The Civic Federation

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CHICAGO PARK DISTRICT FY2013 BUDGET:

Analysis and Recommendations

December 5, 2012

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

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2013 proposed budget of $410.9 million because it holds the property tax levy relatively flat for the eighth year in a row, limits expenditure increases and includes some structural changes to reduce its ongoing budget deficits. The Federation supports the District's establishment of a fund balance policy and its efforts to eliminate the structural deficit through a multi-year plan. While we support the budget, the Civic Federation has concerns about the declining health of the District's pension fund and the District's continued pattern of reliance on non-recurring sources to close its budget gap.

The Civic Federation offers the following **key findings** on the FY2013 proposed budget:

- The FY2013 proposed budget is $410.9 million, an increase of approximately $3.4 million, or 0.8%, from FY2012 budgeted appropriations;
- The property tax levy will be held relatively flat at $261.0 million for the eighth consecutive year;
- Revenue from facility rentals and revenue from permits and fees will increase by $4.7 million and $1.5 million, respectively;
- Total personnel costs are budgeted at $172.0 million. Over the past five years, these costs which include salaries and benefits, have increased by $18.3 million, or 11.9%;
- Unrestricted General Fund fund balance will be $182.2 million, or 71.0% of General Fund expenditures, in FY2013. The General Fund fund balance includes the Long-Term Income Reserve and Northerly Island Reserve Funds which were previously reported as special revenue funds; and
- The actuarial value funded ratio for the District's pension fund fell from 94.0% in FY2002 to 58.0% in FY2011.

The Civic Federation **supports** several elements of the proposed budget including:

- Continuing a multi-year plan to eliminate the structural deficit by FY2015;
- Holding the District's property tax levy relatively flat for the eighth consecutive year;
- Establishing a General Fund fund balance policy;
- Focusing on non-tax revenues from large events; and
- Changing the Park District pension fund fiscal year.

However, the Civic Federation has **concerns** about the FY2013 proposed budget which include:

- Continuing use of non-recurring sources to balance the budget, including $7.6 million from the fund balance of the General Fund and $2.2 million of TIF surplus;
- Maintaining the District's pension fund at a funded ratio below a level considered financially healthy; and
- Rising personnel costs despite a significant reduction in full-time equivalent positions over the past five years.

The Civic Federation offers the following **recommendations** to improve the Chicago Park District's financial management:

- Work with the City of Chicago and Illinois General Assembly to implement comprehensive pension reform based on Chicago Mayor Rahm Emanuel's outline and/or consider consolidation with the Illinois Municipal Retirement Fund and reform the District's pension fund governance;
- Implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public;
- Assume operational control of the Illinois International Port District's Harborside Golf Center as part of a larger proposed dissolution of the entire Port District governmental structure; and
- Improve the District's budget format, providing five-year trend data for appropriations and revenues, including grant funds and clarifying the uses and sources of reserve funds.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's FY2013 proposed budget because it holds the property tax levy relatively flat for the eighth year in a row, limits expenditure increases and includes some structural changes to reduce its ongoing deficits. The District's proposed operating budget of $410.9 million represents an increase of 0.8%, or approximately $3.4 million, from the FY2012 budget.

The Civic Federation supports the District's multi-year plan to eliminate its structural deficit by FY2015. This year the District has proposed to reduce the $16.0 million budget deficit with $11.4 million generated from expenditure reductions and increased revenues. The Federation is additionally encouraged by the District's establishment of a General Fund fund balance policy that sets guidelines for its usage and replenishment. Going forward, this policy will help the District achieve its goal of eliminating the structural deficit by regulating the use of this one-time revenue source to balance its budget. However, the Federation is concerned that the District may offset some of its deficit reduction efforts by budgeting $9.8 million of one-time revenues to cover its operating expenses, including $7.6 million from the General Fund fund balance and $2.2 million of Tax Increment Financing (TIF) district surplus.

The Civic Federation recommends that the District develop a long-term financial plan to identify future fiscal challenges and develop strategies to address them. In particular, the Civic Federation warns that the health of the District's pension fund continues to deteriorate and recommends that the District pursue pension reforms for long-term financial stability.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the FY2013 Chicago Park District budget.

Continuing a Multi-Year Plan to Eliminate Structural Deficit

In 2012 the Chicago Park District implemented a multi-year plan to fully eliminate its structural deficit by FY2015. A structural deficit is a condition characterized by annual expenditure increases that consistently exceed recurring revenue increases during normal economic times. The FY2013 projected budget deficit of $16.0 million was a significant reduction from the FY2012 projected budget deficit of $23.9 million. The $16.0 million deficit was driven by anticipated salary increases, rising healthcare costs, utility costs for water and sewer services and an overall expansion of the District. Deficit reduction strategies include savings on energy costs and personnel reductions, as well as revenue enhancements from corporate sponsorship and major events. These strategies will have recurring effects on the District's annual budget and will likely reduce the gap between operating expenses and recurring revenues over the years.

The Civic Federation applauds the District for making an effort to cut costs and better manage its resources. We are encouraged that the District has indicated its intention to pursue additional efficiencies in the next fiscal year and beyond in order to address future budget gaps. Going forward, the Federation urges the District to include in its budget book a forecast of budget shortfalls that is tied to the current fiscal year's projected budget deficit and any structural changes that are proposed for that budget year.

Holding the Property Tax Levy Relatively Flat

For the eighth consecutive year, the District is holding the property tax levy relatively flat. The property tax levy is increasing by $1.1 million to $261.0 million in FY2013 as a result of the expiration and termination of Tax Increment Financing (TIF) districts. This maneuver, which has been used by the City of Chicago for the past two years and by Cook County this year, allows the District to capture property tax revenues from expiring and terminating TIF districts without increasing the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.1 million for TIF district expenses and now will pay the $1.1 million as part of the Park District's levy.

It is prudent to look at alternatives to raising taxes as City residents continue to deal with the aftermath of the recession and the housing foreclosure crisis. The Civic Federation supports the District's continued efforts to limit the pressure placed on property taxes. However, improving the District's pension status will likely require increased funding that may necessitate a property tax increase, benefit reductions and/or spending cuts.

Establishing a Formal Fund Balance Policy

The Park District recently established a fund balance policy that directly addresses the General Fund fund balance and includes consideration of the GASB 54 reporting changes. The policy requires the District to maintain between 8% and 16% of the preceding fiscal year's General Fund expenditures within the Economic Stabilization funds. The Board of Commissioners must give prior approval of any amounts to be expended from these funds and a repayment plan must be submitted and approved prior to expenditure. In addition, the policy notes that expenditures will be adjusted downward to balance any economic impacts that required the use of fund balance.[1]

For the FY2013 budget, 8% to 16% represents approximately $21.6 million to $43.2 million of the District's total General Fund expenditures of $269.9 million. The Civic Federation supports this initiative toward fiscal responsibility.

Focusing on Non-Tax Revenues from Large Events

The Chicago Park District has been successful in raising revenues from a number of non-tax sources in recent years. In FY2013 the District projects increases in non-tax revenues due to growth in activity and permit increases that focus on large scale events rather than program fees. Over the past five years permit and fee revenue has increased by 33.6%, or $14.5 million, reflecting large increases in all categories, including a $4.9 million, or 896.6%, increase in Golf Course Fees. These increases have offset the $8.7 million reduction in Personal Property Replacement Tax (PPRT) revenue received by the District over the past five years.

[1] Communication with Chicago Park District Office of Budget and Management, November 30, 2012.

The Civic Federation commends the District's efforts to generate revenue from non-tax sources and particularly from large scale events rather than program fees. The increase in these revenue sources helps mitigate the impact of economically sensitive tax revenues such as PPRT and provides diversification to protect against individual revenue fluctuations.

Changing Park District Pension Fund Fiscal Year

On August 16, 2012, Governor Quinn signed into law a change in the Chicago Park District Pension Fund fiscal year as Public Act 97-0894. The law matches the District's pension fund fiscal year with the District's fiscal year so that beginning in 2013, the fiscal year for the pension fund will run from January 1st to December 31st instead of July 1st to June 30th.

The change in fiscal year will not affect total pension contributions made by the District. Illinois law requires the District to make a pension contribution equal to 1.10 times the employee contributions during the fiscal year two years prior to the year for which the tax is levied. As the District's new fiscal year will begin on January 1, 2013, the period between July 1, 2012 and December 31, 2012 will be referred to as a short fiscal year and a separate Comprehensive Annual Financial Report will be produced for this six-month period. During the six-month period, employer contributions will be equal to 1.10 times the employee contributions made from July 1, 2010 to December 31, 2010. The employer contribution for FY2013 will be 1.10 times the contributions made by employees between January 1, 2011 to December 31, 2011.

The Civic Federation commends the District for pursuing this change since sharing the same fiscal year between the pension fund and the District's budget will provide more transparency. Of the governments the Civic Federation routinely monitors, DuPage County and Cook County are the only remaining pension funds that follow fiscal years different from those of their governments.

Civic Federation Concerns

The Civic Federation has concerns regarding three financial issues facing the Chicago Park District.

Continued Use of Non-Recurring Revenue Sources

The District has routinely budgeted non-recurring revenue sources as part of its proposed budget. Although smaller than in prior years, this trend will continue in FY2013 as the District proposes to utilize non-recurring sources, including $7.6 million from the Corporate Fund fund balance and $2.2 million in Tax Increment Financing (TIF) district surplus. The latter is a change from FY2012 when the District did not budget TIF surplus. The Park District is also implementing three shutdown days, which is not a permanent budgetary solution. The Civic Federation cautions that the use of these non-recurring revenue sources could undermine the District's efforts to reduce its structural deficit, since the District cannot rely on these sources for revenue in future years. It is important to note that the Civic Federation does not object to any of these techniques individually in certain compelling circumstances. For example, utilizing a portion of fund balance during an economic downturn to address short-term revenue fluctuations can be appropriate. However, the Civic Federation is concerned that the District shows a pattern of reliance on non-recurring methods to balance its annual budgets.

This is at least the seventh year in a row that the District has used non-recurring revenue sources to close budget shortfalls.

- In FY2012 the District used approximately $12.0 million from the General Fund fund balance, as well as a $1.3 million transfer from the SRA Fund Balance and $3.9 million from the accounts receivable in the Public Building Commission Rental of Facilities Fund.
- In FY2011 $3.0 million was transferred from the Corporate Fund fund balance and $12.0 million in TIF surplus from the City of Chicago.
- In FY2010 $7.7 million was transferred from the Parking Garage Revenue Capital Improvements Fund.
- In FY2009 $10.0 million was budgeted from Interest on Capital Investment.
- In both FY2007 and FY2008 $10.0 million was transferred from unreserved fund balance.
- In FY2007 the District transferred $10.0 million into its Corporate Fund from its Pension Fund, which has seen a significant decline in its funded ratio. [2]

Although the FY2013 budget is balanced, it appears that the District's proposed efforts to reduce its **structural deficit** are nearly offset by the use of TIF surplus and fund balance. By budgeting approximately $9.8 million in non-recurring revenue sources, the effect of $11.4 million in proposed recurring savings in FY2013 on the structural deficit will be lessened. Without changes to expenditures or revenues, this could create a projected FY2014 deficit of $14.4 million.

Chicago Park District FY2013 Gap Closing Measures (in $ millions)		
Projected FY2013 Deficit	**$**	**16.0**
Deficit Reduction		
Revenue from Lollapalooza	$	2.7
Debt Refinancing	$	2.5
Corporate Sponsorship	$	1.3
Energy Efficiency Investments	$	1.3
Elimination Full-Time Equivalent Positions	$	1.1
Expired and Terminated TIF Districts	$	1.1
Permit Fee Increases	$	0.5
Other Expenditure Reductions*	$	0.9
Total Deficit Reduction	**$**	**11.4**
Remaining FY2013 Deficit	**$**	**4.6**
Non-Recurring Revenue Sources		
TIF Surplus	$	2.2
Fund Balance	$	7.6
Total Non-Recurring Revenue Sources	**$**	**9.8**
Projected FY2014 Deficit	**$**	**14.4**

[2] Chicago Park District FY2007 Comprehensive Annual Financial Report p. 61.

Deterioration of the Fiscal Health of the Park District Pension Fund

The funded ratio of the Chicago Park District pension fund fell to 58.0% in FY2011, the last year for which data is available. In FY2002 the funded ratio was 94.0%. Unfunded liabilities totaled $354.6 million in FY2011. This is an increase of $228.9 million, or nearly nine times the $40.5 million of unfunded liabilities in FY2002. The funded ratio is below a level considered financially sustainable. The District must act to improve the financial health of the fund.

Increases in Personnel Costs

In FY2013 total personnel costs will reach $172.0 million. While only a small increase over FY2012, over the past five years, personnel costs have increased by 11.9%, or $18.3 million. This includes a 24.4% increase in expenses related to health benefits. The five-year increase occurs despite a reduction in personnel of 128 full-time equivalent positions during the same period.

In its FY2013 budget proposal, the Chicago Park District notes that it is currently in negotiations with its unions regarding upcoming salaries, wages and benefit costs. The current contract will expire in 2012.[3] Given the magnitude of the increase in health benefit costs over the past five years and the District's recurring budget deficits, the Civic Federation is concerned that salary increases for both union and non-union employees may not be affordable or sustainable.

Civic Federation Recommendations

The Civic Federation has several recommendations on ways to improve the Chicago Park District's financial and transparency practices.

Implement Comprehensive Pension Reform

In May 2012, Chicago Mayor Rahm Emanuel offered a plan to reform pensions for employees of the City of Chicago, Chicago Public Schools and Chicago Park District during a hearing of the Illinois House of Representatives Personnel and Pensions Committee. The Civic Federation supports the proposal, which provides a strong outline of a comprehensive, balanced solution that includes shared sacrifice by retirees, current employees and eventually taxpayers. The proposed reforms include four main elements to reduce the City's $20 billion unfunded liability for the City's four pension funds, Chicago Teacher's Pension Fund and Park District Pension Fund:

1. *Temporary suspension of the annual automatic annuity increase for current retirees*: The current 3% compounded annual increase would be suspended for ten years, after which a simple interest annual increase will be implemented;
2. *Increase in employee contributions*: Employee contributions would increase by 1% each year for five years. Current employee contribution rates range from 8.5% (Laborers and Municipal Funds) to 9.125% (Fire);

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[3] Communication with Chicago Park District Office of Budget and Management, November 30, 2012.

3. *Increase in the retirement age by five years*: According to testimony by Chief Financial Officer Lois Scott, the increased retirement age would include a ten-year phase-in plan to mitigate the effect of the reforms on those currently close to retirement age; and
4. *401(k)-type Retirement Option*: More choices would be provided to allow newer employees the flexibility to take accrued benefits with them if they leave City employment.

Though the Federation supports the Mayor's plan, further details are needed on how each of the provisions of the plan will be phased in, their financial impact in terms of cost savings and what the governments' contributions will be going forward. The Civic Federation urges the District to work with the City and the Illinois General Assembly to promote the Mayor's plan.

The Federation makes the following additional recommendations to improve the long-term financial health of the Chicago Park District Pension Fund.

Study Consolidation with the Illinois Municipal Retirement Fund

Currently the Chicago Park District is the only park district in Illinois that does not participate in the Illinois Municipal Retirement Fund. There could be efficiency gains by merging the Chicago Park District Pension Fund with the IMRF, and the Civic Federation strongly recommends that the District study this option.

Park District Pension Fund Governance Reform

The Park Employees' Annuity and Benefit Fund of Chicago is governed by a seven-member Board of Trustees that includes four active employees and three representatives from management.[4] The proper role of a pension board is to safeguard the fund's assets and to oversee benefit administration. If the District does not join the Illinois Municipal Retirement Fund, the Civic Federation recommends that the composition of the pension board of trustees be revised in three ways. The balance of employee and management representation on the board should be changed so that employees do not hold the majority of seats. A tripartite structure should be created that includes independent citizen representation on the board. Finally, financial experts should be included on the pension board and financial training for non-expert members should be required.[5]

Implement a Formal Long-Term Financial Plan

The Chicago Park District employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation

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[4] Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois* (February 13, 2006), http://www.civicfed.org/civic-federation/publications/recommendations-reform-public-pension-boards-trustees-illinois.

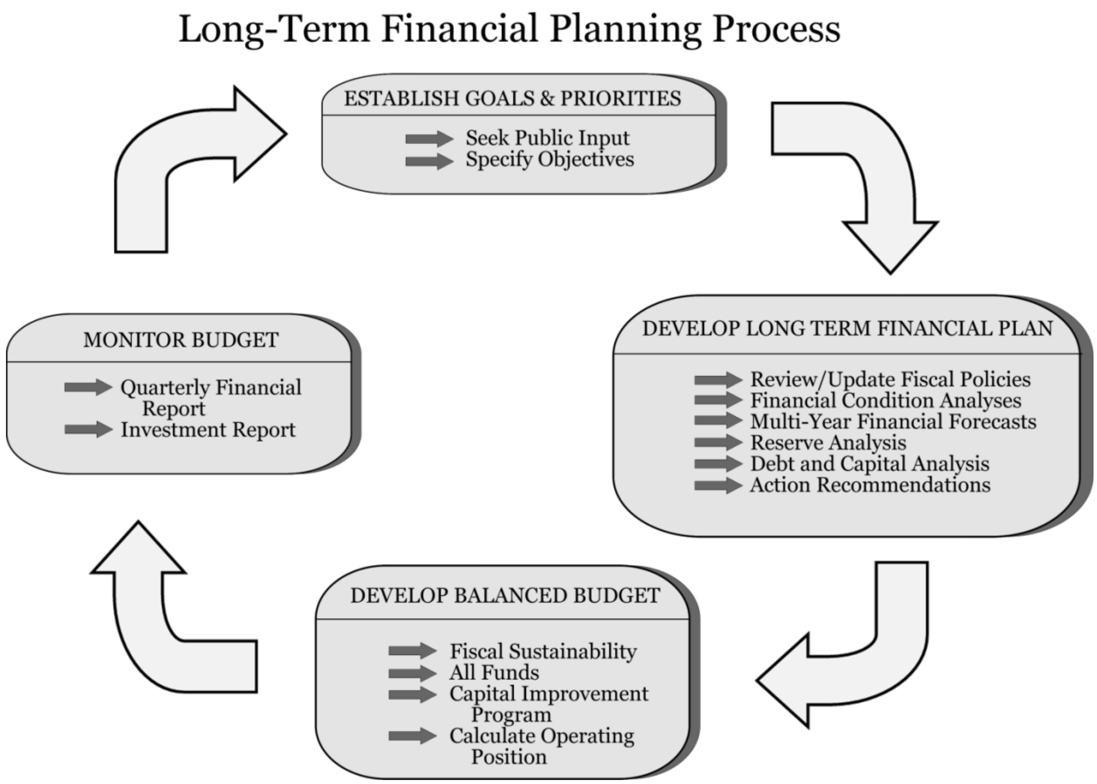
[5] Government Finance Officers Association, "Best Practice: Governance of Public Employee Post-Retirement Benefits Systems (2010)." http://www.gfoa.org/downloads/GFOA_governanceretirementbenefitssystemsBP.pdf. See also Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois*, February 13, 2006.

recommends that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public.

The Civic Federation believes that an effective financial planning process must include the identification of possible actions and scenarios to address fiscal challenges. As the GFOA states in its long-term financial planning best practice, such forecasting allows financial capacity to be aligned with long-term service objectives and strategies to achieve long-term sustainability.[6]

[6] Government Finance Officers Association, "GFOA Best Practice: Long-Term Financial Planning," (2008).

Therefore, we recommend that the Park District undertake a long-term financial planning process that would proceed in four stages.[7] First, the District will articulate fiscal and programmatic goals and priorities informed by public input. The Long-Term Financial Plan will evaluate financial and service data in order to determine how to accomplish the goals and priorities. It will include a review of the District's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, an evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced Chicago Park District budget that is fiscally sustainable each year. The budget would then be regularly monitored to ensure its viability by means of regular financial reports.



If the District chooses not to undertake a full long-term financial planning process, at a minimum the proposed budget documents should be expanded to include:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.

[7] The graphic illustration of the long-term financial planning process is based on the City of San Clemente, California's Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document "Long-Term Financial Planning for Governments" available at http://www.gfoa.org/downloads/LTFPbrochure.pdf.

3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues, such as a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the District's financial challenges.

Assume Operational Control of Illinois International Port District Harborside Golf Center

The Civic Federation believes that the Illinois International Port District (IIPD) should be dissolved and ownership of the IIPD's Harborside International Golf Center should be transferred to the Chicago Park District.[8] The Port District is also looking into contracting out its operations to a private entity.

Whether the Port District is dissolved or privately managed, we believe management of a golf course should not be the primary activity of a port authority. Instead, it falls squarely within the parameters of a park district's recreational duties. This transfer will benefit both the Chicago Park District, as it will acquire a valuable recreational asset, and the residents of Chicago, as a transparent and open governmental entity will be controlling this public-supported enterprise.

Improve the Budget Book Format

The Chicago Park District continues to provide a high level of detail in its annual budget documents, including the development of a Budget Summary with a breakdown of deficit reduction strategies, more information regarding the District's capital budget and a breakdown of personnel expenses. The Civic Federation applauds this important effort at budget transparency. This year we offer the following recommendations to further increase the user-friendly features of the District's budget documents:

- *Provide a forecast of future budget shortfalls.* In furtherance of the District's multi-year policy to eliminate its structural deficit, the District should include in its budget book a forecast of future budget shortfalls. The forecast should consider the current year's projected budget deficit and any structural changes proposed for that budget year;
- *Provide five years of trend data for appropriations and revenues.* The Civic Federation recommends the inclusion of budget data for the three prior fiscal years (actual data), the current year adopted budget and the upcoming proposed budget to show trends in revenues and expenditures; and
- *Report all grant fund revenues by source in Budget Summary.* Information is currently provided for revenues by fund and for Corporate Fund revenues by source. It would be useful to follow the practice employed by many other governments and also present revenue information by source for all funds, including grant funds, in the Budget Summary. This would provide a more complete picture of the revenue base of the entire government.

[8] See Civic Federation, *A Call for the Dissolution and Restructuring of the Illinois International Port Authority*, June 30, 2008 at http://www.civicfed.org/articles/civicfed_273.pdf.

ACKNOWLEDGEMENTS

The Civic Federation would like to thank Superintendent and Chief Executive Officer Michael Kelly, Chief Financial Officer Steve Hughes and Budget Director Juliet Azimi for their willingness to answer our questions about the proposed budget.

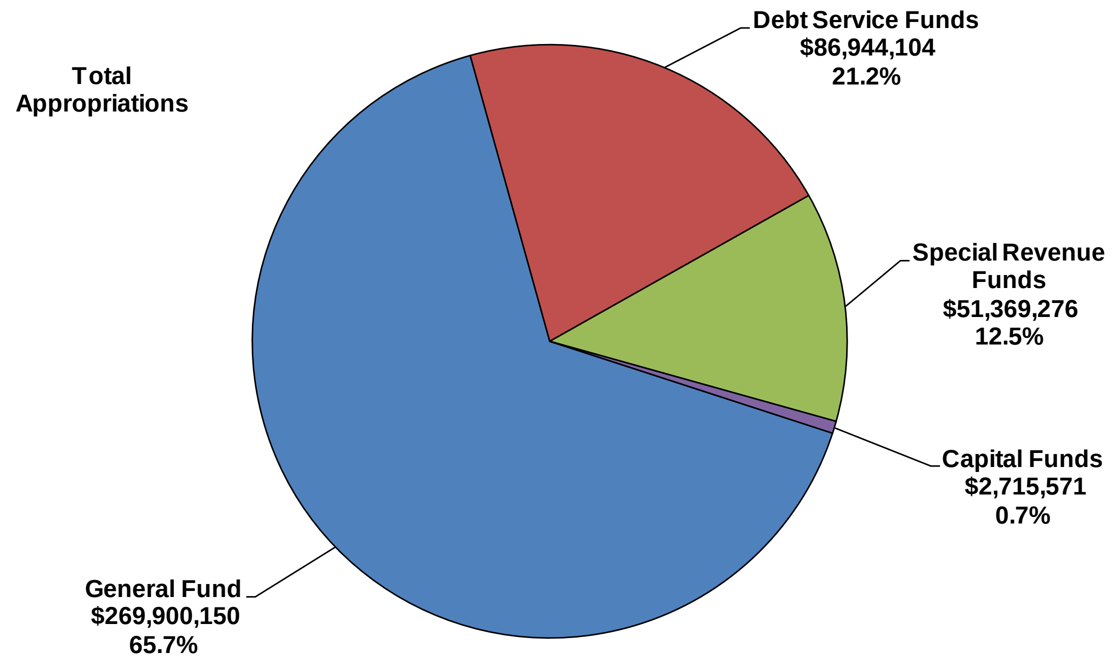
APPROPRIATIONS

This section presents an analysis of the Chicago Park District's budget appropriation trends by object.

All Funds Appropriations by Fund

Total Chicago Park District appropriations are proposed to increase from $407.5 million budgeted for FY2012 to $410.9 million in FY2013. This is an increase of $3.4 million, or 0.8%. General Fund, or operating fund, expenses will represent the largest portion of total appropriations at 65.7%, or $269.9 million, followed by Debt Service Funds representing 21.2%, or $86.9 million, of total appropriations. Special Revenue Funds and Capital Funds will account for 12.5% and 0.7%, respectively, of total appropriations in FY2013.

Chicago Park District FY2013 All Funds Appropriations by Fund

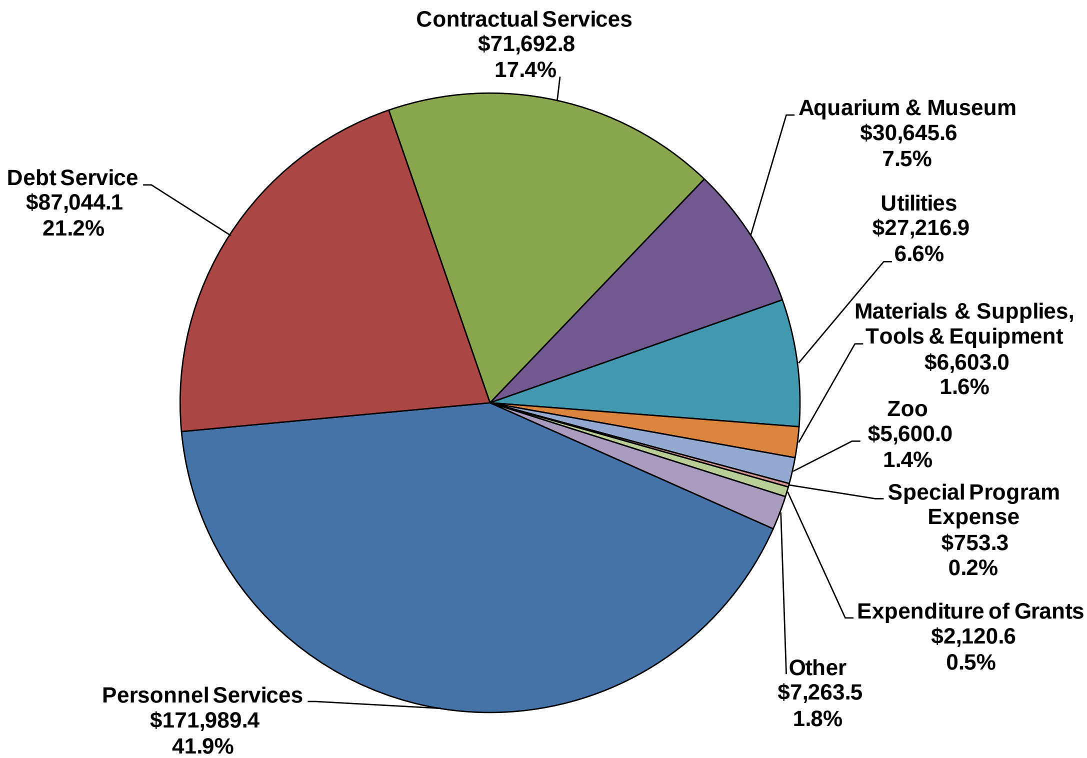


Source: Chicago Park District FY2013 Budget Recommendations, p. 401.

Two-Year and Five-Year Total Appropriations by Object

The following chart displays the Chicago Park District's total appropriations for FY2013 by object level. Object level refers to grouping expenditure categories by types of expense rather than by fund. Approximately 41.9%, or nearly $172.0 million, of FY2013 appropriations are budgeted for personnel costs (including salaries and wages, health, dental and life insurance, pensions, workers compensation and unemployment insurance), while Debt Service represents 21.2% of total appropriations. Contractual Services will comprise $71.7 million, or 17.4%, of the FY2013 budget.

Chicago Park District FY2013 Appropriations by Object



Note: Other includes Liability Insurance & Judgements, Organizations, Accessiblity Capital Projects and Facilities Rentals.
Source: Chicago Park District FY2013 Budget Summary, p. 28.

As shown in the chart below, total personnel costs are expected to increase slightly between FY2012 and FY2013, by 0.2%, or approximately $330,000. Utilities appropriations will increase by 9.9%, or $2.5 million, over FY2012 budgeted appropriations. A $1.3 million, or 10.6%, decrease in electricity costs as a result of efficiency initiatives will be offset by an increase in the District's water and sewer costs. Water and sewer expenses for the District will rise by 56.8%, or $3.8 million, over the two-year period due to the City of Chicago's 2012 establishment of multi-year increases to water and sewer rates.[9] Contractual Services appropriations will grow by $4.0 million, or 5.9%, between FY2012 and FY2013. Contractual Services are described in more detail later in this section.

[9] Chicago Park District FY2013 Budget Summary, p. 45.

Debt service appropriations will decline by 2.8%, or $2.5 million, falling from $89.6 million in FY2012 to $87.0 million in FY2013. This decrease is attributable to the expiration of a Public Building Commission payment that was originally established for the purpose of paying for the reconstruction of Soldier Field.[10]

The District's appropriation for the Museums in the Park (Aquarium and Museum line) will remain relatively stable at $30.6 million, increasing by approximately $15,000 in FY2013 over the FY2012 budget.[11] The Zoo appropriation will decrease slightly by 1.6%, or approximately $90,000 to $5.6 million. This appropriation is for the Lincoln Park Zoo, which is operated by a non-profit organization and the Zoo's management of the small Indian Boundary Zoo. Appropriations for Special Program Expense, which includes costs that fall within park budgets such as tournament expenses or recognitions and awards, will decrease by 21.8%, or approximately $210,000 in FY2013.[12]

In a five-year comparison, the FY2013 proposed budget will increase by 10.8%, or $40.1 million, over FY2009 actual expenditures. Over the five-period personnel costs will rise by 11.7%, or $18.0 million. This overall increase is primarily due to increases in healthcare costs and negotiated increases in salaries and wages for union employees and increased compensation for management in FY2012.[13] Potential salary and wage increases for FY2013 have not yet been determined as the Park District is currently in negotiations with its unionized workforce.[14] Expenditure of Grants, or grants received, will increase by $2.1 million, or 100.0%, when compared to FY2009 actual expenditures over the five-year period.

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[10] Chicago Park District FY2013 Budget Summary, p. 20 and 44 and information provided by the Chicago Park District, November 30, 2012.

[11] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the John G. Shedd Aquarium, Adler Planetarium, The Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, The Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Peggy Notebaert Nature Museum and Institute of Puerto Rican Arts and Culture. Chicago Park District FY2013 Budget Summary, p. 45.

[12] Information provided by the Chicago Park District, November 30, 2012.

[13] Chicago Park District FY2012 Budget Summary, p. 49. Represented (union) employees received 3.0% in cost of living increases and non-represented (non-union) management employees received 1.5% cost of living increases in FY2012. Chicago Sun-Times, "Golf, some parking and boat fees rise in proposed parks budget," news release, November 24, 2011.

[14] Information provided by the Chicago Park District, November 30, 2012.

Appropriations for Special Program Expense will decrease by 80.5%, or $3.1 million, between FY2009 and FY2013, falling from $3.8 million to approximately $753,000. In FY2012 appropriations for Liability Insurance and Judgments are expected to decrease by $2.9 million, or 43.8%, over FY2009 expenditures. The District subsidy to Aquarium and Museum appropriations will decrease by 5.6%, or approximately $1.8 million. Utilities appropriations will also decline over the five-year period, by 15.7%, or $5.1 million.

Chicago Park District Appropriations by Object: FY2009-FY2013 (in $ thousands)

	FY2009 Actual	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Personnel Services	$ 153,950	$ 162,387	$ 166,377	$ 171,659	$ 171,989	$ 330	0.2%	$ 18,039	11.7%
Debt Service	$ 72,253	$ 85,156	$ 86,782	$ 89,554	$ 87,044	$ (2,510)	-2.8%	$ 14,791	20.5%
Contractual Services	$ 54,498	$ 64,965	$ 66,427	$ 67,675	$ 71,693	$ 4,018	5.9%	$ 17,195	31.6%
Aquarium & Museum	$ 32,474	$ 30,756	$ 30,601	$ 30,631	$ 30,646	$ 15	0.0%	$ (1,828)	-5.6%
Utilities	$ 32,289	$ 24,100	$ 23,200	$ 24,762	$ 27,217	$ 2,455	9.9%	$ (5,072)	-15.7%
Materials & Supplies, Tools & Equipment	$ 5,710	$ 7,136	$ 7,034	$ 6,579	$ 6,603	$ 24	0.4%	$ 893	15.6%
Zoo	$ 5,600	$ 5,600	$ 5,690	$ 5,690	$ 5,600	$ (90)	-1.6%	$ -	0.0%
Special Program Expense	$ 3,871	$ 1,162	$ 1,274	$ 963	$ 753	$ (210)	-21.8%	$ (3,117)	-80.5%
Expenditure of Grants	$ -	$ 2,371	$ 2,000	$ 2,284	$ 2,121	$ (164)	-7.2%	$ 2,121	100.0%
Liability Insurance & Judgments	$ 6,627	$ 4,750	$ 4,475	$ 3,987	$ 3,727	$ (261)	-6.5%	$ (2,901)	-43.8%
Organizations	$ 2,494	$ 2,490	$ 2,690	$ 2,690	$ 2,510	$ (180)	-6.7%	$ 16	0.6%
Accessiblity Capital Projects	$ -	$ -	$ -	$ -	$ -	$ -	0.0%	$ -	0.0%
Facilities Rentals	$ 1,034	$ 980	$ 1,019	$ 1,045	$ 1,027	$ (18)	-1.7%	$ (7)	-0.7%
Total	**$ 370,802**	**$ 391,854**	**$ 397,570**	**$ 407,520**	**$ 410,929**	**$ 3,409**	**0.8%**	**$ 40,127**	**10.8%**

Note: Adopted appropriations for FY2010 and FY2011 were used because actual expenditures were not available in a summary form. Totals may differ from budget due to rounding.
Source: Chicago Park District FY2011 Budget Summary, p. 34; FY2012 Budget Summary, p. 37; and FY2013 Budget Summary, p. 28.

Two-Year and Five-Year Contractual Services Appropriations by Object

The next exhibit provides a breakdown of contractual services appropriations for fiscal years 2009 through 2013. Overall the District will increase Contractual Services appropriations by 5.9%, or $4.0 million, from $67.7 million in FY2012 to $71.7 million in FY2013. The majority of this increase is attributable to the increase in appropriations for Soldier Field, which will rise by nearly $4.0 million, or 31.8%. This increase is a result of two main factors: 1) a change in reporting by the private contractor for Soldier Field (approximately 24%); and 2) expected revenue growth from strong booking events schedule for FY2013 (approximately 7%).[15]

Between FY2012 and FY2013 appropriations for Repair and Maintenance and Concessions Management will each increase by 7.4% while General Contractual Services costs will increase by 4.9%. Landscape Management and Other Management Fee Expense, which include accounts for Professional Services, Reprographic Services, Ice Skating Management and Litigation Expenses, will decline by 9.4% and 1.6%, respectively.

[15] FY2013 booking events include NFL football, Hockey City Classic, Spring Awakening Music Festival, CONCACAF Gold Cup 2013, Taylor Swift in concert and Illinois vs. Washington College Football. Information provided by the Chicago Park District, November 30, 2012.

Between FY2009 and FY2013 contractual services will increase by 31.6%, or $17.2 million. The largest percentage increases will occur in appropriations for General Contractual Services and Parking Management as costs rise by 94.9% and 103.9%, respectively. Over the same five-year period appropriations for Soldier Field will increase by 72.7%, or $6.9 million.

Chicago Park District Contractual Services Appropriations: FY2009-FY2013 (in $ thousands)

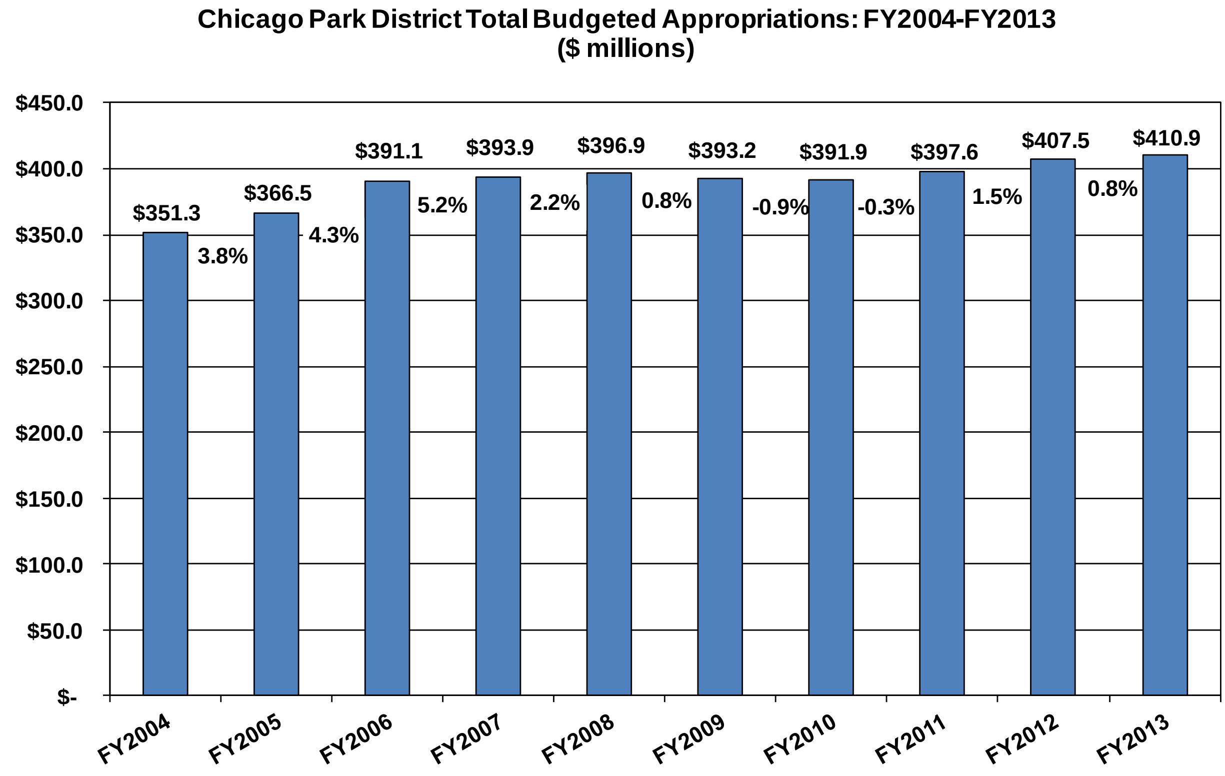
	FY2009 Actual	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Repair & Maintenance	$ 1,401	$ 1,290	$ 1,461	$ 1,872	$ 2,011	$ 139	7.4%	$ 610	43.5%
General Contractual Services	$ 8,225	$ 14,724	$ 15,321	$ 15,275	$ 16,028	$ 753	4.9%	$ 7,803	94.9%
Concessions Management	$ 825	$ 650	$ 675	$ 675	$ 725	$ 50	7.4%	$ (100)	-12.2%
Harbor Management	$ 8,230	$ 8,117	$ 8,920	$ 10,140	$ 10,014	$ (126)	-1.2%	$ 1,784	21.7%
Soldier Field	$ 9,561	$ 12,295	$ 12,241	$ 12,522	$ 16,510	$ 3,988	31.8%	$ 6,949	72.7%
Golf Management Expenses	$ 3,874	$ 4,435	$ 4,123	$ 4,207	$ 4,061	$ (146)	-3.5%	$ 187	4.8%
MLK Center Management	$ 1,136	$ 1,109	$ 1,246	$ 1,246	$ 1,255	$ 9	0.7%	$ 119	10.5%
Parking Management	$ 583	$ 1,117	$ 1,149	$ 1,181	$ 1,189	$ 7	0.6%	$ 606	103.9%
Landscape Management	$ 4,003	$ 3,997	$ 4,447	$ 4,262	$ 3,862	$ (400)	-9.4%	$ (141)	-3.5%
Other Management Fee Expense	$ 16,660	$ 17,229	$ 16,845	$ 16,294	$ 16,038	$ (256)	-1.6%	$ (622)	-3.7%
Total	**$ 54,498**	**$ 64,965**	**$ 66,427**	**$ 67,675**	**$ 71,693**	**$ 4,018**	**5.9%**	**$ 17,195**	**31.6%**

Note: Adopted appropriations for FY2010 and FY2011 were used because actual expenditures were not available in a summary form. Totals may differ from budget due to rounding.

Source: Chicago Park District FY2011 Budget Summary, p. 34; FY2012 Budget Summary, p. 37; and FY2013 Budget Summary, p. 28.

Ten-Year Appropriation Trend

Over the last ten years, total budgeted appropriations have increased by $59.6 million, or 17.0%. Between FY2004 and FY2010, the Park District's annual budgeted appropriations growth averaged 2.0%, which is similar to the average rate of inflation per year during this eight-year period of 2.1%.[16]



Note: Actual appropriations were not available.
Source: Chicago Park District Budget Summaries, FY2004-FY2013.

RESOURCES

This section provides an overview of the resources the District is proposing to utilize in FY2012 with comparisons to previous years.

All Fund Resources: Two-Year and Five-Year Trends

Total revenues for the District are projected to be nearly $400.3 million in FY2013, an increase of 2.5%, or $9.9 million, from FY2012. An additional $10.7 million in fund balance and prior year resources are proposed to be used, bringing total resources to $410.9 million. Total resources will increase by $3.4 million, or 0.8%, from $407.5 million in FY2012.

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[16] The annual Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased by 2.1% on average between 2004 and 2011 (base period: 1982-84 = 100). U.S. Bureau of Labor Statistics, accessed November 28, 2012.

Tax revenues for the District are budgeted to increase by 1.2%, or $3.5 million, in FY2013, from $289.2 million to $292.6 million. The vast majority of the District's tax revenue comes from the property tax levy, which is being held relatively flat at $261.0 million for the eighth consecutive year. The property tax levy is increasing by $1.1 million from FY2012 as a result of the expiration and termination of Tax Increment Financing (TIF) districts.[17] This maneuver, which has been used by the City of Chicago for the past two years and by Cook County this year, allows the District to capture property tax revenues from expiring and terminating TIF districts without increasing the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.1 million for TIF district expenses which are not reported in the operating budget, and now will pay the $1.1 million as part of the Park District's levy. The overall increase in tax revenues is due primarily to budgeting TIF surplus revenue distributed by the City of Chicago. The District is estimating that it will receive a TIF surplus of approximately $2.2 million.

Over the five-year period beginning in FY2009, the District's tax revenues have decreased by $6.2 million, or 2.1%. The majority of the decline is due to lower personal property replacement tax (PPRT) revenues. PPRT is a corporate tax that is collected and distributed by the State of Illinois. Although the State anticipates growth in corporate profits, the Park District is maintaining a conservative outlook on the revenue it receives because of the State's recent practice of diverting revenues from the distribution amount to satisfy its obligations.[18]

Revenues generated from the rental of District facilities are expected to increase by 16.4%, from $28.8 million to $33.5 million. This includes revenue from the rental of Soldier Field, which is rising 15.1%, or $3.8 million, to $29.1 million. Part of this growth is due to a change in reporting, but the District notes that approximately 7% of growth is due to an increase in events.[19] Soldier Field revenue has increased by $5.5 million, or 23.3%, over the past five years.

Permit and fee revenues are projected to increase modestly by $1.5 million, or 2.7%. This category includes parking fees, permit revenues, harbor fees, park fees and golf courses. To increase activity in this area, the District plans a number of initiatives including a moratorium on non-resident boater fees and a free golf for children program. To keep fees affordable for recreational activities, the District is focusing on permit increases for large scale events, such as music festivals.[20]

A Long-Term Income Reserve Fund of $120.0 million was established with proceeds related to the leasing of three downtown parking garages in 2006.[21] The District will not use Long-Term Income Reserve funds in FY2013. In FY2011 the District budgeted $0.1 million from the Reserve funds.

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[17] Chicago Park District FY2013 Budget Summary, p. 32.
[18] Chicago Park District FY2013 Budget Summary, p. 33.
[19] Chicago Park District FY2013 Budget Summary, p. 35.
[20] Chicago Park District FY2013 Budget Summary, p. 39-40.
[21] In 2006, the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a private operator, which gave the lease holder the right to provide parking garage services for 99 years.

In FY2013 the District proposes to transfer $7.6 million of Corporate Fund fund balance to its operating budget. In addition, the District proposes to use $3.1 million of prior year resources. With these sources of revenue and $2.2 million of TIF surplus, this is at least the seventh year in a row that the District has utilized non-recurring revenues in its proposed budget. Non-recurring revenue utilized in recent years includes the following:

- In FY2012 $17.2 million in fund balance transfers to the operating fund;
- In FY2011 $3.0 million in Corporate Fund fund balance and $12.0 million from TIF surplus;[22]
- In FY2010 $7.7 million is from a transfer from the Parking Garage Revenue Capital Improvements Fund;[23]
- In FY2009 $10.0 million was budgeted from Interest on Capital Investment. This is interest earnings from the Parking Garage Revenue Capital Improvements Fund and Reserve for Park Replacement fund from the close of the garage lease transaction in December 2006 to December 2008;[24] and
- In both FY2007 and FY2008 $10.0 million was transferred from unreserved fund balance.[25]

Chicago Park District Resources by Source: FY2009-FY2013
(in $ thousands)

	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Gross Property Tax Levy	$ 259,911	$ 259,911	$ 259,911	$ 259,911	$ 261,011	$ 1,100	0.4%	$ 1,100	0.4%
Property Tax Loss in Collection	$ (9,357)	$ (10,007)	$ (10,137)	$ (10,137)	$ (10,179)	$ (43)	0.4%	$ (823)	8.8%
Other Property Tax Income (TIF Surplus)	$ -	$ -	$ 12,000		$ 2,224	$ 2,224	-	$ 2,224	-
Personal Property Replacement Tax (PPRT)	$ 48,300	$ 41,055	$ 39,002	$ 39,392	$ 39,589	$ 197	0.5%	$ (8,711)	-18.0%
Subtotal Tax Revenues	**$ 298,854**	**$ 290,959**	**$ 300,776**	**$ 289,166**	**$ 292,645**	**$ 3,478**	**1.2%**	**$ (6,209)**	**-2.1%**
Rental of Soldier Field	$ 23,599	$ 23,599	$ 24,394	$ 25,267	$ 29,092	$ 3,824	15.1%	$ 5,493	23.3%
Rentals	$ 2,886	$ 2,496	$ 2,218	$ 2,590	$ 3,268	$ 678	26.2%	$ 381	13.2%
Northerly Island Pavilion	$ 209	$ 392	$ 376	$ 900	$ 1,100	$ 200	22.2%	$ 891	425.4%
Subtotal Facility Rentals	**$ 26,694**	**$ 26,486**	**$ 26,987**	**$ 28,757**	**$ 33,459**	**$ 4,702**	**16.4%**	**$ 6,765**	**25.3%**
Parking Fees	$ 2,466	$ 2,588	$ 2,436	$ 2,932	$ 3,334	$ 402	13.7%	$ 868	35.2%
Harbor Fees	$ 22,332	$ 22,417	$ 23,462	$ 27,558	$ 25,138	$ (2,420)	-8.8%	$ 2,806	12.6%
Park Fees	$ 12,786	$ 14,612	$ 14,079	$ 14,179	$ 14,179	$ -	0.0%	$ 1,393	10.9%
Permits	$ 5,173	$ 5,096	$ 6,132	$ 6,582	$ 9,727	$ 3,145	47.8%	$ 4,554	88.0%
Golf Course Fees	$ 550	$ 5,360	$ 5,203	$ 5,063	$ 5,482	$ 419	8.3%	$ 4,932	896.6%
Subtotal Permits and Fees	**$ 43,307**	**$ 50,072**	**$ 51,312**	**$ 56,314**	**$ 57,860**	**$ 1,546**	**2.7%**	**$ 14,553**	**33.6%**
Concessions	$ 2,492	$ 2,500	$ 2,478	$ 2,822	$ 3,181	$ 358	12.7%	$ 689	27.6%
MLK Center	$ 1,341	$ 1,250	$ 1,322	$ 1,432	$ 1,408	$ (24)	-1.7%	$ 67	5.0%
Corporate Sponsorships	$ -	$ -	$ 850	$ 500	$ 1,800	$ 1,300	260.0%	$ 1,800	-
Grants and Donations	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ -	0.0%	$ -	0.0%
Investment Income	$ 1,200	$ 500	$ 200	$ 200	$ 400	$ 200	100.0%	$ (800)	-66.7%
Long Term Income Reserve (Parking)*	$ 2,100	$ 380	$ 100	$ -	$ -	$ -	-	$ (2,100)	-100.0%
Miscellaneous	$ 1,035		$ 1,405	$ 2,286	$ 987	$ (1,299)	-56.8%	$ (48)	-4.6%
Capital Contributions	$ 1,200	$ 3,897	$ 4,138	$ 3,837	$ 3,516	$ (321)	-8.4%	$ 2,316	193.0%
Interest on Capital Investment	$ 10,000	$ 1,160	$ -	$ -	$ -	$ -	-	$ (10,000)	-100.0%
Total Revenues	**$ 393,223**	**$ 382,204**	**$ 394,570**	**$ 390,314**	**$ 400,255**	**$ 9,941**	**2.5%**	**$ 7,032**	**1.8%**
Dedicated Capital Fund Balance	$ -	$ 7,700	$ -	$ -		$ -	-	$ -	-
Fund Balance Transfer**	$ -	$ -	$ 3,000	$ 17,206	$ 10,674	$ (6,532)	-38.0%	$ 10,674	-
Total Resources	**$ 393,223**	**$ 389,904**	**$ 397,570**	**$ 407,520**	**$ 410,929**	**$ 3,409**	**0.8%**	**$ 17,706**	**4.5%**

*Includes both Interest Earnings and Principal.

**FY2012 Fund Balance Transfer includes $12.0 million transfer from the General Fund Balance, $1.3 million from the SRA Fund Balance and $3.9 million from accounts receivable in PBC Rental of Facilities Fund which was levied for in the FY2011 budget, but will be collected in FY2012. FY2013 Fund Balance Transfer includes $7.6 million in General Fund fund balance and $3.1 million in prior year available resources.

Source: Chicago Park District FY2011 Budget Recommendations, p. 34; FY2013 Budget Summary, p. 27.

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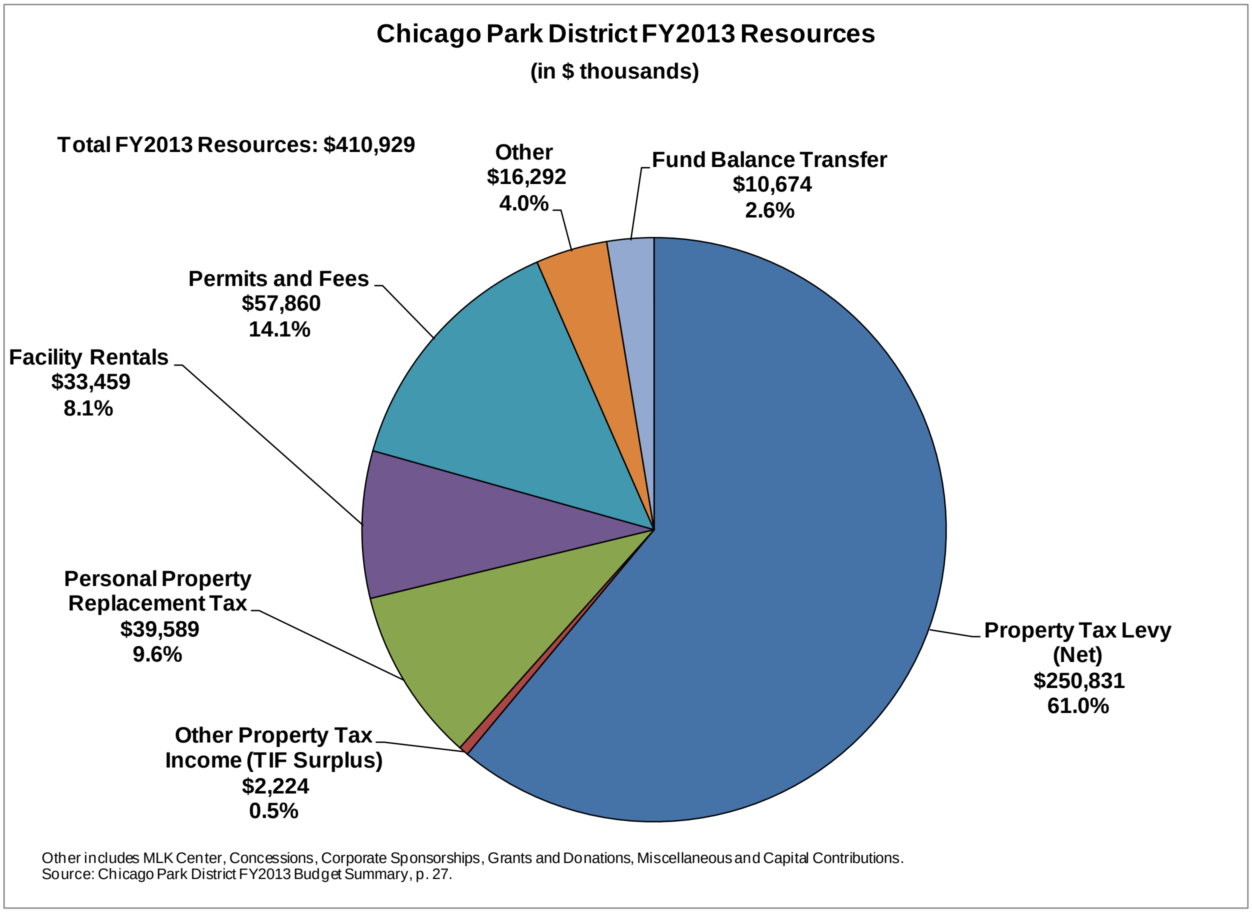
[22] Chicago Park District FY2011 Budget Recommendations, p. 394.
[23] This revenue is labeled as Dedicated Capital Fund Balance. Chicago Park District FY2011 Budget Recommendations, p. 394
[24] Information provided by the Chicago Park District, November 26, 2010.
[25] Information provided by the Chicago Park District, November 26, 2010. It is labeled in the previous year's Budget Summary documents as Dedicated Fund Balance.

The following exhibit shows the distribution of District resources in FY2013. Net property tax revenues (gross property tax levy including the loss in collection) constitute 61.0% of District revenues. The next largest revenue source is Permits and Fees at 14.1%, followed by PPRT at 9.6%.



Gross Property Tax Levy

The Chicago Park District's FY2013 gross property tax levy will be $261.0 million. The total includes $6.0 million for Special Recreation that was established as a separate levy starting in FY2005 to pay for expenses related to increasing the accessibility of facilities including related programming and personnel costs. In FY2013 the District proposes to increase the property tax levy by $1.1 million from FY2012 as a result of the expiration and termination of Tax Increment Financing (TIF) districts.[26] This maneuver, which has been practiced by the City of Chicago for the past two years, allows the District to capture property tax revenues from expiring and terminating TIF districts without increasing the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $1.1 million for TIF district expenses, which are not reported in the operating budget, and will hereafter pay the $1.1 million as part of the levy.

Chicago Park District Property Tax Gross Levy by Fund: FY2009-FY2013 (in $ thousands)

Fund	2009	2010	2011	2012	2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$137,327	$147,230	$145,210	$147,230	$154,206	$ 6,975	4.7%	$ 16,878	12.3%
Special Recreation	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ -	0.0%	$ -	0.0%
Park District Employees Pension	$ 10,294	$ 10,851	$ 10,730	$ 10,419	$ 10,473	$ 53	0.5%	$ 179	1.7%
Public Building Commission									
Rental of Facilities	$ 3,903	$ 3,906	$ 3,907	$ -	$ -	$ -	-	$ (3,903)	-100.0%
Operations & Maintenance	$ 11,540	$ 5,500	$ 5,500	$ 5,500	$ -	$ (5,500)	-100.0%	$ (11,540)	-100.0%
Liability, Workers Comp., Unemployment	$ 9,387	$ 9,468	$ 10,270	$ 9,468	$ 9,761	$ 292	3.1%	$ 374	4.0%
Bond Debt Service Fund	$ 39,624	$ 39,715	$ 42,143	$ 42,143	$ 42,143	$ -	0.0%	$ 2,519	6.4%
Aquarium and Museum Bond Debt Service	$ 11,255	$ 11,487	$ 11,486	$ 11,485	$ 10,764	$ (721)	-6.3%	$ (491)	-4.4%
Aquarium and Museum Purposes	$ 30,648	$ 27,664	$ 24,664	$ 27,664	$ 27,664	$ -	0.0%	$ (2,984)	-9.7%
Total	**$259,979**	**$261,821**	**$259,911**	**$259,911**	**$261,011**	**$ 1,100**	**0.4%**	**$ 1,032**	**0.4%**

Source: Chicago Park District FY2013 Budget Recommendations, p. 403.

PERSONNEL

The District is budgeting for a total of 3,073 full-time equivalent (FTE) positions in FY2013, including 1,533 full-time positions and 1,540 part-time and seasonal positions. Full-time positions will increase by five from FY2012, while part-time and seasonal positions will decrease by 36 FTEs, for a net decrease of 31 FTE positions, or 1.0% of the workforce. The reduction in seasonal positions is primarily a result of the District's efforts to fund seasonal staffing according to need and historical actual trends.[27] The five new full-time positions will contribute to the District's new parks, urban camping, revenue generation, grant management and increased marketing.[28]

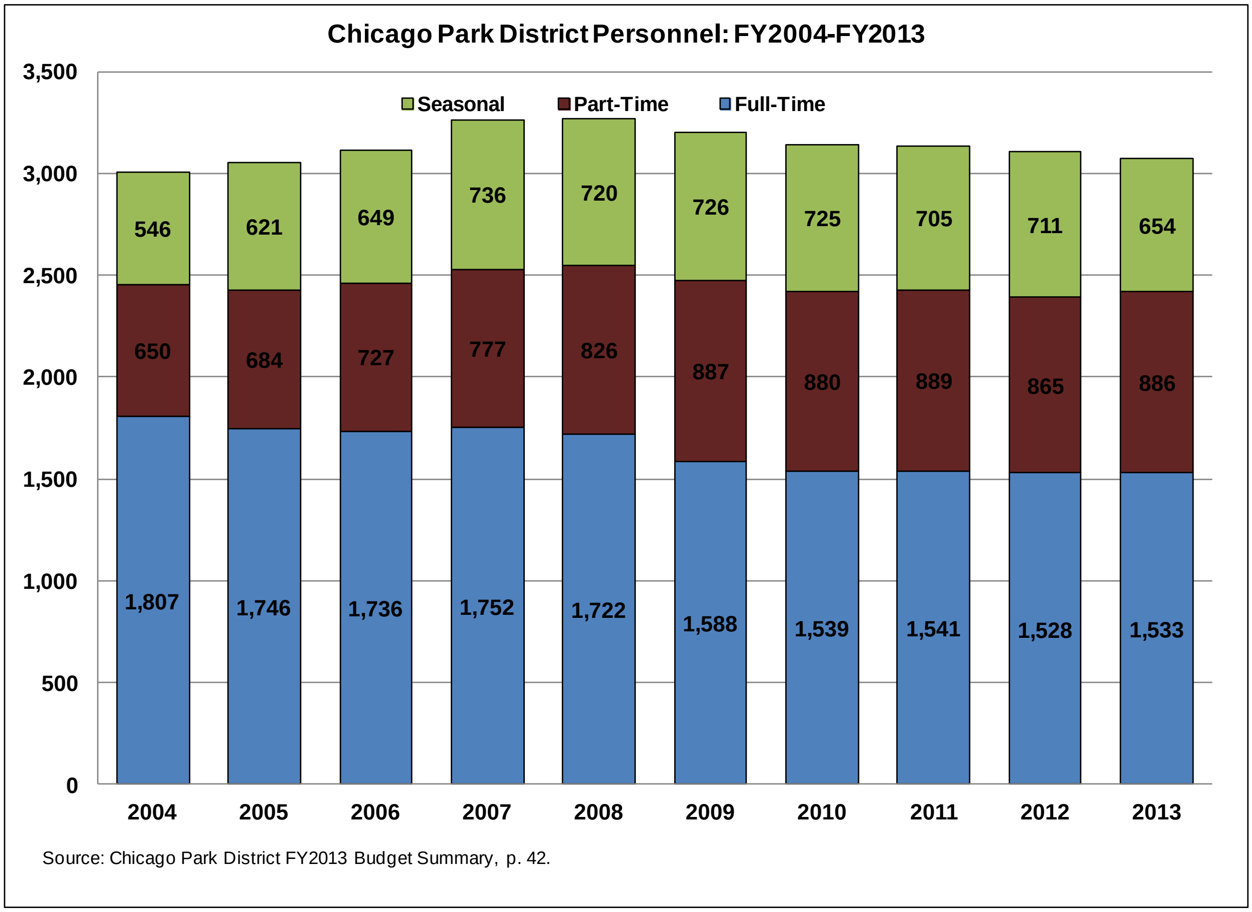
[26] Chicago Park District FY2013 Budget Summary, p. 32.
[27] Information provided by the Chicago Park District, December 3, 2012.
[28] Information provided by the Chicago Park District, November 20, 2012.

Over the last five years the District has cut 55 full-time positions, 72 seasonal positions and 1 part-time position. Since FY2009 the Chicago Park District's number of personnel has decreased by 128 FTE positions, or 4.0%.

Chicago Park District Budgeted Personnel: FY2009-FY2013							
Full-Time Equivalent Positions	**FY2009**	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**Two-Year Change**	**Five-Year Change**
Part-Time	887	880	889	865	886	21	-1
Seasonal	726	725	705	711	654	-57	-72
Subtotal Part-Time/Seasonal	**1,613**	**1,605**	**1,594**	**1,576**	**1,540**	**-36**	**-73**
Full-Time	1,588	1,539	1,541	1,528	1,533	5	-55
Total	**3,201**	**3,144**	**3,135**	**3,104**	**3,073**	**-31**	**-128**

Source: Chicago Park District FY2013 Budget Summary, p. 42.

Since FY2004 274 full-time positions have been eliminated while 344 part-time and seasonal FTEs have been created, for a net ten-year increase in the workforce of 70 FTEs.



Total personnel costs will increase slightly by 0.2%, or approximately $330,000 from $171.7 million in FY2012 to nearly $172.0 million in FY2013. In FY2013 the District is budgeting for a 0.8%, or $1.1 million, decrease in salaries and wages due to the reduction in FTEs as discussed above.[29] Total Health Benefits appropriations, which include health benefits for current employees and retirees, will increase by 1.2%, or approximately $185,000, due to a projected 4.0% increase in health related costs, while the employee contribution for health benefits will rise by 9.9%.[30] Employee healthcare contribution rates will remain the same as in FY2011 and FY2012: 1.5% for single, 2.0% for employee +1, and 2.5% for family.[31] Park District employees participate in the City of Chicago's Wellness Program, which offers free wellness services, check-ups and counseling.[32]

Payroll taxes will increase, with Medicare Tax and Social Security rising by 14.6% and 14.4%, respectively. FY2013 projections are based prior year costs and these taxes increased in FY2012 due to a rise in seasonal hiring for several operating grants for youth programs.[33] Unemployment Obligations, which are also based on FY2012 costs, will also increase significantly by 28.1%, or approximately $472,000.[34] Appropriations for pensions will increase slightly by 0.5%, or approximately $53,000, to $10.5 million in FY2013. The District's contribution is set by State statute at 1.1 times the amount contributed by District employees two years prior.
In the five-year period between FY2009 and FY2013, total personnel costs will increase by 11.9%, or $18.3 million, from $153.7 million to nearly $172.0 million in FY2013. Salaries and wages will increase by 11.6%, or $13.9 million, during the same time period. This includes a 3.0% increase for represented employees per collective bargaining negotiations and a 1.5% increase for non-represented employees in FY2012.[35] Potential salary and wage increases for FY2013 have not yet been determined as the Park District is currently in negotiations with its unionized workforce.[36]

[29] Information provided by the Chicago Park District, December 3, 2012.
[30] Chicago Park District FY2013 Budget Summary, p. 44.
[31] Information provided by the Chicago Park District, December 4, 2011 and November 30, 2012.
[32] Chicago Park District FY2013 Budget Summary, p. 44.
[33] Information provided by the Chicago Park District, November 30, 2012.
[34] Actual FY2012 costs for Unemployment Obligations are reported to be significantly higher than FY2012 budgeted expenses. Information provided by the Chicago Park District, November 30, 2012.
[35] Information provided by the Chicago Park District, November 21, 2011 and Chicago Sun-Times, "Golf, some parking and boat fees rise in proposed parks budget," news release, November 24, 2011.
[36] Information provided by the Chicago Park District, November 30, 2012.

Over the five-year period the District's employee health benefits costs will rise 25.0%, or $3.3 million, while employee contributions rise by 19.1%, or approximately $289,000. Expenditures for retiree health benefits will increase by 12.1%, or approximately $156,000, from FY2009. Workers compensation will decrease by 11.5%, or approximately $459,000, between FY2009 and FY2013.

Chicago Park District Personnel Costs: FY2009-FY2013
(in $ thousands)

	FY2009 Actual	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health Benefits									
Health Benefits	$ 13,095	$ 15,758	$ 16,455	$ 15,839	$ 16,364	$ 525	3.3%	$ 3,270	25.0%
Health Benefits Employee Contributions	$ (1,510)	$ (1,550)	$ (1,589)	$ (1,636)	$ (1,798)	$ (162)	9.9%	$ (289)	19.1%
Health Benefits Retirees*	$ 1,286	$ 1,402	$ 1,514	$ 1,620	$ 1,442	$ (178)	-11.0%	$ 156	12.1%
Health Benefits Subtotal	**$ 12,871**	**$ 15,609**	**$ 16,380**	**$ 15,823**	**$ 16,008**	**$ 185**	**1.2%**	**$ 3,137**	**24.4%**
Prescription Drugs	$ 2,339	$ 2,067	$ 2,181	$ 2,239	$ 2,623	$ 384	17.2%	$ 285	12.2%
Dental Benefits	$ 362	$ 340	$ 336	$ 339	$ 339	$ (0)	-0.1%	$ (24)	-6.5%
Life Insurance Benefits	$ 172	$ 178	$ 177	$ 185	$ 182	$ (3)	-1.6%	$ 10	5.5%
Medicare Tax	$ 1,361	$ 1,046	$ 1,335	$ 1,262	$ 1,446	$ 184	14.6%	$ 85	6.3%
Social Security	$ 1,094	$ 909	$ 1,220	$ 1,087	$ 1,243	$ 156	14.4%	$ 149	13.6%
Unemployment Obligations	$ 1,636	$ 1,270	$ 1,588	$ 1,676	$ 2,148	$ 472	28.1%	$ 512	31.3%
Workers Compensation	$ 3,984	$ 4,200	$ 4,000	$ 3,500	$ 3,525	$ 25	0.7%	$ (459)	-11.5%
Pension	$ 9,853	$ 10,867	$ 10,745	$ 10,435	$ 10,488	$ 53	0.5%	$ 635	6.4%
Subtotal Benefits	**$ 33,672**	**$ 36,485**	**$ 37,962**	**$ 36,545**	**$ 38,002**	**$ 1,457**	**4.0%**	**$ 4,330**	**12.9%**
Salary & Wages	$ 120,054	$ 125,901	$ 128,415	$ 135,114	$ 133,987	$ (1,127)	-0.8%	$ 13,933	11.6%
Total	**$ 153,727**	**$ 162,387**	**$ 166,377**	**$ 171,659**	**$ 171,989**	**$ 330**	**0.2%**	**$ 18,263**	**11.9%**

*Health Benefits Retirees for FY2009 reflects budgeted amount since actual expenditures were not provided.

Source: Chicago Park District FY2011 Budget Summary, p. 34; FY2012 Budget Summary, p. 37; and FY2013 Budget Summary, p. 28 and information provided by the Chicago Park District, December 5 and 6, 2011.

PENSION FUND

The Civic Federation analyzed four indicators of the fiscal health of the Chicago Park District 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 and describes the Park District pension benefits. It is important to note that until July 1, 2012, the fiscal year of the pension fund was July 1 to June 30, while the District's fiscal year is January 1 to December 31. However, legislation was signed into law in August 2012 that will make the pension fund's fiscal year match the District's fiscal year starting January 1, 2013.[37]

Plan Description

The Park Employees' & Retirement Board Employees' Annuity and Benefit Fund is a single employer defined benefit pension plan for employees of the Chicago Park District and the Fund. It was created by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[38] Plan benefits and contribution amounts can only be amended

[37] Public Act 97-0973, signed into law on August 16, 2012, will change the pension fund's fiscal year to match that of the District. As the District's new fiscal year will begin on January 1, 2013, the period between July 1, 2012 and December 31, 2012 will be referred to as a short fiscal year and a separate Comprehensive Annual Financial Report will be produced for this six-month period. During the six-month period, employer contributions will be equal to 1.10 times the employee contributions made from July 1, 2010 to December 31, 2010. The employer contribution for FY2013 will be 1.10 times the contributions made by employees between January 1, 2011 to December 31, 2011. See Civic Federation, "Changes to Chicago Park District Pension Fund Fiscal Year," August 16, 2012. http://www.civicfed.org/civic-federation/blog/changes-chicago-park-district-pension-fund-fiscal-year

[38] Chicago Park District Pension Fund FY2011 Comprehensive Annual Financial Report, p. 15.

through state legislation.[39] The Chicago Park District is the only park district in Illinois whose employees who do not participate in the statewide Illinois Municipal Retirement Fund.

The Park District pension fund is governed by a seven-member Board of Trustees. As prescribed in state statute, four members are elected by the employees and three members are appointed by the Park District Board of Commissioners.[40]

In FY2011 there were 2,795 active members of the pension fund and 2,913 beneficiaries, for a ratio of 0.96 active member for every beneficiary. This ratio has ranged from a high of 1.09 in FY2002 to a low of 0.87 in FY2004. A persistent decline in this ratio would put financial stress on the fund as there would be fewer employees contributing to the fund and more annuity payments to make.

Park District Pension Fund Membership: FY2002-FY2011			
Fiscal Year	**Active Employees**	**Beneficiaries**	**Ratio of Active to Beneficiary**
FY2002	3,422	3,127	1.09
FY2003	3,179	3,074	1.03
FY2004	2,820	3,240	0.87
FY2005	2,881	3,184	0.90
FY2006	3,035	3,115	0.97
FY2007	3,040	3,056	0.99
FY2008	3,031	3,013	1.01
FY2009	2,895	3,013	0.96
FY2010	2,816	2,956	0.95
FY2011	2,795	2,913	0.96
10-Year Change	**-627**	**-214**	**-0.1**
10-Year % Change	**-18.3%**	**-6.8%**	**-12.3%**

Source: Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2002-FY2011.

Pension 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 members of the Park District pension fund.[41] 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.

Over time these benefit changes will slowly reduce liabilities from what they would have been as new employees are hired and fewer members remain in the old benefit tier. However, this change will not affect District pension contributions under the current state statute requiring

[39] The Chicago Park District pension article is 40 ILCS 5/12, 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.

[40] Chicago Park District Pension Fund FY2011 Comprehensive Annual Financial Report, p. 2.

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

District contributions to be a fixed multiple of 1.1 times employee contributions made two years prior.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least four years of employment at the District or reach age 50 with 30 years of service. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of service and a $70,000 final average salary could retire with a $50,400 annuity: 30 x $70,000 x 2.4% = $50,400.[42] The annuity increases every year by an automatic 3.0% adjustment, simple interest. Employees with 10 years of service may retire as young as age 50 but their benefit is reduced by 0.25% for each month they are under age 60.

The following table compares Tier 1 benefits to Tier 2 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; the reduction of final average salary from the highest four year average to the highest eight year average; the $106,800 cap on final average salary; and the reduction of the automatic increase from 3% to the lesser of 3% or one half of the increase in Consumer Price Index, simple interest.

Major Chicago Park District Pension Benefit Provisions		
	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 4 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 annual 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; capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.25% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	
Automatic Increase on Retiree or Surviving Spouse Annuity	3% simple interest; begins at later of age 60 or first anniversary of retirement	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

*The $106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year.

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: Chicago Park District Pension Fund FY2011 Comprehensive Annual Financial Report, pp. 49-51, and Public Acts 96-0889 and 96-1490.

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[42] The average age at time of retirement as of June 30, 2011 was 58.8 years. The single largest age of service category of retirees for most of the past ten years was people with 30+ years of service. The average final average salary for that group in FY2011 was $70,932. Chicago Park District Retirement Fund FY2011 Comprehensive Annual Financial Report, p. 63 and 74.

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

Funded Ratio

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.[43] 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 Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 94.0% in FY2002 to 58.0% in FY2011. The market value funded ratio fell from a high of 81.3% in FY2002 to a low of 49.5% in FY2010. The sizeable difference between FY2009 actuarial and market value funded ratios is due to the fact that FY2009 investment returns were much lower than the smoothed returns over five years.

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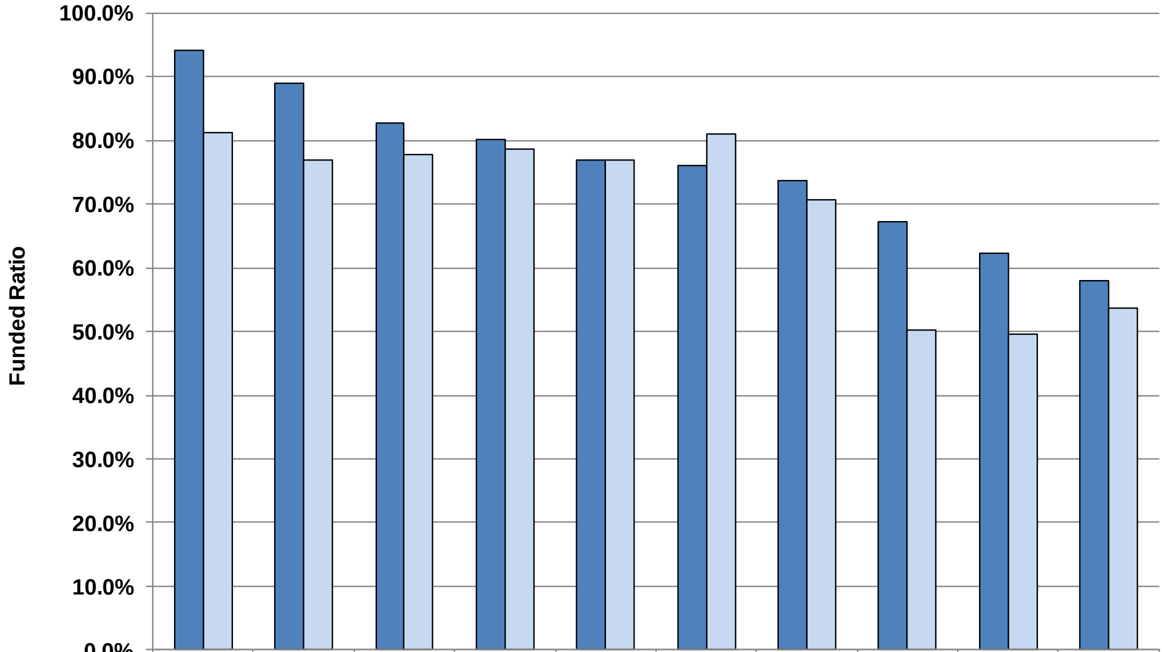
[43] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2010*, June 25, 2011.

This continued decline in funded ratio is a cause for concern. In general, a ratio below 80% is considered to be an indication that the fund is in poor health. An estimate based on the FY2010 actuarial valuation projected that the Park District pension fund funded ratio would continue to decline, depleting its assets completely during 2025.[44]

Chicago Park District Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets FY2002-FY2011



	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Actuarial Value	94.0%	89.0%	82.6%	80.0%	76.8%	76.0%	73.8%	67.2%	62.3%	58.0%
Market Value	81.3%	76.9%	77.7%	78.7%	76.9%	80.9%	70.7%	50.3%	49.5%	53.7%

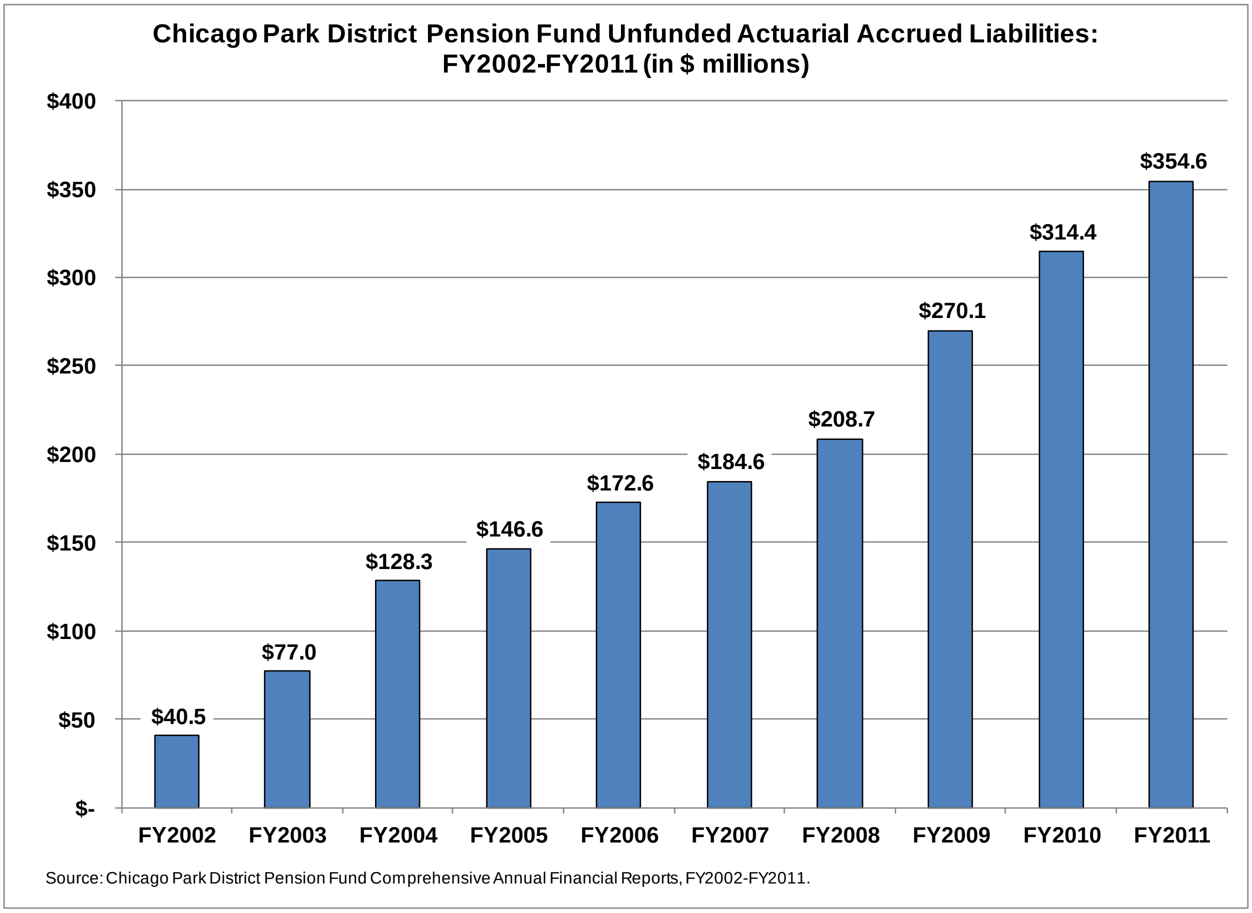
Source: Civic Federation calculations based on Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2002-FY2011.

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 the Park District pension fund totaled $354.6 million in FY2011, up from $40.5 million in FY2002.

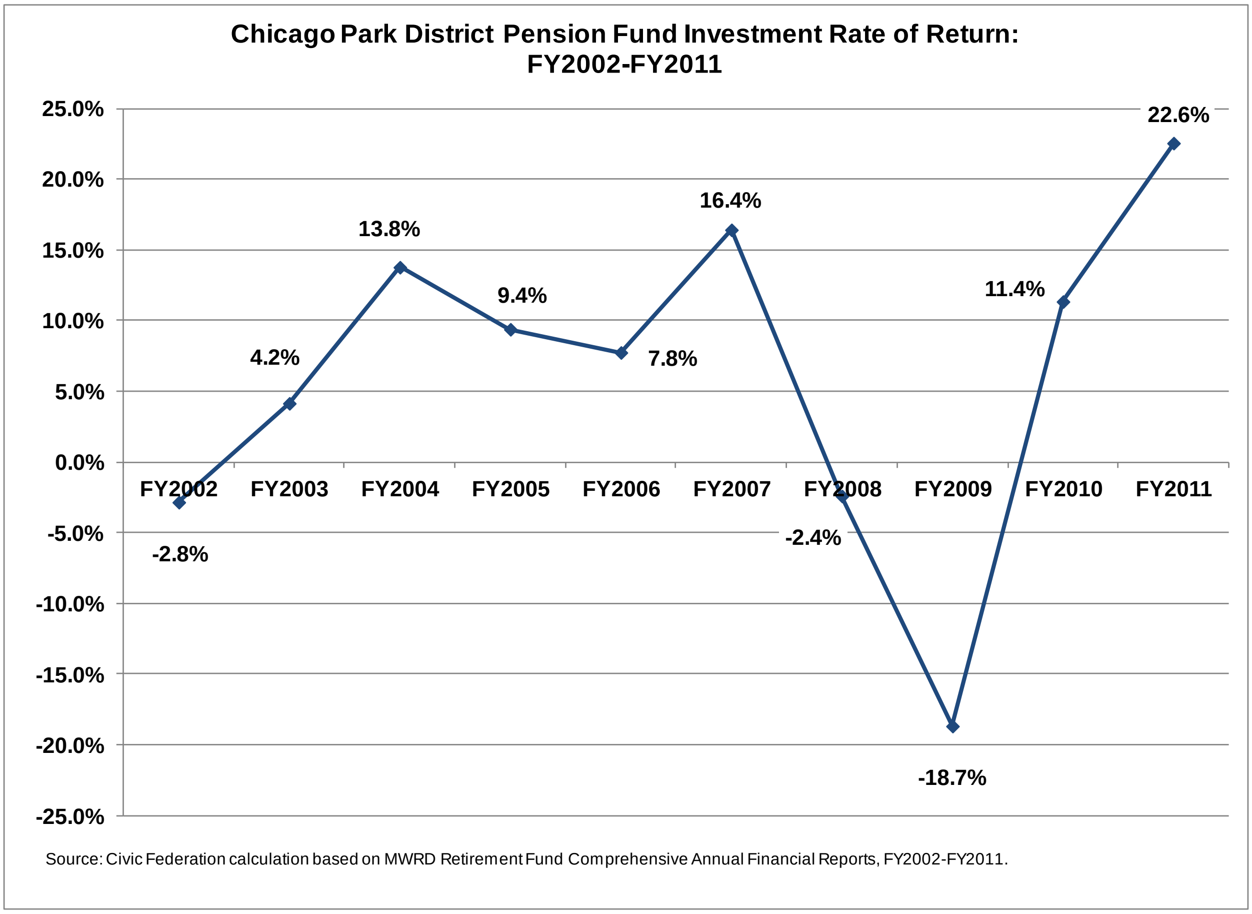
[44] Illinois Commission on Government Forecasting and Accountability, *Illinois Public Retirement Systems: A Report on the Financial Condition of the Chicago, Cook County and Illinois Municipal Retirement Fund Systems of Illinois*, January 2012, p. iii.

The largest contributor to the growth in unfunded liabilities between FY2002 and FY2011 was investment returns failing to meet the 8.0% expected rate of return. This added $228.9 million to the UAAL. The second largest contributor was insufficient employer contributions, which added $77.8 million, followed by benefit enhancements enacted during FY2004, which added $57.2 million to the UAAL.



Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2001 and FY2010 the Park District pension fund's average annual rate of return was 6.2%.[45] Returns ranged from a high of 22.6% in FY2011 to a low of -18.7% in FY2009.



Employer Annual Required Contribution

The financial reporting requirements for public pension funds and their associated governments are set by the Governmental Accounting Standards Board (GASB). GASB standards require disclosure of an Annual Required Contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years. Normal cost is that portion of the present value of pension plan benefits

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[45] 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.

and administrative expenses which is allocated to a given valuation year and is calculated using one of six standard actuarial cost methods. Each of these methods provides a way to calculate the present value of future benefit payments owed to active employees. The methods also specify procedures for systematically allocating the present value of benefits to time periods, usually in the form of the normal cost for the valuation year and the actuarial accrued liability (AAL). The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

ARC is a financial reporting requirement but not a funding requirement. The statutorily required Chicago Park District contribution to its pension fund is set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does represent a reasonably sound funding policy, the ARC can be used as an indicator how well a public entity is actually funding its pension plan.

The following table compares the ARC to the actual Park District contribution over the last ten years. From FY2002 through FY2004 the actual employer contribution exceeded the ARC. In FY2005 the ARC nearly doubled from $8.2 million in FY2004 to $15.8 million in FY2005 and the actual employer contribution was reduced by approximately half. The percent of ARC contributed dropped from 120.0% in FY2004 to only 30.2% in FY2005. This dramatic reversal was largely due to Public Act 93-0654, which provided benefit enhancements and an early retirement incentive as well as a temporary reduction in statutorily required employer contributions. These changes increased the fund's actuarial liability by $57.2 million.[46] In FY2011 the difference between the ARC and the actual employer contribution was $14.3 million.

Expressing ARC as a percentage of payroll provides a sense of scale and affordability. In FY2002 the ARC was 6.2% of payroll while the actual employer contribution was 9.6% of payroll. In FY2011 the ARC was 23.5% of payroll while the actual employer contribution was 10.2% of payroll. Employees contribute 9.0% of salary to the pension fund.

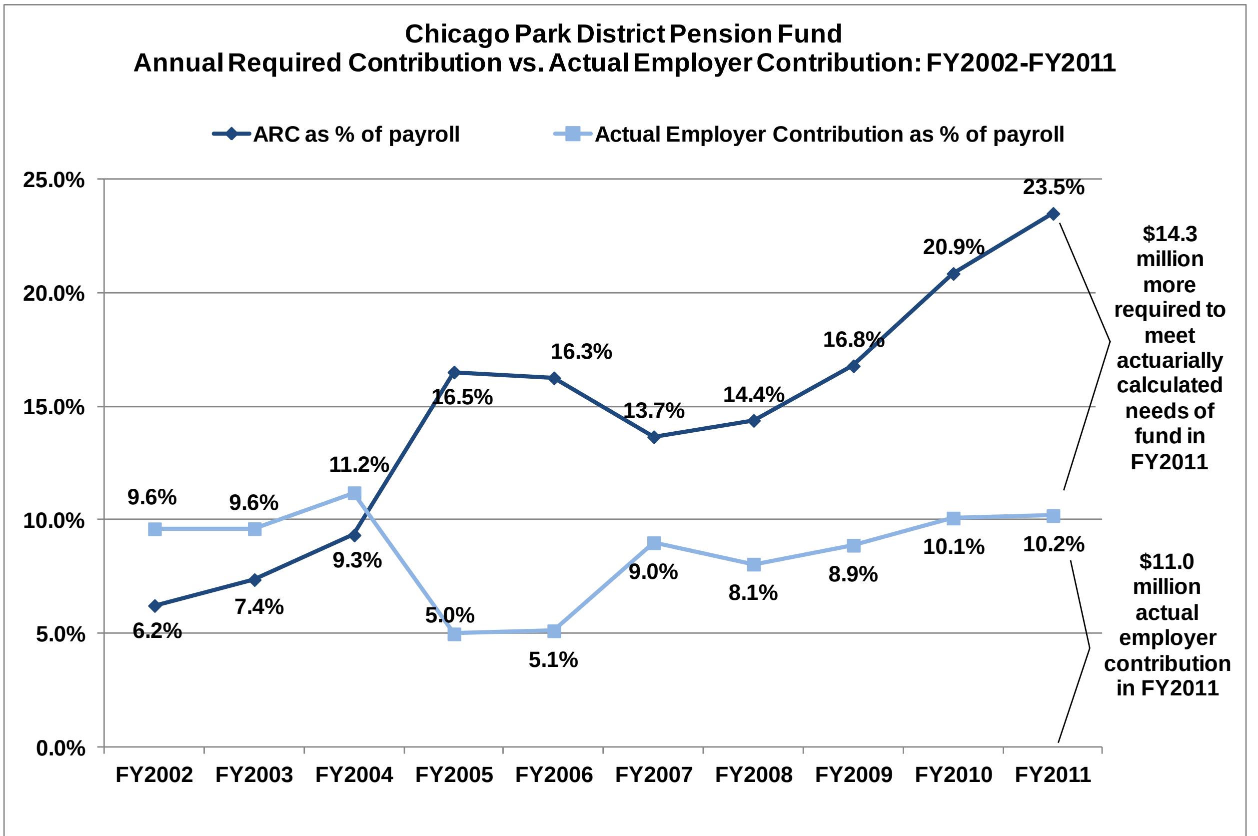
Chicago Park District Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statement 25

Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll
2002	$ 6,469,156	$ 9,977,765	$ (3,508,609)	154.2%	$ 103,786,911	6.2%	9.6%
2003	$ 7,546,740	$ 9,842,559	$ (2,295,819)	130.4%	$ 102,329,721	7.4%	9.6%
2004	$ 8,203,656	$ 9,840,681	$ (1,637,025)	120.0%	$ 87,840,802	9.3%	11.2%
2005	$ 15,812,224	$ 4,768,605	$ 11,043,619	30.2%	$ 95,707,132	16.5%	5.0%
2006	$ 16,436,993	$ 5,173,860	$ 11,263,133	31.5%	$ 101,058,024	16.3%	5.1%
2007	$ 14,571,540	$ 9,594,593	$ 4,976,947	65.8%	$ 106,601,982	13.7%	9.0%
2008	$ 16,073,257	$ 8,998,687	$ 7,074,570	56.0%	$ 111,698,366	14.4%	8.1%
2009	$ 18,285,474	$ 9,677,765	$ 8,607,709	52.9%	$ 108,882,742	16.8%	8.9%
2010	$ 22,399,740	$ 10,829,339	$ 11,570,401	48.3%	$ 107,361,021	20.9%	10.1%
2011	$ 25,319,145	$ 10,981,419	$ 14,337,726	43.4%	$ 107,686,693	23.5%	10.2%

*A dollar amount actual employer contribution is not disclosed in the Schedule of Employer Contributions for this fund so the Employer Contributions listed in the Statement of Plan Net Assets for each year is used.
Sources: Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Reports FY1999-FY2001, p. 51; FY2002-2004, p. 55; FY2005-FY2009 p. 57.; FY2010, p. 58

[46] Chicago Park District Retirement Fund FY2004 Comprehensive Annual Financial Report, p. 47.

The graph below illustrates the gap between the ARC as a percent of payroll and the actual employer contribution as a percent of payroll. As noted above, the employer contribution exceeded the ARC from FY2001 through FY2004. In FY2005 the combination of benefit enhancements and a partial contribution holiday for the employer created an 11.5 percentage point gap between the ARC and employer contribution. In FY2010 the gap was 10.8 percentage points. In other words, to fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability over 30 years the District would have needed to contribute an additional 10.8% of payroll, or $11.6 million, in FY2010.



Sources: Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Reports FY1999-FY2001, p. 51; FY2002-2004, p. 55; FY2005-FY2009 p. 57.; FY2010, p. 58.

OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a healthcare plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least 4 years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65 are not covered by the District's healthcare plan.

The District funds retiree healthcare on a pay-as-you-go basis. In FY2011 the District contributed $0.9 million and plan members contributed $2.2 million, or 70% of premiums. The monthly required retiree contributions for HMO/PPO coverage were $442/$737 for retiree only, $884/$1,331 for retiree and spouse, and $1,272/$1,848 for family coverage, respectively.[47]

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement Number 45. The ARC represents the amount needed to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2011 was nearly $3.5 million. Contributions were made in the amount of $0.9 million. The net OPEB obligation increased by $2.3 million, from $11.7 million to $14.1 million.[48]

OPEB Costs for Chicago Park District Retiree Heathcare Plan: FY2011 (in $ thousands)		
Annual Required Contribution	$	3,458.0
Adjustment to ARC	$	(680.0)
Interest on net OPEB obligation	$	470.0
Annual OPEB Cost	**$**	**3,248.0**
Contributions Made	**$**	**913.0**
Increase in net OPEB obligation	$	(2,335.0)
Net OPEB Obligation - Beginning of Year	**$**	**(11,747.0)**
Net OPEB Obligation - End of Year	**$**	**(14,082.0)**

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 75.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree healthcare benefits was nearly $40.0 million in FY2011 based on the most recent actuarial valuation as of January 1, 2009. The actuarial accrued liability is down slightly from $45.8 million in FY2009. The plan has no assets because it is funded on a pay-as-you-go basis; thus all liabilities are unfunded and the funded ratio is 0%.

Chicago Park District OPEB Funded Status: FY2011 (in $ thousands)	
Actuarial Accrued Liability	$39,976.0
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$39,976.0

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 76.

[47] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 74.
[48] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

FUND BALANCE

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[49] It is an important financial indicator for local governments. Fund balance is more a measure of liquidity than of net worth and can be thought of as the savings account of the local government.[50]

This section discusses three aspects of fund balance: the recent changes to fund balance reporting with the implementation of the Governmental Accounting Standards Board Statement No. 54, a presentation of the Park District's General Fund fund balance and the fund balance for funds the District created with proceeds from the intergovernmental sale of its parking garages.

Recent Changes to Fund Balance Reporting

The FY2011 audited financial statements for the Chicago Park District include modifications in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifts 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."[51] A detailed explanation of previous components and new components of fund balance is provided further in this section.

In addition to the reporting changes, GASB 54 clarified the definition for governmental fund types. As a result, the Chicago Park District merged the Long-Term Income Reserve and Northerly Island funds with the General Fund since they no longer met the definition of a special revenue fund. The Long-Term Income Reserve was available due to the sale of several public parking structures to the City of Chicago in 2006.[52] Interest earnings from the fund were intended to replace the revenue that was formerly generated through parking garage revenues. The District had a policy in place to maintain a balance in its Long-Term Income Reserve Fund. The District's policy established a floor of $85.0 million for the Long-Term Income Reserve Fund and allowed for internal lending to the General Fund in order to bridge timing gaps in property tax collections.[53] With the implementation of GASB 54, the balance of the Long-Term Income Reserve fund was merged into the General Fund.

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to

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[49] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[50] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[51] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.
[52] Chicago Park District FY2009 Comprehensive Annual Financial Report, p. 50.
[53] Chicago Park District FY2009 Comprehensive Annual Financial Report, p. 30.

be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[54]

New Components of Fund Balance

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

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment;
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;
- *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; and
- *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.[55]

Historically, the focus of the Civic Federation fund balance analysis has been on the unreserved general fund balance, or in other words, how much is left in the savings account, not how much is being withdrawn. Given the new 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 nearly synonymous.[56]

A five-year trend analysis of the District's fund balance ratio including the most recent FY2011 numbers is not possible because the data has been classified differently with implementation of GASB No. 54. In the interest of government transparency, the Civic Federation recommends that all local governments, if possible, provide ten years of fiscal data in the GASB No. 54 format in the statistical section of their audited financial statements. Each government should also provide a guide as to how different fund balance lines were reclassified. An accurate trend analysis can only be conducted with reclassified data.

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[54] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[55] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[56] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.

Unreserved Fund Balance for the General Fund

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." Two months of operating expenditures is approximately 17%.[57] This policy is a good benchmark for large special purpose governments such as the Chicago Park District.

The District established its own General Fund fund balance policy in 2012. The policy requires the District to maintain between 8% and 16% of the preceding fiscal year's General Fund expenditures within the Economic Stabilization funds. The Board of Commissioners must give prior approval of any amounts to be expended from these funds and a repayment plan must be submitted and approved prior to expenditure.[58] For the FY2013 budget, 8% to 16% represents approximately $21.6 million to $43.2 million of the District's total General Fund expenditures of $269.9 million.

From FY2006 to FY2010, the General Fund fund balance grew considerably between a low of 2.8% in FY2006 and a high of 20.0% in FY2010. The Chicago Park District attributes the $22.0 million increase in the unreserved General Fund fund balance in FY2009 to a $10.6 million transfer of fund balance from the Public Building Commission (PBC) Operating Fund, a $7.9 million transfer from the Garage Revenue Capital Improvements Fund, $2.1 million transfer from the Long Term Income Reserve Fund and revenues exceeding expenditures.[59] In FY2010 the General Fund fund balance reached $47.6 million, or 20.0% of operating expenditures, thereby exceeding the GFOA's fund balance recommendations.

If the District is able to maintain a healthy level of reserves, as in FY2009 and FY2010, then it should consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken should the fund balance continue to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity.

Chicago Park District General Fund Fund Balance: FY2006-FY2010

	Unreserved General Fund Fund Balance	General Fund Expenditures	Ratio
FY2006	$6,488,000	$ 230,775,000	2.8%
FY2007	$14,175,000	$ 233,747,000	6.1%
FY2008	$18,154,000	$ 249,374,000	7.3%
FY2009	$40,111,000	$ 248,466,000	16.1%
FY2010	$47,617,000	$ 238,302,000	20.0%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2010.

[57] Previously the GFOA had recommended a General Fund fund balance of 5 to 15%.
[58] Communication with Chicago Park District Office of Budget and Management, November 30, 2012.
[59] Chicago Park District FY2011 Budget Summary, pp. 15 and 36.

Unrestricted Fund Balance for the General Fund

In FY2011 the District's unrestricted General Fund fund balance will be $182.2 million, or approximately 71.0% of General Fund expenditures. According to the audited financial statement, the unrestricted fund balance includes $95.8 million related to the Long-Term Income Reserve Fund and $4.3 million related to the Northerly Island Fund, which were previously reported separately as special revenue funds.[60]

Chicago Park District General Fund Fund Balance: FY2011			
	Unrestricted General Fund Fund Balance	General Fund Expenditures	Ratio
Committed	$115,833,000	$ 256,644,000	45.1%
Assigned	$7,256,000	$ 256,644,000	2.8%
Unassigned	$59,093,000	$ 256,644,000	23.0%
Total	**$182,182,000**	**$ 256,644,000**	**71.0%**

Sources: Chicago Park District FY2011 Comprehensive Annual Financial Report.

Parking Garage Proceeds

In 2006 the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages (Grant Park North, Grant Park South and East Monroe) to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a private operator, which gave the lease holder the right to provide parking garage services for 99 years.[61] The District set aside $69.1 million of the proceeds to extinguish garage related bonds. The full cash defeasance was $76.0 million, with the balance coming from funds that were already set aside to cover debt service and unspent cash proceeds.[62]

The proceeds allowed the District to establish three funds:

- Garage Revenue Capital Improvements Fund – $122.0 million earmarked for capital improvement to neighborhood parks;
- Reserve for Park Replacement Fund – $35.0 million was set aside for park repair at Daley Bi-Centennial plaza above the East Monroe Garage once the Concessionaire completes agreed upon repairs to the garage; and

[60] Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 17.
[61] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp. 8 and 72
[62] Information provided by the Chicago Park District, November 26, 2010.

- Long-Term Income Reserve Fund – $121.7 million to generate earnings to replace the approximately $5.0 million that was generated annually through parking garage revenues.[63] In FY2011 this reserve fund was merged with the General Fund with the implementation of GASB 54. For more information about the reporting of these funds, see page 37 of this report.

Parking District Distribution of Parking Garage Proceeds: (in $ millions)	
Long-Term Income Reserve	$ 121.7
Garage Revenue Capital Improvements Fund	$ 122.0
Reserve for Park Replacement Fund	$ 35.0
Subtotal Allocated to Reserve Funds	**$ 278.7**
Bond Defeasance	$ 69.1
Total District Lease Transaction Proceeds	**$ 347.8**

Source: Chicago Park District FY2006 Comprehensive Annual Financial Report;
E-mail communication between the Civic Federation and the Chicago Park District, November 26, 2010.

The following chart illustrates the revenues and expenses for the reserve funds for years that actual data is available. Some significant expenditure highlights of the funds include the following:

- In FY2008 $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space;
- The Long-Term Income Reserve fund has earned a total of $7.2 million in interest and transferred out $12.3 million to replace lost parking garage revenues;
- The Garage Revenue Capital Improvements Fund has spent a total of $99.8 million on capital improvements;
- In FY2010 a combined total of $8.0 million was transferred for General Fund operations from the Long-Term Income Reserve, Garage Revenue Capital Improvement Fund and Reserve for Park Replacement Fund; and

[63] Chicago Park District FY2008 Budget Summary, p. 12.

- In FY2011 the District spent approximately $8.1 million on capital projects from the Garage Revenue Capital Improvements Fund.

Parking Garage Reserve Funds: FY2006-FY2011 (in $ millions)			
	Long-Term Income Reserve*	**Garage Revenue Capital Improvements Fund**	**Reserve for Park Replacement Fund**
Revenue			
Proceeds	$ 121.7	$ 122.0	$ 35.0
Interest and Misc. Earnings	$ 7.4	$ 8.7	$ 2.6
Transfers In	$ 0.9	$ 5.0	$ -
Total	**$ 129.9**	**$ 135.7**	**$ 37.6**
Transfers Out to General			
FY2006	$ -	$ -	$ -
FY2007	$ (5.0)	$ -	$ -
FY2008	$ (5.0)	$ -	$ -
FY2009	$ (2.1)	$ (8.0)	$ (2.0)
FY2010	$ (0.2)	$ (7.7)	$ (0.1)
FY2011	$ -	$ -	$ -
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Capital Expense			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (24.5)	$ (1.1)
FY2011	$ -	$ (8.1)	$ -
Total	**$ (21.9)**	**$ (99.8)**	**$ (1.1)**
Balance FY2011	**$ 95.7**	**$ 20.2**	**$ 34.4**

*The Long-Term Income Reserve Fund was merged into the General Fund for accounting purposes in FY2011 with the implementation of GASB 54.

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2011.

SHORT TERM LIABILITIES

Short-term liabilities are financial liabilities that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. Here are the different types of short-term liabilities reported in the FY2007-FY2011 Chicago Park District audited financial reports:

- *Accounts Payable & Accrued Expense*: unpaid bills owed to vendors for goods and services carried over into the new fiscal year;
- *Accrued Payroll*: employee compensation, related payroll taxes and benefits that have been earned by District employees but have not yet been paid or recorded in the District's accounts;
- *Due To Other Funds or Organizations*: funds to be paid to other fund, governments or agencies carried over from the previous fiscal year;
- *Retainage Payable*: amounts due on construction or other contracts not paid pending final inspection or completion of the project or the lapse of a specified period, or both;

- *Other Liabilities*: include self-insurance funds, unclaimed property and other unspecified liabilities; and
- *Deposits*: funds held by the District or its agents to collateralize other investment risks.

In FY2011 the District's short-term liabilities increased by nearly $12.1 million from the previous year or 8.6%. Since 2007 short-term liabilities overall have increased by $66.7 million, or 77.2%. It is important to note that much of this increase or $53.0 million represents amounts due to other funds. The outstanding balances between funds result mainly from the time lag between the dates the expenditures occur in the "borrowing" fund and when repayment is made back to the "disbursing" fund. The balances are repaid during the next fiscal year.[64]

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2007-FY2011 (in $ thousands)

Type	FY2007	FY2008	FY2009	FY2010	FY2011	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Accounts Payable & Expenses	$50,721	$ 59,784	$ 66,605	$ 73,522	$ 61,949	$ (11,573)	-15.7%	$ 11,228	22.1%
Accrued Payroll	$ 5,740	$ 5,912	$ 4,851	$ 2,565	$ 2,308	$ (257)	-10.0%	$ (3,432)	-59.8%
Due to other funds	$26,389	$ 43,746	$100,014	$ 60,667	$ 79,442	$ 18,775	30.9%	$ 53,053	201.0%
Due to other organizations	$ 1,430	$ 379	$ 397	$ 327	$ 3,781	$ 3,454	1056.3%	$ 2,351	164.4%
Retainage payable	$ 1,877	$ 3,562	$ 2,156	$ 3,365	$ 4,958	$ 1,593	47.3%	$ 3,081	164.1%
Deposits	$ 319	$ 497	$ 475	$ 620	$ 766	$ 146	23.5%	$ 447	140.1%
Total	**$86,476**	**$113,880**	**$174,498**	**$141,066**	**$153,204**	**$ 12,138**	**8.6%**	**$ 66,728**	**77.2%**

Source: Chicago Park District Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds, FY2007-FY2011.

Factoring out amounts reported in the due to other funds category, short term liabilities have risen by 22.8% or $13.7 million between FY2007 and FY2011. They rose steadily between FY2007 and FY2010 from $60.1 million to $80.4 million before falling in FY2011 to $73.7 million. The decrease is a positive sign.

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2007-FY2011 Without Due to Other Funds (in $ thousands)

FY2007	FY2008	FY2009	FY2010	FY2011	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
$ 60,087	$70,134	$74,484	$80,399	$73,762	$ (6,637)	-8.3%	$13,675	22.8%

Source: Chicago Park District Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds, FY2007-FY2011.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[65] 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. The Chicago Park District has shown a upward trend in short-term liabilities compared to total operating revenue between FY2007 and FY2011 from 20.9% to 33.8%. However, the

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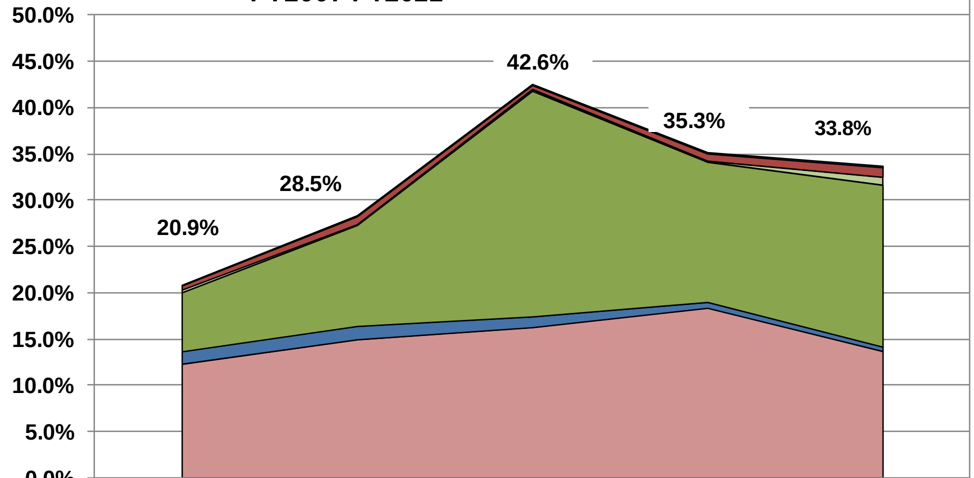
[64] Chicago Park District FY2013 Comprehensive Annual Financial Report, Note 4: Interfund Balances and Activity, p. 61.

[65] 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), p. 77 and p. 169.

ratio rose steadily from 20.9% in FY2007 to 42.6% in FY2009 before dropping to 33.8% as amounts due to other funds and accounts payable and expenses decreased.

CPD Short-Term Liabilities in the Governmental Funds as a % of Operating Revenues FY2007-FY2011



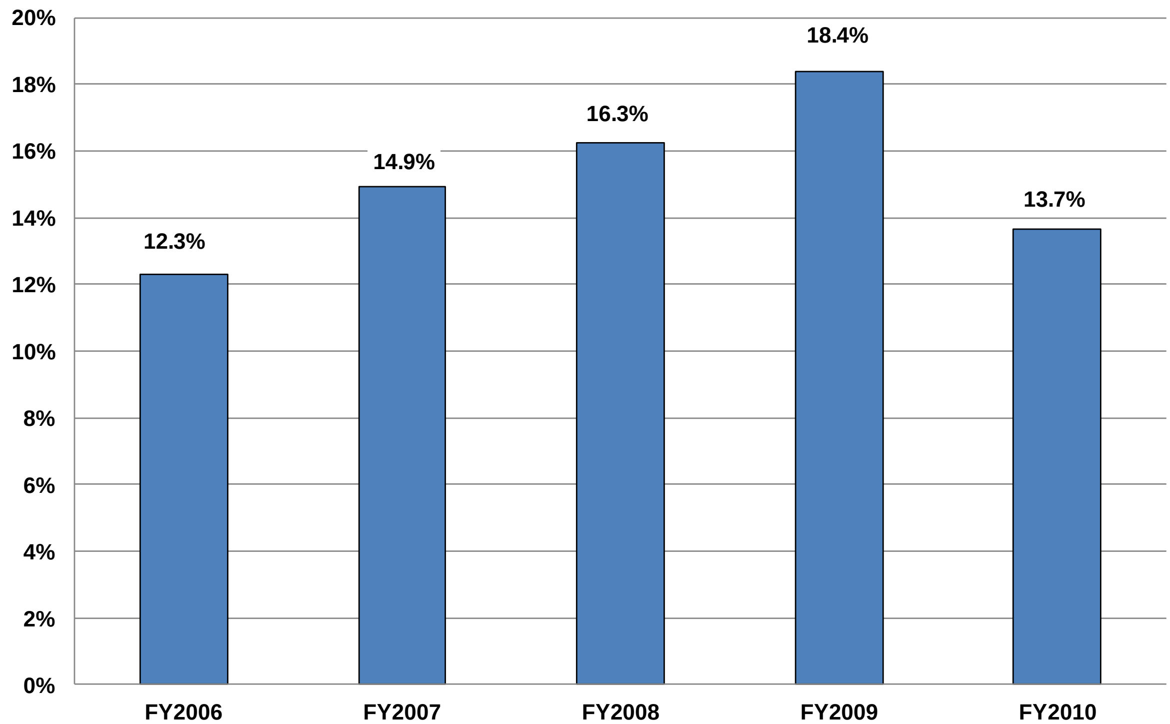
	FY2007	FY2008	FY2009	FY2010	FY2011
Deposits	0.1%	0.1%	0.1%	0.2%	0.2%
Retainage payable	0.5%	0.9%	0.5%	0.8%	1.1%
Due to other organizations	0.3%	0.1%	0.1%	0.1%	0.8%
Due to other funds	6.4%	10.9%	24.4%	15.2%	17.5%
Accrued Payroll	1.4%	1.5%	1.2%	0.6%	0.5%
Accounts Payable & Expenses	12.3%	14.9%	16.3%	18.4%	13.7%

Source: Chicago Park District Comprehensive Annual Financial Reports, FY2007-FY2011.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable to operating revenues has risen from 12.3% in FY2007 to 13.7% five years later. Between FY2007 and FY2010, the ratio rose to 18.4% before dropping. The decrease between FY2010 and FY2011 is a positive sign.

Chicago Park District Accounts Payable & Expenses in the Governmental Funds as % of Operating Revenues: FY2007-FY2011



Source: Chicago Park District Comprehensive Annual Financial Reports, FY2007-FY2011.

Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[66]

In addition to the short-term liabilities listed above, the current ratio formula uses the Governmental Funds current assets of the District, including:

[66] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organization,* 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;
- *Interest:* amounts received in interest payments on savings;
- *Receivables*: monetary obligations owed to the government including property taxes, personal property replacement taxes and accounts receivable;
- *Due from other governments or other funds:* 1) 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 or 2) monies due from non-governmental funds; and
- *Other current assets*: payments to vendors applicable to future accounting periods.

The Park District's Governmental Funds current ratio was 5.5 in FY2011, the most recent year for which data is available. In the past five years, the District's current ratio averaged 6.4, which is greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2007 to FY2011, the current ratio declined from 9.1 to 5.5.

Chicago Park District Current Ratio in the Governmental Funds: FY2007-FY2011 (in $ thousands)

	FY2007	FY2008	FY2009	FY2010	FY2011	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Current Assets									
Cash and cash equivalents	$ 3,809	$ 8,357	$ 11,265	$ 5,017	$ 3,980	$ (1,037)	-20.7%	$ 171	4.5%
Cash with fiscal agent	$ -	$ 1,856	$ -	$ 29,142	$ 30,841	$ 1,699	5.8%	$ 30,841	-
Investments	$ 471,256	$ 423,475	$ 381,401	$ 456,839	$ 407,482	$ (49,357)	-10.8%	$ (63,774)	-13.5%
Receivables: Property Taxes, net	$ 268,659	$ 252,176	$ 260,664	$ 290,518	$ 265,910	$ (24,608)	-8.5%	$ (2,749)	-1.0%
Receivables: PPRT	$ 6,857	$ 5,005	$ 5,244	$ 4,313	$ 5,936	$ 1,623	37.6%	$ (921)	-13.4%
Receivables: Accounts	$ 8,860	$ 14,782	$ 29,001	$ 24,533	$ 42,462	$ 17,929	73.1%	$ 33,602	379.3%
Due from other funds	$ 26,389	$ 43,746	$ 100,014	$ 60,667	$ 79,442	$ 18,775	30.9%	$ 53,053	201.0%
Due from other governments	$ 635	$ 10	$ -	$ -	$ -	$ -	-	$ (635)	-100.0%
Other current assets	$ 494	$ 1,201	$ 1,820	$ 2,030	$ 1,229	$ (801)	-39.5%	$ 735	148.8%
Total Current Assets	**$ 786,959**	**$ 750,608**	**$ 789,409**	**$ 873,059**	**$ 837,282**	**$ (35,777)**	**-4.1%**	**$ 50,323**	**6.4%**
Current Liabilities									
Accounts Payable & Expenses	$ 50,721	$ 59,784	$ 66,605	$ 73,522	$ 61,949	$ (11,573)	-15.7%	$ 11,228	22.1%
Accrued Payroll	$ 5,740	$ 5,912	$ 4,851	$ 2,565	$ 2,308	$ (257)	-10.0%	$ (3,432)	-59.8%
Due to other funds	$ 26,389	$ 43,746	$ 100,014	$ 60,667	$ 79,442	$ 18,775	30.9%	$ 53,053	201.0%
Due to other organizations	$ 1,430	$ 379	$ 397	$ 327	$ 3,781	$ 3,454	1056.3%	$ 2,351	164.4%
Retainage payable	$ 1,877	$ 3,562	$ 2,156	$ 3,365	$ 4,958	$ 1,593	47.3%	$ 3,081	164.1%
Deposits	$ 319	$ 497	$ 475	$ 620	$ 766	$ 146	23.5%	$ 447	140.1%
Total Current Liabilities	**$ 86,476**	**$ 113,880**	**$ 174,498**	**$ 141,066**	**$ 153,204**	**$ 12,138**	**8.6%**	**$ 66,728**	**77.2%**
Current Ratio	**9.1**	**6.6**	**4.5**	**6.2**	**5.5**				

Source: Chicago Park District Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds, FY2007-FY2011.

LONG-TERM LIABILITIES

This section of the analysis examines trends in the Chicago Park District's long-term liabilities. This includes a review of trends in long-term tax supported debt, long-term debt per capita and long-term liabilities.

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

- *Compensated absences*: liabilities owed for employees' time off with pay for vacations, holidays, and sick days;

- *Claims and judgments*: liabilities owed as a result of claims for tort liability and property judgments;
- *Net pension liabilities (NPO)*: the cumulative difference, since the effective date of GASB Statement 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;[67]
- *Net Other Post Employment Benefit (OPEB) liabilities*: the cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan;
- *Property tax claims payable*: property tax refunds to taxpayers that have not yet been paid; and
- *Workers compensation claims*: payments owed for some part of the cost of injuries or disease incurred by employees in the course of their work.

Between FY2010 and FY2011, total Chicago Park District long-term liabilities rose by 0.6% or $6.7 million, increasing to $1.06 billion. In the five year period between FY2007 and FY2011, total long-term liabilities increased by 15.7% or $143.5 million. During the same five-year period, general obligation capital improvement bonds rose by 19.4%, or $149.3 million. Net pension liabilities in this period rose by $48.3 million or 8,001.8%.

Chicago Park District Long-Term Liabilities for Governmental Activities: FY2007-FY2011
(in $ thousands)

	FY2007	FY2008	FY2009	FY2010	FY2011	Two Year $ Change	Two Year % Change	Five Year $ Change	Five Year % Change
General Obligation Bonds									
Capital Improvement	$ 767,955	$ 768,460	$ 768,230	$ 904,600	$ 917,295	$ 12,695	1.4%	$ 149,340	19.4%
Aquarium and Museums	$ 68,110	$ 38,080	$ 32,730	$ 29,685	$ -	$ (29,685)	-100.0%	$ (68,110)	-100.0%
Unamortized Premiums	$ 21,524	$ 24,618	$ 21,468	$ 30,011	$ 40,073	$ 10,062	33.5%	$ 18,549	86.2%
Deferred Amount on Refunding	$ (20,579)	$ (19,689)	$ (17,077)	$ (15,574)	$ (13,581)	$ 1,993	-12.8%	$ 6,998	-34.0%
Subtotal GO Bonds	**$ 837,010**	**$ 811,469**	**$ 805,351**	**$ 948,722**	**$ 943,787**	**$ (4,935)**	**-0.5%**	**$ 106,777**	**12.8%**
Other Long-Term Liabilities									
Contractor Long Term Financing	$ -	$ -	$ 919	$ 1,107	$ 1,282	$ 175	15.8%	$ 1,282	-
Capital Lease PBC	$ 18,505	$ 15,610	$ 10,795	$ 7,395	$ 3,800	$ (3,595)	-48.6%	$ (14,705)	-79.5%
Compensated Absences	$ 8,793	$ 8,121	$ 8,236	$ 8,528	$ 8,760	$ 232	2.7%	$ (33)	-0.4%
Claims & Judgments	$ 14,328	$ 9,849	$ 7,581	$ 6,949	$ 6,530	$ (419)	-6.0%	$ (7,798)	-54.4%
Net Pension Obligation	$ 603	$ 10,839	$ 16,337	$ 31,156	$ 48,854	$ 17,698	56.8%	$ 48,251	8001.8%
Net OPEB Obligation	$ 2,845	$ 5,718	$ 8,693	$ 11,747	$ 14,082	$ 2,335	19.9%	$ 11,237	395.0%
Property Tax Claim Payable	$ 19,119	$ 27,221	$ 22,979	$ 23,043	$ 20,010	$ (3,033)	-13.2%	$ 891	4.7%
Worker's Compensation	$ 15,923	$ 15,058	$ 14,937	$ 15,344	$ 13,588	$ (1,756)	-11.4%	$ (2,335)	-14.7%
Subtotal Other Long-Term Liabilities	**$ 80,116**	**$ 92,416**	**$ 90,477**	**$ 105,269**	**$ 116,906**	**$ 11,637**	**11.1%**	**$ 36,790**	**45.9%**
Grand Total Long-Term Liabilities	**$ 917,126**	**$ 903,885**	**$ 895,828**	**$ 1,053,991**	**$ 1,060,693**	**$ 6,702**	**0.6%**	**$ 143,567**	**15.7%**

Source: Chicago Park District Comprehensive Annual Financial Reports, FY2007-FY2011.

[67] GASB Statement Number 27: *Accounting for Pensions by State and Local Governmental Employers, Issued November 1994* at http://www.gasb.org/st/summary/gstsm27.html.

Long-Term Debt

The Chicago Park District had a total of $943.8 million in long-term tax supported debt outstanding in FY2011. This was a 0.5%, $4.9 million decrease from the previous year. Most of the long-term debt outstanding was in the form of general obligation capital improvement bonds; they represented over 91% of all long-term debt outstanding in both FY2007 and FY2011. Between FY2007 and FY2011, total District long-term debt increased by 12.8%, rising from $837.0 million to $943.8 million.

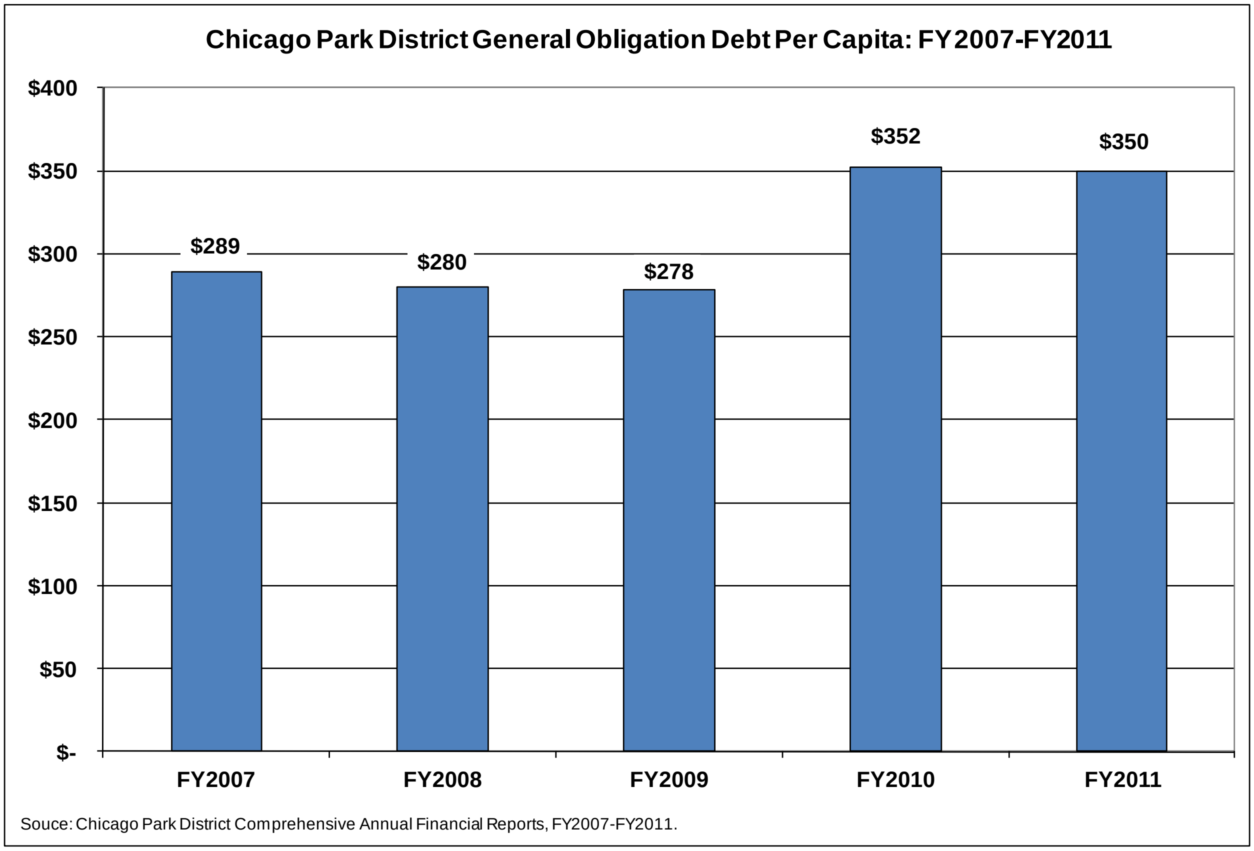
Chicago Park District General Obligation Debt: FY2007-FY2011
(in $ thousands)

Type of Bond	FY2007	FY2008	FY2009	FY2010	FY2011	Two Year $ Change	Two Year % Change	Five Year $ Change	Five Year % Change
Capital Improvement	$767,955	$768,460	$768,230	$ 904,600	$ 917,295	$ 12,695	1.4%	$149,340	19.4%
Aquarium and Museums	$ 68,110	$ 38,080	$ 32,730	$ 29,685	$ -	$ (29,685)	-100.0%	$ (68,110)	-100.0%
Unamortized Premiums	$ 21,524	$ 24,618	$ 21,468	$ 30,011	$ 40,073	$ 10,062	33.5%	$ 18,549	86.2%
Deferred Amount on Refunding	$ (20,579)	$ (19,689)	$ (17,077)	$ (15,574)	$ (13,581)	$ 1,993	-12.8%	$ 6,998	-34.0%
Subtotal GO Bonds	**$837,010**	**$811,469**	**$805,351**	**$ 948,722**	**$ 943,787**	**$ (4,935)**	**-0.5%**	**$106,777**	**12.8%**

Source: Chicago Park District Comprehensive Annual Financial Reports.

General Obligation Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is direct tax-supported debt per capita. This includes General Obligation debt financed with property taxes. The ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. The exhibit below shows that the Chicago Park District's general obligation debt burden per capita rose by 21.1% during the five-year period between FY2007 and FY2011. In FY2007 long-term debt per capita was $289 and five years later it increased to $350.



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. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.[68]

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

Chicago Park District debt service appropriations in the proposed budget for FY2013 are expected to be 21.2% of the District's proposed $410.9 million in total appropriations. The District will spend approximately $87.0 million for debt service in the upcoming fiscal year. The debt service to total appropriations ratio will average 21.5% between FY2009 to FY2013, a "high" rating. In each of the five years reviewed, the ratio was at least 21.0%.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2009-FY2013					
	FY2009	FY2010	FY2011 Budget	FY2012 Budget	FY2013 Budget
Debt Service Appropriations	$ 82,698,173	$ 85,156,360	$ 86,782,063	$ 89,553,699	$ 87,044,104
Total Appropriations	$ 393,222,794	$ 391,853,640	$ 397,569,544	$ 407,519,803	$ 410,929,101
Debt Service as a % of Total Appropriations	21.0%	21.7%	21.8%	22.0%	21.2%

Source: Chicago Park District Budgets, FY2009-FY2013.

CAPITAL IMPROVEMENT PLAN

As part of the Park District's capital planning process, it annually publishes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The 2013-2017 CIP will be published in spring 2013.[69] A summary of that forthcoming plan is included in the District's FY2013 Budget Summary.

The following chart shows the estimated annual cash disbursements for the five-year capital spending plan and sources of funding. The CIP proposes $284 million in projects over the next five years. Of that amount $150 million will be obtained from new general obligation bond proceeds. The remaining $134 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations. The largest anticipated source of outside funds will be City of Chicago grants at $81.2 million.

[69] Information provided by Chicago Park District, November 30, 2012.

Acquisition and development of capital facilities will be the largest capital spending category totaling $135.0 million over the next five years. The second largest spending category will be Facility and Building Rehabilitation at $66.9 million, followed by site improvements at $74.6 million and technology, vehicles and improvements at $17.5 million.

Chicago Park District Five-Year Capital Improvement Plan FY2013-FY2017 (in $ millions)							
	Chicago Park District Funding					Outside Funding Expected	Total Funding
Projected Uses	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2013-FY2017**	**FY2013-FY2017**
Acquisition and Development	$ 6.6	$ 8.7	$ 7.5	$ 3.9	$ 5.2	$ 103.1	$ 135.0
Facility and Building Rehabilitation	$ 10.0	$ 7.5	$ 9.5	$ 12.1	$ 10.4	$ 17.4	$ 66.9
Site Improvements	$ 9.8	$ 10.3	$ 9.5	$ 10.6	$ 10.9	$ 13.5	$ 64.6
Technology, Vehicles, Improvement	$ 3.5	$ 3.5	$ 3.5	$ 3.5	$ 3.5	$ -	$ 17.5
Total Spending	**$ 29.9**	**$ 30.0**	**$ 30.0**	**$ 30.1**	**$ 30.0**	**$ 134.0**	**$ 284.0**
Funding Source							
General Obligation Bond Proceeds	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ -	$ 150.0
City Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 81.2	$ 81.2
State Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 15.5	$ 15.5
Federal Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 15.2	$ 15.2
Private Grants and Donations	$ -	$ -	$ -	$ -	$ -	$ 22.1	$ 22.1
Total Funding	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 134.0**	**$ 284.0**

Note: Detailed information about the individual sources or amounts of outside expected funding is not provided.

Source: Chicago Park District FY2013 Budget Summary, p. 50.