

## **Statement Made At The Public Hearing On The FY2000 Chicago Park District Budget By Myer Blank, Director of Policy Analysis.**

The Civic Federation would like to thank the President and members of the Board of Commissioners for this opportunity to comment on the proposed FY2000 budget. As a government and finance watchdog group, The Civic Federation has closely monitored and commented on the fiscal health of local area governments for over 100 years.

Before discussing the contents of our analysis we would first like to officially congratulate General Superintendent David Doig on his recent appointment. The Civic Federation looks forward to working closely with this administration as it serves the citizens of Chicago. In addition, the Federation would like to thank the Chicago Park District Office of Management and Budget for its assistance in providing the Federation with additional information that was necessary to complete our analysis.

### **Overview**

The Chicago Park District's Budget FY 2000 Budget is the seventh District budget since The Civic Federation's 1993 Study. Since that study, the District has continued to make considerable progress in terms of serving the public. *As with the District's last six budgets, The Civic Federation supports the proposed budget and the path that the District has been taking for the past six years.*

In terms of fiscal responsibility, the budget is conservative in its operating and capital spending proposals. For example, the total operating budget is projected to increase only 1.7% from \$314.4 million to \$319.6 million from 1999 to 2000. One positive outcome from this conservative spending approach is that the District is once again able to hold the line on the District's property tax levy.

Although the budget is fiscally conservative, there are a number of issues requiring attention. First, the District's budget presentation needs to be improved. It is still difficult to gauge the effectiveness of District programming. Second, the information being presented in the Budget does not lend itself to an analysis of spending over time. The Civic Federation believes that the District's budget needs to be restructured.

The following are a number of the conclusions The Civic Federation has reached as a result of its analysis of the proposed FY2000 Chicago Park District Budget:

#### **Section 1. Revenues**

- **Property Taxes:** The District is to be commended for continuing not to raise property taxes.
- **Fees:** The District should be applauded for not raising fees for those activities considered to be a part of its core functions.

## **Section 2. Expenditures**

- **Restructuring:** The District is to be commended for restructuring its administrative functions to better support the activities of its five regions.
- **Capital Expenditures:** The District is to be commended for its proposed 2000 capital program, but, should show constraint when taking on additional debt.
- **Aquarium & Museum Funds:** The District should follow-up with the Museums in the Park coalition regarding the use of those institutions by Chicagoans.

## **Section 3. Budget Format**

- **Financial Trend Reporting:** The District should improve its financial reporting by making sure that the finances reported in its Budget are comparable over time.
- **Local Reporting:** The District should change the format of the “Summary Level Budget Report” part of its Budget to mirror the City of Chicago Budget’s reporting of positions and salaries.
- **Efficiency and Effectiveness:** The District should include program-based budgeting and performance indicators as part of its annual budget presentation.

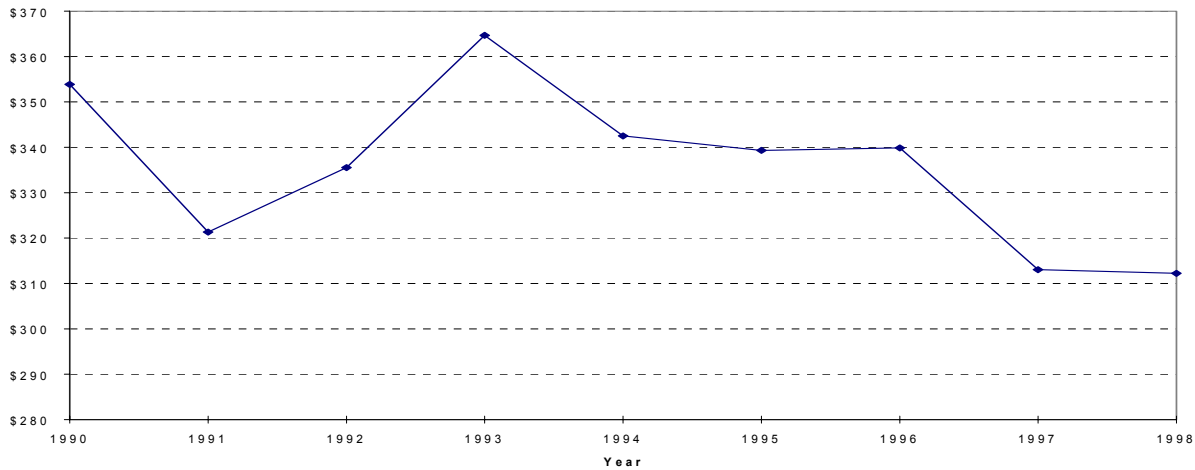
## **Section 1. Revenues**

### **A. Property Taxes**

FY2000 represents the seventh year in a row that the Chicago Park District budget does not include a property tax levy increase. As a result of this policy, as the chart below (which illustrates the impact of tax rates) on tax bills demonstrates, the Chicago Park District part of the property tax bill for a hypothetical home with a constant fair market value of \$150,000 continues to decrease from its 1993 high of \$365.

One reason for this decrease in the Chicago Park District average tax rate is that the total value of taxable property in the City of Chicago increased, both new construction and increases in market value. Thus, as the tax extension of the Chicago Park District remained constant, the increase in property values decreased the Chicago Park District’s part of the tax bill. This increase in property values is evident during the City of Chicago’s reassessment years (1991, 1994, and 1997) when tax rates fell. However, this does not mean that individual property tax bills did not increase during this time period. In order to assess whether an individual tax bill increases a property owner must compare the change in his or her assessment to the change in the aggregate City of Chicago tax rate and the state multiplier.

Tax Bill: \$150,000 Home



**B. Fees**

In past testimonies, The Civic Federation has discussed the District’s increasing reliance on non-property tax sources of revenue. The Federation is pleased that the Chicago Park District has decided not to increase the fees for those citizens wishing to participate in its “core” functions of recreational and cultural programming. As the table below illustrates, the maximum fee for day camp has increased each year since the District began publishing its fees in its 1997 Budget.

As the table below shows, in the original FY2000 Budget, the maximum cost of day camp would have increased 42% from \$125 per child to \$179 per child. The Civic Federation would have found this increase to be unacceptable.

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Day Camp	\$95	\$110	\$120*	\$125*	\$179*

\* Calculated using 179 hrs. This number was established by using the \$120 figure for 1998 in the 1998 Budget and the \$0.67 per hour figure for 1998 in the 1999 Budget.

Since the publication of the proposed budget, it is our understanding that the fee for day camp as well as a number of other fees will not increase. The Federation believes that the District, by not raising these fees, will send a clear message to all Chicagoans that the District is looking for them to use its facilities not for the purpose of generating revenue but to recreate and enjoy Chicago’s vast array of publicly-financed recreational and open space facilities. In addition to freezing these fees, the Federation asks the Park District to evaluate whether any of these non-property tax fees and charges are excluding the public from participating in District events.

Second, as the table below on business cycle expansions and contractions illustrates, the United States in general, and the City of Chicago in particular, are in the ninth year of an economic boom. Unemployment is low, revenue collections are up and consumer confidence is high. However, all good things come to an end, including economic upturns. The District needs to develop a contingency plan for the time when such a downturn occurs, if the value of property then decreases. If the value of property should decrease, the District and the governments who extend property taxes within the City of Chicago would need to reduce their extensions in order to prevent an increase in tax rates.

## The Business Cycle: An Economic Downturn is Inevitable

### Length of Business Cycles

BUSINESS CYCLE REFERENCE DATES				DURATION IN MONTHS Contraction/Expansion Cycle			
Trough		Peak		(Trough From Previous Peak)	(Trough to Next Peak)	(Trough from Previous Trough)	(Peak from Previous Peak)
-----							
April	1958	April	1960	8	24	47	32
February	1961	December	1969	10	106	34	116
November	1970	November	1973	11	36	117	47
March	1975	January	1980	16	58	52	74
July	1980	July	1981	6	12	64	18
November	1982	July	1990	16	92	28	108
March	1991			8	--	100	--

Source: National Bureau of Economic Research, Inc.

The average length of a business cycle between 1958 and 1990 was approximately 55 months. The current business cycle, which began in 1991, has continued to date for 103 months. Thus, the possibility of a contraction occurring in the near future is likely. Therefore, The Civic Federation cautions the District against continuing to view its current revenue growth as permanent long term trend. Overreliance on this growth will prove detrimental to the District if the economy should stall or reverse.

## Section 2. Expenditures

### A. Shifting

The Civic Federation is pleased that this year's budget continues the trend started over seven years ago of shifting resources from the central administration to the regions/parks. In terms of operating expenditures, the percentage of the operating budget dedicated to the regions is projected to increase from 45% to 47% or \$5.8 million from 1999 to 2000. In addition to additional dollars going to the regions, the Administration has stated that support service located in the central administration will focus more on serving the individual needs of each region.

### B. Capital Expenditures

The Civic Federation is pleased that the District continues to improve upon its infrastructure by making funds available to acquire more open space and to rehabilitate its field houses and parks. The District's FY2000 Budget calls for an additional \$177.2 million (included is \$59.5 million for parking facilities) in capital spending. The Federation approves of these expenditures but does offer a number of cautionary notes. First, before any capital appropriations are made, the District needs to communicate clearly to the public the nature of those expenditures and the necessity for the project(s). Included in this communication must be a clear evaluation and explanation of the issue being addressed included alternatives solutions and why they may or may not be appropriate. For example, if the roof of a field house is being replaced, the District must provide the public with a clear plan for

what needs to be replaced and how it is to be replaced. Second, the District must have a mechanism in place to monitor all capital projects. The Civic Federation is pleased that the District is addressing this issue through a restructuring of its capital operations into three separate departments: research and planning, capital construction, and facilities and maintenance.

Third, this year’s budget includes a \$43 million bond issue. According to the District’s 1998 Audit, the District had \$643 million in long term obligations. Although these obligations are significant, they are not cause for alarm. However, The Civic Federation cautions the District against taking on significant debt in the future. In its September 1999 analysis of the City of Chicago’s financial condition, Moody’s Investor Service says, “The city’s debt burden, at 8%, is well above the national average”. As the table shows, the overall debt per capita for Chicagoans is \$3,165 compared with a national average of \$2,072.

**Comparative Debt Measures - Ten Largest U.S. Cities**

	Direct Debt as % of F.V.	Overall Debt as % of F.V.	Direct Debt Per Capita	Overall Debt Per Capita
New York City, NY	9.9%	9.9%	\$4,398	\$4,398
Los Angeles, CA	1.0	2.6	494	1,272
Chicago, IL	2.9	8.1	1,140	3,165
Houston, TX	2.7	5.5	1,066	2,198
Philadelphia, PA	4.3	10.2	877	2,072
San Diego, CA	0.8	2.5	416	1,388
Phoenix, AZ	2.9	5.8	1,159	2,331
San Antonio, TX	3.2	5.7	764	1,444
Dallas, TX	1.4	2.7	770	1,458
Detroit, MI	9.4	11.3	1,379	1,666
Group Median	2.9%	5.8%	\$1,066	\$2,072

Source: Moody’s Investors Service, “Chicago (City of), Illinois”, Analysis, September 1999.

As the District is one component of the Chicago’s overall debt, The Civic Federation asks the District to consider this issue as it continues to issue debt through the issuance of bonds or increases in pension liabilities.

**C. Aquarium & Museum Funds**

In past statements, The Civic Federation has raised the issue of public access to the institutions that comprise the Museums in the Parks coalition. This year’s budget contains a \$37 million appropriation to the members of that coalition. In an April 1999 correspondence to The Civic Federation, the coalition indicated that it “does not collect data which states the number of Chicagoans attending the museums on free days or in school groups.” Recently, the Museums in the Parks coalition has submitted a plan to the Chicago Park District Board of Commissioners to collect that data. In its October 13, 1999 letter, the Museums in the Parks describes its plan and research activities:

1. Gather and analyze its museums’ school group data which is currently collected

2. Collect and analyze the data from the few museums which currently collect demographic information regarding free day visitors.
3.
  - a) Attempt to create a consistent collection method regarding free day visitor demographics
  - b) Determine what other information may be relevant and how it should be collected.
  - c) Analyze data

The Civic Federation supports this plan and looks forward to working with the Museums in the Parks to achieve the stated objective.

### **Section 3. Format**

#### **A. Financial Trend**

Upon review of the FY2000 Budget table entitled “Summary of Operating Revenues and Expenditures”, The Civic Federation has concluded that the information contained therein is not comparable on an annual basis. There seem to be significant differences as to how information is and was recorded during each financial audit. For example, in 1998, total golf course revenues were reported as \$3,939,664. In subsequent years, golf course revenue are netted from expenditures. In 2000, golf course revenues are projected to be \$610,516.

#### **B. Local Park Reporting**

Although the “Summary Level Budget Report” tables present comparisons between 1999 and 2000, it is difficult to understand what data is being presented. For example, salaries are presented as shown in the following example:

<i>Current Format</i>					
<i>Region</i>	40	Central Region			
<i>Dept.</i>	54	Park Operations			
<i>Division</i>	459	Franklin Park			
			Full-Time Equivalents		Revised
			1999	2000	
3301	Recreation Leader		2	1	44,243
			1999	2000	37,390

The Civic Federation recommends that the District mirror the City of Chicago’s Budget Recommendation format. Future budgets should include the following three columns when presenting salary and position data.

<i>Recommended Format</i>		
<i>Region</i>	40	Central Region

Dept. 54 Park Operations  
 Division 459 Douglas Park

Account Code	Position	Previous Year Appropriation		Revised Estimate		Recommendation	
		Number	Rate	Number	Rate	Number	Rate
3301	Recreation Leader	X	\$	X	\$	X	\$

**C. Efficiency and Effectiveness**

As with previous District budgets, we continue to support the path being taken by the current administration in terms of the efficiencies being created and the expansion of programming and opportunities for the public to recreate and enjoy open spaces. However, we once again repeat our recommendation regarding the inclusion of performance measures and indicators in the budget. This will further enable the Park District to improve how it communicates its budgetary policies and plans to the public. We offer the following suggestions on budget presentation:

- Include Performance Indicators:** One of the priorities of this administration is to increase the use of parks by the public and improve the environmental condition of the parks. In order for the public to have a better understanding of the improvements in both of these areas, we recommend that a performance indicator section be included in the budget document. The section would expand on special initiatives presented in this year’s budget, such as the number of ballfields that have been renovated. It could include statistics on trends in the number and type of recreation programs, attendance, and capital improvements. We recommend that the first set of indicators be reported by region. One source of reference that the Park District can refer to in order to develop these tables is the “Recommended Budget Practices” report that was recently released by the Government Finance Officers Association. We ask that the Park District pay close attention to the report’s recommendations on performance measures and evaluating performance.
- Synthesize Information by Policy Area:** As evidenced by testimonies in past public hearings, the public is interested in how money is being appropriated for the Chicago Park District’s primary objectives: landscape, recreation, land acquisition, etc. We recommend that the budget include a section that groups appropriations by program area. For example, the budget would list those departments within the Park District that are responsible for landscape and how the money is being allocated for that program area.

Respectfully Submitted,

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