



COOK COUNTY
FY2006 PROPOSED BUDGET
Analysis and Recommendations

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The Civic Federation
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EXECUTIVE SUMMARY

Cook County proposes a total FY2006 budget of \$3.076 billion. This is an \$85.6 million or 2.9% increase from the adopted FY2005 budget of \$2.99 billion. The General Funds budget will increase by 1.1% or \$23.1 million, from \$2.13 billion to \$2.16 billion. The proposed Cook County budget includes a \$95 million budget deficit, which will be addressed in part through the imposition of \$1.00 per pack increase in the County cigarette tax. The property tax levy is frozen at \$720 million.

The Civic Federation **opposes** the FY2006 budget of \$3.07 billion because it is a short term fix, not a long term solution to the ongoing fiscal problems of Cook County. A great deal of the expenditure pressure could be alleviated by following through on past promises of the administration to eliminate automatic step increases, redundancy of staffing in the Bureau of Health Services and privatization of janitorial and other services. Cook County must act upon earlier stated commitments and use every tool available to better manage its resources rather than reflexively look to revenue increases to fund its operations. By employing a variety of approaches, the County might well have avoided a cigarette tax increase and, more importantly, reduced the rate of expenditure growth in the long-term.

The Civic Federation offers the following **key findings** on the Cook County FY2006 budget:

- The FY2006 budget will increase by 2.9%, or \$85.6 million, from \$2.99 billion to \$3.07 billion.
- Personal services appropriations will consume 65.6% of the entire Cook County budget in FY2006, or \$2.0 billion, a 14.1% increase since FY2002.
- The number of full-time equivalent (FTE) positions will decrease by 81.6 FTEs or 0.3% in FY2006, declining from 25,481.5 to 25,399.9 FTEs. The 81.6 FTEs do not represent any current staff reductions but are the elimination of vacancies in the budget.
- The cigarette tax will be increased by \$1.00 per pack to \$2.00. This is expected to generate \$68.4 million in new revenues. The new composite tax rate in the City of Chicago will be \$4.05 per pack.
- The \$95 million budget deficit and \$85.6 million budget increase will be funded by the cigarette tax increase, \$20 million in federal Medicaid funds, a \$14 million reduction in non-personnel expenses, a reduction in overtime of \$23 million, and the elimination of vacancies and associated benefits which will save \$55 million.
- The number of full-time equivalent vacant positions in offices under the President will be reduced by 1.9%, or by 213.6 FTEs, in FY2006. However, the number of FTEs employed by the elected officials will increase by 0.9%, or 132.0 FTEs. Since FY2002, the number of FTEs in offices under the President has decreased by 12.4%, or 1,532.7 FTEs. The number of FTEs in offices under the elected officials has fallen by 0.7%, or 109.5 FTEs.
- The appropriated fund balance for the General Funds will decline from \$136.0 million in FY2005 to \$66.0 million. This represents just 3.1% of operating revenues for those funds.

The Civic Federation offers the following specific **recommendations** on ways to improve Cook County's financial management:

1. The County should eliminate automatic annual step increases for its employees, who also receive annual cost of living increases. The step increase will cost an estimated \$44 million in FY2006.
2. Janitorial services for the County Building and courthouses should immediately be privatized for an annual savings of as much as \$5 million.
3. Non-core functions in the Bureau of Health Services (public relations, human resources, finance, information technology and printing) should be consolidated and further examined for privatization savings opportunities.
4. The County should move to immediately dissolve the unnecessary Suburban Tuberculosis Sanitarium District and transfer its assets, including a FY2006 General Corporate Fund balance of \$9.7 million, to the Bureau of Health Services.
5. The President's Executive Budget proposal should be presented publicly and adequate time for public hearings and enactments allotted prior to the beginning of the fiscal year on December 1.
6. An independent legislative Cook County Auditor General's Office should be established to conduct program and financial audits of Cook County programs on a regular basis. The repeated failure of the executive branch to demonstrate how efficiently or effectively County government operates warrants creation of this office.
7. Cook County should pursue joint purchasing of health insurance with other local governments, which could save as much as \$22.5 million per year.
8. Cook County employees should be required to pay increased health insurance premiums and physician visit co-payments to reduce mounting healthcare costs.
9. The County's four print shops should be consolidated or privatized.
10. The County should pursue privatization of the pharmacy function, dietary and food services, and the service of process function for civil lawsuits.
11. Reducing Cook County employee pay periods from 26 to 24 times per year or twice a month, would eliminate the processing and related costs for 2 pay periods each year. This is a reasonable business process reform that could immediately save the County a great deal of money.
12. The County should consider outsourcing management and operation of its highway system and animal control department to municipalities.
13. The County pension system should be reformed to provide for reduced benefits for new hires, increased employee contributions and a capping of annuity increases at 3% or CPI, whichever is less.
14. The County should develop a formal long-term financial plan that is drafted and/or reviewed by key policymakers and stakeholders.
15. A return on investment report should be required for all information technology contracts to assess costs and benefits.
16. The Comprehensive Annual Financial Report should be published within 6 months of the close of the fiscal year.

OVERVIEW OF ANALYSIS

The Civic Federation recently concluded an analysis of financial issues related to Cook County's proposed FY2006 budget. Based upon that review, we offer the following comments. The full text of our analysis follows this summary and is also available on our Web site at www.civiced.org.

Civic Federation Position on FY2006 Budget

The Civic Federation **opposes** the FY2006 budget of \$3.07 billion because it is a short term fix, not a long term solution to the ongoing fiscal problems of Cook County. A \$1.00 per pack cigarette tax hike may well plug this year's deficit. But we are fairly certain that unless there is dramatic change, next year's budget will require yet another tax increase or perhaps another new tax. The Civic Federation believes that Cook County's pattern of focusing on revenue enhancement rather than implementing management efficiencies and cost reductions must end. We do not oppose reasonable revenue enhancements. However, they should never be the first consideration and they always must be coupled with a solid plan to impose fiscal discipline in the long-term. Citizens who are asked to pay for County services expect no less. Unfortunately, we are not convinced Cook County has done all it can to manage its operations more efficiently. In fact, we are troubled by the lack of progress and follow through regarding efficiencies that have been promised in other recent presentations including the failure to eliminate automatic step increases, the failure to eliminate the Tuberculosis Sanitarium District, the continued existence of duplicative administrative and related staffing in the Bureau of Health Services and the failure to actively pursue the privatization of janitorial and other services.

Cook County has taken some important steps for which President Stroger and his financial team deserve recognition. The County has held the line on property taxes for six years. Over 1,600 vacant positions will have been eliminated over the past 5 years and this year's budgetary rate of increase is 2.9%, one of the lowest in recent years, though still in excess of inflation. We are pleased that the County has followed the recommendation of the Federation and is pursuing the joint purchasing of prescription drugs with other governments and is exploring the joint purchase of other commodities.

But, these efforts do not go far enough. Much more must be done.

There is no shortage of ideas on how Cook County should improve its long-term financial management and processes. Literally dozens of good ideas have been proposed and debated in a wide variety of reports: the Civic Federation annual budget reviews, the 2001 joint report of the Civic Federation and the Chicagoland Chamber of Commerce titled *Cook County Cost Control Report*, President Stroger's own County Operations Review Team (CORT) report of 2001, Commissioner Quigley's comprehensive 2003 *Reinventing Cook County* report and Commissioner Claypool's study on *Applying Technology to Improve Service and Reduce Costs*. If even a small portion of the proposals contained in these reports were adopted, Cook County would be a better managed government.

Unfortunately, however, a review of the County's budget expenditures over the past few years indicates an emphasis on business as usual – that is, funding the same programs, providing the same generous employee benefits, failing to deal with structural issues that will eventually force even higher taxes or deep cuts in core programs.

Cook County Needs Management Efficiencies and Cost Reductions, Not Revenue Increases

Cook County must find ways to not only identify ways to better manage County resources, but to actually implement them. It is unacceptable for the County to reflexively look to revenue increases to fund its operations. By employing a variety of approaches, the County might well have avoided a cigarette tax increase and, more importantly, reduced the rate of expenditure growth in the long-term. Some cost saving measures the County promised to consider, but which remain considerable sources for savings include:

- Eliminating automatic step increases for all employees could save as much as \$44 million this year.
- Consolidating non-core functions in the Bureau of Health Services (public relations, humans resources, finance, information technology and printing) could save \$2.7 million assuming that outsourcing would shave a conservative 10% off those current costs.
- Outsourcing janitorial services under control of the Sheriff can save from \$3 to \$5 million per year.
- Dissolving the unnecessary Suburban Cook County Tuberculosis Sanitarium District and transferring its millions of dollars in assets to the County, including a FY2006 General Corporate Fund balance of \$9.7 million
- Pursuing joint purchasing of health insurance could save at least \$22.5 million per year.
- Increasing co-payments to \$10 per physician visit for HMO enrollees could save over \$7 million.

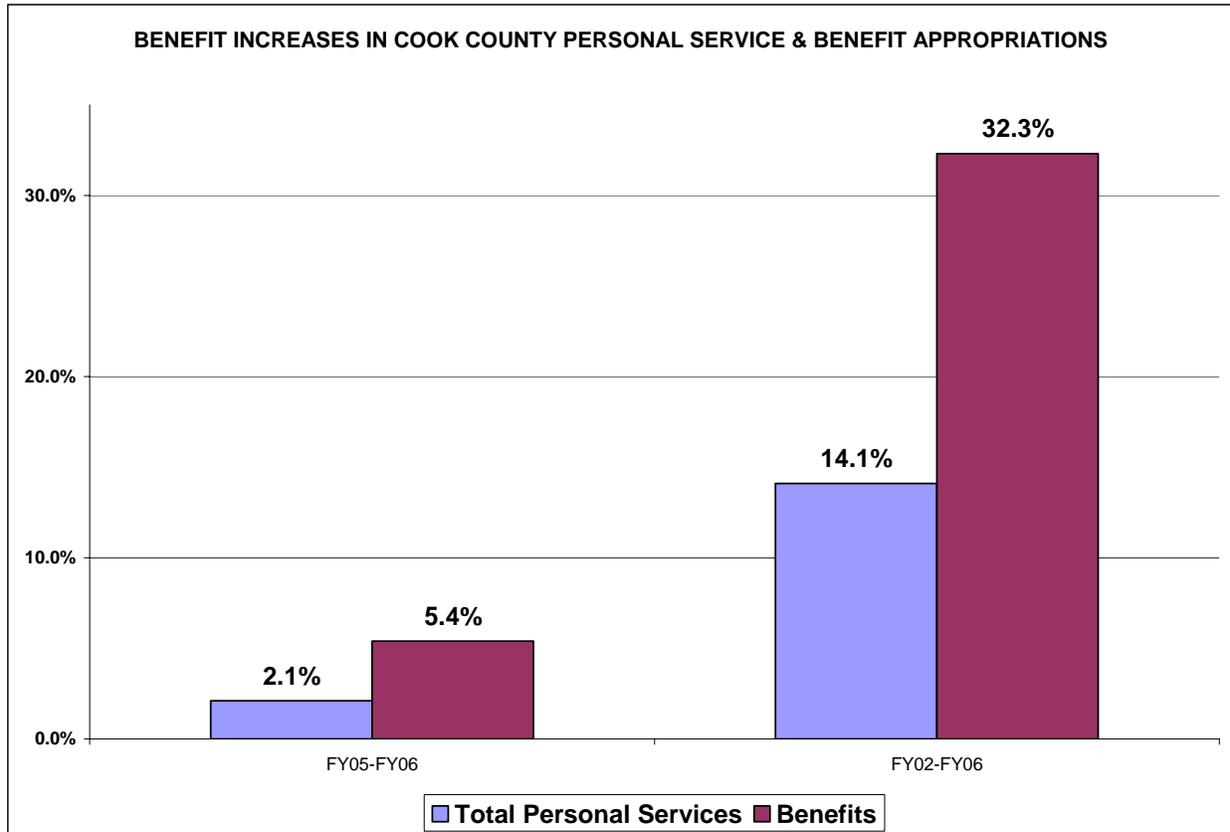
Some other cost saving ideas that could generate millions of dollars include:

- Privatizing the service of process function for civil lawsuits could save \$6.9 million per year.
- Outsourcing pharmaceutical services in the Bureau of Health Services, which currently cost the County \$12.9 million per year in salaries.
- Consolidating the County's four print shops.
- Outsourcing highway maintenance and animal control to municipal governments.
- Implementing comprehensive pension benefit reform, which would establish reduced benefits for new hires, increase employee contributions and cap annuity increases at 3% or CPI, whichever is less.

Personnel Costs must be Contained

Personnel costs continue to be the single most significant factor driving increases in the Cook County budget. The share of the total budget devoted to personnel costs will actually drop slightly in FY2006, from 66.1% to 65.6% due to the elimination of over 80 vacant positions. Since FY2002, the County will have eliminated 1,642 vacancies. However, there is little cause for celebration. Even with the reductions, personal service appropriations will increase by 2.1%

to \$2.017 billion. Since FY2002, these expenditures rose by 14.1%. Perhaps what is even more significant is that benefit cost increases will dramatically outstrip total personnel cost hikes, as the exhibit below shows. In FY2006, benefit costs will rise 5.4%, from \$511.3 million to \$538.7 million. In the 5 years since FY2002, benefits will have increased a robust 32.3%. Clearly, this rate of growth for personal services is not sustainable and demands immediate attention.



Issues the Civic Federation Supports

The Civic Federation is encouraged by President Stroger’s ongoing efforts to hold the line on property taxes and his administration’s pursuit of joint purchasing with other local governments.

No Property Tax Increase

The FY2006 Cook County budget contains no property tax increase for the sixth year in a row. The levy will be frozen at approximately \$720.5 million. The County’s share of the average City of Chicago property tax bill has declined from 10.3% in tax year 1998 to 9.4% in tax year 2004.

We commend President Stroger for exercising fiscal restraint by not increasing property taxes for County government. Unfortunately, other governments in the area, such as Chicago Public Schools, the City Colleges of Chicago and the Forest Preserve District of Cook County which is also under the President’s control, have failed to follow this example. In fact, the Forest Preserve District has increased its levy by \$20 million, or 33%, over the past 6 years.

Pursuit of Joint Purchasing Efforts

The Civic Federation applauds the Stroger administration, Chief Financial Officer Thomas Glaser and the County's financial management team for taking a leadership role in promoting joint purchasing efforts among local governments. This is an important and reasonable effort to use simple market mechanisms to rein in rapidly rising commodity costs.

Cook County has successfully entered into a joint purchasing agreement with several other local governments to purchase prescription drugs. This measure will save the County up to \$2 million a year. President Stroger indicated in his Budget Address that Cook County is considering the possibility of purchasing fuel with other governments. The County's financial team is also exploring the possibility of jointly purchasing health insurance. We encourage Cook County to aggressively move forward on these efforts.

Civic Federation Recommendations for Improved Financial Management

The Civic Federation offers the following set of 20 recommendations on ways we believe that Cook County could improve the management and reduce the costs of Cook County government. They include a variety of short term as well as long-term structural reforms.

A. Personnel Cost Reductions

A key to containing rapidly rising personnel costs is greater cost sharing between employees and employers. That is the trend in the private sector and it must also take place in the public sector. Cook County should not be exempt from the rest of the economy.

To rein in personnel costs, the Civic Federation recommends the following measures:

1. Eliminate Automatic Step Increases. Cook County employees currently receive both cost of living adjustments (COLA) and step increases each year. The COLA appropriation increases 3% each year, for an average annual increase of \$13 million; FY2006 COLA increases are projected to be \$32 million.¹ Step increases traditionally cost approximately \$26 million per year, with an average increase of 4.5%.² In FY2006, the step increases are projected to cost \$44 million.³ Employees should not automatically receive **both** increases. President Stroger acknowledged in his FY2004 Budget Address that step increases are an obsolete mechanism today since public employee salaries have increased, and he promised to consider significant changes to the County's compensation plans. We are very disappointed that the County has not acted on this promise and allowed this practice to continue.

Once again, the Civic Federation urges the County to insist on the elimination of automatic step increases in its collective bargaining. This is an antiquated, overly generous personnel practice not found in many other contracts, more efficiently operated governments or the private sector. We think that limiting total percentage increases to 3%, a percentage of prior revenue growth or inflation, whichever is less, would be a far more responsible benchmark.

2. Increase Employee Contributions to Health Insurance Costs. In FY2004, the County increased monthly health insurance contributions for non-union employees earning salaries of \$65,000 or more to 0.7% of salary for single employees, 1.4% for dependent HMO coverage and 1.5% for family PPO coverage last year. However, union employees were exempt from this increase.⁴ Within HMOs, there are no deductibles, out of pocket costs or lifetime maximums.⁵ In FY2006, County employees will pay, on average, 3% of the cost of their health insurance premiums. Employees enrolled in the HMO program have paid \$8.00 per pay period or \$208 per year and employees enrolled in PPO programs have contributed 1.5% of salary to participate in that program.⁶ This is far less than the U.S. and Illinois averages of 18% and the State of Illinois employee average of 11% shown in the table below. The Civic Federation believes all Cook County employees must begin to pay a share of premium costs that more closely mirrors Illinois or national averages. This is essential to reduce rising healthcare costs.

¹ Communication from CFO Thomas Glaser, January 5, 2006.

² Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #63), Meeting of January 20, 2005.

³ Communication from CFO Thomas Glaser, January 5, 2006.

⁴ Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #62), Meeting of January 20, 2005.

⁵ Cook County Department of Risk Management. "Comparison of Your Cook County Medical Benefits."

⁶ Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #62), Meeting of January 20, 2005. Information also provided in letter to Civic Federation from CFO Thomas Glaser on January 5, 2005.

AVERAGE EMPLOYEE CONTRIBUTION TO HEALTH INSURANCE PREMIUM (SINGLE COVERAGE)	
	% of Premium
Cook County employee (2004) ¹	4%
State of Illinois employee (2004) ²	11%
Illinois Average (2002) ³	18%
U.S. Average (2002) ³	18%

¹Information from Proposed Resolution Submitted by Commissioners Goslin, Quigley and Silvestri (Item #62), Meeting of January 20, 2005

²Information provided by Hank Scheff, AFSCME

³Kaiser Family Foundation State Health Facts Online. The most recent data available is 2002.

If employees contributed a sum equal to an additional 1% of total hospitalization insurance projected costs in FY2006, the County would save \$2.5 million.

In addition, the County should increase **co-payments for physician visits**. Currently, County employees pay \$3 per medical visit to HMOs.⁷ The co-payment saves the County approximately 0.5% in premium costs. An increase to a \$10 co-payment would decrease premium costs (\$253 million projected in FY2006) by 3% to 3.5%. This could save the County from \$7.6 million to \$8.8 million.⁸

⁷ Cook County Department of Risk Management, "Comparison of Your Cook County Medical Benefits."

⁸ This information is extrapolated from information provided to the Civic Federation by CFO Thomas Glaser on January 5, 2005.

3. Reduce Employee Pay Periods from 26 to 24 Times per Year

Currently, Cook County employees are paid every two weeks, or 26 times each year. Reducing pay periods to 24 times per year or twice a month, would eliminate the processing and related costs for 2 pay periods each year. While we cannot precisely quantify the potential savings, the Federation believes this is a reasonable business process reform that could immediately save the County a great deal of money.

B. Management Efficiencies

- 1. Aggressively Pursue Joint Purchasing Agreements with Major Chicago Area Governments.** Cook County will save up to \$2 million a year by jointly purchasing prescription drugs with 6 other governments. It is considering the joint purchase of fuel and other commodities, which could yield substantial savings. At this time, we urge Cook County to aggressively pursue the joint purchasing of health insurance with other governments in the Chicago area. According to a 2001 study commissioned by the Civic Federation, forming a joint insurance pool consisting of the employees of the County (excluding the Forest Preserve District), the City of Chicago, the Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield total projected savings of \$40.1 million in the first year, or \$222 million over a 5-year period. The County alone could save as much as \$22.5 million in the first year.⁹ Undoubtedly, the amount of savings has risen substantially in the 5 years since the study was completed.
- 2. Pursue Alternative Service Delivery Opportunities, Including Privatization.** For more than a decade, the Civic Federation has advocated that janitorial services be removed from the jurisdiction of the Sheriff and be outsourced. Privatizing janitorial services was discussed in the County's own 2001 County Operations Review Team (CORT) Report, which projected cost savings of \$5 million per year. We continue to advocate for immediate privatization of these services. Cook County has not yet begun the pilot project promised last year to evaluate the potential of privatizing janitorial services in the County Building and in county courthouses. We are disappointed by this failure to follow through on that promise.

The Civic Federation recognizes that alternative service delivery is not a panacea for the County's financial problems. We caution that privatization can be beneficial only if there is a marketplace of competitive, qualified vendors and strong, sustained management oversight. But it is an important tool that can be used to reduce costs and improve efficiency. There are several alternative service delivery methods that have been used effectively across the nation including outsourcing functions or operations to private firms or other governments (privatization) or managed competition in which public employees are afforded the opportunity to competitively bid against private sector vendors. In both cases, competition helps reduce the cost and operational inefficiencies inherent in a system of monopoly service provision.

⁹ Civic Federation, *Feasibility Study of Consolidated Purchasing*, February 23, 2001.

The Civic Federation strongly urges Cook County to conduct efficiency studies to select promising candidates for alternative service delivery. Some possible candidates for which a competitive private sector exists include:

- **Pharmacy function.** Cook County currently employs 217.9 Pharmacy FTEs at a projected salary cost in FY2006 of \$12.9 million.¹⁰
- **Print shop function.** The County currently maintains 4 separate print shops for the County, the Clerk of the Circuit Court, the Forest Preserve District and Oak Forest Hospital.
- **Dietary and food service functions** in the Bureau of Health Services. Currently, 267.6 FTES at a projected salary cost of \$8.6 million are employed at Oak Forest and Stroger Hospitals.
- **Service of process function for civil lawsuits.** Commissioner Quigley's 2003 report *Reinventing Cook County* estimates this could save up to \$6.9 million per year.¹¹

3. **Outsource Management of Selected Services to Other Governments.** Cook County provides certain services that might well be delivered by other units of government more efficiently. Some of these services are delivered to the shrinking and geographically fragmented unincorporated areas of the County while others such as road maintenance are provided throughout the County.

Given the County's ongoing financial difficulties and the opportunities available for cost savings, outsourcing rather than maintaining full-scale operations more suited to a bygone era makes good fiscal sense. Two areas we find particularly promising were identified in Commissioner Quigley's 2003 *Reinventing Cook County* report: highways and animal control.

- **Outsource County Highway System to Local Municipalities.** The County maintains 1,439 lane miles of roadway, much of which is discontinuous. The County Highway Department will employ 321.1 FTES at a cost of \$19.9 million in salaries in FY2006. The entire Department's proposed appropriation will be \$23.8 million.¹²

The *Reinventing Cook County* report estimates that the County could save up to \$9.8 million per year if it paid municipalities to maintain these stretches of roads rather than maintaining them itself. Essentially, the researchers found that municipalities maintain roads under their jurisdiction at a lesser cost than the County.¹³ The potential savings today are probably lower because of the substantial budgetary reductions since FY2003; the budget has been reduced from \$31.1 million to \$19.9 million and the number of FTES

¹⁰ FY2006 Cook County Budget. Stroger Hospital employs 150.4 FTEs, Oak Forest Hospital 41.5 FTEs and Cermak Hospital 26.0 FTEs.

¹¹ Commissioner Mike Quigley, *Reinventing Cook County*, 2003, p. 31.

¹² FY2006 Cook County Budget, Volume I, pp. G48-4G49.

¹³ Mike Quigley, *Reinventing Cook County*, 2003, p. 44.

is down from 421.7 to 321.1.¹⁴ Nonetheless, the concept is sound and there are still substantial cost saving opportunities that should be explored through the outsourcing of this function to local municipalities.

- **Outsource Animal Control to Municipalities.** The County could save up to \$2.9 million if it paid municipalities to conduct animal control activities rather than maintain its own department according to Commissioner Quigley's 2003 report.¹⁵ In the FY2006 budget, the Department is budgeted at nearly \$2.9 million, employing 21.0 FTES at salary cost of \$848,633.¹⁶ Because the Departmental budget has been cut since FY2003 (from \$3.1 million), potential savings would be less than in the *Reinventing Cook County* report.¹⁷ Yet they would still be substantial.

4. Implement Comprehensive Pension Benefit Reform

For many years, the Civic Federation has commented on the funding status of the Cook County pension funds. The County Fund has traditionally been well funded. However, the funded ratio of the Fund declined from 94.0% to 70.9% between FY2000 and FY2004.

Over the past year, the State of Illinois has adopted several key reforms designed to help the State control mounting employee retirement costs. The Civic Federation strongly supported these reforms and believes that the time has come to also apply some of these reforms to local government benefit plans, including those provided to Cook County employees. This year, we offer specific recommendations designed to improve the long-term financial health of the funds.

Establish a Two-Tiered System

Although the pension benefits for current public employees and retirees are guaranteed by the Illinois Constitution, benefit levels can be reduced for new employees. Reducing benefits for new employees would mean the creation of two-tiered benefit systems where existing and new employees receive different retirement benefits. Given the rising cost of pension benefits, this is a reasonable approach that the County should undertake.

Annuity Increases for New Hires Should be Fixed at the Lesser of 3% or CPI

Currently, Cook County pension fund beneficiaries receive 3% annual cost of living increases.¹⁸ However, this rate can and does exceed the rate of inflation. To control costs, annual annuity increases for new hires should be fixed at the projected Consumer Price Index or 3%, whichever is less.

Any Benefit Increases Should Require Contribution Increases

¹⁴ See FY2003 Cook County Budget.

¹⁵ Mike Quigley, *Reinventing Cook County*, 2003, p. 48.

¹⁶ FY2006 Cook County Budget, Volume I, pp. G-64-G-65.

¹⁷ FY2003 Cook County Budget.

¹⁸ Cook County Employees' Annuity and Benefit Fund *Actuarial Valuation as of December 31, 2004*, P. 26.

Many benefit enhancements are added to public pensions without accompanying contribution increases. Public Act 94-0004 requires that every new benefit increase made to one of the 5 state retirement systems must identify and provide for additional funding to fund the resulting annual accrued cost of the increase. It also requires that any benefit increase expire after 5 years, subject to renewal. We support extending this reasonable control on benefit increases to the County's pension fund.

Require Employer Contributions to Relate to Funding Levels

The Cook County government employer contributions are determined by multipliers per each fund that are not tied to the fund's funded ratio; thus, the Cook County multiplier is 1.54 times the total employee contribution made two years prior. The Civic Federation believes that employer contributions should be tied to funded ratios, such that additional contributions are required when the ratio drops below a given level.

Reform Pension Board Composition to Provide Balance between Annuitants, Government and Taxpayers

The Cook County Employees' Annuity and Benefit Fund and the Cook County Forest Preserve District Employees' Annuity and Benefit Fund are governed by a single 9-member Board of Trustees that includes: 2 appointed officials (County comptroller and treasurer, or representatives appointed by them), 3 elected actives, 2 elected annuitants, 1 elected forest preserve active and 1 elected forest preserve annuitant. Therefore the ratio of management to employee representatives is 2:7, one of the least balanced of the 17 Illinois pension boards recently surveyed by the Civic Federation.¹⁹

The proper role of a pension board is to safeguard the assets of the fund and to balance the interests of employees and retirees who receive benefits and taxpayers who pay for pension benefits. All of these parties have an interest in the management of the fund. However, the heavy tilt toward employees on the Cook County pension board raises questions about how objective the Board can be in its work. In our view, a pension board should:

- Balance employee and management representation on pension boards;
- Develop a tripartite structure that includes citizen representation on pension boards, and
- Include financial experts on pension boards and require financial training for non-experts.

We urge Cook County to seek reform of the Pension Fund governing structure to ensure greater balance of interests.

C. Consolidate Programs and Functions

In the short term, Cook County should move to consolidate individual programs and functions. In the long term, it should consider consolidating offices and agencies.

¹⁹ Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois*, forthcoming.

In 2003 and 2004, the State of Illinois consolidated a number of governmental programs, including functions such as communications, auditing, informational technology, facilities management and purchasing. These initiatives were important because they permitted an effective evaluation of what resources were actually needed to deliver particular services rather than simply relying on tradition and precedent without regard to cost or efficiency. These measures have eliminated duplication and waste and have yielded substantial savings for the State by reducing personnel and overhead costs. The State has commissioned a study from Deloitte to verify the results of those savings. That study found that the State will have saved \$529 million in FY2004 and FY2005.²⁰

The Civic Federation believes that Cook County should move quickly to effect the following consolidations:

1. **Consolidate the County’s four print shops.** Currently the County maintains 4 print shops for the County Government, the Clerk of the Circuit Court, the Forest Preserve District and Oak Forest Hospital. We believe that this entire function should be outsourced, since a pool of competitive vendors exists in the marketplace. However, at the very minimum, the County should at least explore consolidating these shops to achieve cost savings. We find no compelling argument to have multiple print shops; this is yet another example of excessive duplication of effort.
2. **Consolidate Functions in the Bureau of Health Services.** The administration promised last year to identify and then consolidate duplicative functions in the Bureau of Health Services. We still await some movement in this area.

The Civic Federation strongly believes that Bureau of Health Services should consolidate duplicative administrative functions including public relations, human resources, financial administration, information technology and printing. In reviewing the FY2006 budget, we found that a total of 634.5 FTEs will be employed in these areas at a projected salary cost of \$27.1 million. Even a very conservative estimate of 10% savings from consolidation would generate \$2.7 million.

BUREAU OF HEALTH SERVICES SELECTED ADMINISTRATIVE FUNCTIONS		
Functional Area	Salaries	FTEs
Dietary & Food Service*	\$ 8,593,993	267.6
Financial**	\$ 12,020,341	256.4
Human Resources	\$ 3,059,675	54.5
Information Technology	\$ 2,972,151	47.0
Public Affairs	\$ 430,066	7.0
Printshop	\$ 87,500	2.0
Total	\$ 27,163,726	634.5

* Includes administration, patient food service, employee food service cafeteria

** Includes financial administration, budget, payroll, billing, etc.

²⁰ Deloitte Consulting LLP. State of Illinois Savings Validation Results. October 2005.

D. Expedite Dissolution of the Suburban Cook County Tuberculosis Sanitarium District

The Civic Federation urges President Stroger to move quickly on his promise to eliminate the unnecessary and wasteful Suburban Cook County Tuberculosis Sanitarium District. We are puzzled and dismayed by the administration's seeming inability to dissolve the District even as it controls a majority of the seats on the District's Board.

The case for eliminating the District is documented in the Civic Federation's recent research report on the subject.²¹ The Federation agrees with Cook County that the District's functions should be transferred to the Cook County Bureau of Health Services, which provides the same services more efficiently and cost-effectively. The District's assets, including land and buildings, could then be sold, immediately yielding in unreserved fund balance for the County. In FY2003, a transfer of District assets could have immediately yielded at least \$9.6 million in unreserved fund balance for the County in 2004.²² In its FY2006 budget, the District is budgeting a Corporate Fund cash balance of \$9.7 million.²³

This is an irresponsible and obsolete unit of government that must be eliminated in the interests of good government.

E. Management Reforms

1. Require Return on Investment Reports for all Information Technology Contracts. The County has spent millions of dollars on information technology including the automation of processes in recent years. No doubt many of those expenses are reasonable and essential. But, what dividends have these investments yielded? It is unclear. We would have expected some reductions in cost as automation made certain positions unnecessary. Some evidence of the cost savings benefits of automation can be found in the Office of the County Treasurer. Treasurer Maria Pappas has been able to cut 104 jobs from her staff in large part because of automation and thereby saved millions of dollars. However, this feat does not appear to have been duplicated by other offices heavily invested in technology.²⁴

In our view, investments in technology can and should yield cost savings as well as increased efficiency of operation. We think it imperative that the potential for cost savings be measured in a systematic and transparent way. Therefore, the Civic Federation recommends that all Cook County information technology contracts should include a requirement for an independent analysis of the costs and benefits of the projects being implemented. Then, the Board of Commissioners and taxpayers alike can have demonstrable evidence of the value and cost saving potential of the continued investments of millions of dollars in technology.

²¹ The Civic Federation. *A Call for the Elimination of the Suburban Tuberculosis Sanitarium District*. November 17, 2003.

²² Ibid.

²³ Suburban Cook County Tuberculosis Sanitarium District FY2006 Budget.

²⁴ Mickey Ciokajlo, "County Treasurer Trims Budget Again," *Chicago Tribune*, November 14, 2005.

2. Improve Performance Measures. The County requires performance measures, but most of those submitted and published measure workload, not efficiency or effectiveness. The performance measurement system needs to be overhauled to provide managers with the tools they need to identify strengths and weaknesses in service delivery and to use that information to implement efficiencies accordingly.

3. Present an Executive Budget before the Beginning of the Fiscal Year. The current administration has reverted to an unfortunate practice of the past in delaying presentation of the budget until after the beginning of the new fiscal year.²⁵ The Civic Federation believes that all governments have a duty and an obligation to prepare, release and adopt their fiscal plans before the beginning of the fiscal year. There is no sound public policy reason for delaying or obfuscating the budget process.

Because of our longstanding interest in fiscal transparency, the Civic Federation supports the proposed Amendment to Cook County Board Rules sponsored by Commissioners Claypool, Suffredin and Peraica that would require the President to submit an executive budget recommendation to the County Board Finance Committee on or after September 15 but no later than October 15th.

4. Implement a Formal Long-Term Financial Planning Process. Cook County currently 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 County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that Cook County develop and implement a formal long-term financial planning process that would allow input from the Cook County Board of Commissioners and key external stakeholders.

Because of our longstanding support for the development and publication of a formal long-term financial plan, the Civic Federation supports the proposed Amendment to Cook County Board Rules sponsored by Commissioners Claypool, Suffredin and Peraica that would require the President to submit to the Finance Committee revenue and expenditure projections for the next six fiscal years as well as narrative explanations of assumptions made in order to reach the projections. In our view, this is a sound and reasonable proposal.

²⁵ Between FY1983 to FY1990, the Cook County budget was consistently released after the beginning of the fiscal year. See Civic Federation Analyses of Cook County Budgets, FY1983 to FY1990.

- 5. Produce Audited Financial Statements within 6 Months of Close of Fiscal Year.** The Civic Federation believes that all governments, including Cook County, should release audited financial statements no later than six months of the close of their respective fiscal years. Unfortunately, Cook County has fallen into a pattern of delaying the release of its Comprehensive Annual Financial Report. The FY2002 CAFR was not released until March 31, 2004, or sixteen months after the close of FY2002. The FY2003 CAFR was not released until February 17, 2005, over fourteen months after the close of the fiscal year. The FY2004 CAFR was not released until November 2, 2005, eleven months after the close of the fiscal year.

The City of Chicago, the Forest Preserve District of Cook County, the Chicago Public Schools, the Chicago Park District and the Metropolitan Water Reclamation District all released their audited financial statements within 6 months of the close of their respective fiscal years. We believe Cook County should follow suit.

Cook County's ongoing delays in releasing its audited financial statements diminish its accountability, because the public cannot access important financial information needed to assess the government's financial condition over time.

The Civic Federation supports the proposed Amendment to Cook County Board Rules sponsored by Commissioners Claypool, Suffredin and Peraica that would require the Comprehensive Annual Financial Report be released to the Board and the public no later than May 31 of the following calendar year or within six months of the close of the fiscal year.

- 6. Establish a Formal Budget Stabilization Policy and Fund.** Cook County should establish by ordinance a formal budget stabilization policy and fund. This is a means of controlling the volatility of unstable revenue sources such as the sales tax, and is recommended by bonding agencies and the Government Finance Officers Association. Cook County currently appropriates revenues for a fund balance. However, this arrangement does not adequately guarantee that these funds will be used solely for budget stabilization purposes.

In addition, the fund balance in the General Funds in FY2006 will fall to 3.1%, far short of the 5% to 15% recommended by the GFOA. This raises concerns that the fund balance may not be adequate to cover contingencies.

To be effective, a budget stabilization fund should have an automatic triggering device for deposits and withdrawals. In many jurisdictions, deposits are tied to an objective economic indicator, such as growth in personal income or a formula that considers revenue growth. Withdrawals are also linked to a formula. A budget stabilization fund should have a cap on its size to prevent the unnecessary accumulation of resources. The cap should take the form of: 1) an overall limit on the fund itself; 2) a limit that considers the balance in a "rainy day" fund plus any other undesignated balance in the general funds.

F. Structural Reforms

Cook County government is in dire need of fundamental structural reform. The current structure, which mixes executive and legislative authority, fragments the executive branch and provides no mechanism for independent review of County programs, is anachronistic.

In 2001, the Civic Federation and the Chicagoland Chamber of Commerce issued the *Cook County Cost Control Report*, which made a number of important structural reform recommendations which we would like to reiterate at this time. Over the longer term, these types of sweeping and long overdue structural changes can yield a more accountable and cost effective government.

The Civic Federation supports four major structural reforms that we believe should be implemented to improve the operation of County government. All of the reforms except establishing an Auditor General's office require legislative authorization. However, that should not prevent Cook County from evaluating the possibility of modernizing its fragmented and inefficient government. What all of these efforts require is political will and strong leadership.

1. Establish a Cook County Auditor General's Office

Cook County should establish an independent auditor general's office that would be charged with conducting program and financial audits of all County programs on a regular basis.²⁶ The purpose of an Auditor General's office is to provide an independent review of executive programs. The repeated failure of the executive branch to demonstrate how efficiently or effectively programs are being operated warrants the creation of this office.

This legislative office would specifically be charged with reviewing the obligation, expenditure, receipt and use of public funds. This would include reviewing office and agency financial records, compliance with State and federal laws and regulations, and program performance after the close of its fiscal year. The Auditor General could only be removed by supermajority vote of the Board, would serve a term longer than County Board and have a guaranteed funding stream to ensure independence. This office would function in much the same manner as the State of Illinois Auditor General. The proposal is similar to one made by Commissioner Quigley in his 2003 report calling for a permanent Inspector General.

2. Separate the Executive and Legislative Branches of Cook County Government by ending the practice of allowing a Commissioner to also serve as President. The interests of good government are far better served with a clear distinction between the two branches. The executive should propose and implement policies and programs and the Board of

²⁶ The current County Auditor audits the financial records of all County fee departments, works with the external auditors on the annual financial audit, and performs audits of information systems in the County. The Auditors Office also performs special audits as directed by the President and County Board of Commissioners. These include unannounced payroll observations, contract compliance reviews, participation in information system implementations and internal control evaluations. Information Systems audits are performed to determine the hardware, software, and data are protected, and that the information systems environment provides for data and programs that are reliable, accurate, and complete.

Commissioners should become a fully functioning legislative body rather than primarily an oversight body.

3. **Reduce the majority needed to override the President's veto from 4/5ths to 2/3rds.** The 4/5ths rule is unusual, excessive and a bar to meaningful attempts to assert the authority and prerogatives of the legislative branch of government.
4. **Establish an Office of Tax Administration.** In 1959, the Civic Federation called for consolidating all County property tax administrative functions within an Office of Tax Administration.²⁷ In 1994, we called for an independent, nonpartisan evaluation to determine the possibility of reducing the number of elected officials and/or consolidating positions.²⁸ In 2001, the Civic Federation and the Chicagoland Chamber of Commerce issued the Cook County Cost Control Report, which reiterated these recommendations. In 2003, Commissioner Quigley issued a report recommending a number of structural reforms, including the establishment of a Tax Administration Office and merging the offices of County Clerk and Recorder of Deeds. The report estimated that these efforts would generate approximately \$3.6 million in savings.²⁹

ACKNOWLEDGEMENTS

The Civic Federation would like to express its appreciation to Cook County Chief Financial Officer Thomas Glaser, Comptroller Walter Knorr, Director of Budget and Management Services Donna Dunnings and Cook County finance staff for their efforts in preparing this budget, and for their willingness to provide us with a briefing and answer many of our budget questions.

FY2006 BUDGET HIGHLIGHTS

Cook County proposes a FY2006 budget of \$3.076 billion. This is an \$85.6 million or 2.9% increase from the adopted FY2005 budget of \$2.99 billion. The General Funds budget, which includes the Corporate, Public Health and Public Safety budgets, will increase by 1.1% or \$23.1 million. This is an increase from \$2.13 billion to \$2.16 billion.

\$95 Million Final Deficit

Cook County government originally faced a \$307 million budget deficit. That amount was driven primarily by a \$110 million anticipated increase in personnel costs and the potential loss of \$70 million in Medicaid funds provided from the federal government through the State of Illinois to reimburse the County for Medicaid expenditures. The deficit was eventually reduced to \$95 million through a series of cost reduction strategies.

The administration proposes to close the remaining \$95 million budget deficit and pay for an \$85.6 million increase in spending in large part with the following measures:

²⁷ Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

²⁸ Civic Federation Statement Made on the Proposed Cook County FY1996 Budget, November 18, 1993.

²⁹ *Reinventing Cook County*, October 2003, pp. 20-24.

- Generating \$68.4 million from a \$1.00 per pack increase in cigarette taxes;
- Reaching an agreement with Congressional leaders to restore at least \$20 million in Intergovernmental Transfer funds for Medicaid reimbursements;
- Reducing non-personnel costs by \$14 million. This includes cuts in travel, seminar and books and periodicals;
- Cutting overtime costs by \$23 million; and
- Reducing personnel costs, including the elimination of vacancies and associated benefit costs will generate \$55 million.

APPROPRIATIONS

The following section addresses trends for FY2006 appropriations for all funds by control officer and by individual fund.

All Funds Appropriations by Control Officer

Cook County appropriations are projected to increase from approximately \$2.99 billion to \$3.08 billion between FY2005 and FY2006, a 2.9% increase. Appropriations for those departments controlled by elected officials will increase by 2.7%, from roughly \$853.8 million to \$877.2 million. Decreases in appropriations are projected for seven out of the 12 offices of elected officials. The appropriation for the Self-Insurance Fund will increase by \$43.7 million, or 67.8%. We have requested but not yet received an explanation for this dramatic increase from the Cook County Bureau of Finance.

Cook County Appropriations FY2005-FY2006 (All Funds)				
	FY2005 Final	FY2006 Recommended	% Change FY2005-FY2006	\$ Change FY2005-FY2006
Control Officers				
Offices Under President				
Bureau of Health Services	\$ 825,269,365	\$ 825,549,816	0.0%	\$ 280,451
President	\$ 2,958,709	\$ 3,066,354	3.6%	\$ 107,645
Chief Administrative Officer	\$ 42,840,145	\$ 41,468,884	-3.2%	\$ (1,371,261)
Bureau of Human Resources	\$ 3,976,641	\$ 4,041,598	1.6%	\$ 64,957
Bureau of Public Safety	\$ 78,684,532	\$ 78,445,840	-0.3%	\$ (238,692)
County Auditor	\$ 1,400,784	\$ 1,353,700	-3.4%	\$ (47,084)
Office of the Inspector General	\$ 387,804	\$ 387,804	0.0%	\$ -
Bureau of Finance	\$ 13,252,398	\$ 13,242,718	-0.1%	\$ (9,680)
Bureau of Information Technology	\$ 16,327,976	\$ 14,904,256	-8.7%	\$ (1,423,720)
Capital Planning	\$ 36,652,572	\$ 36,148,232	-1.4%	\$ (504,340)
Subtotal: Other than Health Services	\$ 196,481,561	\$ 193,059,386	-1.7%	\$ (3,422,175)
Subtotal: Offices Under President	\$ 1,021,750,926	\$ 1,018,609,202	-0.3%	\$ (3,141,724)
Sheriff	\$ 384,286,640	\$ 393,237,917	2.3%	\$ 8,951,277
Chief Judge	\$ 155,683,382	\$ 154,068,406	-1.0%	\$ (1,614,976)
State's Attorney	\$ 95,626,104	\$ 92,630,257	-3.1%	\$ (2,995,847)
Clerk Circuit Court	\$ 84,326,296	\$ 83,224,581	-1.3%	\$ (1,101,715)
County Clerk	\$ 12,140,877	\$ 11,769,002	-3.1%	\$ (371,875)
Assessor	\$ 25,850,013	\$ 25,410,885	-1.7%	\$ (439,128)
Recorder of Deeds	\$ 10,647,869	\$ 10,242,219	-3.8%	\$ (405,650)
Treasurer	\$ 11,540,109	\$ 10,840,851	-6.1%	\$ (699,258)
Election Commissioners	\$ 371,451	\$ 371,451	0.0%	\$ -
Election Fund	\$ -	\$ -	-	\$ -
Board of Review	\$ 7,601,734	\$ 7,448,030	-2.0%	\$ (153,704)
County Commissioners	\$ 7,424,132	\$ 7,705,994	3.8%	\$ 281,862
Public Administrator	\$ 1,257,700	\$ 1,038,043	-17.5%	\$ (219,657)
Subtotal: Other Elected Officials	\$ 796,756,307	\$ 797,987,636	0.2%	\$ 1,231,329
Fixed Charges and Special Purpose Appropriations	\$ 320,876,144	\$ 345,903,706		
Other				
Self Insurance	\$ 64,430,478	\$ 108,141,402	67.8%	\$ 43,710,924
Managed Care Support	\$ 464,252	\$ 385,000	-17.1%	\$ (79,252)
Annuity & Benefits	\$ 209,151,000	\$ 223,270,000	6.8%	\$ 14,119,000
Bond & Interest	\$ 180,500,663	\$ 180,870,852	0.2%	\$ 370,189
Other Restricted Funds (Fed, St, Priv. Grants)	\$ 169,609,949	\$ 173,665,246	2.4%	\$ 4,055,297
Allowance for Uncollected Taxes	\$ 11,013,957	\$ 11,004,381	-0.1%	\$ (9,576)
Special Purpose Funds	\$ 85,140,775	\$ 104,932,207	23.2%	\$ 19,791,432
Subtotal: Other Funds	\$ 720,311,074	\$ 802,269,088	11.4%	\$ 81,958,014
Subtotal Operating Funds	\$ 2,859,694,451	\$ 2,964,769,632	3.7%	\$ 105,075,181
Capital	\$ 130,643,500	\$ 111,128,588	-14.9%	\$ (19,514,912)
Total Budget	\$ 2,990,337,951	\$ 3,075,898,220	2.9%	\$ 85,560,269

Source: 2005 Final and 2006 Cook County Executive Budget Recommendations

The next exhibit presents five-year appropriation trend information. Between FY2002 and FY2006, appropriations for the various elected officials are projected to decrease by 5.4%, from \$843.4 million to \$798.0 million. During the same period, appropriations for the offices under the President will decrease by 2.3%, from \$1.04 billion to \$1.02 billion.

Cook County Appropriations FY2002-FY2006 (All Funds)				
	FY2002 Recommended	FY2006 Recommended	% Change FY2002- FY2006	\$ Change FY2002-FY2006
Control Officers				
Offices Under President				
Bureau of Health Services	\$ 774,965,688	\$ 825,549,816	6.5%	\$ 50,584,128
President	\$ 2,554,527	\$ 3,066,354	20.0%	\$ 511,827
Chief Administrative Officer	\$ 50,592,022	\$ 41,468,884	-18.0%	\$ (9,123,138)
Bureau of Human Resources	\$ 4,666,016	\$ 4,041,598	-13.4%	\$ (624,418)
Bureau of Public Safety	\$ 88,301,401	\$ 78,445,840	-11.2%	\$ (9,855,561)
County Auditor	\$ 1,653,786	\$ 1,353,700	-18.1%	\$ (300,086)
Office of the Inspector General	\$ 385,224	\$ 387,804	0.7%	\$ 2,580
Bureau of Finance	\$ 61,578,891	\$ 13,242,718	-78.5%	\$ (48,336,173)
Bureau of Information Technology	\$ 18,900,978	\$ 14,904,256	-21.1%	\$ (3,996,722)
Capital Planning	\$ 39,326,051	\$ 36,148,232	-8.1%	\$ (3,177,819)
Subtotal: Other than Health Services	\$ 267,958,896	\$ 193,059,386	-28.0%	\$ (74,899,510)
Subtotal: Offices Under President	\$ 1,042,924,584	\$ 1,018,609,202	-2.3%	\$ (24,315,382)
Sheriff	\$ 391,659,088	\$ 393,237,917	0.4%	\$ 1,578,829
Chief Judge	\$ 176,898,431	\$ 154,068,406	-12.9%	\$ (22,830,025)
State's Attorney	\$ 100,414,372	\$ 92,630,257	-7.8%	\$ (7,784,115)
Clerk Circuit Court	\$ 89,704,207	\$ 83,224,581	-7.2%	\$ (6,479,626)
County Clerk	\$ 13,272,063	\$ 11,769,002	-11.3%	\$ (1,503,061)
Assessor	\$ 27,937,965	\$ 25,410,885	-9.0%	\$ (2,527,080)
Recorder of Deeds	\$ 12,175,212	\$ 10,242,219	-15.9%	\$ (1,932,993)
Treasurer	\$ 14,106,977	\$ 10,840,851	-23.2%	\$ (3,266,126)
Election Commissioners	\$ 367,634	\$ 371,451	1.0%	\$ 3,817
Board of Review	\$ 8,233,662	\$ 7,448,030	-9.5%	\$ (785,632)
County Commissioners	\$ 7,595,480	\$ 7,705,994	1.5%	\$ 110,514
Public Administrator	\$ 1,055,427	\$ 1,038,043		
Subtotal: Other Elected Officials	\$ 843,420,518	\$ 797,987,636	-5.4%	\$ (45,432,882)
Fixed Charges and Special Purpose Appropriations	\$ -	\$ 345,903,706		\$ 345,903,706
Other				
Self Insurance	\$ 57,181,608	\$ 108,141,402	89.1%	\$ 50,959,794
Managed Care Support	\$ 2,338,977	\$ 385,000	-83.5%	\$ (1,953,977)
Annuity & Benefits	\$ 179,603,000	\$ 223,270,000	24.3%	\$ 43,667,000
Bond & Interest	\$ 144,656,118	\$ 180,870,852	25.0%	\$ 36,214,734
Other Restricted Funds (Fed, St, Priv. Grants)	\$ 119,334,263	\$ 173,665,246	45.5%	\$ 54,330,983
Allowance for Uncollected Taxes	\$ 12,425,373	\$ 11,004,381	-11.4%	\$ (1,420,992)
Special Purpose Funds	\$ 76,105,238	\$ 104,932,207	37.9%	\$ 28,826,969
Subtotal: Other	\$ 591,644,577	\$ 802,269,088	35.6%	\$ 210,624,511
Subtotal Operating Funds	\$ 2,477,989,679	\$ 2,964,769,632	19.6%	\$ 486,779,953
Capital	\$ 264,334,629	\$ 111,128,588	-58.0%	\$ (153,206,041)
Total Budget	\$ 2,742,324,308	\$ 3,075,898,220	12.2%	\$ 333,573,912

Source: 2002 and 2006 Cook County Executive Budget Recommendations

All Funds Appropriations by Fund

All Funds appropriations are projected to increase 2.9% from FY2005. There is approximately a 2.5%, or \$4.6 million, decrease estimated in Corporate Fund appropriations from FY2005. Public Safety appropriations and Health Fund appropriations are expected to increase, by 1.8% and 1.0% respectively. Appropriations for Special Purpose Funds are projected to rise 11.4% with Annuity and Benefits appropriations increasing by 6.8%. Special Purpose Funds are defined as the remaining funds after the General Funds are excluded. These funds are used to account for the proceeds from special revenue sources and the expenditures for specified or restricted

purposes.³⁰ Total Operating Funds appropriations are expected to increase by 3.7% from the prior year. There is a 14.9% decrease projected in Capital Improvement appropriations from FY2005.

Cook County Appropriations FY2005-FY2006 (All Funds)				
Fund	FY2005 Final	FY2006 Recommended	% Change FY2005-FY2006	\$ Change FY2005-FY2006
Corporate	\$ 187,318,674	\$ 182,683,010	-2.5%	\$ (4,635,664)
Public Safety	\$ 1,078,521,488	\$ 1,097,757,299	1.8%	\$ 19,235,811
Health	\$ 873,543,215	\$ 882,060,235	1.0%	\$ 8,517,020
Subtotal: General Funds	\$ 2,139,383,377	\$ 2,162,500,544	1.1%	\$ 23,117,167
Annuity & Benefits	\$ 209,151,000	\$ 223,270,000	6.8%	\$ 14,119,000
Bond & Interest	\$ 180,500,663	\$ 180,870,852	0.2%	\$ 370,189
Other Special Purpose Funds	\$ 330,659,411	\$ 398,128,236	20.4%	\$ 67,468,825
Subtotal: Special Purpose Funds	\$ 720,311,074	\$ 802,269,088	11.4%	\$ 81,958,014
Total: Operating Funds	\$ 2,859,694,451	\$ 2,964,769,632	3.7%	\$ 105,075,181
Capital Improvements	\$ 130,643,500	\$ 111,128,588	-14.9%	\$ (19,514,912)
Grand Total: All Funds	\$ 2,990,337,951	\$ 3,075,898,220	2.9%	\$ 85,560,269

Source: 2005 Final and 2006 Cook County Executive Budget Recommendations

The next exhibit presents five-year appropriation trend information by fund. For the period between FY2002 and FY2006, All Funds appropriations are projected to increase 12.2%. There is a 1.2% increase estimated in Corporate Fund appropriations from FY2002, with an increase of roughly \$2.2 million dollars. Public Safety appropriations and Health appropriations show increases over the five-year period of 13.3% and 19.7% respectively. The greatest increases by percentage over the five-year period from FY2002 to FY2006 are in Special Purpose Funds appropriations. Annuity and Benefits appropriations are projected to increase by 24.3%, or \$43.7 million, and Bond and Interest appropriations are projected to increase by 25.0%, or \$36.2 million. Total Operating Funds appropriations are projected to rise by 19.6% from FY2002. There is a 58.0% decrease projected in Capital Improvement appropriations for the five-year period from FY2002 to FY2006.

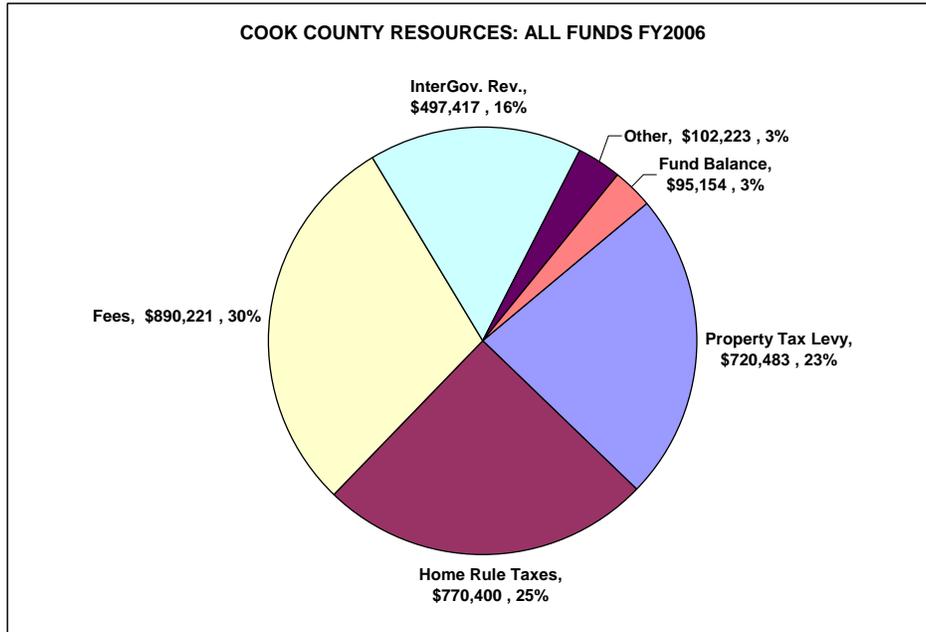
Cook County Appropriations FY2002-FY2006 (All Funds)				
Fund	FY2002	FY2006	% Change FY2005-FY2006	\$ Change FY2005-FY2006
Corporate	\$ 180,494,738	\$ 182,683,010	1.2%	\$ 2,188,272
Public Safety	\$ 969,111,081	\$ 1,097,757,299	13.3%	\$ 128,646,218
Health	\$ 736,739,283	\$ 882,060,235	19.7%	\$ 145,320,952
Subtotal: General Funds	\$ 1,886,345,102	\$ 2,162,500,544	14.6%	\$ 276,155,442
Annuity & Benefits	\$ 179,603,000	\$ 223,270,000	24.3%	\$ 43,667,000
Bond & Interest	\$ 144,679,698	\$ 180,870,852	25.0%	\$ 36,191,154
Other Special Purpose Funds	\$ 267,361,879	\$ 398,128,236	48.9%	\$ 130,766,357
Subtotal: Special Purpose Funds	\$ 591,644,577	\$ 802,269,088	35.6%	\$ 210,624,511
Total: Operating Funds	\$ 2,477,989,679	\$ 2,964,769,632	19.6%	\$ 486,779,953
Capital Improvements	\$ 264,334,629	\$ 111,128,588	-58.0%	\$ (153,206,041)
Grand Total: All Funds	\$ 2,742,324,308	\$ 3,075,898,220	12.2%	\$ 333,573,912

Source: 2002 and 2006 Cook County Executive Budget Recommendations

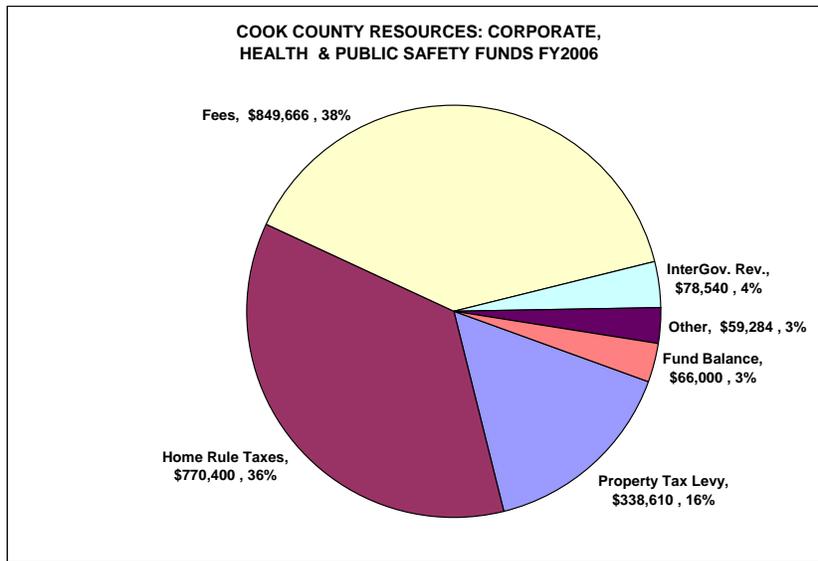
³⁰ Cook County FY2006 Executive Budget Recommendation, p. A-24.

RESOURCES

Cook County total resources include revenues and appropriated net assets or fund balance. In FY2006, the County estimates that it can draw upon a total of \$2.98 billion in various revenue sources and a fund balance of about \$95 million for a total of \$3.076 billion. The total fund balance represents 3.1% of all resources available.



The next exhibit shows resources available in the County's General Funds – its Corporate, Public Safety and Health Funds. Fees and home rules taxes provide 74.9% of all resources. Fund Balance in FY2006 will account for 3.1% of the total or \$66.0 million. This is a substantial decrease from the approximately \$200 million appropriated for fund balance in FY2004 or the \$136 million appropriated in FY2005.



Revenues in FY2006

Cook County All Fund revenues are projected to increase by 5.1% between FY2005 and FY2006. This will be a \$139.4 million increase from \$2.7 billion to \$2.8 billion.³¹

Approximately \$68.4 million of the revenue increase in FY2006 is expected to derive from a \$1.00 per pack increase in the County's home rule cigarette tax. This follows an 82 cent hike in FY2003. The tax hike will boost the composite cigarette tax in the City of Chicago to \$4.05 per pack.

Government	Cigarette Tax Rate
Cook County	\$ 2.00
State of Illinois	\$ 0.98
City of Chicago	\$ 0.68
Federal	\$ 0.39
TOTAL	\$ 4.05

The County Board approved increases in the wheel tax that for vehicles registered in unincorporated Cook County shortly before the budget was released. These increases will generate an additional \$1 million in wheel tax revenues, raising the total amount collected to just over \$2 million.³²

Fees, the largest single component of the revenue stream, are expected to decline slightly by 2.2% in FY2006, falling from \$909.8 million to \$890.2 million. Patient fee revenues, the most

³¹ These are FY2005 year end estimate figures in the FY2006 budget, not the original budgeted amounts in the FY2005 proposed budget.

³² The Wheel tax increase amended Sections 61-76 of Chapter 13 of the Cook County Code.

significant fee collected, will drop by 1.5% or \$9.2 million. The property tax levy will be held constant at \$720 million.

The 13.4% increase in intergovernmental revenues projected in FY2006 is driven primarily by two factors:

- A 39% increase in personal property replacement tax (PPRT) revenues. Reflecting the upturn in the State's economic condition, these revenues are expected to rise from \$36.3 million to \$50.5 million.
- A 12% increase in reimbursements from other governments, which are expected to increase from \$293.6 million to \$329.0 million.

COOK COUNTY REVENUES FY2005-FY2006 (\$000s)				
TAX OR FEE	FY05Est*	FY06Proj	# CHG FY05-FY06	% CHG FY05-FY06
Property Taxes	\$ 720,483	\$ 720,483	\$ -	
Home Rule Taxes				
Sales	\$ 348,633	\$ 357,000	\$ 8,367	2.4%
Alcoholic Beverage	\$ 25,813	\$ 25,500	\$ (313)	-1.2%
Cigarette	\$ 157,533	\$ 226,000	\$ 68,467	43.5%
Gas	\$ 103,693	\$ 103,000	\$ (693)	-0.7%
Retail Sale/Motor Veh's	\$ 3,575	\$ 3,400	\$ (175)	-4.9%
Wheel	\$ 979	\$ 2,000	\$ 1,021	104.3%
Amusement	\$ 16,119	\$ 16,000	\$ (119)	-0.7%
Parking Lot	\$ 37,018	\$ 37,500	\$ 482	1.3%
Subtotal Home Rule	\$ 693,363	\$ 770,400	\$ 77,037	11.1%
Fee Revenue				
Patient Fees	\$ 617,704	\$ 608,535	\$ (9,169)	-1.5%
Circuit Clerk Fees	\$ 99,215	\$ 92,000	\$ (7,215)	-7.3%
Recorder of Deeds Fees	\$ 75,869	\$ 74,493	\$ (1,376)	-1.8%
Treasurer's Fees	\$ 50,482	\$ 43,000	\$ (7,482)	-14.8%
Other	\$ 66,604	\$ 72,193	\$ 5,589	8.4%
Subtotal Fees	\$ 909,874	\$ 890,221	\$ (19,653)	-2.2%
Misc. Revenues**	\$ 27,973	\$ 59,284	\$ 31,311	111.9%
Intergov. Rev.	\$ 378,455	\$ 429,227	\$ 50,772	13.4%
GRAND TOTAL	\$ 2,730,148	\$ 2,869,615	\$ 139,467	5.1%

Source: Cook County FY2006 Revenue Estimates, pp. 51-62.

* Year End Estimates

** Bail Bond Forfeitures, Other Revenues

These amounts do not include fund balances and capital improvements

Five-Year Revenue Trends

In the five-year period between FY2002 and FY2006, Cook County revenues increased by 23.6%. This represents a \$547.4 million increase, from \$2.3 billion to \$2.8 billion. Because of

the two cigarette tax hikes (FY2003 and FY2006), home rule tax revenues will rise much faster than fee revenue during this period. The rate of growth for home rule taxes will be approximately 38.0% in that time period while fees rose by 29.0%.

COOK COUNTY REVENUES FY2002-FY2006 (\$000s)							
TAX OR FEE	FY02	FY03	FY04	FY05Est*	FY06Proj	# CHG 02-'06	% CHG 02-'06
Property Taxes	\$ 724,415	\$ 720,483	\$ 720,483	\$ 720,483	\$ 720,483	\$ (3,932)	-0.5%
Home Rule Taxes							
Sales	\$ 328,614	\$ 327,839	\$ 337,727	\$ 348,633	\$ 357,000	\$ 28,386	8.6%
Alcoholic Beverage	\$ 25,467	\$ 25,886	\$ 25,723	\$ 25,813	\$ 25,500	\$ 33	0.1%
Cigarette	\$ 42,087	\$ 39,555	\$ 131,391	\$ 157,533	\$ 226,000	\$ 183,913	437.0%
Gas	\$ 105,706	\$ 103,470	\$ 99,505	\$ 103,693	\$ 103,000	\$ (2,706)	-2.6%
Retail Sale/Motor Veh's	\$ 4,102	\$ 3,679	\$ 3,595	\$ 3,575	\$ 3,400	\$ (702)	-17.1%
Wheel	\$ 1,008	\$ 989	\$ 980	\$ 979	\$ 2,000	\$ 992	98.4%
Amusement	\$ 13,401	\$ 15,445	\$ 14,556	\$ 16,119	\$ 16,000	\$ 2,599	19.4%
Parking Lot	\$ 37,770	\$ 33,643	\$ 35,739	\$ 37,018	\$ 37,500	\$ (270)	100.0%
Subtotal Home Rule	\$ 558,157	\$ 550,506	\$ 649,216	\$ 693,363	\$ 770,400	\$ 212,245	38.0%
Fee Revenue							
Patient Fees	\$ 455,171	\$ 548,908	\$ 618,038	\$ 617,704	\$ 608,535	\$ 153,364	33.7%
Circuit Clerk Fees	\$ 74,885	\$ 91,333	\$ 97,407	\$ 99,215	\$ 92,000	\$ 17,115	22.9%
Recorder of Deeds Fees	\$ 60,545	\$ 78,364	\$ 74,117	\$ 75,869	\$ 74,493	\$ 13,948	23.0%
Treasurer's Fees	\$ 45,991	\$ 46,700	\$ 45,114	\$ 50,482	\$ 43,000	\$ (2,991)	-6.5%
Other	\$ 53,408	\$ 57,525	\$ 63,107	\$ 66,604	\$ 72,193	\$ 18,785	35.2%
Subtotal Fees	\$ 690,000	\$ 822,830	\$ 897,783	\$ 909,874	\$ 890,221	\$ 200,221	29.0%
Misc. Revenues**	\$ 23,587	\$ 43,400	\$ 31,853	\$ 27,973	\$ 59,284	\$ 35,697	151.3%
Intergov. Rev.	\$ 326,040	\$ 313,716	\$ 335,981	\$ 378,455	\$ 429,227	\$ 103,187	31.6%
GRAND TOTAL	\$ 2,322,201	\$ 2,450,940	\$ 2,635,316	\$ 2,730,148	\$ 2,869,615	\$ 547,414	23.6%

Source: Cook County FY2006 Revenue Estimates, pp. 51-62.

* Year End Estimates

** Bail Bond Forfeitures, Other Revenues

These amounts do not include fund balances and capital improvements

Property Tax Levy

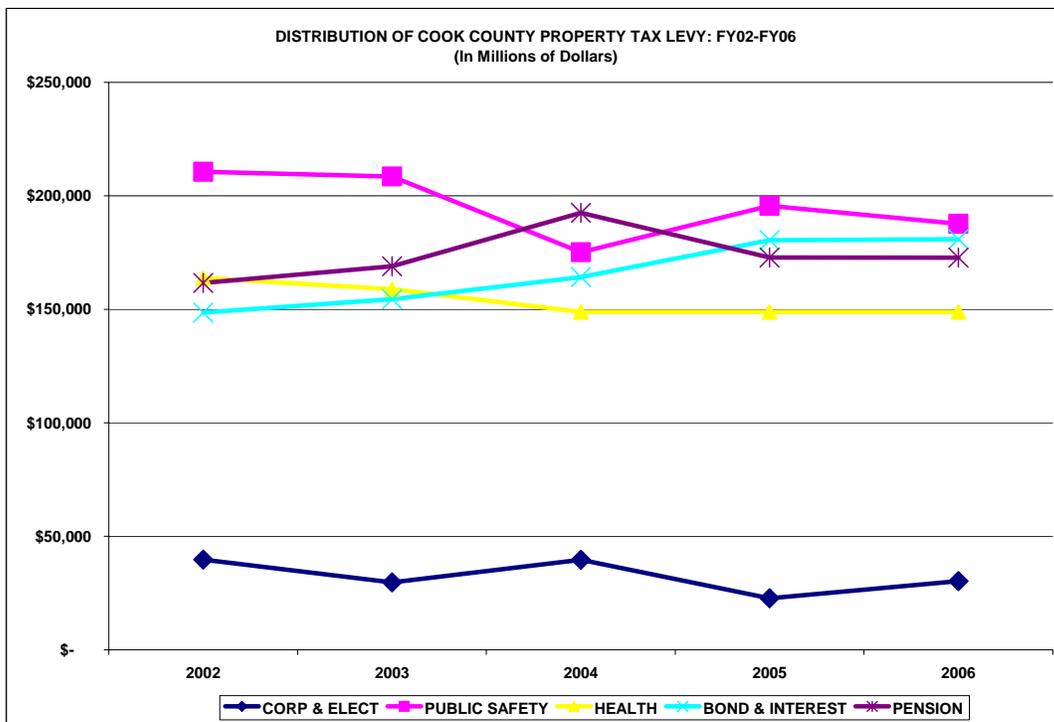
The Cook County property tax levy will be held constant in FY2006, at \$720.4 million for the sixth year in a row. Since FY2002, the levy has decreased slightly by 0.5% or \$3.9 million from \$724.4 million.³³

Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health, Bond and Interest, and Pensions Annuity and Benefit Fund. Changes in distribution of the levy between FY2002 and FY2006 are shown below. For purposes of our analysis, the relatively small Corporate and Election Funds have been combined. Together they averaged

³³ These are the property tax levy figures reported in the Cook County budget books. The Cook County Clerk's Tax Extension Office reports slightly different figures. In some years, there is up to a \$5 million difference, usually in the Bond & Interest fund levy. The Civic Federation has requested but not received an explanation for this difference from the Cook County financial staff.

about 4% of the total levy for the 5 years analyzed. In FY2002, the portion of the levy dedicated to these funds will be 4% of the total, up slightly from the previous year because the Election levy will rise to pay for the forthcoming primary and general elections.

The Public Safety Fund will consume the largest single portion of the levy: \$187.6 million or 26.0% of the total. Approximately 25.1% of the levy, or \$180.8 million, is earmarked for the Bond and Interest Fund to pay for debt service. The third largest component of the levy will be the \$172.8 million portion targeted for the County’s Pension Fund. This amount is nearly the same as was earmarked in the prior year. However, it represents a significant reduction from the \$192.5 million earmarked for pensions in the 2004 levy. That reduced amount was the result of two factors: a reduction in the actuarially determined amount required for the pension fund and a \$10 million increase in the total amount of PPRT revenues projected to be available for pension funding in FY2005.³⁴



Fund Balance

The appropriated fund balance for the General Funds (i.e. Corporate, Public Health and Public Safety Funds) is estimated to be \$66.0 million in FY2006. This is approximately 3.1% of operating revenues for those funds of \$2.1 billion. The amount of fund balance has declined substantially from FY2002, when it was \$221.1 million or 11.7% of operating revenues. The 3.1% ratio is below the recommendation of the Government Finance Officers Association (GFOA) that general purpose governments maintain a General Fund balance ratio of 5% to 15% of operating expenditures or revenues. To achieve a 5% ratio, the County would have to set aside \$108.1 million in fund balance.

³⁴ Briefing by Cook County Financial Management Staff on the Cook County FY2005 Budget, January 5, 2005.

Fund Balance for Corporate, Public Safety, Health Funds			
FY	Fund Balance	Revenues	Ratio
FY2002	\$ 221,155,346	\$ 1,886,345,102	11.7%
FY2003	\$ 218,467,072	\$ 1,981,765,062	11.0%
FY2004	\$ 200,500,000	\$ 2,076,451,808	9.7%
FY2005	\$ 136,000,000	\$ 2,195,188,977	6.2%
FY2006	\$ 66,000,000	\$ 2,162,500,544	3.1%

Source: Cook County Revenue Estimates.

PERSONNEL TRENDS

The following section addresses trends for budgeted personnel by office and by fund, and both one-year and five-year trends in personal services appropriations.

Full Time Equivalent Positions by Control Officer

The next exhibit shows the number of full time equivalent (FTE) positions budgeted for FY2005 and FY2006. The number of FTEs for FY2006 is projected to decline by 81.6 positions, or 0.3% from the previous year. The number of FTEs in the Offices under the President will decrease by 213.6, or 1.9%, and the number of FTEs under other elected officials will increase by 132.0, or 0.9%.

Cook County Budgeted FTEs* by Office (All Funds): FY2005-FY2006				
	FY2005 Final	FY2006 Recommended	% Change FY2005-FY2006	# Change FY2005-FY2006
Control Officers				
Offices Under President				
Bureau of Health Services	8,029.9	7,910.5	-1.5%	(119.4)
President	33.8	36.0	6.5%	2.2
Chief Administrative Officer	781.7	724.0	-7.4%	(57.7)
Bureau of Human Resources	48.2	51.0	5.8%	2.8
Bureau of Public Safety	1,277.1	1,253.1	-1.9%	(24.0)
County Auditor	18.8	18.0	-4.3%	(0.8)
Office of the Inspector General	5.0	5.0	-	-
Bureau of Finance	203.0	201.8	-0.6%	(1.2)
Bureau of Information Technology	198.9	196.8	-1.1%	(2.1)
Capital Planning	418.9	405.5	-3.2%	(13.4)
Subtotal: Other than Health Services	2,985.4	2,891.2	-3.2%	(94.2)
Subtotal: Offices Under President	11,015.3	10,801.7	-1.9%	(213.6)
Sheriff	6,502.4	6,756.7	3.9%	254.3
Chief Judge	2,943.0	2,850.6	-3.1%	(92.4)
State's Attorney	1,500.2	1,492.3	-0.5%	(7.9)
Clerk Circuit Court	2,067.8	2,098.7	1.5%	30.9
County Clerk	306.1	308.7	< 0.1%	2.6
Assessor	453.0	433.8	-4.2%	(19.2)
Recorder of Deeds	266.5	253.1	-5.0%	(13.4)
Treasurer	184.4	155.6	-15.6%	(28.8)
Election Commissioners	4.0	4.0	-	-
Board of Review	129.3	130.0	0.5%	0.7
County Commissioners	91.5	96.0	4.9%	4.5
Public Administrator	18.0	18.7	3.9%	0.7
Subtotal: Other Elected Officials	14,466.2	14,598.2	0.9%	132.0
TOTAL	25,481.5	25,399.9	-0.3%	(81.6)

* Includes Special Purpose Fund positions.

Source: 2006 Cook County Executive Budget Recommendation

Since FY2002, the total number of FTEs employed by Cook County has declined by 1,642.2, or 6.1%. For the five-year period from FY2002 to FY2006, FTEs under the President are projected to decrease by 1,532.7 positions, or 12.4%, and FTEs under other elected officials are projected to decrease by 109.5 positions, or 0.7%.

Cook County Budgeted FTEs* by Office (All Funds): FY2002-FY2006				
	FY2002 Recommended	FY2006 Recommended	% Change FY2002- FY2006	# Change FY2002- FY2006
Control Officers				
Offices Under President				
Bureau of Health Services	9,007.2	7,910.5	-12.2%	(1,096.7)
President	31.0	36.0	16.1%	5.0
Chief Administrative Officer	873.1	724.0	-17.1%	(149.1)
Bureau of Human Resources	58.2	51.0	-12.4%	(7.2)
Bureau of Public Safety	1,413.3	1,253.1	-11.3%	(160.2)
County Auditor	27.0	18.0	-33.3%	(9.0)
Office of the Inspector General	5.0	5.0	-	-
Bureau of Finance	227.0	201.8	-11.1%	(25.2)
Bureau of Information Technology	218.0	196.8	-9.7%	(21.2)
Capital Planning	474.6	405.5	-14.6%	(69.1)
Subtotal: Other than Health Services	3,327.2	2,891.2	-13.1%	(436.0)
Subtotal: Offices Under President	12,334.4	10,801.7	-12.4%	(1,532.7)
Sheriff	6,520.1	6,756.7	3.6%	236.6
Chief Judge	3,021.2	2,850.6	-5.6%	(170.6)
State's Attorney	1,482.8	1,492.3	0.6%	9.5
Clerk Circuit Court	2,149.0	2,098.7	-2.3%	(50.3)
County Clerk	310.3	308.7	-0.5%	(1.6)
Assessor	473.2	433.8	-8.3%	(39.4)
Recorder of Deeds	281.7	253.1	-10.2%	(28.6)
Treasurer	218.3	155.6	-28.7%	(62.7)
Election Commissioners	4.0	4.0	-	-
Board of Review	132.1	130.0	-1.6%	(2.1)
County Commissioners	96.0	96.0	-	-
Public Administrator	19.0	18.7	-1.6%	(0.3)
Subtotal: Other Elected Officials	14,707.7	14,598.2	-0.7%	(109.5)
TOTAL	27,042.1	25,399.9	-6.1%	(1,642.2)

* Includes Special Purpose Fund positions.

Source: 2002 and 2006 Cook County Executive Budget Recommendations

Full Time Equivalent Positions by Fund

The next exhibit displays changes in FTE employment numbers from FY2005 to FY2006. For the one-year change, the number of FTEs budgeted in the Corporate Fund is projected to decrease by 106.7 positions, or 4.5%. The number of FTEs in the Public Safety and Health funds will increase by 144.0 positions, or 1.0%, and decrease by 123.2 positions, or 1.6%, respectively.

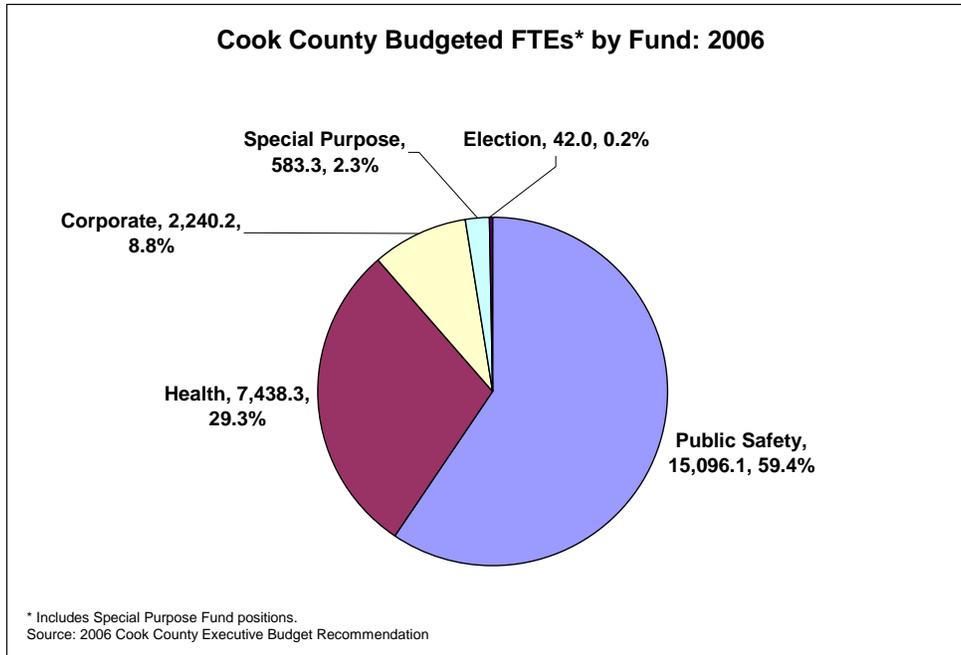
Cook County Budgeted FTEs* by Fund: One-Year Trend				
FUND	2005 Final	2006 Recommended	# Change 2005- 2006	% Change 2005-2006
Public Safety	14,952.1	15,096.1	144.0	1.0%
Health	7,561.5	7,438.3	(123.2)	-1.6%
Corporate	2,346.9	2,240.2	(106.7)	-4.5%
Special Purpose	590.2	583.3	(6.9)	-1.2%
Election	30.8	42.0	11.2	36.4%
TOTAL	25,481.5	25,399.9	(81.6)	-0.3%

* Includes Special Purpose Fund positions.

Source: 2006 Cook County Executive Budget Recommendation

Distribution of FTEs by Fund FY2006

The following exhibit shows the distribution of FTEs by fund in the FY2006 County budget. In FY2006, 59.4% of all FTEs are budgeted to the Public Safety Fund, which includes the Offices of the Sheriff, Chief Judge, Clerk of the Circuit Court, and State's Attorney. The Health Fund accounts for the next largest number of FTEs budgeted for FY2006, or 29.3%. Of the remaining FTEs, 8.8% are located in the Corporate Fund, and less than 3% are located in the Special Purpose and Election Funds.



Personal Service Appropriations

Personal service appropriations are projected to increase by 2.1% in FY2006 from the previous fiscal year, from \$1.98 billion to \$2.02 billion. Wages and salaries will increase by 1.0%, from \$1.47 billion to \$1.48 billion. Benefits are expected to increase by 5.4%, from \$511.3 million to \$538.7 million.

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY2005-FY2006				
	2005 Final	2006 Recommended	# Change 2005 - 2006	% Change 2005 - 2006
Regular Wages	\$ 1,425,290,087	\$ 1,445,186,728	\$ 19,896,641	1.4%
Overtime	\$ 39,185,147	\$ 33,486,627	\$ (5,698,520)	-14.5%
Other Wages	\$ 594,267	\$ 503,644	\$ (90,623)	-15.2%
Subtotal Wages	\$ 1,465,069,501	\$ 1,479,176,999	\$ 14,107,498	1.0%
Hospitalization	\$ 238,209,469	\$ 253,657,421	\$ 15,447,952	6.5%
Other Benefits	\$ 273,127,249	\$ 285,047,520	\$ 11,920,271	4.4%
Subtotal Benefits	\$ 511,336,718	\$ 538,704,941	\$ 27,368,223	5.4%
Total Personal Services	\$ 1,976,406,219	\$ 2,017,881,940	\$ 41,475,721	2.1%

Source: 2005 Cook County Annual Appropriation Bill and 2006 Cook County Executive Budget Recommendation

Between FY2002 and FY2006, Cook County personal service appropriations are projected to rise by 14.1%. This represents a \$249.9 million increase. Over the five-year period from FY2002 to FY2006, wages will increase by 8.7%, with Regular Wages appropriations in particular rising by 10.2%.

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY2002-FY2006				
	2002 Recommended	2006 Recommended	# Change 2002 - 2006	% Change 2002 - 2006
Regular Wages	\$ 1,311,682,303	\$ 1,445,186,728	\$ 133,504,425	10.2%
Overtime	\$ 30,809,377	\$ 33,486,627	\$ 2,677,250	8.7%
Other Wages	\$ 18,289,375	\$ 503,644	\$ (17,785,731)	-97.2%
Subtotal Wages	\$ 1,360,781,055	\$ 1,479,176,999	\$ 118,395,944	8.7%
Hospitalization	\$ 169,759,782	\$ 253,657,421	\$ 83,897,639	49.4%
Other Benefits	\$ 237,471,804	\$ 285,047,520	\$ 47,575,716	20.0%
Subtotal Benefits	\$ 407,231,586	\$ 538,704,941	\$ 131,473,355	32.3%
Total Personal Services	\$ 1,768,012,641	\$ 2,017,881,940	\$ 249,869,299	14.1%

Source: 2002 and 2006 Cook County Executive Budget Recommendations

The following chart displays totals for personal service appropriations in relation to the total budget for the County. For FY2006, personal service appropriations comprise 65.6% of the total budget, a slight decrease from 66.1% in FY2005. In FY2002, Personal Services comprised 64.5% of the budget.

	Personal Services	Total Budget	Personal Services as % of Total Budget
2002 Rec.	\$ 1,768,012,641	\$ 2,742,324,308	64.5%
2005 Final	\$ 1,976,406,219	\$ 2,990,337,951	66.1%
2006 Rec.	\$ 2,017,881,940	\$ 3,075,898,220	65.6%

Source: 2002 and 2006 Cook County Executive Budget Recommendations, and 2005 Cook County Annual Appropriation Bill

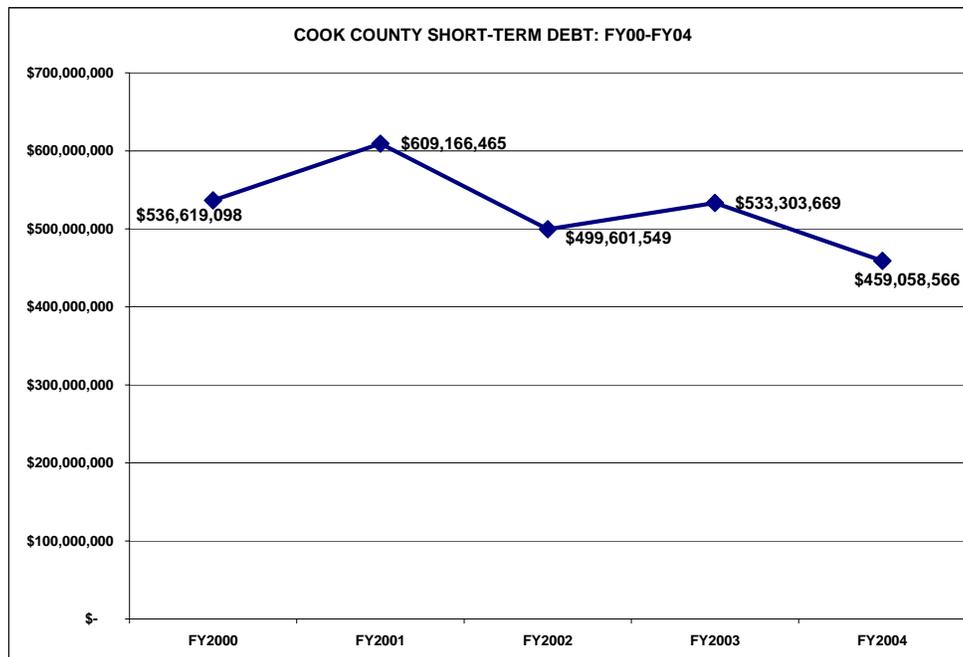
DEBT TRENDS

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 includes all current liabilities reported for Governmental and Business-Type activities of the County. The exhibit below presents Cook County short-term debt trends for Fiscal Years 2000 through 2004. During that five-year period, the amount of short-term debt fell by \$77.5 million or 14.4%. This represents a decrease from \$536.6 million to \$459.0 million.³⁵ This is a positive trend.



Bond Ratings

Cook County debt issues carry the following ratings:

- Fitch: AA
- Moody's: Aa2
- Standard and Poor's: AA

These ratings are the highest the County has received in 25 years.³⁶

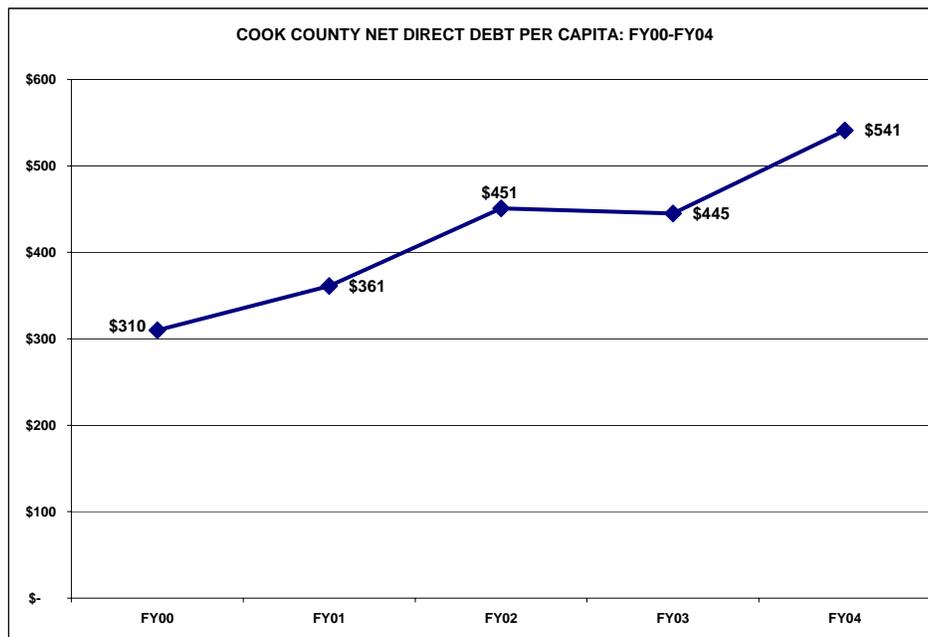
³⁵ Information obtained from *Cook County Comprehensive Annual Reports*, various years.

³⁶ Cook County FY2006 Executive Budget Briefing, p 17.

Net Direct Debt Per Capita

Net direct debt per capita is a measure of a government's ability to maintain its current financial policies.³⁷ This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements and is commonly used by rating agencies and other public finance analysts. Increases over time bear watching as a potential sign of increasing financial risk.

Cook County net direct debt per capita increased by 74.5% between FY2000 and FY2004, rising from \$310 to \$541. Cook County's total long-term debt increased from \$1.6 billion to \$2.9 billion. Between FY2003 and FY2004, net direct debt per capita rose by 21.6% after declining during the previous year.



PENSION FUND TRENDS

The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of Cook County's pension fund: funded ratios, the investment rate of return and the value of unfunded liabilities.³⁸

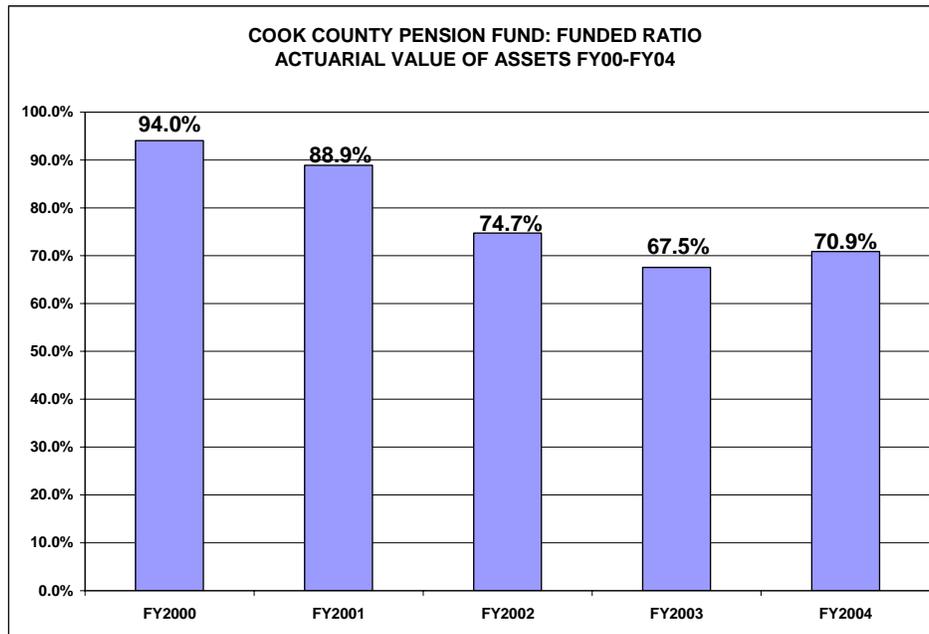
Funded Ratios – Actuarial Value of Assets

The following exhibit shows the funded ratio for Cook County'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.

³⁷ Direct debt is tax supported debt such as General Obligation debt. For Cook County, net direct debt includes General Obligation bonds less the amount of G.O. debt available for retirement per year. See *FY2004 Cook County Comprehensive Annual Financial Report*, p. 154.

³⁸ The discussion of Cook County's pension fund trends is drawn from *Status of Local Pension Funding* (Chicago: Civic Federation, forthcoming 2006).

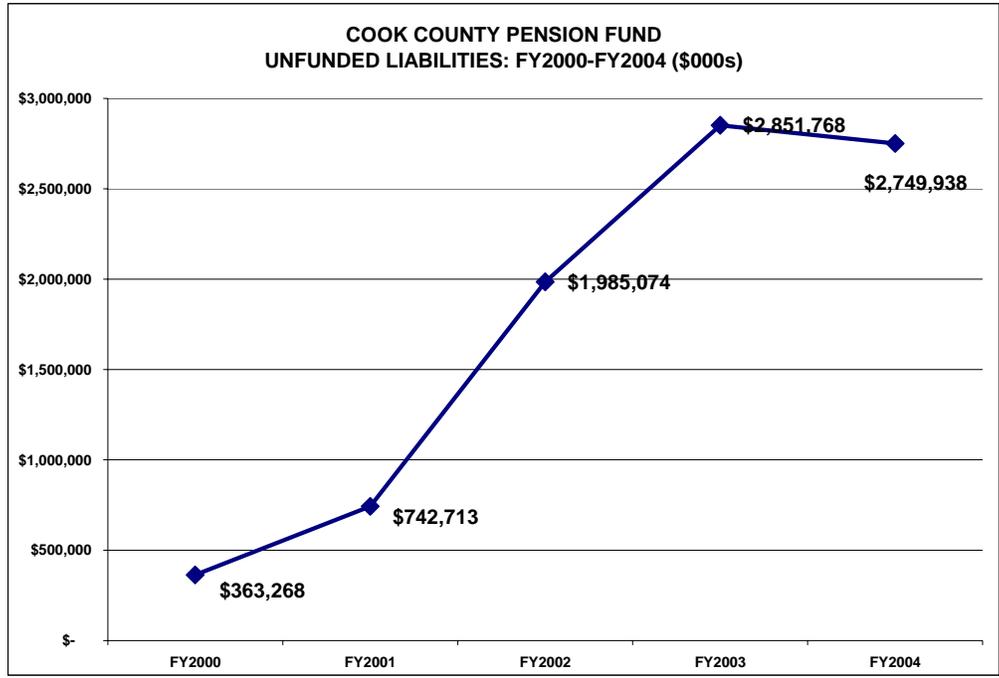
The funded ratio for Cook County’s pension fund declined from 94.0% to 70.9% between FY2000 and FY2004. In large part, the decrease reflects declines in the return of the fund’s investments. In FY2004, the funded ratio rose slightly, from 67.5% to 70.9%. This is due in part to changes in actuarial assumptions made in preparing the FY2004 actuarial valuations that increased the value of net assets from the amounts that would have been calculated using previous actuarial methods.³⁹



Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for Cook County’s pension fund totaled approximately \$2.7 billion in FY2004. There was a 657.0%, or \$2.3 billion increase in unfunded liabilities from FY2000. Between FY2003 and FY2004, unfunded liabilities fell by over \$101.0 million or by 3.6%; this is due in part to the change in actuarial assumptions noted above. The sharp increase in unfunded liabilities over the entire 5-year period is being driven in large part by declining rates of return for the pension fund’s investments.

³⁹ The FY2004 *Actuarial Valuation* reports net assets at the beginning of the year as \$6,529,956,047 while the former actuary reported net assets as being \$5,929,201,142. The method boosts the value of net assets by \$600,754,905, thus in part increasing the funded ratio and decreasing unfunded liabilities. County Employees’ Annuity and Benefit Fund of Cook County, *Actuarial Valuation as of December 31, 2004*, p. 9.



Investment Rates of Return

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. Since FY2000, Cook County investment rates of return have increased from 4.4% in FY2000 to 9.6% five years later. In FY2001 and FY2002, the Pension Fund reported negative investment returns, reflecting the impact of the economic downturn. However, since that time, investment returns have been positive though they did fall from 17.2% in FY2003 to 9.6% in FY2004. The latter rate of return exceeds the Fund’s actuarial assumption of a 7.5% return.

CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve Cook County’s financial management and to reduce expenditures.

Eliminate Automatic Step Increases

The Civic Federation urges the County to push for the elimination of automatic step increases in its collective bargaining negotiations. This is an antiquated, overly generous personnel practice not found in most other governments or the private sector. We think that total percentage increases should be limited to 3% or inflation, whichever is less, a far more affordable benchmark.

Increase Employee Contributions to Health Insurance Costs

The Civic Federation believes all Cook County employees must begin to pay a share of premium costs that more closely mirrors Illinois or national averages. This is essential to reduce rising

healthcare costs. If employees contributed a sum equal to an additional 1% of total hospitalization insurance projected costs in FY2006, the County would save \$2.5 million.

In addition, the County should increase co-payments for physician visits. Currently, non-union and ratified union County employees pay \$3 per medical visits to HMOs. Union employees pay nothing. The co-payment saves the County approximately 0.5% in premium costs. An increase to a \$10 co-payment for non-union and ratified union employees for HMO care would decrease premium costs (\$253 million projected in FY2006) by 3% to 3.5%. This could save the County from \$7.6 million to \$8.8 million.

Reduce Employee Pay Periods from 26 to 24 Times per Year

Currently, Cook County employees are paid every two weeks, or 26 times each year. Reducing pay periods to 24 times per year or twice a month, would eliminate the processing and related costs for 2 pay periods each year. While we cannot precisely quantify the potential savings, we believe this is a reasonable business process reform that could immediately save the County a great deal of money.

Aggressively Pursue Joint Purchasing Agreements with Major Chicago Area Governments

Cook County will save up to \$2 million a year by jointly purchasing prescription drugs with 6 other governments. It is considering the joint purchase of fuel and other commodities, which could yield substantial savings. At this time, we urge Cook County to aggressively pursue the joint purchasing of health insurance with other governments in the Chicago area. According to a 2001 study commissioned by the Civic Federation, forming a joint insurance pool consisting of the employees of the County (excluding the Forest Preserve District), the City of Chicago, the Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield total projected savings of \$40.1 million in the first year, or \$222 million over a 5-year period. The County alone could save as much as \$22.5 million in the first year.⁴⁰ Undoubtedly, the amount of savings has risen substantially in the 5 years since the study was completed.

Pursue Alternative Service Delivery Opportunities, Including Privatization

The Civic Federation has long supported privatization of janitorial services under the control of the Cook County Sheriff's office. We are disappointed that Cook County has not yet conducted a promised pilot privatization study of that function. We urge the County to move forward on this project and conduct efficiency studies to select promising areas for alternative service delivery. Some possible candidates for which a competitive private sector exists include:

- **Pharmacy function.** Cook County currently employs 217.9 Pharmacy FTEs at a projected salary cost in FY2006 of \$12.9 million.⁴¹

⁴⁰ Civic Federation, *Feasibility Study of Consolidated Purchasing*, February 23, 2001.

⁴¹ FY2006 Cook County Budget. Stroger Hospital employs 150.4 FTEs, Oak Forest Hospital 41.5 FTEs and Cermak Hospital 26.0 FTEs.

- **Print shop function.** The County currently maintains 4 separate print shops for the County, the Clerk of the Circuit Court, the Forest Preserve District and Oak Forest Hospital.
- **Dietary and food service** functions in the Bureau of Health Services. Currently, 267.6 FTES at a projected salary cost of \$8.6 million are employed at Oak Forest and Stroger Hospitals.
- **Service of process function for civil lawsuits.** Commissioner Quigley's 2003 report *Reinventing Cook County* estimates this could save up to \$6.9 million per year.⁴²

Outsource Management of Selected Services to Other Governments

Given the County's ongoing financial difficulties and the opportunities available for cost savings, outsourcing to other governments rather than maintaining full-scale operations more suited to a bygone era makes good fiscal sense. Two areas we find particularly promising were identified in Commissioner Quigley's 2003 *Reinventing Cook County* report: highways and animal control.

- **Outsource County Highway System to Local Municipalities.** The County maintains 1,439 lane miles of roadway, much of which is discontinuous. The County Highway Department will employ 321.1 FTES at a cost of \$19.9 million in salaries in FY2006. The entire Department's proposed appropriation will be \$23.8 million.⁴³ The *Reinventing Cook County* report estimates that the County could save up to \$9.8 million per year if it paid municipalities to maintain these stretches of roads rather than maintaining them itself. Essentially, the researchers found that municipalities maintain roads under their jurisdiction at a lesser cost than the County.⁴⁴ The potential savings today are probably lower because of the substantial budgetary reductions since FY2003; the budget has been reduced from \$31.1 million to \$19.9 million and the number of FTEs is down from 421.7 to 321.1.⁴⁵ Nonetheless, the concept is sound and there are still substantial cost saving opportunities that should be explored through the outsourcing of this function to other governments.
- **Outsource Animal Control to Municipalities.** The County could save up to \$2.9 million if it paid municipalities to conduct animal control activities rather than maintain its own department according to Commissioner Quigley's 2003 report.⁴⁶ In the FY2006 budget, the Department is budgeted at nearly \$2.9 million, employing 21.0 FTES at salary cost of \$848,633.⁴⁷ Because the Departmental budget has been cut since FY2003 (from \$3.1 million), potential savings would be less than in the *Reinventing Cook County* report. Yet they would still be substantial savings.⁴⁸

⁴² Commissioner Mike Quigley, *Reinventing Cook County*, 2003, p. 31.

⁴³ FY2006 Cook County Budget, Volume I, pp. G48-G49.

⁴⁴ Commissioner Mike Quigley, *Reinventing Cook County*, 2003, p. 44.

⁴⁵ See FY2003 Cook County Budget.

⁴⁶ Commissioner Mike Quigley, *Reinventing Cook County*, 2003, p. 48.

⁴⁷ FY2006 Cook County Budget, Volume I, pp. G-64-G-65.

⁴⁸ FY2003 Cook County Budget.

Implement Comprehensive Pension Benefit Reform

Over the past year, the State of Illinois has adopted several key reforms designed to help the State control mounting employee retirement costs. The Civic Federation strongly supported these reforms and believes that the time has come to also apply some of these reforms to local government retirement plans, including those provided to Cook County employees. This year, we offer specific recommendations designed to improve the long-term financial health of the funds.

Establish a Two-Tiered System

Although the pension benefits for current public employees and retirees are guaranteed by the Illinois Constitution, benefit levels can be reduced for new employees. Reducing benefits for new employees would mean the creation of two-tiered benefit systems where existing and new employees receive different retirement benefits. Given the rising cost of pension benefits, this is a reasonable approach that the County should undertake.

Annuity Increases for New Hires Should be Fixed at the Lesser of 3% or CPI

Currently, Cook County pension fund beneficiaries receive 3% annual cost of living increases. However, this rate can and does exceed the rate of inflation.⁴⁹ To control costs, annual annuity increases for new hires should be fixed at the projected Consumer Price Index or 3%, whichever is less.

Any Benefit Increases Should Require Contribution Increases

Many benefit enhancements are added to public pensions without accompanying contribution increases. Public Act 94-0004 requires that every new benefit increase made to one of the 5 state retirement systems must identify and provide for additional funding to fund the resulting annual accrued cost of the increase. It also requires that any benefit increase expire after 5 years, subject to renewal. We support extending this reasonable control on benefit increases to the County's pension fund.

Require Employer Contributions to Relate to Funding Levels

The Cook County government employer contributions are determined by multipliers per each fund that are not tied to the fund's funded ratio; thus, the Cook County multiplier is 1.54 times the total employee contribution made two years prior. The Civic Federation believes that employer contributions should be tied to funded ratios, such that additional contributions are required when the ratio drops below a given level.

⁴⁹ Cook County Employees' Annuity and Benefit Fund *Actuarial Valuation as of December 31, 2004*, P. 26.

Reform Pension Board Composition to Provide Balance between Annuitants, Government and Taxpayers

The Cook County Employees' Annuity and Benefit Fund and the Cook County Forest Preserve District Employees' Annuity and Benefit Fund are governed by a single 9-member Board of Trustees that includes: 2 appointed officials (County comptroller and treasurer, or representatives appointed by them), 3 elected actives, 2 elected annuitants, 1 elected forest preserve active and 1 elected forest preserve annuitant. Therefore the ratio of management to employee representatives is 2:7, one of the least balanced of the 17 Illinois pension boards recently surveyed by the Civic Federation.⁵⁰

The proper role of a pension board is to safeguard the assets of the fund and to balance the interests of employees and retirees who receive benefits and taxpayers who pay for pension benefits. All of these parties have an interest in the management of the fund. However, the heavy tilt toward employees on the Cook County pension board raises questions about how objective the Board can be in its work. In our view, a pension board should:

- Balance employee and management representation on pension boards;
- Develop a tripartite structure that includes citizen representation on pension boards, and
- Include financial experts on pension boards and require financial training for non-experts.

We urge Cook County to seek reform of the Pension Fund governing structure to ensure greater balance of interests.

Consolidate the County's Four Print Shops

Currently the County maintains 4 print shops for the County Government, the Clerk of the Circuit Court, the Forest Preserve District and Oak Forest Hospital. We believe that this entire function should be outsourced, since a pool of competitive vendors exists in the marketplace. However, at the very minimum, the County should at least explore consolidating these shops to achieve cost savings. We find no compelling argument to have multiple print shops; this is yet another example of excessive duplication of effort.

Consolidate Non-Core Functions in the Bureau Of Health Services

The Civic Federation strongly believes that Bureau of Health Services should consolidate duplicative administrative functions including public relations, human resources, financial administration, information technology and printing. In reviewing the FY2006 budget, we found that a total of 634.5 FTEs will be employed in these areas at a projected salary cost of \$27.1 million. Even a very conservative estimate of 10% savings from consolidation would generate \$2.7 million.

⁵⁰ Civic Federation, *Recommendations to Reform Public Pension Boards of Trustees in Illinois*, forthcoming.

BUREAU OF HEALTH SERVICES SELECTED ADMINISTRATIVE FUNCTIONS		
Functional Area	Salaries	FTEs
Dietary & Food Service*	\$ 8,593,993	267.6
Financial**	\$ 12,020,341	256.4
Human Resources	\$ 3,059,675	54.5
Information Technology	\$ 2,972,151	47.0
Public Affairs	\$ 430,066	7.0
Printshop	\$ 87,500	2.0
Total	\$ 27,163,726	634.5

* Includes administration, patient food service, employee food service cafeteria

** Includes financial administration, budget, payroll, billing, etc.

Expedite Dissolution of the Suburban Cook County Tuberculosis Sanitarium District

The Civic Federation urges President Stroger to move quickly on his promise to eliminate the unnecessary and wasteful Suburban Cook County Tuberculosis Sanitarium District. We are puzzled and dismayed by the administration's seeming inability to dissolve the District even as it controls a majority of the seats on the District's Board.

The case for eliminating the District is documented in the Civic Federation's recent research report on the subject.⁵¹ The Federation agrees with Cook County that the District's functions should be transferred to the Cook County Bureau of Health Services, which provides the same services more efficiently and cost-effectively. The District's assets, including land and buildings, could then be sold, immediately yielding in unreserved fund balance for the County. In 2003, a transfer of District assets could have immediately yielded at least \$9.6 million in unreserved fund balance for the County in 2004.⁵² Since then, the District has maneuvered to reduce its fund balance and then dramatically increase its property tax levy. This is an irresponsible and obsolete unit of government that must be eliminated in the interests of good government.

Require Return on Investment Reports for all Information Technology Contracts

In our view, investments in technology can and should yield cost savings as well as increased efficiency of operation. We think it imperative that the potential for cost savings be measured in a systematic and transparent way. Therefore, the Civic Federation recommends that all Cook County information technology contracts should include a requirement for an independent analysis of the costs and benefits of the projects being implemented. Then, the Board of Commissioners and taxpayers alike can have demonstrable evidence of the value and cost saving potential of the continued investments of millions of dollars in technology.

⁵¹ The Civic Federation. *A Call for the Elimination of the Suburban Tuberculosis Sanitarium District*. November 17, 2003.

⁵² Ibid.

Improve Performance Measures

The County requires performance measures, but most of those submitted and published measure workload, not efficiency or effectiveness. The performance measurement system needs to be overhauled to provide managers with the tools they need to identify strengths and weaknesses in service delivery and to use that information to implement efficiencies.

Present an Executive Budget before the Beginning of the Fiscal Year

All governments have a duty and an obligation to prepare, release and adopt their fiscal plans before the beginning of the fiscal year. There is no sound public policy reason for delaying or obfuscating the budget process. Because of our longstanding interest in fiscal transparency, the Civic Federation supports the proposed Amendment to Cook County Board Rules sponsored by Commissioners Claypool, Suffredin and Peraica that would require the President to submit an executive budget recommendation to the County Board Finance Committee on or after September 15 but no later than October 15th.

Implement a Formal Long-Term Financial Planning Process

Cook County currently 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 County does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that Cook County develop and implement a formal long-term financial planning process that would allow input from the Cook County Board of Commissioners and key external stakeholders.

Because of our longstanding support for the development and publication of a formal long-term financial plan, the Civic Federation supports the proposed Amendment to Cook County Board Rules sponsored by Commissioners Claypool, Suffredin and Peraica that would require the President to submit to the Finance Committee revenue and expenditure projections for the next six fiscal years as well as narrative explanations of assumptions made in order to reach the projections. In our view, this is a sound and reasonable proposal.

Produce Audited Financial Statements within 6 Months of Close of Fiscal Year.

The Civic Federation believes that all governments, including Cook County, should release audited financial statements no later than six months of the close of their respective fiscal years. Unfortunately, Cook County has fallen into a pattern of delaying the release of its Comprehensive Annual Financial Report. The FY2002 CAFR was not released until March 31, 2004, or sixteen months after the close of FY2002. The FY2003 CAFR was not released until February 17, 2005, over 14 months after the close of the fiscal year. The FY2004 CAFR was not released until November 2, 2005, eleven months after the close of the fiscal year.

The City of Chicago, the Forest Preserve District of Cook County, the Chicago Public Schools, the Chicago Park District and the Metropolitan Water Reclamation District all released their

audited financial statements within 6 months of the close of their respective fiscal years. We believe Cook County should follow suit.

Cook County's ongoing delays in releasing its audited financial statements diminish its accountability, because the public cannot access important financial information needed to assess the government's financial condition over time.

The Civic Federation supports the proposed Amendment to Cook County Board Rules sponsored by Commissioners Claypool, Suffredin and Peraica that would require the Comprehensive Annual Financial Report be released to the Board and the public no later than May 31 of the following calendar year or within six months of the close of the fiscal year.

Establish a Formal Budget Stabilization Policy and Fund

Cook County should establish by ordinance a formal budget stabilization policy and fund. This is a means of controlling the volatility of unstable revenue sources such as the sales tax, and is recommended by bonding agencies and the Government Finance Officers Association. Cook County currently appropriates revenues for a fund balance. However, this arrangement does not adequately guarantee that these funds will be used solely for budget stabilization purposes.

In addition, the fund balance in the General Funds in FY2006 will fall to 3.1%, far short of the 5% to 15% recommended by the GFOA. This raises concerns that the fund balance may not be adequate to cover contingencies.

To be effective, a budget stabilization fund should have an automatic triggering device for deposits and withdrawals. In many jurisdictions, deposits are tied to an objective economic indicator, such as growth in personal income or a formula that considers revenue growth. Withdrawals are also linked to a formula. A budget stabilization fund should have a cap on its size to prevent the unnecessary accumulation of resources. The cap should take the form of: 1) an overall limit on the fund itself; 2) a limit that considers the balance in a "rainy day" fund plus any other undesignated balance in the general funds.

Establish a Cook County Auditor General's Office

Cook County should establish an independent auditor general's office that would be charged with conducting program and financial audits of all County programs on a regular basis.⁵³ The purpose of an Auditor General's office is to provide an independent review of executive programs. The repeated failure of the executive branch to demonstrate how efficiently or effectively programs are being operated warrants the creation of this office.

⁵³ The current County Auditor audits the financial records of all County fee departments, works with the external auditors on the annual financial audit, and performs audits of information systems in the County. The Auditors Office also performs special audits as directed by the President and County Board of Commissioners. These include unannounced payroll observations, contract compliance reviews, participation in information system implementations and internal control evaluations. Information Systems audits are performed to determine the hardware, software, and data are protected, and that the information systems environment provides for data and programs that are reliable, accurate, and complete.

This legislative office would specifically be charged with reviewing the obligation, expenditure, receipt and use of public funds. This would include reviewing office and agency financial records, compliance with State and federal laws and regulations, and program performance after the close of its fiscal year. The Auditor General could only be removed by supermajority vote of the Board, would serve a term longer than County Board and have a guaranteed funding stream to ensure independence. This office would function in much the same manner as the State of Illinois Auditor General. The proposal is similar to one made by Commissioner Quigley in his 2003 report calling for a permanent Inspector General.

Separate the Executive and Legislative Branches of Cook County Government

Cook County should end the practice of allowing a Commissioner to also serve as President. The interests of good government are far better served with a clear distinction between the two branches. The executive should propose and implement policies and programs and the Board of Commissioners should become a fully functioning legislative body rather than primarily an oversight body.

Reduce the Majority Needed to Override the President's Veto From 4/5ths To 2/3rds.

The 4/5ths rule is unusual, excessive and a bar to meaningful attempts to assert the authority and prerogatives of the legislative branch of government.

Establish an Office of Tax Administration.

In 1959, the Civic Federation called for consolidating all County property tax administrative functions within an Office of Tax Administration.⁵⁴ In 1994, we called for an independent, nonpartisan evaluation to determine the possibility of reducing the number of elected officials and/or consolidating positions.⁵⁵ In 2001, the Civic Federation and the Chicagoland Chamber of Commerce issued the Cook County Cost Control Report, which reiterated these recommendations. In 2003, Commissioner Quigley issued a report recommending a number of structural reforms, including the establishment of a Tax Administration Office and merging the offices of County Clerk and Recorder of Deeds. The report estimated that these efforts would generate approximately \$3.6 million in savings.⁵⁶

⁵⁴ Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

⁵⁵ Civic Federation Statement Made on the Proposed Cook County FY1996 Budget, November 18, 1993.

⁵⁶ *Reinventing Cook County*, October 2003, pp. 20-24.