The Civic Federation

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COOK COUNTY FY2016 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

November 3, 2015

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

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Civic Federation **cannot support** Cook County's $4.5 billion total FY2016 budget because it is based on a one percentage point increase in the County's sales tax that will make the City of Chicago an outlier compared to other major urban centers. The sales tax increase that was passed outside the budget process will once again burden Chicago taxpayers with the highest aggregate sales tax rate of any major urban center in the nation at 10.25%. The suburban Cook County municipalities with the lowest sales tax rates will still have rates of a half penny more on the dollar than the highest taxing municipalities in any of the collar counties,[1] leaving all Cook County municipalities and particularly those on the borders at a disadvantage. While the Federation supports the County's efforts to increase pension funding, the magnitude of the sales tax increase is not reasonable given the other available revenue and expenditure reduction options.

The sales tax was not increased in order to balance the FY2016 preliminary $198.8 million budget deficit, but will instead mostly fund an increased pension contribution. Of the projected $308.0 million in sales tax revenue to be collected in FY2016, 87.8% will be dedicated to the additional pension payment. The Civic Federation has long been opposed to statutory underfunding of pension contributions and has encouraged the governments it analyzes to work with the State of Illinois to implement changes to State law that would allow them to fully fund their pension obligations. We therefore commend Board President Preckwinkle and her financial team for their efforts to increase pension funding in the absence of action in Springfield on the County's pension reform proposals. While the financial condition of the County's pension fund is not currently as dire as that of the City of Chicago's funds, every year that goes by without a solution makes the pension problem more expensive and difficult to resolve. But relying on an ill-advised one percentage point sales tax increase to cover a much-needed increase to pension payments is less than ideal. The County had other options and it would have been preferable if the increased contributions to the County's pensions had been funded by a mix of revenue sources and cuts. This could possibly have included a smaller sales tax increase and an increase to the property tax, as well as expenditure reductions and should have been considered during the budget process.

The Civic Federation does have some concerns about the potential legal issues the County could face in making an increased pension contribution without seeking a change to State law. Illinois statute specifies that pension contributions must come from the property tax, not the sales tax. The statute also caps pension payments at "an amount not to exceed" 1.54 times employee contributions two years prior.[2] The County's proposed additional pension contribution of $270.5 million in FY2016 exceeds that cap.[3] While the Federation supports increased pension funding, if the County does not seek a change to State law to allow its increased contribution, it is likely to end up in court.

The Civic Federation is disappointed not to be able to support this budget since it does not rely on gimmicks to close a $198.8 million shortfall, but instead builds on President Preckwinkle's work over the past five years to implement savings in health care costs, rationalize the County's workforce, improve efficiency, implement reasonable fee increases and expand the County's Medicaid managed care plan. There are many positive aspects of this budget, but its reliance on a sales tax increase that will give

[1] For more information see Appendix A. on page 101.
[2] For more information, see http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=004000050HArt%2E+9&ActID=638&ChapterID=9&SeqStart=98500000&SeqEnd=116800000 last accessed October, 30, 2015.
[3] See Civic Federation blog post, "Chicago Area Governments Prohibited from Improving Pension Funding Without State Intervention." Available at https://www.civicfed.org/civic-federation/blog/chicago-area-governments-prohibited-improving-pension-funding-without-state-in last accessed October, 30, 2015.

Chicago the highest sales tax rate of any major municipality in the United States was avoidable. The Federation calls on the County to reduce the proposed sales tax rate and instead implement a mix of additional cuts and increased revenues to fund its proposed pension payment.

The Civic Federation offers the following **key findings** on the Cook County FY2016 proposed budget:

- On July 15, 2015, the Cook County Board of Commissioners voted nine to seven to once again increase the County sales tax by one percentage point from 0.75% to 1.75%, which will take effect on January 1, 2016. [4] Once in place, the increase to the sales tax is estimated to bring in an additional $308.0 million in FY2016 and $473.8 million in FY2017;
- In the Cook County 2016 Preliminary Budget Estimates report released on June 30, 2015, the Department of Budget and Management Services projected a $198.8 million budget deficit in the General and Health Funds for FY2016. This includes neither additional proposed FY2016 transportation infrastructure spending of $10.0 million nor an additional $270.5 million contribution to the County Employees' Annuity and Benefit Fund of Cook County, which bring the deficit for FY2016 to $479.3 million;
- Cook County's General and Health Enterprise Fund resources are projected to increase by $411.0 million, or 13.9%, between the FY2015 adopted budget and the FY2016 proposed budget, primarily due to the one percentage point sales tax increase;
- In FY2016 the gross Cook County property tax levy will total nearly $752.0 million. The levy remained at $720.4 million from 2001 to 2011 and then increased slightly over the subsequent years to capture tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property;
- From FY2015 to FY2016, General Fund appropriations are expected to increase by $302.4 million, or 21.1%. Appropriations for the Corporate Fund will increase by $266.1 million or 147.5%. Spending in the Public Safety Fund will also rise, by $36.4 million or 2.9%;
- The County proposes a decrease of 295 full-time equivalent (FTE) positions in the General Fund, Special Purpose Funds and Health Fund for a total of 22,926.4 FTEs in FY2016.[5] When grant funds are included, the total workforce is 23,418.7 FTEs, a decrease of 287.1 FTEs, or 1.2%, from FY2015. The proposed decrease in FTEs in the Corporate Fund and Public Safety Fund is primarily due to reductions in vacant positions;
- Personal services appropriations are projected to increase $56.3 million from the approved FY2015 budget to nearly $2.0 billion in FY2016. The increase is primarily due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements;
- In FY2014 the County saw a significant decrease in its General Fund fund balance of $67.4 million to a funded ratio of only 4.4% due primarily to increases in General Fund expenditures and debt service payments, leaving a fund balance of $62.5 million or 4.4% of operating expenditures;
- The share of uninsured patients at the Health System declined from 54.4% in FY2013 to 36.5% in FY2014 because of Medicaid coverage under CountyCare and is expected to stand at between 32% to 33% in FY2015 and FY2016;
- The Health System's proposed tax allocation from the County declines by $39.0 million, or 23.8%, from $164.0 million in FY2015 to $125.0 million in FY2016. The tax allocation does not include pension payments or debt service, which increase the total in FY2016 to $383.3 million;

[4] For more information, see the Civic Federation, "Cook County Increases Its Sales Tax by One Percentage Point," available at https://www.civicfed.org/civic-federation/blog/cook-County-increases-its-sales-tax-one-percentage-point.

[5] This number does not include grant-funded positions.

- Health System appropriations increase by $108.6 million, or 7.1%, to $1.6 billion, while operating revenues (not including the tax allocation) increase by $84.9 million, or 5.9%, to $1.5 billion;
- Revenues from CountyCare stabilized the Health System's financial position, generating an estimated surplus (after the County's tax allocation) of about $104 million in FY2014;
- Average monthly CountyCare membership is projected to increase to 178,457 in FY2016, although the number of members has recently dipped to 168,749. The decrease is mainly due to members who fail to return annual Medicaid eligibility renewal forms to the State; and
- The Health System's FY2016 budget is based on a projected growth of nearly 15% in outpatient registrations; a projected decline of 61.2% in overtime pay from the expected FY2015 level; and a one-third increase in the share of CountyCare business handled by Health System doctors and hospitals rather than outside health care providers.

The Civic Federation has **concerns** about the following fiscal issues in the Cook County FY2016 Proposed Budget:

- The increase in the County sales tax of one percentage point is not reasonable as it will burden Chicago taxpayers with the highest aggregate sales tax of any major municipality in the nation at 10.25% and will put all Cook County municipalities, but particularly those on the border, at a disadvantage;
- Growing projected budget deficits due to projected escalating expenditures and flat or declining revenues despite the sales tax increase and measures used to balance the FY2016 budget;
- The legality of increasing the sales tax mostly to increase pension funding in the absence of a change to State law allowing the increase. The matter is likely to be decided through litigation if the County does not pursue a change to State law;
- The uncertain future of the County's pension reform proposal, given the deadlock in Springfield;
- Personal services appropriations are projected to increase $56.3 million from the approved FY2015 budget to nearly $2.0 billion in FY2016. The increase is primarily due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements;
- Optimistic assumptions for the Health System in the proposed FY2016 budget that will be challenging to meet, including a nearly 15% increase in outpatient registrations, a 61.2% reduction in overtime pay from the projected FY2015 level and a one-third increase in the share of CountyCare medical services provided internally.

The Civic Federation **supports** the following elements of the Cook County FY2016 Proposed Budget:

- The County's efforts to increase funding to its pension funds and no longer wait for action in Springfield is praiseworthy, but will likely face challenges in court and should have been funded more sustainably with a mix of revenues and additional cuts;
- Ongoing efforts to reduce the number of detainees charged with non-violent offenses who are held at the County Jail due to their inability to pay cash bonds. These efforts helped reduce the jail population by about 2,000 since the end of FY2013 and paved the way for the planned demolition of three jail divisions, saving the County over $3.0 million in FY2016;
- Consolidating and eliminating various County programs such as the Graffiti Removal Unit in the Sheriff's Office and the Mortgage Foreclosure Program in the Office of the Chief Judge for anticipated savings of $12.6 million. Managing personnel costs by eliminating 253.9, or 1.6% of Full Time Equivalent (FTE) positions through 51 layoffs and vacancy eliminations, which is estimated to save over $32 million in personnel costs, and increasing cost sharing with employees on health care benefits, for savings of $10.8 million;

- Continuing to reduce the tax allocation paid to the Cook County Health and Hospitals System by $39.0 million;
- Eliminating Exemptions to the Amusement Tax to include a broader tax base that is projected to generate $20.3 million and the Other Tobacco and Consumable Products Tax to include electronic cigarettes and vapors which will create an additional $1.5 million in revenues in FY2016. These taxes will align with the City of Chicago and will enhance enforcement and coordination efforts;
- Shifting of health care resources to preventive care from institutional care through investments in facilities and services at primary care and regional clinics and reconfiguring of unused hospital space, which are intended to improve health care and save money in the long run; and
- The development of performance dashboards that are presented at monthly Health System Board and committee meetings, allowing the public to compare key indicators of the Health System's current results with past performance, internal targets and industry benchmarks.

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

- Roll back the sales tax increase and instead fund the increased pension contribution through cuts and other revenue sources;
- Pursue legislation to reform pensions or allow a higher pension contribution under State law;
- Work with the State of Illinois to expand the sales tax to include more services in order to widen the base and allow a lower tax rate; and
- Take the next steps to expand the County's Budget projections into a full long-term financial plan.

CIVIC FEDERATION POSITION

The Civic Federation **cannot support** Cook County's $4.5 billion FY2016 budget because it is based on a one percentage point increase in the County's sales tax that will make the City of Chicago an outlier compared to other major urban centers. The sales tax increase that was passed outside the budget process will once again burden Chicago taxpayers with the highest aggregate sales tax rate of any major urban center in the nation at 10.25%. The suburban Cook County municipalities with the lowest sales tax rates will still have rates of a half penny more on the dollar than the highest taxing municipalities in any of the collar counties,[6] leaving all Cook County municipalities and particularly those on the borders at a disadvantage.[7] While the Federation supports the County's efforts to increase pension funding, the magnitude of the sales tax increase is not reasonable given the other available revenue and expenditure reduction options.

The sales tax was not increased to balance the FY2016 preliminary $198.8 million budget deficit, but will instead mostly fund an increased pension contribution. Of the projected $308.0 million in sales tax revenue to be collected in FY2016, 87.8% will be dedicated to the additional pension payment. The Civic Federation has long been opposed to statutory underfunding of pension contributions and has encouraged the governments it analyzes to work with the State of Illinois to implement changes to State law that would allow them to fully fund their pension obligations. We therefore commend Board President Preckwinkle and her financial team for their efforts to increase pension funding in the absence of action in Springfield on the County's pension reform proposals. While the financial condition of the County's pension fund is not currently as dire as that of the City of Chicago's funds, every year that goes by without a solution makes the pension problem more expensive and difficult to resolve. But relying on an ill-advised one percentage point sales tax increase to cover a much-needed increase to pension payments is less than ideal. The County had other options and it would have been preferable if the increased contributions to the County's pensions had been funded by a mix of revenue sources and cuts. This could have possibly have included a smaller sales tax increase and an increase to the property tax, as well as expenditure reductions, and should have been considered during the budget process.

The Civic Federation does have concerns about the potential legal issues the County could face in making an increased pension contribution without seeking a change to State law. Illinois statute specifies that pension contributions must come from the property tax, not the sales tax. The statute also caps pension payments at "an amount not to exceed" 1.54 times employee contributions two years prior.[8] The County's proposed additional pension contribution of $270.5 million in FY2016 exceeds that cap.[9] While the Federation supports increased pension funding, if the County does not seek a change to State law to allow its increased contribution, it is likely to end up in court.

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[6] For more information see Appendix A. on p. 101.

[7] Illinois General Assembly, Legislative Research Unit, "Illinois Tax Handbook for Legislators," p. 136, http://www.ilga.gov/commission/lru/2014taxhandbook.pdf.

[8] For more information, see http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=004000050HArt%2E+9&ActID=638&ChapterID=9&SeqStart=98500000&SeqEnd=116800000 last accessed October, 30, 2015.

[9] See Civic Federation blog post, "Chicago Area Governments Prohibited from Improving Pension Funding Without State Intervention." Available at https://www.civicfed.org/civic-federation/blog/chicago-area-governments-prohibited-improving-pension-funding-without-State-in.

The Civic Federation is disappointed it cannot support this budget since it does not rely on gimmicks to close a $198.8 million shortfall, but instead builds on President Preckwinkle's work over the past five years to implement savings in health care costs, rationalize the County's workforce, improve efficiency, implement reasonable fee increases and expand the County's Medicaid managed care plan. There are many positive aspects of this budget, but its reliance on a sales tax increase that will give Chicago the highest sales tax rate of any major municipality in the United States was avoidable. The Federation calls on the County to reduce the proposed sales tax rate and instead implement a mix of additional cuts and increased revenues to fund its proposed pension payment.

Civic Federation Concerns

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

One Percentage Point Sales Tax Increase

On July 15, 2015, the Cook County Board of Commissioners voted nine to seven to once again increase the County sales tax by one percentage point, which will take effect on January 1, 2016. Board President Toni Preckwinkle's office projects that the tax hike will generate nearly $308 million in FY2016 and $473.8 in FY2017, once it is in place for a full year. President Preckwinkle proposes that most of the new revenues be dedicated to start to pay down the County's $6.5 billion in pension obligations since the Illinois General Assembly has not been able to pass the County's proposed pension reform legislation. From the $308 million sales tax increase, $270.5 million will be dedicated pension contributions; $10 million will be used to increase highway funding; $25 million will be appropriated for debt service; and $2.5 million will be for technology expenses.[10]

The Civic Federation opposed the increase to the Cook County sales tax because it was not tied to a budget plan and County Commissioners should not have been asked to vote on such a significant revenue increase in the absence of a detailed plan for how the money would be spent. The Civic Federation acknowledges that the County requires increased revenues to adequately fund its pension obligations in FY2016 and in the future, but cautions that relying on a single, economically sensitive revenue source like the sales tax might prove problematic. The sales tax has a history of disproportionately negative impacts on border areas and the one cent increase will burden Chicago taxpayers with the highest aggregate sales tax of the largest cities in the nation at 10.25%. The County had other options if it wished to fund a higher pension contribution, including a lower sales tax increase combined with a mix of cuts and other revenues such as the property tax. The Federation strongly believes that the magnitude of the sales tax increase was unreasonable and calls on the County to reduce it and come up with another plan to fund its pension contribution.

[10] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, p. 2.

The following chart shows the sales tax rates among selected major municipalities in the U.S. as of January 2015. While the City of Chicago currently has an aggregate rate that is high compared to most other cities, a rate of 10.25% would put the city even further out of the mainstream.[11]

Sales Tax Rates for Selected Cities in the United States as of January 28, 2015	
Birmingham, AL	10.000%
Montgomery, AL	10.000%
Seattle, WA	9.500%
Chicago, IL	9.250%
Memphis, TN	9.250%
Los Angeles, CA	9.000%
New Orleans, LA	9.000%
New York City, NY	8.875%
St. Louis, MO	8.679%
Oklahoma City, OK*	8.375%
Phoenix, AZ	8.300%
Houston, TX	8.250%
Minneapolis, MN	7.775%
Columbus, OH	7.500%
Gary, IN	7.000%
Indianapolis, IN	7.000%
Cincinnati, OH	6.750%
Detroit, MI	6.000%
Madison, WI	5.600%
Milwaukee, WI	5.600%

*Sales tax rate for Oklahoma City only reflects the tax rate for the part of Oklahoma City located within Oklahoma County.

Sources: Information provided by the City of Birmingham Revenue Department on January 28, 2015; City of Montgomery Finance Department on January 28, 2015; the Washington State Department of Revenue on January 28, 2015; the City of Phoenix Tax and License Department on January 28, 2015; the City of Memphis Division of Finance on January 28, 2015; the New York City Department of Finance on January 28, 2015; the City of Los Angeles Office on Finance on January 28, 2015; the Missouri Department of Revenue on January 28, 2015; the City of Oklahoma Finance Department on January 28, 2015; the City of Houston Finance and Administration Accounting Services Division on January 28, 2015; the Indiana Department of Revenue on January 28, 2015; the State of Ohio Taxation Department on January 28, 2015; the City of Northville, Michigan Department of Finance and Administration on January 28, 2015; and the Wisconsin Department on Revenue on January 28, 2015.

Growing Projected Budget Deficits

Cook County projects that it will continue to have budget deficits in future years even with the actions taken over the last several years to reduce these deficits and despite the enormous sales

[11] Chart from Civic Federation, “Selected Consumer Taxes in the City of Chicago,” June 10, 2015, p. 14.

tax increase that is mostly dedicated to pension funding. The FY2016 Executive Budget Recommendation presents a forecast projecting that the FY2017 gap between revenues and expenditures will be $29.7 million in the General Fund and nearly $93.8 million in the Health Fund. By FY2020 the all funds deficit is projected to grow to nearly $484.0 million if current trends continue.[12] The factors driving future budget gaps include:

- *Downward trend in revenues for operations*: The proposed FY2016 budget reports that the County expects cigarette and fuel tax revenues to decline due to falling sales in the next few years. Property tax revenue available for operating funds is also projected to fall as bond and interest payments increase in future years. Revenue from property taxes first goes toward bond and interest payments before being allocated for operations.
- *Health care costs:* The County has significant exposure to health care costs, which affect both employee health insurance expenses and the cost of operating the Health System. The deficit forecast in the FY2016 budget document assumes that health costs will grow at a rate of 6% for health insurance and 15% for pharmacy costs.
- *Escalation in other expenditures:* In the projection, the County assumes that the majority of its expenses, such as salaries, supplies and utilities will grow at the projected rate of inflation of 1.95%, faster than associated revenues, which contributes to a long-term structural deficit.[13]

For the first time the projections included in the budget include necessary increases to pension funding and also include more detail on projected expenditures than were available in previous years' budget documents. However, the pension contributions do not contribute to the projected deficit because they are funded by the one percentage point increase to the sales tax.

While great strides have been made, the County must address its future enormous fiscal problems by continuing to evaluate its operations, reduce costs and improve efficiencies. This is a multi-year process that will require the development of a publicly-shared, long-term financial plan.

The Legality of Increasing Pension Contributions Without a Change to State Law

The Civic Federation's concerns about potential legal issues the County could face if it implements its plan to increase pension funding are twofold. First, the Federation is apprehensive about the legality of dedicating the majority of the increased sales tax revenue to pension funding. Illinois statute 40 ILCS 5/9-169[14] specifies that the County's pension contributions must come from the property tax, not the sales tax. Notwithstanding, the County is proposing to dedicate an additional pension appropriation of $270.5 million in FY2016 and $340.7 million in FY2017 exclusively from the sales tax.

[12] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, p. 18.
[13] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, pp. 14-16.
[14] For more information, see http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=004000050HArt%2E+9&ActID=638&ChapterID=9&SeqStart=98500000&SeqEnd=116800000 last accessed November 2, 2015.

Second, 40 ILCS 5/9-169 caps the pension payment at a rate of no more than 1.54 times employee contributions from two years prior. However, the County's proposed additional pension contribution of $270.5 million in FY2016 is in addition to the statutorily capped payment of $195 million. While the Federation understands the County's rationale for increasing its pension payments, the ambiguity of how the sales tax increase will or can be used is less than ideal.

Uncertain Future of the County's Pension Reform Proposal

The County first introduced a package of pension reforms supported by many, though not all, of its unions in the final days of the spring 2014 legislative session. The legislation contained in House Bill 1154, Senate Amendment 2, included changes to current employees' retirement benefits and an increase to employee and employer contributions to the fund. The bill passed the Senate, but was not brought to a vote in the House before adjournment. On May 20, 2015, the proposed pension reform package was reintroduced as Senate Bill 843, House Amendment 1, to the Illinois House Personnel and Pensions committee and passed with a vote of five to four.[15] As of May 31, 2015, the bill was re-referred to the Rules Committee where it has remained since and faces an uncertain future with the deadlock ongoing between Governor Rauner and the majority leaders of the Illinois General Assembly.

If Senate Bill 843, House Amendment 1, passed it would—in addition to implementing reasonable reductions to retirement benefits—also address the two issues mentioned in the previous section by permitting pension funding with revenues other than the property tax and increasing funding on an actuarially calculated basis.[16] However, it is important to recognize that the pension reforms passed for four State of Illinois pension funds and for the City of Chicago funds were struck down as unconstitutional by the Illinois Supreme Court and Cook County Circuit Court, respectively. Unless the Illinois Supreme Court upholds the City of Chicago reforms or gives clear instructions as to what kind of pension reforms are constitutional, if any, there would be significant uncertainty surrounding the constitutionality of the proposed County pension reforms.

Increasing Personal Service Costs

The Civic Federation is concerned that personal service appropriations are projected to increase by $56.3 million above the approved FY2015 budget to nearly $2.0 billion in FY2016 even though there are projected to be fewer County employees. Personal services appropriations have generally reflected change in FTE count; however, personal services appropriations will increase in FY2016 while the FTE count will decrease. The increase in personal service appropriations in FY2016 is primarily due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements beginning with a 1% increase in June 2013 and half a percentage point in both 2014 and 2015 plus an additional 2% cost of living adjustment that will

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[15] Cook County Pension Fund, see http://www.cookCountypension.com/County_administrations_pension_reform_proposal_reintroduced_as_sb843_.aspx last accessed November 2, 2015.

[16] Illinois General Assembly, see http://www.ilga.gov/legislation/BillStatus.asp?DocNum=843&GAID=13&DocTypeID=SB&SessionID=88&GA=99 last accessed November 2, 2015.

go into effect December 1, 2015. While partially offset by reduced employee health care costs achieved through changes in health plans and increased employee contributions negotiated with labor partners, the retroactive agreement is contributing to an increase in costs, particularly in public safety.[17]

Optimistic Assumptions for the Health System

Although the Civic Federation is encouraged by the proposed decrease in the Health System's tax allocation from the County, certain key assumptions underlying the FY2016 budget will be challenging to meet.

Outpatient visits are expected to increase by about 15% in FY2016 due to efforts to improve service and upgrade facilities at the Health System's primary care clinics and to better promote specialty services such as ophthalmology, medical imaging and outpatient surgery. However, outpatient registrations, including both primary and specialty care, have declined significantly in recent years, dropping 11.3% from a monthly average of 87,193 in FY2012 to 77,380 in FY2014 and rising only slightly to a projected 77,436 in FY2015.[18] The FY2016 budget assumes monthly average outpatient registrations of 88,941.[19]

The FY2016 budget also projects a significant increase in the share of CountyCare members who get their medical care at the Health System instead of from other clinics and hospitals in the plan's broad network. The FY2015 budget assumed that approximately 30% of patient visits would be at the Health System itself, but the actual share is now estimated at 20%. For FY2016, the Health System has budgeted for a 30% to 40% share.[20]

CountyCare provides the greatest financial benefit to the Health System when members use its services and facilities. The additional cost of treating another patient at the Health System is relatively low, and the monthly per patient fee can be used to help cover the high fixed costs of hospital operations. Health System officials believe that increased use of the System's clinics and specialty outpatient services would result in more referrals to System hospitals.[21] As of the end of September 2015, 18.4% of CountyCare members had primary care doctors at the Health System.[22]

The Health System plans to use savings on overtime pay to help finance initiatives such as refurbishing or relocating several clinics each year. In FY2016 overtime pay is projected to decline by $10.6 million, or 40.9%, from a budgeted $25.9 million in FY2015 to $15.3 million in

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[17] Cook County Executive Budget Recommendation, Volume I, Proposed Expenditures, p. 53.
[18] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[19] Cook County Health and Hospitals System, *FY2016 Budget Presentation*, August 21, 2015.
[20] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[21] Cook County Health and Hospitals System, *Strategic Planning Update*, July 29, 2015, p. 4.
[22] Cook County Health and Hospitals System, *CountyCare Report & Deep Dive Discussion Prepared for: CCHHS Board of Directors Managed Care Committee*, October 20, 2015, p. 17.

FY2016. The actual reduction would be much larger—about $24.2 million, or 61.2%—because spending on overtime in FY2015 is estimated at $39.5 million.[23]

To achieve this goal, the Health System intends to persuade employees to change their shifts instead of facing layoffs. This will require successful negotiations with the Health System's unions, including the National Nurses Organizing Committee, whose members were guaranteed overtime in a new contract with the County.[24]

Issues the Civic Federation Supports

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

Efforts to Increase Pension Funding Levels in FY2016 and Beyond

The Civic Federation supports the County's efforts to increase funding to its employee pension funds. The Federation has for many years expressed concern that the County's statutory funding levels are inadequate for the actuarial needs of the fund, which have significantly contributed to the fund's deteriorating fiscal position, to 57.5% in FY2014 from 75.8% in FY2005. For example, the $190.6 million statutory pension contribution for FY2014, calculated at 1.54 times employee contributions made two years prior, fell $449.2 million short of actuarial requirements and as of the FY2014 actuarial valuation the fund was projected to run out of funding in 2039 if nothing is done.[25]

While the County has negotiated a significant pension reform package with its unions, as noted above, the Illinois General Assembly has not been able to pass the legislation and it has not been signed into law by the Governor. Additionally, with the recent Supreme Court ruling that the State pension reform law was unconstitutional and a decision on the City of Chicago's law expected by the end of the year, no further movement on the County's Senate Bill 843, House Amendment 1 is projected to happen soon. As the County correctly notes, every day of delay before action is implemented to improve the financial stability of its retirement system makes the solution far more difficult and expensive to implement. The County proposes to make contributions calculated on an actuarial basis to increase the funded ratio of its pensions to 100% over 30 years starting in FY2017. After an additional contribution of $270.5 million in FY2016 and $340.7 million in FY2017, annual contributions are projected to grow at no more than 2% per year until 100% funding is reached in 2046.

While the Civic Federation supports the County's pursuit of reforms and acknowledges the pressing necessity to increase funding to its pensions, we have significant reservations about several aspects of this particular plan. First of all, without pension reforms from the State of Illinois or even increased contributions from employees, this is a very expensive plan to Cook

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[23] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[24] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[25] Buck Consultants, "Actuarial Valuation of Pension Benefits as of December 31, 2014, including supplementary disclosure information for GASB 67," cover letter.

County sales taxpayers, as repeatedly noted above. Second, again as noted above, there are potential legal issues associated with the County's plan to increase funding through an intergovernmental agreement with the Cook County Pension Fund rather than through a change to State law. The Federation praises the County's initiative in developing a plan to increase funding absent relief from Springfield, but has significant reservations about the plan itself.

Reduction of the Pretrial Detainee Population at Cook County Jail

The Civic Federation supports efforts to reduce the number of detainees charged with non-violent offenses who are held at the County Jail due to their inability to pay cash bonds. These efforts helped reduce the jail population by about 2,000 since the end of FY2013 and paved the way for the planned demolition of three jail divisions.

In September 2013, the Board President wrote to the Illinois Supreme Court, requesting that the high court take steps to address "numerous and systemic problems" in the County's court system that contributed to jail overcrowding. Within the next two months, the Supreme Court began holding regular meetings with stakeholders in the County's criminal justice system, including the Chief Judge of the Cook County Circuit Court, Sheriff, State's Attorney and Public Defender, as well as the Board President. In March 2014, the high court issued a review of the Circuit Court's pre-trial operations that contained 40 recommendations and highlighted the variation in bond types ordered by different judges.[26]

Since the Supreme Court began its close scrutiny of pretrial operations, there has been a marked increase in the percentage of felony defendants in Chicago's Central Bond Court ordered to be released on their own recognizance without making any payment up front or requiring electronic monitoring at home—rather than ordered to pay cash bond or sent to jail without the option to pay bond. The monthly share of recognizance bonds (I-Bonds) and electronic monitoring orders increased to 50.8% in August 2015 from 34.0% in August 2013.[27]

Meanwhile, the average daily jail population declined from 9,960 in the fourth quarter of FY2013 to 7,741 in the third quarter of 2015.[28] Although it is not possible to State conclusively that the shift in bond court orders led to the reduction in the number of detainees, the evidence appears to be compelling.

The detention of low risk defendants due to an inability to pay cash bonds appears to be contrary to the Illinois Code of Criminal Procedure of 1963.[29] The Code directs judges to set monetary bail only when no other less restrictive conditions of release will reasonably ensure that the defendant will appear in court and not pose a danger to any person or the community. Jailing such defendants may also be financially imprudent and socially detrimental. The demolition of

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[26] Illinois Supreme Court, Administrative Office of the Illinois Courts, *Circuit Court of Cook County Pretrial Operational Review*, March 2014.
[27] *Central Bond Court Orders*, https://performance.cookCountyil.gov/Public-Safety/Central-Bond-Court-Orders/3daz-xsz8 (last visited on October 21, 2015).
[28] *STAR Quarterly Performance Data*, https://performance.cookCountyil.gov/dataset/STAR-Quarterly-Performance-Data/wvz2-c4cu (last visited on October 21, 2015).
[29] 725 ILCS 5/110-2.

the three jail buildings is expected to save $3.3 million in operating expenses in FY2016 and avoid $188.5 million in repair costs over the next decade.

Although much work remains to be done, particularly with regard to the detention of defendants with mental health and substance abuse problems, the Civic Federation is encouraged by the efforts to date to reduce the jail population without jeopardizing public safety.

Consolidation and Elimination of Various County Programs and Other Efficiencies and Reductions Contained in the Budget

The Federation supports the County's proposal to save approximately $12.6 million in FY2016 by eliminating or consolidating non-core or inefficient programs. In the Sheriff's Office, the County plans to eliminate the Day Reporting Program and the Graffiti Removal Unit. Board President Preckwinkle had proposed eliminating the Drug Diversion Program in the Office of the State's Attorney, but the program is grant funded and therefore cannot be eliminated. Because of the decrease in mortgage foreclosure filings over the past several years, the County is estimating that it can save nearly $3 million by eliminating the Mortgage Foreclosure Program in the Office of the Chief Judge.

The County also proposes to continue to rationalize its workforce with a decrease of 295 full-time equivalent (FTE) positions in the General Fund, Special Purpose Funds and Health Fund for a total of 22,926.4 FTEs in FY2016.[30] The proposed decrease in FTEs in the Corporate Fund and Public Safety Fund is primarily due to reductions in vacant positions and are projected to save $32.7 million. The budget also contains savings of $10.8 million from employee health benefit savings due to increases in cost sharing, plan design changes and a dependent eligibility verification program.

Further Reducing Tax Allocation to the Health System

The Health System's proposed FY2016 tax allocation from the County (formerly known as the subsidy) declines by $39.0 million, or 23.8%, to $125 million from $164 million in FY2015. The Civic Federation is encouraged by the Health System's reduced reliance on County taxpayers, which stems from the success of CountyCare.

The tax allocation has fallen from $481.5 million in FY2009. However, prior to the growth of CountyCare reductions in the tax allocation led to deficits, as the Health System failed to meet budgeted revenue projections and had to use reserves to cover budget gaps. This changed in FY2014, when the Health System recorded income (after the tax allocation) of $14.1 million in its audited financial report.[31] Prior to FY2014, the Health System had last recorded income, instead of losses, in FY2009.[32]

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[30] This number does not include grant-funded positions.
[31] Cook County Health and Hospitals System, Financial Report, November 30, 2014, p. 8.
[32] Cook County FY2009 Comprehensive Annual Financial Report, p. 11. Income of $71.3 million in FY2009 was related to an agreement with the State of Illinois that provided supplemental Medicaid payments on a retroactive basis.

It should be noted that the Health System's budget includes the Public Health Department and health services for the County jail and the Juvenile Temporary Detention Center, which generate little or no revenue. In FY2016 appropriations for those operations total $81.2 million, or 65.0% of the proposed $125.0 million tax allocation.

The budgeted tax allocation numbers do not include pension and debt service payments because those payments and expenses are not accounted for in the Health System's budget. The total proposed amount that that County will spend for the Health System in FY2016, including the budgeted tax allocation of $125.0 million and estimated pension and debt service payments of $258.3 million, is $383.3 million.[33] The total includes additional pension contributions proposed in the County's FY2016 budget to bring pension funding closer to actuarial standards.

Eliminating Exemptions to the Amusement Tax and Extending the Other Tobacco and Consumable Products Tax

The Civic Federation supports the elimination of certain exemptions to the County's Amusement Tax that is expected to generate $20.1 million in FY2016 as a reasonable and targeted increase to revenues. The amusement tax rate of 3% will remain the same. The exemptions are for cable television and public participation recreational activities such as bowling or golf. The County is also extending the Other Tobacco and Consumable Products Tax to include electronic cigarettes and vapors, specifically those products that use liquid cartridges that contain nicotine, and is estimated to bring in an additional $1.5 million in FY2016.[34] The extension of these taxes aligns with the City of Chicago, which should enhance collection, enforcement and coordination efforts.

Shifting Health System Resources to Preventive Care

The Civic Federation supports efforts to shift Health System resources from hospital- and jail-based care to community-based preventive care in order to improve patient health and reduce costs.

The need to focus on outpatient care has been highlighted by CountyCare, the Health System's successful Medicaid managed care plan, which has a broad network of clinics and hospitals that members can use in addition to the Health System's own facilities. The Health System is keeping less revenue from CountyCare in-house than had been expected because members are using other health care providers in the network.

To attract more patients, the Health System plans to extend clinic hours, refurbish or relocate clinic facilities, expand community care for mental health and substance abuse problems and reconfigure underused space in John H. Stroger Jr. and Provident Hospitals to make more room for outpatient services such as ophthalmology.

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[33] Cook County FY2016 Executive Budget Recommendation, p. 51.
[34] Cook County FY2016 Executive Budget Recommendation, Revenue Estimates, p. 31.

Some of the funding for these projects is expected to come from operational efficiencies at the Health System, including a dramatic decrease in overtime pay. The County's capital budget includes $105 million for a new building on the Stroger campus that will house Fantus Health Center, the Health System's largest clinic, along with administrative offices.[35] Fantus' operations are expected to be moved to Stroger in FY2016 so its current building can be demolished.

The Federation is also encouraged by the cooperative efforts of County officials to enroll detainees at Cook County Jail in Medicaid. Since 2013, more than 13,000 detainees have received Medicaid coverage after being released from the jail.[36] Medical services in jail are not covered by Medicaid, but detainees receive help in applying for the program when they are booked into the jail so they can have access to Medicaid coverage after they are released. The idea is to lower taxpayer costs, improve health care and potentially reduce the chances of new arrests by providing treatment in the community, particularly for individuals with mental health and substance abuse problems.[37]

Cermak Health Services, which provides health care for jail detainees, is budgeted to cost $66.5 million in FY2016. The Health System is working with the Chicago Police Department to intercept and treat individuals with mental health and substance abuse problems before they enter the criminal justice system, using a model that has worked elsewhere.[38] The plan is to open a drop-off center on Chicago's South Side in FY2016 where police officers could take non-violent offenders with behavioral health problems. Health System personnel at the center would assess and stabilize people and refer them for treatment. If the project is successful, additional centers would be opened across the City and possibly in other parts of the County.

Health System's Development of Performance Dashboards

Since January 2015, the Board of Directors of the Health System has required management to present performance dashboards at monthly Board and committee meetings. These reports provide a concise way to compare key indicators of the Health System's current results with past performance, internal targets and industry benchmarks.

For example, the Health System's Finance Committee receives a monthly dashboard that shows 10 indicators, including overtime pay as a percentage of gross salary; charity care write-offs; bad debt expense; inpatient days; outpatient clinic registrations; and the number of full-time equivalent positions per adjusted occupied bed, a measure of staffing efficiency.[39]All of the information is displayed on one page.

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[35] Cook County FY2016 Executive Budget Recommendation, Capital Budget, p. 247.
[36] Testimony by Dr. John Jay Shannon, CEO of the Cook County Health and Hospitals System, before the Finance Committee of the Cook County Board of Commissioners, October 22, 2015.
[37] National Association of Pretrial Services Agencies, *The Patient Protection and Affordable Care Act and the Pretrial System: A "Front Door" to Health and Safety*, Appendix A, February 2014, p. 2.
[38] For information on a program in San Antonio, Texas, see the Civic Federation's blog at https://www.civicfed.org/civic-federation/blog/potential-mental-health-reform-model-cook-County-saving-money-and-improving-ou (last visited on October 23, 2015).
[39] Cook County Health and Hospitals System, *Finance Dashboard*, September 2015.

The dashboards appear to be more detailed than the data in the County's Set Targets Achieve Results (STAR) reports. The STAR reports on the County's Performance Management website are updated quarterly.[40]

The Health System's dashboards can currently be found in the monthly minutes of the Health System Board and each committee at http://www.cookCountyhhs.org/about-cchhs/governance/. It would be helpful to the public if the dashboards were made accessible through the home page of the Health System's website and updated regularly.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to support improved efficiency and to enhance financial practices.

Roll Back the Sales Tax and Instead Implement a More Sustainable Mix of Revenues and Cuts to Fund an Increased Pension Contribution

The Civic Federation calls for a rollback of the one percentage point sales tax increase in favor of a more sustainable mix of revenues and expenditure cuts in order to fund a much-needed increase to the County's pension contribution. In FY2011 the Civic Federation supported Board President Preckwinkle's commitment to fully roll back the sales tax hike of one percentage point passed by the Cook County Board of Commissioners in 2008 which brought the aggregate rate in Chicago to 10.25% and had a demonstrated negative impact on border areas. The sales tax increase effective January 1, 2016 will again make the City of Chicago an outlier among large cities nationwide and will put municipalities on the border of the County at a disadvantage. The one percentage point increase to the sales tax was not the only or best option available to the County and the Federation strongly recommends that the County instead sunset the sales tax increase in favor of a mix of other revenues, such as a smaller sales tax increase and a property tax increase, along with further cuts that would allow the County to begin to address its pension shortfall.

Pursue Legislation in Springfield to Reform Pensions or Allow Increased Pension Contributions

The County notes in the FY2016 budget that it will continue to pursue pension reforms in Springfield despite its plan to increase pension funding outside a change to State law.[41] The Civic Federation agrees with this intention and has strongly supported the County's pension reform legislation. The Federation is hopeful that with its ruling on the City of Chicago's pension reform law that is projected for the end of this year, the Illinois Supreme Court will provide guidance as to what reforms to pension benefits, if any, are allowed under the State Constitution. If so, the County should follow this guidance in developing its future proposed pension reform legislation. On the other hand, if it appears unlikely that any reforms to benefits will be held constitutional, it will be very important for the County to work with the General Assembly to pass changes to current funding law that would allow increased employer contributions in order to avoid litigation on its alternative pension contribution plan.

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[40] STAR reports can be found at https://performance.cookCountyil.gov/star-reports last visited on October 21, 2015.
[41] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, pp. 1-2.

The County Should Work With the State of Illinois to Expand the Sales Tax to Services

Illinois, and therefore Cook County, do not apply the sales tax to services, with the exception of several public utility taxes. According to a recent revenue study issued by the Commission on Government Forecasting and Accountability, Illinois' sales tax base is much narrower than other states', leading to greater volatility and higher rates.[42] However, Governor Rauner during his campaign proposed an expansion of the sales tax to 32 services including general warehousing and storage, packing and crating, travel agency services and advertising services, which would bring in an estimated additional $600 million in revenue to the State of Illinois.[43] The following chart shows the number of services taxed by Illinois, in comparison to surrounding States.

Sales Tax Rates: Illinois and Neighboring States	
	Services Taxed
Illinois	17
Indiana	24
Iowa	94
Kentucky	28
Michigan	26
Minnesota	66
Missouri	26
Wisconsin	76

Source: Commission on Government Forecasting and Accountability, *Illinois Revenue Volatility Study Public Act 98 - 0682, p. 67.*

According to economic principles, an efficient tax structure has a wide base and low rate. The Cook County sales tax base as determined under State law is narrow and its rate will be very high as of January 1, 2016. The County should therefore work with the State to advocate for an expansion of the sales tax base to include services, whether it be the list proposed by the Rauner campaign or another group of services. While implementing a new sales tax structure will take time, it is in the County's interest to pursue a wider sales tax base that would allow it to reduce its unreasonably high sales tax rate while still generating significant additional revenues to fund much-needed increased pension contributions.

Expand the County's Financial Projections into a Formal Long-Term Financial Plan

The Cook County FY2016 proposed budget includes a forecast of revenues and expenditures through FY2020.[44] The forecast projects significant and growing budget deficits in future years.

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[42] Commission on Government Forecasting and Accountability, *Illinois Revenue Volatility Study, Public Act 98-0682*, December 31, 2014, p. 66.
[43] Bring Back Blueprint, http://www.scribd.com/doc/234281480/Bring-Back-Blueprint-Jobs-and-Growth last accessed October 30, 2015.
[44] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, pp. 14-18.

It is important for governments to disclose forecasts to help stakeholders understand what their future financial situation will be and set a framework for future budgets and plans. We are pleased that the County included a more detailed examination of expenditure projections than in previous years with this budget. However, we also encourage the County to take the next step and develop a formal long-term financial plan that is shared with and reviewed by key policymakers and stakeholders. This plan must include concrete action steps to address the County's long-term fiscal balance.

The NACSLB and the GFOA both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.[45] A long-term financial plan typically includes a review of historical financial and programmatic trends; multi-year projections of revenues, expenditures and debt; an analysis of those trends and projections; and the modeling of options to address problems and opportunities. The plan helps governments address fiscal challenges before they become fiscal crises. The County already performs some of these components and we urge them to take the next steps of modeling options and submitting a full publicly sharing the process publicly.

A key component of financial planning is engaging all stakeholders in the process of developing the plan. The GFOA describes long-term financial planning as "not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public."[46] Among other benefits, involving all stakeholders can help staff refine forecasts, institutionalize planning processes and promote strategic decision-making.

If the County chooses not to undertake a full long-term financial planning process, then, at a minimum, an annual document should be developed and published that would include:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues. For example, a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the County's financial challenges.

[45] See National Advisory Council on State and Local Budgeting and Government Finance Officers Association.
[46] Government Finance Officers Association, "An Introduction to Financial Planning," http://www.gfoa.org/downloads/LTFPbrochure.pdf last visited on January 10, 2011.

ACKNOWLEDGEMENTS

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

FY2016 BUDGET DEFICIT & GAP-CLOSING MEASURES

In the Cook County 2016 Preliminary Budget Estimates report, released on June 30, 2015, the Department of Budget and Management Services projected a $198.8 million budget deficit in the General and Health Funds for FY2016.[47] Although the FY2016 Preliminary Budget includes increases in legacy debt service payments of $25 million and increases in labor costs as a result of a settlement of labor agreements from 2012-2017, it did not account for transportation infrastructure spending of $10 million or an additional $270.5 million contribution to the County Employees' Annuity and Benefit Fund of Cook County. All of these factors bring the total preliminary deficit for FY2016 to $479.3 million.[48]

The table below exhibits the expected surplus in the adopted FY2015 budget, the estimated FY2015 year-end anticipated deficit of $12.1 million, the preliminary estimate for the FY2016 deficit of $198.8 million and the projected FY2016 budget deficit including pension and infrastructure funding of $479.3 million. General and Health Funds revenues for FY2016 were projected to be $18.4 million, or 0.6%, less than the FY2015 year-end estimates. General and Health Funds expenditures for FY2016 were projected to be $168.2 million, or 5.7%, more than FY2015 year-end estimates.

Cook County FY2015 and FY2016 Preliminary and Projected Budget Deficits (in $ millions)

	FY2015 Adopted Budget	FY2015 Estimated Year-End	FY2016 Preliminary Budget	FY2016 Projected Budget Including Extra Expenditures	Preliminary $ Change from Year-End	Preliminary % Change from Year-End	Projected $ Change from Year-End	Projected % Change from Year-End
General & Health Fund Revenues	$ 2,967.7	$ 2,951.3	$ 2,933	$ 2,933	$ (18.4)	-0.6%	$ (18.4)	-0.6%
General & Health Fund Expenditures	$ 2,967.5	$ 2,963.3	$ 3,132	$ 3,412	$ 168.22	5.7%	$ 448.7	15.1%
Budget Surplus (Deficit)	**$ 0.2**	**$ (12.1)**	**$ (198.8)**	**$ (479.3)**				

Source: Cook County Preliminary Forecast FY2016, p. 2.

[47] Cook County is required by law to pass a balanced budget so it does not have a budget "deficit" in the same sense that the U.S. federal government has a deficit. The "budget deficit" is a commonly used synonym for the projected budget gap calculated by the County before its budget is developed. It refers to the gap between projected revenues and expenditures for the next fiscal year, which must be addressed in the proposed budget ordinance.

[48] Cook County FY2016 Executive Budget Recommendations, p. 1.

Gap-Closing Measures

The County's FY2016 Executive Budget Recommendation includes a summary chart in the Resident's Guide section illustrating the measures taken to close the FY2016 budget deficit. The following table and narrative describe these revenue increases and expenditure reductions. The Preliminary Budget gap of $198.8 million, included an increase of $25.0 million for debt service and an additional $2.5 million for pay-as-you go (PAYGO) funding for technology. The increased sales tax revenue will be dedicated in part to the additional debt service payment and the PAYGO technology projects.[49] The chart shows the remaining gap closing measures of $171.5 million.

FY2016 Budget Deficit-Closing Measures (in $ millions)		
Revenue Increases		
Elimination of Amusement Tax Exemptions	$	20.3
Electronic Cigarette and Vapors Tax	$	1.5
TIF Surplus	$	6.3
Subtotal Revenue Increases	**$**	**28.1**
Organic Revenue Growth		
Non-Retailer Transaction Use Tax & State	$	3.0
Other Non Property Taxes	$	5.5
Net Other Fee Changes	$	3.0
Real Estate and Rental Income	$	1.0
Miscellaneous Increases	$	4.6
Asset Marketing	$	1.0
Subtotal Organic Revenue Growth	**$**	**18.1**
Personnel Reductions		
Health Benefit Savings	$	10.8
Other Personnel Reductions	$	32.6
Subtotal Expenditure Reductions	**$**	**43.4**
Cook County Health and Hospitals System Solutions		
Cook County Health and Hospitals System Tax Allocation Reduction	$	39.0
Subtotal Cook County Health and Hospitals System Solutions	**$**	**39.0**
Enforcement Initiatives		
Cigarette Tax Enforcement	$	3.0
Gas Tax Audits	$	0.9
Assesor Erroneous Exemptions	$	2.1
Subtotal Enforcement Initiatives	**$**	**6.0**
Management Initiatives		
Program Consolidations and Eliminations	$	12.1
Fuel, Vehicle, Lease Space	$	1.5
Utilities/Telecommunications	$	3.0
Recoder of Deeds e-filings	$	0.4
Other Intiatives	$	3.6
Department of Corrections Demolitions	$	3.3
Time and Attendance	$	1.5
Subtotal Management Initiatives	**$**	**25.4**
Reimbursements		
Clerk of the Circuit Court Title IV-D Revenues	$	1.5
Administrative Office of the Illinois Courts	$	10.0
Subtotal AOIC Reimbursements	**$**	**11.5**
Total	**$**	**171.5**

Note: Numbers may vary due to rounding.

Source: Cook County FY2016 Executive Budget Recommendation, pp. 2-5; Communication with Cook County Department of Budget and Management Services, October 30, 2015.

Revenue Increases

Cook County anticipates $28.1 million in increased revenue in FY2016 due largely to the elimination of existing exemptions to the Amusement Tax which is estimated to generate $20.3 million. The County has budgeted $6.3 million in TIF surplus that it will receive from the City of Chicago. The County also proposes to collect $1.5 million from a new tax on electronic cigarettes and vapors and projects $18.1 million in organic revenue growth.

Personnel Reductions

The County proposes to implement $43.4 million in personnel reductions in FY2016.[50] The County is estimating a savings of $32.6 million in personnel costs as a result of vacancy reductions, reductions in overtime, and the freezing of non-union step increases.[51] The County also estimates a savings of $10.8 million by reducing health care costs.

Cook County Health and Hospitals System

The County is reducing the amount of tax dollars to the Health System by $39.0 million from $164.0 million in FY2015 to $125.0 million in FY2016, $81.0 million of which covers the direct costs of the Correctional Health for Inmates. The Health System is also reducing its pharmacy spending by $12.4 million.[52]

Enforcement Initiatives

The FY2016 budget includes activities that will enforce the cigarette and gas taxes and the Cook County Assessor will enforce the Erroneous Homeowner Exemption statute which is estimated to bring in an additional $3.0 million, $0.9 million and $2.1 million, respectively.[53]

Management and Efficiency Initiatives

The County anticipates $25.4 million in savings through management initiatives due largely to the closure and demolition of three Cook County Jail divisions which will save $3.3 million in operating costs as well as long-term deferred capital cost savings of $188.0 million.[54] The County also estimates savings of $12.1 million from the elimination of non-core functions or inefficient programs, for example the Sheriff's Graffiti Removal Program and Day Reporting Unit.

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[49] Communication between the Civic Federation and the Cook County Office of Budget and Management Services, October 30, 2015.
[50] Cook County FY2016 Executive Budget Recommendation, p.4.
[51] Cook County FY2016 Executive Budget Recommendation, p. 3.
[52] Cook County FY2016 Executive Budget Recommendation, p. 3.
[53] For more information, see http://www.cookCountyassessor.com/erroneousexemptions.aspx.
[54] Cook County FY2016 Executive Budget Recommendation, p. 4.

Administrative Office of the Illinois Courts Reimbursement

The County expects additional reimbursements from the Administrative Office of the Illinois Courts (AOIC). The AOIC subsidizes the salaries of probation officers and administrative staff who work within adult and juvenile probation. AOIC is expected to reimburse the County an additional $10.0 million in FY2016 as a result of the transition of the Juvenile Temporary Detention Center from a federally appointed Temporary Administrator to the Office of the Chief Judge. Additionally, the County anticipates higher AOIC reimbursement rates, from 69% of eligible Adult and Juvenile Probation Department salaries in FY2015 to 88% in FY2016.[55] However, as of October 2015, the County had not received any reimbursements from the State as a result of its budget impasse.

Projected FY2017-FY2020 Budget Deficits

The County's FY2016 Executive Budget Recommendation provides a graph showing FY2012 through FY2020 projected General Fund budget deficits.[56] This was a requirement of Board President Preckwinkle's Executive Order 2011-1 issued on June 29, 2011. The following exhibit shows projected budget deficits for FY2017-FY2020.

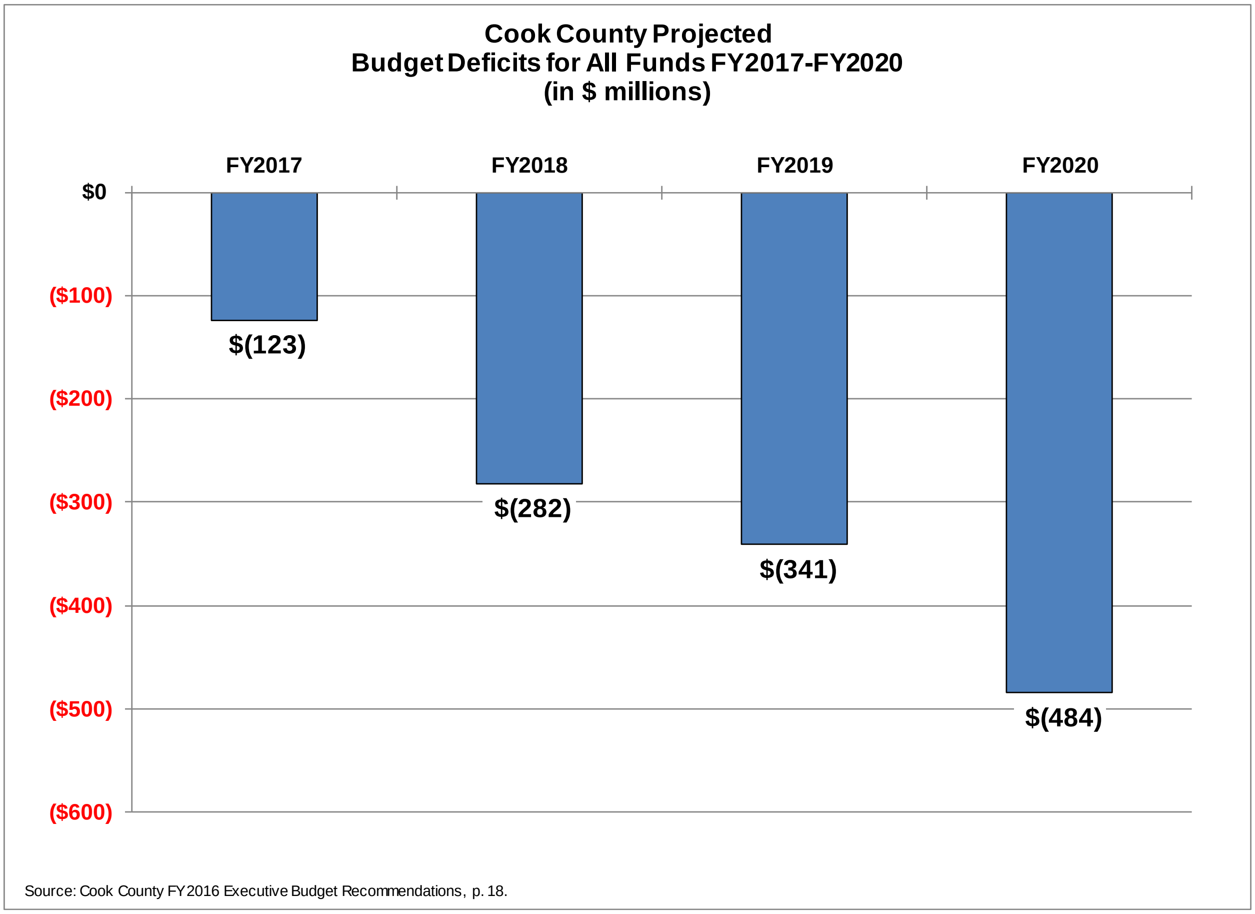
Regarding expenditures, the projection assumes that General Fund health care-related expenditures will grow faster than inflation at a rate of 6% for health insurance and 15% for pharmacy costs. The majority of the non-health related expenses, including salaries, supplies, and utilities, will grow at 1.95%, which is the average annual increase in the Consumer Price Index over the last ten years. Spending on technology is expected to increase 3% annually to cover ongoing costs associated with software and hardware infrastructure maintenance.[57]

Revenue for the County is expected to decline over the coming years, specifically in the following areas:

- Revenue from cigarette and fuel taxes due to falling sales;
- CountyCare revenues due to declining reimbursement from the federal government; and
- Net property tax revenue available for operations as more net property tax revenue will have to be allocated to growing debt service payments, which are projected to increase from $250.0 million in FY2015 to $299.0 million in FY2016.

[55] Cook County FY2016 Executive Budget Recommendation, p. 5.
[56] Cook County FY2016 Executive Budget Recommendation, p. 16.
[57] Cook County FY2016 Executive Budget Recommendation, p. 16.

These projections demonstrate that, even with the structural changes proposed in the FY2016 and previous years' budgets and the one percentage point tax increase, the County will continue to face growing budget deficits in the future.



APPROPRIATIONS

The following section presents trends for Cook County FY2016 appropriations for all funds by fund and by control officer. FY2016 proposed appropriations are compared to FY2012 actual expenditures and FY2015 adopted appropriations.

All Funds Appropriations by Fund

Cook County total FY2016 appropriations, including the operating budget and capital improvement funds, will amount to approximately $4.5 billion. This is an increase of $539.5 million, or 13.5%, from the FY2015 adopted budget of $4.0 billion.

The operating budget will also grow to $4.2 billion in FY2016 from $3.7 billion in FY2015. This is an increase of $470.1 million or 12.5%. The operating budget is comprised of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Enterprise Fund, used for Health and Hospitals System expenses; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants. The major special purpose funds are: GIS Fee Fund, Law Library, and several automation funds.[58]

Starting with the FY2014 budget, the County, for the first time, separated the Health Fund from the General Fund as an independent Enterprise Fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures.[59] Together, the General Fund, Health Enterprise Fund, grants, and special purpose funds are referred to as the operating budget. The total budget is comprised of the operating budget plus capital improvement funds. The charts below compare the organization of the County's operating funds prior to FY2014 and in the current budget.

<table>
<tr><th colspan="5">FY2013 Total Operating Funds</th></tr>
<tr><th colspan="3">General Fund</th><td rowspan="2">Special Purpose Funds</td><td rowspan="2">Restricted Funds (Grants)</td></tr>
<tr><td>Corporate Fund</td><td>Public Safety Fund</td><td>Health Fund</td></tr>
</table>

<table>
<tr><th colspan="5">FY2016 Total Operating Funds</th></tr>
<tr><th colspan="2">General Fund</th><td rowspan="2">Health (Enterprise) Fund</td><td rowspan="2">Special Purpose Funds</td><td rowspan="2">Restricted Funds (Grants)</td></tr>
<tr><td>Corporate Fund</td><td>Public Safety Fund</td></tr>
</table>

The following table shows Cook County Appropriations for all funds by fund for FY2012-FY2016. Between FY2015 and FY2016, General Fund appropriations are expected to increase by $302.4 million, or 21.1%. Appropriations for the Corporate Fund will increase by $266.1 million or 147.5%. The increase is primarily due to increased pension contributions. Spending in the Public Safety Fund will also rise slightly, by $36.4 million or 2.9%. During the same time period, appropriations for the Health Enterprise Fund will increase to $1.6 billion, rising by $108.6 million, or 7.1%, in FY2016.

Special Purpose Funds appropriations are projected to increase by $52.5 million, or 9.4%, between FY2015 and FY2016. Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Under Special Purpose Funds, appropriations for Annuity and Benefits will increase by $2.8 million, or 1.5%, while spending for Bond and Interest will increase by $25 million, or 11.1%, from FY2015 approved appropriations. The increase in Bond and Interest over the two-year period is due to increased debt service payments on legacy debt.[60]

Appropriations for Capital Improvements will increase from FY2015 appropriations by $69.4 million, or 27.5%, to $321.5 million in FY2016.

In a five-year trend analysis, the County's total budget will rise by $1.6 billion, or 55.1%, from $2.9 billion in FY2012 to just over $4.5 billion in FY2016. This is due in large part to increased

[58] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, p. 8.
[59] Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 5.
[60] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 61.

expenditures in the Health Fund due to the implementation of CountyCare and to the proposed significant increase in pension contributions. Over the same period, Corporate Fund spending will rise by 183.4% while the Public Safety and Health Funds will grow by 11.8% and 90.1%, respectively. This will result in an overall increase to the General and Health Funds of $1.2 billion, or 55.3%, in the five-year period.

Special Purpose Funds appropriations will increase to $612.7 million in FY2016 from $548.2 million in FY2012. The main driver of the increase is growth in the Bond and Interest appropriations, which will increase over the five-year period by $56.5 million or 29.2%. Annuity and Benefits appropriations will stay nearly flat, decreasing by $0.5 million, or 0.3%, while Agency Special Purpose Funds, which are special purpose funds allocated to agencies across the County, will increase by $8.6 million or 5.4%, from $158.5 million in FY2012 to $167.1 million proposed for FY2016.

Capital Improvements appropriations will rise between FY2012 and FY2016, to $321.5 million from $46.3 million. This is an increase of $275.2 million or 594.2%. However, given the nature of capital spending, much more is appropriated each year for capital expenditures than is actually spent.

Cook County Appropriations All Funds by Fund: FY2012-FY2016 (in $ millions)

Fund	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Adopted	FY2016 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$ 157.6	$ 138.6	$ 154.0	$ 180.4	$ 446.5	$ 266.1	147.5%	$ 288.9	183.4%
Public Safety	$ 1,152.5	$ 1,176.5	$ 1,248.4	$ 1,251.8	$ 1,288.2	$ 36.4	2.9%	$ 135.7	11.8%
Subtotal General Fund	**$ 1,310.1**	**$ 1,315.0**	**$ 1,402.4**	**$ 1,432.2**	**$ 1,734.6**	**$ 302.4**	**21.1%**	**$ 424.6**	**32.4%**
Health	$ 865.0	$ 961.7	$ 1,370.8	$ 1,535.5	$ 1,644.1	$ 108.6	7.1%	$ 779.1	90.1%
Subtotal General & Health Funds	**$ 2,175.1**	**$ 2,276.7**	**$ 2,773.2**	**$ 2,967.7**	**$ 3,378.8**	**$ 411.0**	**13.9%**	**$ 1,203.7**	**55.3%**
Annuity & Benefits	$ 196.1	$ 193.0	$ 194.7	$ 192.8	$ 195.6	$ 2.8	1.5%	$ (0.5)	-0.3%
Bond & Interest	$ 193.5	$ 187.4	$ 187.4	$ 225.0	$ 250.0	$ 25.0	11.1%	$ 56.5	29.2%
Agency Special Purpose Funds	$ 158.5	$ 127.7	$ 138.8	$ 142.4	$ 167.1	$ 24.7	17.3%	$ 8.6	5.4%
Subtotal Special Purpose Funds	**$ 548.2**	**$ 508.0**	**$ 520.9**	**$ 560.2**	**$ 612.7**	**$ 52.5**	**9.4%**	**$ 64.5**	**11.8%**
Allowance for Uncollected Taxes	$ 8.7	$ -	$ -	$ -	$ -	$ -	-	$ (8.7)	-100.0%
Restricted Funds (Grants)	$ 148.9	$ 134.4	$ 162.5	$ 221.2	$ 227.8	$ 6.6	3.0%	$ 78.8	52.9%
Subtotal Operating Funds	**$ 2,880.9**	**$ 2,919.2**	**$ 3,456.5**	**$ 3,749.1**	**$ 4,219.3**	**$ 470.1**	**12.5%**	**$ 1,338.3**	**46.5%**
Capital Improvements	$ 46.3	$ 75.0	$ 53.3	$ 252.2	$ 321.5	$ 69.4	27.5%	$ 275.2	594.2%
Total	**$ 2,927.2**	**$ 2,994.2**	**$ 3,509.9**	**$ 4,001.3**	**$ 4,540.8**	**$ 539.5**	**13.5%**	**$ 1,613.6**	**55.1%**

Note: In the FY2013-FY2015 budgets, the Allowance For Uncollected Taxes is treated as an offset to property tax revenue instead of as an expense to more accurately reflect actual collections. The amount for FY2013 was $11,007,841; $10,826,477 for FY2014; $11,474,158 for FY2015; and $10,909,461 for FY2016.

Source: Cook County FY2016 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 49, 64 and 77.

All Funds Appropriations by Control Officer

The following exhibit shows the Cook County Appropriations for all funds by fund and control officer for FY2012-FY2016.

Cook County Appropriations All Funds by Control Officer: FY2012-FY2016 (in $ millions)

Control Officers	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Adopted	FY2016 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Fund									
Offices Under President									
President	$ 2.8	$ 2.5	$ 2.9	$ 4.4	$ 4.6	$ 0.2	5.3%	$ 1.9	67.9%
Chief Administrative Officer	$ 18.5	$ 18.8	$ 19.8	$ 21.0	$ 21.2	$ 0.2	1.1%	$ 2.7	14.8%
Chief Financial Officer	$ 10.6	$ 11.9	$ 11.8	$ 18.2	$ 20.0	$ 1.8	9.9%	$ 9.4	88.9%
Chief of Human Resources	$ 3.1	$ 3.5	$ 4.1	$ 4.2	$ 4.4	$ 0.2	4.6%	$ 1.3	42.7%
Chief Information Officer	$ 13.7	$ 10.9	$ 10.7	$ 13.0	$ 14.1	$ 1.1	8.7%	$ 0.4	3.1%
Chief of Economic Development	$ 5.0	$ 4.9	$ 5.2	$ 5.4	$ 5.4	$ 0.1	1.7%	$ 0.4	7.8%
Department of Human Rights and Ethics	$ 0.8	$ 0.7	$ 0.6	$ 0.8	$ 0.8	$ 0.0	3.4%	$ 0.1	7.0%
Chief of Asset Management	$ 37.7	$ 36.1	$ 36.8	$ 46.7	$ 46.3	$ (0.4)	-1.0%	$ 8.6	22.7%
Other Agency*	$ 57.7	$ 56.1	$ 58.2	$ 63.2	$ 67.3	$ 4.1	6.4%	$ 9.6	16.7%
Subtotal Offices Under President	**$ 149.8**	**$ 145.3**	**$ 150.1**	**$ 176.9**	**$ 184.2**	**$ 7.3**	**4.1%**	**$ 34.4**	**23.0%**
Elected & Appointed Officials									
Cook County Board of Commissioners	$ 6.7	$ 6.7	$ 6.8	$ 7.6	$ 7.7	$ 0.2	2.6%	$ 1.0	15.4%
Assessor	$ 21.7	$ 22.2	$ 23.1	$ 24.4	$ 24.7	$ 0.3	1.1%	$ 3.1	14.1%
Board of Review	$ 7.8	$ 8.3	$ 8.4	$ 8.5	$ 9.0	$ 0.5	6.4%	$ 1.2	15.6%
Chief Judge	$ 184.1	$ 175.1	$ 188.5	$ 203.7	$ 223.6	$ 19.9	9.8%	$ 39.5	21.4%
Clerk of the Circuit Court	$ 74.6	$ 75.2	$ 75.4	$ 77.9	$ 82.8	$ 4.9	6.3%	$ 8.2	11.0%
County Clerk	$ 7.5	$ 7.5	$ 7.2	$ 7.5	$ 8.3	$ 0.7	9.9%	$ 0.7	9.7%
Recorder of Deeds	$ 5.6	$ 5.2	$ 5.1	$ 5.5	$ 5.3	$ (0.2)	-4.0%	$ (0.3)	-6.2%
Sheriff	$ 444.3	$ 473.7	$ 503.0	$ 493.5	$ 513.8	$ 20.2	4.1%	$ 69.4	15.6%
State's Attorney	$ 92.5	$ 92.4	$ 95.6	$ 99.2	$ 103.8	$ 4.5	4.6%	$ 11.2	12.1%
Treasurer	$ 4.7	$ 3.8	$ 1.8	$ 1.3	$ 1.2	$ (0.1)	-11.4%	$ (3.6)	-75.6%
Inspector General	$ 1.3	$ 1.3	$ 1.7	$ 1.8	$ 2.1	$ 0.2	11.3%	$ 0.8	62.5%
Public Administrator	$ 1.1	$ 1.0	$ 1.0	$ 1.1	$ 1.1	$ 0.0	0.3%	$ (0.0)	-2.8%
Veterans Assistance Commission	$ 0.4	$ -	$ 0.4	$ 0.4	$ 0.5	$ 0.1	18.8%	$ 0.1	28.3%
Subtotal Elected & Appointed Officials	**$ 852.4**	**$ 872.4**	**$ 917.7**	**$ 932.5**	**$ 983.8**	**$ 51.3**	**5.5%**	**$ 131.3**	**15.4%**
Fixed Charges and Special Purpose	$ 307.8	$ 297.4	$ 334.6	$ 322.9	$ 566.7	$ 243.8	75.5%	$ 258.8	84.1%
Total General Fund	**$ 1,310.1**	**$ 1,315.0**	**$ 1,402.4**	**$ 1,432.2**	**$ 1,734.6**	**$ 302.4**	**21.1%**	**$ 424.6**	**32.4%**
Enterprise Health Fund									
Cook County Health and Hospitals System	$ 865.0	$ 961.7	$ 1,370.8	$ 1,535.5	$ 1,644.1	$ 108.6	7.1%	$ 779.1	90.1%
Total General & Enterprise Funds	**$ 2,175.1**	**$ 2,276.7**	**$ 2,773.2**	**$ 2,967.7**	**$ 3,378.8**	**$ 411.0**	**13.9%**	**$ 1,203.7**	**55.3%**
Special Purpose and Election Funds									
President	$ 0.01	$ -	$ -	$ -	$ -	$ -	-	$ (0.01)	-100.0%
Chief Administrative Officer	$ 30.5	$ 28.4	$ 29.3	$ 33.4	$ 35.0	$ 1.6	4.9%	$ 4.5	14.8%
Chief Financial Officer	$ 0.5	$ -	$ (0.002)	$ -	$ -	$ -	-	$ (0.5)	-100.0%
Chief Information Officer	$ 11.6	$ 10.8	$ 9.8	$ 20.2	$ 18.2	$ (1.9)	-9.7%	$ 6.7	57.6%
Public Defender	$ -	$ 0.1	$ 0.2	$ 0.2	$ 0.2	$ -	0.0%	$ 0.2	-
Cook County Health and Hospitals System	$ 5.6	$ 5.0	$ 5.4	$ 6.8	$ 7.4	$ 0.6	8.8%	$ 1.8	32.9%
Assessor	$ 1.0	$ 0.5	$ 0.7	$ 0.8	$ 0.8	$ 0.1	8.7%	$ (0.2)	-17.7%
Board of Election Commissioners	$ 16.9	$ 1.9	$ 12.4	$ 1.1	$ 17.9	$ 16.8	1580.0%	$ 1.0	5.8%
Chief Judge	$ 17.4	$ 16.4	$ 15.8	$ 11.7	$ 10.9	$ (0.8)	-7.0%	$ (6.4)	-37.0%
Clerk of the Circuit Court	$ 29.0	$ 21.7	$ 21.8	$ 19.1	$ 20.5	$ 1.4	7.4%	$ (8.5)	-29.4%
County Clerk	$ 24.4	$ 19.4	$ 22.3	$ 20.3	$ 26.4	$ 6.1	30.1%	$ 2.0	8.0%
Recorder of Deeds	$ 5.5	$ 5.8	$ 7.8	$ 8.5	$ 7.4	$ (1.1)	-13.3%	$ 1.9	34.7%
Sheriff	$ 4.2	$ 4.0	$ 1.3	$ 2.1	$ 3.6	$ 1.5	72.2%	$ (0.6)	-14.2%
State's Attorney	$ 4.0	$ 4.4	$ 4.3	$ 4.5	$ 4.3	$ (0.2)	-4.6%	$ 0.4	9.1%
Treasurer	$ 8.1	$ 9.2	$ 7.8	$ 10.5	$ 11.1	$ 0.7	6.2%	$ 3.0	37.0%
Cook County Land Bank Authority	$ -	$ -	$ -	$ 3.5	$ 3.5	$ -	0.0%	$ 3.5	-
Annuity and Benefits	$ 196.1	$ 193.0	$ 194.7	$ 192.8	$ 195.6	$ 2.8	1.5%	$ (0.5)	-0.3%
Bond and Interest	$ 193.5	$ 187.4	$ 187.4	$ 225.0	$ 250.0	$ 25.0	11.1%	$ 56.5	29.2%
Less Debt Restructuring	$ -	$ -	$ -	$ -	$ -	$ -	-	$ -	-
Subtotal Special Purpose Funds	**$ 548.2**	**$ 508.0**	**$ 520.9**	**$ 560.2**	**$ 612.7**	**$ 52.5**	**9.4%**	**$ 64.5**	**11.8%**
Allowance for Uncollected Taxes	$ 8.7	$ -	$ -	$ -	$ -	$ -	-	$ (8.7)	-100.0%
Other Restricted Funds (Grants)	$ 148.9	$ 134.4	$ 162.5	$ 221.2	$ 227.8	$ 6.6	3.0%	$ 78.8	52.9%
Total Operating Funds	**$ 2,880.9**	**$ 2,919.2**	**$ 3,456.5**	**$ 3,749.1**	**$ 4,219.3**	**$ 470.1**	**12.5%**	**$ 1,338.3**	**46.5%**
Capital Improvements	$ 46.3	$ 75.0	$ 53.3	$ 252.2	$ 321.5	$ 69.4	27.5%	$ 275.2	594.2%
Total Budget	**$ 2,927.2**	**$ 2,994.2**	**$ 3,509.9**	**$ 4,001.3**	**$ 4,540.8**	**$ 539.5**	**13.5%**	**$ 1,613.6**	**55.1%**

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

Note: In the FY2013-FY2016 budgets, the Allowance For Uncollected Taxes is treated as an offset to property tax revenue instead of as an expense to more accurately reflect actual collections. The amount for FY2013 was $11,007,841; $10,826,477 for FY2014; $11,474,158 for FY2015; and $10,909,461 for FY2016.

Sources: Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, pp. 49 and 70-77.

The operating budget is comprised of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Health Fund; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants. Cook County also has a number of independently elected officials who play important roles in the budget process; therefore, the Civic Federation examines expenditures by control officer. The following section describes two-year and five-year trends for appropriations for all funds by fund and control officer.

General and Health Funds

The General and Enterprise Health Funds budgets will collectively increase by $411 million, or 13.9%, to approximately $3.4 billion in FY2016 from FY2015 approved appropriations of just under $3.0 billion. The increase is primarily attributable to increases in pension funding and technology spending.[61] The General Fund budget for Offices Under the President will grow by $7.3 million, or 4.1%. Appropriations for the Chief Financial Officer will increase by the greatest dollar and percentage amount for Offices Under the President, rising by $1.8 million to $20.0 million in FY2016. It should be noted that in FY2016 approximately $17.9 million in expenditures that were traditionally incorporated into fixed charges, such as the cost of real estate, will begin to be allocated directly to the associated departments and contributes to some of the increased trends discussed here.[62]

The General Fund portion of the Sheriff and Chief Judge appropriations will also see substantial increases over the two-year period, rising by $20.2 million, or 4.1% and $19.9 million, or 9.8%, respectively. The contributing factors to the increases include negotiated wage increases, State legislation increasing juror fees, increased spending related to Adult Probation programs and increased spending in the Juvenile Temporary Detention Center (JTDC) and Juvenile Probation to support legislation that would keep minors from being prosecuted as adults.[63]

The budget for the Cook County Health and Hospitals System under the Enterprise Fund is projected to increase to $1.6 billion in FY2016 from $1.5 billion in FY2015. This is an increase of $108.6 million, or 7.1%. The increase in Health and Hospitals System appropriations represents 26.4% of the increase in the combined General and Health Funds and fixed charges represents 59.3% of the increase in the combined General and Health Funds.

The most significant reduction in terms of dollars in the General Fund will occur with the Chief of Asset Management. Spending will fall by $447,001, or 1.0%, to approximately $46.3 million in FY2016 from $46.7 million in FY2015. The Chief of Asset Management has seen a decline in actual spending in the General Fund between FY2012-FY2014 before increasing in FY2015 and then decreasing again FY2016. The reduction in appropriations is primarily due a reduction of 29 FTEs in FY2016.[64]

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[61] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 55.
[62] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures p. 57.
[63] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 58.
[64] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 99.

Fixed Charges and Special Purpose expenditures will see the largest dollar and percent increase in the General Fund increasing by $243.8 million, or 75.5%, between FY2015 and FY2016.[65] The $243.8 million increase in fixed charges over the two-year period are tied directly to the $270.5 million appropriation for additional pension funding in FY2016.[66]

In a five-year trend analysis of FY2012-FY2016, total spending in the General and Health Enterprise Funds will increase by 55.3% or $1.2 billion. Appropriations in the Offices Under the President will increase by $34.4 million, or 23%. During the same time period, spending for Elected and Appointed Officials will increase by $131.3 million, or 15.4%. Appropriations for control officers under each of these categories will all see increases between FY2012 and FY2016 with the exception of the Recorder of Deeds, Treasurer and Public Administrator.

Fixed Charges and Special Purpose appropriations will increase by 84.1%, or $258.8 million, in FY2016 over FY2012 actual expenditures.

Appropriations for the Treasurer's Office will fall by the most significant dollar amount in the General and Health Funds between FY2012 and FY2016, by $3.6 million or 75.6%. Appropriations for the Recorder of Deeds and the Public Administrator will decline by 6.2% and 2.8%, respectively. Health System appropriations will increase by $779.1 million, or 90.1%, from $865 million in FY2012 to $1.6 billion in FY2016.

Appropriations for the Office of the Inspector General will see the largest percentage increase rising by approximately 62.5%, or $789,280, over the five-year period, primarily due to increased salaries and wages.

It is important to note that some of the budget trends cited above are partially offset by trends in Special Purpose Funds described below. For example, in the five-year trend analyses, the decline in appropriations for the Treasurer of $3.6 million in the General Funds is mostly offset by an increase of $3.0 million in Special Purpose Funds. This means that the overall decline in the Treasurer's budget between FY2012 and FY2016 will be approximately $600,000 or 4.5%.

Special Purpose Funds

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Appropriations for Special Purpose Funds will increase by $52.5 million, or 9.4%, to $612.7 million in FY2016 from $560.2 million in FY2015. The primary driver to the overall increase is the rise in appropriations for Bond and Interest appropriations, which will grow by 11.1% or $25.0 million in FY2016 and a $16.8 million increase for the Board of Election Commissioners in the Election Fund due to the 2016 presidential elections.[67] The greatest decreases, in terms of dollar amount, will occur in the Chief

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[65] Fixed Charges and Special Purpose appropriations include items or costs that cannot be readily distributed to any one department within the respective funds as the items or costs contribute to operations of some or all departments of these funds. This line item was moved from Offices Under the President to the General Fund in the FY2013 budget, which differs from previous budgets. Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 4.
[66] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 57.
[67] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 61.

Information Officer, Chief Judge and Recorder of Deeds, where appropriations will fall by $1.9 million, $0.8 million and $1.1 million, respectively. The Special Purpose Funds appropriations for the Public Defender will remain flat in FY2016 at $158,000.

In a comparison of FY2012 actual expenditures and FY2016 proposed appropriations, total Special Purpose Funds will increase by $64.5 million or 11.8%. Most control officers will increase their Special Purpose Funds budgets over the five-year period; however, a large portion of the overall increase can be attributed to the $56.5 million, or 29.2% rise in Bond and Interest appropriations. Other large increases will occur under the Chief Administrative officer ($4.5 million), Chief Information Officer ($6.7 million) and Cook County Land Bank Authority ($3.5 million).

General Fund Expenditures by Program Area

The following section describes two-year and five-year trends for appropriations by program area in the General Fund, which includes the Corporate and Public Safety Funds, but not the Health Fund. In the FY2016 Cook County is continuing to allocate certain fixed charges directly to the departments that incur the cost. The most significant being the cost of real estate being allocated to various departments.

Over the two-year period total expenditures by program area in the General Fund will increase by $302.4 million, or 21.1%, rising from $1.4 billion in FY2015 to $1.7 billion in FY2016. The largest dollar and percentage increase over the two-year period will be Fixed Charges, which will increase by $243.8 million, or 75.5%, from $322.9 million in FY2015 to $566.7 million proposed in FY2016. The increase in fixed charges is primarily due to $270.5 million in increased pension contributions.[68] Public Safety will see a $53.1 million, or 5.4% increase in expenditures between FY2015 and FY2016. The increase in Public Safety expenditures is primarily due to the allocation of fixed charges to the various department budgets and retroactive wage increases tied to collective bargaining agreements.[69]

Over the five-year period, Public Safety will again see the largest dollar increase. The increase in Public Safety over the five-year period is primarily due to investment in alternatives to detention for juvenile offenders and bond court improvements, increased staffing in the Adult and Juvenile

[68] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 57.
[69] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 58.

Probation Departments, Juvenile Temporary Detention Center, a shift of positions from special purpose funds to the General Fund and increased pension contributions.[70]

General Fund Expenditures by Program Area FY2012-FY2016 (in $ millions)									
Program Areas	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Public Safety	$ 826.6	$ 878.2	$ 917.4	$ 985.3	$ 1,038.4	$ 53.1	5.4%	$ 211.8	25.6%
Finance and Administration	$ 59.2	$ 60.0	$ 62.5	$ 71.5	$ 75.7	$ 4.2	5.9%	$ 16.4	27.8%
Property and Taxation	$ 47.4	$ 47.8	$ 48.1	$ 47.3	$ 48.4	$ 1.2	2.5%	$ 1.1	2.3%
Economic Development	$ 5.3	$ 4.8	$ 5.5	$ 5.4	$ 5.4	$ 0.1	1.7%	$ 0.2	2.9%
Fixed Charges	$ 403.4	$ 341.1	$ 343.1	$ 322.9	$ 566.7	$ 243.8	75.5%	$ 163.2	40.5%
Total Expendiutres	**$1,341.9**	**$ 1,332.0**	**$1,376.5**	**$1,432.2**	**$ 1,734.6**	**$ 302.4**	**21.1%**	**$ 392.7**	**29.3%**

Source: Cook County FY2016 Budget Recommendation, p. 60.

Grant Funds as a Percentage of Total Appropriations

The County receives grant funding from federal and State agencies as well as private organizations for a variety of direct and indirect services it provides to its 5.2 million residents.[71] In FY2016 grant funds will amount to 5.0% of the total budget for Cook County, or $227.8 million of the County's $4.5 billion total budget. In FY2016 the County's grant funding will increase by $6.6 million, or 3.0%, from the FY2015 amount of $221.2 million. A large portion of the increase in grant funding can be attributed to carryover funding from the Department of Planning and Development and Homeland Security and Emergency Management's formula grant programs.[72] The Department of Planning and Development, under the Bureau of Economic Development, will see a 7% increase from FY2015 funding levels. This increase is in part due to carryover funding from the U.S. Department of Housing and Urban Development Disaster Recovery funding focused on providing long-term support for areas of suburban Cook County impacted by flooding.[73] Another portion of the increase, $9.6 million, is attributable to Community Development Block Grant. An additional $4.2 million in grant funds will come from the HOME investment grant and $819,548 will come from Emergency Solutions Grants.[74]

The Offices Under the President will receive 42.5%, or $175.4 million, of its $413 million total all funds budget in grant funds. The amount allocated for the Offices Under the President represents 77% of total grant funds as a portion of total appropriations. The President's Office and the Chief of Economic Development both have grant funding as the vast majority of their appropriations, at 92.7% and 95.3% respectively. Of the total appropriations for Elected Officials, $37.4 million, or 3.3%, will come from grants. A large portion, 58%, of Elected Officials' grant funds will go toward the State's Attorney by way of the Child Support Enforcement grant and Appellate Assistance Program grant, among others.[75] Cook County

[70] Cook County FY2013 Executive Budget Recommendation, Proposed Expenditures, p. 1; FY2015, p. 50; and FY2016, p. 58.
[71] Cook County FY2016 Executive Budget Recommendation, Grants, p. 107.
[72] Cook County FY2016 Executive Budget Recommendation, Grants, p. 107.
[73] Cook County FY2016 Executive Budget Recommendation, Grants, p. 107.
[74] Cook County FY2016 Executive Budget Recommendation, Grants, p. 108.
[75] Cook County FY2016 Executive Budget Recommendation, Grants, p. 115.

Health and Hospitals System will also receive grant funds. The Health System is expected to receive $11.9 million, or 0.7%, of its $1.7 billion budget in grant funding.

Cook County FY2016 Grant Funds as a % of Total Appropriations					
Control Officers		**Grant Funds**		**Total Appropriations**	**Grants as % of Total Appropriations**
Offices Under President					
President	$	59,171,915	$	63,820,916	92.7%
Chief Administrative Officer	$	5,277,976	$	61,456,603	8.6%
Chief Financial Officer	$	-	$	20,001,003	0.0%
Chief of Human Resources	$	-	$	4,433,965	0.0%
Chief Information Officer	$	-	$	32,332,377	0.0%
Chief of Economic Development	$	109,104,716	$	114,544,854	95.3%
Chief of Asset Management	$	1,315,622	$	47,591,611	2.8%
Department of Human Rights and Ethics	$	-	$	823,280	0.0%
Other Agency*	$	552,881	$	67,994,602	0.8%
Subtotal Offices Under President	**$**	**175,423,110**	**$**	**412,999,211**	**42.5%**
Elected Officials					
Cook County Board of Commissioners	$	-	$	7,747,689	0.0%
Assessor	$	-	$	25,533,572	0.0%
Board of Review	$	-	$	9,048,090	0.0%
Board of Election Commissioners	$	-	$	17,861,077	0.0%
Chief Judge	$	4,212,179	$	238,704,885	1.8%
Clerk of the Circuit Court	$	3,267,500	$	106,556,243	3.1%
County Clerk	$	547,939	$	35,178,017	1.6%
Recorder of Deeds	$	-	$	12,641,880	0.0%
Sheriff	$	7,694,682	$	525,100,619	1.5%
State's Attorney	$	21,709,450	$	129,810,754	16.7%
Treasurer	$	-	$	12,294,073	0.0%
Inspector General	$	-	$	2,051,123	0.0%
Public Administrator	$	-	$	1,112,797	0.0%
Veterans Assistance Commission	$	-	$	475,000	0.0%
Subtotal Elected Officials	**$**	**37,431,750**	**$**	**1,124,115,819**	**3.3%**
Health System					
Cook County Health and Hospitals System	$	11,850,150	$	1,663,347,636	0.7%
Other					
Cook County Land Bank Authority	$	3,063,194	$	6,513,194	47.0%
Capital Improvements	$	-	$	321,545,658	0.0%
Subtotal Health System and Other	**$**	**14,913,344**	**$**	**1,991,406,488**	**0.7%**
Fixed Charges and Special Purpose	$	-	$	1,012,279,720	0.0%
Total Budget	**$**	**227,768,204**	**$**	**4,540,801,238**	**5.0%**

*Includes Department of Administrative Hearings, County Auditor, Public Defender, which refer to operational expenses that do not have dedicated revenue sources.
Source: Cook County, FY2016 Executive Budget Recommendation, Proposed Expenditures, pp. 93-94.

RESOURCES

This section describes General Fund and Health Enterprise Fund resources for Cook County and the property tax levy, which is used for all fund purposes. The following section presents trends for Cook County proposed FY2016 resources for all funds by fund and by control officer. FY2016 proposed resources are compared to actual revenues for FY2012-FY2014 and FY2015 adopted resources.

Proposed FY2016 General and Health Fund Resources

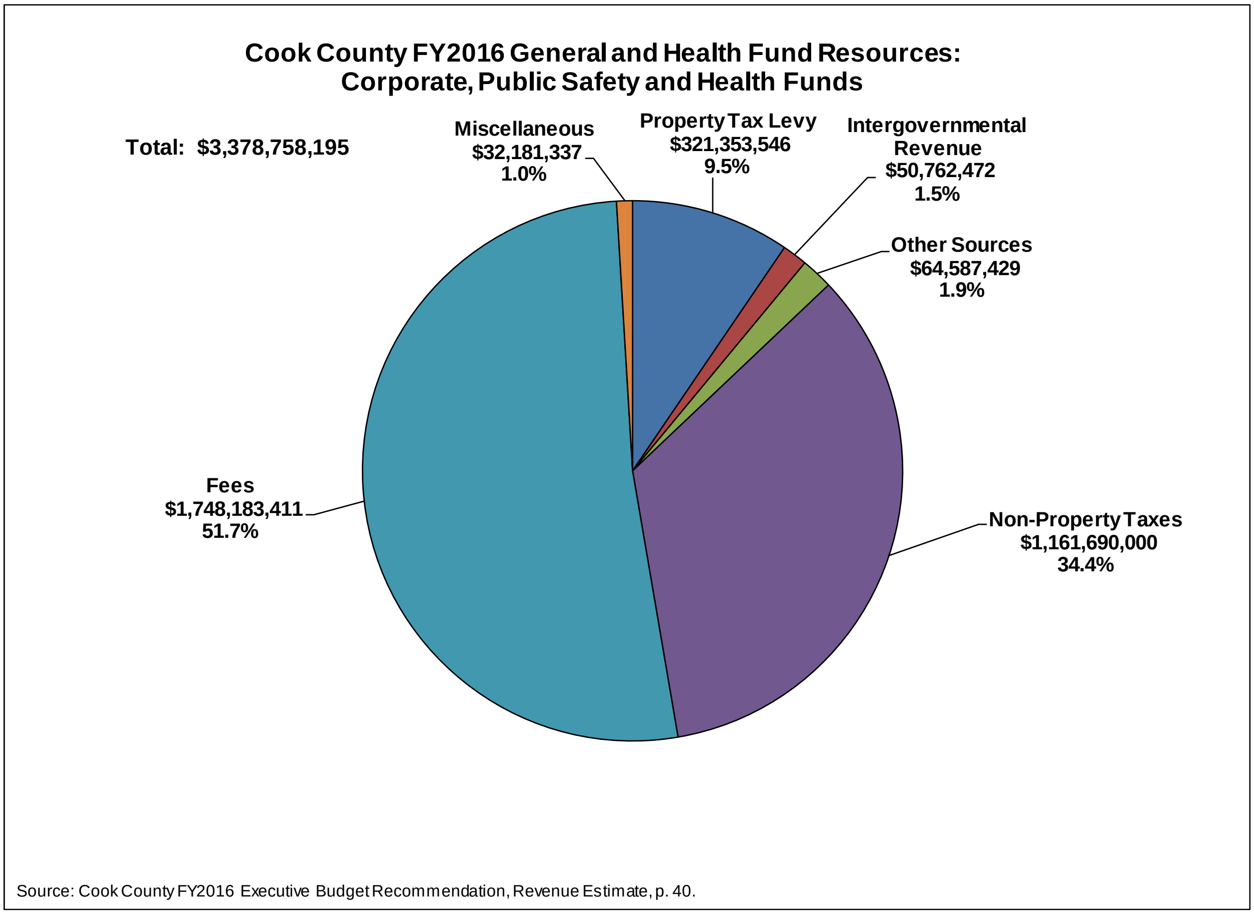
The operating budget is comprised of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Health Fund; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants. For this section, the focus is on the General and Health Funds. FY2016 the County expects to generate nearly $3.4 billion from General and Health Fund revenue sources. The Corporate Fund is the County's general operating fund and accounts for approximately 13%, or nearly $446 million, of the County's revenues in FY2016. The Public Safety Fund accounts for the County's criminal justice system, including its jails, courts and related programs. The Public Safety Fund makes up roughly 38% of the total FY2016 operating revenues at $1.3 billion. The Health Fund accounts for the County's public health care system and makes up 49%, or $1.64 billion, of the County's total operating resources.[76]

The chart below exhibits total General Fund and Health Enterprise Fund resources. Of the $3.4 billion in General and Health Fund revenues, fees represent the largest resource at $1.7 billion, or 51.7%, of the total resources in FY2016. Non-property taxes are the second largest resource at 34.4%, bringing in approximately $1.2 billion in FY2016. Non-property taxes include the Cook County sales tax and use tax, State income tax and various consumer taxes, such as the alcohol, cigarette, gas, gambling machine, wheel and amusement taxes and other sources.[77] Property taxes, which includes TIF surplus declared by the City of Chicago, will make up 9.5% of General and Health Fund resources at $321.4 million.

Other sources, which make up 1.9% of resources, refer to revenues generated from the Motor Fuel Tax which the State collects and remits to the County and indirect costs reimbursed from Special Purpose Funds and Grants and allocated accordingly back to the General Fund.[78] Intergovernmental revenues, which make up 1.5% of resources, include revenues distributed by the State, such as revenue from the Administrative Office of the Illinois Courts (AOIC) for the reimbursement of salaries for probation officers and administrative staff. The AOIC subsidizes salaries of probation officers and other administrative staff that work for the Juvenile Temporary Detention Center (JTDC) and adult probation. The subsidy from the State for these salaries should increase from 69% in FY2015 to 88% of salaries in FY2016. In addition, the JTDC transitioned from supervision by a Federal Transitional Administrator to the Office of Chief Judge so personnel assigned to the JTDC will be eligible for the AOIC subsidy in FY2016.[79] It should be noted, however, that the State has not reimbursed the County for these salaries as of

[76] Cook County FY2016 Executive Budget Recommendation, pp. 26-27.
[77] Cook County FY2016 Executive Budget Recommendation, pp. 28-32.
[78] Cook County FY2016 Executive Budget Recommendation, p. 38-39.
[79] Cook County FY2016 Executive Budget Recommendation, p. 37.

October 2015, as a result of the State's budget impasse. Miscellaneous revenue refers to property rental income from County buildings, the sale of excess real estate, the commissions on public telephones, proceeds from unclaimed estates, investment income and other sources, such as the sale of salvage, parking fees and energy efficiency rebates.[80] Miscellaneous revenue is expected to decrease by 30.6%, or $14.2 million, in FY2016 when compared to FY2015 adopted appropriations.



General and Health Fund Resource Trends

Cook County's General and Health Enterprise Fund resources are projected to increase by $411.0 million, or 13.9%, between the FY2015 adopted budget and FY2016 proposed budget, primarily due to the 1% sales tax increase. In the five-year period between actual FY2012 resources and those proposed for FY2016, Cook County General and Health Fund resources will increase by nearly $1.2 billion or 52.7%.

The proposed budget reflects the one percentage point sales tax increase that was adopted by the Board on July 15, 2015. It also reflects increased membership of approximately 180,000 patients enrolled in CountyCare, Cook County's Medicaid Managed Care plans. In FY2016 as in FY2015 the federal government will reimburse the County at 100% of the costs for newly eligible

[80] Cook County FY2016 Executive Budget Recommendation, p. 38.

Medicaid recipients under the Affordable Care Act. The increase in the Health System resources reflects the projected increase in CountyCare population.[81]

Property Taxes

In FY2016 the gross Cook County property tax levy will total nearly $752 million. The levy remained at $720.4 million from 2001 to 2011 and then increased slightly over the subsequent years to capture tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. This is not a tax increase; instead taxpayers pay the County rather than the TIF district. In FY2016 the gross levy will increase again as Cook County captures roughly $10.4 million in new gross revenue from new property, expiring property tax incentives and expiring TIF districts.[82] The total levy net of uncollected taxes will be $741 million. The portion of the net levy used for General and Health Fund purposes in FY2016 is estimated to be $310.0 million, a decrease of 11.7% from $351.1 million the previous year. The decrease in the property tax available for the operating budget is due largely to increased use of the property tax for pension payments as well as a payment into the Election Fund for the upcoming presidential election cycle.[83]

Non-Property Taxes

Effective July 1, 2010, the County Board passed an ordinance rolling back its FY2008 increase in the sales tax of one percentage point in stages. FY2014 was the first full fiscal year reflecting the full rollback of the sales tax increase. However, on July 15, 2015, the Cook County Board of Commissioners voted nine to seven to once again increase the County sales tax by one percentage point from .075% to 1.75%, which will take effect on January 1, 2016. [84] Once in place, the increase to the sales tax is estimated to bring in an additional $308.0 million in FY2016 and $473.8 million in FY2017. The additional revenue from the increase to the sales tax does not address the FY2016 operating budget deficit, but is instead dedicated to:

- Additional pension appropriation of $270.5 million and $340.7 million in FY2016 and FY2017, respectively;
- Increased highway funding of $10 million and $64.5 million in FY2016 and FY2017, respectively;
- Increased legacy debt service costs of $25 million and $55 million in FY2016 and FY2017, respectively; and
- Pay-As-You-Go for technology investment of $2.5 million and $13.6 million in FY2016 and FY2017, respectively.[85]

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[81] Cook County FY2016 Executive Budget Recommendation, pp. 37-38.
[82] Cook County FY2016 Executive Recommendation, p. 49.
[83] Cook County FY2016 Executive Recommendation, p. 26.
[84] For more information, see the Civic Federation, "Cook County Increases Its Sales Tax by One Percentage Point," available at https://www.civicfed.org/civic-federation/blog/cook-County-increases-its-sales-tax-one-percentage-point
[85] Cook County FY2016 Executive Budget Recommendation, p. 2.

The FY2013 budget expanded the County home rule use tax to non-titled property in order to encourage the purchase of personal property by businesses within Cook County.[86] Previously, only titled property purchased outside Cook County valued above $3,500 was subject to a 1.00% use tax. The policy change expanded the use tax to all personal property purchased outside of Cook County for use within the County. The rate for the non-titled property use tax was originally proposed to be 1.25%, but was reduced to 0.75% effective June 1, 2013.[87] The rate reduction made the use tax equal to the FY2013 home rule sales tax rate.

The Cook County Circuit Court issued a preliminary injunction against the tax and the County appealed.[88] On August 4, 2014, the Illinois Appellate Court affirmed the Circuit Court decision striking down the use tax on non-titled personal property because the tax violated the Illinois Counties Code. For FY2016, titled property within the County is taxed at the 1.00% rate.

Combined receipts of both the home rule sales and use taxes are expected to be $740.5 million in FY2016, up $322.0 million, or 76.9%, from the FY2015 adopted figures. When fully implemented the sales tax will bring in more revenue. Thus, sales tax revenues are estimated to nearly double as a result of the one percentage point increase in the sales tax bringing the County tax to a total of 1.75%.

A major source of home rule tax revenue is tobacco taxes, which include the cigarette tax and a tax on other tobacco products. On March 1, 2013, the County increased the home rule cigarette tax by $1 per pack to a total of $3 per pack. This increased the composite cigarette tax rate in Chicago to $6.67 per pack, one of the highest in the nation. Overall, tobacco revenues are projected to increase slightly by 0.5%, or $650,000 in FY2016, increasing from a budgeted level of $142.1 million in FY2015 to $142.8 million. Since FY2012 tobacco tax revenues will have increased by 9.8%, or $12.8 million.

Fee Revenues

As noted above, fees represent the largest source of all General and Health Fund revenues, at $1.7 billion or 51.7%. The largest source of fee revenue will be patient fees from the Cook County Health and Hospitals System. Other fees include court fees collected by the Clerk of the Circuit Court, Recorder of Deeds fees and Treasurer's Office fees, among others. The County is projecting an increase in revenue from fees, from $1.6 billion in FY2015 to $1.7 billion in FY2016, a $115.7 million, or 7.1% increase. Over the five-year period, fee revenues are expected to rise by 103.6%, or $889.5 million, from $858.7 million in FY2012 to $1.7 billion in FY2016. Almost all of the two- year and five-year increases come from patient fees at the Health System.

Patient fees are projected to increase by 10.8%, or $147.6 million, from $1.4 billion in FY2015 to $1.5 billion in FY2016. The revenue in the patient fees category is comprised of Medicaid revenues from the federal government based on patient fees and supplemental Medicaid

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[86] Cook County FY2013 Executive Recommendation, p. 2.

[87] http://www.grantthornton.com/~/media/content-page-files/tax/pdfs/RSS-SALT/2014/IL-Cook-County-Use-Tax-8-13-14.pdf?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original (last accessed October 27, 2016).

[88] John Byrne, "Preckwinkle's use tax takes a hit," *Chicago Tribune*, October 8, 2013.

payments designed for hospitals serving large numbers of uninsured patients. These revenues include: 1) Disproportionate Share Hospital (DSH) payments and 2) payments provided under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement Protection Act (BIPA) of 2000.

The 10.8% increase in patient fees is largely due to projected membership of 180,000 members in CountyCare.[89] CountyCare revenues are projected to be $952.4 million in FY2016, up from $914.6 million budgeted for FY2015.[90]

Miscellaneous, Intergovernmental and Other Revenue Sources

Miscellaneous revenue is expected to decrease in FY2016 by 30.6%, or $14.2 million, from FY2015 budgeted appropriations. Miscellaneous revenue includes commissions on public telephones, real estate rental income, sale of excess real estate, proceeds from the estates of unknown heirs, investment income, and other forms of revenue such as energy efficiency rebates, parking fees, and the sale of salvage.[91]

Intergovernmental revenues are resources granted by the federal and State government and include reimbursements for the salaries of the State's Attorney and Public Defender, revenue from the State Criminal Alien Assistance Program (SCAAP), probation, juvenile court, and Juvenile Temporary Detention Center (JTDC). These revenues are expected to increase by 24.7%, or $10.1 million, in FY2016 largely due to an increase in funding from the Administrative Office of the Illinois Courts (AOIC). This will be an increase in AOIC reimbursements from $46.4 million to $50.8 million. From FY2012 to FY2016, intergovernmental revenues are expected to increase by $31.5 million or 163.3%. This is due in part to the Juvenile Temporary Detention Center's transition from a Federal Transitional Administrator to the Office of the Chief Judge, resulting in additional personnel being eligible for the AOIC subsidy. Furthermore, in previous years a portion of the AOIC subsidy was deposited into a Special Purpose Fund which was dissolved in FY2015 with all funds going to Public Safety.[92] As of October of 2015, the County had not received any reimbursements from the State, which allocates federal funds, due to the budget impasse.[93]

Other financing sources include revenue generated from the State-collected Motor Fuel Tax as well as indirect costs reimbursed from Special Purpose Funds and Grants and allocated back to the Cook County General Fund. Proposed FY2016 other financing sources revenues are expected to generate $64.6 million. This is a decrease of $14.7 million, or 18.5%, from the FY2015 adopted budget. The table below summarizes Cook County General Fund and Health Enterprise

[89] Cook County FY2016 Executive Recommendation, p. 36.
[90] Cook County FY2016 Executive Recommendation, p. 40.
[91] Cook County FY2016 Executive Recommendation, p. 38.
[92] Cook County FY2015 Executive Recommendation, p. 12.
[93] Cook County FY2016 Executive Recommendation, p. 37.

Fund resources for FY2016. Total resources are projected to increase by 13.9%, or $411.0 million, in FY2016 over FY2015 due largely to the increase in the sales tax.

Cook County General and Health Fund Resources FY2012-FY2016 (in $ thousands)									
	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Adopted	FY2016 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Property Taxes									
Net Tax Levy	$ 335,209.3	$ 355,920.2	$ 350,056.1	$ 351,066.8	$ 310,087.5	$ (40,979.2)	-11.7%	$ (25,122)	-7.5%
TIF Surplus	$ 4,441.2	$ 1,908.8	$ 2,666.3	$ 5,920.0	$ 11,266.0	$ 5,346.0	90.3%	$ 6,825	153.7%
Subtotal Property Taxes	**$ 339,650.5**	**$ 357,829.0**	**$ 352,722.4**	**$ 356,986.8**	**$ 321,353.5**	**$ (35,633.2)**	**-10.0%**	**$ (18,297)**	**-5.4%**
Non-Property Taxes									
Sales	$ 458,191.3	$ 363,836.8	$ 333,455.4	$ 345,000.0	$ 663,500.0	**$ 318,500.0**	92.3%	$ 205,309	44.8%
Use	$ 57,366.3	$ 65,337.3	$ 73,344.3	$ 73,500.0	$ 77,000.0	**$ 3,500.0**	4.8%	$ 19,634	34.2%
Subtotal Sales & Use Taxes	**$ 515,557.6**	**$ 429,174.1**	**$ 406,799.7**	**$ 418,500.0**	**$ 740,500.0**	**$ 322,000.0**	76.9%	$ 224,942	43.6%
Alcoholic Beverage	$ 33,969.0	$ 35,028.6	$ 35,760.7	$ 37,750.0	$ 37,000.0	**$ (750.0)**	-2.0%	$ 3,031	8.9%
State Sales Tax (Retailer's Occupation)	$ 2,948.1	$ 3,114.3	$ 2,828.4	$ 2,870.0	$ 2,440.0	**$ (430.0)**	-15.0%	$ (508)	-17.2%
Non-Retailer Transactions	$ 878.3	$ 14,923.2	$ 9,285.9	$ 15,100.0	$ 22,000.0	**$ 6,900.0**	45.7%	$ 21,122	2404.9%
Cigarette and Other Tobacco	$ 129,995.1	$ 155,697.4	$ 138,075.8	$ 142,100.0	$ 142,750.0	**$ 650.0**	0.5%	$ 12,755	9.8%
Gas	$ 89,596.4	$ 85,709.9	$ 89,659.8	$ 89,000.0	$ 88,650.0	**$ (350.0)**	-0.4%	$ (946)	-1.1%
Retail Sale/Motor Vehicles	$ 2,656.1	$ 2,829.8	$ 3,061.7	$ 3,200.0	$ 3,200.0	**$ -**	0.0%	$ 544	20.5%
Wheel	$ 4,206.3	$ 3,735.0	$ 3,836.7	$ 4,100.0	$ 4,100.0	**$ -**	0.0%	$ (106)	-2.5%
Amusement	$ 32,660.3	$ 25,827.3	$ 27,791.3	$ 30,000.0	$ 49,750.0	**$ 19,750.0**	65.8%	$ 17,090	52.3%
Parking Lot	$ 39,618.0	$ 41,535.2	$ 44,808.1	$ 44,500.0	$ 45,500.0	**$ 1,000.0**	2.2%	$ 5,882	14.8%
Gaming Amusement Machine Tax	$ -	$ 232.6	$ 522.9	$ 1,400.0	$ 1,500.0	**$ 100.0**	7.1%	$ 1,500	
Firearms and Ammunition Tax	$ -	$ 489.1	$ 889.3	$ 950.0	$ 800.0	**$ (150.0)**	-15.8%	$ 800	
Non Titled Use Tax	$ -	$ 4,214.3	$ -	$ -		**$ -**			
OTB Commissions	$ 1,648.9	$ 2,566.9	$ 1,326.9	$ 1,450.0	$ 1,150.0	**$ (300.0)**	-20.7%	$ (499)	-30.3%
Gaming	$ 8,345.3	$ 8,345.4	$ 8,453.4	$ 8,500.0	$ 8,450.0	**$ (50.0)**	-0.6%	$ 105	1.3%
State Income Tax	$ 10,750.7	$ 11,748.2	$ 11,963.3	$ 12,550.0	$ 13,900.0	**$ 1,350.0**	10.8%	$ 3,149	29.3%
Subtotal Non-Property Taxes	**$ 872,829.9**	**$ 825,171.3**	**$ 785,064.1**	**$ 811,970.0**	**$ 1,161,690.0**	**$ 349,720.0**	**43.1%**	**$ 288,860**	**33.1%**
						$ -			
Fee Revenue						**$ -**			
Patient Fees*	$ 577,956.8	$ 673,831.2	$ 1,299,862.6	$ 1,371,512.5	$ 1,519,117.0	**$ 147,604.5**	10.8%	$ 941,160	162.8%
Clerk of Circuit Court	$ 94,212.4	$ 87,614.9	$ 78,498.5	$ 93,500.0	$ 77,990.0	**$ (15,510.0)**	-16.6%	$ (16,222)	-17.2%
Recorder of Deeds Fees**	$ 35,819.7	$ 40,219.5	$ 35,947.3	$ 34,916.0	$ 34,043.3	**$ (872.7)**	-2.5%	$ (1,776)	-5.0%
Treasurer's Fees	$ 90,244.0	$ 84,119.2	$ 80,510.2	$ 70,000.0	$ 54,000.0	**$ (16,000.0)**	-22.9%	$ (36,244)	-40.2%
Other***	$ 60,492.9	$ 61,473.7	$ 60,641.3	$ 62,523.9	$ 63,033.1	**$ 509.2**	0.8%	$ 2,540	4.2%
Subtotal Fee Revenue	**$ 858,725.8**	**$ 947,258.5**	**$ 1,555,459.9**	**$ 1,632,452.3**	**$ 1,748,183.4**	**$ 115,731.1**	**7.1%**	**$ 889,458**	**103.6%**
						$ -		$ -	
Miscellaneous Revenues						**$ -**		$ -	
Misc. Revenues****	$ 28,074.4	$ 22,420.3	$ 14,326.0	$ 46,369.8	$ 32,181.3	**$ (14,188.5)**	-30.6%	$ 4,107	14.6%
Subtotal Misc. Revenues	**$ 28,074.4**	**$ 22,420.3**	**$ 14,326.0**	**$ 46,369.8**	**$ 32,181.3**	**$ (14,188.5)**	**-30.6%**	**$ 4,107**	**14.6%**
						$ -			
Intergovernmental Revenues						**$ -**		$ -	
Intergovernmental Revenues*****	$ 19,258.3	$ 19,486.0	$ 23,240.9	$ 40,703.9	$ 50,762.5	**$ 10,058.5**	24.7%	$ 31,504	163.6%
Subtotal Intergovernmental Revenues	**$ 19,258.3**	**$ 19,486.0**	**$ 23,240.9**	**$ 40,703.9**	**$ 50,762.5**	**$ 10,058.5**	**24.7%**	**$ 31,504**	**163.6%**
						$ -			
Other Financing Sources						**$ -**			
Motor Fuel Tax	$ 74,500.0	$ 74,500.0	$ 74,500.0	$ 64,500.0	$ 54,500.0	**$ (10,000.0)**	-15.5%	$ (20,000)	-26.8%
Indirect Costs	$ 19,222.9	$ 13,110.5	$ 9,511.5	$ 14,742.7	$ 10,087.4	**$ (4,655.3)**	-31.6%	$ (9,135)	-47.5%
Subtotal Other Financing Sources	**$ 93,722.9**	**$ 87,610.5**	**$ 84,011.5**	**$ 79,242.7**	**$ 64,587.4**	**$ (14,655.3)**	**-18.5%**	**$ (29,135)**	**-31.1%**
Total	**$ 2,212,261.8**	**$ 2,259,775.7**	**$ 2,814,824.8**	**$ 2,967,725.5**	**$ 3,378,758.2**	**$ 411,032.7**	**13.9%**	**$ 1,166,496**	**52.7%**

Note: Most recent actual data was used.

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

**Recorder of Deeds Fees include Recorder Audit Revenues.

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

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

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

Sources: FY2016 Executive Recommendation, Revenue Estimate, p. 40; Cook County FY2014 Annual Appropriation Bill, p. 31 and FY2015, p.34.

Property Tax Levy for All Funds

In FY2016 the gross Cook County property tax levy will total nearly $752.0 million. The levy remained at $720.4 million from 2001 to 2011 and then increased slightly over the subsequent years to capture tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. In FY2016 the gross levy will increase again as Cook County captures roughly $10.4 million in new gross revenue from new property, expiring property tax incentives and expiring TIF districts.[94] The total levy net of uncollected taxes will be $741.0 million. The portion of the net levy used for operating purposes in FY2016 is estimated to be $310.0 million, a decrease of 11.7% from $351.1 million the previous year. The decrease in the property tax available for the operating budget is due largely to increased use of the property tax

94 Cook County FY2016 Executive Recommendation, p. 49.

for pension payments as well as a payment into the Election Fund for the upcoming presidential election cycle.[95] The $10.4 million levy related to TIF districts is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $10.4 million for Chicago TIF district expenses. Now, they will pay the $10.4 million instead as part of the Cook County levy. The levy on new property only affects those taxpayers whose property has been improved.

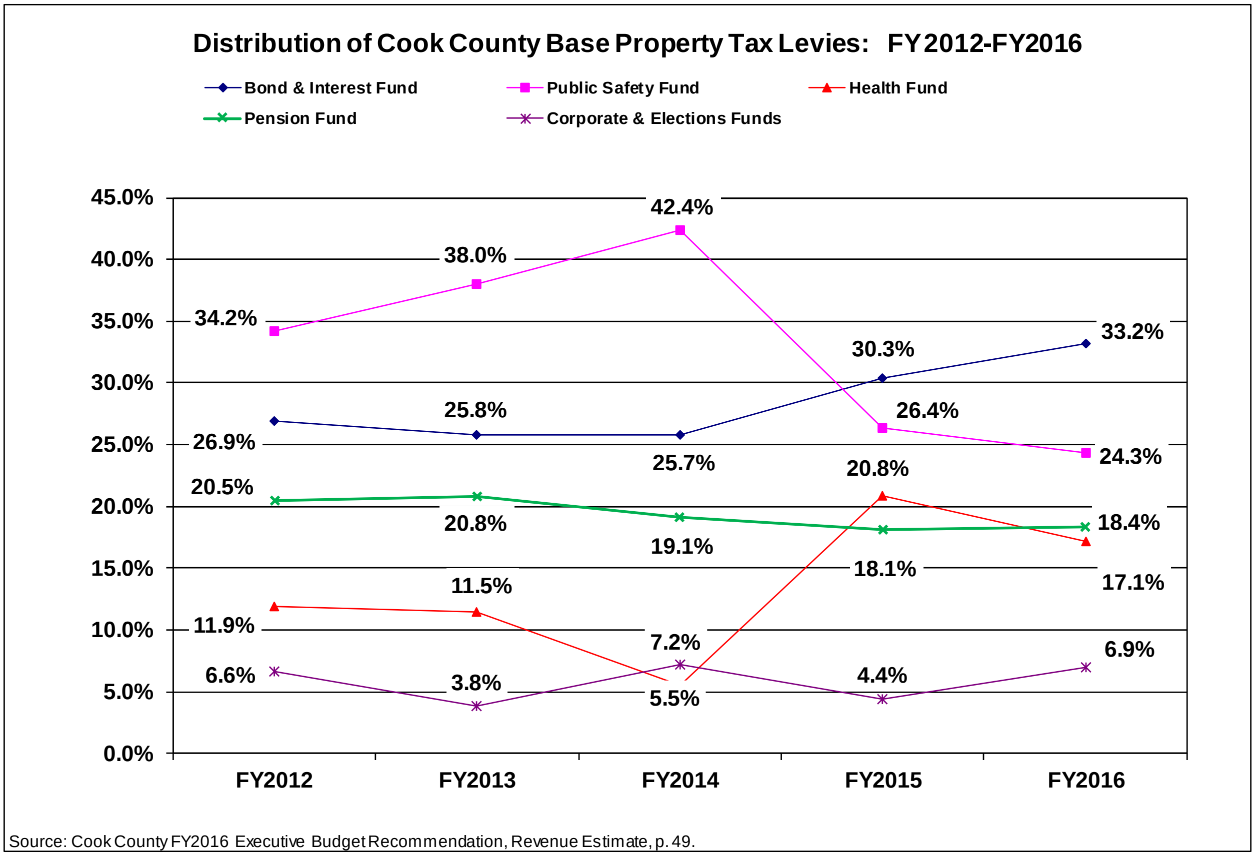
Property tax revenues are distributed to six major funds: Corporate Purpose, Election, Public Safety, Health Enterprise, Bond and Interest and Pension (also known as the Employee Annuity and Benefit Fund). However, because the distribution of the levy related to expiring TIF districts, property tax incentives and new property to the various funds was not described in some previous years they are not included in the chart below. The chart below only includes the base property tax levy. It does not include the levy for expiring TIF districts, property tax incentives and new property. Changes in the distribution of the base levy between FY2012 and FY2016 are shown below.

Three of the funds, Public Safety, Bond and Interest and Pension Funds, will consume 75.9%, or $547 million, of the base levy in FY2016. The Bond and Interest Fund will consume the largest amount of the base levy at $239.5 million or 33.2% of the total. This is a decrease of 2.1 percentage points from Bond and Interest's 26.4% share in FY2015. The Public Safety Fund will spend 24.3%, or $175.0 million, in FY2016. This is a decrease of 16.0 percentage points from Public Safety's 42.4% share in FY2015. Finally, the Pension Fund will be the third largest expenditure for levy resources at 18.4%, or $132.6 million, of the base levy in FY2016, a modest 0.3% increase. In comparison to FY2015, the Health Enterprise Fund will receive $26.5 million less from the property tax in FY2016, a decrease of 3.7%.

For purposes of our analysis, the relatively small Corporate and Election Funds have been combined. In FY2016 the portion of the levy dedicated to these funds will be 6.9%. The year-to-year fluctuation of this portion of the levy coincides with federal and State election years which

[95] Cook County FY2016 Executive Recommendation, p. 26.

accounts for the 2.5 percentage point, or $18.4 million, increase in FY2016 as a result of the presidential election cycle.



PERSONNEL TRENDS

The following section addresses trends for budgeted personnel by fund and by control officer as well as trends in personal service appropriations for all funds.[96]

The County proposes a decrease of 295 full-time equivalent (FTE) positions from the adopted FY2015 budget in the General Fund, Special Purpose Funds and Health Fund for a total of 22,926.4 FTEs in FY2016.[97] When grant funds are included, the total workforce is 23,418.7 FTEs, a decrease of 287.1 FTEs, or 1.2%, from the approved FY2015 budget.[98] The proposed decrease in FTEs in the Corporate Fund and Public Safety Fund is primarily due to reductions in vacant positions.[99]

Full-Time Equivalent Positions by Fund

The County's FY2016 budget proposes to decrease FTE positions in the Corporate Fund, Public Safety Fund, Election Fund and Health Fund.[100] The Corporate Fund's FTEs will decrease by 49.4, or 3.3%, from the FY2015 approved FTEs. The Public Safety Fund will decrease by 204.5 FTEs, or by 1.5% from FY2015 approved FTEs. The Health Fund will decrease by 10.9 FTEs or by 0.2%. Designated FTEs in Other Special Purpose Funds are declining by 24.2 FTEs, or 3.0%, from the FY2015 approved budget.

Over the five-year period beginning in FY2012, FTE count excluding grant funds will decrease by 68.4 FTEs. When also excluding the Health Fund, FTE count will increase 253.7 FTEs over the five-year period. All funds will see a reduction in FTEs over the five-year period, with the exception of the public safety fund. The Corporate Fund workforce has decreased by 105.8 FTEs or 6.7%. In contrast, the Public Safety workforce is projected to increase by 540.3 FTEs or 4.1%. The Health Fund is projected to decrease by 322.1 FTEs. As mentioned above, the projected decrease in FTE count is primarily due to a reduction in vacant positions.

Cook County Budgeted FTEs by Fund: FY2012-FY2016

Fund	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,569.8	1,531.5	1,539.3	1,513.4	1,464.0	(49.4)	-3.3%	(105.8)	-6.7%
Public Safety Fund	13,287.3	13,329.4	13,831.8	14,032.1	13,827.6	(204.5)	-1.5%	540.3	4.1%
Election Fund	133.0	133.0	133.0	134.0	128.0	(6.0)	-4.5%	(5.0)	-3.8%
Other Special Purpose Funds	946.9	916.9	896.5	795.3	771.1	(24.2)	-3.0%	(175.8)	-18.6%
Subtotal without Health Fund	**15,937.0**	**15,910.8**	**16,400.6**	**16,474.8**	**16,190.7**	**(284.1)**	**-1.7%**	**253.7**	**1.6%**
Health Fund	7,057.8	6,668.1	6,744.1	6,746.6	6,735.7	(10.9)	-0.2%	(322.1)	-4.6%
Total	**22,994.8**	**22,578.9**	**23,144.7**	**23,221.4**	**22,926.4**	**(295.0)**	**-1.3%**	**(68.4)**	**-0.3%**

Note: Some differences in totals may appear due to rounding. Figures do not include grant-funded positions.
Source: Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, pp. 95-98.

[96] Although personnel data for the Cook County Health and Hospitals System is included, details on the Health System are discussed on page 50 of this report.
[97] This number does not include grant-funded positions.
[98] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 98.
[99] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, p. 4.
[100] Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.

Full-Time Equivalent Positions by Control Officer

The General Fund, Special Purpose Funds and Health Fund will decrease by 295 FTEs for a total of 22,926.4 FTEs in FY2016. This is a 1.3% decrease from the adopted FY2015 budget. The most significant percentage decreases in FTEs over the two-year period occurs under the Clerk of the Circuit Court which will decrease by 5.7% or 99.5 FTEs and the Recorder of Deeds which will decrease by 5.5% or 10 FTEs.

Over the past five years, the County has reduced its workforce by 68.4 FTEs, or 0.3%.[101] The most significant decline in FTEs has occurred with the Health and Hospitals System, which has declined by 329.1 FTEs, or 4.6%, from the adopted FY2012 budget. The Treasurer's Office has decreased by the largest percentage, with a decline of 20 FTEs, or 18.3%. The only areas that have experienced growth over the past five years are the Offices Under the President, the Sheriff's Office, State Attorney's Office and the Chief Judge's Office, which have increased by 192.4 FTEs, 296.6 FTEs, 10.4 FTEs and 16.7 FTEs, or by 9.1%, 4.6%, 0.9% and 0.5%, respectively.

Cook County FTEs by Control Officer for All Funds: FY2012-FY2016

Control Officer	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,120.1	2,162.2	2,371.5	2,395.3	2,312.5	(82.8)	-3.5%	192.4	9.1%
Board of Commissioners	87.6	85.6	85.9	86.3	87.5	1.2	1.4%	(0.1)	-0.1%
County Clerk	286.0	280.0	278.0	278.0	275.0	(3.0)	-1.1%	(11.0)	-3.8%
Recorder of Deeds	193.0	196.5	190.0	181.0	171.0	(10.0)	-5.5%	(22.0)	-11.4%
Treasurer	109.0	105.2	92.0	89.0	89.0	0.0	0.0%	(20.0)	-18.3%
Sheriff	6,425.6	6,582.8	6,767.1	6,764.2	6,722.2	(42.0)	-0.6%	296.6	4.6%
State's Attorney	1,179.7	1,176.8	1,193.3	1,207.4	1,190.1	(17.3)	-1.4%	10.4	0.9%
Chief Judge	3,131.5	3,000.2	3,091.4	3,180.9	3,148.2	(32.7)	-1.0%	16.7	0.5%
Clerk of the Circuit Court	1,814.0	1,765.5	1,762.4	1,747.7	1,648.2	(99.5)	-5.7%	(165.8)	-9.1%
Other Elected Officials*	542.5	515.0	527.0	506.0	506.0	0.0	0.0%	(36.5)	-6.7%
Health and Hospitals System	7,105.8	6,709.1	6,786.1	6,785.6	6,776.7	(8.9)	-0.1%	(329.1)	-4.6%
Total	**22,994.8**	**22,578.9**	**23,144.7**	**23,221.4**	**22,926.4**	**(295.0)**	**-1.3%**	**(68.4)**	**-0.3%**

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

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

Source: Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, pp. 99-100.

Personal Services Appropriations

The following chart compares the FY2012-FY2015 adopted and FY2016 proposed budgets for personal services appropriations to the total County operating budget, excluding grant funds. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employee's Medicare contributions and pensions.[102] Also included are employee expenses such as training programs or professional seminars.[103]

Personal services appropriations are projected to increase $56.3 million above the approved FY2015 budget to nearly $2.0 billion in FY2016. Personal services appropriations will constitute 49.8% of the total budget in FY2016, down 5.0 percentage points from 54.8% in FY2015. FY2016 marks the lowest ratio of personal services appropriations to operating budget in the past

[101] This does not include grant-funded positions.
[102] Cook County FY2016 Executive Budget Recommendation, Appendix B, p. 332.
[103] Cook County FY2016 Executive Budget Recommendation, Appendix B, p. 329.

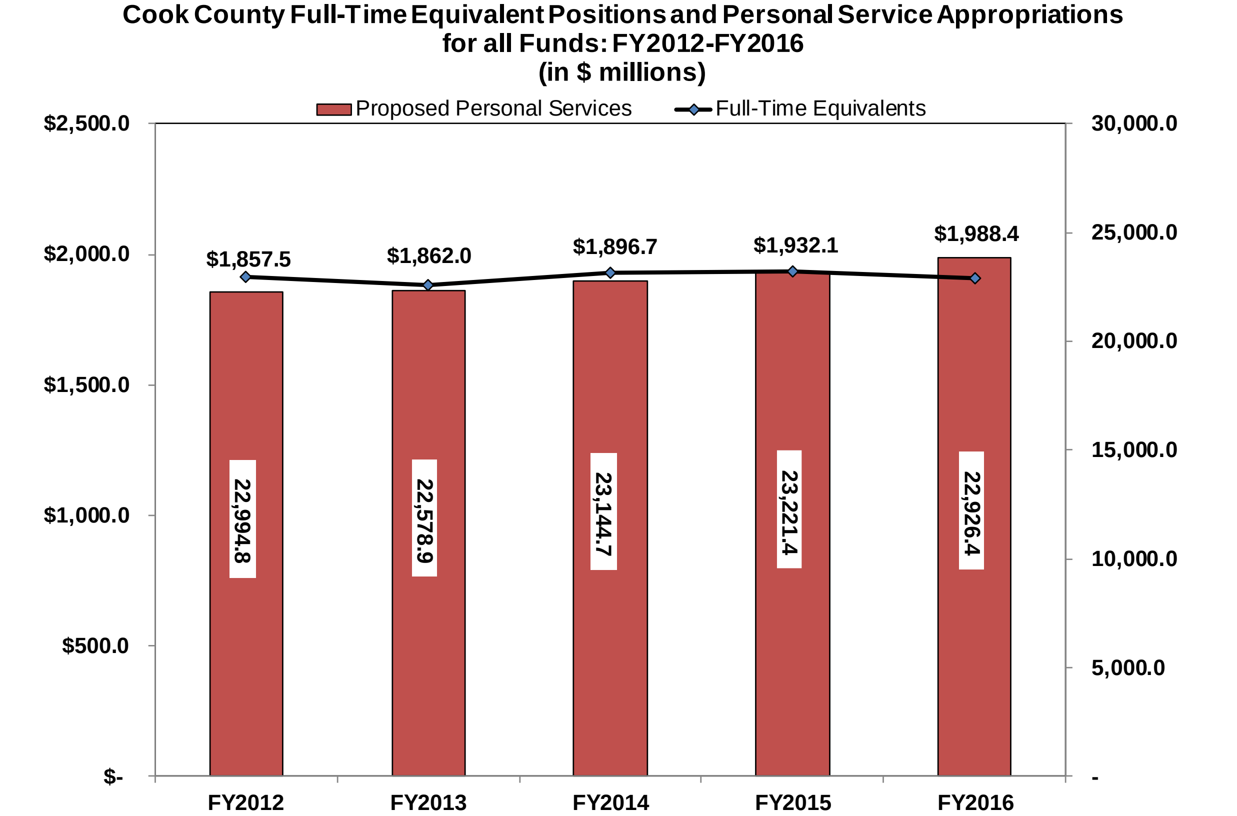
five years. Over the five-year period the ratio has decreased by 16.4 percentage points from its peak of 66.2% in FY2012 and FY2013. Personal service appropriations are proposed to increase by $130.9 million, or 7.0%, between FY2012 and FY2016. The decrease in personal services as a percentage of total operating funds is due to the much faster growth of operating expenditures over the same period.

Ratio of Personal Services Appropriations to Total General, Special Purpose and Health Funds Appropriations: FY2012-FY2016			
	Personal Services Appropriation	Total Operating Funds Expenditures	Personal Services as % of Total Operating Funds
FY2012 Adopted	$ 1,857,532,114	$ 2,806,470,367	66.2%
FY2013 Adopted	$ 1,862,016,811	$ 2,813,385,201	66.2%
FY2014 Adopted	$ 1,897,719,798	$ 3,045,766,407	62.3%
FY2015 Adopted	$ 1,932,097,098	$ 3,527,952,201	54.8%
FY2016 Proposed	$ 1,988,411,236	$ 3,991,487,376	49.8%

Note: Adopted appropriations are used because actual expenditures are not available. Figures do not include grant funds.

Sources: Cook County FY2012 Appropriations Ordinance, p. 23; FY2013, p. 36; FY2014, p. 84; FY2015, p. 86; and FY2016 Executive Budget Recommendation, p. 92.

The next exhibit shows total full-time equivalent positions and personal services appropriations for the five years between FY2012 and FY2016 for all funds, excluding grants. The proposed number of FTEs has fallen from 22,994.8 FTEs in FY2012 to 22,926.4 FTEs in the proposed FY2016 budget, a decline of 0.3%, or 68.4 FTEs. In contrast, personal services appropriations have increased from $1.9 billion in FY2012 to $2.0 billion in FY2016, an increase of 7.0% or $130.9 million. Between FY2012 and FY2015 personal services appropriations have generally reflected changes in FTE count. However, personal services appropriations will increase in FY2016 while FTE count will decrease. The increase in personal service appropriations in FY2016 is primarily due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements beginning with a 1% increase in June 2013 and half a percentage point in both 2014 and 2015 plus an additional 2% cost of living adjustment that will go into effect December 1, 2015. However, these increases are partially offset by reduced employee health care costs achieved through changes in health plans and increased employee contributions negotiated with labor partners.[104]



Note: Does not include grant-funded positions or personal services appropriations.
Source: Cook County FY2012 Appropriations Ordinance, p. 23; FY2013, p. 36; FY2014, pp.77 and 84; FY2015, pp. 79-86 and 92; and Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, pp. 85-92 and p. 98.

Salaries by Control Officer

The following chart compares adopted salary appropriations for FY2012 to FY2015 with the FY2016 proposed budget. In FY2016 the County will appropriate nearly $1.6 billion for salary expenditures, an increase of 5.8%, or $85.7 million, from FY2015 adopted figures. Salary appropriations for all control officers will increase over the FY2015 adopted figures. The three largest two-year dollar increases will be for the Health and Hospitals System, which will increase by $29.6 million, or 6.3%, the Sheriff, which will increase by $27.7 million or 6.7% and the Chief Judge, with a $13.1 million or 8.1% increase over FY2015 approved appropriations. The most significant dollar increases in salary expenditures under the Sheriff will occur in the Sheriff's Bureau of Information and Administration, Department of Corrections and Police Department.[105] The increases in the Sheriff's Bureau of Information and Administration are primarily due to a restructuring of the Bureau, which resulted in the transfer of 176 positions from across the budget into the Sheriff's Bureau of Information and Administration and salary increases for union and non-union employees. The increases in the Police Department are

[104] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 53.
[105] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 103.

attributed to the transfer of existing employees from the Youth Services Department to the Youth Services and Truancy Unit and the transfer of employees from other areas into the Central Warrant Unit to reflect organizational changes in the department. The Police Department will also add three new police officer positions to assist the Department of Revenue to enforce County Ordinances, but will be reimbursed by the Department of Revenue.[106] The most significant dollar increases in the Office of the Chief Judge will occur with the Adult Probation Department and Juvenile Temporary Detention Center.[107] The increase in the Office of the Chief Judge is primarily a result of increased salaries tied to collective bargaining agreements, increased staffing in the Adult Probation and JTDC to support the transition from federal oversight to the Office of the Chief Judge.[108] The transfer of oversight of the JTDC to the Chief Judge allows personnel salaries to be reimbursed at a higher rate from the Administrative Office of Illinois Courts (AOIC).[109] The Cook County Health and Hospital System (CCHHS), which operates as an Enterprise Fund, will also see an increase of $29.6 million primarily due to salary increases tied to collective bargaining agreements. However, increased salaries are partially offset by reduced health care costs and increased employee contributions.[110]

The majority of salary appropriations will increase over the two-year and five-year period beginning in FY2012. The largest five-year dollar decline, aside from the Health System, is for the Treasurer, whose salary appropriations will decline by $471,000 or 6.3%. The two largest dollar increases over the five-year period will occur with the Sheriff's Office, which will increase by $77.4 million, or 21.4%, and the Chief Judge offices by $28.5 million, or 19.4%.

Cook County Salaries by Control Officer for All Funds: FY2012-FY2016
(in $ thousands)

Control Officer	FY2012 Adopted	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	$ 153,468	$ 160,541	$ 171,929	$ 175,768	$ 180,252	$ 4,485	2.6%	$ 26,785	17.5%
Board of Commissioners	$ 6,270	$ 6,269	$ 6,378	$ 6,530	$ 6,749	$ 220	3.4%	$ 480	7.6%
County Clerk	$ 14,797	$ 14,916	$ 15,411	$ 15,434	$ 16,837	$ 1,403	9.1%	$ 2,039	13.8%
Recorder of Deeds	$ 9,136	$ 9,750	$ 9,879	$ 9,465	$ 9,514	$ 48	0.5%	$ 377	4.1%
Treasurer	$ 7,425	$ 7,385	$ 6,813	$ 6,519	$ 6,954	$ 435	6.7%	$ (471)	-6.3%
Sheriff	$ 362,491	$ 394,095	$ 404,926	$ 412,260	$ 439,910	$ 27,651	6.7%	$ 77,419	21.4%
State's Attorney	$ 86,518	$ 90,002	$ 92,864	$ 93,542	$ 97,630	$ 4,087	4.4%	$ 11,112	12.8%
Chief Judge	$ 146,395	$ 152,116	$ 161,735	$ 161,743	$ 174,865	$ 13,122	8.1%	$ 28,469	19.4%
Clerk of the Circuit Court	$ 79,067	$ 80,339	$ 83,236	$ 83,697	$ 86,350	$ 2,653	3.2%	$ 7,283	9.2%
Other Elected Officials*	$ 30,518	$ 31,269	$ 32,197	$ 31,036	$ 33,024	$ 1,988	6.4%	$ 2,506	8.2%
Health and Hospitals System	$ 518,081	$ 485,438	$ 485,496	$ 471,057	$ 500,636	$ 29,580	6.3%	$ (17,444)	-3.4%
Total	**$ 1,414,166**	**$ 1,432,121**	**$ 1,470,864**	**$ 1,467,050**	**$ 1,552,721**	**$ 85,671**	**5.8%**	**$ 138,555**	**9.8%**

Note 1: Some differences in totals may appear due to rounding.
Note 2: Does not inlcude grant funds.
*Other Elected Officials include the County Assessor, Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners. Some of these control officers are appointed; however, they are presented as Other Elected Officials in the Executive Budget Recommendation.

Source: Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, pp. 101-106

[106] Communication with Cook County Office of Budget and Management Services, October 30, 2015.
[107] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 103.
[108] Communication with Cook County Office of Budget and Management Services, October 30, 2015.
[109] Cook County FY2016 Executive Budget Recommendation, Resident's Guide, p. 5.
[110] Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 53.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

This section examines the FY2016 budget of the Cook County Health and Hospitals System.[111] In FY2016 the Health System is projected to generate 62.7% of its operating revenues from CountyCare, the managed care plan for Medicaid recipients that was launched in early 2013.

Overview of the Health System

The Cook County Health and Hospitals System is one of the largest public hospital systems in the U.S. operated by a unit of local government and the largest provider of medical care to the uninsured and underinsured in the State of Illinois.[112] In FY2014 the Health System provided $342.4 million of uncompensated care, which consists of charity care and uncollectible debt.[113]

The Health System operates John H. Stroger Jr. and Provident Hospitals. It provides outpatient services through the Oak Forest Health Center (formerly Oak Forest Hospital) and the Ambulatory and Community Health Network (ACHN), which has 16 primary care clinics across the County and at the System's hospitals.

The Health System's operations also include the CORE Center, an outpatient facility for patients with HIV/AIDS and related diseases; Cermak Health Services, which provides health care for detainees at the Cook County Jail; the Juvenile Temporary Detention Center Health Services (JTDC), which serves children detained by the County; and the Cook County Department of Public Health, which provides services outside Chicago.

As a result of CountyCare, the Health System is now seeing more insured patients than uninsured patients. Previously more than half of the Health System's patients were uninsured and generally did not pay for services.

The following chart shows the share of patients by type of payment source from FY2013 to FY2016.[114] Payer mix is a key indicator of a public health system's financial condition because a large share of uninsured patients limits the amount of revenue collected. The share of uninsured patients declined from 54.4% in FY2013 to 36.5% in FY2014, while the share of insured patients increased commensurately, largely due to an increase in the percentage of patients enrolled in

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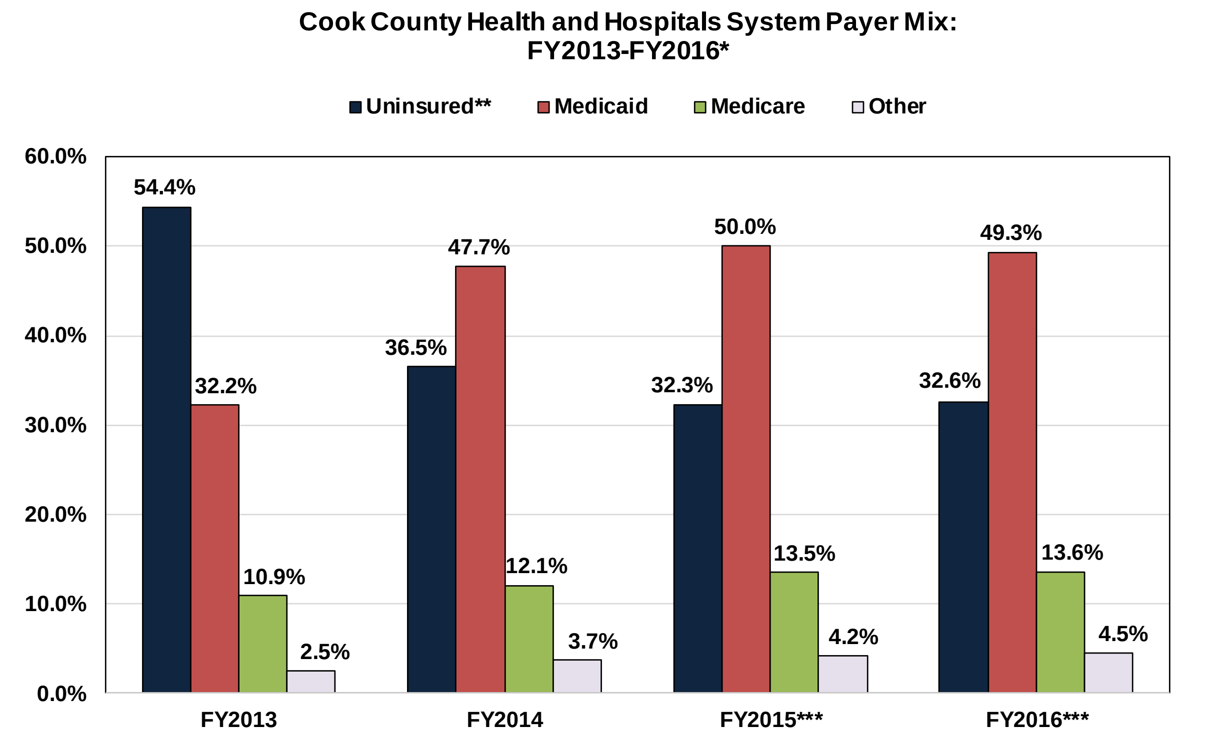
[111] The analysis focuses on the Health Fund, which accounts for $1.6 billion of the Health System's FY2016 recommended appropriations. The FY2016 budget also includes $7.4 million in appropriations to two Special Purpose Funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District. In addition, the Health System administers $11.9 million in grants.

[112] Cook County FY2014 Comprehensive Annual Financial Report, p. 18.

[113] Cook County Health and Hospitals System, *Finance Dashboard: September 2015*, September 25, 2015.

[114] These figures are not comparable to the payer mix numbers in audited financial reports of the County and the Health System. The payer mix numbers in the financial reports are based on percentage of charges by source of payment, while the numbers in the Health System's budget presentation are based on share of patients.

Medicaid.



*Percentage of patients by payment source.
**Includes insured patients who cannot afford high deductibles.
***Projected.
Source: Cook County Health and Hospitals System, *FY2016 Budget Presentation*, August 21, 2015.

In the chart, uninsured patients include individuals with high-deductible health insurance policies who cannot afford their out-of-pocket costs. The share of uninsured patients is projected to increase slightly in FY2016, due to the growth in high-deductible health plans[115] and to the loss of Medicaid coverage by individuals who fail to renew their eligibility.[116] The amount of uncompensated care provided by the Health System declined from $561.2 million in FY2013 to $342.3 million in FY2014, as previously uninsured patients joined CountyCare,[117] and is projected at $370 million in FY2015 and FY2016.[118]

The Health System's operating revenues come mainly from Medicaid, the joint federal-state program that finances medical services for certain categories of low-income people, including children, parents, pregnant women, the elderly and the disabled. The County bridges the gap between the Health System's expenditures and operating revenues through a tax allocation

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[115] Melanie Evans, "More underinsured as high deductibles proliferate," *Modern Healthcare*, May 20, 3015.
[116] Cook County Health and Hospitals System, *CountyCare Report & Deep Dive Discussion Prepared for: CCHHS Board of Directors Managed Care Committee*, October 20, 2015, p. 10.
[117] Cook County Health and Hospitals System, *Finance Dashboard: October 2015*, October 30, 2015.
[118] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.

(formerly known as a subsidy) that has consisted largely of property, cigarette and sales tax revenues.

Since mid-2008, the Health System has been overseen by its own Board of Directors rather than directly by the Cook County Board of Commissioners. The Health System Board has authority over day-to-day operations, including hiring and purchasing decisions. However, the Health System is not independent because the County Board supplies its tax allocation and approves its budgets, strategic plans and any moves to close hospitals.[119]

County law requires that the Health System develop a strategic and financial plan covering three fiscal years.[120] The current five-year strategic and financial plan, approved by the County Board in July 2010, aimed to shift resources away from inpatient care and toward outpatient care in order to serve more patients and deliver care more efficiently.[121] The plan envisioned an increase of nearly 50% in clinic visits to 900,000 in 2015 from 613,983 in 2009.[122] In accordance with the plan, the Health System ended emergency room and inpatient services at Oak Forest Hospital, scaled back inpatient service at Provident Hospital and stopped accepting patients brought by ambulance to Provident's emergency room. However, clinic visits have declined since that time to 558,565 in FY2014.

The Board has not yet issued a new strategic plan but intends to do so in FY2016.[123] The current plan was approved three months after the passage of the federal Affordable Care Act (ACA) in March 2010. Although the plan's emphasis on preventive care was in line with the goals of the ACA, the plan did not anticipate the creation of CountyCare. In addition, the State enacted Medicaid reform legislation in January 2011 that required 50% of Medicaid patients to be enrolled in care coordination programs (also known as managed care) by January 2015.[124] To comply with the State-wide requirement, the State made managed care mandatory for virtually all Cook County Medicaid recipients.[125]

CountyCare

Beginning in January 2014 for Illinois and other states that chose to participate, the ACA expanded the Medicaid-eligible population to low-income adult citizens who are neither elderly nor disabled and who do not have dependent children. The federal government is scheduled to pay 100% of the cost for newly eligible recipients in 2014 to 2016; 95% in 2017; 94% in 2018; 93% in 2019; and 90% in 2020 and thereafter. This compares with a current federal reimbursement rate of 50.89% for most other State Medicaid spending in Illinois.

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[119] Cook County Code of Ordinances, Chapter 38, Article V, Sections 38-82 and 38-83.
[120] Cook County Code of Ordinances, Article V, Sec38-82.
[121] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010.
[122] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, p.17; Cook County FY2013 Comprehensive Annual Financial Report, p. 244.
[123] Civic Federation communication with Cook County Health and Hospitals System, October 27, 2015.
[124] Public Act 96-1501, signed on January 25, 2011. The legislation defines coordinated care as integrated healthcare delivery systems in which healthcare providers are at financial risk for the cost of patients' care.
[125] Illinois Department of Healthcare and Family Services, *Medicaid Care Coordination Roll-Out Sheet*, http://www2.illinois.gov/hfs/SiteCollectionDocuments/CCRollOutFactSheet.pdf (last visited on October 24, 2015).

The Health System in October 2012 received federal approval to get a head start on the ACA expansion by signing up newly eligible individuals for Medicaid in advance of the official starting date. The plan was a demonstration project under Section 1115 of the federal Social Security Act.

CountyCare gave the Health System the opportunity to generate revenue from existing patients who lacked insurance and were not paying for their medical services. CountyCare also allowed the Health System to focus on managed care, which is intended to improve patient care and reduce costs over the long run by emphasizing preventive care. A standard form of managed care shifts financial risk to healthcare organizations by paying them a fixed per member per month (PMPM) fee, or capitation rate. The idea of this payment system is to provide an incentive to keep patients healthy and avoid unnecessary tests and hospitalizations. This is in contrast to the traditional fee-for-service system, in which payment is based on the volume of services provided.

County Care members are assigned to "medical homes" built around primary care providers who coordinate a patient's care. This kind of care represents a transformation for the Health System, where patients had been accustomed to lining up before clinics opened to make sure they could see a doctor and to going to the emergency room for primary care.

In addition to the Health System's own facilities, CountyCare members can also get medical care from other doctors and hospitals in the plan's broad network. The network includes all of the Federally Qualified Health Centers (FQHCs) in Cook County, with clinics at over 130 sites; more than 35 community hospitals; and five major academic medical centers.[126]

After the federal waiver ended on June 30, 2014, CountyCare became a Medicaid managed care plan known as a Managed Care Community Network (MCCN). With the beginning of State-mandated Medicaid managed care in Cook County, the plan's enrollment expanded to include population groups eligible for the Medicaid before the ACA.

Despite competition from other Medicaid plans, CountyCare has retained most of its ACA members and enrolled a large share of parents and children, known as Family Health Plan (FHP) members. CountyCare was the largest Medicaid plan in Cook County in August 2015, the most recent ranking available from the State.[127]

"Without CountyCare, it is likely that our volumes would have dropped significantly causing us to consider massive consolidation and perhaps even closure of some of our facilities," officials stated in a July 2015 employee newsletter.[128]

The following chart shows monthly CountyCare membership by category of member from July 2014 to October 2015. At the beginning of October 2015, membership stood at 168,749, which exceeded the budgeted goal of 158,349 but was below the FY2016 target of 178,457. Total membership declined from 183,415 at the beginning of May 2015 because of the decrease in

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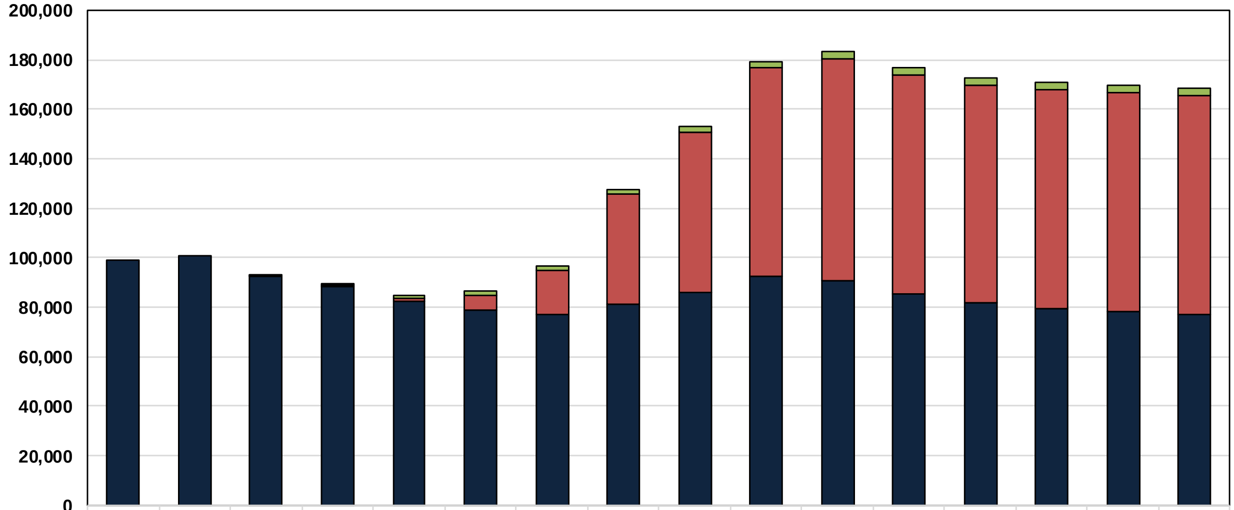
[126] Cook County Health and Hospitals System, Financial Report, November 30, 2014, p. 17.
[127] Cook County Health and Hospitals System, *CountyCare Report Prepared for: CCHHS Board of Directors Managed Care Committee*, September 17, 2015, p. 15.
[128] Cook County Health and Hospitals System, *Strategic Planning Update*, July 29, 2015, p. 1.

ACA members. ACA membership stood at 76,910 at the beginning of September 2015, down 23.6% from 100,658 in August 2014. Although the Health System budgeted for a decline in ACA membership, the decrease has been larger than expected.

Monthly CountyCare Membership by Category



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Total	98,886	100,658	92,616	88,814	84,858	86,562	96,618	127,799	153,118	179,393	183,415	176,570	172,873	171,088	169,802	168,749
SPD	0	0	85	113	1,038	1,537	1,757	1,847	2,640	2,799	2,784	2,816	2,866	3,301	3,191	3,301
FHP	0	0	16	353	1324	6,111	17,569	44,919	64,494	84,324	90,140	88,508	87,949	88,333	88,553	88,538
ACA	98,886	100,658	92,515	88,348	82,496	78,914	77,292	81,033	85,984	92,270	90,491	85,246	82,058	79,454	78,058	76,910

Note: Membership categories are Affordable Care Act (ACA), Family Health Plan (FHP) and Seniors and Persons with Disabilities (SPD). Numbers are as of the beginning of each month.
Source: Cook County Health and Hospitals System, CountyCare Reports, October 2014 to October 2015.

CountyCare has been losing members mainly because of the annual eligibility renewal process for Medicaid recipients, which is known as redetermination.[129] Annual eligibility verification is required by the federal government and is particularly important under managed care, in which payment is based on enrollment, rather than medical claims.

But most of the cancellations—about two-thirds in the past three months for CountyCare members—were not due to determination of ineligibility but rather to members who did not complete the required forms and mail, fax or scan them back to the State on time.[130] State officials have reported similar statistics for the Medicaid program as a whole, with about one-third of those removed from the program being reinstated in three months.[131] The Health System plans to address the problem through a promotional campaign and door-to-door outreach to CountyCare members.

[129] The State suspended redeterminations of CountyCare members for several months beginning in late 2014 to correct a technical problem, resulting in an increase in ACA membership in early 2015.
[130] Cook County Health and Hospitals System, *CountyCare Report & Deep Dive Discussion Prepared for: CCHHS Board of Directors Managed Care Committee*, October 20, 2015, p. 11.
[131] Illinois Department of Healthcare and Family Services, *Illinois Medicaid Redetermination Project Quarterly Report*, July 31, 2015.

The Health System also faces financial pressures related to CountyCare members' use of health care services provided by doctors and hospitals within the CountyCare network but outside of the System. The FY2015 budget assumed that approximately 30% of patient visits would be at the Health System itself, but the actual share is now estimated at 20%. For FY2016, the Health System has budgeted for a 30% to 40% share.[132] As of the end of September 2015, 18.4% of CountyCare members had primary care doctors at the Health System.[133]

CountyCare provides the greatest financial benefit to the Health System when members use its services and facilities. The additional cost of treating another patient at the Health System is low, and the PMPM fee can be used to help cover the high fixed costs of hospital operations. Health System officials believe that increased use of the System's clinics and specialty outpatient services would result in increased referrals to System hospitals.[134]

Although managed care is intended to keep patients out of the hospital, the Health System needs to attract enough hospital visits to remain financially viable. Inpatient days at Health System hospitals declined by 15.8% from a monthly average of 9,911 in FY2012 to a projected 8,349 in FY2015, and a further decrease of 5.0% to 7,932 is expected in FY2016.[135]

Outpatient Facilities and Services

The Health System projects an increase of nearly 15% in outpatient visits in FY2016 after significant declines in recent years. Outpatient registrations, including both primary and specialty care, fell by 11.3% from a monthly average of 87,193 in FY2012 to 77,380 in FY2014 and are expected to rise only slightly to 77,436 in FY2015.[136] The FY2016 budget assumes monthly average outpatient registrations of 88,941.[137]

Patients have consistently given the Health System's clinics low marks based on their experiences at the facilities. In surveys the clinics have not met their goals for patient satisfaction with how long it takes to reach an operator, how callers are treated and how long patients are kept waiting during their appointments.[138] Efforts were launched in FY2015 to deal with these issues by retraining staff, beginning to extend clinic hours, opening a call center and developing a centralized scheduling process.

The Health System in FY2016 plans to begin refurbishing or relocating the clinics, which are often in poor condition and are either too small to meet patient needs or located in neighborhoods that have seen declining populations, according to Health System officials. The County's capital

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[132] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[133] Cook County Health and Hospitals System, *CountyCare Report & Deep Dive Discussion Prepared for: CCHHS Board of Directors Managed Care Committee*, October 20, 2015, p. 17.
[134] Cook County Health and Hospitals System, *Strategic Planning Update*, July 29, 2015, p. 4.
[135] Cook County FY2014 Comprehensive Annual Financial Report, p. 234; Cook County Health and Hospitals System, *FY2016 Budget Presentation*, p. 12.
[136] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[137] Cook County Health and Hospitals System, *FY2016 Budget Presentation*, August 21, 2015, p. 12.
[138] Cook County Health and Hospitals System, *CCHHS Board of Directors Quality and Patient Safety Committee Dashboard Overview*, September 22, 2015, p. 12.

budget includes funds to start building a new $40 million regional outpatient center near Provident in FY2016 and to build a new $40 million regional outpatient center in the south suburbs to replace the existing Oak Forest facility in the next few years.

In FY2016 the County also plans to tear down Fantus Health Center, which houses the Health System's largest clinic, and move its operations temporarily to unused space at Stroger until a new $105 million building is constructed that will include both clinic space and administrative offices. Other unused space at Stroger and Provident will be reconfigured to expand specialty care, including ophthalmology, imaging services and outpatient surgery. At Stroger these moves will be facilitated by merging pediatric emergency services with adult emergency services and significantly reducing space devoted to inpatient pediatric care.

The Health System is increasing spending on community care for mental health and substance abuse treatment, with the goal of reducing the need for more expensive care in hospitals and at the jail. Mental health and substance abuse problems accounted for $17.3 million, or 10%, of the CountyCare claims paid between July 2014 and May 2015, not including pharmacy costs.[139] These conditions were the main reason for emergency room visits and hospital admissions and among the top three reasons for being readmitted to the hospital within 30 days.[140]

Working with the Chicago Police Department, the Health System plans to open a drop-off center on Chicago's South Side where police officers can take non-violent offenders with behavioral health problems instead of arresting them. Health System personnel at the center would assess and stabilize people and refer them for community treatment. If the project is successful, additional centers would be opened across the City and possibly in other parts of the County.

Health System Appropriations

The Health System's proposed appropriations for FY2016 total $1.6 billion, an increase of $108.6 million, or 7.1%, from adjusted appropriations of $1.5 billion in FY2015.[141] Salaries and wages increase by $29.6 million, or 6.3%, reflecting the impact of raises agreed to by the County for FY2013 to FY2016 in collective bargaining agreements, but the increases are partially offset by a budgeted decrease of $10.6 million, or 40.9%, in overtime pay.

Appropriations for CountyCare (shown as Managed Care in the budget) increase by $113.9 million, or 21.2%, to $646.1 million in FY2016 from $532.1 million in FY2015. CountyCare appropriations only include medical and administrative costs of the plan outside the System. Internal medical expenses related to CountyCare patients are shown throughout the System's budget.

Appropriations for Cermak Health Services increase by $10.8 million, or 19.3%, to $66.5 million in FY2016 from $55.8 million in FY2015. The proposed increase reflects higher salaries to help

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[139] Cook County Health and Hospitals System, *CountyCare Report & Deep Dive Discussions Prepared for: CCHHS Board of Directors*, June 26, 2015, p. 10.
[140] Cook County Health and Hospitals System, *CountyCare Report & Deep Dive Discussions Prepared for: CCHHS Board of Directors*, June 26, 2015, p. 11.
[141] Adjusted rather than adopted appropriations are used in this section to present a more accurate description of the use of resources within the Health System.

fill vacant positions. The County must reduce vacancies in mental health care to comply with a federal consent decree involving conditions at the jail.[142] On July 31, 2015, U.S. District Judge Virginia Kendall ordered that eight psychiatrists and three psychologists be hired by June 2016 and that the County fully fund the positions.

Appropriations for the ACHN clinics increase by $21.1 million, or 35.6%, to $80.3 million in FY2016 from $59.2 million in FY2015. Professional services increase by $15.4 million, reflecting additional mental health and substance abuse services, and funding for facilities maintenance and leasing increases by $7.0 million.

Appropriations for Stroger Hospital increase by $29.5 million, or 5.7%, to $545.2 million, including about $10 million to relocate the Fantus operations and additional staffing for the patient call center and for pre-registration of patients. Appropriations for Provident Hospital decline by $4.9 million, or 9.6%, to $46.7 million because of a 34.0 reduction in full-time equivalent (FTE) positions.

The following table shows actual expenditures for FY2012 to FY2014, adjusted appropriations for FY2015 and proposed appropriations for FY2016. Total appropriations increase by $779.1 million, or 90.1%, from $865.0 million in FY2012, due mainly to the growth of CountyCare.

Cook County Health and Hospitals System Appropriations and Expenditures by Department: FY2012-FY2016 (in $ thousands)

Department	FY2012 Actual Exp.	FY2013 Actual Exp.	FY2014 Actual Exp.	FY2015 Adjusted Approp.	FY2016 Proposed Approp.	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health System Administration	$ 154,760.0	$ 170,258.0	$ 176,687.6	$ 119,337.2	$ 113,828.4	$ (5,508.8)	-4.6%	$ (40,931.6)	-26.4%
Cermak Health Services	$ 38,517.6	$ 40,805.8	$ 41,436.9	$ 55,751.0	$ 66,538.2	$ 10,787.2	19.3%	$ 28,020.6	72.7%
JTDC Health Services	$ 3,098.5	$ 3,135.3	$ 3,027.2	$ 3,747.8	$ 3,803.0	$ 55.2	1.5%	$ 704.5	22.7%
Provident Hospital	$ 47,915.7	$ 45,210.0	$ 44,812.7	$ 51,678.5	$ 46,736.4	$ (4,942.1)	-9.6%	$ (1,179.3)	-2.5%
Ambulatory and Community Health Network	$ 44,183.1	$ 48,151.9	$ 43,732.7	$ 59,203.8	$ 80,263.6	$ 21,059.8	35.6%	$ 36,080.5	81.7%
CORE Center	$ 11,087.3	$ 11,012.4	$ 11,369.2	$ 11,325.9	$ 12,200.0	$ 874.1	7.7%	$ 1,112.7	10.0%
Department of Public Health	$ 15,469.7	$ 12,001.9	$ 12,654.6	$ 11,299.9	$ 10,865.7	$ (434.2)	-3.8%	$ (4,604.0)	-29.8%
Managed Care*	$ -	$ 103,377.0	$ 489,401.6	$ 532,128.5	$ 646,058.3	$ 113,929.8	21.4%	$ 646,058.3	na
Stroger Hospital	$ 416,121.5	$ 416,111.0	$ 443,288.3	$ 515,669.5	$ 545,157.0	$ 29,487.5	5.7%	$ 129,035.5	31.0%
Oak Forest Health Center**	$ 26,471.8	$ 11,002.0	$ 10,513.6	$ 10,829.7	$ 10,391.9	$ (437.8)	-4.0%	$ (16,079.9)	-60.7%
Subtotal Departmental Appropriations	**$ 757,625.2**	**$ 861,065.3**	**$ 1,276,924.4**	**$ 1,370,971.8**	**$ 1,535,842.5**	**$ 164,870.7**	**12.0%**	**$ 778,217.3**	**102.7%**
Fixed Charges and Special Purpose Appropriations	$ 107,397.7	$ 100,603.4	$ 93,884.3	$ 164,540.7	$ 108,274.4	$ (56,266.3)	-34.2%	$ 876.7	0.8%
Total	**$865,022.9**	**$961,668.7**	**$1,370,808.7**	**$1,535,512.5**	**$1,644,116.9**	**$ 108,604.4**	**7.1%**	**$ 779,094.0**	**90.1%**

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

**Healthcare expenses at Oak Forest Health Center were moved to the budgets of Stroger Hospital and ACHN in FY2013, with revenue credited accordingly. Remaining costs at Oak Forest reflect costs of operating the campus.

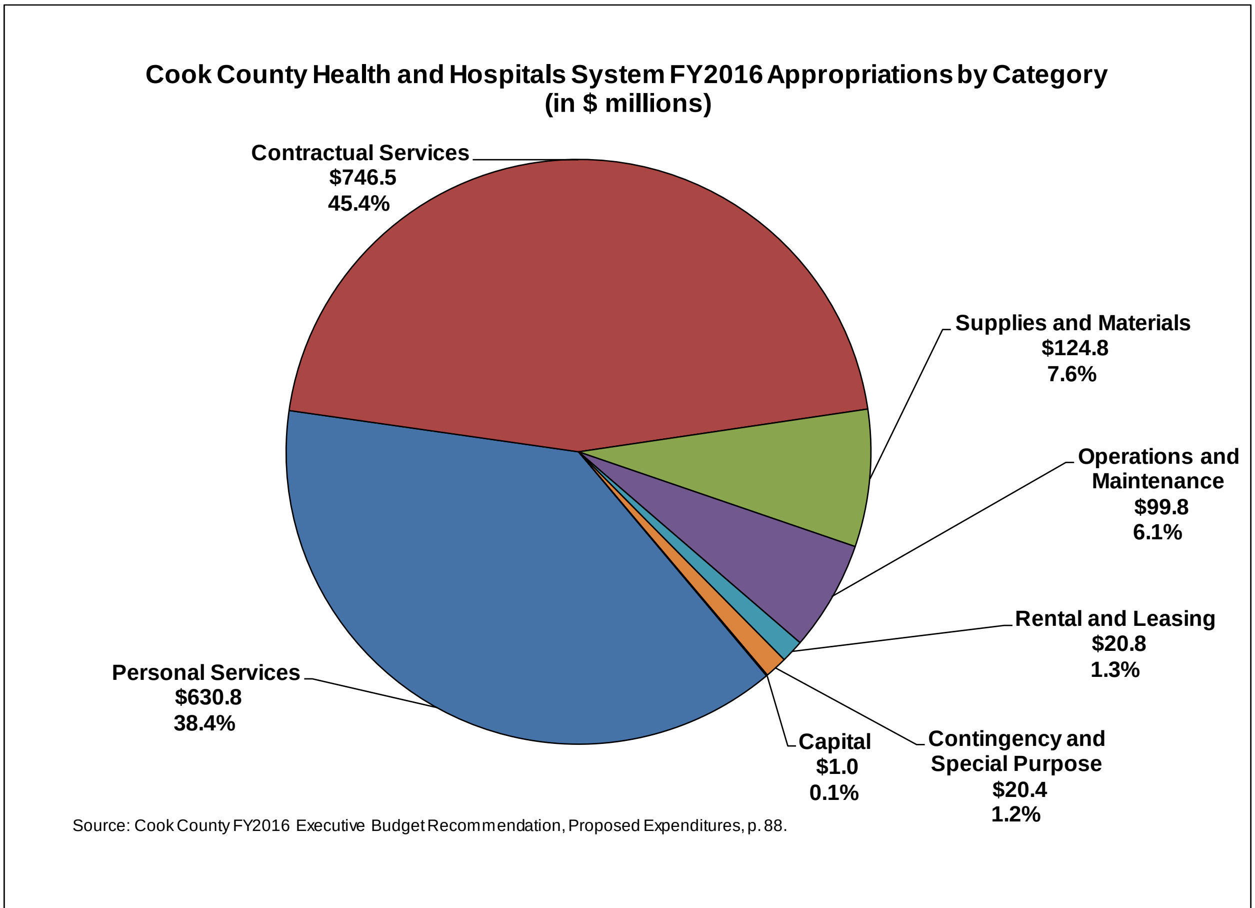
Source: Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 67; Communication between Civic Federation and Cook County Department of Budget and Management Services, October 1, 2015.

Health System appropriations cover departmental appropriations as well as fixed charges and special purpose appropriations. Fixed charges include costs related to employee health and life insurance, workers' compensation and medical malpractice and other insurance claims. FY2016 appropriations for fixed charges and special purpose appropriations decline by $56.3 million from FY2015, which included a $10.6 million allocation for wage increases agreed to in

[142] United States of America v. Cook County, No. 10-2946 (N.D. Ill filed May 13, 2010).

collective bargaining agreements and $45.7 million set aside from department appropriations and used for capital equipment.[143]

The following chart shows FY2016 Health System appropriations by category. Contractual services has replaced personal services as the largest appropriation category, reflecting the growth of CountyCare. Contractual services (mostly outside health care providers) account for $746.5 million, or 45.4% of total appropriations; personnel accounts for $630.8 million, or 38.4%; and supplies and material account for $124.8 million, or 7.6%.



Health System Resources

Health System resources consist of operating revenues and the County tax allocation. Most of the Health System's operating revenues come from Medicaid, while the County tax allocation has been funded mainly from property, cigarette and sales taxes. Before the growth of CountyCare, the Health System repeatedly was unable to meet budgeted revenue projections and was required to use its reserves to cover budget deficits.

[143] Communication between the Civic Federation and the Cook County Department of Budget and Management Services, October 28, 2015.

Health System Operating Revenues

Health System operating revenues are projected to increase by $37.5 million, or 2.5%, to $1.51 billion in FY2016 from an estimated $1.48 billion in FY2015. CountyCare revenues rise by $34.2 million, or 3.7%, to $952.4 million from $918.2, reflecting projected higher average monthly membership and stable PMPM fees. Other patient fee revenue is expected to increase by $50.6 million based on projections that patients of other managed care plans will make more use of Health System services.

The Health System also receives supplemental Medicaid payments—not tied to individual patient care—designed for hospitals that serve the poor. These payments, which are expected to be unchanged in FY2016, consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).[144]

States make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid. The Health System began receiving DSH payments under an agreement with the State completed in mid-2009 that was retroactive to July 1, 2008. DSH payments are scheduled to decline significantly under the ACA, with the reductions scheduled to start in federal fiscal year 2018, beginning on October 1, 2017.[145] In addition, the Health System's DSH payments could be reduced in the next few years because of the decline in its provision of uncompensated care. Under federal rules, free care for individuals who have not exhausted the high deductibles on their insurance policies is not included in the amount of uncompensated care that may be claimed for DSH purposes.[146]

BIPA payments are provided under federal legislation that earmarks $375 million annually to "a certain public hospital" meeting criteria satisfied only by the Health System.[147] Of that total, 65% is provided to the State for its Medicaid program and 35% is kept by the Health System.
In FY2013 the Health System received an advance BIPA payment of $30 million from the State to offset a shortfall in CountyCare revenue compared with budgeted amounts. The advance was repaid in FY2014, reducing BIPA revenues in that year.

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[144] Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2).
[145] DSH reductions were initially scheduled to start on October 1, 2013.
[146] America's Essential Health Plans, *Medicaid and Medicare DSH: Current Rules & Future Challenges*, June 26, 2015, p. 23.
[147] Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

The following table shows actual operating revenues from FY2012 to FY2014, estimated operating revenues for FY2015 and projected operating revenues for FY2016.

Cook County Health and Hospitals System Operating Revenues: FY2012-FY2016 (in $ thousands)									
	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Estimated	FY2016 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Patient Fee Revenue	$ 276,117.0	$ 233,393.0	$ 280,772.5	$ 215,363.6	$ 266,000.0	$ 50,636.4	23.5%	$ (10,117)	-3.7%
BIPA*	$ 131,250.0	$ 161,300.0	$ 101,300.0	$ 131,250.0	$ 131,250.0	$ -	0.0%	$ -	0.0%
DSH**	$ 170,589.8	$ 170,941.1	$ 169,680.0	$ 162,338.2	$ 162,338.2	$ -	0.0%	$ (8,252)	-4.8%
Managed Care	$ -	$ 101,819.5	$ 727,723.0	$ 918,197.9	$ 952,420.3	$ 34,222.4	3.7%	$952,420	na
Miscellaneous***	$ 6,806.8	$ 1,920.1	$ 6,094.0	$ 6,050.0	$ 5,108.5	$ (941.5)	-15.6%	$ (1,698)	-25.0%
Public Health	$ -	$ 4,457.4	$ 14,293.1	$ 1,058.5	$ 2,000.0	$ 941.5	88.9%	$ 2,000	na
Total	**$ 584,763.6**	**$ 673,831.1**	**$1,299,862.6**	**$1,434,258.2**	**$1,519,117.0**	**$ 84,858.8**	**5.9%**	**$934,353**	**159.8%**

*Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

**Disproportionate Share Hospital payments.

***Includes revenue from cafeteria, medical records, parking income, physicans fees and pharmacy service charges.

Source: Cook County FY2016 Executive Budget Recommendation, Revenue, p.40; Cook County FY2015 Appropriation Bill, Revenue, p. 34; Cook County FY2014 Appropriation Bill, Revenue Estimate, p. 29, Communication between Civic Federation and Cook County Department of Budget and Management Services,October 1, 2015 and November 3, 2014.

County Tax Allocation

The Health System’s tax allocation from the County (formerly known as the subsidy) is intended to bridge the gap between the System’s expenditures and operating revenues. The FY2016 tax allocation declines by $39.0 million, or 23.8%, from $164 million in FY2015 to $125.0 million in FY2016. The tax allocation has fallen from $481.5 million in FY2009.

It should be noted that the Health System’s budget includes the Public Health Department and health services at the County jail and the Juvenile Temporary Detention Center, which generate little or no revenue. In FY2016 appropriations for those operations total $81.2 million, or 65.0% of the proposed $125.0 million tax allocation.

The following table shows the components of the tax allocation since FY2009. The proposed allocation in FY2016 consists only of property taxes, while in previous years the Health System has also received sales, cigarette and other taxes.

Cook County Health and Hospitals System County Tax Allocation: FY2009-FY2016 (in $ thousands)								
	FY2009 Appropriation	FY2010 Appropriation	FY2011 Appropriation	FY2012 Appropriation	FY2013 Appropriation	FY2014 Appropriation	FY2015 Appropriation	FY2016 Proposed
Property Taxes*	$ 144,388.1	$ 135,965.5	$ 116,650.1	$ 62,962.4	$ 80,675.1	$ 38,924.9	$ 149,756.0	$ 125,000.0
Intergovernmental Revenues	$ -	$ -	$ 7,571.8	$ 5,762.0	$ 2,000.0	$ -	$ -	$ -
Sales Tax	$ 302,069.0	$ 228,147.3	$ 130,988.0	$ 72,382.9	$ 32,595.9	$ -	$ -	$ -
Cigarette Tax	$ 35,000.0	$ 25,000.0	$ 21,047.4	$ 104,449.5	$ 130,000.0	$ 129,808.6	$ 12,984.1	$ -
Other Tobacco Products	$ -	$ -	$ -	$ 8,214.2	$ 5,973.0	$ 5,891.6	$ 784.9	$ -
Firearms Tax	$ -	$ -	$ -	$ -	$ 300.0	$ 375.0	$ 475.0	$ -
Total	**$ 481,457.1**	**$ 389,112.8**	**$ 276,257.3**	**$ 253,771.0**	**$ 251,544.0**	**$ 175,000.1**	**$ 164,000.0**	**$ 125,000.0**

*Property tax revenues are net of allowance for uncollected taxes.

Source: Cook County FY2016 Executive Budget Recommendation, Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, p. 36; Cook County FY2014 Appropriation Bill, Revenue Estimates, p.32; Cook County FY2013 Appropriation Bill, Revenue Estimates, p. 20; Cook County FY2012 Appropriation Bill, Revenue Estimates, p. 18; Cook County FY2011 Appropriation Bill, Revenue Estimates p. 33; Cook County FY2010 Appropriation Bill, Revenue Estimates, p. 40; Cook County FY2009 Appropriation Bill, Revenue Estimates, p. 40; Communication between Civic Federation and Cook County Department of Budget and Management Services, October 29, 2014.

The budgeted tax allocation numbers above do not include pension and debt service payments because those payments and expenses are not accounted for in the Health System’s budget. However, the County budget presents estimates of pension and debt payments to provide a more complete picture of the Health System’s use of County resources.

As shown in the next table, the total proposed amount that the County will spend for the Health System in FY2016, including the budgeted tax allocation of $125.0 million and pension and debt service payments of $258.3 million, is $383.3 million. The total includes additional pension payments proposed in the County's FY2016 budget to bring pension funding closer to actuarial standards.

Estimated Pension and Debt Service Payments Paid by Cook County on Behalf of Cook County Health and Hospitals System: FY2009-FY2016 (in $ thousands)								
	FY2009 Budget	FY2010 Budget	FY2011 Budget	FY2012 Budget	FY2013 Budget	FY2014 Budget	FY2015 Budget	FY2016 Proposed
Pension Payments	$ 58,214.1	$ 57,207.0	$ 60,522.7	$ 60,858.6	$ 57,622.6	$ 57,073.0	$ 57,073.5	$ 62,223.1
Additional Pension Payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 85,880.9
Debt Service Payments	$ 54,549.4	$ 73,230.0	$ 79,446.1	$ 88,596.2	$ 78,781.7	$ 84,332.2	$ 94,515.8	$ 110,221.7
Total	**$ 112,763.5**	**$ 130,437.0**	**$ 139,968.8**	**$ 149,454.8**	**$ 136,404.3**	**$ 141,405.2**	**$ 151,589.3**	**$ 258,325.7**

Source: Cook County FY2016 Executive Budget Recommendation, Revenue, p.51; Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, p. 45; Cook County FY2014 Appropriation Bill, Revenue Estimates, p. 40; Communication between Civic Federation and Cook County Department of Budget and Management Services, November 6, 2014.

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

The following table shows the System's surplus or deficit from FY2009 to FY2015. The amounts for FY2015 are estimated based on County data.

Cook County Health and Hospitals System Operating Results FY2009-FY2015 (in $ thousands)							
	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Estimated
Operating Revenues	$ 686,893.6	$ 541,183.2	$ 487,786.2	$ 584,763.7	$ 673,903.2	$1,299,862.6	$ 1,433,199.8
Expenditures	$ 930,614.8	$ 952,592.7	$ 864,428.7	$ 865,022.9	$ 961,668.7	$1,370,808.7	$ 1,532,562.6
Operating Surplus (Deficit)	**$ (243,721.2)**	**$ (411,409.5)**	**$ (376,642.5)**	**$ (280,259.2)**	**$ (287,765.5)**	**$ (70,946.1)**	**$ (99,362.8)**
County Tax Allocation*	$ 481,457.1	$ 389,113.2	$ 276,257.4	$ 253,771.0	$ 251,544.0	$ 175,000.0	$ 164,000.0
Surplus (Deficit)**	**$ 237,735.9**	**$ (22,296.3)**	**$ (100,385.1)**	**$ (26,488.2)**	**$ (36,221.5)**	**$ 104,053.9**	**$ 64,637.2**

*Does not include County pension contributions and debt service payments.

**Surplus or deficit represents adjustment of Health System unrestricted net position to account for increase or decrease in resources used by Health System in comparison to County tax allocation.

Source: Cook County FY2015 Executive Budget Recommendation, Revenue Estimates, pp. 34 and 45; Cook County FY2014 Executive Budget Recommendation, Revenue Estimates, p. 40; Cook County Health and Hospitals System, Proposed FY2015 Preliminary Budget, p. 14; Communication between Civic Federation and Cook County Health and Hospitals System, September 23, 2014; Communication between Civic Federation and Cook County Department of Budget and Management Services, November 3, 2014 and October 1, 2015.

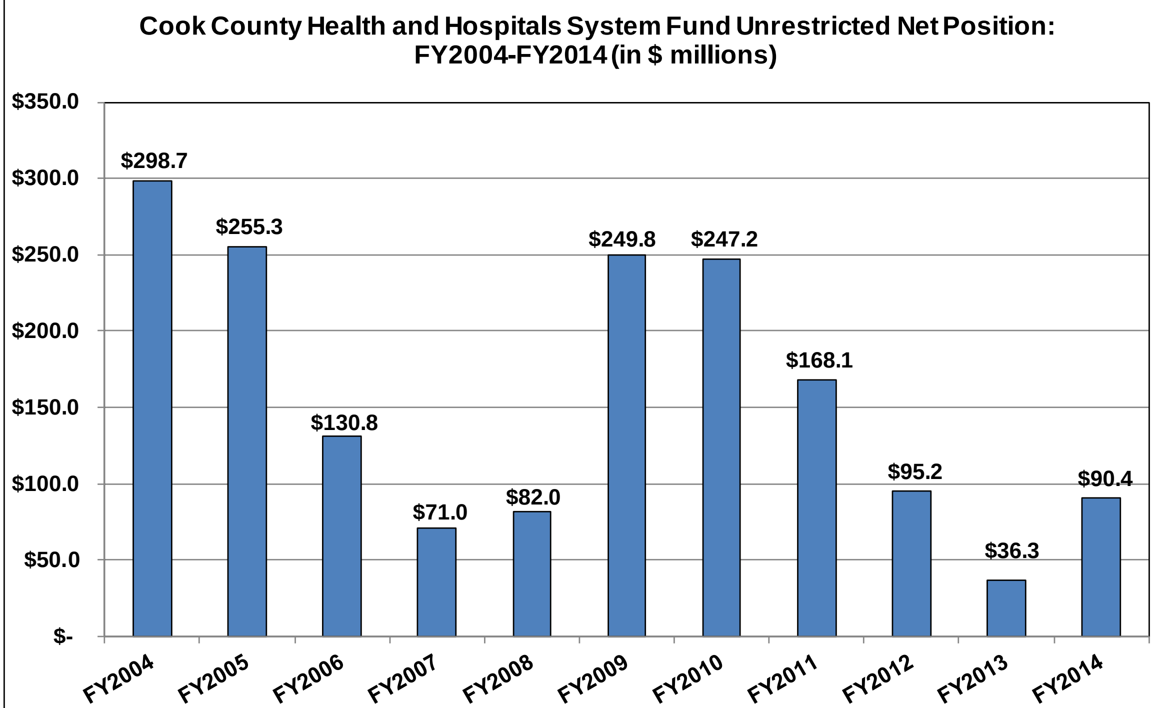
The surplus of $237.7 million in FY2009 was mainly related to the receipt of retroactive DSH payments, as discussed above. From FY2010 through FY2013, the Health System's actual revenues were less than budgeted revenues, resulting in deficits. The Health System ended FY2014 with a surplus of $104.1 million, and the numbers above indicate an FY2015 surplus of $64.6 million. However, Health System officials expect a far smaller FY2015 surplus, partly because of the potential for continued delays in receiving Medicaid payments due to the State's budget impasse.[148] The Health System was owed approximately $100 million from the State as of October 30.[149]

The numbers in the County budget use a cash basis of accounting, which is different from the accrual basis of accounting used in audited financial reports.[150] Although the numbers are not directly comparable, it is useful to examine financial reports to see general trends in the Health System's results. Including the County's tax allocation, the Health System's net income on a financial reporting basis was $14.1 million in FY2014, compared with losses of $93.1 million in FY2013 and $109.1 million in FY2012.

The following chart shows the Health System's reserves, or unrestricted net position, on a financial reporting basis from the end of FY2004 to the end of FY2014. The increase of $167.8

[148] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 28, 2015. The State of Illinois does not have a budget for FY2016, which began on July 1, 2016. Medicaid payments have been authorized by court order but have been delayed due to cash flow problems at the Illinois Comptroller's Office.
[149] Statement by Douglas Elwell, Deputy CEO for Finance and Strategy, at the meeting of the Cook County Health and Hospitals System Board of Directors, October 30, 2015.
[150] Cash accounting recognizes revenues when they are received in cash and expenses when they have been paid in cash. Accrual account recognizes revenues when they are earned, regardless of when cash is received, and expenses when they are incurred, regardless of the timing of cash flows. Certain expense items, such as depreciation, are recorded on an accrual basis but not on a cash basis.

million in FY2009 was due to retroactive DSH payments. As a result of CountyCare, the unrestricted net position increased to $90.4 million in FY2014 from $36.3 million in FY2013.



Source: Cook County Comprehensive Annual Financial Reports, FY2004 to FY2012; Cook County Health and Hospitals System, Financial Report, November 30, 2014, p. 13.

Health System Personnel

The proposed FY2016 Health System budget includes 6,735.7 full-time equivalent positions (FTEs), a decrease of 10.9 FTEs from 6,746.6 in FY2015. Although the total number of positions is relatively flat, changes are proposed in many areas.

The following table shows Health System FTEs from FY2012 to FY2016.

Cook County Health and Hospitals System FTEs: FY2012-FY2016									
	FY2012 Adopted*	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Health System Administration	581.0	608.0	647.0	411.8	475.0	63.2	15.3%	(106.0)	-18.2%
Cermak Health Services	527.0	502.1	578.4	617.0	611.0	(6.0)	-1.0%	84.0	15.9%
JTDC Health Services	37.0	36.0	37.0	37.0	36.0	(1.0)	-2.7%	(1.0)	-2.7%
Provident Hospital	468.0	383.0	357.5	385.0	351.0	(34.0)	-8.8%	(117.0)	-25.0%
Ambulatory and Community Health Network	677.3	652.0	620.0	858.2	766.0	(92.2)	-10.7%	88.7	13.1%
CORE Center	70.0	66.0	69.3	75.0	78.0	3.0	4.0%	8.0	11.4%
Department of Public Health	176.0	155.0	148.0	125.0	123.0	(2.0)	-1.6%	(53.0)	-30.1%
Managed Care	0.0	247.0	266.3	30.0	23.0	(7.0)	-23.3%	23.0	na
Stroger Hospital	4,184.0	3,903.0	3,905.6	4,097.6	4,173.7	76.1	1.9%	(10.3)	-0.2%
Oak Forest Health Center**	337.5	116.0	115.0	110.0	99.0	(11.0)	-10.0%	(238.5)	-70.7%
Total	**7,057.8**	**6,668.1**	**6,744.1**	**6,746.6**	**6,735.7**	**(10.9)**	**-0.2%**	**(322.1)**	**-4.6%**

*In FY2012 most vacant and new positions were funded at 0.2 FTEs. The fully funded FTE number would have been 6,240.9.

**Oak Forest Hospital was renamed Oak Forest Health Center in FY2011. Healthcare positions at Oak Forest Health Center were moved to the budgets of Stroger Hospital and ACHN in FY2013. Remaining positions at Oak Forest are connected with operating the campus.

Source: Cook County FY2016 Executive Budget Recommendation, Proposed Expenditures, p. 97.

In FY2016 the number of budgeted FTE positions increases by 63.2 to 475 for Health System administration and by 76.1 to 4,173.7 at Stroger. The increases include additional call center staff to answer patients' questions and schedule appointments and more workers to pre-register patients to get required preauthorization of services for members of other health plans.

A decrease of 92.2 positions at the ACHN is mainly due to existing space limitations at many of the Health System's clinics, with the number of doctors and examination rooms being too small to justify current support staffing. Some nursing positions at the clinics are being replaced by medical assistants with less training and lower salaries. The Woody Winston Medical Center in south suburban Harvey is scheduled to be closed in early 2016, but those positions will be absorbed by other clinics.

The number of positions at Cermak declines by 6.0 to 611 in FY2016, but vacancies are also expected to be reduced, from approximately 89 to 20.[151] As previously discussed, the County is facing a court order to fill certain mental health positions by June 2016. The Health System also plans to hire nurses and janitorial workers.

[151] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.

The Health System is expected to have 600 vacant positions at the end of FY2016, down from a projected 750 at the end of FY2015 and 1,058 at the end of FY2014.[152] Net hiring rose in FY2015 despite an increase in turnover to 7.3% from 5.9% in FY2014.[153]

In FY2016 the Health System plans to reduce overtime pay by $10.6 million, or 40.9%, from a budgeted $25.9 million in FY2015 to $15.3 million in FY2016. The actual reduction would be much larger—an estimated 61.2%—because spending on overtime in FY2015 is estimated at $39.5 million.[154]

The Health System intends to reduce overtime by persuading employees to change their shifts rather than face layoffs. This will require successful negotiations with the Health System's unions, including the National Nurses Organizing Committee, whose members were guaranteed overtime in a new contract with the County.[155]

No layoffs are planned. Employees whose positions are being eliminated—such as one dozen of the Health System's more than 40 stenographers—will be encouraged to fill vacancies.[156]

[152] Cook County FY2016 Executive Budget Recommendation, p. O-9.
[153] Cook County Health and Hospitals System, *Human Resources Metrics for CCHHS Board of Directors*, October 30, 2015, p. 2.
[154] Communication between the Civic Federation and the Cook County Department of Budget and Management Services, October 30, 2015.
[155] Communication between the Civic Federation and the Cook County Health and Hospitals System, October 27, 2015.
[156] Statement by Douglas Elwell, Deputy CEO for Finance and Strategy, at the meeting of the Cook County Health and Hospitals System Board of Directors, October 30, 2015.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[157] Fund balance is an important financial indicator for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities. It is more a measure of liquidity than of net worth.[158] It can be thought of as the savings account of the local government.

This section discusses three aspects of fund balance: recent changes to fund balance reporting; fund balance policy and definitions; and an analysis of Cook County's fund balance levels.

Recent Changes to Fund Balance Reporting

Beginning in FY2011, Cook County's audited financial statements include a modification in fund balance reporting, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[159]

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.[160]

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 resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment.

[157] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[158] Stephen J. Gauthier, *the New Fund Balance,* Chicago: GFOA, 2009, p. 34.
[159] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.
[160] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009.

- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments.
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation.
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance.
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[161]

Historically, the focus of the Civic Federation fund balance analysis has been on the unreserved general fund balance. Given the components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's unrestricted fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are synonymous.[162]

In the interest of government transparency, the Civic Federation recommends when possible, all local governments provide ten years of fiscal data in the GASB Statement No. 54 format in the statistical section of their audited financial statements. A multi-year trend analysis of the County's fund balance levels including the most recent FY2011- FY2013 numbers is not possible because the data has been classified differently with the implementation of GASB Statement No. 54. For instance, Cook County previously reported the Emergency Management Agency and Capital Litigation Funds as Special Revenue Funds; however, with the implementation of GASB Statement No. 54, these funds are now reported as part of the General Fund. Therefore, are statement of prior years' fiscal data according to the new categorization of the County's funds is warranted in order to conduct a thorough trend analysis.

Cook County Financial Policy and GFOA Best Practices

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." [163] Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller size reserve may be appropriate for the largest

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[161] Stephen J. Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009.
[162] Stephen J. Gauthier, *The New Fund Balance,* Chicago: GFOA, 2009, p. 34.
[163] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

governments. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.[164]

In its Executive Budget Recommendation, the County includes a policy statement regarding fund balance, or financial reserve, in the Financial Policies section. The policy states that the County must maintain "an unassigned fund balance in the General Fund of no less than one month, with a targeted goal of two months, of the prior year audited General Fund operating expenditures." If the unassigned fund balance drops below the level equal to one month of audited General Fund expenditures, the policy also requires the County to develop a plan to replenish the fund balance and incorporate the plan into budget preparation.[165]

General Fund Fund Balance Ratio

Cook County's General Fund consists of five accounts: Corporate, Public Safety, Self-Insurance, Capital Litigation and the Emergency Management Agency.[166] The chart below displays the General Fund fund balance as a ratio of General Fund unrestricted fund balance to operating expenditures for FY2011 – FY2014, according to the reporting standards of GASB No. 54. Between FY2011 and FY2013, Cook County's unrestricted General Fund fund balance ratio had remained ample, but below the GFOA's recommended level, fluctuating from 14.2% in FY2011 to 9.7% in FY2013. In FY2014, however, the County saw a significant decrease in its General Fund fund balance of $67.4 million to a ratio of only 4.4% due primarily to increases in General Fund expenditures and debt service payments. The County used $12.0 million to offset the lack of State payments to the County, while a negative $15.3 million balance was transferred from the Juvenile Justice Fund when it was collapsed with the General Fund. The fund balance was also

[164] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[165] Cook County FY2014 Executive Budget Recommendations, Financial Policies, p. 268.
[166] Cook County FY2012 Comprehensive Annual Financial Report, p. 8. The General Fund includes the Cook County Health and Hospitals System. For the first time, the FY2014 budget separated the Health Fund out from the General Fund as a separate fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures.

used to cover deficits in the Office of the Sheriff totaling $36.0 million and $15.0 million in the Office of the Circuit Court Clerk. [167]

Cook County Unrestricted General Fund Fund Balance Ratio: FY2011 - FY2014			
	Unrestricted General Fund Fund Balance	Operating Expenditures	Ratio
FY2011	$ 197,104,388	$ 1,386,073,338	14.2%
FY2012	$ 194,691,967	$ 1,334,180,931	14.6%
FY2013	$ 129,926,749	$ 1,335,220,403	9.7%
FY2014	$ 62,503,592	$ 1,430,325,176	4.4%

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

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

The unassigned portion of the FY2014 unrestricted General Fund fund balance is $62.5 million which, according to the County's fund balance policy, is much less than the required amount of one month of operating expenditures equaling $119.2 million,. Therefore, Cook County does not meet the GFOA recommended fund balance level or its own fund balance policy for FY2014.

Unreserved General Fund Fund Balance FY2002 through FY2010

As is presented in the table below, from FY2002 to FY2006 Cook County maintained an unreserved General Fund fund balance ranging from 17.1% to 19.7% of expenditures, reflecting a level of reserves that exceeded the GFOA's minimum standard. However, from FY2007 to FY2010 the fund balance ratio fell below that standard. Between FY2006 to FY2008, the unreserved fund balance declined from $259.5 million to $103.6 million, a 60.1% decrease.

The Cook County FY2009 Comprehensive Annual Financial Report initially reported a fund balance of $142.5 million, or 11.2% of operating expenditures in reserves. However, after further review, it was discovered in June 2011 that this fund balance was calculated in error.[168] The corrected FY2009 General Fund Balance is reported to be $51.3 million, or 4.1% of FY2009 operating expenditures.

[167] Communication with Cook County Bureau of Finance, October 30, 2015.
[168] Letter from the Cook County Bureau of Finance regarding FY2009 CAFR errors, issued June 10, 2011, http://www.cookCountygov.com/taxonomy2/Finance,%20Bureau%20of/PDF/cc_2009CAFR_Letter.pdf.

At FY2010 year-end, the County's fund balance dropped to its lowest amount since FY2002 of $30.8 million, or 2.3% of total operating expenditures.

General Fund* Unreserved Fund Balance			
FY2002-FY2010			
	General Fund Balance	Actual Expenditures	Ratio
FY2002	$ 206,477,041	$ 1,101,908,206	18.7%
FY2003	$ 188,564,680	$ 1,104,266,689	17.1%
FY2004	$ 226,636,823	$ 1,157,661,049	19.6%
FY2005	$ 221,838,393	$ 1,194,257,547	18.6%
FY2006	$ 259,516,065	$ 1,316,014,115	19.7%
FY2007	$ 203,554,454	$ 1,309,985,163	15.5%
FY2008	$ 103,565,761	$ 1,279,065,307	8.1%
FY2009**	$ 51,335,834	$ 1,266,752,817	4.1%
FY2010	$ 30,798,552	$ 1,320,303,924	2.3%

*Includes Corporate, Public Safety, Self-Insurance, Capital Litigation and Emergency Management Agency Accounts (except for years FY2002-FY2005 when the Self-Insurance Account was not included in the General Fund).

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

Note: FY2001 figure is not included in chart because different accounting standards were used in FY2001 as compared to FY2002 and later years.

Source: Cook County CAFRs, FY2002-FY2010.

COOK COUNTY PENSION FUND

The Civic Federation analyzed four indicators of the fiscal health of Cook County's pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators up to FY2014, the most recent year for which audited data are available, and describes Cook County pension benefits.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[169] Plan benefits and contribution amounts can only be amended through State legislation.[170] The fiscal year of the Cook County pension fund is January 1 to December 31.[171]

The Cook County pension fund is governed by a nine-member Board of Trustees.[172] As prescribed in State statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including new members of the Cook County pension fund.[173] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of

[169] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2014, p. 9.
[170] The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.
[171] This is different from the fiscal year of Cook County, which is December 1 to November 30.
[172] The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however, and is not included in this analysis. For more information, see the Civic Federation's annual Status of Local Pension Funding report, http://www.civicfed.org/civic-federation/publications/StatusOfLocalPensionFundingFY2012.
[173] A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

service and a $76,000 final average salary could retire with a $54,720 annuity: 30 x $76,000 x 2.4% = $54,720.[174] The annuity increases every year by an automatic compounded 3.0%.

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

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County, the reduction of final average salary from the highest four year average to the highest eight year average, the $106,800 cap on pensionable salary and the reduction of the automatic annuity increase from 3% compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.[175]

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

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

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

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

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2014; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

[174] The average FY2014 salary of Cook County employees 60-64 years old with 30-34 years of service was $76,864, so $76,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2014, p. 28.

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

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

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

County will continue to pursue passage of the reforms. The following chart outlines the major provisions of the reform package.

In addition, the legislation would have included an increase to the County's employer contribution by $146.9 million in FY2016.

Proposed Employee Benefit Changes Under Senate Bill 843 (1/2)		
Plan Components	**Current Plan**	**Reform Plan**
Automatic Annual Increase (AAI)	Tier 1: 3% compounded	Tier 1: 1/2 CPI compounded with a 2% floor and 4% ceiling; increases to 1/2 CPI compounded with 3% floor and 4% ceiling when funded ratio reaches 100%.
	Tier 2: Lesser of 3% or 1/2 CPI simple	Tier 2: Lesser of 3% or 1/2 CPI, simple; increases to 1/2 CPI simple with 2% floor and 4% ceiling when funded ratio reaches 100%
AAI Pause/Freeze	None	Tier 1 and Tier 2: First COLA increase delayed by one year and pro-rated by retirement month
Retirement Age	Tier 1 with 30-year service: Age 50 Tier 1 Police: Age 50 (with 20 years of service) Other Tier 1 employees: Age 60	**Tier 1 employees with 30 or more years of service**: Public Safety retirement ages are unchanged and other Tier 1 employees increase to age 55, phased in over 10 years
		Tier 1 employees with less than 30 years of service: Public Safety retirement age increases to age 62, phased in over 4 years; other Tier 1 employees increase to age 65, phased in over 10 years.
	Tier 2: Age 67	Public Safety reduced to 62 Other Tier 2 employees reduced to 65, tied to Medicare eligibility

Proposed Employee Benefit Changes Under Senate Bill 843 (2/2)		
Employee Contribution	Tier 1 and 2: 9% for Sheriff's police; 8.5% for other employees	Tier 1 and 2: Increases to 9.5% in 2016 and 10.5% in 2017 and beyond*
Service Accrual Rate (Multiplier)	Tier 1 and 2: 2.4%	Tier 1 and 2: decreases to 2.3% from 1/1/2016 forward
Final Average Salary	Tier 1: Highest 4 years of last 10 Tier 2: Highest 8 years of last 10	Tier 1 and 2: Highest 8 years of last 10, phased in for Tier 1s between 1/1/2016 and 1/1/2019
Pensionable Salary Cap	Tier 1: None Tier 2: $106,800 in 2011, growing by 1/2 CPI	Tier 1 and 2: Cap is the greater of i) the Social Security Cap or ii) current salary on 1/1/2015 adjusted at the lesser of 1/2 CPI or 3% in future years
Downside Adjustments	None	Starting in 2020, if funded ratio falls to 59% or less, AAIs are suspended for all retirees and pension accrual for current employees decreases to 2.2% until funded ratio rises above 59%

* Police may request a refund of excess 0.5% contributions

Sources: Senate Bill 843, House Amendment 1; Cook County Proposed Pension Reform Summary

Membership

In FY2014 the fund had 21,467 active employee members and 17,265 beneficiaries for a ratio of 1.24 active members for every beneficiary. This ratio has fallen from 1.85 in FY2005 as the number of active members has declined and the number of beneficiaries has risen. This trend puts financial stress on the fund as there are fewer employees contributing to the fund and more annuity payments to make.

Cook County Pension Fund Membership: FY2005-FY2014

Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2005	25,726	13,926	1.85
FY2006	25,555	14,173	1.80
FY2007	23,456	14,469	1.62
FY2008	23,436	14,745	1.59
FY2009	23,570	14,915	1.58
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
FY2012	21,187	16,434	1.29
FY2013	21,079	16,885	1.25
FY2014	21,467	17,265	1.24
10-Year Change	**-4,259**	**3,339**	**-0.6**
10-Year % Change	**-16.6%**	**24.0%**	**-32.7%**

Note: Fiscal year of pension fund is January 1 to December 31.
Statements, FY2005-FY2014.

Funded Ratios

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

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[176] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 75.8% in FY2005 and reached a high of 77.3% in FY2007 before falling to 53.5% in FY2012 and rebounding slightly to 57.5% in FY2014. The market value funded ratio rose from 75.1% in FY2005 to a high of 77.4% in fiscal years 2006 and 2007 before falling to 54.8% in FY2008 and staying fairly flat

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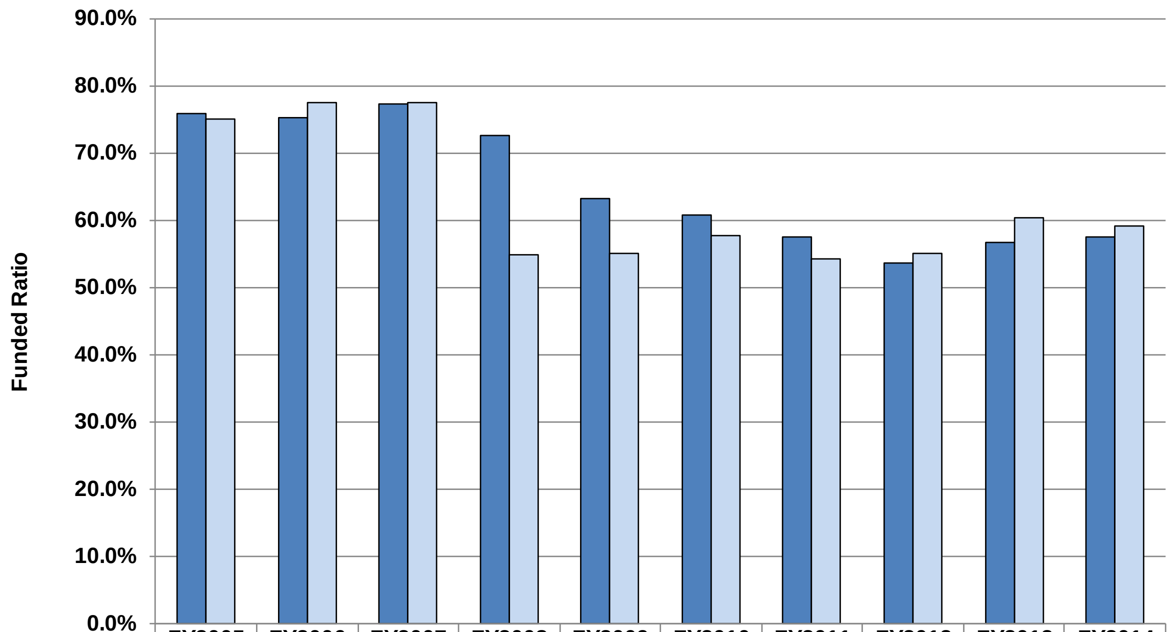
[176] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012,* October 2, 2014.

thereafter, reaching 59.2% in FY2014. The sizeable difference between FY2008 actuarial and market value funded ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years. The smoothing effect of actuarial valuation of assets is also why the FY2014 actuarial value is lower than the market value. The FY2014 actuarial value is still taking into account some of the loss in value from FY2011 and only reflects some of the growth from high investment returns in FY2010, FY2012 and FY2013.

Cook County Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets: FY2005-FY2014



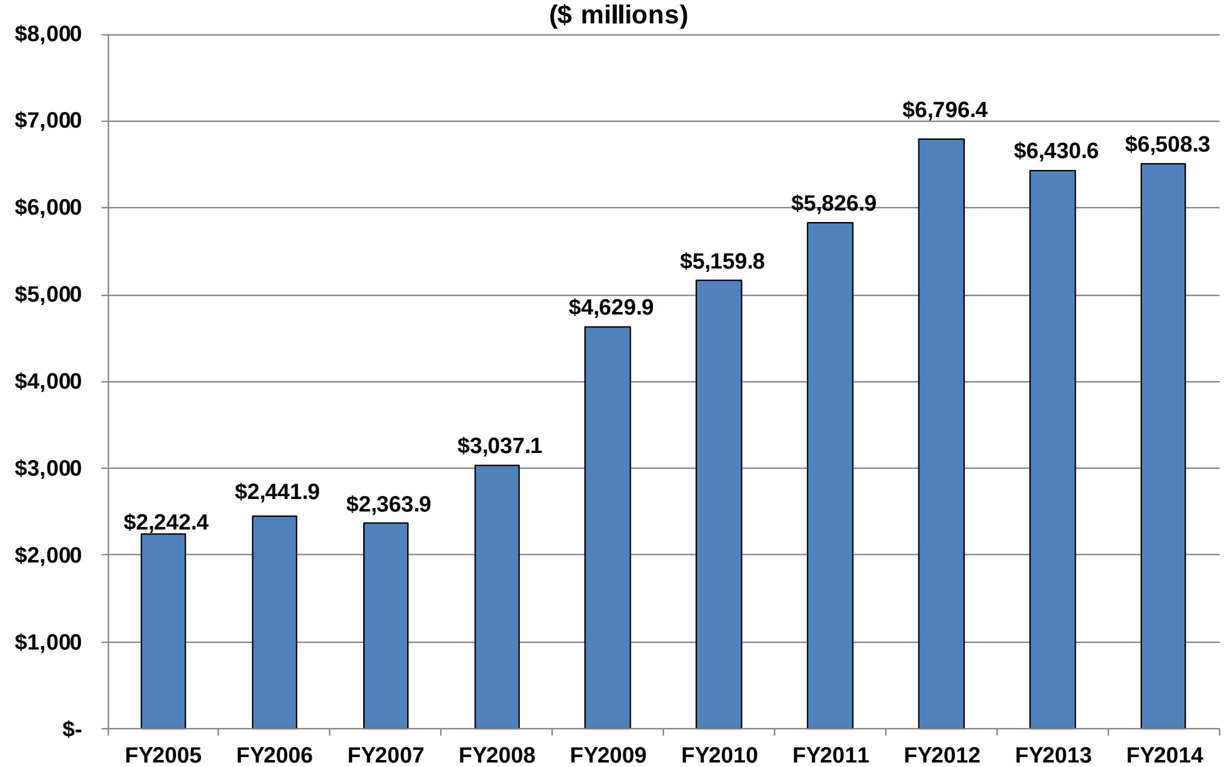
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Actuarial Value	75.8%	75.3%	77.3%	72.6%	63.2%	60.7%	57.5%	53.5%	56.6%	57.5%
Market Value	75.1%	77.4%	77.4%	54.8%	55.1%	57.6%	54.2%	55.1%	60.3%	59.2%

Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2005-FY2014.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liability for Cook County's pension fund totaled $6.5 billion in FY2014, up from $2.2 billion in FY2005. The FY2014 unfunded liability is up by over $77.6 million.

Cook County Pension Fund Unfunded Actuarial Accrued Liabilities:
FY2005-FY2014
($ millions)



Note: Unfunded liabilities are on a market value basis.
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2005-FY2014.

The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2005. The largest contributor to the $3.5 billion growth in unfunded liabilities between the beginning of FY2005 and the end of FY2014 was shortfall in employer contributions as compared to a contribution that would prevent growth of the unfunded liability (normal cost plus interest) which added $2.8 billion to the unfunded actuarial accrued liability over 10 years. The second largest contributor was investment returns failing to meet the expected rate of return.[177] This added $1.3 billion to the UAAL.

Reasons for Change in Unfunded Actuarial Accrued Liability							
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Salary Increase (Lower)/Higher Than Assumed	Retiree Health Insurance Premium Lower/(Higher) Than Assumed	Change in Actuarial Assumptions or Methods	Other	Total Net UAAL Change
FY2005	$ 181,602,475	$ 196,928,921	$ (120,058,069)	$ -	$ (729,557,335)	$ (36,418,972)	**$ (507,502,980)**
FY2006	$ 152,221,465	$ 47,913,709	$ (43,191,730)	$ -	$ -	$ 42,515,613	**$ 199,459,057**
FY2007	$ 135,979,428	$ (118,960,238)	$ 78,765,800	$ (103,261,032)	$ -	$ (70,568,914)	**$ (78,044,956)**
FY2008	$ 198,154,784	$ 481,086,534	$ 160,614,779	$ -	$ -	$ (166,599,641)	**$ 673,256,456**
FY2009	$ 258,309,848	$ 534,155,051	$ (138,750,205)	$ -	$ 810,786,835	$ 128,340,572	**$ 1,592,842,101**
FY2010	$ 349,354,012	$ 364,312,504	$ (185,530,277)	$ -	$ -	$ 1,683,624	**$ 529,819,863**
FY2011	$ 371,793,485	$ 459,875,129	$ (138,554,686)	$ -	$ -	$ (25,972,161)	**$ 667,141,767**
FY2012	$ 252,886,106	$ 376,601,751	$ 34,073,219	$ -	$ -	$ 305,896,670	**$ 969,457,746**
FY2013	$ 513,419,056	$ (586,433,767)	$ (184,385,510)	$ -	$ -	$ (108,324,418)	**$ (365,724,639)**
FY2014	$ 423,103,748	$ (423,103,748)	$ (148,871,075)	$ -	$ -	$ (35,470,332)	**$ (184,341,407)**
9-Year Total	**$ 2,836,824,407**	**$ 1,332,375,846**	**$ (685,887,754)**	**$ (103,261,032)**	**$ 81,229,500**	**$ 35,082,041**	**$ 3,496,363,008**

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2005-FY2014.

Investment Rate of Return

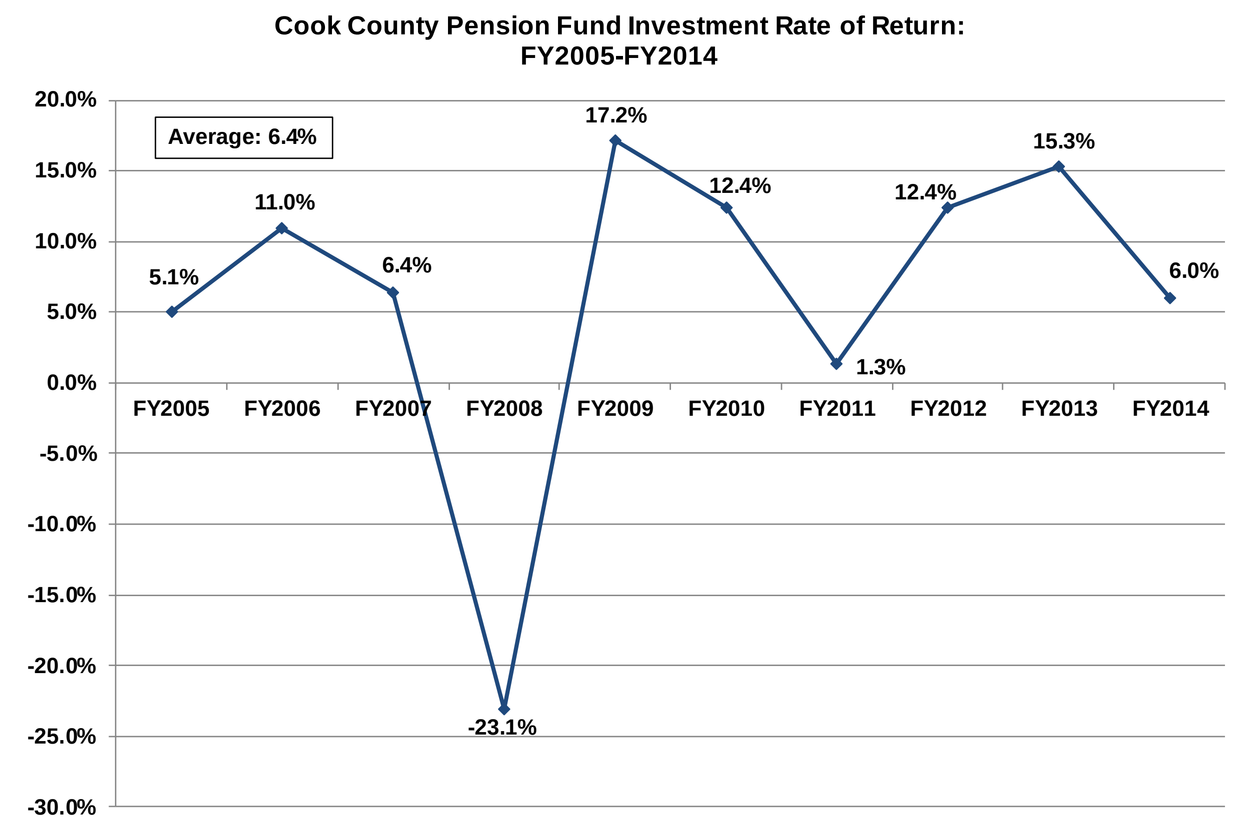
Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2005 and FY2014 the Cook County pension fund's average annual rate of return was 6.4%.[178]

Returns ranged from a high of 17.2% in FY2009 to a low of -23.1% in FY2008 due to the financial market crisis and corresponding sharp decline in equities. Returns rebounded in FY2009 and FY2010 only to decline to 1.3% in FY2011, reflecting national public pension fund

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

[178] 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.

trends of low investment returns for 2011.[179] Returns again rebounded in FY2012 and FY2013 before falling in FY2014 to 6.0%.



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2005-FY2014.

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). The standards require disclosure of an annual required contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years.[180] Normal cost is the portion of the present value of pension plan benefits and administrative expenses that 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

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

[180] The ARC reporting requirement was established by GASB Statements No. 25 and 27. GASB Statements No. 67 and 68 will end the requirement for ARC disclosure for fiscal year 2014 financial statements of the fund and the fiscal year 2015 financial statement of Cook County. No widely accepted substitute measure of a government's annual pension funding adequacy has been proposed.

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 was a financial reporting requirement but not a funding requirement. The statutorily required City of Chicago contributions to its pension funds are 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 of how well a public entity is actually funding its pension plan. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years earlier.[181] The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.

Per GASB Statement No. 67, which went into effect for Cook County's FY2014, public pension funds are not required to report an ARC after their FY2013 actuarial valuations. However, FY2014 ARCs for the Cook County fund were calculated in the FY2013 valuations. In the FY2014 valuations, a different calculation, the Actuarially Determined Contribution (ADC), which is based on the pension plan's own actuarial funding policy (if it has one) is required to be reported. If the plan's funding policy does not conform to Actuarial Standards of Practice, as is the case for the Cook County pension fund in FY2014, then the fund is required to report an ADC that incorporates a normal cost payment and an amortization payment. Cook County reported its FY2014 ADC based on a level percentage of payroll, 30-year open amortization payment, which is equivalent to the ARC methodology used in previous years, leading to a consistent trend.

Before examining the ARC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the retirement systems of large governments—those with over $100 million in annual revenue—to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree health care on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets—often a long-term money market rate of roughly 4.5%.

In order to comply with these accounting standards, the Cook County pension fund produces three separate actuarial valuations: one valuation of pension liabilities reflecting a new GASB-determined blended discount rate introduced with GASB 67, which amounts to 4.5% in FY2014, another valuation of OPEB liabilities using a 4.5% discount rate and a "combined" valuation using a 7.5% discount rate for both pension and OPEB liabilities. The Cook County pension fund considers the "combined" valuation to be the best reflection of its assets and liabilities because

[181] 40 ILCS 5/9-169.

the pension and OPEB benefits are paid from the same asset pool.[182] However, the separate pension and OPEB valuations done for GASB purposes are the ones used to compute the net pension and OPEB obligations of Cook County government that appear on the government's balance sheet.

The table below shows only the "combined" valuation comparison of the ARC to the actual Cook County contribution over the last ten years.[183] The employer contribution did not equal 100% of the ARC in any of the years FY2005 through FY2014. In FY2005 the $218.3 million employer contribution represented 50.9% of the ARC, meaning that $210.7 million more would need to have been contributed to meet the ARC that year. In FY2014 the $190.0 million employer contribution represented only 29.9% of the ARC for the "combined" valuation of pension and OPEB, for a shortfall of $444.7 million that year. The cumulative ten-year difference between ARC and actual employer contribution for "combined" pension and OPEB is a $3.3 billion shortfall. In 2014 the combined ARC for pension and OPEB was $634.7 million, or over three times the actual employer contribution of only $190.0 million.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2005 the ARC was 30.9% of payroll while the actual employer contribution was 15.7% of payroll. In FY2014 the "combined" pension and OPEB ARC was 41.9% of payroll, while the actual employer contribution was 12.5% of payroll.

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

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
2005	$ 428,971,126	$ 218,292,478	$ 210,678,648	50.9%	$ 1,387,459,142	30.9%	15.7%
2006	$ 398,340,979	$ 225,438,363	$ 172,902,616	56.6%	$ 1,412,878,627	28.2%	16.0%
2007	$ 421,092,345	$ 261,534,551	$ 159,557,794	62.1%	$ 1,370,844,734	30.7%	19.1%
2008	$ 406,625,773	$ 188,008,670	$ 218,617,103	46.2%	$ 1,463,372,408	27.8%	12.8%
2009	$ 468,181,943	$ 188,285,316	$ 279,896,627	40.2%	$ 1,498,161,713	31.3%	12.6%
2010	$ 572,318,384	$ 184,722,634	$ 387,595,750	32.3%	$ 1,494,093,569	38.3%	12.4%
2011	$ 613,952,848	$ 198,837,424	$ 415,115,424	32.4%	$ 1,456,444,123	42.2%	13.7%
2012	$ 655,800,100	$ 190,720,776	$ 465,079,324	29.1%	$ 1,478,253,368	44.4%	12.9%
2013	$ 719,890,057	$ 187,817,644	$ 532,072,413	26.1%	$ 1,484,269,715	48.5%	12.7%
2014	$ 634,722,132	$ 190,032,872	$ 444,689,260	29.9%	$ 1,514,550,023	41.9%	12.5%

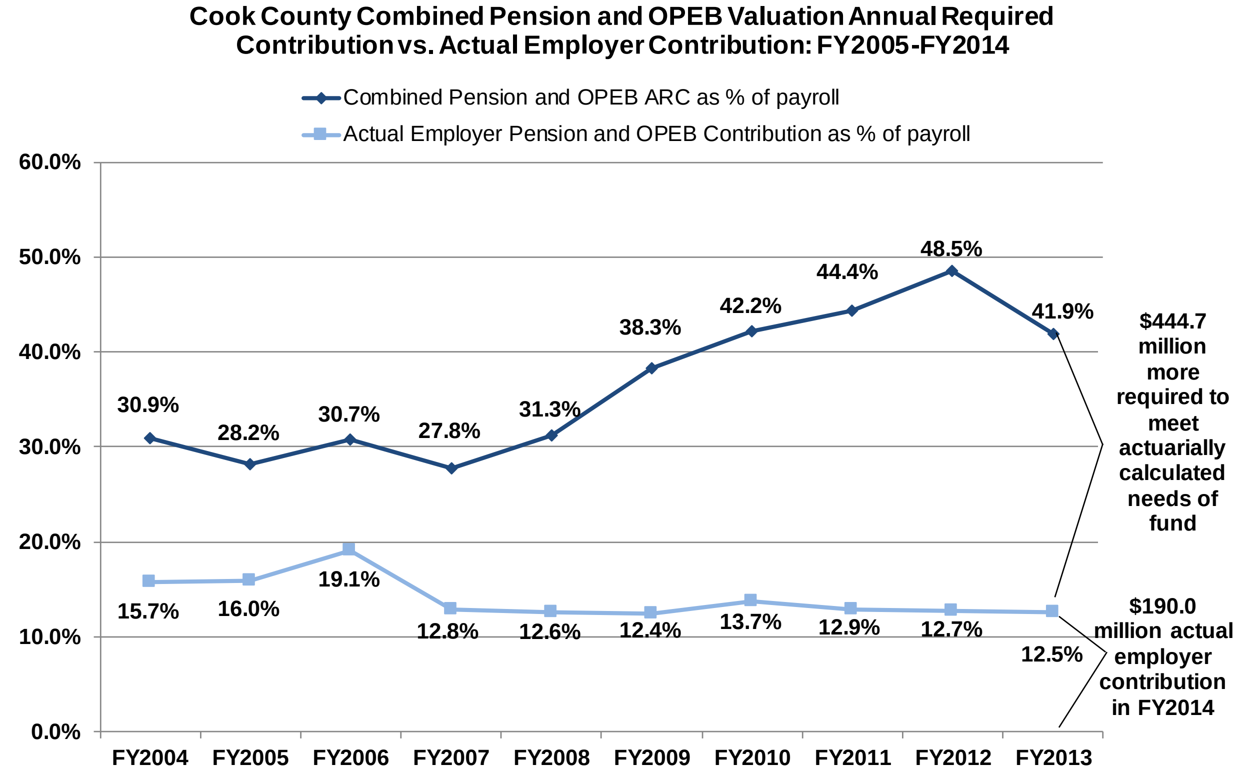
Note: This combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.

Source: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, p. 22-23; Financial Statements as of December 31, 2014, p. 6; Actuarial Valuation Report as of December 31, 2014, p. 11.

The graph below illustrates the growing gap between the "combined" pension and OPEB ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from 15.2% of payroll, or $210.7 million, in FY2005 to 29.4% of payroll in FY2014. In other words, to fund the pension and retiree health care plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years Cook

[182] Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.
[183] The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund's financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

County would have needed to contribute an additional 29.4% of payroll, or $444.7 million, in FY2014.



Note: The combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.5%) discount rate for OPEB liabilities as required for GASB Statement 43 financial reporting.
Sources: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2005, pp. 22 and 23; Financial Statements as of December 31, 2014, p. 6; and Actuarial Valuation as of December 31, 2014, p. 11.

Cook County has consistently levied and contributed its statutorily required amount of 1.54 times the employee contribution made two years prior. However, that amount has been less than the ARC for each of the last ten years. The pension fund actuary estimates that in order to contribute an amount sufficient to meet the ARC in FY2014, Cook County would need to levy property taxes equal to a tax multiple of 5.01 rather than 1.54.[184]

Other Post Employment Benefits

State statute permits the Cook County pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the County's employee health insurance plans.[185] The Cook County pension fund currently subsidizes roughly 52% of retiree premiums (including dependent coverage) and 67% of surviving spouse premiums (including

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[184] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2014, p. 10.
[185] 40 ILCS 5/9-239. The statute also specifies that this group health benefit shall not be considered a pension benefit as defined by the Illinois Constitution, Section 5 Article XIII.

dependent coverage). The remaining premium amount is paid by the participant.[186] The subsidy is funded on a pay-as-you-go basis from the same asset pool used to pay pension benefits; a separate irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

Cook County government does not directly contribute to the retirees' premium costs. However, as the employer sponsor of the pension plan, the County is required to report other post employment benefit (OPEB) liabilities in its financial statements. The OPEB plan is treated as another pension benefit and does not have a separate contribution rate or asset pool associated with it. The employer contribution for OPEB reported in the County's financial statements is roughly equal to the cost of the premium subsidy.[187]

In 2014 there were 8,591 retiree and surviving spouse participants whose health plan costs were subsidized by the pension fund.[188] This is an increase of 55 participants over the prior year. Retiree health plan data was first disclosed in Cook County's FY2007 financial statements.

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

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

SHORT-TERM LIABILITIES

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

- *Accounts payable*: monies owed to vendors for goods and services carried over into the new fiscal year;
- *Accrued salaries payable*: employee pay carried over from the previous year;
- *Amounts held for outstanding warrants*: Cash balance maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputed these claims;[189]
- *Due to other funds, others or other governments*: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Notes payable*: short-term loans due within the next fiscal year;
- *Arbitrage Liability*: The Tax Reform Act of 1986 requires issuers of State and local government bonds to rebate to the federal government arbitrage profits earned on those

[186] County Employees' Annuity and Benefit Fund of Cook County, Financial statements as of December 31, 2014, p. 23.
[187] Cook County, CAFR as of December 31, 2014, p. 100.
[188] These figures do not include the retired pension fund employees who also participate in the plan. There were eight such retired participants in FY2013. County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2013, p. 21.
[189] Cook County FY2014 CAFR, p. 103.

bonds under certain circumstances. There was no arbitrage liability as of November 30, 2013;[190] and

- *Other liabilities*: include self-insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers' compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

In FY2014 short-term liabilities totaled $204.6 million, an increase of 29.1%, or $56.7 million, from the prior fiscal year. The biggest reason for the increase was the $35.6 million increase in accounts payable because the Non-titled use tax was not accrued for in FY2013 through FY2014 for nearly $3.5 million and accounts payable increased by $10.5 million due to an increase in delated Motor Fuel Taxes and Capital project reimbursements.[191]

Since FY2010 short-term liabilities have decreased by $100.8 million or 33.0%. Accounts payable have always been the largest share of short-term liabilities, averaging 56.5%. The five-year decrease in short-term liabilities is a positive sign.

Cook County Short-Term Liabilities in the Governmental Funds : FY2010-FY2014 (in $ thousands)

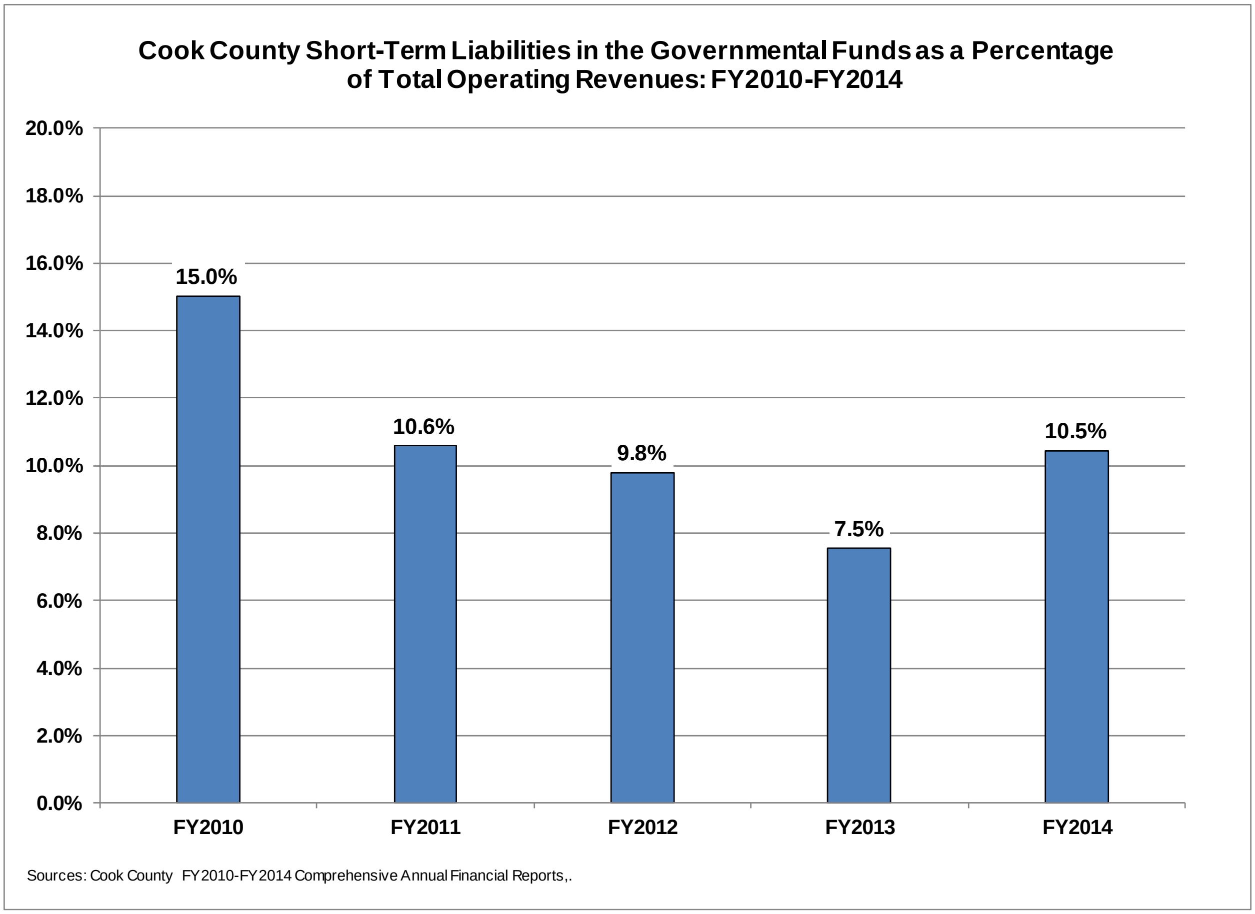
Type	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accounts Payable	$ 150,008	$ 130,313	$ 106,186	$ 86,043	$ 121,680	$ 35,637	41.4%	$ (28,328)	-18.9%
Accrued Salaries Payable	$ 32,114	$ 52,400	$ 45,949	$ 40,360	$ 54,062	$ 13,702	33.9%	$ 21,948	68.3%
Amounts held for outstanding warrants	$ 5,764	$ 6,425	$ 6,580	$ 6,143	$ 4,480	$ (1,663)	-27.1%	$ (1,284)	-22.3%
Due to Other Funds	$ 46,787	$ 9,313	$ 5,447	$ 2,413	$ 12,831	$ 10,418	431.7%	$ (33,956)	-72.6%
Due to Others	$ -	$ 12,502	$ 10,718	$ 12,933	$ 11,545	$ (1,388)	-10.7%	$ 11,545	
Due to Other Governments	$ 54,563	$ 1,467	$ -	$ -	$ -	$ -		$ (54,563)	-100.0%
Other liabilities	$ 16,201	$ -	$ 20,000	$ -	$ -	$ -	0.0%	$ (16,201)	-100.0%
Total	**$ 305,436**	**$ 212,419**	**$ 194,880**	**$ 147,892**	**$ 204,598**	**$ 56,706**	**29.1%**	**$ (100,838)**	**-33.0%**

Source: Cook County FY2010-FY2014 Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government's future financial difficulties.[192] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. Cook County's ratio of short-term liabilities to total operating revenue has fluctuated over time. The ratio fell from 15.0% in FY2010 to 7.5% in FY2013. In FY2014 it rose again to

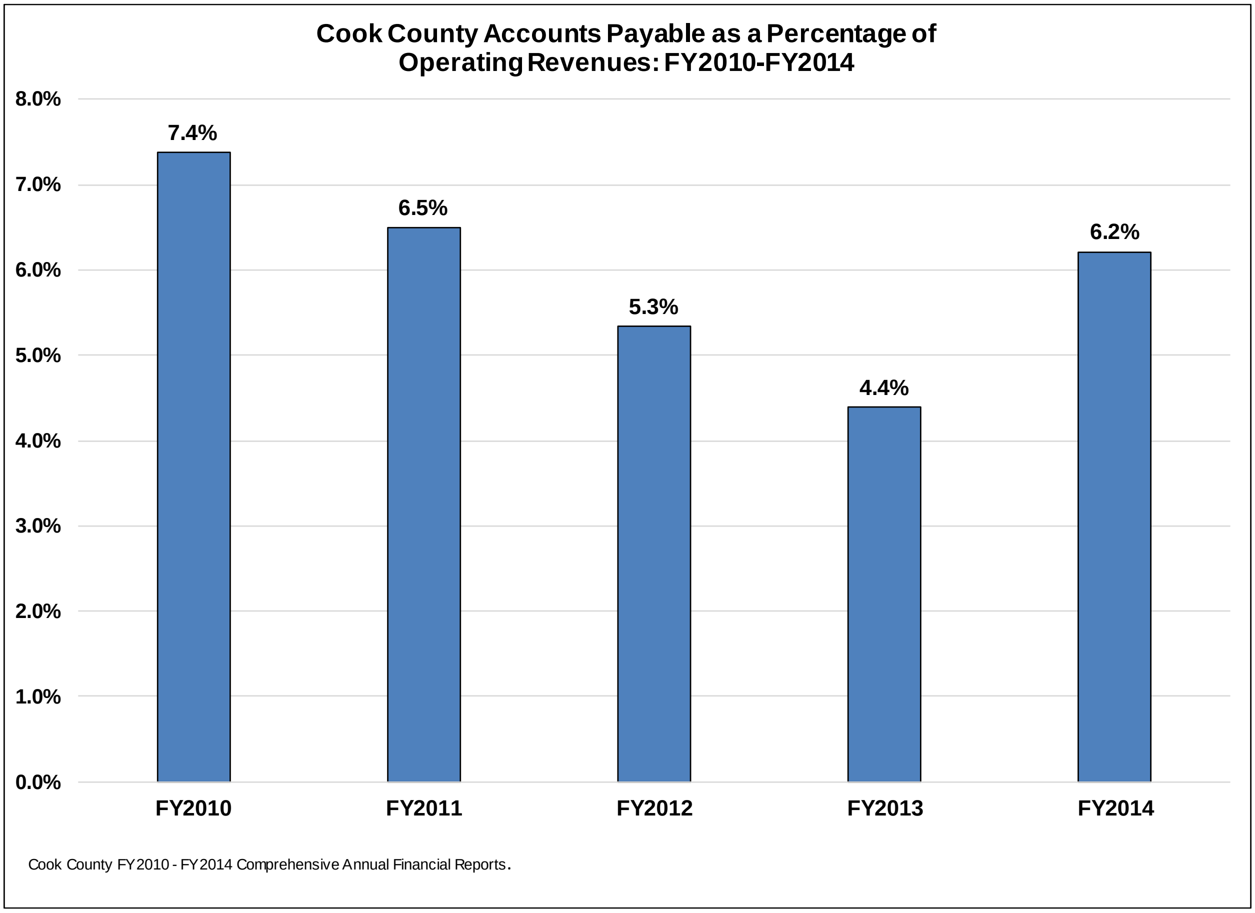
[190] Cook County FY2014 CAFR, p. 94.
[191] Communications with Cook County Office of Budget and Management Services, October 30, 2015.
[192] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), pp. 77 and 169.

10.5%, primarily due to increases in accounts payable. The ratio averaged 10.7% over the five-year period.



Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable compared to operating revenues may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Cook County's ratio of operating funds accounts payable to operating revenues decreased from 7.4% in FY2010 to 4.4% in FY2013 before rising to 6.2% in FY2014.



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.[193]

In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of a government, 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 the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including grants, property taxes and accrued interest;
- *Due from other governments:* Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government; and
- *Due from other funds or others* are receivables from those sources that are outstanding at the end of the fiscal year.

Cook County's current ratio was 7.5 in FY2014, the most recent year for which audited data are available. In the past five years, the ratio rose from 6.9 to 11.3 in FY2013 before dropping to 7.5 in FY2014. In each of the five years reviewed, it was far above 2.0, indicating that the County had more than sufficient liquidity.

Cook County Current Ratio of the Governmental Funds: FY2010-FY20134
(in $ thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Current Assets									
Cash and investments	$ 419,717	$ 747,344	$ 588,665	$ 526,435	$ 405,275	$(121,160)	-23.0%	$ (14,442)	-3.4%
Cash and investments with escrow agent	$ -	$ 39,131	$ 20,614	$ 6,871	$ 84	$ (6,787)	-98.8%	$ 84	---
Cash and investments with trustees	$ 542,511	$ 461,345	$ 488,619	$ 304,504	$ 193,178	$(111,326)	-36.6%	$ (349,333)	-64.4%
Taxes receivable net - tax levy current year	$ 639,600	$ 600,172	$ 630,919	$ 633,277	$ 674,041	$ 40,764	6.4%	$ 34,441	5.4%
Taxes receivable net - tax levy prior year	$ 253,995	$ 26,460	$ 25,416	$ 21,034	$ 20,886	$ (148)	-0.7%	$ (233,109)	-91.8%
Accrued interest receivable	$ 647	$ 621	$ 1,071	$ 556	$ 554	$ (2)	-0.4%	$ (93)	-14.4%
Accounts receivable - due from others	$ 27,709	$ 25,675	$ 20,447	$ 25,357	$ 29,298	$ 3,941	15.5%	$ 1,589	5.7%
Accounts receivable - due from other governments	$ 194,127	$ 168,493	$ 173,558	$ 149,440	$ 172,164	$ 22,724	15.2%	$ (21,963)	-11.3%
Due from other funds	$ 23,043	$ 3,910	$ 4,583	$ 44	$ 43	$ (1)	-2.3%	$ (23,000)	-99.8%
Loans Receivable	$ -	$ -	$ -	$ -	$ 41,053	$ 41,053	---	$ 41,053	---
Total Current Assets	**$ 2,101,349**	**$ 2,073,151**	**$ 1,953,892**	**$ 1,667,518**	**$ 1,536,576**	**$(130,942)**	**-7.9%**	**$ (564,773)**	**-26.9%**
Current Liabilities									
Accounts Payable	$ 150,008	$ 130,313	$ 106,186	$ 86,043	$ 121,680	$ 35,637	41.4%	$ (28,328)	-18.9%
Accrued Salaries Payable	$ 32,114	$ 52,400	$ 45,949	$ 40,360	$ 54,062	$ 13,702	33.9%	$ 21,948	68.3%
Amounts held for outstanding warrants	$ 5,764	$ 6,425	$ 6,580	$ 6,143	$ 4,480	$ (1,663)	-27.1%	$ (1,284)	-22.3%
Due to Other Funds	$ 46,787	$ 9,313	$ 5,447	$ 2,413	$ 12,831	$ 10,418	431.7%	$ (33,956)	-72.6%
Due to Others	$ -	$ 12,502	$ 10,718	$ 12,933	$ 11,545	$ (1,388)	-10.7%	$ 11,545	---
Due to Other Governments	$ 54,563	$ 1,467	$ -	$ -	$ -	$ -		$ (54,563)	-100.0%
Other liabilities	$ 16,201	$ -	$ 20,000	$ -	$ -	$ -		$ (16,201)	-100.0%
Total Current Liabilities	**$ 305,436**	**$ 212,419**	**$ 194,880**	**$ 147,892**	**$ 204,598**	**$ 56,706**	**38.3%**	**$ (100,838)**	**-33.0%**
Current Ratio	**6.9**	**9.8**	**10.0**	**11.3**	**7.5**				

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

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

LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. The Forest Preserve District is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens. Therefore, the Forest Preserve District is reported in the governmental activities of Cook County as a blended component unit and is included in the long-term liabilities of the County.[194]

Total Long-Term Liabilities

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

- *Estimated pollution related liabilities*: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;[195]
- *Self-Insurance claims*: Incurred but not yet reported (IBNR) losses. The County reports liabilities it feels are adequate to provide for potential losses resulting from medical malpractice, worker's compensation and general liability claims. As of November 30, 2014, the County has recorded a liability of $334.6 million in its government-wide statements for self-insurance claims. The County has recorded $67.5 million of the total liability as long-term liability that is due within one year;[196]
- *Property tax objections*: Estimated probable amounts payable related to property tax suits as well as for specific property tax objections and errors for which refunds are expected to be paid;[197]
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Net pension obligations (NPO):* The cumulative difference, since the effective date of GASB Statement No. 27, between the annual pension cost and the employer's contributions to the plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt; and[198]

[194] Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," http://www.gasb.org/st/summary/gstsm14.html (Last Visited January 11, 2010) and Cook County FY2012 Comprehensive Annual Financial Report, p. 48.
[195] Governmental Accounting Standards Board, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," http://www.gasb.org/st/summary/gstsm49.html (Last Visited on January 11, 2011).
[196] Cook County FY2014 Comprehensive Annual Financial Report, p. 90.
[197] Cook County, FY2014 Comprehensive Annual Financial Report, pp. 90-91.
[198] Governmental Accounting Standards Board, "Summary of Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers* (Issued 11/94)," http://www.gasb.org/st/summary/gstsm27.html (last visited on December 17, 2010).

- *Net Other Post Employment Benefit (OPEB) obligations*: The cumulative difference, since the effective date of GASB Statement No. 45 in 2008, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB plan.

Between FY2013 and FY2014, total County long-term obligations rose by 7.2%, increasing from nearly $7.6 billion to $8.1 billion. This increase was driven primarily by increases in long-term liabilities such as pensions and OPEB liabilities. During the same time, there was a decline in long-term debt due to fewer general obligation bonds being issued.

Over the five-year period, long-term liabilities increased by 35.0% or nearly $2.1 billion. The increases were primarily due to increases in net pension obligations and net OPEB obligations. Net pension obligations rose by roughly $1.5 billion, a 95.9% increase, while OPEB obligations increased by $496.2 million or 130.9%.

Cook County Long-Term Liabilities Governmental Activities: FY2010-FY2014
(in $ thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Total General Obligation Bonds	$3,601,550	$3,814,460	$3,780,315	$3,698,460	$3,578,277	$ (120,183)	-3.2%	$ (23,273)	-0.6%
Net Discount*	$ 122,446	$ 120,217	$ 111,062	$ 138,566	$ 162,061	$ 23,495	17.0%	$ 39,615	32.4%
Refunding	$ (60,511)	$ (73,131)	$ (58,538)	$ (60,470)	$ -	$ 60,470	-100.0%	$ 60,511	-100.0%
Subtotal Long-Term Debt	**$ 3,663,485**	**$ 3,861,547**	**$ 3,832,839**	**$ 3,776,556**	**$ 3,740,338**	**$ (36,218)**	**-1.0%**	**$ 76,853**	**2.1%**
Note Payable	$ -	$ -	$ -	$ -	$ 40,000	---	---	---	---
Capital Lease	$ 418	$ -	$ -	$ -	$ -	$ -		$ (418)	-100.0%
Pollution Remediation Liability	$ 3,598	$ 526	$ 732	$ 602	$ 557	$ (45)	-7.5%	$ (3,041)	-84.5%
Self Insurance Claims	$ 351,710	$ 269,930	$ 294,884	$ 297,149	$ 334,557	$ 37,408	12.6%	$ (17,153)	-4.9%
Property Tax Objections	$ 28,969	$ 40,782	$ 62,280	$ 67,115	$ 78,421	$ 11,306	16.8%	$ 49,452	170.7%
Compensated Absences	$ 64,414	$ 65,716	$ 64,901	$ 61,656	$ 62,937	$ 1,281	2.1%	$ (1,477)	-2.3%
Net Pension Obligation	$ 1,529,849	$ 1,830,262	$ 2,210,857	$ 2,650,185	$ 2,997,031	$ 346,846	13.1%	$ 1,467,182	95.9%
Net OPEB Obligations	$ 379,090	$ 493,559	$ 604,201	$ 732,880	$ 875,254	$ 142,374	19.4%	$ 496,164	130.9%
Total Long-Term Liabilities	**$ 6,021,533**	**$ 6,562,321**	**$ 7,070,694**	**$ 7,586,143**	**$ 8,129,095**	**$ 542,952**	**7.2%**	**$ 2,107,562**	**35.0%**

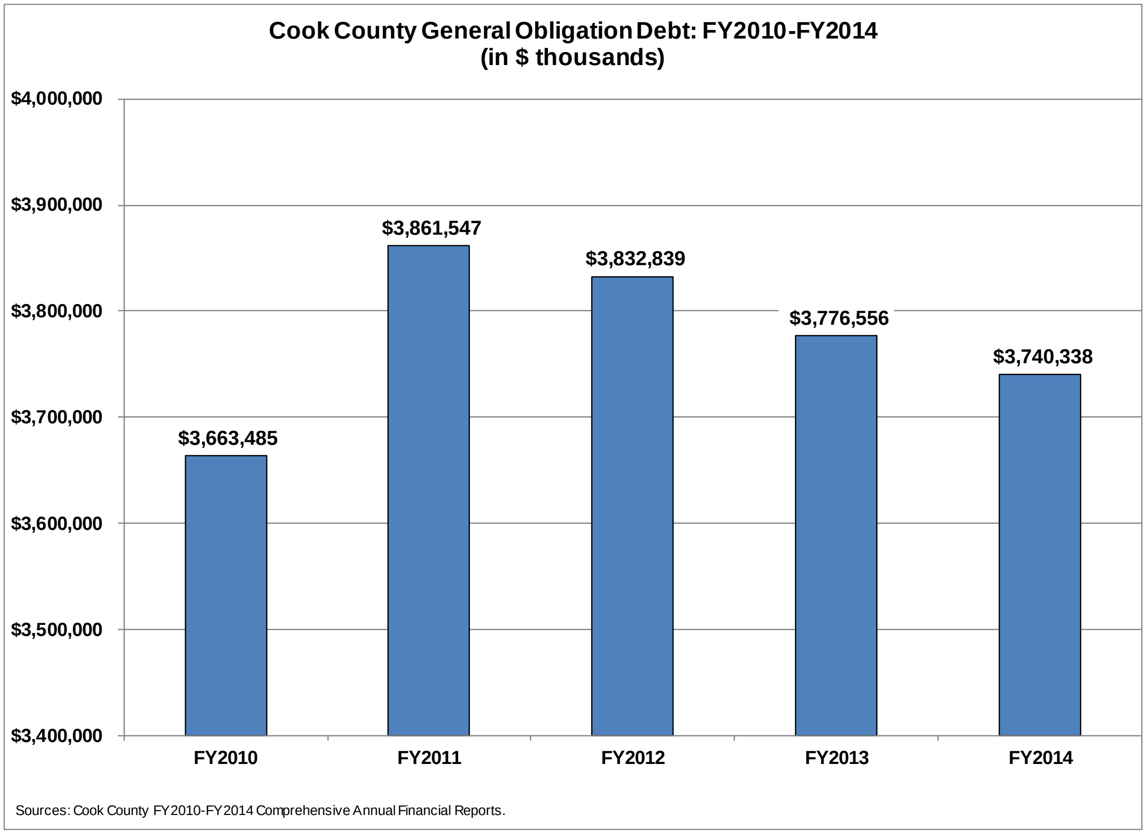
* A bond discount is an amount below the debt issuance's par value - underwriters may pay a discounted price for debt, with the price paid equal to par less the discount. See Vogt, J. Capital Budgeting and Finance: A Guide for Local Governments (Washington, D.C.: ICMA, 2004), p. 383.

Sources: Cook County FY2010-FY2014 Comprehensive Annual Financial Reports.

Long-Term Tax-Supported Debt

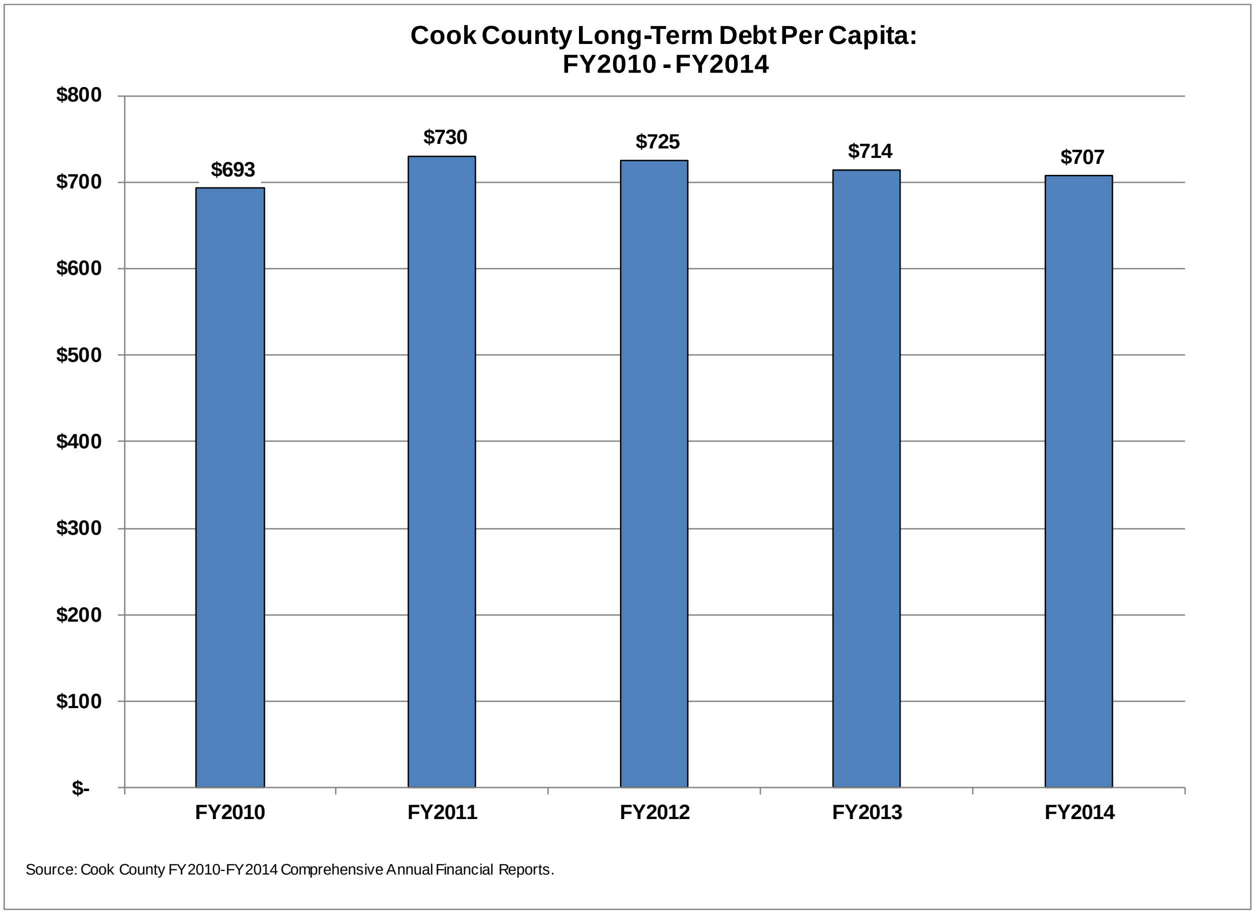
Increases in a government's long-term tax-supported debt over time, also known as direct debt, could be a potential sign of rising financial risk. Cook County long-term debt includes tax supported debt issues as well as bond premiums and issuance costs. All Cook County long-term debt is general obligation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

Long-term debt rose between FY2010 to FY2011 by $198.0 million before falling steadily through FY2014. Between FY2011 and FY2014, long-term general obligation debt for Cook County fell by 23.9%, or $1.6 billion, from $3.9 billion to $3.7 billion.



Long-Term Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This long-term debt analysis takes the total long-term debt amount reported in the County's financial statements and divides them by population. The County's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator should be monitored as a potential sign of growing financial risk. The County's long-term per capita debt burden increased from $693 to $707 between FY2010 and FY2014, a 2.1% increase.



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high.[199] The County has not come close

[199] 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.

to the 15% threshold in the five years examined. The debt service ratio has fluctuated slightly over this period, from a high of 6.6% in FY2012 to a low of 5.3% in FY2014.

Cook County Debt Service Expenditures as a Percentage of Total Appropriations: FY2012-FY2016					
	FY2012 Actual	FY2013 Actual	FY2014 Appropriations	FY2015 Appropriations	FY2016 Proposed
Debt Service Expenditures	$ 193,532,419	$ 187,384,752	$ 187,384,752	$ 225,000,000	$ 250,000,000
Total Expenditures	$ 2,927,245,910	$ 3,319,839,154	$ 3,536,930,504	$ 4,001,322,348	$ 4,540,801,238
Debt Service as a % of Total Expenditures	**6.6%**	**5.6%**	**5.3%**	**5.6%**	**5.5%**

Source: Cook County FY2016 Executive Budget Recommendation, p. 92; Cook County Appropriation Bills.

Cook County Bond Ratings

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

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

Source: Cook County FY2016 Executive Budget Recommendations, Volume I, p. 219.

COOK COUNTY CAPITAL PLANNING

According to the National Advisory Council on State and Local Budgeting's best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[200]

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

[200] 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.

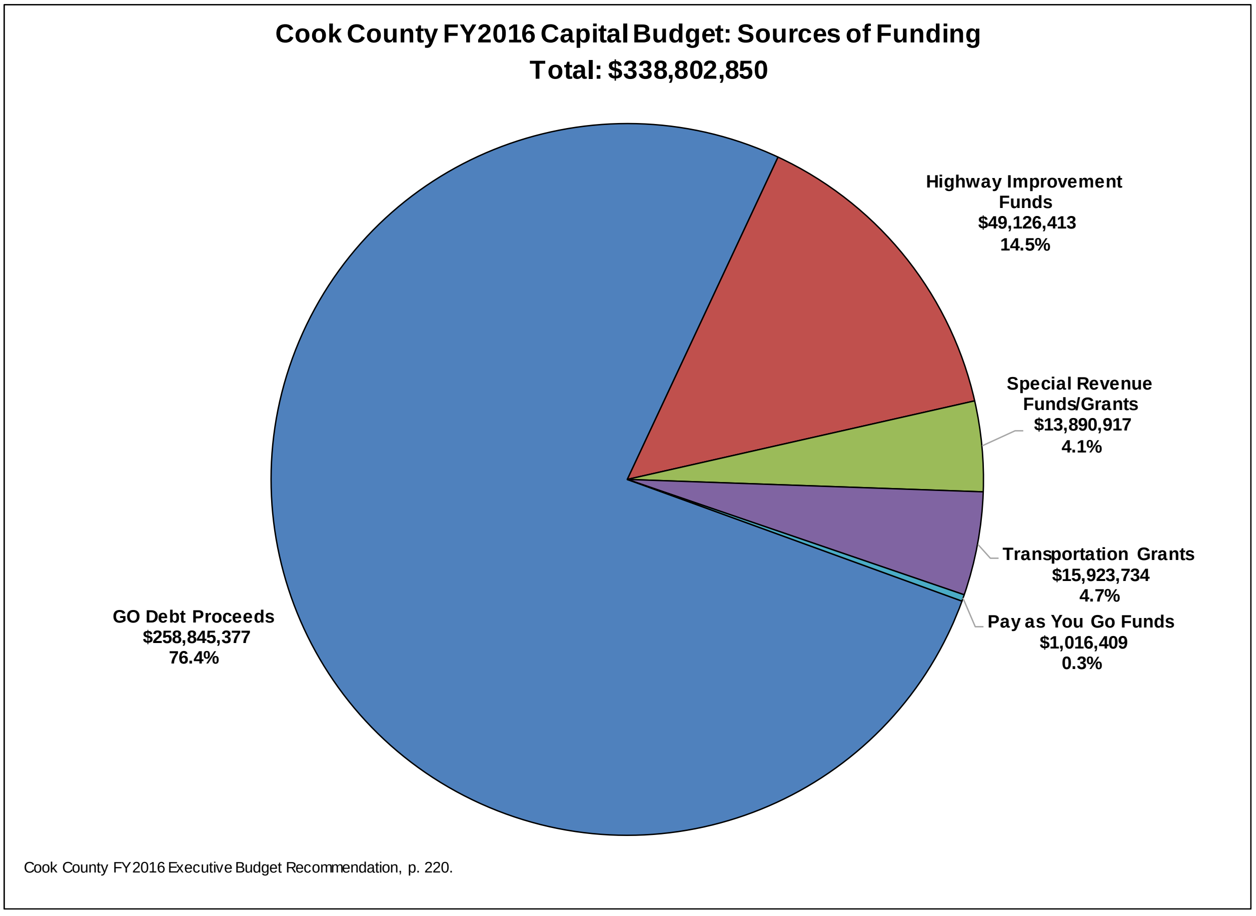
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

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.

FY2016 Capital Budget

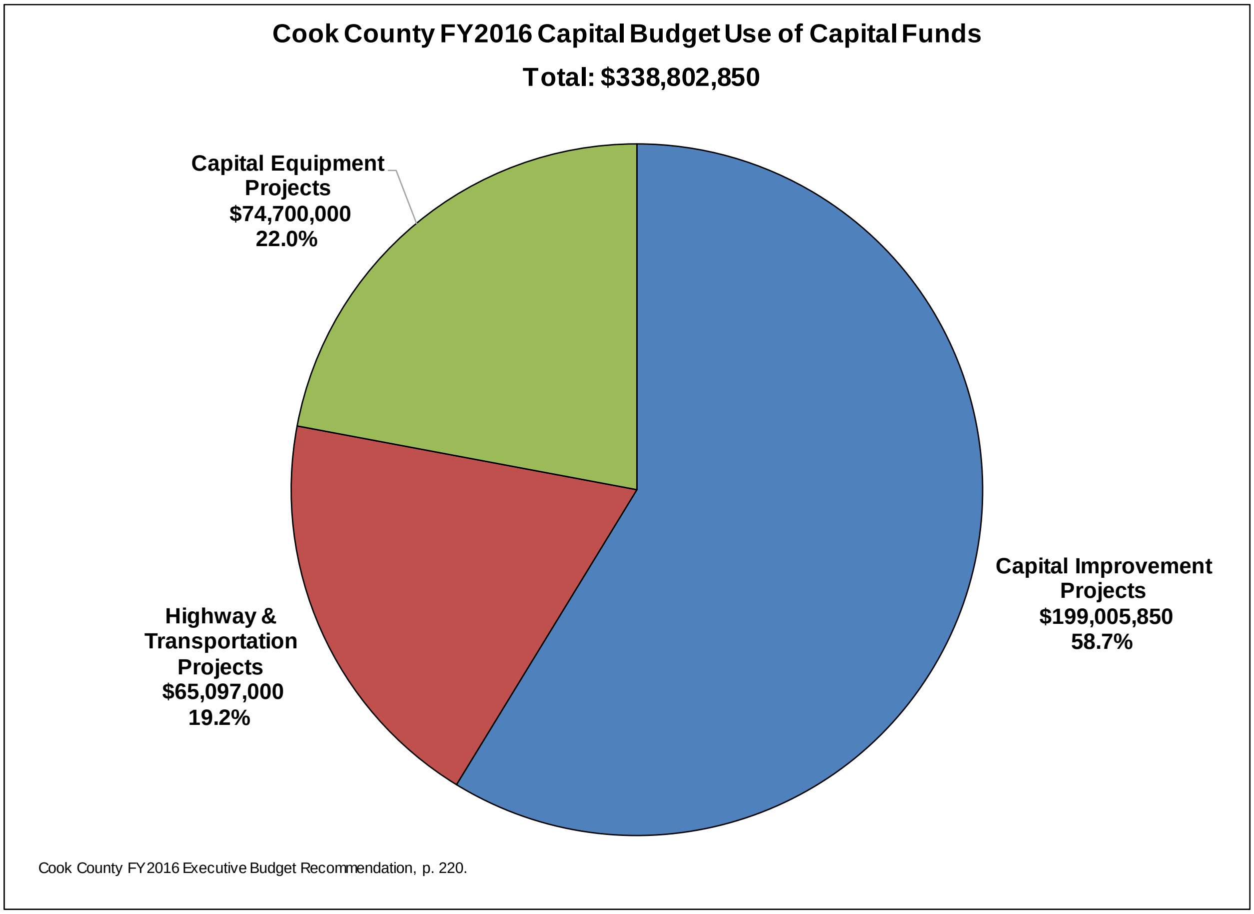
The first year of a CIP is the capital budget for that fiscal year. Cook County proposes a FY2016 capital budget of $338.8 million.

The graph below shows the sources of funding for the capital budget. Roughly 76.4% of all capital funds, or $258.8 million, will be derived from general obligation debt fund proceeds. Approximately 14.5% of capital funds will come from highway improvement funds. Smaller amounts will be funded by special revenue funds and grants, transportation grants and pay-as-you-go sources from the County's General Funds.



The capital budget includes a five-year transportation and highways plan (FY2016 through FY2019). The County maintains its own transportation and highway system and includes 1,426 miles of paved roads, 132 bridges and 360 traffic signals. The five-year transportation plan includes construction costs and maintenance cost of $287.9 million of which $65.1 million is proposed for FY2015.[201]

Cook County will use 58.7%, or $199.0 million, of its FY2016 capital budget for capital improvement projects. Capital equipment investments in the capital budget are expected to total 22.0% or $74.7 million. These requests range from medical equipment for the Health System to office furniture and County vehicles. Highway and transportation projects will use 19.2% or $65.1 million of the total capital budget.



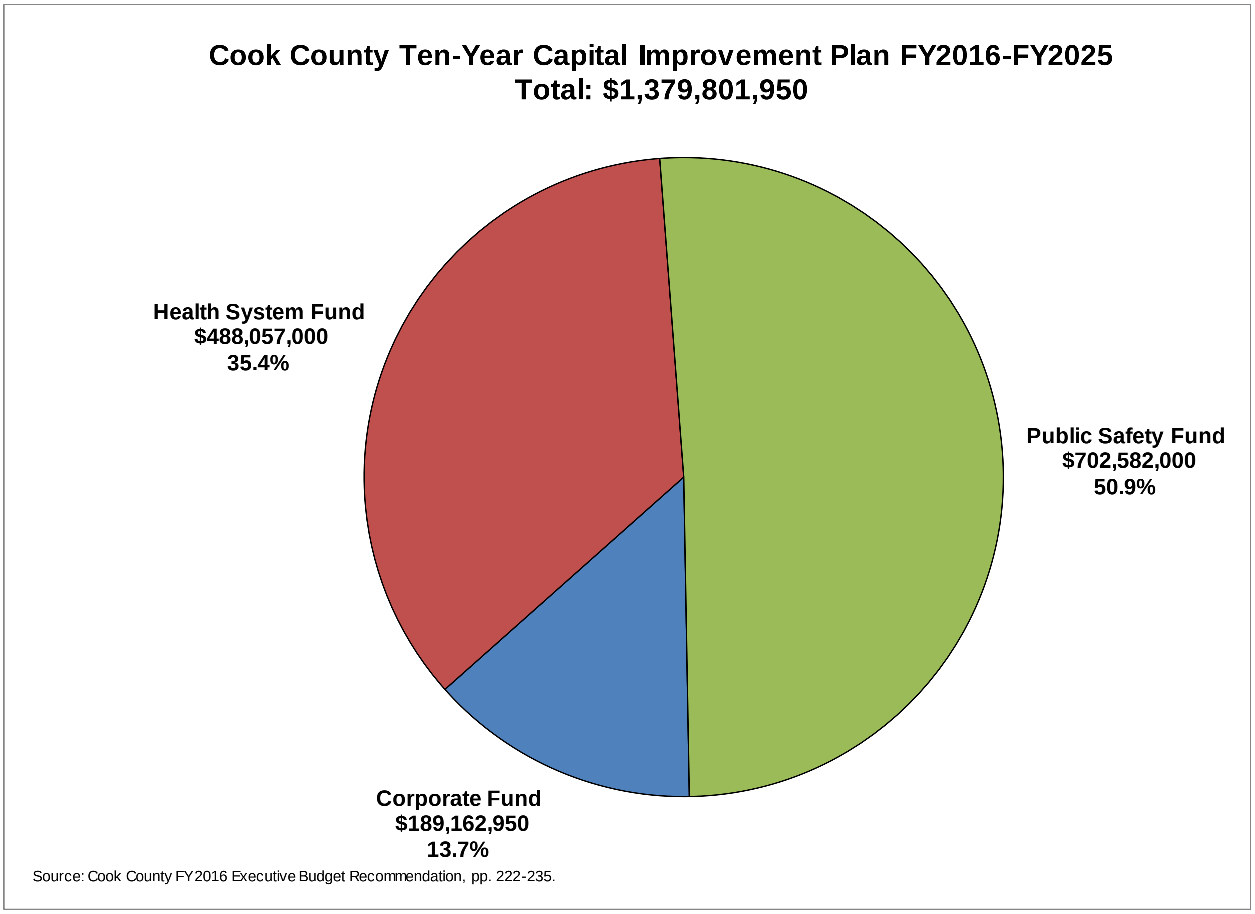
The FY2016-FY2025 Capital Improvement Plan

Cook County's proposed 10-year capital improvement plan includes nearly $1.4 billion of infrastructure investment through FY2025. These projects are ranked using a five-point facilities

[201] Cook County FY2016 Executive Budget Recommendation, p. 264.

condition index.[202] The CIP includes an overview of the proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken. The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan.

The chart below shows that 50.9%, or $702.6 million, of the capital expenditures between FY2016 and FY2025 will be earmarked for public safety and Department of Corrections facilities and projects. Additionally, 35.4%, or $488.1 million, will be used for Health System fund projects and $189.2 million or 13.7% of the total, will be spent on Corporate Fund projects.



Review of Cook County CIP

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

- The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures.

[202] Cook County FY2016 Executive Budget Recommendation, p. 228.

- A discussion of the relationship between the capital and operating budgets is provided and certain positive impacts of capital expenditures are highlighted in the capital budget section of the executive budget recommendation.[203] However, specific information is not provided about the impact of capital spending per project on operating budgets.
- Some narrative information is provided about certain projects, but narrative descriptions of all individual projects, including the purpose, need, history and current status of each project, are not provided.
- The CIP is not approved by the Board of Commissioners as a stand-alone document.

[203] Cook County FY2016 Executive Budget Recommendation p. 221.

Cook County Capital Improvement Program Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include:	
• *A narrative description of the CIP process?*	Yes
• *A five year summary list of projects and expenditures per project as well as funding sources per project?*	Yes
• *Information about the impact and amount of capital spending on the annual operating budget for each project?*	No
• *Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?*	Some discussion of public safety, public health and corporate fund projects and Transportation & Highway projects
• *The time frame for fulfilling capital projects?*	Yes
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Yes
Is the capital improvement plan made publicly available for review by elected officials and citizens?	
• *Is the CIP published in the budget or a separate document?*	In the Budget Book
• *Is the CIP available on the Web?*	Yes[204]

[204] The Cook County Capital Improvement Plan is available at http://www.cookCountyil.gov/wp-content/uploads/2015/10/16-Capital-Improvement-Programs-PresRec.pdf.

Are there opportunities for stakeholders to provide input into the CIP?	
• *Is there stakeholder participation on a CIP advisory or priority setting committee?*	No
• *Does the governing body hold a formal public hearing at which stakeholders may testify?*	Yes
• *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	Yes
Is the CIP formally approved by the governing body of the government?	As part of the budget

APPENDIX A

The following chart exhibits the composite sales tax rates for the City of Chicago, suburban Cook County, DuPage County and other collar counties for FY2015 and FY2016. When the one percentage sales tax increase takes effect on January 1, 2015, the City of Chicago will have the highest aggregated tax rate of any major urban center in the country at 10.25%. Some suburban Cook County municipalities will have a composite tax rate of 11.0% which will be the highest in the region.

Composite Sales and Use Tax on General Merchandise in the Chicago Region
2015 and 2016

	Chicago 2015	Chicago 2016	Suburban Cook County 2015	Suburban Cook County 2016	DuPage County	Other Collar County
State	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Municipal*	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
County**	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Cook County Home Rule	1.75%	1.75%	0.75%	1.75%	0.00%	0.00%
RTA	1.00%	1.00%	1.00%	1.00%	0.75%	0.75%
DuPage Water	0.00%	0.00%	0.00%	0.00%	0.25%	0.00%
City Home Rule	0.25%	1.25%	.25% to 2.00%	.25% to 2.00%	0.50% to 1.50%	0.50% to 1.75%
Composite Rate	**9.25%**	**10.25%**	**8.25% to 10.00%**	**9.25% to 11.00%**	**7.25% to 8.75%**	**7.00% to 8.75%**

* This rate applies to county unincorporated areas

** In Cook County only, this portion is allocated to the RTA rather than to the county.

Note: City home rule and County home rule sales taxes must be implemented in 0.25% increments.

Source: Legislative Research Unit. *Tax Handbook for Legislators* , 2014, p. 136