The Civic Federation

Research * Information * Action * Est. 1894

CHICAGO PARK DISTRICT FY2017 BUDGET:

Analysis and Recommendations

December 7, 2016

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

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2017 proposed operating budget of $449.4 million because it continues to reduce its reliance on prior year fund balance and keeps the property tax levy relatively flat. At the same time, the District is working with its labor partners to develop a new approach to ensure the long-term solvency of its pension fund following recent court decisions striking down public-employee pension benefit changes made to the City and State pension funds. The District's proposed operating budget of $449.4 million represents a decrease of 1.9%, or approximately $8.7 million, from the FY2016 budget. Most of the decrease is due to supplemental pension contributions of $12.5 million the District made in FY2015 and FY2016 as required in Public Act 98-0622, but was not required in FY2017.

The Civic Federation offers the following **key findings** on the Chicago Park District's FY2017 proposed budget:

- The District's proposed budget is $449.4 million, a decrease of approximately $8.7 million, or 1.9%, from FY2016 budgeted appropriations. The decrease is primarily due to the District not being required to appropriate for an additional supplemental pension contribution of $12.5 million in FY2017;
- The gross property tax levy will remain relatively flat at $273.9 million, with a slight increase of $1.6 million due to capturing the value of new property and expiring TIF districts. The District has kept its property tax levy relatively flat for the last ten years with the exception of FY2014 when the District raised its levy to the maximum amount allowed under the law;
- Tax revenues for the District are budgeted to decrease by 2.5%, or nearly $7.6 million, from nearly $310.0 million in FY2016 to $303.3 million in FY2017. The decrease is due a decline in PPRT revenue as a result of an overpayment error made by the State, which the State is recovering through reduced PPRT payments in FY2017 and FY2018;[1]
- The District proposes to increase its workforce by approximately 60 full-time equivalent positions, or 1.9%, to 3,237 FTEs;
- Total personnel costs are budgeted at $199.3 million. Over the past five years, these costs including salaries and benefits have increased by $27.2 million, or 15.8%, mostly due to contractual salary and wage increases and the growth in the District's workforce;
- Unrestricted General Fund fund balance was approximately $202.0 million, or 67.0%, of General Fund expenditures, in FY2015; and
- The market value funded ratio for the District's pension fund fell from 76.9% in FY2006 to 42.4% in the six months ended December 31, 2012 before increasing to 49.1% at the end of FY2013 due to pension benefit reforms, then declining again in FY2015 to 43.2%.

Overall, the Civic Federation **supports** many elements of the District's FY2017 proposed budget including:

- Reducing reliance on prior year fund balance to close annual deficits;
- Maintaining a high level of fund balance; and

[1] Chicago Park District FY2017 Budget Summary, p. 31.

- Developing a financially responsible approach to the Park District's finances that includes holding the property tax levy relatively flat, working to eliminate its structural deficit and prudently managing its debt profile.

However, the Civic Federation has **concerns** about the FY2017 proposed budget which include:

- Uncertainty surrounding pension reforms following the lawsuit that was filed challenging the reforms and the recent Circuit Court Agreed Order;
- Uncertainty surrounding future state capital grant funding; and
- Continued use of non-recurring sources to close annual deficits and meet operating expenditures, including $3.5 million of General Fund fund balance and $3.5 million of increased TIF surplus.

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

- Study consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund (IMRF). The Chicago Park District is the only park district in the State of Illinois that does not participate in the IMRF;
- Consider funding the pension fund at an annual actuarially determined funding level, rather than by a multiplier;
- Implement a formal long-term financial planning process to address the financial challenges the District faces, including the lawsuit challenging the pension funding reforms contained in Public Act 98-0622. The formal long-term financial plan should solicit input from the District's Board of Commissioners and other key policy stakeholders, including the public;
- Improve the District's budget format by including a greater level of detail surrounding the District's expenditures; and
- Incorporate the Illinois International Port District's Harborside Golf Center into the Park District's Master Plan for Big Marsh Bike Park.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's FY2017 proposed operating budget of $449.4 million because it continues to reduce its reliance on prior year fund balance and keeps the property tax levy relatively flat. At the same time, the District is working with its labor partners to develop a new approach to ensure the long-term solvency of its pension fund following recent court decisions striking down public-employee pension benefit changes made to the City and State pension funds. The District's proposed operating budget of $449.4 million represents a decrease of 1.9%, or approximately $8.7 million, from the FY2016 budget. Most of the decrease is due to supplemental pension contributions of $12.5 million the District made in FY2015 and FY2016 as required in Public Act 98-0622, but was not required in FY2017.

In October 2015 a lawsuit was filed in the Cook County Circuit Court challenging the Park District's 2014 pension reforms that went into effect January 1, 2015. In October 2016 the Circuit Court issued an Agreed Order that restores certain benefits to retirees but does not strike down Public Act 98-0622 as unconstitutional. This will allow parties to the lawsuit additional time for discussion of modified pension reforms. The court order requires the pension fund to restore automatic annual annuity increases for retirees and make a retroactive payments to compensate retirees for annuity increases that were not made under P.A. 98-0622. However, the Order also holds increased employee and employer contributions at 2016 levels and keeps all of the other major components of Public Act 98-0622 intact.[2]

While the October 2016 court order provides temporary budget relief to the District and taxpayers in 2017 by cancelling a scheduled increase in the employer contribution to the fund of $7.3 million, the long-term solvency of the fund will be in jeopardy if the scheduled increase is not restored. If the entire reform act is found unconstitutional and a new pension funding approach that does not violate the pension protection clause is not agreed upon between the District and its labor partners, the actuarial liability of the pension fund will increase by $111.0 million or more and the actuarially determined contribution will increase by more than $10.0 million annually.[3] Because of the uncertainty surrounding future pension funding requirements, it is of even greater importance that the District release a long-term financial plan to the public for review. Adding to the fiscal strain is the ongoing State budget impasse and the related suspension of approximately $21.7 million in capital funding grants that were due to the District in FY2015, which will delay certain capital projects.

The District is proposing to close an initial budget deficit of $15.0 million through a combination of management efficiencies and expenditure reductions totaling $5.7 million and reasonable increases in operating revenues totaling $5.8 million as well as $3.5 million in increased TIF surplus.[4] The Federation recognizes that while the District originally had a goal of eliminating its structural deficit by 2015, the structural deficit has been reduced but not eliminated over the last several years due in part to much-needed increases to the District's funding of its pension promises. The Federation supported the District's previous efforts to achieve comprehensive reforms to the District's pension benefits and contributions and is hopeful the District will reach

[2] Chicago Park District FY2017 Budget Summary, p. 43.
[3] Chicago Park District FY2017 Budget Presentation, p. 10, November 17, 2016.
[4] Chicago Park District Budget Presentation, p. 9, November 17, 2016.

a new modified agreement on pension reform with its labor partners that takes into account the interests of taxpayers, pension fund participants and the District.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Chicago Park District's proposed FY2017 Budget.

Reducing Reliance on Prior Year Fund Balance

The Chicago Park District's FY2017 budget proposes to use $3.5 million of prior year fund balance in the corporate fund. This is a reduction of $0.7 million, or 16.7%, from $4.2 million in FY2016 and $5.6 million in FY2015. The District continues to better align its operating expenditures with its recurring revenue sources and reduce its structural deficit by not relying on fund balance sources.

The Civic Federation is pleased the Office of Budget and Management continues to set a goal of reducing its reliance on prior year fund balance to address the District's ongoing structural deficit.[5]

Maintaining a High Level of Fund Balance

The Chicago Park District maintains a number of reserve funds to help the District better manage its finances during times of budgetary strain. In FY2015 the District's unrestricted General Fund fund balance was nearly $202.0 million, or 67.0%, of General Fund expenditures. This is a decrease in reserves of nearly $1.1 million, or 3.3 percentage points below FY2014. Even if certain long-term reserves are excluded, the District would have a FY2015 fund balance of 34.9%, well above the Government Finance Officers Association (GFOA) recommended level of 17% and the District's own standards.

A healthy fund balance for contingencies, such as unexpected revenue shortfalls, is particularly important at a time when the District faces uncertainty surrounding reforms made to its pension fund, the State of Illinois has continued to operate without a comprehensive balanced budget for 18 months and $21.7 million of state grant funding for capital projects has not yet materialized.

Developing a Financially Responsible Approach to the Park District's Finances

The Civic Federation supports the Chicago Park District's work to produce a 2017 budget that holds the property tax levy relatively flat and reduces its reliance on fund balance, combined with management efficiencies and expenditure reductions and increases in recurring revenues. The Federation highlights some of those initiatives below.

Holding the Property Tax Levy Relatively Flat

The District is holding the property tax levy relatively flat for FY2017. The property tax levy is increasing by $1.6 million to $273.9 million in FY2017 as a result of levying for new property

[5] Chicago Park District FY2017 Budget Summary, p. 105.

and expiring and terminated TIF districts.[6] This maneuver, which has been used by the City of Chicago and Cook County in recent years, allows the District to capture additional property tax revenue without enacting a general property tax increase. It can be argued that this is not an increase for taxpayers because the taxes will only increase for taxpayers with new or improved property. For the taxpayers in the expiring or terminated TIF Districts, the levy is not a tax increase because they were previously paying the levy into the TIF District and will now pay it to the Park District instead.

Working to Eliminate the Structural Deficit

In 2012 the Chicago Park District set a goal to fully eliminate its structural deficit by FY2015. A structural deficit is a condition characterized by annual expenditure increases that consistently exceed recurring revenue increases during normal economic times. Although the FY2017 projected budget deficit of $15.0 million is only $1.6 million less than the FY2016 deficit of $16.6 million, the current gap is a significant reduction from the FY2012 projected budget deficit of $23.9 million. The FY2017 deficit of $15.0 million in the District's Corporate Fund was driven by contractual wage increases, growth in the size of the District's workforce, health benefit expenses, pension contributions and contractual services tied to an overall expansion of the District and programs offered in addition to the use of one-time revenue sources in last year's budget.[7]

Although the District did not meet its original goal of fully eliminating its structural deficit by 2015, again partly due to increased pension contributions, the District says it is committed to continuing to work toward this goal. Some of the management efficiencies and revenue increases incorporated into the District's proposed FY2017 budget include better managing healthcare expenses, utility conservation efforts and other efficiencies as well as revenue enhancements that include harbor and parking fee increases, growth in sponsorship and advertisements and property tax value capture.

Prudently Managing Debt Profile

The Chicago Park District's proposed FY2017 budget will appropriate nearly $75 million, or approximately 16.7% of the total operating budget toward debt service expenses. This is a decrease of $2.6 million from FY2016 and a $12.1 million decrease since FY2013 when debt service expenses consumed approximately 21.2% of the total operating budget. In recent years the District has worked to refinance outstanding debt that has generated more than $6.0 million in savings.[8]

The Civic Federation continues to support the District's initiatives to better align its operating expenditures with its recurring revenue sources and its continued commitment to reducing the structural deficit. While the District is proposing moderate revenue enhancements to stabilize its short-term finances, these steps are reasonable when balanced with the District's efforts to stabilize its long-term finances and implement comprehensive pension reform.

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[6] Chicago Park District FY2017 Budget Summary, p. 29.
[7] Chicago Park District FY2017 Budget Summary, p. 6.
[8] Information provided by Chicago Park District staff, November 17, 2016.

Civic Federation Concerns

The Civic Federation has the following concerns regarding financial issues facing the Chicago Park District.

Uncertainty Surrounding Pension Reforms

On January 7, 2014 Governor Quinn signed Senate Bill 1523 into law as Public Act 98-0622 and it went into effect January 1, 2015. The District has taken a significant step toward making benefits more sustainable for beneficiaries and their funding more predictable for taxpayers. However, in October 2015 a lawsuit was filed in Cook County Circuit Court challenging the reforms made to the pension fund. The Federation supported the District's reform efforts because they balanced reasonable changes to the retirement age and the automatic annual increase for current employees and retirees with phased-in increases to employee and employer contributions. Furthermore, the District has already contributed $25.0 million in budgetary reserves to fund the supplemental employer contribution, half of which was contributed in FY2015 and half in FY2016, with an additional $50.0 million planned for FY2019.

After pension reform legislation for both the State of Illinois and City of Chicago was struck down by the Illinois Supreme Court, the parties to the Park District pension reform lawsuit continued to meet and in October 2016, the court issued an Agreed Order. The Agreed Order restores certain benefits to retirees but does not strike down Public Act 98-0622 as unconstitutional and allows parties to the lawsuit additional time for discussion of modified pension reforms. The court order requires the pension fund to restore automatic annual annuity increases for retirees and make a retroactive payment to restore the past payments that were not made under P.A. 98-0622. However, the order holds increased employee and employer contributions at 2016 levels and keeps all of the other major components of Public Act 98-0622 intact.[9]

While the October 2016 court order provides temporary budget relief to the District and taxpayers in 2017 by cancelling a scheduled increase in its contribution to the fund of $7.3 million, the long-term solvency of the fund will be in jeopardy if the scheduled increase is not restored. If the entire reform act is found unconstitutional and a new pension funding approach that does not violate the pension protection clause is not agreed upon between the District and its labor partners, the actuarial liability of the pension fund will increase by $111.0 million or more and the actuarially determined contribution will increase by more than $10.0 million annually.[10] Because of the uncertainty surrounding future pension funding requirements, it is of even greater importance that the District release a long-term financial plan to the public for review. Adding to the fiscal strain is the ongoing State budget impasse and the suspension of approximately $21.7 million in capital funding grants due to the District since FY2015, which will delay certain capital projects.

When the pension reforms were first implemented, the District was able to assure beneficiaries and current employees that the pension fund would not run out of money, as it had been projected to do in 2023. Instead, funded levels were projected to increase to 90% by 2049 and

[9] Chicago Park District FY2017 Budget Summary, p. 43.
[10] Chicago Park District FY2017 Budget Presentation, p. 10, November 17, 2016.

100% by 2054. However, if the reforms made to the Park District's pension fund are struck down, the future of the employees' and retirees' pensions will again be in peril.

Ongoing State Funding Uncertainty

In 2015 the Chicago Park District was awarded $21.7 million in grant funding from the State of Illinois for capital projects. However, those grant funds were later suspended by the State and have not yet been released to the District for spending as of December 2016.[11]

The Chicago Park District's five-year capital plan for FY2017-FY2021 totals $237.2 million and relies on $46.6 million, or 19.6%, of its capital funding from state grants. Of the $46.6 million, $21.7 million, or 46.6%, of the funds have been suspended.[12]

The Civic Federation is concerned that the State's ongoing budget impasse is creating budgetary constraints and delays in capital projects.

Continued Use of Non-Recurring Revenue Sources and Ongoing Structural Deficit

The District has routinely budgeted non-recurring revenue sources as part of its proposed budget. This trend will continue in FY2017 as the District proposes to appropriate $3.5 million of fund balance and a $3.5 million increase in TIF surplus distribution related to an extraordinarily large surplus declaration by the City of Chicago to help the Chicago Public Schools.

It is important to note that the Civic Federation does not object to using fund balance in certain compelling circumstances. For example, utilizing a portion of fund balance during an economic downturn to address short-term revenue fluctuations can be appropriate, as is the District's use of long-term liability reserve to make extra payments to the pension fund. However, the Civic Federation is concerned that the District shows an ongoing pattern of reliance on non-recurring methods to meet its operating needs as this is at least the tenth year in a row that the District has used non-recurring revenue sources to close budget shortfalls.

Although the FY2017 proposed budget is balanced, the District's efforts to reduce its structural deficit are going to be offset by the use of one-time revenues. By budgeting fund balance and the proceeds from a very large TIF surplus that is unlikely to recur in future years, the District is diminishing the effect that the more than $11.5 million in proposed FY2017 recurring savings and revenue enhancements will have on the structural deficit.

Additionally, if the District had not budgeted these non-recurring revenues as appropriable resources, the FY2017 projected deficit would have been much larger. It is vital that the District achieve a structurally balanced budget given the uncertainty surrounding the reforms made to the pension fund are now being challenged in court.

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[11] Chicago Park District FY2017 Budget Summary, p. 51.
[12] Chicago Park District FY2017 Budget Summary, p. 51

Civic Federation Recommendations

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

Study the Consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund

The Civic Federation strongly supported the pension reform package signed into law in 2014. However, those reforms are still being challenged in court. While the Park District is working with its labor partners to re-evaluate their options moving forward, the Federation believes this is an opportune time for the Park District to additionally work with its labor partners to study whether the consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund (IMRF) is feasible long-term solution.

Currently the Chicago Park District is the only park district in Illinois that does not participate in the Illinois Municipal Retirement Fund (IMRF). There could be efficiency gains by merging the Chicago Park District Pension Fund with the IMRF. The Civic Federation strongly recommends that the District study this option.

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

Although the District's pension reform changes that were signed into law in 2014 included significant increases to the employer's annual contribution rate, they are not tied to an annually determined actuarial funding level. If the reforms that are part of Public Act 98-0622 are found to be unconstitutional, the actuarially determined contribution will increase by more than $10 million annually.[13] The Civic Federation remains concerned that the District is not tying its annual contribution to the pension fund to an annually determined actuarial funding level, such as the Governmental Accounting Standards Board's (GASB) reporting requirement of an actuarially determined contribution (ADC) that incorporates a normal cost payment and a payment to reduce the unfunded liability. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year.

Because an annually determined actuarial funding level would more accurately reflect the amount needed to sufficiently fund benefit payments owed to active employees, the Federation strongly believes annual pension contributions should be tied to this amount rather than a multiplier which could be adequate now but fall short of requirements in the future. No matter what happens in court with the District's pension reforms, by tying contributions to a multiplier, the District may continue to risk underfunding the pension fund.

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

[13] Chicago Park District FY2017 Budget Presentation, p. 10, November 17, 2016.

Implement a Formal Long-Term Financial Plan

The Chicago Park District already employs many of the recommended techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is shared with and/or reviewed by key policymakers and stakeholders. A significant first step in formalizing the long-term financial plan would be releasing the District's three-year projections to the public for review, similar to the City of Chicago's practice of publicly releasing a projection of budget shortfalls based on various budget scenarios as part of its Annual Financial Analysis.[14]

Given the many financial challenges and uncertainties the District faces, it is imperative that it develop and implement a formal long-term financial planning process that is not just reviewed internally, but also solicits input from the District's Board of Commissioners and other key policy stakeholders, including the public. This plan should demonstrate how the District will incorporate increasing pension costs into its budget while still accommodating other priorities.

The Civic Federation believes that an effective financial planning process must include the identification of possible actions and scenarios to address fiscal challenges. As the GFOA states in its long-term financial planning best practice, such forecasting allows financial capacity to be aligned with long-term service objectives and strategies to achieve long-term sustainability.[15] Therefore, we recommend that the Park District undertake a long-term financial planning process that would proceed in four stages. First, the District will articulate fiscal and programmatic goals and priorities informed by public input. The Long-Term Financial Plan will evaluate financial and service data in order to determine how to accomplish the goals and priorities. It will include a review of the District's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, an evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced Chicago Park District budget that is fiscally sustainable each year. The budget would then be regularly monitored to ensure its viability by means of regular financial reports.

If the District chooses not to undertake a full long-term financial planning process, at a minimum the proposed budget documents should be expanded to include:

1. A description of all financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added.
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable.
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues, such as pension funding alternatives, or a discussion of the long-

[14] See City of Chicago 2016 Annual Financial Analysis, http://chicago.github.io/annual-financial-analysis/forecast/ (last accessed December 4, 2016).
[15] Government Finance Officers Association, "GFOA Best Practice: Long-Term Financial Planning," (2008).

term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation.

4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the District's financial challenges.

Improve the Level of Detail Surrounding Expenditures in the Budget Book

The District currently provides a good level of detail in its operating revenue section of the budget document surrounding its various revenue sources, including charts showing six-year revenue and expenditure trends. However, there is not as much detail provided on expenditures in the budget document. For example, in the FY2017 Budget Summary, the District discusses changes in expenditures for salaries, benefits, debt, utilities and its operating subsidies to the museums and zoo, which accounts for nearly three-fourths of the budget. The Federation recommends that the District provide greater detail surrounding privatized contracts, contractual services and other expenses, which collectively make up approximately one quarter of the proposed FY2017 budget totaling $449.4 million.

Incorporate the Illinois International Port District's Harborside Golf Center into the Park District's Master Plan for Big Marsh Bike Park

The Civic Federation believes that the Illinois International Port District (IIPD) should be dissolved, and ownership of the IIPD's Harborside International Golf Center should be transferred to the Chicago Park District.[16]

Whether the Port District is dissolved or privately managed, we believe management of a golf course should not be the primary activity of a port authority. Instead, it falls squarely within the parameters of a park district's recreational duties. This transfer would benefit both the Chicago Park District, as it will acquire a valuable recreational asset, and the residents of Chicago, as a more transparent and open governmental entity would control this publicly supported enterprise. While such a move would require legislative change and could not be accomplished in the near future, the Federation recommends that in the interim, at a minimum, the Park District should incorporate the Harborside International Golf Center into the overall master plan for the recently opened 278-acre Big Marsh Bike Park (Park No. 564), which is adjacent to the Golf Center.[17] The incorporation of the Harborside International Golf Center into the Big Marsh Bike Park master plan would allow the District to make long-term plans to improve accessibility to the Park and expand recreational activities in the immediate area.

[16] See Civic Federation, *A Call for the Dissolution and Restructuring of the Illinois International Port Authority*, June 30, 2008 at http://www.civicfed.org/articles/civicfed_273.pdf.
[17] See: http://www.chicagoparkdistrict.com/assets/1/7/Big-Marsh-Final-Design-Concept_Framework.pdf (last accessed December 4, 2016.

ACKNOWLEDGEMENTS

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

FY2017 GAP-CLOSING MEASURES

The Chicago Park District projects an initial budget deficit of $15.0 million in the Corporate Fund for FY2017. The District proposes to close the budget gap through a combination of management efficiencies and revenue increases primarily from fee and rate increases that will altogether total $11.5 million. In addition, the District will use a projected $3.5 million increase in tax increment financing (TIF) surplus declared by the City of Chicago to close the deficit.

Chicago Park District FY2017 Gap Closing Measures (in $ millions)		
Expenditure Reductions		
Change in Health Care Offerings	$	1.6
Utility Conservation Efforts	$	1.5
Personnel Efficiencies	$	1.1
Landscaping Efficiencies	$	0.7
Mandatory Non-Personnel Reduction	$	0.5
Program Efficiencies	$	0.3
Total Expenditure Reductions	**$**	**5.7**
Revenue Enhancements		
Property Tax Value Capture	$	1.6
Sponsorships & Adverstising	$	1.4
Growth from Investments/Agreements	$	1.4
Parking Fee Rate Increase	$	0.8
Harbor Fee Rate Increase	$	0.3
Park Fee Rate Increase	$	0.3
Total Revenue Enhancements	**$**	**5.8**
Total FY2017 Deficit Reductions	**$**	**11.5**
One-Time Revenue Sources		
Tax Increment Financing (TIF) Surplus	$	3.5
Total Gap Closing Measures	**$**	**15.0**

Note: Numbers may not add up due to rounding.

Sources: Chicago Park District FY2017 Budget Summary, pp. 6 and 46; and Chicago Park District FY2017 Budget Presentation, p. 8, November 17, 2016.

One-Time Resources

The District will also rely on some additional non-recurring resources that were incorporated into the revenue and expenditure projections outside of the gap closing measures. The chart below illustrates the one-time resources used in the FY2017 budget. In addition to the Tax Increment Financing (TIF) Surplus growth of $3.5 million mentioned above due to the City of Chicago's declaration of a larger than normal TIF surplus to assist the Chicago Public Schools, the District will also rely on $3.5 million in prior year fund balance. The District has worked to reduce its reliance on prior year fund balance to close its budget gaps in recent years and will again reduce their reliance by $0.7 million in FY2017.

Chicago Park District FY2017 One-Time Resources (in $ millions)		
Tax Increment Financing Surplus	$	3.5
Prior Year Fund Balance	$	3.5
Total One-Time Resources	**$**	**7.0**

Source: Chicagp Park District FY2017 Budget Summary, p. 27; and Chicago Park District FY2017 Budget Presentation, p. 8, November 17, 2016.

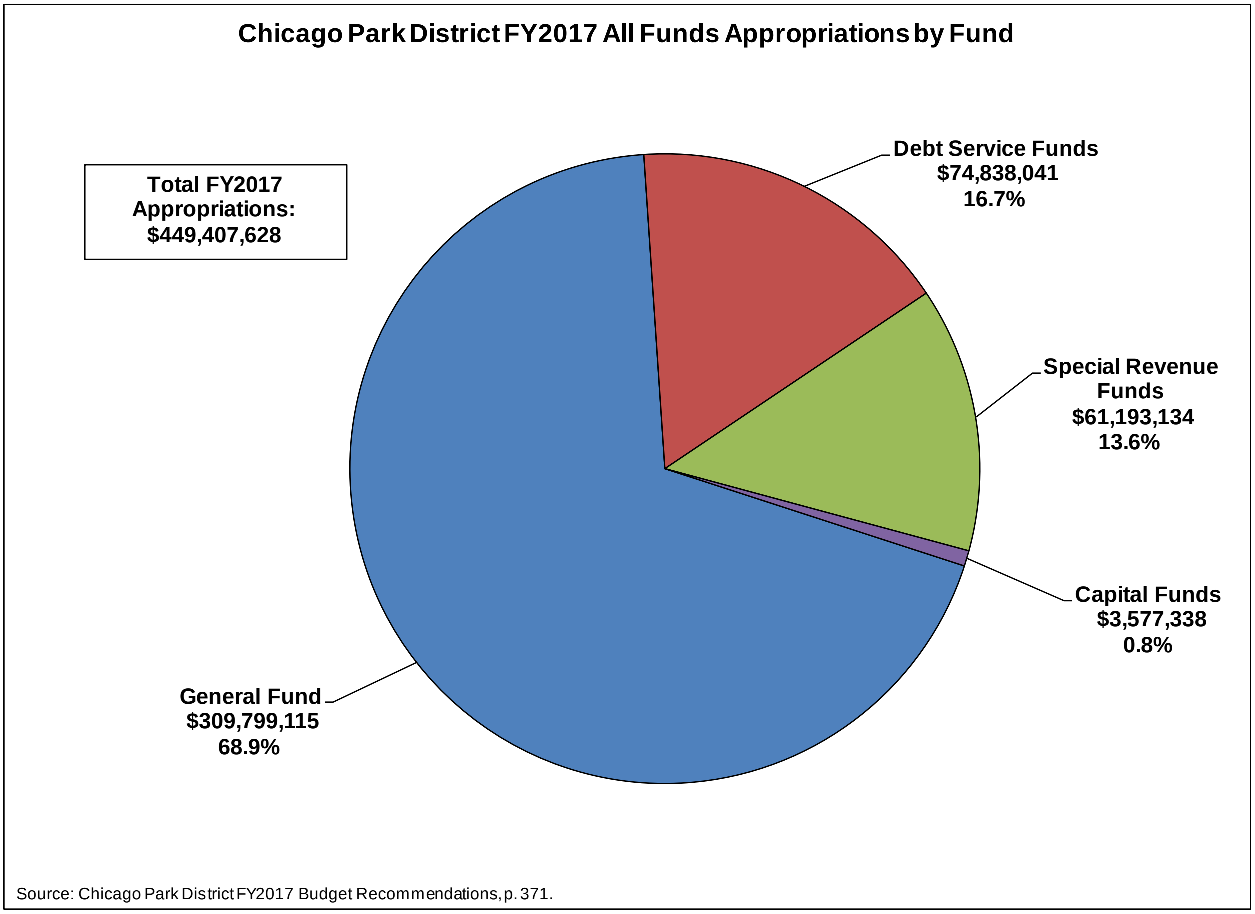
APPROPRIATIONS

This section presents an analysis of the Chicago Park District's proposed FY2017 budget appropriations with comparisons to FY2013 through FY2016 adopted budgets.

All Funds Appropriations by Fund

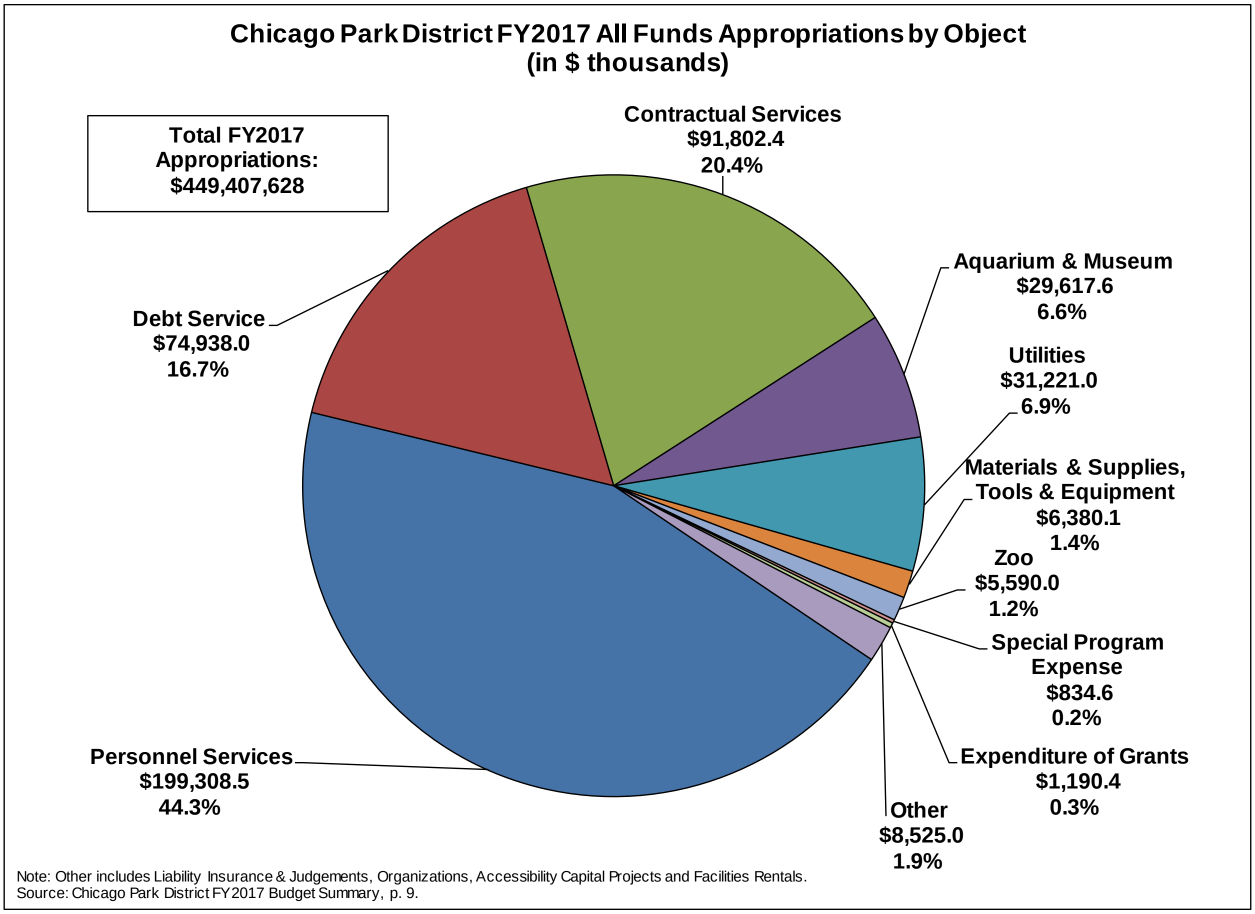
Total Chicago Park District appropriations are proposed to decrease from $458.1 million in FY2016 to $449.4 million in FY2017. This is a decrease of $8.7 million, or 1.9%. General Fund, or operating fund, expenses will represent the largest portion of total appropriations at 68.9%, or approximately $310.0 million in FY2017. The next largest share is represented by the Debt Service Funds that will total 16.7%, or $74.8 million, of total appropriations. Special Revenue

Funds and Capital Funds will respectively compose 13.6% and 0.8%, of total appropriations in FY2017.



All Funds Appropriations by Object

The following chart displays the Chicago Park District's total proposed appropriations for FY2017 by object level. Object level refers to grouping expenditure categories by types of expense rather than by fund. Approximately 44.3%, or $199.3 million, of FY2017 appropriations are budgeted for personnel costs (including salaries and wages, health, dental and life insurance, pensions, workers compensation and unemployment insurance), while Contractual Services will represent 20.4%, or $91.8 million. Debt Service represents 16.7%, or $74.9 million, of total appropriations in FY2017. The remaining items by object classification will collectively represent approximately 18.5% of appropriations in FY2017.



As shown in the chart that follows, between FY2016 and FY2017 appropriations for more than half of the object areas will decrease, while the remainder will either stay flat or increase slightly. Total appropriations by object classification will decrease by 1.9%, or $8.7 million, over the two-year period. Personnel Services appropriations are expected to decline by the largest dollar amount between FY2016 and FY2017, by $6.8 million, or 3.3%. This is primarily due to the District not appropriating a supplemental pension contribution of $12.5 million in FY2017. The District appropriated for an additional $12.5 million supplemental pension contribution in FY2015 and FY2016, as required under Public Act 98-0622.[18] There is no required supplementary contribution required in FY2017. Debt Service appropriations will decrease by 3.4%, or $2.6 million, falling from $77.6 million in FY2016 to nearly $75.0 million in FY2017. Appropriations for Contractual Services will grow by 3.7%, or $3.3 million, above FY2016 adopted appropriations. Contractual Services are described in more detail later in this section.

The District's appropriation for Museums in the Park (Aquarium and Museum line item) and Lincoln Park Zoo (Zoo line item) will decrease by 2.3%, or approximately $694,000, and 0.2%,

[18] Chicago Park District FY2017 Budget Summary, p. 43.

or $10,000, respectively, over the two-year period.[19] Expenses for Organizations, which represents the Park District's financial support for partner organizations, will increase by 3.0%, or approximately $92,000, from $3.1 million to $3.2 million, over the two-year period. These partner organizations include Grant Park Music Festival, Chicago Parks Foundation, Neighborspace, Garfield Park Conservatory Alliance and After School Matters.

Appropriations for Special Program Expense, which include costs that fall within park budgets such as tournament expenses or recognitions and awards,[20] will decrease by 13.9%, or approximately $135,000 in FY2017. Expenditure of Grants, or grants received, over the two-year period will decline by 12.8%, or $175,000, to $1.2 million, in FY2017. Utilities appropriations are also projected to decrease by 4.4%, or $1.4 million, from FY2016 budgeted appropriations. The decrease is primarily due to the District better managing its natural gas expenses and water resources.[21]Appropriations for Facilities Rentals will remain flat over the two-year period at $825,000.

Over the five-year period between FY2013 and FY2017, total appropriations will increase by 9.4%, or $38.5 million. Personnel Services appropriations will increase by the largest dollar amount, rising by $27.2 million, or 15.8%, from $172.1 million in FY2013 to $199.3 million in FY2017. The overall increase is primarily due to increases in healthcare costs, negotiated increases in salaries and wages for union employees and rising pension payments as a result of the District's pension reform bill that went into effect January 1, 2015, but has since been partially suspended as a result of a lawsuit against the reforms made in Public Act 98-0622. Appropriations for Contractual Services will increase by 28.2%, or $20.2 million, from $71.6 million in FY2013 to $91.8 million, in FY2017. Debt Service costs will decrease over the five-year period by 13.9%, or $12.1 million. This is primarily due to the expiring of Public Building Commission (PBC) lease payments in 2013 and debt restructurings that took place in 2014 and 2015.[22]

Over the five-year period beginning FY2013, the subsidy appropriated to the Aquarium & Museum operations and Lincoln Park Zoo operations will decline by 3.4%, or $1.0 million, and 0.2% or $10,000, respectively. Utilities appropriations will rise over the five-year period, by 14.7%, or $4.0 million. The increase in utilities is primarily due to the City of Chicago increasing water and sewer rates annually beginning in 2012.[23] However, the increase has been minimized by the District using its water resources more efficiently.[24] Budgeted expenses for Organizations will grow by 27.5%, or $690,000, between FY2013 and FY2017. Appropriations for Liability Insurance and Judgments are projected to increase by approximately $773,000 or 20.8%. Special

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[19] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the John G. Shedd Aquarium, Adler Planetarium, The Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, The Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Peggy Notebaert Nature Museum and Institute of Puerto Rican Arts and Culture. Chicago Park District FY2017 Budget Summary, p. 45.
[20] Information provided by the Chicago Park District, November 30, 2012.
[21] Chicago Park District FY2017 Budget Summary, p. 44.
[22] Chicago Park District FY2013, p. 44; FY2015, p. 41; and FY2016, p. 44.
[23] Chicago Park District FY2017 Budget Summary, p. 44.
[24] Chicago Park District FY2017 Budget Summary, p. 44.

Program Expense appropriations will also increase by approximately $85,000, or 11.4%, over the same period.

Beginning in FY2013 total appropriations for Materials and Supplies and Tools and Equipment will decline in FY2017 by 3.3% or $220,000. Expenditure of Grants, or grants received, will decline by 43.8%, or $927,000, between FY2013 and FY2017. Budgeted expenditures for Facilities Rentals will also decline by 19.7%, or $202,000, over the five-year period.

Chicago Park District Appropriations for All Funds by Object: FY2013-FY2017 (in $ thousands)

	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Personnel Services	$ 172,101	$ 173,939	$ 197,693	$ 206,113	$ 199,308	$ (6,804)	-3.3%	$ 27,207	15.8%
Debt Service	$ 87,044	$ 89,773	$ 80,820	$ 77,562	$ 74,938	$ (2,624)	-3.4%	$ (12,106)	-13.9%
Contractual Services	$ 71,590	$ 79,506	$ 85,559	$ 88,550	$ 91,802	$ 3,253	3.7%	$ 20,212	28.2%
Aquarium & Museum	$ 30,646	$ 31,131	$ 30,115	$ 30,312	$ 29,618	$ (694)	-2.3%	$ (1,028)	-3.4%
Utilities	$ 27,217	$ 27,980	$ 31,240	$ 32,645	$ 31,221	$ (1,424)	-4.4%	$ 4,004	14.7%
Materials & Supplies, Tools & Equipment	$ 6,600	$ 6,871	$ 6,641	$ 6,654	$ 6,380	$ (274)	-4.1%	$ (220)	-3.3%
Zoo	$ 5,600	$ 5,600	$ 5,600	$ 5,600	$ 5,590	$ (10)	-0.2%	$ (10)	-0.2%
Special Program Expense	$ 749	$ 741	$ 972	$ 970	$ 835	$ (135)	-13.9%	$ 85	11.4%
Expenditure of Grants	$ 2,118	$ 1,492	$ 1,541	$ 1,365	$ 1,190	$ (175)	-12.8%	$ (927)	-43.8%
Liability Insurance & Judgments	$ 3,727	$ 4,500	$ 4,366	$ 4,366	$ 4,500	$ 134	3.1%	$ 773	20.8%
Organizations	$ 2,510	$ 3,012	$ 3,208	$ 3,108	$ 3,200	$ 92	3.0%	$ 690	27.5%
Facilities Rentals	$ 1,027	$ 1,027	$ 825	$ 825	$ 825	$ -	0.0%	$ (202)	-19.7%
Total	**$ 410,929**	**$ 425,571**	**$ 448,581**	**$ 458,068**	**$ 449,408**	**$ (8,661)**	**-1.9%**	**$ 38,479**	**9.4%**

Note: Adopted appropriations for FY2011-FY2014 are used because actual expenditures are not available in a summary form. Totals may differ from budget due to rounding.

Source: Chicago Park District FY2015 Budget Summary, p. 7; FY2016 Budget Summary, p. 7; and FY2017 Budget Summary, p. 9.

Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for fiscal years 2013 through 2017. Overall, the District will increase Contractual Services appropriations by 3.7%, or $3.3 million, from $88.6 million in FY2016 to $91.8 million in FY2017.

Between FY2016 and FY2017, appropriations for Concessions Management will remain flat at $700,000. Repair and Maintenance costs will decline by 9.4% or $222,000. Landscape Management and Parking Management expenses will also decline over the two-year period, by approximately $528,000 and $5,000, or 8.6% and 0.4%, respectively. The decrease in Landscape Management expenses is attributable to the District bringing certain landscape services in-house rather than continuing to contract with an outside firm.

General Contractual Services appropriations will see the largest dollar and percent increase over the two-year period, rising nearly $1.9 million, or 10.0%, from $18.9 million in FY2016 to $20.8 million in FY2017. This is primarily due to increased costs related contracted security services.[25] Soldier Field and Harbor Management appropriations are also projected to increase by 1.8% and 4.0%, or $335,000 and $458,000, respectively. Other Management Fee Expenses will also increase over the two-year period by 5.3% or $1.3 million. This increase is related to conservatively budgeting for outsourced IT services, which it plans to rebid in FY2017.[26]

Between FY2013 and FY2017 total appropriations for Contractual Services will increase by 28.2%, or $20.2 million. Appropriations for Other Management Fee Expenses, which includes

[25] Information provided by Chicago Park District Office of Budget and Management Staff, December 2, 2016.
[26] Information provided by Chicago Park District Office of Budget and Management Staff, December 2, 2016.

accounts for Professional Services, Reprographic Services, Ice Skating Management and Litigation Expenses will represent the largest dollar increase over the five-year period by nearly $8.5 million or 48.9%. This increase is primarily due to the District opening new parks and facilities and transferring some activities that were previously managed in-house to private operators.[27] Appropriations for Golf, Harbor and Parking Management expenses will also increase over the five-year period, rising by 18.7%, 18.0% and 1.5%, or approximately $761,000, $1.8 million and $18,000, respectively.

Chicago Park District Contractual Services Appropriations: FY2013-FY2017 (in $ thousands)

	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Proposed	FY2017 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Repair & Maintenance	$ 2,011	$ 2,211	$ 2,359	$ 2,368	$ 2,146	$ (222)	-9.4%	$ 135	6.7%
General Contractual Services	$ 15,926	$ 21,146	$ 20,652	$ 18,928	$ 20,821	$ 1,893	10.0%	$ 4,895	30.7%
Concessions Management	$ 725	$ 750	$ 750	$ 700	$ 700	$ -	0.0%	$ (25)	-3.4%
Harbor Management	$ 10,014	$ 10,279	$ 10,304	$ 11,359	$ 11,817	$ 458	4.0%	$ 1,803	18.0%
Soldier Field	$ 16,510	$ 17,088	$ 18,153	$ 18,617	$ 18,952	$ 335	1.8%	$ 2,442	14.8%
Golf Management Expenses	$ 4,061	$ 4,695	$ 4,535	$ 4,800	$ 4,822	$ 22	0.5%	$ 761	18.7%
Parking Management	$ 1,189	$ 1,230	$ 1,251	$ 1,211	$ 1,207	$ (5)	-0.4%	$ 18	1.5%
Landscape Management	$ 3,862	$ 3,942	$ 4,396	$ 6,120	$ 5,591	$ (528)	-8.6%	$ 1,729	44.8%
Other Management Fee Expense*	$ 17,293	$ 18,164	$ 23,160	$ 24,446	$ 25,746	$ 1,300	5.3%	$ 8,453	48.9%
Total	**$ 71,590**	**$ 79,506**	**$ 85,559**	**$ 88,550**	**$ 91,802**	**$ 3,253**	**3.7%**	**$ 20,212**	**28.2%**

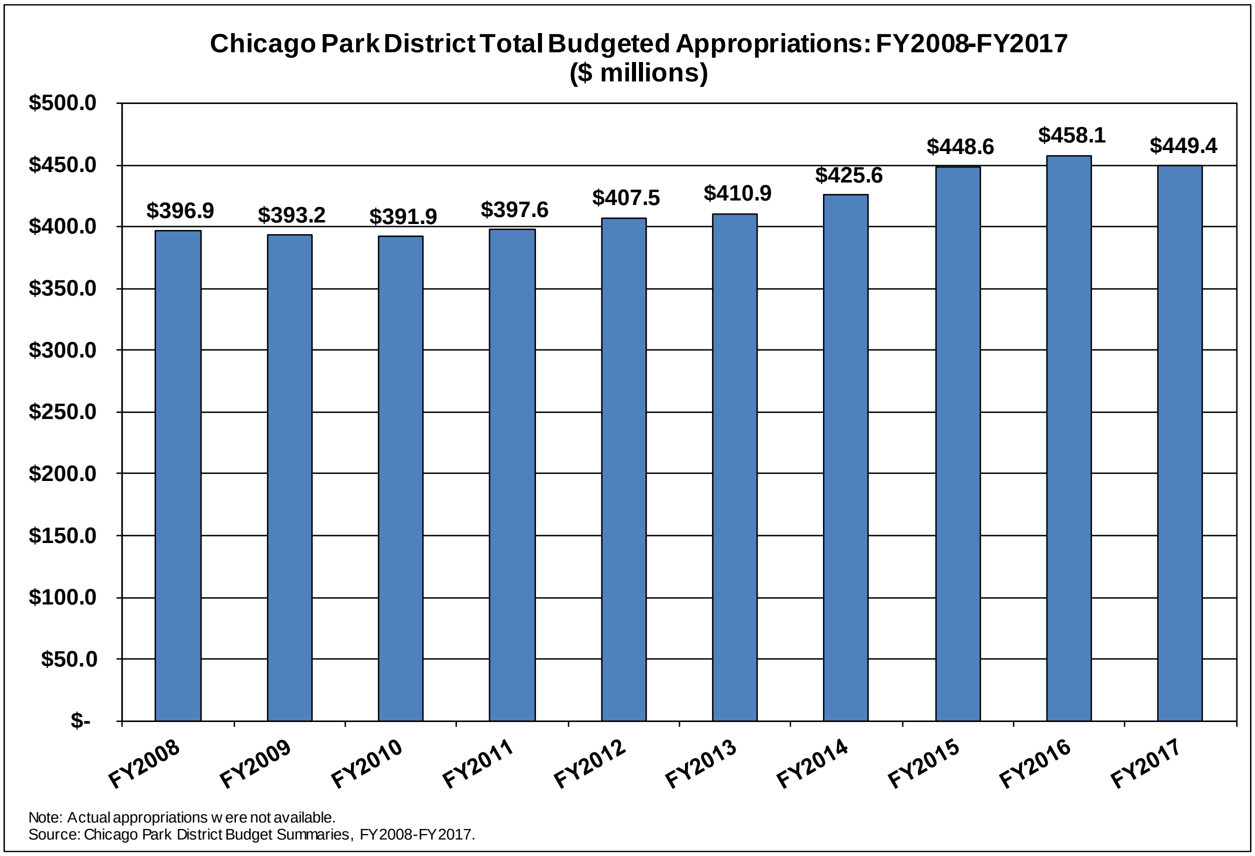
*In FY2016 the District reclassified MLK Center Management under Other Management Fee Expense.
Note: Adopted appropriations for FY2013-FY2016 are used because actual expenditures are not available in a summary form. Totals may differ from budget due to rounding.
Source: Chicago Park District FY2017 Budget Summary, p. 9; FY2016 Budget Summary, p. 7; and FY2015 Budget Summary, p. 7.

Ten-Year Appropriation Trend

Between FY2008 and FY2017, total budgeted appropriations have increased by $52.5 million, or 13.2%, rising from $396.9 million to $449.4 million. During the same period, the Park District's annual budgeted appropriations growth averaged 1.3%, which is equal to the average rate of

[27] Information provided by Chicago Park District, Office of Budget and Management Staff, December 2, 2016.

inflation per year during this ten-year period.



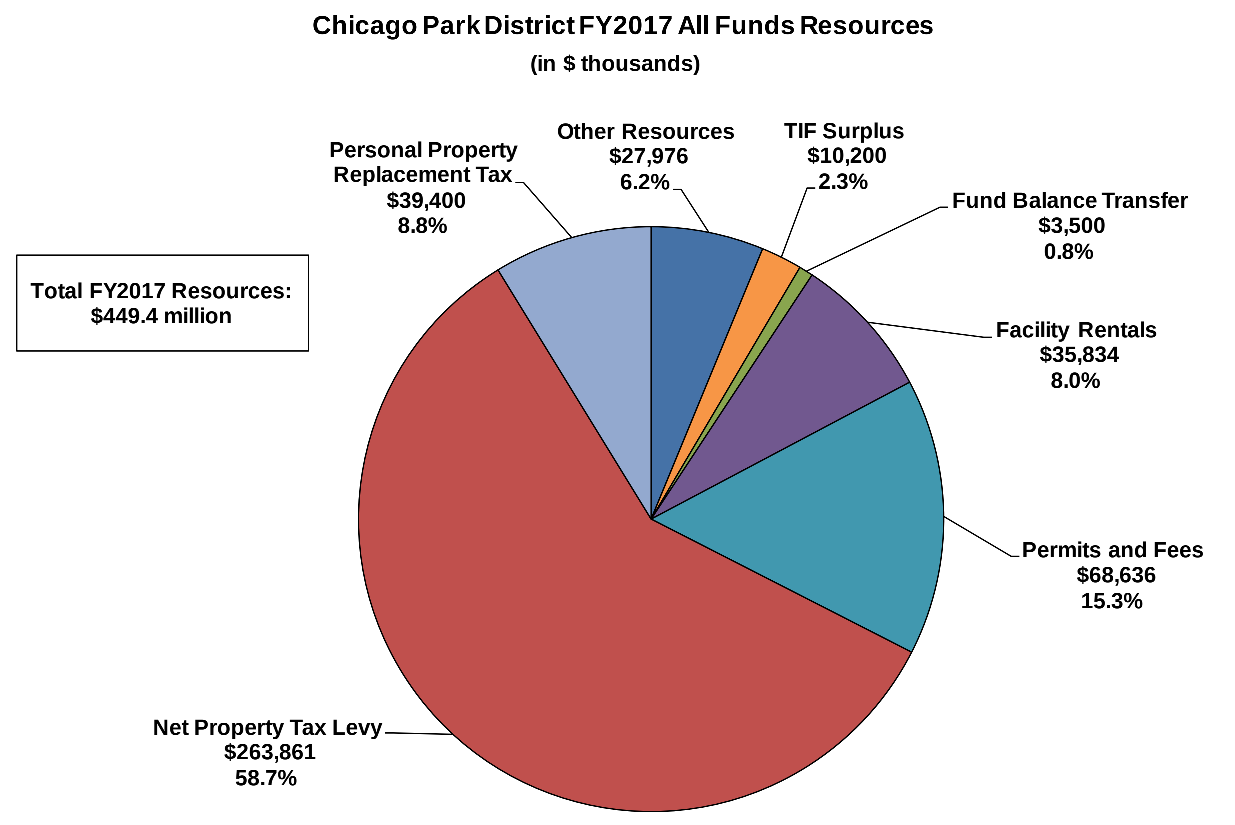
RESOURCES

This section examines the Chicago Park District's resources for FY2017 and provides two-year and five-year resource trends within all of the District's operating funds. Data used in this section include prior year figures from the Adopted Budgets and Annual Appropriations Ordinances for FY2013 through FY2016, which were approved by the Board of Commissioners, and recommended figures from the FY2017 Proposed Budget Summary and Recommendations. The Civic Federation uses adopted numbers in this analysis because actual numbers for all funds were not available.

All Funds Resources

The Chicago Park District is proposing total resources of $449.4 million in FY2017. This includes $3.5 million in prior year fund balance transfer from operating reserves and $10.2 million in total tax increment financing (TIF) surplus in addition to recurring revenue sources.

The following chart shows the distribution of District resources in FY2017. Net property tax revenue (gross property tax levy minus the loss in collection) will constitute 58.7% of the District's total revenues at $263.9 million. The second largest revenue source is Permits and Fees, which will account for 15.3% of total revenue or $68.6 million. Permits and Fee revenue includes parking fees, permit revenues, harbor fees, park fees and golf courses. Personal property replacement tax (PPRT) revenue will account for 8.8%, or $39.4 million, of total resources.



Note: Other Resources includes MLK Center, Maggie Daley Park, Sports Centers, Concessions, Corporate Sponsorships, Grants and Donations, Investment Income, Miscellaneous Income and Capital Contributions.
Source: Chicago Park District FY2017 Budget Summary, p. 8.

The next table presents resources for all funds from FY2013 through FY2017. Total revenue is projected to be $435.7 million in FY2017, an increase of $1.0 million, or 0.2%, from FY2016. Revenue includes revenue from taxes, facility rentals, permits and fees, concessions, grants, donations and other revenue sources. Total FY2017 resources are projected to be $449.4, which is a decrease of 1.9%, or $8.7 million, from the adopted FY2016 budget. Resources include revenue as well as non-recurring sources such as TIF surplus and transfers of reserves.

Tax revenues from the property tax and personal property replacement tax (PPRT) are projected to be $303.3 million in FY2017, which is a $7.6 million, or 2.5%, decrease from FY2016. Gross property tax revenue is expected to be $273.9 million in FY2017, a 0.6% increase over the prior year. After an adjustment of gross property tax revenue for anticipated collection losses, the net property tax revenue is projected to be $263.9 million. Property tax revenue is discussed further in the next section.

Personal property replacement tax (PPRT) revenue is corporate income tax revenue collected by the State of Illinois and distributed to local governments. PPRT is expected to decrease in FY2017 by $9.2 million, or 19.0%, to $39.4 million from $48.6 million in FY2016. The decrease is due to an overpayment error made by the State, which the State is recovering through reduced PPRT payments in FY2017 and FY2018.[28]

Revenue generated from the rental of Soldier Field, the Northerly Island concert pavilion and other District facilities is projected to be $35.8 million in FY2017, an increase of 2.0%, or $698,000, from FY2016. Northerly Island revenue is budgeted to decrease based on anticipated concert bookings,[29] which is offset by increases in Soldier Field and other rentals.

Permit and fee revenues are projected to increase by $3.6 million, or 5.5%, to $68.6 million in FY2017 over the prior year. This category includes revenue from parking fees, permits for events held on Park District property, harbor fees, park fees and golf courses. Parking fee revenue is projected to increase by 15.3% from $5.3 million in FY2016 to $6.1 million in FY2017 due to an increase in parking fee rates and revenue collections from long-term parking lease agreements.[30] The District is also projecting a 13.4% increase in permit revenue from $14.3 million in FY2016 to $16.2 million in FY2017, primarily due to long-term agreements including Lollapalooza, which will span four days in 2017.[31]

Other revenue sources include concessions, grants and donations, sponsorships, interest income and user charges at Park District facilities such as the Dr. Martin Luther King Jr. Park & Family Center, Maggie Daley Park, the McFetridge Sports Center and the Beverly Morgan Sports Center. The Park District anticipates higher revenue from corporate sponsorships, grants and donations in FY2017 from billboards, sponsorships and intergovernmental revenue from local, federal and State government,[32] a total increase of $3.7 million in FY2017 over adopted FY2016 levels.

The District receives a portion of the total Tax Increment Financing (TIF) surplus declared by the City of Chicago, which is $175 million this year. The Park District will receive $10.2 million of the City's TIF surplus in FY2017, which is a 53.0% increase from the prior year. Additionally, the Park District will appropriate $3.5 million of fund balance reserves. This follows a longtime practice of the District using one-time revenue sources like reserves and TIF surplus for operating purposes. The District says it is working to reduce its reliance on prior year fund balance as part of an effort to address the District's structural imbalance.[33] The fund balance reserves allocation for FY2017 is 16.7%, or $700,000, less than the prior year.

Over the five-year period from FY2013 to FY2017, the District's total proposed resources will increase by $38.5 million, or 9.4%, from $410.9 million in the adopted FY2013 budget. The largest dollar increase over this time period occurs in gross property tax revenues with an increase of $12.9 million or 4.9%. The increase is due to annual increases in the property tax levy from capturing revenue from terminated and expiring TIF districts and new property, as

[28] Chicago Park District FY2017 Budget Summary, p. 31.
[29] Chicago Park District FY2017 Budget Summary, p. 38.
[30] Chicago Park District FY2017 Budget Summary, p. 37.
[31] Chicago Park District FY2017 Budget Summary, p. 40.
[32] Budget briefing with the Chicago Park District on November 17, 2016.
[33] Budget briefing with the Chicago Park District on November 17, 2016.

well as a property tax increase to the maximum authorized by the Property Tax Extension Limitation Law (PTELL) in FY2014.

Over the same five year period, facility rental revenue is projected to grow by 7.1% or $2.4 million. Soldier Field revenues are expected to increase by $4.3 million or 14.7%. Revenue from permits and fees is projected to increase by $10.8 million, or 18.6%. Permit revenue alone is expected to increase by 66.7%, or $6.5 million, primarily related to large scale events like Lollapalooza, which the District has said it will continue to focus on in order to keep fees affordable for recreational activities.[34]

Chicago Park District Resources by Source for All Funds: FY2013-FY2017
(in $ thousands)

	FY2013 Adopted Budget	FY2014 Adopted Budget	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Proposed Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Gross Property Tax Levy	$ 261,011	$ 268,861	$ 270,771	$ 272,271	$ 273,914	$ 1,643	0.6%	$ 12,903	4.9%
Property Tax Loss in Collection	$ (10,179)	$ (10,486)	$ (9,937)	$ (9,992)	$ (10,053)	$ (60)	0.6%	$ 127	-1.2%
Personal Property Replacement Tax	$ 39,589	$ 46,005	$ 46,005	$ 48,615	$ 39,400	$ (9,215)	-19.0%	$ (189)	-0.5%
Subtotal Tax Revenues	**$ 290,420**	**$ 304,380**	**$ 306,838**	**$ 310,893**	**$ 303,261**	**$ (7,632)**	**-2.5%**	**$ 12,841**	**4.4%**
Rental of Soldier Field	$ 29,092	$ 30,387	$ 31,699	$ 32,405	$ 33,379	$ 974	3.0%	$ 4,287	14.7%
Rentals	$ 3,268	$ 2,865	$ 3,669	$ 1,231	$ 1,305	$ 74	6.0%	$ (1,962)	-60.1%
Northerly Island Pavilion	$ 1,100	$ 1,700	$ 1,700	$ 1,500	$ 1,150	$ (350)	-23.3%	$ 50	4.5%
Subtotal Facility Rentals	**$ 33,459**	**$ 34,952**	**$ 37,068**	**$ 35,137**	**$ 35,834**	**$ 698**	**2.0%**	**$ 2,375**	**7.1%**
Parking Fees	$ 3,334	$ 4,414	$ 4,829	$ 5,327	$ 6,142	$ 814	15.3%	$ 2,808	84.2%
Harbor Fees	$ 25,138	$ 24,223	$ 25,438	$ 25,042	$ 25,660	$ 618	2.5%	$ 522	2.1%
Park Fees	$ 14,179	$ 13,115	$ 15,363	$ 14,978	$ 15,195	$ 216	1.4%	$ 1,016	7.2%
Permits	$ 9,727	$ 12,412	$ 13,633	$ 14,306	$ 16,220	$ 1,914	13.4%	$ 6,493	66.7%
Golf Course Fees	$ 5,482	$ 5,625	$ 5,375	$ 5,395	$ 5,420	$ 25	0.5%	$ (62)	-1.1%
Subtotal Permits and Fees	**$ 57,860**	**$ 59,789**	**$ 64,638**	**$ 65,049**	**$ 68,636**	**$ 3,587**	**5.5%**	**$ 10,776**	**18.6%**
Concessions	$ 3,181	$ 3,141	$ 4,023	$ 3,571	$ 3,821	$ 250	7.0%	$ 640	20.1%
Other User Charges*	$ -	$ -	$ -	$ 7,228	$ 7,268	$ 39	0.5%	$ 7,268	N/A
MLK Center	$ 1,408	$ 1,411	$ 1,438	-	$ -	N/A	N/A	$ (1,408)	-100.0%
Corporate Sponsorships	$ 1,800	$ 1,485	$ 922	$ 518	$ 2,135	$ 1,617	312.0%	$ 335	18.6%
Grants and Donations	$ 5,000	$ 5,855	$ 5,855	$ 5,855	$ 7,905	$ 2,050	35.0%	$ 2,905	58.1%
Interest on Investment	$ 400	$ 360	$ 360	$ 150	$ 450	$ 300	200.0%	$ 50	12.5%
Miscellaneous	$ 987	$ 902	$ 1,286	$ 1,429	$ 1,721	$ 292	20.4%	$ 733	74.3%
Capital Contributions	$ 3,516	$ 3,743	$ 4,793	$ 4,871	$ 4,677	$ (193)	-4.0%	$ 1,162	33.0%
Total Revenues	**$ 398,031**	**$ 416,019**	**$ 427,221**	**$ 434,701**	**$ 435,708**	**$ 1,006**	**0.2%**	**$ 37,677**	**9.5%**
TIF Distribution	$ 2,224	$ 2,667	$ 3,260	$ 6,667	$ 10,200	$ 3,533	53.0%	$ 7,976	358.6%
Long Term Obligation Fund Reserve	$ -	$ -	$ 12,500	$ 12,500	$ -	$ (12,500)	-100.0%	$ -	N/A
Fund Balance Transfer	$ 10,674	$ 6,885	$ 5,600	$ 4,200	$ 3,500	$ (700)	-16.7%	$ (7,174)	-67.2%
Total Resources	**$ 410,929**	**$ 425,571**	**$ 448,581**	**$ 458,068**	**$ 449,408**	**$ (8,661)**	**-1.9%**	**$ 38,479**	**9.4%**

*For 2016 and 2017 the MLK Center, McFetridge Sports Center, Beverly Morgan Sports Complex, and Maggie Daley Park are combined and listed as Other User Charges.
Source: Chicago Park District FY2014 Budget Summary, p. 6; FY2015 Budget Summary, p. 6; and FY2016 Budget Summary, p. 6; and FY2017 Budget Summary, p. 8.

Gross Property Tax Levy

The Chicago Park District's proposed FY2017 gross property tax levy is $273.9 million, compared to $272.3 million in FY2016. After accounting for an estimated 3.67% loss in collections, the net property tax levy is projected to be $263.9 million.[35] Property tax revenue will make up approximately 59% of total revenue. Of the several taxing entities that Chicago taxpayers support, the Chicago Park District receives 5.56% of the property tax distribution.[36]

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[34] Chicago Park District FY2016 Budget Summary, p. 41 and information provided by Chicago Park District staff on November 17, 2016.
[35] Chicago Park District FY2017 Budget Summary, p. 29.
[36] Chicago Park District FY2017 Budget Summary, p. 30. The largest portion of property taxes (50.3%) goes to Chicago Public Schools, and the remainder is split between the City of Chicago, Chicago Public Library, Metropolitan Water Reclamation District, City Colleges, Cook County, and the Cook County Forest Preserve.

The $1.6 million increase in the gross levy over FY2016 is due to capturing the value of new property and expiring TIF districts. Levying for expiring TIF is not considered a tax increase because it does not increase the amount that residents will owe on their tax bill. Instead of paying a portion of their taxes to the TIF district, taxpayers in the former TIF district pay that same portion to the Park District after the TIF expires. Levying for new property only impacts property owners of new or improved property.

The District did not increase property taxes under the Property Tax Extension Limitation Law (PTELL)[37] from FY2006 through FY2013, but did receive additional tax revenue from expiring TIF districts in FY2013. In FY2014, the Park District increased property taxes to the maximum amount under PTELL that year ($3.6 million), in addition to capturing additional revenue from expiring TIF districts. In FY2015 and FY2016, the Park District increased its levy by capturing revenue from expired TIF districts and new property.

The table below shows property tax revenue allocations by fund. In the proposed FY2017 budget, the Corporate Fund will receive $159.3 million of the property tax revenue, which is an increase of 0.8%, or $1.2 million, over the adopted FY2016 budget. Special Recreation, which was established as a separate levy in FY2005 to expand the accessibility of facilities for people with disabilities, will receive $7.0 million, unchanged from the prior year. The Bond Debt Service fund will receive $44.5 million, which is a decrease of 5.8%, or $2.7 million, from FY2016. The Aquarium and Museum funds receive a portion of the property tax levy for Bond Debt Service and for general purposes, which will be $4.2 million and $27.7 million respectively, unchanged from the prior year.

The pension fund will receive $20.8 million in property tax revenue, which is a 20.4%, or $3.5 million, increase over the prior year. Under Public Act 98-0622 the property tax levy for pension funding was supposed to have increased from 1.7 times the amount employees contributed two years prior to 2.3 times the amount in FY2017. However, under an Agreed Order between the parties in ongoing litigation on the Park District pension funding and reform bill, the court-ordered employer and employee contributions will be held at FY2016 levels while the parties discuss a modified approach to pension reform.[38] This decreased the projected FY2017 employer contribution to the pension fund from $28.0 million in FY2016 to $20.8 million in FY2017.

Over the five-year period from FY2013 through FY2017, the largest increase in property tax contributions is to the District's pension fund. The pension fund allocation will nearly double from $10.5 million in FY2013 to $20.8 million in FY2017. The largest decrease over the same

[37] PTELL allows non-home rule governments to increase their property tax extension by 5.0% or the increase in the Consumer Price Index, whichever is less.

[38] Budget briefing with Chicago Park District on November 17, 2016.

period is the property tax contribution to Aquarium and Museum Bond Debt Service, from $10.8 million in FY2013 to $4.2 million in FY2017, which is a 61.0% decrease.

Chicago Park District Property Tax Gross Levy by Fund: FY2013-FY2017 (in $ thousands)									
Fund	FY2013 Adopted Budget	FY2014 Adopted Budget	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Proposed Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$154,206	$158,656	$154,223	$158,062	$159,292	$ 1,231	0.8%	$ 5,087	3.3%
Special Recreation	$ 6,000	$ 6,000	$ 6,000	$ 7,000	$ 7,000	$ -	0.0%	$ 1,000	16.7%
Park District Employees Pension	$ 10,473	$ 11,128	$ 17,957	$ 17,265	$ 20,784	$ 3,519	20.4%	$ 10,312	98.5%
Liability, Workers Comp., Unemployment	$ 9,761	$ 10,748	$ 10,811	$ 10,811	$ 10,428	$ (383)	-3.5%	$ 667	6.8%
Bond Debt Service Fund	$ 42,143	$ 44,071	$ 47,730	$ 47,272	$ 44,548	$ (2,723)	-5.8%	$ 2,405	5.7%
Aquarium and Museum Bond Debt Service	$ 10,764	$ 10,593	$ 6,386	$ 4,197	$ 4,196	$ (0)	0.0%	$ (6,568)	-61.0%
Aquarium and Museum Purposes	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ -	0.0%	$ -	0.0%
Total	**$261,011**	**$268,861**	**$270,771**	**$272,271**	**$273,914**	**$ 1,643**	**0.6%**	**$ 11,260**	**4.3%**

Source: Chicago Park District FY2017 Budget Recommendations, p. 372.

PERSONNEL

The Park District is budgeting for a total of 3,237 full-time equivalent (FTE) positions in FY2017, including 1,602 full-time positions and 1,635 part-time and seasonal positions. In FY2017 the District plans to add 56 part-time FTE positions and 19 full-time FTE positions and eliminate 15 seasonal FTE positions for a net increase of approximately 60 FTE positions, or a 1.9%, increase in the District's workforce.

The increase in FTE positions over the two- and five-year period is to support new or expanded programs, facilities and parkland.[39] Additionally, a portion of the increase in FY2017 is the result of the District hiring additional staff to perform certain landscaping functions that were previously outsourced.[40]

Over the last five years, the District has increased its total FTE count by 159 FTEs, or 5.2%. This is the net of a net increase of 80 part-time FTE positions, 10 seasonal FTE positions and 69 full-time FTE positions.

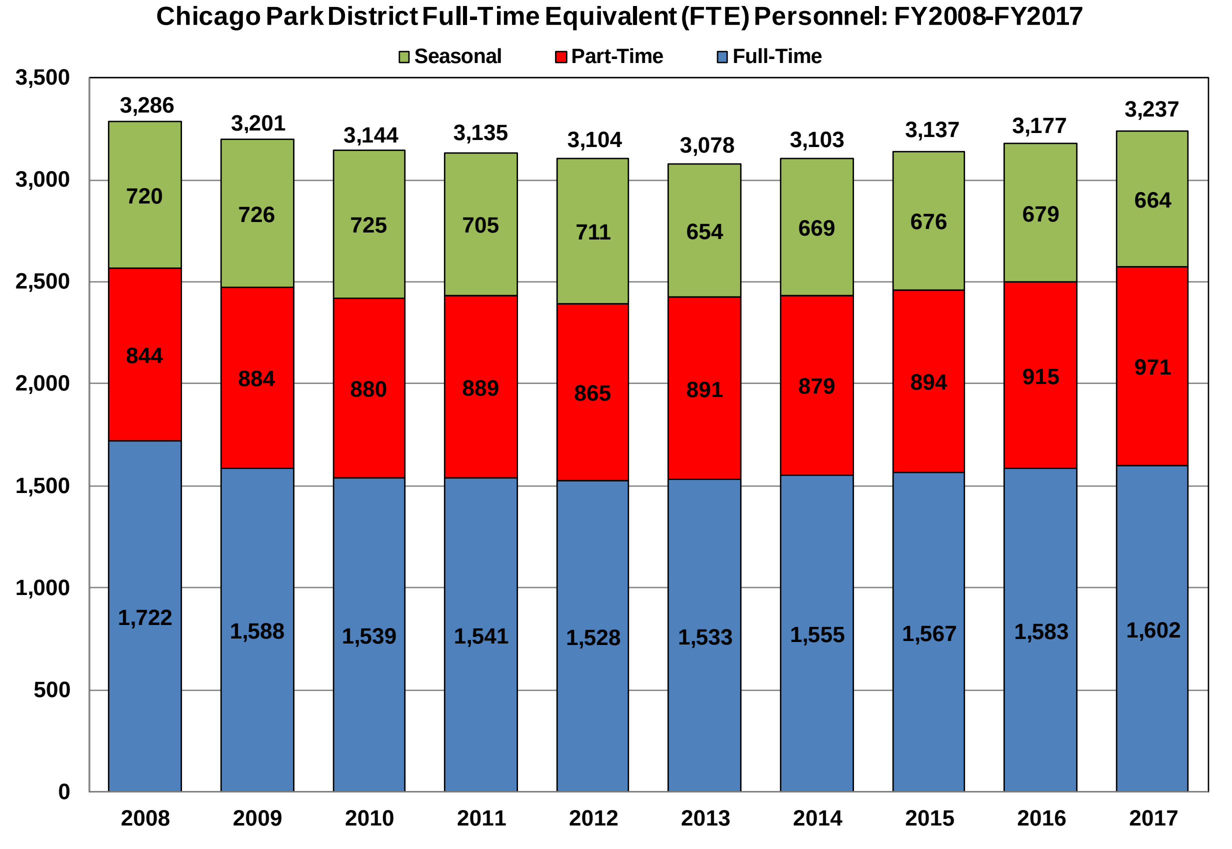
Chicago Park District Budgeted Personnel FY2013-FY2017									
Full-Time Equivalent Positions	**FY2013 Adopted**	**FY2014 Adopted**	**FY2015 Adopted**	**FY2016 Adopted**	**FY2017 Proposed**	**Two-Year # Change**	**Two-Year % Change**	**Five-Year # Change**	**Five-Year % Change**
Part-Time	891	879	894	915	971	56	6.1%	80	9.0%
Seasonal	654	669	676	679	664	-15	-2.2%	10	1.5%
Subtotal Part-Time/Seasonal	**1,545**	**1,548**	**1,570**	**1,594**	**1,635**	**41**	**2.6%**	**90**	**5.8%**
Full-Time	1,533	1,555	1,567	1,583	1,602	19	1.2%	69	4.5%
Total	**3,078**	**3,103**	**3,137**	**3,177**	**3,237**	**60**	**1.9%**	**159**	**5.2%**

Note: Totals may not match budget summary due to rounding.
Source: Chicago Park District FY2017 Budget Summary, p. 42; and FY2013 Budget Summary, p. 38.

The next chart displays the change in FTEs between FY2008 and FY2017. In FY2008 the District had a total of 3,286 FTEs. Its workforce then steadily declined to 3,078 FTEs in FY2013 before steadily increasing to the proposed 3,237 FTEs in FY2017. The decline over the ten-year

[39] Chicago Park District FY2017 Budget Summary, p. 42; FY2016, p. 42; FY2015, p. 40; and FY2014, p. 39.
[40] Chicago Park District FY2017 Budget Summary, p. 42; and FY2017 Budget Presentation, p. 4, November 17, 2016.

period includes a reduction of 120 full-time FTEs and 56 seasonal FTEs and the creation of 127 part-time FTEs, for a net decrease of approximately 50 FTEs or 1.5% of the District workforce.



Source: Chicago Park District Budget Summaries, FY2013-FY2017.

Personnel Expenses

This section presents an analysis of the Chicago Park District's personnel expenses for FY2017 with comparisons to the FY2013 through FY2016 adopted budgets.

Total personnel costs will decrease by 3.3%, or approximately $6.8 million, from $206.1 million in FY2016 to $199.3 million in FY2017. The primary driver behind the decrease in personnel costs is the result of the District not making a $12.5 million supplemental pension contribution as it had in the previous two budget years as required under the pension reforms made in Public Act 98-0622. There was no supplementary pension contribution planned for FY2017. For more information on pensions and the recent lawsuit challenging the pension reforms, see the Pension section of this report on page 37.

In FY2017 the District is budgeting for a 2.3%, or $3.3 million, increase in salaries and wages over the prior year. The increase is primarily due to contractual wage increases and growth in the number of positions, program expansion and to achieve savings and efficiencies in other areas.[41]

[41] Chicago Park District FY2017 Budget Summary, p. 41.

Total Health Benefits appropriations, which include health benefits for current employees and retirees, will increase by 0.4%, or approximately $62,000. The rise in health benefits costs to the District is primarily due to increased healthcare costs driven by overall growth trends in health and prescription drug expenses.[42] Employee healthcare contributions will be $285,000 higher in FY2017.

The appropriation for the District's pension contribution will increase by the largest dollar amount over the two-year period at $2.5 million or 13.8%. The District planned to contribute a total of $28.1 million in FY2017, but due to the lawsuit challenging those reforms and the October 19, 2016 court order, the District will only contribute $20.8 million in FY2017.[43] Pension related spending accounts for 10.4% of the total personnel costs and 4.6% of the total operating budget in FY2017. FY2017 would have been the third year of appropriating additional funding for the District's pension reform plan that was intended to raise the funded ratio of the Park District Pension Fund to 90.0% by 2049 and to 100.0% by 2054.

Prescription Drug expenses are the second largest benefit expense over the two-year period and will increase by 5.9%, or $244,000, between FY2016 and FY2017. The District cites the high cost of specialty drugs as the primary driver of this increase.[44] The District says it was able to offset a portion of the overall growth by better managing its benefit expenses.[45] Workers Compensation will remain flat at $3.5 million over the two- and five-year period.

Appropriations for Life Insurance benefits and Medicare Tax expenses will increase slightly by 3.1%, or $6,000, and 1.1%, or $21,000, respectively, above FY2016 budgeted appropriations. Medicare Tax expenses are budgeted based on actual trends experienced by the District, the Medicare rate in effect, coupled with the growth in the underlying salaries and an increase in the District's workforce.[46]

In the five-year period between FY2013 and FY2017, total personnel costs will increase by 15.8%, or $27.2 million, from $172.1 million to $199.3 million. Salaries and wages will increase by 10.4%, or $13.9 million, during the same time period. This is largely due to contractual increases in salary and wages and an increase in the District's overall workforce to support new programming, facilities and bringing previously outsourced work in-house, over the five-year period.[47]

Over the five-year period, the District's health benefit expenses for current employee and retiree health benefits will increase by 11.2%, or $1.8 million, and 104.1%, or $1.5 million, respectively. At the same time employee contributions for health benefits will also increase by 126.5%, or $2.3 million. This is primarily due to the increase in employee contributions as determined through recent union negotiations.[48] Unemployment obligations will decline by

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[42] Chicago Park District FY2017 Budget Summary, p. 43.
[43] Chicago Park District FY2017 Budget Summary, p. 43.
[44] Chicago Park District FY2017 Budget Summary, p. 43.
[45] Chicago Park District FY2017 Budget Summary, p. 43.
[46] Information provided by Chicago Park District Office of Budget and Management Staff, November 20, 2015.
[47] Chicago Park District Budget Presentation, November 17, 2016; and Chicago Park District FY2017 Budget Summary, p. 42.
[48] Information provided by the Chicago Park District, November 21, 2014.

18.5%, or $398,000, over the five-year period. The District has historically under-budgeted for unemployment obligations.[49] Workers compensation expenses are budgeted to remain flat between FY2013 and FY2017.

Chicago Park District Personnel Costs: FY2013-FY2017 (in $ thousands)									
	FY2013 Adopted	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health Benefits	$ 16,449	$ 15,542	$ 17,115	$ 18,071	$ 18,295	$ 224	1.2%	$ 1,846	11.2%
Health Benefits Employee Contributions	$ (1,798)	$ (3,660)	$ (3,728)	$ (3,788)	$ (4,073)	$ (285)	7.5%	$ (2,274)	126.5%
Health Benefits Retirees	$ 1,442	$ 2,193	$ 2,280	$ 2,820	$ 2,943	$ 123	4.4%	$ 1,501	104.1%
Health Benefits Subtotal	**$ 16,093**	**$ 14,075**	**$ 15,667**	**$ 17,103**	**$ 17,165**	**$ 62**	**0.4%**	**$ 1,073**	**6.7%**
Prescription Drugs	$ 2,623	$ 3,234	$ 3,396	$ 4,156	$ 4,400	$ 244	5.9%	$ 1,777	67.7%
Dental Benefits	$ 339	$ 329	$ 332	$ 324	$ 317	$ (7)	-2.2%	$ (22)	-6.5%
Life Insurance Benefits	$ 182	$ 183	$ 183	$ 184	$ 190	$ 6	3.1%	$ 8	4.2%
Medicare Tax	$ 1,446	$ 1,784	$ 1,838	$ 1,938	$ 1,960	$ 21	1.1%	$ 513	35.5%
Social Security	$ 1,243	$ 1,203	$ 1,248	$ 1,290	$ 1,268	$ (23)	-1.7%	$ 25	2.0%
Unemployment Obligations	$ 2,148	$ 2,362	$ 2,162	$ 2,162	$ 1,750	$ (412)	-19.1%	$ (398)	-18.5%
Workers Compensation	$ 3,525	$ 3,525	$ 3,525	$ 3,525	$ 3,525	$ -	-	$ -	-
Pension	$ 10,488	$ 11,146	$ 17,975	$ 18,284	$ 20,800	$ 2,516	13.8%	$ 10,311	98.3%
Supplemental Contribution to Pension Fund	$ -	$ -	$ 12,500	$ 12,500	$ -	$ (12,500)	-100.0%	$ -	-
Subtotal All Benefits	**$ 38,087**	**$ 37,841**	**$ 58,826**	**$ 61,467**	**$ 51,374**	**$ (10,093)**	**-16.4%**	**$ 13,287**	**34.9%**
Salary & Wages	$ 134,014	$ 136,098	$ 138,866	$ 144,646	$ 147,935	$ 3,288	2.3%	$ 13,920	10.4%
Total	**$ 172,101**	**$ 173,939**	**$ 197,693**	**$ 206,113**	**$ 199,308**	**$ (6,804)**	**-3.3%**	**$ 27,207**	**15.8%**

Source: Chicago Park District FY2015 Budget Summary, p. 7; FY2016 Budget Summary, p. 7; and FY2017 Budget Summary, p. 9.

RESERVES

Fund balance is an important financial indicator for local governments and serves as a measure of financial resources. Fund balance is the difference between the assets and liabilities reported in a governmental fund at the end of a fiscal year. Fund balance is more a measure of liquidity than of net worth and can be thought of as the savings account of the local government.[50]

The Chicago Park District's General Funds are used to account for all financial resources not reported in other specific funds. In other words, they report the District's general operations. The District's General Funds include the Corporate Fund; the Liability, Worker's Compensation and Unemployment Fund; and the Long-Term Income Reserve Fund.[51]

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

Changes to Fund Balance Reporting

Starting with the FY2011 audited financial statements for the Chicago Park District, a modification in fund balance reporting was implemented, as recommended by the Governmental Accounting Standards Board (GASB). GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to the "extent to which

[49] Information provided by the Chicago Park District, November 22, 2013.
[50] Stephen J. Gauthier, *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[51] The Long-Term Income Reserve Fund was incorporated into the General Fund in FY2011 with the implementation of GASB Statement No. 54. Chicago Park District FY2017 Budget Summary, p. 26.

the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[52]

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[53]

Current Components of Fund Balance

GASB Statement No. 54 created five components of fund balance, though not every government or governmental fund will report all components. The five components are:

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment;
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation;
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance; and
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[54]

Historically, the focus of the Civic Federation's fund balance analysis has been on the unreserved general fund balance, or in other words, how much is left in the savings account, not how much is being withdrawn. Given the new components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's unrestricted fund balance, which includes the *committed, assigned* and *unassigned* fund balance levels. The only difference between the two terms (unreserved and unrestricted) is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are synonymous.[55]

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[52] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009 and GASB Statement No. 54, paragraph 5.
[53] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[54] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.
[55] Gauthier, Stephen J., *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.

A ten-year trend analysis of the District's fund balance ratio including the most recent FY2015 data is not possible because the data have been classified differently with implementation of GASB Statement No. 54. In the interest of government transparency, the Civic Federation recommends that all local governments, if possible, provide ten years of fiscal data in the GASB No. 54 format in the statistical section of their audited financial statements. Each government should also provide a guide as to how different fund balance lines were reclassified. An accurate trend analysis can only be conducted with reclassified data.

Fund Balance Policy and Stabilization Funds

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." Two months of operating expenditures is approximately 17%.[56] This policy is also a good benchmark for large special purpose governments such as the Chicago Park District.

The District has four fund reserves that are assigned or committed for specific purposes and serve as financial safeguards to ensure long-term financial stability. These four funds, together with several other fund balances, compose the District's General Fund unrestricted fund balance. The District's fund balance policy is approved by the Chicago Park District Board of Commissioners annually as part of the budget process.[57] The following is a summary of the four reserve funds and their intended use.

1) The Long-Term Reserve Fund is a special revenue reserve fund that was established in FY2006 from revenue generated from the sale of the District's parking garages. The District uses the interest on these funds to pay for capital projects.[58] The District's policy is to maintain this fund at a level of no less than $85.0 million.[59] The Long-Term Reserve Fund provides working cash to bridge periods when the District is awaiting property tax revenue in order to avoid short-term borrowing.

2) The Economic Stabilization Fund is the District's "rainy day fund" and is intended to mitigate economic downturns or other major events. The District's General Fund fund balance policy requires the District to designate 8.0% to 16.0% of the preceding year's General Fund expenditures as reserves for this fund.[60]

3) The Budget Stabilization Fund is used to balance the budget. The District sets aside Personal Property Replacement Tax (PPRT) revenue for this fund. Amounts vary from fiscal year to fiscal year.

4) The Long-Term Liability Reserve Fund was established to make supplemental employer pension contributions as required by Public Act 98-0622 in FY2015, FY2016 and

[56] Previously the GFOA had recommended a General Fund fund balance of 5 to 15%.
[57] Communication with the Chicago Park District's Office of Budget and Management, November 22, 2013.
[58] Chicago Park District FY2017 Budget Summary, p. 26.
[59] Chicago Park District, FY2017 Budget Summary, p. 24.
[60] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 81.

FY2019.[61] The Long-Term Liability Reserve funds financed the District's $25.0 million supplemental employer contribution to the pension fund, with $12.5 million appropriated in FY2015 and $12.5 million in FY2016.[62]

As of December 31, 2015, the most recent year for which audited data are available, the District's General Fund reserve funds had the following balances:[63]

- Long-Term Reserve Fund (also referred to as working capital) – $96.0 million;
- Economic Stabilization Fund – $25.8 million;
- Budget Stabilization Fund (from PPRT) – $5.0 million; and
- Long-Term Liability Reserve Fund – $35.0 million.

Unrestricted Fund Balance for the General Fund

In FY2015 the District's unrestricted General Fund fund balance was $202.0 million, or 67.0% of general fund expenditures. This was a decrease of $1.1 million from $203.1 million in FY2014 due to a reduction in Personal Property Replacement Tax revenue.[64]

According to the FY2015 audited financial statement, the General Fund unrestricted fund balance includes $126.8 million of committed fund balance, $48.2 million of assigned fund balance and $27.0 million of unassigned fund balance. The District's committed fund balance includes $25.8 million committed to the Economic Stabilization Funds.[65] As noted above, the Long-Term Liability Reserve, which is an assigned reserve, will be used to finance the $25.0 million supplemental employer's contribution, half of which is scheduled for FY2015 and half for FY2016, as set forth through the District's pension reform law, Public Act 98-0622.[66] For more details on pension contributions, see the Pension section of this analysis on page 37.

Chicago Park District General Fund Fund Balance: FY2011-FY2015

	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$182,182,000	$ 256,644,000	71.0%
FY2012	$194,877,000	$ 253,286,000	76.9%
FY2013	$185,196,000	$ 268,223,000	69.0%
FY2014	$203,124,000	$ 277,499,000	73.2%
FY2015	$201,970,000	$ 301,367,000	67.0%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36 and 40; FY2012, p. 36 and 40; FY2013, p. 36 and 40; FY2014, p. 36 and 40; and FY2015, p. 36 and 40.

[61] Chicago Park District, FY2015 Comprehensive Annual Financial Report, p. 81.
[62] Chicago Park District, FY2017 Budget Summary, p. 27. The Long-Term Liability Reserve balance only decreased by $5.0 million in FY2015 instead of $12.5 million because of an $11.7 million transfer in from the Public Building Commission – Operating and Maintenance special revenue fund.
[63] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 36.
[64] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 26.
[65] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 36.
[66] Chicago Park District, FY2017 Budget Summary, p. 43.

Since the District demonstrated from FY2009-FY2013 that it was able to maintain a healthy level of reserves, the Civic Federation recommends that the District consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken should the fund balance continue to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity.

It is important to note that the implementation of GASB 54 in FY2011 required the District to incorporate in the General Fund fund balance special revenue funds that were previously reported separately.[67] One of those funds is the Long-Term Income Reserve Fund, which the District created with proceeds from its parking garage sales. The parking garage sales will be discussed later in this section.

The next table shows the General Fund unrestricted fund balance and fund balance ratio excluding the Long-Term Income Reserve Fund and Northerly Island Fund, which previously were not reported in General Fund fund balance. Even without these funds included in the fund balance calculation, the District's fund balance ratio has consistently been well above the GFOA's recommendation of 17% of expenditures.

In FY2011 the unrestricted fund balance included $95.8 million related to the Long-Term Income Reserve Fund and $4.3 million related to the Northerly Island Fund.[68] At the end of both FY2012 and FY2013, the unrestricted fund balance included nearly $96.0 million in the Long-Term Income Reserve Fund and $2.1 million in the Northerly Island Fund. In FY2012 and FY2013 the unrestricted fund balance excluding the Long-Term Income Reserves represented 38.2% and 32.8% of General Fund expenditures, respectively. In FY2014 Long-Term Reserves consisted of approximately $96.0 million in working capital and $1.0 million in the Northerly Island Fund. Excluding Long-Term Reserves in FY2014, Unrestricted Fund Balance comprised 38.2% of the General Fund. [69] In FY2015 Long-Term Reserves consisted of approximately $96.0 million in working capital and $689,000 in the Northerly Island Fund.[70] Excluding these Long-Term Reserves in FY2015, unrestricted fund balance comprised 34.9% of the General Fund.

Chicago Park District General Fund Fund Balance Excluding Long-Term Income Reserves: FY2011-FY2015

	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$82,082,000	$ 256,644,000	32.0%
FY2012	$96,777,000	$ 253,286,000	38.2%
FY2013	$87,925,000	$ 268,223,000	32.8%
FY2014	$106,138,000	$ 277,499,000	38.2%
FY2015	$105,305,000	$ 301,367,000	34.9%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 36 and 40; FY2012, pp. 36 and 40; FY2013, pp. 36 and 40; FY2014, p. 36 and 40; and FY2015, p. 36 and 40.

[67] Per GASB 54, the funds no longer met the definition of special revenue fund and began to be reported under the General Fund.
[68] Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36.
[69] Chicago Park District FY2012 Comprehensive Annual Financial Report, p. 36; FY2013, p. 36; and FY2014, p. 36.
[70] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 36.

Unreserved Fund Balance for the General Fund

Because of the GASB Statement No. 54 modification in fund balance reporting of audited financial statements, a direct comparison of fund balance is not possible before and after FY2011. Therefore, the table below shows the fund balance ratios for the five years prior to the FY2011 modification using the previous *unreserved* fund balance classification. Between FY2006 and FY2010, the General Fund unreserved fund balance grew considerably from a low of 2.8% in FY2006 to a high of 20.0% in FY2010. The Chicago Park District attributes the $22.0 million increase in the unreserved General Fund fund balance in FY2009 to a $10.6 million transfer of fund balance from the Public Building Commission (PBC) Operating Fund, a $7.9 million transfer from the Garage Revenue Capital Improvements Fund, a $2.1 million transfer from the Long-Term Income Reserve Fund and revenues exceeding expenditures.[71] In FY2010 the General Fund fund balance reached $47.6 million, or 20.0% of operating expenditures, thereby exceeding the GFOA's and the Park District's own minimum fund balance recommendation.

Chicago Park District General Fund Fund Balance: FY2006-FY2010			
	Unreserved General Fund Fund Balance	General Fund Expenditures	Ratio
FY2006	$6,488,000	$ 230,775,000	2.8%
FY2007	$14,175,000	$ 233,747,000	6.1%
FY2008	$18,154,000	$ 249,374,000	7.3%
FY2009	$40,111,000	$ 248,466,000	16.1%
FY2010	$47,617,000	$ 238,302,000	20.0%

Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2010.

Parking Garage Proceeds

In 2006 the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages (Grant Park North, Grant Park South and East Monroe) to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a Morgan Stanley, which gave the lease holder the right to provide parking garage services for 99 years.[72] The District set aside $69.1 million of the proceeds to extinguish garage related bonds. The full cash defeasance was $76.0 million, with the balance coming from funds that were already set aside to cover debt service and unspent cash proceeds.[73]

The remaining proceeds allowed the District to establish three funds:

- Garage Revenue Capital Improvements Fund – $122.0 million earmarked for capital improvement to neighborhood parks;
- Reserve for Park Replacement Fund – $35.0 million was set aside for park repair at Daley Bi-Centennial plaza above the East Monroe Garage once the Concessionaire completes agreed upon repairs to the garage; and

[71] Chicago Park District FY2011 Budget Summary, pp. 15 and 36.
[72] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp. 8 and 72.
[73] Information provided by the Chicago Park District, November 26, 2010.

- Long-Term Income Reserve Fund – $121.7 million to generate earnings to replace the approximately $5.0 million that was generated annually through parking garage revenues.[74] In FY2011 this reserve fund was merged with the General Fund with the implementation of GASB 54.

Chicago Park District Distribution of Parking Garage Proceeds: (in $ millions)	
Long-Term Income Reserve	$ 121.7
Garage Revenue Capital Improvements Fund	$ 122.0
Reserve for Park Replacement Fund	$ 35.0
Subtotal Allocated to Reserve Funds	**$ 278.7**
Bond Defeasance	$ 69.1
Total District Lease Transaction Proceeds	**$ 347.8**

Source: Chicago Park District FY2006 Comprehensive Annual Financial Report;
E-mail communication between the Civic Federation and the Chicago Park District, November 26, 2010.

The following chart illustrates the revenues and expenses for the reserve funds since their establishment in FY2006 for years that data are available. Some significant expenditure highlights of the funds include the following:

- The Long-Term Income Reserve fund earned a total of $7.4 million in interest and transferred out $12.3 million to replace lost parking garage revenues from FY2006 to FY2010. Starting in FY2011, this fund is reported within the General Fund;
- In FY2008, $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space;
- The Garage Revenue Capital Improvements Fund has spent a total of $106.0 million, the vast majority of which has been on capital improvements;
- In FY2009 transfers from the District's Long-Term Income Reserve Fund and the Garage Revenue Capital Improvements Fund to Current and Capital expenses fell by $21.9 million and $45.1 million, respectively, primarily because of the $21.9 million purchase of an administrative building and $52.1 million in capital improvements in FY2008;[75]
- In FY2010 a combined total of $8.0 million was transferred for General Fund operations from the Long-Term Income Reserve, Garage Revenue Capital Improvement Fund and Reserve for Park Replacement Fund;
- In FY2011 the District spent approximately $8.1 million on capital projects and $80,000 on park operations from the Garage Revenue Capital Improvements Fund;
- In FY2012 the District spent approximately $4.3 million from the Garage Revenue Capital Improvements Fund, including $4.2 million on capital projects and $46,000 on park operations, as well as $4.6 million from the Reserve for Park Replacement Fund;

[74] Chicago Park District FY2008 Budget Summary, p. 12.
[75] Chicago Park District FY2008 Comprehensive Annual Financial Report, p. 30.

- In FY2013 the District spent approximately $1.3 million from the Garage Revenue Capital Improvements Fund on capital related expenditures and $6.0 million from the Reserve for Park Replacement Fund;
- In FY2014 the Garage Revenue Capital Improvement Fund increased by $22.4 million over FY2013 to a balance of $36.4 as a result of the proceeds from the sale of the administration office;[76] and
- In FY2015 the Garage Revenue Capital Improvement Fund decreased by $1.6 million from $36.4 million in FY2014 due to increases in capital outlay.[77]

Parking Garage Reserve Funds: FY2006-FY2015
(in $ millions)

	Long-Term Income Reserve*	Garage Revenue Capital Improvements Fund	Reserve for Park Replacement Fund
Revenue			
Proceeds	$ 121.7	$ 122.0	$ 35.0
Interest and Misc. Earnings	$ 7.4	$ 22.5	$ 0.1
Transfers In	$ 0.9	$ -	$ -
Total	**$ 129.9**	**$ 144.5**	**$ 35.1**
Transfers Out to General			
FY2006	$ -	$ -	$ -
FY2007	$ (5.0)	$ -	$ -
FY2008	$ (5.0)	$ -	$ -
FY2009	$ (2.1)	$ (8.0)	$ (2.0)
FY2010	$ (0.2)	$ (7.7)	$ (0.1)
FY2011	$ -	$ -	$ -
FY2012	$ -	$ -	$ -
FY2013	$ -	$ -	$ -
FY2014	$ -	$ -	$ -
FY2015	$ -	$ -	$ -
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Current and Capital Expenses			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (25.1)	$ (1.1)
FY2011*	$ -	$ (8.2)	$ (0.3)
FY2012*	$ -	$ (4.3)	$ (4.6)
FY2013*	$ -	$ (1.3)	$ (6.0)
FY2014*	$ -	$ (0.9)	$ (22.8)
FY2015*	$ -	$ (3.6)	$ (0.4)
Total	**$ (21.9)**	**$ (110.5)**	**$ (35.4)**
Balance FY2015	**$ 95.7**	**$ 38.4**	**$ 0.2**

Note: Some differences may appear due to rounding.
*The Long-Term Income Reserve Fund was merged into the General Fund for accounting purposes in FY2011 with the implementation of GASB 54.
Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2015.

[76] Chicago Park District FY2014 Comprehensive Annual Financial Report, p. 28.
[77] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 28.

PENSION FUND

The Civic Federation analyzes four indicators of the fiscal health of the Chicago Park District pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators and describes Park District pension benefits. It is important to note that until July 1, 2012, the fiscal year of the pension fund was July 1 to June 30, while the District's fiscal year is January 1 to December 31. However, legislation was signed into law in August 2012 that matched the pension fund's fiscal year to the District's fiscal year starting January 1, 2013.[78] Therefore, except for the investment return section, data in this section are measured over the ten and a half years between the start of FY2006 and through the short fiscal year that ran between the end of FY2012 on June 30, 2012 and the start of FY2013 on January 1, 2013 and ends with the end of FY2015 on December 31, 2015. There is also a discussion of the Fund's liabilities as reported according to accounting standards required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68). Unless otherwise stated, the numbers used in this chapter are statutorily required numbers used for funding purposes.

Plan Description

The Park Employees' & Retirement Board Employees' Annuity and Benefit Fund is a single employer defined benefit pension plan for employees of the Chicago Park District and the Fund. It was created by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[79] Plan benefits and contribution amounts can only be amended through state legislation.[80] The Chicago Park District is the only park district in Illinois whose employees do not participate in the statewide Illinois Municipal Retirement Fund.

The Park District pension fund is governed by a seven-member Board of Trustees. As prescribed in state statute, four members are elected by the employees and three members are appointed by the Park District Board of Commissioners.[81]

As of December 31, 2015 there were 3,063 active members of the pension fund and 2,876 beneficiaries, for a ratio of 1.07 active members for every beneficiary, the highest ratio over the ten and a half years examined. The ratio has fluctuated over the decade between FY2006 and FY2015, but generally increased. For the Park District Pension Fund, between FY2006 and

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[78] Public Act 97-0973, signed into law on August 16, 2012, changed the pension fund's fiscal year to match that of the District. As the District's new fiscal year will begin on January 1, 2013, the period between July 1, 2012 and December 31, 2012 is referred to as a short fiscal year and a separate Comprehensive Annual Financial Report was produced for this six-month period. During the six-month period, employer contributions were equal to 1.10 times the employee contributions made from July 1, 2010 to December 31, 2010. The employer contribution for FY2013 was 1.10 times the contributions made by employees between January 1, 2011 to December 31, 2011. See Civic Federation, "Changes to Chicago Park District Pension Fund Fiscal Year," August 16, 2012. http://www.civicfed.org/civic-federation/blog/changes-chicago-park-district-pension-fund-fiscal-year.

[79] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2015, p. 16.

[80] The Chicago Park District pension article is 40 ILCS 5/12, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

[81] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2015, p. 2.

FY2013 the number of active employees increased and the number of beneficiaries declined, leading to a higher ratio. In FY2015 the number of active employees increased and the number of beneficiaries decreased again, leading to a higher ratio.

Park District Pension Fund Membership: FY2006-FY2015			
Fiscal Year	**Active Employees**	**Beneficiaries**	**Ratio of Active to Beneficiary**
FY2006	3,035	3,115	0.97
FY2007	3,040	3,056	0.99
FY2008	3,031	3,013	1.01
FY2009	2,895	3,013	0.96
FY2010	2,816	2,956	0.95
FY2011	2,795	2,913	0.96
FY2012	2,977	2,921	1.02
Six Months Ended 12/31/12*	3,053	2,906	1.05
FY2013	3,076	2,904	1.06
FY2014	2,973	2,891	1.03
FY2015	3,063	2,876	1.07
10.5-Year Change	**28**	**-239**	**0.09**
10.5-Year % Change	**0.9%**	**-7.7%**	**9.3%**

***** Persuant to Public Act 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's own fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of fiscal year 2013 on January 1, 2013.

Source: FY2006-FY2015 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Pension Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Park District pension fund.[82] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Public Act 98-0622, enacted in January 2014, made changes to the benefits of retirees, Tier 1 employees and Tier 2 employees. It also increased the contributions made by employees and the District. As a whole, the reform package was intended to increase the funded ratio to 90% by 2049 and 100% by 2054. A challenge to the reforms was filed on October 8, 2015 in Cook County Circuit Court and litigation is ongoing as of publication of this report.[83] No injunction on implementing the reforms is in place so the provisions went into effect on January 1, 2015 as scheduled. However, on October 19, 2016 the Cook County Circuit Court issued an Agreed Order freezing employee and employer contributions at FY2016 rates, reinstating automatic annual annuity increases for current retirees and requiring retroactive payments of retirees'

[82] A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.
[83] *Biedron v. Park Employees' and Retirement Board Employees' Annuity and Benefit Fund*, No. 15 CH 14869 (Cook County Cir. Ct. 2015).

foregone increases dating back to January 1, 2015.[84] The parties to the litigation, according to the District, will, "continue discussions over a modified approach to pension relief."[85] The next status hearing on the case is scheduled for December 21, 2015.

The latest actuarial projections show that under the reforms, the funded ratio of the pension fund would increase to 90% by 2048 and remain at that level thereafter.[86] However, the District has warned that if the litigation is struck down in its entirety as unconstitutional, the actuarially accrued liability of the Fund will increase by $111 million and the amount the District would have to put into the pensions to fund them at an actuarially sufficient level would increase by $10 million annually.

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

The following discussion includes benefit reforms as modified by P.A. 98-0622 because the parties have not reached a final agreement. Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least four years of employment at the District or reach age 50 with 30 years of service. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of service and a $57,000 final average salary could retire with a $41,040 annuity: 30 x $57,000 x 2.4% = $41,040.[87]

The following table compares Tier 1 benefits to Tier 2 benefits under the provisions of Public Acts 96-0889 and 98-0622. The major changes for Tier 2 benefits as enacted in 2010 were the increase in full retirement age from 60 to 65 and early retirement age from 50 to 62; the reduction of final average salary from the highest four-year average to the highest eight-year average; the $106,800 cap on final average salary; and the reduction of the automatic increase from 3% to the lesser of 3% or one-half of the increase in Consumer Price Index, simple interest.

[84] Agreed Order, Case No. 2015 CH 14869, October 19, 2016.
[85] Chicago Park District FY2017 Budget Summary, p. 43.
[86] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2015, p. 76.
[87] The average age at time of retirement as of December 31, 2015 was 58.4 years. The single largest age of service category of retirees for most of the past ten years was people with 30+ years of service. The average final average salary for that group as of December 31, 2015 was $57,024. Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2015, pp. 96 and 104.

Public Act 98-0622 increases Tier 1 early retirement age for those employees under 45 as of January 1, 2015 and reduces both full retirement age and early retirement age for Tier 2 employees. It also makes further changes as shown in the table on the next page.

Chicago Park District Pension Benefit Provisions Under Public Act 98-0622		
	Tier 1 Employees (hired before 1/1/2011)	**Tier 2 Employees (hired on or after 1/1/2011)**
Full Retirement Eligibility: Age & Service	age 60 with 4 years of service or age 50 with 30 years of service	age 65 with 10 years of service
Early Retirement Eligibility: Age & Service	- age 50 with 10 years of service for those aged 45 and older by 1/1/2015 - age 58 with 10 years of service for those under 45 years old as of 1/1/2015	age 60 with 10 years of service
Final Average Salary	highest average annual salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.25% per month under age 60	0.5% per month under age 65
Maximum Annuity	80% of final average salary	

*The $106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year.

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

Source: Park Employees' Annuity and Benefit Fund of Chicago FY2015 Comprehensive Annual Financial Report.

The following table shows the phased-in provisions of P.A. 98-0622. In addition to the reforms described above, the legislation makes changes to the automatic annual increase provision for all retirees and Tier 1 employees to match the provisions for Tier 2 employees. It also provides for three years in which automatic annual increases will be suspended for all retirees: 2015, 2017 and 2019. Employee and employer contributions are also increased on a phased-in basis.

However, under the Agreed Order issued by the Cook County Circuit Court on October 19, 2016, several of these provisions are frozen or rescinded. The automatic annual increase provisions applying to current retirees were cancelled and retirees given reimbursements of any automatic increases they missed. Additionally, employer and employee contributions were frozen at 2016 levels for FY2017 rather than increasing as scheduled under the law.[88] While there is not yet any publicly available actuarial analysis of the impact of the Agreed Order, the

[88] Agreed Order, Case No. 2015 CH 14869, October 19, 2016.

District has stated that if P.A. 98-0622 were struck down by the courts in its entirety, the liability of the Fund would increase by $111 million from the current level of $910 million.[89]

Phased-In Changes to Chicago Park District Pension Fund Benefits and Contributions						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Auto Annual Increase						
Tier 1	3% simple	0%	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%
Tier 2	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%	3% or 1/2 CPI*	0%
Duty Disability	75%	74%	74%	73%	73%	72%
Employee Contributions**	9.0%	10.0%	10.0%	11.0%	11.0%	12.0%
Employer Contributions**	1.1	1.7	1.7	2.3	2.3	2.9
Supplemental Employer Contributions***	-	$12.5 million	-	$12.5 million	-	$50.0 million

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

** Once the pension fund is 90% funded, the employee contribution rate will fall to 10.5%, but will go back up to 12.0% if the fund falls below 90% funded and the employer contribution will be whatever is needed to maintain 90% funded.

*** These contributions are intended to decrease the pension fund's unfunded liability and will not decrease the employer's contribution in the respective fiscal year.

Source: Public Act 98-0622

Funded Ratio

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations. The best situation for any pension fund is to be fully funded, with 100% of accrued liabilities covered by assets because it means that the plan is doing a good job of maintaining intergenerational equity with current taxpayers appropriately paying for the cost of current public employees' benefits. There is no official industry standard or best practice for an acceptable funded ratio other than 100%.[90]

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[91] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial value funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for the Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 76.8% in FY2006 to 43.4% in the short fiscal year ended December 31, 2012 before increasing to 45.5% in FY2013 as a result of reduced liabilities under P.A. 98-0622. The actuarial funded ratio fell in FY2014 and FY2015 due to an increase in the actuarial accrued liability because of benefit

[89] Chicago Park District FY2017 Budget Presentation, p. 10.
[90] American Academy of Actuaries, "Issue Brief: The 80% Pension Funding Standard Myth," July 2012. http://actuary.org/files/80%25_Funding_IB_FINAL071912.pdf
[91] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012,* October 2, 2014.

payments larger than offsetting fund income.[92] The market value funded ratio fell from a high of 80.9% in FY2007 to 42.4% as of December 31, 2012 before rebounding to 49.1% in FY2013 as a result of high investment returns and the reduction of liabilities through P.A. 98-0622. The market value funded ratio fell in FY2014 and FY2015 as a result of market investment returns below expectations and the growth in the actuarial accrued liability.

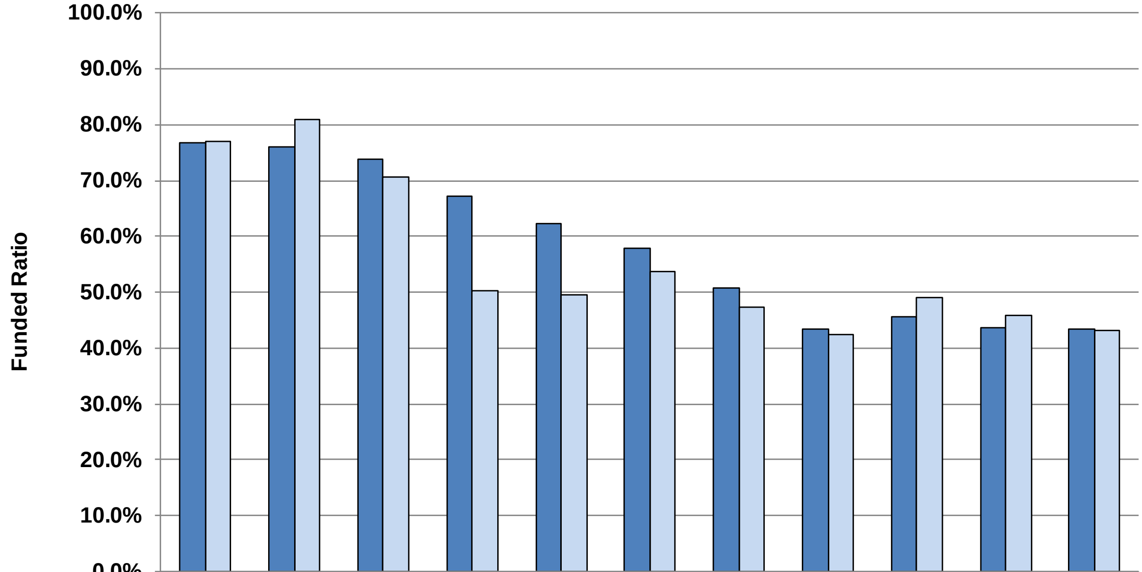
The continued decline in funded ratio is a cause for significant concern. At a meeting of the Park District Pension Fund Board on June 20, 2013, a projection was provided that showed if nothing changed the fund would have run out of money in 2023 even if it met its investment assumptions.[93]

The increased employer and employee contributions and the benefit provisions of P.A. 98-0622 had been projected to increase the pension fund's funded ratio to 90% by FY2048.[94] However, the fund believes that, "It is near certain that the Circuit Court will find that Public Act 098-0622 is unconstitutional." This is because the Illinois Supreme Court struck down a similar law for the City of Chicago's Municipal and Laborers' Funds in March 2016. While the parties to the

[92] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2014, p. 81.
[93] Record of Proceedings of the Retirement Board of the Park Employees' Annuity and Benefit Fund, Scheduled Regular Board Meeting Thursday, June 20, 2013, p. 2.
[94] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2015, p. 76.

lawsuit have an Agreed Order keeping some provisions of the reform law in place for the time being, if the law were struck down, the funded ratio of the District fund would drop significantly.

Chicago Park District Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets FY2006-FY2015



	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	Six Months Ended 12/31/12	FY2013	FY2014	FY2015
Actuarial Value	76.8%	76.0%	73.8%	67.2%	62.3%	58.0%	50.9%	43.4%	45.5%	43.7%	43.5%
Market Value	76.9%	80.9%	70.7%	50.3%	49.5%	53.7%	47.4%	42.4%	49.1%	45.9%	43.2%

Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculations based on FY2006-FY2015 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

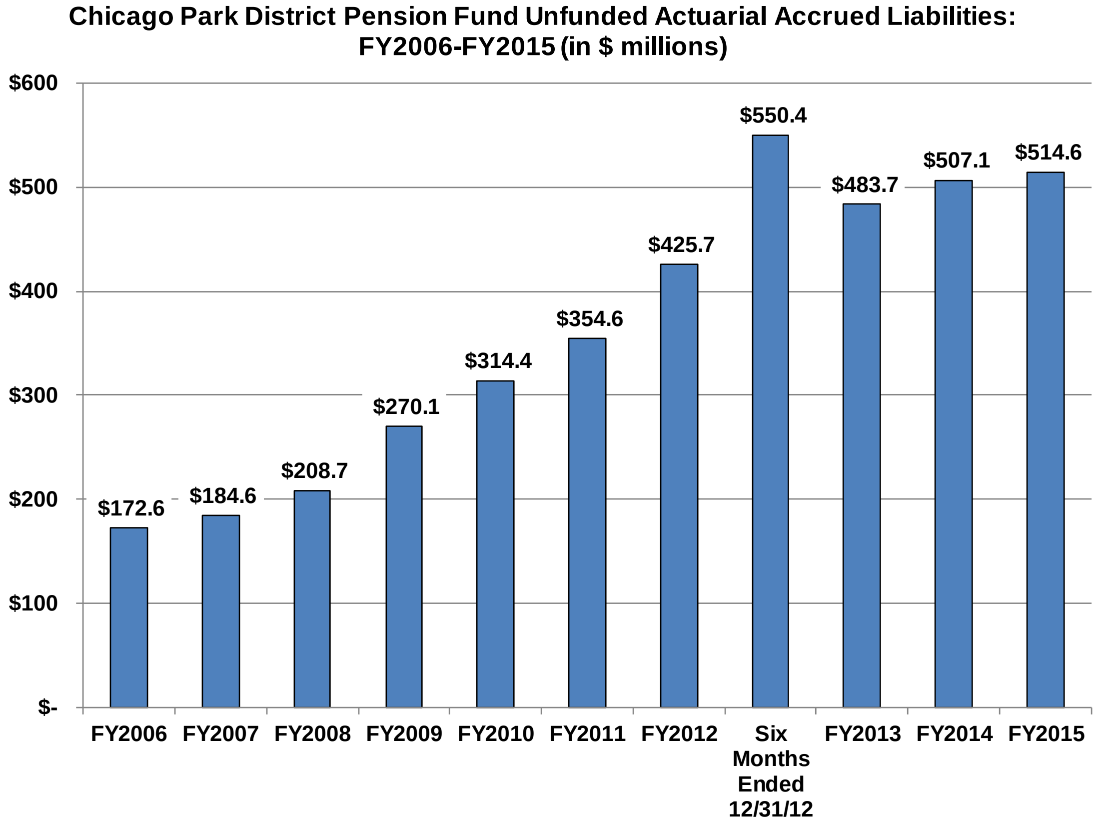
Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liabilities for the Park District pension fund totaled $514.6 million as of December 31, 2015, up from $507.1 million as of December 31, 2014, but still down from $550.4 million as of December 31, 2012. The reduction in actuarial liabilities in FY2013 was caused by the pension benefit reductions contained in P.A. 98-0622. The FY2013 UAAL was $109.4 million less than it would have been without the pension reform legislation.[95] The FY2014 and FY2015 unfunded liabilities went up from the previous year mostly because the employer contribution was insufficient for the needs of the fund. The increase in FY2015 was despite higher employer contributions under P.A. 98-0622 that started in FY2015.

Changes in actuarial assumptions, as discussed above, contributed to the sharp jump in unfunded liabilities between June 30, 2012 and December 31, 2012. The UAAL as of December 31, 2012

[95] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2013, p. 45.

was $92.4 million larger than it would have been without the actuarial changes made for that valuation.



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: FY2006-FY2015 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2006. The largest contributor to the $368.0 million growth in unfunded liabilities between the beginning of FY2006 and the end of FY2015 was shortfall in employer contributions as compared to the payment necessary to prevent an increase in the unfunded liability, or normal cost plus interest. The shortfall added nearly $187.7 million to the unfunded liability. Investment returns failing to meet the expected rate of return was the second largest contributor, which added nearly $143.8 million to the unfunded actuarial accrued liability over ten and a half years.[96] The chart below also shows the reduction to the UAAL in FY2013 from the benefit reductions contained in the District's pension reform legislation.

Reasons for Change in Unfunded Actuarial Accrued Liability: FY2006-FY2015						
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Demographics and Other*	Benefit Enhancements/ (Benefit Reductions)	Change in Actuarial Assumptions or Methods	Total Net UAAL Change
FY2006	$ 10,061,171	$ 15,047,000	$ 890,377	$ -	$ -	**$ 25,998,548**
FY2007	$ 7,934,264	$ (6,916,000)	$ 11,031,309	$ -	$ -	**$ 12,049,573**
FY2008	$ 10,238,362	$ (327,000)	$ 13,820,052	$ -	$ 337,000	**$ 24,068,414**
FY2009	$ 12,183,923	$ 33,650,000	$ 15,605,399	$ -	$ -	**$ 61,439,322**
FY2010	$ 16,199,403	$ 34,405,000	$ (6,303,475)	$ -	$ -	**$ 44,300,928**
FY2011	$ 21,088,308	$ 24,490,749	$ (5,499,669)	$ -	$ -	**$ 40,079,388**
FY2012	$ 24,169,436	$ 40,119,103	$ 6,817,285	$ -	$ -	**$ 71,105,824**
Six Months Ended 12/31/12	$ 15,020,049	$ 13,039,011	$ 4,177,290	$ -	$ 92,444,312	**$ 124,680,662**
FY2013	$ 32,112,909	$ 3,878,943	$ 6,793,720	$ (109,413,864)	$ -	**$ (66,628,292)**
FY2014	$ 28,967,102	$ (10,929,182)	$ 5,309,076	$ -	$ -	**$ 23,346,996**
FY2015	$ 9,686,630	$ (2,629,339)	$ 473,038	$ -	$ -	**$ 7,530,329**
10.5-Year Total	**$ 187,661,557**	**$ 143,828,285**	**$ 53,114,402**	**$ (109,413,864)**	**$ 92,781,312**	**$ 367,971,692**

* Starting in FY2012, the fund's new actuary combines the "salary increase" and "other" categories into one category, "Demographics and other." FY2005-FY2011 recategorized to match.

Source: FY2006-FY2015 Chicago Park District Pension Fund CAFRs.

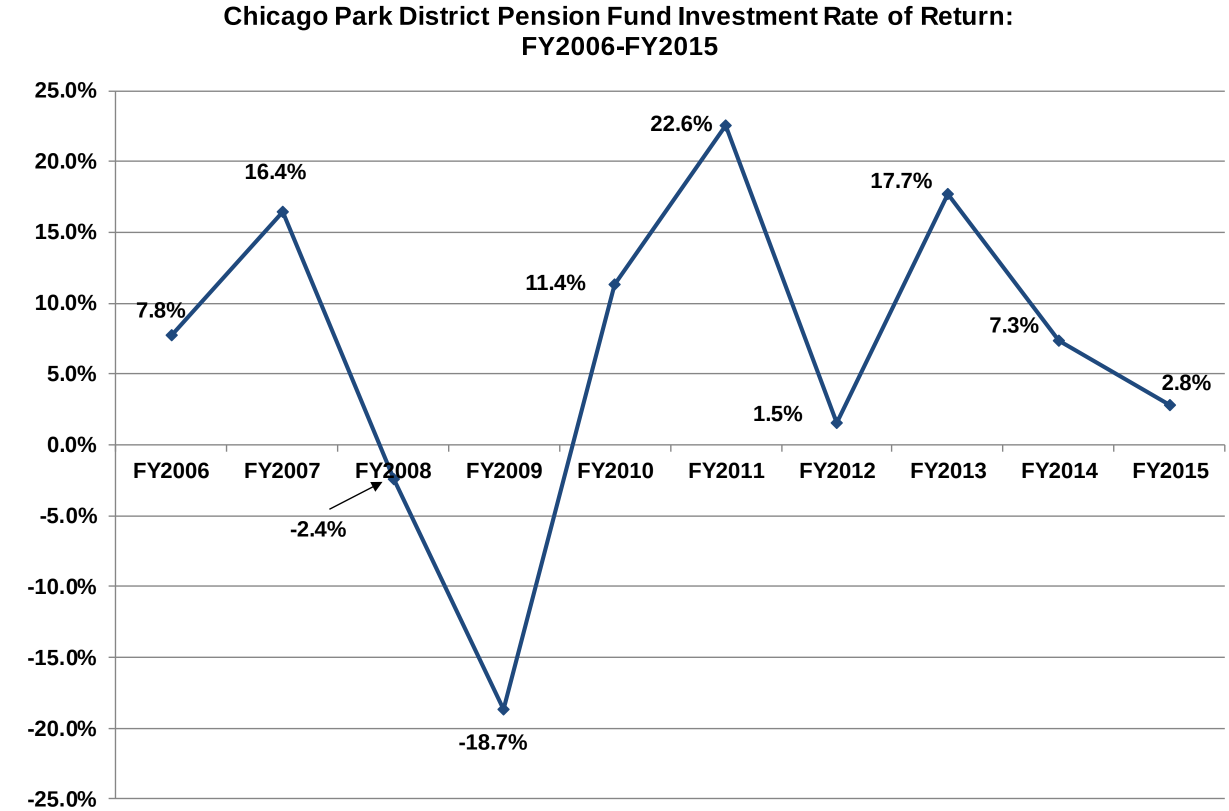
Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2006 and FY2015, the Park District pension fund's average annual rate of return was 6.6%.[97] Because the formula the Civic Federation uses to calculate investment rate of return is intended to compare full year returns, the Federation cannot include returns for the short fiscal year ended December 31, 2012. Returns between FY2006 and FY2015 ranged from a high of 22.6% in FY2011 to a low of -18.7% in FY2009. It is important to remember when reading the following

[96] The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2012*, October 2, 2014.

[97] The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income/ (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets – Current Year Gross Investment Income)). This is not necessarily the formula used by the pension fund's actuary and investment managers, thus investment rates of return reported here may differ from those reported in a fund's actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.

chart that the FY2013 and FY2014 returns reflect a calendar year fiscal year, whereas the FY2005-FY2012 returns reflect a July-June fiscal year.



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculation based on FY2006-FY2015 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Pension Liabilities and Actuarially Determined Employer Contribution as Reported Under Governmental Accounting Standards Board Statements No. 67 and 68

In 2012 the Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting standards for public pension plans and for governments, Statements 67 and 68. According to GASB, the new standards were intended to "improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations."[98] Among other disclosures, pension funds and governments are now required to report total pension liability, fiduciary net position, net pension liability, pension expense and actuarially determined contribution (ADC), which are calculated on a different basis from previous GASB 25 and 27 pension disclosure requirements. Both pension funds and governments must also disclose additional information about pensions in the notes to the financial statements and in required supplementary information sections. It is important to note that GASB intended to separate pension reporting from pension funding. Thus, the numbers reported according to GASB 67 and 68 standards are not used to determine how

[98] Governmental Accounting Standards Board, Pension Standards for State and Local Governments. Available at: http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472.

much a government must contribute to its pensions. They are a reporting, NOT a funding requirement. The Chicago Park District and other governments will continue to use traditional public pension accounting methods to determine funding requirements. However, as the GASB 67 and 68 numbers can provide important new ways to understand a fund's sustainability, the Federation will address them here.

The Park District Pension Fund began reporting according to GASB 67 in its FY2014 CAFR and actuarial valuations. The District itself began reporting according to GASB 68 in its FY2015 financial statements.

The total pension liability, fiduciary net position, net pension liability and ADC[99] are all calculated on a different basis both from what used to be required by GASB and from the traditional public pension actuarial basis.

Total Pension Liability – This number is similar in concept to the actuarial accrued liability (AAL) discussed above, but is NOT the same. The actuarial cost method and discount rate (among other things) are different. All plans are required to use:

- Entry age normal actuarial cost method and level percent of payroll. The Park District Pension Fund uses the entry age normal method for statutory reporting and funding purposes.
- A single blended discount rate, instead of basing the discount rate only on projected investment earnings. The discount rate is used to calculate the present value of the future obligations of a pension fund. The discount rate has an inverse relationship to actuarial liabilities, such that a lower discount rate will result in higher liabilities.
    - If a government is projected to have enough assets to cover its projected benefit payments to current and inactive employees, it can use the expected return on investments as its discount rate.
    - If a government is projected to reach a crossover point beyond which projected assets are insufficient to cover projected benefit payments, then a blended discount rate must be used. Benefit payments projected to be made from that point forward are discounted using a high-quality municipal bond interest rate. The blended rate is a single equivalent rate that reflects the investment rate of return and the high-quality municipal bond interest rate.
    - Under the funding provisions of P.A. 98-0622, the Park District Pension Fund was not projected to reach the crossover point, so its GASB 67 and 68 reporting is discounted at the full 7.5% assumed rate of return.

Fiduciary Net Position – This number is essentially the market value of assets in the pension plan as of the end of the fiscal year, not the assets as calculated on an actuarially smoothed basis under previous reporting requirements. The Park District Fund uses smoothed actuarial value of assets to determine statutory employer contribution requirements.

Net Pension Liability – This number is similar in concept to the unfunded actuarial accrued liability, but again is NOT the same. It is the difference between the Total Pension Liability and the Fiduciary Net Position of the fund. Governments are required to report the Net

[99] Other differences and newly reported numbers are not central to the discussion here.

Pension Liability in their Statements of Net Position in their financial statements, according to GASB 68.

Actuarially Determined Contribution (ADC) – Another change from previous standards is that funds are no longer required to report an Annual Required Contribution (ARC) based on standards promulgated by GASB. Instead, the funds calculate an Actuarially Determined Contribution or ADC that reflects their own funding plan, unless that funding scheme does not follow actuarial standards of practice. Then the fund must report an ADC that is calculated according to actuarial standards of practice. It is again important to emphasize that the ADC is a reporting and not a funding requirement. See the discussion below for a summary of how the basis for calculating the Park District Fund ADC relates to the ARC.

Difference Between the ADC and ARC

Depending on the employer's funding plan, a pension fund's ADC may be very similar to the previously reported ARC. The chart below summarizes the main assumptions behind the Park District Pension Fund calculations of ADC and ARC. The Fund uses a 30-year closed amortization period, of which 27 years were left as of December 31, 2015. For ARC reporting, the Fund used a 30-year open amortization period until 2012, after which it started to use a 30-year closed period. An open amortization period remains the same every year (e.g., each valuation amortizes UAAL over 30 years), while a closed amortization period declines as each year passes (e.g., successive valuations amortize at 30 years, 29 years, 28 years, etc.). Between 2005 and 2012, the Fund per State statute used the projected unit credit actuarial cost method, but now uses the level dollar method when calculating the actuarially determined contribution. A level dollar amount amortization represents a declining burden over time because as payroll increases in the future, the level amortization amount equals a smaller percent of payroll. In contrast, a level percent of payroll amortization has the effect of "back-loading" the amortization payments because as payroll increases, so does the dollar amount of the amortization.

The ADC uses the actuarially calculated UAAL number instead of the GASB 67 net pension liability number, which also makes it similar to the ARC. Additionally, the ADC need not follow the GASB 67 and 68 requirement of using the market value of assets. The Park District Fund uses a five-year smoothed valuation of assets.

Calculation of the Actuarially Determined Contribution (ADC) vs the Annual Required Contribution (ARC)

	ADC (FY2014 and After)	ARC (FY2013 and Earlier)
Amortization Period	30-year closed (27 years remaining)	30-year open (until 2012)
Amortization Method	Level Dollar	Level Dollar
Actuarial Cost Method	Entry Age	Projected Unit Credit (2005-2012)
Actuarial Value of Assets	5-year smoothed	5-year smoothed
Investment Rate of Return	7.50%	7.50%

Source: Chicago Park District Pension Fund FY2015 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a relatively similar basis, the Civic Federation will continue to analyze the trend of the difference between the reported ADC/ARC and the statutorily required employer contribution the Park District must make under state law.

The following table compares the ADC/ARC to the actual Park District contribution over the last ten years. In FY2005 the ARC had nearly doubled from the previous year and the actual employer contribution was reduced by approximately half. While not represented in the chart below, it is important to note that the percent of ARC contributed dropped from 120.0% in FY2004 to only 30.2% in FY2005. This dramatic reversal, which continued in FY2006, was largely due to Public Act 93-0654, which provided benefit enhancements and an early retirement incentive as well as a temporary reduction in statutorily required employer contributions. These changes increased the fund's actuarial liability by $57.2 million.[100] In FY2015 the difference between the ADC and the actual employer contribution was $5.7 million. The increased employer funding schedule required under P.A. 98-0622 started in FY2015, meaning that while the District's FY2014 employer payment was made under the old funding schedule based on 1.1 times employee contributions made two years prior, in FY2015 the District contributed 1.7 times employee contributions made two years prior and made an extra required contribution of $12.5 million, for a total contribution of $30.6 million, compared to $11.2 million in FY2014.

Expressing ADC/ARC as a percentage of payroll provides a sense of scale and affordability. In FY2006 the ARC was 16.3% of payroll while the actual employer contribution was 5.1% of payroll. In FY2015 the ADC was 29.6% of payroll while the actual employer contribution was 25.0% of payroll. Employees contributed 10.0% of salary to the pension fund in FY2015.

Chicago Park District Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statements No. 25 & 67

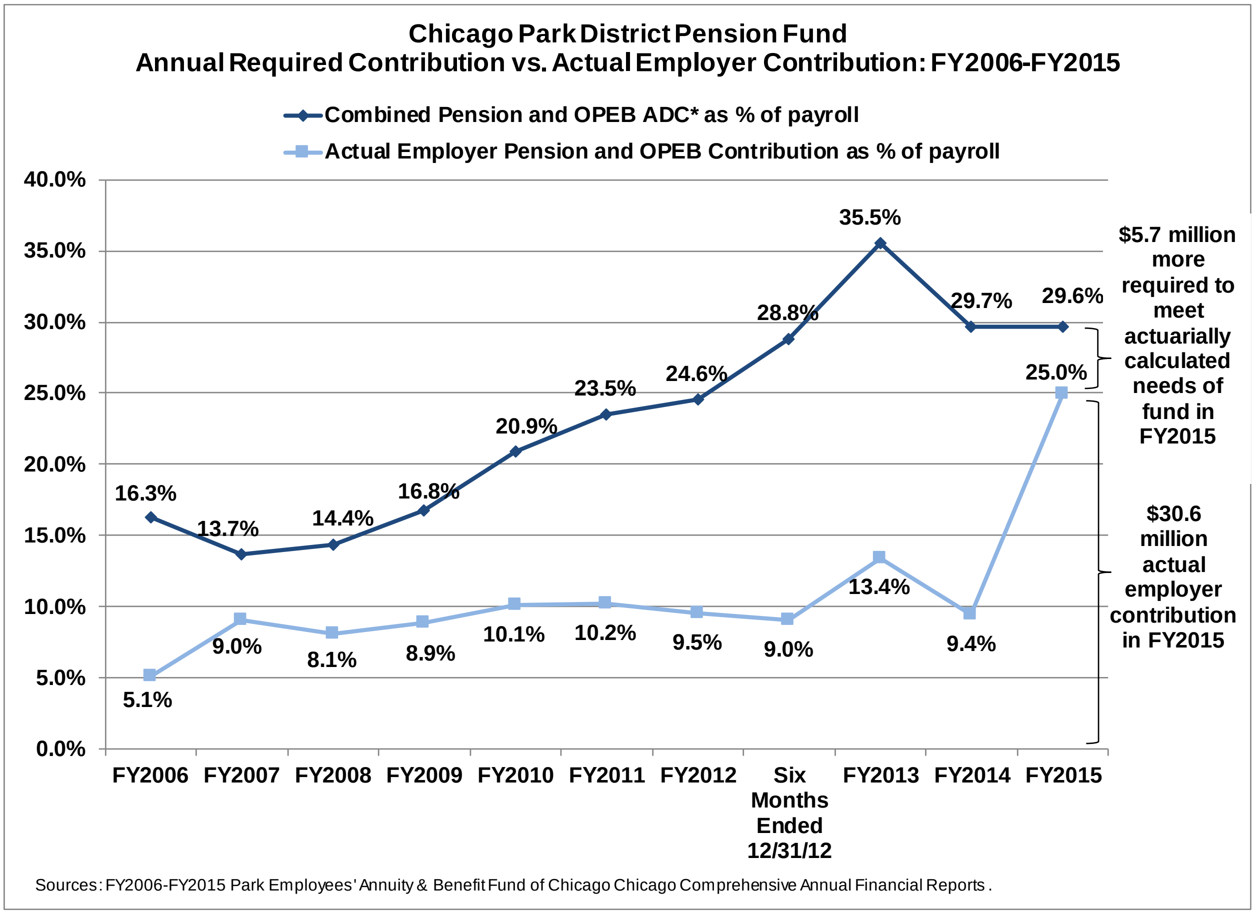
Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2006	$ 16,436,993	$ 5,173,860	$ 11,263,133	31.5%	$ 101,058,024	16.3%	5.1%
2007	$ 14,571,540	$ 9,594,593	$ 4,976,947	65.8%	$ 106,601,982	13.7%	9.0%
2008	$ 16,073,257	$ 8,998,687	$ 7,074,570	56.0%	$ 111,698,366	14.4%	8.1%
2009	$ 18,285,474	$ 9,677,765	$ 8,607,709	52.9%	$ 108,882,742	16.8%	8.9%
2010	$ 22,399,740	$ 10,829,339	$ 11,570,401	48.3%	$ 107,361,021	20.9%	10.1%
2011	$ 25,319,145	$ 10,981,419	$ 14,337,726	43.4%	$ 107,686,693	23.5%	10.2%
2012	$ 28,051,528	$ 10,868,361	$ 17,183,167	38.7%	$ 114,223,909	24.6%	9.5%
Six Months Ended 12/31/12	$ 16,786,671	$ 5,268,363	$ 11,518,308	31.4%	$ 58,231,511	28.8%	9.0%
2013	$ 41,834,857	$ 15,804,452	$ 26,030,405	37.8%	$ 117,781,596	35.5%	13.4%
2014	$ 35,307,186	$ 11,225,438	$ 24,081,748	31.8%	$ 118,987,507	29.7%	9.4%
2015	$ 36,273,994	$ 30,588,976	$ 5,685,018	84.3%	$ 122,382,584	29.6%	25.0%

* Before 2014 Annual Required Contribution or ARC.
Source: FY2006-FY2015 Park Employees' Annuity and Benefit Fund of Chicago CAFRs.

The graph below illustrates the gap between the ADC/ARC as a percentage of payroll and the actual employer contribution as a percentage of payroll. In FY2006 the combination of benefit enhancements and a partial contribution holiday for the employer created an 11.1 percentage point gap between the ARC and employer contribution. In FY2015 the gap had closed to 4.6 percentage points from 20.3 percentage points the previous year. In other words, to fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability

[100] Park Employees' Annuity and Benefit Fund of Chicago FY2004 Comprehensive Annual Financial Report, p. 47.

over 27 years the District would have needed to contribute an additional 4.6% of payroll, or $5.7 million, in FY2015.



OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a healthcare plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least four years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65, generally those hired after April 1984, are not covered by the District's healthcare plan.[101]

The District funds retiree healthcare on a pay-as-you-go basis. In FY2015 the District contributed $2.1 million and plan members contributed $1.9 million, or 48.5% of premiums. The monthly required retiree contributions for HMO/PPO coverage were $493/$782 for retiree only, $972/$1,431 for retiree and spouse, and $1,392/$2,049 for family coverage, respectively.[102]

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement No. 45. The ARC represents the amount needed to

[101] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 78.
[102] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 78.

cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2015 was nearly $3.2 million. Contributions were made in the amount of $2.1 million. The net OPEB obligation increased by $1.1 million, from $18.4 million to $19.5 million.[103]

OPEB Costs for Chicago Park District Retiree Heath Care Plan: FY2015 (in $ thousands)		
Annual Required Contribution	$	3,519.0
Adjustment to ARC	$	(991.0)
Interest on net OPEB obligation	$	630.0
Annual OPEB Cost	**$**	**3,158.0**
Contributions Made	**$**	**2,056.0**
Increase in net OPEB obligation	$	(1,102.0)
Net OPEB Obligation - January 1, 2014	**$**	**18,411.0**
Net OPEB Obligation - December 31, 2014	**$**	**19,513.0**

Source: Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 78.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree healthcare benefits was $49.8 million based on the most recent actuarial valuation as of January 1, 2015. The plan has no assets because it is funded on a pay-as-you-go basis; thus all liabilities are unfunded and the funded ratio is 0%.

Chicago Park District OPEB Funded Status: January 1, 2015 (in $ thousands)	
Actuarial Accrued Liability	$49,840.0
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$49,840.0

Source: Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 79.

SHORT TERM LIABILITIES

Short-term liabilities are financial liabilities that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The following are the different types of short-term liabilities reported in the FY2011-FY2015 Chicago Park District audited financial reports:

- *Accounts Payable & Accrued Expense*: Unpaid bills owed to vendors for goods and services carried over into the new fiscal year;

[103] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

- *Accrued Payroll*: Employee compensation, related payroll taxes and benefits that have been earned by District employees but have not yet been paid or recorded in the District's accounts;
- *Due To Other Funds or Organizations*: Funds to be paid to other funds, governments or agencies carried over from the previous fiscal year;
- *Retainage Payable*: Amounts due on construction or other contracts not paid pending final inspection or completion of the project or the lapse of a specified period, or both;
- *Other Liabilities*: Includes self-insurance funds, unclaimed property and other unspecified liabilities; and
- *Deposits*: Funds held by the District or its agents to collateralize other investment risks.

In FY2015 the District's short-term liabilities decreased by $44.4 million, or 25.3%, from the previous year. Since 2011 short-term liabilities overall have decreased by nearly $22.0 million, or 14.3%.

Most of the five-year decrease in short-term liabilities, or $24.0 million, is due to a large decrease in accounts payable and accrued expenses between FY2014 and FY2015. The reason for the large amount of accounts payable and accrued expenses in FY2014 was that CPD received several invoices at or after the end of the fiscal year. This included $112 million for construction in progress related to nearly 100 new capital projects as well as partial completion of Maggie Daley Park and the completion of 103 new sites in the Chicago Plays! Equipment Program. The amount of accounts payable decreased sharply in FY2015 primarily because capital outlay expenditures decreased. That included completion of $38 million in construction projects as well as the capitalization of $4.6 million in projects related to the Save America's Treasures program and the completion of 77 new sites in the Chicago Plays! Equipment Program.[104]

The Chicago Park District usually reports large amounts in the "due to other funds" category. These outstanding balances between funds result mainly from the time lag between the dates the expenditures occur in the "borrowing" fund and when repayment is made back to the "disbursing" fund. The balances are repaid during the next fiscal year.[105]

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2011-FY2015
(in $ thousands)

Type	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Accounts payable & accrued expenses	$ 61,949	$ 58,626	$ 60,659	$ 60,985	$ 37,010	$ (23,975)	-39.3%	$ (24,939)	-40.3%
Accrued payroll	$ 2,308	$ 3,532	$ 3,675	$ 4,465	$ 5,060	$ 595	13.3%	$ 2,752	119.2%
Due to other funds	$ 79,442	$ 90,499	$ 110,928	$ 101,983	$ 77,974	$ (24,009)	-23.5%	$ (1,468)	-1.8%
Due to other organizations	$ 3,781	$ 460	$ 582	$ 536	$ 6,061	$ 5,525	1030.8%	$ 2,280	60.3%
Retainage payable	$ 4,958	$ 4,400	$ 4,124	$ 7,354	$ 4,492	$ (2,862)	-38.9%	$ (466)	-9.4%
Deposits	$ 766	$ 704	$ 1,099	$ 353	$ 644	$ 291	82.4%	$ (122)	-15.9%
Total	**$ 153,204**	**$ 158,221**	**$ 181,067**	**$ 175,676**	**$ 131,241**	**$ (44,435)**	**-25.3%**	**$ (21,963)**	**-14.3%**

Sources: Chicago Park District FY2011-2015 Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds.

[104] Information provided by Chicago Park District Budget Office, December 5, 2016.
[105] Chicago Park District FY2015 Comprehensive Annual Financial Report, Note 4: Interfund Balances and Activity, p. 63.

Factoring out the amounts reported in the due to other funds category, short term liabilities have decreased by 27.7%, or $20.4 million, between FY2011 and FY2015. The decrease is a positive sign.

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2011-FY2015 Without Liabilities Due to Other Funds (in $ thousands)									
	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Total	$ 73,762	$ 67,722	$ 69,744	$ 74,044	$ 53,327	$ (20,717)	-28.0%	$ (20,435)	-27.7%

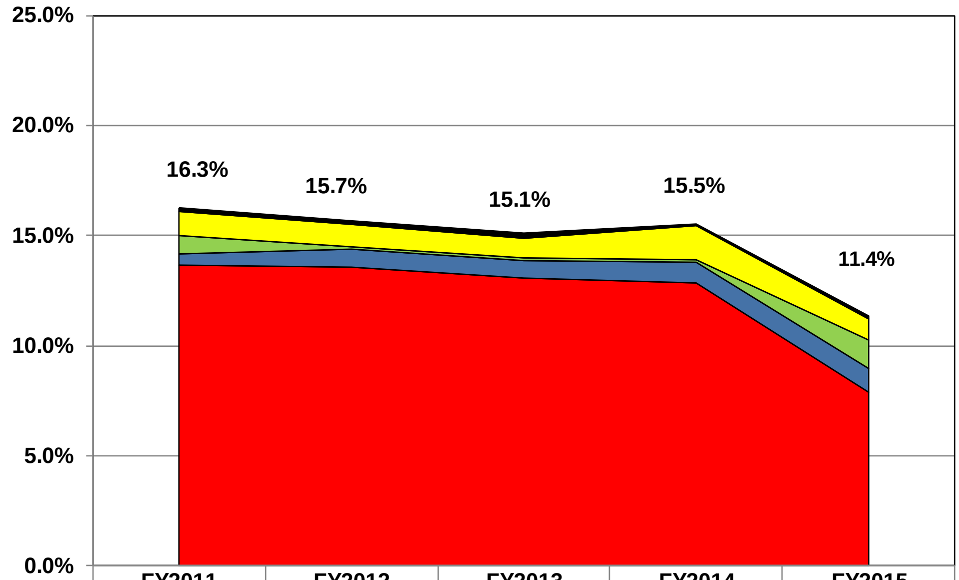
Sources: Chicago Park District FY2011-2015 Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds.

Increasing short-term liabilities in a government's operating funds as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[106] The short-term liabilities to net operating revenues ratio, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. We have excluded due to other funds amounts in calculating the short-term liabilities ratio as these amounts represent interfund borrowings. The exhibit shows that the ratio decreased between FY2011 and FY2015, falling from 16.3% to 11.4%. This is a positive trend.

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

Most of the decrease is due to the large decrease in accounts payable and accrued expenses between FY2014 and FY2015.

Chicago Park District Short-Term Liabilities in the Governmental Funds as a % of Operating Revenues: FY2011-FY2015

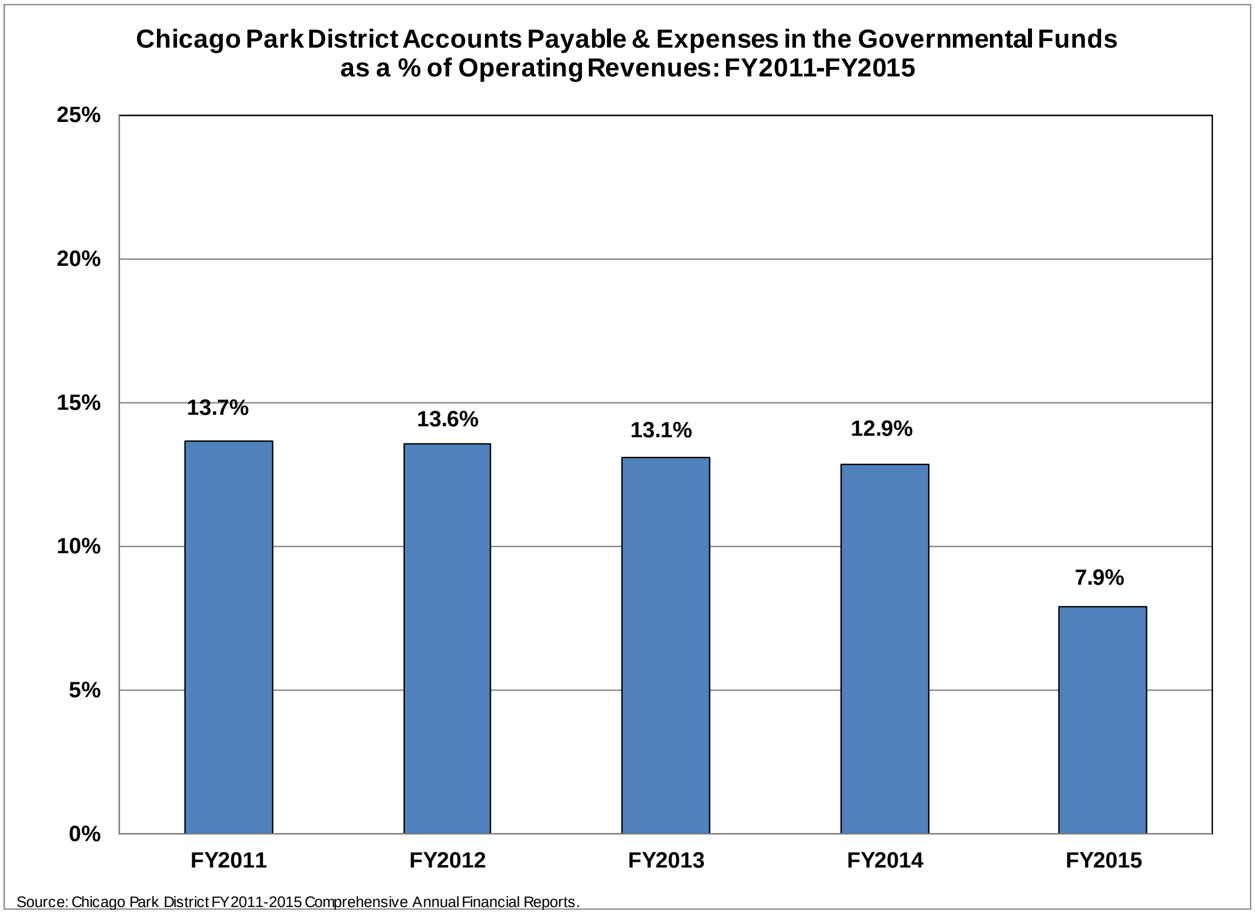


	FY2011	FY2012	FY2013	FY2014	FY2015
Deposits	0.2%	0.2%	0.2%	0.1%	0.1%
Retainage payable	1.1%	1.0%	0.9%	1.5%	1.0%
Due to other organizations	0.8%	0.1%	0.1%	0.1%	1.3%
Accrued Payroll	0.5%	0.8%	0.8%	0.9%	1.1%
Accounts Payable & Expenses	13.7%	13.6%	13.1%	12.9%	7.9%

Source: Chicago Park District FY2011-2015 Comprehensive Annual Financial Reports.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable and accrued expenses to operating revenues declined from 13.7% in FY2011 to 7.9% five years later. The decrease between FY2011 and FY2015 is a positive sign.



Current Ratio

The current ratio is a measure of liquidity. The ratio is calculated by dividing current assets by current liabilities. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[107]

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

- *Cash and cash equivalents*: Assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: Any investments that will expire within one year, including stocks and bonds that can be liquidated quickly;

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

- *Receivables*: Monetary obligations owed to the government, including property taxes, personal property replacement taxes and accounts receivable;
- *Due from other governments or other funds:* 1) Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government or 2) Monies due from non-governmental funds;
- *Prepaid items:* Prepaid items represent certain payments made to vendors applicable to future accounting periods. The cost of these items are reported expenditures when they are consumed rather than when they are purchased;[108] and
- *Other current assets*: Payments to vendors applicable to future accounting periods.

The Chicago Park District's Governmental Funds current ratio was 5.1 in FY2015, the most recent year for which data are available. In the past five years, the District's current ratio averaged 4.7, which is greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2011 to FY2015, the current ratio declined slightly from 5.5 to 5.1. The decline occurred because current assets declined at a faster rate ($173.6 million or 20.7%) than current liabilities ($21.9 million or 14.3%). There was an especially large decline in investment assets, which fell by $164.9 million or 40.5%.

Chicago Park District Current Ratio in the Governmental Funds: FY2011-FY2015
(in $ thousands)

	FY2011	FY2012	FY2013	FY2014	FY2015	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Current Assets									
Cash and cash equivalents	$ 3,980	$ 8,807	$ 11,188	$ 14,757	$ 37,735	$ 22,978	155.7%	$ 33,755	848.1%
Cash and investments in escrow	$ -	$ 2,776	$ 6,259	$ 2,031	$ -	---	---	---	---
Cash with fiscal agent	$ 30,841	$ -	$ 16,917	$ -	$ -	$ -	---	$ (30,841)	---
Investments	$ 407,482	$ 346,954	$ 293,526	$ 281,297	$ 242,602	$ (38,695)	-13.8%	$ (164,880)	-40.5%
Receivables: Property Taxes, net	$ 265,910	$ 258,232	$ 252,037	$ 259,968	$ 261,940	$ 1,972	0.8%	$ (3,970)	-1.5%
Receivables: PPRT	$ 5,936	$ 6,088	$ 7,679	$ 6,658	$ 6,292	$ (366)	-5.5%	$ 356	6.0%
Receivables: Accounts	$ 42,462	$ 47,346	$ 61,573	$ 54,273	$ 34,868	$ (19,405)	-35.8%	$ (7,594)	-17.9%
Due from other funds	$ 79,442	$ 90,499	$ 110,928	$ 101,983	$ 77,974	$ (24,009)	-23.5%	$ (1,468)	-1.8%
Due from other governments	$ -	$ 331	$ -	$ -	$ 421	$ 421	---	$ 421	---
Prepaid items	$ -	$ 1,037	$ 843	$ 1,500	$ 1,512	$ 12	---	$ 1,512	---
Other current assets	$ 1,229	$ 331	$ 330	$ 56	$ 304	$ 248	442.9%	$ (925)	-75.3%
Total Current Assets	**$ 837,282**	**$ 762,401**	**$ 761,280**	**$ 722,523**	**$ 663,648**	**$ (58,875)**	**-8.1%**	**$ (173,634)**	**-20.7%**
Current Liabilities									
Accounts payable & accrued expenses	$ 61,949	$ 58,626	$ 60,659	$ 60,985	$ 37,010	$ (23,975)	-39.3%	$ (24,939)	-40.3%
Accrued payroll	$ 2,308	$ 3,532	$ 3,675	$ 4,465	$ 5,060	$ 595	13.3%	$ 2,752	119.2%
Due to other funds	$ 79,442	$ 90,499	$ 110,928	$ 101,983	$ 77,974	$ (24,009)	-23.5%	$ (1,468)	-1.8%
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Retainage payable	$ 4,958	$ 4,400	$ 4,124	$ 7,354	$ 4,492	$ (2,862)	-38.9%	$ (466)	-9.4%
Deposits	$ 766	$ 704	$ 1,099	$ 353	$ 644	$ 291	82.4%	$ (122)	-15.9%
Total Current Liabilities	**$ 153,204**	**$ 158,221**	**$ 181,067**	**$ 175,676**	**$ 131,241**	**$ (44,435)**	**-25.3%**	**$ (21,963)**	**-14.3%**
Current Ratio	**5.5**	**4.8**	**4.2**	**4.1**	**5.1**				

Source: Chicago Park District FY2011-2015 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

LONG-TERM LIABILITIES

This section of the analysis examines trends in the Chicago Park District's long-term liabilities. This includes a review of trends in long-term tax supported debt, long-term debt per capita and long-term liabilities. Long-term liabilities are obligations owed by a government. Increases in long-term liabilities over time could be a sign of fiscal stress. They include long-term debt, as well as:

[108] Chicago Park District FY2015 Comprehensive Annual Financial Report, Note 1: Summary of Significant Accounting Policies, p. 52.

- *Contractor long-term financing:* Vendor provided financing for capital purchases at District owned golf courses;
- *Capital Lease PBC:* Annual property tax levy funds were used to pay for principal and interest for lease payments to the Public Building Commission until FY2011;
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Claims and judgments*: Liabilities owed as a result of claims for tort liability and property judgments;
- *Net pension obligations (NPO)*: The cumulative difference (as of the effective date of GASB Statement No. 27 until the effective date of GASB Statement No. 68) between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short-term differences and unpaid contributions that have been converted to pension-related debt;[109]
- *Net Pension Liabilities*: Beginning in FY2015, the Chicago Park District will report 100% of the net pension liabilities of its pension fund in the Statement of Net Position to comply with GASB Statement Number 68 requirements. Previously, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO (see description above). As a result of the reporting change for pensions involved in implementing GASB 68, the amount of CPD long-term liabilities **reported** will increase substantially. This is because it will reflect a more holistic approach to measuring the liabilities of the government, which the previous NPO pension measurement did not. The amount owed by CPD to its pension fund has not significantly changed. It is only being reported more transparently.[110]
- *Net Other Post Employment Benefit (OPEB) liabilities*: The cumulative difference (as of the effective date of GASB Statement 45) between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan;
- *Property tax claims payable*: Property tax refunds to taxpayers that have not yet been paid;
- *Health insurance:* Employee health insurance obligations; and
- *Workers compensation claims*: Payments owed for some part of the cost of injuries or disease incurred by employees in the course of their work.

Between FY2014 and FY2015, total Chicago Park District long-term liabilities increased by 2.6%, or $36.0 million, rising from $1.41 billion to $1.44 billion. In the five-year period between FY2011 and FY2015 total long-term liabilities increased by 36.4%, or $385.6 million.

The largest long-term liability percentage increase between FY2011 and FY2015 was for net pension obligations/liabilities, which rose by $438.6 million, or 897.7%. However, most of this large increase was due to the change in pension reporting in FY2015 required by GASB Statement No. 68. Please note that FY2014 pension liability figures for FY2014 were restated in the FY2015 CAFR. As noted above, the new pension liability reporting requirements present a

[109] GASB Statement Number 27: *Accounting for Pensions by State and Local Governmental Employers, Issued November 1994* at http://www.gasb.org/st/summary/gstsm27.html.
[110] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 83.

more transparent approach to measuring these liabilities than the previous approach, rather than large increases in liabilities.

The Chicago Park District reported a total of $889.7 million in long-term tax supported debt outstanding in FY2015. These liabilities decreased by 0.2%, or $1.8 million, falling from roughly $891.5 million to $889.7 million. Between FY2011 and FY2015 total District long-term general obligation bonded debt decreased by 5.7%, declining from approximately $943.8 million to $889.7 million.

Chicago Park District Long-Term Liabilities for Governmental Activities: FY2011-FY2015
(in $ thousands)

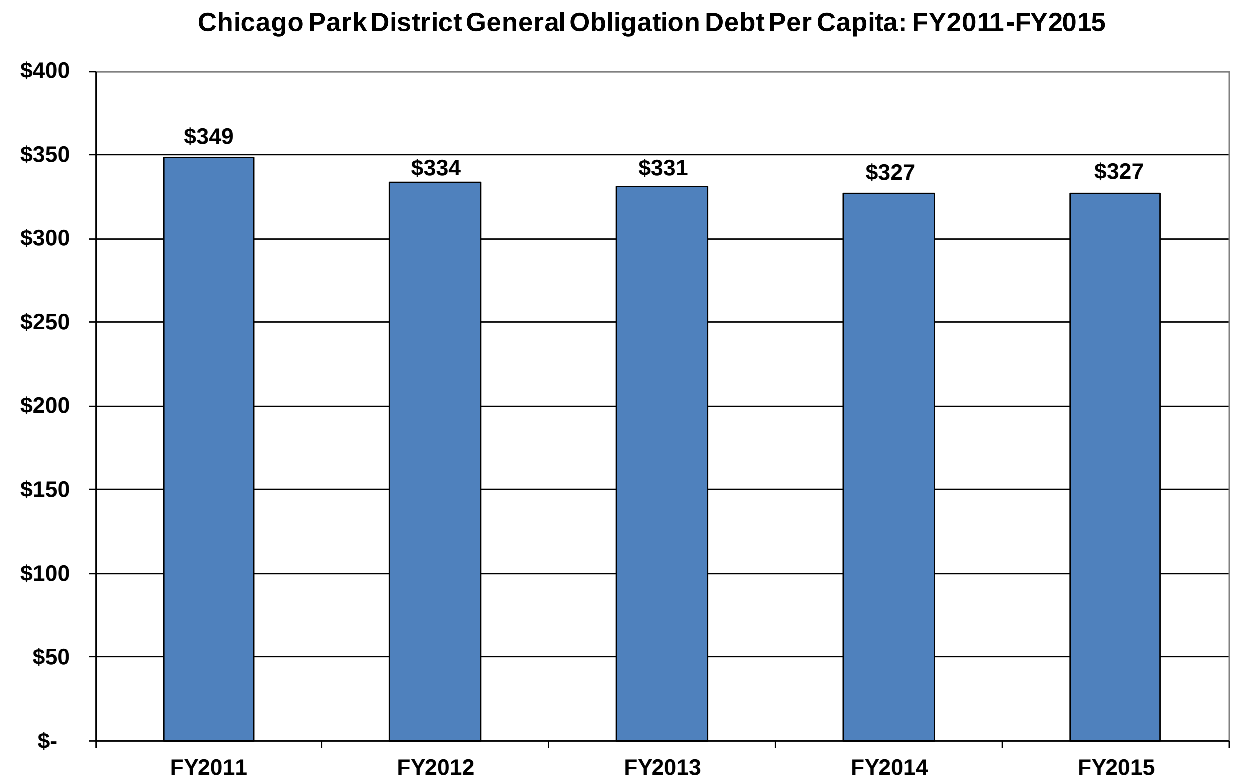
	FY2011	FY2012	FY2013	FY2014	FY2015	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Obligation Bonds									
Capital Improvement	$ 917,295	$ 871,205	$ 865,665	$ 844,460	$ 840,460	$ (4,000)	-0.5%	$ (76,835)	-8.4%
Unamortized Premiums	$ 40,073	$ 35,270	$ 35,539	$ 47,082	$ 49,254	$ 2,172	4.6%	$ 9,181	22.9%
Deferred Amount on Refunding	$ (13,581)	$ -	$ -	$ -	$ -	$ -	---	$ 13,581	-100.0%
Subtotal General Obligation Bonds	**$ 943,787**	**$ 906,475**	**$ 901,204**	**$ 891,542**	**$ 889,714**	**$ (1,828)**	**-0.2%**	**$ (54,073)**	**-5.7%**
Other Long-Term Liabilities									
Contractor Long Term Financing	$ 1,282	$ 1,657	$ 1,788	$ 1,902	$ 1,998	$ 96	5.0%	$ 716	-
Capital Lease PBC	$ 3,800	$ -	$ -	$ -	$ 1,875	$ 1,875	---	$ (1,925)	-50.7%
Compensated Absences	$ 8,760	$ 8,423	$ 7,974	$ 8,693	$ 8,640	$ (53)	-0.6%	$ (120)	-1.4%
Claims & Judgments	$ 6,530	$ 5,157	$ 2,303	$ 3,014	$ 1,750	$ (1,264)	-41.9%	$ (4,780)	-73.2%
Net Pension Obligation/Liability	$ 48,854	$ 69,646	$ 106,075	452255	$ 487,419	$ 35,164	7.8%	$ 438,565	897.7%
Net OPEB Obligation	$ 14,082	$ 16,566	$ 17,554	$ 18,411	$ 19,513	$ 1,102	6.0%	$ 5,431	38.6%
Property Tax Claim Payable	$ 20,010	$ 22,120	$ 19,551	$ 16,758	$ 18,184	$ 1,426	8.5%	$ (1,826)	-9.1%
Health Insurance	$ -	$ -	$ -	$ 474	$ 758	$ 284	---	$ 758	---
Worker's Compensation	$ 13,588	$ 14,607	$ 16,109	$ 17,241	$ 16,430	$ (811)	-4.7%	$ 2,842	20.9%
Subtotal Other Long-Term Liabilities	**$ 116,906**	**$ 138,176**	**$ 171,354**	**$ 518,748**	**$ 556,567**	**$ 37,819**	**7.3%**	**$ 439,661**	**376.1%**
Grand Total Long-Term Liabilities	**$ 1,060,693**	**$ 1,044,651**	**$ 1,072,558**	**$ 1,410,290**	**$ 1,446,281**	**$ 35,991**	**2.6%**	**$ 385,588**	**36.4%**

Source: Chicago Park District FY2011-2015 Comprehensive Annual Financial Reports. FY2014 net pension liability data restated in FY2015 CAFR.

General Obligation Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is direct tax-supported debt per capita. This includes General Obligation debt financed with property taxes. The ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. The exhibit below shows that the

Chicago Park District's general obligation debt burden per capita declined by 6.2% during the five-year period between FY2011 and FY2015, decreasing from $349 to $327 per capita.



Souce: Chicago Park District FY2011-2015 Comprehensive Annual Financial Reports.

Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.[111]

Chicago Park District debt service appropriations in the proposed budget for FY2017 are expected to be 16.7% of the District's proposed $449.4 million in total appropriations. The ratio has steadily dropped since FY2013, falling from 21.2% to 16.7%. This is a positive sign. The District will spend approximately $74.9 million for debt service in the upcoming fiscal year. The

[111] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

debt service to total appropriations ratio will average 18.8% between FY2013 to FY2017, which is considered a "high" rating.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2013-FY2017					
	FY2013 Budget	FY2014 Budget	FY2015 Budget	FY2016 Budget	FY2017 Budget
Debt Service Appropriations	$ 87,044,104	$ 89,772,942	$ 80,819,603	$ 77,561,604	$ 74,938,041
Total Appropriations	$ 410,929,101	$ 425,571,014	$ 448,580,770	$ 458,068,445	$ 449,407,628
Debt Service as a % of Total Appropriations	**21.2%**	**21.1%**	**18.0%**	**16.9%**	**16.7%**

Sources: Chicago Park District FY2017 Budget Summary, p. 9; and FY2015 Budget Summary, p. 7.

Bond Ratings

The Chicago Park District had the following credit ratings as of November 2016:

Chicago Park District Bond Ratings	
Standard & Poor's	AA+
Fitch	AA-
Kroll	AA
Moody's Investors Services	Ba1

Note: The Chicago Park District has elected to no longer engage Moody's Investors Services to provide a credit rating.
Source: Chicago Park District FY2017 Budget Summary, p. 56.

The Chicago Park District has experienced several credit rating downgrades in recent years.

In May 2015 Moody's Investors Service downgraded the Chicago Park District's credit rating from Baa1 to Ba1, with a negative outlook. Moody's noted that the District has ample liquidity, the ability to reduce expenditures and manageable direct debt levels. However, given the extreme financial pressures facing the City of Chicago and the political relationship between the District and the City, the Park District's financial position could be influenced negatively in the future through the City's influence on the District's expenditure and revenue decisions.[112] Since that time, the District has decided to no longer engage Moody's to provide credit ratings.[113]
Fitch downgraded the Chicago Park District's credit rating in the summer of 2013. Fitch downgraded outstanding general obligation limited and unlimited tax bonds to AA- from AA with a stable outlook in May 2014. The reason for the downgrade at that time was the low funding level of the pension fund and financial challenges of overlapping taxing bodies.[114]

CAPITAL IMPROVEMENT PLAN

As part of the Park District's capital planning process, it annually publishes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The

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[112] Moody's Investors Service, Rating Action: Moody's downgrades Chicago Park District to Ba1 from Baa1; outlook negative," May 13, 2015.
[113] Chicago Park District FY2016 Budget Summary, p. 58.
[114] Reuters. "Fitch Rates Chicago Park District, IL's GOs 'AA-', Outlook Stable," May 30, 2014.

FY2017-FY2021 Capital Improvement Plan (CIP) is available on the District's website[115] while a summary of plans for the CIP is included in this year's Budget Summary.

The following chart shows estimated annual cash disbursements for the FY2017-FY2021 five-year capital spending plan and sources of funding. The CIP proposes $237.2 million in projects over the next five years. Of that amount roughly $155.0 million will be obtained from new general obligation bond proceeds. The remaining $82.2 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations. The largest anticipated source of outside funds will be confirmed state grant funds at $25.0 million. It is important to note that the State of Illinois has not yet disbursed $21.7 million in capital grants that had been promised in 2015; the District is hopeful that these funds will be released by the State to fund 2017-2021 projects. If they are not, those projects will remain suspended.[116]

Acquisition and Development of capital facilities will be the largest capital spending category, totaling $89.1 million over the next five years. The second largest spending category will be Site Improvements at $71.5 million, followed by Facility and Building Rehabilitation at $61.6 million and Technology, Vehicles and Improvements at $15.0 million.

Chicago Park District Five-Year Capital Improvement Plan FY2017-FY2021 (in $ millions)

	Chicago Park District Funding					Outside Funding Expected	Total Funding
	2017	2018	2019	2020	2021		
Funding Source							
General Obligation Bond Proceeds	$ 35.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ -	$ 155.0
City Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 12.0	$ 12.0
State Grant Funds - Confirmed	$ -	$ -	$ -	$ -	$ -	$ 25.0	$ 25.0
State Grant Funds - Suspended	$ -	$ -	$ -	$ -	$ -	$ 21.7	$ 21.7
Federal Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 3.9	$ 3.9
Private Grants and Donations	$ -	$ -	$ -	$ -	$ -	$ 19.6	$ 19.6
Total Funding	**$ 35.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 82.2**	**$ 237.2**
Acquisition and Development	$ 8.2	$ 8.6	$ 7.5	$ 11.4	$ 12.4	$ 41.0	$ 89.1
Facility and Building Rehabilitation	$ 11.2	$ 9.5	$ 10.9	$ 6.3	$ 5.2	$ 18.5	$ 61.6
Site Improvements	$ 12.6	$ 8.9	$ 8.6	$ 9.3	$ 9.4	$ 22.7	$ 71.5
Technology, Vehicles, Improvement	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ -	$ 15.0
Total Spending	**$ 35.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 82.2**	**$ 237.2**

Note: Detailed information about the individual sources or amounts of outside expected funding is not provided.
Source: Chicago Park District FY20167 Budget Summary, p. 51.

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[117]

115 See the Chicago Park District's website at http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan/ (last visited November 29, 2016).
116 Chicago Park District FY2017 Budget Summary, p. 51.
117 National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

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

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

The District prepares an annual CIP and summary information about the CIP is provided in the annual Budget Summary. The most recent CIP published was for the FY2017-2021 period, so the checklist that follows assesses how closely that CIP conforms to best practice guidelines. The CIP includes a narrative description of the capital improvement planning process and highlights of major projects. However, no detail was provided regarding individual project expenditures and funding sources, the impact and amount of capital spending on the annual operating budget or the time frame for fulfilling capital projects. It was unclear whether there was a dedicated hearing with opportunities for stakeholder input on the capital improvement plan.

Chicago Park District Capital Improvement Plan Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include:	
• *A narrative description of the CIP process?*	Yes
• *A five-year summary list of projects and expenditures by project as well as funding sources per project?*	No
• *Information about the impact and amount of capital spending on the annual operating budget for each project?*	No
• *Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project?*	There is narrative regarding major project highlights in each plan
• *The time frame for fulfilling capital projects?*	No
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Not in the CIP
Is the capital improvement plan made publicly available for review by elected officials and citizens?	
• *Is the CIP published in the budget or a separate document?*	A summary is published in the budget document and a separate CIP is posted on the District website
• *Is the CIP available on the Web?*	Yes. The latest CIP posted is for FY2017-FY2021
Are there opportunities for stakeholders to provide input into the CIP?	
• *Is there stakeholder participation on a CIP advisory or priority setting committee?*	No. There is an internal staff review process that takes into consideration external stakeholder requests for improvements.
• *Does the governing body hold a formal public hearing at which stakeholders may testify?*	Unclear
• *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	No information in CIP
Is the CIP formally approved by the governing body of the government?	It is approved with the budget
Is the CIP integrated into a long term financial plan?	Unclear
Source: Chicago Park District FY2017 Budget Summary, pp. 47-57 and FY2017-FY2021 Capital Improvement Plan at http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan/.	