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CIVIC FEDERATION OPPOSES COOK COUNTY'S MASSIVE, UNJUSTIFIED TAX HIKES, PERSONNEL INCREASES

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In a blistering report to be released to the public today, the Civic Federation announced its opposition to Cook County President Todd Stroger's proposed \$3.2 billion FY2008 budget. The full study, including comprehensive analysis and recommendations, is available on our website, www.civicfed.org.

The Civic Federation found that the county's FY2008 budget represents a stunning reversal from last year's painful but necessary across-the-board cuts to the county's spending and personnel. It is predicated on the addition of 1,130 new positions, a 267% increase in the county's sales tax, and other tax hikes that could generate as much as \$979.8 million in FY2009. Even more astonishing is the lack of justification for either the tax or personnel increases. "It is inexcusable and irresponsible for a government that has a history of inefficiency, cost overruns, and eye-popping mismanagement to demand millions of additional dollars from taxpayers when it has failed to implement rudimentary efficiencies and cost-saving measures," said Laurence Msall, president of the Civic Federation.

Instead of focusing on new and creative ways to increase taxes, Cook County should redirect those energies to containing spending. Until the Cook County government can demonstrate to taxpayers that it has taken the necessary steps to operate with efficiency and transparency, taxpayers will not have confidence that their dollars are being levied and spent wisely and will certainly not support any new tax increases. The Federation's analysis includes recommendations that would both contain costs and provide much-needed improvements to the county's management of tax dollars.

Approximately 62% of the county's proposed FY2008 spending is earmarked for personnel expenses, which should make curbing employee cost growth a top priority. Instead of increasing next year's payroll by 4.8%, the Civic Federation calls on county management to reassign existing staff to meet court-mandated staffing and critical health fund needs. Cook County should end the practice of giving employees both annual step and cost-of-living increases and limit total annual increases to the lesser of 3% or inflation. The Federation also recommends that the county pursue alternative service delivery and outsourcing as ways to reduce the cost of its operations.

The Civic Federation's recommended management reforms would enable the county to improve the efficiency of its delivery of services. Such reforms include taking immediate steps to transfer the management of the Cook County Health Bureau to health care professionals, as was recommended by a recent blue-ribbon panel study, and implementing an effective performance management system. Cook County must aggressively prioritize the \$3.0 billion it currently spends and it cannot do so without knowing how efficiently (or inefficiently) the different parts of its organization operate. "The county must come to the realization that the resources the taxpayers will provide for its services are finite," Msall added, "and implement strategic planning in order to give citizens more bang for their tax buck."

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.



COOK COUNTY
FY2008 PROPOSED BUDGET
Analysis and Recommendations

Prepared By
The Civic Federation
October 26, 2007

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EXECUTIVE SUMMARY

The Civic Federation **opposes** the FY2008 Cook County budget of \$3.2 billion. The County's spending plan is based on massive, unjustified increases in the County's home rule sales, gas and parking lot taxes, as well as the addition of 1,130 new full-time equivalent positions. Instead of focusing on new and creative ways to increase taxes, Cook County must first demonstrate that it has the will and the ability to contain spending. This government has yet to embrace and explore cost saving financial management strategies such as outsourcing and the consolidation of duplicative functions. It must reduce the County payroll to only those positions that are essential. It must institute a rigorous system of performance management that actually measures how well programs operate and services are delivered. You cannot prioritize spending without first knowing how efficiently the government functions. It must develop long-term strategic and financial planning capacities to better manage its fiscal and human resources. Finally, it must take immediate steps to reverse decades of stunningly inept operation of the Bureau of Health Services and transfer management of the County's health system to an experienced, qualified professional management organization.

The Civic Federation offers the following **key findings** on the Cook County FY2008 budget:

- The FY2008 Cook County budget is projected to increase from approximately \$3.03 billion to \$3.2 billion from FY2007, an increase of \$206.2 million or 6.8%;
- Approximately 62% of the total proposed FY2008 Cook County budget of \$3.24 billion, or \$2.0 billion, is earmarked for personal services;
- The number of full-time equivalent (FTE) positions funded in FY2008 will increase by 1,130.3. This is a 4.8% increase from the adopted FY2007 budget, or an increase from 23,760.0 to 24,836.3 FTEs. The largest numerical increase will come in the Health Fund which will add 404.2 FTEs for a total of 6,949.0 FTEs;
- This budget proposes to increase the County home rule sales tax from 0.75% to 2.75%, the gas tax from 6 cents per gallon to 12 cents per gallon and the parking lot tax from \$20 per month to \$40 per month. These tax increases are expected to yield \$241.6 million in new revenues for FY2008. However, once they are fully implemented in FY2009, these taxes will generate an estimated \$979.8 million;
- The property tax levy will be held flat for the seventh consecutive year;
- The \$239 million budget deficit will be closed primarily through increase in the home rule sales, gas and parking lot taxes; and
- The appropriated fund balance for the General Funds will remain \$0 in FY2008, just as it was in FY2007.

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

- Cook County should limit total annual percentage increases for employee compensation to 3%, a percentage of prior revenue growth, or inflation - whichever is less. The current practice of giving County employees both step and cost of living increases is an antiquated, expensive and unaffordable practice that should be eliminated;
- The President and County Budget Office should develop and implement an effective performance management system;

- The County should move forward on privatizing the delivery of programs or functions for which a competitive private sector exists, including the pharmacy, dietary and food service functions in the Bureau of Health Services, as well as County print shops and service of process functions for civil lawsuits;
- The County should outsource the management of selected services, such as highways and animal control, to other governments;
- The County should establish by ordinance a formal budget stabilization policy and fund;
- The County should develop a formal long-term financial planning process that would allow input from the Cook County Board of Commissioners and key, external stakeholders;
- The Comprehensive Annual Financial Report should be published within six months of the close of the fiscal year;
- A return on investment report should be required for all information technology contracts to assess costs and benefits; and
- The County pension system should be reformed to provide for reduced benefits for new hires, increased employee contributions, and a capping of annuity increases at 3% or CPI - whichever is less.

CIVIC FEDERATION POSITION ON FY2008 BUDGET

The Civic Federation **opposes** the FY2008 Cook County budget of \$3.2 billion. It is predicated on the addition of 1,130 new positions and massive, unjustified tax hikes. The proposed 267% increase in the Cook County sales tax will push the composite Chicago tax rate to 11%, the highest sales tax rate of any major city in the nation.

Cook County President Todd Stroger stated the County may not require the full amount of revenue it is requesting under the FY2008 budget, adding that he might return a portion of the revenue at some ill-defined point in the future. Requesting huge tax increases that may not be needed is simply irresponsible management. It is especially inexcusable for a government that has a history of inefficiency, cost overruns and stunning mismanagement of its health programs to demand that taxpayers provide millions of additional dollars when it has failed to implement desperately needed efficiencies and cost-saving measures.

President Stroger made the painful but necessary decision to eliminate 1,869.0 full-time equivalent positions in his FY2007 budget in order to assist in balancing the County's staggering \$502 million deficit. However, this year the administration has reversed course, proposing to add 1,130.3 FTEs. The Civic Federation fails to understand how the County can justify this huge personnel increase one year after similarly large layoffs and personnel reductions. We recognize that the County must add court-mandated public safety positions and that it may be necessary to fill certain critical health fund positions, but adding those positions should be balanced with judicious cuts elsewhere in the \$3.2 billion spending plan.

If the County moves to pack its payroll with over 1,000 new employees, these new hires will add exponentially to the cost of Cook County government for decades to come. Cook County needs to look for ways to trim its payroll through elimination of non-essential services, outsourcing of non-core functions and the consolidation of duplicative programs, instead of digging itself into a deeper fiscal abyss by dramatically increasing the number of County employees.

Instead of rushing to expand taxes, Cook County must first demonstrate that it has the will and the ability to contain spending. This government must vigorously explore cost saving financial management strategies such as outsourcing and the consolidation of duplicative functions. It must reduce the County payroll to only those positions that are essential. It must institute a rigorous system of performance management that actually measures how well programs operate and services are delivered. You cannot prioritize spending without knowing how efficiently the government functions. It must develop long-term strategic and financial planning capacities to better manage its fiscal and human resources. Finally, it must take immediate steps to reverse decades of stunningly inept operation of the Bureau of Health Services and transfer management of the County's health system to an experienced, qualified professional management organization.

There are some bright spots in this budget. First, President Stroger should be commended for proposing a budget before the beginning of the fiscal year, a refreshing change from prior practice. Second, his administration is moving to increase employee co-payments for doctor visits and pharmaceutical drugs, in addition to implementing changes in premium costs. The Civic Federation has urged Cook County to reduce its overly generous employee benefits program for many years. While much more must be done, this effort is a significant step in the right direction. Finally, the Bureau of Finance is moving to develop and implement a much-needed performance management system.

In conclusion, before Cook County rushes to implement punishing new taxes, it must contain spending. The County must demonstrate that it has taken the necessary steps to operate like an efficient, modern government. Perhaps most importantly, Cook County must restore the confidence of taxpayers that it is taxing and spending prudently.

Issue the Civic Federation Supports

The Civic Federation commends President Stroger and his financial team for introducing a budget prior to the beginning of the fiscal year, moving to control employee healthcare costs and implementing a plan for the creation of a performance management system.

Introducing an Executive Budget Before the Beginning of the Fiscal Year

The Civic Federation is pleased that President Stroger has submitted his executive budget recommendation to the County Board Finance Committee prior to the beginning of the County's fiscal year. The Civic Federation believes that all governments have a duty to prepare, release, and adopt their fiscal plans before the beginning of their fiscal year. We commend the President for fulfilling his obligation to the citizens of Cook County this year.

Employee Health Care Changes

Cook County has made some notable changes to its employee health insurance plans in an effort to equitably distribute the burden of ever-rising health care costs. Previously, many employee costs for health insurance had been comparatively inexpensive when viewed against other similarly-situated governments. For example, office visit co-payments were only \$3 for

employees enrolled in County HMO plans, while the standard is \$10 to \$15 in other local governments. Another important improvement is the change to four-tiered prescription drug benefits from only two tiers, and increasing co-pays. The following table shows the changes to office visit and prescription drug co-pays that will take effect on December 1, 2007:

Selected Changes to Cook County Employee Health Insurance Benefits				
Benefit	Current		Starting December 1, 2007	
	HMO	PPO (in-network)	HMO	PPO (in-network)
Doctor Office Visits	\$3 co-pay/member/visit	100% after \$20 co-pay/member/visit	\$10 co-pay/member/visit	90% after \$25 co-pay/member/visit
Prescription Medications	\$5 co-pay generic/\$10 co-pay brand-name		\$7 co-pay generic retail (30-day supply)/ \$15 formulary retail (30-day supply)/ \$25 non-formulary retail (30-day supply)/ 2x retail co-pay (90-day supply)	

Source: Cook County Risk Management Employee Benefits website.

There will also be changes to employee premium contributions on June 1, 2008, pending union contract ratification and County Board approval. These changes will eliminate the current difference in contribution based on salary level and union status, creating new cost categories based on the number of dependents covered. The following table illustrates these cost changes:

Selected Changes to Cook County Employee Health Insurance Premium Contributions				
(costs are % of pre-tax pay)				
	Current		Starting June 1, 2008	
	HMO*	PPO	HMO	PPO
Employee Only	0.5%	1.5%	0.5%	1.5%
Employee + Spouse	0.5%	1.5%	1.0%	2.0%
Employee + Child(ren)	n/a	n/a	0.75%	1.75%
Employee + Family	0.5%	1.5%	1.5%	2.25%

* All employees earning less than \$65,000/yr contribute 0.5% of annual base pay pre-tax, up to \$8 per pay period; non-union employees earning over \$65,000 contribute 0.7% for single coverage and 1.4% for family coverage

Source: Cook County Risk Management Employee Benefits website.

The Civic Federation has urged Cook County to reduce its overly generous employee benefits for many years, and while more changes must be made in the coming years, the aforementioned adjustments to the County's benefit program are significant improvements. Cook County government is to be congratulated for taking these long overdue, common sense steps to bring its health care benefits more in line with other governments.

Moving Toward Performance Measurement

In FY2007, the Civic Federation supported the President's budget cuts because the County faced an enormous \$502 million deficit. The lack of salient performance metrics, the massive size of the budget deficit and the limited time frame for developing the budget left the recently-elected President Stroger with little choice but to pursue across-the-board cuts.

However, while we supported the FY2007 budget cuts, we did express strong reservations about how the budget was balanced. Budget spending cuts should be based on a careful assessment of program and service performance rather than an across-the-board approach. Unfortunately, Cook County did not have an effective performance evaluation system in place that would permit

careful executive assessments. We noted then that the failure to effectively measure and evaluate program performance was a serious defect in the County's management of its operations. This defect must be rectified for County programs to be managed more efficiently and effectively.

Cook County is a large, urban government providing important services on a daily basis to tens of thousands of customers. It is imperative that a government of this size and complexity implement a comprehensive performance management system. Such a system would allow managers to objectively evaluate the program performance, determine if they are meeting their goals, and make corrective changes wherever necessary. In a time of budget crisis, the information derived from a performance management system is critical to making well-informed decisions about how to prioritize spending, as well as how to identify necessary reductions. Without an effective performance management system, the budget process is reduced to a "one size fits all" approach which may not produce desirable results.

The Cook County financial management team is working on developing a performance management system. A Performance Management Unit has been created in the Department of Budget and Management Services to implement and oversee this process. This year, certain offices and agencies have developed more complete performance metrics than in previous years. It is the goal of the Budget Department to conduct quarterly reviews of program performance for each office and agency in FY2008 and to include complete performance measurement information in the FY2009 budget.

The Civic Federation commends the leadership and staff of the Bureau of Finance for moving to develop and implement a performance management system. This is a very significant step on the part of Cook County government that should help it to better manage its resources in the future. We look forward to the full implementation of the system in FY2009.

Issues of Concern

The Civic Federation has four major areas of concern this year: the dramatic increase in home rule taxes to pay for hundreds of millions of dollars in increased spending; the addition of over 1,000 new full-time equivalent positions; the failure of the management of the Cook County Health System; and the lack of a General Funds fund balance.

Massive, Unjustified Tax Increases

President Stroger has failed to make a case for three huge, new tax increases. Increasing the Cook County home rule sales tax by two percentage points to 2.75% will create a composite 11% rate in the City of Chicago. This will be the highest sales tax rate of any major city in the nation. In addition, the gas tax and parking lot taxes will be doubled. When fully operational, these revenue increases could generate as much as \$979.8 million in 2009.¹ The sales tax increase alone could generate up to \$853.2 million per year when operational for a full year in FY2009.²

¹ Information provided by Cook County Bureau of Finance, October 25, 2007.

² Information provided by Cook County Bureau of Finance, October 25, 2007.

Why does Cook County need this massive infusion of money? It is certainly not evident in the budget, nor has the County has unveiled any plans that detail the reasons all this revenue is required. Little effort has been made to explain how the millions of new dollars will be spent. In fact, President Stroger indicated that Cook County may not need the entire amount of additional revenue levied under this budget. President Stroger's remedy for this problem is a possible repeal of the gas or parking lot taxes.³

Requesting huge tax increases that may not be needed is simply irresponsible management. It is especially inexcusable for a government that has a history of inefficiency, cost overruns and stunning mismanagement of its health programs to demand that taxpayers provide millions of additional dollars. Cook County has failed to put its fiscal house in order by implementing desperately needed efficiencies and cost saving measures, and until it does, we will not support a tax increase of any kind.

Large Personnel Increases

President Stroger made the painful-but-necessary decision to eliminate 1,869.0 full-time equivalent positions in his FY2007 budget in order to help balance the County's staggering \$502 million deficit. However, this year the administration has reversed course, proposing to add 1,130.3 FTEs. This is a 4.8% increase over FY2007, resulting in virtually every office and department adding new employees.

The Civic Federation fails to understand how a personnel increase of this magnitude can be justified just one year after similarly large layoffs and staff reductions. The County has presented no clear justification for this hiring surge. We recognize that the County is faced with court-mandated public safety staffing requirements and that it may be necessary to fill certain critical health fund positions. However, the addition of those positions should be balanced with judicious cuts elsewhere in the \$3.2 billion budget.

If the County moves to pack its payroll with over 1,000 new employees, these new hires will add exponentially to the future cost of Cook County government for decades to come. This increase is projected to help drive the cost of wages alone in FY2008 by \$115.1 million. Cook County needs to look for ways to trim its payroll through elimination of non-essential services, outsourcing of non-core functions and the consolidation of duplicative programs, instead of digging itself into a deeper fiscal abyss by dramatically increasing the number of County employees.

The Failed Management of the Cook County Health System

The Cook County health system is in crisis. Part of the problem is due to forces beyond the control of Cook County government: health care costs are skyrocketing; intergovernmental revenues are being cut; and the number of uninsured patients is on the rise. However, a large part of the Cook County health care crisis is a creation of this government's mismanagement and

³ Chicago Sun-Times, "How Much More Can We Take? Stroger defends his call for higher taxes than needed as more fiscally responsible – and says he might give some back," October 18, 2007, p. 4.

continued ineffectiveness in implementing the most basic billing and collection system. For too long, Cook County citizens have endured a legacy of stunning and inexcusable mismanagement. Management of the health system has utterly failed to efficiently operate an enterprise that will cost County taxpayers over \$843 million in FY2008.

The deficiencies of the current Cook County health system are clearly laid out in the report of the Blue Ribbon Cook County Bureau of Health Services Review Committee released in October of 2007. The Committee, composed of top medical experts and hospital administrators, has produced a damning indictment of the County's operation of its health system. It points out that:

Management reporting capabilities, such as monthly financial statements and revenue and expense benchmark data, as well as business practices typical of hospitals and health systems do not exist at the Bureau are only now being developed. Without these basic management reports and analysis capabilities, financial restructuring and an assessment of that restructuring is seriously flawed and fraught with risk.⁴

One of the typical business practices found at other hospitals and health systems would be the existence of a billing system. Yet, according to published reports, the Bureau failed to generate bills for nearly \$250 million in medical services last year.⁵ A modern billing system still is not in place.

The Cook County Bureau of Health Services Review Committee report conclude unless dramatic changes are implemented "the mission of the County health care system is at risk."⁶

The problems of the Cook County health care system did not arise overnight. Full blame for the situation cannot be laid on the current administration. However, the current administration does have a responsibility to rectify the situation immediately. We agree with the Review Committee's observation that "the President and County Board will need to fundamentally change their governance and oversight processes if the issues facing the Bureau of Health Services are to be successfully addressed."⁷

Transfer Management of the Cook County Health System to Health Care Professionals

The Civic Federation strongly supported construction of the new Stroger Hospital. We believe that the County has an obligation to provide quality medical services for underserved populations. But ensuring that Cook County can continue to fulfill its critical mission and be accountable to taxpayers footing the enormous bill for health services requires the implementation of bold new approaches.

In its initial support of the new Stroger Hospital, the Civic Federation supported the creation of an independent and competent governance structure. The failure to establish such a separate governance system has cost Cook County taxpayers and our health system dearly. We believe

⁴ Report of the Cook County Bureau of Health Services Review Committee, October 2007, p. 8.

⁵ Chicago Tribune, "County Pressed to Give up Control of Health Services," October 16, 2007.

⁶ Report of the Cook County Bureau of Health Services Review Committee, October 2007, p. 4.

⁷ Report of the Cook County Bureau of Health Services Review Committee, October 2007, p. 6.

that the management of the Bureau of Health Services **must be outsourced** to a nonprofit or private sector entity with proven expertise in operating a major healthcare operation. The management of the health system must be entrusted to professionals who would be freed from political and bureaucratic constraints that hinder and obstruct the efficient operation of the hospitals and clinics. They must be free to hire or replace employees based on merit. They must also have the ability to contract for medical equipment based on cost and efficiency considerations.

The management role of the President and the Board of Commissioners over the County's health care system should be limited to providing general policy direction and approving annual appropriations. Day-to-day operations must be left to professionals, not politicians.

There are a number of qualified organizations in the United States that could successfully manage the County's health programs and facilities. The County should identify private-sector vendors for ancillary health services, such as dietary services and pharmacies, and immediately outsource daily operations to these entities. We also believe that an earmarked revenue stream should be dedicated to Bureau operations to ensure that it receives adequate and appropriate funding. Models for outsourced management of ancillary services and a dedicated revenue stream for a particular county function already exist in the relationship between the Forest Preserve District and the Brookfield Zoo and the Chicago Botanic Garden.

No General Fund Balance

The fund balance for the General Funds (i.e.: Corporate, Public Health and Public Safety Funds) will be \$0 in FY2008, having been completely depleted by operating expenditures in FY2006. In fact, the County indicates that the General Funds will have a \$42 million deficit in FY2008. The depletion of the once robust General Funds fund balance is a cause for grave concern. In FY2003, just six fiscal years ago, the General Funds had a balance of \$218.5 million, 11.0% of operating revenues. The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain a General Fund balance ratio of 5% to 15% of operating expenditures or revenues. To achieve a 5% ratio, the County would have to reserve \$107.8 million as fund balance in FY2008.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to Cook County Chief Financial Officer Donna Dunnings, Comptroller Joseph Fratto, Director of Budget and Management Services Jarese Wilson and the Cook County finance staff for their efforts in preparing this budget. We appreciate their willingness to provide us with a briefing and answer many of our budget questions.

FY2008 BUDGET DEFICIT AND GAP-CLOSING MEASURES

Cook County proposes an FY2008 budget of **\$3.24 billion**. This is a \$206.2 million or 6.8% increase from the FY2007 appropriation of \$3.03 billion. The General Funds budget, which

includes the Corporate, Public Health, and Public Safety budgets, is \$2.15 billion, a \$74.8 million or 3.6% increase from the FY2007 General Funds appropriation of \$2.08 billion.

Cook County's reduced its initially reported deficit of \$307 million to \$239 million deficit by through implementing \$68 million in efficiencies.⁸ The \$239 million deficit was generated by a number of spending pressures including:

- Cost of living increases for Cook County employees costing \$113.0 million;
- Automatic step increases for Cook County employees costing \$25.0 million;
- Vendor contractual obligations costing \$106.0 million; and
- An increase in costs for the upcoming 2008 primary and general elections.⁹

On the revenue side of the ledger, the County also experienced some revenue losses:

- A loss of up to \$68 million in Medicaid funding, and
- A \$7 million decline in anticipated cigarette tax revenues

The deficit will be closed through a series of large home rule tax hikes:

- A 267% increase in the Cook County home rule sales tax from 0.75% to 2.75%, which will generate an additional \$146.6 million in FY2008¹⁰ and as much as \$853.2 million per year when fully operational in FY2009.¹¹ In FY2008, the County will only receive collections from two months because of unavoidable lags in the State's collection of this tax.¹²
- A 100% increase in the Cook County gasoline tax from 6 cents per gallon to 12 cents per gallon. This is expected to raise \$72.2 million in new revenues in FY2008 and \$96.2 million when full operational in FY2009. In FY2008, the County will only receive collections from nine months because of lags in implementing the new tax.¹³
- A 100% increase in the parking lot tax from \$0.50-\$1.00 to \$1.00-\$2.00 for daily charges; from \$2.50 to \$5.00 for weekly charges; and from \$20 to \$40 for monthly charges. This is anticipated to generate an additional \$22.8 million in new revenues in FY2008¹⁴ and \$30.4 million when full operational in FY2009. In FY2008, the County will only receive collections from nine months because of lags in implementing the new tax.¹⁵

⁸ Remarks of President Todd H. Stroger on his Executive Budget Recommendations for Cook County Fiscal Year 2008, p. 3.

⁹ "'08 County Budget Short \$307 Million," Chicago Tribune, p. 9.

¹⁰ Cook County FY2008 Budget Revenue Estimates, p. 54.

¹¹ Information provided by Cook County Bureau of Finance, October 25, 2007.

¹² Information provided by Cook County Bureau of Finance, October 25, 2007.

¹³ Information provided by Cook County Bureau of Finance, October 25, 2007.

¹⁴ Cook County FY2008 Revenue Estimates, transmittal page.

¹⁵ Information provided by Cook County Bureau of Finance, October 25, 2007.

APPROPRIATIONS

The following section presents trends for FY2008 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 approximately \$3.03 billion to \$3.2 billion between FY2007 and FY2008, an increase of \$206.2 million or 6.8%. The budget for departments controlled by the President will increase by \$84.5 million, rising from \$942.4 million to \$1.0 billion. In the aggregate, department budgets controlled by other elected officials will increase at a higher rate than the President's Offices, rising by 15.2% or \$123.4 million. All elected officials will receive increased budgets except for the Treasurer and Recorder of Deeds. The County will also appropriate 64.9% or \$12.6 million more for Capital projects over FY2007.

Cook County Appropriations All Funds: FY2007 & FY2008				
	FY2007 Appropriation	FY2008 Recommendation	\$ Change FY2007-FY2008	% Change FY2007- FY2008
Control Officers				
Offices Under President				
Bureau of Health Services	\$ 748,815,405	\$ 843,246,800	\$ 94,431,395	12.6%
President	\$ 2,542,504	\$ 3,265,400	\$ 722,896	28.4%
Chief Administrative Officer	\$ 129,616,908	\$ 110,533,800	\$ (19,083,108)	-14.7%
Bureau of Human Resources	\$ 3,507,585	\$ 3,792,400	\$ 284,815	8.1%
County Auditor	\$ 1,101,966	\$ 1,484,100	\$ 382,134	34.7%
Office of the Inspector General	\$ 391,824	\$ 992,200	\$ 600,376	153.2%
Bureau of Finance	\$ 10,477,985	\$ 13,995,700	\$ 3,517,715	33.6%
Bureau of Information Technology	\$ 11,577,225	\$ 15,330,000	\$ 3,752,775	32.4%
Capital Planning	\$ 34,399,055	\$ 34,359,500	\$ (39,555)	-0.1%
Subtotal Offices Under President	\$ 942,430,457	\$ 1,026,999,900	\$ 84,569,443	9.0%
Other Elected Officials				
Sheriff	\$ 388,660,386	\$ 423,551,800	\$ 34,891,414	9.0%
Chief Judge	\$ 151,532,891	\$ 196,632,000	\$ 45,099,109	29.8%
State's Attorney	\$ 94,771,932	\$ 101,867,400	\$ 7,095,468	7.5%
Clerk Circuit Court	\$ 88,677,334	\$ 95,035,500	\$ 6,358,166	7.2%
County Clerk	\$ 28,813,619	\$ 37,172,000	\$ 8,358,381	29.0%
Board of Election Commissioners	\$ 364,502	\$ 17,422,700	\$ 17,058,198	4679.9%
Assessor	\$ 22,077,228	\$ 24,711,000	\$ 2,633,772	11.9%
Recorder of Deeds	\$ 12,940,989	\$ 12,778,800	\$ (162,189)	-1.3%
Treasurer	\$ 11,528,914	\$ 11,310,600	\$ (218,314)	-1.9%
Board of Review	\$ 6,835,808	\$ 7,286,900	\$ 451,092	6.6%
County Commissioners	\$ 6,483,338	\$ 8,250,300	\$ 1,766,962	27.3%
Public Administrator	\$ 969,106	\$ 1,095,100	\$ 125,994	13.0%
Subtotal Other Elected Officials	\$ 813,656,047	\$ 937,114,100	\$ 123,458,053	15.2%
Other Funds	\$ 543,469,949	\$ 503,364,069	\$ (40,105,880)	-7.4%
Other Restricted Funds	\$ 146,101,672	\$ 135,569,600	\$ (10,532,072)	-7.2%
Allowance for Uncollected Taxes	\$ 13,098,381	\$ 11,628,911	\$ (1,469,470)	-11.2%
Fixed Charges and Special Purpose	\$ 407,335,643	\$ 344,937,500	\$ (62,398,143)	-15.3%
Total Operating Funds	\$ 2,866,092,149	\$ 2,959,614,080	\$ 93,521,931	3.3%
Capital	\$ 173,502,774	\$ 286,183,112	\$ 112,680,338	64.9%
Total Budget	\$ 3,039,594,923	\$ 3,245,797,192	\$ 206,202,269	6.8%

Source: Cook County Executive Budget Recommendations FY2007 & FY2008

The next exhibit presents five-year appropriation trend information. Between FY2004 and FY2008, appropriations for the various elected officials are projected to decrease by 2.6%, from \$962.2 million to \$937.1 million. During the same period, appropriations for the offices under the President will decrease by 13.7%, from \$1.1 billion to \$1.0 billion.

Cook County Appropriations All Funds: FY2004 & FY2008				
	FY2004 Appropriation	FY2008 Recommendation	\$ Change FY2004-FY2008	% Change FY2004- FY2008
Control Officers				
Offices Under President				
Bureau of Health Services	\$ 887,771,754	\$ 843,246,800	\$ (44,524,954)	-5.0%
President	\$ 3,402,368	\$ 3,265,400	\$ (136,968)	-4.0%
Chief Administrative Officer	\$ 161,493,920	\$ 110,533,800	\$ (50,960,120)	-31.6%
Bureau of Human Resources	\$ 4,671,636	\$ 3,792,400	\$ (879,236)	-18.8%
County Auditor	\$ 1,651,033	\$ 1,484,100	\$ (166,933)	-10.1%
Office of the Inspector General	\$ 458,543	\$ 992,200	\$ 533,657	116.4%
Bureau of Finance	\$ 68,009,938	\$ 13,995,700	\$ (54,014,238)	-79.4%
Bureau of Information Technology	\$ 19,250,225	\$ 15,330,000	\$ (3,920,225)	-20.4%
Capital Planning	\$ 42,709,569	\$ 34,359,500	\$ (8,350,069)	-19.6%
Subtotal Offices Under President	\$ 1,189,418,986	\$ 1,026,999,900	\$ (162,419,086)	-13.7%
Other Elected Officials				
Sheriff	\$ 418,417,731	\$ 423,551,800	\$ 5,134,069	1.2%
Chief Judge	\$ 198,958,026	\$ 196,632,000	\$ (2,326,026)	-1.2%
State's Attorney	\$ 108,681,268	\$ 101,867,400	\$ (6,813,868)	-6.3%
Clerk Circuit Court	\$ 107,196,852	\$ 95,035,500	\$ (12,161,352)	-11.3%
County Clerk	\$ 35,101,525	\$ 37,172,000	\$ 2,070,475	5.9%
Board of Election Commissioners	\$ 10,939,199	\$ 17,422,700	\$ 6,483,501	59.3%
Assessor	\$ 30,920,526	\$ 24,711,000	\$ (6,209,526)	-20.1%
Recorder of Deeds	\$ 18,701,796	\$ 12,778,800	\$ (5,922,996)	-31.7%
Treasurer	\$ 14,611,010	\$ 11,310,600	\$ (3,300,410)	-22.6%
Board of Review	\$ 8,899,177	\$ 7,286,900	\$ (1,612,277)	-18.1%
County Commissioners	\$ 8,661,036	\$ 8,250,300	\$ (410,736)	-4.7%
Public Administrator	\$ 1,131,944	\$ 1,095,100	\$ (36,844)	-3.3%
Subtotal Other Elected Officials	\$ 962,220,090	\$ 937,114,100	\$ (25,105,990)	-2.6%
Other Funds	\$ 466,699,562	\$ 503,364,069	\$ 36,664,507	7.9%
Other Restricted Funds	\$ 137,880,733	\$ 135,569,600	\$ (2,311,133)	-1.7%
Allowance for Uncollected Taxes	\$ -	\$ 11,628,911	\$ 11,628,911	100.0%
Fixed Charges and Special Purpose	\$ 56,392,075	\$ 344,937,500	\$ 288,545,425	511.7%
Total Operating Funds	\$ 2,812,611,446	\$ 2,959,614,080	\$ 147,002,634	5.2%
Capital	\$ 219,215,158	\$ 286,183,112	\$ 66,967,954	30.5%
Total Budget	\$ 3,031,826,604	\$ 3,245,797,192	\$ 213,970,588	7.1%

Source: Cook County Executive Budget Recommendations FY2004 & FY2008

All Funds Appropriations by Fund

In FY2008, All Funds appropriations are projected to increase by 6.8% over FY2007. The FY2008 budget projects a 7.6% or \$12.6 million increase in Corporate Fund appropriations. Public Safety appropriations are expected to decrease slightly by 1.2%, falling from \$1.1 billion to \$1.0 billion. Health Fund appropriations will rise by 9.4% or \$76.0 million. Overall, General Funds appropriations will increase by 3.6%, rising from \$2.0 billion to \$2.1 billion.

Appropriations for Special Purpose Funds are projected to increase by 2.6%, though Annuity & Benefits appropriations will decrease by \$52.1 million or 19.7%. Special Purpose Funds are defined as the remaining funds after the General Funds are excluded, except for the Allowance

for Uncollected Property Taxes which is accounted for separately. These funds are used to account for the proceeds from special revenue sources and the expenditures for specified or restricted purposes.¹⁶ Total Operating Funds appropriations are expected to increase by 3.3% from the prior year. Capital Improvement appropriations, however, will grow by 64.9% over FY2007 levels.

Cook County Appropriations All Funds: FY2007-FY2008				
Fund	FY2007 Appropriation	FY2008 Recommended	\$ Change	% Change
Corporate	\$ 166,962,383	\$ 179,577,500	\$ 12,615,117	7.6%
Public Safety	\$ 1,105,598,521	\$ 1,091,845,800	\$ (13,752,721)	-1.2%
Health	\$ 810,041,789	\$ 886,051,400	\$ 76,009,611	9.4%
Subtotal General Funds	\$ 2,082,602,693	\$ 2,157,474,700	\$ 74,872,007	3.6%
Annuity & Benefits	\$ 264,846,000	\$ 212,729,169	\$ (52,116,831)	-19.7%
Bond & Interest	\$ 184,941,441	\$ 183,124,000	\$ (1,817,441)	-1.0%
Other Special Purpose Funds	\$ 320,630,634	\$ 394,657,300	\$ 74,026,666	23.1%
Subtotal Special Purpose Funds	\$ 770,418,075	\$ 790,510,469	\$ 20,092,394	2.6%
Allowance for Uncollected Taxes	\$ 13,098,381	\$ 11,628,911	\$ (1,469,470)	-11.2%
Subtotal Operating Funds	\$ 2,866,119,149	\$ 2,959,614,080	\$ 93,494,931	3.3%
Capital Improvements	\$ 173,502,774	\$ 286,183,112	\$ 112,680,338	64.9%
Total	\$ 3,039,621,923	\$ 3,245,797,192	\$ 206,175,269	6.8%

Source: Cook County Executive Budget Recommendations FY2007 & FY2008.

The next exhibit presents five-year trend information for appropriations by fund. For the period between FY2004 and FY2008, All Funds appropriations are projected to increase 8.6%. This represents an increase from \$2.7 billion to \$2.9 billion.

Public Safety and Health appropriations show increases of 5.0% and 5.8% respectively over this five-year period. Corporate Fund appropriations will decline by 7.3% or \$14.0 million. The greatest percentage increases between FY2004 and FY2008 occurred in Special Purpose Funds appropriations, which grew in the aggregate by 14.9%. Annuity & Benefits appropriations are projected to rise by 29.5% or \$48.4 million and Bond & Interest appropriations will increase by 11.5% or \$18.8 million. Total Operating Funds appropriations are projected to rise by 6.9% since FY2004. A 30.5% increase is projected in Capital Improvement appropriations over the five-year period.

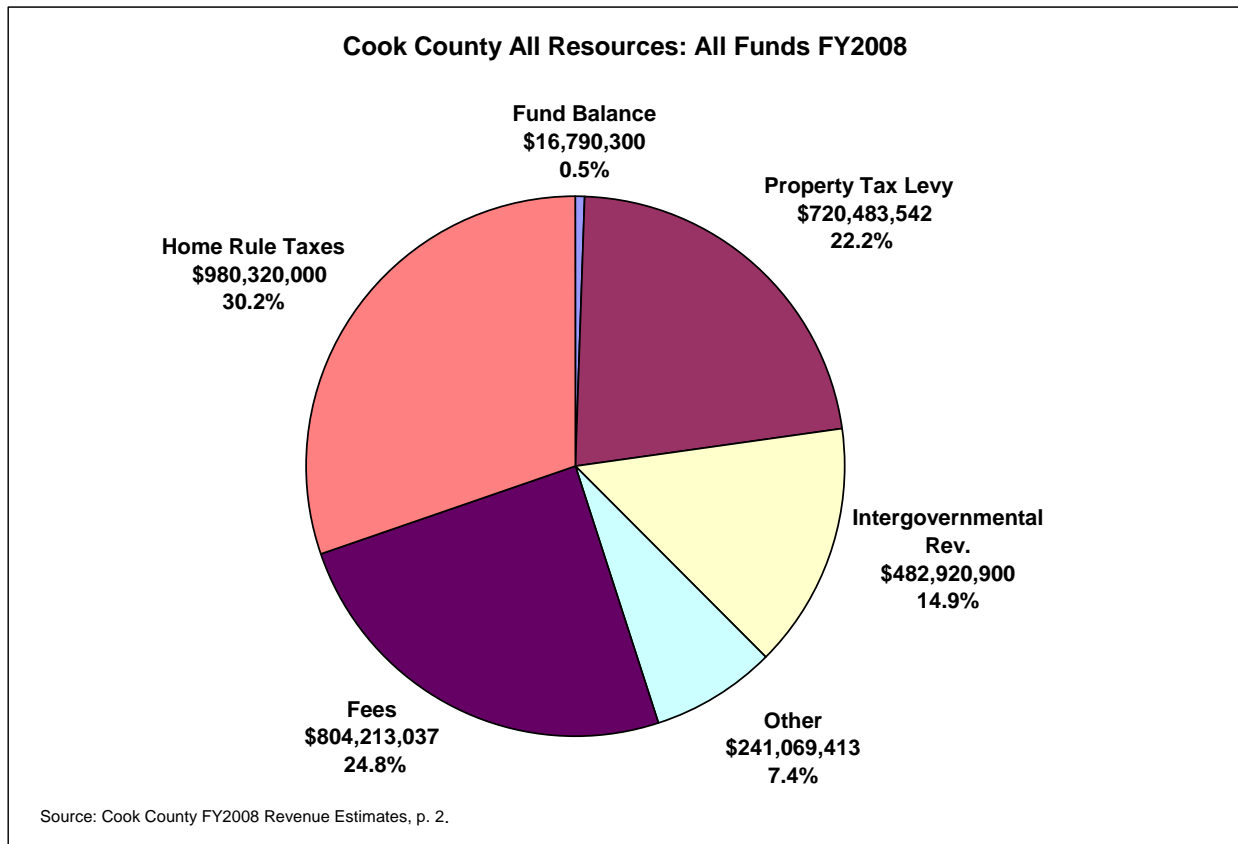
¹⁶ Cook County FY2007 Executive Budget Recommendation, p. A-22.

Cook County Appropriations All Funds: FY2004-FY2008				
Fund	FY2004 Appropriation	FY2008 Recommended	\$ Change	% Change
Corporate	\$ 193,662,517	\$ 179,577,500	\$ (14,085,017.0)	-7.3%
Public Safety	\$ 1,040,227,331	\$ 1,091,845,800	\$ 51,618,469.0	5.0%
Health	\$ 837,087,712	\$ 886,051,400	\$ 48,963,688.0	5.8%
Subtotal General Funds	\$ 2,070,977,560	\$ 2,157,474,700	\$ 86,497,140.0	4.2%
Annuity & Benefits	\$ 220,223,000	\$ 212,729,169	\$ 48,482,441.0	29.5%
Bond & Interest	\$ 164,246,728	\$ 183,124,000	\$ 18,877,272.0	11.5%
Other Special Purpose Funds	\$ 281,441,009	\$ 394,657,300	\$ 113,216,291.0	40.2%
Subtotal Special Purpose Funds	\$ 687,733,043	\$ 790,510,469	\$ 102,777,426.0	14.9%
Allowance for Uncollected Taxes	\$ 10,911,153	\$ 11,628,911	\$ 717,758.0	6.6%
Subtotal Operating Funds	\$ 2,769,621,756	\$ 2,959,614,080	\$ 189,992,324.0	6.9%
Capital Improvements	\$ 219,215,158	\$ 286,183,112	\$ 66,967,954.0	30.5%
Total	\$ 2,988,836,914	\$ 3,245,797,192	\$ 256,960,278.0	8.6%

Source: Cook County Executive Budget Recommendations FY2004 & FY2008.

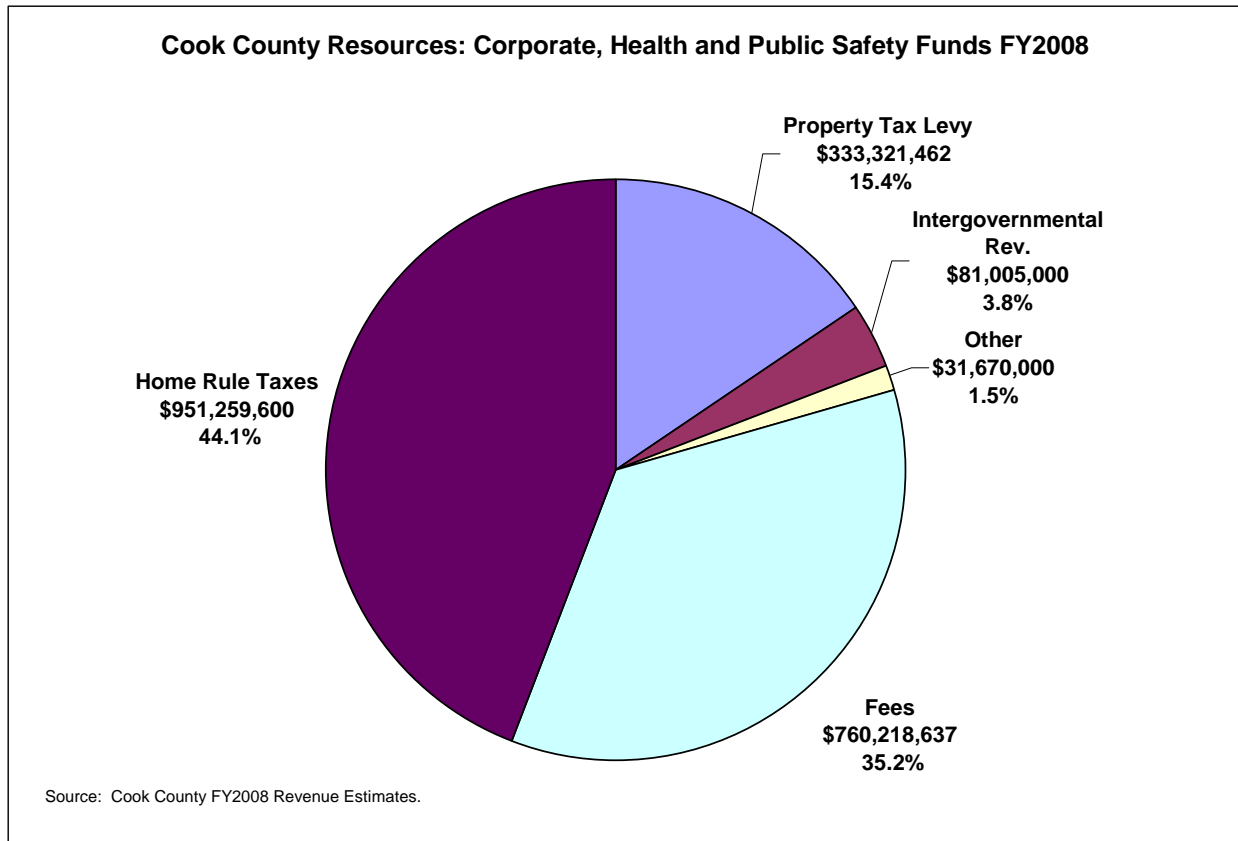
RESOURCES

Cook County total resources include revenues and appropriated net assets or fund balance. In FY2008, the County estimates that it can draw upon a total of \$3.2 billion from various revenue sources and a fund balance of about \$16.8 million for a total of approximately \$3.2 billion. The total fund balance represents 0.5% of all resources available.



The next exhibit shows resources available in the County's General Funds – its Corporate, Public Safety, and Health Funds. General Fund resources are projected to total \$2.2 billion in FY2008.

Fees and home rules taxes will provide 79.3% of all General Fund resources or \$1.7 billion. The Property Tax Levy will represent \$333.3 million or 15.4% of General Funds resources, down from \$413.8 million and 20% of the total in the last fiscal year. No Fund Balance revenue is projected in FY2008.



Revenues in FY2008

Cook County All Fund revenues are projected to increase by 4.5% between FY2007 and FY2008. This will be a \$126.5 million increase from \$2.8 billion to \$2.9 billion.

Cook County's home rule taxes are projected to show an aggregate revenue increase of \$234.6 million or 35.1% in FY2008, rising from \$745.7 million in FY2007 to \$980.3 million. This sharp increase is driven by projected increases in the home rule sales tax from 0.75% to 2.75% as well as increases in the gas tax and parking tax. The amount of revenue increases from these tax hikes in FY2008 from the previous fiscal year are listed below:

- \$146.6 million in new sales tax revenues, a 39.3% increase;
- \$72.2 million in gas tax revenues, a 70.1% rise; and
- \$22.8 million in new parking lot revenues, a 58.5% increase in revenues.

These three home rule tax increases are expected to generate \$241.6 million in new FY2008 revenues for a total amount of \$756.6 million. It is important to note that if approved, the sales

tax increase would commence in mid-calendar year 2008, thus the revenue increase projected is only for a portion of the new fiscal year. President Stroger points out in his budget address that due to lags between the time the State collects sales taxes and the time the County would receive those revenues, Cook County would only receive two months of increased collections next year.¹⁷

The County's property tax levy will be held constant at \$720 million for the eighth consecutive year.

County revenue from fees, the largest portion of the County's revenue stream, will increase from \$780.2 million to \$804.2 million, a 3.1% or \$23.9 million rise. Patient fees, the most significant fee collected, are expected to rise by 3.8% or from nearly \$473.4 million to \$491.3 million. Intergovernmental revenues provided from other governments will decline by \$19.0 million or 4.5% in FY2008.

Cook County Revenues FY2007-FY2008 (in \$ thousands)				
Tax or Fee	FY2007 Projected	FY2008 Projected	\$ change	% change
Property Taxes	\$ 720,483.0	\$ 720,483.0	\$ -	0.0%
Home Rule Taxes				
Sales & Use	\$ 373,000.0	\$ 519,620.0	\$ 146,620.0	39.3%
Alcoholic Beverage	\$ 25,500.0	\$ 25,500.0	\$ -	0.0%
Cigarette	\$ 180,000.0	\$ 173,000.0	\$ (7,000.0)	-3.9%
Gas	\$ 103,000.0	\$ 175,200.0	\$ 72,200.0	70.1%
Retail Sale/Motor Veh's	\$ 3,200.0	\$ 3,200.0	\$ -	0.0%
Wheel	\$ 2,000.0	\$ 2,000.0	\$ -	0.0%
Amusement	\$ 20,000.0	\$ 20,000.0	\$ -	0.0%
Parking Lot	\$ 39,000.0	\$ 61,800.0	\$ 22,800.0	58.5%
Subtotal Home Rule Taxes	\$ 745,700.0	\$ 980,320.0	\$ 234,620.0	31.5%
Fee Revenue				
Patient Fees	\$ 473,395.0	\$ 491,343.0	\$ 17,948.0	3.8%
Circuit Clerk Fees	\$ 103,395.0	\$ 110,000.0	\$ 6,605.0	6.4%
Recorder of Deeds Fees	\$ 62,708.0	\$ 60,393.0	\$ (2,315.0)	-3.7%
Treasurer's Fees	\$ 55,000.0	\$ 55,250.0	\$ 250.0	0.5%
Other	\$ 85,786.0	\$ 87,227.0	\$ 1,441.0	1.7%
Subtotal Fee Revenue	\$ 780,284.0	\$ 804,213.0	\$ 23,929.0	3.1%
Misc. Revenues				
Bail Bond Forfeitures	\$ 150.0	\$ 150.0	\$ -	0.0%
Miscellaneous/Pension	\$ 145,460.0	\$ 32,519.0	\$ (112,941.0)	100.0%
Subtotal Misc. Revenues	\$ 145,610.0	\$ 32,669.0	\$ (112,941.0)	-77.6%
Intergov. Rev.	\$ 424,211.0	\$ 405,137.0	\$ (19,074.0)	-4.5%
Total	\$ 2,816,288.0	\$ 2,942,822.0	\$ 126,534.0	4.5%

Source: Cook County FY2007 Revenue Estimates and Cook County FY2008 Revenue Estimates, pp. 51-63.

* Year End Estimates

These amounts do not include fund balances and capital improvements

¹⁷ Remarks of President Todd H. Stroger on his Executive Budget Recommendations for Cook County Fiscal Year 2008, p. 3.

Five-Year Revenue Trends

In the five-year period between FY2004 and FY2008, Cook County revenues increased by 11.7%. This represents a \$370.5 million increase, from \$2.6 billion to \$2.9 billion. The rate of growth for home rule taxes is projected to be a steep 51.0% over this five-year period because of the major increase in sales, gas and parking lot taxes proposed in the FY2008 budget. Fees are expected to decrease by 10.4% or \$93.5 million. This decline is largely due to a projected 20.5% drop in the amount of patient fees collected.

Cook County Revenues: FY2004-FY2008 (in \$ thousands)				
Tax or Fee	FY2004	FY2008 Projected	\$ change	% change
Property Taxes	\$ 720,483.0	\$ 720,483.0	\$ -	0.0%
Home Rule Taxes				
Sales & Use	\$ 337,727.0	\$ 519,620.0	\$ 181,893.0	53.9%
Alcoholic Beverage	\$ 25,723.0	\$ 25,500.0	\$ (223.0)	-0.9%
Cigarette	\$ 131,391.0	\$ 173,000.0	\$ 41,609.0	31.7%
Gas	\$ 99,505.0	\$ 175,200.0	\$ 75,695.0	76.1%
Retail Sale/Motor Veh's	\$ 3,595.0	\$ 3,200.0	\$ (395.0)	-11.0%
Wheel	\$ 980.0	\$ 2,000.0	\$ 1,020.0	104.1%
Amusement	\$ 14,556.0	\$ 20,000.0	\$ 5,444.0	37.4%
Parking Lot	\$ 35,739.0	\$ 61,800.0	\$ 26,061.0	72.9%
Subtotal Home Rule Taxes	\$ 649,216.0	\$ 980,320.0	\$ 331,104.0	51.0%
Fee Revenue				
Patient Fees	\$ 618,038.0	\$ 491,343.0	\$ (126,695.0)	-20.5%
Circuit Clerk Fees	\$ 97,407.0	\$ 110,000.0	\$ 12,593.0	12.9%
Recorder of Deeds Fees	\$ 74,117.0	\$ 60,393.0	\$ (13,724.0)	-18.5%
Treasurer's Fees	\$ 45,114.0	\$ 55,250.0	\$ 10,136.0	22.5%
Other	\$ 63,107.0	\$ 87,227.0	\$ 24,120.0	38.2%
Subtotal Fee Revenue	\$ 897,783.0	\$ 804,213.0	\$ (93,570.0)	-10.4%
Misc. Revenues				
Bail Bond Forfeitures	\$ 25.0	\$ 150.0	\$ 125.0	500.0%
Miscellaneous/Pension	\$ -	\$ 32,519.0	\$ 32,519.0	100.0%
Subtotal Misc. Revenues	\$ 31,853.0	\$ 32,669.0	\$ 816.0	2.6%
Intergov. Rev.	\$ 335,981.0	\$ 405,137.0	\$ 69,156.0	20.6%
Total	\$ 2,635,316.0	\$ 2,942,822.0	\$ 307,506.0	11.7%

Source: Cook County Revenue Estimates FY2004 & FY2008.

* Year End Estimates

These amounts do not include fund balances and capital improvements

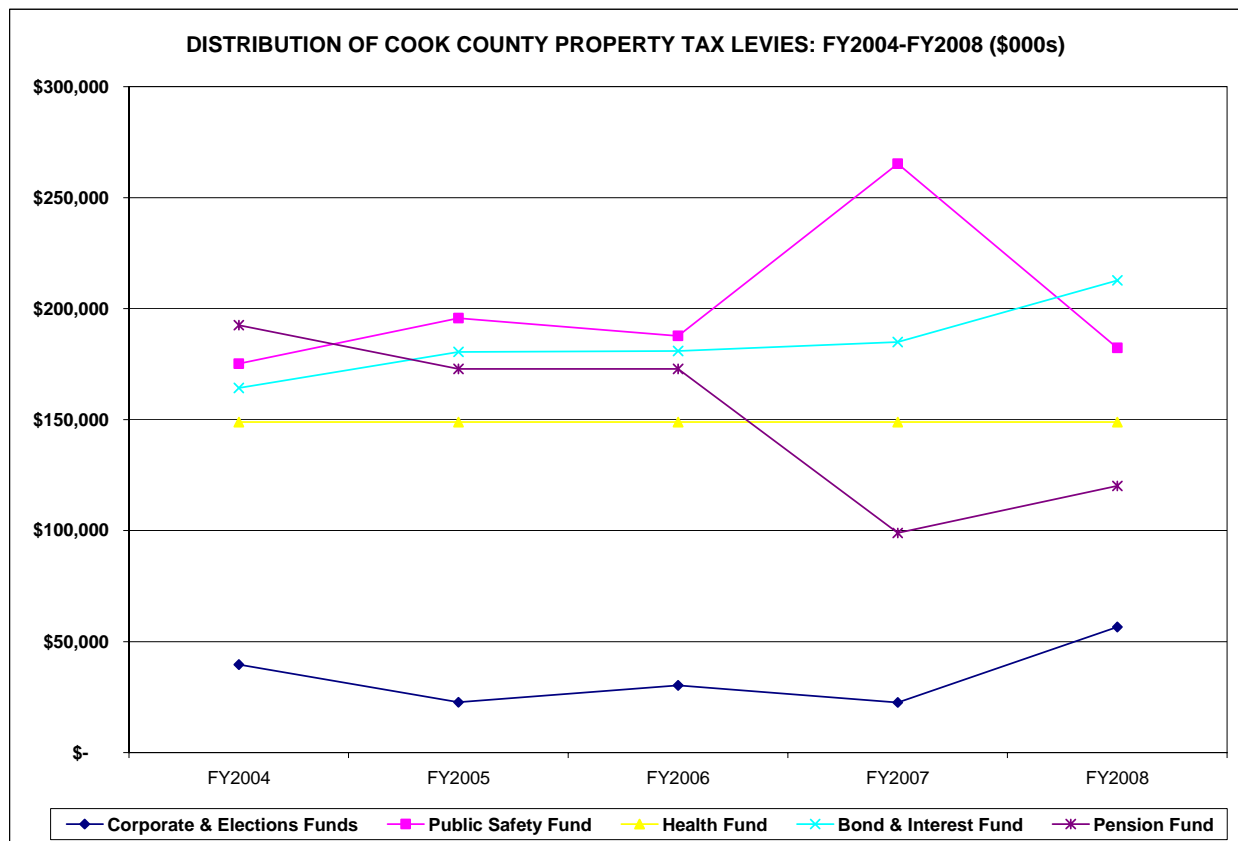
Property Tax Levy

The Cook County property tax levy will be held constant in FY2008, remaining at \$720.4 million for the eighth consecutive year.¹⁸

¹⁸ These are the property tax levy figures reported in the Cook County budget books. The Cook County Clerk's Tax Extension Office reports slightly different figures. In some years, there is up to a \$5 million difference, usually in

Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health, Bond and Interest, and Pension (called the Annuity and Benefit) Fund. Changes in distribution of the levy between FY2004 and FY2008 are shown below. For purposes of our analysis, the relatively small Corporate and Election Funds have been combined. Together they averaged about 4.8% of the total levy for the five years analyzed. In FY2008, the portion of the levy dedicated to these funds will be 7.8% of the total, up from 3.1% in the previous year to pay for the primary and general elections to be held in 2008.

The Public Safety Fund will consume the largest single portion of the levy: \$265.2 million or 36.8% of the total. The largest portion of the levy, or \$212.7 million, will be earmarked for the Bond and Interest Fund to pay for debt service. The second largest amount, \$182.2 million, will be used for the Pension Fund. Approximately 20.7% of the levy, or \$148.8 million, is earmarked for the Health Fund.



Source: FY2008 Executive budget Recommendation Revenue Estimate, p. 53

Fund Balance

The fund balance for the General Funds (i.e.: Corporate, Public Health and Public Safety Funds) will be \$0 in FY2008, having been completely depleted by operating expenditures in FY2006.

the Bond & Interest fund levy. The Civic Federation has requested but not received an explanation for this difference from the Cook County financial staff.

This depletion is a cause for grave concern, since the County will have no financial cushion for meeting unexpected contingencies in FY2008. The General Funds balance of \$0 in FY2008 also represents a substantial decline since FY2004, when General Funds had a balance of \$200.5 million, 9.7% of operating revenues. The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain a General Fund balance ratio of 5% to 15% of operating expenditures or revenues. To achieve a 5% ratio, the County would have to reserve \$107.8 million as fund balance in FY2008.

Fund Balance for Corporate, Public Safety & Health Funds: FY2004-FY2008			
	Fund Balance	Revenues	Ratio
FY2004	\$ 200,500,000.0	\$ 2,076,451,808	9.7%
FY2005	\$ 136,000,000.0	\$ 2,195,188,977	6.2%
FY2006	\$ 66,000,000.0	\$ 2,162,500,544	3.1%
FY2007	\$ -	\$ 2,055,326,032	0.0%
FY2008	\$ -	\$ 2,157,474,700	0.0%

Source: Cook County Revenue Estimates

The County's fund balance for All Funds has seen a similar dramatic erosion between FY2004 and FY2008, falling from \$220.3 million in FY2004 to nearly \$16.8 million in FY2008. The latter amount represents 0.5% of all fund resources.

Fund Balance for All Funds: FY2004-FY2008			
	Fund Balance	Total Resources	Ratio
FY2004	\$ 220,389,324.0	\$ 2,993,956,107	7.4%
FY2005	\$ 163,228,191.0	\$ 3,046,691,218	5.4%
FY2006	\$ 94,224,407.0	\$ 3,080,646,834	3.1%
FY2007	\$ 16,973,292.0	\$ 3,012,242,652	0.6%
FY2008	\$ 16,790,300.0	\$ 3,245,797,192	0.5%

Source: Cook County Revenue Estimates

PERSONNEL TRENDS

The following section addresses trends for budgeted personnel by fund, and both one-year and five-year trends in personal services appropriations.

Full-Time Equivalent Positions by Fund

The FY2008 Cook County budget proposes an increase of 1,130.3 full-time equivalent positions. This is a 4.8% increase from the adopted FY2007 budget, or an increase from 23,760.0 to 24,836.3 FTEs. The largest numerical increase will come in the Health Fund which will add 404.2 FTEs for a total of 6,949.0 FTEs.

Cook County Budgeted FTEs* by Fund (All Funds): FY2007-FY2008				
Fund	FY2007 Adopted	FY2008 Recommended	# Change	% Change
Corporate Fund	1,895.3	2,025.5	130.2	6.9%
Health Fund	6,544.7	6,949.0	404.3	6.2%
Public Safety Fund	14,144.8	14,435.0	290.2	2.1%
Election Fund	107.4	120.0	12.6	11.7%
Special Purpose Funds	1,013.8	1,306.8	293.0	28.9%
Total	23,706.0	24,836.3	1,130.3	4.8%

Source: Cook County Executive Budget Recommendation FY2008.

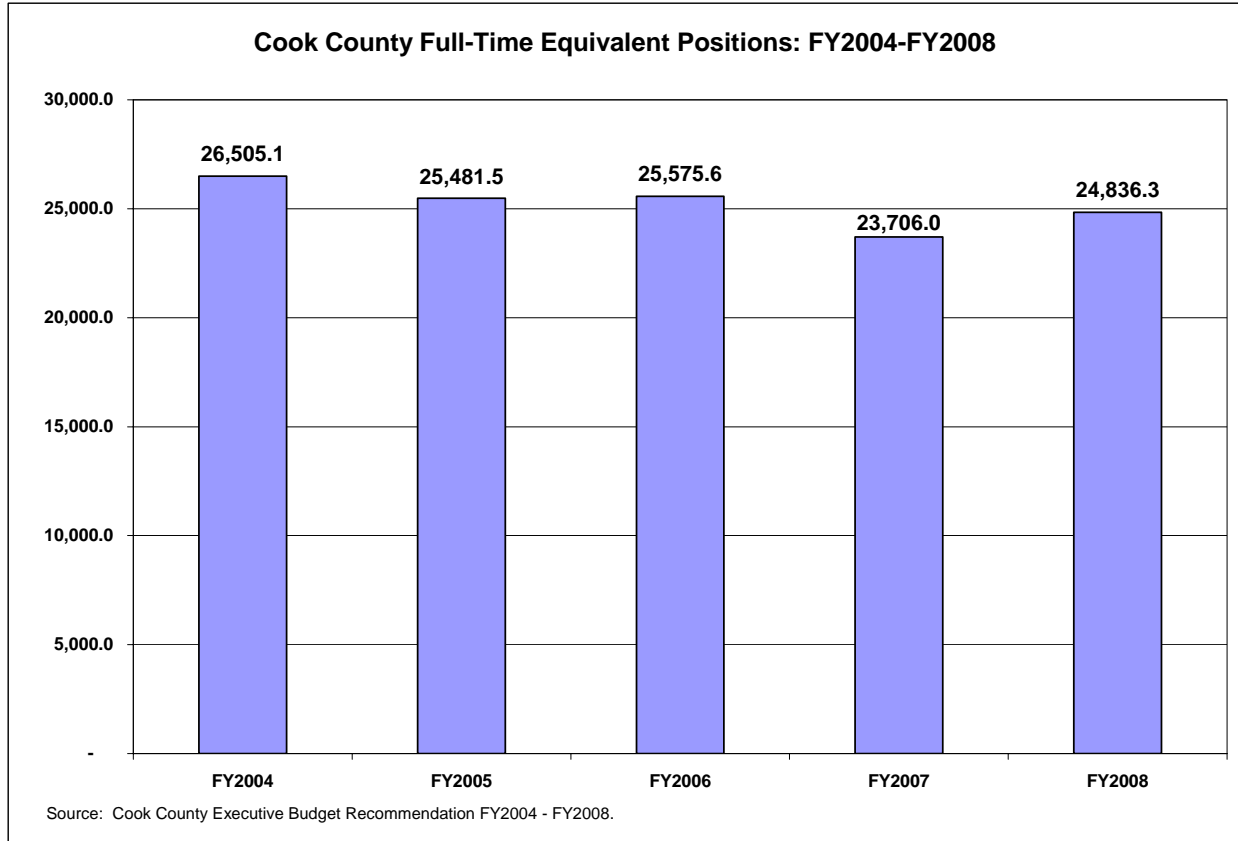
From FY2004 to FY2008, Cook County FTEs have decreased by 6.3%. This represents a decrease of 1,668.8 FTEs. Most of the reductions have been in the Health Fund, in which the number of FTEs was cut by 1,240.6, or from 8,189.6 to 6,949.0 FTEs.

Cook County Budgeted FTEs* by Fund (All Funds): FY2004-FY2008				
Fund	FY2004 Adopted	FY2008 Recommended	# Change	% Change
Corporate Fund	2,419.9	2,025.5	(394.4)	-16.3%
Health Fund	8,189.6	6,949.0	(1,240.6)	-15.1%
Public Safety Fund	15,267.7	14,435.0	(832.7)	-5.5%
Election Fund	100.9	120.0	19.1	18.9%
Special Purpose Funds	527.0	1,306.8	779.8	148.0%
Total	26,505.1	24,836.3	(1,668.8)	-6.3%

Source: Cook County Executive Budget Recommendation FY2004 & FY2008.

The next exhibit shows total full-time equivalent positions for each of the five years between FY2004 and FY2008. It shows that:

- The number of FTEs **declined** by 1,023.6 between FY2004 and FY2005;
- The number of FTEs **increased** by 94.1 between FY2005 and FY2006;
- The number of FTEs **decreased** by 1,869.6 between FY2006 and FY2007; and finally
- The number of FTEs is projected to **increase** by 1,130.3 this coming fiscal year.



Personal Service Appropriations

Personal service appropriations are projected to increase by 0.5% in FY2008 over the previous fiscal year, from \$1.9 billion to \$2.0 billion. Regular Wages will increase by \$111.1 million or 8.1%, from \$1.4 billion to \$1.5 billion. Overtime appropriations will increase by \$4.5 million or 11.7%. Benefit expenses are expected to decrease by 17.9%, from \$585.0 million to \$480.6 million.

Cook County Personal Service Appropriations: FY2007-FY2008				
	FY2007 Adopted	FY2008 Recommended	\$ Change	% change
Regular Wages	\$ 1,375,180,979	\$ 1,486,240,300	\$ 111,059,321	8.1%
Overtime	\$ 38,687,370	\$ 43,218,100	\$ 4,530,730	11.7%
Other Wages	\$ 611,820	\$ 181,300	\$ (430,520)	-70.4%
Subtotal Wages	\$ 1,414,480,169	\$ 1,529,639,700	\$ 115,159,531	8.1%
Hospitalization	\$ 246,729,445	\$ 240,130,500	\$ (6,598,945)	-2.7%
Other Benefits	\$ 338,295,929	\$ 240,421,100	\$ (97,874,829)	-28.9%
Subtotal Benefits	\$ 585,025,374	\$ 480,551,600	\$ (104,473,774)	-17.9%
Total Personal Services	\$ 1,999,505,543	\$ 2,010,191,300	\$ 10,685,757	0.5%

Source: 2007 Cook County Appropriation Bill and FY2008 Cook County Executive Budget Recommendation.

Between FY2004 and FY2008, Cook County personal service appropriations are projected to rise by 3.2%. This represents a \$61.4 million increase. Over this five-year period, wages will increase by 4.7%, with Overtime appropriations rising by 50.7%. Benefits appropriations will decrease by 3.8%.

Cook County Personal Service Appropriations: FY2004-FY2008				
	FY2004 Recommended	FY2008 Recommended	\$ change	% change
Regular Wages	\$ 1,419,214,763	\$ 1,486,240,300	\$ 67,025,537	4.7%
Overtime	\$ 28,680,096	\$ 43,218,100	\$ 14,538,004	50.7%
Other Wages	\$ 1,395,985	\$ 181,300	\$ (1,214,685)	-87.0%
Subtotal Wages	\$ 1,449,290,844	\$ 1,529,639,700	\$ 80,348,856	5.5%
Hospitalization	\$ 215,003,111	\$ 240,130,500	\$ 25,127,389	11.7%
Other Benefits	\$ 284,452,487	\$ 240,421,100	\$ (44,031,387)	-15.5%
Subtotal Benefits	\$ 499,455,598	\$ 480,551,600	\$ (18,903,998)	-3.8%
Total Personal Services	\$ 1,948,746,442	\$ 2,010,191,300	\$ 61,444,858	3.2%

Source: Cook County Executive Budget Recommendation FY2004 & FY2008.

The following chart compares total personal service appropriations to the total County budget. For FY2008, personal service appropriations will constitute 61.9% of the total budget, down from 65.3% in FY2006.

Ratio of Personal Service to Total Appropriations: FY2006-FY2008			
	Personal Services	Total Budget	Personal Services as % of Total Budget
2006 Final	\$ 2,012,622,129	\$ 3,080,714,914	65.3%
2007 Final	\$ 1,999,505,543	\$ 3,039,621,923	65.8%
2008 Recommended	\$ 2,010,191,300	\$ 3,245,797,192	61.9%

Source: Cook County Executive Budget Recommendation FY2006-FY2008.

DEBT TRENDS

The Civic Federation was unable to calculate short and long term debt trends because the FY2006 Cook County Comprehensive Annual Financial Report had not yet been released.

PENSION FUND TRENDS

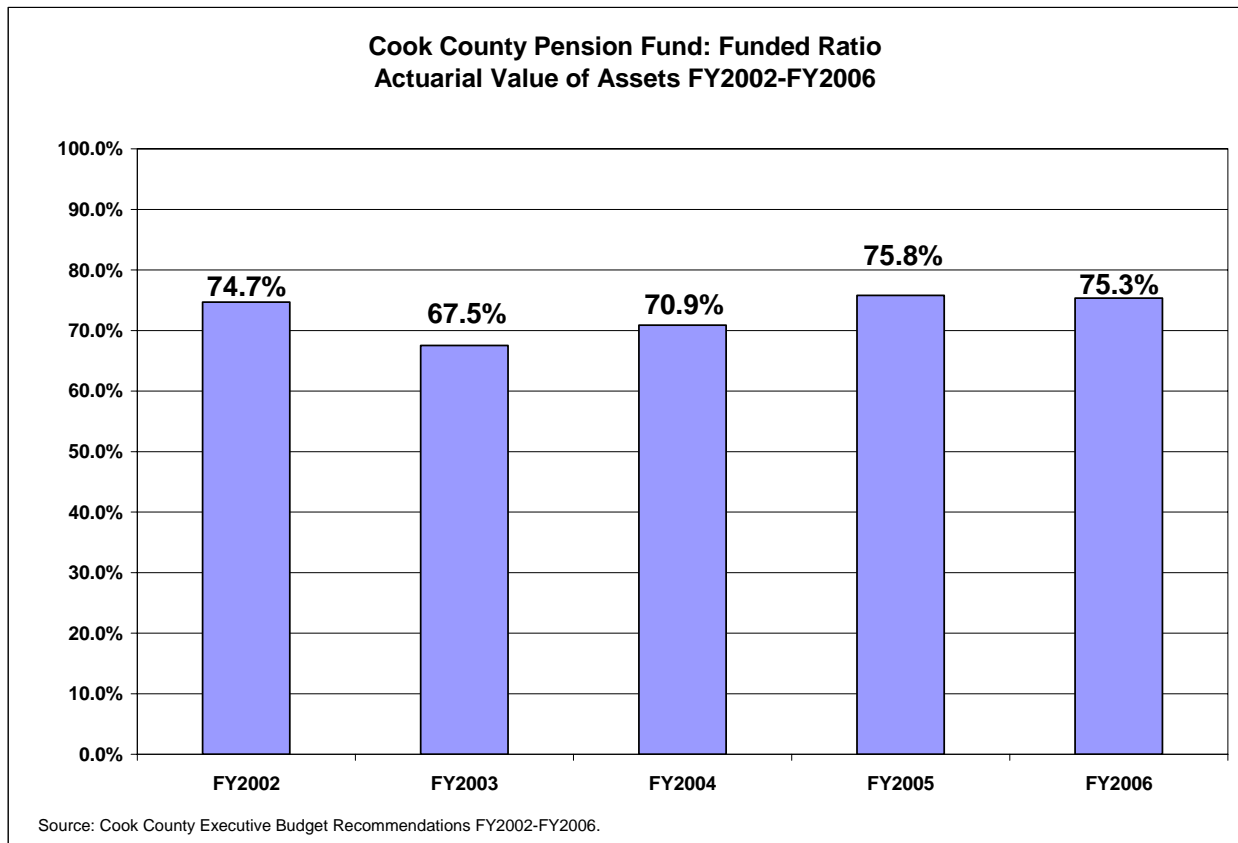
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of Cook County's pension fund: funded ratios, the investment rate of return, and the value of unfunded liabilities.¹⁹

¹⁹ The discussion of Cook County's pension fund trends is drawn from *Status of Local Pension Funding* (Chicago: Civic Federation, forthcoming 2007).

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.

The funded ratio for Cook County’s pension fund declined from 88.9% to 75.8% between FY2002 and FY2006, the last year for which complete information was available. In FY2006, the funded ratio fell slightly, from 75.8% to 75.3%. Since FY2002, the funded ratio has risen from 74.7% to 75.3%. In FY2004, the funded ratio rose slightly, from 67.5% to 70.9%, in part due to changes in actuarial assumptions made in preparing the FY2004 actuarial valuations. These assumptions increased the value of net assets from the amounts that would have been calculated using previous actuarial methods.²⁰

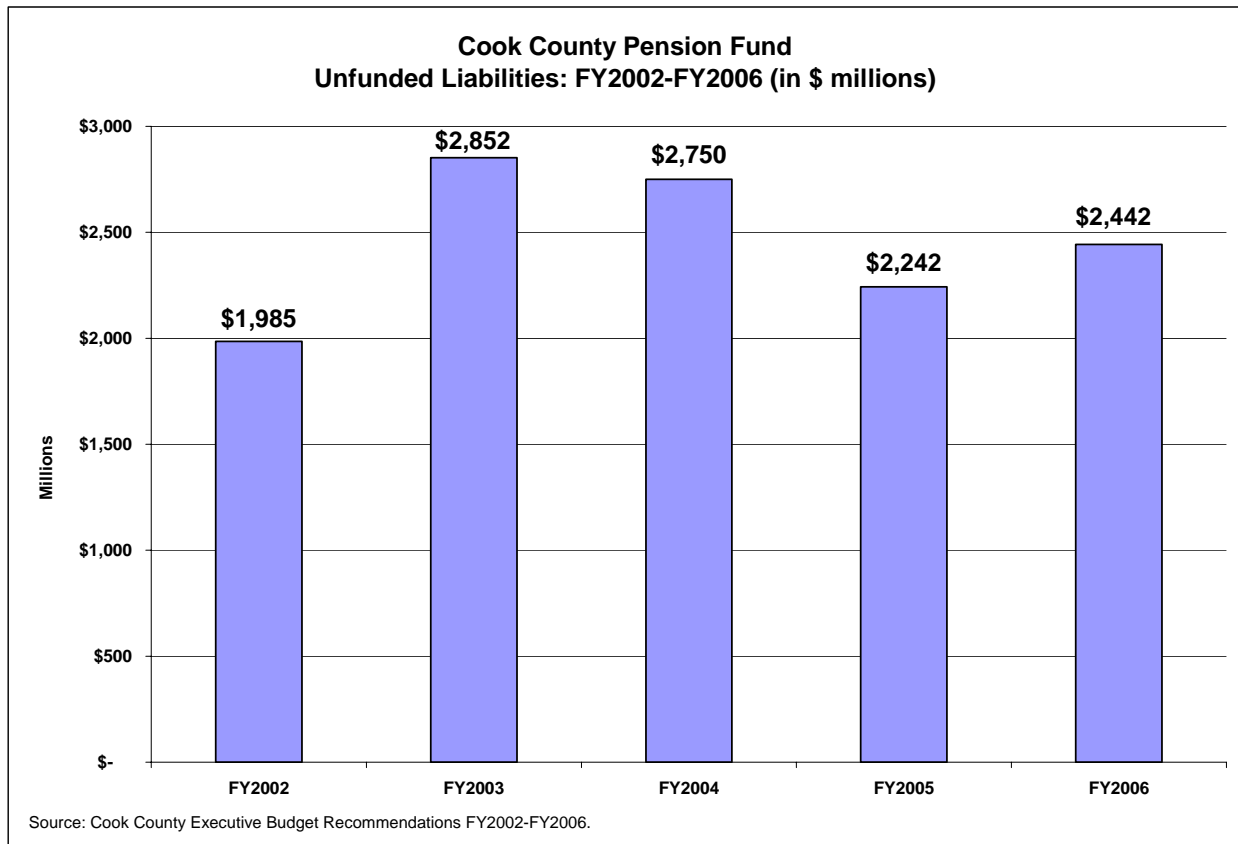


²⁰ The FY2004 *Actuarial Valuation* reports net assets at the beginning of the year as \$6,529,956,047, while the former actuary reported net assets as being \$5,929,201,142. The method boosts the value of net assets by \$600,754,905, thus in part increasing the funded ratio and decreasing unfunded liabilities. County Employees’ Annuity and Benefit Fund of Cook County, *Actuarial Valuation as of December 31, 2004*, p. 9.

Unfunded Pension Liabilities

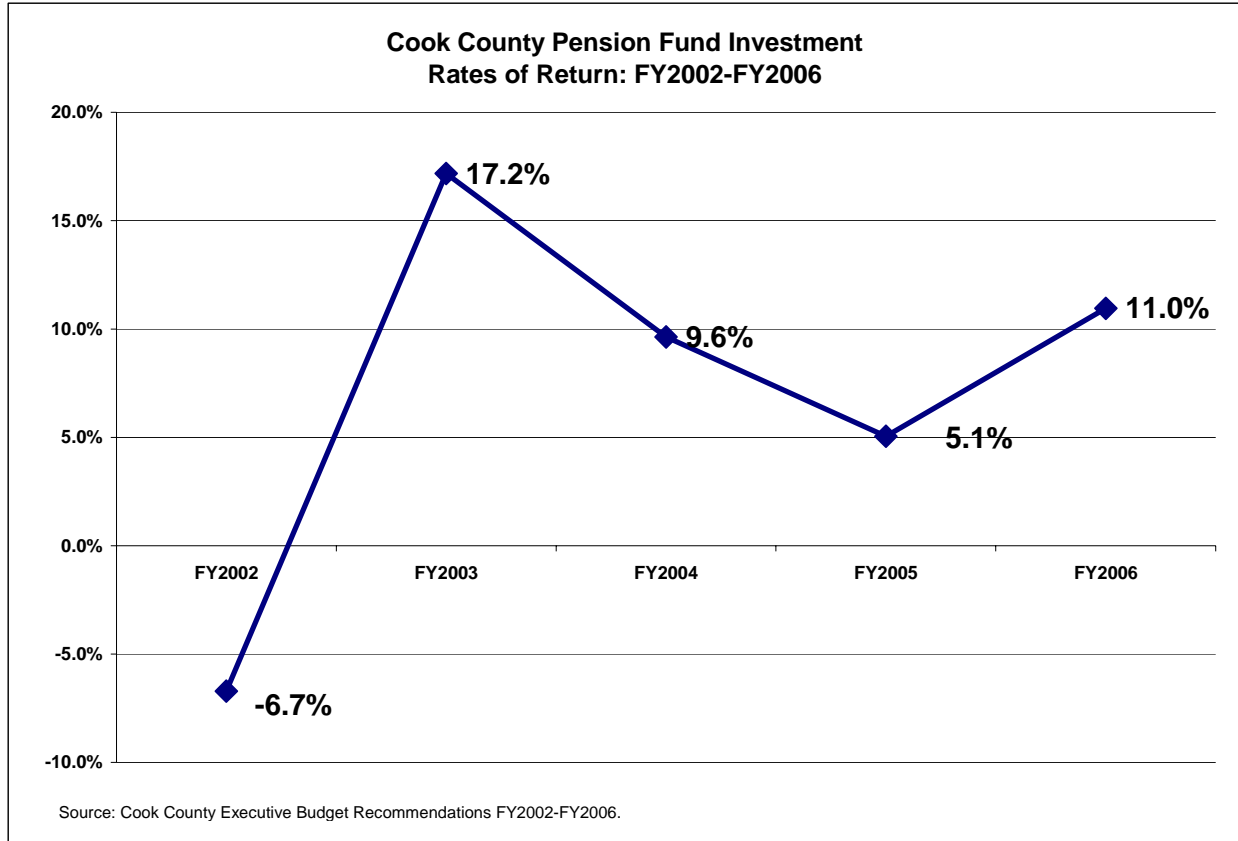
Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for Cook County's pension fund totaled approximately \$2.4 billion in FY2006. There was a 23.0%, or \$456.8 million, increase in unfunded liabilities from FY2002.

Between FY2003 and FY2005, unfunded liabilities fell by over \$609.3 million or by 21.4%; this is due in part to the change in actuarial assumptions that occurred in FY2004 as noted above. However, between FY2004 and FY2006, unfunded liabilities rose by over \$199 million or 8.9%.



Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Since FY2002, Cook County investment rates of return have increased from -6.7% to 11.0% five years later. The negative investment return reported in FY2002 reflects the impact of the economic downturn at that time. However, since that time, investment returns have been positive, though they did fall sharply from 17.2% in FY2003 to 5.1% in FY2005 before rising to 11.0% in FY2006.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation offers the following set of recommendations on ways that Cook County can improve management and reduce the costs of Cook County government. They include a variety of short-term and long-term reforms.

Cost Reductions

Limit Total Annual Personnel Compensation Increases to 3% Per Year or CPI

County employees currently receive both cost of living adjustments (COLA) and step increases each year. The increased cost of this overly-generous compensation adjustment will be \$138 million in FY2008. It is a major driver of the current \$239 million budget deficit, totally nearly 58% of that amount.

Employees should not automatically receive **both** increases. Step increases in particular are an antiquated, overly-generous personnel practice no longer found in either efficiently operated governments or the private sector. Limiting total annual percentage increases to 3%, a percentage of prior revenue growth, or inflation - whichever is less - would be a far more responsible benchmark.

Former Cook County Board President John Stroger acknowledged in his FY2004 Budget Address that step increases are an obsolete mechanism and he promised to consider significant changes to the County's compensation plans. We hope that the County will finally act on his promise and eliminate this expensive practice.

Pursue Alternative Service Delivery Opportunities, Including Privatization

The Civic Federation has long supported privatization of janitorial services formerly under the control of the Cook County Sheriff's office. Apparently, the County has embarked on a limited pilot janitorial privatization program, but has yet to fully inform the public of the results from that effort. We urge the County to continue moving forward on this project. We also recommend that the County conducts efficiency studies to aid in the selection of other services that can be privatized. A list of possible service candidates for which a competitive private-sector option exists include:

- The Pharmacy function in the Bureau of Health Services;
- The four print shop locations serving all County offices;
- Dietary and food service functions in the Bureau of Health Services; and
- The service of process function for civil lawsuits.

Outsource Management of Selected Services to Other Governments

Given the County's ongoing financial difficulties and the opportunities available for cost savings, outsourcing to other governments rather than maintaining full-scale operations more suited to a bygone era makes good fiscal sense. Two areas we find particularly promising were identified in Commissioner Quigley's 2003 *Reinventing Cook County* report: the County's discontinuous highway system and animal control. Both functions could be outsourced to local municipalities for considerable budgetary savings.

Management Reforms

Transfer Management of the Cook County Health System to Health Care Professionals

The Civic Federation strongly supported construction of the new Stroger Hospital. We believe that the County has an obligation to provide quality medical services for underserved populations. However, ensuring that Cook County can continue to fulfill its critical mission and be held accountable to taxpayers footing the enormous bill for health services requires the implementation of bold new approaches.

The management of the Bureau of Health Services should be outsourced to a nonprofit or private sector entity with proven expertise in operating a major healthcare operation. The management of the health system must be entrusted to professionals who would be freed from political and bureaucratic constraints that obstruct the efficient operation of the hospitals and clinics. They must be free to hire and replace employees based on merit. They must also have the ability to contract for medical equipment based on cost and efficiency considerations.

There are a number of qualified organizations in the United States that could successfully manage the County's health programs and facilities. The County should identify private-sector vendors for ancillary health services, such as dietary services and pharmacies, and immediately outsource daily operations to these organizations. We also believe that an earmarked revenue stream should be dedicated to Bureau operations to ensure that it receives adequate and appropriate funding. Models for outsourced management of ancillary services and a dedicated revenue stream for a particular county function already exist in the relationship between the Forest Preserve District and the Brookfield Zoo and the Chicago Botanic Garden.

Require Performance Management

The County requires performance measures, but most of those submitted and published measure workload, not efficiency or effectiveness. The performance measurement system needs to be overhauled to provide managers with the tools to identify strengths and weaknesses in service delivery. Additionally, County employees must utilize the information provided by this system to implement efficiencies accordingly. A performance management system that would permit effective evaluation and benchmarking would help County managers make judicious decisions about the allocation of resources.

The Civic Federation urges the President and the County Budget Office to take a leadership position in developing and implementing an effective performance management system.

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 possibilities. However, the County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. Cook County should develop and implement a formal long-term financial planning process that allows for input from the Cook County Board of Commissioners and key external stakeholders. The President should submit to the Finance Committee revenue and expenditure projections for the next five fiscal years as well as narrative explanations of assumptions made in order to reach the projections. In our view, this is a sound and reasonable proposal. For an example of what such a plan would look like, please see best practice examples at the website of the Government Finance Officers association, located at www.gfoa.org.

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 appropriates revenues for a fund balance. However, this arrangement does not adequately guarantee that these funds will be used solely for budget stabilization purposes.

The need for a formal budget stabilization policy and fund has become increasingly urgent. The proposed fund balance for General Funds in FY2008 is \$0, the same as last year. In FY2008 the total all funds fund balance will be only \$16.8 million, just 0.5% of all appropriations.

To be effective, a budget stabilization fund should have an automatic triggering device for deposits and withdrawals. In many jurisdictions, 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; and 2) a limit that considers the balance in a "rainy day" fund plus any other undesignated balance in the general funds.

Establish a Cook County Auditor General's Office

Cook County should establish an independent Auditor General's office that would be charged with conducting program and financial audits of all County programs on a regular basis.²¹ The purpose of an Auditor General's office is to provide an independent review of executive programs. The repeated failure of the executive branch to demonstrate how efficiently or effectively programs are being operated warrants the creation of this office.

This legislative office would be specifically charged with reviewing the obligation, expenditure, receipt and use of public funds. This would include reviewing office and agency financial records, compliance with State and Federal laws and regulations, and program performance after the close of its fiscal year. The Auditor General could only be removed by supermajority vote of the Board, would serve a term longer than County Board and have a guaranteed funding stream to ensure independence. This office would function in the same manner as the State of Illinois Auditor General. This proposal is similar to one made by Commissioner Quigley in his 2003 report calling for a permanent Inspector General.

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

The Civic Federation believes that all governments, including Cook County, should release audited financial statements no later than six months after the close of their respective fiscal years. Unfortunately, Cook County has fallen into a pattern of delaying the release of its Comprehensive Annual Financial Report (CAFR). The FY2002 CAFR was not released until March 31, 2004, sixteen months after the close of FY2002. The FY2003 CAFR was not released until February 17, 2005, over fourteen months after the close of the fiscal year. The FY2004 CAFR was not released until November 2, 2005, eleven months after the close of the fiscal year.

²¹ The current County Auditor audits the financial records of all County fee departments, works with the external auditors on the annual financial audit, and performs audits of information systems in the County. The Auditors Office also performs special audits as directed by the President and County Board of Commissioners. These include unannounced payroll observations, contract compliance reviews, participation in information system implementations and internal control evaluations. Information Systems audits are performed to determine the hardware, software, and data are protected, and that the information systems environment provides for data and programs that are reliable, accurate, and complete.

The FY2005 CAFR was not released until November 29, 2006, almost a year after the close of the fiscal year. It is anticipated that the FY2006 CAFR also will not be released until the end of November.

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.

The Civic Federation believes that the Comprehensive Annual Financial Report should be released to the Board of Commissioners and the public no later than May 31 of the following calendar year or within six months of the close of the fiscal year.

Require Return on Investment Reports for all Information Technology Contracts

In recent years the County has spent millions of dollars on information technology, including the automation of processes. No doubt many of those expenses are reasonable and essential. However, what dividends have these investments yielded? The answer is unclear. We would expect some reductions in cost since automation should have made some positions unnecessary.

In our view, investments in technology can and should yield cost savings as well as increased operational efficiency. We think it is imperative that the potential for cost savings be measured in a systematic and transparent way. Therefore, the Civic Federation recommends that all Cook County information technology contracts should include a requirement for an independent analysis of the costs and benefits of the projects being implemented. Subsequently, the Board of Commissioners and taxpayers alike will have access to demonstrable evidence of the value and cost saving potential of the continuing multi-million dollar investments in technology.

Pension Recommendations

Implement Comprehensive Pension Benefit Reform

For many years, the Civic Federation has commented on the funding status of the Cook County pension funds. The County Fund has traditionally been well funded. However, the funded ratio of the Fund declined from 75.8% to 75.3% between FY2005 and FY2006.

Cook County should move to adopt a number of pension funding reforms that would help improve the long-term financial health of its Pension Fund.

Establish a Two-Tiered Pension System

Although the pension benefits for current public employees and retirees are guaranteed by the Illinois Constitution, benefit levels can be reduced for new employees. Reducing benefits for new employees would mean the creation of two-tiered benefit systems where existing and new employees receive different retirement benefits. Given the rising cost of pension benefits, this is a reasonable approach that the County should undertake.

Annuity Increases for New Hires Should be Fixed at the Lesser of 3% or CPI

Currently, Cook County pension fund beneficiaries receive 3% annual cost of living increases.²² However, this rate can and often does exceed the rate of inflation. To control costs, annual annuity increases for new hires should be fixed at the projected Consumer Price Index or 3%, whichever is less.

Any Benefit Increases Should Require Contribution Increases

Many benefit enhancements are added to public pensions without accompanying contribution increases. Public Act 94-0004 requires that every new benefit increase made to one of the five state retirement systems must identify and provide for additional funding to fund the resulting annual accrued cost of the increase. It also requires that any benefit increase expire after five years, subject to renewal. We support extending this reasonable control on benefit increases to the County's pension fund.

Require Employer Contributions to Relate to Funding Levels

The Cook County government employer contributions are determined by multipliers for each fund that are not tied to the fund's funded ratio. The Cook County multiplier is 1.54 times the total employee contribution made two years prior. The Civic Federation believes that employer contributions should be tied to funded ratios, such that additional contributions are required when the ratio drops below a given level.

Reform Pension Board Composition to Provide Balance between Annuitants, Government and Taxpayers

The Cook County Employees' Annuity and Benefit Fund and the Cook County Forest Preserve District Employees' Annuity and Benefit Fund are governed by a single nine-member Board of Trustees that includes: two appointed officials (County comptroller and treasurer, or representatives appointed by them), three elected actives, two elected annuitants, one elected forest preserve active, and one elected forest preserve annuitant. Therefore, the ratio of management to employee representatives is 2:7, one of the least balanced of the 17 Illinois pension boards recently surveyed by the Civic Federation.²³

The proper role of a pension board is to safeguard the assets of the fund and to balance the interests of employees and retirees who receive benefits and taxpayers who pay for pension benefits. All of these parties have an interest in the management of the fund. However, the heavy tilt toward employees on the Cook County pension board raises questions about how objective the Board can be in its work. In our view, a pension board should:

- Balance employee and management representation on pension boards;
- Develop a tripartite structure that includes citizen representation on pension boards, and

²² Cook County Employees' Annuity and Benefit Fund *Actuarial Valuation as of December 31, 2004*, P. 26.

²³ Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois*, forthcoming.

- Include financial experts on pension boards and require financial training for non-experts.

We urge Cook County to seek reform of the Pension Fund governing structure to ensure greater balance of interests.