

**STATEMENT MADE AT THE PUBLIC HEARING ON THE PROPOSED
FY2003 BUDGET OF THE FOREST PRESERVE DISTRICT OF COOK
COUNTY, NOVEMBER 8, 2002**

The Civic Federation would like to thank President Stroger, Finance Chairman Steele, and the members of the Forest Preserve District Board of Commissioners for this opportunity to comment on the proposed FY2003 Cook County budget. We would also like to commend the District's management team for their efforts in preparing this budget.

As a government tax and fiscal research organization, the Civic Federation has closely monitored and commented on the fiscal health of local area governments since 1894.

OVERVIEW OF TESTIMONY

The Civic Federation recently concluded an analysis of financial issues related to the Forest Preserve District's proposed FY2003 budget. Based upon that review, we would like to offer the following comments. The full text of our analysis follows this summary and is also available on our Web site at www.civicrofederation.org. The analysis includes sections on FY2003 Budget Highlights, Financial Issues and Trends, Budget Management and Process Improvements and Civic Federation Concerns and Recommendations.

The Civic Federation salutes President Stroger for taking bold and innovative steps this year to eliminate the Forest Preserve District's recurring financial difficulties and restructure its operations. We are especially pleased that there will be no transfer or loan of funds from any other unit of government.

As a result, the Civic Federation supports the proposed FY2003 \$141 million budget and endorses the proposed expenditure reductions of nearly \$7 million, the elimination of 473 positions and the implementation of management efficiencies including outsourcing of tree planting and transferring a portion of the public safety function to the Sheriff's Office and municipal police departments. The Federation believes that these initiatives and corresponding operational savings are an important step that will help reduce the Forest Preserve District's budgetary deficit and will substantially improve the delivery of services to the citizens of Cook County. We think it especially important to recognize President Stroger's willingness to make the painful personnel cuts that are necessary to ensure the continued fiscal health and stability of the District.

Although the recent budget balancing efforts are quite laudable, the Federation remains concerned that true management reform and operational improvements would benefit from legally separating the governments of the County and the District. Because the management of the Forest Preserve District will continue to be challenged to reverse a long term trend of stagnant or declining recreational and conservation services, we believe that the District and taxpayers would benefit from a more focused and limited governance system. Although Commissioners have the opportunity today to approve a balanced budget that contains considerable management and operational efficiencies, ensuring that the District achieves both financial savings and service delivery improvements will require considerable oversight and time commitment by the Board.

It has been suggested that the District be merged into the County. The Civic Federation opposes such a move. We are especially concerned that taxpayers would not be well served and the needed reforms of the Forest Preserve District would not be most effectively achieved by merging the financially challenged unit of government that is subject to tax caps into a broader home rule unit of government. The Civic Federation believes that a more formal separation of the Forest Preserve District Board of Commissioners would allow them to focus solely on District issues. This Board would have the political imperative to could sustain and expand upon the promising start proposed in the FY2003 budget. County commissioners in turn, could focus all of their attention on County issues. In short, separating the two governments will substantially improve the oversight and accountability of both governments.

FY2003 BUDGET HIGHLIGHTS

The Forest Preserve District (FPD) projects a total budget for FY03 of \$141 million. The Corporate Fund Budget will represent \$37.4 million or 27% of the total budget. The District proposes deep expenditure cuts in FY03 to balance the budget and eliminate recurring Corporate Fund deficits. Consequently, there will be no transfer of funds from Cook County this year.

Some of the highlights of the FY2003 budget are presented below.

Expenditure Reductions

- Total District expenditures will be cut by \$6.99 million, or by 4.7%. This is a decrease from \$148.7 million in FY2002 to \$141 million in FY2003.
- Corporate Fund expenditures will be cut by \$7.2 million, a decrease of 16%. This is a decrease from \$44.7 million to \$37.5 million.

Management Efficiencies

As part of its budget balancing strategy, the FPD will outsource tree planting, diseased tree removal and tree trimming functions and will consolidate its four picnic permit offices in two locations.

Number of Positions Reduced by 47%, From 1013 to 540.

Much of the savings in this year's budget derives from the elimination of 47% of the District's employee positions. The total number of Forest Preserve positions will be reduced from 1013 to 540.

Revenues: Levy Up, Fees Down

The total Property Tax Levy will be \$65 million, an increase of 2.9% or \$1.8 million from FY02, when the levy was \$63.3 million.

Non-tax revenues earmarked for the Corporate Fund will decline dramatically, from \$11.3 million projected in FY2002 to just \$2.3 million in FY2003. Most of the decrease is due to a reduction in projected golf fees from \$6.3 million to \$350,000.

FINANCIAL ISSUES AND TRENDS

This section provides summaries of key expenditure and revenue issues and trends likely to impact the District's financial situation in FY2003.

All Fund Appropriations: 4.7% Decrease from FY2002

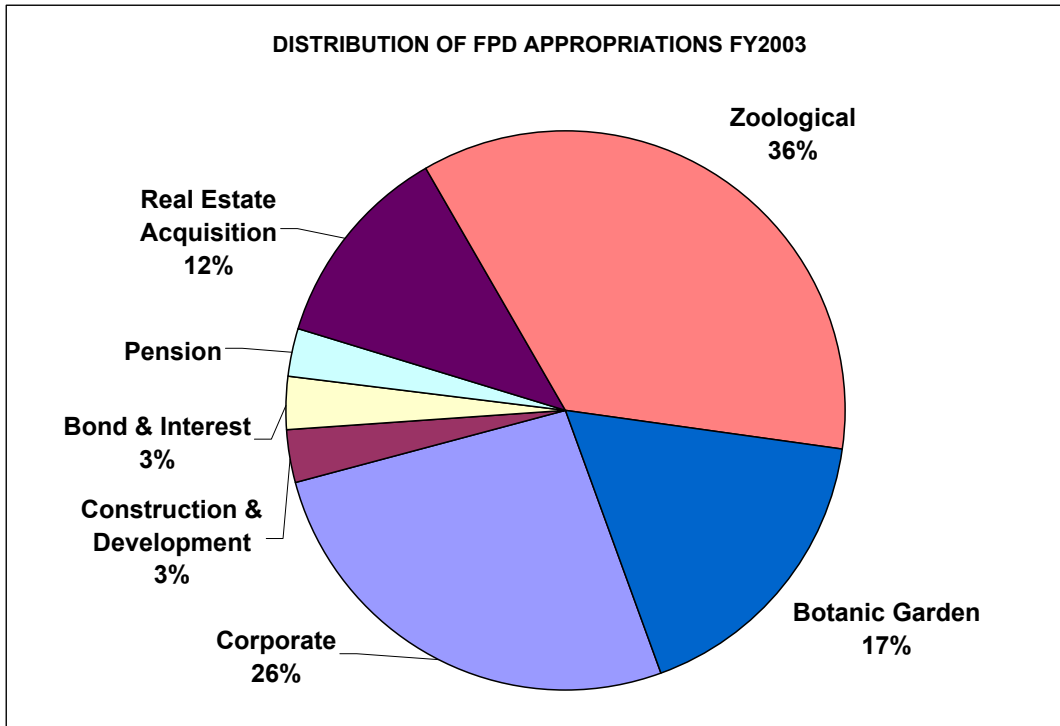
The District's FY2003 budget proposes a nearly \$7 million decrease in appropriations from the previous year for all funds. The largest fund decrease will come in the Corporate Fund, estimated to fall by 16%, from \$44.7 million to \$37.5 million. There will also be a 9.9% decrease in the Real Estate Acquisition Fund.

Appropriations by Fund FY2002 & FY2003			
Fund	1999 Appropriation	2003 Rec	% Change
Corporate	\$ 44,694,120	\$ 37,494,800	-16.1%
Construction & Development	\$ 4,065,000	\$ 4,106,000	1.0%
Bond & Interest	\$ 4,152,500	\$ 4,280,611	3.1%
Employee Annuity & Benefit	\$ 3,918,000	\$ 3,960,000	1.1%
Real Estate Acquisition	\$ 18,892,038	\$ 17,014,498	-9.9%
Zoological	\$ 48,952,163	\$ 50,484,989	3.1%
Botanic Garden	\$ 24,013,357	\$ 24,353,357	1.4%
Total	\$ 148,687,178	\$ 141,694,255	-4.7%

The next exhibit shows appropriation trends for all FPD funds between FY1999 and FY2003. Overall, District appropriations rose by 11% during that 5-year period, from \$121.7 million to \$141.7 million.

Appropriations by Fund: FY1999 vs. FY2003			
Fund	1999 Appropriation	2003 Rec	% Change
Corporate	\$ 40,788,019	\$ 37,494,800	-8%
Construction & Development	\$ 5,350,616	\$ 4,106,000	-23%
Bond & Interest	\$ 4,152,500	\$ 4,280,611	3%
Employee Annuity & Benefit	\$ 3,740,000	\$ 3,960,000	6%
Real Estate Acquisition	\$ 10,107,875	\$ 17,014,498	68%
Zoological	\$ 47,603,685	\$ 50,484,989	6%
Botanic Garden	\$ 16,042,981	\$ 24,353,357	52%
Total	\$ 127,785,676	\$ 141,694,255	11%

The distribution of Forest Preserve District appropriations by fund is shown in the following exhibit. The Zoological Fund is the largest fund, representing 36% or \$50 million. It is followed by the Corporate Fund, at 26% of total appropriations. The Botanic Garden Fund will total \$24 million, or 17% of all appropriations in FY2003.



Revenue Sources and Trends

Forest Preserve District revenues derive from three major sources: property taxes, Personal Property Replacement Tax (PPRT) revenues and income from miscellaneous fees, fines and contributions including admission fees and contributions garnered by the Brookfield Zoo and Chicago Botanic Garden. Forest Preserve District revenues are projected to decline by 6.6% between FY2002 and FY2003. This will be a \$13.8 million decrease. Much of this decline is fueled by the 83% decrease in miscellaneous Corporate Fund income, down from \$10.8 million to \$1.8 million.

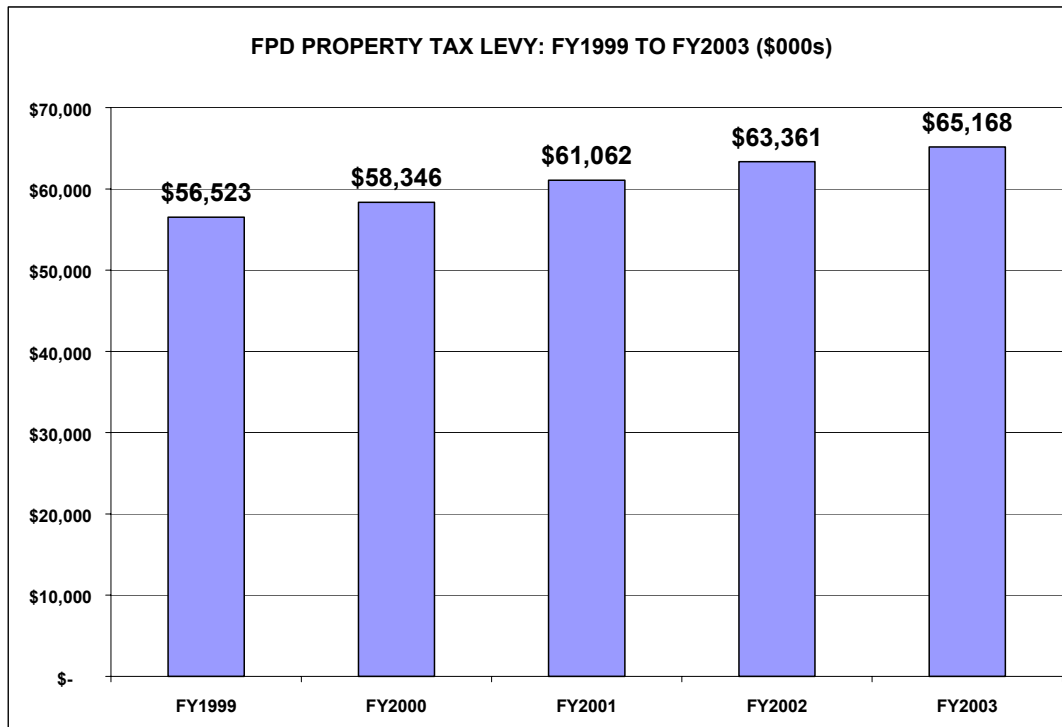
FPD Revenues by Source: FY2002 & FY2003			
Source	2002 Budget	2003 Projected	% Change
Property Tax Levy	\$ 63,361,887	\$ 65,168,793	2.9%
PPRT Tax	\$ 5,937,216	\$ 6,126,396	3.2%
Misc. Income			
Zoological Fund	\$ 33,941,942	\$ 35,774,768	5.4%
Botanic Garden Fund	\$ 14,935,000	\$ 15,275,000	2.3%
Corporate Fund	\$ 10,812,095	\$ 1,834,800	-83.0%
Subtotal Misc. Income	\$ 59,689,037	\$ 52,884,568	-11.4%
Expired C&D	\$ 507,000	\$ 500,000	-1.4%
Restricted Fund	\$ 19,192,038	\$ 17,014,498	-11.3%
Total	\$ 208,376,215	\$ 194,578,823	-6.6%

The next exhibit shows a 5-year trend in FPD revenues. District revenues have increased by 8.2% over this period, or by \$14 million. The largest increase has been in miscellaneous Botanic Garden Fund revenues, which rose by nearly 105%, from \$7 million to \$15 million.

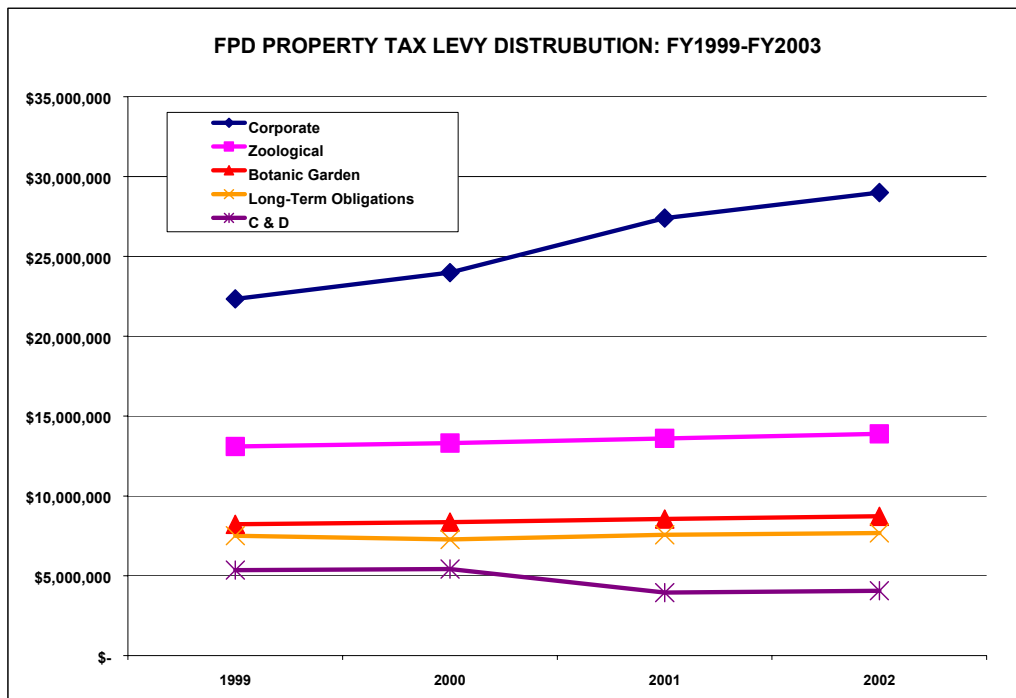
FPD Revenues by Source: FY1999 & FY2003			
Source	1999 Budget	2003 Projected	% Change
Property Tax Levy	\$ 56,523,474	\$ 65,168,793	15.3%
PPRT Tax	\$ 5,586,950	\$ 6,126,396	9.7%
Misc. Income			
Zoological Fund	\$ 32,694,532	\$ 35,774,768	9.4%
Botanic Garden Fund	\$ 7,468,000	\$ 15,275,000	104.5%
Corporate Fund	\$ 11,871,367	\$ 1,834,800	-84.5%
Subtotal Misc. Income	\$ 52,033,899	\$ 52,884,568	1.6%
Expired C&D	\$ -	\$ 500,000	0.0%
Surplus	\$ 2,533,478	\$ -	0.0%
Restricted Fund	\$ 11,107,875	\$ 17,014,498	53.2%
Total	\$ 179,819,575	\$ 194,578,823	8.2%

FPD Property Tax Levy Increases by 2.9%

The property tax levy for FY2003 is 2.9%, or \$1.8 million, larger than the levy for the previous fiscal year. Since FY1999, the levy has increased by 15%, from \$56 million. The largest increase in the distribution of property tax revenue occurs in the Corporate Fund, which will receive \$1.6 million more than it did last year, a 5.5% increase.



The following exhibit shows the distribution of property tax revenues over the 5-year period between FY1999 and FY2003. Over this time period, the Corporate Fund's share of the property tax levy has risen from 40% of the total to 47%. All of the other categories have reported slight decreases in their share of the levy. The "Long-Term Obligation" category includes both pensions and debt service, while the "C & D" category is the Construction and Development Fund.



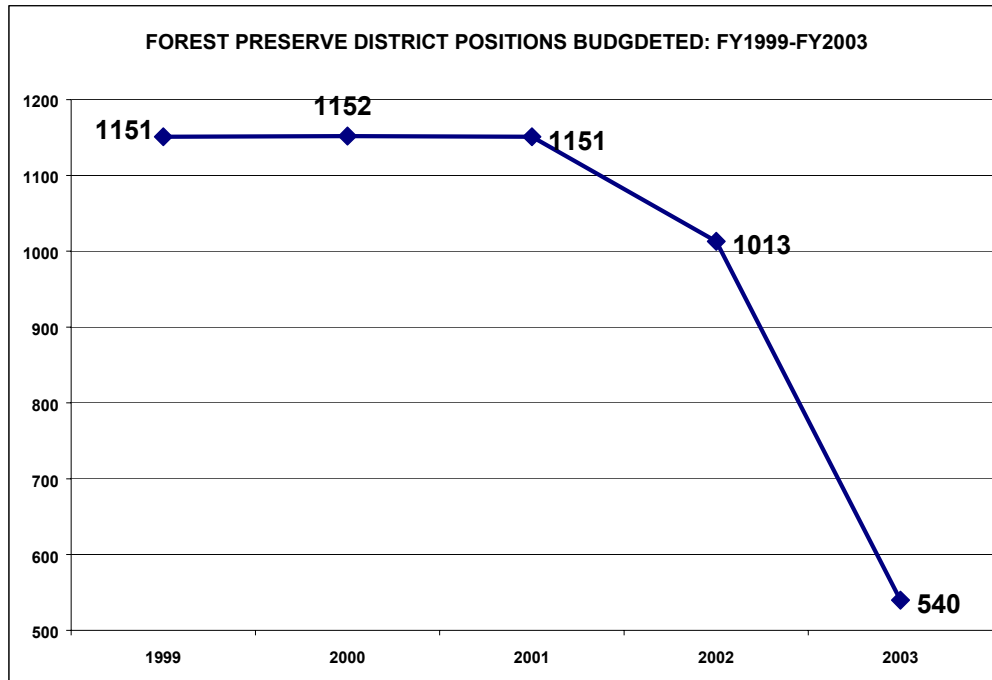
Sweeping Cuts in Headcount Proposed: 47% of Positions to be Eliminated in FY2003

In sweeping cuts, the Forest Preserve District is eliminating 473 positions from its FY2003 budget. This represents a 47% decrease from the previous year. 219 of the positions cut in the Corporate Fund are vacancies. Overall, staffing will have been reduced by 53% from 1999, when 1,151 positions were budgeted.

Some of the details of the FY2003 position cuts include:

- Law Enforcement will be reduced from 152 to 97. Crime investigation function will be transferred to the Sheriff's Office and some police duties on weekends and holidays will be transferred to municipal police departments.
- Resource Management positions will be reduced from 169 to 101.
- General Maintenance service positions will be reduced from 328 to 199.
- General Maintenance supervisory positions will be reduced from 49 to 35.
- Planning and Development positions will be reduced from 38 to 26.

The Corporate Fund appropriation for salaries and wages in FY2003 will fall to \$18.6 million. That is \$16 million less than the amount appropriated in FY2002.



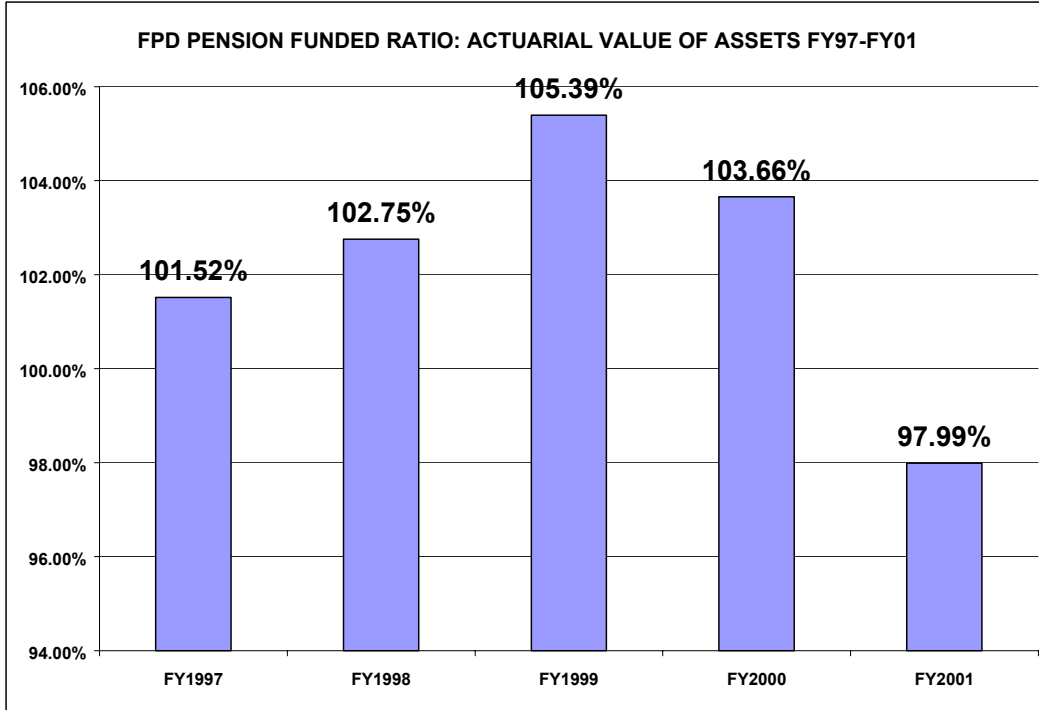
Pension Trends

The Civic Federation used three measures to present a multi-year evaluation of the Forest Preserve Pension Fund's fiscal health: funded ratios, the value of unfunded liabilities, and the investment rate of return.¹

Funded Ratios – Actuarial Value of Assets: Funded Ratio Dips Slightly to 98%

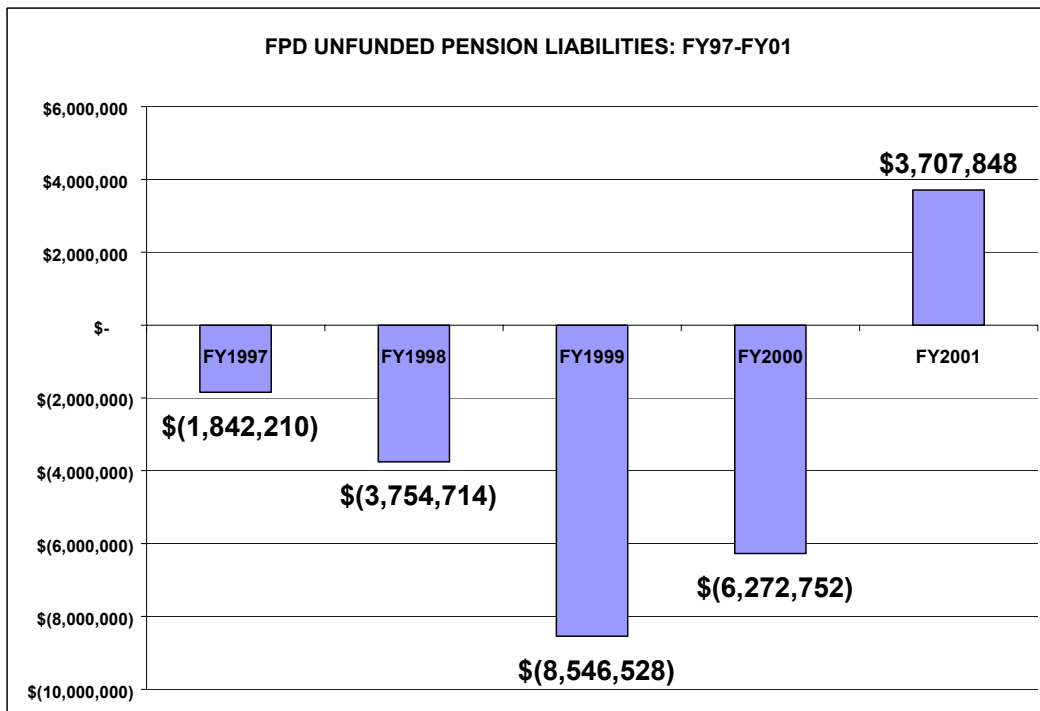
The following exhibit shows funded ratios for the FPD's pension fund from FY1997 to FY2001. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage the more difficulty a government may have in meeting future obligations. The FPD's pension fund's funded ratio fell slightly from 103.7% to 98%. The fund has sufficient assets to meet its liabilities.

¹ The discussion of Forest Preserve District pension trends is drawn from Myer Blank. *Status of Local Pension Funding* (Chicago: Civic Federation, 2002).



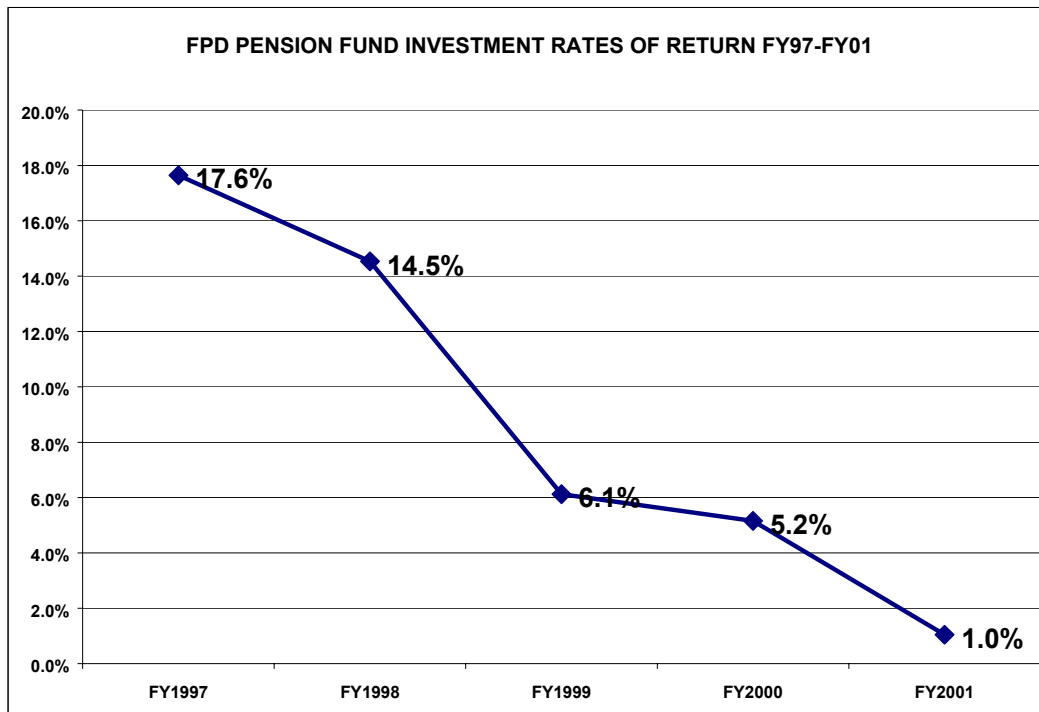
Unfunded Liabilities: Fund Reports Liabilities of \$3.7 Million in FY2001

Unfunded liabilities are the dollar value of liabilities not covered by assets. Because the FPD pension fund has traditionally been overfunded, there were more assets than liabilities until FY2000. However, in FY2001, the pension reported \$3.7 million in unfunded liabilities.



Investment Rates of Return: Continued Downward Trend in FY2001

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 FY1997, Forest Preserve District pension fund investment rates of return have dropped from 17.6% to just 1.0%. Between FY2000 and FY2001, the rate of return fell from 5.2%. Because the pension fund remains well funded, this is not yet a cause for concern.



Debt Trends

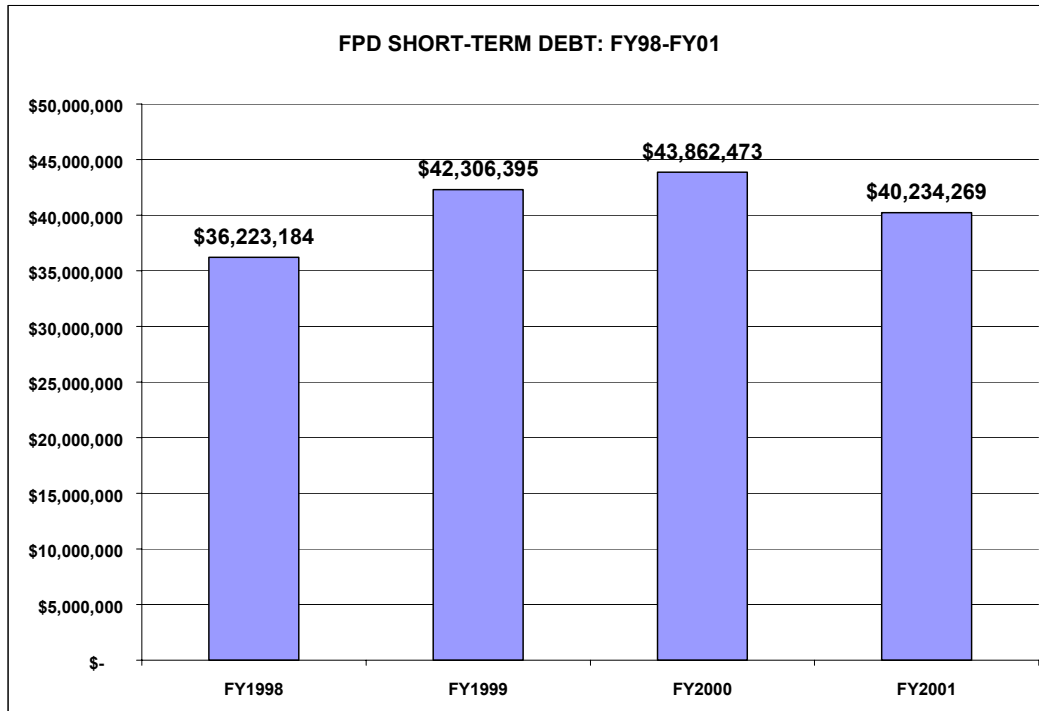
The Civic Federation has employed two measures of debt for purposes of this analysis: short-term debt trends and long-term debt per capita. The data are drawn from the District's audited financial reports. The last year for which data are available is FY2000.

Short-Term Debt Trends: 21% Rate of Growth FY1998-FY2000

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

Short-term debt in the General and Special Revenue Funds includes obligations such as accounts payable, contracts payable, deposits, interest payable, interest, due to other funds, and liabilities from restricted assets. In sum, it includes all liabilities except accrued salaries and wages, accrued payroll, compensated absences and long-term debt.

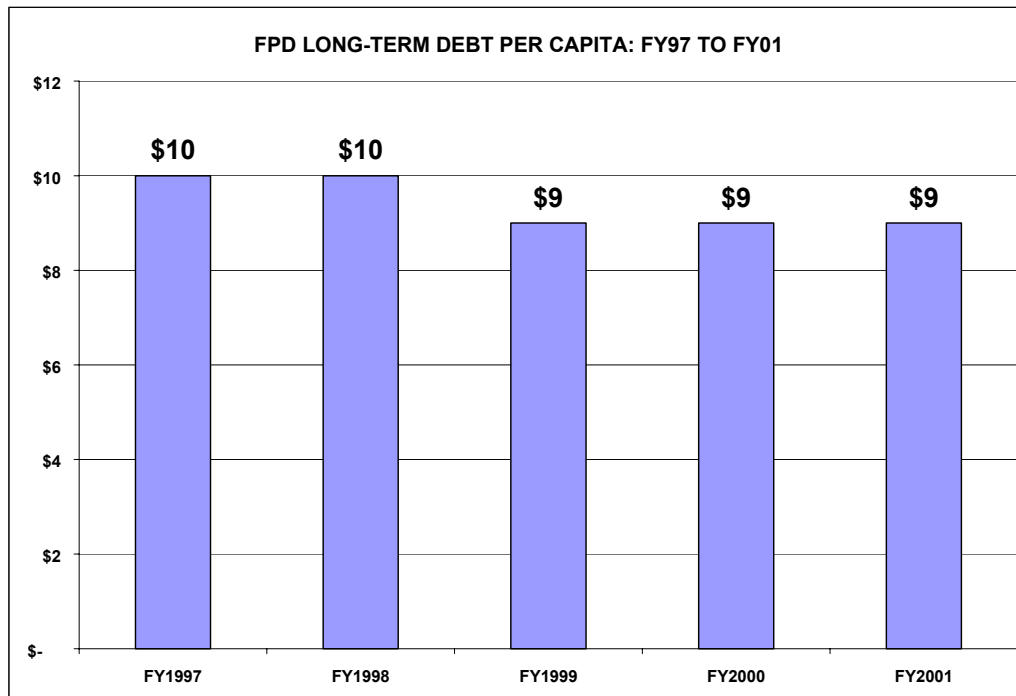
Between FY1998 and FY2001, Forest Preserve District short-term debt increased by 11%, from \$36 million to \$40 million. This relatively modest \$4 million increase is not a cause for concern.



Long-Term Debt Per Capita: Fell From \$10 to \$9 Between FY1997 and FY2001

Long-term debt per capita is a measure of a government's ability to maintain its current financial policies. This long-term debt analysis takes the total liabilities in the General Long-Term Obligations Account Group and divides them by population. The Forest Preserve District's long-term debt includes general obligation bonds payable, capital leases payable, compensated absences, claims and judgments payable, and worker's compensation. Increases in this indicator bear watching as a potential sign of increasing financial risk.

The FPD's long-term debt burden remained relatively constant between FY1997 and FY2001, declining from \$10 per capita in FY1997 to \$9 in FY2001. The total long-term debt burden during this period fell by 8%, from just over \$50 million to approximately \$46 million.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve the Forest Preserve District's financial management.

End the Legal Relationship Between the Forest Preserve District and Cook County

The Civic Federation salutes President Stroger for taking bold and innovative steps this year to eliminate the Forest Preserve District's recurring financial difficulties and restructure its operations. We believe that these initiatives will be instrumental in putting the District on the path from being a poorly managed, deficit plagued government to being able to efficiently and effectively deliver services to the citizens of Cook County. But, although the recent budget balancing efforts are quite laudable, the Federation remains concerned that true management reform and operational efficiency would be well served by legally separating the governments of the County and the District.

For the past 75 years, the Forest Preserve District has suffered from neglect. We believe that much of the neglect is a result of the current governance system, which places Cook County Commissioners with untenable oversight responsibilities for the County.

To improve the management of the Forest Preserve District, it has been suggested that the District be merged into the County. The Civic Federation strongly opposes such a move. We do

not believe the purposes and authority granted to home rule governments and exemptions from property tax caps should be used to supplement another property tax capped unit of government. Rather, we believe the legal relationship between the District and the County should be ended.

Establishing a separate Forest Preserve District Board of Commissioners would allow them to focus solely on District issues. This Board would have the political imperative to could sustain and expand upon the promising start proposed in the FY2003 budget. County commissioners in turn, could focus all of their attention on County issues. In short, separating the two governments will substantially improve the operations and management of both governments.

Improve Budget Format

The budget format should be dramatically overhauled to increase its transparency and make it more user friendly to citizens. More specifically, the budget should include a more detailed transmittal letter that outlines the district's goals and objectives for the fiscal year, summary tables and 5-year trends of revenues, expenditures, and appropriations.

The current line item format makes it virtually impossible to pinpoint costs for activities or programs. In the future, the District should move toward developing a program budget that would permit the allocation of costs to specific activities and programs.

The District should look at other local government budgets, including the Cook County budget and the budget of the Forest Preserve District of Lake County as potential models for improving its budget format.

Implement a Long-Term Financial Planning Process

The National Advisory Council on State and Local Budgeting (NACSLB) and the Government Finance Officers Association (GFOA) both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.² The Civic Federation urges the Forest Preserve District to develop and implement a formal long-term financial plan that is shared with and/or reviewed by key policymakers and stakeholders.

² See National Advisory Council on State and Local Budgeting and Government Finance Officers Association

Develop and Utilize Performance Measures

The Civic Federation agrees with the International City Management Association (ICMA), the GFOA and the NACSLB that all governments should evaluate the performance of programs and services they provide. This is the best means extant to determine if they are accomplishing intended program goals and making efficient use of resources. Evaluating and reporting on program results keeps all stakeholders apprised of actual results compared to expectations.³ The Civic Federation recommends that the Forest Preserve District develop and utilize performance measures as a means of monitoring, measuring and evaluating program performance.

³ See Recommended Practice 11.1 “Monitor, Measure, and Evaluate Program Performance,” in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998).