG (Prev Yr)	% CHG (Prev Yr)
1995	\$ 776.0			\$ 1,475.4		
1996	\$ 878.3	\$ 102.29	13.2%	\$ 1,709.2	\$ 233.87	15.9%
1997	\$ 993.3	\$ 114.98	13.1%	\$ 2,212.3	\$ 503.08	29.4%
1998	\$ 1,114.0	\$ 120.78	12.2%	\$ 2,384.1	\$ 171.76	7.8%
1999	\$ 1,183.2	\$ 69.17	6.2%	\$ 2,605.4	\$ 221.35	9.3%
2000	\$ 1,327.2	\$ 143.98	12.2%	\$ 2,902.0	\$ 296.57	11.4%
2001	\$ 1,167.2	\$ (160.00)	-12.1%	\$ 2,420.6	\$ (481.39)	-16.6%
2002	\$ 1,076.2	\$ (91.01)	-7.8%	\$ 2,228.6	\$ (192.04)	-7.9%
2003	\$ 1,168.2	\$ 92.03	8.6%	\$ 2,287.5	\$ 58.89	2.6%
2004	\$ 1,152.3	\$ (15.90)	-1.4%	\$ 2,312.5	\$ 25.06	1.1%

Estimated Annual Hotel Gross Receipts calculated from annual averages for Daily Rates, Capacity & Occupancy reported by CCTB.

Source: Chicago Convention & Tourism Bureau (CCTB), 10/29/04

APPROPRIATIONS

The following section addresses trends for FY2005 appropriations for all funds by control officer and by individual fund.

All Funds Appropriations by Control Officer

Cook County appropriations are projected to increase from \$2.98 billion to approximately \$3.05 Billion between FY2003 and FY2004, a 2% increase. Appropriations for those departments controlled by elected officials will decrease by approximately 10%, from roughly \$969 million to \$873 million. All elected officials except the Public Administrator will receive budgetary decreases in FY2005.

Cook County Appropriations FY2004-FY2005 (All Funds)				
			%	
Control Officers	FY2004	FY2005	Increase FY04- FY05	\$ Increase FY04-FY05
Offices Under President				
Bureau of Health Services	\$ 885,755,962	\$ 940,743,231	6.2%	\$ 54,987,269
President	\$ 3,402,368	\$ 3,019,092	-11.3%	\$ (383,276)
Chief Administrative Officer	\$ 68,894,662	\$ 64,699,332	-6.1%	\$ (4,195,330)
Bureau of Human Resources	\$ 4,671,636	\$ 4,115,855	-11.9%	\$ (555,781)
Bureau of Public Safety	\$ 95,090,490	\$ 82,269,140	-13.5%	\$ (12,821,350)
County Auditor	\$ 1,651,033	\$ 1,450,680	-12.1%	\$ (200,353)
Office of the Inspector General	\$ 458,543	\$ 395,718	-13.7%	\$ (62,825)
Bureau of Finance*	\$ 68,009,938	\$ 252,435,791	271.2%	\$ 184,425,853
Bureau of Information Technology	\$ 21,266,017	\$ 20,478,886	-3.7%	\$ (787,131)
Capital Planning	\$ 42,709,569	\$ 37,881,303	-11.3%	\$ (4,828,266)
Subtotal: Other than Health Services	\$ 306,154,256	\$ 466,745,797	52.5%	\$ 160,591,541
Subtotal: Offices Under President	\$ 1,191,910,218	\$ 1,407,489,028	18.1%	\$ 215,578,810
Sheriff	\$ 418,417,731	\$ 394,527,762	-5.7%	\$ (23,889,969)
Chief Judge	\$ 198,958,026	\$ 174,077,765	-12.5%	\$ (24,880,261)
State's Attorney	\$ 108,681,268	\$ 101,102,371	-7.0%	\$ (7,578,897)
Clerk Circuit Court	\$ 107,196,852	\$ 91,249,766	-14.9%	\$ (15,947,086)
County Clerk	\$ 42,213,382	\$ 41,294,113	-2.2%	\$ (919,269)
Assessor	\$ 30,920,526	\$ 26,738,669	-13.5%	\$ (4,181,857)
Recorder of Deeds	\$ 18,701,796	\$ 13,623,269	-27.2%	\$ (5,078,527)
Treasurer	\$ 14,611,010	\$ 13,521,937	-7.5%	\$ (1,089,073)
Election Commissioners	\$ 10,939,199	\$ 371,451	-96.6%	\$ (10,567,748)
Board of Review	\$ 8,899,177	\$ 7,772,351	-12.7%	\$ (1,126,826)
County Commissioners	\$ 8,661,036	\$ 7,812,110	-9.8%	\$ (848,926)
Public Administrator	\$ 1,131,944	\$ 1,296,827	14.6%	\$ 164,883
Subtotal: Other Elected Officials	\$ 969,331,947	\$ 873,388,391	-9.9%	\$ (95,943,556)
Other				
Self Insurance	\$ 74,600,166	\$ 64,430,478	-13.6%	\$ (10,169,688)
Managed Care Support	\$ 517,811	\$ 464,252	-10.3%	\$ (53,559)
Annuity & Benefits	\$ 220,223,000	\$ 209,151,000	-5.0%	\$ (11,072,000)
Bond & Interest	\$ 164,246,728	\$ 180,500,663	9.9%	\$ 16,253,935
Other Restricted Funds (Fed, St, Priv. Grants)	\$ 137,880,733	\$ 169,609,949	23.0%	\$ 31,729,216
Allowance for Uncollected Taxes	\$ 10,911,153	\$ 11,013,957	0.9%	\$ 102,804
Subtotal: Other Funds	\$ 608,379,591	\$ 635,170,299	4.4%	\$ 26,790,708
Subtotal Operating Funds	\$ 2,769,621,756	\$ 2,916,047,718	5.3%	\$ 146,425,962
Capital	\$ 219,215,158	\$ 130,643,500	-40.4%	\$ (88,571,658)
Total Budget	\$ 2,988,836,914	\$ 3,046,691,218	1.9%	\$ 57,854,304

Source: Cook County FY2005 Budget

*The Bureau of Finance notes that an error was made in the budget document accidentally inflating its FY2005 appropriations. Corrected figures were not available at the time of printing.

The next exhibit presents five-year appropriation trend information by control officer. For the period between FY2001 and FY2005, appropriations for the various elected officials have decreased by 0.3%, from \$876 million to \$873 million. During the same period, appropriations for the offices under the President have increased by 35%. This represents a \$363 million increase, from \$1.04 billion to nearly \$1.41 billion.

Cook County Appropriations FY2001-FY2005 (All Funds)				
			%	
Control Officers	FY2001	FY2005	Increase FY01- FY05	\$ Increase FY01-FY05
Offices Under President				
Bureau of Health Services	\$ 760,866,568	\$ 940,743,231	24%	\$ 179,876,663
President	\$ 2,578,831	\$ 3,019,092	17%	\$ 440,261
Chief Administrative Officer	\$ 63,427,245	\$ 64,699,332	2%	\$ 1,272,087
Bureau of Human Resources	\$ 4,772,749	\$ 4,115,855	-14%	\$ (656,894)
Bureau of Public Safety	\$ 88,723,160	\$ 82,269,140	-7%	\$ (6,454,020)
County Auditor	\$ 1,702,239	\$ 1,450,680	-15%	\$ (251,559)
Office of the Inspector General	\$ 395,272	\$ 395,718	0%	\$ 446
Bureau of Finance	\$ 64,065,414	\$ 252,435,791	294%	\$ 188,370,377
Bureau of Information Technology	\$ 19,057,032	\$ 20,478,886	7%	\$ 1,421,854
Capital Planning	\$ 38,563,009	\$ 37,881,303	-2%	\$ (681,706)
Subtotal: Other than Health Services	\$ 283,284,951	\$ 466,745,797	65%	\$ 183,460,846
Subtotal: Offices Under President	\$ 1,044,151,519	\$ 1,407,489,028	35%	\$ 363,337,509
Sheriff	\$ 377,968,415	\$ 394,527,762	4%	\$ 16,559,347
Chief Judge	\$ 187,776,018	\$ 174,077,765	-7%	\$ (13,698,253)
State's Attorney	\$ 101,095,505	\$ 101,102,371	0%	\$ 6,866
Clerk Circuit Court	\$ 95,920,462	\$ 91,249,766	-5%	\$ (4,670,696)
County Clerk	\$ 37,249,676	\$ 41,294,113	11%	\$ 4,044,437
Assessor	\$ 28,130,005	\$ 26,738,669	-5%	\$ (1,391,336)
Recorder of Deeds	\$ 15,970,734	\$ 13,623,269	-15%	\$ (2,347,465)
Treasurer	\$ 15,039,588	\$ 13,521,937	-10%	\$ (1,517,651)
Election Commissioners	\$ 372,066	\$ 371,451	0%	\$ (615)
Board of Review	\$ 8,020,852	\$ 7,772,351	-3%	\$ (248,501)
County Commissioners	\$ 7,438,915	\$ 7,812,110	5%	\$ 373,195
Public Administrator	\$ 1,032,389	\$ 1,296,827	26%	\$ 264,438
Subtotal: Other Elected Officials	\$ 876,014,625	\$ 873,388,391	-0.30%	\$ (2,626,234)
Other				
Self Insurance	\$ 54,406,790	\$ 64,430,478	18%	\$ 10,023,688
Managed Care Support	\$ 3,581,219	\$ 464,252	-87%	\$ (3,116,967)
Annuity & Benefits	\$ 160,702,000	\$ 209,151,000	30%	\$ 48,449,000
Bond & Interest	\$ 144,656,118	\$ 180,500,663	25%	\$ 35,844,545
Other Restricted Funds (Fed, St, Priv. Grants)	\$ 129,130,416	\$ 169,609,949	31%	\$ 40,479,533
Allowance for Uncollected Taxes	\$ 12,936,352	\$ 11,013,957	-15%	\$ (1,922,395)
Subtotal: Other Funds	\$ 505,412,895	\$ 635,170,299	26%	\$ 129,757,404
Subtotal Operating Funds	\$ 2,425,579,039	\$ 2,916,047,718	20%	\$ 490,468,679
Capital	\$ 291,563,045	\$ 130,643,500	-55%	\$ (160,919,545)
Total Budget	\$ 2,717,142,084	\$ 3,046,691,218	12%	\$ 329,549,134

Source: Cook County FY2005 Budget

All Funds Appropriations by Fund

All Funds appropriations are projected to increase 2% from FY2004. There is approximately a 0.2% change estimated in Corporate Fund appropriations from FY2004, with a decline of roughly \$425 thousand dollars from the prior year. Health Fund appropriations and Public Safety appropriations are expected to rise by 7% and 6% respectively. Appropriations for Special Purpose Funds are projected to rise 3% with Bond & Interest appropriations increasing by 10%. Special Purpose Funds are defined as the remaining funds after the General Funds are excluded. These funds are used to account for the proceeds from special revenue sources and the

expenditures for specified or restricted purposes.¹¹ Total Operating Funds Appropriations are expected to increase by 5% from the prior year. There is a 40% decrease projected in Capital Improvement Appropriations from FY2004, with no new Capital Improvement expenditures.

Cook County Appropriations FY2004-FY2005 (All Funds)				
Fund	FY2004	FY2005	% Increase FY04-FY05	\$ Increase FY04-FY05
Corporate	\$ 193,662,517	\$ 193,236,942	-0.2%	\$ (425,575)
Public Safety	\$ 1,040,227,331	\$ 1,105,709,199	6%	\$ 65,481,868
Health	\$ 837,087,712	\$ 896,242,836	7%	\$ 59,155,124
Subtotal: General Funds	\$ 2,070,977,560	\$ 2,195,188,977	6%	\$ 124,211,417
Annuity & Benefits	\$ 220,223,000	\$ 209,151,000	-5%	\$ (11,072,000)
Bond & Interest	\$ 164,246,728	\$ 180,500,663	10%	\$ 16,253,935
Other Special Purpose Funds	\$ 314,174,468	\$ 331,207,078	5%	\$ 17,032,610
Subtotal: Special Purpose Funds	\$ 698,644,196	\$ 720,858,741	3%	\$ 22,214,545
Total: Operating Funds	\$ 2,769,621,756	\$ 2,916,047,718	5%	\$ 146,425,962
Capital Improvements	\$ 219,215,158	\$ 130,643,500	-40%	\$ (88,571,658)
Grand Total: All Funds	\$ 2,988,836,914	\$ 3,046,691,218	2%	\$ 57,854,304

Source: Cook County FY2005 Budget

The next exhibit presents five-year appropriation trend information by fund. For the period between FY2001 and FY2005, All Funds appropriations are projected to increase 12%. There is a 5% increase estimated in Corporate Fund appropriations from FY2001, with an increase of roughly \$8.6 million dollars. Public Safety appropriations and Health appropriations show increases over the five-year periods of 16% and 24% respectively. The greatest percentage increases over the five-year period from FY2001 to FY2005 are in Special Funds appropriations, particularly Annuity and Benefits appropriations with an increase of 30%. Total Operating Funds appropriations are projected to rise by 20% from FY2001. With no new Capital Improvement expenditures planned for FY2005, there is a 55% decrease projected in Capital Improvement appropriations for the past five years from FY2001.

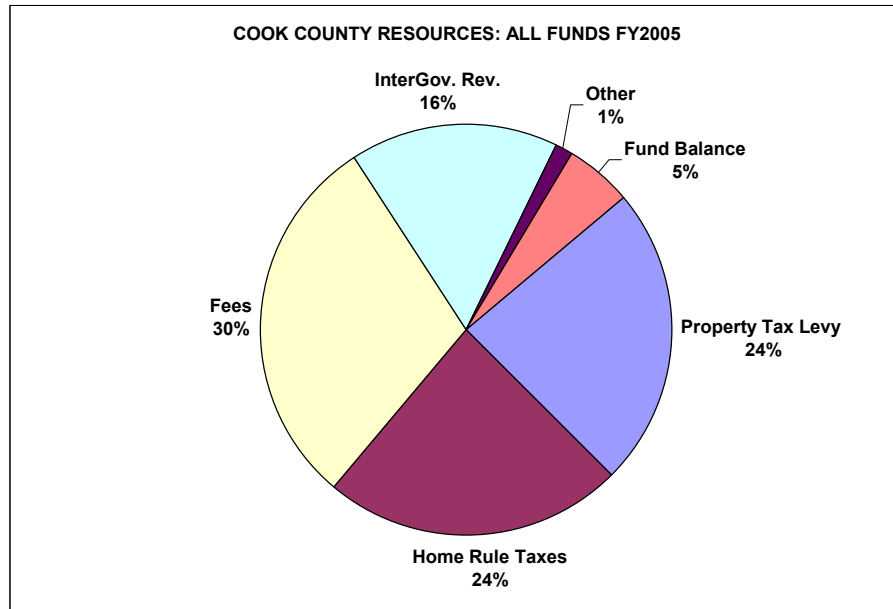
Cook County Appropriations FY2001-FY2005 (All Funds)				
Fund	FY2001	FY2005	% Increase FY01-FY05	\$ Increase FY01-FY05
Corporate	\$ 184,646,001	\$ 193,236,942	5%	\$ 8,590,941
Public Safety	\$ 953,822,927	\$ 1,105,709,199	16%	\$ 151,886,272
Health	\$ 721,951,151	\$ 896,242,836	24%	\$ 174,291,685
Subtotal: General Funds	\$ 1,860,420,079	\$ 2,195,188,977	18%	\$ 334,768,898
Annuity & Benefits	\$ 160,702,000	\$ 209,151,000	30%	\$ 48,449,000
Bond & Interest	\$ 144,656,118	\$ 180,500,663	25%	\$ 35,844,545
Other Special Purpose Funds	\$ 259,800,842	\$ 331,207,078	27%	\$ 71,406,236
Subtotal: Special Purpose Funds	\$ 565,158,960	\$ 720,858,741	28%	\$ 155,699,781
Total: Operating Funds	\$ 2,425,579,039	\$ 2,916,047,718	20%	\$ 490,468,679
Capital Improvements	\$ 291,563,045	\$ 130,643,500	-55%	\$ (160,919,545)
Grand Total: All Funds	\$ 2,717,142,084	\$ 3,046,691,218	12%	\$ 329,549,134

Source: Cook County FY2005 Budget

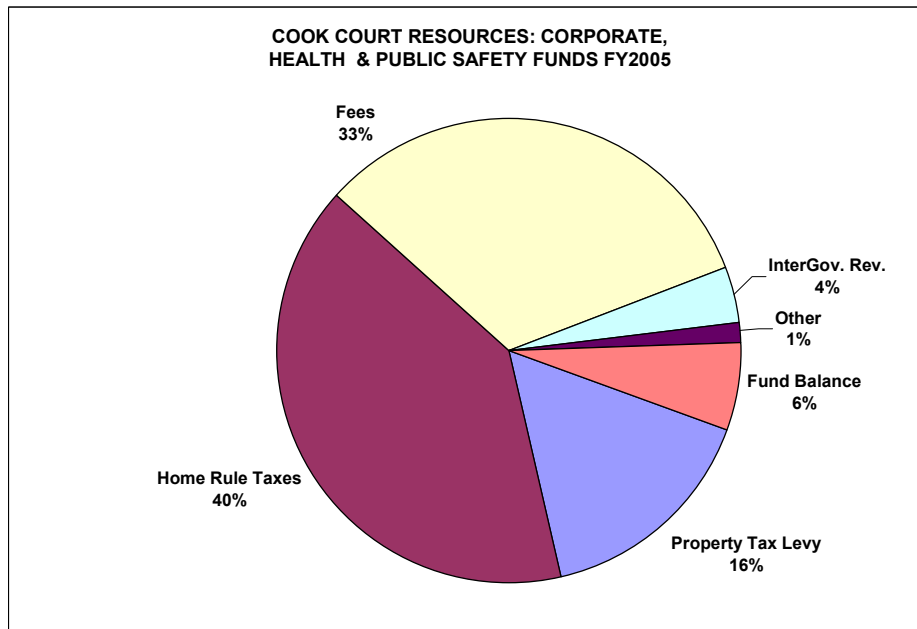
¹¹ Cook County FY2005 Executive Budget Recommendation, p. A-22.

RESOURCES

Cook County total resources include revenues and fund balance. In FY2005, the County estimates that it can draw upon a total of \$2.88 billion in various revenue sources and a fund balance of about \$163 million for a total of \$3.04 billion. The total fund balance represents 5% of all resources available.



The next chart shows resources available in the County's General Funds – its Corporate, Public Safety and Health Funds. Fees and home rules taxes provide 73% of all resources. Fund Balance accounts for 6% of the total or \$136 million. This is a decrease from the approximately \$200 million appropriated for fund balance in FY2004.¹²



Revenues in FY2005

Cook County revenues are projected to increase by 3.3% between FY2004 and FY2005, from \$2.6 billion to \$2.7 billion.¹³ This represents an estimated \$86 million increase.

Approximately \$75.5 million of the revenue increase in FY2005 is expected to derive from the new 2% prepared food and beverage tax, the 2% hotel accommodations tax and the automatic amusement device fee. If these new revenue enhancements were not included in the budget, revenues would have increased by 0.6% or approximately \$16 million.

The 2% hotel accommodations tax will be implemented beginning on April 1, 2005. While it is expected to generate \$19.8 million in FY2005, it could yield as much as \$35 million in a full year period. The 2% prepared food and beverage tax will also be implemented as of April 1, 2005. FY2005 will revenues from this tax are expected to be \$50 million while a full year will generate as much as \$90 million.

Fees, the largest single component of the revenue stream, are expected to rise by 3.1% in FY2005, from \$882.5 million to \$909.8 million. Patient fees alone are projected to rise by 4.8%, or \$29 million. The property tax levy will be held constant at \$720 million.

¹³ These are FY2003 year end estimate figures in the 2004 budget, not the original budgeted amounts in the FY2003 proposed budget.

COOK COUNTY REVENUES FY2003-FY2004 (\$000s)				
TAX OR FEE	FY04	FY05	# CHG 04-'05	% CHG '04-'05
Property Taxes	\$ 720,483	\$ 720,483	\$ -	0.0%
Home Rule Taxes				
Sales	\$ 336,114	\$ 337,825	\$ 1,711	0.5%
Alcoholic Beverage	\$ 25,000	\$ 24,000	\$ (1,000)	-4.0%
Cigarette	\$ 130,000	\$ 130,000	\$ -	0.0%
Gas	\$ 103,000	\$ 102,000	\$ (1,000)	-1.0%
Retail Sale/Motor Vehicles	\$ 3,500	\$ 3,400	\$ (100)	-2.9%
Wheel	\$ 950	\$ 900	\$ (50)	-5.3%
Amusement	\$ 15,000	\$ 14,000	\$ (1,000)	-6.7%
Parking Lot	\$ 37,000	\$ 35,000	\$ (2,000)	-5.4%
Prepared Food/Bever	\$ -	\$ 50,500	\$ 50,500	...
Hotel Accommodations		\$ 19,833	\$ 19,833	...
Subtotal Home Rule	\$ 650,564	\$ 717,458	\$ 66,894	10.3%
Fee Revenue				
Patient Fees	\$ 617,974	\$ 647,552	\$ 29,578	4.8%
Circuit Clerk Fees	\$ 91,540	\$ 88,500	\$ (3,040)	-3.3%
Recorder of Deeds Fees	\$ 68,000	\$ 66,114	\$ (1,886)	-2.8%
Treasurer's Fees	\$ 45,200	\$ 40,575	\$ (4,625)	-10.2%
Automatic Amusement Device Fee	\$ -	\$ 5,200	\$ 5,200	...
Other	\$ 59,835	\$ 61,993	\$ 2,158	3.6%
Subtotal Fees	\$ 882,549	\$ 909,874	\$ 27,325	3.1%
Misc. Revenues*	\$ 43,759	\$ 30,832	\$ (12,927)	-29.5%
Intergovernmental Rev.	\$ 368,586	\$ 374,170	\$ 5,584	1.5%
GRAND TOTAL	\$ 2,665,944	\$ 2,752,819	\$ 86,875	3.3%

* Bail Bond Forfeitures, Other Revenues

Five-Year Revenue Trends

Five-year revenue trends for all Cook County revenues are presented below. All revenues increased by 22.2% over that time period. This represents a \$499 million increase, from \$2.2 billion to \$2.7 billion. Fee revenue has increased much faster than home rule taxes since FY2001. The rate of growth for fees was 42.2% in that time period while home rule taxes rose by 28.5%.

COOK COUNTY REVENUES FY2001-FY2005 (\$000s)							
TAX OR FEE	FY01	FY02	FY03	FY04*	FY05	# CHG 01-'05	% CHG 01-'05
Property Taxes	\$ 724,957	\$ 724,415	\$ 720,483	\$ 720,483	\$ 720,483	\$ (4,474)	-0.6%
Home Rule Taxes							
Sales	\$ 334,599	\$ 328,614	\$ 327,839	\$ 336,114	\$ 337,825	\$ 3,226	1.0%
Alcoholic Beverage	\$ 24,961	\$ 25,467	\$ 25,886	\$ 25,000	\$ 24,000	\$ (961)	-3.9%
Cigarette	\$ 46,980	\$ 42,087	\$ 39,555	\$ 130,000	\$ 130,000	\$ 83,020	176.7%
Gas	\$ 106,068	\$ 105,706	\$ 103,470	\$ 103,000	\$ 102,000	\$ (4,068)	-3.8%
Retail Sale/Motor Veh's	\$ 4,325	\$ 4,102	\$ 3,679	\$ 3,500	\$ 3,400	\$ (925)	-21.4%
Wheel	\$ 977	\$ 1,008	\$ 989	\$ 950	\$ 900	\$ (77)	-7.9%
Amusement	\$ 12,674	\$ 13,401	\$ 15,445	\$ 15,000	\$ 14,000	\$ 1,326	10.5%
Parking Lot	\$ 27,943	\$ 37,770	\$ 33,643	\$ 37,000	\$ 35,000	\$ 7,057	100.0%
Prepared Food/Bever.	\$ -	\$ -	\$ -	\$ -	\$ 50,500	\$ 50,500	100.0%
Hotel Accommodations	\$ -	\$ -	\$ -	\$ -	\$ 19,833	\$ 19,833	100.0%
Subtotal Home Rule	\$ 558,531	\$ 558,157	\$ 550,506	\$ 650,564	\$ 717,458	\$ 158,931	28.5%
Fee Revenue							
Patient Fees	\$ 413,735	\$ 455,171	\$ 548,908	\$ 617,974	\$ 647,552	\$ 233,817	56.5%
Circuit Clerk Fees	\$ 76,059	\$ 74,885	\$ 91,333	\$ 91,540	\$ 88,500	\$ 12,441	16.4%
Recorder of Deeds Fees	\$ 50,176	\$ 60,545	\$ 78,364	\$ 68,000	\$ 66,114	\$ 15,938	31.8%
Treasurer's Fees	\$ 47,326	\$ 45,991	\$ 46,700	\$ 45,200	\$ 40,575	\$ (6,751)	-14.3%
Other	\$ 52,391	\$ 53,408	\$ 57,525	\$ 59,835	\$ 67,133	\$ 14,742	28.1%
Subtotal Fees	\$ 639,687	\$ 690,000	\$ 822,830	\$ 882,549	\$ 909,874	\$ 270,187	42.2%
Misc. Revenues**	\$ 26,533	\$ 23,587	\$ 43,400	\$ 43,759	\$ 30,832	\$ 4,299	16.2%
Intergov. Rev.	\$ 303,269	\$ 326,040	\$ 313,716	\$ 368,586	\$ 374,170	\$ 70,901	23.4%
GRAND TOTAL	\$ 2,252,977	\$ 2,322,201	\$ 2,450,940	\$ 2,665,944	\$ 2,752,819	\$ 499,842	22.2%

* Year End Estimates

** Bail Bond Forfeitures, Other Revenues

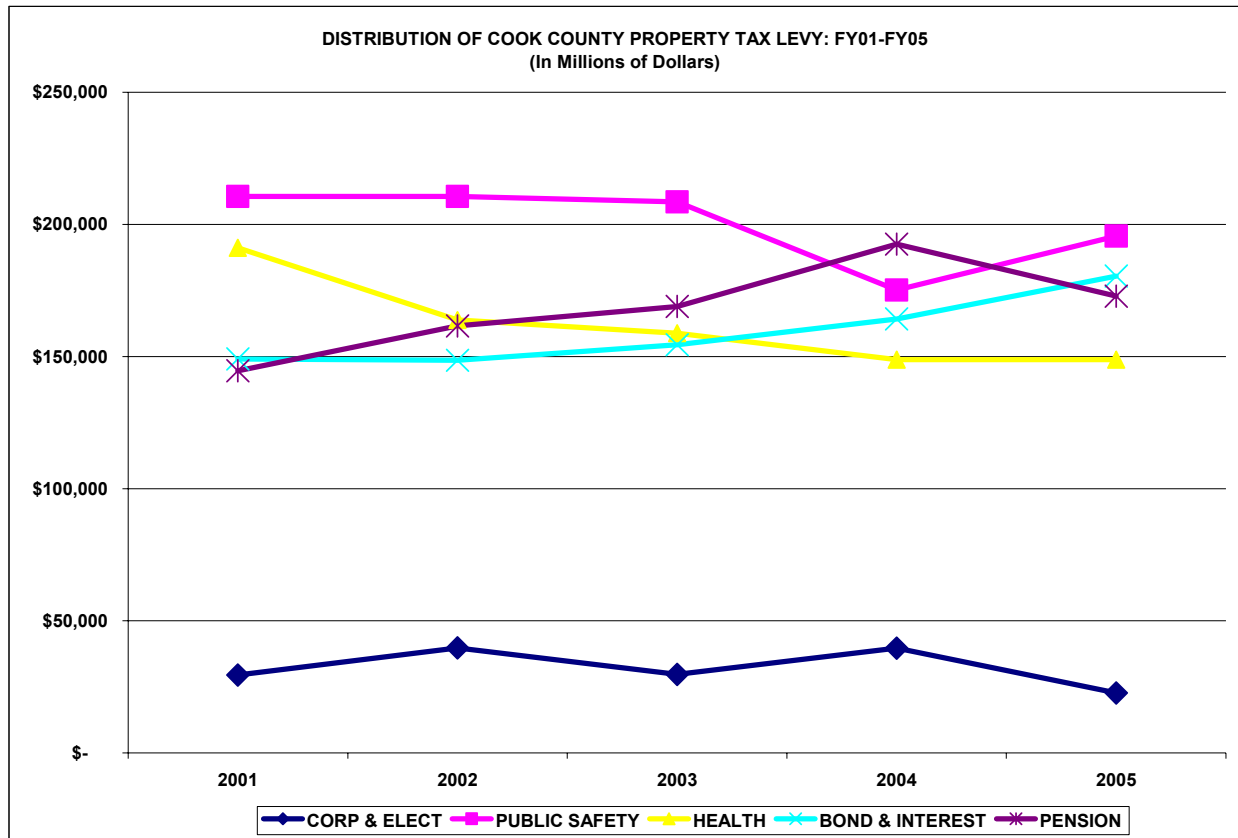
Property Tax Levy

The Cook County property tax levy will be held constant in FY2005, at \$720.4 million for the third year in a row. Since FY2001, the levy has decreased slightly by 0.6%, from \$724.9 million.

Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health, Bond and Interest, and Pensions Annuity and Benefit Fund. Changes in distribution of the levy between FY2001 and FY2005 are shown below. The relatively small Corporate and Election Funds have been combined; together they averaged about 4% of the total levy for all years analyzed. In FY2001, the portion of the levy dedicated to these funds will be 3% of the total.

The Public Safety Fund will consume the largest single portion of the levy: \$195.6 million or 27% of the total. Approximately 24% of the levy, or \$180.5 million, is earmarked for the Bond and Interest Fund. The third largest component of the levy will be the \$173 million portion targeted for the County's Pension Fund. This significant reduction from the \$192.5 million earmarked for pensions in the 2004 levy is the result of two factors: a reduction in the actuarially

determined amount required for the pension fund and a \$10 million increase in the total amount of PPRT revenues projected to be available for pension funding in FY2005.¹⁴



PERSONNEL TRENDS

The following section addresses trends for budgeted personnel by office and by fund, a comparison of Cook County personnel with that of other major urban counties around the nation, and both one-year and five-year trends in personal services appropriations.

Full Time Equivalent Positions

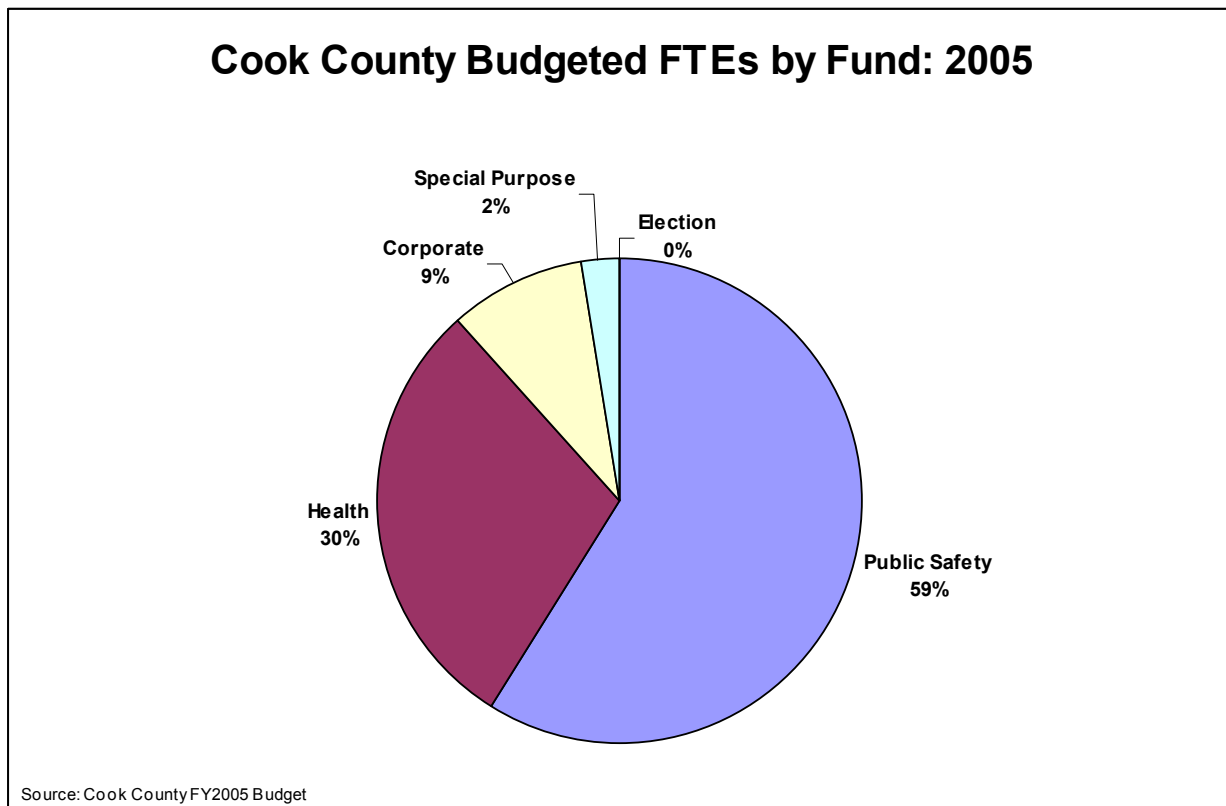
The next exhibit shows the number of full time equivalent (FTE) positions budgeted over the past five years. The number of FTEs for FY2005 is projected to decline by 651.0 positions, or 2.5% from FY2004. FTEs have declined by 1270.5, or 4.7%, since FY2001.

¹⁴ Briefing by Cook County Financial Management Staff on the Cook County FY2005 Budget, January 5, 2005.

Cook County Budgeted FTEs by Office (All Funds): 2000-2004								
	2001	2002	2003	2004	2005	positions change 2004-2005	% change 2004-2005	% change 2001-2005
Bureau of Health Services	9,011.0	9,002.2	8,735.6	8,676.8	8,119.8	-557.0	-6.4%	-9.9%
Sheriff	6,517.7	6,520.1	6,519.0	6,479.0	6,641.1	162.1	2.5%	1.9%
Chief Judge	3,052.2	3,021.2	3,019.9	2,995.2	2,964.6	-30.6	-1.0%	-2.9%
Clerk of Circuit Court	2,157.8	2,176.0	2,186.7	2,153.7	2,107.5	-46.2	-2.1%	-2.3%
State's Attorney	1,481.2	1,482.8	1,480.9	1,464.0	1,499.2	35.2	2.4%	1.2%
Bureau of Public Safety	1,416.5	1,413.3	1,413.2	1,413.0	1,316.2	-96.8	-6.9%	-7.1%
County Assessor	473.8	473.2	469.6	461.6	455.5	-6.1	-1.3%	-3.9%
County Clerk	308.7	310.3	316.3	316.7	308.8	-7.9	-2.5%	0.0%
Recorder of Deeds	283.9	281.7	274.1	277.3	266.5	-10.8	-3.9%	-6.1%
County Treasurer	233.9	217.3	203.9	191.0	185.5	-5.5	-2.9%	-20.7%
Board of Appeals	132.2	132.1	130.0	130.0	130.0	0.0	0.0%	-1.7%
Office of the County Commissioners	95.0	96.0	95.4	96.0	96.0	0.0	0.0%	1.1%
Public Administrator	19.0	19.0	19.0	19.0	18.5	-0.5	-2.6%	-2.6%
Other	1,958.3	1,895.9	1,904.6	1,848.4	1,761.5	-86.9	-4.7%	-10.0%
TOTAL	27,141.2	27,041.1	26,768.2	26,521.7	25,870.7	-651.0	-2.5%	-4.7%

Source: Cook County Budget Documents

The following exhibit shows the location of FTEs in the FY2005 County budget. In FY2005, 59% of all FTEs are budgeted to the Public Safety Fund, which includes the Offices of the Sheriff, Chief Judge, Clerk of the Circuit Court, and State's Attorney. Thirty percent of all FTEs are budgeted in the Health Fund, 9% in the Corporate Fund, and the remaining 2% in the Special Purpose and Election Funds.



For the one-year change from FY2004 to FY2005, the number of FTEs budgeted in the Corporate Fund decreased by 102.2 positions, or 4.1%. The number of FTEs in the Public Safety and Health funds have been reduced by 536.2 positions, or 6.5%, and 74.8 positions, or 0.5%

respectively. The number of FTEs budgeted in Special Purpose Funds has increased from last year by 63.2 positions, or 12%. Over the last five years, from FY2001 to FY2005, the number of Corporate Fund FTEs has declined by 12.6%, from 2,734.7 to 2,388.9. The number of budgeted Health Fund positions has dropped by 10.1%, while Public Safety Fund FTEs have dropped by 1.4% or 218.9 FTEs.

Cook County Budgeted FTEs by Fund: 2000-2004								
FUND	2001	2002	2003	2004	2005	positions change 2004-2005	% change 2004-2005	% change 2001-2005
Public Safety	15,428.3	15,375.7	15,428.4	15,284.2	15,209.4	-74.8	-0.5%	-1.4%
Health	8,511.9	8,504.9	8,248.3	8,187.7	7,651.5	-536.2	-6.5%	-10.1%
Corporate	2,734.7	2,649.9	2,551.9	2,491.1	2,388.9	-102.2	-4.1%	-12.6%
Special Purpose	442.6	479.3	507.8	527.0	590.2	63.2	12.0%	33.3%
Election	23.7	31.3	31.8	31.7	30.7	-1.0	-3.2%	29.5%
TOTAL	27,141.2	27,041.1	26,768.2	26,521.7	25,870.7	-651.0	-2.5%	-4.7%

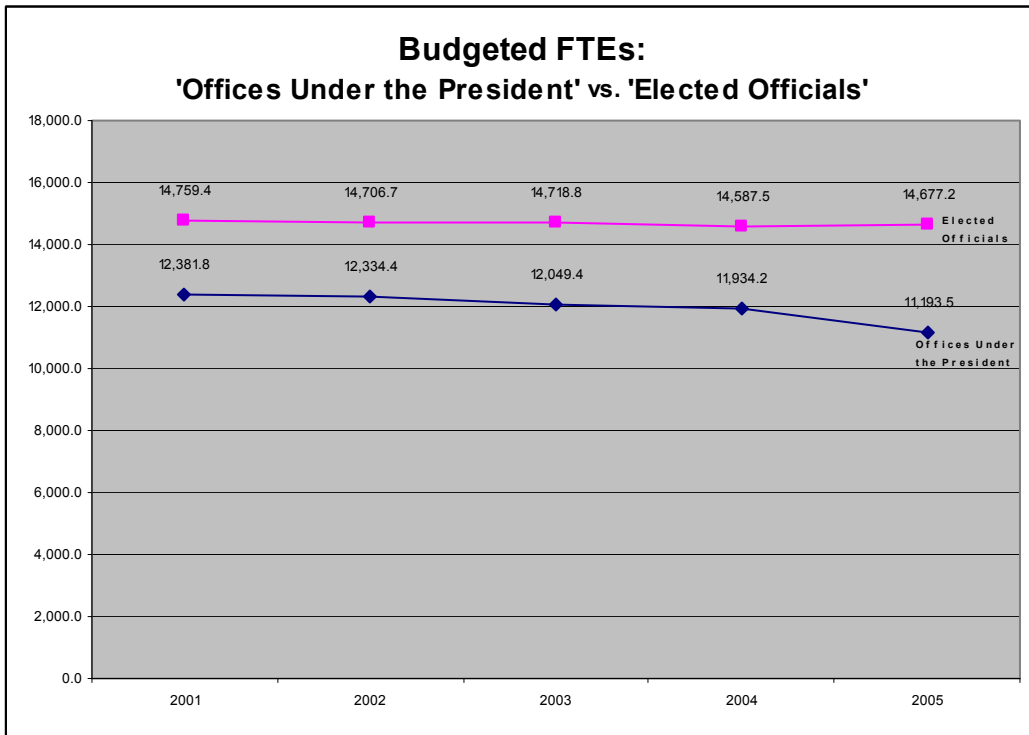
Source: Cook County Budget Documents

The number of FTEs budgeted for Offices under the President declined by 6.2%, or 740.7 positions, from FY2004. From the prior year, the number of FTEs budgeted for Elected Officials increased by 0.6% or 89.7 positions. Over the last five years, FTE positions budgeted for Offices under the President have decreased by 9.6%, while those for Elected Officials have decreased by 0.6%.

Cook County Budgeted FTEs by Control Officer: 2000-2004								
	2001	2002	2003	2004	2005	positions change 2004-2005	% change 2004-2005	% change 2001-2005
Offices under the President	12,381.8	12,334.4	12,049.4	11,934.2	11,193.5	-740.7	-6.2%	-9.6%
Elected Officials	14,759.4	14,706.7	14,718.8	14,587.5	14,677.2	89.7	0.6%	-0.6%
TOTAL	27,141.2	27,041.1	26,768.2	26,521.7	25,870.7	-651.0	-2.5%	-4.7%

Source: Cook County Budget Documents

The next exhibit charts the number of FTEs budgeted for Offices Under the President in comparison to FTE totals for offices under the control of Elected Officials for the five years from FY2001 to FY2005.



Personnel Comparisons With Other Urban Counties

The following exhibit presents a personnel comparison for the ten largest urban counties in the nation. The data is ranked by positions per capita, i.e. the number of government positions relative to the population size. The total population for each county is shown, as are the latest available figures for total budgeted personnel and those for the year immediately prior. The largest county, Los Angeles County, has a population of approximately 9.87 million and roughly 92.7 thousand positions – translating into 1 government position for every 107 county residents. Cook County, the second largest in the nation, with a population of roughly 5.3 million, has a budgeted personnel count of 26.5 thousand positions, or 1 government position for every 207 county residents.

County	Population	Total Budgeted Positons (Most Recent Budget)	Total Budgeted Positons (Previous Year Budget)	Unit Change	% Change	Positions Per Capita
Miami-Dade, FL	2,341,167	29,988.00	30,694.00	(706.00)	-2.30%	1/78
Hennepin, MN	1,121,035	10,597.00	11,409.00	(812.00)	-7.12%	1/106
Los Angeles, CA	9,871,506	92,308.80	92,687.50	(378.70)	-0.41%	1/107
Nassau, NY	1,339,463	10,701.00	10,152.00	549.00	5.41%	1/125
King, WA	1,761,411	12,970.00	13,051.00	(81.00)	-0.62%	1/136
Cuyahoga, OH	1,363,888	9,117.00	9,163.00	(46.00)	-0.50%	1/150
Orange, CA	2,957,766	17,597.00	17,751.00	(154.00)	-0.87%	1/168
San Diego, CA	2,930,886	16,836.87	17,902.27	(1,065.40)	-5.95%	1/174
Maricopa, AZ	3,389,260	17,564.47	16,637.85	926.62	5.57%	1/193
Cook, IL	5,351,552	25,870.70	26,521.70	(651.00)	-2.45%	1/207

Source: Respective Budget Documents [FY2004, FY2005]

Personal Service Appropriations

Personal service appropriations are projected to increase by a total of 3.4% in FY2005 from the previous fiscal year. Wages and salaries will rise by 3.7%, from \$1.45 billion to \$1.50 billion. Benefits are expected to increase by 2.5%, from \$499.5 million to \$511.8 million.

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY04-FY05				
	2004	2005	\$ CHG 04 vs. '05	% CHG 04 vs. '05
Regular Wages	\$ 1,419,241,763	\$ 1,454,958,323	\$ 35,716,560	2.5%
Overtime	\$ 28,680,096	\$ 47,108,195	\$ 18,428,099	64.3%
Other Wages	\$ 1,395,985	\$ 594,267	\$ (801,718)	-57.4%
Subtotal Wages	\$ 1,449,317,844	\$ 1,502,660,785	\$ 53,342,941	3.7%
Hospitalization	\$ 215,033,111	\$ 238,209,469	\$ 23,176,358	10.8%
Other Benefits	\$ 284,452,487	\$ 273,618,583	\$ (10,833,904)	-3.8%
Subtotal Benefits	\$ 499,485,598	\$ 511,828,052	\$ 12,342,454	2.5%
Total Personal Services	\$ 1,948,803,442	\$ 2,014,488,837	\$ 65,685,395	3.4%

Note: Budget Book data is incorrect. Corrected data provided by the Bureau of Finance on January 27, 2005.

Between FY2001 and FY2005, Cook County personal service appropriations rose by 20.8%. This represents a \$352.8 million increase. Over the five-year period from FY2001 to FY2005, wages exhibited an 11.7% increase, with Overtime appropriations in particular rising by 64.2%.

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY01-FY05						
	2001	2002	2003	2004	2005	% CHG 2001-2005
Regular Wages	\$ 1,298,368,276	\$ 1,312,233,291	\$ 1,361,005,831	\$ 1,419,241,763	\$ 1,454,958,323	12.1%
Overtime	\$ 28,687,579	\$ 33,177,822	\$ 31,319,026	\$ 28,680,096	\$ 47,108,195	64.2%
Other Wages	\$ 18,502,307	\$ 15,127,172	\$ 524,296	\$ 1,395,985	\$ 594,267	-96.8%
Subtotal Wages	\$ 1,345,558,162	\$ 1,360,538,285	\$ 1,392,849,153	\$ 1,449,317,844	\$ 1,502,660,785	11.7%
Hospitalization	\$ 157,272,469	\$ 169,751,907	\$ 188,151,111	\$ 215,033,111	\$ 238,209,469	51.5%
Other Benefits	\$ 191,718,499	\$ 208,379,146	\$ 219,541,595	\$ 284,452,487	\$ 306,468,618	59.9%
Subtotal Benefits	\$ 348,990,968	\$ 378,131,053	\$ 407,692,706	\$ 499,485,598	\$ 544,678,087	56.1%
Total Personal Services	\$ 1,694,549,130	\$ 1,738,669,338	\$ 1,800,541,859	\$ 1,948,803,442	\$ 2,047,338,872	20.8%

Note: Budget Book data is incorrect. Corrected data provided by the Bureau of Finance on January 27, 2005.

The following chart shows totals for Personal Services in relation to the total budget for the County. For FY2005, personal services comprise roughly 66% of the total budget and grew by 3.4% from last year. Appropriations for the total budget grew by 1.9% since FY2004. For the five-year period since FY2001 to FY2005, personal services have averaged 64% of the total budget, with an average yearly growth rate of roughly 4.4%. The yearly growth rate for the total budget has averaged 2.9%.

	Personal Services	Total Budget	Personal Services as % of Total Budget	Year-to-Year % Growth of Personal Services	Year-to-Year % Growth of Total Budget
2001	\$ 1,694,549,130	\$ 2,714,128,015	62.4%		
2002	\$ 1,738,669,338	\$ 2,742,324,308	63.4%	2.6%	1.0%
2003	\$ 1,800,541,859	\$ 2,869,965,936	62.7%	3.6%	4.7%
2004	\$ 1,948,803,442	\$ 2,988,836,914	65.2%	8.2%	4.1%
2005	\$ 2,014,488,837	\$ 3,046,691,218	66.1%	3.4%	1.9%
Average			64.0%	4.4%	2.9%

BUREAU HIGHLIGHTS: HEALTH SERVICES AND PUBLIC SAFETY

Bureau of Health Services

The Bureau of Health Services is the single largest agency in the Cook County budget, both in terms of personnel and appropriations. It includes four major hospital facilities (Stroger Hospital, Cermak Health Services, Provident Hospital, and Oak Forest Hospital) and several smaller functions, such as the Ambulatory and Community Health Network. Bureau of Health Appropriations for FY2005 total approximately \$941 million, up \$56.3 million or 6.4% from FY2004. The largest single increase occurred in 'Health Fund/Special Purpose' appropriations with a year-to-year increase of roughly \$91.9 million or 2089%. The bulk of this appropriation appears to be attributable to Hospitalization Insurance expenditures in Personal Services appropriations for the fund. Over the five years since FY2001, total Bureau of Health appropriations have increased by 23.3% or roughly \$177.6 million.

Cook County Bureau of Health Appropriations (All Funds): 2001-2005							
	2001	2004	2005	\$ Increase FY04-FY05	% Increase FY04-FY05	\$ Increase FY01-FY05	% Increase FY01-FY05
Bureau Of Health	\$ 3,296,388	\$ 5,686,720	\$ 4,947,319	\$ (739,401)	-13.0%	\$ 1,650,931	50.1%
Provident Hospital	\$ 79,555,555	\$ 98,939,931	\$ 103,162,715	\$ 4,222,784	4.3%	\$ 23,607,160	29.7%
Ambulatory and Community Health Network	\$ 100,660,746	\$ 106,207,154	\$ 109,593,882	\$ 3,386,728	3.2%	\$ 8,933,136	8.9%
Bureau Of Health - CORE Center		\$ 12,560,301	\$ 11,321,401	\$ (1,238,900)	-9.9%	\$ 11,321,401	
Department of Public Health	\$ 16,946,702	\$ 18,886,242	\$ 19,945,168	\$ 1,058,926	5.6%	\$ 2,998,466	17.7%
Stroger Hospital	\$ 406,927,824	\$ 461,269,243	\$ 433,482,156	\$ (27,787,087)	-6.0%	\$ 26,554,332	6.5%
Oak Forest Hospital	\$ 113,766,041	\$ 127,748,163	\$ 117,497,797	\$ (10,250,366)	-8.0%	\$ 3,731,756	3.3%
Health Fund/ Special Purpose Appropriations	\$ 797,895	\$ 4,399,117	\$ 96,292,398	\$ 91,893,281	2088.9%	\$ 95,494,503	11968.3%
Public Safety Fund	\$ 38,067,247	\$ 44,738,565	\$ 40,567,358	\$ (4,171,207)	-9.3%	\$ 2,500,111	6.6%
Special Purpose Funds	\$ 3,581,219	\$ 4,486,106	\$ 4,397,289	\$ (88,817)	-2.0%	\$ 816,070	22.8%
Total Bureau of Health	\$ 763,599,617	\$ 884,921,542	\$ 941,207,483	\$ 56,285,941	6.4%	\$177,607,866	23.3%

Source: Cook County FY2005 Executive Budget Recommendation

The next exhibit tabulates personnel budgeted for the Bureau of Health for FY2005. Over the past year, the Bureau of Health has seen a reduction of 557 positions of 6.4%. Over the last 10 years, the Bureau of Health Services has reduced personnel by 1,559.2 positions, or 16.1%. The largest hospital, Stroger Hospital, has seen an elimination of 291.1 positions from last year and 1646.9 positions or 28.1% since FY2001.

Cook County Bureau of Health Personnel (All Funds): 2000-2004								
	1996	2004	2005	# Change FY04-FY05	% Change FY04-FY05	# Change FY96-FY05	% Change FY96-FY05	
Cermak Health Services	437	485.1	464.3	(20.80)	-4.3%	27.30	6.2%	
Bureau Of Health	14	36	29.8	(6.20)	-17.2%	15.80	112.9%	
Provident Hospital	710	789	749.9	(39.10)	-5.0%	39.90	5.6%	
Ambulatory and Community Health Network	679	915.9	858.8	(57.10)	-6.2%	179.80	26.5%	
Bureau Of Health - CORE Center		68	61	(7.00)	-10.3%	61.00		
Department of Public Health	160	174	172	(2.00)	-1.1%	12.00	7.5%	
Stroger Hospital	5854	4498.2	4207.1	(291.10)	-6.5%	(1646.90)	-28.1%	
Oak Forest Hospital	1817	1706.6	1572.9	(133.70)	-7.8%	(244.10)	-13.4%	
Lead Poisoning Prevention Fund		4	4	0.00	0.0%	4.00		
Total Bureau of Health	9679	8676.8	8119.8	(557.00)	-6.4%	(1559.20)	-16.1%	

Source: Cook County FY2005 Executive Budget Recommendation

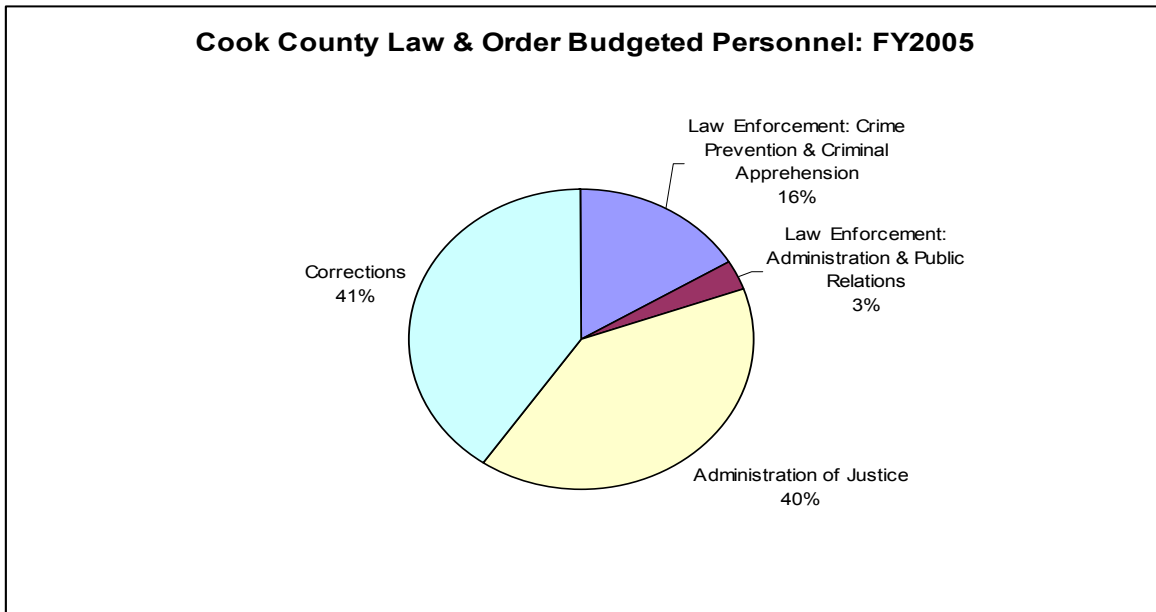
Public Safety, or “Law and Order”

The Cook County Public Safety Fund supports functions from a number of offices, including Offices Under the President, Sheriff, Chief Judge, Clerk of the Circuit Court and State’s Attorney. These functions range from Document Storage to Corrections to the Sheriff’s Merit Board. In order to better grasp the scope and similarity of these various functions, the Civic Federation has organized them into categories by similarity of function. We call the overall category “Law and Order” in order to capture the full range of functions. The three major categories represent a chronological sequence: law enforcement, administration of justice, and corrections. A number of administrative offices under the Sheriff are grouped under a fourth category: Law Enforcement Administration and Public Relations. Overall, from FY2004 to FY 2005, FTEs budgeted for “Law and Order” rose by 8.3 or 0.06%. Over the five year period since FY2001, FTEs for “Law and Order” have risen by 116.2 and a 0.80% decrease.

Cook County Law and Order Budgeted FTEs by Department and Function: 2001-2005							
	2001	2004	2005	# Change '04 - '05	% Change '04 - '05	# Change '01 - '05	% Change '01 - '05
LAW ENFORCEMENT: Crime Prevention & Criminal Apprehension							
Subtotal	2380.7	2387	2,384.5	-2.5	-0.10%	3.8	0.16%
LAW ENFORCEMENT: Administration & Public Relations							
Subtotal	517	466	463.5	-2.5	-0.54%	-53.5	-10.35%
ADMIN. OF JUSTICE: Courts, Attorneys, Court-Ordered Investigations, Clerks, Legal Documents							
Subtotal	5883.9	5865.9	5754	-111.9	-1.91%	-129.9	-2.21%
CORRECTIONS: Detention, Jail, Probation, Rehabilitation, Community Service							
Subtotal	5833.8	5772	5897.2	125.2	2.17%	63.4	1.09%
Grand Total	14615.4	14490.9	14499.2	8.3	0.06%	-116.2	-0.80%

Source: Cook County FY2005 Executive Budget Recommendation

The next exhibit shows the location of FTEs budgeted in the Public Safety Fund. In FY2005, approximately 41% of the Public Safety personnel work in Corrections and 40% in Administration of Justice. Law Enforcement represents 16% of Public Safety personnel, while Law Enforcement Administration represents 3%.



DEBT TRENDS

The Civic Federation traditionally presents a 5-year trend analysis of short-term debt and long-term debt per capita in our budget analyses. However, for the second year in a row this was not possible because of the lack of available data due to Cook County's failure to release a FY2003 Comprehensive Annual Financial Report (CAFR) as of this writing.¹⁵

Last year, the County's CAFR for the fiscal year ending November 30, 2002 was not made available until March 30, 2004 – sixteen months after the close of the fiscal year. In November of 2003, the County indicated that late release of the CAFR was due to the need to produce additional information required to comply with Governmental Accounting Standards Board Statement Number 34.

A review of how quickly five other local governments released their FY2003 audited financial statements after the close of their respective fiscal years shows that all were able to do so within a 6-month period. This includes large, complex governments such as the Chicago Public Schools and the City of Chicago. In our view, the County's delays in releasing its CAFR weakens the government's fiscal accountability to the public by failing to provide important financial information needed to assess not only proposed budgets, but also proposals for additional debt.

¹⁵ Although the Securities Exchange Commission Rule 15c2-12 of 1996 effectively requires issuers of municipal securities to undertake to provide certain financial information for the benefits of bondholders, it does not prescribe the content, format, or timing of the information. GFOA's Recommended Practices. "Using Comprehensive Annual Financial Report to meet SEC Requirement for periodic disclosure." (1996)
<http://www.gfoa.org/services/rp/caafr/caafr-using-comprehensive.pdf>

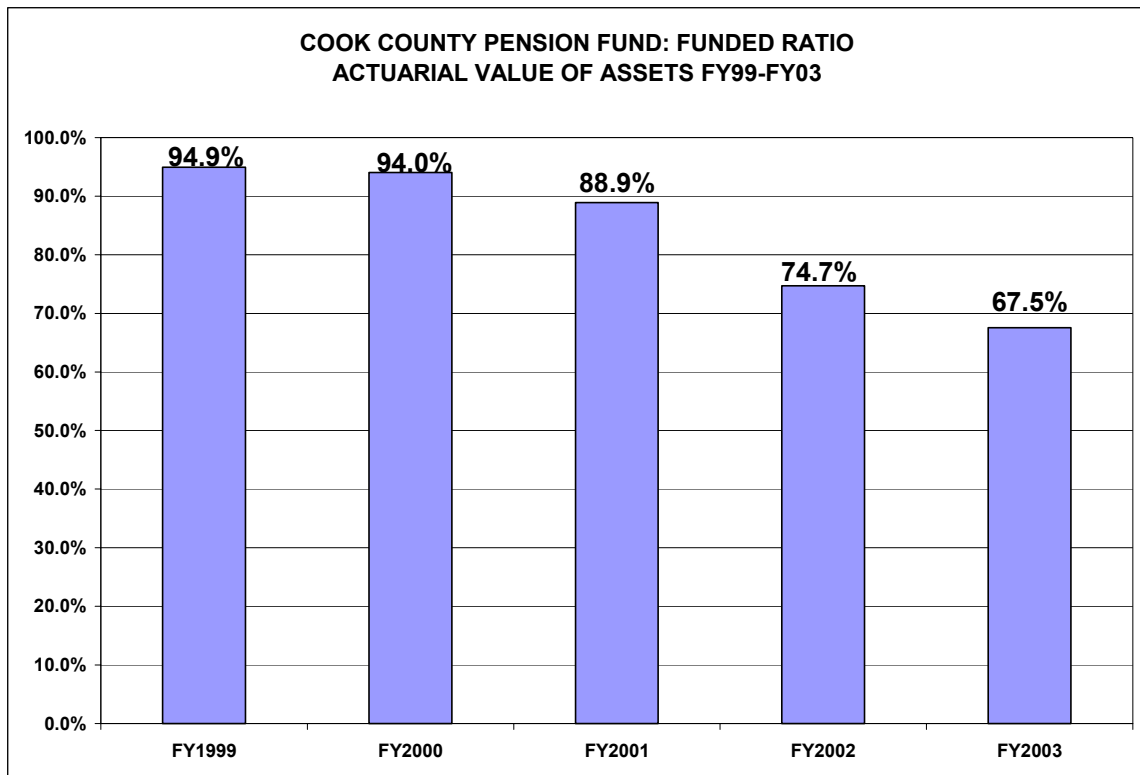
RELEASE OF SELECTED LOCAL GOVERNMENT FINANCIAL STATEMENTS			
Government	End of FY	Release of FY2003 Financial Statements	# of Months
Cook County	November 30, 2003	not yet released	14+
Forest Preserve District of Cook County	December 31, 2003	May 7, 2004	4
City of Chicago	December 31, 2003	June 24, 2004	6
Chicago Public Schools	June 30, 2003	December 15, 2003	6
Chicago Park District	December 31, 2003	May 31, 2004	6
Metropolitan Water Reclamation District	December 31, 2003	June 24, 2004	6

PENSION FUND TRENDS

The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of Cook County's pension fund: funded ratios, the investment rate of return and the value of unfunded liabilities.¹⁶

Funded Ratios – Actuarial Value of Assets

The following exhibit shows the funded ratio for Cook County's pension fund. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage the more difficulty a government may have in meeting future obligations. Since 1999, the funded ratio has fallen from 94.9% to 67.5%. During FY2003 alone, the funded ratio declined from 74.7% to 67.5%. This continuing decline raises concerns about the pension fund's funding levels.

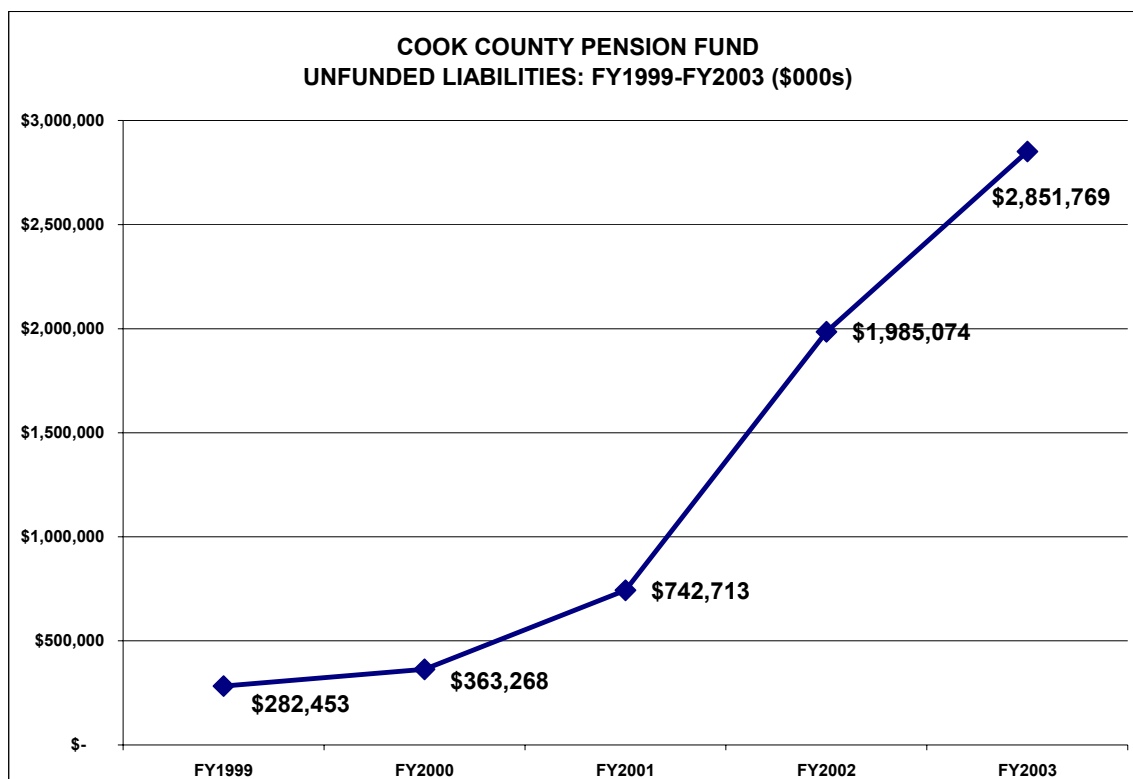


¹⁶ The discussion of Cook County's pension fund trends is drawn from *Status of Local Pension Funding* (Chicago: Civic Federation, 2003).

Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for Cook County's pension fund totaled approximately \$2.9 billion in FY2003, an increase of \$867 million, or 44% over FY2002. This compares to an increase in unfunded liabilities between FY2001 and FY2002 of \$1.2 billion, of 167%.

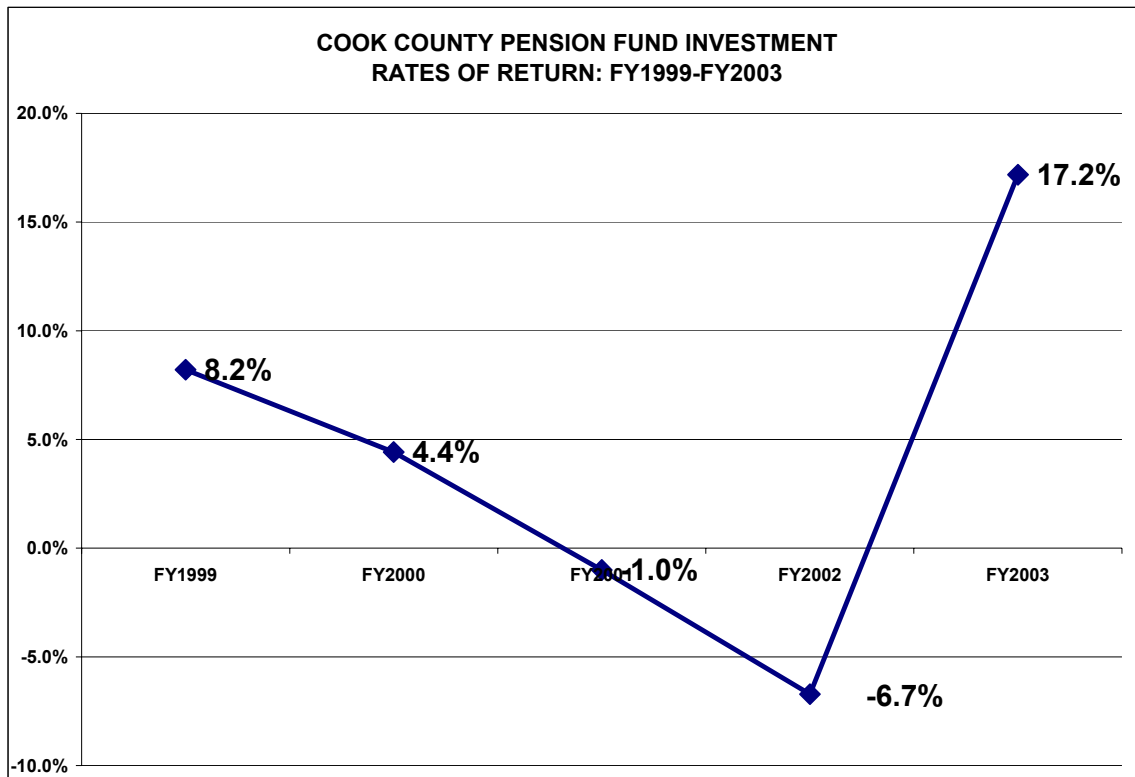
Declining rates of return between FY1998 and FY2002 have contributed to these sharp increases in unfunded liabilities.



Investment Rates of Return

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. It should be noted the volatility in the rates of return reflects fluctuations in the market value of the investments within the fund. Under GAAP, the fair value of an investment is the amount at which the asset could be bought or sold. The value of an investment may increase or decline depending upon market conditions. Just as many pension fund investments experienced losses during difficult markets in 2000 through 2002, the Cook County's pension fund investments benefited from the improvements in the investment and economic environments in 2003.¹⁷ In FY2003, the Cook County pension fund's 17% rate of return showed significant improvement after several years of declines.

¹⁷ For example, in fiscal 2003, all four of the City of Chicago's pension funds reported positive, double digit rates of return for investments - a sharp turnaround from the previous two fiscal years, when all four funds reported negative results. The average market rate of return for all City of Chicago pension funds rose to 21.6% in FY2003.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve Cook County's financial management and to reduce expenditures.

Eliminate Automatic Annual Step Increases for Employees

Cook County employees receive both cost of living augmentations (COLA) and step increases each year. The COLA increased the FY2004 personal services appropriation by \$14 million per 1% increase. The step increases costs approximately \$26 million per year. The Civic Federation believes that the County should end its practice of giving employees automatic cost of living and step increases. This antiquated personnel practices is expensive and does not mirror the practice in most other governments and the private sector.

Increase Employee Contributions to Health Insurance

Currently, non-union and ratified union County employees pay \$3 per medical visits to Health Maintenance Organizations (HMOs). Union employees pay nothing. The co-payment saves the County approximately 0.5% in premium costs. An increase to a \$10 co-payment for non-union and ratified union employees for HMO care would decrease premium costs (\$215 million projected in FY2004) by 3% to 3.5%. This could save the County from \$6.4 million to \$7.5 million.

Eliminate All Positions Vacant for More than One Year

The FY2005 budget funds 1,200 vacant positions for 6-9 months and provides full funding for over 200 vacant positions. Approximately 40% of the 1,200 partially funded vacant positions had been open for 12 to 24 months. We believe that positions held vacant for more than one year should be eliminated. It is reasonable to assume that if those positions have been vacant for over one year, they are not critical to the operations of the County government.

Pursue Joint Purchasing of Health Insurance with Major Chicago Area Governments

To contain rising health insurance costs, The Civic Federation urges the County to aggressively pursue the joint purchasing of health care insurance with other governments in the Chicago area. Forming a joint insurance pool consisting of the employees of the County (excluding the Forest Preserve District), the City of Chicago, the Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield projected savings of \$40.1 million in the first year or \$222 million over a 5-year period. The County alone could save as much as \$22.5 million.

Privatize Janitorial Services in Courthouses

The Civic Federation has long advocated that janitorial services be removed from the jurisdiction of the Sheriff and be outsourced. As the County Operations Review Team (CORT) Report points out, this measure could save as much as \$5 million per year.

President Should More Forcefully Use His Budget Authority to Control Costs

We again urge President Stroger to use the authority he already possesses to control costs by exercising full budgetary authority over the elected officials and the department heads. While some may argue that the President has little or no authority over other elected County officials, research prepared for The Civic Federation shows that the President's authority to establish binding monthly expenditure schedules ultimately gives the President budgetary authority over all County officials.¹⁸

Expedite Dissolution of the Suburban Cook County Tuberculosis Sanitarium District

The Suburban Cook County Tuberculosis Sanitarium District is an unnecessary and wasteful unit of government. The case for eliminating the District is documented in our recent research report on the subject. The Federation believes that the District's functions should be transferred to the Cook County Bureau of Health Services, which provides the same services far more cost effectively and efficiently, and unneeded assets such as land and buildings sold. A transfer of District assets could immediately yield at least \$9.6 million in unreserved fund balance for the County.¹⁹

¹⁸ The Civic Federation and the Chicagoland Chamber of Commerce. *Cook County Cost Control Task Force Report*. June 2001. Chicago: The Civic Federation, p. 59.

¹⁹ The Civic Federation. *A Call for the Elimination of the Suburban Tuberculosis Sanitarium District*. October 20, 2003.

Produce Audited Financial Statements within 6 Months of Close of Fiscal Year

The Civic Federation urges the County to release its Comprehensive Annual Financial Report (CAFR) within six months of the close of its fiscal year. Cook County's ongoing delays in releasing its audited financial statements in a timely fashion makes it much less financially accountable because the public is not provided important financial information needed to assess the government's financial condition over time.

Implement a Formal Long-Term Financial Planning Process

Increasing numbers of jurisdictions around the nation are preparing and implementing formal long-term financial plans. They include New York, Philadelphia, Washington, D.C., Phoenix and San Diego. The National Advisory Council on State and Local Budgeting (NACSLB) and the Government Finance Officers Association (GFOA) both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.²⁰

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

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

By effectively linking policy and program priorities to the financial resources available currently and in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

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

²⁰ See National Advisory Council on State and Local Budgeting and Government Finance Officers Association

Establish a Formal Budget Stabilization Policy and Fund

Cook County should establish by ordinance a formal budget stabilization policy and fund. This is a means of controlling the volatility of unstable revenue sources such as the sales tax, and is recommended by bonding agencies and the Government Finance Officers Association. Cook County currently sets aside revenues for an unreserved 5% fund balance fund. However, this arrangement does not adequately guarantee that these funds will be used solely for budget stabilization purposes.

To be effective, the fund should have an automatic triggering device for deposits and withdrawals. In many states, deposits are tied to an objective economic indicator, such as growth in personal income or a formula that considers revenue growth. Withdrawals are also linked to a formula.

A budget stabilization fund should have a cap on its size to prevent the unnecessary accumulation of resources. The cap should take the form of: 1) an overall limit on the fund itself; 2) a limit that considers the balance in a "rainy day" fund plus any other undesignated balance in the general funds.