The Civic Federation

Research * Information * Action * Est. 1894

CHICAGO PARK DISTRICT FY2014 BUDGET:

Analysis and Recommendations

December 4, 2013

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.

Table of Contents

EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2014 proposed budget of $425.6 million because it takes a financially responsible approach to reduce the District's ongoing structural deficit. This budget also leaves the District well-positioned to implement proposed comprehensive pension reforms[1] that would stabilize the District's retirement systems and long-term finances.

The Civic Federation offers the following **key findings** on the FY2014 proposed budget:

- The FY2014 proposed budget is $425.6 million, an increase of approximately $14.6 million, or 3.6%, from FY2013 budgeted appropriations;
- The property tax levy will be raised to $268.9 million from $261.0 million. The increase reflects $3.6 million generated by raising the property tax levy to the maximum amount allowed under the property tax extension limitation law and $4.3 million generated by capturing additional property tax revenue from expiring and terminated tax increment financing districts. The District has kept its property tax levy relatively flat for the last eight years;
- Total tax revenues will increase by $14.0 million, or 4.8%, to $304.4 million;
- The District proposes to increase its workforce by 25 full-time equivalent positions to 3,103;
- Total personnel costs are budgeted at $173.9 million. Over the past five years, these costs including salaries and benefits have increased by $11.6 million, or 7.1%;
- Unrestricted General Fund fund balance was $194.9 million, or 76.9% of General Fund expenditures, in FY2012. The General Fund fund balance included $96.0 million of Long-Term Income Reserve and $2.1 million of Northerly Island Reserve Funds; and
- The market value funded ratio for the District's pension fund fell from 76.9% in FY2003 to 42.4% in the six months ended December 31, 2012.

Overall, the Civic Federation **supports** many elements of the proposed budget including:

- Developing a balanced approach to the Chicago Park District's finances by more adequately aligning recurring revenues with operating expenditures, while pursuing comprehensive pension reform that will provide retirement security for District employees and financial stability and predictability for taxpayers.

However, the Civic Federation has **concerns** about the FY2014 proposed budget which include:

- Continued use of non-recurring sources to meet operating expenditures, including $6.9 million of General Fund fund balance and prior year resources and $2.7 million of TIF surplus; and
- Insufficient time for public review of the proposed budget.

[1] Senate Bill 1523, House Amendments 3 and 4 passed in the Illinois House on November 6, 2013 and the Senate concurred with changes the next day. The bill contains a number of provisions aimed at stabilizing the Park District's underfunded pension funds.

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

- Examine the pension fund for further reforms including funding contributions at an annually determined actuarial funding level rather than a multiplier, consolidation with the Illinois Municipal Retirement Fund and reforming the District's pension fund governance;
- Implement a formal long-term financial planning process to address the financial challenges that the District may face as a result of the pension funding reforms contained in Senate Bill 1523, House Amendments 3 and 4 passed by the General Assembly. The formal long-term financial plan should solicit input from the District's Board of Commissioners and other key policy stakeholders, including the public;
- Work to develop a plan to assume operational control of the Illinois International Port District's Harborside Golf Center as part of a larger legislative proposal for dissolution of the entire Port District governmental structure; and
- Improve the District's budget format by providing five years of data, including audited data when possible, for appropriations and revenues and clarifying the uses and sources of reserve funds.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's FY2014 proposed budget of $425.6 million because it takes a financially responsible approach to reduce the District's ongoing structural deficit. This budget also leaves the District well-positioned to implement proposed comprehensive pension reforms[2] that would stabilize the District's retirement systems and long-term finances. The District's proposed operating budget of $425.6 million represents an increase of 3.6%, or approximately $14.7 million, from the FY2013 budget.

The Civic Federation supports the District's multi-year plan to eliminate its structural deficit. This year the District has proposed to close the $18.0 million budget deficit with $3.2 million generated from expenditure reductions, $9.3 million from increased recurring revenues including an increase in the property tax levy and $6.0 million from economically sensitive revenue growth.[3] The Federation strongly supports the District's efforts to pass pension reform legislation in 2013, which will provide assurance to its employees that their retirement system has a more secure and financially sustainable future and to its taxpayers that they will be able to afford the system and anticipate costs going forward.

Although the Chicago Park District has taken the first steps to stabilize its pension fund, if signed into law the District will face significant budgetary challenges as a result of increased employer contributions to the pension fund in the near future. Because of this, the Civic Federation recommends that the District develop a long-term financial plan that solicits input from all stakeholders in order to provide transparency to District employees and taxpayers as it makes plans to find additional resources.

Issues the Civic Federation Supports

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

Developing a Balanced Approach to the Park District's Finances

The Civic Federation supports the Chicago Park District for producing an FY2014 budget that combines moderate expenditure reductions with increases in recurring revenues including the property tax levy, while pursuing comprehensive pension reform that will provide retirement security for District employees and financial stability and predictability for taxpayers.

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. Although the FY2014 projected budget deficit of $18.0 million is a slight increase from the FY2013 deficit of $16.0 million, the current gap is a significant reduction from the FY2012 projected budget deficit of $23.9 million. The $18.0 million deficit was driven by anticipated

---

[2] Senate Bill 1523, House Amendments 3 and 4 passed in the Illinois House on November 6, 2013 and the Senate concurred with changes the next day. The bill contains a number of provisions aimed at stabilizing the Park District's underfunded pension funds.

[3] Chicago Park District FY2014 Budget Summary, p. 42 and communication with Chicago Park District budget staff, November 22, 2013.

salary increases, rising healthcare costs, water and sewer rate increases, safety-related expenses, statutory pension contributions and an overall expansion of the District.[4]

Deficit reduction strategies include savings through strategic changes in healthcare and favorable electricity and natural gas rates as well as revenue enhancements from recurring resources. The District is proposing to increase the property tax levy by the maximum amount allowed under the property tax extension limitation law (PTELL), generating $3.6 million in additional revenue.[5] The Park District did not raise its property tax levy between FY2006 and FY2012, but raised its levy in FY2013 to capture property taxes associated with expired or terminated tax increment financing (TIF) districts. The District is also proposing to capture $4.3 million in property taxes associated with expiring TIF districts in FY2014. When a TIF expires, the District can recover some revenue from the increment equalized assessed value (EAV) by adding it to the property tax levy. This allows the District to capture additional resources without increasing the tax burden on residents. The District has also proposed to increase some parking fee rates, add additional parking meters and implement ice skating rink admission fees. These revenue enhancements will have recurring effects on the District's annual budget.

The Civic Federation supports the District's initiatives to better align its operating expenditures with its recurring revenue sources. While the District is proposing moderate revenue enhancements, including a broad-based property tax increase, to stabilize its short-term finances, these steps are reasonable when balanced with the District's efforts to stabilize its long-term finances with comprehensive pension reform.

On November 6, 2013, the Illinois House passed Senate Bill 1523, House Amendments 3 and 4 and the Senate concurred with the changes the next day. The bill contains a number of provisions aimed at stabilizing the Park District's underfunded pension fund. The bill has been sent to Governor Pat Quinn for his review.

The Civic Federation commends the Chicago Park District, the Park District Pension Fund and the District employees for working together to develop meaningful pension reform legislation and put it before the General Assembly.[6] The District has taken a significant step forward by proposing changes to its pension benefits to make them more sustainable for beneficiaries and their funding more predictable for taxpayers. The District has additionally ensured beneficiaries and current employees that the pension fund will not run out of money, as it is currently projected to do within the next ten years. Instead, it is projected to increase the funded levels from the current dismal 42.4% to 90% by 2049 and 100% by 2054.

The Federation supports the District's reform efforts because the legislation balances reasonable changes to the retirement age and the automatic annual increase for current employees and retirees with phased-in increases to employee and employer contributions. In addition, the Federation commends the District for prudently setting aside budgetary reserves that will now

---

[4] Chicago Park District FY2014 Budget Summary, p. 4.

[5] The Chicago Park District is subject to the property tax extension limitation law (PTELL) which limits property tax levy increases to 5% or the rate of inflation, whichever is less.

[6] Media reports have indicated that not all Chicago Park District employees support SB1523, HA3 and HA4. Greg Hinz, "Quinn in tight spot over Chicago Park District pension bill," *Crain's Chicago Business*, November 11, 2013.

accommodate the $25.0 million supplemental employer contribution, half of which is scheduled for FY2015 and half for FY2017. The District has not formally produced a plan to fund the $50.0 million supplemental contribution scheduled for FY2019, but the District suggested that short-term borrowing may be used in addition to other reserves.[7] The Federation is open to the transparent and sparing use of **short-term** borrowing to fund the District's supplemental pension contribution since the debt costs would be balanced with sustainable reforms that include reductions to benefits that will lower costs over the long-term. Additionally, short-term pension obligation bonds would not transfer current risk and costs to future generations in the way that a 30-year bond would, thus minimizing the threat to intergenerational equity.

The Federation also believes that allowing the Fund to bring action in court to enforce contributions by the District would provide additional legal rights to the pension beneficiaries that could be considered an offset to some of the benefit reductions.

Finally, the Civic Federation believes the Park District has set a strong example for other local governments by developing a reform plan targeted to the needs of its own pension fund and not waiting for action from the State of Illinois.

Civic Federation Concerns

The Civic Federation has concerns regarding 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 in amount than in prior years, this trend will continue in FY2014 as the District proposes to utilize $9.6 million of non-recurring sources, including $1.5 million in General Fund fund balance, $5.4 million of prior year resources and $2.7 million in tax increment financing (TIF) district surplus. 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 meet its operating needs.

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

- In FY2013 the District appropriated $10.6 million in General Fund fund balance and prior year resources and $2.2 million in TIF surplus;
- 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 Special Recreation Activity Fund Balance

[7] Public testimony by the Chicago Park District to the Illinois House of Representatives' Personnel and Pensions Committee, November 6, 2013.

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 General 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 General Fund from its Pension Fund, which has seen a significant decline in its funded ratio. [8]

Although the FY2014 budget is balanced, it appears that the District's proposed efforts to reduce its structural deficit are offset by the use of TIF surplus and fund balance. By budgeting approximately $9.6 million in non-recurring revenue sources, the effect that $12.5 million in proposed FY2014 recurring savings and revenue enhancements will have on the structural deficit will be diminished. If the District had not budgeted these non-recurring revenues as appropriable resources, the FY2014 projected deficit would have been much larger.

Insufficient Time for Public Review of Budget

The Chicago Park District released its proposed FY2014 budget to the public on Friday, November 22, 2013 and its first public hearing after the release of the budget was held on Wednesday, December 4, 2013 – only five working days after the budget was released (excluding major holidays). This is an inadequate amount of time for the public to comprehend a complex two-volume budget document. All governments have a duty to allow for public input related to their proposed budgets. The District's failure to allow for sufficient time for public input on the proposed budget is a missed opportunity to help educate, inform and build support for their proposed $425.6 million expenditure of tax dollars.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to improve the Chicago Park District's financial and transparency practices.

Examine the Pension Fund for Further Reforms

Although the Civic Federation strongly supports the pension reform efforts of the Chicago Park District, the Park District Pension Fund and District employees, the Federation makes the following additional recommendations to further improve and stabilize the long-term financial health of the Chicago Park District Pension Fund.[9]

---

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

[9] Media reports have indicated that not all Chicago Park District employees support SB1523, HA3 and HA4. Greg Hinz, "Quinn in tight spot over Chicago Park District pension bill," *Crain's Chicago Business*, November 11, 2013.

Consider Funding at an Annually Determined Actuarial Funding Level, Rather than by a Multiplier

Although the District's pension reform efforts include significant increases to the employer's annual contribution rate, the Civic Federation remains concerned that the District is not tying its annual contribution to the pension fund to an annually determined actuarial funding level, like the Governmental Accounting Standards Board's (GASB) reporting requirement of an annual required contribution (ARC). The ARC 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 30 years. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year.

Because an annually determined actuarial funding level would more accurately reflect the amount needed to sufficiently fund the present value of future benefit payments owed to active employees, the Federation strongly believes annual pension contributions should be tied to this amount rather than a multiplier which could be adequate now but fall short of requirements in the future. By tying contributions to a multiplier, the District may continue to risk underfunding the pension fund. For example, the Metropolitan Water Reclamation District increased its employer contribution to its pension fund by increasing its multiple from 2.19 to the lesser of 4.19 or an actuarially determined contribution.[10] However, in FY2014 the MWRD is proposing to make a supplemental contribution to its pension fund because the contribution based on the multiple is insufficient.[11]

The Federation recommends the Park District explore the option of requiring that annual contributions to the pension fund meet an annually determined actuarial level of funding.

Additionally, in the interest of transparency for District employees and taxpayers, the Federation strongly recommends that the Park District pension fund make all actuarial reports on the projected impact of the reforms publicly available.

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

[10] On August 3, 2012, Governor Quinn signed into law the pension reforms for the MWRD Retirement Fund as Public Act 097-0894. For more information see the Civic Federation's *Metropolitan Water Reclamation District FY2013 Tentative Budget: Analysis and Recommendations* (December 12, 2012).

[11] Communication with MWRD budget staff, November 25, 2013.

management.[12] 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.[13]

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. If pension reform legislation passed by the General Assembly is approved by the Governor, the District faces significant increases in its annual pension contributions to the pension fund over the next several years. Additionally, the District is required to make supplemental contributions of \$75.0 million, of which \$12.5 million is scheduled for FY2015 and FY2017, and \$50.0 million for FY2019. Although the Park District has prudently allocated budgetary reserves to fund some of these supplemental payments, the District will also need to find additional resources via reserves, borrowing, expenditure cuts, tax or fee increases or some combination of these.

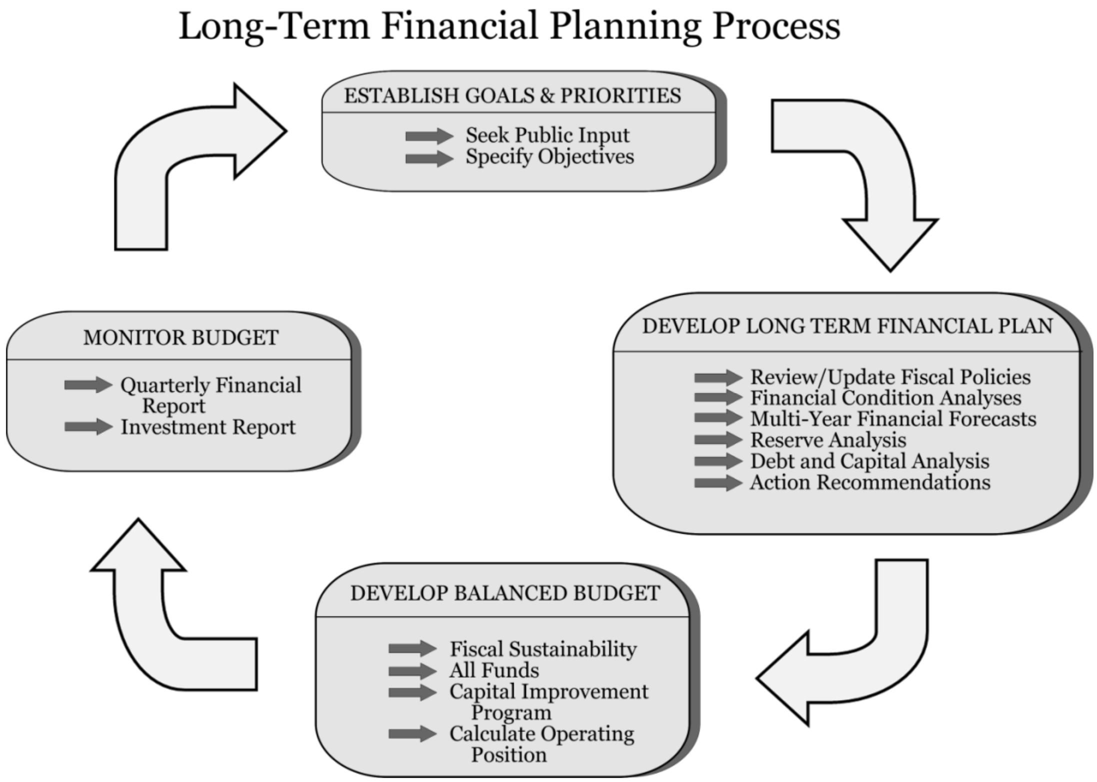
In light of these additional ongoing costs that will undoubtedly have a significant financial impact on the District's operating budget, it is imperative that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public. This plan should demonstrate how the District will incorporate increasing pension costs into its budget while still accommodating other priorities.

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.[14]

Therefore, we recommend that the Park District undertake a long-term financial planning process that would proceed in four stages.[15] 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

[12] 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.
[13] 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.
[14] Government Finance Officers Association, "GFOA Best Practice: Long-Term Financial Planning," (2008).

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 all 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.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues, such as supplemental employer pension contributions, a discussion of the long-term implications of continuing or ending existing programs or

[15] 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.

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.[16] Although Chicago Mayor Rahm Emanuel revisited efforts to privatize IIPD, negotiations with the potential management firm ended in October 2013.[17]

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 would 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 publicly-supported enterprise.

Improve the Budget Book Format

The Chicago Park District continues to provide a good level of detail in its annual budget documents. This year we offer the following recommendations to further increase the user-friendly features of the District's budget documents:

- *Provide a forecast of projected 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 projected 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 General 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.

---

[16] 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.
[17] Gregory Karp, "Port of Chicago deal sunk for now," *Chicago Tribune*, October 1, 2013.

ACKNOWLEDGEMENTS

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

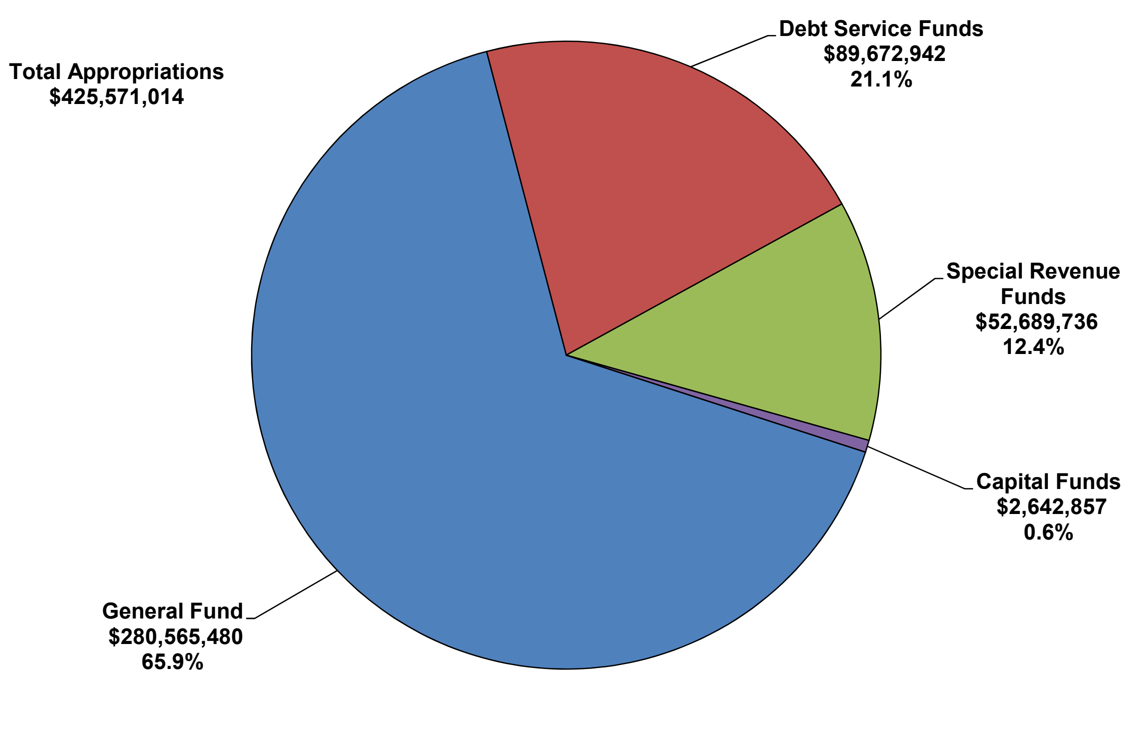
APPROPRIATIONS

This section presents an analysis of the Chicago Park District's proposed FY2014 budget appropriations with comparisons to previous years' adopted budgets.

All Funds Appropriations by Fund

Total Chicago Park District appropriations are proposed to increase from $410.9 million in FY2013 to $425.6 million in FY2014. This is an increase of $14.6 million, or 3.6%. General Fund, or operating fund, expenses will represent the largest portion of total appropriations at 65.9%, or $280.6 million, followed by Debt Service Funds representing 21.1%, or $89.7 million, of total appropriations. Special Revenue Funds and Capital Funds will account for 12.4% and 0.6%, respectively, of total appropriations in FY2014.

Chicago Park District FY2014 All Funds Appropriations by Fund

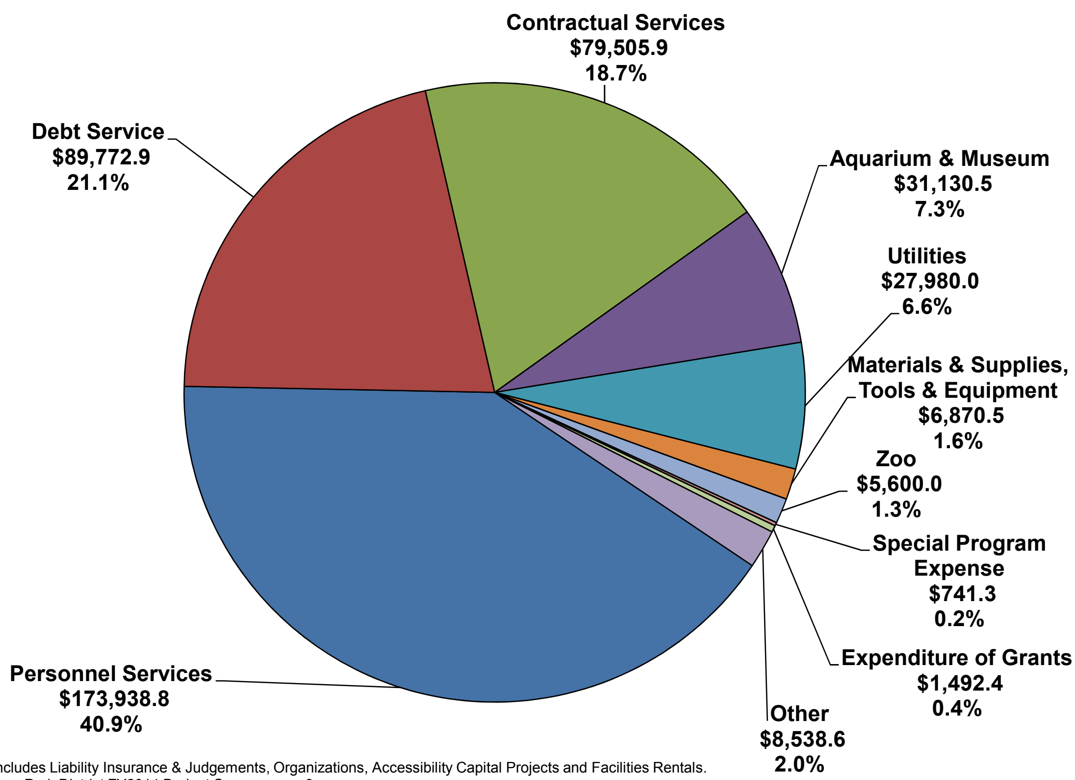


Source: Chicago Park District FY2014 Budget Recommendations, p. 369.

All Funds Appropriations by Object

The following chart displays the Chicago Park District's total proposed appropriations for FY2014 by object level. Object level refers to grouping expenditure categories by types of expense rather than by fund. Approximately 40.9%, or $173.9 million, of FY2014 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 $79.5 million, or 18.7%, of the FY2014 budget.

Chicago Park District FY2014 Appropriations by Object



Note: Other includes Liability Insurance & Judgements, Organizations, Accessibility Capital Projects and Facilities Rentals.
Source: Chicago Park District FY2014 Budget Summary, p. 8.

As shown in the chart below, appropriations for most object areas will increase over the two-year period between FY2013 and FY2014. Total personnel costs are expected to increase slightly between FY2013 and FY2014, by 1.1%, or $1.8 million. Debt Service appropriations will increase by 3.1%, or $2.7 million, rising from $87.0 million in FY2013 to $89.8 million in FY2014. Appropriations for Contractual Services will grow by 11.1%, or $7.9 million. Contractual Services are described in more detail later in this section.

The District's appropriation for the Museums in the Park (Aquarium and Museum line item) will increase by 1.6%, or approximately $485,000, in FY2014.[18] The Zoo appropriation will remain

[18] 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

stable from FY2013 at $5.6 million. This appropriation is for the Lincoln Park Zoo, which is operated by a non-profit organization. Appropriations for Special Program Expense, which include costs that fall within park budgets such as tournament expenses or recognitions and awards,[19] will decrease slightly by 1.1%, or approximately $8,000 in FY2014.

Expenditure of Grants, or grants received, over the two-year period will fall by 29.5%, or approximately $625,000, from $2.1 million to $1.5 million. Utilities appropriations will increase by 2.8%, or approximately $763,000, over FY2013 budgeted appropriations. The increase is due to rising water and sewer expenses offset by a $1.7 million, or 10.7%, decrease in electricity and gas costs as a result of energy efficiencies and cost savings through locked in lower rates. Water and sewer expenses for the District will rise by 24.1%, or $2.5 million, over the two-year period due to the City of Chicago's 2012 establishment of multi-year increases to water and sewer rates.[20]

Appropriations for Liability Insurance and Judgments are increasing in FY2014 due to a rise in liability insurance expenses of approximately $773,000. The increase is because the FY2013 budget did not include sufficient funding for liability insurance for the Garfield Park Conservatory and Indian Boundary and the remaining amount needed for FY2013 is being carried over into the FY2014 budget.[21] Expenses for Organizations, which represents the Park District's financial support for partner organizations, will increase by 20.0%, or approximately $502,000, from $2.5 million to $3.0 million over the two-year period. These partner organizations include Grant Park Music Festival, Chicago Parks Foundation, Neighborspace and Garfield Park Conservatory Alliance. The increase is the result of revised contract terms with the Grant Park Music Festival and the Garfield Park Conservatory, as well as a new agreement granting $200,000 to the Chicago Parks Foundation, approved by the District's Board of Commissioners in May of 2013.[22]

In a five-year comparison, total appropriations will increase by 8.6%, or $33.7 million, in FY2014 over the FY2010 budget. Over the five-period personnel costs will rise by 7.1%, or $11.6 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.[23] Potential salary and wage increases for FY2014 have not yet been determined as the Park District is currently in negotiations with its unionized workforce.[24] Appropriations for Contractual Services will increase by 22.4%, or $14.5 million, from nearly

---

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 FY2014 Budget Summary, p. 41.

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

[20] Chicago Park District FY2014 Budget Summary, pp. 40-41.

[21] Information provided by the Chicago Park District, November 22, 2013.

[22] Information provided by the Chicago Park District, November 22, 2013 and Chicago Park District Board of Commissioners, Meeting Minutes, Annual Meeting held on Wednesday, May 8th, 2013.

[23] 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.

[24] Chicago Park District FY2014 Budget Summary, p. 38. For more information on personnel, see page 24.

$65.0 million to $79.5 million. Debt Service costs will also rise over the five-year period, by 5.4%, or $4.6 million.

The District subsidy to Aquarium and Museum appropriations will increase by 1.2%, or approximately $375,000 million, while the appropriation to the Zoo will remain stable over the five-year period at $5.6 million. Utilities appropriations will also rise over the five-year period, by 16.1%, or $3.9 million. Budgeted expenses for Organizations will grow by 21.0%, or approximately $522,000, between FY2010 and FY2014.

Expenditure of Grants, or grants received, will decline by 37.0%, or approximately $878,000, between FY2010 and FY2014. Appropriations for Special Program Expense will decrease by 36.2%, or approximately $421,000, over the same period. Appropriations for Liability Insurance and Judgments are expected to decrease by 5.3%, or approximately $250,000, while appropriations for Materials and Supplies and Tools and Equipment will fall by 3.7%, or approximately $266,000.

Chicago Park District Appropriations by Object:
FY2010-FY2014
(in $ thousands)

	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Personnel Services	$ 162,387	$ 166,377	$ 171,659	$ 172,101	$ 173,939	$ 1,838	1.1%	$ 11,552	7.1%
Debt Service	$ 85,156	$ 86,782	$ 89,554	$ 87,044	$ 89,773	$ 2,729	3.1%	$ 4,617	5.4%
Contractual Services	$ 64,965	$ 66,427	$ 67,675	$ 71,590	$ 79,506	$ 7,915	11.1%	$ 14,541	22.4%
Aquarium & Museum	$ 30,756	$ 30,601	$ 30,631	$ 30,646	$ 31,131	$ 485	1.6%	$ 375	1.2%
Utilities	$ 24,100	$ 23,200	$ 24,762	$ 27,217	$ 27,980	$ 763	2.8%	$ 3,880	16.1%
Materials & Supplies, Tools & Equipment	$ 7,136	$ 7,034	$ 6,579	$ 6,600	$ 6,871	$ 271	4.1%	$ (266)	-3.7%
Zoo	$ 5,600	$ 5,690	$ 5,690	$ 5,600	$ 5,600	$ -	0.0%	$ -	0.0%
Special Program Expense	$ 1,162	$ 1,274	$ 963	$ 749	$ 741	$ (8)	-1.1%	$ (421)	-36.2%
Expenditure of Grants	$ 2,371	$ 2,000	$ 2,284	$ 2,118	$ 1,492	$ (625)	-29.5%	$ (878)	-37.0%
Liability Insurance & Judgments	$ 4,750	$ 4,475	$ 3,987	$ 3,727	$ 4,500	$ 773	20.8%	$ (250)	-5.3%
Organizations	$ 2,490	$ 2,690	$ 2,690	$ 2,510	$ 3,012	$ 502	20.0%	$ 522	21.0%
Accessiblity Capital Projects	$ -	$ -	$ -	$ -	$ -	$ -	0.0%	$ -	0.0%
Facilities Rentals	$ 980	$ 1,019	$ 1,045	$ 1,027	$ 1,027	$ -	0.0%	$ 47	4.8%
Total	**$ 391,854**	**$ 397,570**	**$ 407,520**	**$ 410,929**	**$ 425,571**	**$ 14,642**	**3.6%**	**$ 33,717**	**8.6%**

Note: Adopted appropriations for FY2010-FY2013 are used because actual expenditures are not available in a summary form. Totals may differ from budget due to rounding.

Source: Chicago Park District FY2012 Budget Summary, p. 37; FY2013 Budget Summary, p. 28; and FY2014 Budget Summary, p. 8.

Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for fiscal years 2010 through 2014. Overall, the District will increase Contractual Services appropriations by 11.1%, or $7.9 million, from $71.6 million in FY2013 to $79.5 million in FY2014. This is largely due to an increase in General Contractual Services of 32.8%, or $5.2 million. The rise in General Contractual Services is primarily the result of a $4.0 million increase in costs for contracted police services with the Chicago Police Department. The increase in Contractual Services appropriations is also due to rising contract expenses related to Night Out in the Parks.[25]

Appropriations for Concessions Management and Parking Management will each increase by 3.4%, or approximately $25,000 and $41,000, respectively. Between FY2013 and FY2014 appropriations for Golf Management Expenses will rise by 15.6%, or approximately $635,000, while the budget for Other Management Fee Expense, which includes accounts for Professional

[25] Information provided by the Chicago Park District, November 22, 2013.

Services, Reprographic Services, Ice Skating Management and Litigation Expenses, will increase by 6.3%, or $1.0 million.

Between FY2010 and FY2014 total Contractual Services will increase by 22.4%, or $14.5 million. The largest percentage increase will occur in the budget for Repair and Maintenance as its appropriations grow by 71.3%, or approximately $921,000. Large percentage increases will also occur in appropriations for General Contractual Services and Soldier Field as costs rise by 43.6% and 39.0%, respectively. The increase in the Soldier Field budget is partially due to a change in reporting by the private contractor for Soldier Field in FY2013.[26] The largest dollar increase will occur in General Contractual Services as appropriations rise by $6.4 million, or 43.6%, from $14.7 million in FY2010 to $21.1 million in FY2014. Appropriations for Harbor Management will also increase significantly over the five-year period, rising by 26.6%, or $2.2 million. A portion of the increase is attributable to a rise in harbor slip fees between 2.8% and 3.0% at selected, high occupancy harbors, implemented in FY2012.[27] The increase is also the result of the opening of the 31st Street Harbor in 2012.[28]

Chicago Park District Contractual Services Appropriations: FY2010-FY2014 (in $ thousands)

	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Repair & Maintenance	$ 1,290	$ 1,461	$ 1,872	$ 2,011	$ 2,211	$ 200	9.9%	$ 921	71.3%
General Contractual Services	$ 14,724	$ 15,321	$ 15,275	$ 15,926	$ 21,146	$ 5,220	32.8%	$ 6,422	43.6%
Concessions Management	$ 650	$ 675	$ 675	$ 725	$ 750	$ 25	3.4%	$ 100	15.4%
Harbor Management	$ 8,117	$ 8,920	$ 10,140	$ 10,014	$ 10,279	$ 265	2.6%	$ 2,162	26.6%
Soldier Field	$ 12,295	$ 12,241	$ 12,522	$ 16,510	$ 17,088	$ 579	3.5%	$ 4,793	39.0%
Golf Management Expenses	$ 4,435	$ 4,123	$ 4,207	$ 4,061	$ 4,695	$ 635	15.6%	$ 261	5.9%
MLK Center Management	$ 1,109	$ 1,246	$ 1,246	$ 1,255	$ 1,113	$ (142)	-11.3%	$ 4	0.4%
Parking Management	$ 1,117	$ 1,149	$ 1,181	$ 1,189	$ 1,230	$ 41	3.4%	$ 112	10.1%
Landscape Management	$ 3,997	$ 4,447	$ 4,262	$ 3,862	$ 3,942	$ 80	2.1%	$ (55)	-1.4%
Other Management Fee Expense	$ 17,229	$ 16,845	$ 16,294	$ 16,038	$ 17,051	$ 1,013	6.3%	$ (179)	-1.0%
Total	**$ 64,965**	**$ 66,427**	**$ 67,675**	**$ 71,590**	**$ 79,506**	**$ 7,915**	**11.1%**	**$ 14,541**	**22.4%**

Note: Adopted appropriations for FY2010-FY2013 are used because actual expenditures are not available in a summary form. Totals may differ from budget due to rounding.

Source: Chicago Park District FY2012 Budget Summary, p. 37; FY2013 Budget Summary, p. 28; and FY2014 Budget Summary, p. 8.

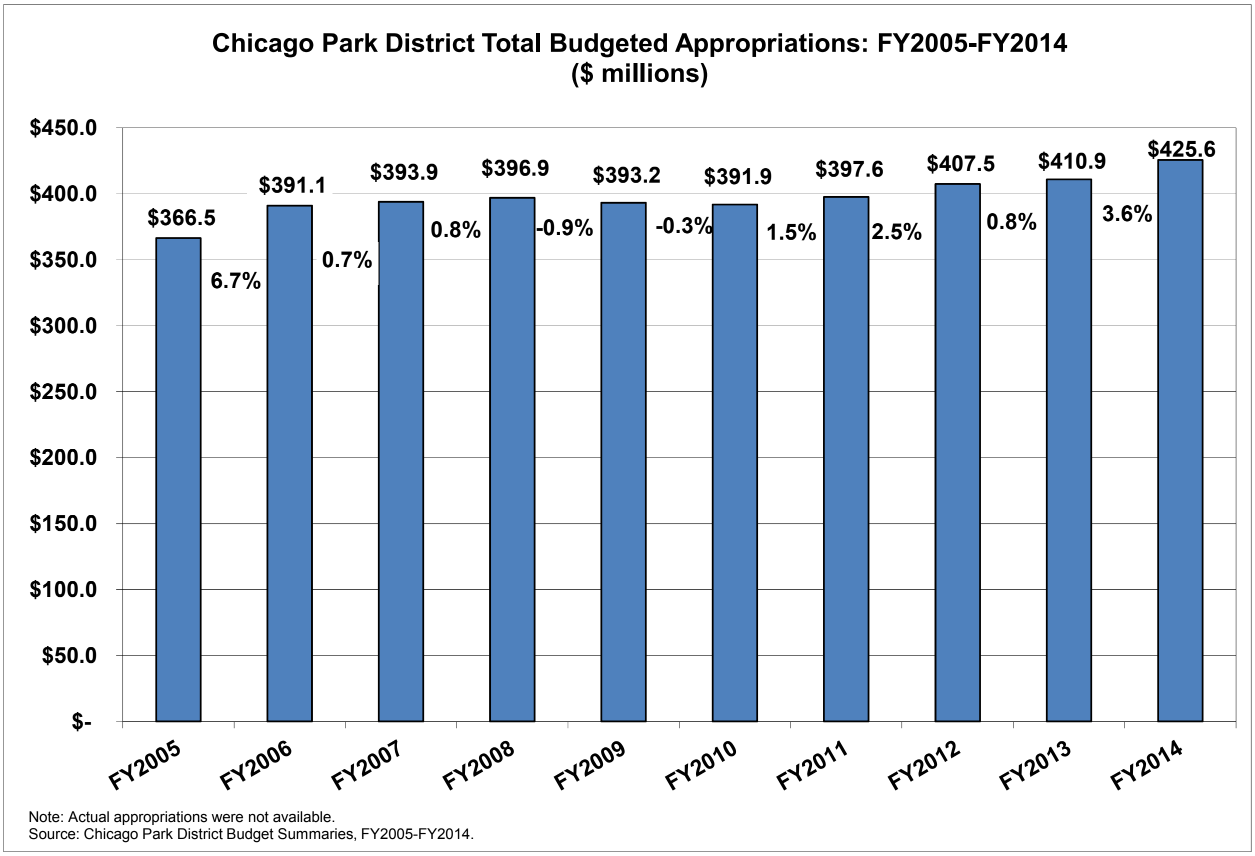
26 Information provided by the Chicago Park District, November 30, 2012 and November 22, 2013.

27 See Civic Federation, Chicago Park District FY2012 Budget: Analysis and Recommendations, December 7, 2011 and information provided by the Chicago Park District, November 21, 2011.

28 Information provided by the Chicago Park District, November 22, 2013.

Ten-Year Appropriation Trend

Over the last ten years, total budgeted appropriations have increased by $59.1 million, or 16.1%. Between FY2005 and FY2014, the Park District's annual budgeted appropriations growth averaged 2.0%, which is equal to the average rate of inflation per year during this ten-year period of 2.0%.[29]



RESOURCES

This section provides an overview of the resources the District is proposing to utilize in FY2014 with comparisons to the proposed budgets of previous years.

All Funds Resources

Total revenues for the District are projected to be nearly $416.0 million in FY2014, an increase of 4.5%, or $18.0 million, from FY2013. An additional $6.9 million in fund balance and prior year resources, as well as $2.7 million in tax increment financing (TIF) surplus are proposed to be used, bringing total resources to $425.6 million. Total resources will increase by $14.6 million, or 3.6%, from $410.9 million in FY2013.

---

[29] The annual Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased by 2.0% on average between 2005 and 2013 (base period: 1982-84 = 100). U.S. Bureau of Labor Statistics, accessed November 20, 2013.

Tax revenues for the District are budgeted to increase by 4.8%, or nearly $14.0 million, in FY2014, from $290.4 million to $304.4 million. This includes a $7.9 million, or 3.0%, increase in gross property tax revenue. The District is proposing to raise its property tax levy to the maximum amount allowed under the property tax extension law (PTELL). The District did not raise its levy between FY2006 and FY2012, but raised its levy in FY2013 to capture property tax revenue from expiring TIF districts. The increase in the property tax levy in FY2014 will result in an additional $3.6 million in revenue and will be reflected by an additional $2.71 on the average homeowner's property tax bill per year.[30] The District is also capturing additional property tax revenue from expiring and terminated TIF districts for $4.3 million in gross property tax revenue. This maneuver 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.[31] This is because taxpayers were previously paying the $4.3 million for TIF district expenses, and now will pay the $4.3 million as part of the Park District's levy.

Also contributing to additional tax revenues for the District is growth in personal property replacement tax (PPRT) revenue, which will increase by $6.4 million, or 16.2%, from the FY2013 budget. PPRT is a corporate income tax that is collected and distributed by the State of Illinois. The projected $46.0 million of PPRT revenue in FY2014 reflects a 3.0% increase from the FY2013 year-end estimate. The District notes that the increase in PPRT revenue in FY2013 can be attributed to taxpayers' responses to changes in federal tax law. The continued growth in FY2014 is due to an anticipated increase in corporate profits.[32]

Revenues generated from the rental of District facilities are expected to increase by 4.5%, or $1.5 million, to nearly $35.0 million in FY2014. The modest increase reflects the continued strength of booking Soldier Field events, as well as the vendor's efforts to increase the diversity of events and maximize the utilization of the complex, including club, parkland and lot events.[33]

Permit and fee revenues are projected to increase by $1.9 million, or 3.3%, to $59.8 million in FY2014. This category includes parking fees, permit revenues, harbor fees, park fees and golf courses. The increase in FY2014 is due to proposed additional pay and display parking fee units, as well as parking fee rate increases that include a $0.25 per hour rate increase for pay and display units and various parking lot fee increases.[34] The District is also projecting an increase in permit revenue due to a new registration system that better classifies revenue streams.[35]

Over the past five years, the District's resources have increased by $33.7 million, or 8.6%, from $391.9 million in FY2010 to $425.6 million in FY2014. The largest dollar increase over this time period occurs in gross property tax revenues. The $9.0 million increase since FY2010 is largely due to the proposed $3.6 million increase in the property tax levy and the $4.3 million in captured property tax revenue from terminated and expiring TIFs. PPRT revenue has increased

[30] Chicago Park District FY2014 Budget Summary, p. 4.
[31] Chicago Park District FY2014 Budget Summary, p. 4.
[32] Chicago Park District FY2014 Budget Summary, p. 30.
[33] Chicago Park District FY2014 Budget Summary, p. 32.
[34] Chicago Park District FY2014 Budget Summary, p. 34.
[35] Chicago Park District FY2014 Budget Summary, p. 37.

by nearly $5.0 million, or 12.1%, over the five-year period, mostly due to the growth in revenue projected for FY2014. Soldier Field revenues are expected to increase by $6.8 million, or 28.8%, over the past five years. Part of this growth is due to a change in reporting in FY2013, but the District also noted that approximately 7% of the FY2013 growth was due to an increase in events.[36] Revenue from permits have increased by $7.3 million, or 143.6%, since FY2010. Much of this growth occurred in FY2013 when the District moved some large scale events from general permits to long-term agreements, including the Lollapalooza Festival, which generated $2.7 million.[37] The District has tried to increase program activity over the past few years and in order to keep fees affordable for recreational activities, so it has focused on permit increases for large scale events.[38]

In FY2014 the District proposes to transfer $1.5 million of General Fund fund balance to its operating budget. In addition, the District proposes to appropriate $5.4 million of prior year resources. With these sources of revenue and $2.7 million of TIF surplus, this is at least the eighth 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 FY2013: $10.6 million in fund balance and prior year resources and $2.2 million in TIF surplus appropriated in the operating budget;
- In FY2012: $17.2 million in fund balance transfers to the operating fund;
- In FY2011: $3.0 million in General Fund fund balance and $12.0 million from TIF surplus;[39]
- In FY2010: $7.7 million is from a transfer from the Parking Garage Revenue Capital Improvements Fund;[40]
- 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;[41] and

---

[36] Chicago Park District FY2013 Budget Summary, p. 35.
[37] Chicago Park District FY2014 Budget Summary, p. 37.
[38] Chicago Park District FY2013 Budget Summary, p. 39-40.
[39] Chicago Park District FY2011 Budget Recommendations, p. 394.
[40] This revenue is labeled as Dedicated Capital Fund Balance. Chicago Park District FY2011 Budget Recommendations, p. 394
[41] Information provided by the Chicago Park District, November 26, 2010.

- In both FY2007 and FY2008: $10.0 million was transferred from unreserved fund balance.[42]

Chicago Park District Resources by Source for All Operating Funds: FY2010-FY2014 (in $ thousands)									
	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Gross Property Tax Levy	$ 259,911	$ 259,911	$ 259,911	$ 261,011	$ 268,861	$ 7,850	3.0%	$ 8,950	3.4%
Property Tax Loss in Collection	$ (10,007)	$ (10,137)	$ (10,137)	$ (10,179)	$ (10,486)	$ (306)	3.0%	$ (479)	4.8%
Personal Property Replacement Tax	$ 41,055	$ 39,002	$ 39,392	$ 39,589	$ 46,005	$ 6,416	16.2%	$ 4,950	12.1%
Subtotal Tax Revenues	**$ 290,959**	**$ 288,776**	**$ 289,166**	**$ 290,420**	**$ 304,380**	**$ 13,960**	**4.8%**	**$ 13,421**	**4.6%**
Rental of Soldier Field	$ 23,599	$ 24,394	$ 25,267	$ 29,092	$ 30,387	$ 1,296	4.5%	$ 6,789	28.8%
Rentals	$ 2,496	$ 2,218	$ 2,590	$ 3,268	$ 2,865	$ (403)	-12.3%	$ 369	14.8%
Northerly Island Pavilion	$ 392	$ 376	$ 900	$ 1,100	$ 1,700	$ 600	54.5%	$ 1,308	334.2%
Subtotal Facility Rentals	**$ 26,486**	**$ 26,987**	**$ 28,757**	**$ 33,459**	**$ 34,952**	**$ 1,493**	**4.5%**	**$ 8,466**	**32.0%**
Parking Fees	$ 2,588	$ 2,436	$ 2,932	$ 3,334	$ 4,414	$ 1,079	32.4%	$ 1,826	70.6%
Harbor Fees	$ 22,417	$ 23,462	$ 27,558	$ 25,138	$ 24,223	$ (915)	-3.6%	$ 1,806	8.1%
Park Fees	$ 14,612	$ 14,079	$ 14,179	$ 14,179	$ 13,115	$ (1,064)	-7.5%	$ (1,496)	-10.2%
Permits	$ 5,096	$ 6,132	$ 6,582	$ 9,727	$ 12,412	$ 2,685	27.6%	$ 7,316	143.6%
Golf Course Fees	$ 5,360	$ 5,203	$ 5,063	$ 5,482	$ 5,625	$ 143	2.6%	$ 265	4.9%
Subtotal Permits and Fees	**$ 50,072**	**$ 51,312**	**$ 56,314**	**$ 57,860**	**$ 59,789**	**$ 1,930**	**3.3%**	**$ 9,718**	**19.4%**
Concessions	$ 2,500	$ 2,478	$ 2,822	$ 3,181	$ 3,141	$ (39)	-1.2%	$ 641	25.7%
MLK Center	$ 1,250	$ 1,322	$ 1,432	$ 1,408	$ 1,411	$ 3	0.2%	$ 161	12.9%
Corporate Sponsorships	$ -	$ 850	$ 500	$ 1,800	$ 1,485	$ (315)	-17.5%	$ 1,485	-
Grants and Donations	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,855	$ 855	17.1%	$ 855	17.1%
Investment Income	$ 500	$ 200	$ 200	$ 400	$ 360	$ (40)	-10.0%	$ (140)	-28.0%
Long Term Income Reserve	$ 380	$ 100	$ -	$ -	$ -	$ -	-	$ (380)	-100.0%
Miscellaneous	$ 1,950	$ 1,405	$ 2,286	$ 987	$ 902	$ (86)	-8.7%	$ (1,048)	-53.8%
Capital Contributions	$ 3,897	$ 4,138	$ 3,837	$ 3,516	$ 3,743	$ 227	6.5%	$ (154)	-3.9%
Interest on Capital Investment	$ 1,160	$ -	$ -	$ -	$ -	$ -	-	$ (1,160)	-100.0%
Total Revenues	**$ 384,154**	**$ 382,570**	**$ 390,314**	**$ 398,031**	**$ 416,019**	**$ 17,988**	**4.5%**	**$ 31,865**	**8.3%**
TIF Surplus	$ -	$ 12,000	$ -	$ 2,224	$ 2,667	$ 443	19.9%	$ 2,667	-
Dedicated Capital Fund Balance	$ 7,700	$ -	$ -	$ -	$ -	$ -	-	$ (7,700)	-100.0%
Fund Balance Transfer**	$ -	$ 3,000	$ 17,206	$ 10,674	$ 6,885	$ (3,789)	-35.5%	$ 6,885	-
Total Resources	**$ 391,854**	**$ 397,570**	**$ 407,520**	**$ 410,929**	**$ 425,571**	**$ 14,642**	**3.6%**	**$ 33,717**	**8.6%**

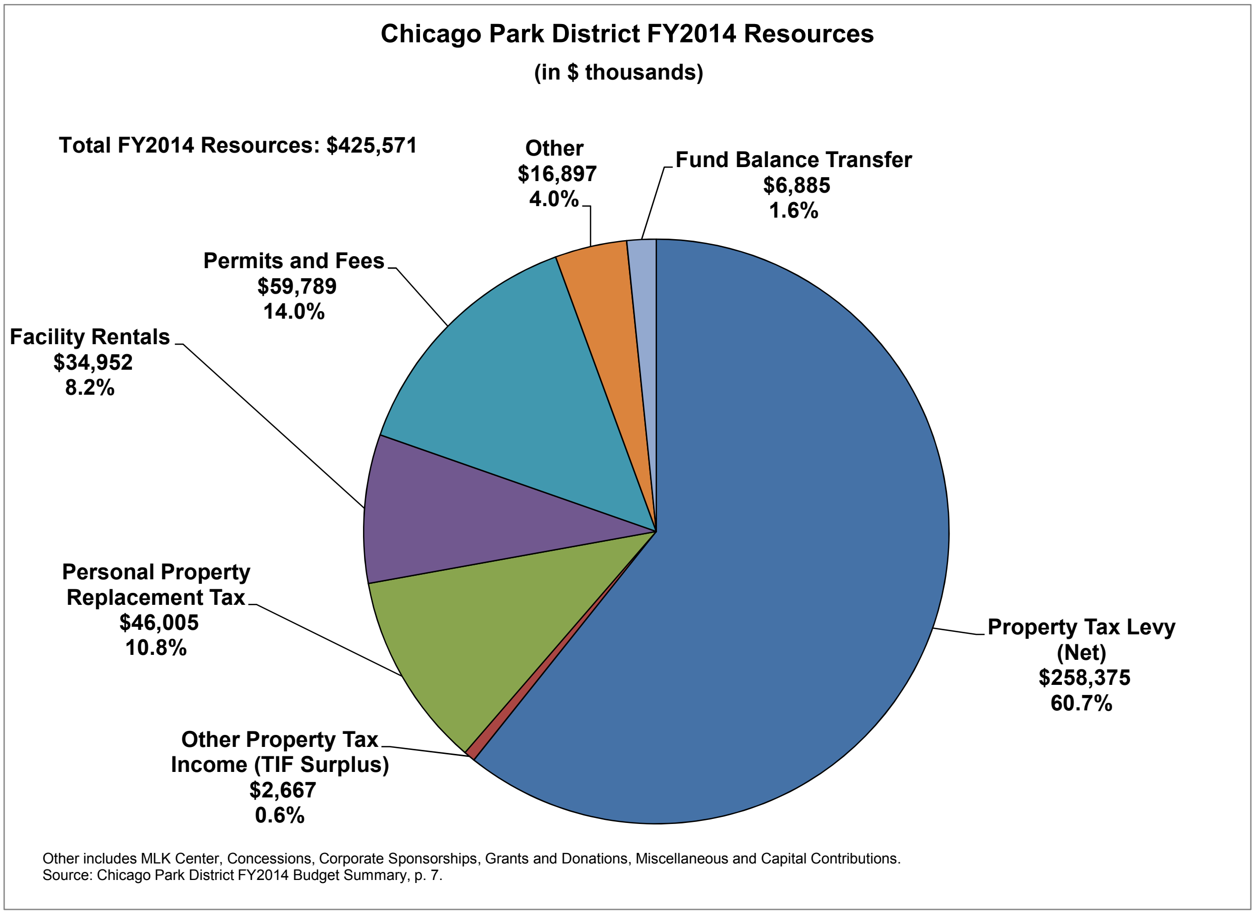
*Includes both Interest Earnings and Principal.

**FY2012 Fund Balance Transfer includes $12.0 million transfer from the General Fund Balance, $1.3 million from the Special Recreation Activity 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. FY2014 Fund Balance Transfer includes $1.5 million in General Fund fund balance and $5.4 million in prior year available resources.

Source: Chicago Park District FY2012 Budget Summary, p. 36; FY2014 Budget Summary, p. 7.

[42] 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 FY2014. Net property tax revenues (gross property tax levy including the loss in collection) constitute 60.7% of District revenues. The next largest revenue source is Permits and Fees at 14.0%, followed by PPRT at 10.8%.



Gross Property Tax Levy

The Chicago Park District's FY2014 gross property tax levy will be $268.9 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 FY2014 the District is proposing to raise its property tax levy to the maximum amount allowed under the property tax extension law (PTELL). The District did not raise its levy between FY2006 and FY2012, but raised its levy in FY2013 to capture property tax revenue from expiring and TIF districts. The average homeowner's property tax bill will increase by $2.71 as a result of the $3.6 million property tax levy increase proposed in FY2014.

The District is also increasing property tax revenues by $4.3 million as a result of the expiration and termination of Tax Increment Financing (TIF) districts.[43] This maneuver allows the District

[43] Chicago Park District FY2014 Budget Summary, p. 4.

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 $4.3 million for TIF district expenses and will hereafter pay the $4.3 million as part of the levy.

Chicago Park District Property Tax Gross Levy by Fund: FY2010-FY2014 (in $ thousands)									
Fund	2010	2011	2012	2013	2014	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$142,210	$145,210	$147,230	$154,206	$158,656	$ 4,450	2.9%	$ 16,445	11.6%
Special Recreation	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ -	0.0%	$ -	0.0%
Park District Employees Pension	$ 10,851	$ 10,730	$ 10,419	$ 10,473	$ 11,128	$ 655	6.3%	$ 278	2.6%
Public Building Commission									
Rental of Facilities	$ 3,906	$ 3,907	$ -	$ -	$ -	$ -	-	$ (3,906)	-100.0%
Operations & Maintenance	$ 5,500	$ 5,500	$ 5,500	$ -	$ -	$ -	-	$ (5,500)	-100.0%
Liability, Workers Comp., Unemployment	$ 10,270	$ 10,270	$ 9,468	$ 9,761	$ 10,748	$ 988	10.1%	$ 478	4.7%
Bond Debt Service Fund	$ 42,022	$ 42,143	$ 42,143	$ 42,143	$ 44,071	$ 1,929	4.6%	$ 2,049	4.9%
Aquarium and Museum Bond Debt Service	$ 11,487	$ 11,486	$ 11,485	$ 10,764	$ 10,593	$ (171)	-1.6%	$ (895)	-7.8%
Aquarium and Museum Purposes	$ 27,664	$ 24,664	$ 27,664	$ 27,664	$ 27,664	$ -	0.0%	$ -	0.0%
Total	**$259,911**	**$259,911**	**$259,911**	**$261,011**	**$268,861**	**$ 7,850**	**3.0%**	**$ 8,950**	**3.4%**

Source: Chicago Park District FY2014 Budget Recommendations, p. 371.

PERSONNEL

The District is budgeting for a total of 3,103 full-time equivalent (FTE) positions in FY2014, including 1,555 full-time positions and 1,548 part-time and seasonal positions. Full-time positions will increase by 22 from FY2013 and part-time and seasonal positions will increase by 3 FTEs, for a total increase of 25 FTE positions, or 0.8% of the workforce.

In FY2014 the Park District plans to add 12 seasonal FTE positions and eliminate 9 part-time FTE positions. This is the net result of the addition of 31.2 part-time FTE positions and the elimination of 39.9 part-time FTE positions in order to improve the District's operations and efficiency. New part-time FTE positions will serve the expansion of the District's programs or services. The majority of the additional staffing, 15 FTE positions, will be funded by a grant from the Coca-Cola Foundation.[44]

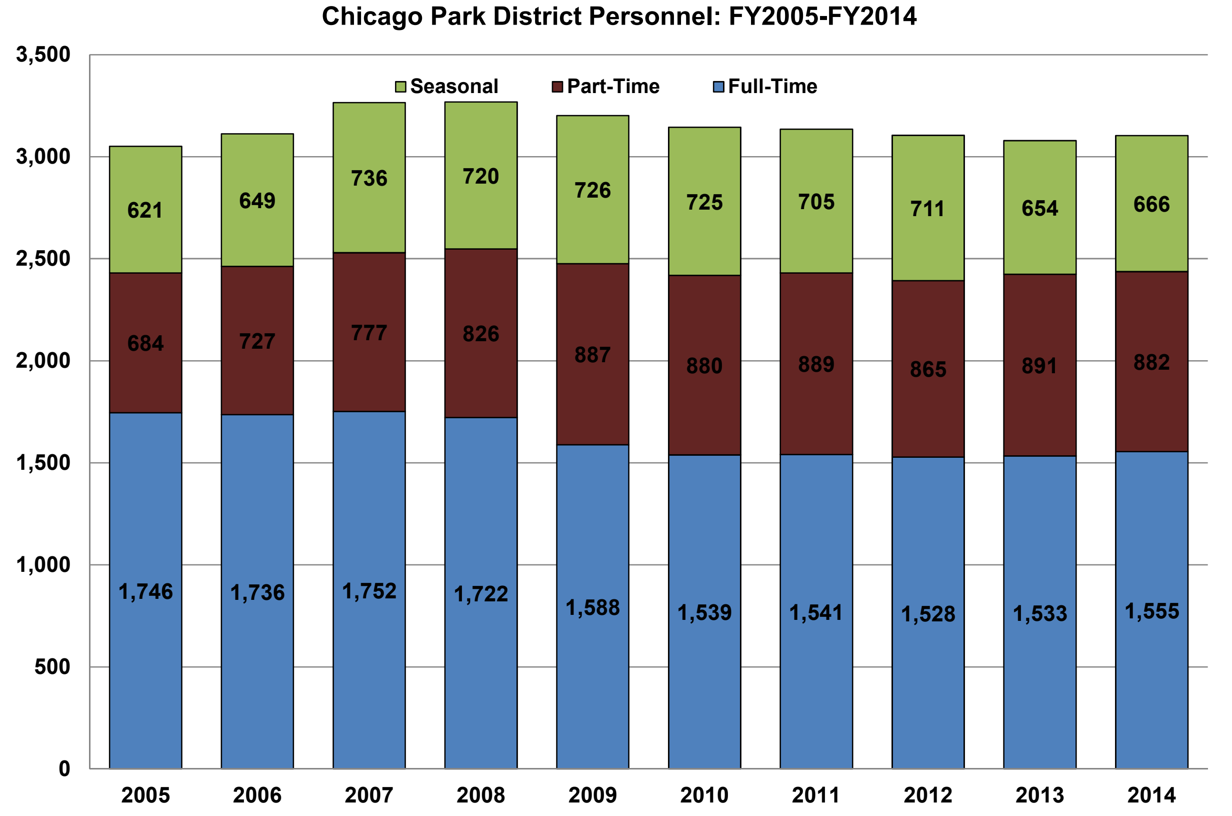
Over the last five years the District has reduced its FTE position count by 59 seasonal positions and added 2 part-time positions and 16 full-time positions. Since FY2010 the Chicago Park District's number of personnel has decreased by 41 FTE positions, or 1.3%.

Chicago Park District Budgeted Personnel FY2010-FY2014									
Full-Time Equivalent Positions	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Part-Time	880	889	865	891	882	-9	-1.0%	2	0.2%
Seasonal	725	705	711	654	666	12	1.8%	-59	-8.1%
Subtotal Part-Time/Seasonal	**1,605**	**1,594**	**1,576**	**1,545**	**1,548**	**3**	**0.2%**	**-57**	**-3.6%**
Full-Time	1,539	1,541	1,528	1,533	1,555	22	1.4%	16	1.0%
Total	**3,144**	**3,135**	**3,104**	**3,078**	**3,103**	**25**	**0.8%**	**-41**	**-1.3%**

Source: Chicago Park District FY2014 Budget Summary, p. 39.

[44] Information provided by the Chicago Park District, November 14, 2013 and November 22, 2013.

Since FY2005 191 full-time positions have been eliminated while 243 part-time and seasonal FTEs have been created, for a net ten-year increase in the workforce of 52 FTEs, or 1.7%.



Source: Chicago Park District FY2014 Budget Summary, p. 39.

Total personnel costs will increase by 1.1%, or approximately \$1.8 million, from \$172.1 million in FY2013 to \$173.9 million in FY2014. In FY2014 the District is budgeting for a 1.6%, or \$2.1 million, increase in salaries and wages. Total Health Benefits appropriations, which include health benefits for current employees and retirees, will decrease by 12.5%, or approximately \$2.0 million. The decline in health benefits costs to the District is primarily due to a rise in employee healthcare contribution rates of 103.5%, or \$1.9 million, over the two-year period. Employee healthcare contribution rates will increase by 0.25% in FY2014 as a result of negotiations with the District's unions. The new rates will be: 1.75% for single employees, 2.25% for employees plus one, and 2.75% for employees and families.[45] The District also plans to switch from a fully insured plan to a self-insured plan in FY2014.[46]

Prescription Drugs costs will increase by 23.3%, or \$611,000, between FY2013 and FY2014. Budgeted FY2014 expenses for prescription drugs are based on actual trends from FY2012 and FY2013. The District plans to review its prescription drug expenses in an effort to identify cost

[45] Information provided by the Chicago Park District, November 22, 2013.
[46] Information provided by the Chicago Park District, November 14, 2013.

saving measures.[47] Unemployment Obligations will increase by 10.0%, or approximately $214,000, as Workers Compensation remains flat at $3.5 million. Appropriations for pensions will increase by 6.3%, or approximately $658,000, to $11.1 million in FY2014. The District's contribution is set by State statute at 1.1 times the amount contributed by District employees two years prior. Appropriations for Medicare Tax will increase by 23.4%, or approximately $338,000, while appropriations for Social Security will fall by 3.2%, or approximately $40,000. Medicare Tax expenses are also budgeted based on previous years' actual costs, as well as anticipated wage increases.[48]

In the five-year period between FY2010 and FY2014, total personnel costs will increase by 7.1%, or $11.6 million, from $162.4 million to $173.9 million. Salaries and wages will increase by 8.1%, or $10.2 million, during the same time period. This is largely due to a 3.0% salary/wage increase for represented employees per collective bargaining negotiations and a 1.5% salary/wage increase for non-represented employees in FY2012.[49] Potential salary and wage increases for FY2014 have not yet been determined as the Park District is currently in negotiations with its unionized workforce.[50]

[47] FY2012 actual prescription drugs costs were $2.8 million and the FY2013 current year-end estimate is $3.2 million. Information provided by the Chicago Park District, November 22, 2013.
[48] FY2012 actual Medicare Tax costs were $1.5 million and the FY2013 current year-end estimate is $1.6 million. Information provided by the Chicago Park District, November 22, 2013.
[49] 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.
[50] Chicago Park District FY2014 Budget Summary, p. 38.

Over the five-year period, the District's employee health benefits costs will fall by 9.8%, or $1.5 million, while employee contributions rise by 136.1%, or approximately $2.1 million, primarily due to the increase in employee contributions projected for FY2014 from FY2013 as determined through recent union negotiations.[51] Expenditures for retiree health benefits will increase by 56.4%, or approximately $791,000, from FY2010. Unemployment obligations will grow significantly over the five-year period, by 85.9%, or $1.1 million. The District has historically under-budgeted for unemployment obligations.[52] Workers compensation will decrease by 16.1%, or approximately $675,000, between FY2010 and FY2014.

Chicago Park District Personnel Costs: FY2010-FY2014
(in $ thousands)

	FY2010 Adopted	FY2011 Adopted	FY2012 Adopted	FY2013 Adopted	FY2014 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health Benefits									
Health Benefits	$ 15,758	$ 16,455	$ 15,839	$ 16,449	$ 15,542	$ (907)	-5.5%	$ (215)	-1.4%
Health Benefits Employee Contributions	$ (1,550)	$ (1,589)	$ (1,636)	$ (1,798)	$ (3,660)	$ (1,861)	103.5%	$ (2,110)	136.1%
Health Benefits Retirees*	$ 1,402	$ 1,514	$ 1,620	$ 1,442	$ 2,193	$ 751	52.1%	$ 791	56.4%
Health Benefits Subtotal	**$ 15,609**	**$ 16,380**	**$ 15,823**	**$ 16,093**	**$ 14,075**	**$ (2,017)**	**-12.5%**	**$ (1,534)**	**-9.8%**
Prescription Drugs	$ 2,067	$ 2,181	$ 2,239	$ 2,623	$ 3,234	$ 611	23.3%	$ 1,167	56.4%
Dental Benefits	$ 340	$ 336	$ 339	$ 339	$ 329	$ (10)	-2.8%	$ (11)	-3.2%
Life Insurance Benefits	$ 178	$ 177	$ 185	$ 182	$ 183	$ 1	0.4%	$ 5	2.8%
Medicare Tax	$ 1,046	$ 1,335	$ 1,262	$ 1,446	$ 1,784	$ 338	23.4%	$ 738	70.6%
Social Security	$ 909	$ 1,220	$ 1,087	$ 1,243	$ 1,203	$ (40)	-3.2%	$ 294	32.3%
Unemployment Obligations	$ 1,270	$ 1,588	$ 1,676	$ 2,148	$ 2,362	$ 214	10.0%	$ 1,092	85.9%
Workers Compensation	$ 4,200	$ 4,000	$ 3,500	$ 3,525	$ 3,525	$ -	0.0%	$ (675)	-16.1%
Pension	$ 10,867	$ 10,745	$ 10,435	$ 10,488	$ 11,146	$ 658	6.3%	$ 280	2.6%
Subtotal Benefits	**$ 36,485**	**$ 37,962**	**$ 36,545**	**$ 38,087**	**$ 37,841**	**$ (246)**	**-0.6%**	**$ 1,356**	**3.7%**
Salary & Wages	$ 125,901	$ 128,415	$ 135,114	$ 134,014	$ 136,098	$ 2,083	1.6%	$ 10,196	8.1%
Total	**$ 162,387**	**$ 166,377**	**$ 171,659**	**$ 172,101**	**$ 173,939**	**$ 1,838**	**1.1%**	**$ 11,552**	**7.1%**

Source: Chicago Park District FY2012 Budget Summary, p. 37; FY2013 Budget Summary, p. 28; and FY2014 Budget Summary, p. 8.

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 matched the pension fund's fiscal year to the District's fiscal year starting January 1, 2013.[53] Therefore, except for information about the annual required contribution, all data in this section are measured over the ten and a half years between the start of FY2003 and through the short fiscal

[51] Information provided by the Chicago Park District, November 14, 2013 and November 22, 2013.
[52] Actual unemployment obligation costs were $2.0 million in FY2010, $1.9 million in FY2011 and nearly $2.0 million in FY2012. The year-end estimate for FY2013 is $2.1 million. Information provided by the Chicago Park District, November 22, 2013.
[53] Public Act 97-0973, signed into law on August 16, 2012, changed 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 is referred to as a short fiscal year and a separate Comprehensive Annual Financial Report was produced for this six-month period. During the six-month period, employer contributions were 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

year that ran between the end of FY2012 on June 30, 2012 and the start of FY2013 on January 1, 2013.

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.[54] Plan benefits and contribution amounts can only be amended through state legislation.[55] The Chicago Park District is the only park district in Illinois whose employees 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.[56]

---

[54] Chicago Park District Pension Fund, Comprehensive Annual Financial Report for Six Months Ended December 31, 2012, p. 17.
[55] 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.
[56] Chicago Park District Pension Fund, Comprehensive Annual Financial Report for Six Month Ended December 31, 2012, p. 2.

As of December 31, 2012 there were 3,053 active members of the pension fund and 2,906 beneficiaries, for a ratio of 1.05 active members for every beneficiary, the highest ratio over the ten and a half years examined. This ratio fell significantly from 1.03 in FY2003 to a low of 0.87 in FY2004 and fluctuated over the next years. Persistent declines in this ratio tend to put financial stress on the fund as there would be fewer employees contributing to the fund and more annuity payments to make. For the Park District Pension Fund, the number of active employees has declined since FY2003, but beneficiaries have declined more, leading to a higher ratio.

Park District Pension Fund Membership: FY2003-December 31, 2012			
Fiscal Year	**Active Employees**	**Beneficiaries**	**Ratio of Active to Beneficiary**
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
FY2012	2,977	2,921	1.02
Six Months Ended 12/31/12*	3,053	2,906	1.05
10.5-Year Change	**-126**	**-168**	**0.02**
10.5-Year % Change	**-4.0%**	**-5.5%**	**1.6%**

* Persuant to Public Act 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's own fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 31, 2012 until the start of fiscal year 2013 on January 1, 2013.

Source: Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2003-FY2012.

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

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

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 $68,000 final average salary could retire with a $48,960 annuity: 30 x $68,000 x 2.4% = $48,960.[58] 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 FY2012 Comprehensive Annual Financial Report, pp. 17-18, and Public Acts 96-0889 and 96-1490.

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.

The Park District pension fund changed some actuarial assumptions and methods for the short fiscal year ended December 31, 2012 at the recommendation of its actuary, Segal Consulting. The methodological changes were 1) changing the cost method to Entry Age Normal from

[58] The average age at time of retirement as of December 31, 2012 was 58.6 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 as of December 31, 2012 was $68,124. Chicago Park District Retirement Fund Comprehensive Annual Financial Report for the Short Fiscal Year Ended December 31, 2012, pp. 92 and 103.

Projected Unit Credit; and 2) changing the amortization method for projecting annual required payments to a 30-year closed period from a 30-year open period. An open amortization period remains the same every year (e.g., each valuation amortizes UAAL over 30 years), while a closed amortization period declines as each year passes (e.g., successive valuations amortize at 30 years, 29 years, 28 years, etc.). Changes in assumptions included a reduction in the assumed investment rate of return to 7.5% from 8.0%, a decrease in the projection of payroll growth and inflation and changes to mortality, turnover and retirement assumptions.[59]

Overall, these changes had the effect of increasing the unfunded liability by $92.4 million above where it would have been on December 31, 2012 without the changes, from $457.9 million to nearly $550.4 million. The actuarial funded ratio decreased by nearly 4.6 percentage points from where it would have been without the actuarial changes, from 47.9% to 43.4%. The FY2013 annual required contribution increased from $35.2 million to $41.8 million due to the new assumptions and methodology.

Senate Bill 1523, Pension Reform Package

On November 6, 2013, the Illinois House passed Senate Bill 1523, House Amendments 3 and 4 and the Senate concurred with the changes the next day. The bill contains a number of provisions aimed at stabilizing the Park District's underfunded pension fund and bringing the funded ratio to 90% funded by 2049. The bill has been sent to Governor Pat Quinn for his decision.

The Park District projects that with this pension reform legislation, the pension fund's funded ratio will reach 90% by 2049 and 100% by 2054. According to testimony by the Park District at the Illinois House of Representatives' Pension Committee hearing on November 6, 2013, the actuarial accrued liability is projected to decrease by a net of $107 million. The current actuarial accrued liability is $971.8 million. In order to meet these projections, the bill enacts a number of benefit and contribution rate changes, including:

- Retirement Age: Early retirement will increase from 50 to 58 years for Tier 1 employees under 45-years-old before January 1, 2015. For Tier 2 employees, the retirement age for full benefits decreases from 67 to 65 and early retirement age decreases from 62 to 60 as of January 1, 2015.
- Automatic Annual Increase: After January 1, 2015, the automatic annual increases for Tier 1 employees will match Tier 2 employees: 3% or ½ CPI, whichever is less on a simple interest basis. This change will also apply to current retirees. Additionally, there will be no automatic annual increase for Tier 1 or Tier 2 employees in 2015, 2017 or 2019.
- Employee Contributions: Tier 1 and Tier 2 employee contributions will increase from 9.0% to 10.0% of salary on January 1, 2015. The rate will further increase to 11.0% on January 1, 2017 and 12% on January 1, 2019. Once the pension fund is 90% funded, the employee contribution rate will fall to 10.5% but will go back up to 12.0% if the fund falls below 90% funded.

[59] Chicago Park District Pension Fund, Comprehensive Annual Financial Report for Six Months Ended December 31, 2012, p. 79.

- Employer Contributions: In FY2015 the employer contribution will increase from 1.1 to 1.7 times the employee contribution made two years prior. The multiple will further increase to 2.3 in FY2017 and 2.9 in FY2019. Once the pension fund is 90% funded, the employer contribution rate is the lesser of 2.9 times the employee contribution made two years prior or the amount needed to maintain 90% funded.
- Supplemental Employer Contributions: The Chicago Park District will need to make additional contributions of $25.0 million, half of which is scheduled for FY2015 and half for FY2017, and $50.0 million in FY2019. These contributions are intended to decrease the pension fund's unfunded liability and will not decrease the employer's contribution in the respective fiscal year.
- Employer Funding Guarantee: The pension fund will have the authority to enforce annual employer contributions and supplemental employer contributions by mandamus action in the courts as of January 1, 2015. Similar provisions have been made in pension reform efforts at the State level.
- Duty Disability Benefits: For Tier 1, Tier 2 and current recipients of duty disability, such benefits will be reduced from the current 75% to 74% on January 1, 2015. The benefit will be further reduced to 73% on January 1, 2017 and 72% on January 1, 2019.

The following table shows the timeline of phased-in changes to the Park District's pension benefits and contribution rates, per SB1523, HA3 and HA4.

Phased-In Changes to Chicago Park District Pension Fund Benefits and Contributions

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Auto Annual Increase						
Tier 1	3% simple	0%	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%
Tier 2	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%
Duty Disability	75%	74%	74%	73%	73%	72%
Employee Contributions**	9.0% $10.8 million	10.0% $11.9 million	10.0% $11.7 million	11.0% $12.8 million	11.0% $12.8 million	12.0% $13.8 million
Employer Contributions**	1.1 $10.9 million	1.7 $17.5 million	1.7 $17.9 million	2.3 $26.5 million	2.3 $26.2 million	2.9 $36.1 million
Supplemental Employer Contributions	-	$12.5 million	-	$12.5 million	-	$50.0 million

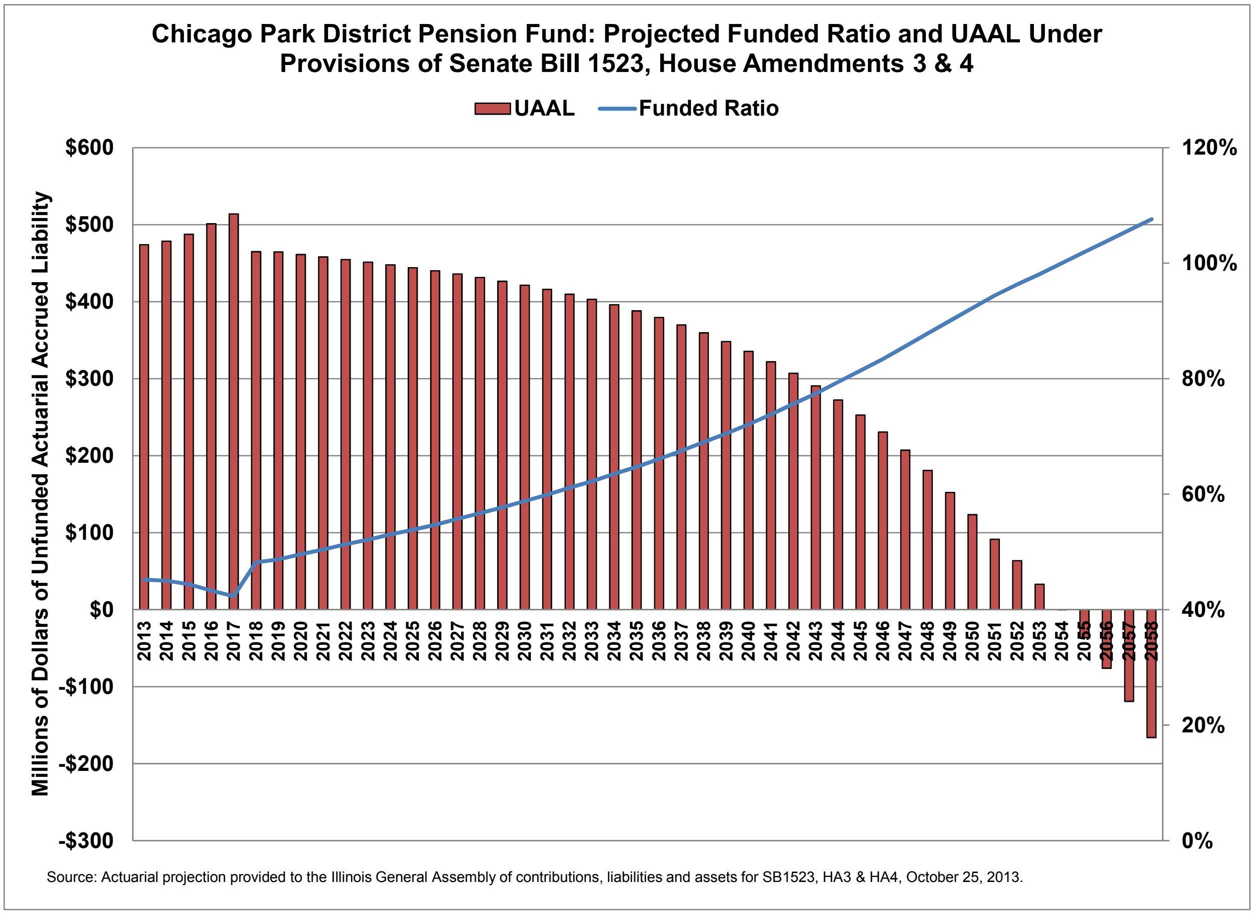
*3% or 1/2 CPI, whichever is less on a simple interest basis.

**Employee and Employer Contribution amounts are based on an actuarial projection of SB1523, HA3 & HA4 provisions provided to the Illinois General Assembly on October 25, 2013.

Source: Senate Bill 1523, House Amendments 3 and 4, 98th General Assembly; Actuarial projection provided to the Illinois General Assembly of contributions, liabilities and assets for SB1523, HA3 & HA4, October 25, 2013.

In addition to the above benefit and contribution changes, SB1523, HA3 and HA4 prohibit any benefit enhancements passed by the General Assembly that do not identify a sufficient matching funding source as certified by the State Actuary.

The following graph illustrates the projected funded ratio and unfunded actuarial liability (UAAL) of the pension fund under the provisions of SB1523, HA3 and HA4. It is important to note that the actuarial report provided to the Civic Federation assumes implementation of each of the legislation's provisions one year prior to the actual language of the bill. As such, the significant drop in UAAL projected for FY2018 in the graph largely reflects the $50.0 million additional employer contribution scheduled for FY2019 under the provisions of SB1523.[60]



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.[61] 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

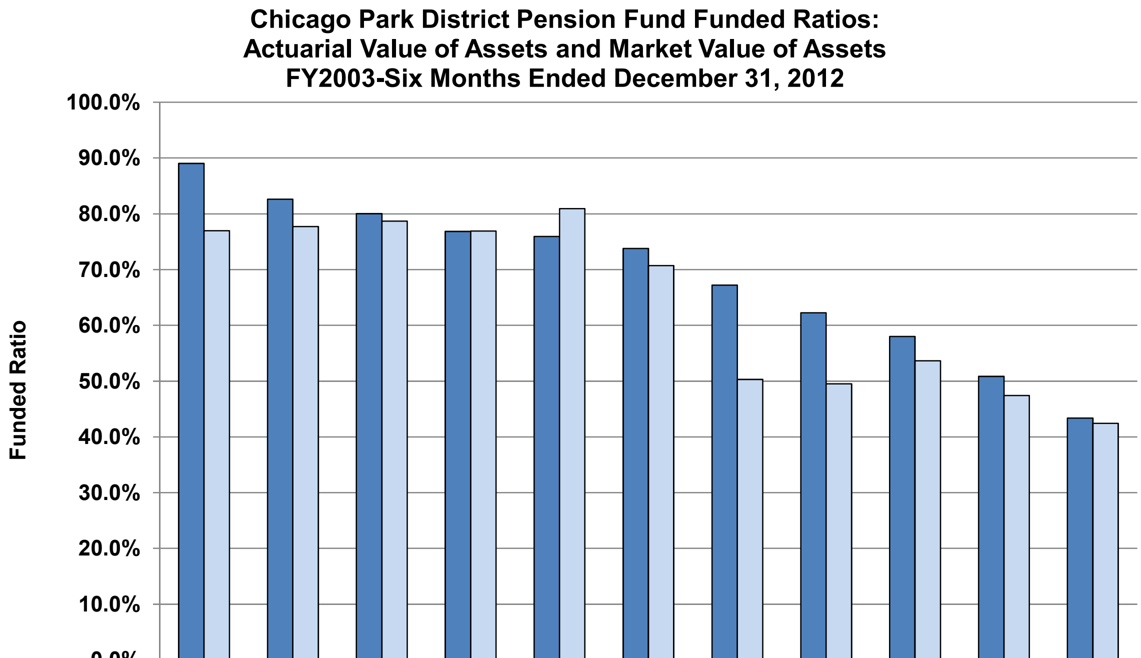
---

[60] For information on the Civic Federation's position on this legislation, see pages 6 through 10 of this report.
[61] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2011,* May 21, 2013.

actuarial value 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 the Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 89.0% in FY2003 to 43.4% in the short fiscal year ended December 31, 2012. The market value funded ratio fell from a high of 76.9% in FY2003 to 49.5% in FY2010 before rebounding slightly in FY2011 and falling again to the lowest point over the 10½ fiscal years of 42.4% in the six months ended December 31, 2012. 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.

This continued decline in funded ratio is a cause for concern. The optimum situation for any pension fund is to be fully funded, with 100% of accrued liabilities covered by assets. There is no *official* industry standard or best practice for an acceptable funded ratio other than 100%. At a meeting of the Park District Pension Fund Board on June 20, 2013, a projection was provided that showed if nothing changes the fund will run out of money in 2023 even if it meets its investment assumptions.[62]



	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	Six Months Ended 12/31/12
Actuarial Value	89.0%	82.6%	80.0%	76.8%	76.0%	73.8%	67.2%	62.3%	58.0%	50.9%	43.4%
Market Value	76.9%	77.7%	78.7%	76.9%	80.9%	70.7%	50.3%	49.5%	53.7%	47.4%	42.4%

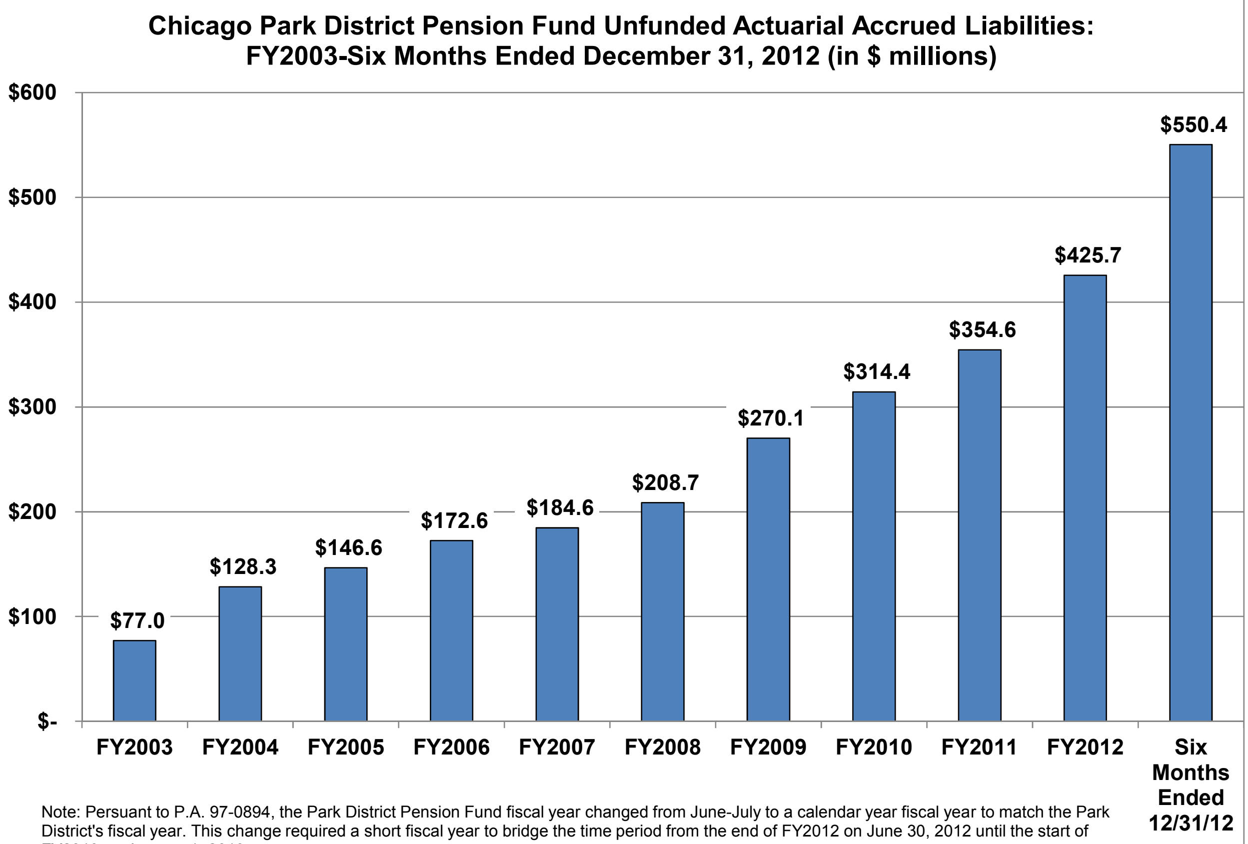
Note: Persuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculations based on Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2003-Six Months Ended December 31, 2012.

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 liabilities for the Park District pension fund totaled $550.4 million in the short fiscal year ended December 31, 2012, up from $77.0 million in FY2003.

[62] Record of Proceedings of the Retirement Board of the Park Employees' Annuity and Benefit Fund, Scheduled Regular Board Meeting Thursday, June 20, 2013, p. 2.

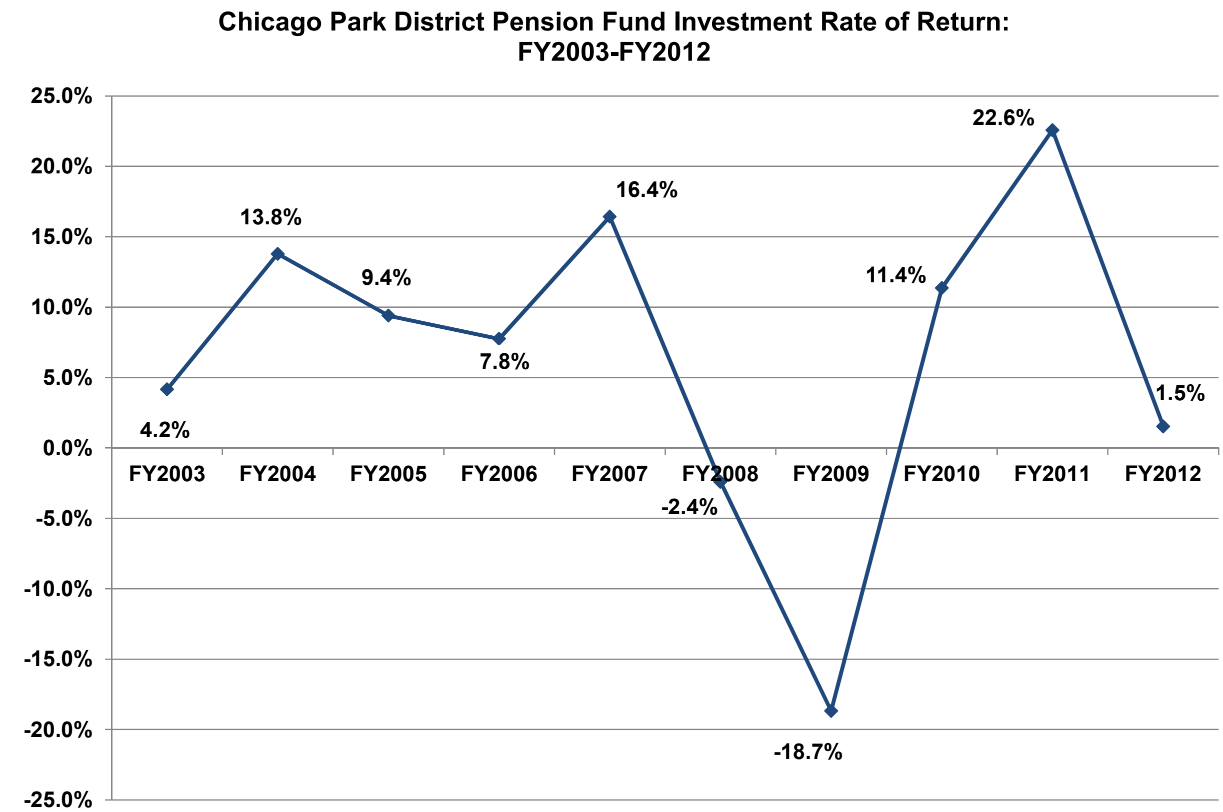
Changes in actuarial assumptions, as discussed above, contributed to the sharp jump in unfunded liabilities between June 30, 2012 and December 31, 2012. As noted above, the UAAL as of December 31, 2012 was $92.4 million larger than it would have been without the actuarial changes made for that valuation.



Note: Persuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Chicago Park District Pension Fund Comprehensive Annual Financial Reports, FY2003-Six Months Ended December 31, 2012

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 FY2003 and FY2012, the Park District pension fund's average annual rate of return was 6.6%.[63] Because the formula the Civic Federation uses to calculate investment rate of return is intended to compare full year returns, the Federation cannot include returns for the short fiscal year ended December 31, 2012. Returns between FY2003 and FY2012 ranged from a high of 22.6% in FY2011 to a low of -18.7% in FY2009. Returns were low in FY2012, reflecting national trends of poor investment returns for that year.



Note: Persuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculation based on MWRD Retirement Fund Comprehensive Annual Financial Reports, FY2003-FY2012.

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

[63] 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.

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 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. The short fiscal year ended December 31, 2012 was not included in this analysis to prevent confusion as the employer contribution would only be approximately half of the previous year's contribution. From FY2003 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.[64] In FY2012, the difference between the ARC and the actual employer contribution was $17.2 million.

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

Expressing ARC as a percentage of payroll provides a sense of scale and affordability. In FY2003 the ARC was 7.4% of payroll while the actual employer contribution was 9.6% of payroll. In FY2012 the ARC was 25.5% of payroll while the actual employer contribution was 9.9% of payroll. Employees contribute 9.0% of salary to the pension fund.

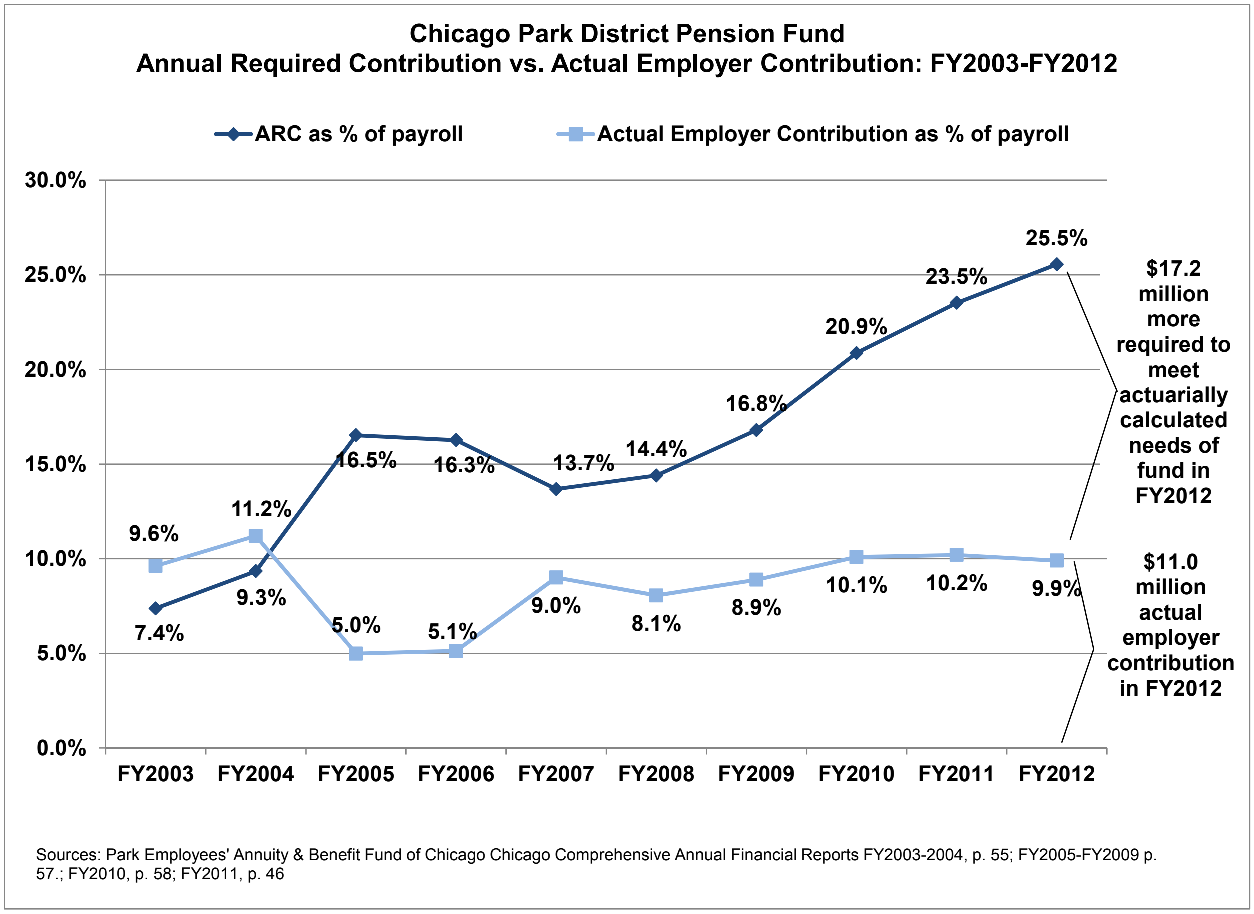
Chicago Park District Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statement 25

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
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%
2012	$ 28,051,528	$ 10,868,361	$ 17,183,167	38.7%	$ 109,798,508	25.5%	9.9%

* 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.

Source: Park Employees' Annuity and Benefit Fund of Chicago CAFRs, FY1999-FY2001, p. 51; FY2002-FY2004, p. 55; FY2005-FY2009, p. 57; FY2010-FY2011, p. 46.

The graph below illustrates the gap between the ARC as a percentage of payroll and the actual employer contribution as a percentage of payroll. As noted above, the employer contribution exceeded the ARC in FY2003 and 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 FY2012 the gap was 15.6 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 15.6% of payroll, or $17.2 million, in FY2012.



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 FY2012 the District contributed $0.7 million and plan members contributed $2.1 million, or 74% of premiums. The monthly required retiree contributions for HMO/PPO coverage were $451/$752 for retiree only, $902/$1,358 for retiree and spouse, and $1,298/$1,885 for family coverage, respectively.[65]

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 FY2012 was $3.2 million. Contributions were made in the amount of $0.7 million. The net OPEB obligation increased by nearly $2.5 million, from $14.1 million to $16.6 million.[66]

OPEB Costs for Chicago Park District Retiree Heathcare Plan: FY2012 (in $ thousands)		
Annual Required Contribution	$	3,458.0
Adjustment to ARC	$	(798.0)
Interest on net OPEB obligation	$	563.0
Annual OPEB Cost	**$**	**3,223.0**
Contributions Made	**$**	**739.0**
Increase in net OPEB obligation	$	(2,484.0)
Net OPEB Obligation - January 1, 2012	**$**	**(14,082.0)**
Net OPEB Obligation - December 31, 2012	**$**	**(16,566.0)**

Source: Chicago Park District FY2012 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 FY2012 based on the most recent actuarial valuation as of January 1, 2011. 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: January 1, 2011 (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 FY2012 Comprehensive Annual Financial Report, p. 76.

[65] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2012 Comprehensive Annual Financial Report, p. 74.
[66] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

RESERVES

A government's reserves or fund balance are terms commonly used to describe the net assets of a governmental fund.[67] Fund balance is an important financial indicator for local governments and serves as a measure of financial resources. Fund balance represents the difference between the assets and liabilities in a governmental fund. 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.[68]

The Chicago Park District's General Funds are used to account for all financial resources not reported in other specific funds. In other words, they report the District's general operations. The District's General Funds include the Corporate Fund, the Liability, Worker's Compensation and Unemployment Fund and the Long-Term Income Reserve Fund.[69]

This section discusses four aspects of fund balance: recent changes to fund balance reporting, fund balance policies, a presentation of the District's historical audited General Fund fund balance and fund balance levels of funds the District created with proceeds from the intergovernmental sale of its parking garages.

Recent Changes to Fund Balance Reporting

Starting with the FY2011 audited financial statements for the Chicago Park District, a modification in fund balance reporting was implemented, 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."[70]

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 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.[71]

Current Components of Fund Balance

GASB Statement No. 54 created 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

[67] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[68] Stephen J. Gauthier, *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[69] The Long-Term Income Reserve Fund was incorporated into the General Fund in FY2011 with the implementation of GASB 54. Chicago Park District FY2014 Budget Recommendations, p. 19.
[70] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.
[71] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.

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.[72]

Historically, the focus of the Civic Federation's 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.[73]

A five-year trend analysis of the District's fund balance ratio including the most recent FY2012 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.

Fund Balance Policy and the Economic Stabilization Funds

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%.[74] This policy is a good benchmark for large special purpose governments such as the Chicago Park District.

[72] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[73] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[74] Previously the GFOA had recommended a General Fund fund balance of 5 to 15%.

The Park District established its own General Fund fund balance policy in 2012, though this policy is not printed in the proposed budget books. The policy is included in the Annual Appropriation Bill and is approved by the Chicago Park District Board of Commissioners annually as part of the budget process.[75] The policy requires the District to designate between 8% and 16% of the preceding fiscal year's General Fund expenditures as reserves 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.[76] As of December 31, 2012, the most recent year for which audited data are available, the District's Economic Stabilization Funds had a balance of $20.0 million.[77] According to the District, these funds will be used to finance the $25.0 million supplemental employer's contribution, half of which is scheduled for FY2015 and half for FY2017, if Senate Bill 1523, House Amendment 3 is signed into law.[78] For more details, see the Pension section of this analysis on page 27.

Unreserved Fund Balance for the General Fund

Between FY2006 and FY2010, the General Fund fund balance grew considerably from 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, a $2.1 million transfer from the Long Term Income Reserve Fund and revenues exceeding expenditures.[79] In FY2010 the General Fund fund balance reached $47.6 million, or 20.0% of operating expenditures, thereby exceeding the GFOA's minimum fund balance recommendation.

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.

[75] Communication with the Chicago Park District's Office of Budget and Management, November 22, 2013.
[76] Communication with the Chicago Park District's Office of Budget and Management, November 30, 2012.
[77] Chicago Park District FY2012 Comprehensive Annual Financial Report, p. 36.
[78] Communication with the Chicago Park District, November 14, 2013. See Senate Bill 1523, House Amendment 3, 98th General Assembly.
[79] Chicago Park District FY2011 Budget Summary, pp. 15 and 36.

Unrestricted Fund Balance for the General Fund

In FY2012 the District's unrestricted General Fund fund balance was $194.9 million, or approximately 76.9% of General Fund expenditures. According to the audited financial statement, the unrestricted fund balance includes $121.0 million of committed fund balance, $14.6 million of assigned fund balance and $59.3 million of unassigned fund balance. The District's committed fund balance includes $20.0 million committed to the Economic Stabilization Funds.[80] According to the District, these funds will be used to finance the $25.0 million supplemental employer's contribution, half of which is scheduled for FY2015 and half for FY2017, if Senate Bill 1523, House Amendment 3 is signed into law.[81] For more details, see the Pension section of this analysis on page 27.

Chicago Park District General Fund Fund Balance: FY2011 & FY2012			
	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$182,182,000	$ 256,644,000	71.0%
FY2012	$194,877,000	$ 253,286,000	76.9%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 36 and 40; FY2012, pp. 36 and 40.

It is important to note that upon the implementation of GASB 54 in FY2011, the General Fund fund balance included some special revenue funds which were previously reported separately.[82] One fund is the Long-Term Income Reserve Fund, which the District created with proceeds of its parking garage sales. The parking garage sales will be discussed later in this section. In FY2011 the $182.2 million unrestricted fund balance included $95.8 million related to the Long-Term Income Reserve Fund and $4.3 million related to the Northerly Island Fund.[83] Without these reserves, the unrestricted General Fund fund balance of $82.1 million represented 32.0% of General Fund expenditures. In FY2012 the unrestricted fund balance included $96.0 million in the Long-Term Income Reserve Fund and $2.1 million in the Northerly Island Fund.[84] Without these reserves, the District's unrestricted General Fund fund balance of $96.8 million represented 38.2% of General Fund expenditures. The following chart shows the unrestricted fund balance and fund balance ratio for the District's General Fund, excluding the Long-Term Income Reserve Fund.

Chicago Park District General Fund Fund Balance Excluding Long-Term Income Reserves: FY2011 & FY2012			
	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$82,082,000	$ 256,644,000	32.0%
FY2012	$96,777,000	$ 253,286,000	38.2%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 17, 36 and 40; FY2012, pp. 26, 36 and 40.

[80] Chicago Park District FY2012 Comprehensive Annual Financial Report, p. 36.
[81] Communication with the Chicago Park District, November 14, 2013. See Senate Bill 1523, House Amendment 3, 98th General Assembly.
[82] Per GASB 54, the funds no longer met the definition of special revenue fund and began to be reported under the General Fund.
[83] Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 17.
[84] Chicago Park District FY2012 Comprehensive Annual Financial Report, p. 18.

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.[85] 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.[86]

The remaining 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
- 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.[87] In FY2011 this reserve fund was merged with the General Fund with the implementation of GASB 54.

Chicago Park 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:

- The Long-Term Income Reserve fund earned a total of $7.4 million in interest and transferred out $12.3 million to replace lost parking garage revenues from FY2006 to FY2010. Starting in FY2011, this fund is reported within the General Fund;
- In FY2008 $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space;

[85] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp. 8 and 72.
[86] Information provided by the Chicago Park District, November 26, 2010.
[87] Chicago Park District FY2008 Budget Summary, p. 12.

- The Garage Revenue Capital Improvements Fund has spent a total of $104.8 million, the vast majority of which has been on capital improvements;
- In FY2010 $5.0 million was transferred into the Garage Revenue Capital Improvements Fund from the Park Improvements Fund[88] for reimbursement of prior year expenditures;
- 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;
- In FY2011 the District spent approximately $8.1 million on capital projects and $80,000 on park operations from the Garage Revenue Capital Improvements Fund; and
- In FY2012 the District spent approximately $4.3 million from the Garage Revenue Capital Improvements Fund, including $4.2 million on capital projects and $46,000 on park operations, as well as $4.6 million from the Reserve for Park Replacement Fund.

Parking Garage Reserve Funds: FY2006-FY2012
(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	$ 8.8	$ 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	$ -	$ -	$ -
FY2012	$ -	$ -	$ -
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Current and Capital Expenses			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (25.1)	$ (1.1)
FY2011*	$ -	$ (8.2)	$ (0.3)
FY2012*	$ -	$ (4.3)	$ (4.6)
Total	**$ (21.9)**	**$ (104.8)**	**$ (6.0)**
Balance FY2012	**$ 95.7**	**$ 15.3**	**$ 29.5**

Note: Some differences may appear due to rounding.

*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-FY2012.

[88] The Park Improvements Fund accounts for proceeds of debt used to acquire property and finance construction and supporting services for redevelopment projects in the parks.

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. The following are the different types of short-term liabilities reported in the FY2008-FY2012 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 funds, 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*: Includes 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 FY2012 the District's short-term liabilities increased by $5.0 million from the previous year or by 3.3%. Since 2008 short-term liabilities overall have increased by $44.3 million, or 38.9%. It is important to note that most of this increase or nearly $46.8 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.[89]

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2008-FY2012 (in $ thousands)									
Type	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Accounts Payable & Expenses	$ 59,784	$ 66,605	$ 73,522	$ 61,949	$ 58,626	$ (3,323)	-5.4%	$ (1,158)	-1.9%
Accrued Payroll	$ 5,912	$ 4,851	$ 2,565	$ 2,308	$ 3,532	$ 1,224	53.0%	$ (2,380)	-40.3%
Due to other funds	$ 43,746	$ 100,014	$ 60,667	$ 79,442	$ 90,499	$ 11,057	13.9%	$ 46,753	106.9%
Due to other organizations	$ 379	$ 397	$ 327	$ 3,781	$ 460	$ (3,321)	-87.8%	$ 81	21.4%
Retainage payable	$ 3,562	$ 2,156	$ 3,365	$ 4,958	$ 4,400	$ (558)	-11.3%	$ 838	23.5%
Deposits	$ 497	$ 475	$ 620	$ 766	$ 704	$ (62)	-8.1%	$ 207	41.6%
Total	**$ 113,880**	**$ 174,498**	**$ 141,066**	**$ 153,204**	**$ 158,221**	**$ 5,017**	**3.3%**	**$ 44,341**	**38.9%**

Sources: Chicago Park District Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds, FY2008-FY2012.

Factoring out amounts reported in the due to other funds category, short term liabilities have decreased by 3.4% or $2.4 million between FY2008 and FY2012. The decrease is a positive sign.

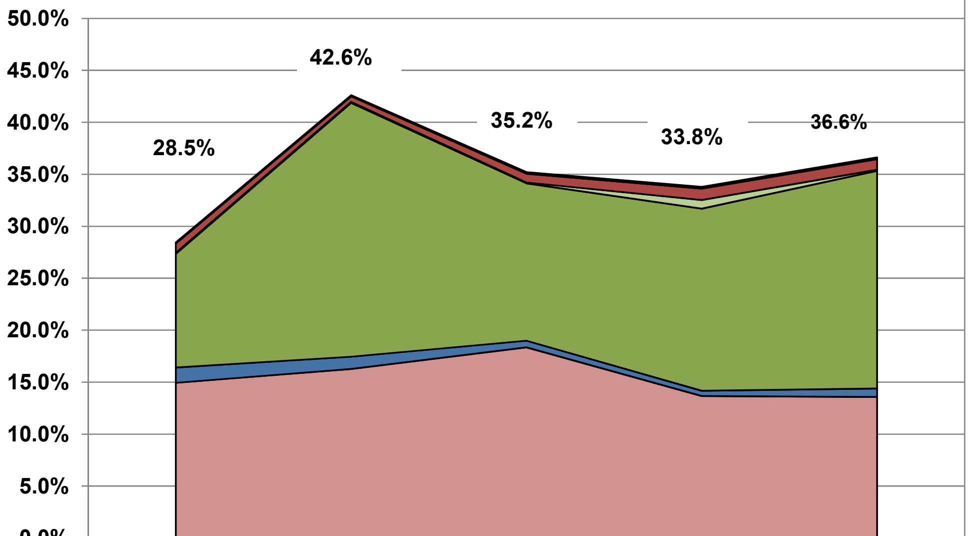
Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2008-FY2012 Without Liabilities Due to Other Funds (in $ thousands)									
	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Total	$ 70,134	$ 74,484	$ 80,399	$ 73,762	$ 67,722	$ (6,040)	-8.2%	$ (2,412)	-3.4%

Sources: Chicago Park District Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds, FY2008-FY2012.

[89] Chicago Park District FY2012 Comprehensive Annual Financial Report, Note 4: Interfund Balances and Activity, p. 62.

Increasing short-term liabilities in a government's operating funds as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[90] The short-term liabilities to net operating revenues ratio, 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 an upward trend in short-term liabilities compared to total operating revenue between FY2008 and FY2012 from 28.5% to 36.6%. However, the ratio rose sharply from 28.5% in FY2008 to 42.6% in FY2009 before dropping to 35.2% the following year as amounts due to other funds and accounts payable and expenses decreased.

Chicago Park District Short-Term Liabilities in the Governmental Funds as a % of Operating Revenues, FY2008-FY2012



	FY2008	FY2009	FY2010	FY2011	FY2012
Deposits	0.1%	0.1%	0.2%	0.2%	0.2%
Retainage payable	0.9%	0.5%	0.8%	1.1%	1.0%
Due to other organizations	0.1%	0.1%	0.1%	0.8%	0.1%
Due to other funds	10.9%	24.4%	15.1%	17.5%	20.9%
Accrued Payroll	1.5%	1.2%	0.6%	0.5%	0.8%
Accounts Payable & Expenses	14.9%	16.3%	18.4%	13.7%	13.6%

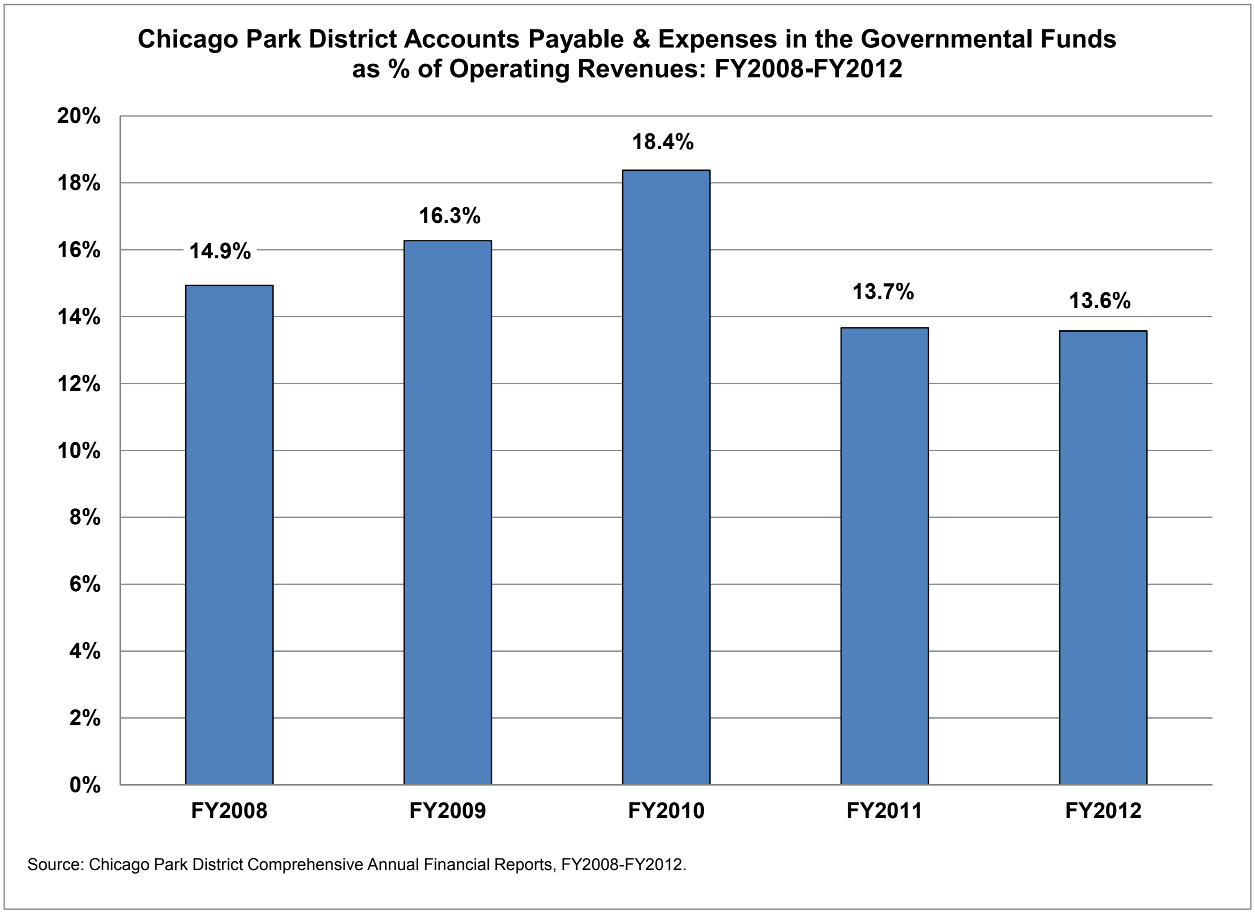
Source: Chicago Park District Comprehensive Annual Financial Reports, FY2008-FY2012.

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 and expenses to operating revenues has declined from 14.9% in FY2008 to

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

13.6% five years later. Between FY2008 and FY2010, the ratio rose to 18.4% before dropping. The decrease between FY2010 and FY2012 is a positive sign.



Source: Chicago Park District Comprehensive Annual Financial Reports, FY2008-FY2012.

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.[91]

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

- *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 will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Interest:* Amounts received in interest payments on savings;

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

- *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 4.8 in FY2012, the most recent year for which data are available. In the past five years, the District's current ratio averaged 5.5, which is greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2008 to FY2012, the current ratio declined from 6.6 to 4.8.

Chicago Park District Current Ratio in the Governmental Funds: FY2008-FY2012
(in $ thousands)

	FY2008	FY2009	FY2010	FY2011	FY2012	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Current Assets									
Cash and cash equivalents	$ 8,357	$ 11,265	$ 5,017	$ 3,980	$ 8,807	$ 4,827	121.3%	$ 450	5.4%
Cash and investments in escrow	$ -	$ -	$ -	$ -	$ 2,776	--	--	--	--
Cash with fiscal agent	$ 1,856	$ -	$ 29,142	$ 30,841	$ -	$ (30,841)	-100.0%	$ (1,856)	-
Investments	$423,475	$381,401	$456,839	$407,482	$346,954	$ (60,528)	-14.9%	$ (76,521)	-18.1%
Receivables: Property Taxes, net	$252,176	$260,664	$290,518	$265,910	$258,232	$ (7,678)	-2.9%	$ 6,056	2.4%
Receivables: PPRT	$ 5,005	$ 5,244	$ 4,313	$ 5,936	$ 6,088	$ 152	2.6%	$ 1,083	21.6%
Receivables: Accounts	$ 14,782	$ 29,001	$ 24,533	$ 42,462	$ 47,346	$ 4,884	11.5%	$ 32,564	220.3%
Due from other funds	$ 43,746	$100,014	$ 60,667	$ 79,442	$ 90,499	$ 11,057	13.9%	$ 46,753	106.9%
Due from other governments	$ 10	$ -	$ -	$ -	$ 1,037	$ 1,037	-	$ 1,027	10270.0%
Other current assets	$ 1,201	$ 1,820	$ 2,030	$ 1,229	$ 331	$ (898)	-73.1%	$ (870)	-72.4%
Total Current Assets	**$750,608**	**$789,409**	**$873,059**	**$837,282**	**$762,070**	**$ (75,212)**	**-9.0%**	**$ 11,462**	**1.5%**
Current Liabilities									
Accounts Payable & Expenses	$ 59,784	$ 66,605	$ 73,522	$ 61,949	$ 58,626	$ (3,323)	-5.4%	$ (1,158)	-1.9%
Accrued Payroll	$ 5,912	$ 4,851	$ 2,565	$ 2,308	$ 3,532	$ 1,224	53.0%	$ (2,380)	-40.3%
Due to other funds	$ 43,746	$100,014	$ 60,667	$ 79,442	$ 90,499	$ 11,057	13.9%	$ 46,753	106.9%
Due to other organizations	$ 379	$ 397	$ 327	$ 3,781	$ 460	$ (3,321)	-87.8%	$ 81	21.4%
Retainage payable	$ 3,562	$ 2,156	$ 3,365	$ 4,958	$ 4,400	$ (558)	-11.3%	$ 838	23.5%
Deposits	$ 497	$ 475	$ 620	$ 766	$ 704	$ (62)	-8.1%	$ 207	41.6%
Total Current Liabilities	**$113,880**	**$174,498**	**$141,066**	**$153,204**	**$158,221**	**$ 5,017**	**3.3%**	**$ 44,341**	**38.9%**
Current Ratio	**6.6**	**4.5**	**6.2**	**5.5**	**4.8**				

Source: Chicago Park District Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds, FY2008-FY2012.

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 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 (as of 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;[92]

- *Net Other Post Employment Benefit (OPEB) liabilities*: The cumulative difference (as of 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 FY2011 and FY2012, total Chicago Park District long-term liabilities decreased by 2.6% or $27.35 million, falling from $1.06 to $1.03 billion. In the five year period between FY2008 and FY2012, total long-term liabilities increased by 14.3%, or $129.46 million. The largest percentage increase between FY2008 and FY2012 was for net pension liabilities, which rose by $58.81 million or 542.6%.

The Chicago Park District had a total of $895.2 million in long-term tax supported debt outstanding in FY2012. This was a 5.2%, $48.6 million decrease from the previous year. Most of the long-term debt outstanding was in the form of general obligation capital improvement bonds, which averaged about 96% of the total sum in the five-year period. Between FY2008 and FY2012, total District long-term general obligation bonded debt increased by 10.3%, rising from approximately $811.5 million to $895.2 million.

Chicago Park District Long-Term Liabilities for Governmental Activities: FY2008-FY2012
(in $ thousands)

	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Obligation Bonds									
Capital Improvement	$768,460	$768,230	$ 904,600	$ 917,295	$ 871,205	$ (46,090)	-5.0%	$ 102,745	13.4%
Aquarium and Museums	$ 38,080	$ 32,730	$ 29,685	$ -	$ -	--	--	$ (38,080)	-100.0%
Unamortized Premiums	$ 24,618	$ 21,468	$ 30,011	$ 40,073	$ 35,270	$ (4,803)	-12.0%	$ 10,652	43.3%
Deferred Amount on Refunding	$ (19,689)	$ (17,077)	$ (15,574)	$ (13,581)	$ (11,309)	$ 2,272	-16.7%	$ 8,380	-42.6%
Subtotal General Obligation Bonds	**$811,469**	**$805,351**	**$ 948,722**	**$ 943,787**	**$ 895,166**	**$ (48,621)**	**-5.2%**	**$ 83,697**	**10.3%**
Other Long-Term Liabilities									
Contractor Long Term Financing	$ -	$ 919	$ 1,107	$ 1,282	$ 1,657	$ 375	29.3%	$ 1,657	-
Capital Lease PBC	$ 15,610	$ 10,795	$ 7,395	$ 3,800	$ -	$ (3,800)	-100.0%	$ (15,610)	-100.0%
Compensated Absences	$ 8,121	$ 8,236	$ 8,528	$ 8,760	$ 8,423	$ (337)	-3.8%	$ 302	3.7%
Claims & Judgments	$ 9,849	$ 7,581	$ 6,949	$ 6,530	$ 5,157	$ (1,373)	-21.0%	$ (4,692)	-47.6%
Net Pension Obligation	$ 10,839	$ 16,337	$ 31,156	$ 48,854	$ 69,646	$ 20,792	42.6%	$ 58,807	542.6%
Net OPEB Obligation	$ 5,718	$ 8,693	$ 11,747	$ 14,082	$ 16,566	$ 2,484	17.6%	$ 10,848	189.7%
Property Tax Claim Payable	$ 27,221	$ 22,979	$ 23,043	$ 20,010	$ 22,120	$ 2,110	10.5%	$ (5,101)	-18.7%
Worker's Compensation	$ 15,058	$ 14,937	$ 15,344	$ 13,588	$ 14,607	$ 1,019	7.5%	$ (451)	-3.0%
Subtotal Other Long-Term Liabilities	**$ 92,416**	**$ 90,477**	**$ 105,269**	**$ 116,906**	**$ 138,176**	**$ 21,270**	**18.2%**	**$ 45,760**	**49.5%**
Grand Total Long-Term Liabilities	**$903,885**	**$895,828**	**$1,053,991**	**$1,060,693**	**$1,033,342**	**$ (27,351)**	**-2.6%**	**$ 129,457**	**14.3%**

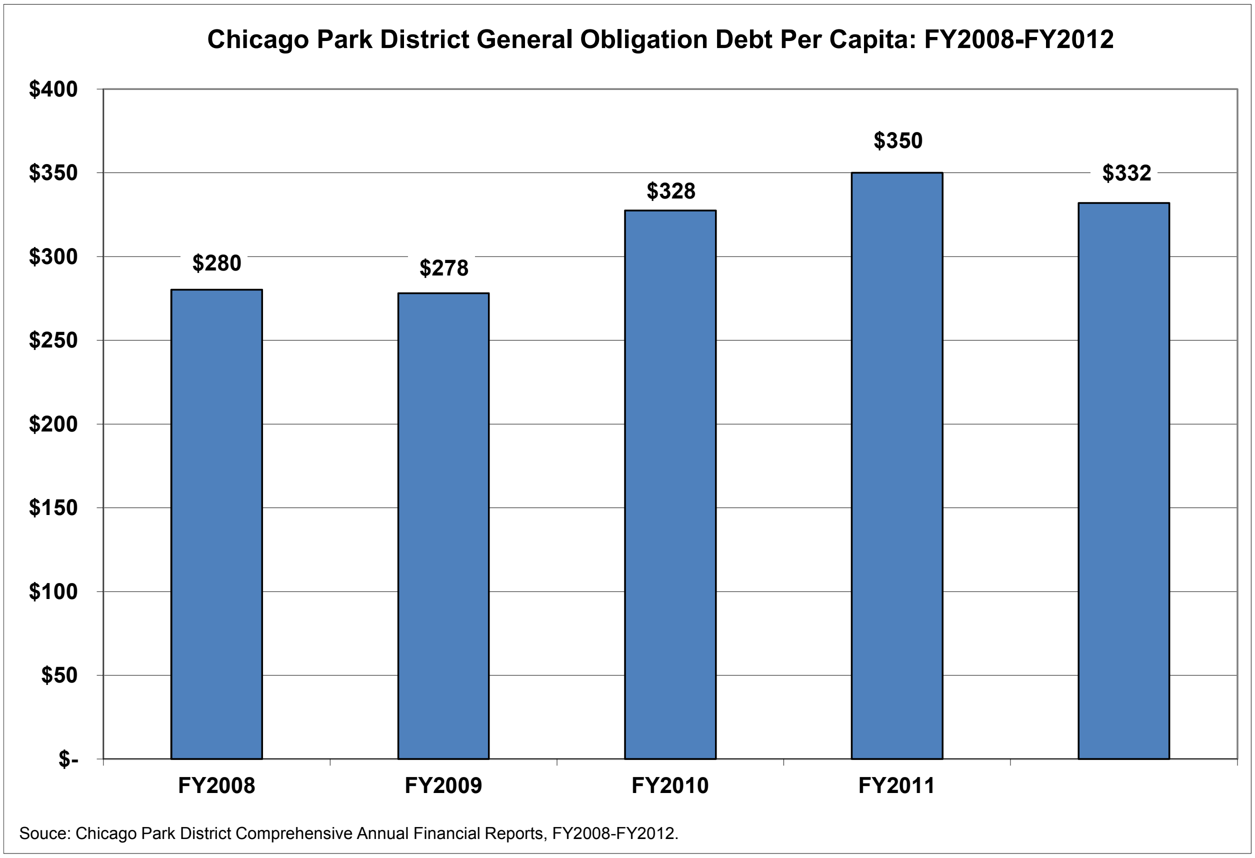
Source: Chicago Park District Comprehensive Annual Financial Reports, FY2008-FY2012.

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

[92] 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.

jurisdiction benefits from infrastructure improvements. The exhibit below shows that the Chicago Park District's general obligation debt burden per capita rose by 18.5% during the five-year period between FY2008 and FY2012, increasing from $280 to $332.



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%.[93]

[93] 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 FY2014 are expected to be 21.1% of the District's proposed $425.6 million in total appropriations. The District will spend approximately $89.8 million for debt service in the upcoming fiscal year. The debt service to total appropriations ratio will average 21.6% between FY2010 to FY2014, a "high" rating.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2010-FY2014					
	FY2010 Actual	FY2011 Budget	FY2012 Budget	FY2013 Budget	FY2014 Budget
Debt Service Appropriations	$ 85,156,360	$ 86,782,063	$ 89,553,699	$ 87,044,104	$ 89,772,942
Total Appropriations	$ 391,853,640	$ 397,569,544	$ 407,519,803	$ 410,929,101	$ 425,571,014
Debt Service as a % of Total Appropriations	**21.7%**	**21.8%**	**22.0%**	**21.2%**	**21.1%**

Sources: Chicago Park District FY2010-FY2014 Budgets.

Bond Ratings

The Chicago Park District had the following credit ratings as of November 2013:

Chicago Park District Bond Ratings	
Standard & Poor's	AA+
Moody's	A1
Fitch	AA

Sources: Chicago Park District FY2014 Budget Summary, p. 51.

Both Moody's Investor Services and Fitch downgraded the Chicago Park District's credit rating in the summer of 2013.

Moody's Investor Services downgraded the general obligation credit rating of the CPD to A1 from Aa2 in July 2013. The outlook was revised from stable to negative. Moody's cited the District's large and growing unfunded pension liabilities as the primary reason for the downgrade.[94] Fitch downgraded outstanding general obligation limited and unlimited tax bonds to AA from AAA with a negative outlook in August 2013. The reason for the downgrade was the rapidly deteriorating financial condition of the District's retirement system.[95]

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 Capital Improvement Plan (CIP) is available on the District's web site[96] while a summary of the FY2014-FY2018 plan is included in this year's respective Budget Summaries.

[94] Moody's Investor's Services. Rating Action: Moody's downgrades Chicago Park District to A1 from Aa2; outlook negative," July 24, 2013.
[95] Reuters. "Fitch Rates Chicago Park District, IL's GOs 'AA'; Outlook Negative," August 2, 2013.
[96] See the Park District's website at http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan/ (last visited December 4, 2013).

The following chart shows the estimated annual cash disbursements for the FY2014-FY2018 five-year capital spending plan and sources of funding. The CIP proposes $289.0 million in projects over the next five years. Of that amount roughly $150.0 million will be obtained from new general obligation bond proceeds. The remaining $139.0 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations and funding from Parking Garage lease and Harbor bond proceeds. The largest anticipated source of outside funds will be City of Chicago grants at $81.2 million.

Acquisition and Development of capital facilities will be the largest capital spending category totaling $125.7 million over the next five years. The second largest spending category will be Site Improvements at $82.9 million followed by Facility and Building Rehabilitation at $61.9 million and Technology, Vehicles and Improvements at $18.5 million.

Chicago Park District Five-Year Capital Improvement Plan FY2014-FY2018 (in $ millions)

	Chicago Park District Funding					Outside Funding Expected	Total Funding
Projected Uses	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2014-FY2018**	**FY2014-FY2018**
Acquisition and Development	$ 5.7	$ 5.0	$ 4.3	$ 3.7	$ 4.0	$ 103.1	$ 125.7
Facility and Building Rehabilitation	$ 8.3	$ 8.7	$ 8.2	$ 9.3	$ 10.0	$ 17.4	$ 61.9
Site Improvements	$ 14.7	$ 15.2	$ 13.8	$ 13.3	$ 12.5	$ 13.5	$ 82.9
Technology, Vehicles, Improvement	$ 3.9	$ 3.7	$ 3.8	$ 3.8	$ 3.5	$ -	$ 18.5
Total Spending	**$ 32.5**	**$ 32.5**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 134.0**	**$ 289.0**
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
Park District Other	$ 2.5	$ 2.5	$ -	$ -	$ -	$ -	$ 5.0
Total Funding	**$ 32.5**	**$ 32.5**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 134.0**	**$ 289.0**

* Includes funding from Parking Garage Lease and Harbor Bond applied to 2014-2018 projects.

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

Source: Chicago Park District FY2014 Budget Summary, p. 47.

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[97]

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

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

The checklist that follows assesses how closely the District's CIP conforms to best practice guidelines. The District prepares an annual CIP and summary information about the CIP is provided in the annual Budget Summary. It includes a narrative description of the capital improvement planning process and highlights of major projects. However, no detail is provided regarding individual project expenditures and funding sources, the impact and amount of capital spending on the annual operating budget or the time frame for fulfilling capital projects. It is unclear whether there is a dedicated hearing with opportunities for stakeholder input on the capital improvement plan.

---

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

Chicago Park District Capital Improvement Program Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include: • *A narrative description of the CIP process?* • *A five year summary list of projects and expenditures by project as well as funding sources per project?* • *Information about the impact and amount of capital spending on the annual operating budget for each project?* • *Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project?* • *The time frame for fulfilling capital projects?*	 Yes No No There is narrative regarding major project highlights in each plan No
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Not in the CIP
Is the capital improvement plan made publicly available for review by elected officials and citizens? • *Is the CIP published in the budget or a separate document?* • *Is the CIP available on the Web?*	 A summary is published in the budget document and a separate CIP is posted on the District website Yes. The latest CIP posted is for FY2013-FY2017
Are there opportunities for stakeholders to provide input into the CIP? • *Is there stakeholder participation on a CIP advisory or priority setting committee?* • *Does the governing body hold a formal public hearing at which stakeholders may testify?* • *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	 No. There is an internal staff review process that takes into consideration external stakeholder requests for improvements. Unclear No information in CIP
Is the CIP formally approved by the governing body of the government?	It is approved with the budget
Is the CIP integrated into a long term financial plan?	Unclear
Sources: Chicago Park District FY2014 Budget Summary, pp. 43-50 and http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan.	