



**CHICAGO PARK DISTRICT FY2006
OPERATING BUDGET RECOMMENDATIONS**

Analysis and Recommendations

Prepared By
The Civic Federation
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EXECUTIVE SUMMARY

The Chicago Park District proposes a FY2006 operating budget of \$385.5 million. The District balanced its FY2006 budget through a variety of actions including \$2.5 million in cost reductions, a \$9.5 million increase in Personal Property Replacement Tax revenues due to the economic recovery, and over \$6 million in increases in fee, permit, and facility rental revenues.

The Civic Federation offers the following **key findings** on the Chicago Park District's finances based on our analysis of its FY2006 budget and FY2004 audited financial statements:

- There will be no property tax increase in FY2006. The gross property tax levy for all purposes will remain at \$259.9 million.
- The District will again levy \$6 million in property taxes for Special Recreation purposes.
- The FY2006 budget will increase by 5.2%, from \$366.5 million to \$385.6 million.
- The budget includes \$2.5 million in costs savings, of which \$1.1 million is health care cost reductions.
- The District will resume making the full statutorily required employer pension contribution after having reduced pension contributions by \$5 million in FY2004 and again in FY2005.

The Civic Federation **supports** the Chicago Park District's FY2006 recommended budget because:

- The District has exercised restraint this year by not raising its property tax levy and reducing staff.
- The District continues to control personnel costs by eliminating 10 vacant full-time positions. This follows on a reduction of 61 full-time positions last year.
- The District has cut personnel costs by restructuring and rationalizing its employee healthcare program. Unionized employees will be required to contribute to the cost of their health and dental insurance premiums for the first time this year.
- The District continues to expand rental and fee revenues, relying less heavily on tax receipts.

However, the Civic Federation has **concerns** about a financial issue related to the budget:

- In 2004, the Chicago Park District successfully sought legislation that allowed them to reduce employer contributions to the Park employees' pension fund by \$5 million in FY2004 and \$5 million in FY2005.
- In those years the District levied the full amount required for the pension funds by statutory formula, but transferred \$5 million of those tax receipts to the Corporate Fund.
- This was a \$10 million reduction in pension funding taken at a time when the actuarial funded ratio for the pension fund had dropped below 90%, and is in danger of falling below 80% for FY2005.
- The Civic Federation **strongly opposes governments reducing their pension obligations in order to increase operating expenditures.** Property taxes levied for purposes of paying for employee pensions should be used for employee pensions, not transferred to the Corporate Fund. If the government does not need the full amount of property tax dollars it is levying for a particular purpose, it should either abate those dollars to the taxpayers or cut the levy. Transferring pension fund levy dollars to other operating purposes voids the spirit and perhaps the letter of the truth in taxation law.

The Civic Federation offers several **recommendations** on ways to improve the District's financial management and transparency of operations:

- A minimum of ten working days should be allowed between the public release of the budget and the public hearings.
- The budget format should be improved to provide more complete, consistent, and transparent information, including narrative descriptions of revenues and expenditure priorities.
- The District should pursue the joint purchasing of health insurance with other major local governments.
- The District should continue to develop and utilize a performance measurement system for all District programs as part of a broader strategic planning strategy.
- The District should adopt formal financial policies and publish them in the budget document.
- The District should build upon its strategic planning efforts to develop and implement a formal long-term financial planning process that includes input from all stakeholders and is publicly provided in a published document.

OVERVIEW

The Civic Federation **supports** the Chicago Park District's FY2006 \$385.5 million budget as fiscally responsible and financially sound proposal for addressing the year's operating budget. The Chicago Park District's dual emphasis on exercising restraint with property taxes and implementing management and cost cutting efficiencies garners the Civic Federation's support this year.

The District has taken many sensible steps this year to balance its budget. The levy will be frozen at \$259.9 million, giving taxpayers much needed relief at a time when far too other governments are raising regressive real estate taxes on homeowners and businesses as much as they are legally allowed. Certain user fees will be increased, but these are appropriate as they target those who actually benefit from a program or service and thus are preferable to general tax increases. By shrinking the full-time workforce by 10 positions, rationalizing its employee healthcare plan, and reducing supply costs, the District estimates it can save as much \$2.5 million next year.

The full text of our analysis follows this summary and is also available on our Web site at www.civiefed.org.

Reasons for Civic Federation Support

The Civic Federation supports the FY2006 budget for the following reasons.

Property Tax Levy Freeze

The FY2006 Chicago Park District budget contains no property tax increase. The total levy will be frozen at \$259.9; this figure includes \$6.0 million levied for the purpose of funding special recreation programs and transportation as authorized by Public Act 93-0612. We applaud the District for exercising restraint in increasing real estate taxes this year.

Continued Reductions in Full-Time Positions

We are encouraged by the Chicago Park District's proposals to control personnel costs by eliminating 10 full-time vacant positions. As a result, the full-time workforce will shrink by 10 full time equivalent (FTE) positions or from 1746 to 1736. This comes after last year's reduction of 61 FTES. Since FY1996, a total of 420 full-time positions have been eliminated. Just as many private sector firms have reduced their workforce in recent years because of improved employee work processes, technological advancements and increased competition, so too must the public sector embrace modernization and improved efficiencies if it is to be fiscally responsible and operate within a rational tax environment. Trimming non-essential positions is an essential step in this direction and we commend the Park District for taking this step.

Reduction in Healthcare Costs

Chicago Park District personnel costs for wages and benefits will rise by 7.5% between FY2004 and FY2006; this is a \$9.0 million increase from \$121.3 million to \$130.4 million. That rate of increase would have been higher except for the fact that the District has trimmed full-time staff and that this year it was able to actually reduce employee healthcare costs by \$1.1 million. This is an impressive achievement.

In FY2006, the District has cut personnel costs by restructuring and rationalizing its employee healthcare program. Unionized employees will be required to contribute to the cost of their health and dental insurance premiums for the first time. This move, which we called for in our review of the CPD budget last year, is a prudent and responsible move that will significantly improve the financial condition of the District in the long-term.

Emphasis on Rental and Fee Revenues Rather than Property Taxes

The Chicago Park District is expanding its use of rental and fee revenues, which allows it to rely less heavily on tax revenues from property taxes and the Personal Property Replacement Tax. Between FY2005 and FY2006, revenues from permits, fees, and facility rentals are projected to increase by \$6.6 million, or 8.9%. In FY2006, tax revenues will constitute 75.2% of all revenues, while Permits and Fees will represent 13.7% and Facility Rentals will represent 7.4%. This contrasts with FY2002, when tax revenues were 81.6% of total revenues, while Permits and Fees constituted only 6.3% and Facility Rentals made up 6.0% of revenues.

The Civic Federation is encouraged by the District's efforts to expand non-tax revenues while rationalizing its fee structure and pursuing greater revenues from facility rentals.

Issue of Concern: 2004 and 2005 Pension Funding Reduction

In 2004, the Chicago Park District successfully sought legislation that allowed them to reduce employer contributions to the Park employees' pension fund by \$5 million in FY2004 and \$5 million in FY2005. In those years the District levied the full amount required for the pension funds by statutory formula, but transferred \$5 million of those tax receipts to the Corporate

Fund.¹ **This \$10 million pension reduction was taken at a time when the actuarial funded ratio for the pension fund had dropped below 90%, and is in danger of falling below 80% for FY2005.**² Unfunded liabilities for the pension fund grew 66.6%, or \$51.3 million, between FY2003 and FY2004 alone. While this issue has limited impact upon the FY2006 budget, the Federation is concerned that such past practice not be repeated.

The Civic Federation opposes governments taking pension holidays for any reason, whether it is the State of Illinois' misguided use of a pension holiday to balance its FY2006 and FY2007 budgets or a local government transferring funds to other purposes. Property taxes levied for purposes of paying for employee pensions should be used for employee pensions, not transferred to the Corporate Fund. If the government does not need the full amount of property tax dollars it is levying for a particular purpose, it should either abate those dollars to the taxpayers or cut the levy. Transferring specific pension fund levy dollars for other operating expenses violates the spirit and potentially the letter of Illinois Truth in Taxation statute.

The Civic Federation warns that such pension reductions are both inappropriate fiscal practice and may subject the District to legal challenges regarding the validity of its tax levies.

Civic Federation Recommendations

The Civic Federation offers several recommendations on ways to improve the District's financial management and transparency of operations.

Increase Time Allowed for Public Review and Comment

The FY2006 budget was publicly released on November 21. The public hearing was scheduled for November 30, shortly after the Thanksgiving holiday. This allows the public only **six working days**, including the day after Thanksgiving, to review the budget. The Civic Federation is disappointed that the District is rushing to wrap up its budget process. Six working days is not an adequate period of time for stakeholders to develop an informed reaction to the policies and priorities the budget contains. This is far less time than is afforded by many other governments. The City of Chicago, for example, allows 17 days from the day of release to the day set aside for public comment.

We believe that more time should be allowed for the public to review and understand the Chicago Park District's multi-million dollar budget. At a minimum, ten **working** days should be allowed for the public review period before public testimony is heard. Only in this way, can citizens make fully informed commentary on such an important local government budget and generate needed public support for the District's funding priorities.

¹ 40 ILCS 5/12-149 requires the District to levy for the pension fund an amount equal to 1.1 times the total employee contribution made 2 years prior. The Park District Board has authorized the transfer of \$5 million from the pension fund levy to the Corporate Fund for FY2005, but has yet to authorize the same transfer for 2004 due to the timing of the legislation. Information provided by the Chicago Park District, November 23, 2005.

² The Park Employees' & Retirement Board Employees' Annuity and Benefit Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2005 is expected to be released at the end of December, 2005.

Continue to Improve Budget Format

The Civic Federation applauds the Chicago Park District for upgrading its budget document in FY2006. We urge the District to build on the important improvements made this year by placing the Executive Summary that is being developed separately in the beginning of the full budget document this year and including the following features in future years:

- A detailed transmittal letter that describes the highlights of the budget;
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;
- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

In crafting a user-friendly budget, the Chicago Park District could find a useful template the City of Chicago's FY2006 *Budget Overview and Revenue Estimates*. This document incorporates many of the guidelines of the Government Finance Officers Association Distinguished Budget Awards Program, as well as previous suggestions made by the Civic Federation. It provides readers with a concise and informative summary of trends, programs and budget processes, including seven years of trend information for revenues, as well as a useful guide on how to read and understand the revenue estimates and two years of concise information on budgeted positions.

Pursue Joint Purchasing of Health Insurance

The Chicago Park District recently joined with six other local governments for the joint purchase of prescription drugs. Once finalized, this agreement may save the District from \$200,000 to \$300,000 per year.³ We urge the District to take the next step and work with other major local governments to consolidate health insurance purchasing. The potential for substantial savings that can be achieved from an insurance pool will be extremely beneficial to the Park District's future financial situation. A recent Civic Federation study found that forming such an agreement consisting of the employees of seven major local governments including the CPD could yield projected savings of \$40.1 million for all the governments in the first year or \$222 million over a 5-year period.⁴

Continue the Process of Developing Performance Measures

The CPD has indicated that it is moving toward implementation of a performance measurement system. The first step, reported in the FY2006 budget, was the development of goals for the District's divisions. We congratulate the District's financial management team on taking this

³ Information provided by Chicago Park District Budget Office, November 23, 2005.

⁴ The Civic Federation. *Feasibility Study of Consolidated Purchasing: Chicago Public Employers. A Study Conducted by the Segal Company.* February 23, 2001.

step and encourage them to continue moving forward toward full implementation of a performance management system. We believe that all governments should evaluate the performance of programs and services they provide. This is the best means available to determine if they are accomplishing intended program goals and making efficient use of resources. Evaluating and reporting on program results keeps all citizens and stakeholders apprised of actual results compared to expectations.⁵

Adopt Formal Financial Policies

Formal or written financial policies are plans that guide and determine a government's present and future financial operations decision-making. Both the National Advisory Council on State and Local Budgeting and the Government Finance Officers Association recommend that all jurisdictions adopt formal written financial policies.⁶ The Civic Federation recommends that the Chicago Park District adopt written financial policies to guide the development of its annual budget.

Implement a Formal Long-Term Financial Plan

The Chicago Park District employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that the CPD develop and implement a formal long-term financial planning process to be reviewed not just internally, but to allow for input from the Board of Commissioners and other key policy stakeholders, including the public.

ACKNOWLEDGEMENTS

The Civic Federation would like to thank General Superintendent Timothy Mitchell, Chief Financial Officer James Chiampas, Budget Director Mark Thomas and the Chicago Park District's financial management staff for their hard work in preparing this budget. We greatly appreciate the cooperation we have received from all of them in preparing our analysis.

FY2006 BUDGET HIGHLIGHTS

The Chicago Park District proposes a FY2006 operating budget of \$385.5 million. This is a \$19.1 million, or 5.2%, increase over the FY2005 budget.

⁵ See Recommended Practice 11.1 "Monitor, Measure, and Evaluate Program Performance," in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998).

⁶ See Recommended Practices 4.1 – 4.7 in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998) and "Adopting Financial Policies," Recommended Practice, Committee on Governmental Budgeting and Management (2001).

How the FY2006 Budget was Balanced

The FY2006 Chicago Park District is projected to increase by \$19.1 million from the previous fiscal year to \$385.6 million. The cost drivers leading to the increase are fourfold:

- General operating costs are expected to increase by \$7.7 million.
- The District's required pension payment will rise by nearly \$5 million; this is because the District was authorized by the General Assembly to reduce its pension payment last year in that amount.
- Personnel costs for wages and benefits will increase by \$4.5 million.
- Debt service costs will rise by \$2.4 million.

COST DRIVERS OF THE FY2006 BUDGET	
Operating Costs	\$ 7,700,000
Pension Payment	\$ 5,000,000
Personnel Costs	\$ 4,500,000
Debt Service Costs	\$ 2,400,000
TOTAL	\$ 19,600,000

The budget was balanced through a mixture of over \$17.1 million in revenue enhancements and \$2.5 million in expenditure reductions. Nearly half of the budget increase in FY2006 or \$9.5 million will be covered with increased revenues from the Personal Property Replacement Tax (PPRT), a corporate income tax. Increases in parking tax rates and Soldier Field revenues will generate another \$5 million in revenues. On the cost reduction side of the ledger, plan design changes that require employees to contribute to the cost of healthcare payments and mandate deductibles for the first time will save up to \$1.1 million. Various operational efficiencies, including the elimination of 10 positions and the rationalization of seasonal hours, will yield approximately \$900,000. Reductions in material and supply costs will generate another \$500,000 in savings.

HOW THE CHICAGO PARK DISTRICT BUDGET WAS BALANCED	
REVENUE ENHANCEMENTS	
PPRT Revenue Increase	\$ 9,500,000
Parking Fee Rate Increase	\$ 2,817,000
Soldier Field Revenues Increase	\$ 2,254,000
Interest Earnings	\$ 700,000
Miscellaneous	\$ 610,000
Rental & Permit Fees	\$ 555,000
Harbor Fees	\$ 500,000
Northerly Island Pavilion Fees	\$ 164,000
TOTAL Revenue Enhancements	\$ 17,100,000
COST REDUCTIONS	
Health Care Cost Reductions	\$ 1,100,000
Operational Efficiencies	\$ 900,000
Material Cost Reductions	\$ 500,000
TOTAL Cost Reductions	\$ 2,500,000
GRAND TOTAL	\$ 19,600,000

Source: Information provided by the Chicago Park District

Budget Format

The FY2006 Chicago Park District contains some important format improvements that make the budget easier to understand. These include:

- A table on p. 13 that describes how to read budget line items
- Notes on selected pages that describe the reasons underlying significant changes from the previous fiscal year
- Narrative for each division that includes a summary of responsibilities, current fiscal year accomplishments and goals for the new fiscal year. The goals are particularly significant as they are the first step in implementing a performance measurement system.

The Civic Federation **commends** the CPD financial management team for their efforts in upgrading the quality of the budget format. We also understand that an Executive Summary will be produced this year as well at the time of the District's public hearings, which is yet another positive step.⁷ However, much more work remains to be done to provide taxpayers with a reasonable overview of District operations and financial trends. The Civic Federation urges the District to build on the important improvements made this year by including in future budgets:

- The Executive Summary in the beginning of the full budget document;
- A detailed transmittal letter that describes the highlights of the budget;
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;

⁷ Information provided by Chicago Park District Budget staff.

- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

FINANCIAL ISSUES AND TRENDS

This section provides summaries of key issues likely to affect the District's financial situation in the upcoming fiscal year as well as expenditure, appropriation, and revenue trends.

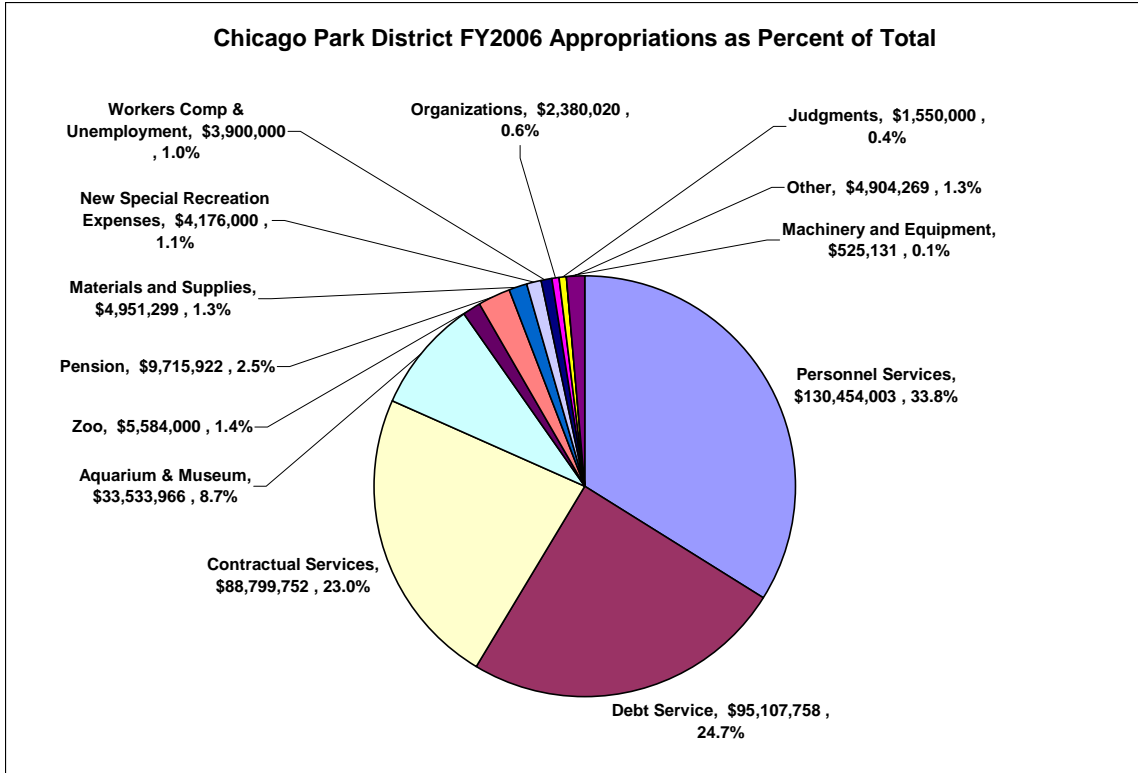
All Fund Appropriations: 5.2% Increase from \$366 million to \$386 million

Total Chicago Park District appropriations are projected to increase from \$366.5 million in FY2005 to \$385.6 million in FY2006, a 5.2% increase. Personnel appropriations are expected to increase slightly from \$129.0 million to \$130.5 million, or 1.1%. Debt service appropriations will rise by 2.6%, from \$92.7 million to \$95.1 million. Appropriations for pensions will almost double, increasing from \$5.0 million in FY2005 to \$9.7 million in FY2006.

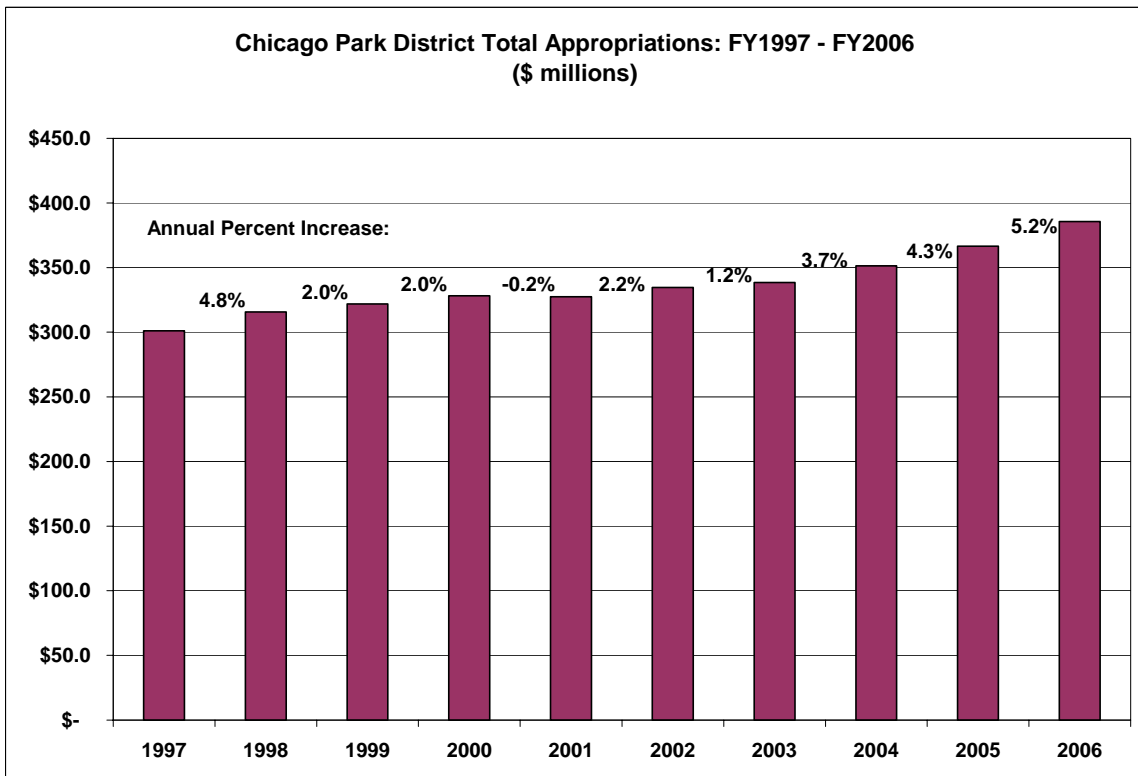
Chicago Park District Appropriations by Object: FY2005-FY2006				
	FY2005	FY2006		
	Recommended	Recommended	\$ change	% change
Personnel Services	\$ 129,019,029	\$ 130,454,003	\$ 1,434,974	1.1%
Debt Service	\$ 92,717,904	\$ 95,107,758	\$ 2,389,854	2.6%
Contractual Services	\$ 80,342,996	\$ 88,799,752	\$ 2,745,011	3.5%
Aquarium & Museum	\$ 32,855,906	\$ 33,533,966	\$ 678,060	2.1%
Zoo	\$ 5,584,000	\$ 5,584,000	\$ -	0.0%
Pension	\$ 5,045,418	\$ 9,715,922	\$ 4,670,504	92.6%
Materials and Supplies	\$ 4,720,765	\$ 4,951,299	\$ 230,534	4.9%
New Special Recreation Expenses	\$ 4,176,000	\$ 4,176,000	\$ -	0.0%
Workers Comp & Unemployment	\$ 3,700,000	\$ 3,900,000	\$ 200,000	5.4%
Organizations	\$ 2,275,000	\$ 2,380,020	\$ 105,020	4.6%
Judgments	\$ 1,150,000	\$ 1,550,000	\$ 400,000	34.8%
Machinery and Equipment	\$ 306,782	\$ 525,131	\$ 218,349	71.2%
Other	\$ 4,589,003	\$ 4,904,269	\$ 315,266	6.9%
GRAND TOTAL	\$ 366,482,803	\$ 385,582,120	\$ 19,099,317	5.2%

Source: Chicago Park District FY2005 Budget Recommendations, p. 345, Chicago Park District FY2006 Budget Recommendations, p. 353.

Approximately 33.8% of FY2006 appropriations are budgeted for Personnel Services, while Debt Service represents 24.7% of appropriations. Contractual Services represent 23.0% of total appropriations.



Over the last ten years, total appropriations have grown by 28.8%, or \$84.4 million, for an average annual increase of 1.9%.



The next exhibit provides a detailed listing of Contractual Services appropriations. Overall, the District will increase Contractual Services appropriations by 10.5%, rising from \$80.3 million to \$88.8 million. Management Fee expenditures will increase by \$2.5 million, or 30.4%, Rent and Utilities expenditures will increase by \$2.1 million, or 9.6%, and Expenditures of Grants will increase by \$2.0 million, or 28.6%. The grant increase reflects the anticipated addition of federal lunch grants for District after-school programs.⁸ The District achieved savings in the Other category, which shows a 13.9% or \$0.4 million decrease from the previous year.

Chicago Park District Contractual Services Appropriations: FY2005-FY2006				
Contractual Services	2005 Budget	2006 Budget	\$ change	% change
Park Services Management	\$ 27,244,097	\$ 27,516,234	\$ 272,137	1.0%
Management Fee Expense	\$ 8,296,010	\$ 10,819,049	\$ 2,523,039	30.4%
Rent & Utilities	\$ 21,568,762	\$ 23,630,619	\$ 2,061,857	9.6%
Professional Services	\$ 3,564,561	\$ 4,159,525	\$ 594,964	16.7%
Communications	\$ 1,360,400	\$ 1,815,487	\$ 455,087	33.5%
City of Chicago (Police & Grant Park Music Festival)	\$ 300,000	\$ 300,000	\$ -	0.0%
General Contractual Services	\$ 1,891,544	\$ 2,167,551	\$ 276,007	14.6%
Expenditures of Grants	\$ 7,000,000	\$ 9,005,000	\$ 2,005,000	28.6%
Insurance	\$ 3,401,099	\$ 3,459,168	\$ 58,069	1.7%
Reprographic Services	\$ 466,039	\$ 970,000	\$ 503,961	108.1%
Landscape Services	\$ 2,419,700	\$ 2,519,700	\$ 100,000	4.1%
Other	\$ 2,830,784	\$ 2,437,419	\$ (393,365)	-13.9%
GRAND TOTAL	\$ 80,342,996	\$ 88,799,752	\$ 8,456,756	10.5%

Source: Chicago Park District FY2005 Budget Recommendations, p. 345, Chicago Park District FY2006 Budget Recommendations, p. 353.

Revenues and Resources Trends

Tax revenues for the District are budgeted to increase by 3.5% in FY2006, from \$280.6 million to \$290.3 million. This reflects a projected increase in Personal Property Replacement Tax (PPRT) receipts of \$9.5 million, or 31.7%. The PPRT is an income tax levied on corporations and utilities, and its dramatic increase reflects the economic recovery in Illinois. There is no increase in the District's property tax levy for FY2006.

Revenues from the rental of District facilities will increase by 10.9%, from \$25.7 million to \$28.5 million. The largest increase is in the rental of Soldier Field, which is expected to bring in an additional \$2.2 million in FY2006. The District budget book notes that the new Northerly Island Pavilion is expected to generate over \$800,000 in FY2006, but that any revenues beyond \$163,104 budgeted for operating costs will be dedicated to capital projects on the Island.⁹

Permit and fee revenues are projected to increase by \$3.8 million, or 7.8%. This is primarily a result of increased parking fees, expected to generate an additional \$2.8 million in FY2006. A 4% increase in slip fees is expected to raise harbor revenues by \$499,468.

⁸ Information provided by the Chicago Park District, November 23, 2005. The District currently receives federal lunch grant funding for its day camp programs.

⁹ *Chicago Park District 2006 Operating Budget Recommendations*, p. 353.

An additional \$2 million in grants and donations is expected for FY2006, and investment income will more than double, from \$550,000 to \$1,250,000. No revenue source is expected to decline in FY2006.

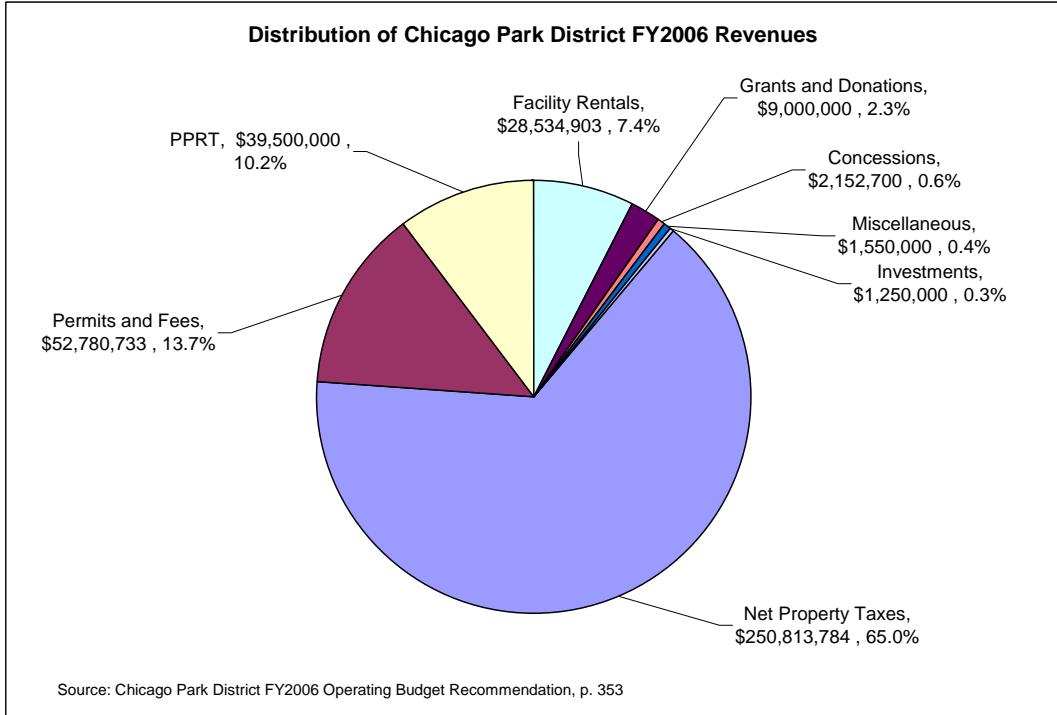
In FY2006 the District will carry over \$5 million in dedicated corporate fund balance from FY2005. This balance is encumbered for FY2005 projects, including \$2 million for trees, \$1.5 million for alternative fuel vehicles, and \$0.5 million for materials and supplies.¹⁰

Chicago Park District Resources by Source: FY2005 vs. FY2006				
	2005 Budget	2006 Budget	\$ change	% change
Gross Property Tax Levy	\$ 253,910,657	\$ 253,910,657	\$ -	0.0%
Special Recreation Property Tax Levy	\$ 6,000,000	\$ 6,000,000	\$ -	0.0%
Property Tax Loss in Collection	\$ (9,296,873)	\$ (9,096,873)	\$ 200,000	-2.2%
Personal Property Replacement Tax	\$ 30,000,000	\$ 39,500,000	\$ 9,500,000	31.7%
Subtotal Tax Revenues	\$ 280,613,784	\$ 290,313,784	\$ 9,700,000	3.5%
Rental of Soldier Field	\$ 19,812,692	\$ 22,066,062	\$ 2,253,370	11.4%
Rental of Other Property	\$ 4,290,000	\$ 4,668,700	\$ 378,700	8.8%
Northerly Island Pavilion	\$ -	\$ 163,104	\$ 163,104	100.0%
Entertainment Facilities	\$ 1,637,037	\$ 1,637,037	\$ -	0.0%
Subtotal Facility Rentals	\$ 25,739,729	\$ 28,534,903	\$ 2,795,174	10.9%
Parking Fees	\$ 18,957,884	\$ 21,774,214	\$ 2,816,330	14.9%
Harbor Fees	\$ 17,700,000	\$ 18,199,468	\$ 499,468	2.8%
Recreation Activities	\$ 10,022,963	\$ 10,372,763	\$ 349,800	3.5%
Permits	\$ 1,758,444	\$ 1,934,288	\$ 175,844	10.0%
Golf Course Fees	\$ 500,000	\$ 500,000	\$ -	0.0%
Subtotal Permits and Fees	\$ 48,939,291	\$ 52,780,733	\$ 3,841,442	7.8%
Concessions	\$ 2,090,000	\$ 2,152,700	\$ 62,700	3.0%
Grants and Donations	\$ 7,000,000	\$ 9,000,000	\$ 2,000,000	28.6%
Investments	\$ 550,000	\$ 1,250,000	\$ 700,000	127.3%
Miscellaneous	\$ 1,550,000	\$ 1,550,000	\$ -	0.0%
Corporate Fund Designated Fund Balance	\$ -	\$ 5,000,000	\$ 5,000,000	100.0%
GRAND TOTAL	\$ 366,482,804	\$ 390,582,120	\$ 24,099,316	6.6%

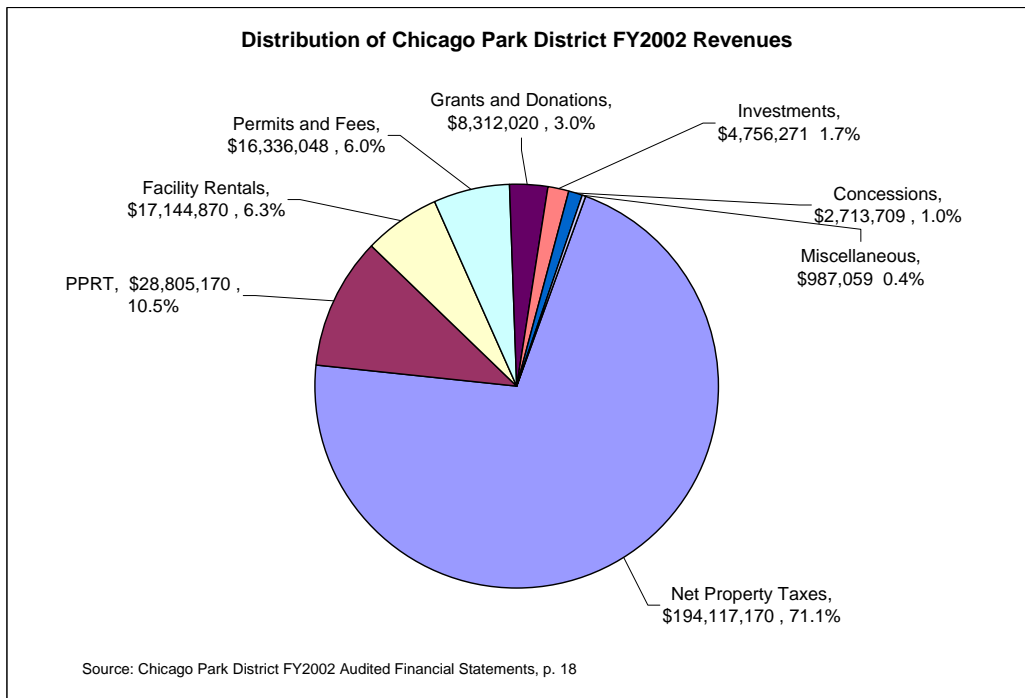
Source: Chicago Park District FY2006 Budget, pp. 353, 354

The following exhibit shows the distribution of District revenues in FY2006, not including the Corporate Fund Balance. Total tax revenues (property tax and PPRT) constitute 75.2% of District revenues. The next largest revenue source is Permits and Fees, at 13.7%, followed by Facility Rentals at 7.4%.

¹⁰ Information provided by the Chicago Park District, November 23, 2005.

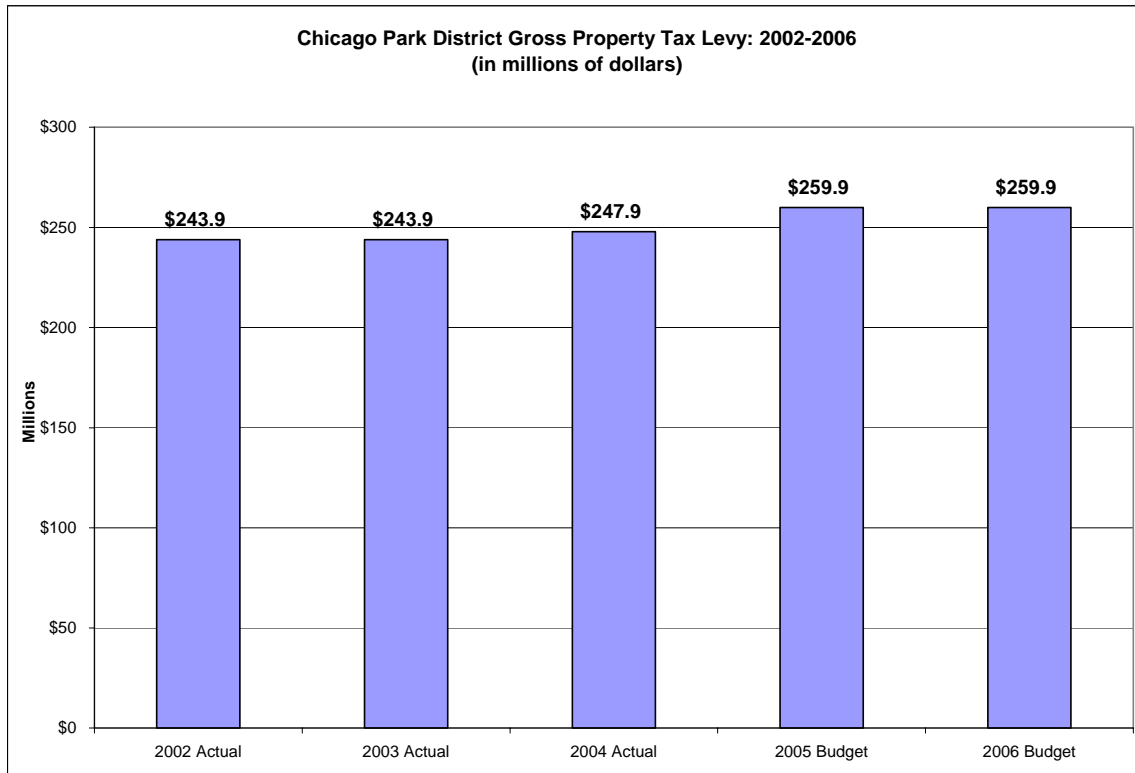


Five years ago, in FY2002, the District relied more heavily on tax revenue, which made up 81.6% of total revenues. At that time, Facility Rentals and Permits and Fees made up only 6.3% and 6.0% of revenues, respectively. Revenues from Permits and Fees have more than tripled since FY2002, in large part due to a \$20 million increase in parking fees, which generated only \$1.0 million in FY2002.



Property Tax Levy: \$259.9 million, No Increase over FY2005

The Chicago Park District's FY2006 gross property tax levy is expected to be \$259.9 million, the same amount as FY2005. This includes a \$253.9 million levy for general operations and \$6 million for Special Recreation. FY2005 was the first year that the District had a separate levy for Special Recreation. The net levy of \$250.8 million is the amount projected to remain after approximately \$9.1 million is budgeted for loss and cost of collections. The gross levy has increased by 6.6% over the last five years.



The gross levy for the Corporate Fund will be flat, increasing by just \$133,587, or 0.1%. The levy for the Park District employees pension fund will decline by \$333,267 or 3.3%. This amount reflects the statutory formula for the pension fund levy, which 1.1 times the total employee contribution made 2 years prior. However, a 2004 law allowed the District to levy the full pension amount for 2004 and 2005, while reducing its employer contributions to the fund by \$5 million each year.¹¹ In FY2005, the District Board allowed the District to transfer \$5 million in property taxes levied for the pension fund to the Corporate Fund.¹² The exhibit below shows the amounts levied by fund in FY2005 and FY2006, but the reader should keep in mind that \$5 million of the pension fund levy was diverted to the Corporate Fund in FY2005.

The Operations and Maintenance and Liability levies will increase by slightly over 3%, while the levy for Aquarium and Museum Purposes will stay flat in FY2006, at \$30.6 million.

¹¹ Public Act 93-654

¹² Information provided by the Chicago Park District, November 23, 2005. The District is awaiting authority to transfer the same amount from 2004 pension levy receipts to the corporate fund.

The Special Recreation levy will be held constant at \$6.0 million. The levy may not exceed 0.04% of the equalized assessed value (EAV) of taxable property in the District. The 2004 EAV (the most recent available) was \$55.3 billion, so the maximum special recreation levy for that year would have been roughly \$22.1 million.

Chicago Park District Property Tax Gross Levy by Fund: FY2005 vs. FY2006				
Fund	2005	2006	\$ change	% change
Corporate	\$ 136,488,182	\$ 136,624,769	\$ 136,587	0.1%
Special Recreation	\$ 6,000,000	\$ 6,000,000	\$ -	0.0%
Park District Employees Pension	\$ 10,033,508	\$ 9,700,241	\$ (333,267)	-3.3%
Municipal Employees Pension	\$ -	\$ -	\$ -	0.0%
Public Building Commission				
Rental of Facilities	\$ 4,200,699	\$ 4,198,788	\$ (1,911)	0.0%
Operations & Maintenance	\$ 11,016,225	\$ 11,436,286	\$ 420,061	3.8%
Liability, Workers Comp., Unemployment	\$ 7,241,099	\$ 7,476,668	\$ 235,569	3.3%
Bond Debt Service Fund	\$ 42,092,165	\$ 41,587,669	\$ (504,496)	-1.2%
Aquarium and Museum Bond Debt Service	\$ 12,243,073	\$ 12,290,531	\$ 47,458	0.4%
Aquarium and Museum Purposes	\$ 30,595,706	\$ 30,595,706	\$ -	0.0%
Total	\$ 259,910,657	\$ 259,910,657	\$ -	0.0%

In the 5-year period between FY2002 and FY2006, the total gross levy has increased by 6.6%, or \$16.0 million. The Corporate Fund levy will have increased by \$6.9 million, or 5.4%. The Operations & Maintenance levy for the Public Building Commission will have increased by \$9.7 million, or 569.4%. This dramatic increase primarily reflects the reduction in operating costs for Soldier Field during renovation, and the rise in costs when the stadium was reopened in late 2003.¹³ The property tax levy for Aquarium and Museum purposes will have declined by 11.8%, or \$4.0 million over 5 years.

Chicago Park District Property Tax Gross Levy by Fund: FY2002 vs. FY2006				
Fund	2002	2006	\$ change	% change
Corporate	\$ 129,671,274	\$ 136,624,769	\$ 6,953,495	5.4%
Special Recreation	\$ -	\$ 6,000,000	\$ 6,000,000	100.0%
Park District Employees Pension	\$ 10,089,895	\$ 9,700,241	\$ (389,654)	-3.9%
Municipal Employees Pension	\$ 5,900	\$ -	\$ (5,900)	-100.0%
Public Building Commission				
Rental of Facilities	\$ 4,189,954	\$ 4,198,788	\$ 8,834	0.2%
Operations & Maintenance	\$ 1,708,500	\$ 11,436,286	\$ 9,727,786	569.4%
Liability, Workers Comp., Unemployment	\$ 8,509,462	\$ 7,476,668	\$ (1,032,794)	-12.1%
Bond Debt Service Fund	\$ 42,142,942	\$ 41,587,669	\$ (555,273)	-1.3%
Aquarium and Museum Bond Debt Service	\$ 12,840,013	\$ 12,290,531	\$ (549,482)	-4.3%
Aquarium and Museum Purposes	\$ 34,695,374	\$ 30,595,706	\$ (4,099,668)	-11.8%
Total	\$ 243,853,314	\$ 259,910,657	\$ 16,057,343	6.6%

Since 2001, the District's total property tax levy has appeared on tax bills as two separate line items: one for taxes levied to support the District and a second for the share of the levy earmarked to support the Aquarium and Museum's debt service.

¹³ Information provided by the Chicago Park District, November 23, 2005.

Chicago Park District Property Tax Levy by Purpose			
Fund	2005	2006	% CHG
Park District	\$ 247,667,584	\$ 247,620,126	0.0%
Aquarium & Museum Debt Service	\$ 12,243,073	\$ 12,290,531	0.4%
Total	\$ 259,910,657	\$ 259,910,657	0.0%

PERSONNEL AND PERSONAL SERVICES TRENDS

The District plans to reduce full-time personnel by ten positions, while adding 44 part-time and 28 seasonal full-time equivalents (FTE). The net change is an increase of 62 FTEs, or 2.0%.

Chicago Park District Personnel: FY2005 & FY2006				
FTEs	FY2005	FY2006	# Change	% Change
Full-Time	1,746	1,736	-10	-0.6%
Part-Time	683	727	44	6.4%
Seasonal	621	649	28	4.5%
Total	3,050	3,112	62	2.0%

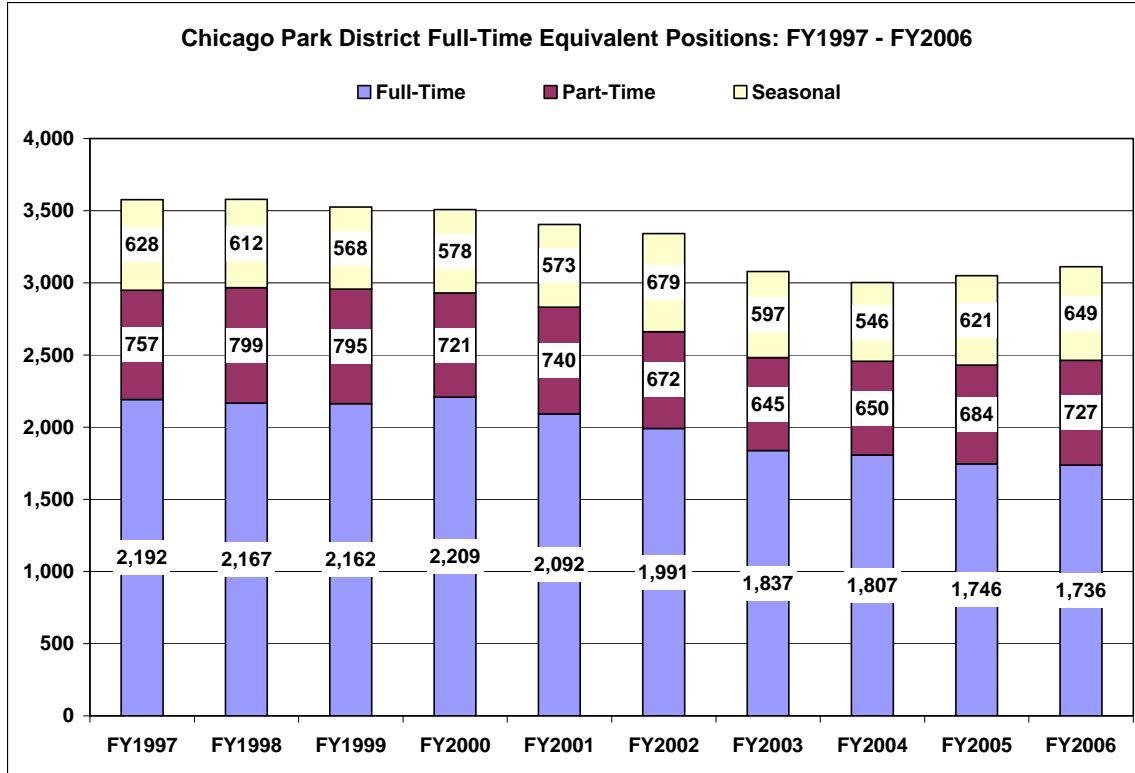
Source: Chicago Park District FY2005 Budget Recommendations, p. 350,
Chicago Park District FY2006 Budget Recommendations, p. 358.

Over the last five years, the district has reduced full-time personnel by 255 positions, and seasonal personnel by 55 FTEs, while increasing part-time positions. Since FY2002 there has been a net decrease of 230 FTE positions, a 6.9% decline.

Chicago Park District Personnel: FY2002 & FY2006				
FTEs	FY2002	FY2006	# Change	% Change
Full-Time	1,991	1,736	-255	-12.8%
Part-Time	672	727	55	8.2%
Seasonal	679	649	-30	-4.4%
Total	3,342	3,112	-230	-6.9%

Source: Chicago Park District FY2006 Budget Recommendations, p. 358.

Since FY1997, 465 FTEs have been eliminated, of which 456 are full-time positions.



The following exhibit presents personnel services appropriations in FY2005 and FY2006. Personnel services will increase by 1.1%, or \$1.4 million, from \$129.0 million in FY2005 to \$130.4 million in FY2006. In FY2006, the District is budgeting for a 1.5% increase in salaries and wages and a decrease of 1.8% in health, dental, and life insurance benefits.

Chicago Park District Personnel Services Appropriations: FY2005 & FY2006				
(\$ millions)				
	2005 Budget	2006 Budget	\$ change	% change
Salaries and Wages	\$ 110.9	\$ 112.6	\$ 1.7	1.5%
Health, Dental, and Life Insurance Benefits	\$ 16.1	\$ 15.8	\$ (0.3)	-1.8%
Payroll Taxes	\$ 2.0	\$ 2.0	\$ -	0.0%
TOTAL	\$ 129.0	\$ 130.4	\$ 1.4	1.1%

Source: Information provided by the Chicago Park District

DEBT TRENDS

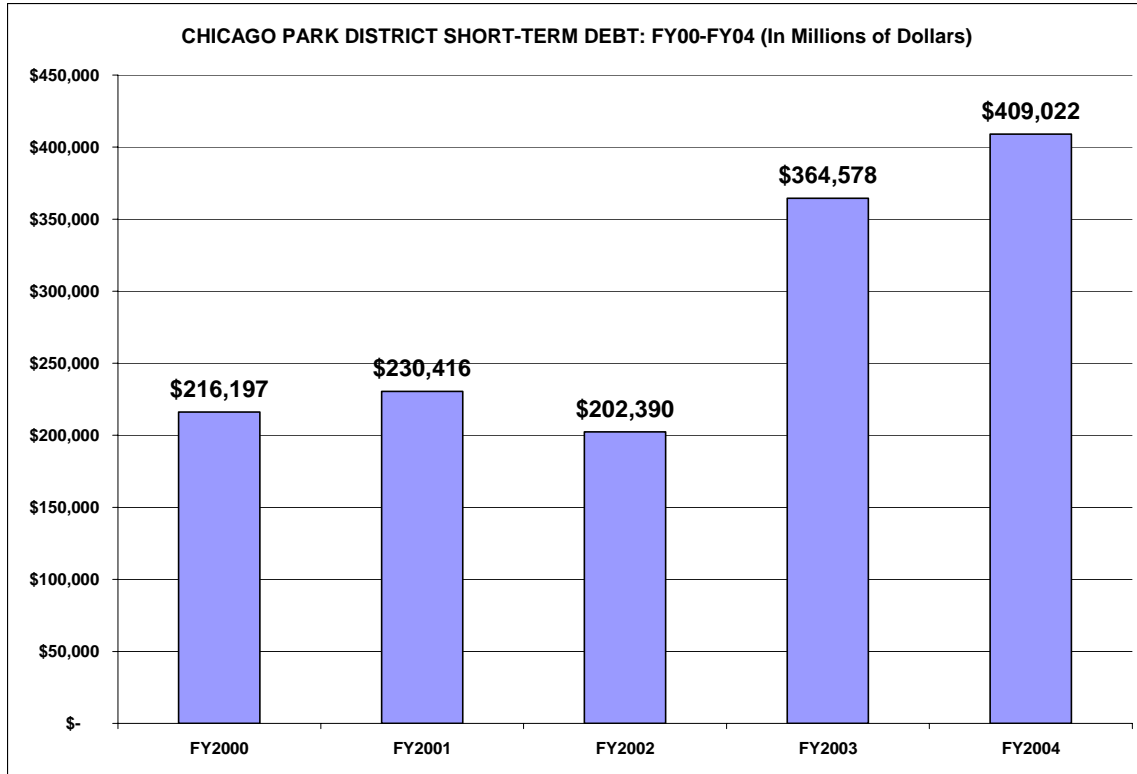
The Civic Federation has employed two measures of debt for purposes of this analysis: short-term debt trends and long-term debt per capita trends.

Short-Term Debt Trends

Short-term debt is a financial obligation that must be satisfied within one year. An increasing trend in short-term debt may be a warning sign of future financial difficulties. It is a measure of budgetary solvency, that is, a government's ability to generate enough revenue over the course of

a normal budgetary period to meet its expenditures and prevent deficits. Short-term debt in governmental activities includes obligations such as accounts payable, contracts payable, deposits, interest payable, interest, due to other funds, and liabilities from restricted assets. In sum, it includes all liabilities except accrued salaries and wages, accrued payroll, compensated absences and long-term debt.

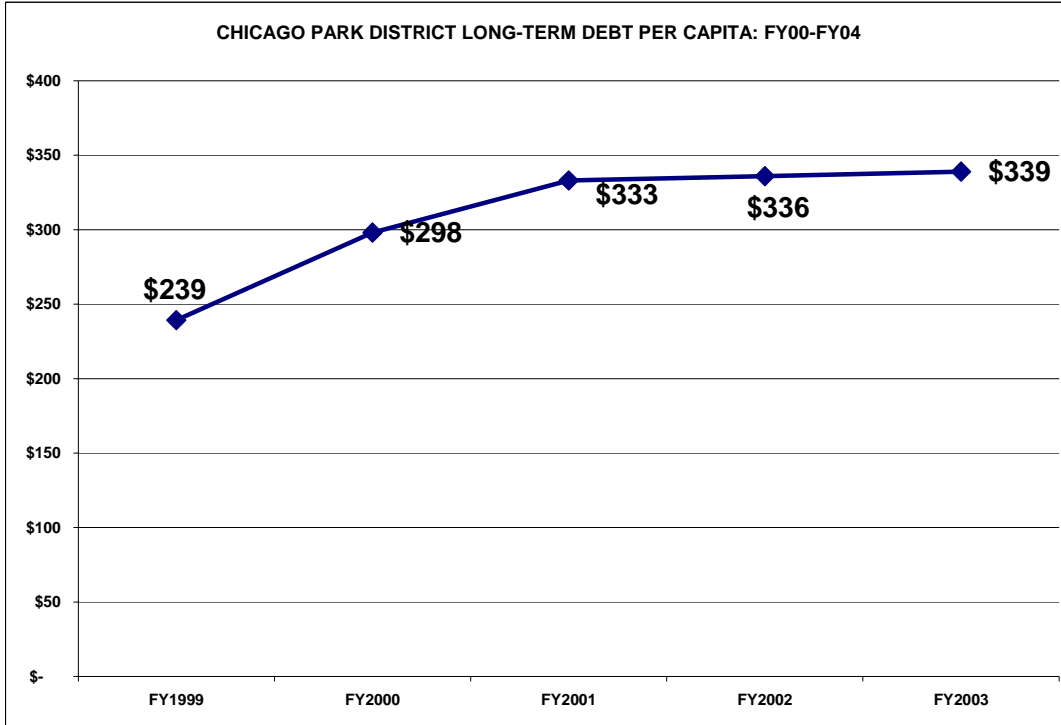
Between FY2000 and FY2004, CPD short-term debt increased sharply by 89.2%. This represents a \$192.8 million increase from \$216.2 million to \$409.0 million. If continued in subsequent fiscal years, this large increase could raise concerns.



Long-Term Debt Per Capita

Long-term debt per capita is a measure of a government's ability to maintain its current financial policies. The Chicago Park District's long-term debt includes general obligation bonds, revenue bonds and Public Building Commission capital lease debt. Increases in this indicator bear watching as a potential sign of increasing financial risk.

The exhibit that follows shows that the Chicago Park District's long-term debt burden grew by 41.7% during the 5-year period between FY2000 and FY2004. In FY2000, long-term debt per capita was \$239. Five years later, it had increased to \$339. In FY2004, debt per capita grew only slightly, by 0.9%.



The CPD had a total of \$1 billion in long-term obligations outstanding as of December 31, 2004. Of that amount, \$867.2 million was earmarked for General Obligation bonds for capital improvement purposes and \$88.2 million of G.O. debt outstanding was earmarked for Aquarium and Museum capital projects. A complete list of outstanding long-term obligations is provided below.

CPD LONG-TERM OBLIGATIONS FY2004	
General Obligation Bonds	Balance 12/31/04
Capital Improvement	\$ 867,240,000
Aquarium and Museums	\$ 88,195,000
Unamortized Premiums	\$ 19,497,532
Deferred Amount on Refunding	\$ (29,790,360)
Subtotal G. O. Bonds	\$ 945,142,172
Capital Lease PBC	\$ 25,735,000
Compensated Absences	\$ 6,412,481
Claims & Judgments	\$ 4,566,000
Property Tax Claim Payable	\$ 19,165,899
Worker's Compensation	\$ 15,017,155
Total Governmental Activities	\$ 1,016,038,707
Total Business-Type Activities	\$ -
Grand Total	\$ 1,016,038,707

Source: Note 6 (a), *Chicago Park District Financial Statements*, p. 32.

Debt Service Appropriations

Chicago Park District debt service appropriations in FY2005 are expected to be 24.7% of total appropriations of \$385.5 million, or \$95.1 million.

Debt service expenditures as a percentage of General Fund and Bonded Debt Service expenditures in FY2004, the last year for which audited financial information is available, were 25.5%.¹⁴ A debt burden is considered high by the rating agencies when debt-service payments represent 15-20% of the combined operating and debt-service fund expenditures. However, the District's outstanding debt is expected to decrease in the future because a number of its capital improvement projects have been completed.

PENSION FUND TRENDS

The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Park District's pension fund: funded ratios, the value of unfunded liabilities, and the investment rate of return.¹⁵

Funded Ratios – Actuarial Value of Assets

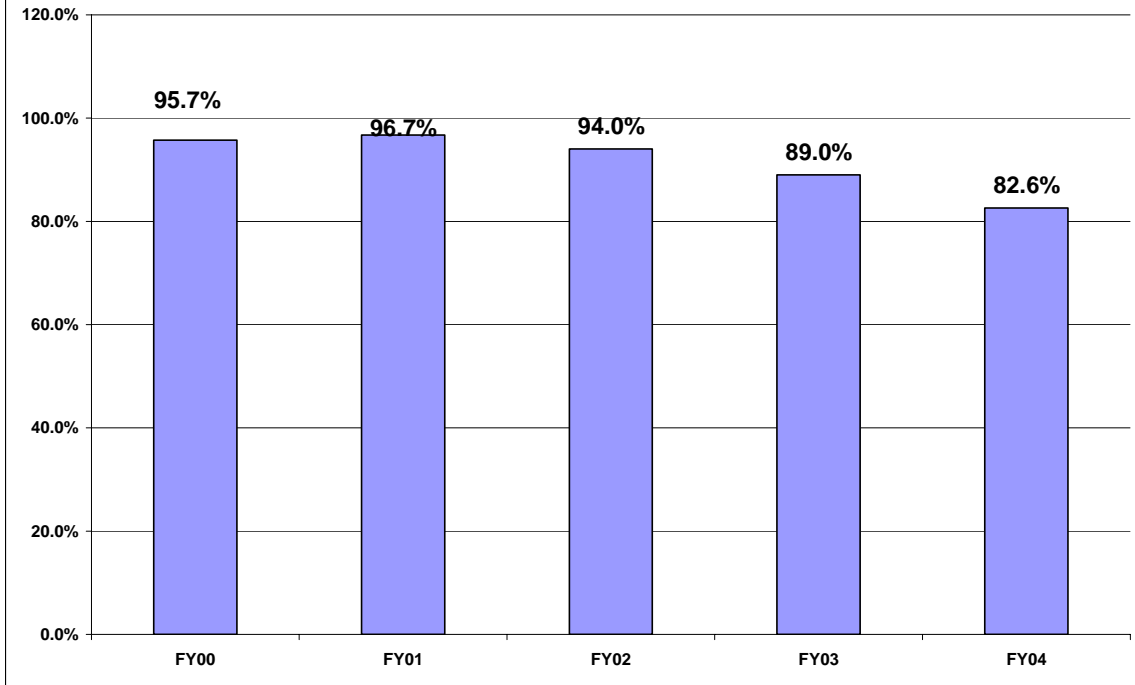
The following exhibit shows the funded ratio for the Chicago Park District's pension fund. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

The funded ratio for the CPD's pension fund decreased from 95.7% in FY2000 to 82.6% five years later. However, the high funded ratio indicates that the Chicago Park District has sufficient assets to cover pension liabilities in the long term.

¹⁴ *Chicago Park District FY2003 Financial Statements*, p. 17.

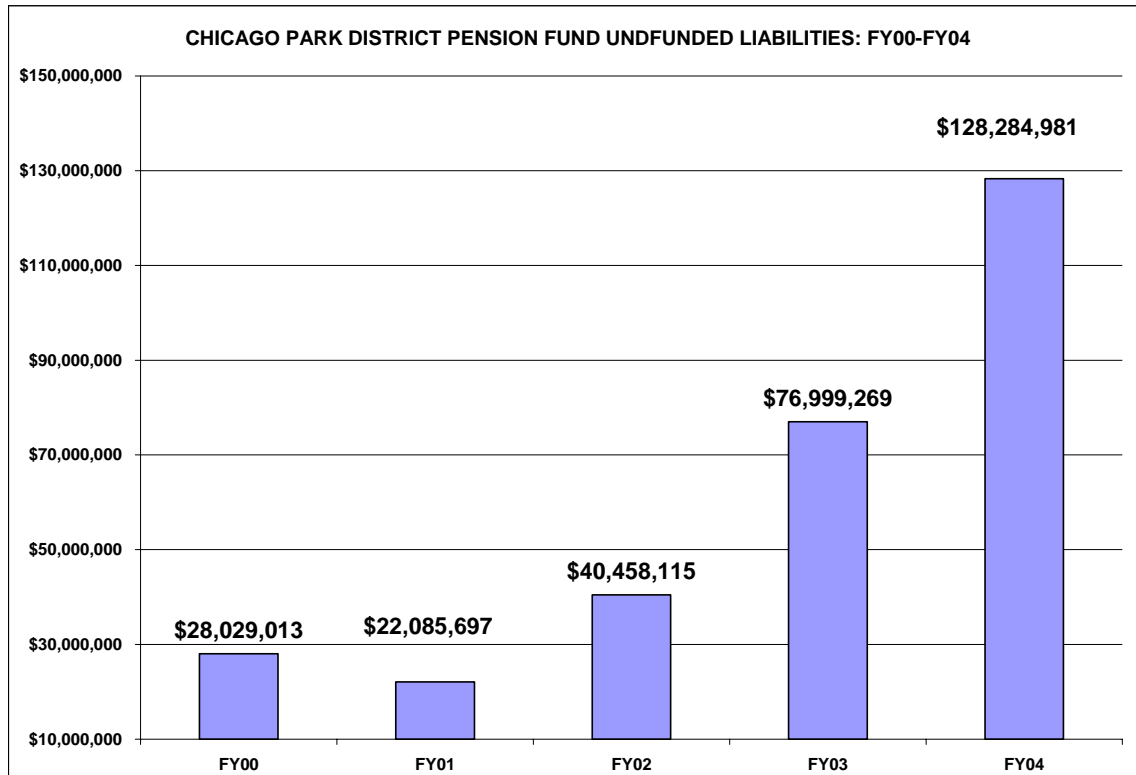
¹⁵ The discussion of the Chicago Park District's pension fund trend is drawn from Scott Metcalf. *Status of Local Pension Funding* (Chicago: Civic Federation, 2003).

**CHICAGO PARK DISTRICT PENSION FUND:
FUNDED RATIO - ACTUARIAL VALUE OF ASSETS FY00-FY04**



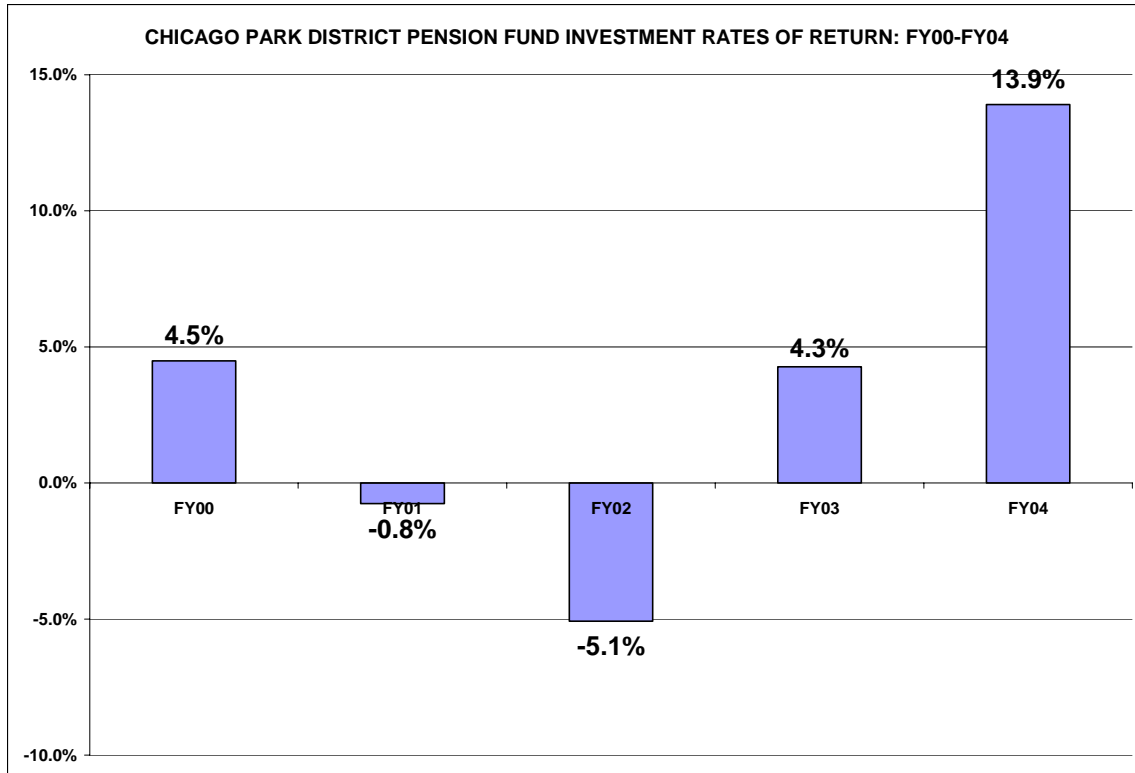
Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for the CPD's pension fund totaled nearly \$128.3 million in FY2004. There was a 66.6%, \$51.3 million, increase in unfunded liabilities in FY2003 from the previous year. Over the 5-year period of analysis, unfunded liabilities rose by 358%, from \$28.0 million to \$128.3 million. This increase is due in large part to the decline in investment returns in FY2001 and FY2002.



Investment Rates of Returns

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. In FY2001 and FY2002, CPD investment rates of return declined, reflecting the effects of the economic downturn. However, in FY2003, as the economy began to recover, pension fund investment rates of return were positive, increasing by 4.3%. In FY2004, the trend continued and the investment rate of return increased substantially to 13.9%.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve the Chicago Park District's financial management and to reduce expenditures.

Allow 10 Working Days for Public Review and Comment

More time should be allowed for the public to review and understand the Chicago Park District's multi-million dollar budget. At a minimum, ten working days should be allowed for the public review period before public testimony is heard. Only in this way, can citizens make fully informed commentary on the largest local government budget.

Continue to Improve Budget Format

The Civic Federation applauds the Chicago Park District for upgrading its budget document. We urge the District to build on the important improvements made this year by including the following features in future budgets:

- An Executive Summary in the beginning of the full budget document;
- A detailed transmittal letter that describes the highlights of the budget;
- A detailed appropriation and revenue overview discussing past accomplishments and future goals;
- Organizational charts;

- Narrative descriptions of expenditures, revenues, programs, and departments, and at least 5 years of data in consistent categories; and
- A narrative discussion of the Park District's financial relationship with the Museums in the Park.

Pursue Joint Purchasing of Health Insurance

The Chicago Park District recently joined with six other local governments for the joint purchase of prescription drugs. We urge the District to take the next step and work with other major local governments to consolidate health insurance purchasing. The potential for substantial savings that can be achieved from an insurance pool will be extremely beneficial to the Park District's future financial situation. A recent Civic Federation study found that forming such an agreement consisting of the employees of seven major local governments including the CPD could yield projected savings of \$40.1 million for all the governments in the first year or \$222 million over a 5-year period.¹⁶

Continue the Process of Developing a Performance Measurement System

The CPD has indicated that it is moving toward implementation of a performance measurement system. The first step, reported in the FY2006 budget, was the development of goals for the District's divisions. We congratulate the District's financial management team on taking this step and encourage them to continue moving forward toward full implementation of a performance management system. We believe that all governments should evaluate the performance of programs and services they provide. This is the best means available to determine if they are accomplishing intended program goals and making efficient use of resources. Evaluating and reporting on program results keeps all citizens and stakeholders apprised of actual results compared to expectations.¹⁷

Adopt Formal Financial Policies

Formal or written financial policies are plans that guide and determine a government's present and future financial operations decision-making. Both the NACSLB and the GFOA recommend that all jurisdictions adopt formal written financial policies.¹⁸ The Civic Federation recommends that the Chicago Park District adopt written financial policies to guide the development of its annual budget.

Implement a Formal Long-Term Financial Planning Process

¹⁶ The Civic Federation. *Feasibility Study of Consolidated Purchasing: Chicago Public Employers*. A Study Conducted by the Segal Company. February 23, 2001.

¹⁷ See Recommended Practice 11.1 "Monitor, Measure, and Evaluate Program Performance," in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998).

¹⁸ See Recommended Practices 4.1 – 4.7 in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998) and "Adopting Financial Policies," Recommended Practice, Committee on Governmental Budgeting and Management (2001).

The Chicago Park District employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that the CPD develop and implement a formal long-term financial planning process to be reviewed not just internally, but to allow for input from the Board of Commissioners and other key policy stakeholders, including the public.