The Civic Federation

Research * Information * Action * Est. 1894

COOK COUNTY FY2017 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

October 31, 2016

The Civic Federation ● 10 N. Dearborn Street ● Chicago, IL 60602 ● civicfed.org

The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Civic Federation **supports** the Cook County FY2017 Executive Budget Recommendation of $4.4 billion in total appropriations because it represents a reasonable and balanced approach for the next fiscal year. The budget closes a $174.3 million shortfall with $73.5 million in expenditure reductions, $16.7 million in management and efficiency initiatives, $74.6 million in new revenue from a proposed tax on sweetened beverages and $9.5 million in stronger revenue growth than expected. Taking a multi-year approach, the County projects balanced budgets for the next three years with no additional taxes beyond the sweetened beverage tax, while still making enhanced payments to the County's pension fund.

The proposed budget reflects the continued efforts of Cook County Board President Preckwinkle and her administration to modernize and streamline County operations and services. It includes a multi-year investment of over $100 million in technology systems, a realignment of the Health System workforce to increase community-based preventive care, a reduction in the County's real estate footprint, health benefit savings and other cost savings. The budget holds realistic expectations about funding from the State of Illinois given the fiscal uncertainty caused by the State's budget impasse. The County has a reasonable plan in place to fund its employee pension system and has increased its employer pension contributions significantly in FY2016 and FY2017. The County has also improved its long-term sustainability by reducing its long-term bonded debt by 10.7% between 2011 and 2016. The County has introduced a penny-per-ounce tax on sweetened beverages, which will bring in revenue needed to maintain current public safety service levels.

However, challenges for the County still lie ahead. Some of the County's tax and fee revenues are declining while personnel-heavy expenditures grow. Gridlock in Springfield has caused funding uncertainty and delayed payments, and forced the County to cut programs. In an effort to manage growing pension liabilities, the County is making larger contributions to its pension system through revenue generated from the increased sales tax. However, the County lacks the statutory authorization to increase contributions above the level specified in State law and to use any revenue source other than the property tax. Without legislative authority, the County risks being challenged in court. The Civic Federation commends the County for forging ahead with a sensible budget plan despite these fiscal uncertainties.

The Civic Federation offers the following **key findings** on the Cook County FY2017 proposed budget:

- The County projects a $174.3 million budget gap at the start of FY2017. The County plans to close the gap through a balanced combination of expenditure reductions, management initiatives and revenue generated from a proposed tax on sweetened beverages.
- General Fund and Health Fund resources are projected to total $3.5 billion, which is a 2.7%, or $89.9 million increase from the prior year. The increase is mainly due to revenue from the increased sales tax rate, which is being used to fund pensions, and from the new sweetened beverage tax.
- The Health System's tax allocation from the County will decline by $10.0 million, or 8.3%, to $111 million from $121 the prior year.
- Proposed full-time equivalent (FTE) positions will decrease from the prior year within the General Fund, by 93.5 FTEs in the Corporate Fund (-6.4%) and by 257.3 FTEs in the Public Safety Fund (-1.9%). Proposed full-time equivalent positions will increase in the Health Fund by 129.2 FTEs, or 1.9%.
- Total revenue from the County's property tax levy is estimated to be $747.8 million. This is a slight increase of $6.8 million, or 0.9%, compared to FY2016. Property tax revenue includes the

base levy of $720.5 million, which has not changed since 2001, plus $36.8 million from expiring TIFs, incentives and new property.
- The unfunded actuarial accrued liabilities for the County's pension fund have grown from approximately $2.4 billion in FY2006 to $7.2 billion in FY2015. The actuarial value funded ratio for the County's pension fund has fallen from 75.3% to 55.4% over the same time period.
- During the five year period from FY2011 to FY2015, total outstanding long-term debt[1] decreased by 6.2% from $3.9 billion to $3.6 billion.
- The cost of uncompensated care[2] in the Cook County Health and Hospitals System has grown from a low of $342 million in FY2014 to an estimated $503 million in FY2017.

The Civic Federation **supports** the following elements of the Cook County FY2017 proposed budget:

- Proposed actions that would balance the budget through FY2019;
- Realignment of staff positions within the Health System to place an increased focus on community-based preventive care and to improve administration of managed care;
- Realistic expectations about funding from the State of Illinois;
- Reasonable and proactive pension funding plan;
- Cost-saving initiatives and management efficiencies to balance the FY2017 budget and reduce expenditures in future years;
- Lowest level of long-term debt since FY2011;
- Steps taken to improve unincorporated areas;
- Referendum on the November 8, 2016 ballot asking voters if they support the consolidation of the offices of the Cook County Clerk and Recorder of Deeds;
- Moving fixed costs into department budgets to better reflect the costs for employees who work within each office;
- Investments in several technology systems;
- Budget review process that is transparent and easily accessed by the public; and
- Preparation of five-year forecast to aid in long-term financial planning.

The Civic Federation has **concerns** about the following fiscal issues:

- Lack of statutory authorization to increase pension contributions;
- Continuing fiscal challenges;
- Increase in the cost of uncompensated care within the Health System;
- Cost increases related to collective bargaining agreements;
- $500,000 per-district allocation for transportation projects; and
- Potential impact of the proposed Safe Roads "Lockbox" constitutional amendment on the County's budget.

The Civic Federation offers the following **recommendations** to Cook County:

- Continue advocating for pension reform legislation;
- Increase transparency of full-time equivalent reporting;
- Provide additional detail in the Capital Improvement Program;
- Explore opportunities to partially roll back the sales tax rate increase approved in July 2015; and
- Continue efforts to improve and incorporate unincorporated areas in Cook County.

[1] Total long-term debt includes general obligation bond debt and the cost of net discounts and bond refinancing.
[2] Uncompensated care consists of free care and patients' bills that cannot be collected due to inability to pay.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Cook County FY2017 Executive Budget Recommendation of $4.4 billion in total appropriations because it represents a reasonable and balanced approach for the next fiscal year. The budget closes a $174.3 million shortfall with $73.5 million in expenditure reductions, $16.7 million in management and efficiency initiatives, $74.6 million in new revenue from a proposed tax on sweetened beverages and $9.5 million in stronger revenue growth than expected. Taking a multi-year approach, the County projects balanced budgets for the next three years with no additional taxes beyond the sweetened beverage tax, while still making enhanced payments to the County's pension fund.

The proposed budget reflects the continued efforts of Cook County Board President Preckwinkle and her administration to modernize and streamline County operations and services. It includes a multi-year investment of over $100 million in technology systems, a realignment of the Health System workforce to increase community-based preventive care, a reduction in the County's real estate footprint, health benefit savings and other cost savings. The budget holds realistic expectations about funding from the State of Illinois given the fiscal uncertainty caused by the State's budget impasse. The County has a reasonable plan in place to fund its employee pension system and has increased its employer pension contributions significantly in FY2016 and FY2017. The County has also improved its long-term sustainability by reducing its long-term bonded debt by 10.7% between 2011 and 2016. The County has introduced a penny-per-ounce tax on sweetened beverages, which will bring in revenue needed to maintain current public safety service levels.

However, challenges for the County still lie ahead. Some of the County's tax and fee revenues are declining while personnel-heavy expenditures grow. Gridlock in Springfield has caused funding uncertainty and delayed payments, and forced the County to cut programs. In an effort to manage growing pension liabilities, the County is making larger contributions to its pension system through revenue generated from the increased sales tax. However, the County lacks the statutory authorization to increase contributions above the level specified in State law and to use any revenue source other than the property tax. Without legislative authority, the County risks being challenged in court. The Civic Federation commends the County for forging ahead with a sensible budget plan despite these fiscal uncertainties.

Issues the Civic Federation Supports

The Civic Federation **supports** the following elements of Cook County's FY2016 Executive Budget Recommendation.

Balanced Budget Projected Through FY2019

Cook County projects that actions taken in the FY2017 recommended budget, including expenditure reductions and a tax on sweetened beverages, will balance the County's budgets through FY2019. The FY2017 recommended budget proposes combined expenditure reductions of $73.5 million, $16.7 million in savings from management initiatives including jury fee reductions and better tax collections enforcement, organic revenue growth, and a new penny-per-ounce tax on sweetened beverages that is expected to generate $74.6 million in the first year.[3] Annually, the sweetened beverage tax is expected to generate $224.0 million, though the County expects the revenue to decline over time.[4]

The County faces financial challenges such as revenue declines from some taxes and fees and unfunded pension liabilities. Through the new sweetened beverage tax, the County projects that it will maintain a balanced budget in FY2017, FY2018 and FY2019 without any new taxes over the three year period.[5] The budget proposal states that without that revenue, the County would have to eliminate at least 1,300 public safety positions over the next three years.[6] The tax will enable the County to maintain current services and program levels.

The Federation supports the County's use of a prudent, multi-year planning approach and believes the County has identified reasonable actions to balance the budget for the next three years. After FY2019 the County will need to determine how to maintain future balanced budgets while making escalating pension and debt service payments.

Realigning Staff Positions within the Health System

The County's proposed FY2017 budget includes significant staffing changes at the Cook County Health and Hospitals System (Health System). The plan calls for adding approximately 450 new positions, laying off about 220 employees and eliminating 100 vacant positions. The result is roughly 129 additional full-time equivalent (FTE) positions, bringing the total to 6,865 FTEs.

The Civic Federation supports the staff realignment as part of the Health System's increasing focus on community-based preventive care designed to keep patients out of institutions, including both hospitals and the Cook County Jail. To compete for Medicaid patients, the System needs to provide care more efficiently in a range of different settings.

Health System officials have said they cannot afford to use licensed clinical personnel to do tasks such as changing sheets. At the same time, clerical and administrative staff with higher skills are needed to handle the complexities of managed care, which now covers almost all Medicaid recipients in Cook County.

The Health System plans to add jobs for registered nurses in areas including labor and delivery, medical and surgical services, critical care and care management. Other new jobs will center on care coordination and behavioral health. For the System's growing business with other Medicaid managed care plans, additional personnel are needed to make sure that patients have required pre-authorizations to receive care and that claims are in proper order to be paid. Staffing reductions are expected to involve licensed practical nurses and less skilled clerical and administrative jobs.

---

[3] This estimated is based on five months of collections in FY2017 after the effective date of July 1, 2017. Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 35.
[4] Cook County FY2017 Departmental Hearing: Bureau of Finance, October 17, 2016.
[5] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 8.
[6] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 17.

The staff changes will obviously be painful and could take many months. Union contracts require that employees whose positions are eliminated be given the opportunity to fill other jobs in the Health System before external candidates can be hired.

Despite these issues, the Civic Federation believes the realignment is needed to accelerate the Health System's transformation into a modern healthcare system. The cost of the net increase in positions was not available, but it is occurring amid a decrease in the System's tax allocation from the County.

Realistic Expectations in Light of State Funding Uncertainty

The State budget impasse has created funding uncertainty for government entities and service providers throughout the State. On June 30, 2016, the State legislature passed a "stopgap" spending plan. The County made its budget projections for FY2017 related to State funding based on the stopgap plan.

Due to funding reductions, the County is forced to reduce or eliminate several public health and public safety programs. The County received the following program funding cuts: 6% reduction in Administrative Office of the Illinois Courts (AOIC) reimbursements, 22% cut to Child Enforcement Programs, 28% cut to Adult Redeploy, 28% reduction to the West Nile Virus Response program, 8% cut to vision and hearing screenings, and 15% cut to Tobacco Free Communities.[7] Additionally, the County had to eliminate the following programs: Appellate Assistance Program ($2.0 million), Election Assistance ($362,500) and Motor Theft Prevention ($823,600).[8]

In addition to funding cuts, the State is also delayed in making payments. As of August 31, 2016, the State owed the County $58.8 million. However, the amount owed to the County by the State fluctuates based on the timing of payments. The amount the State owed the County has been as high as $180 million in the past year.[9]

The County is moving forward with its budget projections assuming that the State will not provide any additional funding appropriations during the upcoming fiscal year. The Civic Federation believes this is a prudent assumption and commends Cook County for balancing its budget based on realistic expectations of State funding levels.

Reasonable Pension Funding Plan

The Civic Federation continues to support the County's efforts to increase its funding to its employee pension funds. As of 2015, the County's pension fund had a $5.9 billion unfunded actuarial accrued liability and a net pension liability of $15.3 million based on accounting standards adopted under GASB Statement No. 68.[10] The County's statutory employer contribution is calculated at 1.54 times employee contributions made two years prior. This

---

[7] Cook County FY2017 Budget Briefing Presentation, October 13, 2016.
[8] Cook County FY2017 Budget Briefing Presentation, October 13, 2016.
[9] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 5.
[10] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 2.

multiplier-based contribution has not been sufficient to meet the financial needs of the fund for more than a decade.

In FY2016 the County entered into an intergovernmental agreement with the County pension fund and began making supplemental pension appropriations to start to address the pension fund's unfunded liability. The increased contribution was financed through the one percentage point increase in the County's home rule sales tax rate. The County contributed an additional $270.5 million to the pension fund in FY2016. It plans to increase the supplemental contribution by $82.9 million in FY2017, bringing the supplemental pension fund contribution to $353.4 million in FY2017. The County plans to increase its pension contributions by 2.0% each year thereafter, reaching a funded ratio of 100% over 30 years.

The County is making the increased pension contributions in the absence of State pension legislation authorizing higher payments. The County's pension reform legislation was introduced in 2014 and 2015, but it was not passed by the State legislature and signed by the Governor.[11] In May 2016, Senate Bill 2819 passed both houses of the Illinois General Assembly, but was vetoed by Illinois Governor Bruce Rauner in August 2016 at the request of Cook County, which objected to some language in the bill that included retiree healthcare as a funding requirement for the County.[12] The County has indicated that it is working on drafting a new bill and the legislature will decide whether to attempt to override the veto in November and December 2016.[13] The Civic Federation supports the County's efforts to address the pension's underfunding before it becomes a crisis.

Management Initiatives and Cost Savings

The Federation supports the County's efforts to reduce spending through management efficiencies and cost reductions. These cost reductions and management initiatives are estimated to save the County $90.2 million in FY2017 and together with increased revenue from the sweetened beverage tax help balance the budget. Some of the initiatives the County is using to cut costs include reducing personnel costs, reducing the County's real estate footprint, reducing managed care expenses, reducing the County's vehicle fleet, and reducing the amount of the County tax allocation to the Health System (also known as the subsidy).

Among the $31.9 million in personnel expenditure reductions are layoffs and vacancy eliminations resulting in a net reduction in full-time equivalents (FTE) of 211, or 1.0% of the County workforce.[14] The County plans to save $9.1 million in employee health benefits by moving to a self-insured PPO plan, eliminating non-eligible dependents from benefits and

---

[11] For more background on County pensions, see the pensions section on p. 66 of this report.
[12] Currently, retiree healthcare is subsidized by the Cook County Pension Fund only. Information about Senate Bill 2819, including Governor Bruce Rauner's veto message, available on the Illinois General Assembly website at http://ilga.gov/legislation/BillStatus.asp?DocNum=2819&GAID=13&DocTypeID=SB&LegID=96130&SessionID=88&SpecSess=&Session=&GA=99.
[13] Kim Geiger and Monique Garcia, "Rauner approves repeal of sales tax on tampons," *Chicago Tribune*, August 19, 2016. http://www.chicagotribune.com/news/local/politics/ct-bruce-rauner-tampon-tax-met-0821-20160819-story.html
[14] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 58.

negotiating a preferred drug formulary program.[15] The County also plans to reduce the cost of living adjustment for non-union employees to 1.5%.

The County projects savings of $41.6 million through non-personnel expenditure reductions. This includes $22.5 million in savings through the adoption of a new third party administrator for the CountyCare managed care program.[16]

The County reduced its allocation to the Health System by $10 million from $121.2 million in FY2016 to $111.3 million in FY2017.[17] The County also plans to reduce its real estate foot print by eliminating divisions of the Cook County Jail, consolidating warehouses, and reducing space within the Health and Hospitals System.[18]

The Civic Federation supports these cost saving initiatives because they show a continued effort to increase operational efficiency. While these efficiencies and spending reductions are not large enough to balance the entire budget gap, they justify the County's need to identify additional revenue sources to close the gap. They demonstrate judicious management decisions and reflect President Preckwinkle's efforts to close the County's ongoing budget deficit over the past several years.

Reduction in Long-Term Debt

Cook County, like all governments, has outstanding long-term debt to pay for capital improvement projects. The Civic Federation commends the County for steadily reducing its level of outstanding debt over the last several years. The County reports that its long-term debt will have decreased by 10.7% between 2011 and the end of 2016.[19] The County currently has $3.4 billion in outstanding long-term debt, compared to $3.8 billion in 2011. While the County anticipates that it will need to issue additional bonds to pay for upcoming projects, the Federation sees this as a positive trend in preparation for anticipated capital costs.

Steps Taken to Improve Unincorporated Areas

The Civic Federation supports President Preckwinkle's goal to incorporate all unincorporated land in Cook County thus making every resident of Cook County a resident of a municipality. The Federation is supportive of incorporation because the County's current practice of providing municipal-type services to these areas is inefficient and inequitable. In a recent study of unincorporated areas, the Federation found that the annual cost of providing municipal-type services to the unincorporated areas (such as law enforcement, building and zoning, animal control and liquor control services) totaled $42.9 million in FY2014, while only generating $23.0 million in revenue from those areas.[20]

---

[15] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 7.
[16] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 6.
[17] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 6.
[18] Cook County FY2017 Budget Briefing Presentation, October 13, 2016.
[19] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 11.
[20] See the Civic Federation's "Unincorporated Cook County: A Profile of Unincorporated Areas in Cook County and Recommendations to Facilitate Incorporation," September 22, 2016.

The County has already taken steps to make improve conditions in unincorporated areas. The Civic Federation commends the Cook County Board of Commissioners' adoption of the Residential Rental Licensing Ordinance on June 29, 2016.[21] The ordinance establishes regulations on the rental of residential dwelling units by licensing landlords and allowing for the inspection of individual rental units. The ordinance licenses owners of residential rental properties and requires owners to pay an annual fee per rental unit. The ordinance also holds property owners to certain building and zoning regulations. This is important because it protects the health and safety of people living in unincorporated areas.

The County also received a Local Technical Assistance grant from the Chicago Metropolitan Agency for Planning in 2016 that will allow the County to develop a community plan for unincorporated portions of Maine and Northfield Townships.[22] The plan will focus on Maine-Northfield because the unincorporated areas in these two townships are especially densely populated and developed. The project will provide a detailed analysis of the unincorporated area's current infrastructure, housing, land use and commercial development; actual cost of annexation; and planning steps that could be taken to make annexation more desirable.[23] The Federation is pleased that the County is undertaking this project, as it will help shed light on challenges to annexation and possible solutions.

Referendum on November Ballot to Merge Recorder of Deeds and Cook County Clerk

On June 29, 2016, the Cook County Board of Commissioners voted to approve a resolution to present a public question via a binding countywide referendum asking if the Office of the Cook County Recorder of Deeds should be eliminated and all duties and responsibilities be transferred to the Office of the Cook County Clerk. The countywide electorate will vote on the referendum question on the ballot during the November 8, 2016 election.

Both offices perform administrative functions related to property and record-keeping. Some of the functions are overlapping and therefore could be administered by one office. The Federation has estimated that merging the two offices would lead to a 5% cost reduction of the total expenditures of the offices combined. This could generate approximately $674,000 in cost savings, based on FY2016 General Fund expenditures of $13.4 million for both offices. The League of Women Voters of Cook County estimated that the savings could be as high as $1.0 million annually.[24]

The Federation believes that merging of the two offices will streamline County operations and improve administrative efficiency. Even if the savings are small relative to the size of the County's total operating budget, the Federation supports the initiative because it will reduce the financial burden placed on taxpayers. The Federation commends the County Board of Commissioners for passing this resolution and placing the referendum on the ballot for voters to decide.

---

[21] Cook County, Substitute Ordinance 16-2505

[22] For more information on the Maine-Northfield project, see the CMAP website.

[23] Cook County Community Planning Program, Local Technical Assistance Program Application, available here.

[24] League of Women Voters of Cook County, "Study for the November 8, 2016 Referendum to Abolish the Elected Office of the Recorder of Deeds and to Transfer the Duties of that Office to the County Clerk," September 7, 2016.

Moving Fixed Costs into Department Budgets

In recent years the County has steadily moved centralized costs out of fixed charges and into department budgets to better reflect the cost structure of each office. Fixed charges are fixed expenses that recur on a regular basis such as insurance, health benefits and utilities.

Last year the bulk of fixed charges moved into department budgets was related to real estate costs. This year, the County shifted $211.1 million of fixed charges to associated departments.[25] The largest fixed charges expense transferred in FY2017 is employee health insurance ($206.9 million),[26] as well as Microsoft Office licenses.[27] The County believes this is a more transparent way to show the cost of employees and programs, and that it is considered best practice by the Government Finance Officers Association (GFOA). The Federation agrees that linking costs to responsible parties is a more transparent way to reflect actual departmental costs.

Technology Investments

One of the County's policy goals is investing in technology to modernize Cook County Government.[28] The County is investing over $100 million in technology improvements over several years to modernize its outdated systems and streamline operations and services.[29] The County is working on a new property database called the Integrated Property System, an Integrated Revenue System to centralize various tax types to improve the experience of taxpayers and an Enterprise Resource Planning System to manage business processes.[30]

The County is also developing a "data bus" called the Integrated Justice system that will allow data sharing between the offices that manage various components of the County's criminal justice system. These agencies are the Chief Judge, Clerk of the Circuit Court, Public Defender, Sheriff and State's Attorney. The data bus is meant to improve communication between each of these agencies' systems in order to share information about detainees in the court system.[31] The first phase of the data bus rollout is expected before the end of FY2016 and the next phase is expected in FY2017.

Data sharing between stakeholders is critical for the County to understand, assess and improve the criminal justice system. The Federation believes that improvements to the County's data systems are critical to the County's relevancy in the 21st century, and commends the County for making these technology investments.

The Federation additionally commends the County for building technology costs into its operating budget expenses. The County anticipates saving $5.8 million in coming years due to the technology modernization projects.[32]

---

[25] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 64.
[26] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 64.
[27] Cook County FY2017 Departmental Hearing: Bureau of Finance, October 17, 2016.
[28] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 11.
[29] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 14.
[30] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 13.
[31] "Cook County Board Approves New Technology Modernizing Data Systems Used by Justice Agencies," Press Release, October 16, 2015.
[32] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 13.

Budget Review Process

The County provides the public excellent access to information about the proposed budget. All budget documents and schedules are posted online, each departmental hearing is broadcast on the County's website, and the videos are archived for those who might not be able to watch at the time of the hearing. This year, the County offered three suburban budget hearings in the north, west and south suburbs in addition to the downtown budget hearing at the Cook County building.

The Civic Federation commends the County for making several budget hearings accessible to the public and allowing ample time between the dates of the hearings and the date of the Board vote on the budget. This hearing process allows members of the public to express their concerns and reactions to the budget proposal, and for Board members to consider the public's comments before convening to pass the budget recommendation. The Federation supports the transparency of the County's budget review process.

Five-Year Projection

Each year the County prepares a five-year forecast to aid in long-term financial planning.[33] This projection helps the County evaluate its long-term fiscal challenges and anticipate future revenues and expenditures. The forecast takes into account economic drivers like inflation, expected healthcare costs, expected CountyCare membership and costs, operating initiatives and regulatory factors that might affect revenue collection.[34] It is a good practice that the County includes a detailed examination of revenue and expenditure projections with the FY2017 budget.

In its five-year forecast,[35] the County anticipates balanced budgets in the General Fund through FY2019 due to revenue generated from the proposed tax on sweetened beverages, followed by deficits of $41.0 million in FY2020 and $89.2 million in FY2021. The County projects a surplus from FY2018 through FY2021 in the Health Fund. For all funds (including the general operating funds, special purpose funds, grant funds, capital fund, pension fund and debt service fund) the County projects a surplus in FY2018 through FY2021. After FY2019, the County expects cost reductions due to operational efficiencies gained from investments in technology.[36] However, the County will need to reevaluate its revenues and expenditures to avoid deficits in future years.

The five-year forecast is a good first step toward creating an official long-term plan. However, we also encourage the County to take the next step and develop a formal long-term financial plan that is shared with and reviewed by key policymakers and stakeholders including elected officials, staff and the public.[37] This plan must include concrete action steps to address the County's long-term fiscal balance.

---

[33] The County must prepare a long-term forecast pursuant to Executive Order 2012-01.
[34] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 16.
[35] Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 19-20.
[36] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 16.
[37] Government Finance Officers Association (GFOA), "GFOA Best Practice: Long Term Financial Planning," February 2008.

Civic Federation Concerns

The Civic Federation has **concerns** about the following elements of Cook County's FY2017 Executive Budget Recommendation.

Increasing Pension Payments Without Statutory Authorization

The Civic Federation has some concerns about potential legal issues the County could face in continuing to make increased pension contributions without a change to state law. Illinois statute 40 ILCS 5/9-169[38] specifies that County pension contributions must come from the property tax, not the sales tax. The statute also caps pension payments at "an amount not to exceed" 1.54 times employee contributions two years prior.[39] Notwithstanding, the County entered into an intergovernmental agreement with the Cook County Pension Fund and dedicated an additional pension appropriation of $270.5 million in FY2016 and plans to contribute $353.4 million in FY2017 exclusively financed from proceeds due to the sales tax increase. The County's proposed additional pension contribution exceeds the cap and the increase in pension contributions comes from a revenue source outside of the property tax.

While the Federation supports increased pension funding, the County acknowledges that it runs the risk of ending up in court. The Federation urges the County to continue to push for pension reform and funding reform legislation during the 2016 veto session.

Continuing Fiscal Challenges

Each year, Cook County projects the expenditures it expects to make in the subsequent budget year and the revenues it expects to bring in. If it projects a shortfall of revenues compared to expenditures, this is the preliminary budget gap, which the County closes in the proposed budget by finding solutions to match revenues to expenditures. The preliminary budget gaps have decreased over the last several years from $487.0 million in FY2011 to $174.6 million in FY2017.[40]

The significant decrease in the preliminary budget gaps reflects the Cook County administration's efforts to reduce costs and increase revenue in order to balance the budget each year. The county is also addressing its largest financial issues such as pension funding and long-term debt.

While we are pleased that the County has identified sustainable ways to close its $174.6 million budget deficit for FY2017 – by decreasing costs through personnel reductions, healthcare savings and management efficiencies and through revenue generated from a proposed sweetened beverage tax – we share the concerns the County has expressed about its ongoing financial challenges.

---

[38] For more information, see the Illinois Pension Code, 40 ILCS 5.
[39] For more information, see http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=004000050HArt%2E+9&ActID=638&ChapterID=9&SeqStart=98500000&SeqEnd=116800000.
[40] Cook County FY2017 Preliminary Forecast, p. 14.

Several of the County's tax revenues are declining compared to the rate of inflation. For example, the value of the gross property tax levy is declining due to the levy not keeping pace with inflation, and the County is diverting more revenue generated from property taxes from General Fund operations to pay for long-term debt. Aside from revenue collected from the sales tax increase and implementation of the hotel accommodation tax, funding available for operations has declined 2.2%, or $68 million.[41] Expenditures are also rising, some at a faster rate than inflation growth, like healthcare. While the budget projections over the next three years are balanced, gaps thereafter will need to be addressed.

Growth in Uncompensated Care at the Health System

The federal Affordable Care Act (ACA) significantly improved the Health System's finances by providing Medicaid coverage for adults who were previously treated free of charge. As expected, the ACA initially led to a dramatic reduction in the System's cost of uncompensated care, which consists of free care and patients' bills that cannot be collected.

The Health System's uncompensated care costs declined by about 39% from $561 million in FY2013 to $342 million in FY2014, as previously uninsured patients joined CountyCare, the System's Medicaid managed care plan. The decline was in line with the experience of hospitals around the country, according to reports that have focused on the same time period.[42]

Unfortunately, the decrease at the Health System appears to have been short-lived. Uncompensated care rose to $370 million in FY2015 and is projected to grow to $450 million in FY2016 and $503 million in FY2017.[43]

Health System officials have attributed the increase partly to unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the ACA.[44] They have also suggested that other hospitals are increasingly referring uninsured patients to the Health System.[45]

To reduce uncompensated care costs and provide better healthcare for people without health insurance, the Health System plans to create a new managed care program for the uninsured. The estimated cost of the new plan is $2 million in FY2017, but the Health System hopes to save money in the long run by providing preventive care that reduces emergency room visits and hospital stays.

The Civic Federation is concerned that the growth in uncompensated care costs could threaten the Health System's new-found financial stability. The Federation urges the County to examine the reasons for the unexpected increase and continue to develop strategies to care for this population in the future.

---

[41] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 1.
[42] Rich Daly, "Uncompensated Care Costs Fall in Medicaid Expansion States: Study," Healthcare Financial Management Association, August 23, 2016, https://www.hfma.org/Content.aspx?id=49837 (last visited on October 27, 2016).
[43] Cook County FY2017 Budget Briefing Presentation, October 13, 2016, p. 25.
[44] Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p.10.
[45] Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p.10.

Personnel Cost Containment

Personnel expenses account for 85.4% of General Fund expenditures (which includes the Corporate Fund and Public Safety Fund) and 43.5% of the Health Fund (which includes the Health and Hospitals System).[46] Personnel costs are projected to increase in FY2017 by 2.5% in the General Fund over the prior year despite a 2.3% decrease in full-time equivalents (FTE) in the General Fund. Personnel costs are estimated to increase by $29.7 million in the General Fund and by $14.7 million in the Health Fund in FY2017 due to across the board wage and salary increases set in collective bargaining agreements.[47] This equals a $44.4 million increase in wages and salaries over the prior year due to collective bargaining.[48]

The same trend appeared in FY2016, with personnel costs increasing by $56.3 million, or 3.0%, while FTE count decreased.[49] The increase in personal service appropriations in FY2016 was primarily due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements beginning with a 1.0% increase in June 2013 and half a percentage point in both 2014 and 2015 plus an additional 2.0% cost of living adjustment that went into effect December 1, 2015.

The Civic Federation supports the measures the County has used to control personnel costs in FY2017 and prior budgets. However, growing personnel costs are an issue that bears watching as the County negotiates collective bargaining agreements for the next four years.

District Transportation Projects

President Preckwinkle has proposed allowing each Cook County Commissioner control over $500,000 to put toward transportation-related projects within their districts.[50] The total cost would amount to $8.5 million, to be funded with revenue from the motor fuel tax.

During the Departmental Hearing of the Bureau of Administration on October 18, 2016, the Cook County Department of Highways and Transportation Superintendent provided additional information about the program. He explained that the funding for the projects is part of a $100.4 million line item in the capital budget for highway and transportation projects.[51] The initiative is tied to a Call for Projects that the FY2017 budget recommendation says will “give local and regional governments in Cook County the opportunity to apply for funding for all types of projects – transit, bike, pedestrian, freight, and road – that help implement priorities of the Long Range Transportation Plan.”[52] The initiative is intended to facilitate collaboration between the County and municipalities on transportation projects and aid smaller municipalities in receiving federal matching funds.

---

[46] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 58.
[47] Information provided by Cook County Department of Budget and Management, October 25, 2016.
[48] Officials from the Cook County Department of Budget and Management Services note that the cost of the increase in wages and salaries is partially offset by health benefit savings.
[49] Cook County FY2016 Executive Budget Recommendation, Volume 1, p. 92.
[50] Hal Dardick, “Preckwinkle wants to give commissioners $500K each for projects,” *Chicago Tribune*, October 17, 2016.
[51] Found on p. 233 of the Cook County FY2017 Executive Budget Recommendation, Volume 1.
[52] Cook County FY2017 Executive Budget Recommendation, Volume 2, p. B-33.

The Civic Federation opposes this proposal because it has not been described in the County's long-term transportation plan nor would the individual projects be tied to a County-wide transportation and infrastructure plan. The Federation believes that rather than simply allotting equal funding to each District, the County should plan transportation or infrastructure projects based on need as part of an overall County plan.

Potential Impact of Safe Roads "Lockbox" Constitutional Amendment

In May 2016, the State legislature passed House Joint Resolution Constitutional Amendment 36,[53] also known as the "Safe Roads" amendment or "lockbox" amendment to be placed on the November 8, 2016 General Election ballot. The amendment would restrict the use of transportation-related revenues for transportation purposes only, preventing transfers of those revenues to non-transportation purposes. Transportation-related revenues are generated from a wide variety of taxes and fees such as vehicle registration, tollway fees, gas tax, parking fees, vehicle transaction taxes and taxes on the retail sale of motor vehicles.

Limiting access to transportation-related revenues could put additional strain on the State's general operating resources, and could similarly affect local governments. The County estimates that about $200 million in transportation-related revenue would be implicated including the County's gas tax, wheel tax, retail sale of motor vehicles tax and highway department permits.[54]

In 2015 the County ended the practice of diverting Motor Fuel Tax (MFT) revenue to the General Fund.[55] The State collects and remits MFT to the County as a fixed amount per gallon of fuel purchased. The County now uses these funds to support its Highway and Transportation plan, called Connecting Cook County. The rollback of MFT transfers to the General Fund resulted in a $54.5 million decline in FY2017 General Fund revenue from the prior year.[56] Through this action, the County has already partially protected itself from the provisions of the constitutional amendment if it passes in the General Election. Starting in 2017, the county projects that it will dedicate an additional $45 million per year to pursue the priorities in its transportation plan.[57]

The Civic Federation opposes the constitutional amendment because it ties the hands of municipalities and could disrupt many of Illinois' distressed local governments that use transportation-related fees to fund general operations when necessary. The amendment's main sponsor in the Illinois Senate, Senator William Haine, has said the proposal is not intended to affect the existing distribution of local transportation revenues.[58] Senator Haine has also acknowledged that the amendment's language is ambiguous and said he is willing to sponsor clarifying legislation. However, it is likely that final interpretation of the amendment would rest with the Illinois Supreme Court.

---

[53] The full text of HJRCA 36 is available at this link.
[54] Information provided by Cook County Department of Budget and Management; Cook County FY2017 Budget Briefing Presentation, October 13, 2016.
[55] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 261.
[56] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 9.
[57] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 261.
[58] Illinois Senate, Third Reading of HJRCA 36, May 5, 2016. More information about the bill's status can be found here.

The Federation is concerned about the potential impact that the constitutional amendment could have on the County's ability to use transportation money to fund general operations, especially as the County projects flat or declining revenues compared to inflation.

Civic Federation Recommendations

The Civic Federation offers the following **recommendations** to improve Cook County's transparency and efficiency.

Continue Advocating for Pension Reform Legislation

The County notes in the FY2017 budget that it will continue to pursue pension reforms in Springfield. The Civic Federation agrees with this intention and has strongly supported the County's pension reform legislation in the past. Concurrently, the County is also working to secure legislation that would provide statutory permission for its increased contributions to the County Pension Fund. In the absence of a change to state statute, the County is providing the funding to the County Pension Fund via an intergovernmental agreement. Senate Bill 2819, which would have allowed the County to make higher pension contributions and from different sources other than property tax and the personal property replacement tax (PPRT), passed both houses of the Illinois General Assembly in May 2016, but was vetoed by Illinois Governor Bruce Rauner in August 2016 at the request of Cook County. The County objected to some language in the bill that included retiree healthcare as a funding requirement for the County. The Civic Federation agrees that with savings from pension reform questionable under recent court rulings, the County must have flexibility with regard to retiree healthcare. The Cook County Pension Fund provides a subsidy to retirees' healthcare, but Cook County government does not contribute to premium costs. The Federation encourages the County to continue to advocate for a replacement to SB2819 that does not oblige the County to fund retiree healthcare subsidies.

Increase Full-Time Equivalent Reporting Transparency

The recommended FY2017 budget proposes major staffing changes in both the General Fund and Health Fund. However, the County's budget document does not provide enough information about staffing levels to understand the nature of the proposed changes or assess their financial impact.

The budget discusses the net decrease of 350.8 full-time equivalent (FTE) positions in the General Fund and net increase of 129.2 FTEs in the Health Fund. With respect to the General Fund, the budget states that most of the savings will come from the elimination of vacancies. However, the document does not show how many of the positions to be eliminated are vacant and how many are filled, either in aggregate or by control officer. It does not provide a breakdown of the cost savings for filled positions compared with vacant positions.

For the Health Fund, the budget document does not explain that the net increase of 129.2 positions is the result of adding positions and eliminating both filled and vacant positions. It provides no information about the cost of the personnel changes.

The Civic Federation recommends that the County budget documents provide more detailed information so that taxpayers can better evaluate staffing proposals, including the number of layoffs, vacancy eliminations and new positions within each fund.

Capital Improvement Plan Enhancements

Each year, Cook County prepares a Capital Improvement Program (CIP) that outlines its investment needs over a ten year period. The CIP provides a long-term projection of debt service costs and long-term fiscal impacts of the County's operating budget.[59] The first year of a CIP is the capital budget for that fiscal year. Cook County proposes a FY2017 capital budget of approximately $475.7 million. The proposed 10-year capital improvement plan includes nearly $1.35 billion of infrastructure investment through FY2026.[60]

Cook County's CIP includes most of the elements of a best practice CIP, such as including a narrative description of the process, using a prioritization system to select projects and making the CIP available on the web. However, some of the elements are still lacking. The Federation recommends that the County make the following improvements to its Capital Improvement Program:

- The budget document explains in detail how projects are ranked in terms of priority, but it does not provide the actual rankings for projects. We recommend that the CIP include the priority rankings of each project.
- Some narrative information is provided about certain projects, but narrative descriptions of all individual projects, including the purpose, need, history and current status of each project, are not provided. We recommend adding these elements to the CIP.
- The CIP is not approved by the Board of Commissioners as a stand-alone document. We recommend releasing the CIP as a separate document from the operating budget and requiring Board review and approval.

Explore Opportunities for a Partial Sales Tax Rollback

On July 15, 2015, the Cook County Board of Commissioners voted nine to seven to increase the county sales tax by one percentage point, effective January 1, 2016. This increase gave the City of Chicago the highest aggregate sales tax rate among the largest cities nationwide at 10.25%. The Civic Federation opposed the increase to the Cook County sales tax because it was not tied to a budget plan.

The Civic Federation understands that the revenue generated from the sales tax increase is providing a critical funding source for the County's pensions and debt service costs, and that it is unlikely the County will roll back the increase in full. However, we encourage the County to consider partially rolling back the sales tax rate increase by identifying other revenue sources and cost savings as a revenue alternative to the sales tax. The current sales tax rate in Cook County makes the City of Chicago an outlier among large U.S. cities and puts Cook County municipalities on the border of the County at a disadvantage. The Civic Federation continues to

[59] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 235.
[60] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 235.

encourage the County to use a mix of revenue sources to fund the increased contributions to the pension fund, rather than relying solely on the sales tax.

Continue Efforts to Improve and Incorporate Unincorporated Areas

The Civic Federation released the second volume of its multi-year study of unincorporated areas in Cook County in September 2016.[61] Based on the findings of that study, the Federation offers the following key recommended actions the County could take to begin to eliminate inequities between incorporated and unincorporated areas of Cook County and begin the process of promoting incorporation:

- Establish a Municipal Services Fund
- Prepare an Annual Report on the Unincorporated Areas
- Balance Revenues Generated from Taxpayers Between Unincorporated Areas and Municipalities

The Federation believes that the County should begin accounting for the costs associated with the delivery of municipal-type services to unincorporated areas within its annual budget. Current Cook County budgeting and accounting practices do not clearly identify the revenues and expenditures associated with delivering the municipal-type services that are specific to the unincorporated areas of the County. These municipal-type services generally include policing, highway road services, building and zoning services, liquor control and animal control in addition to other departments that provide administrative support indirectly, and are funded partly through taxpayer dollars that are generated countywide.

The Federation recommends that Cook County **establish a municipal services fund to fully track costs associated with the delivery of municipal-type services to the unincorporated areas** and make it easier for policymakers and the public to identify the size of the countywide taxpayer subsidy each year. Municipal services fund data should be updated annually as part of the budget process to ensure that the costs associated with providing municipal-type services to the unincorporated areas match the revenues generated from within the unincorporated areas.

In addition to tracking the cost of County services provided in unincorporated areas, the Federation recommends that the County **prepare an annual report to guide the process of eliminating unincorporated areas**. The report would provide Cook County policymakers and taxpayers with complete information on the full cost of providing services to unincorporated areas as well as data on the nature and quantity of the primary services provided to those areas. The report would utilize information collected in the municipal services fund to detail the revenues and expenses associated with providing municipal-type services to the unincorporated areas; calculate the cost of the County's annual subsidy to unincorporated areas; provide data on police incident reports; and report building code inspection data by township, not just in the aggregate (i.e., permits, citations, door tags issued, number of follow-up inspections and number of vacant properties).

---

[61] See the Civic Federation's "Unincorporated Cook County: A Profile of Unincorporated Areas in Cook County and Recommendations to Facilitate Incorporation," September 22, 2016.

According to Civic Federation calculations, Cook County spends approximately $42.9 million in expenses related to the delivery of municipal-type services to unincorporated areas and only generates nearly $24.0 million in revenues from the unincorporated areas. In sum, all Cook County taxpayers are effectively paying an $18.9 million subsidy to cover municipal-type services for residents of unincorporated areas, even as most also pay taxes for their own municipal services. The largest expense is law enforcement provided by the Sheriff's Police in unincorporated areas – comprising $37.7 million of the $42.9 million total expenses, or 87.7%.[62]

In an effort to **eliminate the subsidy paid by taxpayers who reside in municipalities**, the Federation offers several revenue recommendations in its Unincorporated Cook County report that the County could explore. One of the most significant of the revenue recommendations related to eliminating the law enforcement subsidy is to establish a police protection fee for residents of unincorporated Cook County for the delivery of municipal-type police services. The revenue collected from the fee would be directed to the Sheriff's Office for policing services.

[62] Civic Federation, "Unincorporated Cook County: A Profile of Unincorporated Areas in Cook County and Recommendations to Facilitate Incorporation," p. 74, September 22, 2016.

ACKNOWLEDGEMENTS

We would like to express our sincere thanks and appreciation to Ivan Samstein, Chief Financial Officer; Tanya Anthony, Budget Director; Dr. Jay Shannon, Cook County Health and Hospitals System CEO, and Douglas Elwell, Cook County Health and Hospitals System Deputy CEO for Finance and Strategy, for providing us with briefings on the budget and providing answers to our questions.

FY2017 BUDGET DEFICIT & GAP-CLOSING MEASURES

Each year, Cook County releases a mid-year annual report to provide end-of-year operating budget estimates and preliminary projections for the next fiscal year. The County's fiscal year runs from December 1 through November 30. On June 30, 2016, the Cook County Department of Budget and Management Services released its FY2017 Preliminary Forecast. The Preliminary Forecast projected a year-end FY2016 budget shortfall of $47.5 million – consisting of a $23.4 million shortfall in the General Fund and a $24.1 million shortfall in the Health Fund.

The General Fund shortfall was primarily driven by lower than expected revenues from the sales tax, cigarette tax, court case filings and reimbursements from the State's Administrative Office of the Illinois Courts (AOIC).[63] The Health Fund shortfall was primarily driven by higher than expected expenses related to CountyCare managed care and overtime costs at Stroger Hospital.[64] To rectify the end-of-year budget shortfall, the County implemented reductions, also known as holdbacks, in non-personnel expenditures.[65]

In the FY2017 Preliminary Forecast, Cook County also projected a shortfall for the upcoming fiscal year. For FY2017, the County estimated a $134.6 million shortfall in the General Fund and a $39.6 million shortfall in the Health Fund, totaling an operating gap of $174.3 million.

The table below compares the revenues and expenditures of the adopted FY2016 budget, the FY2016 year-end estimate, the FY2017 preliminary budget estimate and the projected FY2017 budget. While the budget was balanced upon its adoption in FY2016, the County estimated that it would end the current fiscal year, which ends on November 31, 2016, with a $47.5 deficit. The FY2017 Preliminary Forecast estimated a deficit of $174.3 million, which the County addresses in its FY2017 Executive Budget Recommendation, discussed further below.

The projected FY2017 General and Health Fund revenues are $98.6 million, or 2.9%, higher than the FY2016 year-end revenue estimate. The projected FY2017 General and Health Fund expenditures are $51.1 million, or 1.5%, higher than the FY2016 year-end expenditure estimate. Ultimately, the County projects that it will balance FY2017 General and Health Fund revenues

[63] Cook County FY2017 Preliminary Forecast, p. 2.
[64] Cook County FY2017 Preliminary Forecast, p. 3.
[65] Cook County FY2017 Preliminary Forecast, p. 3 and information provided by Cook County budget office, October 13, 2016.

and expenditures at $3.46 billion through a combination of actions described in the next section.

Cook County FY2016 and FY2017 Preliminary and Projected Budget Deficits (in $ millions)								
	FY2016 Adopted Budget	FY2016 Estimated Year-End	FY2017 Preliminary Budget	FY2017 Projected Budget	Preliminary $ Change from FY2016 Year-End	Preliminary % Change from FY2016 Year-End	Projected $ Change from FY2016 Year-End	Projected % Change from FY2016 Year-End
General & Health Fund Revenues	$ 3,374.8	$ 3,366.2	$ 3,484.9	$ 3,464.8	$ 118.7	3.5%	$ 98.6	2.9%
General & Health Fund Expenditures	$ 3,374.8	$ 3,413.7	$ 3,659.2	$ 3,464.8	$ 245.50	7.2%	$ 51.1	1.5%
Budget Surplus (Deficit)	**$ -**	**$ (47.5)**	**$ (174.3)**	**$ -**				

Source: Cook County Preliminary Forecast FY2017, p. 6; and FY2017 Cook County Executive Budget Recommendation, Volume 1, pp. 27 & 57.

Gap-Closing Measures

Cook County is required by law to pass a balanced budget without a budget "deficit" or gap between projected revenues and expenditures. When the County projects that it will have a budget gap in the next fiscal year, it must explain how the gap will be closed in the proposed budget ordinance.

The County plans to close the $174.3 million budget gap through a number of measures including expenditure reductions and revenue increases. Those measures are described below and shown in the next table.

Expenditure Reductions

Cook County anticipates $31.9 million in total personnel-related expenditure reductions. This includes $2.6 million in savings from layoffs, $14.6 million from the elimination vacant positions, $5.6 million from a cost of living reduction for non-union employees and health benefit savings of $9.1 million.

The County plans to save $41.6 million in non-personnel expenditures by reducing spending by $40.5 million on professional and managerial services, managed care, facility maintenance, medical, dental and laboratory equipment and supplies and contractual services, and through $1.2 million in procurement contract savings.

Management Initiatives

The County projects $16.7 million in savings from management initiatives. This includes $3.1 million in savings by reducing the number of jury summons sent out. The County plans to collect an additional $11.7 million in various taxes due to better collections enforcement.

Revenue Sources

The County has proposed a new tax on sweetened beverages, which would charge one cent per ounce for fountain and bottled beverages with added sugar or sweeteners. The County anticipates that this sweetened beverage tax will generate $74.6 million in FY2017 once it goes into effect in July 2017.

The County also has $9.5 million in existing revenue above the preliminary FY2017 budget projection that will be used to close the budget gap. This revenue includes $4.0 million from TIF surplus and $5.5 million in fee revenue from the County Treasurer's office.

FY2017 Budget Deficit-Closing Measures (in $ millions)		
Personnel Expenditure Reductions		
Layoffs	$	2.6
Vacancy Reductions	$	14.6
Cost of Living Adjustment Reduction - Non-Union	$	5.6
Health Benefit Savings	$	9.1
Subtotal Personnel Expenditure Reductions	**$**	**31.9**
Non-Personnel Expenditure Reductions		
Spending Reductions*	$	40.5
Procurement Contract Savings	$	1.2
Subtotal Non-Personnel Expenditure Reductions	**$**	**41.6**
Management Initiatives		
Jury Fee Reduction	$	3.1
Outsource ME Toxicology	$	1.4
Eliminate Medical Division	$	0.5
Enforcement of County Use Tax Collections	$	1.0
Enforcement of Cigarette Tax Collections	$	1.2
Enforcement of Gas/Diesel/Fuel Tax Collections	$	3.5
Enforcement of Non-Retailer Transaction Use Tax Collections	$	4.2
Enforcement of Parking Lot/Garage Operations Tax Collections	$	1.8
Subtotal Management Initiatives	**$**	**16.7**
Revenue Increases		
Sweetened Beverage Tax	$	74.6
Subtotal Sweetened Beverage Tax	**$**	**74.6**
Organic Revenue Growth		
TIF Surplus	$	4.0
County Treasurer Fee Revenue	$	5.5
Subtotal Organic Revenue Growth	**$**	**9.5**
Total	**$**	**174.3**

*Includes reductions in spending on Communications, Graphics, Professional and Managerial Services, Managed Care, Maintenance of Facilities and Medical/Dental/Lab Equipment and Supplies.

Source: Information provided by Cook County Department of Budget and Management Services, October 25, 2016.

Future Financial Forecast

Cook County anticipates that the implementation of the tax on sweetened beverages would result in balanced budgets for the next three fiscal years through FY2019. The County states that without the revenue from the sweetened beverage tax, it would have to eliminate at least 1,300 Public Safety positions over the next three years.[66] Without the added revenue, the County

[66] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 17.

projects that it would face a General Fund deficit of $89.0 million in FY2018 and $133.0 million in FY2019.[67]

The County's five-year forecast serves as a planning tool to help the County anticipate fiscal challenges.[68] Even with the sweetened beverage tax, the County projects moderate General Fund deficits of $41 million and $89 million in FY2020 and FY2021 respectively.[69] In the next two years, the County will need to identify ways to balance its future budgets to avoid deficits after FY2019.

APPROPRIATIONS

The following section presents appropriation trends for Cook County appropriations for all funds by fund, operating funds by object, all funds by fund and control officer, general fund appropriations by program area and grants as a percentage of total appropriations. FY2017 proposed appropriations are compared to FY2013-FY2016 adopted and actuals when available.

All Funds Appropriations by Fund

Cook County total FY2017 appropriations, including the operating budget and capital improvement funds, will amount to approximately $4.8 billion. This is an increase of $289.8 million, or 6.4%, from the FY2016 adopted budget of $4.5 billion.

The operating budget will increase by $186.5 million, or 4.4%, from $4.2 billion in FY2016 to $4.4 billion in FY2017. The operating budget is composed of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Enterprise Fund, used for Health and Hospitals System expenses; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants. The major special purpose funds are: GIS Fee Fund, Law Library, and several automation funds.[70]

Starting with the FY2014 budget, the County, for the first time, separated the Health Fund from the General Fund as an independent Enterprise Fund. Together, the General Fund, Health Enterprise Fund, Restricted Funds (Grants), and Special Purpose Funds are referred to as the operating budget and totals $4.4 billion in FY2017. The total budget is composed of the operating budget plus capital improvement funds and totals $4.8 billion in FY2017. The charts below compare the organization of the County's operating funds prior to FY2014 and in the current budget. For purposes of this report the Federation reorganized FY2013 appropriations to conform to the organization of funds beginning in FY2014.

FY2013 Total Operating Funds				
General Fund			Special Purpose Funds	Restricted Funds (Grants)
Corporate Fund	Public Safety Fund	Health Fund		

[67] Cook County FY2017 Budget Briefing Presentation, October 13, 2016.
[68] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 17.
[69] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 18.
[70] Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 3-4.

FY2017 Total Operating Funds				
General Fund		Health (Enterprise) Fund	Special Purpose Funds	Restricted Funds (Grants)
Corporate Fund	Public Safety Fund			

The following table shows Cook County appropriations for all funds by fund for FY2013-FY2017. As noted above, the General Fund is composed of the Corporate Fund and Public Safety Fund. Between FY2016 and FY2017 appropriations for the Corporate Fund will increase by $97.6 million or 21.8%. Public Safety Fund expenditures are expected to increase by $41.1 million or 3.2%. Combined General Fund appropriations are expected to increase by $138.6 million, or 8.0%. The majority of the $138.6 million increase in the General Fund is due to supplemental pension contributions to the County Officers' and Employee's Annuity and Benefit Fund of Cook County Pension Fund to begin to address the Pension Fund's unfunded liabilities.[71] The increase in the General Fund also includes additional investments in technology. During the same time period, appropriations for the Health Enterprise Fund are projected to decline by $48.7 million, or 3.0%. The decline in Health Fund appropriations is the result of lower costs associated with CountyCare and contractual savings.[72]

Special Purpose Funds appropriations are projected to increase by $63.4 million, or 10.3%, between FY2016 and FY2017. Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Under Special Purpose Funds, appropriations for Annuity and Benefits will increase by $12.6 million, or 6.4%, while spending for Bond and Interest will increase by $27.1 million, or 10.9%, over the two-year period. The increase in Bond and Interest over the two-year period is wholly due to legacy debt service payments.[73] The increase is also the result of the County no longer using Motor Fuel Tax dollars for General Fund operations, but rather fully dedicating the funds to transportation related projects.[74] However, the increase is minimized due to a reduction of $20.6 million in the Election Fund in FY2017 because it is not a Presidential Election year and the overall reduction in the number of voting precincts in recent years.[75]

Appropriations for Capital Improvements in FY2017 will increase by $103.3 million, or 32.1%, above FY2016 adopted appropriation to $424.9 million in FY2017.

Over a five-year period the County's total budget will rise by $1.8 billion, or 61.3%, from nearly $3.0 billion in FY2013 to just over $4.8 billion in FY2017. This is due in large part to increased expenditures in the Health Fund due to the implementation of CountyCare, increased pension contributions in the Corporate Fund and FY2017 capital improvements appropriations. The General and Health Funds will increase by nearly $1.2 billion, or 52.2%, in the five-year period.

---

[71] Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 2-3.
[72] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 59.
[73] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 65.
[74] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 65.
[75] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 65.

Special Purpose and Election Funds appropriations will increase to $680.9 million in FY2017 from $508.0 million in FY2013. The main driver of the increase is growth in the Bond and Interest appropriations, which will increase over the five-year period by $89.7 million or 47.9%. Annuity and Benefits appropriations will increase by $15.3 million, or 7.9%, while Agency Special Purpose Funds, which are restricted funds allocated to agencies across the County for specific purposes will increase by $67.9 million or 53.2%, from $127.7 million in FY2013 to $195.6 million proposed for FY2017.

Capital Improvements appropriations will increase from $75.0 million in FY2013 to $424.9 million in FY2017. This is an increase of $349.9 million, or 466.6%. However, given the nature of capital spending, much more is appropriated each year for capital expenditures than is actually spent.

Cook County Appropriations All Funds by Fund: FY2013-FY2017 (in $ millions)

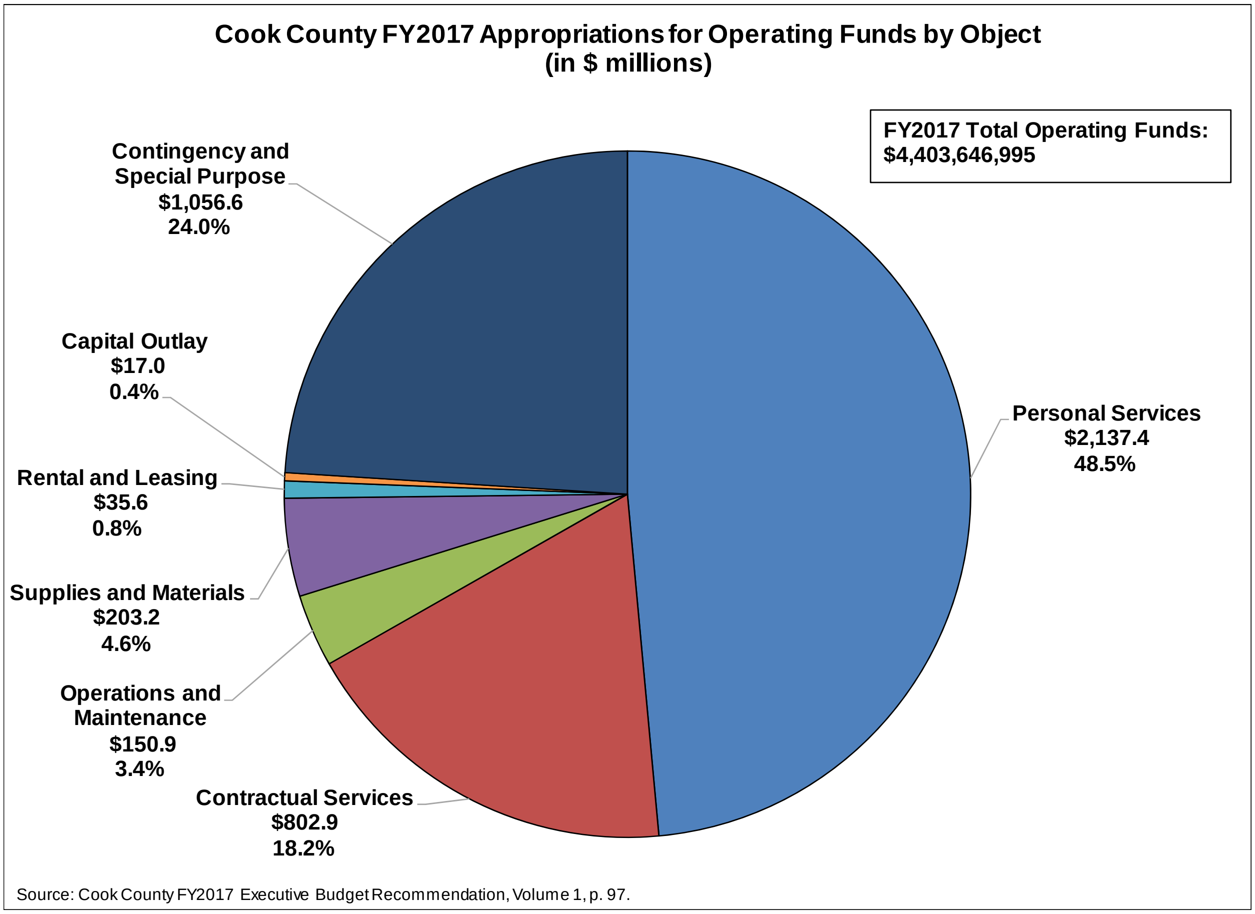
Fund	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Adopted	FY2017 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$ 138.6	$ 154.0	$ 161.1	$ 446.7	$ 544.3	$ 97.6	21.8%	$ 405.7	292.8%
Public Safety	$ 1,176.5	$ 1,248.4	$ 1,281.7	$ 1,287.7	$ 1,328.8	$ 41.1	3.2%	$ 152.3	12.9%
Subtotal General Fund	**$ 1,315.0**	**$ 1,402.4**	**$ 1,442.8**	**$ 1,734.4**	**$ 1,873.1**	**$ 138.6**	**8.0%**	**$ 558.0**	**42.4%**
Health	$ 961.7	$ 1,370.8	$ 1,525.6	$ 1,640.4	$ 1,591.7	$ (48.7)	-3.0%	$ 630.0	65.5%
Subtotal General & Health Funds	**$ 2,276.7**	**$ 2,773.2**	**$ 2,968.4**	**$ 3,374.8**	**$ 3,464.8**	**$ 90.0**	**2.7%**	**$ 1,188.1**	**52.2%**
Annuity & Benefits	$ 193.0	$ 194.7	$ 192.8	$ 195.6	$ 208.2	$ 12.6	6.4%	$ 15.3	7.9%
Bond & Interest	$ 187.4	$ 187.4	$ 225.0	$ 250.0	$ 277.1	$ 27.1	10.9%	$ 89.7	47.9%
Agency Special Purpose Funds	$ 127.7	$ 138.8	$ 134.3	$ 172.0	$ 195.6	$ 23.6	13.7%	$ 67.9	53.2%
Subtotal Special Purpose and Election Funds	**$ 508.0**	**$ 520.9**	**$ 552.1**	**$ 617.6**	**$ 680.9**	**$ 63.4**	**10.3%**	**$ 172.9**	**34.0%**
Restricted Funds (Grants)	$ 134.4	$ 162.5	$ 221.2	$ 224.8	$ 258.0	$ 33.2	14.8%	$ 123.6	91.9%
Subtotal Operating Funds	**$ 2,919.2**	**$ 3,456.5**	**$ 3,741.7**	**$ 4,217.2**	**$ 4,403.7**	**$ 186.5**	**4.4%**	**$ 1,484.5**	**50.9%**
Capital Improvements	$ 75.0	$ 53.3	$ 99.7	$ 321.5	$ 424.9	$ 103.3	32.1%	$ 349.9	466.6%
Total	**$ 2,994.2**	**$ 3,509.9**	**$ 3,841.3**	**$ 4,538.7**	**$ 4,828.6**	**$ 289.8**	**6.4%**	**$ 1,834.4**	**61.3%**

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 71-74.

Operating Funds Appropriations by Object

The following chart displays the proposed Cook County appropriations for operating funds by object for 2017. As previously noted, the operating budget is composed of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Health Fund; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants.

Total operating funds appropriations will total approximately $4.4 billion in FY2017. Personal services will compose the largest percentage of the FY2017 operating funds appropriations at 48.5% or $2.1 billion. Personal services include salaries, wages and benefits. However, it does not include the supplemental pension payment of $353.8 million, which is accounted for under contractual services. Contingency and special purpose appropriations is the second largest portion of FY2017 proposed operating funds appropriations at 24.0% or $1.1 billion. Contractual services is the third largest component of the operating funds appropriations at 18.2% or $802.9 million. As noted above, contractual services appropriations include the supplemental pension payment of $353.8 million in FY2017. The remaining appropriations by object of expenditure will individually make up less than 5% of the total operating funds.



All Funds Appropriations by Control Officer as a Percentage of Total Appropriations

In addition to the Cook County Board President and Board of Commissioners, Cook County also has a number of independently elected officials who play important roles in the budget process; therefore, the Civic Federation examines expenditures by control officer.

The following section describes one-year appropriations for all funds by fund and control officer for FY2017. The Federation has historically conducted a two- and five-year trend analysis for all funds by fund and control officer. However, beginning in FY2016 and continuing in FY2017 the County is shifting fixed charges such as healthcare benefits into departments, which is a best practice recommended by the GFOA. Therefore, a two- and five-year analysis is not comparable across years by fund and control officer.

General and Health Funds

The General and Enterprise Health Funds budgets will collectively compose nearly $3.5 billion, or 71.8% of the total budget, including Capital Improvements appropriations. Of the $3.5 billion, the General Fund will compose $1.9 billion, or 38.79%, and the Health Fund will compose nearly $1.6 billion, or 32.97% of the total budget. The General Fund budget for Offices Under the President will compose $216.1 million, or 4.48% of the total budget, while appropriations for all other elected and appointed officials of the County will compose nearly $1.2 billion, or 24.47% of the total budget in FY2017. The proposed FY2017 appropriations for the Chief Judge and Sheriff compose the largest portion of the General Fund budget at $263.3 million, or 5.45%, and $622.4 million, or 12.89%, respectively, of the total budget.

Fixed Charges and Special Purpose expenditures will also compose a significant portion of the total budget at $475.5 million, or 9.85%, of total appropriations in FY2017.

Special Purpose Funds

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Appropriations for Special Purpose Funds will compose $680.6 million, or 14.10%, of the total budget in FY2017.

The largest portion of the Special Purpose Funds is related to Annuity and Benefits and to Bond and Interest appropriations, which total $208.2 million, or 4.31% and $277.1 million, or 5.74% of the total budget in FY2017, respectively.

The exhibit below displays the proposed Cook County appropriations for all funds by fund and control officer for FY2017 as a percent of total appropriations.

Cook County Appropriations for All Funds by Control Officer as % of Total Budget: FY2017 (in $ millions)		
Control Officers	**FY2017 Proposed**	**% of Total Budget**
General Fund		
Offices Under President		
President	$ 4.6	0.10%
Chief Administrative Officer	$ 21.0	0.44%
Chief Financial Officer	$ 24.0	0.50%
Chief of Human Resources	$ 5.1	0.11%
Chief Information Officer	$ 18.7	0.39%
Chief of Economic Development	$ 6.7	0.14%
Department of Human Rights and Ethics	$ 0.9	0.02%
Chief of Asset Management	$ 56.6	1.17%
Other Agency*	$ 78.5	1.63%
Subtotal Offices Under President	**$ 216.1**	**4.48%**
Elected & Appointed Officials		
Cook County Board of Commissioners	$ 9.0	0.19%
Assessor	$ 26.8	0.55%
Board of Review	$ 10.9	0.23%
Chief Judge	$ 263.3	5.45%
Clerk of the Circuit Court	$ 103.8	2.15%
County Clerk	$ 10.6	0.22%
Recorder of Deeds	$ 6.8	0.14%
Sheriff	$ 622.4	12.89%
State's Attorney	$ 123.2	2.55%
Treasurer	$ 1.3	0.03%
Inspector General	$ 2.1	0.04%
Public Administrator	$ 1.4	0.03%
Veterans Assistance Commission	$ -	-
Subtotal Elected & Appointed Officials	**$ 1,181.5**	**24.47%**
Fixed Charges and Special Purpose	$ 475.5	9.85%
Total General Fund	**$ 1,873.1**	**38.79%**
Enterprise Health Fund		
Cook County Health and Hospitals System	$ 1,591.7	32.97%
Total General & Enterprise Funds	**$ 3,464.8**	**71.76%**
Special Purpose and Election Funds		
President	$ -	-
Chief Administrative Officer	$ 58.2	1.21%
Chief Financial Officer	$ -	-
Chief Information Officer	$ 12.7	0.26%
Public Defender	$ 0.1	0.00%
Cook County Health and Hospitals System	$ 9.8	0.20%
Assessor	$ 3.5	0.07%
Board of Election Commissioners	$ 1.1	0.02%
Chief Judge	$ 17.1	0.35%
Clerk of the Circuit Court	$ 19.6	0.41%
County Clerk	$ 22.6	0.47%
Recorder of Deeds	$ 5.9	0.12%
Sheriff	$ 2.2	0.05%
State's Attorney	$ 3.5	0.07%
Treasurer	$ 11.7	0.24%
Cook County Land Bank Authority	$ 27.1	0.56%
Annuity and Benefits	$ 208.2	4.31%
Bond and Interest	$ 277.1	5.74%
Subtotal Special Purpose Funds	**$ 680.6**	**14.10%**
Other Restricted Funds (Grants)	$ 257.9	5.34%
Total Operating Funds	**$ 4,403.3**	**91.20%**
Capital Improvements	$ 424.9	8.80%
Total Budget	**$ 4,828.2**	**100.00%**

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

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 76-82.

General Fund Expenditures by Program Area

The following section describes two-year and five-year trends for appropriations by program area in the General Fund, which includes the Corporate and Public Safety Funds, but not the Health Fund. In FY2017 Cook County is continuing to allocate certain fixed charges directly to the departments that incur the cost. In FY2016 the County began moving fixed charges into individual department, the most significant being real estate in FY2016. In FY2017 the most significant fixed charge being allocated to the individual departments is healthcare benefits that will total approximately $206.9 million of the $211.1 million total.[76]

Over the two-year period total expenditures by program area in the General Fund will increase by $138.6 million, or 8.0%, rising from $1.7 billion in FY2016 to nearly $1.9 billion in FY2017. The largest dollar increase over the two-year period will be Public Safety, which will increase by $210.8 million, or 20.3%, from approximately $1.0 billion in FY2016 to $1.2 billion proposed in FY2017. The increase in Public Safety is primarily due to the shifting of fixed costs into individual departments and increased wages tied to labor negotiations.[77] Net of fixed charges, Public Safety will only increase by 2.0% over the two-year period. Finance and Administration will see the next largest dollar increase over the two-year period of $10.9 million, or 14.5%. Absent the allocation of fixed costs into individual departments in FY2017, Finance and Administration appropriations will decline by $498,000 or 0.7%.[78] Property and Taxation will increase by $8.0 million or 16.7%. Absent the allocation of fixed charges into department in FY2017, Property and Taxation would actually see a decrease of 2.3% or $1.1 million, over the two-year period. Fixed Charges will see a decline of $92.4 million, or 16.3%, over the two-year period, as a result of the allocation of fixed costs to individual departments. However, the decrease of $92.4 million in fixed charges over the two-year period is offset by the supplemental pension payments.

Over the five-year period, Public Safety will again see the largest dollar increase of $370.0 million or 42.1%. The increase in Public Safety over the five-year period is primarily due to:

- Investments in alternatives to detention for juvenile offenders;
- Bond court improvements;
- Increased staffing in the Adult and Juvenile Probation Departments and Juvenile Temporary Detention Center;
- A shift of positions from special purpose funds to the General Fund; and
- The shifting of fixed costs into individual departments.[79]

Fixed Charges will also see a significant increase over the five-year period beginning in FY2013 of $134.3 million or 39.4%. This increase is primarily due to the County increasing the sales tax

[76] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 64.
[77] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 62.
[78] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 63.
[79] Cook County FY2013 Executive Budget Recommendation, Volume 1, p. 1; FY2015, Volume 1, p. 50; FY2016, Volume 1, p. 58; and FY2017, Volume 1, p. 62.

and dedicating a portion towards the supplemental pension payment in FY2016 and FY2017, which is accounted for in Fixed Charges.

General Fund Expenditures by Program Area FY2013-FY2017 (in $ millions)									
Program Areas	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Public Safety	$ 878.2	$ 917.4	$ 985.3	$ 1,037.5	$ 1,248.2	$ 210.8	20.3%	$ 370.0	42.1%
Finance and Administration	$ 60.0	$ 62.5	$ 71.5	$ 75.5	$ 86.4	$ 10.9	14.5%	$ 26.4	44.0%
Property and Taxation	$ 47.8	$ 48.1	$ 47.3	$ 48.3	$ 56.3	$ 8.0	16.7%	$ 8.5	17.8%
Economic Development	$ 4.8	$ 5.5	$ 5.4	$ 5.4	$ 6.7	$ 1.2	23.0%	$ 1.8	37.6%
Fixed Charges	$ 341.1	$ 343.1	$ 322.9	$ 567.8	$ 475.5	$ (92.4)	-16.3%	$ 134.3	39.4%
Total Expendiutres	**$ 1,332.0**	**$1,376.5**	**$1,432.2**	**$ 1,734.4**	**$ 1,873.1**	**$ 138.6**	**8.0%**	**$ 541.0**	**40.6%**

Source: Cook County FY2017 Budget Recommendation, Volume 1, p. 64.

Grant Funds as a Percentage of Total Appropriations

The County receives grant funding from federal and State agencies as well as private organizations for a variety of direct and indirect services it provides to its 5.2 million residents.[80] In FY2017 grant funds will amount to 5.3% of the total budget for Cook County, or $257.9 million of the County's $4.8 billion total budget. In FY2017 the County's grant funding will increase by $33.1 million, or 14.7%, from the FY2016 amount of $224.8 million. A large portion of the increase is related to new grant funding from the Department of Transportation and Highways as well as carryover funding from the Department of Planning and Development and Homeland Security.[81]

The Offices Under the President will receive 40.6%, or $196.5 million, of the nearly $484.0 million total all funds budget in grant funds. The amount allocated for the Offices Under the President represents 76.2% of total grant funds as a portion of total grant fund appropriations. Grant funding for the President's Office and the Chief of Economic Development compose the vast majority of their total appropriations, at 91.7% and 93.3%, respectively. Of the total appropriations for Elected Officials, $46.7 million, or 3.5%, will come from grant funds. A large portion, 14.6%, of Elected Officials' grant funds will go toward the State's Attorney by way of the Child Support Enforcement grant.[82] The Cook County Land Bank Authority will also be the recipient of a large portion of grant funds in FY2017, totaling $7.6 million, or 22.1% of total appropriations. Cook County Health and Hospitals System will also receive grant funds. The

[80] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 113.
[81] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 113.
[82] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 116.

Health System is expected to receive $14.8 million, or 0.9%, of its $1.6 billion budget in grant funding.

Cook County FY2017 Grant Funds as a % of Total Appropriations			
Control Officers	**Grant Funds**	**Total Appropriations**	**Grants as % of Total Appropriations**
Offices Under President			
President	$ 50,737,022	$ 55,324,100	91.7%
Chief Administrative Officer	$ 44,698,723	$ 123,933,457	36.1%
Chief Financial Officer	$ -	$ 23,951,184	0.0%
Chief of Human Resources	$ -	$ 5,149,921	0.0%
Chief Information Officer	$ -	$ 31,453,023	0.0%
Chief of Economic Development	$ 97,810,490	$ 104,815,952	93.3%
Chief of Asset Management	$ 3,051,922	$ 59,647,421	5.1%
Department of Human Rights and Ethics	$ -	$ 942,645	0.0%
Other Agency*	$ 175,782	$ 78,832,144	0.2%
Subtotal Offices Under President	**$ 196,473,939**	**$ 484,049,847**	**40.6%**
Elected and Appointed Officials			
Cook County Board of Commissioners	$ -	$ 8,978,685	0.0%
Assessor	$ -	$ 30,247,039	0.0%
Board of Review	$ -	$ 10,904,092	0.0%
Board of Election Commissioners	$ -	$ 1,089,581	0.0%
Chief Judge	$ 5,741,015	$ 286,208,131	2.0%
Clerk of the Circuit Court	$ 2,775,124	$ 126,104,069	2.2%
County Clerk	$ -	$ 33,158,738	0.0%
Recorder of Deeds	$ -	$ 12,723,082	0.0%
Sheriff	$ 8,779,743	$ 633,359,903	1.4%
State's Attorney	$ 21,738,224	$ 148,453,987	14.6%
Treasurer	$ -	$ 12,985,704	0.0%
Inspector General	$ -	$ 2,141,987	0.0%
Public Administrator	$ -	$ 1,393,586	0.0%
Cook County Land Bank Authority	$ 7,664,522	$ 34,724,522	22.1%
Subtotal Elected and Appointed Officials	**$ 46,698,628**	**$ 1,342,473,106**	**3.5%**
Health System			
Cook County Health and Hospitals System	$ 14,775,230	$ 1,616,294,177	0.9%
Other			
Capital Improvements	$ -	$ 424,858,753	0.0%
Subtotal Health System and Other	**$ 14,775,230**	**$ 2,041,152,930**	**0.7%**
Fixed Charges and Special Purpose	$ -	$ 960,829,865	0.0%
Total Budget	**$ 257,947,797**	**$ 4,828,505,748**	**5.3%**

*Includes Department of Administrative Hearings, County Auditor, Public Defender, which refer to operational expenses that do not have dedicated revenue sources.
Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 98-99.

RESOURCES

This chapter describes the funding resources of the General Fund and Health Enterprise Fund for Cook County, as well as an explanation of the property tax levy, which is used for all fund purposes.

Cook County's operating budget consists of the following funds:

- The General Fund, which includes the Corporate and Public Safety Funds. These funds are used for general County expenses such as administrative functions and the criminal justice system;
- The Health Fund, which is used to operate the Cook County Health and Hospitals System;
- Special Purpose Funds, which have defined sources of revenue that are restricted for particular uses only; and
- Restricted Funds, or grants.

The County projects total revenue for all funds of $4.4 billion in FY2017. The following section focuses on FY2017 proposed resources in the General Fund and Health Fund. Resources include revenues from various taxes such as the property tax, sales tax, use tax and other consumer taxes; fees and licenses; intergovernmental revenue from the State; and other sources.

Proposed FY2017 General and Health Fund Resources

In FY2017, Cook County expects to generate $3.5 billion from General and Health Fund revenue sources. The Corporate Fund is the County's general operating fund and accounts for 16.0%, or $544.0 million, of the County's operating revenues in FY2017. The Public Safety Fund accounts for the County's criminal justice system, including its jails, courts and related programs. The Public Safety Fund makes up approximately 38.0% of the total FY2017 operating revenues at $1.33 billion. The Health Fund accounts for the County's public health care system and makes up 46.0%, or $1.6 billion, of the County's total operating resources.[83]

The chart below provides a breakdown of all General Fund and Health Enterprise Fund resources projected for FY2017. Of the $3.5 billion total General and Health Fund resources, fees from the Health and Hospitals System represent the largest revenue source at $1.5 billion, or 42.7%. The sales tax is the second largest resource, accounting for 23.8% of resources, or $823.0 million. Other non-property taxes include the Cook County use tax, State income tax and various consumer taxes such as the alcohol, cigarette, gas, gambling machine, motor vehicle, amusement and firearm and ammunition taxes.[84] Combined, these non-property taxes will compose 16.9% of General and Health Fund resources, or $585.3 million. Property taxes, which includes TIF surplus declared by the City of Chicago, will make up 7.9% of General and Health Fund resources at $274.7 million. Fees collected by County offices for services like vital records and permits will make up 6.3% of resources at $217.5 million.

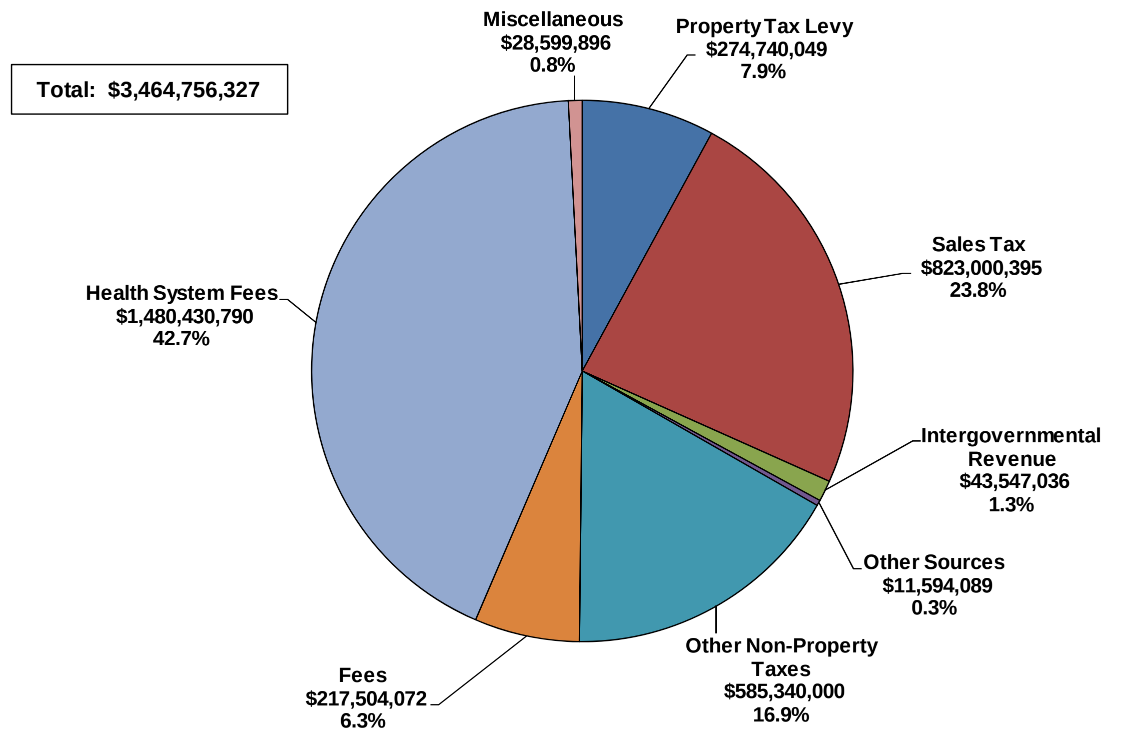
---

[83] Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 27-28.
[84] Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 31-33.

Other sources are projected to make up 0.3% of resources. Other sources refer to indirect costs reimbursed from Special Purpose Funds and Grants and allocated accordingly back to the General Fund.[85] Miscellaneous revenue is projected to account for 0.8% of resources. Miscellaneous revenue includes property rental income from County buildings, the sale of excess real estate, commissions on public telephones, proceeds from unclaimed estates, investment income and other sources, such as parking fees and the sale of salvage.[86] Intergovernmental revenue will make up 1.3% of resources at $43.5 million. Intergovernmental revenues include State reimbursements from the Administrative Office of the Illinois Courts (AOIC) to subsidize salaries in the Public Safety Fund.

Further descriptions of each resource category and comparisons to past budgets are provided in the next section.

Cook County FY2017 General and Health Fund Resources: Corporate, Public Safety and Health Funds



Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 44.

General and Health Fund Resource Trends

This section discusses two-year (FY2016-FY2017) and five-year (FY2013-FY2017) trends for Cook County's proposed FY2017 General and Health Fund resources as shown in the next table.

---

[85] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 43. Other Sources previously included revenues from the motor fuel tax collected by the State and refunded to the County. Beginning in FY2017, those funds will be dedicated to the County's Highway and Transportation System.

[86] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 42.

Total General and Health Fund resources are projected to increase slightly over the FY2016 adopted budget by $90.0 million, or 2.7%. The increase from FY2016 to FY2017 is mostly due to a full year of collections of the higher sales tax rate for a full year and the addition of the sweetened beverage tax, offset by declines in fees and less property tax revenue available for General and Health fund operations. Over the five-year period between FY2013 and FY2017, General and Health Fund resources will increase by $1.6 billion or 82.7%.

Property Taxes

In FY2017, the property tax levy revenue available for the General and Health Funds is estimated to be $265.7 million, compared to $310.1 million the prior year. This $44.4 million decrease from FY2016 is the result of the County allocating more property tax revenue to debt service obligations and pension funding – $27 million and $24.0 respectively.[87] In addition to the base property tax levy, the County also expects to receive $9.0 million in tax increment financing (TIF) revenue from expiring TIF districts. The total property tax revenue for the General and Health Funds in FY2017 is 14.5% lower than FY2016. While TIF revenue has increased substantially over a five year period since FY2013 from $1.9 million to $9.0 million, total property tax revenue available for the General and Health Funds has decreased by 23.2% over the same period.

Sales Tax

Effective January 1, 2016, the Cook County home rule sales tax increased by one percentage point from 0.75% to 1.75%. [88] The FY2016 budget estimated that the increase to the sales tax would bring in an additional $308.0 million in FY2016 and $473.8 million in FY2017. Total sales tax revenue was projected to be $663.5 in the adopted FY2016 budget, but year-end estimates show sales tax revenues will be slightly lower at $642.5 million due to sluggish economic growth.[89] The additional revenue generated in FY2016 from the increase to the sales tax was used to provide additional pension funding, increased highway funding and increased legacy debt service payments.

In FY2017 the County anticipates receiving $823.0 million in sales tax revenue, which is a 24%, or $159.5 million increase compared to the adopted FY2016 budget because of the increased sales tax rate. $495.2 million from the increased sales tax revenue will be used again for additional pension funding ($353.4 million), additional transportation funding ($64.5 million), increased debt service costs ($57 million) and pay-as-you-go capital equipment ($20.3 million).[90]

Other Non-Property Taxes

Other non-property taxes include use taxes and a variety of consumer taxes on items such as alcohol, cigarettes and tobacco, gas, amusement, parking operations, gambling machines,

---

[87] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 29.
[88] For more information, see the Civic Federation, "Cook County Increases Its Sales Tax by One Percentage Point," available at https://www.civicfed.org/civic-federation/blog/cook-County-increases-its-sales-tax-one-percentage-point
[89] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 31.
[90] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 2.

firearms, casinos and off track betting, and several other consumer transactions. Total non-property taxes are projected to generate a total of $585.3 million in FY2017. This is an 18.4% increase over adopted FY2016 projections and a 26.9% increase over the five year period from FY2013-FY2017. New taxes have been imposed within the last two years including a hotel accommodations tax and a newly proposed sweetened beverage tax.

Hotel Accommodations Tax: In FY2016, the County established a new 1.0% hotel accommodations tax. The tax went into effect May 1, 2016. The County projected that it would generate $15.4 million in revenue in FY2016 and $31.5 million in FY2017.[91]

Sweetened Beverage Tax: As part of the FY2017 Executive Budget Recommendation, the County proposes imposing a one cent per ounce tax on sweetened beverages to go into effect on July 1, 2017. The County expects the tax to generate $74.6 million in FY2017 and $224 million in FY2018.[92]

Use Tax: The Cook County use tax imposes a 1% tax on titled personal property (for example, cars, boats and motorcycles) within Cook County.[93] The use tax is expected to bring in $81.0 million in revenue in FY2017, which is 5.2% higher than the prior year and a 24.0% increase over a five year period.

Tobacco Taxes: Cook County revenue from the cigarette tax and tax on other tobacco products is projected to decrease in FY2017. The 6.7% decrease from FY2016 and 14.5% decline from FY2013 reflect a decline in consumption due to price sensitivity and higher tax rates.[94] In 2013, the County increased the home rule cigarette tax by $1.00 per pack to a total of $3.00 per pack. This made the composite cigarette tax rate in Chicago $7.17 per pack, one of the highest in the nation.[95]

Other taxes that are expected to generate increased revenues are the gambling machine tax and firearms and ammunition tax. The County established a tax on ammunition in FY2016 in addition to the $25 tax on firearms. Gambling machine tax revenue is projected to bring in $2.1 million in FY2017, which is a 40.0% increase over FY2016 and an 808.2% increase over FY2013. The increase in revenue from gambling machines is the result of more gambling machines becoming available online. Firearms and ammunition taxes are projected to bring in $1.2 million in FY2017, which is a 30.1% increase over FY2016 and a 147.4% increase over FY2013.

In addition to cigarette taxes, revenue from a few other taxes is expected to decline in FY2017. The non-retailer transaction tax on the transfer of motor vehicles is expected to decline by 8.2% compared to the prior year, and by 35.4% compared to FY2013. Revenue from off track betting commissions is expected to decrease by 13.0% in FY2017 compared to FY2016, and by 61.0%

---

[91] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 34.
[92] The FY2017 projection is based on estimated revenue collections for July-November 2017, and the FY2018 projection is based on a full year of collections. Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 35; and Cook County FY2017 Departmental Hearing: Bureau of Finance, October 17, 2016.
[93] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 32.
[94] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 32.
[95] The City of Chicago also increased its cigarette tax rate from $0.68 to $1.18 per pack in January 2014.

compared to FY2013. The remainder of non-property taxes are projected to remain fairly level in FY2017.

Fee Revenues

Fee and license revenues represent the largest source of all General and Health Fund revenues. Total fee revenue projected in FY2017 is $1.7 billion.

Health System Fees: The largest source of fee revenue is from patient fees within the Cook County Health and Hospitals System. Patient fees are projected to decrease by 2.5%, or $38.7 million, to $1.48 billion in FY2017 from $1.52 billion in FY2016. Patient fees include fees from Medicaid, Medicare, private payers, and the CountyCare managed care network, as well as supplemental payments from Disproportionate Share Hospital (DSH) payments, Benefits Improvement Protection Act (BIPA) and federal government payment incentives to increase electronic medical records.[96] The decline in revenue from FY2016 levels is largely due to the projected decline in membership in CountyCare.

Other Fees: The remainder of fees include fees collected by offices of the Clerk of the Circuit Court, Recorder of Deeds, Treasurer, County Sheriff, State's Attorney, Medical Examiner, County Assessor, and several others. Not counting Health System patient fees, the County is projecting a decrease in fees from $229.1 million in FY2016 to $217.5 million, a decrease of 5.1%.

Miscellaneous, Intergovernmental and Other Revenue Sources

Miscellaneous revenue is expected to decrease in FY2017 by 11.1%, or $3.6 million, from FY2016 budgeted appropriations. Miscellaneous revenue includes commissions on public telephones, real estate rental income, sale of excess real estate, proceeds from the estates of unknown heirs, investment income, and other forms of revenue such as energy efficiency rebates, parking fees, and the sale of salvage.[97]

Intergovernmental revenues are resources from the State including Administrative Office of the Illinois Courts (AOIC) reimbursements to subsidize the salaries of the State's Attorney, Public Defender, probation officers and administrative staff in the juvenile court and the Juvenile Temporary Detention Center (JTDC), and the State Criminal Alien Assistance Program (SCAAP). Compared to FY2013, intergovernmental revenues increase by 123.5%. However, these revenues are expected to decrease by 14.2%, or $7.2 million, from FY2016 to FY2017. The decline is largely due to a decrease in funding from the Administrative Office of the Illinois Courts (AOIC).

The State made several funding reductions to the County through the stopgap spending plan passed on June 30, 2016. Program funding reductions and late payments have created uncertainty for the County's financial planning. As of August 31, 2016, the County was still owed $58.8

[96] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 39.
[97] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 38.

million by the State.[98] As a result of State funding cuts, the County had to eliminate the Appellate Assistance, Election Assistance and Motor Theft Prevention programs, and make the following program reductions: 6% reduction in Administrative Office of the Illinois Courts (AOIC) reimbursements; 22% cut to Child Enforcement Programs; 28% cut to Adult Redeploy; 28% reduction to the West Nile Virus Response program; 8% cut to vision and hearing screenings; and 15% cut to Tobacco Free Communities.[99]

Other financing sources include revenue generated from the State-collected Motor Fuel Tax as well as indirect costs reimbursed from Special Purpose Funds and Grants and allocated back to the Cook County General Fund. Proposed FY2017 other financing sources are expected to decrease by $53.0 million, or 82.0%, compared to FY2016 because the County is no longer allocating motor fuel tax revenue to the General Fund and instead is directing the revenue to the County's Highway and Transportation System.

[98] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 5.
[99] Cook County FY2017 Budget Briefing Presentation, October 13, 2016.

The following table presents FY2017 proposed General and Health Fund resources compared to those adopted in the FY2016 budget and actual revenues from FY2013-FY2015.

Cook County General and Health Fund Resources
FY2013-FY2017 (in $ thousands)

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Adopted	FY2017 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Property Taxes									
Net Tax Levy	$ 355,920.2	$ 350,056.1	$ 351,066.8	$ 310,087.5	$ 265,700.0	$ (44,387.5)	-14.3%	$ (90,220)	-25.3%
TIF Surplus	$ 1,908.8	$ 2,666.3	$ 6,715.3	$ 11,266.0	$ 9,040.0	$ (2,226.0)	-19.8%	$ 7,131	373.6%
Subtotal Property Taxes	**$ 357,829.0**	**$ 352,722.4**	**$ 357,782.1**	**$ 321,353.5**	**$ 274,740.0**	**$ (46,613.5)**	**-14.5%**	**$ (83,089)**	**-23.2%**
Sales Tax									
Sales Tax	**$ 363,836.8**	**$ 333,455.4**	**$ 346,771.5**	**$ 663,500.0**	**$ 823,000.4**	**$ 159,500.4**	**24.0%**	**$ 459,164**	**126.2%**
Subtotal Sales Tax	**$ 363,836.8**	**$ 333,455.4**	**$ 346,771.5**	**$ 663,500.0**	**$ 823,000.4**	**$ 159,500.4**	**24.0%**	**$ 459,164**	**126.2%**
Other Non-Property Taxes									
Use	$ 65,337.3	$ 73,344.3	$ 80,991.5	$ 77,000.0	$ 81,000.0	**$ 4,000.0**	5.2%	$ 15,663	24.0%
Alcoholic Beverage	$ 35,028.6	$ 35,760.7	$ 36,616.1	$ 37,000.0	$ 37,250.0	**$ 250.0**	0.7%	$ 2,221	6.3%
State Sales Tax (Retailer's Occupation)	$ 3,114.3	$ 2,828.4	$ 2,747.4	$ 2,440.0	$ 2,930.0	**$ 490.0**	20.1%	$ (184)	-5.9%
Non-Retailer Transactions	$ 14,923.2	$ 9,285.9	$ 15,289.9	$ 22,000.0	$ 20,200.0	**$ (1,800.0)**	-8.2%	$ 5,277	35.4%
Cigarette and Other Tobacco	$ 155,697.4	$ 138,075.8	$ 141,889.4	$ 142,750.0	$ 133,190.0	**$ (9,560.0)**	-6.7%	$ (22,507)	-14.5%
Gas	$ 85,709.9	$ 89,659.8	$ 90,591.9	$ 88,650.0	$ 91,500.0	**$ 2,850.0**	3.2%	$ 5,790	6.8%
Retail Sale of Motor Vehicles	$ 2,829.8	$ 3,061.7	$ 3,643.7	$ 3,200.0	$ 3,400.0	**$ 200.0**	6.3%	$ 570	20.2%
Wheel	$ 3,735.0	$ 3,836.7	$ 3,720.8	$ 4,100.0	$ 4,200.0	**$ 100.0**	2.4%	$ 465	12.4%
Amusement	$ 25,827.3	$ 27,791.3	$ 33,860.2	$ 30,250.0	$ 32,300.0	**$ 2,050.0**	6.8%	$ 6,473	25.1%
Parking Lot / Garage Operations	$ 41,535.2	$ 44,808.1	$ 46,712.3	$ 45,500.0	$ 47,300.0	**$ 1,800.0**	4.0%	$ 5,765	13.9%
Gambling Machine Tax	$ 232.6	$ 522.9	$ 987.9	$ 1,500.0	$ 2,100.0	**$ 600.0**	40.0%	$ 1,867	802.8%
Firearms and Ammunition Tax	$ 489.1	$ 889.3	$ 853.2	$ 930.0	$ 1,210.0	**$ 280.0**	30.1%	$ 721	147.4%
Non Titled Use Tax	$ 4,214.3	$ -	$ -	$ -	$ -	**$ -**	N/A	$ (4,214)	-100.0%
Off Track Betting Commissions	$ 2,566.9	$ 1,326.9	$ 1,783.2	$ 1,150.0	$ 1,000.0	**$ (150.0)**	-13.0%	$ (1,567)	-61.0%
Illinois Gaming - Casino	$ 8,345.4	$ 8,453.4	$ 8,508.1	$ 8,450.0	$ 8,500.0	**$ 50.0**	0.6%	$ 155	1.9%
State Income Tax	$ 11,748.2	$ 11,963.3	$ 13,384.9	$ 13,900.0	$ 13,160.0	**$ (740.0)**	-5.3%	$ 1,412	12.0%
Hotel Accommodations	$ -	$ -	$ -	$ 15,400.0	$ 31,500.0	**$ 16,100.0**	104.5%	$ 31,500	N/A
Sweetened Beverage	$ -	$ -	$ -	$ -	$ 74,600.0	**$ 74,600.0**	N/A	$ 74,600	N/A
Subtotal Other Non-Property Taxes	**$ 461,334.5**	**$ 451,608.8**	**$ 481,580.5**	**$ 494,220.0**	**$ 585,340.0**	**$ 91,120.0**	**18.4%**	**$ 124,006**	**26.9%**
Fee Revenue									
Health System Fees*	$ 673,831.2	$ 1,299,862.6	$ 1,510,997.9	$ 1,519,117.0	$ 1,480,430.8	**$ (38,686.2)**	-2.5%	$ 806,600	119.7%
Clerk of Circuit Court	$ 87,614.9	$ 78,498.5	$ 75,336.0	$ 77,990.0	$ 72,000.0	**$ (5,990.0)**	-7.7%	$ (15,615)	-17.8%
Recorder of Deeds Fees**	$ 40,219.5	$ 35,947.3	$ 40,078.6	$ 34,043.3	$ 36,700.0	**$ 2,656.7**	7.8%	$ (3,520)	-8.8%
Treasurer's Fees	$ 84,119.2	$ 80,510.2	$ 90,677.0	$ 54,000.0	$ 54,000.0	**$ -**	0.0%	$ (30,119)	-35.8%
Other***	$ 61,473.7	$ 60,641.3	$ 60,971.4	$ 63,033.1	$ 54,804.0	**$ (8,229.1)**	-13.1%	$ (6,670)	-10.8%
Subtotal Fee Revenue	**$ 947,258.5**	**$ 1,555,459.9**	**$ 1,778,060.9**	**$ 1,748,183.4**	**$ 1,697,934.8**	**$ (50,248.6)**	**-2.9%**	**$ 750,676**	**79.2%**
						$ -			
Miscellaneous Revenues						**$ -**			
Misc. Revenues****	$ 22,420.3	$ 14,326.0	$ 14,478.1	$ 32,181.3	$ 28,599.9	**$ (3,581.4)**	-11.1%	$ 6,180	27.6%
Subtotal Misc. Revenues	**$ 22,420.3**	**$ 14,326.0**	**$ 14,478.1**	**$ 32,181.3**	**$ 28,599.9**	**$ (3,581.4)**	**-11.1%**	**$ 6,180**	**27.6%**
Intergovernmental Revenues						**$ -**			
Intergovernmental Revenues*****	$ 19,486.0	$ 23,240.9	$ 44,428.0	$ 50,762.5	$ 43,547.0	**$ (7,215.5)**	-14.2%	$ 24,061	123.5%
Subtotal Intergovernmental Revenues	**$ 19,486.0**	**$ 23,240.9**	**$ 44,428.0**	**$ 50,762.5**	**$ 43,547.0**	**$ (7,215.5)**	**-14.2%**	**$ 24,061**	**123.5%**
Other Financing Sources									
Motor Fuel Tax	$ 74,500.0	$ 74,500.0	$ 64,500.0	$ 54,500.0	$ -	**$ (54,500.0)**	-100.0%	$ (74,500)	-100.0%
Indirect Costs	$ 13,110.5	$ 9,511.5	$ 9,518.5	$ 10,087.4	$ 11,594.1	**$ 1,506.7**	14.9%	$ (1,516)	-11.6%
Subtotal Other Financing Sources	**$ 87,610.5**	**$ 84,011.5**	**$ 74,018.5**	**$ 64,587.4**	**$ 11,594.1**	**$ (52,993.3)**	**-82.0%**	**$ (76,016)**	**-86.8%**
Total	**$ 1,895,938.8**	**$ 2,814,824.8**	**$ 3,097,119.6**	**$ 3,374,788.2**	**$ 3,464,756.2**	**$ 89,968.0**	**2.7%**	**$ 1,568,817**	**82.7%**

Note: Most recent actual data was used.

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

**Recorder of Deeds Fees include Recorder Audit Revenues.

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

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

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

Sources: FY2017 Executive Budget Recommendation, Volume 1, p. 44; Cook County FY2014 Annual Appropriation Bill, p. 31 and FY2015 Annual Appropriation Bill, p.34.

Property Tax Levy for All Funds

The County has held its base property tax level flat at $720.5 million since 2001. Beginning in FY2013, the County began capturing revenue from expiring City of Chicago tax increment financing (TIF) districts, meaning that the tax revenue within the TIF area goes to the County instead of to the TIF. In FY2017 the County will capture $17.0 million in tax revenue from expiring TIF districts, $18.8 million from new property and just under $1.0 million from incentives for a total additional amount of $36.8 million. The gross property tax levy proposed for FY2017 is $757.3 million.[100] After adjusting for estimated uncollected taxes, the total net tax levy will be $747.8 million. This is an increase of $6.8 million compared to FY2016.

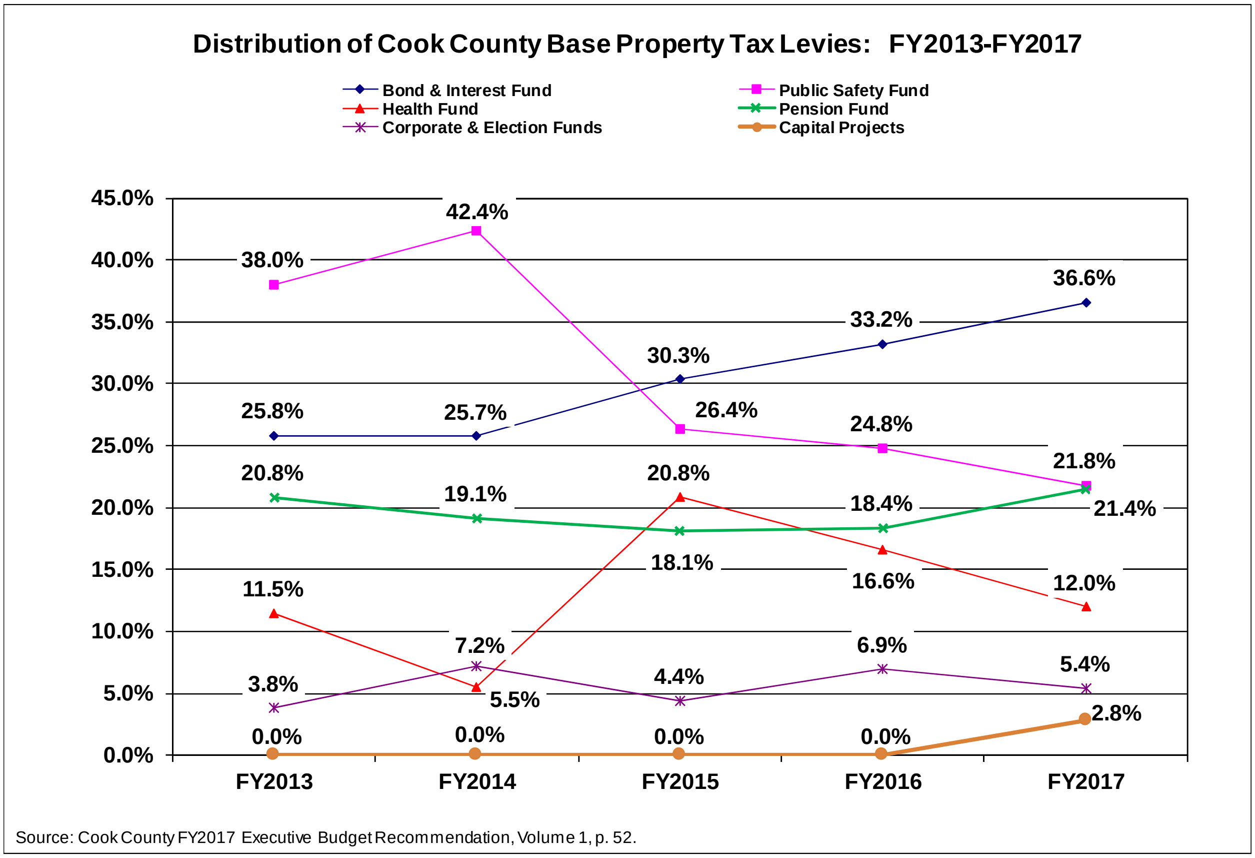
The portion of the net levy used for General and Health Fund operations in FY2017 is estimated to be $265.7 million, a 14.3% decrease from $310.0 million the previous year. The decrease in the property tax available for the operating budget is due largely to increased use of the property tax for pension payments and debt service.[101]

Property tax revenues are distributed to six major funds: Corporate Purpose, Election, Public Safety, Health Enterprise, Bond and Interest and Pension (also known as the Employee Annuity and Benefit Fund). The distribution of the base levy to all funds between FY2013 and FY2017 is shown in the chart below. The chart only includes the base property tax levy. It does not include the levy for expiring TIF districts, property tax incentives and new property because the distribution of the levy related to these sources was not described in some previous years.

Together, Public Safety, Bond and Interest and Pension Funds, will consume nearly 80% of the entire base levy in FY2017. The largest share of the property tax revenue, 36.6%, will go to debt service payments for bonds and interest, which is an increase of 3.4% from the Bond and Interest share in FY2016. The Public Safety Fund will receive 21.8% of the property tax levy, a 3.0% decrease from the FY2016 share. The Pension Fund will receive 21.4% of property tax levy resources, a 3.0% increase from FY2016. The Health Enterprise Fund will receive a decrease of 4.6% from FY2016 and the Corporate and Election funds will receive a 1.5% decrease in

[100] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 52.
[101] Cook County FY2017 Executive Budget Recommendation, p. 29.

FY2016. For the first time in FY2017, $20.3 million, or 2.8%, of total property tax revenue will be allocated for capital projects.



PERSONNEL TRENDS

The following section presents trends for budgeted personnel by fund and by control officer as well as trends in personal service appropriations for all funds, comparing the FY2017 proposed budget to the adopted FY2016 budget and adopted FY2013 budget.[102]

Cook County proposes a decrease of 138.3 full-time equivalent (FTE) positions[103] from the adopted FY2016 budget in the General Fund, Special Purpose Funds and Health Fund for a total of 22,819.6 FTEs in FY2017.[104] When grant funds are included, the total workforce is 23,228.1 FTEs, a net decrease of 211.1 FTEs, or 0.9%, from the approved FY2016 budget.[105] The net decrease in FTEs is the result of a combination of layoffs, elimination of vacant positions and added positions across the County.[106]

---

[102] Although personnel data for the Cook County Health and Hospitals System is included, details on the Health System are discussed on page 48 of this report.
[103] Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.
[104] This number does not include grant-funded positions.
[105] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 103.
[106] The County proposes a decrease of 350.8 FTEs in the Corporate Fund and Public Safety Fund (which make up the General Fund), primarily due to reductions in vacant positions, and an increase of 129.2 FTEs in the Health Fund due to a realignment of positions involving 220 layoffs, 100 vacant position eliminations and 450 new positions.

Full-Time Equivalent Positions by Fund

The County's FY2017 budget proposes to decrease FTE positions in the Corporate Fund, Public Safety Fund, Election Fund and Health Fund. The Corporate Fund's FTEs will decrease by 93.5, or 6.4%, from the FY2016 approved FTEs. The Public Safety Fund will decrease by 257.3 FTEs, or by 1.9% from FY2016 approved FTEs. While Other Special Purpose Funds and the Health Fund will increase by 82.3 FTEs, or 10.5% and 129.2 FTEs, or 1.9%, respectively. FTEs in the Health Fund are projected to increase in an effort to improve operations and the overall patient experience.[107]

Over the five-year period beginning in FY2013, FTE count excluding grant funds will increase by 240.7 FTEs or 1.1%. When excluding the Health Fund, FTE count will increase 43.9 FTEs over the five-year period. All funds will see a reduction in FTEs over the five-year period, with the exception of the Public Safety Fund and Health Fund, which will increase of 256.8 FTEs and 196.8 FTEs, respectively. The Corporate Fund workforce has decreased by 156.4 FTEs, or 10.2%, over the five-year period.

Cook County Budgeted FTEs by Fund: FY2013-FY2017

Fund	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,531.5	1,539.3	1,513.4	1,468.6	1,375.1	(93.5)	-6.4%	(156.4)	-10.2%
Public Safety Fund	13,329.4	13,831.8	14,032.1	13,843.5	13,586.2	(257.3)	-1.9%	256.8	1.9%
Election Fund	133.0	133.0	134.0	128.0	129.0	1.0	0.8%	(4.0)	-3.0%
Other Special Purpose Funds	916.9	896.5	795.3	782.1	864.4	82.3	10.5%	(52.5)	-5.7%
Subtotal without Health Fund	**15,910.8**	**16,400.6**	**16,474.8**	**16,222.2**	**15,954.7**	**(267.5)**	**-1.6%**	**43.9**	**0.3%**
Health Fund	6,668.1	6,744.1	6,746.6	6,735.7	6,864.9	129.2	1.9%	196.8	3.0%
Total	**22,578.9**	**23,144.7**	**23,221.4**	**22,957.9**	**22,819.6**	**(138.3)**	**-0.6%**	**240.7**	**1.1%**

Note: Some differences in totals may appear due to rounding. Figures do not include grant-funded positions.
Source: Cook County FY2017 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 100-103.

Full-Time Equivalent Positions by Control Officer

The General Fund, Special Purpose Funds and Health Fund will decrease by 138.3 FTEs for a total of 22,819.6 FTEs in FY2017. This is a 0.6% decrease from the adopted FY2016 budget. The most significant percentage decreases in FTEs over the two-year period occurs under the Recorder of Deeds which will decrease by 16.4% or 28 FTEs. The reduction in FTEs in the Recorder of Deeds Office is due compliance with President Preckwinkle's request to reduce staffing by 8.0% in FY2017.[108] FTEs by Control Officer will decrease or stay nearly flat, with the exception of the Health and Hospitals System and Cook County Land Bank, which will increase by 141.2 FTEs and 3.0 FTEs, respectively.

Over the past five years, the County has increased its workforce by 1.1% or 240.7 FTEs.[109] The most significant increase in the number of FTEs is in the Health and Hospitals System and Offices Under the President, which have increased by 208.8 FTEs, or 3.1%, and 153.7 FTEs or 7.1%. Conversely, the most significant decline in the number of FTEs over the five-year period has occurred in the Office of the Clerk of the Circuit Court, which has declined by 151.8 FTEs,

---

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 7; and letter to staff from Dr. Jay Shannon, Chief Executive Officer of the Cook County Health and Hospitals System, September 30, 2016.
[107] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 65.
[108] Information provided at Cook County Recorder of Deeds budget hearing, October 19, 2016.
[109] This does not include grant-funded positions.

or 8.6%, from the adopted FY2013 budget. The Recorder of Deeds Office has decreased by the largest percentage, with a decline of 53.5 FTEs, or 27.2%.

Cook County FTEs by Control Officer for All Funds: FY2013-FY2017									
Control Officer	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,162.2	2,371.5	2,395.3	2,328.1	2,315.9	(12.2)	-0.5%	153.7	7.1%
Board of Commissioners	85.6	85.9	86.3	87.5	88.1	0.6	0.7%	2.5	2.9%
County Clerk	280.0	278.0	278.0	275.0	275.0	0.0	0.0%	(5.0)	-1.8%
Recorder of Deeds	196.5	190.0	181.0	171.0	143.0	(28.0)	-16.4%	(53.5)	-27.2%
Treasurer	105.2	92.0	89.0	89.0	88.5	(0.5)	-0.6%	(16.7)	-15.9%
Sheriff	6,582.8	6,767.1	6,764.2	6,722.2	6,624.3	(97.9)	-1.5%	41.5	0.6%
State's Attorney	1,176.8	1,193.3	1,207.4	1,190.1	1,168.4	(21.7)	-1.8%	(8.4)	-0.7%
Chief Judge	3,000.2	3,091.4	3,180.9	3,151.1	3,075.8	(75.3)	-2.4%	75.6	2.5%
Clerk of the Circuit Court	1,765.5	1,762.4	1,747.7	1,648.2	1,613.7	(34.5)	-2.1%	(151.8)	-8.6%
Other Elected Officials*	515.0	527.0	506.0	508.0	495.0	(13.0)	-2.6%	(20.0)	-3.9%
Health and Hospitals System	6,709.1	6,786.1	6,785.6	6,776.7	6,917.9	141.2	2.1%	208.8	3.1%
Cook County Land Bank	0.0	0.0	0.0	11.0	14.0	3.0	27.3%	14.0	-
Total	**22,578.9**	**23,144.7**	**23,221.4**	**22,957.9**	**22,819.6**	**(138.3)**	**-0.6%**	**240.7**	**1.1%**

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

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

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 104-105.

Salaries by Control Officer

The following chart compares adopted salary appropriations for FY2013 to FY2016 with the FY2017 proposed appropriations. In FY2017 the County will appropriate approximately $1.6 billion for salary expenditures, an increase of 3.3%, or $51.6 million, from FY2016 adopted figures. Salary appropriations for all control officers will increase over the FY2016 adopted figures, with the exception of the Recorder of Deeds, which will decrease by $819.6 thousand or 8.6%. The three largest two-year dollar increases will be for the Health and Hospitals System, which will increase by $30.7 million, or 6.1%, the Offices Under the President, which will increase by $7.6 million, or 4.2%, and the Chief Judge, with a $6.1 million or 3.5% increase over FY2016 approved appropriations. The increases in salary expenditures under the Health System are tied to the planned hiring of additional staff to improve overall health system operations and improve the patient experience.[110]

Salary appropriations under all control officers will increase over the five-year period beginning in FY2013, with the exception of the Recorder of Deeds and Treasurer's Office. The largest five-year dollar increase, aside from the Health System, is for the Sheriff, whose salary appropriations will increase by $49.9 million or 12.7%. The two largest percentage increases over the five-year period will occur with the Chief Judge, which will increase by $28.5 million, or 18.7%, and the Offices Under the President by $27.3 million, or 17.0%.

[110] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 65.

Cook County Salaries by Control Officer for All Funds: FY2013-FY2017 (in $ thousands)									
Control Officer	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	$ 160,540.8	$ 171,929.4	$ 175,767.8	$ 180,301.8	$ 187,883.6	$ 7,581.8	4.2%	$ 27,342.9	17.0%
Board of Commissioners	$ 6,269.2	$ 6,377.9	$ 6,529.7	$ 6,708.6	$ 6,805.2	$ 96.6	1.4%	$ 535.9	8.5%
County Clerk	$ 14,915.5	$ 15,411.5	$ 15,433.9	$ 16,826.4	$ 17,581.8	$ 755.3	4.5%	$ 2,666.2	17.9%
Recorder of Deeds	$ 9,750.3	$ 9,878.8	$ 9,465.4	$ 9,494.6	$ 8,674.9	$ (819.6)	-8.6%	$ (1,075.4)	-11.0%
Treasurer	$ 7,384.8	$ 6,813.4	$ 6,518.9	$ 6,948.4	$ 7,161.5	$ 213.1	3.1%	$ (223.3)	-3.0%
Sheriff	$ 394,095.5	$ 404,925.7	$ 412,259.9	$ 439,504.6	$ 443,992.2	$ 4,487.6	1.0%	$ 49,896.7	12.7%
State's Attorney	$ 90,002.2	$ 92,863.6	$ 93,542.2	$ 96,895.7	$ 98,409.4	$ 1,513.7	1.6%	$ 8,407.2	9.3%
Chief Judge	$ 152,115.8	$ 161,734.9	$ 161,742.5	$ 174,527.8	$ 180,593.0	$ 6,065.2	3.5%	$ 28,477.2	18.7%
Clerk of the Circuit Court	$ 80,339.3	$ 83,236.4	$ 83,696.7	$ 86,165.9	$ 86,854.2	$ 688.4	0.8%	$ 6,515.0	8.1%
Other Elected Officials*	$ 31,269.3	$ 32,196.6	$ 31,035.9	$ 32,849.4	$ 32,945.0	$ 95.5	0.3%	$ 1,675.7	5.4%
Health and Hospitals System	$ 485,438.5	$ 485,495.6	$ 471,056.6	$ 499,909.2	$ 530,603.0	$ 30,693.8	6.1%	$ 45,164.5	9.3%
Cook County Land Bank	$ -	$ -	$ -	$ 828.5	$ 1,106.5	$ 277.9	33.5%	$ 1,106.5	-
Total	**$1,432,121.2**	**$1,470,863.8**	**$1,467,049.6**	**$1,550,961.0**	**$1,602,610.3**	**$ 51,649.3**	**3.3%**	**$ 170,489.1**	**11.9%**

Note 1: Some differences in totals may appear due to rounding.

Note 2: Does not inlcude grant funds.

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

Source: Cook County FY2017 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 106-111.

Personal Services Appropriations

The following chart compares the FY2013-FY2016 adopted and FY2017 proposed budgets for personal services appropriations to the total County operating budget, excluding grant funds. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employee's Medicare contributions and pensions.[111] Also included are employee expenses such as training programs or professional seminars.[112]

Personal services appropriations are projected to increase $104.3 million, or 5.3% above the approved FY2016 budget to approximately $2.1 billion in FY2017. Personal services appropriations will constitute 50.4% of the total budget in FY2017, up 0.7 percentage points from 49.7% in FY2016. The increase in personal services in FY2017 is due to wage increases tied to labor agreements and the net increase in the number of FTEs in the Health Fund.[113] However, FY2017 marks the second lowest year of the ratio of personal services appropriations to the operating budget in the past five years. Over the five-year period the ratio has decreased by 15.8 percentage points from its peak of 66.2% in FY2013. Personal service appropriations are proposed to increase by $228.2 million, or 12.3%, while total operating funds expenditures will

[111] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 333.
[112] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 330.
[113] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 58.

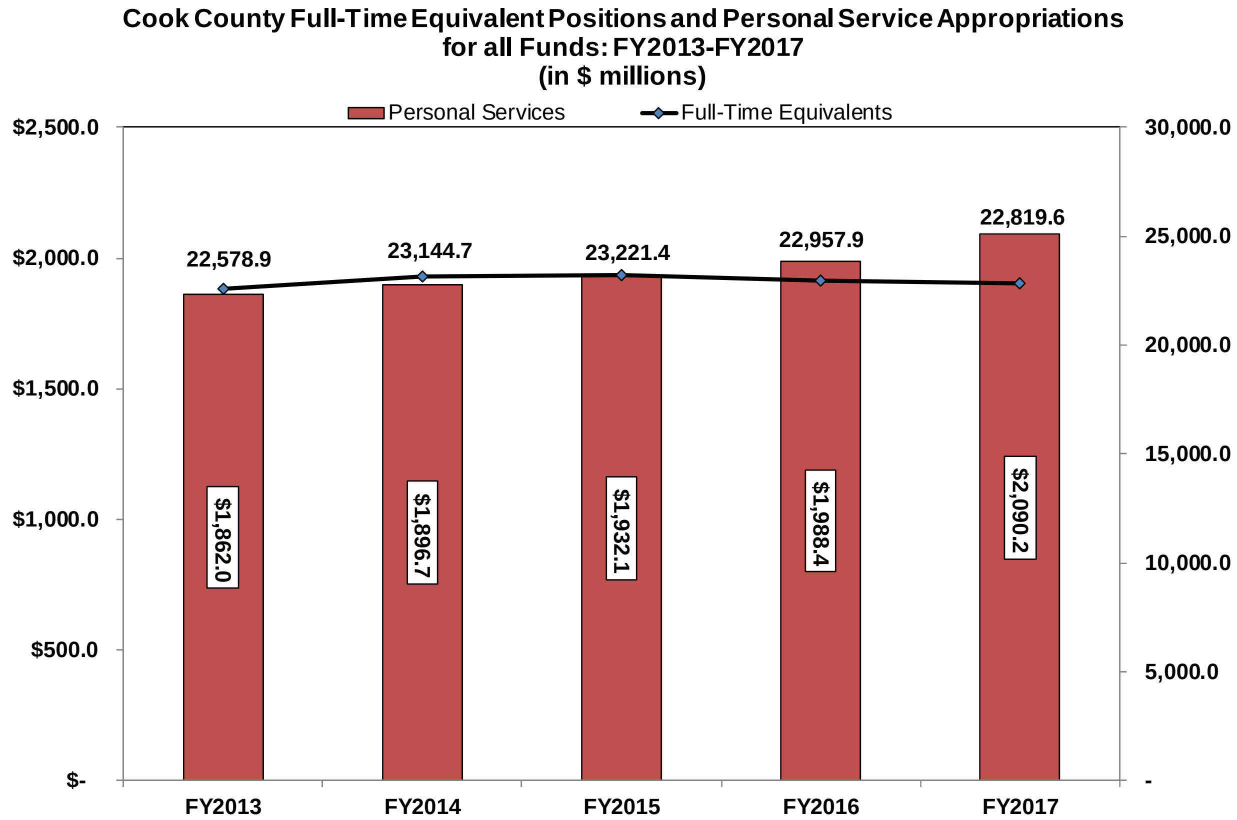
increase by $1.3 billion, or 47.4%, over the five-year period.

Ratio of Personal Services Appropriations to Total General, Special Purpose and Health Funds Appropriations: FY2013-FY2017			
	Personal Services Appropriation	**Total Operating Funds Expenditures**	**Personal Services as % of Total Operating Funds**
FY2013 Adopted	$ 1,862,016,811	$ 2,813,385,201	66.2%
FY2014 Adopted	$ 1,897,719,798	$ 3,045,766,407	62.3%
FY2015 Adopted	$ 1,932,097,098	$ 3,527,952,201	54.8%
FY2016 Adopted	$ 1,985,844,828	$ 3,992,361,026	49.7%
FY2017 Proposed	$ 2,090,182,923	$ 4,145,699,198	50.4%

Note: Adopted appropriations are used because actual expenditures are not available. Figures do not include grant funds.
Sources: Cook County FY2013 Annual Appropriations Ordinance, p. 36; FY2014, p. 84; FY2015, p. 86; FY2016, p. 92; and FY2017 Executive Budget Recommendations, Volume 1, p. 97.

The next exhibit shows total full-time equivalent positions and personal services appropriations for the five years between FY2013 and FY2017 for all funds, excluding grants. The proposed number of FTEs has increased from 22,578.9 FTEs in FY2013 to 22,819.6 FTEs in the proposed FY2017 budget, an increase of 1.1%, or 240.7 FTEs. At the same time, personal services appropriations have increased from nearly $1.9 billion in FY2013 to just above $2.0 billion in FY2017, an increase of 12.3% or $228.2 million. Between FY2013 and FY2017 personal services appropriations have generally reflected changes in FTE count. However, personal services appropriations will increase in FY2017 while FTE count will decrease. The increase in personal service appropriations over the five-year period is primarily due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements beginning with a 1.0% increase in June 2013 and half a percentage point in both 2014 and 2015 plus an additional 2.0% cost of living adjustment that went into effect December 1, 2015.

However, these increases are partially offset by management initiatives that have reduced employee health benefit expenses.[114]



Note: Does not include grant-funded positions or grant-funded personal services appropriations.
Source: Cook County FY2013 Appropriations Ordinance, p. 36; FY2014, pp.77 and 84; FY2015, pp. 79-86 and 92; FY2016, pp. 85-92 and pp. 95-98; and Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 90-97 and pp. 100-103.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

This section examines the recommended FY2017 budget of the Cook County Health and Hospitals System. A separate section is devoted to the Health System because it is governed by its own Board of Directors and is accounted for as a separate fund in the County's budget.[115]

Overview of the Health System

The Health System is one of the largest public hospital systems in the United States run by a unit of local government.[116] It operates John H. Stroger Jr. and Provident Hospitals and provides

---

[114] Cook County FY2017 Executive Budget Recommendation, Volume I, p. 58.
[115] The Health Fund accounts for $1.6 billion, or 98.5%, of the Health System's FY2017 recommended appropriations. The Health System also administers $14.8 million in grants and controls two Special Purpose Funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District, with total FY2017 proposed appropriations of $9.8 million.
[116] Cook County FY2015 Comprehensive Annual Financial Report, p. 18.

outpatient services at the Ambulatory and Community Health Network (ACHN), the Oak Forest Health Center and the Ruth M. Rothstein CORE Center, which serves patients with HIV/AIDS.

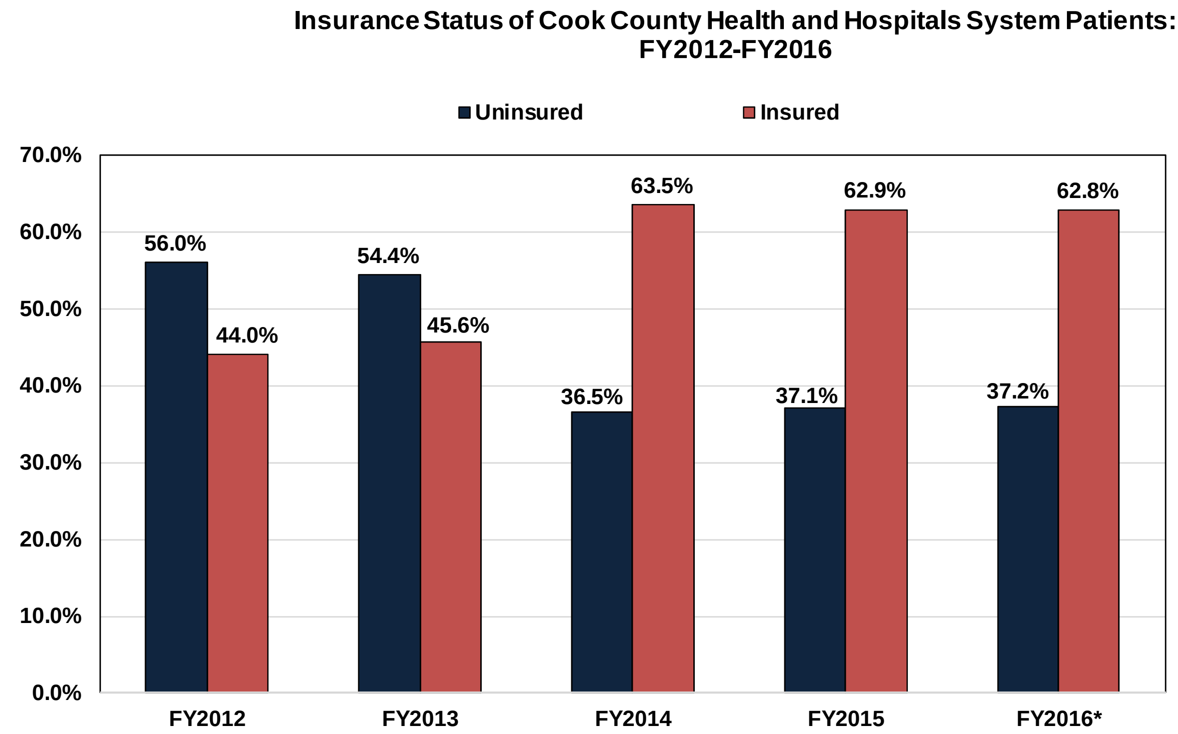
Other operations include Cermak Health Services and Juvenile Temporary Detention Center (JTDC) Health Services, which provide healthcare for adults held at the Cook County Jail and children detained by the County. The Cook County Department of Public Health is responsible for public health services in suburban Cook County.

As the largest provider of medical care to the uninsured and underinsured in the State of Illinois,[117] the Health System has historically struggled to cover its costs. The federal Affordable Care Act (ACA) dramatically improved the Health System's finances by providing Medicaid coverage for patients who were previously treated free of charge. It paved the way for the creation of the Health System's Medicaid managed care plan, called CountyCare.

Since the launch of CountyCare in 2013, the Health System has begun to see more insured patients than uninsured patients. Previously over half of the Health System's patients were uninsured and generally did not pay for services.

[117] Cook County FY2015 Comprehensive Annual Financial Report, p. 18.

The following chart shows the insurance status of Health System patients from FY2012 to FY2016.[118] Due to the increase in Medicaid coverage, the share of uninsured patients declined from 56.0% in FY2012 to 36.5% in FY2014, while the share of insured patients rose commensurately. The percentage of uninsured patients edged up slightly to 37.1% in FY2015 and is expected to be approximately flat at 37.2% in FY2016.



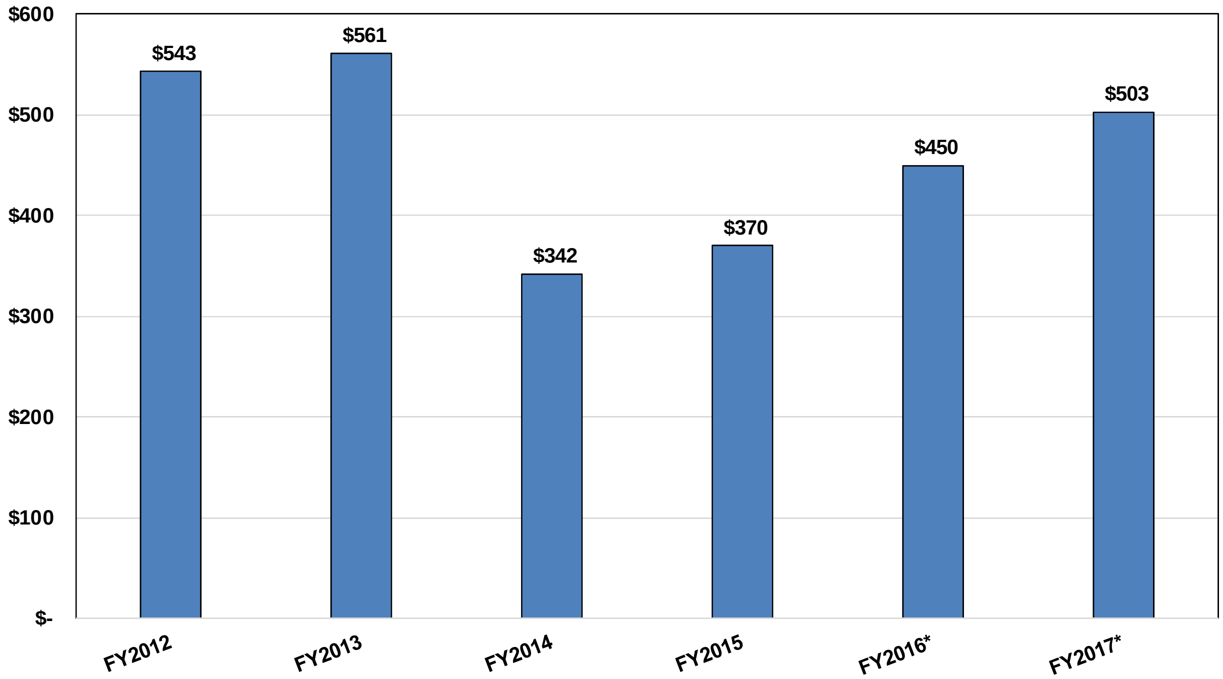
*As of July 2016.
Source: Cook County Health and Hospitals System, *FY2017 Proposed Budget and Financial Plan,* August 19, 2016, p. 15; Cook County Health and Hospital System, *FY2016 Budget Presentation*, August 21, 2015, p. 10; Communication between Civic Federation and Cook County Health and Hospitals Sytem.

[118] The percentages for FY2015 and FY2016 differ from the percentages for those years shown in the Health System's and County's budget presentations. In a communication with the Civic Federation, the Health System said the percentages in the presentations were for a single point in time, not for a full year or partial year.

The increase in Medicaid coverage also led to an initial decrease in the Health System's cost of uncompensated healthcare, which consists of free care and patients' bills that cannot be collected. As shown in the next chart, uncompensated care declined from $561 million in FY2013 to $342 million in FY2014, as previously uninsured patients joined CountyCare.

However, the decrease appears to have been short-lived. Uncompensated care rose to $370 million in FY2015 and is projected to grow to $450 million in FY2016 and $503 million in FY2017.[119]

Cook County Health and Hospitals System Cost of Uncompensated Care: FY2012-FY2017 (in $ millions)



Source: Cook County FY2017 Budget Briefing Presentation, October 13, 2016, p. 25.

Health System officials have attributed the increase partly to unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the ACA.[120] They have also suggested that other hospitals are increasingly referring uninsured patients to the Health System.[121]

To reduce uncompensated care costs and provide better healthcare for people without health insurance, the Cook County Board of Commissioners in September 2016 approved the creation

[119] Cook County FY2017 Budget Briefing Presentation, October 13, 2016, p. 25.
[120] Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p.10.
[121] Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p.10.

of a new managed care program for the uninsured.[122] The new plan is scheduled to start in early 2017 and initially cover most of the approximately 40,000 low-income individuals in the Health System's financial assistance program, called CareLink.[123] The estimated cost of the new plan is $2 million in FY2017, but the Health System hopes to save money in the long run by providing preventive care that reduces emergency room visits and hospital stays.

The increase in uncompensated care costs is one of several major fiscal problems facing the Health System in FY2017. Other issues include rising personnel costs, largely due to five-year union contracts signed by the County in 2016 that expire at the end of FY2017; increasing prices for drugs and medical supplies; decreased reimbursement from the federal government for newly eligible Medicaid recipients under the ACA; capital equipment costs that had previously been financed by the County; and a reduced allotment of County tax revenues.

The FY2017 budget proposes both growth and cost reductions. Full-time equivalent (FTE) positions increase by 129.2, or 1.9%, to 6,864.9, with approximately 450 new positions offset by layoffs and vacancy eliminations. The new staff is expected to accommodate increases of 16% in primary care visits, 15% in specialty care visits and 6% in surgeries.

At the same time, the Health System expects to operate more efficiently by reducing overtime pay, limiting the use of outside nurses and matching job titles with job functions. The System is also bringing operations such as care coordination in-house and adding staff to improve its ability to follow procedures required by other Medicaid managed care organizations that it contracts with.

Despite improvements in some areas, patients continue to give the Health System relatively low marks on their experience at its facilities.[124] The System is working to make the facilities more physically appealing and to streamline registration procedures. Given its long history as a healthcare provider of last resort, the System has acknowledged challenges in ensuring that patients are treated kindly and respectfully.[125]

The proposed FY2017 budget is the first since the Health System issued its latest strategic plan, which covers FY2017 through FY2019.[126] The plan envisions the Health System's continued transformation from a hospital-based organization to a system focused on community care that will keep patients out of institutions, including the Cook County Jail.

---

[122] Office of the Cook County Board President and Cook County Health and Hospitals System, "Cook County Health to Increase Access to Care for Uninsured Residents," *news release*, September 14, 2016.

[123] The new plan will initially cover individuals with annual income up to 200% of the Federal Poverty Level and otherwise not eligible for public health insurance. In 2016 the income limit for an individual would have been $23,760.

[124] Cook County Health and Hospitals System, *CCHHS Board of Directors Quality and Patient Safety Committee Dashboard Overview*, October 18, 2016, pp. 5-7.

[125] Communication between the Civic Federation and the Cook County Health and Hospitals System, August 25, 2016.

[126] Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, http://www.cookcountyhhs.org/wp-content/uploads/2016/01/CCHHS-Strategic-Plan-2017-2019-Impact-2020-approved-07-29-16.pdf (last visited on October 22, 2016).

To that end, the Health System has begun offering mental health and substance abuse services at its neighborhood clinics. Earlier this year it opened the Community Triage Center in the Roseland neighborhood, a community mental health clinic where Chicago police officers can now drop off low-level offenders who need behavioral health services instead of arresting them.[127]

Even though the Health System has had its own Board of Directors since 2008, it needs approval from the Cook County Board for strategic plans and any moves to close hospitals. The County Board supplies the Health System's tax allocation and approves its budgets, which are then incorporated into the Executive Budget Recommendation. In recent years, the Health System's budgets have been developed in cooperation with the President's Office.

In the County budget, the Health System has been shown as an enterprise fund rather than a component of the County's General Fund since FY2014. This designation mirrors the accounting classification used in the County's Comprehensive Annual Financial Report (CAFR) and is intended to emphasize the growing financial independence of the Health System.[128]

Enterprise funds are used to account for government activities that are run on a business-like basis, charging fees to the public for the services consumed.[129] Activities accounted for through enterprise funds are typically expected to be self-supporting or nearly so.[130] Even though the Health System is not entirely self-supporting, maintaining such activities as enterprise funds provides useful information on the amount of subsidy required to support them.

Health System Appropriations

The Health System's proposed appropriations for FY2017 total $1.59 billion, a decrease of $48.7 million, or 3.0%, from $1.64 billion in FY2016. The decline mainly reflects a reduction in appropriations for CountyCare of $98.3 million, or 15.2%, from $646.0 million in FY2016 to $547.8 million in FY2017.

The decrease in appropriations for CountyCare (shown as Managed Care in the budget and the table on the following page) is mainly due to a decline in projected membership. The FY2016 budget projected CountyCare membership at about 180,000, while the membership target for FY2017 is 142,500. The actual number of members in FY2016 is now projected at 154,500, down from 167,000 in FY2015.[131]

Health System officials have linked the decline partly to members' failure to complete annual renewals of Medicaid eligibility required by the State. They have also said that the State's process for automatically assigning new members puts larger managed plans at a disadvantage

---

[127] Cook County Health and Hospitals System, "Cook County Announces Bold Plan to Address Behavioral Health, *news release*, February 29, 2016.
[128] Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 4.
[129] Steven A. Finkler, Robert M. Purtell, Thad D. Calabrese and Daniel L. Smith, *Financial Management for Public, Health, and Not-for-Profit Organizations* (Upper Saddle River, N.J.: Pearson Education Inc., 2013), p. 448.
[130] Robert L. Bland, *A Revenue Guide for Local Government* (Washington, D.C.: International City/County Management Association, 2010), p. 205.
[131] Cook County FY2017 Executive Budget Recommendation, Volume 2, p. O-79.

because it seeks to even out membership numbers across plans. CountyCare has recently been the County's third largest Medicaid managed care plan behind Blue Cross Blue Shield and the Family Health Network.

In the budget, appropriations for CountyCare only include medical and administrative costs of the plan outside the System; internal medical expenses related to CountyCare patients are shown throughout the Health System's budget. Even though membership is projected to be lower in FY2017, the budget assumes that CountyCare will be of greater benefit to the System because members will use an increasing share of internal services. The share was expected to reach 33.0% in FY2016[132] but is now projected at 24.3% in the current year and 28.0% in FY2017.[133]

CountyCare's net impact on the Health System was projected at $261.5 million in FY2017, compared with an estimated impact of $213.9 million in FY2016[134]and a budgeted FY2016 impact of about $311 million.[135] Net impact consists of the net profit or loss from CountyCare operations, as well as Health System billings to CountyCare for patient services.

Appropriations for Stroger Hospital increase by $47.0 million, or 8.6%, to $591.1 million. Stroger accounts for more than 60% of the Health System's staff, so the increase partly reflects the costs of union contracts and persistent high overtime expenses. Stroger's budget also includes increases for leasing of office and medical equipment and for drug and surgical supplies.

Appropriations for the Oak Forest Health Center (formerly Oak Forest Hospital) decline by $2.3 million, or 22.5%, to $8.1 million in FY2017 from $10.4 million in FY2017. The decrease relates to the shifting of non-clinical staff to other locations to reduce the cost of upkeep of the Oak Forest facility.[136] Costs related to clinical activities at Oak Forest are shown as part of the ACHN budget.

Appropriations for Cermak Health Services increase by $3.3 million, or 5.1%, to $68.9 million in FY2017 from $65.6 million in FY2016. The increase largely reflects higher personnel costs, including the addition of 27.5 FTE positions to comply with a federal consent decree involving conditions at the jail.[137]

Appropriations for Health System Administration decline by $3.9 million, or 3.5%, to $109.6 million in FY2017 from $113.5 million in FY2016. A decrease in professional services costs and rental and leasing expenses more than offsets increased personnel costs.[138]

---

[132] Cook County FY2016 Executive Budget Recommendation, Volume 2, p. O-71.
[133] Cook County FY2017 Executive Budget Recommendation, Volume 2, p. O-79.
[134] Communication between the Civic Federation and the Cook County Department of Budget and Management Services, October 25, 2016.
[135] Cook County Health and Hospitals System, *FY2016 Budget Presentation*, August 21, 2015, p. 17.
[136] Cook County Health and Hospitals System, August 19, 2016 meeting of the Finance Committee.
[137] United States of America v. Cook County, No. 10-2946 (N.D. Ill filed May 13, 2010).
[138] Cook County FY2017 Executive Budget Recommendation, Volume 2, pp. O-9 to O-12.

The next table shows actual expenditures for FY2013 to FY2015, appropriations for FY2016 and proposed appropriations for FY2017. Total FY2017 appropriations are up by $630.5 million, or 65.5%, from spending of $961.7 million in FY2013, due mainly to the growth of CountyCare.

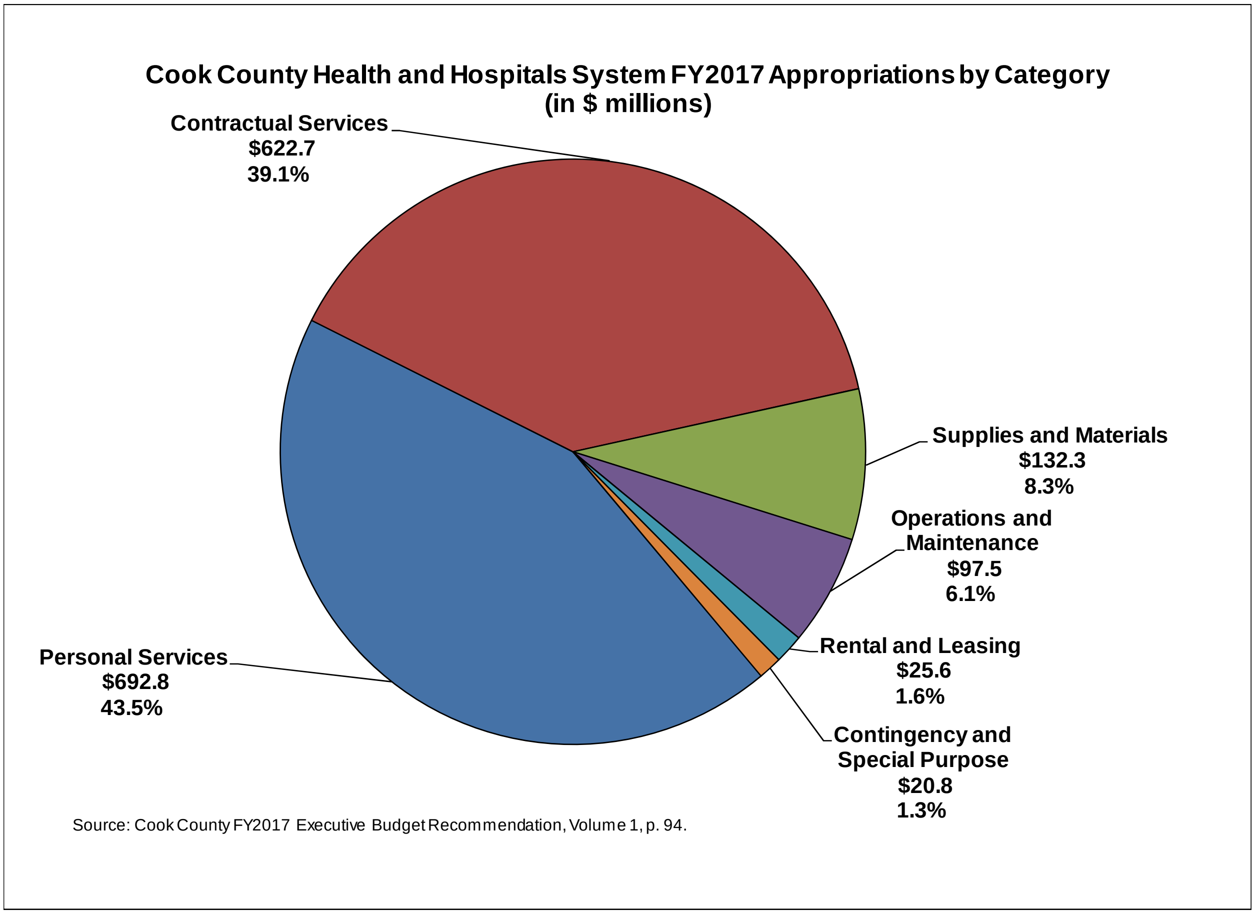
Cook County Health and Hospitals System Appropriations and Expenditures by Department: FY2013-FY2017 (in $ thousands)

Department	FY2013 Actual Exp.	FY2014 Actual Exp.	FY2015 Actual Exp.	FY2016 Approp.	FY2017 Proposed Approp.	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health System Administration	$ 170,258.0	$ 176,687.6	$ 113,201.7	$ 113,488.1	$ 109,568.4	$ (3,919.7)	-3.5%	$ (60,689.6)	-35.6%
Cermak Health Services	$ 40,805.8	$ 41,436.9	$ 54,819.1	$ 65,591.8	$ 68,923.8	$ 3,332.0	5.1%	$ 28,118.0	68.9%
JTDC Health Services	$ 3,135.3	$ 3,027.2	$ 3,119.2	$ 3,798.2	$ 3,804.5	$ 6.3	0.2%	$ 669.2	21.3%
Provident Hospital	$ 45,210.0	$ 44,812.7	$ 50,069.5	$ 46,844.4	$ 47,525.4	$ 681.0	1.5%	$ 2,315.4	5.1%
Ambulatory and Community Health Network	$ 48,151.9	$ 43,732.7	$ 56,925.6	$ 78,815.1	$ 78,341.7	$ (473.4)	-0.6%	$ 30,189.8	62.7%
CORE Center	$ 11,012.4	$ 11,369.2	$ 11,862.5	$ 12,183.2	$ 12,835.1	$ 651.9	5.4%	$ 1,822.7	16.6%
Department of Public Health	$ 12,001.9	$ 12,654.6	$ 9,867.2	$ 10,836.2	$ 10,797.9	$ (38.3)	-0.4%	$ (1,204.0)	-10.0%
Managed Care*	$ 103,377.0	$ 489,401.6	$ 568,560.2	$ 646,044.7	$ 547,783.0	$ (98,261.7)	-15.2%	$ 444,406.0	429.9%
Stroger Hospital	$ 416,111.0	$ 443,288.3	$ 525,453.2	$ 544,088.0	$ 591,114.8	$ 47,026.8	8.6%	$ 175,003.8	42.1%
Oak Forest Health Center	$ 11,002.0	$ 10,513.6	$ 11,050.1	$ 10,388.0	$ 8,055.7	$ (2,332.3)	-22.5%	$ (2,946.3)	-26.8%
Subtotal Departmental Appropriations	**$ 861,065.3**	**$ 1,276,924.4**	**$ 1,404,928.3**	**$ 1,532,077.7**	**$ 1,478,750.3**	$ (53,327.4)	-3.5%	$ 617,685.0	71.7%
Fixed Charges and Special Purpose Appropriations	$ 100,603.4	$ 93,884.3	$ 120,693.6	$ 108,274.4	$ 112,930.4	$ 4,656.0	4.3%	$ 12,327.0	12.3%
Total	**$961,668.7**	**$1,370,808.7**	**$1,525,621.9**	**$1,640,352.1**	**$1,591,680.7**	**$ (48,671.4)**	**-3.0%**	**$ 630,012.0**	**65.5%**

*Includes only managed care expenses for services provided outside the Health System; internal managed care expenses are included in department figures.

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 7.

The following chart shows FY2017 Health System appropriations by category. Personal services is the largest appropriation category, accounting for 43.5% of appropriations. The contractual services category accounts for 39.1%, up from 12.4% in FY2012. The increase reflects the growth of CountyCare, which relies heavily on outside healthcare providers and administrators.



Health System Resources

The Health System's operating revenues come mainly from Medicaid, the joint federal-state program that finances healthcare services for low-income people. The County bridges the gap between the System's expenditures and operating revenues through a tax allocation (formerly known as a subsidy) that has consisted largely of property, cigarette and sales tax revenues. Before the growth of CountyCare, the Health System repeatedly was unable to meet budgeted revenue projections and was required to use reserves to cover losses.

Health System Operating Revenues

Health System operating revenues are projected to decline by $60.1 million, or 3.9%, to $1.48 billion in FY2017 from an estimated $1.54 billion in FY2016. A drop in CountyCare revenues is only partially offset by an increase in patient fee revenues from other Medicaid managed care plans whose members visit the Health System.

CountyCare revenues are expected to fall by $96.8 million, or 10.7%, from $906.1 million to $809.3 million. Like other Medicaid managed care plans, CountyCare receives a fixed per member per month (PMPM) fee, or capitation rate, which varies depending on category of member, age, gender and other factors. The projected decline in CountyCare membership results in a decrease in revenues. CountyCare revenues had been budgeted at $952.4 million in FY2016 based on the assumption of growing membership. However, the Health System is also expecting to keep more of CountyCare's revenues within the System instead of paying fees to outside healthcare providers.

In contrast to the lower than expected CountyCare revenue in FY2016, the Health System received more revenue than originally budgeted from other managed care organizations whose patients use System services. Patient fee revenue was budgeted at $266.0 million in FY2016 but is projected to end the year at $337.1 million. This revenue is projected to grow by $38.0 million, or 11.3%, to $375.1 million in FY2017.

The Health System also receives supplemental Medicaid payments—not tied to individual patient care—designed for hospitals that serve the poor. These payments, which are expected to be unchanged in FY2016, consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).[139]

States make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid. The Health System began receiving DSH payments under an agreement with the State completed in mid-2009 that was retroactive to July 1, 2008.

BIPA payments are provided under federal legislation that earmarks $375.0 million annually to the Health System, which is the only public health system that meets the eligibility criteria specified in the law.[140] Of that total, 65.0% goes to the State for its Medicaid program and 35.0% is kept by the Health System.

[139] Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2).
[140] Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

The following table shows actual operating revenues from FY2013 to FY2015, budgeted and estimated operating revenues for FY2016 and proposed operating revenues for FY2017.

Cook County Health and Hospitals System Operating Revenues: FY2013-FY2017 (in $ thousands)								
	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2016 Estimated	FY2017 Proposed	Two-Year $ Change[1]	Two-Year % Change[1]
Patient Fee Revenue	$ 233,397.9	$ 280,772.5	$ 333,388.8	$ 266,000.0	$ 337,101.4	$ 375,119.4	$ 38,018.0	11.3%
BIPA[2]	$ 161,300.0	$ 101,300.0	$ 138,668.8	$ 131,250.0	$ 134,586.5	$ 132,337.5	$ (2,249.0)	-1.7%
DSH[3]	$ 170,941.1	$ 169,680.0	$ 157,709.6	$ 162,338.2	$ 156,718.4	$ 156,700.0	$ (18.4)	0.0%
Managed Care	$ 101,819.5	$ 727,723.0	$ 859,295.6	$ 952,420.3	$ 906,101.2	$ 809,273.9	$ (96,827.3)	-10.7%
Miscellaneous[4]	$ 6,349.6	$ 20,387.1	$ 7,721.9	$ 7,108.5	$ 6,000.0	$ 7,000.0	$ 1,000.0	16.7%
Total	**$ 673,808.1**	**$1,299,862.6**	**$1,496,784.7**	**$1,519,117.0**	**$1,540,507.5**	**$1,480,430.8**	**$ (60,076.7)**	**-3.9%**

[1]Two-year change from projected FY2016 to proposed FY2017.
[2]Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).
[3]Disproportionate Share Hospital payments.
[4]Includes Public Health Department fees and revenue from cafeteria, medical records, parking income and pharmacy service charges.
Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 20 and 44.

It should be noted that the Health System's Medicaid funding differs from that of most other healthcare providers. States typically pay for Medicaid expenses and are then reimbursed for at least half of their spending by the federal government.

Under a financing arrangement known as an intergovernmental transfer, the non-federal share of Medicaid spending for the Health System is contributed by Cook County instead of the State. The County contribution is sent to the State and matched by the federal government. The total amount—both the County and federal portions—is then paid to the County. Because the County's initial contribution is returned, the net financial impact on the Health System is the additional federal revenue.

The general reimbursement rate for Illinois is currently 51.3%. One exception is for costs related to newly eligible adults under the ACA expansion. The federal government is scheduled to pay 100% of the cost for newly eligible recipients through calendar year 2016, but the reimbursement drops to 95% in 2017; 94% in 2018; 93% in 2019; and 90% in 2020 and thereafter.

The Health System is negotiating with the State on a mechanism to receive enhanced reimbursement for serving clients of other managed care organizations. State law required that 50% of Medicaid patients be enrolled in managed care by January 2015; the State exceeded the goal by mandating that almost all Cook County Medicaid recipients be in managed care.

County Tax Allocation

In FY2017 the Health System's tax allocation from the County declines by $10.0 million, or 8.2%, to $111.3 million from $121.2 million in FY2016.[141] The FY2017 tax allocation consists of $87.9 million in property taxes, $3.4 million from a tax on tobacco products (other than cigarettes) and $20.0 million from the proposed new tax on sweetened beverages.[142]

It should be noted that the Health System's budget includes the Public Health Department and health services at the County Jail and the Juvenile Temporary Detention Center, which generate

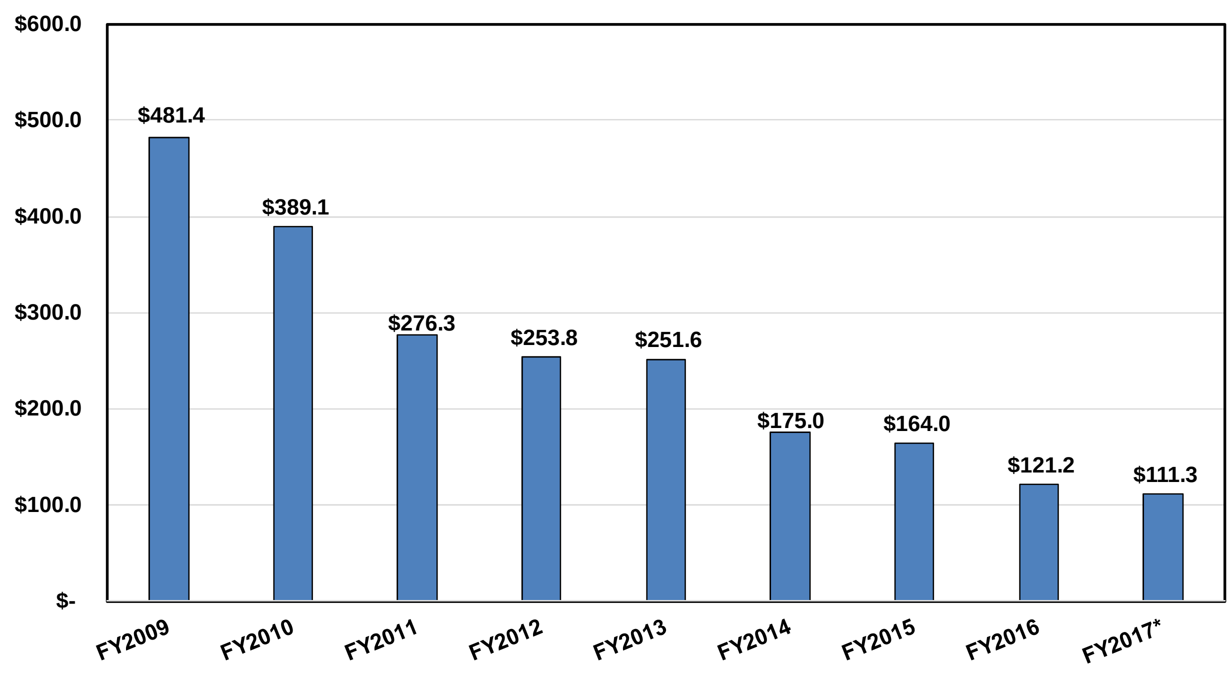
[141] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 55.
[142] Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 47.

little or no revenue. In FY2017 appropriations for those operations total $83.5 million, or about three-fourths of the proposed $111.3 million tax allocation.

It is also important to recognize that the budgeted tax allocation for the Health System does not include County payments for System-related pension contributions and debt service. However, the County budget presents estimates of pension and debt service payments to provide a more complete picture of the Health System's use of County resources. In FY2017 these additional County contributions to the Health System total $300.6 million, consisting of $184.7 million in pension payments and $115.9 million in debt service payments.

Not including pension and debt service payments, the tax allocation has fallen from $481.5 million in FY2009. The following chart shows the tax allocation from FY2009 to FY2017.

Cook County Tax Allocation to Health and Hospitals System: FY2009-FY2017 (in $ millions)*



*Does not include pension contributions and debt service payments.
Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 55; Cook County FY2014 Executive Budget Recommentation, Volume 1, p. 40.

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

The following table shows the System's net income or loss from FY2009 to FY2015. The amounts for FY2016 are based on County estimates.

Cook County Health and Hospitals System Net Income (Loss): FY2009-FY2016 (in $ millions)								
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016*
Operating Revenues	$ 663,388.4	$ 533,627.3	$ 474,660.1	$ 577,956.8	$ 673,808.2	$ 1,299,862.6	$ 1,496,784.7	$ 1,540,507.5
Operating Expenditures	$ 974,696.1	$ 952,593.3	$ 864,428.7	$ 949,401.8	$ 961,668.7	$ 1,370,808.7	$ 1,525,622.0	$ 1,642,329.0
Operating Loss	**$ (311,307.7)**	**$ (418,966.0)**	**$ (389,768.6)**	**$ (371,445.0)**	**$ (287,860.5)**	**$ (70,946.1)**	**$ (28,837.3)**	**$ (101,821.5)**
Tax Allocation**	$ 481,419.9	$ 389,113.2	$ 276,257.4	$ 253,771.0	$ 265,225.7	$ 171,288.8	$ 163,921.7	$ 121,235.2
Net Income (Loss)	**$ 170,112.2**	**$ (29,852.8)**	**$ (113,511.2)**	**$ (117,674.0)**	**$ (22,634.8)**	**$ 100,342.7**	**$ 135,084.4**	**$ 19,413.7**

*Projected.

**Tax allocation numbers in this chart differ slightly from the numbers in the chart above due to discrepancies in County budget documents. The reason for the discrepancies has not yet beeen determined.

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 20; Cook County FY2013 Executive Budget Recommendation, Resident's Guide, p. 9, Proposed Expenditures, p. 7 and Revenue Estimate, p. 25.

As shown in the table, the reduction in the County's tax allocation initially resulted in net losses that were covered by the System's reserves. This was made possible by the receipt of retroactive DSH payments in FY2009, as discussed above. After CountyCare got off the ground in FY2014, the System's own revenues more than offset decreases in the tax allocation.

Based on current estimates, the Health System would have net income of about $19 million in FY2016. In FY2016 the System underestimated overtime expenses and external CountyCare expenses. These additional expenditures were partially offset by higher than expected Medicaid fees paid by other managed care companies. The Health System also reduced spending on medical and office supplies and facility maintenance and delayed the implementation of behavioral health services.[143]

Health System Personnel

The proposed FY2017 Health System budget includes 6,864.9 full-time equivalent positions (FTEs), a net increase of 129.2 FTEs from 6,735.7 in FY2015. This net result will be accomplished by the addition of 450 positions, as well as 220 layoffs and the elimination of 100 vacancies, according to Health System officials.[144]

The Health System plans to add jobs for registered nurses in areas including labor and delivery, medical and surgical services, critical care and care management. Other new jobs will center on care coordination and behavioral health. For the System's growing business with other Medicaid managed care plans, additional personnel is needed to make sure that patients have required pre-authorizations and that claims are in proper order to be paid.

Staffing reductions are expected to involve licensed practical nurses (LPNs) and a range of less skilled clerical and administrative jobs that the Health System says are not needed as its focus shifts and it attempts to adopt modern staffing models. At a budget hearing before the County

[143] Communication between the Civic Federation and the Cook County Department of Budget and Management Services, October 25, 2016.
[144] Letter to staff from Dr. John Jay Shannon, CEO of the Cook County Health and Hospitals System, September 30, 2016.

Finance Committee, the Health System's CEO, Dr. Jay Shannon, said non-licensed medical assistants can do all the clinic jobs currently performed by three different categories of Health System workers.[145] He also said electrocardiogram technicians are no longer used in other health systems because their function is limited to operating EKG machines, resulting in downtime when the machines are not in use.

The following table shows Health System FTEs from FY2013 to FY2017.

Cook County Health and Hospitals System FTEs: FY2013-FY2017									
	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Health System Administration	608.0	647.0	411.8	485.0	494.0	9.0	1.9%	(114.0)	-18.8%
Cermak Health Services	502.1	578.4	617.0	609.0	636.5	27.5	4.5%	134.4	26.8%
JTDC Health Services	36.0	37.0	37.0	35.0	38.0	3.0	8.6%	2.0	5.6%
Provident Hospital	383.0	357.5	385.0	354.0	342.0	(12.0)	-3.4%	(41.0)	-10.7%
Ambulatory and Community Health Network	652.0	620.0	858.2	775.0	857.0	82.0	10.6%	205.0	31.4%
CORE Center	66.0	69.3	75.0	78.0	78.0	0.0	0.0%	12.0	18.2%
Department of Public Health	155.0	148.0	125.0	123.0	120.0	(3.0)	-2.4%	(35.0)	-22.6%
Managed Care	247.0	266.3	30.0	23.0	98.0	75.0	326.1%	(149.0)	-60.3%
Stroger Hospital	3,903.0	3,905.6	4,097.6	4,154.7	4,122.4	(32.3)	-0.8%	219.4	5.6%
Oak Forest Health Center	116.0	115.0	110.0	99.0	79.0	(20.0)	-20.2%	(37.0)	-31.9%
Total	**6,668.1**	**6,744.1**	**6,746.6**	**6,735.7**	**6,864.9**	**129.2**	**1.9%**	**196.8**	**3.0%**

Source: Cook County FY2017 Executive Budget Recommendation,Volume 1, p.102.

CountyCare FTEs will more than triple in FY2017 to 98.0 from 23.0 in FY2016, reflecting an increase in staffing for care coordination. The number is down from the early days of CountyCare because of a decision in FY2015 to reallocate CountyCare personnel to the Health System's clinics.

An increase of 82.0 FTEs at the ACHN's clinics in FY2017 reverses a decrease in FY2016. The clinics plan to add behavioral health specialists, among other positions.

As previously discussed, Cermak Health Services' FTEs increase by 27.5 to 636.5. Cermak is attempting to meet the terms of a federal consent decree, which requires additional medical personnel in the jail.

Stroger Hospital's FTEs decline by 32.3, or less than 1%, and Provident Hospital's FTE's fall by 12, or 3.4%. Staffing at Provident is expected to increase with the construction of a new regional outpatient center, which is still in the planning stages.

The Health System had 830 vacancies in September 2016,[146] down significantly from 1,066 at the end of FY2014.[147] The initial target for FY2016 was 600 vacancies[148] but was changed to

[145] Statement of Dr. Jay Shannon at an October 18, 2016 meeting of the Cook County Finance Committee.
[146] Cook County Health and Hospitals System Human Resources Committee, *Report by Gladys Lopez, Chief of Human Resources*, October 21, 2016, p.11.
[147] Cook County Health and Hospitals System Human Resources Committee, *Report by Gladys Lopez, Chief of Human Resources*, January 22, 2016, p. 2.
[148] Cook County FY2016 Executive Budget Recommendation, Volume 2, p. O-9.

750[149] due to the reallocation of about 250 positions. The System had a freeze on external hiring, as required by union contracts, for six months while employees whose positions were eliminated were given the chance to take other jobs.

Partly as a result of the hiring freeze, the Health System missed its goal to reduce overtime pay by more than 60% in FY2016 from $41.9 million[150] in FY2015. Overtime was budgeted at $15.3 million[151] in FY2016, but is now estimated at $44.5 million.[152] The Health System also cited additional staffing needed to cover an unexpected increase in hospital visits. For FY2017, the System budgeted $38.9 million in overtime, or about 6% of salary expenses.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[153] Fund balance is an important indicator of financial stability for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities that are not legally restricted from use. It is a more measure of liquidity than of net worth.[154] Fund balance can be thought of as the savings account of the local government.

This section discusses three aspects of fund balance: recent changes to fund balance reporting; fund balance policy and definitions; and an analysis of Cook County's fund balance levels based on the most recent audited data from FY2015.

Recent Changes to Fund Balance Reporting

Beginning in FY2011, Cook County's audited financial statements include a modification in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[155]

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. Fund balance was traditionally considered to be either *reserved*

---

[149] Cook County Health and Hospitals Human Resources Committee, *Report by Gladys Lopez, Chief of Human Resources*, January 22, 2016, p. 2.
[150] Communication between the Civic Federation and the Cook County Department of Budget & Management Services, October 25, 2016.
[151] Cook County FY2017 Executive Budget Recommendation, Volume 2, p. O-3.
[152] Communication between the Civic Federation and the Cook County Department of Budget & Management Services, October 25, 2016.
[153] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[154] Stephen J. Gauthier, *The New Fund Balance*, Chicago: GFOA, 2009, p. 34.
[155] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.

(not available for appropriation) or *unreserved* (available for appropriation). The unreserved fund balance referred to resources with no external legal restrictions or constraints. The unreserved fund balance was further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[156]

New Components of Fund Balance

GASB Statement No. 54 created five components of fund balance that indicate the extent to which resources are restricted from use. Not every government or governmental fund will report all components. The five components are:

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment.
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments.
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation.
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance.
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[157]

Historically, the Civic Federation has focused its analysis of fund balance on the unreserved general fund balance. Given the components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's unrestricted fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are synonymous.[158]

In the interest of government transparency, the Civic Federation recommends when possible, all local governments provide ten years of fiscal data in the GASB Statement No. 54 format in the statistical section of their audited financial statements. A multi-year trend analysis of the County's fund balance levels including the most recent FY2011- FY2015 numbers is not possible because the data has been classified differently with the implementation of GASB

---

[156] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009.
[157] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009.
[158] Stephen J. Gauthier, *The New Fund Balance,* Chicago: GFOA, 2009, p. 34.

Statement No. 54. For instance, Cook County previously reported the Emergency Management Agency and Capital Litigation Funds as Special Revenue Funds; however, with the implementation of GASB Statement No. 54, these funds are now reported as part of the General Fund. Therefore, a statement of prior years' fiscal data according to the new categorization of the County's funds is warranted in order to conduct a thorough trend analysis.

Cook County Financial Policy and GFOA Best Practices

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." [159] Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller size reserve may be appropriate for the largest governments in the United States. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.[160]

In its FY2017 Annual Appropriation, the County includes a policy statement regarding financial reserves in the Financial Policies section. The policy states that the County must maintain "an unassigned fund balance in the General Fund of no less than one month, with a targeted goal not to exceed two months, of the prior year audited General Fund operating expenditures." If the unassigned fund balance drops below the level equal to one month of audited General Fund expenditures, the policy also requires the County to develop a plan to replenish the fund balance and incorporate the plan into budget preparation.[161]

General Fund Unrestricted Fund Balance Ratio FY2011-FY2015

The General Fund is Cook County's principal operating fund. Cook County's General Fund consists of four accounts: Corporate, Public Safety, Self-Insurance, and the Chief Judge Juvenile Justice Account.[162] The chart below displays the General Fund fund balance as a ratio of General Fund unrestricted fund balance to operating expenditures for FY2011-FY2015, according to the reporting standards of GASB Statement No. 54. The unrestricted General Fund fund balance includes committed, assigned and unassigned fund balance.

Between FY2011 and FY2013, Cook County's unrestricted General Fund fund balance ratio remained sufficient, but below the GFOA's recommended level, fluctuating from 14.2% in FY2011 to 9.7% in FY2013. In FY2014 the County's General Fund fund balance decreased significantly to $62.5 million, a ratio of 4.4%. Several factors caused the decrease in FY2014: the General Fund absorbed a negative balance of $15.3 in the Juvenile Justice Fund when the

[159] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[160] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted September 2015). Available here.
[161] Cook County FY2017 Annual Appropriation Volume 1, Financial Policies, p. 318.
[162] Cook County FY2015 Comprehensive Annual Financial Report, p. 8. The General Fund does not include the Cook County Health and Hospitals System. For the first time, the FY2014 budget separated the Health Fund out from the General Fund as a separate fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures.

fund was reclassified; there was a revenue shortfall of $36.0 million in the Office of the Sheriff due to overtime expenses and a $15.0 million shortfall in the Office of the Circuit Court Clerk; and the County used $12.0 million to offset a shortage of payments from the State.[163]

The fund balance increased to $99.3 million in FY2015, due largely to a revenue increases from non-property taxes (including the Sales Tax, Use Tax, Gasoline Tax, Cigarette Tax, Amusement Tax, Non-Retailer Transaction Use Tax, and Parking Lot and Garage Operation Tax) and a reallocation of Cigarette Taxes to the General Fund from the Health Enterprise Fund.[164]

Cook County Unrestricted General Fund Fund Balance Ratio: FY2011 - FY2015

	Unrestricted General Fund Balance	General Operating Expenditures	Ratio
FY2011	$ 197,104,388	$ 1,386,073,338	14.2%
FY2012	$ 194,691,967	$ 1,334,180,931	14.6%
FY2013	$ 129,926,749	$ 1,335,220,403	9.7%
FY2014	$ 62,503,592	$ 1,430,325,176	4.4%
FY2015	$ 99,323,337	$ 1,472,330,244	6.7%

Note: The ending fund balance reported in the FY2013 CAFR was $143.5 million; however, the beginning fund balance reported for FY2014 was $129.9 million. The reason for the difference was the reclassification of a Juvenile Justice Fund Fund that had a deficit position into the General Fund and collapsing the associated Special Revenue Fund $15.3M.

Source: Cook County, Comprehensive Annual Financial Reports, FY2011, pp. 29 & 32; FY2012, pp. 30 & 33; FY2013, pp. 31 & 33; FY2014, pp. 29 & 32; FY2015, pp. 29 & 32. Communication with the Office of Budget and Management Serivces, October 30, 2015.

While the County's FY2015 unrestricted fund balance ratio of 6.7% is an improvement over 4.4% in FY2014, it still does not meet the GFOA recommendation of maintaining reserves approximately equal to 17% of operating expenditures. The County's stated goal of maintaining at least one month of unrestricted fund balance would require a fund balance ratio of 8.3%. The County's fund balance also falls slightly below this target.

General Fund Unreserved Fund Balance Ratio FY2006 through FY2010

Due to the fund balance reporting changes made by GASB Statement No. 54, a ten-year trend analysis is not possible. Prior to FY2011, Cook County reported its resources available for appropriation as *unreserved* fund balance. The table below presents the General Fund unreserved fund balance ratio as a percent of general operating expenditures for the five year period from FY2006 to FY2010. Cook County maintained a healthy unreserved General Fund fund balance ratio of 19.7% of expenditures in FY2006 and 15.5% in FY2007. In FY2008, the fund balance

[163] Communication with Cook County Bureau of Finance, October 30, 2015.
[164] Cook County FY2015 Comprehensive Annual Financial Report, p. 20.

ratio decreased to 8.1%, then fell sharply to 2.3% of general operating expenditures in FY2010. Since then, County has replenished its fund balance.

General Fund Unreserved Fund Balance FY2006-FY2010			
	Unreserved General Fund Balance	General Operating Expenditures	Ratio
FY2006	$ 259,516,065	$ 1,316,014,115	19.7%
FY2007	$ 203,554,454	$ 1,309,985,163	15.5%
FY2008	$ 103,565,761	$ 1,279,065,307	8.1%
FY2009*	$ 51,335,834	$ 1,266,752,817	4.1%
FY2010	$ 30,798,552	$ 1,320,303,924	2.3%

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

Source: Cook County CAFRs, FY2006-FY2010, Balance Sheet - Governmental Funds.

COOK COUNTY PENSION FUND

The Civic Federation analyzed four indicators of the fiscal health of Cook County's pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators up to FY2015, the most recent year for which audited data are available, and describes Cook County pension benefits. There is also a discussion of the Fund's liabilities as reported according to accounting standards required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68). Unless otherwise stated, the numbers used in this chapter are statutorily required numbers used for funding purposes.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[165] Plan benefits and contribution amounts can only be amended through State legislation.[166] The fiscal year of the Cook County pension fund is January 1 to December 31.[167]

[165] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2015, p. 9.
[166] The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.
[167] This is different from the fiscal year of Cook County, which is December 1 to November 30.

The Cook County pension fund is governed by a nine-member Board of Trustees.[168] As prescribed in State statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including new members of the Cook County pension fund.[169] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80.0% of final average salary. For example, a 60 year-old employee with 30 years of service and a $76,000 final average salary could retire with a $54,720 annuity: 30 x $76,000 x 2.4% = $54,720.[170] The annuity increases every year by an automatic compounded 3.0%.

Tier 1 employees with ten years of service may retire as young as age 50, but their benefit is reduced by 0.5% for each month they are under age 60. This reduction is waived for employees with 30 or more years of service, such that a 50 year-old with 30 years of service may retire with an unreduced benefit.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County, the reduction of final average salary from the highest four year average to the highest eight year average, the $106,800 cap on pensionable

---

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

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

[170] The largest cohort of retirees in FY2015 was Cook County employees with 30+ years of service. Their average final average salary was $76,356, so $76,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County CAFR as of December 31, 2015, p. 146.

salary and the reduction of the automatic annuity increase from 3.0% compounded to the lesser of 3.0% or one half of the increase in Consumer Price Index not compounded.[171]

Major Cook County Benefit Provisions for Regular Employees		
	Tier 1 Employees (hired before 1/1/2011)	**Tier 2 Employees (hired on or after 1/1/2011)**
Full Retirement Eligibility: Age & Service	age 60 with 10 years of service, or age 50 with 30 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; pensionable salary capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	same as current employees
Early Retirement Formula Reduction	0.5% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	same as current employees
Annuity Automatic Increase on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

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

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

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

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2015; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

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

The County reintroduced a package of pension reforms including changes to current employees' retiree benefits and an increase to employee and employer contributions to the fund, Senate Bill 843, House Amendment 1, in the final days of the spring 2015 legislative session. The bill passed the House Personnel and Pensions Committee, but was not brought to a vote in the full House before adjournment. Board President Preckwinkle noted in both the FY2016 and FY2017 budget recommendations that the County will continue to pursue passage of the reforms.

However, in the absence of reform, the County implemented in FY2016 a supplementary pension payment schedule above the amount specified under state law and funded through the one percentage point increase in the County's home rule sales tax rate. In FY2017 the supplementary payment is proposed to be $353.8 million above the statutory multiple contribution of approximately $212.1 million. The County's supplementary payment schedule is

[171] An alternate annuity for County officers was available for Cook County officials who came into office on or before January 1, 2008. This benefit was eliminated for officials hired after January 1, 2008 via Public Act 95-0654. Another optional pension plan existed between 1985 and 2005. The Optional Pension Plan was created in 1985 by the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005. 40 ILCS 5/9-179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40.

scheduled to increase by no more than 2% each year and result in a 100% funded ratio in 30 years. Currently the County is providing the funding to the County Pension Fund via an intergovernmental agreement. No legislation to allow the County to make an enhanced payment has yet been enacted by the Illinois General Assembly and signed into law by the Governor. Senate Bill 2819 passed both houses of the Illinois General Assembly in May 2016, but was vetoed by Illinois Governor Bruce Rauner in August 2016 at the request of Cook County, which objected to some language in the bill that included retiree healthcare as a funding requirement for the County.[172] The County has indicated that it is working on drafting a new bill and the legislature will decide whether to attempt to override the veto during the veto session in November and December 2016.[173]

Membership

In FY2015 the fund had 21,425 active employee members and 17,768 beneficiaries for a ratio of 1.21 active members for every beneficiary. This ratio has fallen from 1.80 in FY2006 as the number of active members has declined and the number of beneficiaries has risen. A decline in the ratio of active employees to retirees can create fiscal stress for a mature, underfunded pension

[172] Currently, retiree healthcare is subsidized by the Cook County Pension Fund only. Information about Senate Bill 2819, including Governor Bruce Rauner's veto message, available on the Illinois General Assembly website at http://ilga.gov/legislation/BillStatus.asp?DocNum=2819&GAID=13&DocTypeID=SB&LegID=96130&SessionID=88&SpecSess=&Session=&GA=99. .

[173] Kim Geiger and Monique Garcia, "Rauner approves repeal of sales tax on tampons," *Chicago Tribune*, August 19, 2016. http://www.chicagotribune.com/news/local/politics/ct-bruce-rauner-tampon-tax-met-0821-20160819-story.html

fund like the Cook County Pension Fund because it means there are fewer dollars in employee contributions going into the fund and more in annuity payments flowing out of the fund.

Cook County Pension Fund Membership: FY2006-FY2015			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2006	25,555	14,173	1.80
FY2007	23,456	14,469	1.62
FY2008	23,436	14,745	1.59
FY2009	23,570	14,915	1.58
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
FY2012	21,187	16,434	1.29
FY2013	21,079	16,885	1.25
FY2014	21,467	17,265	1.24
FY2015	21,425	17,768	1.21
10-Year Change	**-4,130**	**3,595**	**-0.60**
10-Year % Change	**-16.2%**	**25.4%**	**-33.1%**

Note: Fiscal year of pension fund is January 1 to December 31.

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2006-FY2015.

Funded Ratios

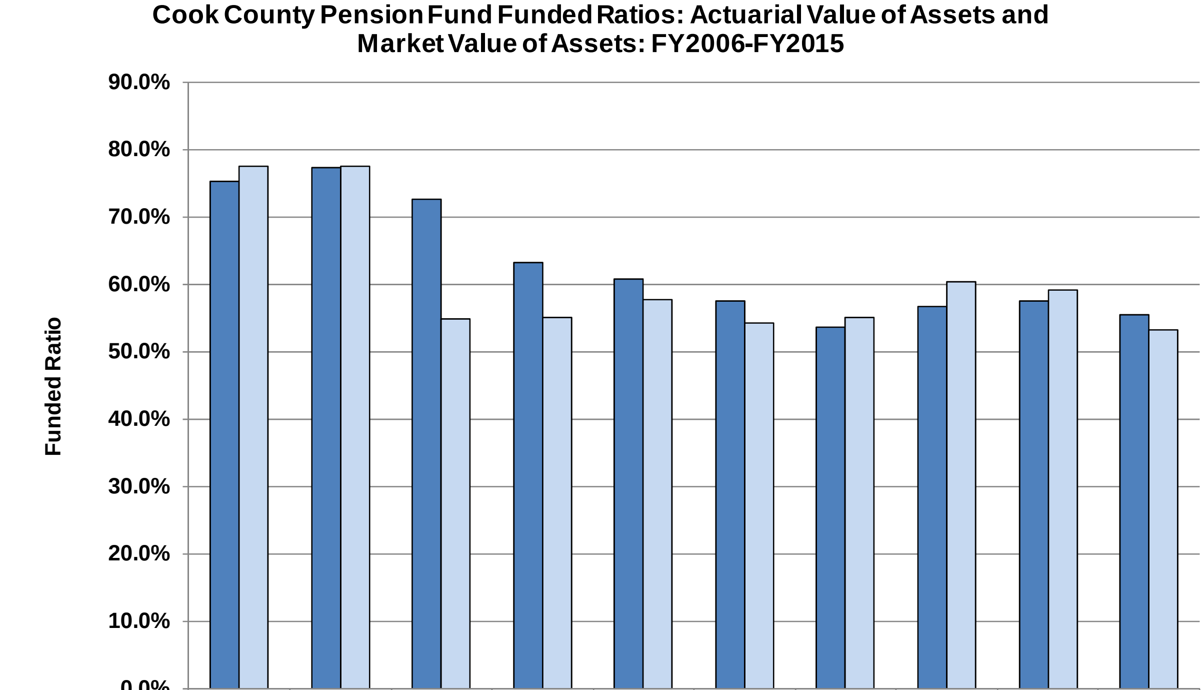
This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[174] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 75.3% in FY2006 and reached a high of 77.3% in FY2007 before falling to 53.5% in FY2012 and rebounding slightly to 55.4% in FY2015. The market value funded ratio rose from 77.4% in FY2006 to a high of 77.4% in fiscal years 2006 and 2007 before falling to 54.8% in FY2008 and staying fairly flat thereafter, reaching 59.2% in FY2014 before falling again to 53.2% in FY2015. The sizeable difference between FY2008 actuarial and market value funded ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years. The smoothing effect of actuarial valuation of assets is also why the FY2015 actuarial value is higher

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

than the market value. The FY2015 actuarial value has only taken into account part of the poor investment returns experienced by the fund that year, while the market value reflects their full impact.

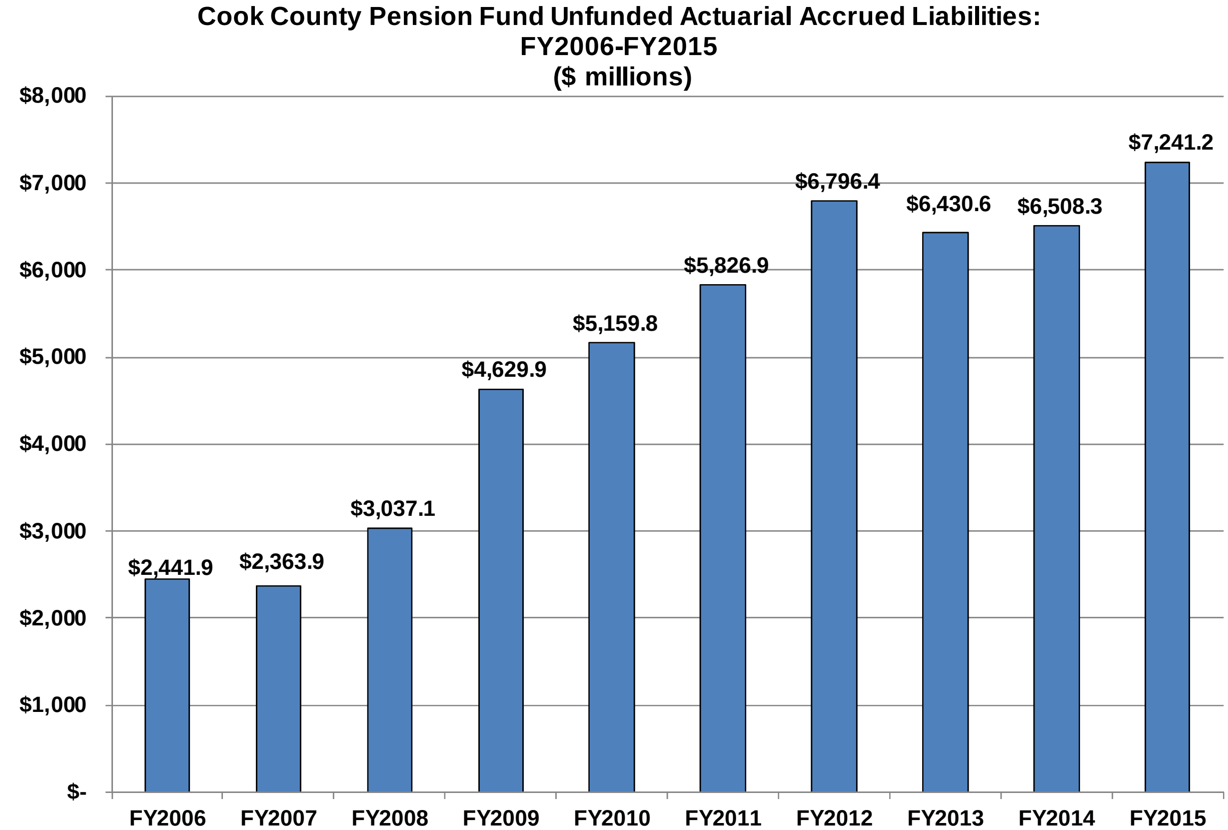


	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Actuarial Value	75.3%	77.3%	72.6%	63.2%	60.7%	57.5%	53.5%	56.6%	57.5%	55.4%
Market Value	77.4%	77.4%	54.8%	55.1%	57.6%	54.2%	55.1%	60.3%	59.2%	53.2%

Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2006-FY2015.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liability for Cook County's pension fund totaled $7.2 billion in FY2015, up from $2.4 billion in FY2006. The FY2015 unfunded liability is up by $732.9 million from FY2014. The large increase is due mostly to insufficient employer contributions ($431.1 million) and salary increases above assumptions ($165.0 million).



Note: Unfunded liabilities are on a market value basis.
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2006-FY2015.

The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2006. The largest contributor to the $5.0 billion growth in unfunded liabilities between the beginning of FY2006 and the end of FY2015 was a shortfall in employer contributions as compared to a contribution that would prevent growth of the unfunded liability (normal cost plus interest) which added $3.1 billion to the unfunded actuarial accrued liability over 10 years. The second largest contributor was investment returns failing to meet the expected rate of return.[175] This added nearly $1.5 billion to the UAAL.

Reasons for Change in Unfunded Actuarial Accrued Liability							
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Salary Increase (Lower)/Higher Than Assumed	Retiree Health Insurance Premium Lower/(Higher) Than Assumed	Change in Actuarial Assumptions or Methods	Other	Total Net UAAL Change
FY2006	$ 152,221,465	$ 47,913,709	$ (43,191,730)	$ -	$ -	$ 42,515,613	**$ 199,459,057**
FY2007	$ 135,979,428	$ (118,960,238)	$ 78,765,800	$ (103,261,032)	$ -	$ (70,568,914)	**$ (78,044,956)**
FY2008	$ 198,154,784	$ 481,086,534	$ 160,614,779	$ -	$ -	$ (166,599,641)	**$ 673,256,456**
FY2009	$ 258,309,848	$ 534,155,051	$ (138,750,205)	$ -	$ 810,786,835	$ 128,340,572	**$ 1,592,842,101**
FY2010	$ 349,354,012	$ 364,312,504	$ (185,530,277)	$ -	$ -	$ 1,683,624	**$ 529,819,863**
FY2011	$ 371,793,485	$ 459,875,129	$ (138,554,686)	$ -	$ -	$ (25,972,161)	**$ 667,141,767**
FY2012	$ 252,886,106	$ 376,601,751	$ 34,073,219	$ -	$ -	$ 305,896,670	**$ 969,457,746**
FY2013	$ 513,419,056	$ (586,433,767)	$ (184,385,510)	$ -	$ -	$ (108,324,418)	**$ (365,724,639)**
FY2014	$ 423,103,748	$ (161,124,113)	$ (148,871,075)	$ -	$ -	$ (35,470,332)	**$ 77,638,228**
FY2015	$ 431,124,367	$ 61,964,372	$ 164,977,011	$ -	$ -	$ 74,819,248	**$ 732,884,998**
10-Year Total	**$ 3,086,346,299**	**$ 1,459,390,932**	**$ (400,852,674)**	**$ (103,261,032)**	**$ 810,786,835**	**$ 146,320,261**	**$ 4,998,730,621**

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2006-FY2015.

Investment Rate of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2006 and FY2015 the Cook County pension fund's average annual rate of return was 5.9%.[176]

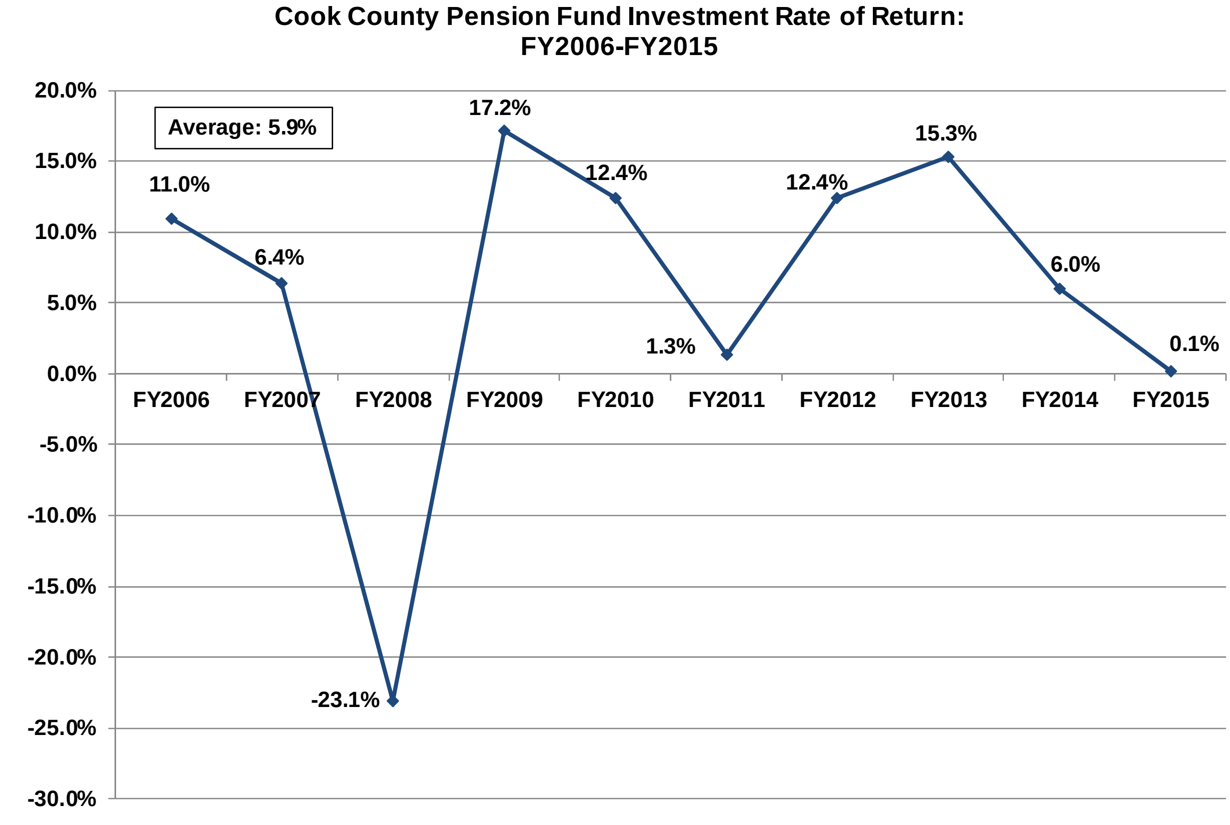
Returns ranged from a high of 17.2% in FY2009 to a low of -23.1% in FY2008 due to the financial market crisis and corresponding sharp decline in equities. Returns rebounded in FY2009 and FY2010 only to decline to 1.3% in FY2011, reflecting national public pension fund trends of low investment returns for 2011.[177] Returns again rebounded in FY2012 and FY2013

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

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

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

before falling in FY2014 to 6.0% and to 0.1% in FY2015, again in line with low or negative returns experienced by pension funds across the United States.[178]



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2006-FY2015.

Pension Liabilities and Actuarially Determined Employer Contribution as Reported Under Governmental Accounting Standards Board Statements Number 67 and 68

In 2012 the Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting standards for public pension plans and for governments, Statements 67 and 68. According to GASB, the new standards were intended to "improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations."[179] Among other disclosures, pension funds and governments are now required to report total pension liability, fiduciary net position, net pension liability, pension expense and actuarially determined contribution (ADC), which are calculated on a different basis from previous GASB 25 and 27 pension disclosure requirements. Both pension funds and governments must also disclose additional information about pensions in the notes to the financial statements and in required supplementary information sections. It is

[178] Meaghan Kilroy, "Moody's: Low returns skyrocketing public pension fund liabilities," *Pensions and Investments*, March 17, 2016. http://www.pionline.com/article/20160317/ONLINE/160319881/moodys-low-returns-skyrocketing-public-pension-fund-liabilities

[179] Governmental Accounting Standards Board, Pension Standards for State and Local Governments. Available at: http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472.

important to note that GASB intended to separate pension reporting from pension funding. Thus, the numbers reported according to GASB 67 and 68 standards are not used to determine how much a government must contribute to its pensions. They are a reporting, NOT a funding requirement. Cook County and other governments will continue to use traditional public pension accounting methods to determine funding requirements. However, as the GASB 67 and 68 numbers can provide important new ways to understand a fund's sustainability, the Federation will address them here.

The Cook County Pension Fund began reporting according to GASB 67 in its FY2014 CAFR and actuarial valuations. Cook County began reporting according to GASB 68 in its FY2015 financial statements.

The total pension liability, fiduciary net position, net pension liability and ADC[180] are all calculated on a different basis both from what used to be required by GASB and from the traditional public pension actuarial basis.

Total Pension Liability – This number is similar in concept to the actuarial accrued liability (AAL) discussed above, but is NOT the same. The actuarial cost method and discount rate (among other things) are different. All plans are required to use:

- Entry age normal actuarial cost method and level percent of payroll. The Cook County Pension Fund also uses the entry age normal method for statutory reporting and funding purposes.
- A single blended discount rate, instead of basing the discount rate only on projected investment earnings. The discount rate is used to calculate the present value of the future obligations of a pension fund. The discount rate has an inverse relationship to actuarial liabilities, such that a lower discount rate will result in higher liabilities.
    - If a government is projected to have enough assets to cover its projected benefit payments to current and inactive employees, it can use the expected return on investments as its discount rate.
    - If a government is projected to reach a crossover point beyond which projected assets are insufficient to cover projected benefit payments, then a blended discount rate must be used. Benefit payments projected to be made from that point forward are discounted using a high-quality municipal bond interest rate. The blended rate is a single equivalent rate that reflects the investment rate of return and the high-quality municipal bond interest rate.
    - The Cook County Pension Fund is projected to run out of funding in 2041, so its GASB 67 and 68 reporting is discounted at a blend of the full 7.5% assumed rate of return and a lower municipal bond rate of 3.2%. The reported blended rate was 4.15%.[181]

Fiduciary Net Position – This number is essentially the market value of assets in the pension plan as of the end of the fiscal year, not the assets as calculated on an actuarially smoothed basis under previous reporting requirements. The Cook County Pension Fund still uses smoothed actuarial value of assets to determine statutory employer contribution requirements.

[180] Other differences and newly reported numbers are not central to the discussion here.
[181] County Employees' Annuity and Benefit Fund of Cook County, CAFR For the Fiscal Years Ended December 31, 2015 and 2014, p. 36.

Net Pension Liability – This number is similar in concept to the unfunded actuarial accrued liability, but again is NOT the same. It is the difference between the Total Pension Liability and the Fiduciary Net Position of the fund. Governments are required to report the Net Pension Liability in their Statements of Net Position in their financial statements, according to GASB 68.

Actuarially Determined Contribution (ADC) – Another change from previous standards is that funds are no longer required to report an Annual Required Contribution (ARC) based on standards promulgated by GASB. Instead, the funds will calculate an Actuarially Determined Contribution or ADC that reflects their own funding plan, unless that funding scheme does not follow actuarial standards of practice. Then the fund must report an ADC that is calculated according to actuarial standards of practice. It is again important to emphasize that the ADC is a reporting and not a funding requirement. See the discussion below for a summary of how the basis for calculating the Cook County Pension Fund ADC differs from the ARC.

Difference between the ADC and ARC

Depending on the employer's funding plan, a pension fund's ADC may be very similar to the previously reported ARC. The chart below summarizes the main assumptions behind the Cook County Pension Fund calculations of ADC and ARC. There is no difference between the main assumptions of the ADC and ARC. The ADC uses the actuarially calculated UAAL number instead of the GASB 67 net pension liability number, which also makes it similar to the ARC. Additionally, the ADC need not follow the GASB 67 and 68 requirement of using the market value of assets. The Cook County Pension Fund uses a five-year smoothed valuation of assets.

Calculation of the Actuarially Determined Contribution (ADC) vs the Annual Required Contribution (ARC)

	ADC (FY2014 and After)	**ARC (FY2013 and Earlier)**
Amortization Period	30-year open	30-year open
Amortization Method	Level Dollar	Level Dollar
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Value of Assets	5-year smoothed	5-year smoothed
Investment Rate of Return	7.50%	7.50%

Source: Cook County Pension Fund FY2015 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a similar basis, the Civic Federation will continue to analyze the trend of the difference between the reported ADC/ARC and the statutorily required employer contribution the County must make under state law in order to demonstrate how far from sufficient the statutory payment is. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years earlier. The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.[182]

Before examining the ADC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the retirement systems of large governments—those with over $100.0 million in annual revenue—to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree healthcare on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets—often a long-term money market rate of roughly 4.5%.

In order to comply with these accounting standards, the Cook County pension fund produces three separate actuarial valuations:

- A valuation of pension liabilities reflecting a new GASB-determined blended discount rate introduced with GASB 67, which amounts to 4.15% in FY2015;
- Another valuation of OPEB liabilities using a 4.5% discount rate; and
- A "combined" valuation using a 7.5% discount rate for both pension and OPEB liabilities.

The Cook County pension fund considers the "combined" valuation to be the best reflection of its assets and liabilities because the pension and OPEB benefits are paid from the same asset pool.[183] However, the separate pension and OPEB valuations calculated for GASB purposes are the ones used to compute the net pension liability and OPEB obligations of Cook County government that appear on the government's balance sheet.

The table below shows only the "combined" valuation comparison of the ADC (or ARC in FY2013 and earlier) to the actual Cook County contribution over the last ten years.[184] The employer contribution did not equal 100.0% of the ARC or ADC in any of the years FY2006 through FY2015. In FY2006 the $225.4 million employer contribution represented 56.6% of the ARC, meaning that $172.9 million more would need to have been contributed to meet the ARC that year. In FY2015 the $190.6 million employer contribution represented only 29.8% of the ADC for the "combined" valuation of pension and OPEB, for a shortfall of $449.2 million that year. The cumulative ten-year difference between ADC/ARC and actual employer contribution for "combined" pension and OPEB is a $3.5 billion shortfall. In 2015 the combined ADC for pension and OPEB was $639.8 million, or over three times the actual employer contribution of only $190.6 million.

---

[182] Starting with the FY2016 budget, the County started to make an annual supplementary contribution to the County pension fund with revenue from the one percentage point increase in the County's home rule sales tax rate.
[183] Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.
[184] The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund's financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

Expressing ADC/ARC as a percent of payroll provides a sense of scale and affordability. In FY2006 the ARC was 28.2% of payroll while the actual employer contribution was 16.0 % of payroll. In FY2015 the "combined" pension and OPEB ADC was 40.7% of payroll, while the actual employer contribution was 12.1% of payroll.

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

Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2006	$ 398,340,979	$ 225,438,363	$ 172,902,616	56.6%	$ 1,412,878,627	28.2%	16.0%
2007	$ 421,092,345	$ 261,534,551	$ 159,557,794	62.1%	$ 1,370,844,734	30.7%	19.1%
2008	$ 406,625,773	$ 188,008,670	$ 218,617,103	46.2%	$ 1,463,372,408	27.8%	12.8%
2009	$ 468,181,943	$ 188,285,316	$ 279,896,627	40.2%	$ 1,498,161,713	31.3%	12.6%
2010	$ 572,318,384	$ 184,722,634	$ 387,595,750	32.3%	$ 1,494,093,569	38.3%	12.4%
2011	$ 613,952,848	$ 198,837,424	$ 415,115,424	32.4%	$ 1,456,444,123	42.2%	13.7%
2012	$ 655,800,100	$ 190,720,776	$ 465,079,324	29.1%	$ 1,478,253,368	44.4%	12.9%
2013	$ 719,890,057	$ 187,817,644	$ 532,072,413	26.1%	$ 1,484,269,715	48.5%	12.7%
2014	$ 634,722,132	$ 190,032,872	$ 444,689,260	29.9%	$ 1,514,550,023	41.9%	12.5%
2015	$ 639,794,759	$ 190,598,752	$ 449,196,007	29.8%	$ 1,572,417,298	40.7%	12.1%

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

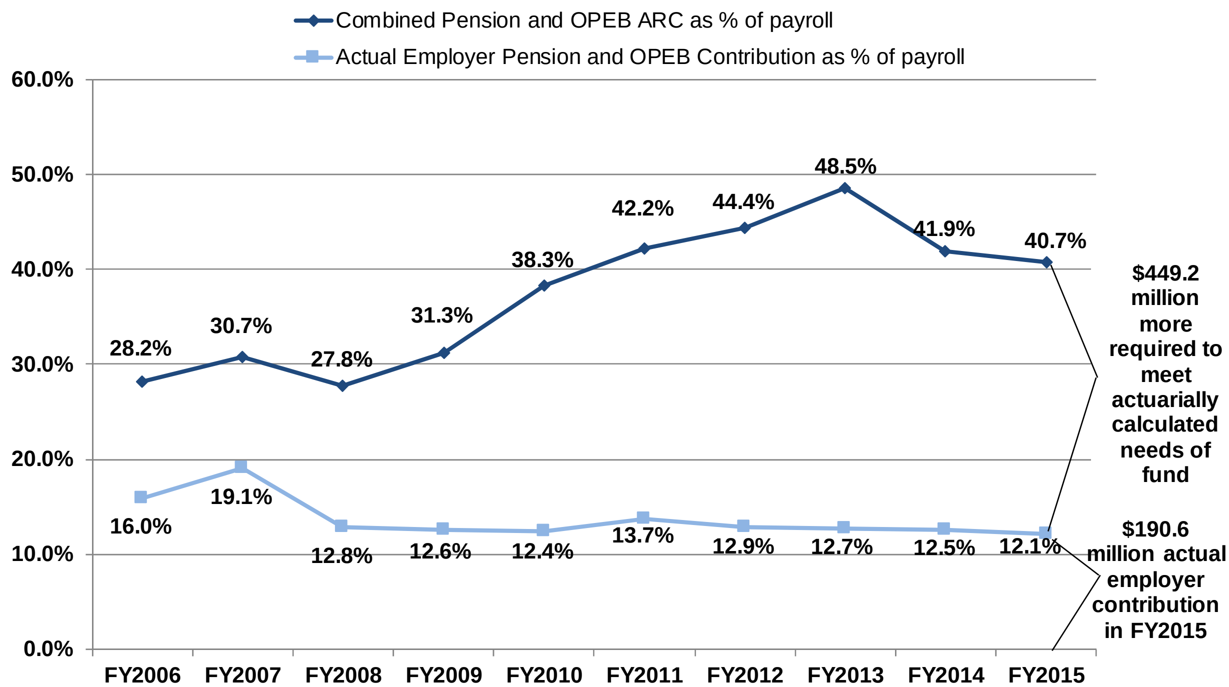
* Before 2014, this was the Annual Required Contribution or ARC.

Source: Financial Statements as of December 31, 2014, p. 6; Actuarial Valuation Report as of December 31, 2014, p. 11; and Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2015 and 2014, p. 37.

The graph below illustrates the growing gap between the "combined" pension and OPEB ADC/ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from 12.2% of payroll, or $172.9 million, in FY2006 to 28.6% of payroll in FY2015. In other words, to fund the pension and retiree health care plans at a level that would both cover normal cost and amortize the unfunded liability over

30 years Cook County would have needed to contribute an additional 28.6% of payroll, or $449.2 million, in FY2015.

Cook County Combined Pension and OPEB Valuation Actuarially Determined Contribution* vs. Actual Employer Contribution: FY2006-FY2015



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

* Annual Required Contribution prior to FY2014.

Sources: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, pp. 22 and 23; Financial Statements as of December 31, 2014, p. 6; Actuarial Valuation as of December 31, 2014, p. 11; and Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2015 and 2014, p. 37.

Cook County has consistently levied and contributed its statutorily required amount of 1.54 times the employee contribution made two years prior. However, that amount has been less than an actuarially sound contribution for each of the last ten years. *The pension fund actuary estimates that in order to contribute an amount sufficient to meet the ADC in FY2015, Cook County would need to levy property taxes equal to a tax multiple of 5.55 rather than 1.54.*[185]

Cook County Pension Fund Reported Liabilities Under GASB Statements Number 67 and 68

The following table shows the Cook County Pension Fund financial reporting under GASB 67 and 68. Fiduciary Net Position as a percentage of Total Pension Liabilities is analogous to a funded ratio as calculated under actuarial standards. Because the Cook County Pension Fund assets are forecast to be insufficient to cover projected benefit payments starting in 2041, and therefore the Fund and Cook County must use a blended discount rate that is much lower than the expected rate of return on investment. A lower discount rate results in higher present values

[185] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2015, p. 8.

for liabilities and net pension liabilities.[186] The reported net pension liability for FY2015 is $15.3 billion, more than double the unfunded actuarial accrued liability of $7.2 billion. The County was required to include the net pension liability among the liabilities on its balance sheet for the first time in FY2015.

Cook County Pension Fund GASB 67 Reporting FY2013-FY2015					
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a Percentage of Total Pension Liability	Actuarially Determined Contribution
FY2013	$ 21,117,643,943	$ 8,927,366,656	$ 12,190,277,287	42.27%	
FY2014	$ 21,945,961,866	$ 9,068,398,780	$ 12,877,563,086	41.32%	$ 634,722,132
FY2015	$ 23,963,085,690	$ 8,643,044,275	$ 15,320,041,415	36.07%	$ 639,794,759
Three-Year Change	**$ 2,845,441,747**	**$ (284,322,381)**	**$ 3,129,764,128**		**$ 5,072,627**
Three-Year % Change	**13.47%**	**-3.18%**	**25.67%**		**0.80%**

Source: FY2014 and FY2015 Cook County Pension Fund Actuarial Valuations. FY2013 numbers were presented in the FY2014 report.

Other Post Employment Benefits

State statute permits the Cook County pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the County's employee health insurance plans.[187] The Cook County pension fund currently subsidizes roughly 52.0% of retiree premiums (including dependent coverage) and 67.0% of surviving spouse premiums (including dependent coverage). The remaining premium amount is paid by the participant.[188] The subsidy is funded on a pay-as-you-go basis from the same asset pool used to pay pension benefits. A separate irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

Cook County government does not directly contribute to the retirees' premium costs. However, as the employer sponsor of the pension plan, the County is required to report other post employment benefit (OPEB) liabilities in its financial statements. The OPEB plan is treated as another pension benefit and does not have a separate contribution rate or asset pool associated with it. The employer contribution for OPEB reported in the County's financial statements is roughly equal to the cost of the premium subsidy.[189]

---

[186] For more on discount rates and how they impact measurements of the present value of liabilities, read the Civic Federation blog: https://www.civicfed.org/iifs/blog/state-pension-liabilities-rise-due-lower-expected-investment-returns and https://www.civicfed.org/civic-federation/blog/local-government-pension-funds-lower-their-expected-investment-rates-return-fy.
[187] 40 ILCS 5/9-239. The statute also specifies that this group health benefit shall not be considered a pension benefit as defined by the Illinois Constitution, Section 5 Article XIII.
[188] County Employees' Annuity and Benefit Fund of Cook County, CAFR For the Fiscal Years Ended December 31, 2015 and 2014, p. 47.
[189] Cook County, CAFR as of December 31, 2015, p. 142.

In 2015 there were 8,783 retiree and surviving spouse participants whose health plan costs were subsidized by the pension fund.[190] This is an increase of 192 participants over the prior year. Retiree health plan data was first disclosed in Cook County's FY2007 financial statements.

Cook County Pension Fund Retiree Health Plan Participants: FY2006-FY2015										
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Retiree and Surviving Spouse Participants	7,132	7,459	7,300	7,367	7,554	7,925	8,179	8,536	8,591	8,783

Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements, FY2007, p. 18; FY2009, p. 20; FY2011, p. 20; FY2013, p. 21; FY2014, p. 23; and FY2015, p. 23.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. These include short-term notes, accounts payable, accrued payroll and other current liabilities. Cook County reports a variety of short-term obligations due for the next fiscal year in the balance sheet for the governmental funds included in its FY2015 Comprehensive Annual Financial Report (CAFR), its most recent audited financial statement. These liabilities which include:

- *Accounts payable*: monies owed to vendors for goods and services carried over into the new fiscal year;
- *Retainage payable*: The portion of a contract's final payment withheld until the project is complete;[191]
- *Accrued salaries payable*: employee pay carried over from the previous year;
- *Amounts held for outstanding warrants*: Cash balance maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputes these claims;[192]
- *Due to other funds, others or other governments*: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Notes payable*: short-term loans due within the next fiscal year; and
- *Other liabilities*: include self-insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers' compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

[190] These figures do not include the retired pension fund employees who also participate in the plan. There were 11 such retired participants in FY2015. County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2015, p. 23.
[191] See Business Dictionary at http://www.businessdictionary.com/definition/retainage.html.
[192] See Cook County FY2015 Comprehensive Annual Financial Report, "Contingency – State Treasurer Claim," p. 106.

In FY2015 short-term liabilities totaled $278.1 million, an increase of 49.7%, or $73.5 million, from the prior fiscal year. Much of the change was due to increases in three areas:

- *Due to other funds* rose by $28.1 million, from $12.8 million to $40.9 million, or by 219.2%. The majority of the change, or $25 million, is related to shifts between Due to and From between the Capital Projects Fund and the General Fund.[193]
- *Accounts payable* increased by $27.2 million, from $121.7 million to $148.9 million, or 22.3%. The majority of the difference is related to reporting for the Grant Fund within the Non-Major governmental funds. There was a negative cash entry reported, which removes negative cash balances and places it into accounts payable. This is primarily a report presentation entry issue.[194]
- *Accrued salaries payable* rose by $19.7 million, from $54.1 million to $73.8 million, or by 36.5%. The change is due to attributing one day of salary in FY2014 versus two days of salary in FY2015 based on the timing of the County's bi-weekly payroll schedule.[195]

Since FY2011 short-term liabilities have increased by $65.7 million or 30.9%. Accounts payable have always been the largest share of short-term liabilities, averaging 57.4%. Much of the increase occurred between FY2014 and FY2015.

Cook County Short-Term Liabilities in the Governmental Funds : FY2011-FY2015
(in $ thousands)

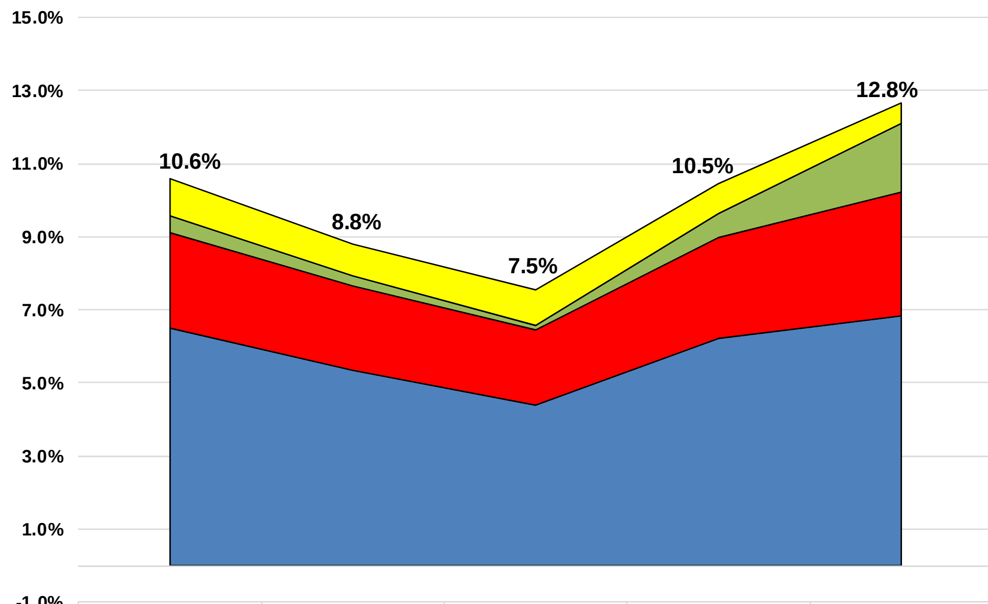
Type	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accounts Payable	$ 130,313	$ 106,186	$ 86,043	$121,680	$ 148,862	$ 27,182	22.3%	$ 18,549	14.2%
Retainage payable	$ -	$ -	$ -	$ -	$ 2,271	$ 2,271	---	$ 2,271	---
Accrued Salaries Payable	$ 52,400	$ 45,949	$ 40,360	$ 54,062	$ 73,777	$ 19,715	36.5%	$ 21,377	40.8%
Amounts held for outstanding warrants	$ 6,425	$ 6,580	$ 6,143	$ 4,480	$ 1,490	$ (2,990)	-66.7%	$ (4,935)	-76.8%
Due to Other Funds	$ 9,313	$ 5,447	$ 2,413	$ 12,831	$ 40,962	$ 28,131	219.2%	$ 31,649	339.8%
Due to Others	$ 12,502	$ 10,718	$ 12,933	$ 11,545	$ 10,716	$ (829)	-7.2%	$ (1,786)	
Due to Other Governments	$ 1,467	$ -	$ -	$ -	$ -	$ -		$ (1,467)	-100.0%
Other liabilities	$ -	$ 20,000	$ -	$ -	$ -	$ -	0.0%	$ -	----
Total	**$ 212,419**	**$ 194,880**	**$ 147,892**	**$ 204,598**	**$ 278,078**	**$ 73,480**	**49.7%**	**$ 65,659**	**30.9%**

Source: Cook County FY2011-FY2015 Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

[193] Information provided in a communication from the Cook County Budget Office, October 25, 2016.
[194] Information provided in a communication from the Cook County Budget Office, October 25, 2016.
[195] Information provided in a communication from the Cook County Budget Office, October 25, 2016.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government's future financial difficulties.[196] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. Cook County's ratio of short-term liabilities to total operating revenue has fluctuated over time. The ratio fell from 10.6% in FY2011 to 7.5% in FY2013. In FY2014 it rose to 10.5%, primarily due to increases in accounts payable. It rose again in FY2015 to 12.8%, mainly because of double digit percentage increases in three categories: due to other funds, accounts payable and accrued salaries payable. The ratio averaged 10.2% over the five-year period.

Cook County Short Term Liabilities as a Percentage of Operating Revenues: FY2011 - FY2015



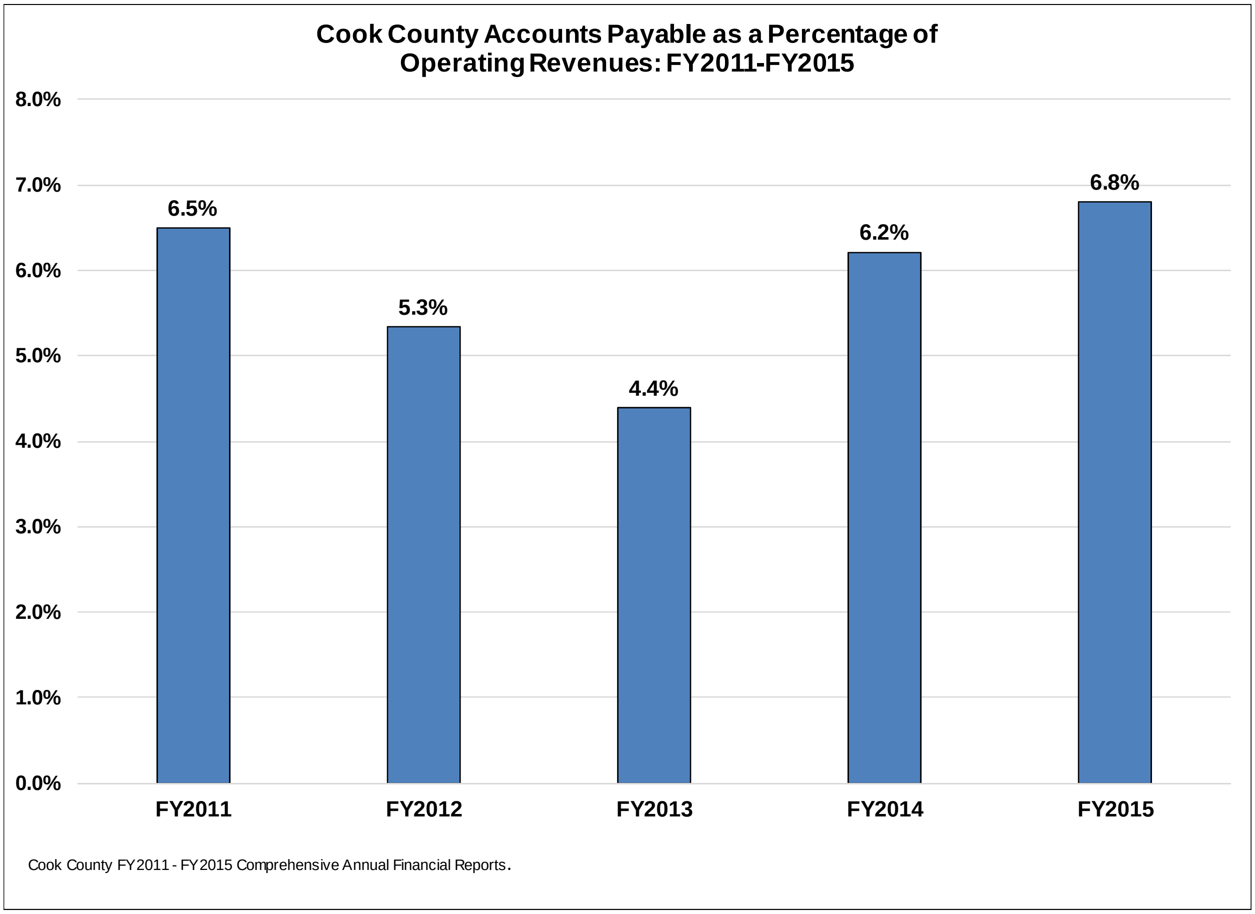
	FY2011	FY2012	FY2013	FY2014	FY2015
Other Liabilities	1.0%	0.9%	1.0%	0.8%	0.6%
Due to Other Funds	0.5%	0.3%	0.1%	0.7%	1.9%
Accrued Salaries Payable	2.6%	2.3%	2.1%	2.8%	3.4%
Accounts Payable	6.5%	5.3%	4.4%	6.2%	6.8%

Source: Cook County FY2011 - FY2015 Comprehensive Annual Financial Reports.

[196] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), pp. 77 and 169.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable compared to operating revenues may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Cook County's ratio of operating funds accounts payable to operating revenues fell from 6.5% in FY2011 to 4.4% in FY2013 before rising to 6.8% in FY2015.



Current Ratio

The current ratio is a measure of liquidity. The ratio is calculated by dividing current assets by current liabilities. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[197]

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

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

- *Cash and cash equivalents*: assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including grants, loans, property taxes and accrued interest;
- *Due from other governments:* Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government; and
- *Due from other funds or others* are receivables from those sources that are outstanding at the end of the fiscal year.

Cook County's current ratio was 4.8 in FY2015, the most recent year for which audited data are available. In the past five years, the ratio fell from 9.8 to 4.8. In each of the five years reviewed, it was far above 2.0, indicating that the County had more than sufficient liquidity.

Cook County Current Ratio of the Governmental Funds: FY2011-FY2015 (in $ thousands)

	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Current Assets									
Cash and investments	$ 747,344	$ 588,665	$ 526,435	$ 405,275	$ 345,073	$ (60,202)	-14.9%	$ (402,271)	-53.8%
Cash and investments with escrow agent	$ 39,131	$ 20,614	$ 6,871	$ 84	$ 161	$ 77	91.7%	$ (38,970)	---
Cash and investments with trustees	$ 461,345	$ 488,619	$ 304,504	$ 193,178	$ 87,865	$ (105,313)	-54.5%	$ (373,480)	-81.0%
Taxes receivable net - tax levy current year	$ 600,172	$ 630,919	$ 633,277	$ 674,041	$ 580,328	$ (93,713)	-13.9%	$ (19,844)	-3.3%
Taxes receivable net - tax levy prior year	$ 26,460	$ 25,416	$ 21,034	$ 20,886	$ 19,792	$ (1,094)	-5.2%	$ (6,668)	-25.2%
Accrued interest receivable	$ 621	$ 1,071	$ 556	$ 554	$ 551	$ (3)	-0.5%	$ (70)	-11.3%
Accounts receivable - due from others	$ 25,675	$ 20,447	$ 25,357	$ 29,298	$ 35,414	$ 6,116	20.9%	$ 9,739	37.9%
Accounts receivable - due from other governments	$ 168,493	$ 173,558	$ 149,440	$ 172,164	$ 215,368	$ 43,204	25.1%	$ 46,875	27.8%
Due from other funds	$ 3,910	$ 4,583	$ 44	$ 43	$ 25,043	$ 25,000	58139.5%	$ 21,133	540.5%
Loans Receivable	$ -	$ -	$ -	$ 41,053	$ 36,245	$ (4,808)	---	$ 36,245	---
Total Current Assets	**$ 2,073,151**	**$ 1,953,892**	**$ 1,667,518**	**$ 1,536,576**	**$ 1,345,840**	**$ (190,736)**	**-12.4%**	**$ (727,311)**	**-35.1%**
Current Liabilities									
Accounts Payable	$ 130,313	$ 106,186	$ 86,043	$ 121,680	$ 148,862	$ 27,182	22.3%	$ 18,549	14.2%
Retainage Payable	$ -	$ -	$ -	$ -	$ 2,271				
Accrued Salaries Payable	$ 52,400	$ 45,949	$ 40,360	$ 54,062	$ 73,777	$ 19,715	36.5%	$ 21,377	40.8%
Amounts held for outstanding warrants	$ 6,425	$ 6,580	$ 6,143	$ 4,480	$ 1,490	$ (2,990)	-66.7%	$ (4,935)	-76.8%
Due to Other Funds	$ 9,313	$ 5,447	$ 2,413	$ 12,831	$ 40,962	$ 28,131	219.2%	$ 31,649	339.8%
Due to Others	$ 12,502	$ 10,718	$ 12,933	$ 11,545	$ 10,716	$ (829)	-7.2%	$ (1,786)	---
Due to Other Governments	$ 1,467	$ -	$ -	$ -	$ -	$ -		$ (1,467)	-100.0%
Other liabilities	$ -	$ 20,000	$ -	$ -	$ -	$ -		$ -	#DIV/0!
Total Current Liabilities	**$ 212,419**	**$ 194,880**	**$ 147,892**	**$ 204,598**	**$ 278,078**	**$ 73,480**	**35.9%**	**$ 65,659**	**30.9%**
Current Ratio	**9.8**	**10.0**	**11.3**	**7.5**	**4.8**				

Source: Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. The Forest Preserve District is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens. Therefore, the Forest Preserve District is reported in the governmental activities of Cook County as a blended component unit and is included in the long-term liabilities of the County.[198]

---

[198] Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," http://www.gasb.org/st/summary/gstsm14.html (Last Visited January 11, 2010) and Cook County FY2012 Comprehensive Annual Financial Report, p. 48.

Total Long-Term Liabilities

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

- *Estimated pollution related liabilities*: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;[199]
- *Self-Insurance claims*: Incurred but not yet reported (IBNR) losses. The County reports liabilities it feels are adequate to provide for potential losses resulting from medical malpractice, worker's compensation and general liability claims;[200]
- *Property tax objections*: Estimated probable amounts payable related to property tax suits as well as for specific property tax objections and errors for which refunds are expected to be paid;[201]
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Net pension obligations (NPO):* The cumulative difference, since the effective date of GASB Statement No. 27, between the annual pension cost and the employer's contributions to the plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt; and[202]
- *Net Pension Liabilities*: Beginning in FY2015, Cook County will report 100% of the Pension Fund's (CTPF) net pension liability in the Statement of Net Position to comply with GASB Statement Number 68 requirements. Previously, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO (see description above). As a result of the reporting change for pensions involved in implementing GASB 68, the amount of Cook County long-term liabilities **reported** will increase substantially. This is because it will reflect a more holistic approach to measuring the liabilities of the government, which the previous NPO pension measurement did not. The amount owed by Cook County to the pension fund has not significantly changed. It's only being reported more transparently.
- *Net Other Post Employment Benefit (OPEB) obligations*: The cumulative difference, since the effective date of GASB Statement No. 45 in 2008, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB plan.

---

[199] Governmental Accounting Standards Board, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," http://www.gasb.org/st/summary/gstsm49.html (Last Visited on January 11, 2011).

[200] Cook County FY2015 Comprehensive Annual Financial Report, p. 16.

[201] Cook County FY2015 Comprehensive Annual Financial Report, pp. 93-94.

[202] Governmental Accounting Standards Board, "Summary of Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers* (Issued 11/94)," http://www.gasb.org/st/summary/gstsm27.html (last visited on December 17, 2010).

In the two-year period between FY2014 and FY2015, total long term liabilities rose slightly, by 2.8% or from $13.3 billion to $13.6 billion. The amount of long-term debt outstanding fell by 3.2% or $119.5 million.

However, between FY2011 and FY2015, total County long-term obligations rose by 108.1%, increasing from nearly $6.6 billion to $13.7 billion. Most of this increase was due to the change in pension reporting in FY2015 which led to an increase of $6.8 billion in reported pension liability. Cook County also restated the previously reported FY2014 amount using the new standard. As noted above, the new pension liability reporting requirements of GASB Statement No. 68 present a more transparent approach to measuring these liabilities than the previous approach, rather than a one-year large increase in liabilities. During the same five-year period, there was a decline in long-term debt, which fell by 6.2% or $240.7 million.

Cook County Long-Term Liabilities Governmental Activities: FY2011-FY2015
(in $ thousands)

	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Total General Obligation Bonds	$3,814,460	$3,780,315	$3,698,460	$ 3,578,277	$ 3,471,017	$ (107,260)	-3.0%	$ (343,443)	-9.0%
Net Discount*	$ 120,217	$ 111,062	$ 138,566	$ 162,061	$ 149,826	$ (12,235)	-7.5%	$ 29,609	24.6%
Refunding	$ (73,131)	$ (58,538)	$ (60,470)	$ -	$ -	$ -	---	$ 73,131	-100.0%
Subtotal Long-Term Debt	**$ 3,861,547**	**$ 3,832,839**	**$ 3,776,556**	**$ 3,740,338**	**$ 3,620,843**	**$ (119,495)**	**-3.2%**	**$ (240,704)**	**-6.2%**
Note Payable	$ -	$ -	$ -	$ 40,000	$ 6,524	---	---	---	---
Pollution Remediation Liability	$ 526	$ 732	$ 602	$ 557	$ 1,347	$ 790	141.8%	$ 821	156.0%
Self Insurance Claims	$ 269,930	$ 294,884	$ 297,149	$ 334,557	$ 224,608	$ (109,949)	-32.9%	$ (45,322)	-16.8%
Property Tax Objections	$ 40,782	$ 62,280	$ 67,115	$ 78,421	$ 82,384	$ 3,963	5.1%	$ 41,602	102.0%
Compensated Absences	$ 65,716	$ 64,901	$ 61,656	$ 62,937	$ 63,348	$ 411	0.7%	$ (2,368)	-3.6%
Net Pension Obligation/Liability**	$ 1,830,262	$ 2,210,857	$ 2,650,185	$ 8,145,525	$ 8,644,939	$ 499,414	6.1%	$ 6,814,677	372.3%
Net OPEB Obligations	$ 493,559	$ 604,201	$ 732,880	$ 875,254	$ 1,010,795	$ 135,541	15.5%	$ 517,237	104.8%
Total Long-Term Liabilities	**$ 6,562,321**	**$ 7,070,694**	**$ 7,586,143**	**$ 13,277,589**	**$ 13,654,788**	**$ 377,199**	**2.8%**	**$ 7,092,467**	**108.1%**

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

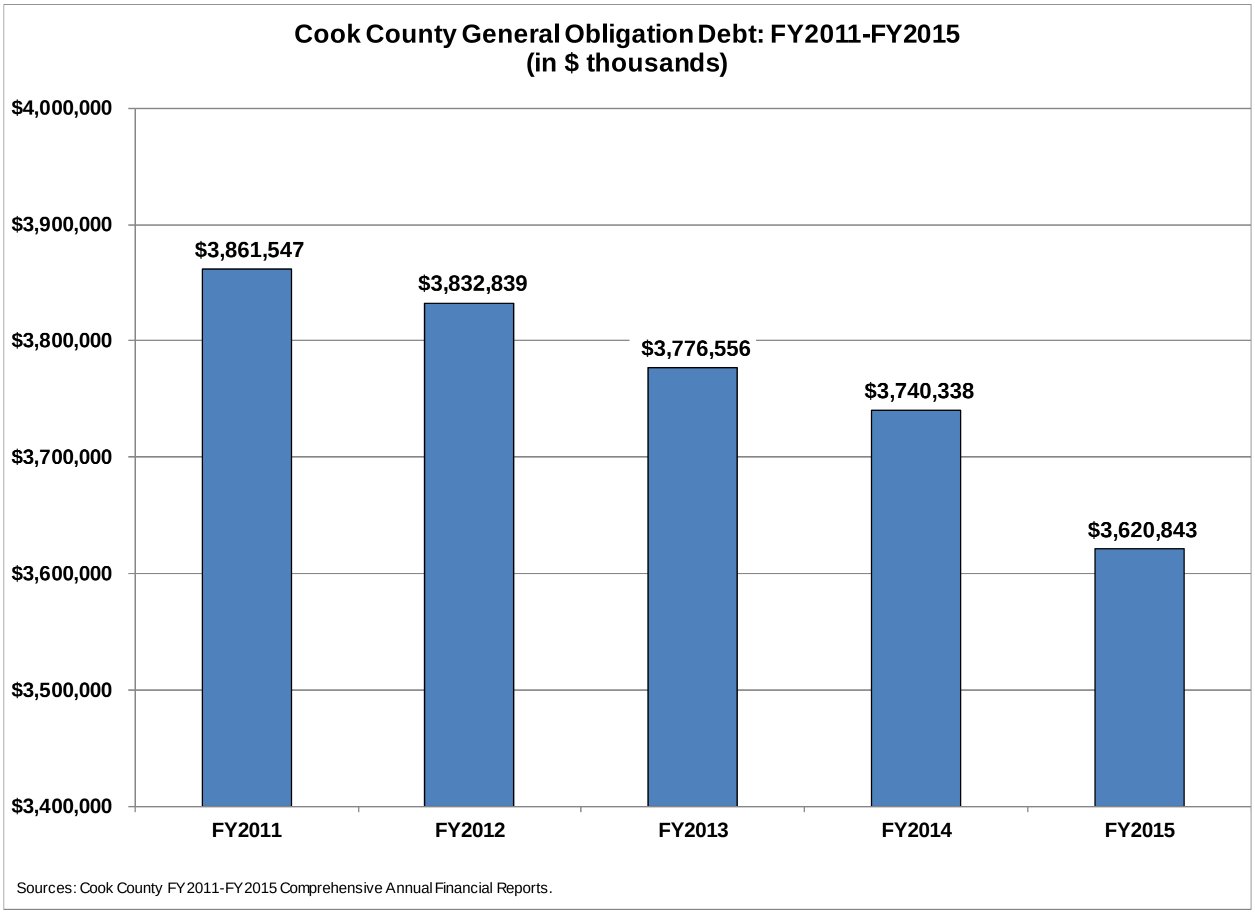
** Beginning in FY2015, Governments will report 100% of their net pension liabilities rather than the net pension obligations; the FY2014 figure was restated in FY2015.

Sources: Cook County FY2011-FY2015 Comprehensive Annual Financial Reports.

Long-Term Tax-Supported Debt

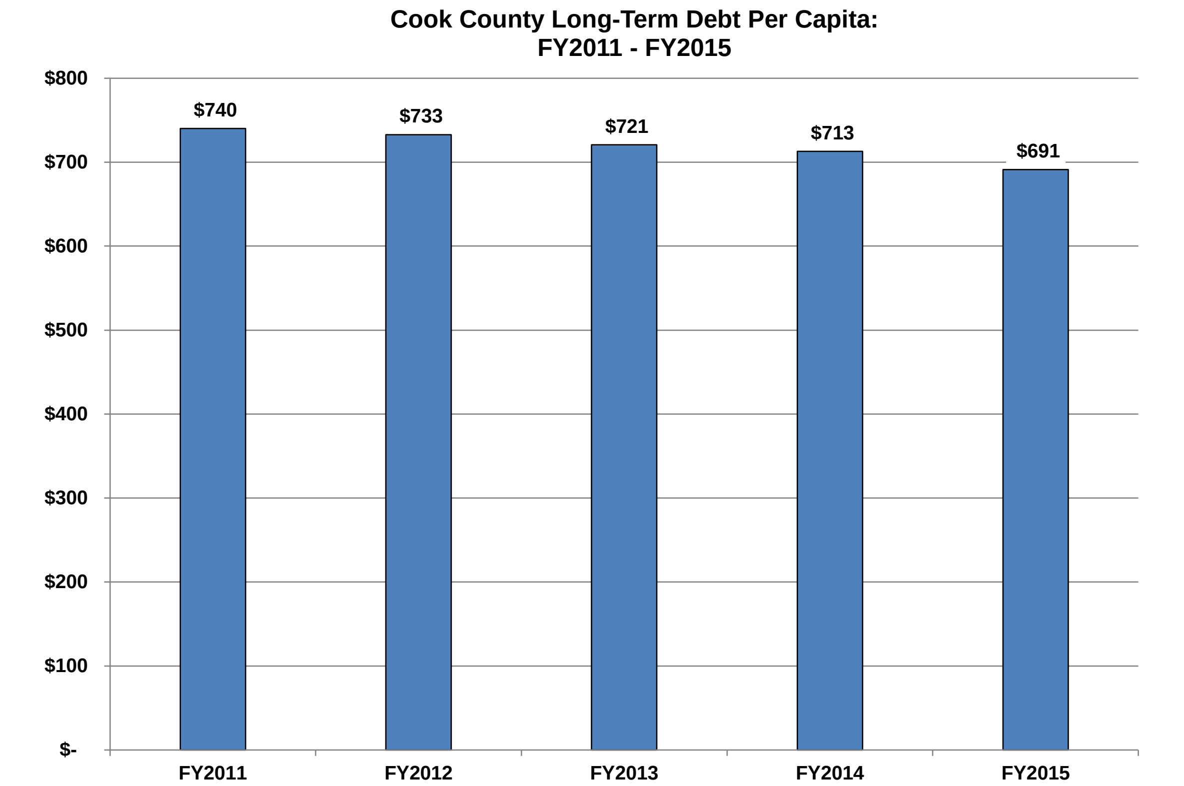
Increases in a government's long-term tax-supported debt over time, also known as direct debt, could be a potential sign of rising financial risk. Cook County long-term debt includes tax supported debt issues as well as bond premiums and issuance costs. All Cook County long-term debt is general obligation debt.

Long-term debt declined between FY2011 to FY2015 from $3.8 billion to $3.6 billion. This is a 6.2% or $240.7 million decrease.



Long-Term Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This long-term debt analysis takes the total long-term debt amount reported in the County's financial statements and divides them by population. The County's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator should be monitored as a potential sign of growing financial risk. The County's long-term per capita debt burden decreased from $740 to $691 between FY2011 and FY2015, a 6.6% decrease.



Sources: Population figures from Cook County FY2011-FY2014 Annual Appropriation Bills, FY2017 Executive Budget Recommendation, Volume 1, p. 322; Financial data from FY2011-FY2015 Comprehensive Annual Financial Reports.

Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high.[203] The County has not come close to the 15.0% threshold in the five years examined. The debt service ratio has fluctuated slightly over this period, from a high of 6.3% in FY2013 to a low of 5.5% in FY2016. The ratio will be 5.7% in FY2017.

Cook County Debt Service Expenditures as a Percentage of Total Appropriations: FY2013-FY2017					
	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Appropriation	FY20167 Proposed
Debt Service Expenditures	$ 187,384,752	$ 187,384,752	$ 225,000,000	$ 250,000,000	$ 277,133,392
Total Expenditures	$ 2,994,156,836	$ 3,509,884,227	$ 3,841,311,313	$ 4,538,717,217	$ 4,828,505,748
Debt Service as a % of Total Expenditures	**6.3%**	**5.3%**	**5.9%**	**5.5%**	**5.7%**

Source: Cook County FY2017 Executive Budget Recommendation, Volume I, p. 82.

Cook County Bond Ratings

Current Cook County bond ratings are shown in the table below.

Cook County Bond Ratings		
	Rating	Outlook
General Obligation Debt		
Moody's Investors Services	A2	Stable
Standard & Poor's	AA-	Stable
Fitch Ratings	A+	Stable
Sales Tax Debt		
Standard & Poor's	AAA	Stable

Source: Cook County FY2017 Executive Budget Recommendations, Volume I, p. 231.

[203] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October9 2009, p. 18.

COOK COUNTY CAPITAL PLANNING

According to the National Advisory Council on State and Local Budgeting's best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[204]

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

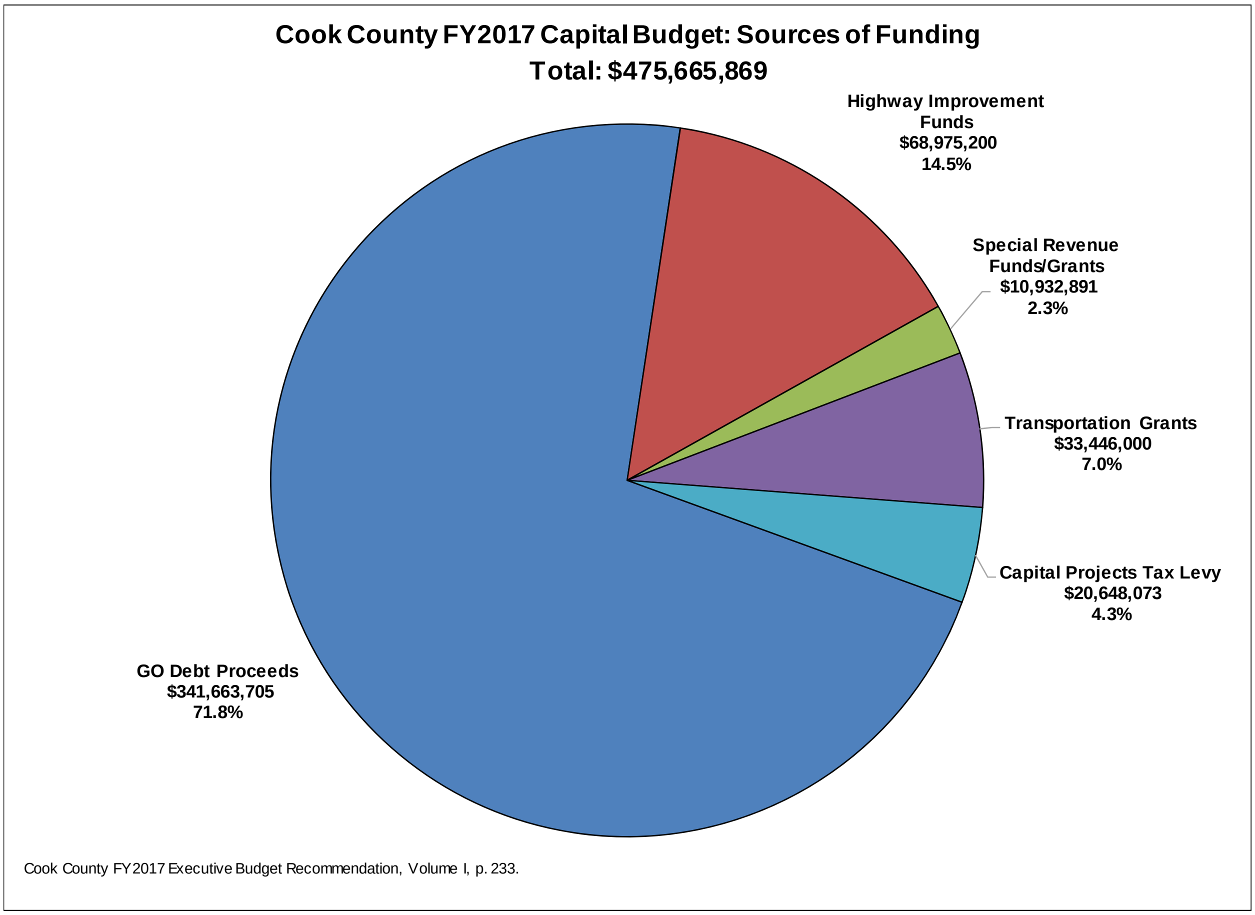
Once the CIP process is completed, the plan should be formally adopted by the governing body and integrated into its long-term financial plan. There should be opportunities for public input into the process. A well-organized and annually updated CIP helps ensure efficient and predictable execution of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

[204] National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

FY2017 Capital Budget

The first year of a CIP is the capital budget for that fiscal year. Cook County proposes a FY2017 capital budget of approximately $475.7 million.

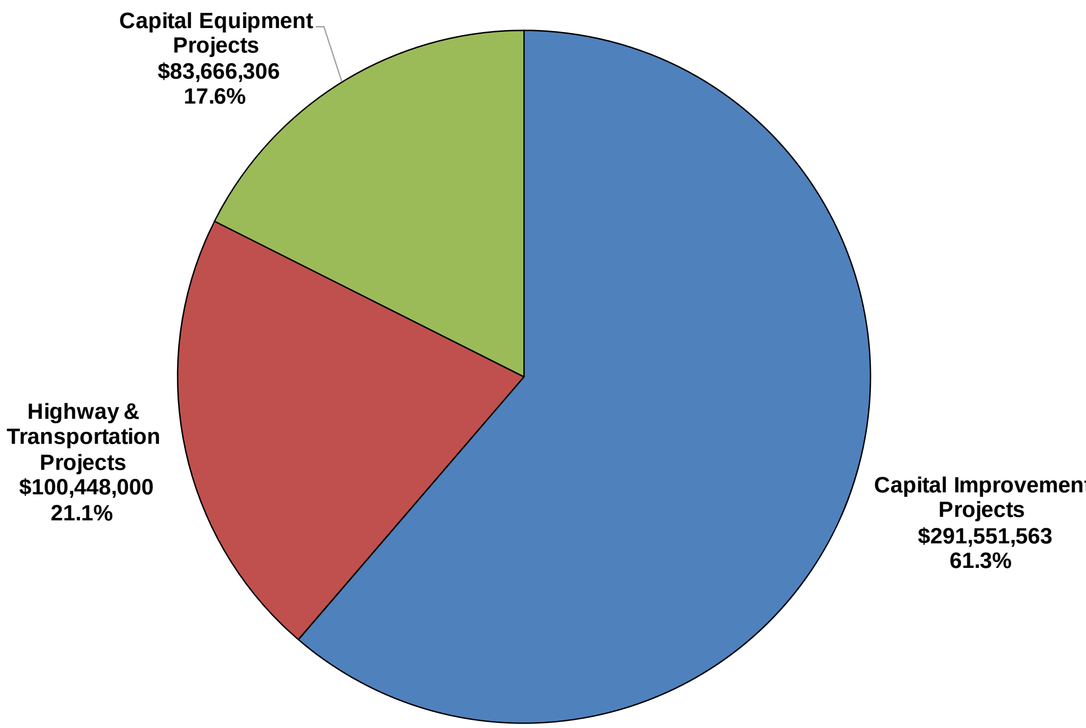
The graph below shows the sources of funding for the capital budget. Roughly 71.8% of all capital funds, or $341.7 million, will be derived from general obligation debt fund proceeds. Approximately 14.5% of capital funds will come from highway improvement funds. Smaller amounts will be funded by special revenue funds and grants, transportation grants and the capital projects tax levy.



Cook County will use 61.3%, or $291.6 million, of its FY2017 capital budget for capital improvement projects. Capital equipment investments in the capital budget are expected to total 17.6% or $83.7 million. These requests range from medical equipment for the Health System to office furniture and County vehicles. Highway and transportation projects will use 21.1% or $100.4 million of the total capital budget.

Cook County FY2017 Capital Budget Use of Capital Funds

Total: $475,665,869



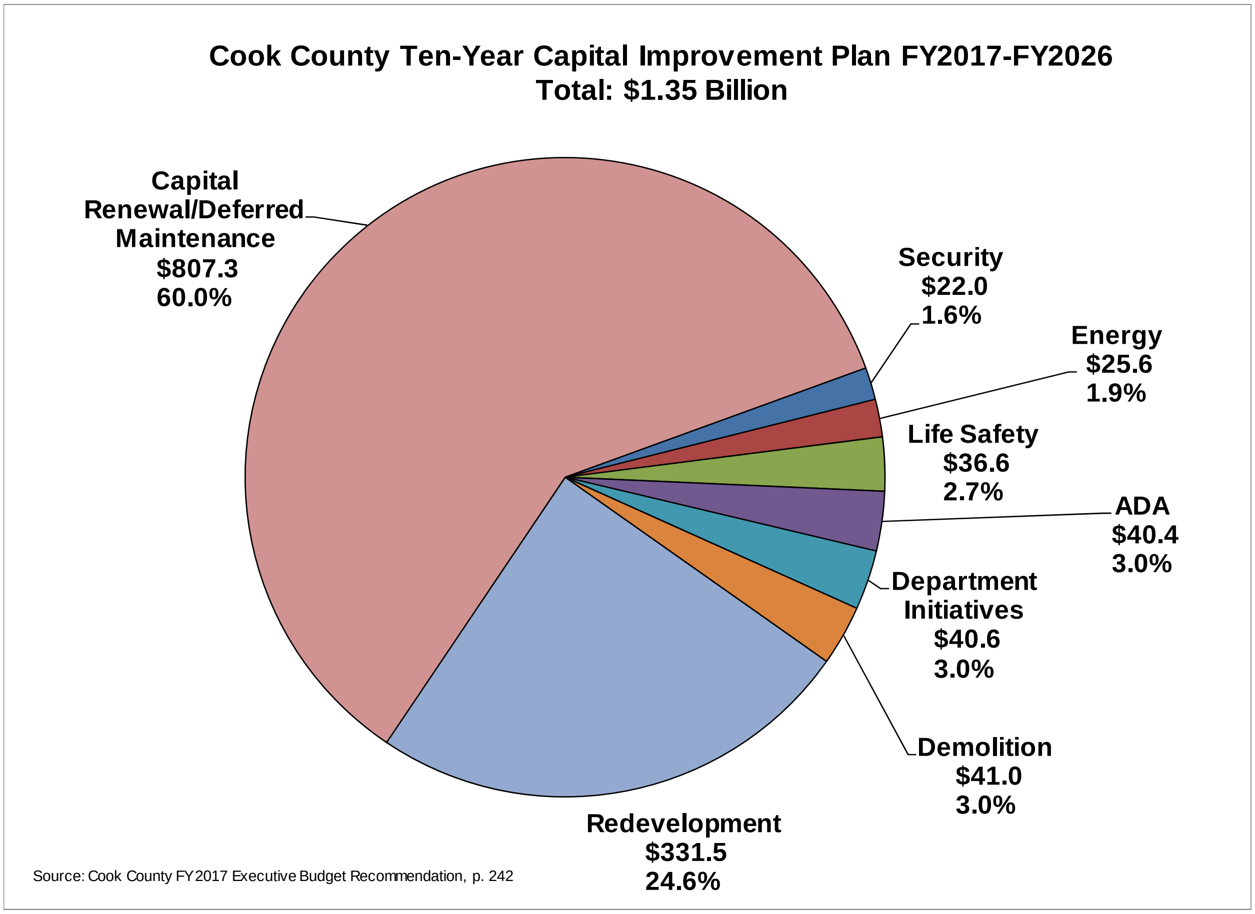
Cook County FY2017 Executive Budget Recommendation, Volume I, p. 233.

The FY2017-FY2026 Capital Improvement Plan

Cook County's proposed 10-year capital improvement plan includes nearly $1.35 billion of infrastructure investment through FY2026. These projects are ranked using a five-point facilities condition index.[205] The CIP includes an overview of the proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken. The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan.

The graph below shows that 60.0%, or $807.3 million, of the capital expenditures between FY2017 and FY2026 will be earmarked for capital renewal and deferred maintenance projects. Additionally, 24.6%, or $331.5 million, will be used for redevelopment projects.

[205] Cook County FY2017 Executive Budget Recommendation, p. 241.



Review of Cook County CIP

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

- The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures.
- A discussion of the relationship between the capital and operating budgets is provided and certain positive impacts of capital expenditures are highlighted in the capital budget section of the executive budget recommendation. Some specific information is provided about the impact of capital spending per project on operating budgets.[206]
- Some narrative information is provided about certain projects, but narrative descriptions of all individual projects, including the purpose, need, history and current status of each project, are not provided.
- The CIP is not approved by the Board of Commissioners as a stand-alone document.

[206] Cook County FY2017 Executive Budget Recommendation, Volume I, pp. 234-237.

Cook County Capital Improvement Program Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include:	
• *A narrative description of the CIP process?*	Yes
• *A five year summary list of projects and expenditures per project as well as funding sources per project?*	Yes
• *Information about the impact and amount of capital spending on the annual operating budget for each project?*	Yes
• *Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?*	Some discussion of public safety, public health and corporate fund projects and Transportation & Highway projects
• *The time frame for fulfilling capital projects?*	Yes
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Yes
Is the capital improvement plan made publicly available for review by elected officials and citizens?	
• *Is the CIP published in the budget or a separate document?*	In the Budget Book
• *Is the CIP available on the Web?*	Yes[207]
Are there opportunities for stakeholders to provide input into the CIP?	
• *Is there stakeholder participation on a CIP advisory or priority setting committee?*	No
• *Does the governing body hold a formal public hearing at which stakeholders may testify?*	Yes
• *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	Yes
Is the CIP formally approved by the governing body of the government?	As part of the budget

[207] The Cook County Capital Improvement Plan is available at https://www.cookcountyil.gov/sites/default/files/capital_improvement_programs_-_ccfy2017_executive_budget_recommendation_volume_1.pdf.