The Civic Federation

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COOK COUNTY MODERNIZATION REPORT:

A Roadmap for Cook County Government

October 25, 2010

The Civic Federation ● 177 N. State Street ● Chicago, IL 60601 ● 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.

The Civic Federation would like to express its gratitude to the following committee members for providing their expertise and insight as we composed this report:

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

Cook County government provides three major public services: a comprehensive public health system; a judicial system including law enforcement and the State's Attorney's Office; and tax administration and official records including birth, death and marriage. The County's ability to continue to provide these services in the future is jeopardized by its inefficient operations and outmoded governance structure. Cook County officials have acknowledged that county government is inefficient and that there is significant room for improvement, but previous administrations have failed to act.

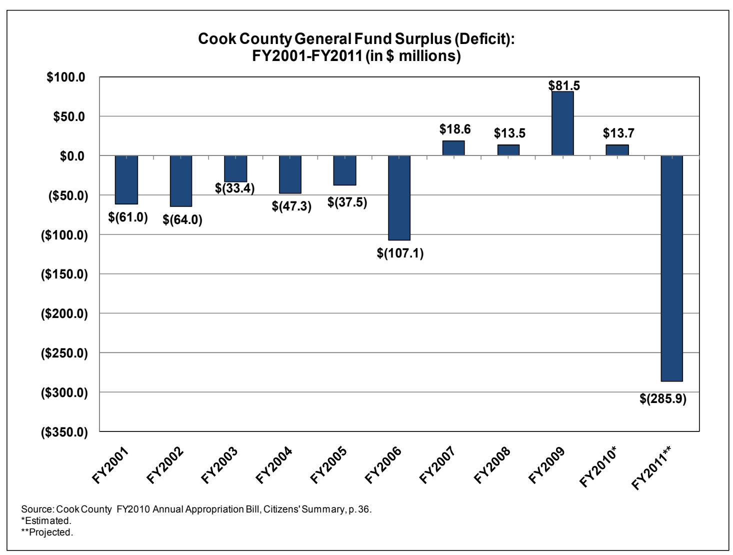
The Civic Federation embarked on the Cook County Modernization Project because it believes these problems must be addressed immediately, when a new President of the Cook County Board of Commissioners takes office in December 2010. The Modernization Project provides a roadmap for creating a government that is more efficient, less costly and more accountable. It contains recommendations that can be implemented in the first 100 days of the new administration, as well as others that will require a sustained, multi-year effort.

The recommendations included in this roadmap are a mixture of new ideas and previously proposed solutions that have not been implemented by previous county administrations. It is our hope that these recommendations will be implemented by the new administration and that policymakers and citizens alike will track progress and demand transparency and accountability. Cooperation among several elected officials and the Board is key to implementing all of the major recommendations contained in this document. It is also their responsibility to manage an efficient County and address the budget deficit.

In its first 100 days the new administration should take actions to stabilize county finances and reorganize county government. The incoming Board President must immediately address two critical issues:

1) Eliminating the FY2011 budget deficit; and

2) Repealing the remaining portion of the sales tax rate increase of 2008.



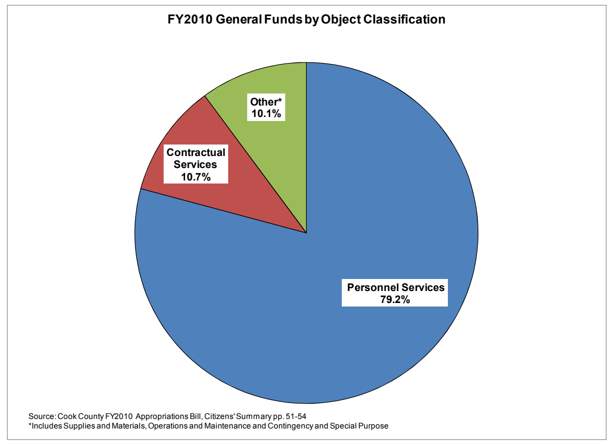
The Civic Federation's recommendations that follow also include a timeline for action and identify the responsible county officials to lead and implement these changes. The Federation will issue a report on the progress made by the new administration after the first 100 days and then annually during its analysis of the county's budget.

Repeal the Remaining Half Percentage Point Sales Tax Increase

Cook County should repeal the remaining 0.5% of the 2008 sales tax increase. This will return the County's sales tax rate to 0.75% and reduce the composite sales tax rate in Chicago from 9.75% to 9.25%. The sales tax increase gave Chicago the highest aggregate sales tax rate in the nation and appears to have hurt retail sales. It also placed a greater proportion of the tax burden on low-income residents.

Close the Budget Deficit

The County faces a budget deficit in FY2011 of more than $300 million. This amount includes a projected FY2011 deficit of $285.9 million plus the $31.7 million of the sales tax rollback that would accrue in FY2011.[1] To close the deficit, the County must focus on reducing expenditures, either through across-the-board cuts or preferably targeted spending reductions. The County will need to significantly decrease personnel expenditures, which comprise 79.2% of General Funds appropriations in FY2010.



Centralize Key Administrative Functions

Cook County should centralize key administrative functions such as information technology, human resources, purchasing, capital planning and financial management across all elected officials to improve operational efficiency. Under this plan, the Board President would appoint a qualified, professional Chief Administrative Officer and administrative departments would be headed by qualified professionals.

Increase Transparency

The Civic Federation recommends that the County make improvements to the transparency of its financial information and general operations. The County has made several improvements to its website, including the Open County Initiative, which includes an online check register, government proceedings information and a building and permitting page. The Federation strongly recommends that the County improve on these efforts by publishing financial policies, releasing budget and financial statements in a timely manner and including all operating expenses of the Health System in the System's budget.

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[1] The FY2011 deficit projection of $285.9 million comes from the Cook County FY2010 Appropriation Bill, Citizens' Summary, p. 36. It is clear that county officials have updated this deficit estimate, but the Civic Federation was unable to obtain a more recent estimate. In a September 27, 2010 letter to bureaus and departments, Takashi Reinbold, Director of the Department of Budget and Management Services, stated that the outlook for revenues worsened in the past few months but did not include a revised estimate of the total deficit.

Eliminate Subsidy for Unincorporated Residents

Cook County government currently provides law enforcement, animal control, liquor control and building and zoning services to the 109,300 residents of county unincorporated areas. To reduce costs, the County should either transfer the responsibility for providing unincorporated area services to neighboring municipalities or create Special Service Areas (SSA). An SSA would have the ability to levy taxes on unincorporated areas, requiring them to pay for the services received. In FY2010, the cost for providing these services was approximately $54.7 million or $501 per resident of the unincorporated areas.

Reform the Procurement and Information Technology Systems

The County should reform its antiquated procurement systems; the lack of coordination among the administration and elected officials in purchasing encourages duplication and waste. The Federation believes that reforming the procurement process is central to both reducing County expenditures and introducing efficiency into County practices. An effective countywide procurement function may save the County approximately $50 million on an annual basis.

County operations are also hampered by the use of two major Enterprise Resource Planning (ERP) systems. The County uses an outmoded, unsupported version of a JD Edwards system, while the Health System in June of 2009 entered into a $34.0 million, five-year contract for the purchase and installation of the Lawson System.[2] The use of two major ERP systems results in two separate silos of financial and business processes. The County needs to either upgrade its existing system or purchase the Lawson system. It is less expensive to upgrade the JD Edwards system to a version that is both supported by the vendor and able to interface with the Lawson system. However, additional funds would have to be spent to interface the Lawson system with the upgraded version of the JD Edwards system. In addition, comprehensive reporting and data analysis will be easier if the County uses one system.

Appoint a Public Safety Task Force

Addressing Cook County's financial challenges will require a close examination of public safety expenditures and a first step in this process should be the creation of a Cook County Public Safety task force. Some of the greatest areas for cost savings involve larger public policy questions such as how to address non-violent and mentally ill offenders, plus creating a timely adjudication process including a possible role for recognizance bonds and electronic monitoring, diversion programs and juvenile detention alternatives.

Give the Health System More Budgetary Control

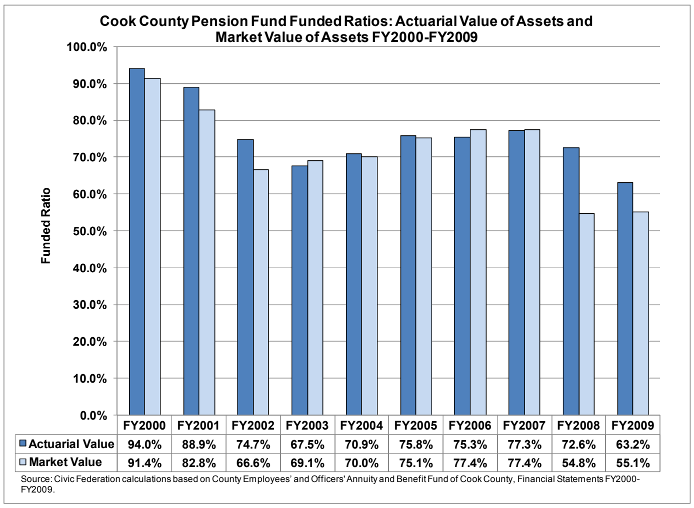
The County should require the Health System to reduce its reliance on taxpayer funds but at the same time give the System more independence to manage its own finances. This recommendation is consistent with the County Board's approval in July of 2010 of the System's five-year strategic and financial plan. To carry out the plan, the System needs to manage its budget without line-item control by the County Board or Board President. The County should

[2] Cook County Health and Hospitals System, Report of the Meeting of the Board of Directors, June 26, 2009, Attachment #3, p. 28.

base budgetary reductions for the Health System on the System's subsidy from the County instead of the System's budget because it represents the cost paid by taxpayers for the System's operation. For FY2011, the plan projects a subsidy reduction of roughly $100 million and we believe that the System should take steps to meet this projection.

Implement Pension Reform

The County must implement major pension reforms. The Cook County pension fund actuarial value funded ratio has fallen from 94.0% to 63.2% over ten years. The unfunded accrued actuarial liabilities have reached $4.6 billion, or $876 per Cook County resident. While the County's pension fund is not yet in as dire straits as some other state and local pension funds, it soon will be if no action is taken. Major reforms to contributions and benefits will keep the pension fund solvent and distribute the tax burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.



The new Board President and the other elected officials have a formidable job of modernizing services of Cook County. If not undertaken now, with a commitment to meaningful reform, Cook County will experience a continuation of eroding services and increasing tax rates.

INTRODUCTION

The purpose of this report is to provide Cook County leaders with ideas for reshaping county government that will improve service delivery to residents while reducing wasteful spending and decreasing reliance on taxpayer funds.

Cook County has neglected modernizing its operations for years. The report provides trend analysis that identifies the problems caused by this neglect. It then details specific actions the County can take to reduce expenditures, improve service delivery efficiency and reform its governance structure. The Federation's goal in creating a roadmap for Cook County is to provide elected and appointed officials with actionable recommendations for creating a more modern, streamlined unit of government that both serves the needs of the community and reduces the funding burden on all citizens.

The Civic Federation's Cook County Modernization Project comes at a time when a unique opportunity exists to promote reforms. In November 2010 Cook County residents will elect a new President of the Cook County Board of Commissioners. The Health and Hospitals System is about to implement a new strategic plan. In 2009 the County Board voted to roll back a portion of the 2008 sales tax increase, which will result in lower sales tax revenues for the County going forward.

In this report, the Civic Federation proposes numerous evidenced-based reforms that will move Cook County toward becoming a more efficient unit of government. The Civic Federation also believes it is a high priority to roll back the entire one percentage point sales tax increase in the upcoming fiscal year, returning the County's home rule sales tax rate to 0.75% and making the County a more attractive place for businesses and residents. While the report considers all Cook County functions, particular emphasis is paid to improving operational efficiency across Offices under the President, reforming the governance structure and proposing reforms for the Health System.

The report begins with a description of the major problems facing Cook County government. Next it outlines the guiding principles adopted by the Civic Federation to shape its recommendations for the County. The third section of the report contains the data compiled to inform our decisions. The last section contains the Federation's recommendations for modernizing Cook County government. The report is followed by appendices with methodology and supplementary data.

This report focuses on the operations of Offices under the President and the Health System. Despite repeated efforts, the Civic Federation was unable to obtain the cooperation of officials reporting to the current Board President in compiling this report. As a result, most sections of the report rely on the limited information that is readily available. The Health System was responsive to Civic Federation requests for information, facilitating a more detailed analysis of its operations.

Current Problems Facing Cook County

Cook County suffers from several major problems: expenditures that exceed revenues; inefficient operations; and an outmoded governance structure. These findings are not news and have been pointed out in numerous reports over the past decade. The following section details the current state of the County's operations and how each major problem has manifested itself in deficiencies that continue to plague the County.

Expenditures Projected to Exceed Revenues

The most immediate problem the incoming administration must resolve is a significant deficit in its General Funds budget for fiscal year 2011, which begins on December 1, 2010 and ends on November 30, 2011.[3] A new Board President will be elected on November 2, 2010 and take office on December 6, 2010. The budget for FY2011 must be approved by February 28, 2011 and must be balanced, pursuant to state statute.[4]

The County's FY2010 Appropriation Bill, approved on November 19, 2009, projected a $285.9 million budget deficit for FY2011. According to media reports, officials in the administration of Board President Todd Stroger have recently estimated the FY2011 deficit at roughly $300 million.[5] One of the candidates for Board President has estimated the deficit at between $250 million and $500 million.[6]

The County has a structural deficit, or chronic mismatch between expenditures and revenues. The County's main expense is personnel, which accounts for 79.2% of the FY2010 General Funds budget. Cost-of-living adjustments and other compensation increases drive up per-employee costs, offsetting savings from reducing headcount, according to a report for the County by Electronic Knowledge Interchange (EKI).[7] The County experiences an annual attrition rate of 8% and replacements are hired at a rate of 6.5% per year. Despite this modest decline in staffing, there is a 4% increase in personnel expenses each year. The cost per employee grew 24% between 2004 and 2010, while headcount fell by 2,700.[8]

In March of 2008, the County attempted to stabilize its finances by increasing its home rule sales tax. The one percentage point sales tax increase, from 0.75% to 1.75%, was effective on July 1, 2008.

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[3] Under state law (55 ILCS 5/6-24005), Cook County must approve a balanced budget for each fiscal year. General Funds support the regular operating expenses of the County and consist of the Corporate, Public Safety and Health Funds.

[4] 55 ILCS 5/6-24001.

[5] Hal Dardick, "Cook County facing a $300 million hole; Stroger administration forecasts 10% in cuts," *Chicago Tribune,* August 20, 2010. It is clear that county officials have updated their deficit estimate, but the Civic Federation was unable to obtain a more recent estimate. In a September 27, 2010 letter to bureaus and departments, Takashi Reinbold, Director of the Department of Budget and Management Services, stated that the outlook for revenues worsened in the past few months but did not include a revised estimate of the total deficit.

[6] Fran Spielman, "Preckwinkle: Not so fast on tax break; Budget hole is too deep, County Board hopeful says," *Chicago Sun-Times*, May 20, 2010.

[7] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 112.

[8] Ibid, p. 142

Tax increases are typically controversial, but the County Board's action triggered particularly intense opposition because of the County's longstanding reputation for wasteful and abusive spending.[9] In the latest incident, a top aide to the Board President was recently charged with authorizing the expenditure of $300,000 in county funds for work that was never done, including a contract to her own public relations firm.[10]

On November 17, 2009, the County Board passed an ordinance rolling back the sales tax rate by one-half of a percentage point, from 1.75% to 1.25%, as of July 1, 2010. After approving the sales tax rate reduction, the County revised its FY2010 sales tax revenue projection by $31.5 million from $661.0 million to $629.5 million. In FY2011, the first full year of the rollback, sales tax revenues are projected to decline by $190.0 million.[11] This figure represents 8.1% of the $2.3 billion General Funds operating budget approved for FY2010.

Outmoded Governance Structure and Inefficient Operations

Cook County is a fractured unit of government, with control divided among multiple elected officials and offices. The decentralized governance structure obscures responsibility for decisions, making it difficult for the electorate to hold the appropriate official accountable.

The County's expenditures on information technology (IT) highlight the inefficiencies that have resulted from this decentralized structure. The Bureau of Technology, which is the central IT department for the County, employs only 19% of the County's 709 IT personnel.[12] The County uses five Enterprise Resource Planning (ERP) systems, 64 websites hosted by 27 different web hosts and 3 different networks.[13] The County spends nearly $150 million on IT. Spending on IT across the County is 20% above the national average for other state and local governments. According to the EKI report, it is imperative for the County to replace the existing JD Edwards platform.[14] Modern ERP systems include human resources, payroll and procurement platforms, in addition to the financial platform currently used by the County.[15]

Purchasing is another area that has suffered from a lack of centralized coordination. According to the consultant's report, the County spends more than $1 billion annually on purchases from vendors.[16] EKI found that the "lack of coordination among administration and elected officials has created multiple instances of duplication and waste stemming directly from the absence of Countywide coordination in vendor buys."[17] The average time to complete a purchase for the

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[9]Editorial, "Mad about the tax grab?" *Chicago* Tribune, March 3, 2008.
[10] Maudlyne Ihejirika and Lisa Donovan, "Alleged $300,000 County ripoff, Top Stroger aide steered job to her firm, Had staffer do work, State's Attorney says," *Chicago Sun-Times*, October 6, 2010.
[11] Cook County, $331,895,000 Taxable General Obligation Bonds, *Official Statement*, June 11, 2010, p.17.
[12] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, pp. 113, 114 and 135.
[13] An Enterprise Resource Planning system integrates all departments and functions across an organization into a single system that can serve all those different departments' particular needs, including financial analysis, human resources and purchasing.
[14] The JD Edwards platform is the current ERP system used by Cook County.
[15] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 135.
[16] Ibid, p. 112.
[17] Ibid, p. 112.

County is 4.5 months.[18] As a general rule implementing a strategic plan to manage procurement traditionally yields at least 5% in savings.[19]

Civic Federation Principles

In addition to looking for measures to address the overarching problems affecting Cook County government, the Civic Federation used the following principles to guide our roadmap recommendations.

Eliminate Entire Sales Tax Increase

The Civic Federation believes the County should roll back the entire 2008 sales tax increase in FY2011. When the sales tax was increased in 2008, Chicago achieved the highest sales tax rate in the nation. Despite the partial rollback of the sales tax rate increase, resulting in the reduction of the aggregate sales tax rate from 10.25% to 9.75%, Chicago is still tied with Los Angeles for the highest sales tax rate of any major metropolitan area.

The sales tax increase was billed as necessary to support the Health System. Yet the County in FY2009 reduced the Health System's share of the cigarette tax by $106.5 million, more than offsetting the $100.5 million increase in sales tax revenues allocated to the Health System. In fact, it has become clear that the sales tax increase was not implemented within the framework of a larger financial plan. It was simply a way to avoid making necessary spending reductions and curbing personnel costs. As a result, structural deficits have quickly reemerged as half of the increase has been eliminated.

The sales tax increase represented questionable public policy because of its potential negative effect on retail sales. Changes in sales tax rates across a metropolitan region can affect consumer purchasing behavior.[20] For example, consumers may choose to make purchases online or in a neighboring jurisdiction with lower taxes. By 2008, Cook County's sales tax rate was at least 2.16% higher than the rate in each collar county.[21]

The Chaddick Institute's Regional Sales Analysis Project, which studies the effect of sales taxes on buying behavior, found evidence that Cook County's sales tax rate increase hurt retail sales. The Institute's latest regional sales update reports that the sales tax may have created a one-time downward shift in retail sales.[22]

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[18] Ibid, p. 114.
[19] Ibid, p. 112.
[20] Chaddick Institute for Metropolitan Development, *Sales Tax Rates and Buying Behavior, Evidence from Communities Near Cook County Boundary*, http://las.depaul.edu/chaddick/ResearchandPublications/index.asp (last visited on October 5, 2010).
[21] Ibid.
[22] Chaddick Institute for Metropolitan Development, *Regional Sales Analysis Update, December 16, 2009*, http://las.depaul.edu/chaddick/ResearchandPublications/index.asp (last visited on October 5, 2010).

Although the County has a diverse tax base, a 2009 Fitch Ratings analysis stated that a strong reliance on the sales tax has resulted in a "diminished financial flexibility with a high sales tax environment in the current weakened economy."[23]

Furthermore, sales taxes are regressive, meaning the tax liability is a proportionately greater burden on low income residents than on high income residents.[24] Lower-income residents pay a higher percentage of their disposable income through the sales tax than higher-income residents. In 2007, Illinois residents in the lowest quintile of income paid 6.9% of their income for sales and excise taxes compared with 2.7% and under for those in the top quintile.[25]

Properly Fund Pensions

The problem of inadequate funding for state and local pension funds in Illinois has become a crisis. Ideally, a pension fund should hold exactly enough assets to cover all of its actuarial accrued liabilities. Actuarial accrued liabilities represent liabilities for future benefits due to current beneficiaries as well as liabilities for benefits earned to date by current employees. A pension fund is considered 100% funded when its asset level equals the actuarial accrued liabilities. A funding level under 100% means that a fund's current assets are less than the amount needed to meet all accrued liabilities.

The Cook County pension fund actuarial value funded ratio has fallen from 94.0% to 63.2% over ten years. The unfunded accrued actuarial liabilities have reached $4.6 billion, or $876 per Cook County resident.

The County must implement major funding and benefit reforms for its pension fund. While the County's pension fund is not yet in as dire straits as the City of Chicago's pension funds, it will be if the status quo is not changed. Major reform will keep the pension fund solvent and distribute the tax burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.

Increase the Independence of the Health System

The Civic Federation supports greater independence for the Health System based on its professional management and sweeping plans for reform. The County Board delegated day-to-day control of the Health System to an independent Board of Directors in 2008 and approved a five-year strategic and financial plan for the System in 2010. To carry out the plan, the System needs to manage its budget without line-item control by the County Board or Board President. At the same time, the Health System must agree to a reasonable limit on its county subsidy.

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[23] "Fitch Rates Cook County, Illinois' GO Bonds 'AA-'; Outlook Stable," news release, *Business Wire*, October 21, 2009.

[24] United States General Accountability Office, *Understanding the Tax Reform Debate,* September 2005.

[25] Institute on Taxation and Economic Policy, *Who Pays? A distributional analysis of the tax systems in all 50 states,* November 2009.

COOK COUNTY GOVERNANCE AND ADMINISTRATION

The fundamental impediment to a more efficient and effective Cook County government is its complex governance structure, particularly the excessive fragmentation of executive authority. A total of 29 different officials are elected: the President of the County Board of Commissioners, 11 other elected officials and 17 members of the Board of Commissioners.[26] Seventy-one different departments deliver services.[27] Many County functions, such as the administration of the property tax, are spread among several departments and offices.

There are two consequences of Cook County's diffuse governmental structure. The first is a lack of efficiency, with attendant cost implications, because of a duplication of functions and activities and a lack of coordination among departments and agencies. The second is a lack of accountability by government officials to the general public. The government's fragmentation often makes it extremely difficult for the public to pinpoint responsibility for the County's actions. Confusion over which official is in charge of what program makes it is easy for officials to use finger-pointing and buck-passing to escape scrutiny.

The 1970 Illinois Constitution creates two classes of county in the state: Cook and all others. Two constitutional articles contain language pertaining to county-level government. Article VII contains language pertaining to the structure, powers and duties of counties including Cook. Article VI contains language pertaining to the structure, selection and operation of the circuit court, circuit court clerks and state's attorneys.

Cook County is the only Illinois county to have home rule status. Home rule counties may exercise any power and perform any function unless expressly prohibited by the General Assembly or the Constitution.[28] As a home rule unit, Cook County has the power, subject to approval by referendum, to change its form of government as long as those changes are provided by law except in the prescribed methods of electing its County Board. It also possesses the ability to access a wide variety of revenues.

The Chief Executive and the Board of Commissioners

Article VII of the Illinois Constitution specifies the method of election of the President of the Board of Cook County Commissioners and members of the Board. Under the Constitution, anyone seeking election countywide as President of the Cook County Board may also simultaneously seek election as a member of the County Board. All Board Presidents until 2006 also held a Board seat. However, Todd Stroger was elected as Board President in November of 2006 without also seeking a County Board seat. In May of 2009, the County Board passed an ordinance prohibiting a candidate for Board President from also seeking election as a member of the Board.[29]

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[26] The elected officials are the Assessor, the three Commissioners of the Board of Review, the Chief Judge of the Circuit Court, the Clerk of the Circuit Court, the County Clerk, the Recorder of Deeds, the Sheriff, the State's Attorney and the Treasurer.

[27] Cook County FY2010 Budget, pp. xv-xviii.

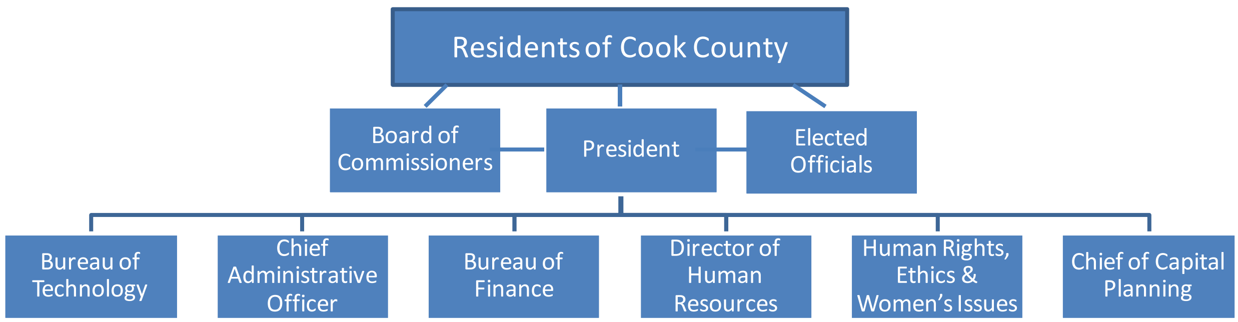
[28] Illinois Constitution, Article VII, Section 6 – Powers of Home Rule Units.

[29] Cook County Ordinance 09-O-35, May 19, 2009. Cook and Will Counties are the only two counties to elect their chief executives. DuPage and St. Clair delegate a high degree of authority to the president or chair of the County Board.

For much of the County's history, Board members were elected at-large from two districts, a majority group from one district in the City of Chicago and a smaller group from the other district in suburban Cook County. In 1994, the method of election was changed to provide for electing Commissioners from single-member districts, as the Constitution permits. Currently, the Board has 17 members.

The President of the Cook County Board of Commissioners directly supervises a small Office of the Board President as well as a number of administrative Bureaus and Departments. Most of the County's other elected officials maintain their own finance, human resource, legal and information technology staff. As a result, the administrative functions of the County government are located in a number of different offices and departments. There is no centralized system of control, resulting in overlap of functions, duplication of efforts and inefficiency in operation.

The following is an illustration of the current administrative structure of the Board President's office and the administrative offices under its control. It does not represent the full organizational structure of the County.



Other Elected Executive Officials

The President of the Cook County Board of Commissioners shares executive authority with a number of other elected officials. This has led to confusion regarding whether the Cook County Board President exercises full budgetary authority over all County offices and departments. The Board President clearly has budgetary authority over those offices placed administratively under the Board President's jurisdiction. But it is often claimed that the Board President's authority does not extend to the various elected officials. Consequently, some argue that the executive branch can do little to control the significant spending by these officials or effect change in organization through the budgetary process.

Article VII of the Constitution requires that each county elect a sheriff, county clerk and treasurer. Counties may choose to either elect or appoint a coroner, recorder, assessor, auditor and such other offices as provided by law or county ordinance. All countywide elected officials serve for a four-year term.

The Constitution provides for three methods of changing the number and selection method of county executive officials:

1) Any county office may be created or eliminated and the terms of office and manner of selection changed by countywide referendum;

2) County offices other than sheriff, county clerk and treasurer may be eliminated and the terms of office and manner of election changed by an act of the General Assembly; and

3) Offices other than sheriff, county clerk, treasurer, coroner, recorder, assessor and auditor may be eliminated and the terms of office and manner of election changed by county ordinance, that is by act of the County Board.

Article VI of the Constitution details the powers and duties of those offices concerned with the administration of justice: the Circuit Court, the Circuit Court Clerk and the State's Attorney. Even though they are elected by county voters and their budgets approved by the County Board of Commissioners, these officials are considered state officials of the judicial branch of government. Thus, the County is not legally a co-employer of judicial branch employees and it does not have control over number, salary or employment conditions of circuit court personnel.[30]

Cook County comprises the First Judicial Circuit. The judges of the First Circuit are elected by Cook County voters. They, in turn, elect a Chief Judge by secret ballot who serves at their pleasure. The General Assembly provides by law for the election or the appointment by the Circuit Court Judges of the Circuit Court Clerk.[31] In Cook County, the Circuit Court Clerk is elected for a four-year term. Section 19 of the Judicial Article also mandates the election of a State's Attorney for a four-year term of office.

Cook County voters currently elect 11 executive officials in addition to the Board President and members of the Board of Commissioners. They are the Sheriff, County Clerk, Treasurer, Assessor, Recorder of Deeds, State's Attorney, Clerk of the Circuit Court, Chief Judge of the Circuit Court and three Commissioners of the Board of Review.

[30] 127 IL2d 453.
[31] Illinois State Constitution, Article VI, section 18 – Clerks of Courts.

The Governance Structure in Cook versus Other Counties

Cook County's governmental structure mirrors that of many counties across the nation, with an elected legislative body and executive authority divided among a number of elected officials. In three large counties – Hennepin, Los Angeles and Maricopa – the legislative body hires a professional County Manager to administer the daily operations of many of the government's executive departments.[32] The Manager serves at the pleasure of the legislative body and is vested with a broad range of powers, including the authority to hire and fire department heads and to formulate a budget.[33] The following table compares how Cook County chooses its chief executive with seven other large urban counties.

Chief Executives in Cook and Selected Large Urban Counties		
County	**Chief Executive**	**Selection Method**
Cook, IL	President	Elected countywide
Cuyahoga, OH	President	Rotated among County Commissioners
Dallas, TX	County Judge	Elected at large countywide
Hennepin, MN	Chairman	Elected from Board of Commissioners
Los Angeles, CA	Chairman	Elected from Board of Supervisors
Harris, TX	County Judge	Elected at large countywide
Maricopa, AZ	Chairman	Elected from Board of Supervisors
Milwaukee, WI	County Executive	Elected countywide

Sources: http://cuyahogacounty.us; www.dallascounty.org/; www.co.hennepin.mn.us; http://maricopa.gov; www.co.milwaukee.wi.us; www.cookcountygov.com

The next table shows how Cook County compares to the other large urban counties regarding the number of other executive-level officials that are elected by the voters. Most of the counties surveyed joined Cook County in electing a sheriff (8/8), a district/county/state's attorney (8/8), a treasurer (6/8), court clerks (6/8) and an assessor (5/8).

Other Elected Executive Officials: Cook and Selected Large Urban Counties								
Office	**Cook, IL**	**Cuyahoga, OH**	**Dallas, TX**	**Hennepin, MN**	**Los Angeles, CA**	**Harris, TX**	**Maricopa, AZ**	**Milwaukee, WI**
Assessor	Yes		Yes		Yes	Yes	Yes	
Auditor		Yes						
Clerk	Yes							Yes
Constables			Yes (5)			Yes (8)	Yes (25)	
Coroner		Yes						
Court Clerk	Yes	Yes	Yes (2)			Yes (2)	Yes	Yes
County Engineer		Yes						
County/District/State's Attorney	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Recorder of Deeds	Yes	Yes					Yes	Yes
Sheriff	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Superintendent of Schools	Yes						Yes	
Tax Appeals	Yes (3)							
Treasurer	Yes	Yes	Yes			Yes	Yes	Yes
Total	**11**	**8**	**11**	**2**	**3**	**14**	**32**	**6**

* This does not include elected judges
Sources: http://cuyahogacounty.us; w w w .dallascounty.org/; w w w .co.hennepin.mn.us; http://maricopa.gov; w w w .co.milw aukee.w i.us; w w w .cookcountygov.com

[32] These counties also have chairmen who head the legislative bodies but do not have executive authority.
[33] See National Association of Counties, *Overview of County Government*, http://www.naco.org/Counties/Pages/Overview.aspx.

Finally, the table below compares the method of election for Cook County's legislative body with the other six urban counties. All except Cuyahoga County were elected by district. Cook County and Milwaukee stood out for their large number of commissioners—17 and 19, respectively—while all the other counties had between 3 and 7 lawmakers.

Legislative Bodies: Cook and Selected Large Urban Counties		
County	Legislative Body	Election Method
Cook, IL	Board of Commissioners	17 elected by district
Cuyahoga, OH	Board of Commissioners	3 elected at large
Dallas, TX	Commissioner's Court	4 elected by district
Hennepin, MN	Board of Commissioners	7 elected by district
Los Angeles, CA	Board of Supervisors	5 elected by district
Harris, TX	Commissioner's Court	4 elected by district
Maricopa, AZ	Board of Supervisors	5 elected by district
Milwaukee, WI	Board of Commissioners	19 elected by district

Sources: http://cuyahogacounty.us; www.dallascounty.org/; www.co.hennepin.mn.us; http://maricopa.gov; www.co.milwaukee.wi.us; www.cookcountygov.com

Historical Changes to the Governance Structure of Cook County

In 1955, Cook County voters elected 17 officials countywide, in addition to the members of the Board of Commissioners and judges.[34] That number has since been reduced to 10, largely because various court-related offices were abolished when the County's consolidated circuit court system was created.

Since the 1950's many calls have been made proposing further reductions in the number of elected officials. Some steps have already been taken in this direction. For example, the voters approved a referendum in 1972 abolishing the elected position of Coroner, replacing it with the Office of the Medical Examiner, a position appointed by the Cook County Board President. In 1992, the Office of Cook County Superintendent of Schools was abolished. However, in the following year, the General Assembly established a new Office of Schools Superintendent for suburban Cook County only. That post was abolished by the Illinois General Assembly effective July 1, 2010, following the superintendent's indictment on charges of misconduct, theft and misapplication of funds.[35]

In a 1969 study, Kevin Forde, author of "The Government of Cook County: A Study in Governmental Obsolescence," suggested that the Office of Treasurer be made appointive, as it is an administrative or ministerial, not a policy-making agency.[36] In 1994, the Civic Federation

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[34] Ruth E. Baer. *This is Cook County*. (Chicago: Citizens Information Service of Metropolitan Chicago, 1955), p. 10. The elected post of Superintendent of the Suburban Cook County Regional Office of Education, along with the office, was abolished by the Illinois General Assembly effective July 1, 2010.
[35] Illinois Governor's Office, "Governor Quinn Signs Law to Abolish Suburban Cook County Regional Office of Education; Law Follows Superintendent's Indictment on Public Corruption Charges," news release, May 16, 2010.
[36] Kevin M. Forde. *The Government of Cook County: A Study in Governmental Obsolescence*. (Chicago: Center for Research in Urban Government of Loyola University, 1969), p. 32.

called for an independent, nonpartisan evaluation to determine the possibility of reducing the number of elected officials and/or consolidating functions.[37]

The basic argument for changing the selection method for an office from election to appointment is that the office in question performs administrative or ministerial functions. These functions involve applying procedures or regulations as prescribed by law. They do not involve discretionary decision making. Policy making offices, in contrast, do require a degree of discretion on the part of the relevant official.

Cook County Government and the Forest Preserve District of Cook County

The Forest Preserve District of Cook County is a unit of government legally separate and distinct from the government of Cook County. The District is managed by a separate staff, a General Superintendent oversees the District's operations and eight departments handle issues including Finance and Administration, Human Resources, Resource Management, General Maintenance, Permit and Recreation Activities, Law Enforcement, Legal and Planning and Development.[38]

However, the District is governed by the Cook County Board of Commissioners and the President of the Cook County Board serving in a separate legal capacity as the Board and President of the District. [39] Thus, the two governments share the same elected officials. This arrangement is the same in several other Illinois counties with countywide forest preserve districts, such as Lake County, Will County, Kane County, DeKalb County and Winnebago County.

Citing a conflict of interest, the Illinois General Assembly approved legislation in 1996 that simultaneously reduced the size of the DuPage County Board from 24 to 18 members and authorized the creation of a six commissioner board to oversee the DuPage County Forest Preserve District.[40] In 2002 DuPage County residents elected a separate Board of Commissioners for its Forest Preserve District, creating the first separate Board for a forest preserve district in the State of Illinois.[41]

In 2008, the Civic Federation and the Friends of the Forest Preserves issued a report calling for the creation of a separate board to oversee the operations of the Forest Preserve District of Cook County. The report highlighted the conflict of interest that arises from asking the same commissioners to consider economic development issues in one capacity and land preservation issues in another.

The report also noted the lack of time the board had to address forest preserve issues. Commissioners are appropriately required to spend great amounts of time dealing with issues pertinent to their County oversight duties, including repairing one of the largest public health

[37] Civic Federation Statement Made on the Proposed Cook County FY1994 budget, November 19, 1993.
[38] Cook County Forest Preserve District FY2010 Executive Budget Recommendation, District Profile, p. iii.
[39] Cook County Forest Preserve Act. 70 ILCS 810/5.
[40] Downstate Forest Preserve District Act. 70 ILCS 805/3c (1997); "Legislature OKs County-Preserve Split," *Chicago Sun-Times*, May 10, 1996.
[41] Dan Rozek, "Election Frenzy in DuPage Redistricting, New Forest Preserve Board Bring Out Many Hopefuls," *Chicago Sun-Times*, March 14, 2002.

systems in the nation, operating the nation's second-largest unified trial court system and reducing the County's huge structural deficit. These time-consuming issues leave the Commissioners little time to focus on the needs of the District and inhibit their ability to properly manage the District.

This situation is illustrated by the allocation of meeting time between County issues and District issues. As an example, in 2007 the Commissioners met 33 times to discuss County issues, while meeting only 11 times to discuss the District.[42] While having the County Board meet three times more often than the District Board is unusual, from 2003 through 2006 the County Board met twice as many times than the Forest Preserve Board.

Cook County Board Meetings: County v. Forest Preserve District 2003 - 2008						
	2003	2004	2005	2006	2007	2008*
County	23	23	24	26	33	22
Forest Preserve District	11	11	11	11	11	11

*Proposed Meeting Dates

Source: Cook County Clerk Office and Cook County Forest Preserve District

In contrast to the Forest Preserve District of Cook County Board, the Forest Preserve District of DuPage County Board of Commissioners met 50 times in 2007 to manage a district that is approximately one-third the size of the Forest Preserve District of Cook County.[43] As shown in the figure below, between 2003 and 2006 the DuPage District Board met an average of 47.5 times a year and was scheduled to meet another 46 times in 2008.[44] While half of the Forest Preserve District of DuPage County's meetings are planning sessions and the other half are commission meetings, board members are required to attend both.

Forest Preserve District Board Meetings: DuPage County v. Cook County 2003 - 2008						
	2003	2004	2005	2006	2007	2008*
DuPage County	47	48	48	47	50	46
Cook County	11	11	11	11	11	11

*Proposed Meeting Dates

Source: DuPage County and Cook County Forest Preserve Districts

The Civic Federation and Friends of the Forest Preserves report concluded that creation of a separate governance structure would better serve the interests of the District by eliminating the inherent conflict of interest and installing a board that would have the time to focus on the preserves.

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[42] Cook County Clerk's Office Website – Board Meetings Archive 2007 Meeting Dates at http://www.cookctclerk.com/sub/meetings_archive.asp?year=2007 (last visited on January 8, 2008); Forest Preserve District of Cook County Meeting Dates and Agendas 2007 at http://www.fpdcc.com/tier3.php?release_id=390 (last visited on January 8, 2008).

[43] Forest Preserve District of DuPage County Meeting Schedules at http://www.dupageforest.com/commissioNot Applicablegenda.php (last visited on January 10, 2008).

[44] Forest Preserve District of DuPage County Meeting Schedules at http://www.dupageforest.com/commissioNot Applicablegenda.php (last visited on January 10, 2008); Forest Preserve District of DuPage County Resolutions 02-594, 03-459, 04-335, 05-326, 07-300.

Unincorporated Areas

Cook County contains 128 municipalities. The City of Chicago and the suburban municipalities account for approximately 85% of the County's 946 square miles, while unincorporated areas make up the remaining 15%.[45] There are dozens of small unincorporated areas scattered throughout the County.

Approximately 109,300 citizens live in the unincorporated areas of Cook County.[46] This is about 2.1% of the County's 5.28 million population.[47] The unincorporated areas of the County are directly under the jurisdiction of the Cook County Board of Commissioners. A wide variety of public services are provided to the unincorporated areas by County government including law enforcement, building and zoning regulation, liquor control and animal control. The County also maintains 1,439 lane miles of roads and highways in both unincorporated and incorporated areas.[48]

Providing services to the unincorporated areas is expensive. In FY2010, the cost for law enforcement, building and zoning and animal control was approximately $54.7 million[49] or $501 per resident of the unincorporated areas.

Law Enforcement

The Sheriff's Police Department's primary function is to provide police services to the citizens of unincorporated Cook County. This is the second largest population served by law enforcement in Cook County. The Department's secondary function is to provide law enforcement services to local governments that require those services, including serving as the primary police agency for the Village of Ford Heights.[50] The *Reinventing Cook County* report noted that the size of the Sheriff's Police patrol area was 75.66 square miles in 2003; this fell from 160.66 square miles in 1997.[51]

In FY2010, the County appropriated $43.1 million for the Sheriff's Police Department; this amount included salaries for 589.0 full time equivalent (FTE) employees.[52] The amount spent per capita for the unincorporated areas was $395. Approximately $18.4 million in salaries was appropriated for 243.0 full time equivalent uniformed patrol positions to perform this function.[53] This is a ratio of 3.2 officers per patrol square mile of unincorporated patrol area.

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[45] See http://cookcountygov.com/portal/server.pt/community/government/226/about_cook_county
[46] Cook County FY2010 Appropriation Bill, Volume II, p. V-36.
[47] U.S. Census Bureau. State & County QuickFacts at http://quickfacts.census.gov/qfd/states/17/17031.html.
[48] Cook County Commissioner Mike Quigley, *Reinventing Cook County,* Part I, December 2003, p. 42.
[49] Data from the Cook County FY2010 Appropriation Bill.
[50] Cook County FY2010 Appropriation Bill, Volume II, p. V-36 and the Cook County FY2010 Budget, p. U-36.
[51] The Sheriff's police patrol area is equal to the unincorporated area of Cook County less the square mileage of unincorporated Forest Preserve District land which is patrolled by the Forest Preserve District police. See Cook County Commissioner Mike Quigley, *Reinventing Cook County,* Part I, December 2003, p. 28.
[52] Cook County FY2010 Appropriation Bill, p. V-36.
[53] Cook County FY2010 Appropriation Bill, p. V-42.

Building and Zoning Regulation in the Bureau of Administration

The Cook County Department of Building and Zoning enforces all provisions, codes and ordinances of the County Building Code and Zoning Ordinance in unincorporated areas. This includes "the erection, construction, alteration, demolition, relocation and/or inspections of all buildings and structures within unincorporated Cook County."[54] In FY2010, $3.5 million was appropriated for the duties of the Department. The Department budgeted for a total of 47 FTEs; this amounts to a cost of $32 per person in the unincorporated areas.[55]

Liquor Control

The President of the Cook County Board serves as the County Liquor Commissioner with the responsibility for granting and revoking liquor licenses in unincorporated Cook County. Researchers were unable to determine the current cost of Commission activities. However, *Reinventing Cook County* put the cost in 2003 at $180,000.[56]

Animal Control

The Cook County Animal Control Department works to prevent rabies and other diseases through professional animal control services, enforcing vaccinations, enforcing bite ordinances and supporting research to accomplish its goals. The Department provides its services to unincorporated areas and also helps municipalities to establish animal control programs.[57]

Purchasing

Purchasing is a critical function that impacts virtually every business process within the County. It affects not only direct expenditures, but the efficiency of county operations. Purchasing has been identified in many previous reports as an area with opportunities for operational improvements.

This section provides a high level overview of purchasing within the County, best practices and recommendations. A detailed review of purchasing operations was beyond the scope of this report. Instead this section draws on previous reports and expert interviews to provide a broad view of Cook County purchasing.

Overview of Cook County Purchasing

The County Purchasing Agent is appointed by the Board President with the consent of the Board of Commissioners.[58] The Office of the Purchasing Agent is responsible for soliciting bids and contracts for all Cook County agencies. The agencies and departments also are actively involved in the purchasing process with responsibilities that include requesting authorization to advertise

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[54] Cook County FY2010 Appropriation Bill, p. B-11.
[55] The $32 calculation is the amount of the appropriation - $3,511,100 divided by the unincorporated population of 109,300.
[56] Cook County Commissioner Mike Quigley, *Reinventing Cook County,* Part I, December 2003, p. 45.
[57] Cook County FY2010 Appropriation Bill, p. B-62.
[58] Cook County, Ord. No. 07-O-47, 7-10-2007.

and developing draft contract documents.[59] Purchasing responsibilities for hospital-related items were recently transferred to the Health and Hospitals System (Health System).[60] In addition, the Office of Contract Compliance ensures that County purchases comply with the Cook County Minority and Women Owned Business Ordinance (MBE/WBE). The Office of the Purchasing Agent and the Office of Contract Compliance are under the management of the Chief Financial Officer.[61]

Purchases with a cost of $750 (excluding professional services) or less may be made in the open market with "petty cash." Purchases of over $750, but less than $100,000 may be made by competitive quotation on the open market. Currently, Board of Commissioners approval is needed for any managerial or professional services over $25,000 and for any supplies, materials and equipment over $100,000, which must be made with a formal advertisement and competitive bidding process.[62]

The Office the Purchasing Agent's FY2010 budget is $2.3 million with 34.6 full time equivalent (FTE) positions.[63] There has been a steady and significant reduction in FTEs over the past ten years, with the Office declining from 63.0 FTEs in FY 2001 to 34.9 FTEs in FY2010[64] a reduction of 44.6%. Contract Compliance FTEs have remained relatively steady over the past ten years declining from 15.2 FTEs to 12.2 FTEs. The total FY2010 budget for Contract Compliance is $824,900.[65] In addition, there are Health System employees responsible for procurement.

The 2001 Cook County Cost Control Task Force included a detailed review Cook County's organizational structure. It identified multiple layers of review, with certain purchases going to the Department Head, Purchasing, Contract Compliance, the Finance Committee and the County Board. There are four separate points of Board approval of large purchases:

- Approval as part of the budget process
- Permission to advertise
- Approval of the bid
- Approval of payment to the vendor[66]

Multiple approvals can slow down the procurement process, reducing efficiency for the user department and the vendor.

The report by consulting firm Electronic Knowledge Interchange (EKI) described the County's procurement processes as focused exclusively on purchase transactions instead of analysis[67] and

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[59] Cook County, Ord. No. 07-O-47, 7-10-2007.
[60] Cook County FY2010 Appropriation Bill, Departmental Overview, p. C-34.
[61] Cook County, FY2010 Appropriation Bill, Departmental Overview, p.C-6.
[62] Cook County Ord. No. 07-O-47, 7-10-2007; Ord. No. 08-O-10, 1-9-2008; Ord. No. 08-O-23, 3-6-2008; Ord. No. 08-O-41, 7-1-2008
[63] Cook County FY2010 Appropriation Bill, Departmental Overview, p.C-34.
[64] Cook County FY2010 Appropriation Bill, Citizens' Summary, p.80.
[65] Cook County FY2010 Appropriation Bill, Citizens' Summary, p.58.
[66] The Civic Federation and Chicagoland Chamber of Commerce, *Cook County Cost Control Task Force*, June 2001, p.46.

found a lack of coordination among the administration and elected officials in vendor buys that create duplication and waste.[68] It also identified a predominance of paper-based processes across the County, including a purchasing process that takes an average of 4.5 months.[69]

There has been progress made on some purchasing procedures within Cook County with implementation of some recommendations from previous reports. In 2003 the Cook County Board increased the threshold for Board review from $10,000 to $25,000. The higher thresholds provide the following benefits: less Board time is spent on purchasing; paperwork is decreased; processing time is decreased; and the incentive to split requisitions is reduced.[70] The Reinventing Cook County report stated that one method to realize savings was for the purchasing agent to email notifications to potential bidders.[71] Cook County now has vendor enrollment which allows vendors to receive email notifications of new proposals.[72] The vendor is still required to physically deliver formal bids.

Best Practices

The National Institute of Governmental Purchasing (NIGP) has appointed a task force to develop best practices for public purchasing. The first step in their process is the development of proposed values and guiding principles, which are currently going through a comment period. The draft values are accountability, transparency, integrity, impartiality, professionalism and service.[73] In addition, there are over twenty draft principles to support the values. Key principles include:

- Apply sound business judgment.
- Be accountable for purchases.
- Maximize competition to the greatest extent practicable.
- Use procurement strategies to maximize value.
- Provide timely access to procurement policies, procedures and records.
- Be managed by those with proficiency in knowledge and skills as demonstrated through professional certification.
- Continually contribute value to the organization.
- Develop collaborative partnerships to meet public needs.
- Maintain a customer-service focus while meeting the needs and protecting the interests, of the organization and the public.

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[67] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010 , p.114.
[68] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010 , p.143.
[69] Ibid., p.114.
[70] Cook County Commissioner Mike Quigley, Reinventing *Cook County,* Part I, December 2003, p.46.
[71] Ibid., p.48.
[72] Cook County, *Vendor Guide to Doing Business with Cook County*, http://198.65.148.209/purchasing/vendersguide.html (last visited on September 13, 2010).
[73] National Institute for Governmental Purchasing, *Proposed Values and Guiding Principles (As of March 25, 2010)*, http://www.nigp.org/eweb/docs/Research/ValuesGuidPrin.pdf (last visited on September 10, 2010).

Information Technology

This section provides a high level overview of Information Technology (IT) in Cook County. Technology is a critical area because it can drive innovation and process improvements in operations.

Overview of Information Technology

The Bureau of Technology is the central IT department for the County and is responsible for implementing countywide computing and communications technology and infrastructure solutions.[74] However, a much larger IT staff has grown up throughout the County to provide individual departments and elected officials with their own IT capacity.

The Bureau of Technology accounts for only 19% of the County's 709 IT personnel, according to a report by consultant Electronic Knowledge Interchange (EKI).[75] While the Bureau of Technology's FY2010 appropriation amounted to $27.6 million,[76] countywide spending on IT totals more than $150 million.[77] The County's total IT expense is 20% above the national averages for state and local governments as a share of operating expense.[78]

Because of this decentralized decision-making, the County uses what the consultant described as "a technology hodgepodge."[79] The County is currently using five Enterprise Resource Planning (ERP) systems, 64 websites hosted by 27 different web hosts and three different networks. [80] Systems are not connected and multiple points of manual data reentry are the norm, resulting in limited collaboration capabilities between and within departments.[81]

In an example of the problems caused by lack of technology coordination, the Health System in June of 2009 entered into a $34.0 million, five-year contract for the purchase and installation of the Lawson ERP system and is having trouble interfacing with the County's major ERP system.[82] The major County system is an outmoded, unsupported version of a JD Edwards system.[83] Modern ERP systems provide financial, human resources, payroll and procurement capabilities.[84]

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[74]Cook County FY2010 Appropriation Bill, Departmental Overview, p.H-5.
[75]Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 113.
[76] Cook County FY2010 Appropriation Bill, p. H-1.
[77] Ibid., p.114.
[78] Ibid., p.114.
[79] Ibid., p. 145.
[80] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010 , p.113. An Enterprise Resource Planning system integrates all departments and functions across an organization into a single system that can serve all those different departments' particular needs, including financial analysis, human resources and purchasing.
[81] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010 , p.148.
[82] Cook County Health and Hospitals System, Report of the Meeting of the Board of Directors, June 26, 2009, Attachment #3, p. 28; Cook County Health and Hospitals System, Finance Committee Meeting Meetings, Friday, March 19, 2010, p. 4.
[83] Ibid., p.4.
[84] Ibid., p. 109.

Bureau of Technology

The Bureau of Technology has four departments: Management Information Systems (MIS), Geographic Information Systems (GIS), Office of Technology and Telecommunications Operations. Its mission is to design, deploy and maintain real time access to world class computing and communications infrastructure while ensuring a continuity of Government capability through comprehensive strategic management and disaster recovery policies.[85] The combined appropriation for the Bureau of Technology departments for FY2010 is $27.6 million. All of these departments utilize General Funds, with the exception of Geographic Information Systems.

Cook County Bureau of Technology Appropriations: FY2009 Adjusted & FY2010 Proposed

Department/Title	FY2009 Adjusted	FY2010 Budgeted	$ Change	% Change
Office of the Chief Information Officer	$ 6,266,223	$ 4,941,152	$ (1,325,071)	-21.1%
Department for Management of Information Systems	$ 6,693,516	$ 6,266,489	$ (427,027)	-6.4%
Department of Telecommunications Operations	$ 2,702,343	$ 2,632,720	$ (69,623)	-2.6%
Department of Office Technology	$ 1,642,844	$ 1,297,496	$ (345,348)	-21.0%
Geographic Information Systems	$ 9,997,731	$ 12,445,017	$ 2,447,286	24.5%
Total	**$ 27,302,657**	**$ 27,582,874**	**$ 280,217**	**1.0%**

Source: Cook County FY2010 Cook County, FY2010 Appropriation Bill, p. H-1.

The following table provides a breakdown of employment in the Bureau of Technology. Budgeted FTEs for FY2010 totaled 153.0 positions.

Cook County Bureau of Technology Positions: FY2009 Approved & FY2010 Proposed

Department/Title	FY2009 Approved	FY2010 Budgeted	$ Change	% Change
Office of the Chief Information Officer	8.6	9.0	0.4	4.7%
Department for Management of Information Systems	70.0	79.0	9.0	12.9%
Department of Telecommunications Operations	33.6	35.0	1.4	4.2%
Department of Office Technology	15.2	14.0	(1.2)	-7.9%
Geographic Information Systems	12.5	16.0	3.5	28.0%
Total	**139.9**	**153.0**	**13.1**	**9.4%**

Source: Cook County FY2010 Executive Budget Recommendation, p. G-1.

Public Safety

Cook County operates the second largest judicial system in the County. It operates two detention centers: the Cook County jail and the Temporary Juvenile Detention Center. The Health System oversees the operations of the Cermak Health Center, which treats inmates at the County jail. This section provides a high level overview of the County's criminal justice system. It draws on previous reports and expert interviews to provide a broad view of the justice system.

[85] Cook County FY2010 Appropriation Bill, Departmental Overview, p.H-5.

Overview of the Cook County Criminal Justice System

The County operates the Circuit Court of Cook County, which prosecutes persons charged with criminal offenses, the County Jail, which detains persons during the period between arrest and sentencing and the Sheriff's Police Department.

The Circuit Court of Cook County is the second largest unified court system in the United States.[86] It operates more than 350 civil, criminal and traffic courtrooms.[87] There are three elected offices overseeing the County's criminal justice operations: the State's Attorney office, the Office of the Chief Judge and the Clerk of the Circuit Court. There are four additional offices run by non-elected officials, including: the Public Defender, Office of Adoption Child Custody Advocacy, the Law Library and the Public Administrator.

The Sheriff oversees the operation of the Court Services Division, which provides courtroom security personnel and the Judicial Advisory Council, which assists in the coordination of planning for public safety.[88] The County Jail is the largest single site jail facility in the nation.[89]

In the FY2010 adopted budget, Cook County appropriated nearly $1.2 billion for public safety operating expenditures, which totaled nearly 55.0% of the County's total operating budget. Of the $1.2 billion in public safety expenditures, over $1.0 billion was appropriated for personnel services.

Public Safety expenses are allocated between offices of elected officials and Offices under the President. In FY2010 approximately $58.1 million was appropriated for the Office of the Public Defender, which falls under the Office of the Board President. Expenses for the Sheriff's Office were projected to total $472.8 million, the Chief Judge would receive $210.9 million, the Clerk of the Circuit Court would receive $123.5 million and the State's Attorney office would receive $108.0 million.

[86] Cook County FY2010 Appropriation Bill, Citizen's Summary, p. 2.
[87] Cook County FY2010 Appropriation Bill, Citizen's Summary, p. 4.
[88] Cook County FY2010 Appropriation Bill, Citizen's Summary, p. 4.
[89] Cook County FY2010 Appropriation Bill, Citizen's Summary, p. 2.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

This section provides a detailed look at the Cook County Health and Hospitals System (Health System), one of the nation's largest public health systems.

The Health System accounted for 41.6% of the County's General Funds operating budget, or $973.9 million, in FY2010.[90] Patient fees and fee-related revenues were budgeted to cover 59.5% of Health System expenses, or $579 million.

Historically, the Health System has been regarded as an inefficient operation where day-to-day decision making was hampered by political considerations.[91] Recently the Health System was placed under the purview of its own Board of Directors, rather than the Cook County Board of Commissioners. The new Board has pledged to transform the System over the next five years by refocusing and streamlining its activities.[92]

Overview of Health System

The Health System began in 1866, when Cook County acquired a hospital building from the City of Chicago.[93] From the beginning, Cook County Hospital (now called John H. Stroger Jr. Hospital) was a leading teaching center with the first internship in the U.S.[94]

The Health System has served as a safety net, or healthcare provider of last resort, for County residents who could not afford private healthcare. From serving mainly European immigrants, its focus shifted after World War I to the African-American population. More recently, the Health System has been providing care to an increasing number of Hispanic and Asian immigrants.[95]

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[90] Cook County FY2010 Appropriation Bill, Citizens' Summary, p. 45. This figure does not include pension contributions or debt service expenses because Cook County does not allocate these expenditures to various components of County government.

[91] Institute for Healthcare Studies, Feinberg School of Medicine, Northwestern University, *Protecting the Legacy of Caring for Vulnerable Populations: Essential Priorities for the Cook County Health Care System*, July 2006, pp. 9-11; Cook County Board of Commissioners, *Report of the Cook County Bureau of Health Services Review Committee*, October 2007, pp. 29-32.

[92] Cook County Board of Commissioners, Communication from Warren Batts and William Foley Submitting the Health System's Five-Year Strategic and Financial Plan to the Cook County Board of Commissioners for its Approval, July 8, 2010.

[93] John Raffensperger, "Cook County Hospital," *Encyclopedia of Chicago*, at http://www.encyclopedia.chicagohistory.org/pages/336.html (last visited on August 5, 2010).

[94] Ibid.

[95] Ibid.

The Health System is by far the largest provider of healthcare to the uninsured in the State of Illinois, according to the Illinois Department of Healthcare and Family Services.[96] The table below shows the amount of care provided by the Health System and the other nine hospitals in the State that delivered the most services to the uninsured in 2007, the latest year for which data are available.

State of Illinois' Largest Hospital Providers of Uninsured Care: FY2007* (in $ millions)		
Hospital	**City**	**Cost of Uninsured Care**
Cook County**	Chicago/Oak Forest	$ 521.0
Northwestern Memorial	Chicago	$ 42.4
Mount Sinai	Chicago	$ 33.5
OSF Saint Francis	Peoria	$ 23.6
Saint Alexius	Hoffman Estates	$ 17.2
Alexian Brothers	Elk Grove Village	$ 15.6
Saint John's	Springfield	$ 14.2
University of Illinois	Chicago	$ 13.6
Ingalls Memorial	Harvey	$ 13.3
Northwest Community	Arlington Heights	$ 12.9

*Fiscal year varies by hospital

**Cook County hospitals consist of Stroger, $397.3; Provident, $74.9; and Oak Forest, $48.8.

Source: Email Communication between the Civic Federation and the Illinois Department of Healthcare and Family Services, August 6, 2010.

In addition to Stroger Hospital, the Health System operates Provident Hospital and Oak Forest Hospital. Together, the three hospitals had 203,815 emergency room visits and 31,524 inpatient admissions in FY2009.[97] Stroger operates Chicago's largest Level 1 Trauma Center.[98]

Additional health services are provided by the Health System's Ambulatory and Community Health Network (ACHN), the CORE Center and the Cook County Department of Public Health. ACHN operates 16 clinics across the County, as well as specialty outpatient clinics at the System's hospitals. The clinics had 607,684 visits in FY2009.[99] The CORE Center operates as an outpatient facility for patients with HIV/AIDS and related diseases. The Cook County Department of Public Health provides regulatory, preventative and protective health services to County residents, including clinical public health visits.

The Health System also operates Cermak Health Services and the Juvenile Temporary Detention Center Health Services (JTDC). Cermak, the infirmary for the Cook County Department of

[96] Email communication between the Civic Federation and the Illinois Department of Healthcare and Family Services, August 6, 2010.

[97] Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting, February 19, 2010, Attachment #1, p. 37.

[98] Cook County FY2010 Appropriation Bill, Citizens' Summary, p. 3. Level 1 Trauma Centers are required to provide the highest level of services for traumatic injuries under the Illinois Emergency Medical Services Systems Act, 210 ILCS 50/3.90.

[99] Ibid.

Corrections, is the largest single-site jail health facility in the nation.[100] JTDC provides health care to the children detained by the County.

Under state law, County government has primary responsibility for the provision of public health services.[101] The performance of this function, unlike the operation of the County jail and Juvenile Temporary Detention Center, is not governed by a court order covering the adequacy of services. However, the County Board on July 1, 2008 adopted a resolution reaffirming its commitment to serving the healthcare needs of the indigent.[102]

Governance

For most of its history, each component of Cook County's health system reported individually to the Board President and Board of Commissioners.[103] The system was consolidated in the early 1990s as the Cook County Bureau of Health Services, under the direction of its own chief.

The current governance structure was created in response to a financial crisis in 2006. At that time, a decline in federal funding forced job and service cuts at County hospitals. Illinois' congressional delegation urged County leaders to overhaul the health system in order to obtain additional federal assistance.[104] On May 15, 2007, Cook County Board President Todd Stroger convened a Review Committee to evaluate the Bureau of Health Services.

In a report in October of 2007, the Review Committee said that the Bureau generally provided high-quality health care, particularly in areas such as trauma and cardiac surgery.[105] However, the Review Committee found that it was difficult to assess the Bureau's finances because of the gaps in financial reporting. "Management reporting capabilities and business practices typical of hospitals and health systems do not exist at the Bureau of Health Services or are only now being developed," the report said.[106]

The Review Committee also found major problems in the revenue cycle process, which involves patient registration, billing and collections. A study of the revenue cycle done for the Bureau in May 2005 by the University Health System Consortium found that revenue "was almost an afterthought," with payment for services "considered only late in an episode of care." The study said that the lack of concern about revenue stemmed from the Bureau's "safety net mindset," or assumption that most patients were uninsured. The study also found that shortfalls in service and amenities "push profitable clients to competitors."[107]

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[100] Cook County Health and Hospitals System website at http://www.ccbhs.org/CCServlet (last visited on August 5, 2010).
[101] Cook County Board of Commissioners, Comprehensive Annual Financial Report for the Year Ended November 30, 2008, p.vii.
[102] Cook County Board of Commissioners, 08-R-285, July 1, 2008.
[103] Between 1969 and 1979, the health system was governed by the Cook County Health and Hospitals Governing Commission, created by the Illinois General Assembly.
[104] Mike Colias, "Dems in D.C. scold Stroger; County Prez must fix hospital system, Sen. Durbin warns," *Crain's Chicago Business*, May 14, 2007.
[105] Cook County Board of Commissioners, Report of the Cook County Bureau of Health Services Review Committee, October 2007, pp. 14-15.
[106] Ibid., p. 19.
[107] Cook County Bureau of Health Services, *An Assessment of Revenue Cycle Opportunity*, May 2005.

The Review Committee concluded that the Bureau could not be operated efficiently if it did not control its own day-to-day decision making concerning such areas as hiring and procurement. The Review Committee recommended the establishment of an independent board to oversee the health system and appoint its chief executive officer.[108]

The Cook County Health and Hospitals System, with its own Board of Directors, was created in 2008. Board President Stroger agreed to appoint the new Board in exchange for approval by the County Board of Commissioners of a 1.0 percentage point increase in the County sales tax, raising the County's home rule sales tax rate from 0.75% to 1.75%.[109]

The new Board was given authority over day-to-day decisions.[110] However, Health System budgets are still subject to approval by the Board of Commissioners. In addition, major policy matters, such as strategic plans and hospital closings, have to be cleared by the County Board.

The ordinance that established the new Health System Board specified that the Board would terminate in three years if County Commissioners did not act to extend its term. On June 1, 2010, County Commissioners amended the ordinance to make the Health System Board permanent.

Budgetary Trends

Nearly all of the Health System's operations are conducted through the County's Health Fund, a component of the General Funds.[111] This analysis focuses on the Health Fund.

Revenues

Health System revenues come from operating and non-operating sources. Operating revenues consist mainly of patient fees and related supplemental federal funding.[112] Total FY2010 operating revenues, including miscellaneous revenues such as cafeteria charges, were budgeted at $584.7 million, or 60.0% of total revenues of $973.9 million.

Non-operating revenues consist of County taxes—property taxes, sales taxes and cigarette taxes—used to support the Health System. FY2010 non-operating revenues were budgeted at $389.1 million, or 40.0% of total revenues.

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[108] Cook County Board of Commissioners, Report of the Cook County Bureau of Health Services Review Committee, October 2007, p. 32.

[109] Hal Dardick, "County deal hikes taxes; Facing deadline, Stroger and Board deal on the budget," *Chicago Tribune*, March 2, 2008.

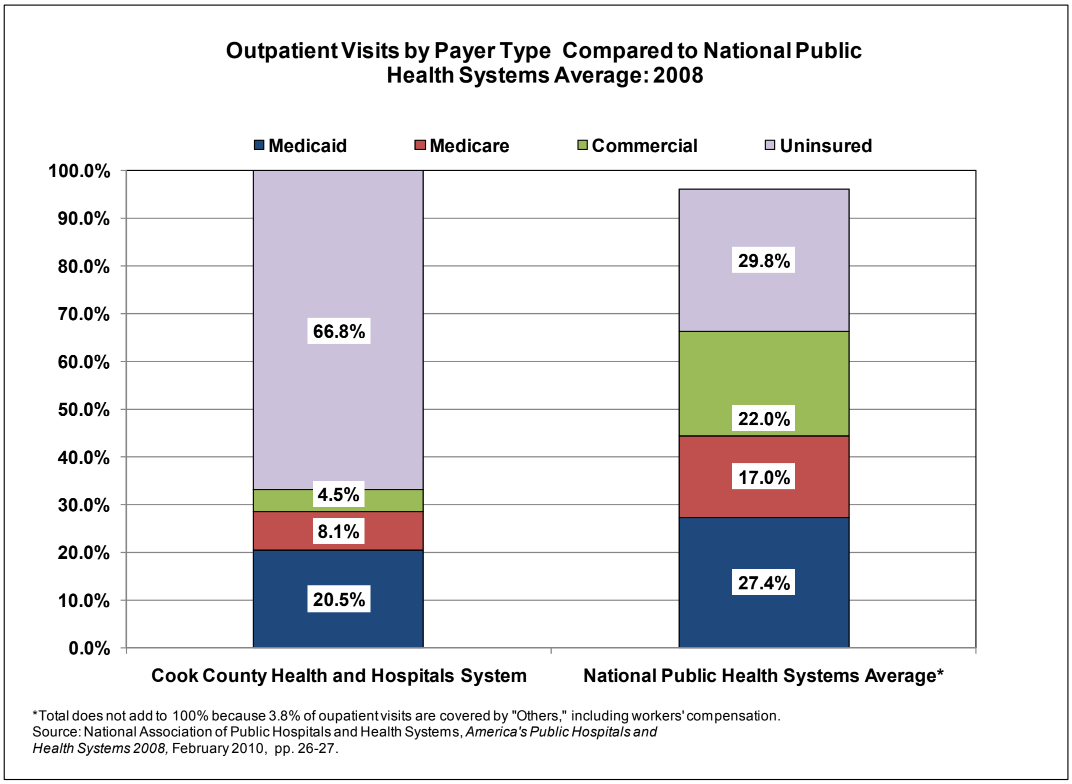
[110] Cook County Code of Ordinances, Chapter 38, Article V.

[111] In FY2010, the Health System's budgeted operating appropriations also included a total of $9.8 million in Special Purpose Funds and $19.4 million in grant funds. In addition, the Health System received a capital appropriation of $66.1 million.

[112] Miscellaneous revenues, including cafeteria, medical records, parking income, physician fees, pharmacy service charge and public health revenue, represent a small share of operating revenues.

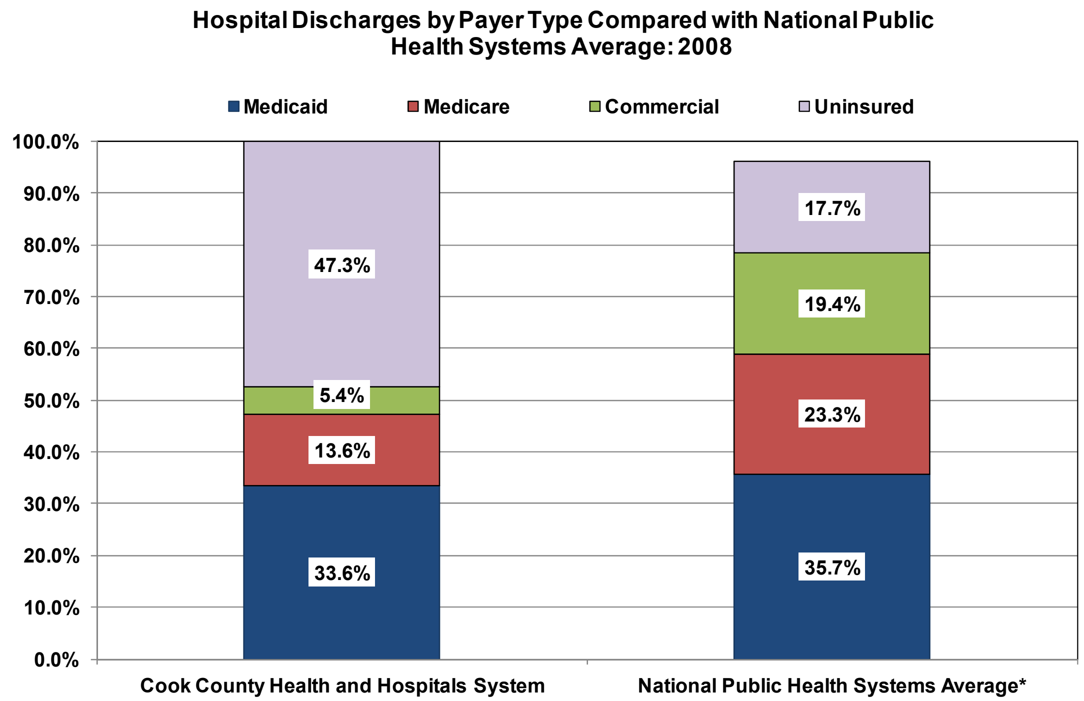
Operating revenues

Most of the Health System's services are provided to patients who lack insurance of any kind. The chart below shows insurance coverage for outpatient services at the Health System and at all public health and hospital systems in a 2008 survey by the National Association of Public Hospitals and Health Systems.[113] At the Cook County Health System, 66.8% of outpatient visits were not covered by insurance. That compares with an average of 29.8% at the 89 hospitals in the 2008 survey.



[113] National Association of Public Hospitals and Health Systems. *America's Public Hospitals and Health Systems 2008*, February 2010, pp. 26-27.

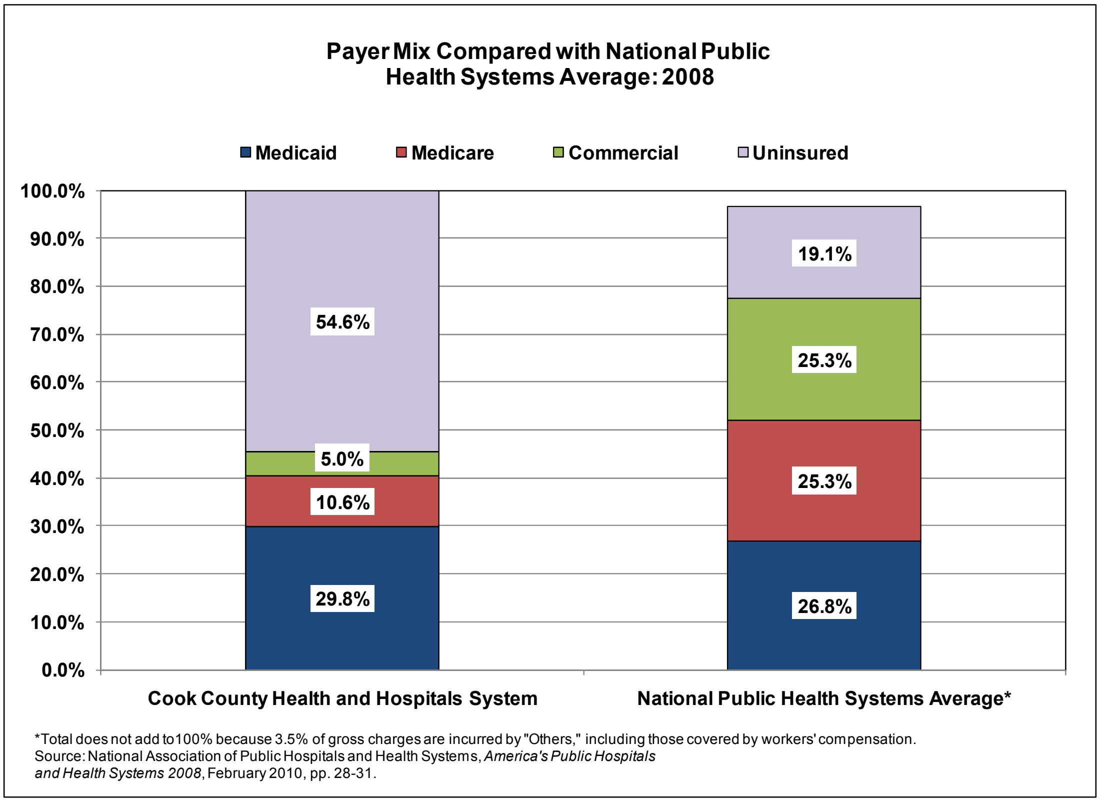
The next chart shows insurance coverage for inpatient visits at the Health System and at public health and hospital systems in the National Association of Public Hospitals and Health Systems' survey.[114] At the Cook County Health System, 47.3% of hospital discharges were not covered by any type of insurance. Public hospitals on average provided 17.7% of inpatient services to uninsured patients.



*Total does not add to 100% because 3.4% of discharges are covered by "Others," including workers' compensation.
Source: National Association of Public Hospitals and Health Systems, *America's Public Hospitals and Health Systems 2008*, February 2010, pp. 24-25.

[114] Ibid., pp. 24-25.

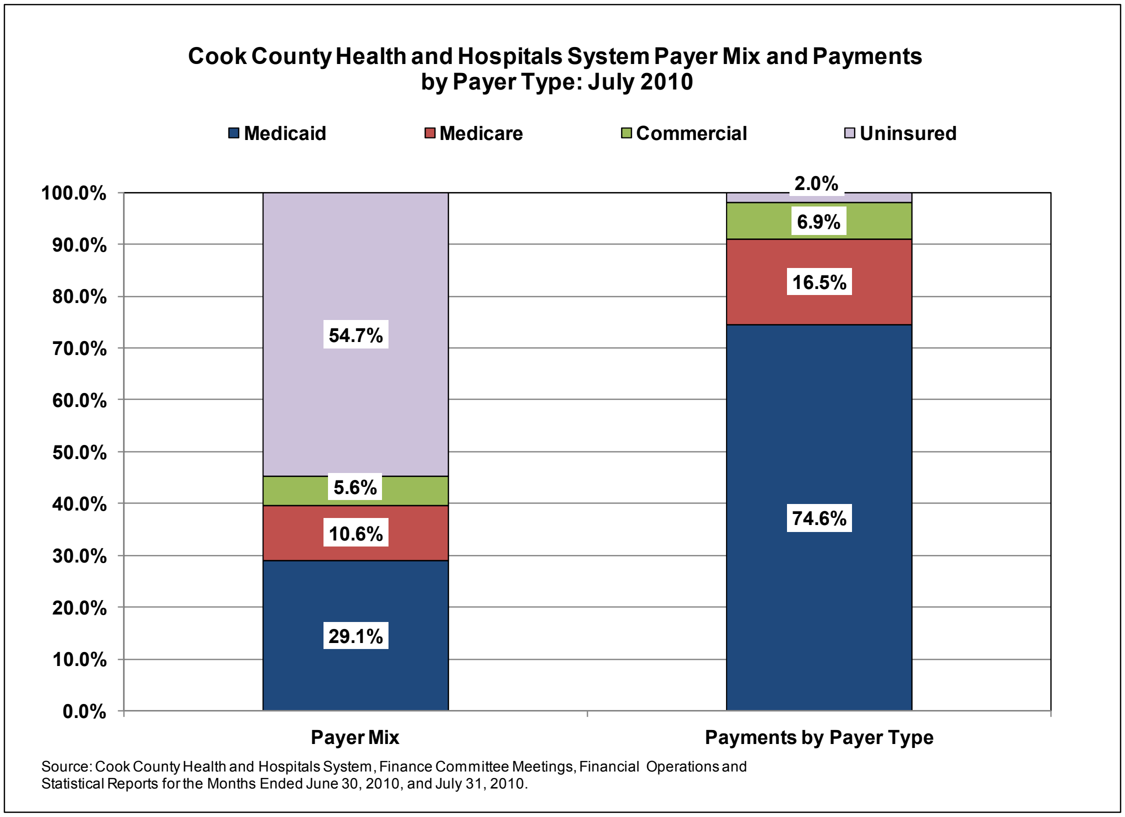
The breakdown of a hospital's business is also measured by payer mix, or the share of total charges to each type of payer. The chart below compares the Health System's payer mix with the national average.[115] At the Cook County Health System, 54.6% of charges were incurred by the uninsured. In contrast, the national average was 19.1%.



The Health System provides most of its services to uninsured patients, who generally cannot afford to pay for much, if any, of their care. However, most of the Health System's payments for patient services come from the federal Medicaid and Medicare programs. Medicaid is a joint state-federal program that finances medical care for certain categories of low-income people. Medicare is a federal health insurance program for people age 65 and older.

[115] Ibid., pp. 28-31.

The following chart compares the Health System's payer mix as of July 31, 2010 with actual payments by payer type for the seven months ended July of 2010. In July of 2010, 54.7% of patient service charges were incurred by the uninsured, but only 2.0% of patient fee payments were collected from uninsured patients.[116] During the month, 74.6% of patient fee payments came from Medicaid.



Besides the Medicaid fee payments shown above, the Health System also receives supplemental Medicaid funds designed to help offset its unreimbursed costs of treating the uninsured. The financial arrangements underlying the System's Medicaid payments are complex and have changed in important ways over the past decade.

Under the Medicaid program, states typically pay healthcare providers for covered medical services received by eligible beneficiaries and then seek reimbursement for the federal share of those payments. The reimbursement rate to states is called the Federal Medical Assistance Percentage (FMAP).[117]

In the case of Cook County, however, the State's portion of the expenditures is paid by the County rather than by the State through an Intergovernmental Transfer (IGT) agreement.

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[116] Cook County Health and Hospitals System, Finance Committee Meetings, Financial Operations and Statistical Reports for the Months Ended June 30, 2010 and July 31, 2010.

[117] The Federal Medical Assistance Percentage usually ranges from 50% to 76%. Due to stimulus funds provided under the American Recovery and Reinvestment Act of 2009, the FMAP ranged from 56% to 85% in federal FY2010.

According to federal regulations, public funds may be considered as the State's share of Medicaid expenditures if they are transferred from a local agency to the State.[118]

Under the IGT agreement, the County wire transfers the required IGT amount to the State. Within 24 hours, the State wire transfers back to the County the IGT amount along with the federal share of the Medicaid payment. Because of the IGT, the State incurs no net cost for Medicaid patients treated by the Health System. The Health System, in turn, benefits by the amount of the federal reimbursement.

For many years, the County was reimbursed for its Medicaid services at payment rates that far exceeded its costs.[119] These payments were based on Upper Payment Limits (UPLs) set by the federal government. The Health System's first IGT agreement began on July 1, 1991. Between that date and June 30, 2000, the Health System received approximately $5.9 billion from the State, with $3 billion representing a return of County funds and $2.9 billion representing the federal share, according to a 2001 report by the U.S. Department of Health and Human Services' Office of the Inspector General.[120]

The 2001 report described the IGT arrangement as a "windfall in revenue" to the State and the County.[121] Between July 1, 1991 and June 30, 2000, $866.6 million of the $2.9 billion was returned to the State and deposited in the State's General Funds pursuant to the IGT agreement. The Health System used part of the remainder of the $2.9 billion to cover costs of patients who did not qualify for Medicaid assistance and to expand its operations.[122] During this period, the Health System reopened Provident Hospital in 1993 and increased the size of its clinic network. However, County tax revenues allocated to the Health System declined 16.6% during the same timeframe.[123]

It should be noted that special Medicaid assistance in the form of Disproportionate Share Hospital (DSH) payments is typically available to hospitals that serve large numbers of uninsured patients. Until recently, Illinois did not allocate DSH funds to the Health System because of the generous federal payments under the IGT agreement.

The growing use of IGT agreements in Illinois and other states led to changes in UPL regulations that curtailed federal payments to Cook County. The changes, published in 2001, were phased in over several years and did not become fully effective until October 1, 2008.[124]

Meanwhile, Congress passed legislation intended to help offset the impact of the UPL changes. Under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection

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[118] 42 C.F.R. 433.51.

[119] Office of the Inspector General, U.S. Department of Health and Human Services, Review of Illinois' Use of Intergovernmental Transfers to Finance Enhanced Medicaid Payments to Cook County for Hospital Services, March 2001, p.7.

[120] Ibid., p. 1.

[121] Ibid., p. 6.

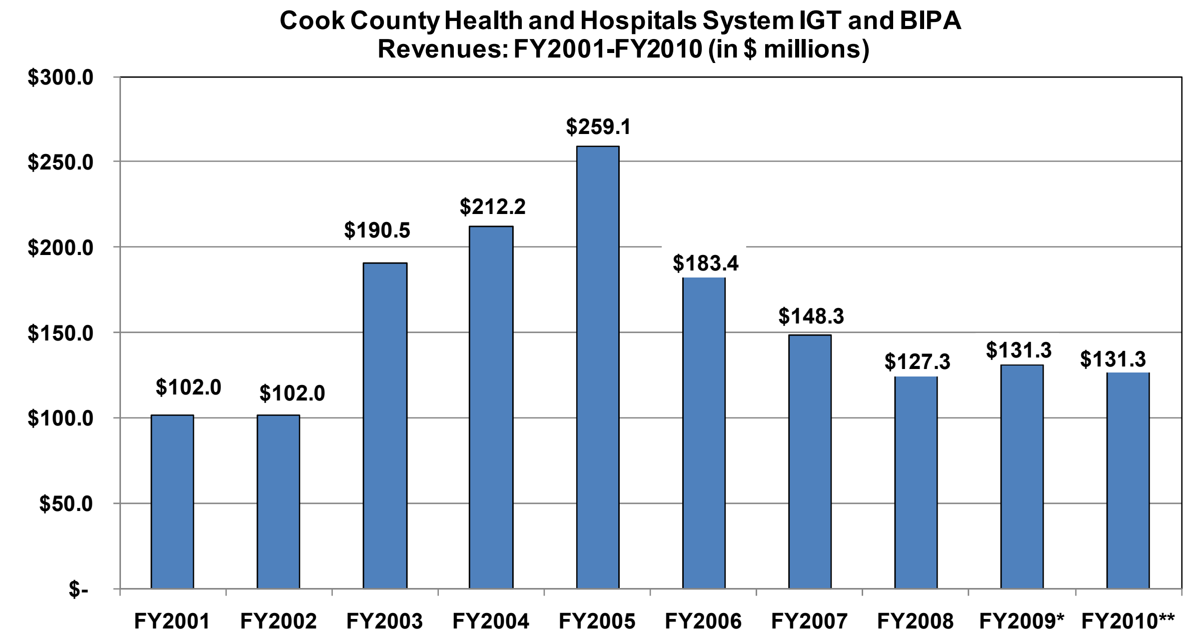
[122] Ibid., p.11.

[123] Ibid., p.12.

[124] The requirement for the regulations was incorporated into H.R. 5661, Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000.

Act of 2000 (BIPA), states were allowed to make additional Medicaid payments to public hospitals that fit certain criteria.[125] Eligible hospitals had to be in operation on October 1, 2000, have a low-income utilization rate of 65% and not receive DSH funds. Only the State of Illinois and the Cook County Health System qualified for the new BIPA funds.[126]

The new BIPA funds totaled $15 million in federal FY2002 and rose to $375 million a year after FY2005, with no termination date.[127] The State of Illinois has retained 65% of the BIPA money, allowing the Health System to use 35% of the funds. The chart below shows the change in combined IGT and BIPA funds from County FY2001 through budgeted FY2010.



*Estimated.
**Budgeted.
Source: Cook County FY2010 Annual Appropriation Bill, Revenue Estimate, p. 40; Cook County Health and Hospitals System, Income Statement for the Twelve Months Ended November 30, 2009, presented to the Finance Committee on April 16, 2010; Cook County FY2009 Annual Appropriation Bill, Revenue Estimate, p. 9; Cook County FY2007 Annual Appropriation Bill, Revenue Estimate, p. 9; Cook County FY2005 Annual Appropriation Bill, Revenue Estimate p. 55.

The steep decline in combined IGT and BIPA revenues beginning in FY2006 due to changes in federal law and regulations prompted Board President Todd Stroger to order substantial cutbacks in Health System spending in early FY2007, shortly after he took office.[128] The Review Committee subsequently appointed to evaluate the Health System said it was unable to find evidence of a long-term financial plan to deal with the shortfall, despite the fact that the upcoming funding reduction had been known about for years.[129] Instead, the Review Committee

[125] Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d)(2).
[126] Cook County Board of Commissioners, Report of the Cook Bureau of Health Services Review Committee, October 2007, p. 21.
[127] Congressional Budget Office, Pay-As-You-Go Estimate, H.R. 5661, Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, September 20, 2001, p.14.
[128] Cook County Board of Commissioners, Report of the Cook Bureau of Health Services Review Committee, October 2007, p. 16.
[129] Ibid., p. 30.

said, the reduction was to be made up from inflated revenue projections that were never realized. For FY2006, the Health System estimated it would collect patient fees and related payments of $428.2 million.[130] Actual patient fees and related revenues for FY2006 totaled $331.9 million.[131]

A new IGT agreement, completed in mid-2009 and retroactive to July 1, 2008, provides for DSH payments from the State to the Health System for the first time.[132] In FY2009, the Health System's DSH payments were increased by roughly $100 million to $258.3 million due to one-time retroactive payments.[133] The Health System sought to retain the retroactive DSH money, but the County retained it to offset revenue shortfalls in previous years.[134]

FY2010 DSH revenues are projected at $150 million.[135] These new revenues are partially offset by lower Medicaid reimbursement rates for inpatient stays, reflecting a UPL restricted to actual costs.

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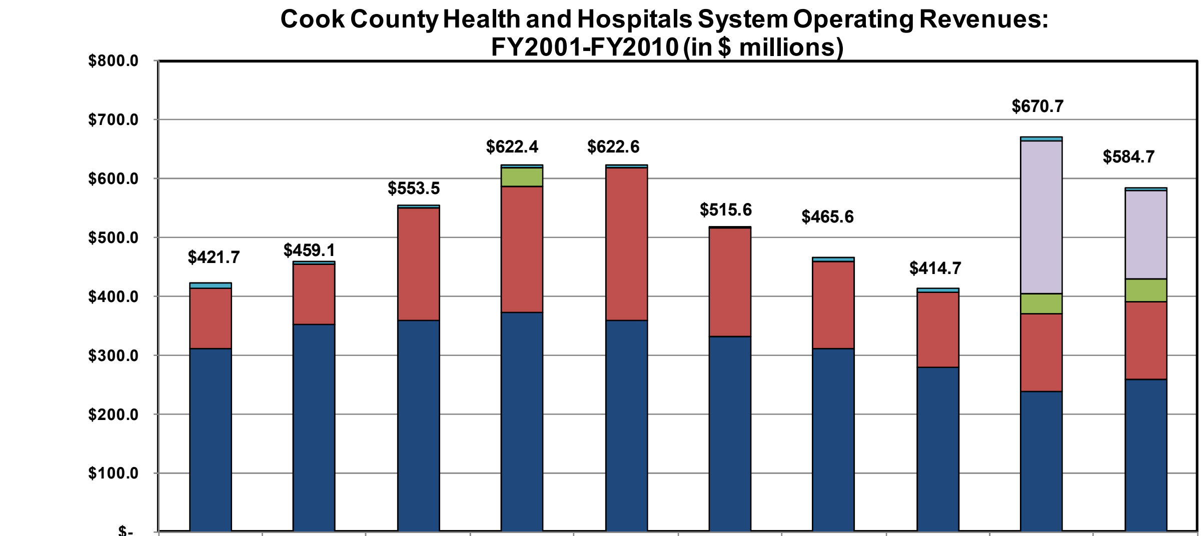
[130] Cook County FY2006 Appropriation Bill, Revenue Estimate, p.56.
[131] Cook County FY2010 Appropriation Bill, Revenue Estimate, p. 59.
[132] Cook County Health and Hospitals System, An Overview of the New Intergovernmental Agreement Governing Medicaid Payments and Disproportionate Share Payments to Hospitals of the Cook County Health and Hospitals System, April 2009, p. 3.
[133] Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting, February 19, 2010, Attachment #1, p. 29.
[134] Cook County Health and Hospitals System, White Paper, Proposal on the Use of Federal and/or State Funds Received During FY09 and Un-appropriated by the Cook County Board, undated.
[135] Cook County FY2010 Appropriation Bill, Revenue Estimate, p. 9.

The chart below shows the Health System's total operating revenues from FY2001 through budgeted FY2010.



	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009*	FY2010**
Miscellaneous***	$8.0	$3.9	$4.6	$4.4	$5.2	$0.3	$6.5	$8.4	$7.3	$5.7
DSH	$-	$-	$-	$-	$-	$-	$-	$-	$258.3	$150.0
FMAP	$-	$-	$-	$32.0	$-	$-	$-	$-	$35.8	$39.0
IGT and BIPA	$102.0	$102.0	$190.5	$212.2	$259.1	$183.4	$148.3	$127.3	$131.3	$131.0
Patient Service Revenue****	$311.7	$353.2	$358.4	$373.8	$358.3	$331.9	$310.8	$279.0	$238.0	$259.0

*Estimated.
**Budgeted.
**Includes cafeteria, medical records, parking income, physician fees, pharmacy service charge and public health revenue.
***Medicaid, Medicare, private insurers and ininsured patients.
Source: Cook County FY2010 Annual Appropriation Bill, Citizens' Summary, p.36 and Revenue Estimate, p. 40; Cook County FY2009 Appropriation Bill, Revenue Estimate, p. 65; Cook County FY2007 Annual Appropriation Bill, Revenue Estimate, p. 9; Cook County FY2005 Annual Appropriation Bill, Revenue Estimate, pp. 55, 61, E-4, E-6, E07; Cook County Health and Hospitals System, Income Statement for the Twelve Months Ended November 30, 2009.

In the chart, FMAP represents an enhanced Federal Medical Assistance Percentage. FMAP was enhanced in FY2009 and FY2010 due to the American Recovery and Reinvestment Act of 2009, but the enhancement is scheduled to end by June 30, 2011. The current IGT agreement expires in July of 2013.[136] Federal DSH payments to the Health System are expected to decline in FY2011 with the expiration of federal stimulus funds. Beginning in 2014, DSH payments to states are scheduled to be scaled back under provisions of federal health reform, as more uninsured people are covered by Medicaid.[137]

Patient service revenues were budgeted at $259 million in FY2010, up 8.8% from $238 million in FY2009. However, actual patient service revenues in FY2010 are now expected to be as much as $40 million below the budgeted level, largely because of lower than anticipated Medicaid patient fees.[138]

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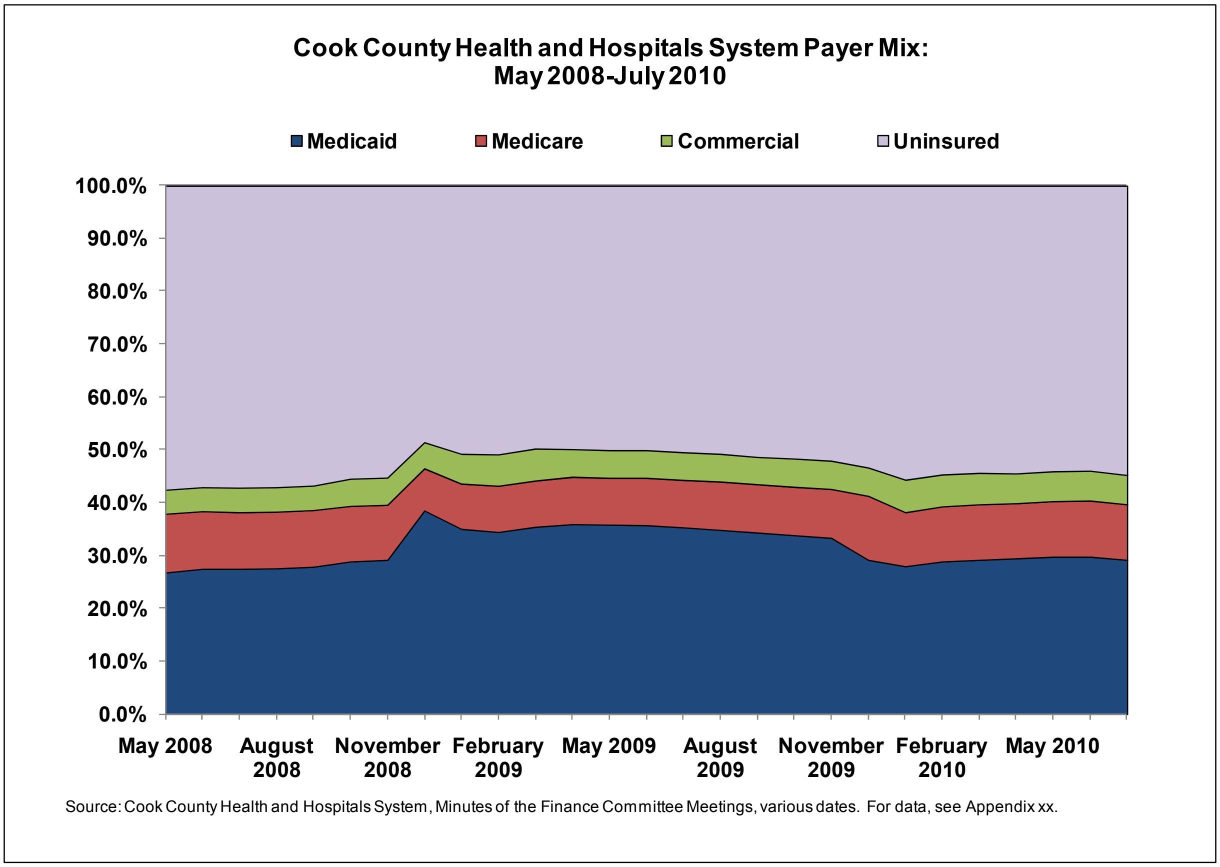
[136] State of Illinois, Public Act 095-0859, effective August 19, 2008.
[137] Kaiser Family Foundation, *Medicaid and Children's Health Insurance Program Provisions in the New Health Reform Law,* April 7, 2010, p. 11. See p. 45 of this report for a more detailed discussion of the impact of federal health reform on the Health System.
[138] Statement to Cook County Health and Hospitals System Finance Committee by Michael Ayres, September 17, 2010.

The chart below shows recent changes in payer mix, or share of charges to each type of payer. Medicaid's share of total Health System charges rose from 26.7% in May of 2008 to the mid 30% range through much of 2009, but it has since fallen to 29.1% in July of 2010.[139] Meanwhile, the uninsured share fell from 57.5% in May of 2008 to 50% in much of 2009 but has risen to 54.7% in June of 2010.[140] These changes are significant because the Health System depends so heavily on Medicaid for revenues.



The drop in Medicaid revenues has stemmed largely from a decline in inpatient days covered by Medicaid, according to Health System officials.[141] The number of Medicaid inpatient days for the seven months ended June 30, 2010 totaled 86,014, 7.3% below the 92,779 for same period in FY2009 and 5.3% below the budgeted FY2010 figure of 90,819. A decline in the number of inpatient days has a major impact on revenue because the Health System is paid on a per diem basis for Medicaid inpatients.

[139] Cook County Health and Hospital Systems, Minutes of the Finance Committee Meeting, September 4, 2009 through August 13, 2010. Cook County Health and Hospitals System, Financial Operations and Statistical Reports for the Month Ended July 31, 2010, p.6.
[140] Ibid.
[141] Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting of July 16, 2010, Attachment #3, FY2010 Revenue Report, CCHHS Variance Analyses for the 7 Months ending June 30, 2010.

Health System officials have presented several reasons for the decline in Medicaid inpatient volume. Over the last three years, the number of Health System patients enrolled in the State's Illinois Health Connect program, a managed care plan, dropped by roughly 10,000 to 26,000.[142] Under the program, Medicaid recipients are required to sign up to receive care from a specific primary care doctor. Beginning in the fall of 2009, the State began to provide reimbursement for doctor visits only if the patient saw his designated doctor. Health System officials have said that Illinois Health Connect business was not pursued aggressively because of personnel changes and that expanding participation in the program is now a significant priority.

Health System officials have also linked the reduction in Medicaid volume to delays by the State of Illinois in processing Medicaid enrollment applications. The System has been working to enroll uninsured patients who may qualify for Medicaid benefits. The consultant hired to screen patients for Medicaid eligibility has been qualifying more than 400 patients a month.[143] However, there is a growing backlog of applications at the State. In addition, the System has recently been reviewing state data to determine if patients tend to go to other hospitals after they are enrolled in Medicaid.[144]

The Health System is also implementing a new charity care policy that for the first time requires patients to make payments when clinic services are received and prescriptions are filled.[145] Patients with incomes up to 250% of the Federal Poverty Guidelines would pay nothing.[146] The copayment of $10 per clinic visit and $4 per prescription would be discounted on a sliding scale based on income. No discount would be granted to patients with incomes over 451% of the poverty guidelines.

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142 Communication between the Civic Federation and Cook County Health and Hospitals System, September 28, 2010.

143 Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting of July 16, 2010, Attachment #3, Executive Steering Committee Update, CEA Eligibility Services, July 15, 2010, p. 14.

144 Cook County Health and Hospitals System, Statement of Michael Ayres at the Finance Committee Meeting of July 16, 2010.

145 Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting of April 16, 2010, Attachment #1, pp. 21-22.

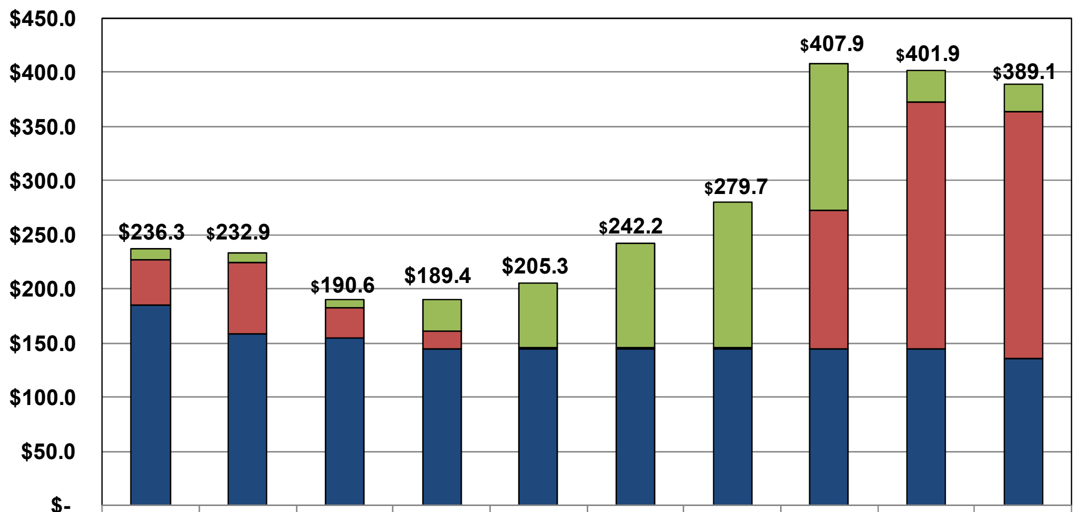
146 The Federal Poverty Guideline is currently $10,830 for a single person and $22,050 for a family of four. See U.S. Department of Health and Human Services, Assistant Secretary of Programs and Evaluation at http://aspe.hhs.gov/poverty/10poverty.shtml (last visited on September 7, 2010).

Non-operating Revenues

The Health System's non-operating revenues consist of tax revenues received from the County in order to balance the System's budget. Non-operating revenues represent the subsidy paid to the Health System by County taxpayers. These revenues come from property, sales and cigarette taxes.

The chart below shows the Health System's non-operating revenues from FY2001 through budgeted FY2010.

Cook County Health and Hospitals Systems Non-Operating Revenues: FY2001-FY2010 (in $ millions)



	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009*	FY2010**
Cigarette Tax	$10.0	$9.0	$8.4	$28.0	$59.9	$96.8	$134.3	$135.9	$29.4	$25.0
County Sales Tax	$40.9	$65.0	$28.1	$17.0	$1.0	$1.0	$1.0	$127.6	$228.1	$228.1
Net Property Tax***	$185.4	$158.9	$154.1	$144.4	$144.4	$144.4	$144.4	$144.4	$144.4	$136.0

*Estimated.
**Budgeted.
***Property tax levy net of allowance for uncollected taxes.
Source: Cook County FY2010 Annual Appropriation Bill, Revenue Estimate, pp. 40, 55,65; Cook County FY2007 Annual Appropriation Bill, Revenue Estimate, pp. 8 , 52 and 54; Cook County FY2005 Annual Appropriation Bill, Revenue Estimate, pp. 8 and 50; Cook County Annual Appropriation Bills FY2009, FY2008, FY2006, FY2004, FY2003, FY2002 and FY2001, Revenue Estimate, p. 8.

Property tax revenues have been relatively stable, but there has been substantial fluctuation in the amount of cigarette and sales taxes received by the Health System. The decline in IGT and BIPA revenues from FY2006 to FY2008 was offset by an increase in cigarette tax revenues. Beginning in FY2008, following the 1.0 percentage point increase in the county home rule sales tax rate to 1.75%, the Health System has received a substantial share of sales tax revenues. In FY2009 and FY2010, cigarette tax revenues allocated to the Health System were reduced to compensate for the increase in sales taxes.

The numbers above do not show the total County subsidy to the Health System because they do not include revenues used to cover certain expenses such as pension contributions and debt service costs.[147] The County in its budget documents has not allocated these revenues (or the corresponding expenses) to the Health Fund or other components of the General Funds. An estimate of the total subsidy is presented at the end of this section.

Expenditures

The Health System's FY2010 budgeted General Funds appropriations total $973.9 million.[148] As noted above, the budgeted appropriation figure does not include certain expenses such as pension contributions.

The chart below shows how the Health System planned to spend its FY2010 budget. The category called Contingency and Special Purpose, which shows a negative amount of $71.6, represents intended expense reductions in both personnel and supplies that were not reflected in the budget because of timing factors.

Cook County Health Fund FY2010 Budgeted Expenditures by Object (in $ millions)

Object	FY2010	
Personal Services	$	667.4
Contractual Services	$	159.7
Supplies and Materials	$	153.0
Operation and Maintenance	$	55.2
Rental and Leasing	$	10.1
Contingency and Special Purpose	$	(71.6)
Total	**$**	**973.8**

Source: Cook County FY2010 Annual Appropriation Bill, Citizens' Summary, pp. 52-53.

The FY2010 budget was based on planned expense reductions of $80 million: $20 million through reductions in supply costs and $60 million from the elimination of vacant and filled full-time equivalent positions (FTEs).The expense cuts grew to $106 million due to an additional cut of $26 million required by the County as a result of the 0.5 percentage point rollback in the County sales tax, effective July 1, 2010.

On August 1, 2009, the Health System took over all of its purchasing functions from the County. The ordinance that established the Health System in 2008 specifically granted its Board the authority to participate in purchasing consortia. The Cook County Health System entered into an agreement to participate in the Oak Brook-based University Health System Consortium/Novation Group Purchasing Organization (GPO) program in September of 2009.

A GPO is a purchasing intermediary that is used to control the cost of medical products. By pooling purchases, GPOs say they can negotiate lower prices from manufacturers, distributors and other suppliers. Roughly 72% of purchases by hospitals are done using GPO contracts,

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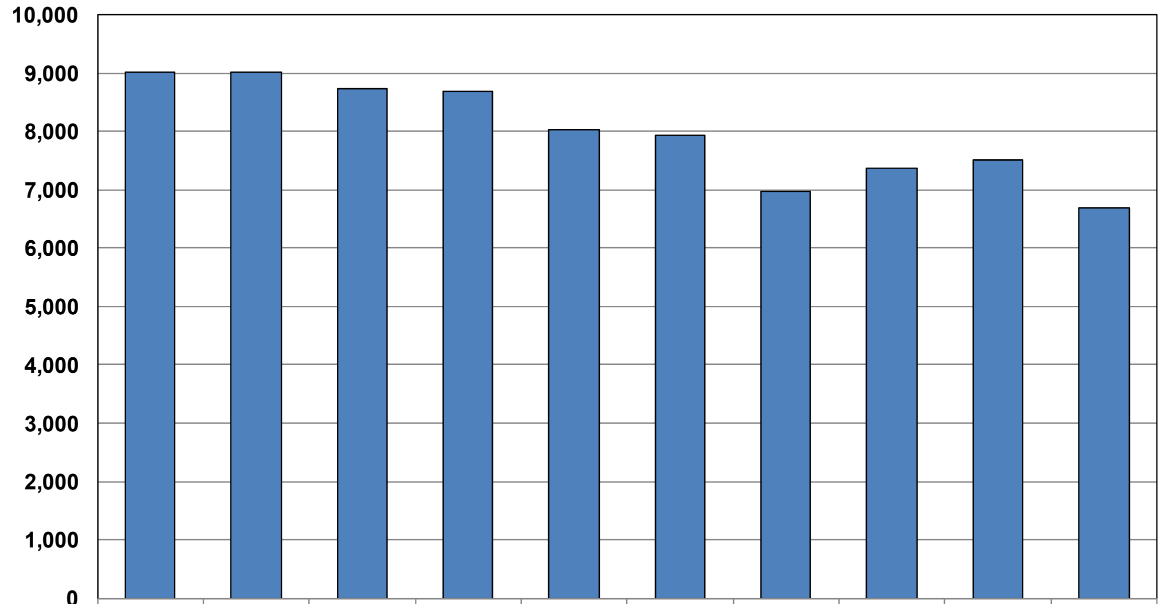
[147] Numbers for FY2009 and FY2010 reflect an appropriation set aside for insurance-related claims, including malpractice and workers' compensation. Before FY2009, the numbers do not include an insurance-related appropriation.

[148] Cook County FY2010 Appropriation Bill, Citizens' Summary, p. 53.

according to an industry trade group.[149] However, critics have questioned whether there is adequate evidence to show that GPOs generate savings for hospitals.[150]

The Health System also budgeted for savings in FY2010 due to personnel reductions. The next chart shows the number of FTEs from actual FY2001 to budgeted FY2010. The number of FTEs dropped by 12.6% or 999.6 positions in FY2007 because of the budget cuts ordered in the face of declining federal revenue. The budgeted decline in FTEs in FY2010 by 10.9% or 817 positions is due to efforts by the Health System's new Board and management to increase efficiency.

Cook County Health Fund Full-Time Equivalent Personnel: FY2001-FY2010



	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010*
Positions	9,011.0	9,002.2	8,731.6	8,674.7	8,025.9	7,927.5	6,967.9	7,372.0	7,501.4	6,684.4

*Budgeted.
Source: Cook County FY2010 Annual Appropriation Bill, Citizens' Summary, p. 82.

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149 Health Industry Group Purchasing Association website, HIGPA FAQs, http://www.higpa.org/service/faq.aspx (last visited on August 14, 2010).

150 Julian Pecquet, "Grassley demands more information on hospital middle-men, *The Hill,* September 27, 2010, http://thehill.com/blogs/healthwatch/medicare/121119-grassley-demands-more-information-on-hospital-middle-men (last visited on September 28, 2010).

The following table compares expenditures of Health System departments from FY2001 to budgeted FY2010.

Cook County Health Fund Expenditures by Entity: FY2001-FY2010* (in $ millions)										
Department	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**FY2006**	**FY2007**	**FY2008**	**FY2009****	**FY2010*****
Office of Chief Health Administrator	$ 2.7	$ 3.0	$ 3.2	$ 4.7	$ 6.9	$ 21.3	$ 17.0	$ 139.5	$ 145.7	$ 140.6
Cermak Health Services****	$ 37.1	$ 38.7	$ 41.2	$ 42.5	$ 39.9	$ 39.7	$ 38.2	$ 28.4	$ 30.8	$ 41.3
JTDC Health Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4.8	$ 5.9	$ 3.7
Provident	$ 80.1	$ 80.4	$ 88.9	$ 100.4	$ 99.0	$ 102.3	$ 87.7	$ 73.4	$ 81.9	$ 97.1
ACHN	$ 99.0	$ 103.1	$ 99.7	$ 105.2	$ 107.6	$ 52.4	$ 42.7	$ 38.5	$ 43.5	$ 51.8
CORE Center	$ -	$ -	$ 11.9	$ 12.2	$ 11.2	$ 10.7	$ 10.7	$ 10.6	$ 10.9	$ 11.8
Public Health	$ 15.8	$ 16.9	$ 17.2	$ 20.0	$ 19.2	$ 17.7	$ 15.7	$ 14.5	$ 14.8	$ 17.4
Stroger	$ 406.6	$ 408.5	$ 431.4	$ 473.8	$ 454.0	$ 481.8	$ 432.4	$ 369.3	$ 402.9	$ 436.8
Oak Forest	$ 109.5	$ 113.7	$ 115.9	$ 126.8	$ 116.5	$ 126.1	$ 115.0	$ 72.1	$ 79.8	$ 90.5
Fixed Charges and Special Purpose Appropriations	$ 1.1	$ (6.9)	$ 0.9	$ 5.2	$ 62.4	$ 76.2	$ 77.1	$ 71.0	$ 114.6	$ 82.9
Total	**$ 751.9**	**$ 757.4**	**$ 810.3**	**$ 890.8**	**$ 916.7**	**$ 928.2**	**$ 836.5**	**$ 822.1**	**$ 930.8**	**$ 973.9**

*Fringe benefits are included in department expenses for FY2001-FY2004. Afterwards, they are included in fixed charges and special purpose appropriations.

**Estimated.

***Budgeted.

****Cermak Health Services was not part of the Health Fund budget until FY2008 but is included in this table for comparative purposes.

Source: FY2010 Cook County Annual Appropriation Bill, Citizens' Summary, p. 45; FY2009 Cook County Annual Appropriation Bill, Citizens' Summary, p. 41; FY2005 Annual Appropriation Bill, Citizens' Summary, p. C-9.

Expenditures by the Office of the Chief Health Administrator grew from $17 million in FY2007 to a budgeted $140.6 million in FY2010. The increase mainly reflects a consolidation of functions from other departments. The number of approved full-time equivalent positions increased from 34.0 in FY2007 to 553.5 in FY2010 as a result of this consolidation.[151]

The Office's FY2010 budget also reflects an increase in professional consulting services to $80.7 million from $35.0 million in FY2009. As part of the Health System's overhaul, consultants were hired to improve the billing and collection process, streamline operations and formulate a five-year strategic and financial plan. Consultants are also installing an Enterprise Resource Planning (ERP) system, an information-support system that is designed to be used for finance, human resources and procurement

In the past two years, the Health System Board has recruited a new management team at salaries competitive with other major public hospitals across the nation. In March of 2009, when it announced that it would pay William Foley $500,000 a year to be its new chief executive officer, the Board issued a list of CEO salaries at large public health systems showing that Mr. Foley's salary was far from the highest.[152]

[151] Cook County FY2007 Appropriation Bill, I-28; Cook County FY2010 Appropriation Bill, D-8.
[152] Hal Dardick, "County Health System Gets a New Leader, *Chicago Tribune*, March 3, 2009.

Strategic and Financial Plan and Performance Improvement Initiatives

The ordinance that established the Health System required the Board to develop a multi-year strategic and financial plan.[153] The Board launched the planning process in May of 2009. The process included public town hall meetings across the County during the summer and fall of 2009 and several lengthy Board retreats, which were open to the public. Cook County Commissioners approved the strategic and financial plan on July 13, 2010.[154]

The plan does not result in operating savings to the Health System. However, the System has also put in place performance improvement initiatives designed to both increase revenues and reduce expenses.

Overview of Strategic and Financial Plan

The goal of the plan is to shift Health System resources away from inpatient care and towards outpatient care in order to serve more patients and increase System efficiency. The number of outpatient visits is projected to grow by roughly 50% from 600,000 to 900,000 by 2015.

The plan calls for expanding outpatient services across the County's health system and for strengthening certain inpatient services at Stroger Hospital, including trauma, obstetrics and surgery. The Health System would also pursue additional partnerships with Federally Qualified Health Centers (FQHCs), nonprofit, federally supported community health centers. FQHCs provide primary care and could refer patients to the Health System for specialty services.

The resources for this expansion would come from closing emergency and inpatient services at Oak Forest Hospital and closing most inpatient services at Provident Hospital. Both Oak Forest and Provident would become expanded clinics or regional outpatient centers and Provident would retain its emergency room. Fantus Clinic, on the campus of Stroger Hospital, would also be rebuilt as a regional outpatient center.

Revenues needed for expanded operations—recently estimated at $72 million a year in 2015—would approximately match savings from curtailing activities at Oak Forest and Provident.[155] In addition, the plan requires $202.4 million in new capital spending, which would be financed by the County.[156]

The plan's financial forecasts are based on the assumption that salaries and wages will increase by 5% a year through the five-year period and that the cost of supplies and purchased services will increase by 3% a year.[157]

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[153] Cook County Code of Ordinances, Chapter 38, Article V, Sec.38-82(d).
[154] Chicago Public Radio, "Big changes approved for Cook County hospitals," July 15, 2010, at http://www.chicagopublicradio.org/Content.aspx?audioID=43203 (last visited on August 11, 2010).
[155] Cook County Health and Hospitals System, *Vision 2015 Strategic Direction*, July 2010, p.14.
[156] Ibid., p. 16.
[157] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, Appendix B, p.2.

The plan does not make any explicit assumptions about how the Health System will be affected by federal health reform. Beginning in 2014, the Patient Protection and Affordable Care Act of 2010 expands Medicaid coverage to people under 65 with income up to 133% of the Federal Poverty Level who are not otherwise eligible for Medicaid.[158] The Kaiser Commission on Medicaid and the Uninsured estimates that Illinois might enroll 631,024 new Medicaid recipients by 2019.[159] The federal government will cover all costs for the newly eligible from 2014 through 2016, with the federal share declining to 90% for 2020 and beyond.

Medicaid eligibility is limited to U.S. citizens and certain lawfully residing immigrants.[160] A recent analysis by a Health System vendor that screens patients for Medicaid eligibility suggested that roughly 10% of patients are currently undocumented immigrants.[161]

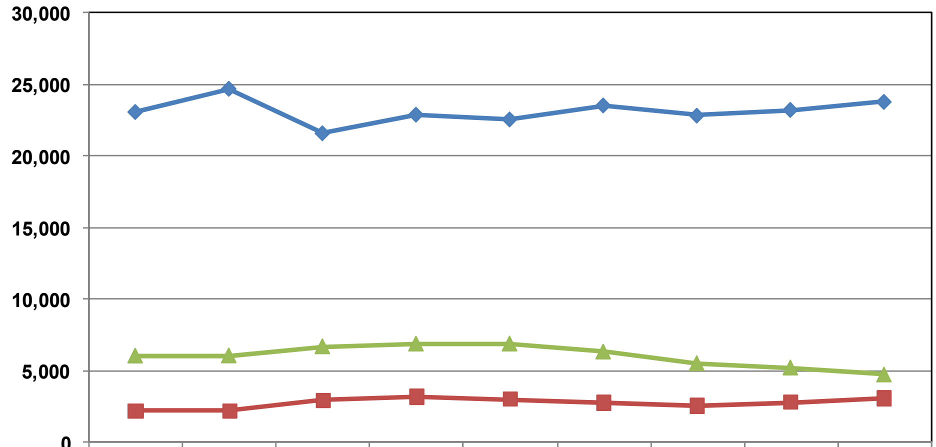
After Health System patients who are currently uninsured are covered by Medicaid, it is not clear whether they would continue to rely on the System or go elsewhere for healthcare. The Health System's plan addresses health reform indirectly by focusing on improving its delivery of care and thus becoming more competitive. Among the current problems that need to be resolved to be more competitive are long lines to see clinic doctors and months-long waiting times for certain kinds of appointments, such as colonoscopies.[162] In addition, it is difficult to arrange an appointment by phone, because more than half of calls to the clinics go unanswered.[163]

[158] H.R. 3590, Title II, Subtitle A, Sec. 2001 (a).
[159] Kaiser Commission on Medicaid and the Uninsured, Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL, May 2010, p. 10.
[160] Kaiser Family Foundation, *Medicaid: A Primer*, June 2010, p.8.
[161] Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting, July 16, 2010, Attachment #3, *CEA Eligibility Inventory Evaluation and Analysis*.
[162] Statement to Board of Directors by Dr. Enrique Martinez, Chief Medical Officer, Ambulatory and Community Health Network, July 29, 2010.
[163] Ibid.

Inpatient Trends

The next chart shows the number of inpatient admissions at Health System hospitals from FY2001 through FY2009. Inpatient activity declined after 2006, partly because of budget cuts, but has trended upward in the past two years. The number of staffed beds at the three hospitals declined by 46.2% between calendar years 2002 and 2008, from 1,205 to 648, largely because of the termination of most long-term care operations at Oak Forest Hospital.[164]

Hospital Admissions at Cook County Health and Hospitals System: FY2001-FY2009



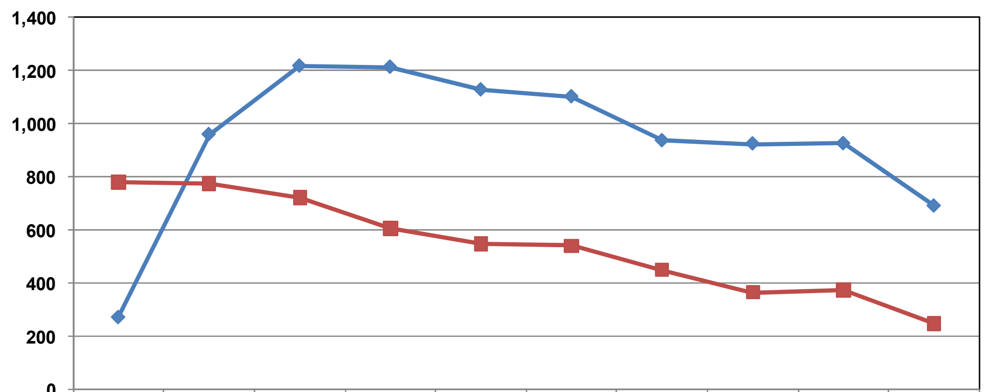
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Stroger	23,053	24,644	21,594	22,875	22,544	23,504	22,805	23,196	23,748
Oak Forest	2,200	2,174	2,908	3,159	3,000	2,739	2,538	2,799	3,069
Provident	6,010	6,023	6,657	6,838	6,842	6,288	5,486	5,191	4,707

Source: Cook County FY2005 Appropriation Bill, Productivity Analysis, p. E-6; Cook County FY2007 Appropriation Bill, Productivity Analysis, p. E-5; Cook County Health and Hospitals System, Income Statement for the Twelve Months Ended November 30, 2009, presented to the Finance Committee on February 19, 2010; email communication between the Civic Federation and the Cook County Health and Hospitals System, September 2, 2010.

[164] Illinois Department of Public Health. Illinois Health Facilities and Services Review Board, Individual Hospital Profiles, 2002 and 2008.

The following chart shows deliveries at Stroger and Provident; Oak Forest does not have an obstetrics department. At Provident, the number of deliveries has fallen below one a day; obstetrics will be suspended at the hospital as part of the strategic plan. The strategic plan calls for devoting more resources to obstetrics at Stroger, where deliveries have fallen by 43.2% since 2003, from 1,215 to a projected 690. Pregnant, low-income women are eligible for Medicaid coverage and many of the women treated at Health System clinics for prenatal care choose to deliver elsewhere.[165]

Deliveries at Cook County Health and Hospitals System: FY2001-FY2010



	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010*
Stroger	271	958	1,215	1,211	1,126	1,100	935	923	924	690
Provident	779	773	720	604	546	540	449	364	372	247

*Projected.
Source: Email communication between the Civic Federation and Cook County Health and Hospitals System, September 27, 2010.

The number of deliveries is expected to play a major role in the State's decision in July of 2011 about whether to continue Stroger's designation as a perinatal center. A perinatal center provides services to pregnant women with high risk conditions and newborns requiring neonatal intensive care. A loss of perinatal center status would result in a significant drop in Medicaid revenue.[166]

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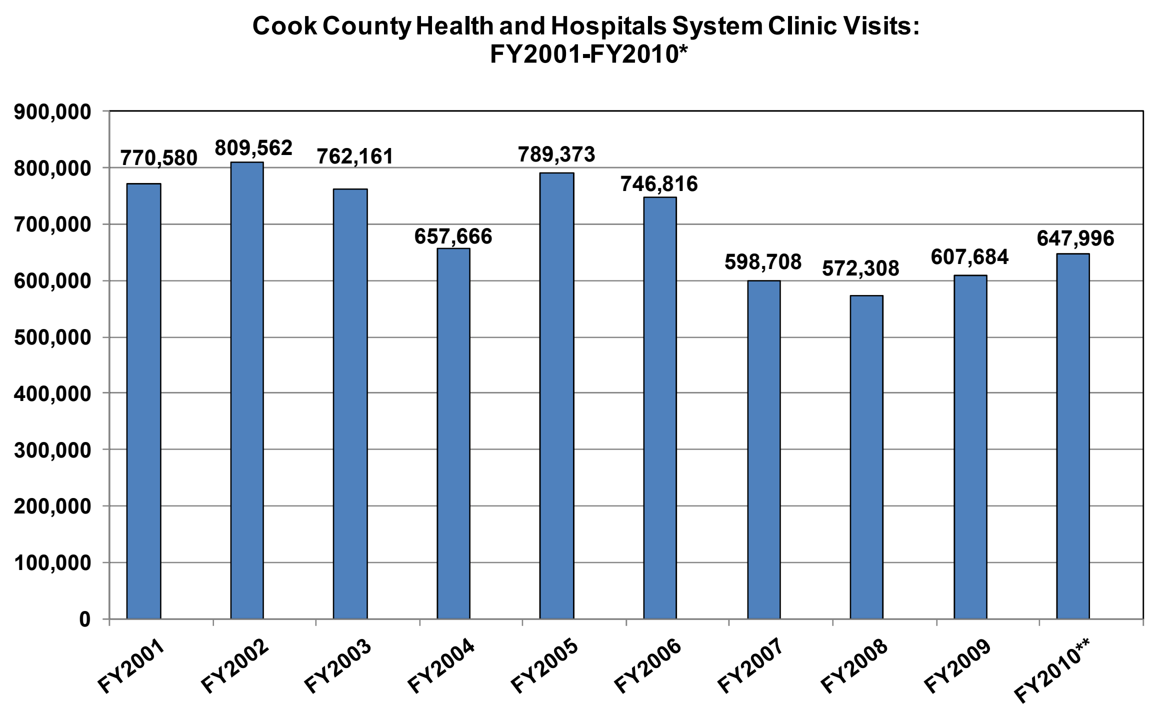
[165] Cook County Health and Hospitals System, report of the Meeting of the Finance Committee, February 20, 2009, Attachment #1, p. 12.
[166] Cook County Health and Hospitals System, Maternal Child Health Service Line, Strategic Planning Retreat, April 30, 2010.

Outpatient Trends

The next chart shows the number of clinic visits handled by the Health System's Ambulatory and Community Health Network (ACHN) from FY2001 to FY2010. Outpatient visits declined 19.2% from FY2006 to FY2008, from 746,816 to 603,588 and are expected to rise to 649,983 in FY2010.[167] The decline was primarily due to budget cuts and related staffing reductions.[168] The number of ACHN doctors was reduced from 101 in FY2006 to 45 in FY2008, according to Dr. Enrique Martinez, ACHN's Chief Medical Officer.[169] In the last two years, 20 doctors have been added.



*Before FY2003, visits to the CORE Center were included in System clinic visits; in FY2003 the CORE Center became a new department.
**Projected.
Source:Cook County FY2005 Annual Appropriation Bill, Productivity Analysis, p. E-6; FY2007 Annual Appropriation Bill, Productivity Analysis, p. E-5; Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting, February 19, 2010, Attachment #1; email communication between the Civic Federation and the Cook County Health and Hospitals System, September 15, 2010.

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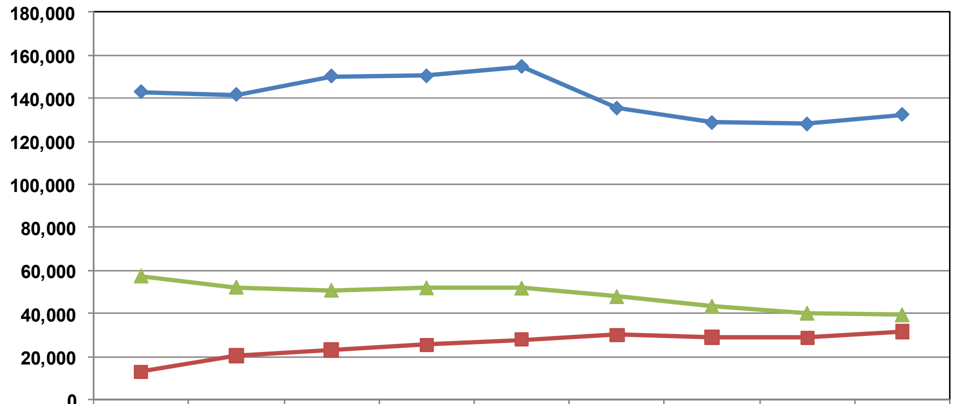
167 Cook County Health and Hospitals System, *ACHN Accomplishments 2010*, Presentation to Cook County Health and Hospitals Board of Directors, July 29, 2010.
168 Cook County Health and Hospitals Systems, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, Appendix A, p.10.
169 Dr. Enrique Martinez, Chief Medical Officer, Ambulatory and Community Health Network, Statement to Board of Directors, July 29, 2010.

The following chart shows emergency room visits at each Health System hospital from FY2001 to FY2009. Total ER visits declined by 13.1% between FY2005 to FY2009, from 234,518 to 203,815. The decline was primarily due to budget cuts and related staffing reductions.[170]

Cook County Health and Hospitals System Emergency Room Visits: FY2001-FY2009

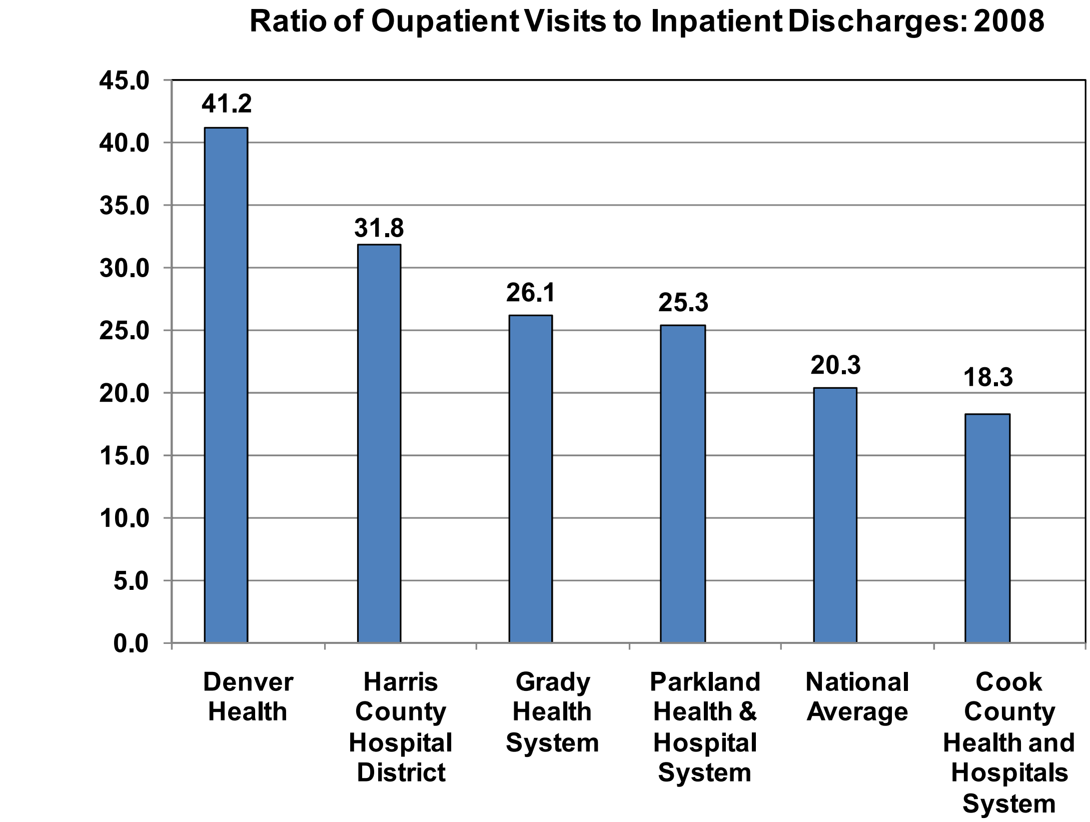


	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Stroger	143,000	141,693	150,271	150,300	154,700	135,358	128,643	127,998	132,444
Oak Forest	13,000	20,542	23,156	25,496	28,000	30,248	29,012	28,768	31,789
Provident	57,444	52,325	50,886	51,968	51,818	47,949	43,563	40,370	39,582

Source: Cook County FY2005 Appropriation Bill, Productivity Analysis, p. E-6; Cook County FY2007 Appropriation Bill, Productivity Analysis, p. E-5; Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting February 19, 2010, Attachment #1, p. 37; email communication between Civic Federation and Cook County Health and Hospitals System, September 2, 2010.

170 Cook County Health and Hospitals Systems, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, Appendix A, p.10.

In the next chart, the ratio of outpatient visits to inpatient discharges in 2008 is shown for the Health System, for selected public health systems and for the surveyed group of national public health systems.[171] The Cook County Health System devotes a smaller share of its resources to outpatient care than major public health systems regarded as industry models. The Health System's share of outpatient activity is also somewhat lower than the national public health system average.



Source: National Association of Public Hospitals and Health Systems, *America's Public Hospitals and Health Systems 2008*, February 2010, pp. 20-23.

Efficiency Measures

A standard measure of hospital efficiency is the number of FTEs per adjusted occupied bed. The ratio shows how much staffing is used to provide services. To calculate adjusted occupied bed, it is necessary to determine equivalent occupied beds attributed to outpatient services. This requires a determination of the total charges attributed to outpatient services.

The ratio can be used to study the trend in a hospital's use of resources over time and to compare an institution's efficiency with that of other hospitals. According to calculations provided by the

[171] National Association of Public Hospitals and Health Systems, America's Public Hospitals and Health Systems 2008, February 2010, pp. 20-23.

Health System in September of 2010, the ratio stood at 8.44 for Stroger, 7.39 for Oak Forest and 5.84 for Provident, compared with an industry benchmark of 6.42.[172]

The ratios for Health System hospitals are too high, indicating the need for staffing reductions, according to System officials. However, officials also believe that the reported ratio is artificially inflated for several reasons, including the Health System's continuing problems in properly charging for outpatient services. If the calculation does not give enough weight to outpatient services, it understates the number of adjusted occupied beds and gives the appearance of excessive FTEs per adjusted occupied bed.[173]

The ratio is also affected by the productivity of Health System employees. If employees are less productive, then more FTEs will be required to support the same volume of business. Health System officials have pointed to productivity problems in several areas.

For example, officials stated recently that the productivity of employees who do medical coding is roughly half of the national average and that their error rate is relatively high.[174] Codes must be assigned to medical diagnoses and procedures in order to send bills to the federal government and insurance companies. The Health System recently brought in temporary coders to help eliminate a backlog of 50,000 medical files that had not been coded and could not be processed for billing.[175] The System also started a six-month training program for coders to bring their work up to national standards. The Health System has 17 coders and needs roughly 21 based on industry guidelines and productivity standards. The System has had problems recruiting qualified coders because wages offered to coders have not been competitive with other area hospitals.

In another field, the Health System is planning to outsource laboratory work to a private company under a three-year, $3.6 million contract.[176] The work involves processing and staining specimens for Stroger's Department of Pathology. The outsourcing "provides quality patient care and achieves shorter turn-around time, both at a substantially reduced cost."[177] Before requesting the three-year contract, the Pathology Department had used a different outside vendor on an emergency basis.

The Health System's clinics have begun monthly intranet reporting on physician productivity.[178] Dr. Martinez told the System's Board of Directors on July 29, 2010 that clinic doctors now see 3,300 patients a year and the goal is 3,500. Patients of the Health System's clinics require

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[172] Email communication between the Civic Federation and the Cook County Health and Hospitals System, September 22, 2010.
[173] Cook County Health and Hospitals System, Finance Committee Meeting Minutes, March 19, 2010, pp. 3 and 28.
[174] Presentation to the Human Resources Committee of the Cook County Health and Hospitals System by Michael Ayres, August 13, 2010.
[175] Statement to the Cook County Health and Hospitals System Board of Directors by Michael Ayres, July 29, 2010.
[176] Cook County Health and Hospitals System, Finance Committee Meeting, August 13, 2010, Contracts and Procurement Items, p. 22.
[177] Ibid.
[178] Cook County Health and Hospitals System, *ACHN Accomplishments 2010*, Presentation to Cook County Health and Hospitals Board of Directors, July 29, 2010.

relatively long visits because they tend to be adults with chronic illnesses, according to Dr. Martinez.

Quality Measures

The federal government publishes data about the quality of hospital care on its Hospital Compare website.[179] Patients can use this data to check how a hospital measures up to others in the same state and in the entire nation.

The chart below uses recent data from Hospital Compare to compare patient satisfaction ratings for Health System hospitals with Illinois and national averages. The percentage of patients who would not recommend Provident, at 13%, was more than double the national and Illinois averages. Provident was rated in the lowest category by 23% of patients, also more than double the national and Illinois averages. Stroger was rated in the lowest category by 15% of patients, 50% above the national average and more than 36% above the Illinois average.

Patient Satisfaction Compared with National and Illinois Averages*

	Stroger	Provident	Oak Forest	National Average	Illinois Average
Rating 9-10**	53%	46%	61%	66%	63%
Rating 7-8	32%	31%	29%	24%	26%
Rating 6 or lower	15%	23%	10%	10%	11%
Definitely recommend	60%	47%	66%	68%	66%
Probably recommend	33%	40%	30%	26%	28%
Not recommend	7%	13%	4%	6%	6%

*Data collected from October 1, 2008 to September 30, 2009.

**10 is highest rating.

Source: U.S. Department of Health and Human Services, www.hospitalcompare.hhs.gov (last visited on September 14, 2010).

Hospital Compare also provides data on how well hospitals meet standards for care, such as supplying aspirin to heart attack patients upon arrival and antibiotics to pneumonia patients within six hours after arrival. Based on a sample of 23 of these measures tracked by the National Association of Public Hospitals and Health Systems, Stroger performed the same or better than the public health system average on seven of the measures and worse on 16.[180]

Overview of Performance Improvement Initiatives

The Health System Board on June 25, 2010 authorized management to negotiate a contract with PricewaterhouseCoopers (PwC) to implement sweeping revenue enhancements and expense reductions. PwC has proposed that it could generate $313.8 million for the Health System over two years.[181]

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[179] U.S. Department of Health and Human Services, Hospital Compare at www.hospitalcompare.hhs.gov (last visited on September 14, 2010).

[180] National Association of Public Hospitals and Health Systems, Research Brief, NAPH Members Continue to Improve On Key Quality Measures, June 2010, p.3. Many of the measures were not available for Provident and Oak Forest because of the small number of patients seen or limited services offered.

[181] Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting, June 18, 2010, Attachment #2, p. 16.

Of the total \$313.8 million, \$218.7 million is scheduled to be achieved through revenue enhancements and \$95.1 million through expense reductions. The main source of revenue enhancement is improvement in the revenue cycle process. Expense reductions are expected to come from staffing cuts and decreases in the cost of purchased supplies and services.

The five-year financial plan is based on an assumption that PwC will be able to deliver 33% of its projected financial benefit in FY2011 and 50% thereafter. [182] The financial plan notes that PwC made its estimates based on limited information.

PwC's compensation is based on realized cash improvement.[183] Fees will only be paid after the first \$10 million of benefit is realized and maximum fees are set at \$50 million.

Long-term financial outlook

The strategic and financial plan includes financial results through FY2015. The documents note that these forecasts are based on high-level assumptions and are intended as an aid for strategic planning and not as an operating budget.[184]

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[182] Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, Appendix B, p. 3.
[183] Cook County Health and Hospitals System, Minutes of the Finance Committee Meeting, June 18, 2010, Attachment #1, p.11.
[184] Cook County Health and Hospitals System, Vision 2015: Strategic Direction + Financial Plan Board Presentation, June 25, 2010, p.37.

The next chart shows the five-year financial plan, incorporating both strategic improvement and strategic plan initiatives. This plan shows the County subsidy to the Health System falling by $104.6 million, or 31.9%, between FY2010 and FY2011, from $327.8 million to $223.2 million. Between FY2010 and FY2015, the subsidy would increase by 1.6%, from $327.8 million to $332.9 million.[185]

It should be noted that Health System expense numbers reported elsewhere in this report include health benefits but not pension contributions or debt service, while the numbers above do not include any of these expenses.[186]

Cook County Health and Hospitals System Five Year Financial Plan: FY2010-FY2015 (in $ millions)*

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Patient Service, including IGT/BIPA	$ 342.0	$ 389.6	$ 378.5	$ 390.3	$ 394.1	$ 400.0
DSH	$ 150.0	$ 138.0	$ 138.0	$ 138.0	$ 128.0	$ 126.0
FMAP	$ 38.6	$ 3.2	$ -	$ -	$ -	$ -
Other	$ 5.5	$ 5.4	$ 5.6	$ 5.7	$ 5.9	$ 6.1
Total Operating Revenues	**$ 536.1**	**$ 536.2**	**$ 522.1**	**$ 534.0**	**$ 528.0**	**$ 532.1**
Salaries and Wages	$ 546.9	$ 467.3	$ 489.9	$ 529.6	$ 562.2	$ 589.5
Supplies	$ 129.1	$ 108.4	$ 105.9	$ 110.0	$ 113.5	$ 117.0
Purchased Services	$ 169.3	$ 168.3	$ 133.2	$ 132.6	$ 136.7	$ 140.8
Utilities	$ 18.6	$ 15.4	$ 15.9	$ 16.4	$ 17.2	$ 17.7
Total Operating Expenses**	**$ 863.9**	**$ 759.4**	**$ 744.9**	**$ 788.6**	**$ 829.6**	**$ 865.0**
County Subsidy	**$ (327.8)**	**$ (223.2)**	**$ (222.8)**	**$ (254.6)**	**$ (301.6)**	**$ (332.9)**

*Forecasted

**Does not include pension contributions, other employee benefits, malpractice costs or debt service costs.

Source:Cook County Health and Hospitals System, Vision 2015: Strategic Direction + Financial Plan Board Presentation, June 25, 2010, p. 42.

The total budgeted County subsidy to the Health System for FY2010 amounted to $527.9 million, according to a memo in March of 2010 from Cook County's Chief Financial Officer to the County Board.[187] The total includes $75.9 million for interest expense; $70.1 million for health benefits; $57.2 million for pension contributions; and $39.6 million for insurance. These numbers indicate a total Health System budget, with all costs allocated, of roughly $1.2 billion.[188]

[185]Cook County Health and Hospitals System, *Vision 2015: Strategic Direction + Financial Plan Board Presentation*, June 25, 2010, Appendix B, 2.

[186] FY2009 and FY2010 appropriation numbers used elsewhere in this report include appropriations set aside for insurance-related claims. Before FY2009, the appropriation numbers used elsewhere in this report do not include an insurance-related appropriation.

[187] Memorandum from Jaye Morgan Williams to Board President Todd H. Stroger and All Cook County Commissioners, Cook County Health and Hospitals System Cost Allocation, March 24, 2010.

[188] Ibid.The total budget is calculated by adding the FY2010 appropriation of $973.9 million (which includes health insurance and malpractice costs) to $172.7 million (the total of other costs).

COOK COUNTY BUDGET

Expenditures

The following section examines Cook County expenditure trends over the past ten years. Expenditures are examined according to fund, control officer and object.

Fund Structure

County finances are organized into three major fund categories for accounting purposes: General Funds, Special Purpose Funds and the Capital Fund. Under the General Funds are three distinct funds: Corporate, Public Safety and Health.

Special Purpose Funds are created for dedicated revenues. Revenues deposited into these funds are earmarked for a specific purpose. The following are specific types of special funds utilized by the County:

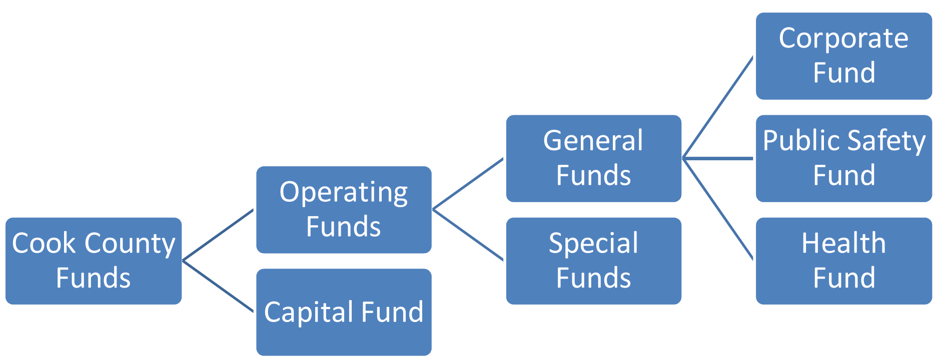
- *Annuity and Benefit Fund*: Accounts for revenues and expenditures for the county pension fund;[189]

- *Bond and Interest Fund*: Accounts for all payments of principal and interest due on general long-term debt;[190]

- *Other Restricted Funds*: Includes funds from federal, state and private grants; and

- *Agency and Office Special Funds*: Includes all other special funds.

The General and Special Purpose Funds collectively create the operating fund. The figure below illustrates the County's fund structure.



[189] Cook County, FY2008 CAFR p.52.
[190] Cook County, FY2008 CAFR p.113.

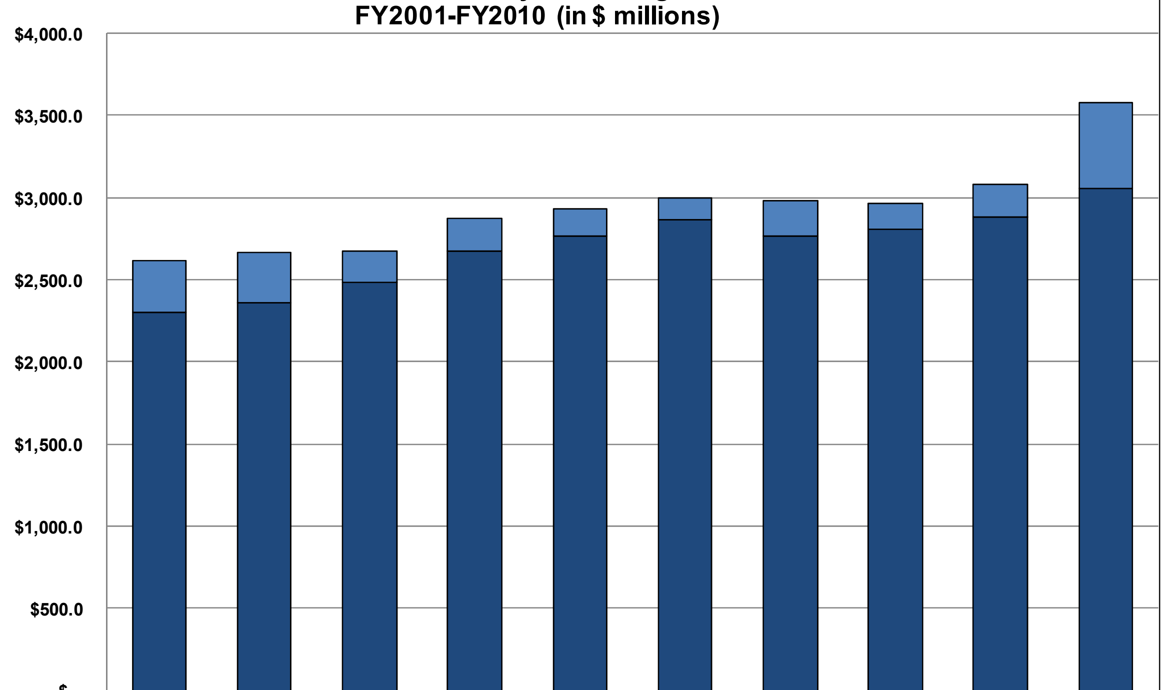
An allowance for uncollected property tax revenue is taken into account when calculating the total operating fund budget. When capital fund expenditures are included, the result is the total budget amount.[191]

Total Expenditures – Trends

Over the last ten years total expenditures have grown by $961.4 million or 36.8%. Operating expenditures have increased 32.7% or $753.1 million, growing from $2.3 billion in FY2001 to $3.1 billion in FY2010. The growth in expenditures is higher than the inflation rate of roughly 19.6% over the same time period.[192] Between FY2001 and FY2010, annual expenditure growth averaged 3.2% per year. Operating expenditures have only decreased year-over-year once during the ten-year period, between FY2006 and FY2007.

Capital expenditures are highly variable from year to year and are nonrecurring. Capital expenditures have ranged from a low of $135.9 million in FY2006 to a high of $519.0 million in the FY2010 adopted budget.

Cook County Total Budget: FY2001-FY2010 (in $ millions)



	Actual FY2001	Actual FY2002	Actual FY2003	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Estimate FY2009	Adopted FY2010
Capital Funds	$310.7	$310.1	$190.6	$193.1	$162.0	$135.9	$212.0	$161.1	$197.8	$519.0
Operating Funds	$2,303.5	$2,358.6	$2,480.5	$2,676.5	$2,767.6	$2,864.2	$2,767.0	$2,805.6	$2,883.7	$3,056.6

Source: Cook County FY2005-FY2010 Appropriation Bill , Citizens' Summary

[191] Cook County FY2010 Executive Budget Recommendation, Volume 1, p. xiii-xiv.
[192] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 19.6% between July 2001 and July 2010, the most recent month available, according to the U.S. Bureau of Labor Statistics.

Expenditures by Fund – Two, Five and Ten-Year Trends

This section examines the trends in expenditures by specific fund. The County has three general operating funds for financial resources not accounted for in another fund. The General Funds budget is composed of the Corporate Fund, Public Safety Fund and Health Fund.[193]

Overall, General Funds expenditures increased by 30.2% or $542.7 million from FY2001 to FY2010. The Health Fund had the largest increase within the General Funds, rising 36.3% from $714.7 million in FY2001 to $973.9 million in FY2010. Public Safety remains the largest fund with nearly $1.2 billion budgeted in FY2010. Special Purpose Funds increased at a greater rate than the General Funds, rising 39.1% from $507.9 million in FY2001 to $706.6 million in FY2010.

The two-year trend paints a slightly different picture. The Corporate Fund had the largest increase of the General Funds, rising by 24.6% or $39.7 million between FY2009 estimated expenditures and FY2010 adopted budget. However, the Health Fund's 4.6% increase constituted a larger dollar increase at $43.2 million. The Public Safety Fund increased 1.9% or $21.6 million between FY2009 and FY2010, while Special Purpose Funds increased by 10.7% or $706.6 million.

Cook County - Expenditures by Fund: FY2001-FY2010

	FY2001 Actual	FY2006 Actual	FY2009 Estimated	FY2010 Adopted	% Change 2-Year	% Change 5-Year	% Change 10-Year
Fund							
Corporate	$ 161,490,211	$ 170,062,684	$ 161,519,797	$ 201,244,585	24.6%	18.3%	24.6%
Public Safety	$ 919,437,934	$ 1,031,129,319	$ 1,141,603,852	$ 1,163,245,961	1.9%	12.8%	26.5%
Health	$ 714,694,089	$ 928,163,471	$ 930,614,839	$ 973,850,652	4.6%	4.9%	36.3%
Subtotal General Funds	**$ 1,795,622,234**	**$ 2,129,355,474**	**$ 2,233,738,488**	**$ 2,338,341,198**	**4.7%**	**9.8%**	**30.2%**
Annuity & Benefits	$ 160,702,000	$ 223,270,000	$ 186,100,000	$ 186,600,000	0.3%	-16.4%	16.1%
Bond & Interest	$ 144,656,118	$ 180,870,852	$ 209,147,064	$ 190,760,412	-8.8%	5.5%	31.9%
Other Restricted Funds	$ 101,153,933	$ 173,665,246	$ 132,209,634	$ 160,810,112	21.6%	-7.4%	59.0%
Agency & Other Special Purpose Funds	$ 101,348,542	$ 146,052,283	$ 111,000,899	$ 168,476,724	51.8%	15.4%	66.2%
Subtotal Special Purpose Funds	**$ 507,860,593**	**$ 723,858,381**	**$ 638,457,597**	**$ 706,647,248**	**10.7%**	**-2.4%**	**39.1%**
Allowance for Uncollected Taxes	$ -	$ 11,004,381	$ 11,527,095	$ 11,598,042	0.6%	5.4%	-
Subtotal Operating Funds	**$ 2,303,482,827**	**$ 2,864,218,236**	**$ 2,883,723,180**	**$ 3,056,586,488**	**6.0%**	**6.7%**	**32.7%**
Capital Improvements	$ 310,689,882	$ 135,921,971	$ 197,798,679	$ 518,971,730	162.4%	281.8%	67.0%
Total	**$ 2,614,172,709**	**$ 3,000,140,207**	**$ 3,081,521,859**	**$ 3,575,558,218**	**16.0%**	**19.2%**	**36.8%**

Source: Cook County FY2010 Appropriation Bill, Citizens' Summary, pp. 43-50; Cook County FY2005 Appropriation Bill, Citizens' Summary, pp. C7-C10.

[193] The Health Fund is accounted for differently in the CAFR, where it is categorized as an Enterprise Fund. See Cook County FY2008 CAFR, p.170.

Operating Expenditures Distribution by Fund

The following chart displays each fund as a percentage of total operating expenditures. The Public Safety Fund has the largest share at 38.1% of total operating expenditures in the FY2010 adopted budget followed by the Health Fund at 31.9%. Together those two funds have consistently constituted around 70% or over two-thirds of County operating expenditures during the ten-year period. The Corporate Fund is 6.6% of the FY2010 adopted operating budget.

Special Purpose Funds make up 23.1% of the FY2010 adopted operating budget. The Annuity & Benefit Fund and Bond & Interest Fund both represent nearly as much of operating expenditures as the Corporate Fund with 6.1% and 6.2% respectively in FY2010. There have been no significant changes in the distribution of major funds over past ten years.

Cook County - Operating Expenditures by Fund: FY2001-FY2010 (Percent of Total)

	FY2001 Actual	FY2006 Actual	FY2009 Estimated	FY2010 Adopted
Fund				
Corporate	7.0%	5.9%	5.6%	6.6%
Public Safety	39.9%	36.0%	39.6%	38.1%
Health	31.0%	32.4%	32.3%	31.9%
Subtotal General Funds	**78.0%**	**74.3%**	**77.5%**	**76.5%**
Annuity & Benefits	7.0%	7.8%	6.5%	6.1%
Bond & Interest	6.3%	6.3%	7.3%	6.2%
Other Restricted Funds	4.4%	6.1%	4.6%	5.3%
Agency and Office Special Purpose Funds	4.4%	5.1%	3.8%	5.5%
Subtotal Special Purpose Funds	**22.0%**	**25.3%**	**22.1%**	**23.1%**
Allowance for Uncollected Taxes	0.0%	0.4%	0.4%	0.4%
Operating Funds	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Cook County FY2010 Appropriation Bill, Citizens' Summary, pp. 43-50; Cook County FY2005 Appropriation Bill, Citizens' Summary, C7-C10.

Expenditures by Control Officer – Two, Five and Ten-Year Trends

Over the ten-year period expenditures for the Offices under the President have decreased by 17.0%, falling from $246.4 million in FY2001 to $204.5 million in FY2010. Other Elected Officials will increase 22.9% or $193.5 million. The following increases were most significant: Sheriff (28.5% or $104.9 million), Chief Judge (14.2% or $26.2 million), Clerk of the Circuit Court (29.1% or $27.9 million), State's Attorney (8.7% or $8.6 million) and County Clerk (25.6% or $7.1 million). The Board of Election Commissioners is highly variable from year-to-year depending on the elections held that year; its increase is not a reflection of a trend.

Due to reorganizations, consolidations and other changes over the years, comparisons over time may be distorted especially when looking at specific offices. Some areas appear to be eliminated when those functions may still exist under a different heading. For example, in FY2001 the Juvenile Temporary Detention Center was in the Bureau of Public Safety under the Board President while in all the other years it is under the Chief Judge. Another illustration of this is the Chief Financial Officer, which shows a 72% decrease over ten years due mainly to categorizing departments that facilitate reimbursements to other funds (Fixed Charges and Special Purpose) separately instead of under the Chief Financial Officer. The self insurance fund was merged into the General Funds in FY2009.[194]

Offices under the President will increase by 7.9% or $14.9 million, from the FY2009 estimate to the FY2010 budget. Departments controlled by Other Elected Officials increase by 7.1% or $67.8 million over the two-year period. Included in that category is the Sheriff, which increases 7.0% or $31.0 million.

Cook County Expenditures by Control Officer: FY2001-FY2010 (in $ thousands)

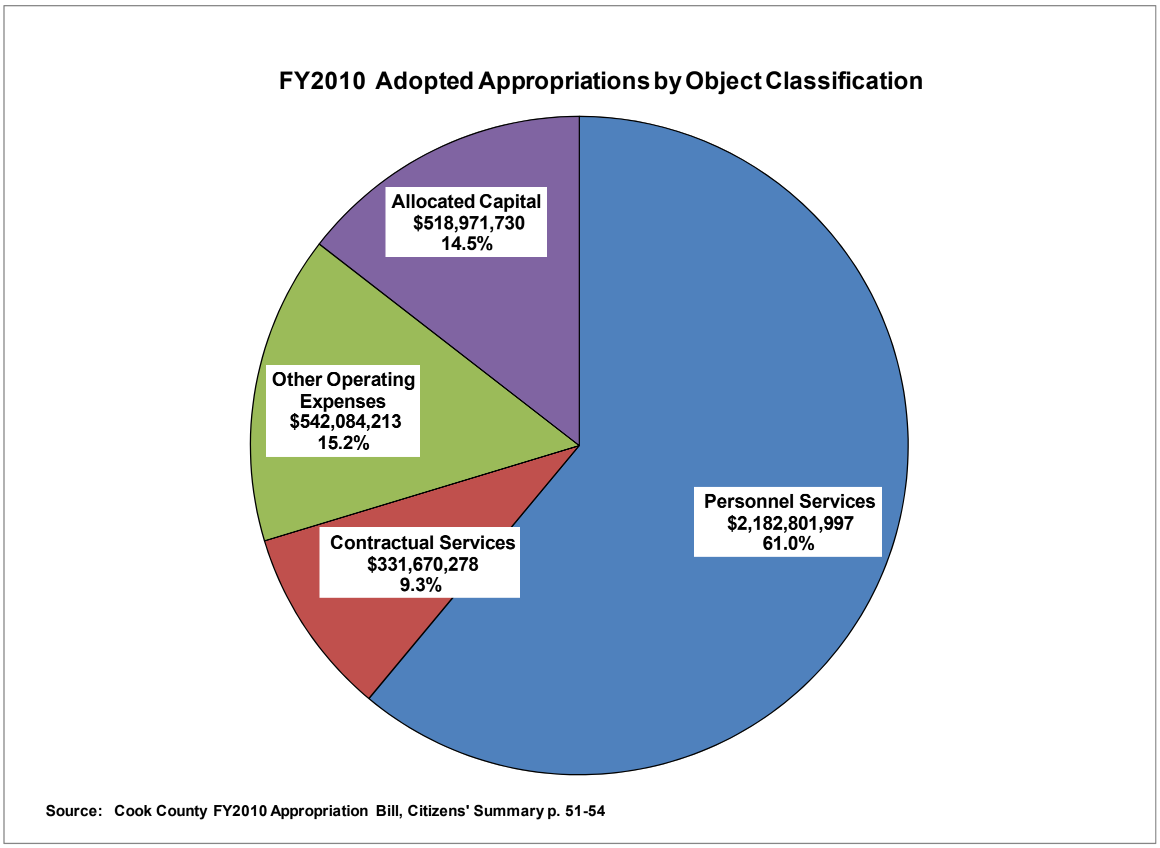
Control Officers	FY2001 Actual	FY2006 Actual	FY2009 Estimated	FY2010 Adopted	% Change 2-Year	% Change 5-Year	% Change 10-Year
Offices Under President							
President	$ 2,081,793	$ 3,004,723	$ 3,330,228	$ 3,167,308	-4.9%	5.4%	52.1%
Chief Administrative Officer	$ 55,410,557	$ 53,767,345	$ 52,609,198	$ 57,483,221	9.3%	6.9%	3.7%
Bureau of Human Resources	$ 4,608,122	$ 3,643,064	$ 3,403,977	$ 3,592,496	5.5%	-1.4%	-22.0%
Administrative Hearings Board	$ -	$ -	$ 445,704	$ 927,010	108.0%	-	-
County Auditor	$ 1,456,036	$ 1,309,577	$ 782,619	$ 918,433	17.4%	-29.9%	-36.9%
Office of the Inspector General	$ 276,949	$ 387,955	$ 538,192	$ 1,214,465	125.7%	213.0%	338.5%
Public Defender	$ 51,306,827	$ 54,107,317	$ 55,440,359	$ 58,051,097	4.7%	7.3%	13.1%
Bureau of Public Safety	$ 29,925,962	$ -	$ -	$ -	-	-	-100.0%
Chief Financial Officer	$ 46,573,655	$ 12,139,789	$ 12,306,861	$ 13,053,700	6.1%	7.5%	-72.0%
Bureau of Information Technology	$ 16,777,462	$ 16,712,214	$ 21,943,499	$ 27,582,874	25.7%	65.0%	64.4%
Planning & Development	$ -	$ 2,057,105	$ 1,871,167	$ 868,402	-53.6%	-57.8%	-
Bureau of Capital Planning	$ 37,966,051	$ 35,075,505	$ 36,403,631	$ 36,667,188	0.7%	4.5%	-3.4%
Homeland Security and Emergency Mgmt	$ -	$ -	$ 550,764	$ 1,016,638	84.6%	-	-
Subtotal Offices Under President	**$ 246,383,414**	**$ 182,204,594**	**$ 189,626,199**	**$ 204,542,832**	**7.9%**	**12.3%**	**-17.0%**
Other Elected Officials							
Sheriff	$ 367,831,366	$ 398,177,660	$ 441,802,262	$ 472,756,536	7.0%	18.7%	28.5%
Chief Judge	$ 184,703,743	$ 185,510,208	$ 203,369,868	$ 210,894,277	3.7%	13.7%	14.2%
State's Attorney	$ 99,363,716	$ 98,463,438	$ 103,804,004	$ 108,001,899	4.0%	9.7%	8.7%
Clerk Circuit Court	$ 95,638,852	$ 98,472,573	$ 108,742,665	$ 123,508,983	13.6%	25.4%	29.1%
County Clerk	$ 27,847,342	$ 30,967,165	$ 27,709,253	$ 34,988,070	26.3%	13.0%	25.6%
Board of Election Commissioners	$ 366,336	$ 11,433,868	$ 3,630,345	$ 17,615,482	385.2%	54.1%	4708.6%
Assessor	$ 26,440,039	$ 24,183,766	$ 27,181,086	$ 27,209,441	0.1%	12.5%	2.9%
Recorder of Deeds	$ 14,540,490	$ 13,842,741	$ 12,740,808	$ 13,742,162	7.9%	-0.7%	-5.5%
Treasurer	$ 13,847,312	$ 11,351,729	$ 12,349,561	$ 13,099,860	6.1%	15.4%	-5.4%
Board of Review	$ 7,346,646	$ 7,384,640	$ 7,543,230	$ 8,311,088	10.2%	12.5%	13.1%
County Commissioners	$ 6,829,322	$ 7,070,651	$ 7,414,524	$ 7,944,413	-	-	16.3%
Public Administrator	$ 1,022,894	$ 1,000,990	$ 1,169,175	$ 1,212,475	3.7%	21.1%	18.5%
Subtotal Other Elected Officials	**$ 845,778,058**	**$ 887,859,429**	**$ 957,456,781**	**$ 1,039,284,686**	**8.5%**	**17.1%**	**22.9%**
Cook County Health and Hospitals System	$ 751,892,632	$ 855,445,166	$ 821,999,588	$ 900,749,905	9.6%	5.3%	19.8%
Self Insurance	$ 51,676,781	$ 60,181,873	$ -	$ -	-	-100.0%	-100.0%
Managed Care Support Fund	$ 1,239,891	$ 3,056	$ -	$ -	-	-100.0%	-100.0%
Annuity and Benefits	$ 160,702,000	$ 223,270,000	$ 186,100,000	$ 186,600,000	0.3%	-16.4%	16.1%
Bond and Interest	$ 144,656,118	$ 180,870,852	$ 209,147,064	$ 190,760,412	-8.8%	5.5%	31.9%
Other Restricted Funds	$ -	$ 11,004,381	$ 11,527,095	$ 11,598,042	0.6%	5.4%	-
Grants	$ 101,153,933	$ 173,665,246	$ 132,209,634	$ 160,810,112	21.6%	-7.4%	59.0%
Fixed Charges and Special Purpose	$ -	$ 289,713,638	$ 375,656,819	$ 362,240,499	-3.6%	25.0%	-
Total Operating Funds	**$ 2,303,482,827**	**$ 2,864,218,235**	**$ 2,883,723,180**	**$ 3,056,586,488**	**6.0%**	**6.7%**	**32.7%**
Capital	$ 310,689,882	$ 135,921,971	$ 197,798,679	$ 518,971,730	162.4%	281.8%	67.0%
Total Budget	**$ 2,614,172,709**	**$ 3,000,140,206**	**$ 3,081,521,859**	**$ 3,575,558,218**	**16.0%**	**19.2%**	**36.8%**

Source: Cook County FY2010 Appropriation Bill, Citizens' Summary, pp. 58-63; Cook County, FY2005 Appropriation Bill, Citizens' Summary, pp. C19-C24.

194 Cook County FY2010 Appropriation Bill, Revenue Estimate, p. 68.

Expenditures by Object Classification

Personnel services are the largest object expenditure category accounting for 61.0% or $2.2 billion of the FY2010 adopted budget. Personnel expenses account for 71.4% of the County's operating budget for FY2010. The Public Safety Fund had the largest personnel expenditures with $1.0 billion. Contractual Services was also a substantial expenditure classfication with $331.7 million or 9.3%. The FY2010 adopted budget includes $519.0 million of allocated capital expenditures.



Within the $542.1 million of other operating expenses, object classifications with budgets exceeding $100 million were operations and maintenance ($135.0 million), supplies and materials ($177.2 million) and contigency and Special Purpose($180.2 million).

Appropriations by Object Classifications Operating Funds: FY2010

Object	Corporate	Public Safety	Health	Subtotal General Funds	Special Purpose Funds	Total Operating Funds
Personnel Services	$ 136,794,478	$ 1,047,232,637	$ 667,428,143	$ 1,851,455,258	$ 331,346,739	$ 2,182,801,997
Contractual Services	$ 18,001,328	$ 72,460,867	$ 159,708,956	$ 250,171,151	$ 81,499,127	$ 331,670,278
Supplies and Materials	$ 1,654,821	$ 16,218,010	$ 152,994,580	$ 170,867,411	$ 6,306,297	$ 177,173,708
Operations and Maintenance	$ 9,308,464	$ 62,981,171	$ 55,220,183	$ 127,509,818	$ 7,465,111	$ 134,974,929
Rental & Leasing	$ 929,572	$ 4,040,609	$ 10,107,555	$ 15,077,736	$ 20,137,379	$ 35,215,115
Capital Outlay	$ -	$ -	$ -	$ -	$ 14,558,972	$ 14,558,972
Contingency & Special Purpose	$ 34,555,922	$ (39,687,333)	$ (71,608,765)	$ (76,740,176)	$ 256,901,665	$ 180,161,489
Total Expenditures	**$ 201,244,585**	**$ 1,163,245,961**	**$ 973,850,652**	**$ 2,338,341,198**	**$ 718,215,290**	**$ 3,056,556,488**

Source: Cook County FY2010 Appropriation Bill, Citizens' Summary Page 51-54.

Resources

The following section examines the revenue structure and resources of Cook County including trends and changes over the past ten years.

Operating Revenues – Two, Five and Ten-Year Trends

Cook County revenues for all funds increased by 1.9% or $57.2 million between FY2009 estimated and the FY2010 adopted budget. Over the course of ten years the total increase in revenues was 33.3%. This is a $747.9 million increase from $2.2 billion in FY2001 to nearly $3.0 billion in FY2010.

The Cook County property tax levy was held constant over the ten-year period at $720.4 million. Home rule taxes have increased significantly, rising 35.3% between FY2005 and FY2010. Over the ten-year period home rule taxes have increased 82.3%, rising from $558.5 million to over $1.0 billion. This is a result of increased revenues from the sales and use tax with smaller magnitude changes in other home rule taxes.

Cook County increased its home rule sales tax rate on general merchandise from 0.75% to 1.75% in 2008.[195] On July 1, 2010[196] the County rescinded one half of that increase, which reduces its rate to 1.25%. Combined sales and use tax revenue has increased 108.3% or $362.4 million from FY2001 to FY2010. The majority of that increase occurred during the most recent five-year period with a 92.3% increase in sales and use taxes.

Cigarette taxes are another home rule tax that has experienced substantial revenue gains, increasing 191.6% or $90.0 million during the ten-year period. However, the revenue gain is considerably lower than the increase in the rate, which rose over 1,000% from $0.18 per pack in FY2001 to $2.00 per pack in FY2010. The more recent trend has been a decline in cigarette tax revenue that has resulted in a 32.7% decrease from FY2006 through FY2010.

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[195] Cook County also receives sales tax revenue from the State of Illinois, which is accounted for under the Intergovernmental heading.

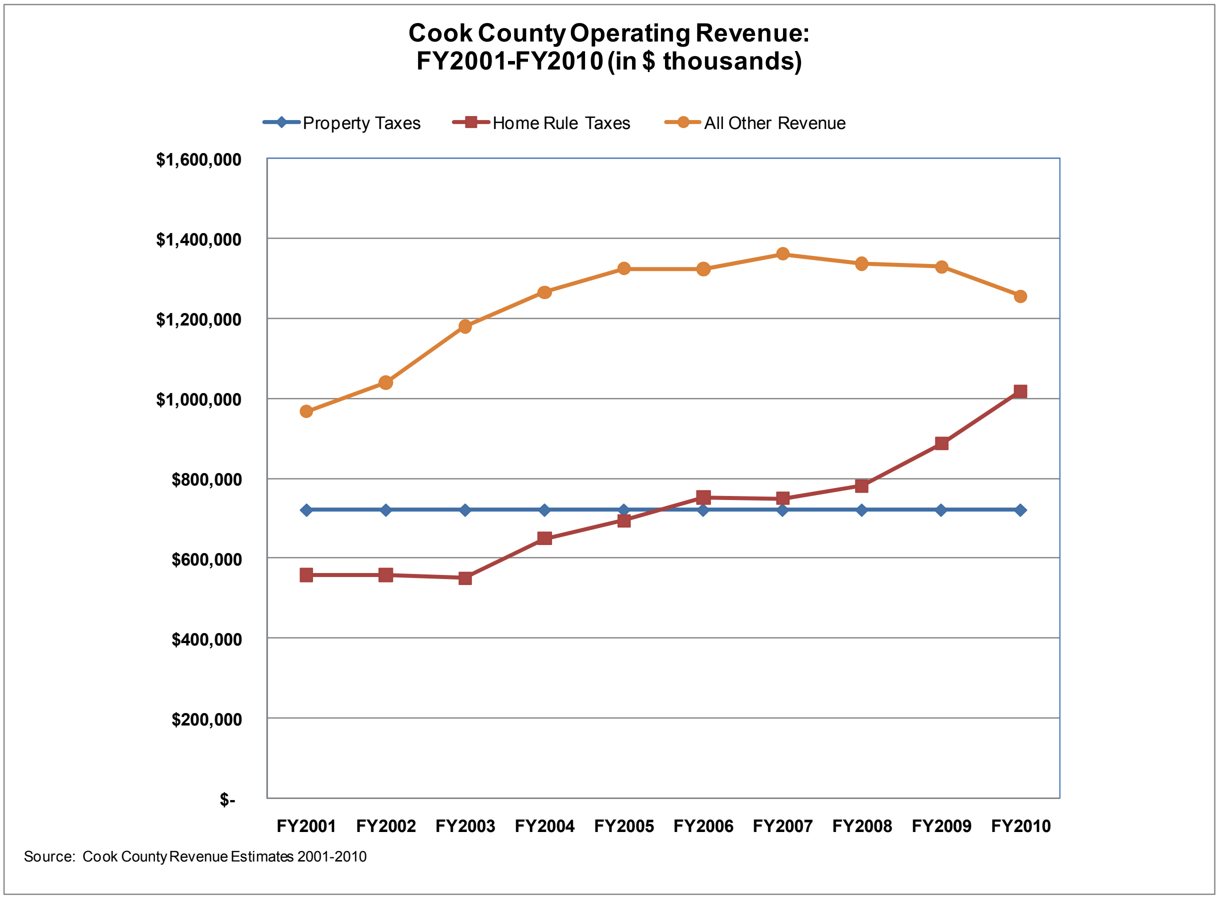
[196] Due to the lag in collections, only two months of 2010 will reflect the decreased rate.

Cook County Operating Revenues: FY2001-FY2010 (in $ thousands)									
Tax or Fee	FY2001 Actual	FY2006 Actual	FY 2007 Actual	FY 2008 Actual	FY2009 Estimated	FY2010 Adopted	% Change 2-Year	% Change 5-Year	% Change 10-Year
Property Taxes	**$ 720,484**	**$ 720,484**	**$ 720,484**	**$ 720,484**	**$ 720,484**	**$ 720,484**	**$ -**	**$ -**	**$ -**
Home Rule Taxes									
Sales	$ 277,804	$ 312,667	$ 320,216	$ 386,609	$ 658,832	$ 661,000	0.3%	111.4%	137.9%
TAN Repayment from Sales Tax Receipts	$ -	$ -	$ -	$ -	$ (121,814)	$ -	-100.0%	-	-
Use	$ 56,795	$ 49,838	$ 50,450	$ 44,859	$ 35,611	$ 36,000	1.1%	-27.8%	-36.6%
Subtotal Sales and Use Taxes	**$ 334,599**	**$ 362,505**	**$ 370,666**	**$ 431,468**	**$ 572,629**	**$ 697,000**	**17.8%**	**92.3%**	**108.3%**
Alcoholic Beverage	$ 24,962	$ 26,459	$ 26,936	$ 27,093	$ 26,718	$ 26,000	-2.8%	-1.7%	4.2%
Cigarette	$ 46,981	$ 203,713	$ 186,039	$ 162,180	$ 136,792	$ 137,000	0.2%	-32.7%	191.6%
Gas	$ 106,068	$ 96,507	$ 101,572	$ 95,722	$ 89,940	$ 95,400	5.7%	-1.1%	-10.1%
Retail Sale/Motor Vehicles	$ 4,325	$ 3,362	$ 3,327	$ 2,811	$ 2,006	$ 1,800	-11.4%	-46.5%	-58.4%
Wheel	$ 978	$ 1,993	$ 2,143	$ 2,071	$ 1,878	$ 2,000	6.1%	0.4%	104.5%
Amusement	$ 12,675	$ 18,476	$ 20,286	$ 21,779	$ 20,258	$ 22,500	10.0%	21.8%	77.5%
Parking Lot	$ 27,943	$ 39,360	$ 38,746	$ 38,315	$ 36,556	$ 36,500	-0.2%	-7.3%	30.6%
Subtotal Home Rule Taxes	**$ 558,531**	**$ 752,375**	**$ 749,715**	**$ 781,439**	**$ 886,777**	**$ 1,018,200**	**12.9%**	**35.3%**	**82.3%**
Fee Revenue									
Patient Fees	$ 413,736	$ 515,222	$ 459,040	$ 406,276	$ 663,388	$ 579,000	-14.6%	12.4%	39.9%
Circuit Clerk Fees	$ 76,060	$ 102,742	$ 105,464	$ 106,855	$ 103,159	$ 104,185	1.0%	1.4%	37.0%
Recorder of Deeds Fees	$ 50,176	$ 74,996	$ 64,441	$ 46,308	$ 34,151	$ 33,016	-3.4%	-56.0%	-34.2%
Treasurer's Fees	$ 47,327	$ 60,919	$ 54,479	$ 82,744	$ 79,972	$ 62,700	-27.5%	2.9%	32.5%
Other	$ 52,388	$ 80,908	$ 94,355	$ 122,518	$ 127,059	$ 122,087	-4.1%	50.9%	133.0%
Subtotal Fee Revenue	**$ 639,687**	**$ 834,787**	**$ 777,779**	**$ 764,701**	**$ 1,007,729**	**$ 900,988**	**-11.8%**	**7.9%**	**40.8%**
Intergovernmental Revenues									
Motor Fuel Tax	$ 27,000	$ 34,500	$ 34,500	$ 34,500	$ 43,500	$ 44,500	2.2%	29.0%	64.8%
OTB Commissions	$ 3,104	$ 2,668	$ 3,046	$ 3,119	$ 2,821	$ 2,500	-12.8%	-6.3%	-19.5%
Personal Property Replacement Tax	$ 38,460	$ 50,470	$ 61,846	$ 59,500	$ 49,586	$ 44,758	-10.8%	-11.3%	16.4%
Sales Tax	$ 4,569	$ 5,658	$ 4,999	$ 4,066	$ 2,983	$ 2,800	-6.5%	-50.5%	-38.7%
Income Tax	$ 9,033	$ 9,809	$ 10,478	$ 11,179	$ 9,602	$ 10,000	4.0%	1.9%	10.7%
Reimbursements from Other Governments	$ 218,373	$ 331,930	$ 313,601	$ 305,467	$ 170,331	$ 213,383	20.2%	-35.7%	-2.3%
Subtotal Intergovernmental Revenues	**$ 300,539**	**$ 435,035**	**$ 428,470**	**$ 417,831**	**$ 278,823**	**$ 317,941**	**12.3%**	**-26.9%**	**5.8%**
Misc. Revenues									
Misc. Revenues	$ 26,533	$ 53,740	$ 155,122	$ 154,141	$ 42,595	$ 36,037	-18.2%	-32.9%	35.8%
Subtotal Misc. Revenues	**$ 26,533**	**$ 53,740**	**$ 155,122**	**$ 154,141**	**$ 42,595**	**$ 36,037**	**-18.2%**	**-32.9%**	**35.8%**
Total	**$ 2,245,774**	**$ 2,796,421**	**$ 2,831,570**	**$ 2,838,596**	**$ 2,936,408**	**$ 2,993,650**	**1.9%**	**7.1%**	**33.3%**

Note: In some cases the data was not consistent in the appropriations bills from year-to-year. Most recent actual data was used.

Source: Cook County FY2005-FY2010 Appropriation Bills, Revenue Estimate.

The following line graph illustrates changes in the Cook County revenue structure. Property taxes have remained flat throughout the ten-year period, while home rule taxes have steadily increased. The result is a clear trend of the County moving away from reliance on property tax revenue towards a greater reliance on home rule taxes, principally the sales tax, as the largest funding source. All other revenue sources have been combined in the graph and demonstrate a more variable trend.



Operating Revenues by Source

The following chart breaks down each revenue source as a percentage of total revenues. Property tax revenue has gone from 32.1% of total revenues to 24.1% over the ten-year period while sales and use taxes increased from 14.9% of total revenues to 23.3%. The result is that home rule sales and use taxes now represent roughly the same percentage of budgeted revenues as do property taxes. Cigarette tax revenue went from a relatively minor revenue source in FY2001 at 2.1%, to a significant 7.3% of revenues in FY2006 before declining to 4.6% in FY2010.

Patient fees are another major source of revenue for the County representing 19.3% of FY2010 budgeted revenues. Their share of total revenues has remained relatively stable over the ten-year period. Reimbursements from other governments make up 7.1% of FY2010 budgeted revenues and have fluctuated over the ten-year period. No other single revenue source exceeds 5% of the total.

Cook County Operating Revenues: FY2001-FY2010 (Percent of Total)

Tax or Fee	FY2001 Actual	FY2006 Actual	FY2009 Estimated	FY2010 Adopted
Property Taxes	**32.1%**	**25.8%**	**24.5%**	**24.1%**
Home Rule Taxes				
Sales and Use Taxes	14.9%	13.0%	19.5%	23.3%
Alcoholic Beverage	1.1%	0.9%	0.9%	0.9%
Cigarette	2.1%	7.3%	4.7%	4.6%
Gas	4.7%	3.5%	3.1%	3.2%
Retail Sale/Motor Vehicles	0.2%	0.1%	0.1%	0.1%
Wheel	0.0%	0.1%	0.1%	0.1%
Amusement	0.6%	0.7%	0.7%	0.8%
Parking Lot	1.2%	1.4%	1.2%	1.2%
Subtotal Home Rule Taxes	**24.9%**	**26.9%**	**30.2%**	**34.0%**
Fee Revenue				
Patient Fees	18.4%	18.4%	22.6%	19.3%
Circuit Clerk Fees	3.4%	3.7%	3.5%	3.5%
Recorder of Deeds Fees	2.2%	2.7%	1.2%	1.1%
Treasurer's Fees	2.1%	2.2%	2.7%	2.1%
Other	2.3%	2.9%	4.3%	4.1%
Subtotal Fee Revenue	**28.5%**	**29.9%**	**34.3%**	**30.1%**
Intergovernmental Revenues				
Motor Fuel Tax	1.2%	1.2%	1.5%	1.5%
OTB Commissions	0.1%	0.1%	0.1%	0.1%
Personal Property Replacement Tax	1.7%	1.8%	1.7%	1.5%
Sales Tax	0.2%	0.2%	0.1%	0.1%
Income Tax	0.4%	0.4%	0.3%	0.3%
Reimbursements from Other Governments	9.7%	11.9%	5.8%	7.1%
Intergovernmental Revenues	**13.4%**	**15.6%**	**9.5%**	**10.6%**
Misc. Revenues				
Misc. Revenues	1.2%	1.9%	1.5%	1.2%
Subtotal Misc. Revenues	**1.2%**	**1.9%**	**1.5%**	**1.2%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Civic Federation analysis of data from Cook County FY2005-FY2010 Appropriation Bills, Revenue Estimate.

Tax Rates

From its inception in FY1992 until FY2007, the Cook County home rule sales tax rate was 0.75%.[197] It was increased to 1.75% starting in FY2008. In FY2010, half of the increase was repealed bringing the rate to 1.25%. The current rate is a 66.7% increase from the original 0.75% rate. The Cigarette Tax has undergone a large increase (1,011.1%) over the past ten years and is currently $2.00 per pack. No other Cook County home rule tax rates increased over the ten-year period.

Most taxes start with a rate, which then is applied to the object of the taxation, such as income or sales. The property tax in Illinois differs in that it is adopted according to a property tax levy, which is the total property tax dollars to be collected. The tax rate is determined by dividing the property tax levy by the equalized assessment base.

Equalized assessed values of property have gone up significantly over the past ten years while the property tax levy has remained flat. As a result, the property tax rate has declined. Between FY2001 and FY2008 the property tax rate has declined 44.4% for Cook County. There are also a variety of other property taxing entities including such as park districts, school districts and the forest preserve. For example, in the City of Chicago only 8.6% of property tax revenue is distributed to Cook County.[198]

Select Cook County Tax Rates: FY2001-FY2010										
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Property Taxes										
Tax Rates for Real Property (Cook County direct rate)*	0.746	0.690	0.659	0.593	0.547	0.499	0.458	0.415	(1)	(1)
Change from Previous Year		-7.5%	-4.5%	-10.0%	-7.8%	-8.8%	-8.2%	-9.4%	(1)	(1)
Cumulative Change from 2001		-7.5%	-11.7%	-20.5%	-26.7%	-33.1%	-38.6%	-44.4%	(1)	(1)
Tax Rates for Real Property (Cook County all property taxing units)*	7.692	7.277	6.462	6.280	5.995	5.251	4.966	4.597	(1)	(1)
Change from Previous Year		*-5.4%*	*-11.2%*	*-2.8%*	*-4.5%*	*-12.4%*	*-5.4%*	*-7.4%*	*(1)*	*(1)*
Cumulative Change from 2001		*-5.4%*	*-16.0%*	*-18.4%*	*-22.1%*	*-31.7%*	*-35.4%*	*-40.2%*	*(1)*	*(1)*
Home Rule Taxes										
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Sales Tax Rate (General Merchandise)	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	.75%-10 mo's 1.75%-2 mo's	1.75%	1.75%-10 mo's 1.25%-2 mo's
Change from Pervious Year		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*133.3%*	*0.0%*	*-28.6%*
Cumulative Change from 2001		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*133.3%*	*133.3%*	*66.7%*
Cigarette Tax (per packet of 20)	$ 0.18	$ 0.18	$ 0.18	$0.18-4 mo's $1.00-8 mo's	$ 1.00	$1.00-3 mo's $2.00-9 mo's	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Change from Pervious Year		*0.0%*	*0.0%*	*455.6%*	*0.0%*	*100.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Cumulative Change from 2001		*0.0%*	*0.0%*	*455.6%*	*455.6%*	*1011.1%*	*1011.1%*	*1011.1%*	*1011.1%*	*1011.1%*
Alcoholic Beverage (beer per gallon)	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Alcoholic Beverage (wine per gallon)	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30	$.16 - .30
Gas Tax (per gallon)	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Retail Sale Motor Vehicles (4-wheel)	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00
Wheel Tax	$1 - $95	$1 - $95	$1 - $95	$1 - $95	$1 - $95	$1 - $95	$1 - $95	$1 - $95	$1 - $95	$1 - $95
Amusement Tax	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Parking Lot and Garage Operations Tax	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1	$.50 -$1

Notes: (1) Data is unavailable, *rate per $100 of equalized assessed values.

Source: Cook County 2010 Appropriation Bill Citizens' Summary p. 37, Cook County 2008 CAFR p. 195, Cook County Official Statement October 21, 2009 p.25; Cook County FY2010 Appropriation Bill, Revenue Estimate, pp. 52-56.

[197] Cook County FY2010 Appropriation Bill, Revenue Estimate, p. 55.

[198] Source: Cook County Clerk, 2008 Tax Rates Extended, p.v.

The 1.25% home rule sales tax is only a portion of the total sales tax imposed rate in Cook County. When sales taxes from the State and other local units are considered, the general merchandise sales tax rate is 9.75% in Chicago and between 8.75% and 10.0% in the Cook County suburbs.

Cook County: Sales Tax on General Mechandise		
	Chicago	Suburban Cook Co
State	5.00%	5.00%
Municipal	1.00%	1.00%
County	0.25%	0.25%
County Home-rule	1.25%	1.25%
RTA	1.00%	1.00%
DuPage water	0.00%	0.00%
City Home Rule	1.25%	0.25% to 1.50%
Total	**9.75%**	**8.75% to 10%**

Source: Legislative Research Unit, Tax Handbook for State Legislators; Illinois Department of Revenue, https://www.revenue.state.il.us/app/trii/ (Accessed August 23, 2010)

Tax Base

The following chart outlines three measures of the Cook County tax base: assessed value of property, estimated fair market value of property and taxable sales. The tax base is important because it represents the taxing potential of the County and is a key indicator utilized by rating agencies. In addition, it provides a useful benchmark to analyze the growth in tax revenues.

From FY2001 to FY2007 taxable equalized assessed value increased by 67.8% and the estimated full value of property increased by about the same amount. Although the property tax base has increased, property tax revenues have not increased over the past ten years as a result of holding the levy fixed.

The sales tax base was trending upward from FY2003 to FY2007. Then from FY2008 to FY2009 it decreased by 11.3%, erasing virtually all of the gains over the previous five years. An analysis by the County found that a small decline in sales tax growth is strongly related to GDP.[199] The County speculates that further explanations for the decline could be an increasing preference for on-line shopping and out-of-county stores.

The County's home rule sales tax was increased from 0.75 to 1.75% in FY2008. There is some evidence that the increase in the sales tax rate is a factor in the recent poor performance of the County's sales tax.[200] Rising differences in metropolitan sales tax rates change economic incentives that can impact consumer purchasing behavior.[201]

Cook County Tax Base: FY2001-FY2010 (in $ thousands)

Year	Taxable Equalized Assessed Value of Property	% Change from FY2001	Estimated Full Value of Property	% Change from FY2001	Taxable Sales	% Change from FY2001
FY2001	$ 94,909,656		$ 392,206,809		$ 37,041,000	
FY2002	$ 105,085,212	10.7%	$ 428,105,908	9.2%	$ 36,551,000	-1.3%
FY2003	$ 112,501,444	18.5%	$ 471,971,669	20.3%	$ 36,817,000	-0.6%
FY2004	$ 121,562,555	28.1%	$ 541,942,050	38.2%	$ 38,149,000	3.0%
FY2005	$ 133,371,714	40.5%	$ 581,371,294	48.2%	$ 39,623,000	7.0%
FY2006	$ 144,344,780	52.1%	$ 666,233,062	69.9%	$ 41,689,000	12.5%
FY2007	$ 159,226,912	67.8%	$ 656,474,744	67.4%	$ 42,696,000	15.3%
FY2008	$ 173,641,948	83.0%	$ 616,163,594	57.1%	$ 42,426,000	14.5%
FY2009	(1)		(1)		$ 37,648,000	1.6%
FY2010 est.	(1)		(1)		$ 37,770,000	2.0%

(1) Data is not available.

Source: Cook County FY2008 CAFR p. 194; Cook County FY2010 Appropriation Bill, Citizens' Summary p. 37;
Civic Federation, Estimated Full Value of Real Property in Cook County: 1999-2008, p.2;
Cook County Clerk, Tax Rates Extended, p. vii.

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199 Cook County FY2010 Appropriation Bill, Citizens' Summary p. 20.

200 Chaddick Institute for Metropolitan Development, *Regional Sales Analysis Update, December 16, 2009*, http://las.depaul.edu/chaddick/ResearchandPublications/index.asp.

201 Chaddick Institute for Metropolitan Development, *Sales Tax Rates and Buying Behavior, Evidence from Communities Near Cook County Boundary,* http://las.depaul.edu/chaddick/ResearchandPublications/index.asp.

__Distribution of Taxes and Fees__

The following chart outlines how taxes and fees are allocated amongst funds in the FY2010 budget. The public safety fund and the health fund receive the vast majority of the sales tax revenue at $394.0 million and $228.1 million respectively. The remaining $11.8 million is allocated to the Corporate Fund.

The Public Safety Fund and Health Fund also receive a significant amount of property tax revenue. The Public Safety Fund receives $191.9 million and the Health Fund receives $140.2 million. The Corporate Fund receives $11.8 million of the property tax revenue. A large portion of the property tax revenue is included in the other funds category in the chart. That $376.6 million in property tax revenue is distributed in other funds as follows: $44.0 million to the Election Fund, $190.8 million to the Bond and Interest Fund and $141.8 million to the Employee Annuity and Benefit fund.[202] The cigarette tax is allocated to the Public Safety Fund ($112.0 million) and the Health Fund ($25.0 million). All other tax revenue, such as the alcoholic beverage and gas taxes, is allocated to the Public Safety Fund.

The Health Fund has budgeted $579.0 million in expected fee revenue. The remainder of the budgeted fee revenue is in the Public Safety Fund ($145.4 million), the Corporate Fund ($113.6 million) and other funds ($63.0 million).

Distribution of Taxes and Fees by Fund: FY2010

	Corporate	Public Safety	Health	Other	Total
Property Tax Levy	$ 11,814,356	$ 191,946,006	$ 140,170,567	$ 376,552,613	$ 720,483,542
Sales Tax	$ 38,770,967	$ 394,081,256	$ 228,147,777	$ -	$ 661,000,000
Use Tax	$ -	$ 36,000,000	$ -	$ -	$ 36,000,000
Alcoholic Beverage Tax	$ -	$ 26,000,000	$ -	$ -	$ 26,000,000
Cigarette Tax	$ -	$ 112,000,000	$ 25,000,000	$ -	$ 137,000,000
Gas Tax	$ -	$ 95,400,000	$ -	$ -	$ 95,400,000
Retail Sale of Motor Vehicles	$ -	$ 1,800,000	$ -	$ -	$ 1,800,000
Wheel Tax	$ -	$ 2,000,000	$ -	$ -	$ 2,000,000
Amusement Tax	$ -	$ 22,500,000	$ -	$ -	$ 22,500,000
Parking Lot and Garage	$ -	$ 36,500,000	$ -	$ -	$ 36,500,000
Fees	$ 113,636,678	$ 145,380,103	$ 579,000,000	$ 62,970,741	$ 900,987,522
Total - Tax and Fee Revenue	**$ 164,222,001**	**$ 1,063,607,365**	**$ 972,318,344**	**$ 439,523,354**	**$ 2,639,671,064**

Source: FY2010 Cook County Revenue Estimates, pp.52-63.

[202] Cook County FY2010 Appropriation Bill, Revenue Estimate, p.53.

Fund Balance

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[203] The Government Finance Officers Association (GFOA) recommends that "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%. The GFOA statement adds that each unit of government should adopt a formal policy that considers the unit's own specific circumstances and that a smaller fund balance ratio maybe appropriate for the largest governments.[204]

From FY2001 to FY2006 Cook County's General Fund maintained an unreserved fund balance ranging from 17.1% to 22.9% of expenditures. This represented a prudent level of reserves that met the GFOA standard. From FY2006 to FY2008 the undesignated fund balance has gone from $259.5 million to $103.6 million, a 60.1% decrease. When examined as a ratio of operating expenditures, the fund balance has decreased from 19.7% of expenditures to 8.1% from FY2006 to FY2008.

The downward trend in fund balance ratios should be closely monitored. Although it can be appropriate to utilize fund balance in an economic downturn, the decline in fund balance began prior to the recession and prior to the decline in tax base. An additional concern is that recovery in local government tax collections typically lags economic recovery.[205]

Unreserved Fund Balance General Funds*
FY2001-FY2008

	General Fund Balance	Actual Expenditures	Ratio
FY2001	$ 244,018,559	$ 1,063,488,488	22.9%
FY2002	$ 206,447,041	$ 1,101,908,206	18.7%
FY2003	$ 188,564,680	$ 1,104,266,689	17.1%
FY2004	$ 226,636,823	$ 1,157,661,049	19.6%
FY2005	$ 221,838,393	$ 1,194,257,547	18.6%
FY2006	$ 259,516,065	$ 1,316,014,115	19.7%
FY2007	$ 203,554,454	$ 1,309,985,163	15.5%
FY2008	$ 103,565,761	$ 1,279,065,307	8.1%

*Audit Basis - Excludes Health & Hospitals System and Enterprise Funds
Source: 2008 CAFR: p. 108, 191, 2007 CAFR p. 103, 2006 CAFR p. 93, 2005 CAFR p. 88, 2004 CAFR p. 83, 2003 CAFR p. 84, 2002 CAFR p. 84 2001 CAFR p. 57.

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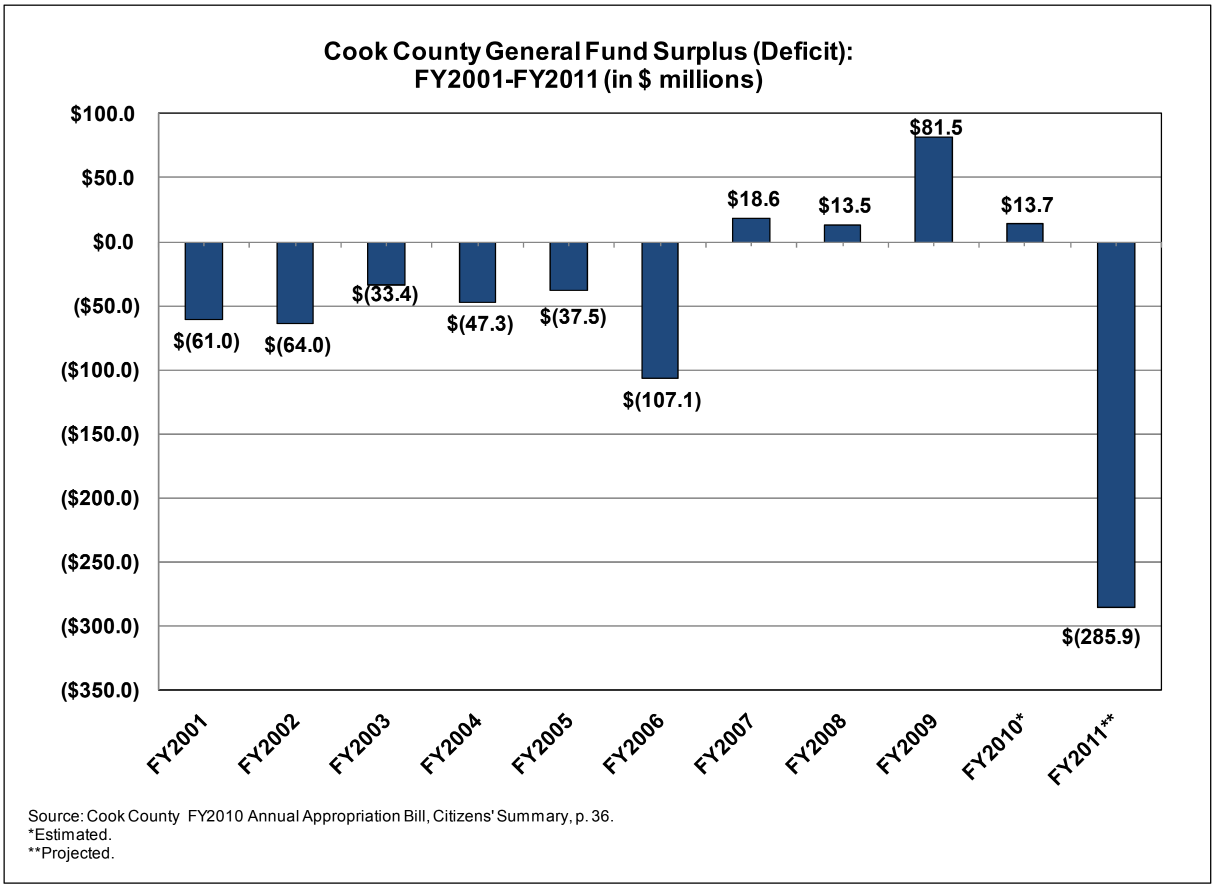
[203] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[204] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[205] National League of Cities*: City Budget Shortfalls and Responses*, December 2009.

FY2011 Budget Deficit

In the FY2010 Appropriation Bill, the most recent expenditure and revenue data that is publicly available, Cook County projected a $285.9 million deficit for FY2011. The appropriation bill bases its expenditure projection on an annual growth rate of 2.55% for all expenses including personnel.

According to news reports, this projection grew to between $400 and $500 million in the ensuing months.[206] A recent internal County communication referred to a revenue decline of $317 million with a $35 million increase in wages and fringe benefits but did not include a revised estimate of the total deficit.[207]

The chart below depicts the ten-year trend for Cook County surpluses/deficits, reflecting the fact that in recent years the County has sustained a budget surplus.



206 Fran Spielman, "Preckwinkle: Not so fast on tax break; Budget hole is too deep, County Board chief hopeful says." Chicago Sun-Times, May 20, 2010.

207 Cook County Board of Commissioners, Agenda, Meeting of October 5, 2010, p. 16 (letter from Takashi Reinbold, Director, Department of Budget and Management Services to bureaus and departments, September 27, 2010).

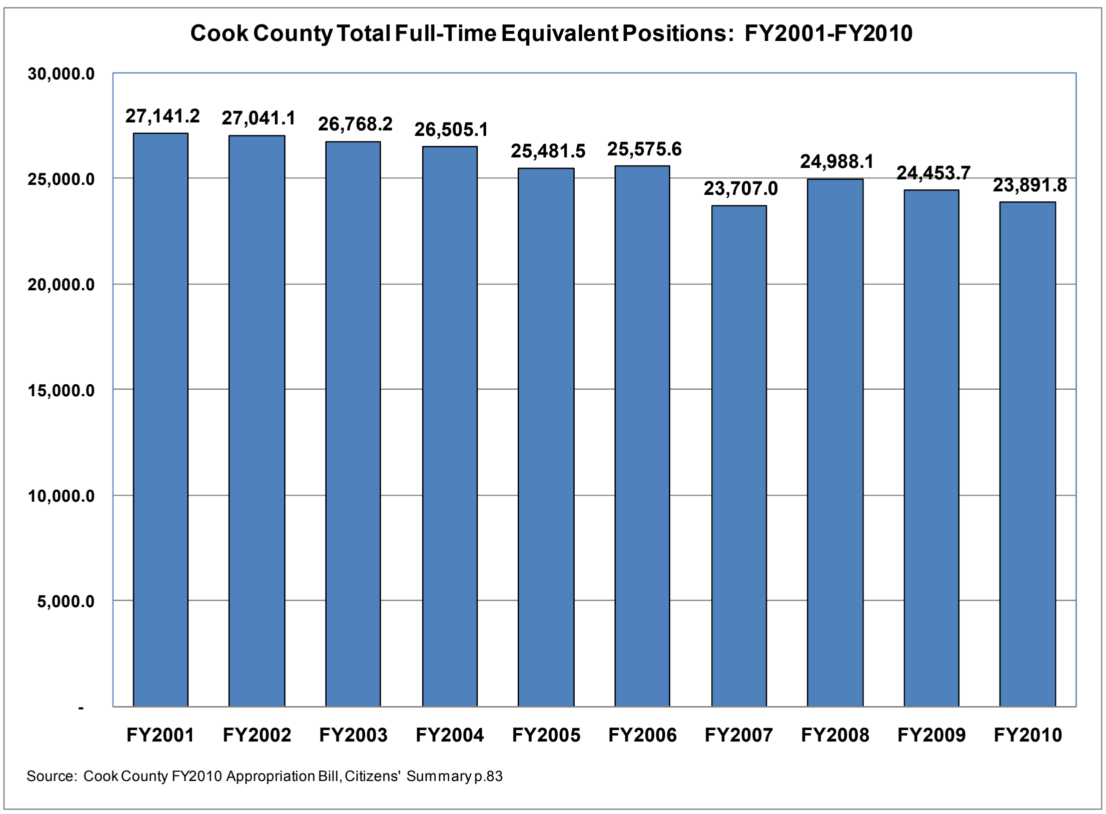
All candidates for Board President have indicated plans to repeal the remaining 0.5 percentage point of the sales tax increase. The repeal is likely to affect only two months of revenue collection in FY2011, because of the lag time between adoption and implementation. In addition, the Health System is expecting to receive roughly $9.0 million more in Medicaid revenues in FY2011 than was forecasted in the County's deficit calculation. When those items are taken are added, the total projected deficit comes to $308.6 million.

Personnel

This section provides an overview of Cook County's personnel, which is the county's single largest expenditure.

Total Full-Time Equivalent Positions

Budgeted full-time equivalent (FTE) positions in Cook County have trended downward over the ten-year period. In FY2001, there were 27,141 FTEs, which declined to a low of 23,707 in FY2007. There are 23,891 positions budgeted for FY2010, which is a decline of 2.3% from FY2009. Over the ten-year period there has been a 12.0% decline in FTEs.



Cook County Full-Time Equivalent Positions by Fund

The largest number of full-time equivalent positions is allocated to the Public Safety Fund. The Public Safety FTEs remained relatively stable in recent years, declining 3.5% from 14,929 FTEs in FY2001 to 14,411 FTEs in FY2010. The Public Safety Fund makes up 60.3% of budgeted FY2010 FTEs. The Health Fund has the second largest number of employees at 6,684 or 28.0% of FTEs budgeted for FY2010. This is a significant decrease of 25.8% from 9,011 FTEs in FY2001 and includes a large reduction planned for FY2010.

The Corporate Fund has also undergone a large decrease in FTEs over ten years, declining 34.9% from 2,735 FTEs in FY2001 to 1,781 FTEs in FY2010. This decrease is not the result of a single major reduction, but of the majority of General Funds agencies undergoing steady FTE reductions in the ten-year period. The following are some of the agencies with the largest reductions: Department of Telecommunications (-53.8), County Assessor (-76.8), Treasurer (-180.9), Recorder of Deeds (-101.3) and the County Highway Department (-307.9).[208]

The smallest number of employees is in other Special Purpose Funds, which have risen 117.5% from 466 FTEs in FY2001 to 1,014 FTEs in FY2010. These increases are funded through designated revenues that have increased or been added during the ten-year period. For example, the Suburban Cook County Tuberculosis Sanitarium District was taken over by the County in FY2007[209] resulting in an additional 50 FTEs. It should also be noted that some of the decreases and increases are the result of FTE transfers among funds.

The Corporate Fund makes up 7.5% of total budgeted FTEs while other Special Purpose Funds make up 4.2%.

Cook County Budgeted Full-Time Equivalent Employees by Fund: FY2001-FY2010

Fund	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Corporate Fund	2,734.7	2,649.9	2,551.9	2,489.1	2,346.9	2,248.0	1,896.3	1,968.6	1,783.7	1,781.3
Public Safety Fund	14,929.2	14,878.4	14,945.1	14,782.6	14,487.7	14,775.8	14,129.2	14,714.0	14,234.7	14,411.7
Other Special Purpose Funds	466.3	510.6	539.6	558.7	621.0	624.3	713.6	933.5	933.9	1,014.4
Subtotal without Health Fund	**18,130.2**	**18,038.9**	**18,036.6**	**17,830.4**	**17,455.6**	**17,648.1**	**16,739.1**	**17,616.1**	**16,952.3**	**17,207.4**
Health Fund	9,011.0	9,002.2	8,731.6	8,674.7	8,025.9	7,927.5	6,967.9	7,372.0	7,501.4	6,684.4
Total	**27,141.2**	**27,041.1**	**26,768.2**	**26,505.1**	**25,481.5**	**25,575.6**	**23,707.0**	**24,988.1**	**24,453.7**	**23,891.8**

Source: Cook County FY2010 Appropriation Bill, Citizens' Summary p. 80-83.

[208]Cook County FY2010 Appropriation Bill, Citizens' Summary, pp. 80-81. Changes may not match those when sorted by Control Officer because this section lists the Agency's General Funds FTEs only.
[209]Cook County FY2010 Appropriation Bill, Revenue Estimate, p.70. See also The Civic Federation, *A Call for the Elimination of the Suburban Cook County Tuberculosis Sanitarium District*, November 17, 2003, http://www.civicfed.org/civic-federation/publications/call-elimination-suburban-cook-county-tuberculosis-sanitarium-district (last visited on October 19, 2010).

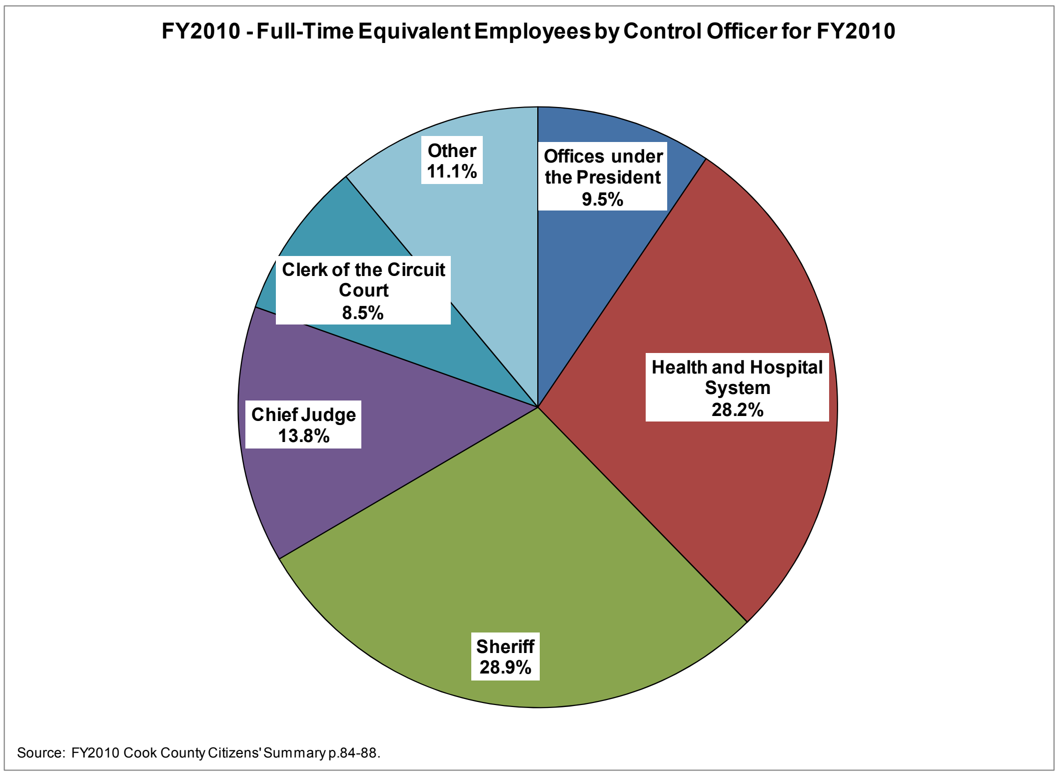
The five-year FTE changes mirror the ten-year changes with the largest percentage decrease in the Corporate Fund, followed by the Health Fund, with the Public Safety Fund steady and increases in other Special Purpose Funds. From FY2009 to FY2010 proposed budget, the Public Safety Fund increases 177.0 FTE or 1.2% and other Special Purposefunds increase 80.5 FTE or 8.6%. The Health Fund proposes an 817 or 10.9% decrease and the Corporate Fund is flat from FY2009 to FY2010.

Cook County Budgeted Full-Time Equivalent Employees by Fund: Summary of Changes						
	Two-Year		Five-Year		Ten-Year	
	# Change	% Change	# Change	% Change	# Change	% Change
Fund						
Corporate Fund	(2.4)	-0.1%	(466.7)	-20.8%	(953.4)	-34.9%
Public Safety Fund	177.0	1.2%	(364.1)	-2.5%	(517.5)	-3.5%
Other Special Purpose Funds	80.5	8.6%	390.1	62.5%	548.1	117.5%
Subtotal without Health Fund	**255.1**	**1.5%**	**(440.7)**	**-2.5%**	**(922.8)**	**-5.1%**
Health Fund	(817.0)	-10.9%	(1,243.1)	-15.7%	(2,326.6)	-25.8%
Total	**(561.9)**	**-2.3%**	**(1,589.7)**	**-6.6%**	**(3,249.4)**	**-12.0%**

Source: Civic Federation analysis of data from Cook County FY2010 Appropriation Bill, Citizens' Summary p. 80-83.

Cook County Full-Time Equivalent by Control Officer

A different way to examine the distribution of FTEs is by distribution amongst control officers. When viewed through this lens the largest number of employees budgeted for FY2010 is under the control of the Sheriff (28.9% or 6,899), followed closely by the Health and Hospital System (28.2% or 6,738) and then the Chief Judge (13.8% or 3,309). Only 9.5% or 2,266 FTEs are in Offices under the President, who is the Chief Executive of the County. There are 8.5% or 2,036 FTEs under the Clerk of the Court. The remaining 2,642 or 11.1% of FTEs are split among other officials.



The Health System had the largest number of employees from FY2001 through FY2009. The reductions proposed in FY2010 would mean a decrease of 25.2% or 2,274.6 FTEs over the ten-year period for positions associated with the Health System. Two out of every three positions reduced over the ten-year period are in the Health System.

Cook County Budgeted Full-Time Equivalent Employees by Control Officer: Summary of Changes						
	Two-Year		Five-Year		Ten-Year	
Control Officer	**# Change**	**% Change**	**# Change**	**% Change**	**# Change**	**% Change**
Offices Under the President	128.4	6.0%	(171.6)	-7.0%	(561.9)	-19.9%
Health and Hospital System	-816.0	-10.8%	(1,193.1)	-15.0%	(2,274.6)	-25.2%
County Clerk	12.7	4.4%	(10.0)	-3.2%	(7.7)	-2.5%
Recorder of Deeds	-4.7	-2.1%	(31.6)	-12.5%	(62.9)	-22.2%
Treasurer	-10.9	-8.3%	(36.1)	-23.1%	(113.9)	-48.7%
Sheriff	85.1	1.2%	42.6	0.6%	381.5	5.9%
State's Attorney	8.1	0.6%	(145.1)	-9.6%	(119.6)	-8.1%
Chief Judge	20.4	0.6%	(30.8)	-0.9%	(283.2)	-7.9%
Clerk of the Circuit Court	8.4	0.4%	(64.3)	-3.1%	(121.8)	-5.6%
Other Elected Officials	6.6	1.0%	(43.8)	-6.4%	(85.3)	-11.8%
Total	**-561.9**	**-2.3%**	**(1,683.8)**	**-6.6%**	**(3,249.4)**	**-12.0%**

Source: Civic Federation Analysis of date from Cook County FY2010 Appropriation Bill, Citizens' Summary pp.84-88.

Offices under the President are increasing 6.0% from FY2009 to FY2010. However, when viewed over the ten-year period there has been a 19.9% decrease in FTEs under the Board President. The Treasurer and the Recorder of Deeds each have undergone noteworthy reductions with decreases of 48.7% and 22.2% respectively from FY2001 to FY2010, but those reductions account for only 176.8 FTEs. The only category to increase FTEs over the ten-year period has been the Sheriff's department with a 5.9% or 381.5 increase.

Personnel Expenditures

In FY2010 the County appropriated nearly $1.6 billion for salary expenditures. Salary appropriations for Offices under the President increased by $10.6 million or 6.8% over FY2009 adopted budget figures. Salaries for employees of the Health System rose by nearly $18.0 million or 3.4% over FY2009. The Recorder of Deeds and Treasurer's office were the only two offices to report a decline in salary expenditures from FY2009.

Cook County Salary Expenditures by Control Officer: FY2009 Adopted - FY2010 Adopted				
Fund	**FY2009 Adopted**	**FY2010 Adopted**	**$ Change**	**% Change**
Offices Under the President	$ 156,042,727	$ 166,621,420	$ 10,578,693	6.8%
Health and Hospital System	$ 526,231,760	$ 544,224,349	$ 17,992,589	3.4%
County Clerk	$ 15,288,036	$ 15,987,034	$ 698,998	4.6%
Recorder of Deeds	$ 10,976,262	$ 10,811,312	$ (164,950)	-1.5%
Treasurer	$ 8,858,593	$ 8,428,239	$ (430,354)	-4.9%
Sheriff	$ 395,521,108	$ 409,842,050	$ 14,320,942	3.6%
State's Attorney	$ 97,246,414	$ 100,010,903	$ 2,764,489	2.8%
Chief Judge	$ 165,771,965	$ 169,068,574	$ 3,296,609	2.0%
Clerk of the Circuit Court	$ 92,018,191	$ 93,127,600	$ 1,109,409	1.2%
Other Elected Officials	$ 38,487,384	$ 39,523,838	$ 1,036,454	2.7%
Total	**$ 1,467,955,056**	**$ 1,518,121,481**	**$ 50,166,425**	**3.4%**

Source: Cook County FY2010 Appropriation Bill, Citizens' Summary p.92-96.

COOK COUNTY PENSION FUND

The following section describes the Cook County pension fund membership, benefits, contributions and fiscal health measured by its unfunded liabilities, funded ratio and investment rate of return. It will also compare the Cook County pension fund to the Illinois Municipal Retirement Fund (IMRF), which covers the employees of every other county in Illinois except Cook.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[210] Plan benefits and contribution amounts can only be amended through state legislation.[211]

The fiscal year of the Cook County pension fund is January 1 to December 31.[212]

The IMRF is a multi-employer defined benefit pension plan for employees and officers of 2,950 employers in Illinois including counties, municipalities, school districts (non-teacher employees), townships and special districts. It was created by Illinois State statute in 1939 to provide public employees with a sound and efficient pension system.[213] Plan benefits and contributions can only be amended through state legislation.[214]

Governance

The Cook County pension fund is governed by a nine-member Board of Trustees.[215] As prescribed in state statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

IMRF is governed by an eight-member Board of Trustees. As prescribed in state statute, four members are executives (e.g., chief executive officer, chief financial officer, or department head) of participating instrumentalities, three are employees of participating instrumentalities and one is an annuitant. All trustees are elected by the groups that they represent.[216]

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210 County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2009, p. 8.

211 The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

212 This is one month different from the fiscal year of Cook County, which is December 1 to November 30.

213 IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, p. 23.

214 The IMRF pension article is 40 ILCS 5/7, 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.

215 The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however and is not included in this analysis. For more information see the Civic Federation's annual Status of Local Pension Funding report, http://www.civicfed.org/civic-federation/publications/fy2008statuslocalpensions.

216 40 ILCS 5/7-174.

Membership

In FY2009 there were 23,570 active employees participating in the Cook County pension fund and 14,915 beneficiaries. Over the past ten years, the number of active employees has declined by 3,197 members or 11.9% while the number of beneficiaries has grown by 3,817, or 34.4%. This has created a drop in the ratio of active employees to beneficiaries from 2.41 in FY2000 to 1.58 in FY2009. This trend may create fiscal stress for the fund because there are fewer active employees making contributions and more annuitants receiving benefits.

Cook County Pension Fund Membership: FY2000-FY2009			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2000	26,767	11,098	2.41
FY2001	26,540	11,305	2.35
FY2002	26,571	11,396	2.33
FY2003	25,513	13,672	1.87
FY2004	25,848	13,782	1.88
FY2005	25,726	13,926	1.85
FY2006	25,555	14,173	1.80
FY2007	23,456	14,469	1.62
FY2008	23,436	14,745	1.59
FY2009	23,570	14,915	1.58
10-Year Change	**-3,197**	**3,817**	**-0.83**
10-Year % Change	**-11.9%**	**34.4%**	**-34.5%**

Note: Fiscal year of pension fund is January 1 to December 31
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

IMRF had 181,380 active members in FY2009, up 13.5% from 159,810 members in FY2000. The fund had 93,298 beneficiaries in FY2009, up 30.9% from 71,279 in FY2000.[217] The ratio of active members to beneficiaries fell from 2.24 in FY2000 to 1.94 in FY2009. This drop is less severe than the one experienced by the Cook County pension fund over the same period.

[217] IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, pp. 63-64.

The average salary for Cook County pension fund members increased by 34.9% over ten years, from $47,112 in FY2000 to $63,562 in FY2009. The average annual annuitant benefit grew by 66.9%, from $18,153 in FY2000 to $30,306 in FY2009.[218] The inflation rate over the same ten-year period was 20.8% in the Cook County region.[219] The rate of increase in average annuitant benefit has grown by more than three times the rate of inflation over ten years.

Cook County Pension Fund Average Member Salaries and Benefits: FY2000-FY2009		
Fiscal Year	Average Employee Salary	Average Annuitant Benefit
FY2000	$ 47,112	$ 18,153
FY2001	$ 48,039	$ 18,798
FY2002	$ 50,072	$ 19,765
FY2003	$ 51,232	$ 23,100
FY2004	$ 53,062	$ 25,006
FY2005	$ 53,932	$ 25,012
FY2006	$ 55,288	$ 25,797
FY2007	$ 58,443	$ 27,555
FY2008	$ 62,441	$ 28,990
FY2009	$ 63,562	$ 30,306
10-Year Change	**$ 16,450**	**$ 12,152**
10-Year % Change	**34.9%**	**66.9%**

Averages are calculated as total payroll divided by employees and total benefits paid divided by beneficiaries.

Note: Fiscal year of pension fund is January 1 to December 31
Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

IMRF average member salaries also rose by 34.9% between FY2000 and FY2009, from $26,514 to $35,771. Average annuitant benefits increased by 59.5% from $6,904 to $11,008 over the same period.[220]

Benefits

Public Act 96-0889, enacted in April 2010, creates a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Cook County pension fund and the IMRF, except for IMRF Sheriff's Law Enforcement Personnel plan participants.[221] This report will refer to "current employees" as those persons hired before the effective date of Public Act 96-0889 and "new hires" as those persons hired on or after January 1, 2011.

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[218] Average annuitant benefit is calculated as the sum of all benefit payments, including pension, health insurance and disability divided by the total number of beneficiaries.

[219] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 20.8% between 2000 and 2009. U.S. Bureau of Labor Statistics.

[220] IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, pp. 63-64. Annuitant benefits include disability benefits.

[221] P.A. 96-0889 generally did not apply to police, fire, and other public safety pension plans. See 40 ILCS 5/1-160 (a) excluding IMRF Sheriff's Law Enforcement Personnel plan participants.

Current employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary. For example, a 60 year-old employee with 30 years of service and a $65,000 final average salary could retire with a $46,800 annuity: 30 x $65,000 x 2.4% = $46,800.[222] The annuity increases every year by an automatic compounded 3.0% cost of living adjustment (COLA).

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

IMRF has three major benefit plans for different types of employees: regular employees, sheriff's deputies (sworn law enforcement personnel) and elected county officials. Regular employees are eligible for full retirement at age 60 with 8 years of service and receive 1 2/3% of final average salary for the first 15 years of service and 2% for subsequent years up to a maximum of 80% of final average salary. Benefits for law enforcement personnel and elected county officials are more generous.

[222] The average FY2009 salary of Cook County employees 60-64 years old with 30-34 years of service was $71,860, so $65,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2009, p. 4.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County and from 55 to 62 for IMRF; the reduction of final average salary from the highest 4 year average to the highest 8 year average; the $106,800 cap on final average salary; and the reduction of the automatic COLA from 3% (compounded for Cook County and simple interest for IMRF) to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.

Major Cook County and IMRF Pension Benefit Provisions for Regular Employees

	Cook County Current Employees (hired before 1/1/2011)	IMRF Current Employees (hired before 1/1/2011)	New Hires (hired on or after 1/1/2011)
Full Retirement Eligibility: Age & Service	age 60 with 10 years of service, or age 50 with 30 years of service	age 60 with 8 years of service, or age 55 with 35 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 55 with 8 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 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	1 2/3% of final average salary for first 15 years of service; 2% for each subsequent year	same as current employees
Early Retirement Formula Reduction	0.5% per month under age 60	0.25% per month under age 60 or 0.25% per month of service less than 35 years	0.5% per month under age 67
Maximum Annuity	80% of final average salary	75% of final average salary 80% of final average salary	same as current employees
Annuity Automatic COLA on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	3% not compounded on January 1 each year after retirement	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement
Surviving Spouse Annuity	65% of the annuity the deceased member had been receiving or had earned if not yet retired, reduced by 0.5% for each month that the spouse is under age 55 at the time of employee/retiree death (no reduction with 30 or more years of service)	50% of the deceased member's annuity	66 2/3% of the annuity the deceased member had been receiving or had earned if not yet retired
Sheriff's Deputy Early Retirement	at age 50 with 20 years of service, may receive annuity equal to 50% of final average salary plus 2% for each year in excess of 20 years	none, but employers may offer early retirement incentives to employees pay the additional liability within 10 years	see above

Note: This table does not show benefits for Cook Cook Sheriff's Police, members of the IMRF Sheriff's Law Enforcement Personnel Plan, or elected officials.

*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: New Hires are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2009; 40 ILCS 5/9; IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009; and Public Act 96-0889.

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

Alternate Annuity for County Officers

Cook County officials who were elected to office on or before January 1, 2008 may choose an alternate annuity. The official may contribute an additional 3% of salary annually and receive in exchange an annuity equal to 3% of final salary at time of termination (not final average salary) for the first eight years of service, 4% for the next four years and 5% thereafter subject to a maximum of 80% of final salary. Public Act 95-0654 eliminated this benefit for officials hired after January 1, 2008.

Optional Pension Plan

An additional optional Cook County pension fund benefit existed between 1985 and 2005. The Optional Pension Plan was created in 1985 by the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005.[223] It permitted employees to make additional contributions equal to 3% of salary in exchange for an additional 1% of final average salary benefit for each year for which the additional contribution was paid.

Numerous employees elected to make Optional Plan contributions prior to the expiration of the plan, causing a one-time increase in FY2005 employee contributions. This created a one-time matching employer contribution increase of $104 million two years later.[224] The County did not raise its property tax levy to accommodate the one-time increase in employer contribution, however. The FY2007 and FY2009 Recommended Cook County Budgets proposed issuing $104.1 million in bonds to pay for the obligation.[225] The Civic Federation opposed this borrowing. The Cook County Board of Commissioners debated and declined to issue the bonds several times before approving the issuance of $78.0 million in February 2010.[226] As obligations payable to retirees exercising the Optional Plan came due after July 1, 2005, the County provided funds for its matching share, which reduced the obligation from $104.1 million to $78.0 million in 2010.[227] In June 2010 Cook County sold $80.0 million in short-term taxable general obligation bonds maturing by 2013 in order to pay the $78.0 million owed to the Cook County pension fund.[228] The deposit was to be made to the pension fund by July 30, 2010.

Other Post Employment Benefits

State statute permits the Cook County pension fund to pay all or a portion of the health insurance premium for retirees who choose to participate in one of the County's employee health insurance plans.[229] The Cook County pension fund currently subsidizes roughly 55% of retiree premiums (including dependent coverage) and 70% of surviving spouse premiums (including dependent coverage). The remaining premium amount is paid by the participant.[230] The subsidy is funded on a pay-as-you-go basis; an irrevocable trust or a 401(h) trust has not been established to pre-fund the retiree health insurance subsidy.

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[223] 40 ILCS 5/9-179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40.
[224] Cook County, Illinois Official Statement for $357,950,000 in Series 2010A and Series 2010C Bonds Dated June 11, 2010, p. 14 ; Cook County Board of Commissioners Meeting of February 9, 2010 New Items Agenda; and Cook County Ordinance 10-O-20 passed April 6, 2010.
[225] See Civic Federation, Cook County FY2007 Proposed Budget Analysis and Recommendations, January 29, 2007 and Civic Federation, Cook County FY2009 Proposed Budget Analysis and Recommendations, December 18, 2009.
[226] Cook County Board of Commissioners Meeting of February 9, 2010 New Items Agenda and Cook County Ordinance 10-O-20 passed April 6, 2010.
[227] Cook County, Illinois Official Statement for $357,950,000 in Series 2010A and Series 2010C Bonds Dated June 11, 2010, p. 14.
[228] Cook County, Illinois Official Statement for $357,950,000 in Series 2010A and Series 2010C Bonds Dated June 11, 2010.
[229] 40 ILCS 5/9-239. The statute also specifies that this group health benefit shall not be considered a pension benefit as defined by the Illinois Constitution, Section 5 Article XIII.
[230] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2009, p. 20 and Cook County Comprehensive Annual Financial Report for the Year Ended November 30, 2008, p. 97.

Cook County government does not directly contribute to the retirees' premium costs. As the employer sponsor of the pension plan, however, the County is required to report other post employment benefit (OPEB) liabilities in its financial statements. The OPEB plan is treated as another pension benefit and does not have a separate contribution rate or asset pool associated with it. The employer contribution for OPEB reported in the County's financial statements is roughly equal to the cost of the premium subsidy.[231]

In 2009 there were 7,367 retiree and surviving spouse participants in the health plan.[232] This is an increase of 235 participants over the prior year, but a decline of 92 from the peak in FY2007. Retiree health plan data was first disclosed in Cook County's FY2007 financial statements.

Cook County Pension Fund Retiree Health Plan Participants: FY2006-FY2009				
	FY2006	FY2007	FY2008	FY2009
Retiree and Surviving Spouse Participants	7,132	7,459	7,300	7,367

Source: Cook County FY2007 Comprehensive Annual Financial Report, p.92; and County Employees' Annuity and Benefit Fund of Cook County, Financial Statements FY2009, p. 20.

IMRF does not provide OPEB through the pension plan, although individual employers may choose to provide OPEB independently.

Contributions

Regular Cook County employees are required to contribute 8.5% of salary to the plan. The 8.5% is subdivided as follows: 6.5% for employee pension, 1.5% for survivor pension and 0.5% for the automatic annuity increase.[233] Eligible Cook County sheriff's employees contribute 7.0% toward employee pension, for a total salary deduction of 9.0%.[234] If an employee leaves County employment before vesting, his or her contributions are refunded with 3% annual interest.[235]

Members of IMRF contribute 4.5% of salary to the fund if they are regular members (3.5% for employee pension and 0.75% for survivor pension) and 7.5% of salary if they are sheriff's employees or elected officials (regular member contribution plus 3.0% for sheriff's employee plan or elected official's plan).[236]

Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years earlier.[237] The County levies a property tax for this

[231] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2009, p. 20.
[232] These figures do not include the retired pension fund employees who also participate in the plan. There were 28 such participants in FY2009. County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2009, p. 20.
[233] 40 ILCS 5/9-133, 170 and 176.
[234] 40 ILCS 5/9-170.
[235] 40 ILCS 5/9-118 and 164.
[236] IMRF members also contribute 6.2% of salary to Social Security. Members of the Cook County pension fund do not participate in Social Security.
[237] 40 ILCS 5/9-169.

purpose and the pension amount appears as a separate line on tax bills. As noted above, the County does not make a separate contribution for OPEB. The employer contribution for OPEB reported in the County's financial statements is roughly equal to the cost of the premium subsidy granted by the pension fund.[238]

IMRF employer contributions are actuarially determined each year based on the funding needs of the participating employer's plan. Each participating employer contributes to the pension plan for its own employees only. IMRF actuaries compute the present net asset base, expected future contributions and expected future investment earnings in order to determine the employer contribution needed to cover 100% of future benefits using the level payroll percentage method of funding.[239]

[238] County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2009, p. 20.

[239] Following investment losses resulting from the recent economic recession, IMRF introduced five-year asset smoothing within a 20-percent corridor in order to make employer contributions less volatile. Employers are also allowed to use a contribution rate less than the actuarial required rate for 2010 if the actuarial rate was over 10% more than the 2009 rate. IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, pp. 8, 15 and 68.

Average IMRF employer contributions for the three plan types are shown in the table below. The employer contribution for regular members grew from 9.72% of payroll in FY2007 to 12.14% of payroll for FY2011. The employer contribution for sheriff's employees is roughly double the rate for regular employees; it rose from 18.42% to 21.76% over the same five-year period. The employer contribution for elected officials is the highest, at 41.30% of payroll in FY2007 and 42.72% of payroll in FY2011. Rates for individual employers may differ significantly from these averages.

IMRF Average Employer Contribution Rates: FY2007-FY2011

	Normal Cost	Prior Service Cost	Disability and Death	Supplemental Retirement Benefit	Total
Regular Members					
2007	7.4%	1.2%	0.4%	0.6%	**9.7%**
2008	7.4%	1.1%	0.3%	0.6%	**9.5%**
2009	7.4%	0.9%	0.3%	0.6%	**9.3%**
2010	7.6%	2.2%	0.3%	0.6%	**10.8%**
2011	7.6%	3.7%	0.3%	0.6%	**12.1%**
Sheriff's Law Enforcement Personnel Members (SLEP)					
2007	11.7%	5.7%	0.5%	0.6%	**18.4%**
2008	11.6%	6.7%	0.4%	0.6%	**19.3%**
2009	11.6%	6.1%	0.3%	0.6%	**18.7%**
2010	12.0%	7.7%	0.3%	0.6%	**20.6%**
2011	12.0%	8.9%	0.3%	0.6%	**21.8%**
Elected County Officials Members (ECO)					
2007	17.5%	22.7%	0.4%	0.6%	**41.3%**
2008	17.0%	23.9%	0.3%	0.6%	**41.8%**
2009	17.1%	24.8%	0.3%	0.6%	**42.8%**
2010	17.2%	23.3%	0.3%	0.6%	**41.4%**
2011	17.2%	24.6%	0.3%	0.6%	**42.7%**

Source: IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, p. 65.

Cook County employee contributions increased by 6.9% over ten years, from $119.6 million in FY2000 to $127.8 million in FY2009. Employer contributions increased by 18.8%, from $154.6 million in FY2000 to $183.7 million in FY2009. The inflation rate over the same ten-year period was 20.8% in the Cook County region.[240] Total contributions rose by only 13.6% over ten years, or roughly two-thirds the rate of inflation. As noted earlier in this section, the average annuitant benefit rose nearly five times as fast, by 66.9% over ten years.

Cook County Pension Fund Employee and Employer Contributions: FY2000-FY2009			
Fiscal Year	Employee Contributions	Employer Contributions	Total
FY2000	$ 119,587,172	$ 154,594,950	$ 274,182,122
FY2001	$ 125,848,928	$ 155,842,905	$ 281,691,833
FY2002	$ 146,979,954	$ 174,590,244	$ 321,570,198
FY2003	$ 140,029,598	$ 181,216,061	$ 321,245,659
FY2004	$ 148,924,055	$ 198,117,042	$ 347,041,097
FY2005	$ 174,213,741	$ 214,849,442	$ 389,063,183
FY2006	$ 121,672,773	$ 221,186,219	$ 342,858,992
FY2007	$ 123,047,516	$ 258,141,230	$ 381,188,746
FY2008	$ 123,776,705	$ 183,916,221	$ 307,692,926
FY2009	$ 127,795,881	$ 183,713,870	$ 311,509,751
10-Year Change	**$ 8,208,709**	**$ 29,118,920**	**$ 37,327,629**
10-Year % Change	**6.9%**	**18.8%**	**13.6%**

Note: Fiscal year of pension fund is January 1 to December 31
Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

Employer Annual Required Contribution

The financial reporting requirements for public pension funds and their associated governments are set by the Governmental Accounting Standards Board (GASB). GASB standards require disclosure of an Annual Required Contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year and is calculated using one of six standard actuarial cost methods. Each of these methods provides a way to calculate the present value of future benefit payments owed to active employees. The methods also specify procedures for systematically allocating the present value of benefits to time periods, usually in the form of the normal cost for the valuation year and the actuarial accrued liability (AAL). The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

ARC is a financial reporting requirement but not a funding requirement. The statutorily required Cook County contribution to its pension fund is set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does

[240] The Consumer Price Index for all urban consumers in the Chicago-Gary-Kenosha statistical area increased 20.8% between 2000 and 2009. U.S. Bureau of Labor Statistics.

represent a reasonably sound funding policy, the ARC can be used as an indicator how well a public entity is actually funding its pension plan.

The tables below compare the ARC to the actual Cook County contribution over the last ten years.[241] The OPEB ARC shown in the second table has been reported separately from the pension ARC since FY2005. In FY2000 the employer contribution for pension and OPEB was equal to 83.2% of the ARC, but in FY2009 the employer pension contribution equaled only 43.2% of the ARC and the employer OPEB contribution equaled 22.7% of the ARC.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2000 the ARC was 15.1% of payroll while the actual employer contribution was 12.6% of payroll. In FY2009 the pension ARC was 23.6% of payroll and the OPEB ARC was 10.5% of payroll, while the actual employer contributions were 10.2% and 2.4% of payroll, respectively.

The difference between the ARC and the actual employer contribution increased ten-fold between FY2000 and FY2009, rising from $32.1 million to $322.5 million for pension and OPEB combined. The cumulative ten-year difference between ARC and actual employer contribution for pension and OPEB combined is a $1.8 billion shortfall. In 2009, the combined ARC for pension and OPEB was $510.8 million, or almost triple the actual employer contribution of only $188.3 million. The combined pension and OPEB employer contribution shortfall in FY2009 was $322.5 million.

Cook County Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statement 25

Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll	Actuarial Funded Ratio
2000	$ 190,557,579	$ 158,474,997	$ 32,082,582	83.2%	$1,261,050,576	15.1%	12.6%	94.0%
2001	$ 211,188,715	$ 161,141,138	$ 50,047,577	76.3%	$1,274,942,064	16.6%	12.6%	88.9%
2002	$ 253,942,375	$ 178,410,973	$ 75,531,402	70.3%	$1,330,456,896	19.1%	13.4%	74.7%
2003	$ 364,658,305	$ 185,608,032	$ 179,050,273	50.9%	$1,307,079,312	27.9%	14.2%	67.5%
2004	$ 457,427,014	$ 201,957,937	$ 255,469,077	44.2%	$1,371,540,481	33.4%	14.7%	70.9%
2005*	$ 321,669,394	$ 190,596,330	$ 131,073,064	59.3%	$1,387,459,142	23.2%	13.7%	75.8%
2006	$ 282,223,686	$ 198,619,984	$ 83,603,702	70.4%	$1,412,878,627	20.0%	14.1%	75.3%
2007	$ 287,061,532	$ 230,114,335	$ 56,947,197	80.2%	$1,370,844,734	20.9%	16.8%	77.3%
2008	$ 283,892,734	$ 150,227,360	$ 133,665,374	52.9%	$1,463,372,408	19.4%	10.3%	72.6%
2009	$ 352,850,988	$ 152,506,089	$ 200,344,899	43.2%	$1,498,161,713	23.6%	10.2%	63.2%

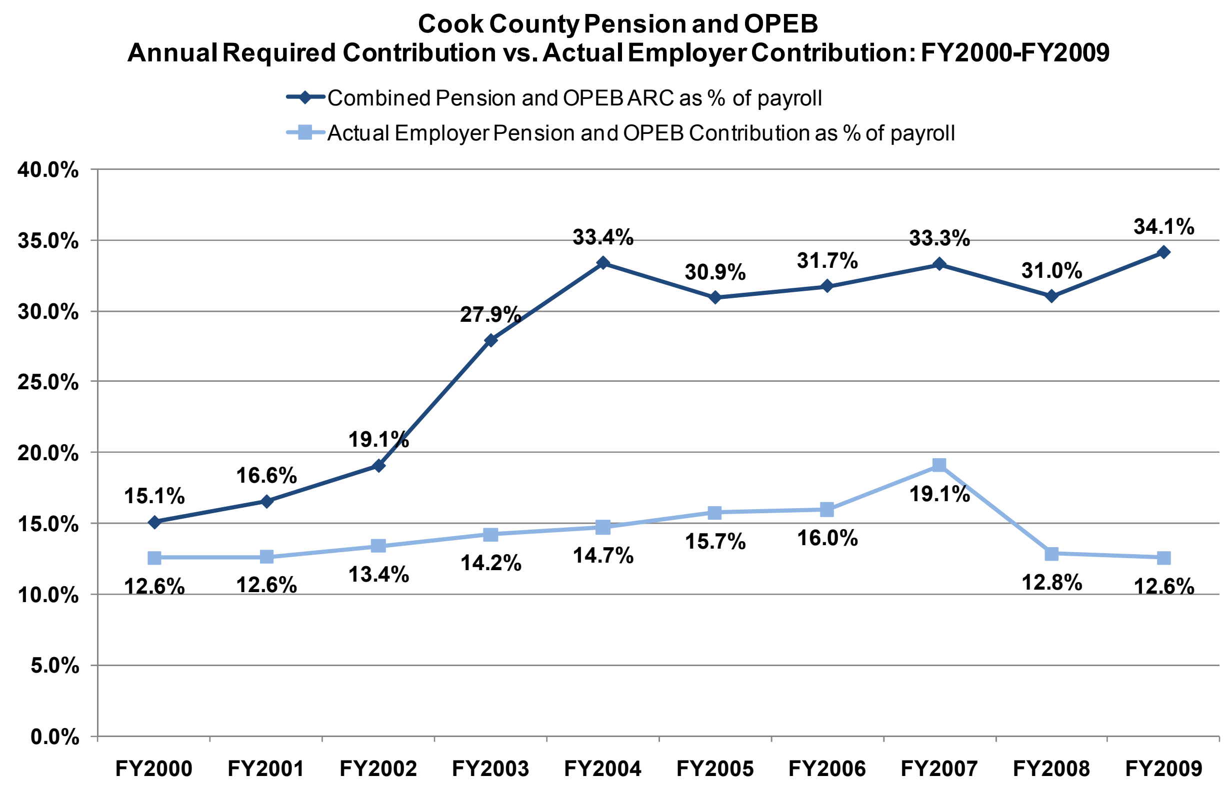
*Beginning in 2005, the ARC excludes other post employment benefits (OPEB). The OPEB ARC is calculated separately.
Source: Cook County Employees' Annuity and Benefit Fund Actuarial Valuation as of December 31, 2001 p. 68; Financial Statements as of December 31, 2007, pp. 20 and 21; and Financial Statements as of December 31, 2009, pp. 23 and 24.

[241] The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in this report because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

Cook County Pension Fund Schedule of Employer Contributions--OPEB as Computed for GASB Statement 43								
Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC contributed	Payroll	ARC as % of payroll	Actual Employer Contribution as % of payroll	Actuarial Funded Ratio
2005	$ 107,301,732	$ 27,696,148	$ 79,605,584	25.8%	$1,387,459,142	7.7%	2.0%	0.0%
2006	$ 166,070,688	$ 26,818,379	$ 139,252,309	16.1%	$1,412,878,627	11.8%	1.9%	0.0%
2007	$ 169,154,664	$ 31,420,216	$ 137,734,448	18.6%	$1,370,844,734	12.3%	2.3%	0.0%
2008	$ 169,823,905	$ 37,781,310	$ 132,042,595	22.2%	$1,463,372,408	11.6%	2.6%	0.0%
2009	$ 157,964,519	$ 35,779,227	$ 122,185,292	22.7%	$1,498,161,713	10.5%	2.4%	0.0%

Source: Cook County Employees' Annuity and Benefit Fund Financial Statements as of December 31, 2008, pp. 22 and 23; and Financial Statements as of December 31, 2009, pp. 23 and 24.

The graph below illustrates the growing gap between the combined pension and OPEB ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has grown from 2.5 percentage points, or $32.1 million, in FY2000 to 21.5 percentage points in FY2009. In other words, to fund the pension and retiree health care plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years Cook County would have needed to contribute an additional 21.5% of payroll, or $322.5 million, in FY2009.



Note: Beginning in FY2005, the OPEB ARC was calculated separately from the pension ARC. This graph sums the pension and OPEB ARC and contributions as a percent of payroll for FY2005-FY2009.
Sources: Cook County Employees' Annuity and Benefit Fund Actuarial Valuation as of December 31, 2001 p. 68; Financial Statements as of December 31, 2007, pp. 20 and 21; Financial Statements as of December 31, 2008, pp. 22 and 23; and Financial Statements as of December 31, 2009, pp. 23 and 24.

Cook County has consistently contributed its statutorily required tax levy amount of 1.54 times the employee contribution made two years prior. However, that amount has been less than the

ARC for each of the last ten years. The pension fund actuary estimates that in order to contribute an amount sufficient to meet the ARC in FY2010, Cook County would need a tax multiple of 4.73 rather than 1.54.[242]

The 12.6% of payroll that Cook County contributed to the pension fund in FY2009 was greater than the average IMRF employer contribution for regular employees that year (9.3%), but less than the average IMRF employer contribution for sheriff's employees (18.7%) and elected officials (42.8%) listed on page 86 of this report. The 12.6% Cook County employer contribution rate includes contributions for its regular, sheriff's employees and elected officials. The equivalent FY2009 blended rate for IMRF employers would be 9.8%, still 2.8 percentage points less than Cook County.[243] However, it is important to note that IMRF employees participate in Social Security while Cook County employees do not. IMRF employer and employee members each pay an additional 6.2% of salary in Social Security contributions. When Social Security contributions are included, the average blended IMRF employer contribution was 16.0%, or 3.4 percentage points higher than the Cook County employer rate of 12.6%.

Funded Ratios

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

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[244] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available today to cover actuarial accrued liabilities.

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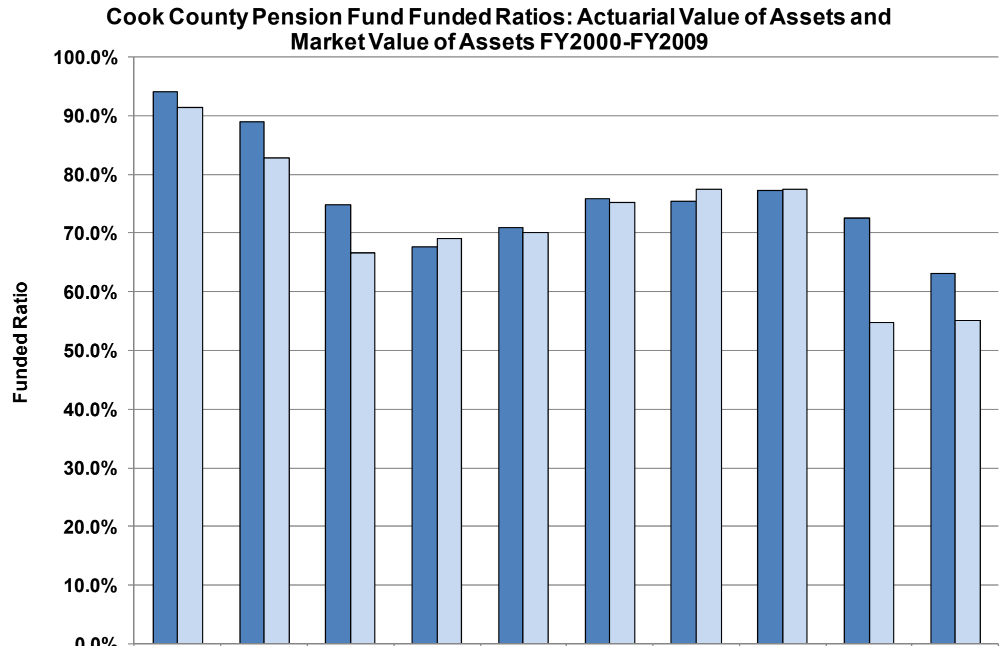
[242] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p. 17.

[243] IMRF blended rate is calculated as total employer contributions divided by total member payroll. IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, p. 38.

[244] For more detail on the actuarial value of assets, see Civic Federation, Status of Local Pension Funding Fiscal Year 2008, March 8, 2010, p. 8. http://www.civicfed.org/civic-federation/publications/fy2008statuslocalpensions

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 94.0% in FY2000 to 63.2% in FY2009. The market value funded ratio fell from a high of 91.4% in FY2000 to 55.1% in FY2009, with the lowest ratio at 54.8% in FY2008. The sizeable difference between FY2008 actuarial and market value funded ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years.



	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Actuarial Value	94.0%	88.9%	74.7%	67.5%	70.9%	75.8%	75.3%	77.3%	72.6%	63.2%
Market Value	91.4%	82.8%	66.6%	69.1%	70.0%	75.1%	77.4%	77.4%	54.8%	55.1%

Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

Several changes in actuarial assumptions affected the funded ratios over this ten-year period. In FY2004 the Cook County pension plan changed actuaries. The new actuary used a different method for smoothing asset values than did the previous actuary.[245] The new actuary also analyzed the fund experience from 2000-2003 and subsequently made two significant assumption changes: 1) the discount rate assumption was changed from 8.0% to 7.5% per year; and 2) the salary increase assumption was changed from 5.5% to 5.0% per year.[246] The fund actuary estimated that using the old methods and assumptions, the Cook County FY2004 actuarial value funded ratio would have been 69.5% rather than 70.9%.[247]

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[245] The previous actuary used a 5-year smoothed average ratio of market to book value while the new actuary used a 5-year smoothing of unexpected investment gains or losses (market value only), a more common method. County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2003, p. 69 and County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2004, pp. 7-8.

[246] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2004, p. 10.

[247] Estimates provided by Sandor Goldstein via e-mail to the Civic Federation, January 24, 2008.

In FY2005 the actuary changed the methods used to calculate actuarial liabilities in order to more accurately model the liabilities of the Cook County pension fund. These changes resulted in a decrease of $729.6 million in unfunded liabilities for Cook County.[248] Without these changes, the FY2005 Cook County actuarial value funded ratio would have been 70.3% rather than 75.8%.

In FY2009 the actuary changed some actuarial assumptions based on the experience of the fund between 2005 and 2008. The mortality table was changed from the 1983 table to the 1994 table, termination rates were increased and retirement rates were revised.[249] The result was an increase in actuarial liability of $810.8 million.[250] Without these changes, the FY2009 Cook County actuarial value funded ratio would have been 67.5% rather than 63.2%.

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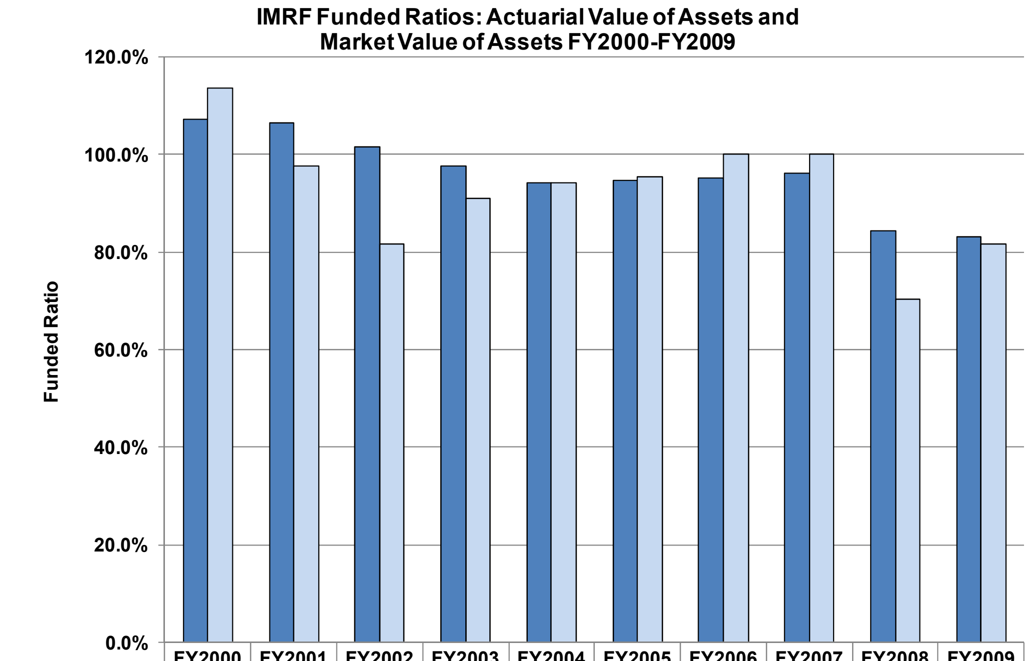
[248] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2005, pp. 13-14. The change was a correction to the actuary's computer model. Information provided by Sandor Goldstein, March 20, 2009.
[249] For details see page 11 and Appendix 1 of the County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009.
[250] County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, p.13.

The following exhibit shows the IMRF's actuarial and market value funded ratios over the last ten years. The actuarial value funded ratio fell from a high of 107.2% in FY2000 to 83.2% in FY2009. The market value funded ratio fell from a high of 113.5% in FY2000 to 81.6% in FY2009, with the lowest ratio at 70.4% in FY2008. The sizeable difference between FY2008 actuarial and market value funded ratios is due to the fact that FY2008 investment returns were much lower than the smoothed returns over five years.



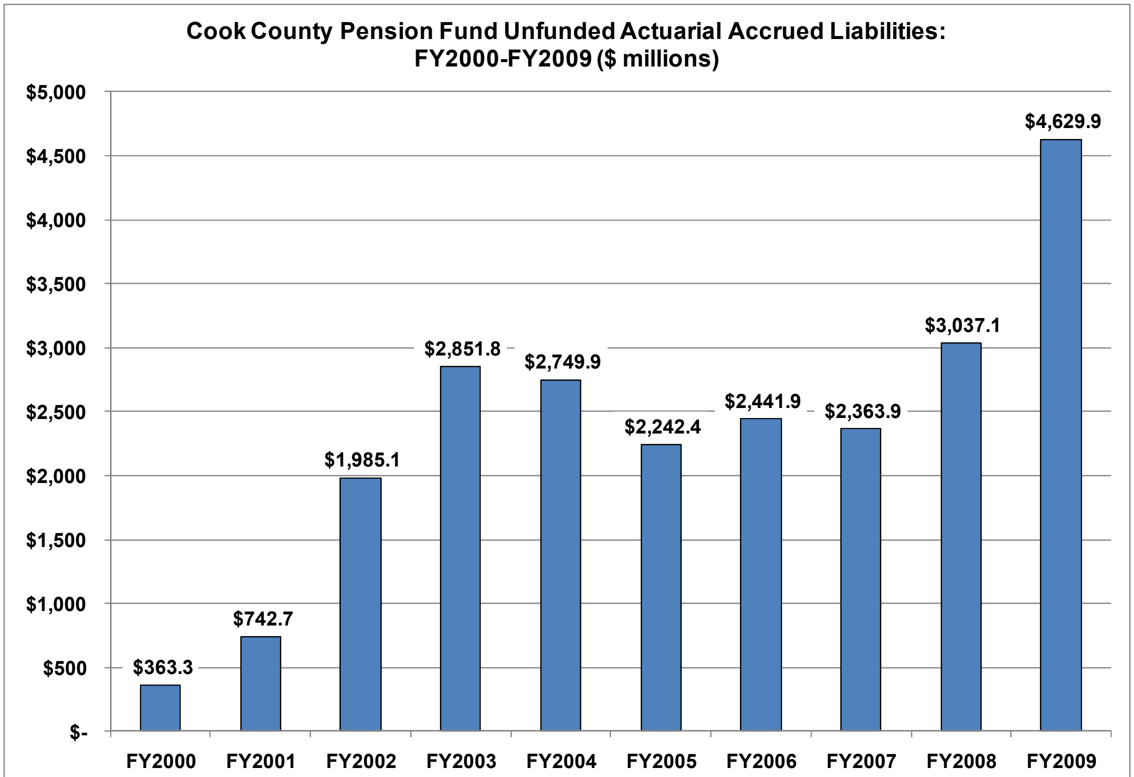
	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Actuarial Value	107.2%	106.4%	101.5%	97.6%	94.3%	94.6%	95.3%	96.1%	84.3%	83.2%
Market Value	113.5%	97.7%	81.5%	91.0%	94.2%	95.5%	100.1%	100.0%	70.4%	81.6%

Source: Civic Federation calculations based on IMRF Comprehensive Annual Financial Reports, FY2000-FY2009.

IMRF funded ratios have followed a similar overall pattern to the Cook County pension fund over ten years, but have consistently been roughly 15 to 20 percentage points higher.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liability for Cook County's pension fund totaled $4.6 billion in FY2009, up from $3.0 billion in FY2008. That was an increase of $1.6 billion, or 52.4% in one year.



Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

Computing the UAAL per capita for residents of Cook County offers a sense of scale for these liabilities. In FY2000 the UAAL was $68 per capita. UAAL per capita increased more than twelve-fold in ten years, reaching $878 per capita in FY2009.

Cook County Pension Fund Unfunded Actuarial Accrued Liabilities Per Capita: FY2000-FY2009			
	Unfunded Actuarial Accrued Liabilities	Population Estimate	UAAL Per Capita
FY2000	$ 363,268,964	5,376,861	$ 68
FY2001	$ 742,713,420	5,376,559	$ 138
FY2002	$ 1,985,074,485	5,355,574	$ 371
FY2003	$ 2,851,768,562	5,330,484	$ 535
FY2004	$ 2,749,938,975	5,302,421	$ 519
FY2005	$ 2,242,435,995	5,268,513	$ 426
FY2006	$ 2,441,895,052	5,236,986	$ 466
FY2007	$ 2,363,850,096	5,235,762	$ 451
FY2008	$ 3,037,106,552	5,256,705	$ 578
FY2009	$ 4,629,948,653	5,287,037	$ 876

Note: Population estimates are as of July 1 of that year.
Sources: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuations FY2000-FY2009 and U.S. Census Bureau American FactFinder Population Estimates.

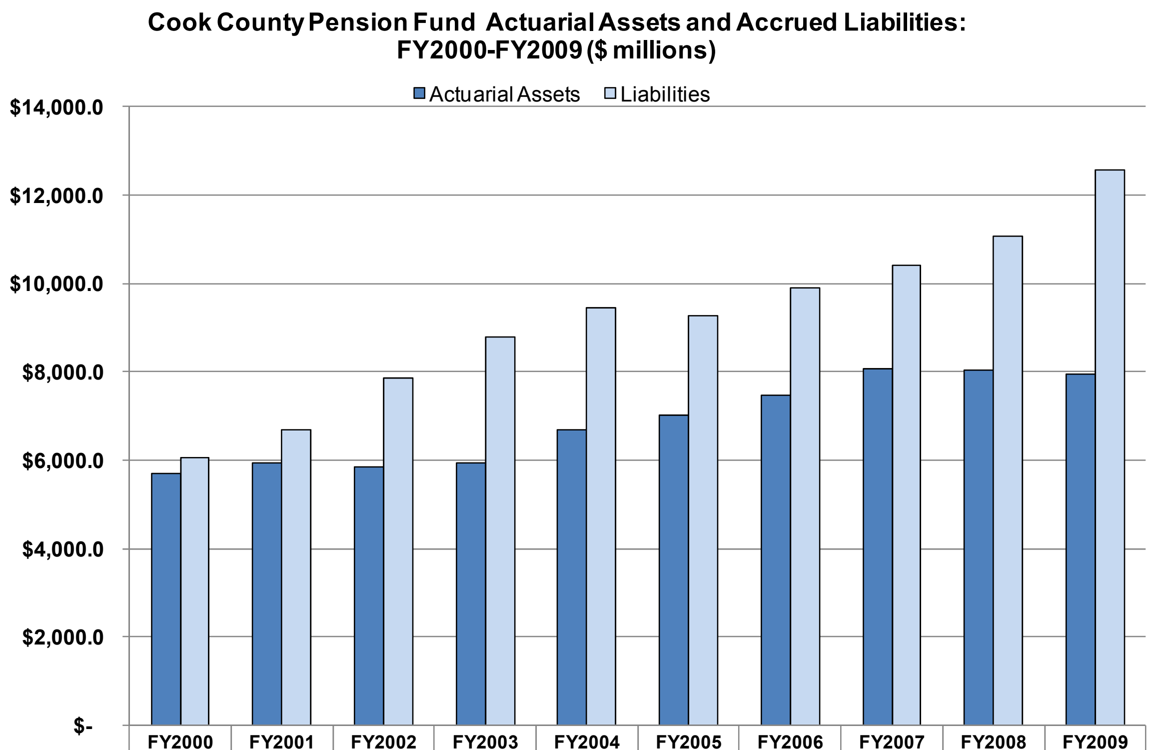
The following table shows the causes of the annual change in the Cook County pension fund unfunded actuarial accrued liability for FY2005-FY2009. The largest contributor to the $1.9 billion growth in unfunded liabilities between the beginning of FY2005 and the end of FY2009 was investment returns failing to meet the 7.5% expected rate of return.[251] The second largest contributor was the shortfall in employer contributions as compared to the ARC, which added $926.3 million to the unfunded actuarial accrued liability over five years.

Reasons for Change in Unfunded Actuarial Accrued Liability							
	Employer Contribution Lower/(Higher) than ARC	Investment Return Lower/(Higher) Than Assumed	Salary Increase Lower/(Higher) Than Assumed	Retiree Health Insurance Premium Lower/(Higher) Than Assumed	Change in Actuarial Assumptions or Methods	Other	Total Net UAAL Change
FY2005	$ 181,602,475	$ 196,928,921	$ (120,058,069)	$ -	$ (729,557,335)	$ (36,418,972)	**$ (507,502,980)**
FY2006	$ 152,221,465	$ 47,913,709	$ (43,191,730)	$ -	$ -	$ 42,515,613	**$ 199,459,057**
FY2007	$ 135,979,428	$ (118,960,238)	$ 78,765,800	$ (103,261,032)	$ -	$ (70,568,914)	**$ (78,044,956)**
FY2008	$ 198,154,784	$ 481,086,534	$ 160,614,779	$ -	$ -	$ (166,599,641)	**$ 673,256,456**
FY2009	$ 258,309,848	$ 534,155,051	$ (138,750,205)	$ -	$ 810,786,835	$ 128,340,572	**$ 1,592,842,101**
5-Year Total	**$ 926,268,000**	**$ 1,141,123,977**	**$ (62,619,425)**	**$ (103,261,032)**	**$ 81,229,500**	**$ (102,731,342)**	**$ 1,880,009,678**

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuations FY2005-FY2009.

251 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 2008, March 8, 2010. http://www.civicfed.org/civic-federation/publications/fy2008statuslocalpensions

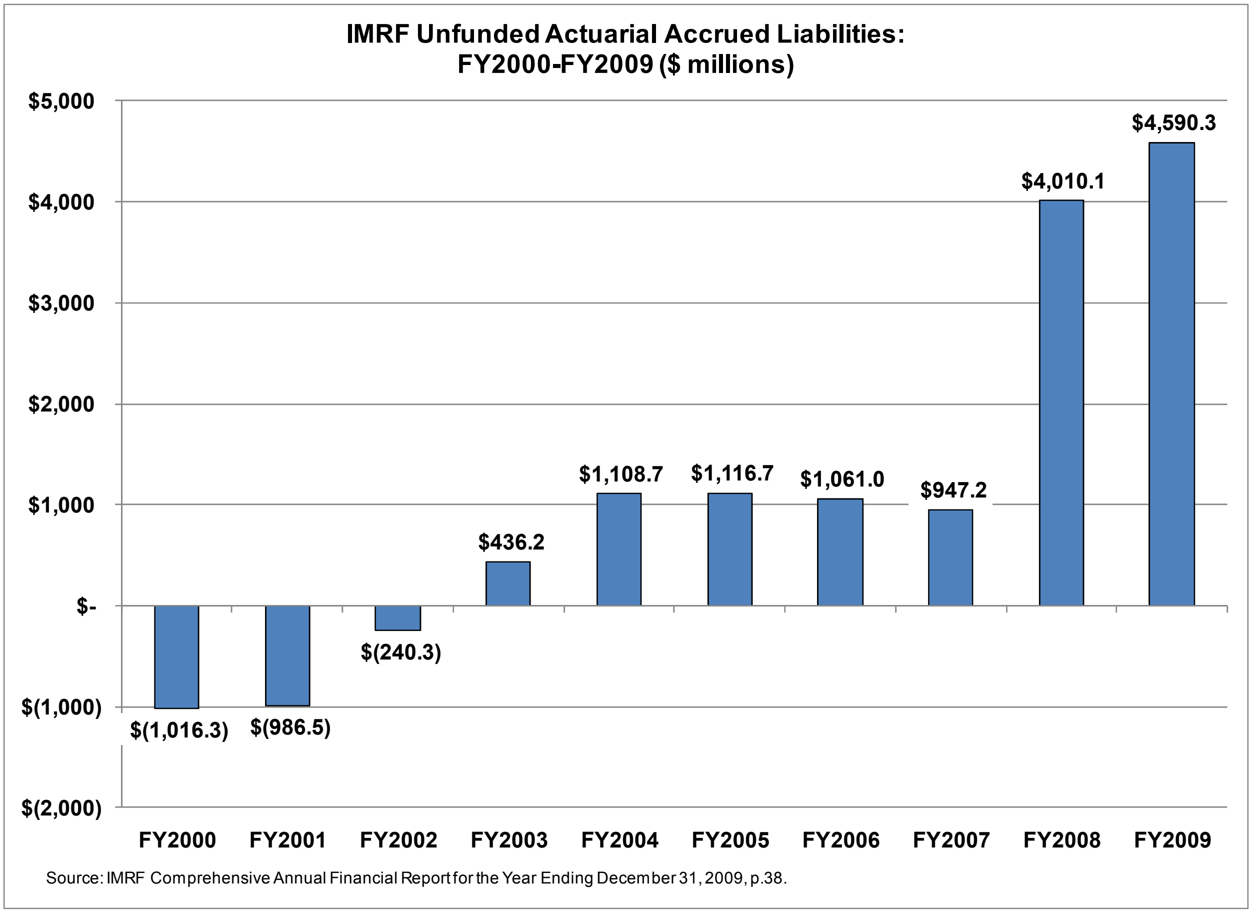
The graph below compares Cook County pension fund accrued liabilities to actuarial assets over ten years. Although the actuarial value of assets has risen from \$5.7 billion to \$7.9 billion, the accrued liabilities have more than doubled from \$6.1 billion to \$12.6 billion.



	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Actuarial Assets	$5,707.0	$5,935.5	$5,861.2	$5,929.2	$6,700.8	$7,027.5	$7,462.7	$8,059.9	$8,036.1	$7,945.6
Liabilities	$6,070.3	$6,678.2	$7,846.3	$8,781.0	$9,450.8	$9,269.9	$9,904.6	$10,423.7	$11,073.2	$12,575.5

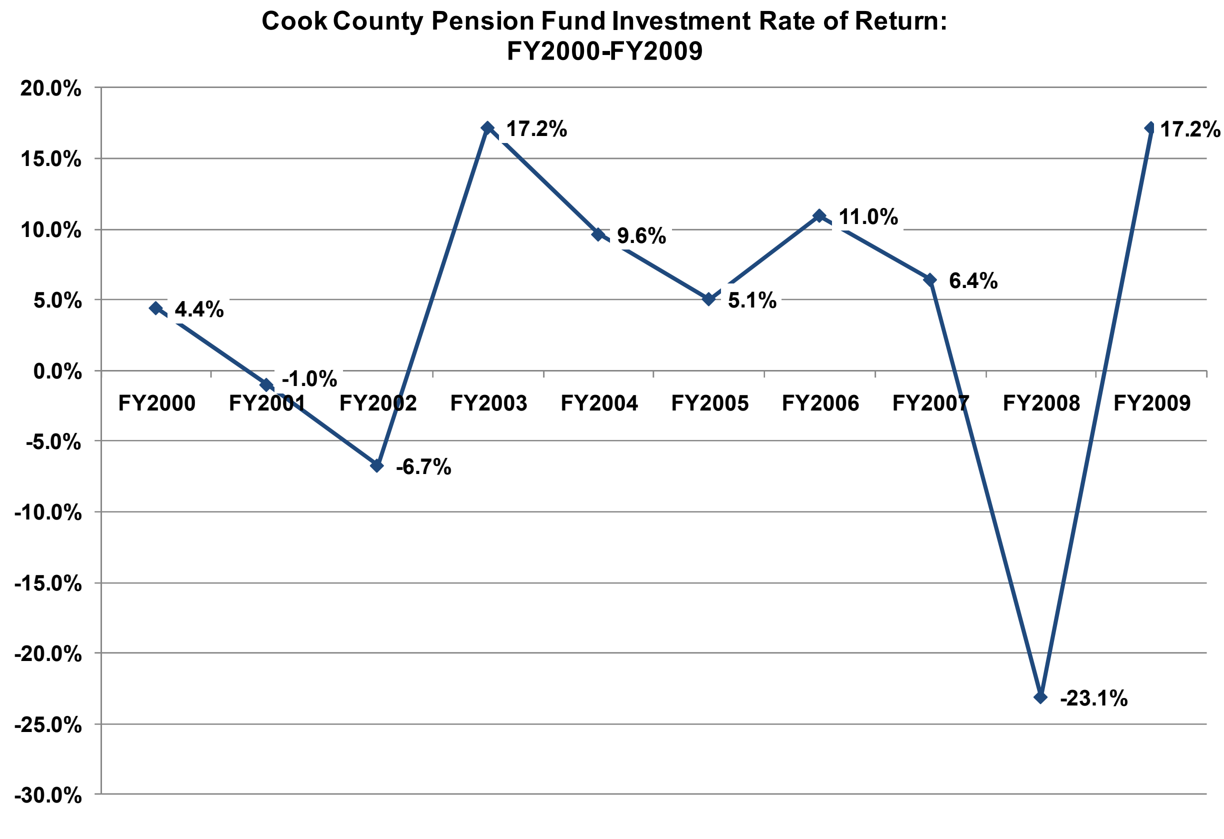
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

IMRF unfunded actuarial accrued liabilities were negative in FY2000, FY2001 and FY2002 meaning that the fund had a surplus in those years. Positive UAAL emerged in FY2003 and grew from $436.2 million that year to $4.6 billion in FY2009. This is still $321.0 million less than Cook County pension fund's FY2009 UAAL.



Investment Rate of Return

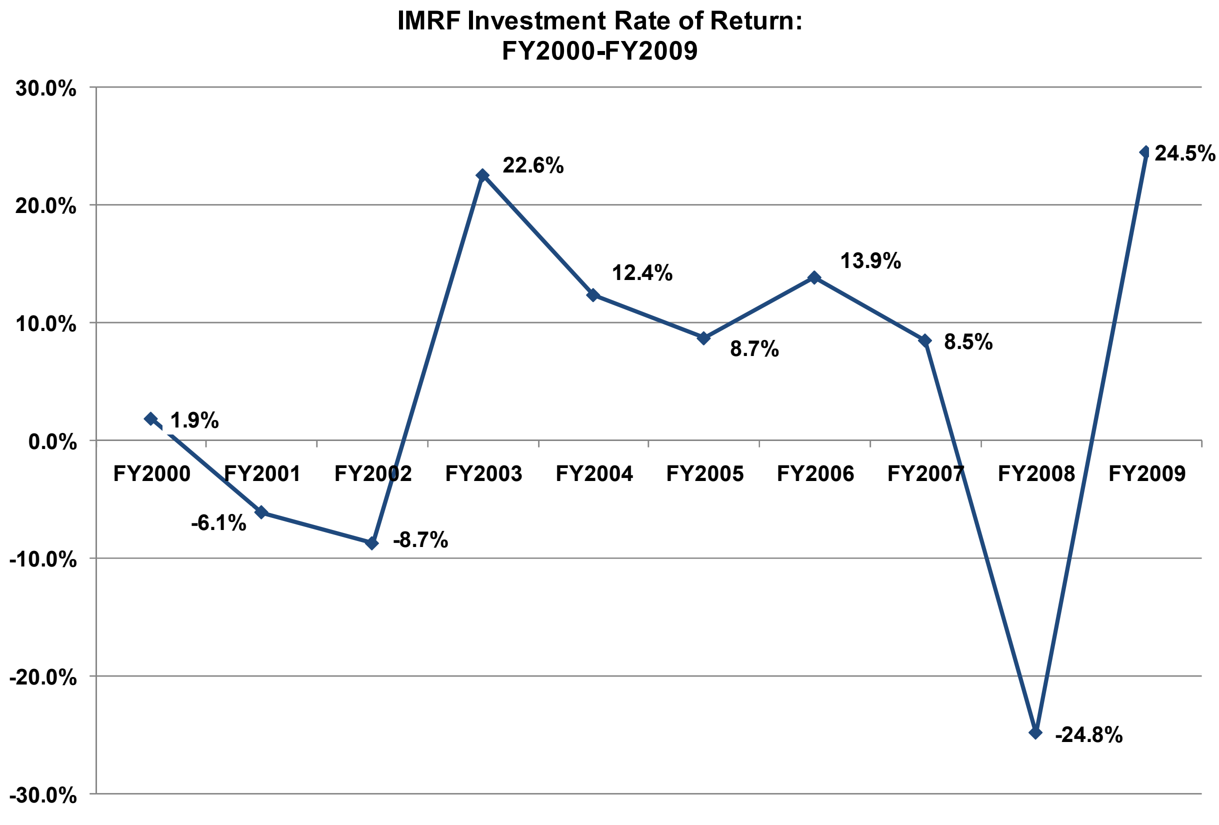
Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2000 and FY2009 the Cook County pension fund's average annual rate of return was 4.0%. This is considerably less than the 7.5% assumed investment rate of return that is used to discount the present value of projected future benefit payments.[252] Returns ranged from a high of 17.2% in FY2003 and again in FY2009 to a low of -23.1% in FY2008.



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

[252]The discount rate has an inverse relationship to actuarial liabilities, such that a higher discount rate will result in lower liabilities.

Between FY2000 and FY2009 the IMRF's average annual rate of return was 5.3%, or 1.3 percentage points higher than Cook County. Returns ranged from a low of -24.8% in FY2000 to a high of 24.5% in FY2009.



Source: IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2009, p. 50 and IMRF Comprehensive Annual Financial Report for the Year Ending December 31, 2004, p. 48.

Investment Policy and Asset Allocation

The Cook County pension fund's investment policy targets and actual asset allocation are provided on its web site.[253] The table below shows that the fund aims to have roughly 40%-60% of its assets invested in equities and 15%-25% in fixed income. As of June 30, 2010 it had roughly 55% invested in equities and 42% in fixed income.

Cook County Pension Fund Investment Policy and Actual Asset Allocation: June 30, 2010		
	Policy Target	**Actual**
Domestic Equity	30%-40%	43.7%
International Equity	10%-20%	11.0%
Fixed Income	15%-25%	42.0%
Alternatives	0%-15%	2.7%
Cash	0%-5%	0.6%

Source: www.cookcountypension.com accessed August 26, 2010

The following table shows the one, three, five and ten-year investment rates of return and benchmarks for the Cook County pension fund. The pension fund slightly underperformed its custom benchmark at the one, three and five-year marks but outperformed it slightly at the ten-year mark with a 2.9% return.[254] The assumed rate of return used to discount the present value of projected future benefit payments is 7.5%.

Cook County Pension Fund Investment Performance Trend: June 30, 2010				
	1 Year	**3 Years**	**5 Years**	**10 Years**
Cook County	12.4%	-4.0%	1.6%	2.9%
Custom Benchmark	13.5%	-2.9%	1.8%	2.6%
S&P 500 Index	14.4%	-9.8%	-0.8%	-0.7%
Barclays Capital Aggregate Bond Index	9.5%	7.5%	5.5%	6.3%

Source: www.cookcountypension.com accessed August 26, 2010

[253] www.cookcountypension.com. Public Act 96-006, enacted in April 2009, required pension funds (except downstate police and fire funds) to maintain an official web site and to post information including investment policies, contracts and performance.

[254] The Cook County pension fund custom benchmark is 30% Barclay's Capital Aggregate Bond Index, 25% S&P 500 Index, 12% MSCI ACWI ex-U.S. Index, 7% Russell Mid-Cap Growth Index, 7% Russell 2000 Value Index, 6% Russell 1000 Growth Index, 5% Barclay's Capital International Governments/Credits Index and 2% NCRIEF Index. See www.cookcountypension.com accessed August 26, 2010.

The IMRF investment policy targets are similar to those of the Cook County pension fund. The fixed income target is higher than Cook County's but the actual allocation as of June 30, 2010 was lower.

IMRF Investment Policy and Actual Asset Allocation: June 30, 2010		
	Policy Target	**Actual**
Domestic Equity	38.0%	38.3%
International Equity	20.0%	20.4%
Fixed Income	29.0%	33.0%
Real Estate	6.0%	2.1%
Alternatives	6.0%	4.3%
Cash	1.0%	1.9%

Source: w w w .imrf.org accessed August 31, 2010

IMRF outperformed the Cook County pension fund at the one-, three-, five- and ten-year intervals. The ten-year IMRF return was 3.5%, or 0.6 percentage points higher than the Cook County pension fund. IMRF outperformed its custom benchmark at each interval except the three-year period.[255]

IMRF Investment Performance Trend: June 30, 2010				
	1 Year	**3 Years**	**5 Years**	**10 Years**
IMRF	13.5%	-2.4%	3.9%	3.5%
Custom Benchmark	12.1%	-1.8%	3.5%	3.4%
Dow Jones U.S. Total Stock Market Index	16.2%	-9.2%	-0.2%	-0.7%
MSCI ACWI Ex-U.S. Index	10.4%	-10.7%	3.4%	1.9%
Barclays Capital Aggregate Bond Index	9.5%	7.5%	5.5%	6.3%

Note: IMRF return is gross of fees

Source: w w w .imrf.org accessed August 31, 2010

[255] The IMRF custom benchmark is a blend of the asset class benchmark returns weighted by the target allocation for each asset class. See www.imrf.org accessed August 31, 2010.

Revenues and Expenditures

There are three primary sources of revenue for the Cook County pension fund: investment income, employer contributions and employee contributions. Investment income is often the largest but also the most volatile income source. Employer contributions are funded by a property tax levy and employee contributions are made through payroll deductions, as described earlier in this report.

In the ten years between FY2000 and FY2009, total revenue for the Cook County pension fund was $5.4 billion. Investment income provided 38.0% of the total, or $2.0 billion. Employer contributions provided 35.7%, or $1.9 billion and employee contributions provided 25.1% or $1.4 billion. Total revenues grew by 163.5%, from $512.4 million in FY2000 to $1.4 billion in FY2009.

Cook County Pension Fund Revenues by Source: FY2000-FY2009

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Annual Total
FY2000	$ 119,587,172	$ 154,594,950	$ 234,167,773	$ 4,050,320	**$ 512,400,215**
FY2001	$ 125,848,928	$ 155,842,905	$ (55,979,901)	$ 5,458,874	**$ 231,170,806**
FY2002	$ 146,979,954	$ 174,590,244	$ (373,664,852)	$ 3,993,891	**$ (48,100,762)**
FY2003	$ 140,029,598	$ 181,216,061	$ 892,643,671	$ 4,533,876	**$ 1,218,423,206**
FY2004	$ 148,924,055	$ 198,117,042	$ 582,725,493	$ 4,630,425	**$ 934,397,015**
FY2005	$ 174,213,741	$ 214,849,442	$ 335,180,071	$ 6,977,513	**$ 731,220,767**
FY2006	$ 121,672,773	$ 221,186,219	$ 760,512,899	$ 9,256,991	**$ 1,112,628,882**
FY2007	$ 123,047,516	$ 258,141,230	$ 490,335,947	$ 10,002,552	**$ 881,527,245**
FY2008	$ 123,776,705	$ 183,916,221	$ (1,845,211,529)	$ 7,081,386	**$ (1,530,437,217)**
FY2009	$ 127,795,881	$ 183,713,870	$ 1,026,756,333	$ 11,741,894	**$ 1,350,007,978**
10-Year Change	**$ 8,208,709**	**$ 29,118,920**	**$ 792,588,560**	**$ 7,691,574**	**$ 837,607,763**
10-Year % Change	**6.9%**	**18.8%**	**338.5%**	**189.9%**	**163.5%**
10-Year Total	**$1,351,876,323**	**$1,926,168,184**	**$ 2,047,465,905**	**$67,727,723**	**$ 5,393,238,135**
10-Year % of Total	**25.1%**	**35.7%**	**38.0%**	**1.3%**	**100.0%**

Note: Fiscal year of pension fund is January 1 to December 31. Investment income is gross, not net of investment expenses.

Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

In the ten years between FY2000 and FY2009, the Cook County pension fund made $3.7 billion in total expenditures. Nearly $3.0 billion or 79.8% of expenditures were for pension benefit payments including disability and survivor benefits. Roughly $287.7 million was spent on refunds to members who withdrew from the pension fund. Health insurance subsidies for retirees constituted 8.3% or $311.5 million of expenditures over ten years. Investment costs were 2.8%, or $104.7 million of total expenditures and administrative expenses were $50.4 million or 1.4% of the total.

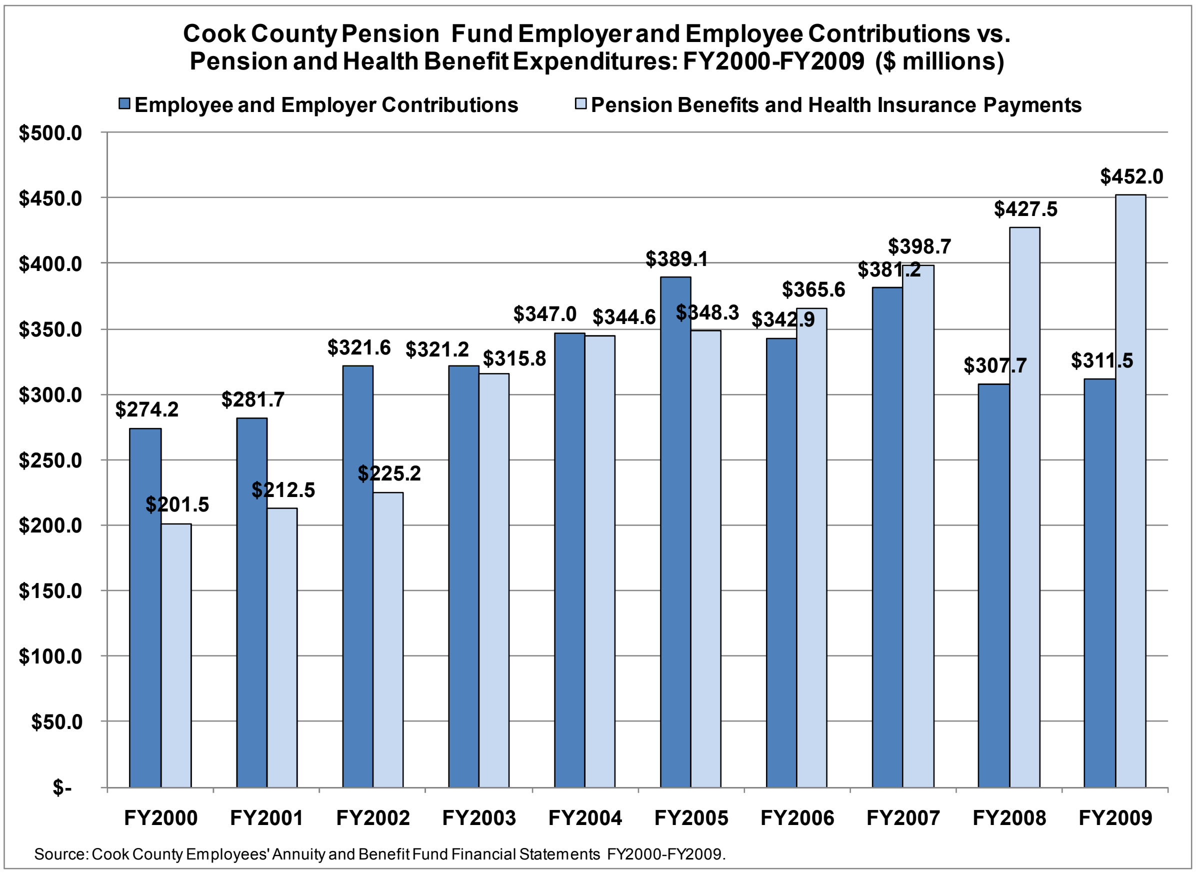
Total expenditures grew by 107.4% from $236.2 million in FY2000 to $489.8 million in FY2009. Pension benefit payments grew by 125.4% or $228.4 million over ten years. Health insurance payments grew by 114.9% or $22.2 million.

Cook County Pension Fund Expenditures by Type: FY2000-FY2009						
Fiscal Year	Pension Benefits	Health Insurance	Refund Payment	Investment Cost	Administrative Expense	Annual Total
FY2000	$ 182,188,411	$ 19,278,274	$ 23,247,323	$ 7,347,168	$ 4,095,047	$ 236,156,223
FY2001	$ 191,359,775	$ 21,150,226	$ 22,274,689	$ 8,245,316	$ 4,966,954	$ 247,996,960
FY2002	$ 201,323,206	$ 23,919,030	$ 20,254,536	$ 8,478,686	$ 6,372,997	$ 260,348,454
FY2003	$ 283,437,881	$ 32,378,575	$ 44,209,953	$ 9,147,583	$ 7,230,324	$ 376,404,316
FY2004	$ 307,974,685	$ 36,663,724	$ 18,049,094	$ 10,126,948	$ 6,513,917	$ 379,328,368
FY2005	$ 320,009,904	$ 28,308,863	$ 23,041,743	$ 10,448,132	$ 4,398,437	$ 386,207,079
FY2006	$ 334,985,068	$ 30,642,245	$ 24,922,209	$ 11,267,898	$ 3,979,155	$ 405,796,575
FY2007	$ 361,408,787	$ 37,280,444	$ 66,623,357	$ 12,841,681	$ 4,450,330	$ 482,604,599
FY2008	$ 386,973,122	$ 40,480,343	$ 24,724,102	$ 13,642,317	$ 4,172,536	$ 469,992,420
FY2009	$ 410,574,633	$ 41,433,222	$ 20,404,911	$ 13,141,083	$ 4,248,287	$ 489,802,136
10-Year Change	**$ 228,386,222**	**$ 22,154,948**	**$ (2,842,412)**	**$ 5,793,915**	**$ 153,240**	**$ 253,645,913**
10-Year % Change	**125.4%**	**114.9%**	**-12.2%**	**78.9%**	**3.7%**	**107.4%**
10-Year Total	**$ 2,980,235,472**	**$ 311,534,946**	**$ 287,751,917**	**$ 104,686,812**	**$ 50,427,984**	**$ 3,734,637,130**
10-Year % of Total	**79.8%**	**8.3%**	**7.7%**	**2.8%**	**1.4%**	**100.0%**

Note: Fiscal year of pension fund is January 1 to December 31.

Source: County Employees' Annuity and Benefit Fund of Cook County, Financial Statements FY2000-FY2009.

From FY2000 to FY2005 annual employer and employee contributions exceeded expenditures for pension benefits and health insurance. Beginning in FY2006, however, employer and employee contributions have fallen below benefit expenditures and the gap has widened. In FY2009, pension benefits and health insurance expenditures totaled $452.0 million while employee and employer contributions totaled only $311.5 million. By design, a defined benefit pension plan uses investment returns to help pay for benefits; if annual employer and employee contributions always exceeded benefit payments it could exist simply as a pay-as-you-go plan without investing assets. However, if the gap between annual contributions and annual benefit payments continues to widen it will put significant pressure on investment returns and the fund may have to sell more assets to make benefit payments, or revise its investment strategy to increase liquidity.



DEBT TRENDS

The following section provides analysis of Cook County's long and short-term debt. The liabilities examined include historic and recent data regarding bonded indebtedness for capital purposes and bonds sold to fund pensions. Also included are amounts due annually as short-term costs are passed from one year to the next.

Short-Term Liabilities

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

- Accounts payable: monies owed to vendors for goods and services carried over into the new fiscal year;
- Notes payable: short-term loans due within the next fiscal year;
- Accrued salaries: employee pay carried over from the previous year;
- Deferred property tax: property taxes not collected or held for short-term loan repayment or appeals from the previous year;
- Other deferred revenue: revenues collected by the government but not available for spending due to encumbrances from the previous fiscal year;
- Other liabilities: include self insurance funds, unclaimed property and other unspecified liabilities; and
- Accrued interest: includes interest due on deposits payable by the County in the next fiscal year.

The following short-term liabilities analysis includes trends from FY2002 through FY2009 due to the lack of availability of the records of these annually accrued liabilities in years prior.[256]

In FY2009, short-term liabilities totaled \$348.0 million, a decrease of 18.3%, or \$78.1 million, from the prior fiscal year. Since 2005, short-term liabilities have increased by \$61.2 million or 21.3%. The two largest increases in the County's short-term liabilities over the past eight years were in the accounts payable and notes payable categories. The County borrowed \$147.8 million in short-term notes in FY2008 against future anticipated sales tax revenues, of which \$9.6 million was repaid before the end of the fiscal year.[257] However, the County had to pay the remaining \$118.3 million in short-term notes from FY2009 revenues. The County did not issue additional short-term notes payable in FY2009, which accounts for a large portion of the year-to-year decline in short-term liabilities.

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[256] As part of the County's implementation of GASB Statements 34 and 35, the Cook County FY2002 CAFR included for the first time an accounting of the difference between the government's assets and liabilities in the Statement of Net Assets, which included total accrued short-term liabilities. Cook County FY2002 CAFR pp. 7, 17.
[257] Cook County CAFR 2008, p. 82.

The following chart shows short-term liabilities by category for FY2009 and the two-year, five-year and eight-year change for each.

Cook County Short-Term Liabilities: 2-Year, 5-Year and 8-year Comparisons (in $ thousands)						
Type	**FY2002**	**FY2005**	**FY2008**	**FY2009**	**5-Year Change**	**5-Year % Change**
Accounts Payable	$ 96,497	$ 126,832	$ 159,078	$ 149,816	$ 22,984	18.1%
Notes Payable	$ -	$ -	$ 118,268	$ -	NA	NA
Accrued Salaries Payable	$ 42,198	$ 47,236	$ 25,125	$ 27,078	$ (20,158)	-42.7%
Deferred Property Tax	$ 37,321	$ 46,182	$ 65,711	$ 64,533	$ 18,351	39.7%
Other Deferred Revenue	$ 17,913	$ 24,781	$ 9,872	$ 21,262	$ (3,519)	-14.2%
Other Liabilities	$ 4,390	$ 33,762	$ 39,290	$ 76,961	$ 43,199	128.0%
Accrued Interest	$ 5,829	$ 8,026	$ 8,756	$ 8,357	$ 330	4.1%
Total	**$ 204,149**	**$ 286,820**	**$ 426,099**	**$ 348,007**	**$ 61,187**	**21.3%**

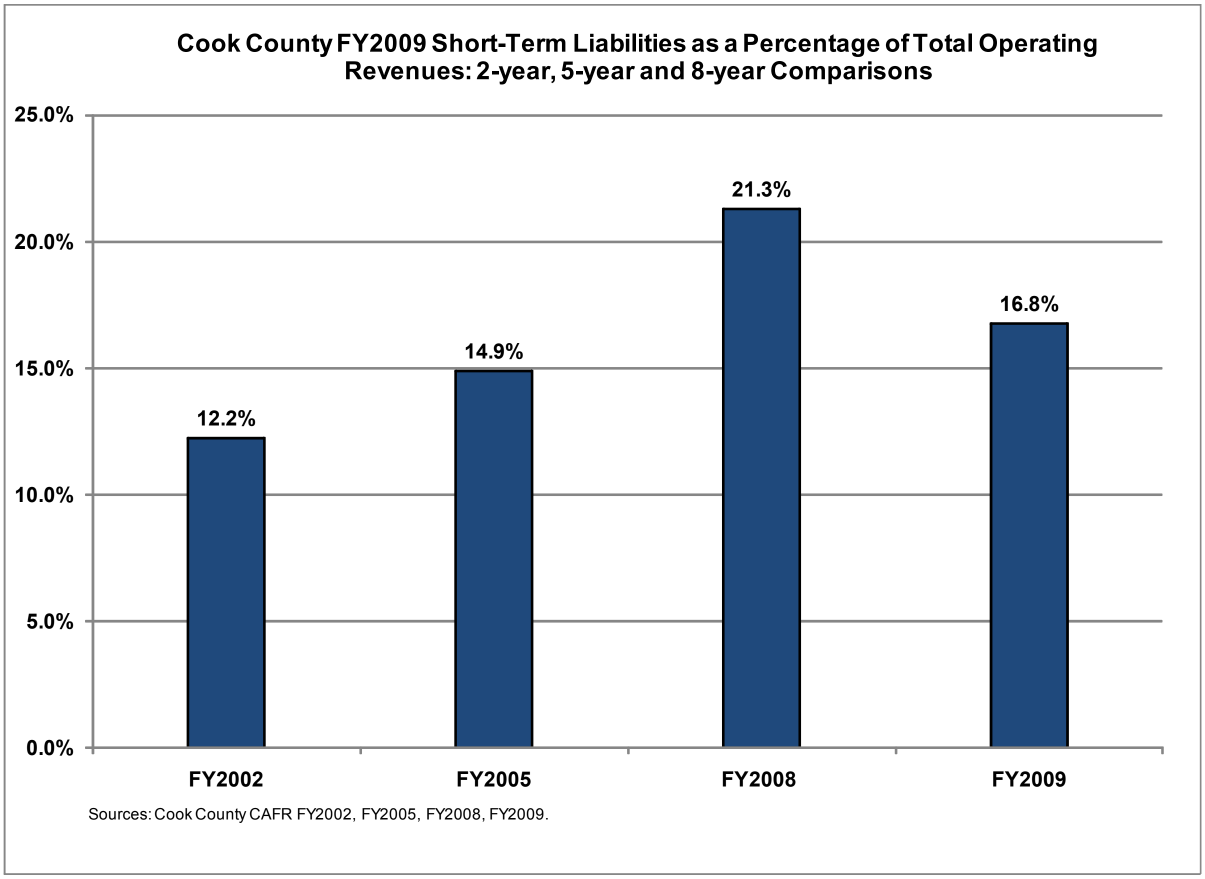
Source: Cook County CAFR, FY2002, FY2005, FY2008, FY2009.

Increasing current liabilities at the end of the year as a percentage of net operating revenues may be a warning sign of a government's future financial difficulties.[258] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

Short-term liabilities as a percentage of net operating revenues dropped from 21.3% to 16.8% from FY2008 to FY2009. Although the ratio of short-term liabilities to operating revenues in FY2009 shows a significant decline, due in large part to the use of short-term notes in FY2008, the growing trend over the past eight years may be an indicator of increased financial stress and should be monitored in future years. This ratio increased 4.6 percentage points in past eight years.

[258] 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), p. 77 and p. 169.

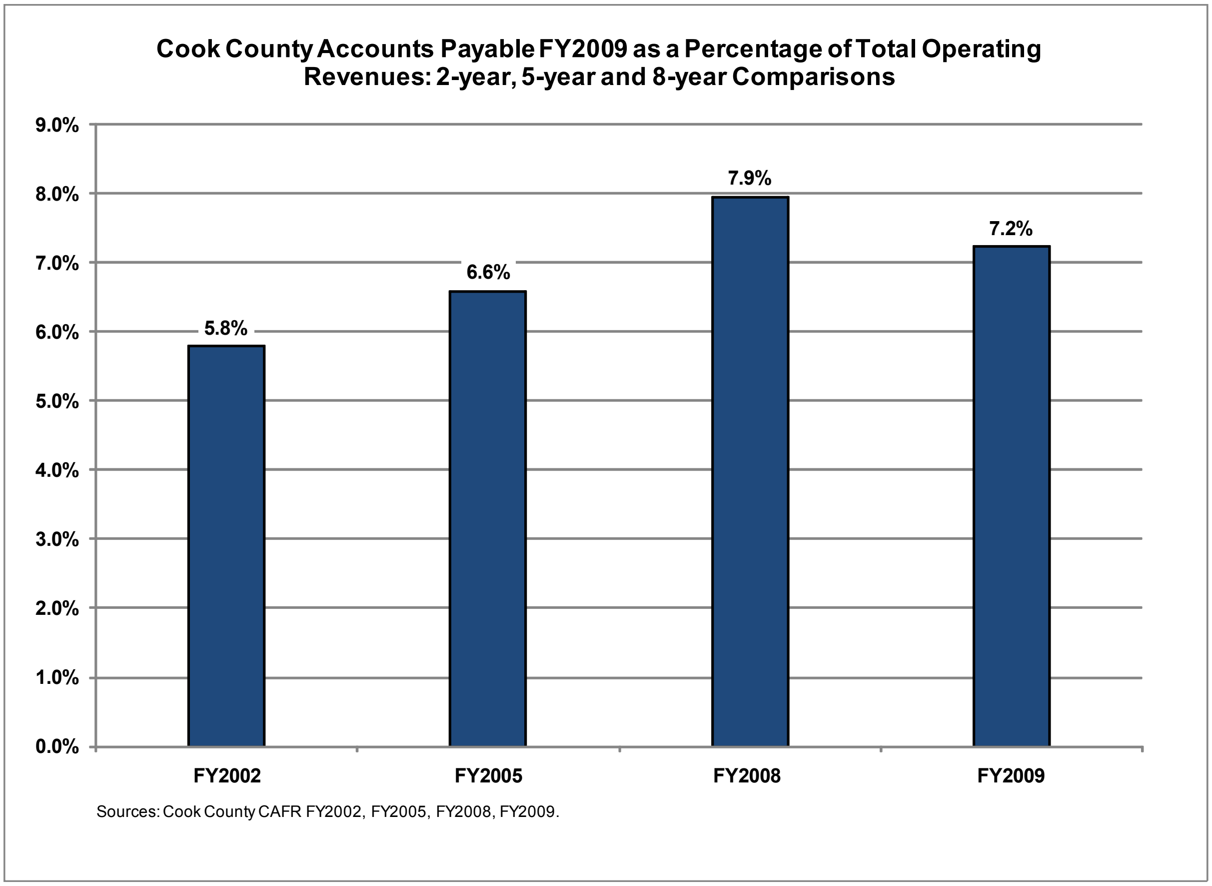
The following chart shows the County's short-term liabilities compared to revenues in FY2009 compared to amounts reported in FY2008, FY2005 and FY2002.



Accounts Payable

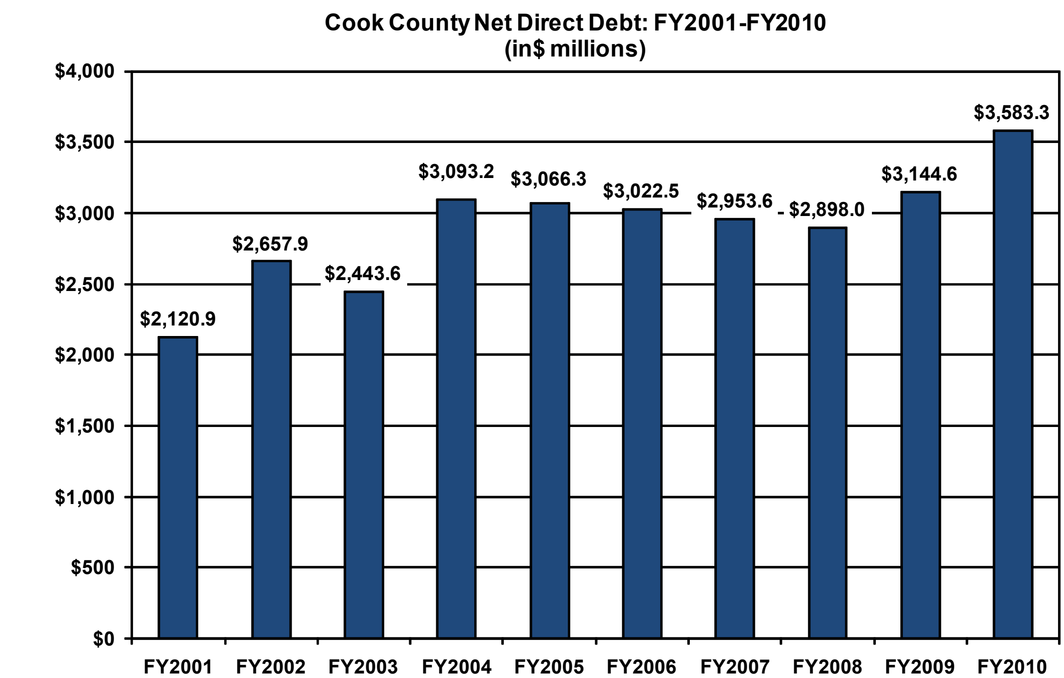
Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling spending by keeping expenses within available revenues. Cook County's ratio of accounts payable to operating revenues has gradually increased between FY2002 and FY2009, from 5.8% to 7.2%. The increase observed over the prior eight years has not been dramatic. Accounts payable compared to revenues decreased slightly from 7.9% to 7.2% from FY2008 to FY2009. However, the percentage should be watched for continuing increases in future years as a signal that the County is having difficulties managing spending pressures.

The following graph shows the two-year, five-year and eight-year trends in the County's accounts payable at the end of each year compared to net operating revenues as of FY2009.



Long-Term Debt

Direct debt is tax-supported debt such as General Obligation debt. For Cook County, net direct debt includes General Obligation bonds less the amount of refunded prior bonds and annual principal payments.[259] Long-term debt issued directly by Cook County currently totals $3.6 billion in FY2010 according to recent official statements accompanying bonds issued by the County.[260] The following graph shows long-term debt totals for years between FY2001 and FY2010.



Sources: Cook County CAFR FY2001-FY2008; Cook County Official Statement $427 million General Obligation Bonds , July 7, 2009, p. 29; Cook County Official Statement $357 million Pension Obligation Bonds, June 23, 2010, p. 28.

Total long-term debt has increased by $1.5 billion, or 68.9%, over the past decade as new bonds were issued primarily to fund capital projects and in FY2010 to contribute to the County's employee retirement system.

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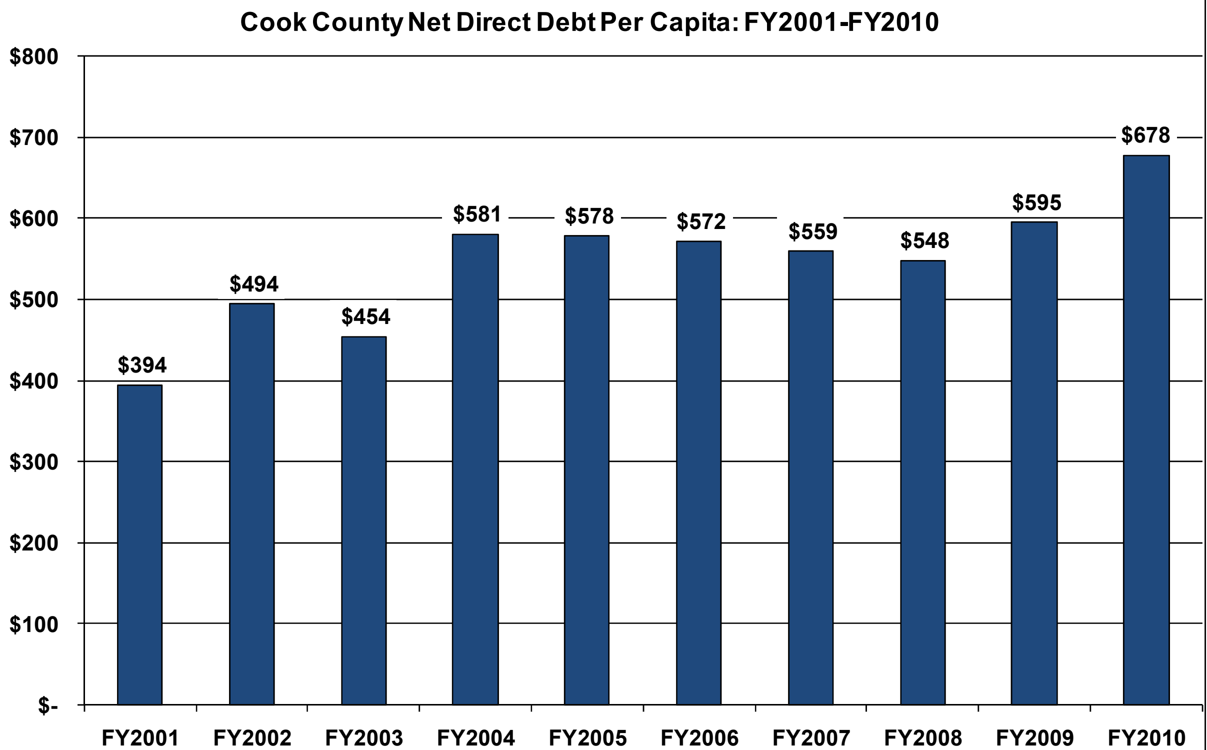
259 For definition, see FY2008 Cook County Comprehensive Annual Financial Report, p. 186.

260 Cook County, $357 million Pension Obligation Bonds, *Official Statement*, June 23, 2010, p. 28.

Net Direct Debt Per Capita

Net direct debt per capita is a measure of a government's ability to maintain its current financial policies and increases over time bear watching as a potential sign of increasing financial risk. Over the last five years, the County's long-term debt per capita has increased by 18.6%, or $106 and over the past 10 years the total has risen 71.8% or $283 per capita. The following chart shows the net direct debt per capita from FY2001 to FY2010.

According to direct debt totals reported in recent bond documents Cook County has an estimated population of 5,287,037.[261] Based on this estimate Cook County's net direct debt per capita has increased from $595 to $678 from FY2009 to FY2010, a 14.0% year-to-year increase.

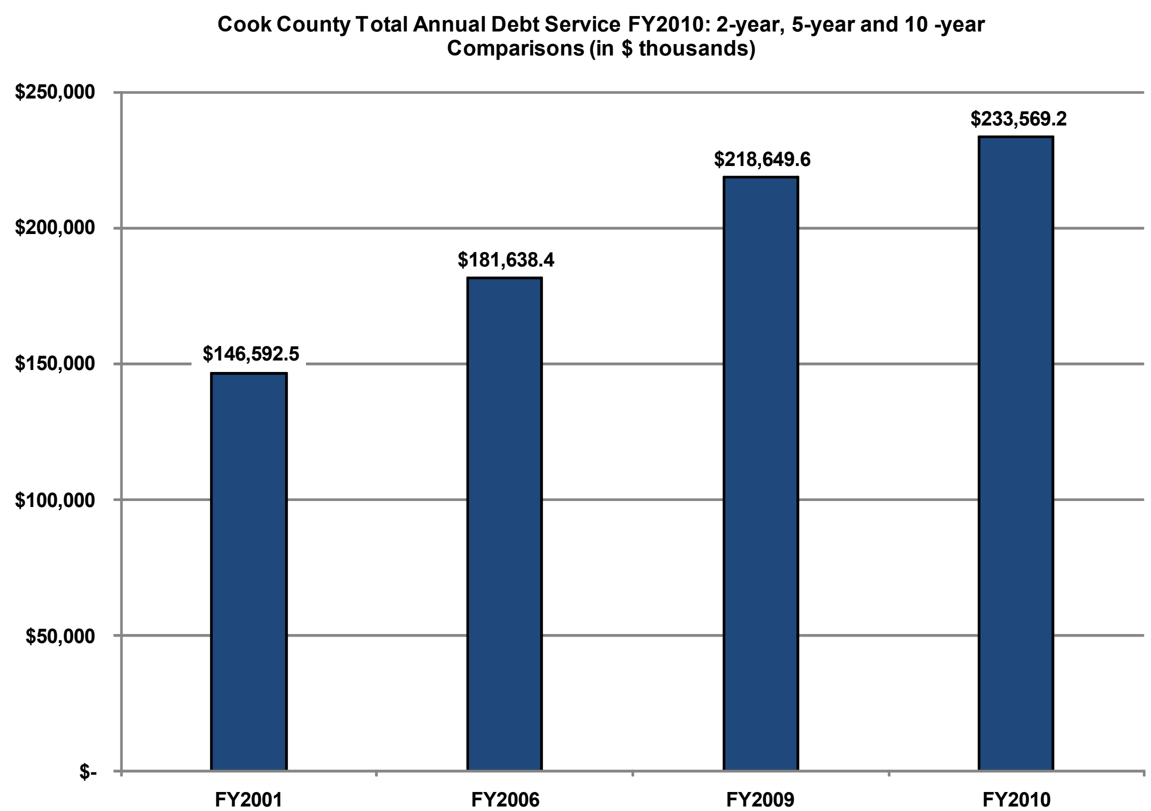


Sources: Cook County CAFR FY2001-FY2008; Cook County Official Statement $427 million General Obligation Bonds, July 7, 2009, p. 29; Cook County Official Statement $357 million Pension Obligation Bonds, June 23, 2010, p. 28.

[261] Cook County, $427 million General Obligation Bonds, *Official Statement*, July 7, 2009, p. 29.

Debt Service

As the County's overall debt level has increased so has the amount that is due each year to repay these loans. Although debt service only increased $14.9 million from FY2009 to FY2010, or 6.8%, it has increased $51.9 million since FY2006 and over the last 10 years increased $87.9 million or 59.3% since FY2001. The following graph shows a two-year, five-year and 10-year comparison of the total debt service owed by the County annually.

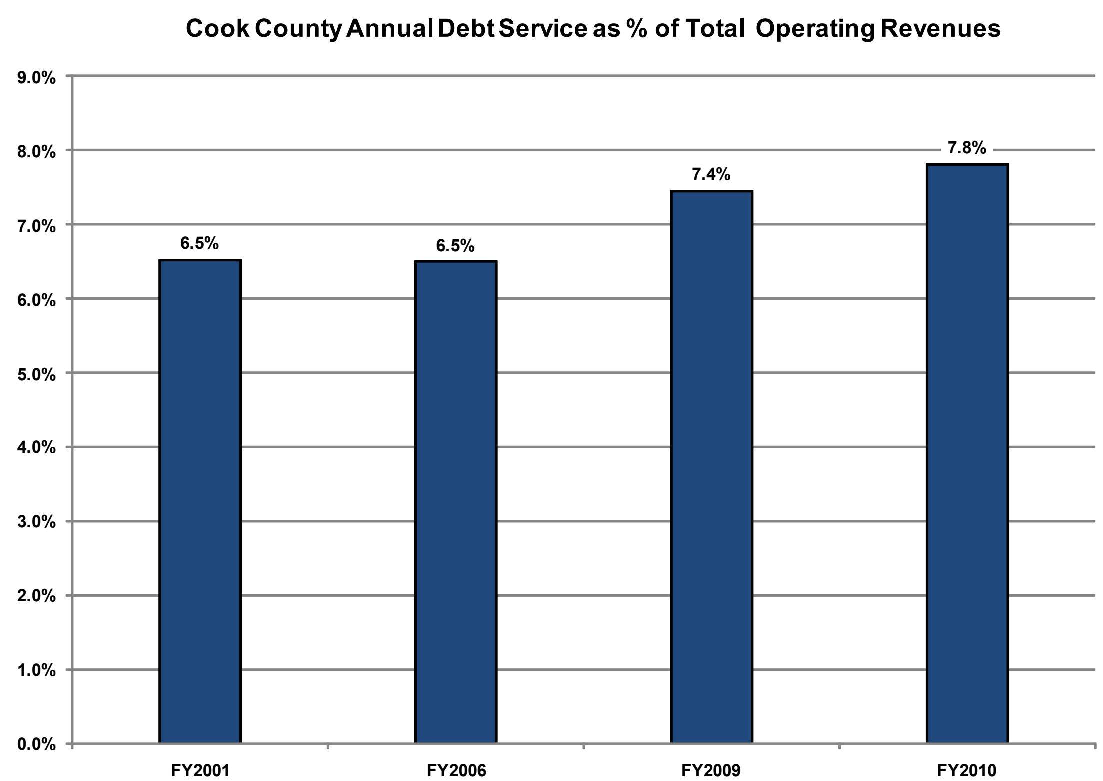


Sources: Cook County CAFR FY2001, FY2006; Cook County Official Statement $357 million Pension Obligation Bonds, June 23, 2010, p. 28.

As debt service levels increase, the County is pressured to either cut services and divert other revenues previously used to fund operations or raise new revenues to make its required payments. If neither action is taken, increasing debt service levels can lead to deficit spending over time.

The following graph shows the total debt service owed annually by the County compared to the total net operating revenues available in FY2010 and the two-year, five-year and 10-year change in this ratio.

As annual debt service due continues to rise, the County experiences increased financial pressure and possible difficulty paying for it other operating expenses. Since FY2001, the debt service has expanded to consume an additional 1.3% of net revenues available for County operations, totaling 7.8%.



Sources: Cook County FY2001-FY2010 Executive Budget Recommendation, Capital Improvement Program and Revenue Estimates.

Overlapping Debt

The next exhibit shows the combined total debt of Cook County with the net overlapping debt reported by seven other major governments within Cook County boundaries, coterminous with the County or located partially within its boundaries. These governments include the City of Chicago, Chicago Public Schools, the Forest Preserve District of Cook County, the Metropolitan Water Reclamation District, the Chicago Park District, the City Colleges of Chicago and the School Finance Authority. Rating agencies and other financial analysts commonly monitor overlapping debt trends as an affordability indicator when governments consider debt issuance.

Overlapping net direct debt has increased 53.5% or $6.4 billion since FY2001. The largest contributor to this total is the additional $3.1 billion in net debt issued by the City of Chicago over that period which accounts for 47.8% of the total increase. Year-to-year the County's overlapping debt increased $1.8 billion total, or 10.1%, from FY2009 to FY2010.

Cook County Total Net Direct Debt & Overlapping Debt (in $ thousands)						
Issuer	**FY2001**	**FY2006**	**FY2009**	**FY2010**	**10-year $ change**	**10-year % change**
City of Chicago	$ 3,722,403	$ 5,814,866	$ 6,558,654	$ 6,803,161	$ 3,080,758	82.8%
Chicago Public Schools	$ 3,524,277	$ 4,680,790	$ 4,607,882	$ 5,268,825	$ 1,744,548	49.5%
Chicago School Finance Authority	$ 521,580	$ 187,985	$ -	$ -	$ (521,580)	-100.0%
Chicago Park District	$ 794,585	$ 971,395	$ 814,290	$ 761,160	$ (33,425)	-4.2%
Chicago City Colleges	$ 136,245	$ 56,105	$ -	$ -	$ (136,245)	-100.0%
Metropolitan Water Reclamation District	$ 1,118,423	$ 1,628,886	$ 1,379,237	$ 1,964,289	$ 845,866	75.6%
Forest Preserve	$ 41,445	$ 109,960	$ 115,005	$ 108,665	$ 67,220	162.2%
Total Overlapping Debt	**$ 10,103,000**	**$ 13,449,987**	**$ 13,475,068**	**$ 14,906,100**	**$ 4,803,100**	**47.5%**
Cook County Net Direct Debt	**$ 1,941,600**	**$ 3,022,500**	**$ 3,144,605**	**$ 3,583,275**	**$ 1,641,675**	**84.6%**
Total Net Direct & Overlapping Debt	**$ 12,044,600**	**$ 16,472,487**	**$ 16,619,673**	**$ 18,489,375**	**$ 6,444,775**	**53.5%**

Sources: Cook County FY2001 CAFR, p. 131; Cook County FY2007 CAFR, p. 186; Official Statement Cook County $427 million GO Bonds, June 7, 2009, p. 29; Official Statement Cook County $357 million Pension Bonds, June 23, 2010, p. 28.

Note: Details of the other government overlapping debt were not reported (NR) for FY2001

Cook County Bond Ratings

Cook County reports the following debt ratings from the three major agencies:[262]

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

Debt Comparisons

Available data from FY2009 shows that Cook County has neither the highest nor lowest net direct debt levels per capita or overlapping net direct debt per capita compared to similar

[262] Cook County, $357 million Pension Obligation Bonds, *Official Statement*, June 23, 2010, p. 44.

counties. The following chart shows total direct debt and total overlapping for Cook County and seven other counties nationwide.

Cook County Debt and Debt per Capita Comparisons FY2009					
County	**Total Direct Debt**	**Total Direct & Overlapping Debt**	**Population**	**Direct Debt Per Capita**	**Total Direct & Overlapping Debt Per Capita**
Harris, PA	$ 2,559,589,000	$ 23,563,592,000	3,984,349	**$ 642.41**	**$ 5,914.04**
Dallas, TX	$ 136,274,000	$ 12,799,426,000	2,471,000	**$ 55.15**	**$ 5,179.86**
Milwaukee, WI	$ 866,547,000	$ 3,285,513,000	938,490	**$ 923.34**	**$ 3,500.85**
Cook, IL	$ 3,144,605,000	$ 16,619,673,000	5,376,741	**$ 584.85**	**$ 3,091.03**
Los Angeles, CA	$ 2,667,613,000	$ 26,863,229,945	10,393,000	**$ 256.67**	**$ 2,584.74**
Hennepin, MN	$ 657,521,805	$ 2,788,446,242	1,140,988	**$ 576.27**	**$ 2,443.89**
Cuyahoga, OH	$ 161,267,576	$ 2,163,464,806	1,295,958	**$ 124.44**	**$ 1,669.39**
Maricopa, AZ*	$ 374,087,998	NA	4,115,811	**$ 90.89**	**NA**

Sources: Los Angeles County CAFR FY2009, pp. 168, 170, 171, 174; FY2009: Cook County Official Statement $427 million General Obligation Bonds, July 7, 2009, p. 29; Maricopa County CAFR FY2009 p. 55.; Harris County CAFR FY2009, Tables 14, 15, 17; Dallas County CAFR FY2009, pp. 136-138; Cuyahoga County Official Statement $70 million General Obligation Bonds, pp. 20, DT-1, DT-2; Hennepin County CAFR FY2009, pp. 160-161; Milwaukee County CAFR FY2009, pp. 190-194.

*Maricopa County does not provide Overlapping Debt information in its FY2009 CAFR.

Although Cook County reported the most direct debt outstanding in FY2009 of the counties chosen for comparison in this report, it has only the third highest level of net direct debt per capita. Two other counties, Los Angeles, CA – $26.8 billion and Harris County, PA – $23.6 billion, both have much higher levels of overlapping debt. Cook County also has the fourth highest overlapping debt per capita of the governments listed above.

CAPITAL PROGRAM

As part of its annual budget Cook County appropriates funds to pay for the acquisition, construction and maintenance its capital assets. These assets include long-term capital assets such as buildings and infrastructure, as well as assets with shorter usable lives such as office furniture and vehicles.

In FY2009, the County estimated the value of all its capital assets at $4.7 billion.[263] County owned building and infrastructure make up the largest two asset categories owned by the County, totaling $1.5 billion and $1.4 billion respectively. A total of $2.9 billion in assets were attributed to the County's regular government activities while $1.2 billion were considered assets of the Health System. The total estimated value of the County's assets has increased by $621.1 million since FY2005, or 15.3%. The largest portion of this increase is attributed to infrastructure, which increased by $230.3 million over the past five years.

The following chart shows the estimated value of all County assets by type between FY2002 and FY2009. [264]

Cook County Total Capital Assets Value: FY2002-FY2009 (in $ millions)

Asset Type	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	5-year $ change	5-year % change
Government Activities										
Land	$ 282.1	$ 287.7	$ 295.6	$ 293.3	$ 293.7	$ 306.9	$ 309.4	$ 310.8	**$ 17.5**	**6.0%**
Construction in Progress	$ 117.2	$ 119.8	$ 142.2	$ 127.0	$ 190.7	$ 251.5	$ 234.9	$ 223.3	**$ 96.4**	**75.9%**
Buildings and Other Improvements	$ 1,153.8	$ 1,136.0	$ 1,179.5	$ 1,290.2	$ 1,320.8	$ 1,373.6	$ 1,444.6	$ 1,489.2	**$ 199.0**	**15.4%**
Machinery and Equipment	$ 238.1	$ 244.3	$ 274.8	$ 281.2	$ 292.7	$ 292.1	$ 297.9	$ 357.6	**$ 76.4**	**27.2%**
Infrastructure	$ 1,073.4	$ 1,112.7	$ 1,172.9	$ 1,216.3	$ 1,251.0	$ 1,340.8	$ 1,403.2	$ 1,446.6	**$ 230.3**	**18.9%**
Government Activities Total	**$ 2,864.5**	**$ 2,900.4**	**$ 3,065.0**	**$ 3,207.9**	**$ 3,348.8**	**$ 3,564.9**	**$ 3,690.1**	**$ 3,827.5**	**$ 619.6**	**19.3%**
Health System										
Construction in Progress	$ 538.8	$ 2.6	$ 5.8	$ 7.0	$ 5.6	$ -	$ -	$ -	**$ (7.0)**	**-100.0%**
Buildings and Other Improvements	$ 407.9	$ 871.1	$ 626.1	$ 629.0	$ 639.1	$ 628.8	$ 640.3	$ 652.1	**$ 23.0**	**3.7%**
Machinery and Equipment	$ 210.7	$ 325.6	$ 207.4	$ 214.8	$ 224.4	$ 182.3	$ 190.8	$ 200.3	**$ (14.6)**	**-6.8%**
Health System Total	**$ 1,157.5**	**$ 1,199.3**	**$ 839.3**	**$ 850.9**	**$ 869.2**	**$ 811.2**	**$ 831.1**	**$ 852.3**	**$ 1.5**	**0.2%**
Total Asset Value	**$ 4,022.0**	**$ 4,099.7**	**$ 3,904.3**	**$ 4,058.7**	**$ 4,218.1**	**$ 4,376.1**	**$ 4,521.2**	**$ 4,679.9**	**$ 621.1**	**15.3%**

Source: Cook County CAFR FY2009, p. 226.

The County funds capital investments primarily through the issuance of long-term General Obligation Bonds. For more details on the County's bonded indebtedness, see the Debt Trends, long-term liabilities section of this report. Motor Fuel Tax collections are also used for pay-as-you-go funding of highway improvements and operating revenues are used to pay for equipment leases.

In FY2010, bond-funded capital appropriations accounted for 82.7% of the total capital budget, or $429.4 million. The total appropriated for capital dropped slightly from $546.9 million to $519.0 million from FY2009 to FY2010. However, total capital appropriations have increased

[263] Cook County CAFR 2009, p. 226.
[264] Asset valuation data is only available for years after FY2002 in response to GASB Statement 34 implementation and is included in the annual Cook County CAFR publication.

dramatically over the past five years, from $171.1 million in FY2006, a 203.2% increase. Since FY2001, the total annual appropriation for capital has increased 79.2% or $224.9 million. The following table shows the total annual appropriation for capital investments by purpose and type of fund between FY2001 and FY2010.

Cook County Capital Appropriations by Type Budget: FY2001-FY2010 (in $ millions)							
Year	Capital Equipment	Long-Term Equipment	Capital Projects	Total Bond Funded	Highway Projects (MFT)	Capital Leases	Total Capital
FY2001	$ 26.1	$ 21.1	$ 154.8	**$ 202.0**	$ 81.6	$ 6.0	**$ 289.6**
FY2002	$ 20.0	$ 33.0	$ 209.9	**$ 262.9**	$ 94.1	$ 6.5	**$ 363.4**
FY2003	$ 17.6	$ 10.7	$ 136.9	**$ 165.2**	$ 95.5	$ 6.0	**$ 266.7**
FY2004	$ 6.5	$ 17.0	$ 108.1	**$ 131.6**	$ 80.4	$ 7.2	**$ 219.2**
FY2005	$ -	$ 7.4	$ -	**$ 7.4**	$ 118.2	$ 5.1	**$ 130.6**
FY2006	$ 66.9	$ 5.7	$ 25.1	**$ 97.8**	$ 68.2	$ 5.2	**$ 171.1**
FY2007	$ 14.0	$ 3.0	$ 98.9	**$ 115.9**	$ 50.2	$ 7.3	**$ 173.5**
FY2008	$ 87.4	$ 16.5	$ 110.8	**$ 214.6**	$ 66.5	$ 5.1	**$ 286.2**
FY2009	$ 98.0	$ 46.6	$ 295.1	**$ 439.8**	$ 99.6	$ 7.5	**$ 546.9**
FY2010	$ 114.2	$ 6.0	$ 309.2	**$ 429.4**	$ 48.2	$ 41.3	**$ 519.0**

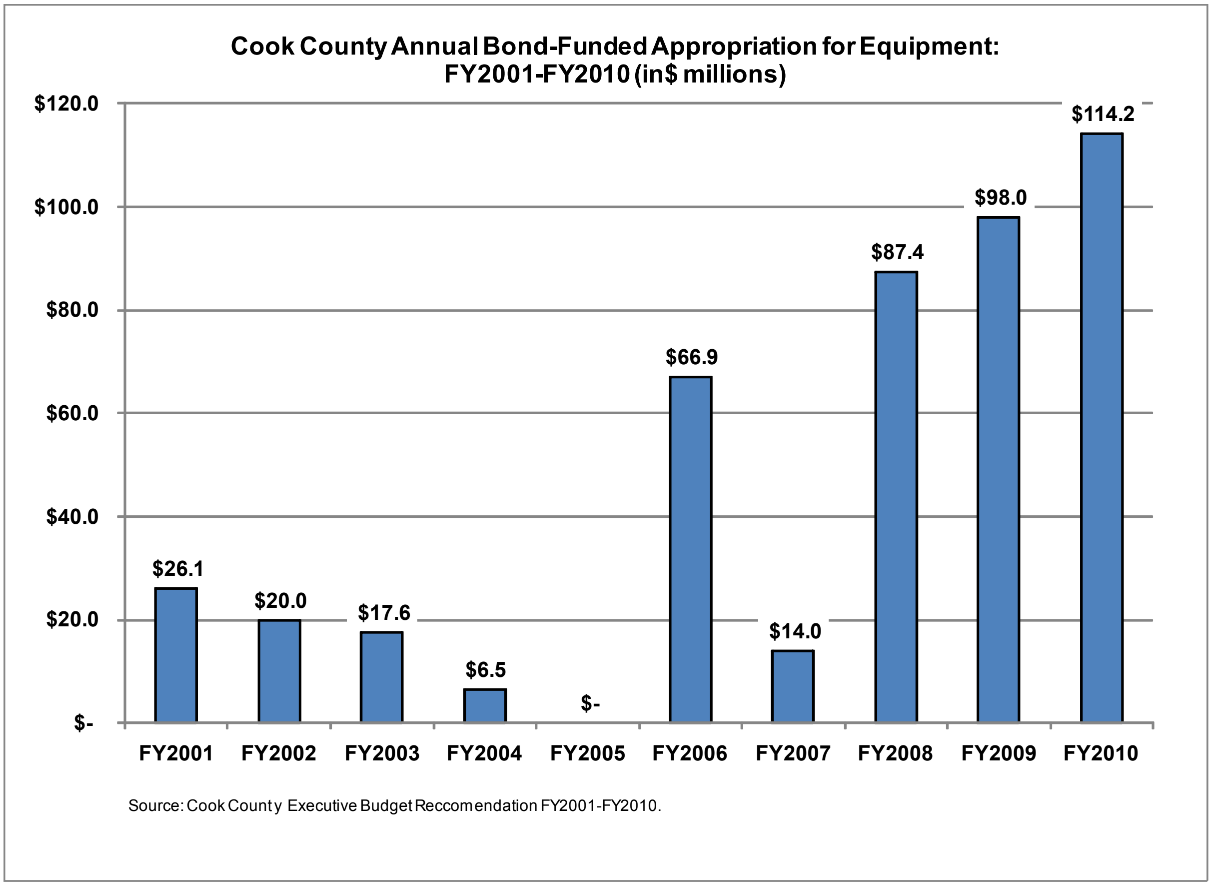
Sources: Cook County Executive Budget Recommendations FY2001-FY2010.

Capital Equipment

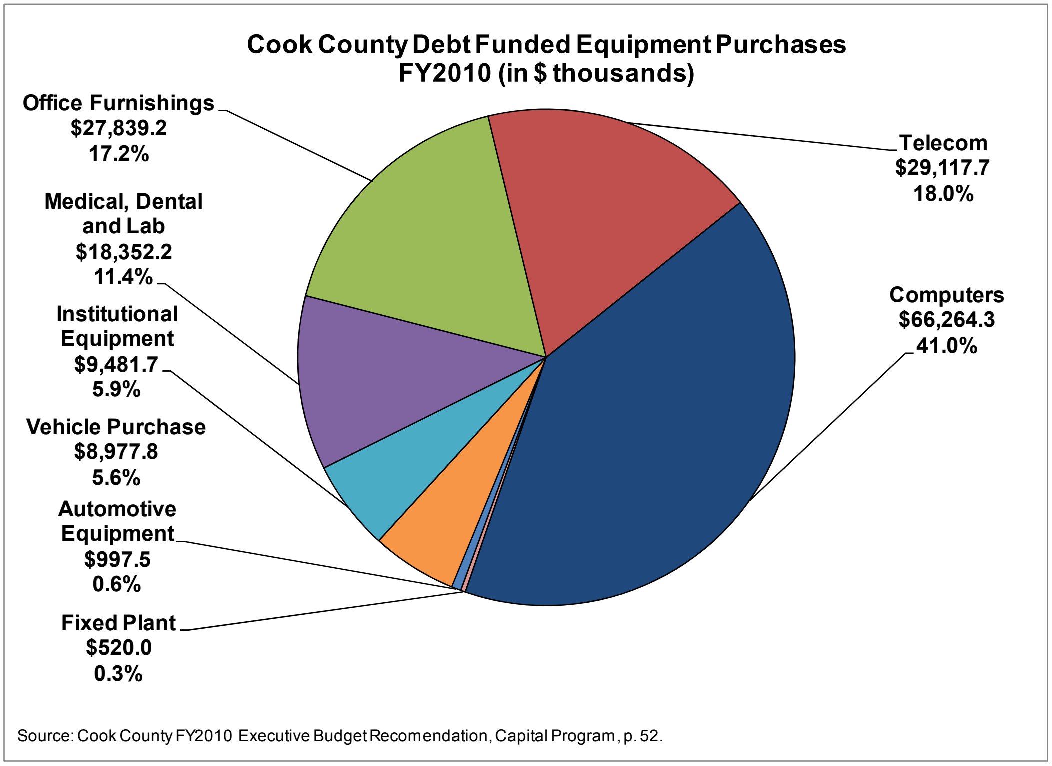
Since FY2001, Cook County has spent increasing amounts of long-term debt to purchase capital equipment. This category includes assets with much shorter useful lives than the term of the bonds used to purchase the assets. Capital equipment includes such items as office furniture, vehicles and computers. By using long-term debt to purchase these items the County increases the overall cost of the asset through interest on the loans and may end up paying for assets long after they have been retired from service.

The County's total appropriations of capital bond funds to purchase frequently replaced capital equipment decreased from a total of $26.1 million in FY2001 until FY2005, when no bond funds were used to purchase capital equipment. However, in the past five years a significant amount of debt has been issued by the County to purchase capital equipment. By FY2010, appropriated bond funds for capital equipment totaled $114.2 million, a 336.9% increase.

The following graph shows the total amount of bond-funded appropriations for capital equipment purchases, excluding major long-term capital equipment and equipment leases.



The FY2010 capital program allocated $161.5 million for equipment including short-term assets such as $9.0 million for new vehicles and $27.9 million for office furnishings and equipment.[265] The following chart shows the total equipment purchases included in the FY2010 capital budget by type, including long-term major capital equipment and leases.



[265] Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 52.

Capital Budget FY2010-FY2014

Cook County' proposed budget for FY2010 includes a capital budget totaling $519.0 million in new contract authority and an estimated five-year cost of $916.9 million.[266] The following chart shows the new capital contract authority proposed compared to the amount to be spent on capital investments in FY2010 and the total five-year cost of these projects.

Cook County Capital Program FY2010-FY2014 (in $ thousands)			
Purpose	**New Contract**	**FY2010 Expense**	**Total 5-year Cost**
County Building Repairs	$ 1,900.0	$ 1,200.0	$ 1,900.0
Jail South Campus Repairs	$ 635.0	$ 635.0	$ 635.0
County Physical Plant Upgrades	$ 204,320.1	$ 61,504.8	$ 317,261.0
Provident Medical Center Repairs	$ 380.0	$ 380.0	$ 380.0
County Hospital Replacement (planning only)	$ 4,400.0	$ -	$ 4,400.0
69 W. Washington Improvements	$ 2,642.7	$ 2,307.7	$ 2,642.7
County Hospital Repairs	$ 62,723.0	$ 14,790.5	$ 232,973.0
Juvenile Temp. Detention Center Upgrades	$ 6,427.3	$ 2,580.0	$ 8,274.5
Oak Forest Hospital Repairs	$ 1,858.0	$ 1,858.0	$ 1,858.0
Daley Center Structural Repair and General Building Upgrades	$ 23,900.3	$ 17,318.8	$ 23,900.3
Road & Bridge Projects	$ 48,235.0	$ 48,235.0	$ 161,099.0
New Equipment & Replacement	$ 114,193.5	$ 114,193.5	$ 114,193.5
Major Equipment Leases	$ 41,345.0	$ 41,345.0	$ 41,345.0
Long-Term Equipment Leases	$ 6,011.8	$ 6,011.8	$ 6,011.8
Total	**$ 518,971.7**	**$ 312,360.1**	**$ 916,873.9**

Source: Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 9.

Nearly all of the proposed FY2010 capital spending was to be funded through proceeds from prior debt issuance and new capital bonds except for Motor Fuel Tax receipts totaling $48.2 million or 9.3% of the total appropriations for FY2010.[267]

266 Cook County FY2010 Executive Budget Recommendation, Capital Program, p. 10.
267 Cook County FY2010 Executive Budget Recommendations, Capital Program, p. 3.

ROADMAP RECOMMENDATIONS FOR MODERNIZING COOK COUNTY GOVERNMENT

This section presents a roadmap for modernizing Cook County based on an analysis of the County's problems, the Civic Federation's principles for County government and a detailed trend analysis of the County's financial data. This roadmap includes short-term and long-term recommendations for reinventing and modernizing Cook County government.

The immediate problem facing Cook County is a projected FY2011 budget deficit of at least $285.9 million.[268] The recommendations for closing this gap focus on personnel expenditures, which represent the largest area of County expenditures. Not all of the short-term solutions are ideal, but they will allow the County to continue to operate without placing an additional tax burden on residents. The longer term solutions will allow the County to streamline operations, deliver services more efficiently and reduce the overall cost of government.

Many of the recommendations that follow are not new and have been proposed in prior reports.[269] The Civic Federation believes, however, that the County can no longer afford to ignore these recommendations. Some recommendations are actions that the County can complete on its own, while others will require state legislation. Implementation of all of the recommendations will require the dedication of a strong leader who is committed to changing past practices.

Recommendations for First 100 Days

The following recommendations should be implemented within the first 100 days of the incoming Board President taking office. These recommendations focus on stabilizing the County's finances. The Board President should also reorganize the current executive office structure and appoint well-qualified professionals to both existing and newly created top-level posts. Concurrently, the Board President should lay the groundwork for implementing larger reforms necessary to modernize County government.

1. Roll Back the Remaining Half Percentage Point Sales Tax Increase

Cook County should return its home rule sales tax rate to 0.75% and the incoming Board President should propose an ordinance to this effect within the first 100 days of taking office. The 2008 sales tax increase has been problematic for a number of reasons, including not being tied to a financial plan for use of the revenues and possibly hurting retail sales. Furthermore, the sales tax is a regressive tax that impacts low-income individuals more than higher income individuals. The sales tax increase allowed the elected officials to avoid addressing the underlying cost drivers that made reemergence of the deficit inevitable.

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[268] FY2010 Cook County Annual Appropriation Bill, Citizens' Summary, p.36.
[269] See Appendix 2: Previous Reports on Reforming Cook County Government.

The Federation opposed the sales tax increase in 2008 and urges County leaders to undo the harm done by this poor decision. The spending reduction plans for Year 1 and Year 2 take into account the full rollback of the sales tax increase.[270]

- Time Frame for Implementation: 100 Days
- Responsible Official(s): Board President and Board of Commissioners
- Overlapping Official(s): Elected Officials
- Estimated Cost of Implementation: $190 million
- Potential Cost Savings: Not Applicable

2. Close the FY2011 Budget Deficit

The County must focus on reducing expenditures in FY2011 in order to close its projected deficit. The Civic Federation recommends rolling back the remaining portion of the 2008 sales tax increase in the first year, which complicates the deficit closing process. The following discussion outlines cost-cutting measures that demonstrate the magnitude of the reductions required. It should be noted that the following cost estimates and deficit estimates are extremely tentative due to limitations on publicly available data.[271]

As shown in the following chart, the FY2010 Appropriation Bill, which contains the latest published data, projected the FY2011 General Funds deficit at $285.9 million.[272] The appropriation bill bases its expenditure projection on an annual growth rate of 2.55% for all expenses including personnel.[273] In addition, all candidates for Board President have indicated plans to repeal the remaining 0.5 percentage point of the sales tax increase. We estimate that the repeal would affect only two months of revenue collection in FY2011, because of the lag time between adoption and implementation. Lastly, the Health System is expecting to receive roughly $9.0 million more in Medicaid revenues in FY2011 than was forecast in the County's deficit calculation. The increase stems from Congressional approval in August 2010 of a six-month extension of enhanced Medicaid benefits under the federal stimulus program. The enhanced benefits were scheduled to end on December 31, 2010, but have been extended until June 30, 2011.

The appropriation deficit estimate is increased by $31.7 million to reflect two months of reduced sales tax collection and then reduced by $9.0 million of additional Medicaid revenues, bringing the total projected deficit to $308.6 million.

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[270] The plan for Year 1 assumes two months of tax collections at the reduced rate in FY2011.

[271] The Civic Federation made numerous requests for information to the Cook County of Bureau of Finance, beginning in June of 2010. As of the publication date, these requests had not been granted.

[272] Cook County FY2010 Appropriation Bill, Citizens' Summary, p.36. There have been media reports of differing deficit projections. The Civic Federation was unable to obtain more up-to-date deficit estimates. In a September 27, 2010 letter to bureaus and departments, Takashi Reinbold, Director of the Department of Budget and Management Services, stated that the outlook for revenues worsened in the past few months but did not include a revised estimate of the total deficit.

[273] However, a recent arbitration with Council 31 of the American Federation of State, County and Municipal Employees awarded the following increases that differ from the projected growth in expenditures: 12/01/08 - 2.00%, 12/01/09 -1.50%, 12/01/10 - 2.00%, 12/01/11- 2.00%, 06/01/12 - 1.00%.

Cook County: FY2011 Projected Deficit	
FY2011 Projected Revenues	$ 2,040,111,000
FY2011 Projected Expenses	$ 2,326,030,000
FY2011 Deficit	$ (285,919,000)
2 Months of Sales Tax Rollback	$ (31,666,667)
Additional Medicaid Revenue	$ 9,000,000
Total FY2011 Deficit	**$ (308,585,667)**

Source: Cook County FY2010 Annual Appropriation Bill, Citizens' Summary, p. 36, Email communication between the Civic Federation and the Cook County Health and Hospitals System, September 21, 2010.

A portion of the deficit can be addressed through the following targeted reductions:

Create Special Service Areas: Cook County government currently provides law enforcement, animal control, liquor control and building and zoning services to the 109,300 residents in county unincorporated areas. Providing services to the unincorporated areas is expensive. In FY2010, the cost for law enforcement, building and zoning, highways and animal control was approximately $54.7 million[274] or $501 per resident of the unincorporated areas. The County could create special service areas to recover the cost of providing services to the Cook County unincorporated areas. This analysis assumes approximately eight months of savings in FY2011 to allow four months for implementation.

Health System Subsidy Reduction: The Health System has projected savings of approximately $100 million in its long-term financial plan for FY2011. We recommend that the Health System take the necessary steps to meet this projection.

The steps described above would generate $135.0 million, reducing the FY2011 deficit to $174 million.

FY2011 Targeted Recommendations: Adjusted Deficit	
Projected Deficit	$ (308,585,667)
Create SSAs	$ 35,000,000
Health System Subsidy Reduction	$ 100,000,000
Adjusted Deficit	$ (174,000,000)

The Civic Federation did an analysis to determine the scope of expenditure reductions necessary by examining General Funds appropriations only[275] and excluding Fixed Charges and Special Purpose Appropriations. The Department of Corrections and Juvenile Temporary Detention Center (JTDC) were also excluded from this calculation because they are under court orders.[276] This resulting base of expenditures to apply reductions is approximately $800 million. That base would require an expenditure reduction of nearly 19% in order to close the $149 million deficit and we could not ascertain what amounts could be reduced from these departments.

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274 Data from the FY2010 Cook County Appropriation Bill.
275 Cook County FY2010 Appropriation Bill, Citizens' Summary, pp. 58-63.
276 Duran v. Sheahan, 74 C 2949 (N.D. Ill.) and Jimmy Doe v. Cook County Juvenile Detention Center, 99 C 3945 (N.D. Ill.).

Due to the lack of strategic planning, the County will likely rely primarily on across-the-board departmental directives for expenditure reductions instead of targeted cuts to close the FY2011 deficit. Closing the deficit will require the cooperation of all elected officials and departments. Board President Stroger's administration recently asked County departments to develop their FY2011 budgets by cutting FY2010 budgeted spending, excluding professional services, by 11%[277]; total professional services funding is then expected to be cut by 35%.[278] Across-the-board cuts are reluctantly supported by the Civic Federation as necessary to immediately address the FY2011 upcoming deficit.

In the future, a better approach is to utilize financial planning to phase in needed spending adjustments. This practice avoids sudden changes to staffing and service levels, reducing the risk of disrupting necessary services. In the mid- and long-term, the County should address structural deficits by implementing structural changes, prioritizing services including programmatic reductions and modernizing the County as outlined in subsequent recommendations. The County will need to start implementing these strategies immediately because additional expenditure reductions will be necessary in 2012 as the full impact of the sales tax rollback will take effect.

The Civic Federation recognizes that most of the reductions will need to be personnel expenditures, which account for nearly 80% of the General Funds budget. A potentially significant portion of the position reductions could be achieved through elimination of vacancies and management of turnover and attrition.[279] Fitch Ratings has said that the County's "financial stability will depend on the County's ability to reduce spending."[280]

The Federation has provided two examples of reductions that would close the adjusted deficit. The examples utilize combinations of the following reduction items:

- **Full-Time Equivalent Reductions:** The reduction estimates are based on the average total personnel costs[281] per full-time equivalent (FTE) position. The calculation excludes personnel from the Department of Corrections and JTDC.

- **Salary Freeze:** The County's projected expenditure growth rate of 2.55%, as noted in its FY2010 appropriation bill, was applied to the FY2010 total salary budget of $1.6 billion to determine a rough estimate of potential savings.[282] This County projection of revenue and expenditure data served as the basis for this report's deficit estimate, as well as the salary freeze estimate. The total number was adjusted to account for the reduction in FTE

[277] There are a variety possible reasons that the County reduction directive differs from the Civic Federation 19% expenditure reduction including updated data, reductions to expenditures outside the expenditure base examined and the County's targeting of professional services.
[278] Cook County Board of Commissioners, Agenda, Meeting of October 5, 2010, p. 16 (letter from Takashi Reinbold, Director, Department of Budget and Management Services to bureaus and departments, September 27, 2010).
[279] The Civic Federation was not able to attain vacancy data. However, the Transforming Cook County Government: OPTIMA Phase I report noted the potential for significant savings because the County experiences an annual attrition rate of 8% and hires at a 6.5% replacement rate.
[280] "Fitch Rates Cook County, Illinois' GO Bonds 'AA-'; Outlook Stable" Business Wire, October 21, 2009.
[281] Cook County FY2010 Annual Appropriation Bill, Citizens' Summary, p. 54.
[282] Cook County FY2010 Appropriation Bill, Citizens' Summary, pp. 36 and 96.

positions. The total salary budget includes salaries for both union and non-union employees. The actual growth in county expenses has varied greatly from year to year. A more precise estimate of the impact of a salary freeze would have considered the distribution of personnel costs across union groups as well as existing wage and benefit agreements. There was no access to this data for the calculation.

- **Furlough Days:** Reductions were calculated by further reducing FY2010 budgeted salaries for both union and non-union employees. The total number was adjusted to account for the proposed reduction in FTE positions. A more precise estimate of the impact of salary reductions would have considered the distribution of personnel costs across union groups as well as existing wage and benefit agreements. There was no access to this data for the calculation.

- **Other Expenditures:** These reductions include contractual services, supplies and materials and operations and maintenance.

The following examples are intended to illustrate the scale of personnel and other reductions that may be necessary to address the adjusted FY2011 deficit. All numbers are rounded to the nearest million to emphasize the lack of precision and tentative nature of the projections that result from severe data limitations.

Other than salary freeze and furloughs, the Health System is not included in countywide reductions. This is in recognition that a large part of the solution to reducing the Health System subsidy lies in increased revenue collection and because there is already a recommended $100 million targeted reduction that may overlap with these examples. A focus on reducing the subsidy instead of expenses provides an incentive for the Health System to become more self-supporting.

Expenditure Reduction Example 1

This example illustrates the impact of expenditure cuts necessary with a significant reduction in FTEs.

Adjusted Deficit Reduction: Example 1		
Reduction	**Impact**	**Notes**
Reduce FTEs by 1,300	$ 119,000,000	Excludes Health System
Salary Freeze	$ 38,000,000	Includes Health System
10% Reduction Non-Personnel	$ 18,000,000	Excludes Health System
Total	**$ 175,000,000**	

Source: Civic Federation analysis of data from FY2010 Cook County Appropriation Citizens' Summary p. 36, 57-63, 93, 96.

Expenditure Reduction Example 2

This example illustrates the level of cuts needed if the number of FTE reductions is minimized. Additional reductions in spending are by adding furlough days and increasing the cuts to non-personnel expenses.

Adjusted Deficit Reduction: Example 2		
Reduction	**Impact**	**Notes**
Reduce FTEs by 590	$ 54,000,000	Excludes Health System
Salary Freeze	$ 39,000,000	Includes Health System
Furloughs Equal to 3.0% of Salaries	$ 46,000,000	Includes Health System
20% Reduction Non-Personnel	$ 36,000,000	Excludes Health System
Total	**$ 175,000,000**	

Source: Civic Federation analysis of data from FY2010 Cook County Appropriation Citizens' Summary p. 36, 57-63, 93, 96.

- Time Frame for Implementation: 100 days
- Responsible Official(s): Board President
- Overlapping Official(s): Elected Officials, Board of Commissioners
- Estimated Cost of Implementation: There could be costs to implement personnel cuts.
- Potential Cost Savings: $308.6 million

3. Give Health System More Budgetary Control

As Cook County moves to close the FY2011 deficit, it should require the Health System to reduce its reliance on taxpayer funds but at the same time give the System more independence to manage its own finances. This recommendation is consistent with the County Board's approval in July of 2010 of the System's five-year strategic and financial plan. To carry out the plan, the System needs to manage its budget without line-item control by the County Board or Board President.

The Civic Federation recommends that the County base budgetary reductions for the Health System on the System's subsidy from the County instead of the System's budget. The County should focus on the subsidy, the difference between the Health System's operating revenues and expenses, because it represents the cost paid by taxpayers for the System's operations. For FY2011, the plan projects a subsidy reduction of roughly $100 million and the System should take steps to meet this projection.

This approach makes sense because the Health System is unique among the components of County government in performing a business-like function and having the ability to significantly grow its revenues. If the Health System is required to reduce its budgeted expenditures, it has no incentive to expand revenues; any revenue increases would accrue to the County.[283] Given the County's approval of the strategic and financial plan, which specifically identifies revenue growth as a major goal, the Health System should be encouraged to expand its revenues.

To protect the County against overoptimistic revenue projections by the Health System, the System should be required to offset any shortfalls in revenue during the year by reducing expenses. The System should also be able to retain unanticipated revenue.

- Time Frame for Implementation: 100 Days
- Responsible Official(s): Board President
- Overlapping Official(s): Health System Officials, Chief Financial Officer, Budget Director
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

4. Appoint a Public Safety Task Force

Public Safety in Cook County encompasses a variety of functions including operation of the second largest judicial system in the nation, two detention centers, the Cook County jail and the Temporary Juvenile Detention Center. Public Safety is the largest area of Cook County expenditures. In the FY2010 adopted budget, Cook County appropriated nearly $1.2 billion for public safety operating expenditures, which totaled nearly 38.1% of the County's total operating budget. Of the $1.2 billion in public safety expenditures, over $1.0 billion was appropriated for personnel services.

Addressing Cook County's financial challenges will require a close examination of public safety expenditures. There are undoubtedly opportunities to address waste and inefficiency in the

[283] See Appendix 3: Basing Health System Reductions on the County Subsidy.

criminal justice system. In addition, some of the greatest areas for cost savings involve larger public policy questions such as how to address non-violent and mentally ill offenders, the proper adjudication process including the possible role for recognizance bonds and electronic monitoring, diversion programs and juvenile detention alternatives. The time has come to start addressing public safety's operational, financial and policy issues. A first step in this process should be the creation of a Cook County Public Safety task force.

- Time Frame for Implementation: 100 Days
- Responsible Official(s): Board President
- Overlapping Official(s): Cook County Board, Chief Judge of the Circuit Court, the Clerk of the Circuit Court and the Sheriff
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

5. Delay New Hiring Until January 1, 2011

The new Cook County Board President and other newly elected Cook County officials will take office on December 6, 2010 and they are likely to replace senior staff at the County with new employees of their own choosing. The Civic Federation urges the newly elected officials to delay as much non-essential new hiring as possible until January 1, 2011 in order to reduce long-term liabilities of the Cook County pension fund.

Public Act 96-0889, enacted in April 2010, creates a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Cook County pension fund. The major changes for the Cook County pension fund are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62; the reduction of final average salary from the highest 4 year average to the highest 8 year average; the $106,800 cap on final average salary; and the reduction of the automatic COLA from 3% compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.[284]

The Cook County pension fund was 63.2% funded in FY2009, down from 94.0% in FY2000. [285] In FY2009 it had $4.6 billion in unfunded liabilities, or $876 per resident of Cook County. While the Cook County pension fund is in better health than some other state and local pension funds in Illinois, its fiscal condition is likely to continue to decline if nothing more is done to reduce benefits or increase contributions.

Those newly elected officials who recognize the precariousness of the pension fund's future will delay hiring non-essential new staff until January 1, 2011, thus placing those new employees in the tier of reduced benefits and making their pension promises more affordable in the long-term.

- Time Frame for Implementation: 100 days
- Responsible Official(s): Board President
- Overlapping Official(s): Elected Officials

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[284] See the Pension section of this report for more detail.
[285] This is the actuarial value funded ratio. See the Pension section of this report for more detail.

- Estimated Cost of Implementation: None
- Potential Cost Savings: No immediate savings, but would result in a long-term reduction in liabilities.

6. Upgrade Existing Enterprise Resource Planning System

Currently the County and the Health System use two different Enterprise Resource Planning (ERP) systems. The County uses an outmoded, unsupported version of a JD Edwards system, while the Health System in June of 2009 entered into a $34.0 million, five-year contract for the purchase and installation of the Lawson System.[286]

The use of two major ERP systems results in two separate silos of financial and business processes. The County needs to either upgrade its existing system or purchase the Lawson system. It is less expensive to upgrade the JD Edwards system to a version that is both supported by the vendor and able to interface with the Lawson system. However, additional funds would have to be spent to interface the Lawson system with the upgraded version of the JD Edwards system. In addition, comprehensive reporting and data analysis will be easier if the County uses one system.

In the first 100 days the new Board President should resolve the ERP issue, either choosing to upgrade the existing JD Edwards system so it can interface with the Health System's Lawson system or purchasing the Lawson system to be used across the County. The cost of upgrading the JD Edwards system is estimated at between $10 million and $15 million. The cost for installing the Lawson system across the County has been estimated at $35 million.[287]

- Time Frame for Implementation: 100 days
- Responsible Official(s): Board President and Chief Information Officer
- Overlapping Official(s): Elected Officials
- Estimated Cost of Implementation: $10 million to $35 million
- Potential Cost Savings: Substantial over time in conjunction with other IT recommendations

7. Centralize Key Administrative Functions

The Cook County administrative structure is antiquated and not well suited to the demands of a large, modern urban government. The President of the Cook County Board of Commissioners directly supervises a small Office of the Board President as well as a number of administrative Bureaus and Departments. Most of the County's elected officials maintain their own finance, human resource, legal and information technology staff. As a result, the administrative functions of the County government are located in a number of different offices and departments. There is no centralized system of control, resulting in overlap of functions, duplication of efforts and inefficiency in operation.

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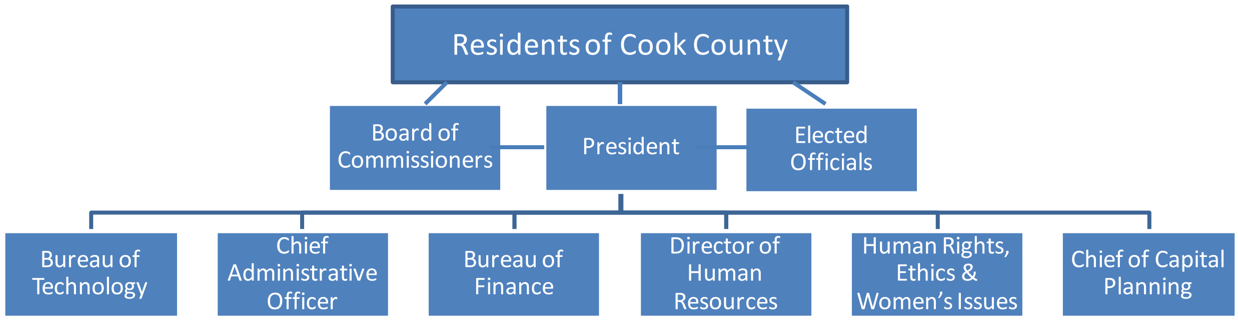
[286] Cook County Health and Hospitals System, Report of the Meeting of the Board of Directors, June 26, 2009, Attachment #3, p. 28.
[287] Electronic Knowledge Interchange, Summary, p. 3

The following is an illustration of the current administrative structure of the Board President's office and the administrative offices under its control. It does not represent the full organizational structure of the County.



The Civic Federation proposes that the administrative structure be reformed so that key administrative functions now located throughout the County government be centralized under the direction of the Board President.[288] These reforms would lead over time to improved efficiency and cost savings for County operations.

Under the Civic Federation's proposal, the Board President would oversee the enforcement of the laws of Cook County and provide executive direction to all departments and offices of the County government. The Board President would also develop policies; propose plans, programs, budgets and legislation to the Board of Commissioners; adopt executive orders and regulations and appoint members to boards, committees and commissions. A Chief Administrative Officer (CAO) would be appointed by and report to the Board President.

The CAO would be invested with duties and responsibility for Countywide administration in contrast to the current CAO, who is responsible only for the supervision of the various departments and offices in the County Bureau of Administration.[289] He or she would be required to be a qualified professional with experience in managing large, complex organizations. The CAO would supervise all departments and offices of the Executive Branch and advise the Board President on administrative matters. In addition, this official would coordinate management review and decision-making on policies, programs, plans, budgets, legislation, regulations and similar matters. Qualified professionals with experience in relevant fields would be selected by the CAO to head key County administrative departments:

- Bureau of Technology
- Bureau of Human Resources
- Department of Procurement
- Bureau of Finance
- Bureau of Administration

[288] This method of organization is commonly employed in municipal and county governments in the United States. See the governance structure of Maryland counties, for example.
[289] The current Bureau of Administration includes the Departments of Planning and Development, Building and Zoning, Environmental Control, Zoning Board of Appeals, Medical Examiner, Office of Child Custody Advocacy, Veterans' Assistance Commission, Highways, MFT Illinois First, Animal Control and the Cook County Law Library.

- Bureau of Capital, Planning and Facilities Management
- Department of Human Rights, Ethics and Women's Issues
- Department of Performance Management

Each of these executive departments would provide their designated service to all county departments and offices. The elected officials' offices would no longer maintain their own separate information technology, human resource, capital planning and/or financial staff. However, the offices of the elected officials would have a liaison employee from each chief officer. The liaison employee would report to the office of the bureau or department head, while working with the elected official to ensure clear communication of policies, priorities and needs. In FY2010 approximately 647 FTEs were located in finance, information technology, human resources and procurement positions in elected officials' offices at a projected cost of $35.0 million in salaries.[290] Under a consolidated administrative structure there would be opportunities to reduce the number of positions.

The State of Illinois has purchasing staff members who work in departments that report to the Chief Procurement Officer. This helps to ensure professional purchasing functions within departments. It also alleviates some of the fragmentation of purchasing and can improve accountability. The Board President should establish a strong, centralized Chief Procurement Officer who oversees the procurement functions across all Offices under the President and the elected officials. Liaisons who report to the Chief Procurement Officer should be installed in each department and office, providing needed expertise for each office.

The Health System by ordinance controls its own day-to-day decision making and the Civic Federation supports its independence. Therefore, it would not be included under this new administrative structure. However, the System should participate in countywide administrative activities when there are opportunities to achieve efficiencies through collaboration such as the countywide computer system to advertise job openings.

Currently only 19% of the County's IT personnel falls under the control of a central IT officer. The remaining 81% is spread throughout the County. The efficiency and cost-saving benefits from information technology are realized when a centralized function maximizes its capabilities and minimizes duplication. The Board President should establish a strong, centralized Chief Information Officer who oversees the IT functions across all Offices under the President and the elected officials. Liaisons who report to the Chief Information Officer should be installed in each department and office, providing needed expertise for each office. Corresponding IT staffing reductions should take place in departments across the County as the central office takes over many of the ongoing IT needs.

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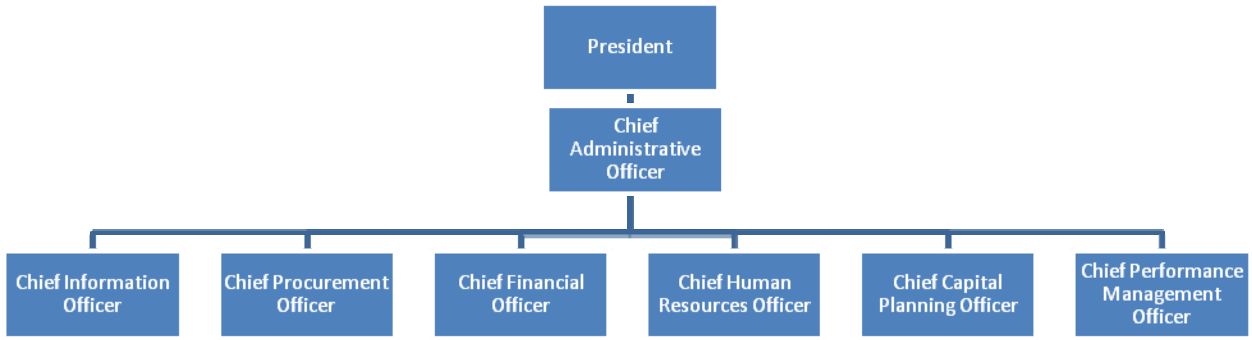
[290] These figures are based on a review of job titles in the FY2010 Cook County Annual Appropriation Bill for those offices for which such data was readily available: Sheriff, Chief Judge, State's Attorney, Clerk of the Circuit Court, Clerk and Recorder of Deeds. It is by no means a finalized review of these costs.

Below is an illustration of the proposed administrative structure, highlighting just the administrative offices under the Board President.



- Time Frame for Implementation: 100 days
- Responsible Official(s):Board President
- Overlapping Official(s): Elected Officials
- Estimated Cost of Implementation: Minimal (hiring highly qualified professionals may require higher salary expenditures)
- Potential Cost Savings: Substantial personnel savings over time

8. Integrate Performance Measurement into Budgeting Process and Make the Information Public

Cook County should collect key performance measurement data and consistently report the data in the budget document. Collecting the data would provide management and policy-makers with objective information to improve operations, reduce unnecessary or inefficient expenditures and prioritize spending. Reporting the data would provide transparency and accountability to the public.

The County should make full implementation of its Performance Based Budgeting initiative a priority. The process should include reports of actual and estimated performance measurement data for at least three prior years, as well as performance targets or estimates for the upcoming budget years. Narrative descriptions of performance measures and results should accompany this data. The data should be a mix of qualitative and quantitative input, output, efficiency and outcome data. Performance measures should relate to departmental goals and objectives: goals should focus on broad direction and purpose while objectives should be specific and measurable. Finally, the County should internally develop data definitions and control procedures to ensure the validity and reliability of the data that is reported.

The FY2010 budget includes only sporadic reporting of performance measures, yet the County appears to recognize the need to integrate performance measures into the budget. In the Citizens' Summary of the FY2010 budget there is a discussion of efforts to implement Performance Based Budgeting. The document describes how the County is moving towards tracking outcome and efficiency measures and the intent to report this information in the departmental reports section of the budget. Previous budgets included performance measure data under a productivity analysis section and the County formerly published quarterly performance reports. Those efforts suggest the County is well positioned to implement this recommendation immediately.

9. Adopt and Publish Financial Policies

Cook County should develop and publish the financial policies recommended by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting. It is important to adopt financial polices to help guide the budget process, frame major policy initiatives and provide a benchmark for future financial performance.

The GFOA recommends that at a minimum jurisdictions have polices related to the following:[291]

- **Balanced Budget**: Defines a balanced operating budget, encourages commitment to a balanced budget and provides for disclosure when deviation from a balanced budget is planned or occurs.
- **Long-Range Planning**: Supports a financial planning process that assesses the long-term financial implications of budgets, policies, programs and assumptions.
- **Debt Capacity, Issuance and Management**: Specifies appropriate uses for debt and identifies the maximum amount of debt and debt service that should be outstanding at any time.
- **Reserve or Stabilization Accounts**: Recommends maintaining a prudent level of budget reserves to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures.
- **Operating / Capital Expenditure Accountability**: Compare actual expenditures to budgeted expenditures periodically to decide what actions are necessary the budget into balance.
- **Revenue Diversification**: Encourages a diversity of revenue sources to offset fluctuations in individual sources.
- **Fees and Charges**: Identifies the manner in which fees and charges are set and the extent to which they cover services provided.
- **Use of One-time Revenues**: Discourages the use of one-time revenues for ongoing expenditures.
- **Use of Unpredictable Revenues**: Describes the collection and use of major revenues sources considered unpredictable.[292]
- **Fund Balance**: Establishes the level of unrestricted fund balance that should be maintained in the general fund.[293]

The Civic Federation was unable to confirm that any of these policies currently exist internally. The County should include a summary of the policies it uses in a section of the budget.

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[291] Government Finance Officers Association, Adoption of Financial Policies (2001).
[292] Government Finance Officers Association, Adoption of Financial Policies (2001).
[293] Government Finance Officers Association Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

10. Report Additional Appropriations and Resources Data and Information in Annual Budgets

Cook County should provide additional appropriation and resource data in its annual budget documents. Appropriation data should include:

- Aggregate historical actual data by object classification and by fund;
- Breakdown of historical, countywide personnel costs, including salaries, pensions and healthcare data; and
- Explanation of all significant expenditure changes within the budget document. Each departmental summary should include a description of each significant change over 10%.

The amount of resources data provided in the budget book should also be enhanced by including:

- The prior year estimate and one year of actual information for all data points;
- Historical data for all resources, including the amount of fund balance utilized each year and capital improvements made each year; and
- Aggregate historical revenue by fund accounting.

11. Produce Audited Financial Statements within Six Months of Close of Fiscal Year

The Civic Federation believes that all governments, including Cook County, should release audited financial statements no later than six months after the close of their fiscal year. Unfortunately, Cook County has fallen into a pattern of delaying the release of its Comprehensive Annual Financial Report (CAFR).

Cook County's fiscal year begins on December 1 and ends on November 30. Cook County did not release its FY2009 Comprehensive Audited Financial Report (CAFR) until September 2010, nine months after the close of the fiscal year.

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

The Civic Federation recommends that the CAFR should be released to the Board of Commissioners and the public no later than May 31 of the following calendar year or within six months of the close of the fiscal year.

12. Adopt Budget Prior to the Start of the Fiscal Year

In government a budget serves not only as a financial plan, but also as the legal authority to raise revenues and expend funds. To properly serve both roles, a budget should be passed well before the start of the fiscal year. Upcoming budgets will require that Cook County undertake significant changes to programs and services including the mixture of services provided, the level at which they are provided and how they are delivered. Staff will need time in advance of the start of the fiscal year to effectively implement these changes. With the exception of the

FY2010 budget, recent Cook County budgets have been passed more than two months into the new fiscal year.

Cook County: Budget Adoption FY2006-FY2010	
Fiscal Year	**Adoption Date**
FY2010	November 19th, 2010
FY2009	February 20th, 2009
FY2008	February 29th, 2008
FY2007	February 23rd, 2007
FY2006	February 9th, 2006

Source: Cook County Appropriation Bills FY2006-FY2010

Cook County should adopt a budget at least a month in advance of the start of the fiscal year.

- Time Frame for Implementation: 100 Days (set schedule for timely FY2012 budget process)
- Responsible Official(s): Board President
- Overlapping Official(s): Elected Officials, Chief Financial Officer, Budget Director
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

13. Enhance Pension Fund Financial Reporting Data

Some pension funds voluntarily report changes to benefits and the effect these changes have on the fund's finances. The Civic Federation recommends that all pension funds be required to describe any benefit enhancements granted in a given year in their annual financial report and to calculate the effect of those enhancements on the fund's total liabilities. Taxpayers deserve to know the cost of benefit enhancements. The County should also report basic 30-year projections of funded ratios, unfunded liabilities, required contributions and date of insolvency and provide more statistical analysis in financial statements.

- Time Frame for Implementation: 100 Days
- Responsible Official(s): Board President
- Overlapping Official(s): Pension Fund Executive Director
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

14. Include All Operating Expenses of the Health System in the System's Budget

To provide a clear picture of the cost of operating the Health System, the County should include all operating expenses of the Health System in the System's budget. The System's budget currently does not include more than $170 million of expenses, including pension contributions and debt service.

The County has not allocated these expenses to various components of the General Funds because labor negotiations and capital improvements are handled by the Board President's Office. As the Health System moves toward greater independence, the full cost of its operations are of increasing importance. Revenues to match the additional expenses would also need to be allocated to the System.

- Time Frame for Implementation: 100 Days
- Responsible Official(s): County President, Chief Financial Officer, Budget Director
- Overlapping Official(s): None
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

15. Report Key Indicators of Health System Financial Performance and Quality of Care

The public currently has ready access to a significant amount of information about the Health System's finances and operations. Detailed minutes of meetings of the System's Board of Directors and Finance Committee are available on the website of the Secretary to the Board of County Commissioners.[294] Reports presented at the meetings, including monthly financial reports, are attached to the minutes.

The Health System should also post key indicators of financial performance and quality of care on its own website so that the public can more easily track the System's progress. Along with the indicators, the System should provide relevant benchmarks so that the public can assess the System's status in comparison with other public health systems.

It is particularly important that the Health System facilitate public monitoring of the efforts of PricewaterhouseCoopers (PwC). The System hired PwC to carry out major changes in its operations, covering both expense reductions and revenue enhancements. PwC, which has been working at the System since July of 2010, has proposed operating improvements of $313.8 million over two years. PwC could earn fees of up to $50 million, depending on improvements achieved for System. The System should begin posting progress reports on its website, including performance targets and actual results to date.

- Time Frame for Implementation: 100 Days
- Responsible Official(s): Health System officials
- Overlapping Official(s): None
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

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[294] Cook County Board of Commissioners, Office of the Secretary to the Board, http://legacy.cookcountygov.com/secretary/ (last visited on October 13, 2010).

Recommendations for Year 1

The following recommendations should be implemented within the first year of the incoming Board President taking office. The focus of the recommendations is to streamline County operations, introduce additional efficiencies and formalize policies to guide future financial decisions.

16. Eliminate Subsidy for Unincorporated Residents

Cook County government currently provides law enforcement, animal control, liquor control and building and zoning services to the 109,300 residents in county unincorporated areas. Providing services to the unincorporated areas is expensive. In FY2010, the cost for law enforcement, building and zoning, highways and animal control was approximately $54.7 million[295] or $501 per resident of the unincorporated areas. There are three potential strategies to reduce the cost of providing services to the Cook County unincorporated areas: annexation to neighboring municipalities, creating Special Service Areas or transferring responsibilities to neighboring municipalities.

Creating Special Service Areas

A special service area (SSA) is a contiguous area within a municipality or county in which governmental services are provided. The cost of the special services is paid from revenues collected from property taxes levied upon property within that area.[296] An SSA is designed to allow local governments to tax for and deliver services to limited geographic areas within their jurisdictions.

Currently all Cook County residents pay taxes to provide services to the residents in the unincorporated areas. Thus, residents in the incorporated areas are subsidizing services for the 109,300 residents in the unincorporated areas. The residents in the unincorporated areas are paying much less in taxes than they would be if they were charged the full cost of those services.

The County could shift most of the cost of service provision in the unincorporated areas to their residents by establishing special service areas. The taxes paid by residents would pay for those county services provided. Because these areas are not contiguous, separate SSAs would have to be created for each unincorporated area. The County could create an umbrella agency to supervise SSA activities, although each area would have its own governing board. Property taxes in the new SSAs would be higher than is currently the case. This could provide a strong incentive for residents to seek annexation to neighboring municipalities.

The cost savings for Cook County from establishing SSAs to provide law enforcement, animal control and building and zoning[297] for the unincorporated areas could be considerable, approaching the approximately $54.7 million appropriated in FY2010 for those services.

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[295] Data from the FY2010 Cook County Appropriation Bill.
[296] 35 ILCS 200/27-5.
[297] County highways and bridges and other infrastructure are located in both incorporated and unincorporated areas and are funded in part by motor fuel tax revenues. There are bonds outstanding for these programs as well, financed by those taxes. Because of the unique characteristics of highway funding, this function is not included as an option for transfer to SSAs.

- Time Frame for Implementation: Could occur within one year (objections from residents in some areas could slow process down)
- Responsible Official(s): Board President
- Overlapping Official(s): Cook County Board
- Estimated Cost of Implementation: Moderate
- Potential Cost Savings: As much as $54.7 million in the mid-term

<u>Transferring Responsibilities for Selected Service Provision to Neighboring Municipalities</u>

A second option Cook County could use to reduce the cost of providing selected services to unincorporated areas would be to transfer the responsibility to neighboring municipalities. Under this scenario, the County would continue to subsidize the provision of law enforcement, liquor control, animal control, highway and building and zoning services. However, due to the proximity of municipalities to the unincorporated areas and because they already provide these services, the cost would be much less than at present.

Animal Control: *Reinventing Cook County* notes that it may be appropriate and efficient for the Department to continue to provide some countywide functions such as issuing rabies vaccination tags to veterinarians and maintaining inoculation records; these functions are not typically performed by municipal governments. However, there is some degree of duplication in other areas of responsibility with other communities.[298] Thus, it would be cost effective to transfer the remaining animal control responsibilities to neighboring municipalities.

In FY2010, Cook County appropriated $2.99 million for animal control services. This is a per capita expense of $27.36 per unincorporated area resident.[299] The per capita average cost for Chicago, Oak Park, Palatine and Skokie was $2.56. Factoring out Chicago, which had very low per capita animal control costs, the per capita average was $3.21. Part of the reason for the large cost differential is the cost for travel throughout the County, the distribution of the rabies vaccination tags and the maintenance and administration of inoculation records.[300]

The County could transfer responsibility for the animal control activities not related to the distribution of the rabies vaccination tags and the maintenance and administration of inoculation records to neighboring municipalities. Savings from this action would be less than if the entire function could be transferred. If the County paid the municipalities at an amount that is equal to approximately 50% of the average rate for the four municipalities reviewed, it could save up to $1.35 million annually. If the County subsidized the municipalities at an amount that is equal to approximately 50% the rate for Oak Park, Palatine and Skokie, as much as $1.3 million might be saved.[301]

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[298] Cook County Commissioner Mike Quigley, *Reinventing Cook County*, Part I, December 2003, p. 46.
[299] The county per capita expense is overstated because it includes expenses of countywide activities. We were unable to disaggregate this portion of the expense.
[300] Cook County Commissioner Mike Quigley, *Reinventing Cook County*, Part I, December 2003, p. 46.
[301] Researchers were not able to disaggregate the costs of administering the rabies program, so they reduced potential savings by 50%.

Law Enforcement: In FY2010, Cook County appropriated $48.4 million for the Sheriff's Police Department, which provides law enforcement services to unincorporated Cook County. This is a per capita expense of $441.59 per unincorporated area resident. The 2010 average per capita average cost for police services is $304.42 in nine selected representative Cook County municipalities: Chicago, Evanston, Des Plaines, Mount Prospect, Oak Park, Palatine, Park Ridge, Schaumburg and Skokie.[302] If the County paid municipalities at the average rate for the nine municipalities reviewed, it could save up to $14.99 million annually.

Building and Zoning: In FY2010 Cook County appropriated $3.5 million for the Cook County Building and Zoning department, which provides building and zoning services to unincorporated Cook County. This is a per capita expense of $32.12 per unincorporated area resident. This compares to the 2010 average per capita cost for building and zoning services of $24.09 in nine selected representative Cook County municipalities: Chicago, Evanston, Des Plaines, Mount Prospect, Oak Park, Palatine, Park Ridge, Schaumburg and Skokie.[303] If the County paid municipalities at the average rate for the nine municipalities reviewed, it could save up to $0.8 million annually.

Highways: The FY2010 appropriation for the Department was $15.0 million; this translates into $10,209 per lane-mile. In contrast, the average per lane-mile cost for the Cook County municipalities of Chicago, Evanston, Skokie, Palatine, Mount Prospect, Oak Park and Schaumburg is $8,696. If the County paid municipalities at the average rate for the seven municipalities reviewed, it could save up to $2.2 million annually.[304] The County would continue to receive state motor fuel tax revenues to be used for road construction and maintenance costs.[305]

Liquor Control: In FY2003, *Reinventing Cook County* noted that $180,000 was budgeted for activities of the Cook County Liquor Control Commission. Figures for FY2010 are unavailable at this time, but it is reasonable to assume that at least the same amount could be saved if liquor control services were completely transferred to municipalities adjacent to unincorporated areas and a portion of it could be saved if the County continued to subsidize this activity.

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[302] The communities selected are those used in *Reinventing Cook County* in 2003. The per capita calculations are based on the following data: Population figures are 2006 estimates from the U.S. Bureau of the Census, State and County QuickFacts at http://quickfacts.census.gov/qfd/states/17000.html; and budgetary figures are from FY2010 municipal budgets (except for Palatine, where the latest information posted online was from 2009).

[303] The communities selected are those used in *Reinventing Cook County* in 2003. The per capita calculations are based on the following data: Ppulation figures are 2006 estimates from the U.S. Bureau of the Census, State and County QuickFacts at http://quickfacts.census.gov/qfd/states/17000.html; and the budgetary figures are from FY2010 municipal budgets (except for Palatine, where the latest information posted online was from 2009).

[304] The communities selected are those used in *Reinventing Cook County* in 2003 for which Civic Federation researchers could verify data by means of contact with respective highway or road departments. The per capita calculations are based on the following data: population figures are 2006 estimates from the U.S. Bureau of the Census. State and County QuickFacts at http://quickfacts.census.gov/qfd/states/17000.html. The budgetary figures are from FY2010 municipal budgets (except for Palatine, where the latest information posted online was from 2009).

[305] A portion of the County's motor fuel tax allotment is diverted for use by the Public Safety Fund. See the Cook County FY2010 Appropriation Bill, p. B-48.

- Time Frame for Implementation: Would take a number of years to negotiate and conclude intergovernmental agreements.
- Responsible Official(s): Board President
- Overlapping Official(s): Cook County Board, Municipal Governing Bodies
- Estimated Cost of Implementation: Moderate
- Potential Cost Savings:
    - Animal Control: $1.3 million
    - Law Enforcement: $14.99 million
    - Building and Zoning: $0.8 million
    - Liquor Control: $0.1 million
    - Highways: $2.2 million
- Total: As much as $19.5 million

Annexation to Neighboring Municipalities

The most cost-effective solution to the problem of providing municipal services to the Cook County unincorporated areas would be for those areas to be annexed to surrounding municipalities. Illinois statute allows the assignment of regulatory control of unincorporated areas to adjacent municipalities. Also, a municipality has the authority to zone land within 1.5 miles of its boundaries.[306] However, annexation cannot be compelled and there may be political resistance to the idea from residents of the unincorporated areas whose taxes could rise and from the municipalities, whose leaders may not want to take on additional service provision responsibilities.

The annexation process would take time to implement, so savings from the transfer of functions from Cook County to relevant municipalities would not be realized for several years. A transitional arrangement would have to be developed to provide services as the process unfolded. In the end, however, the County would save most or all of the $54.7 million it appropriated in FY2010 for law enforcement, animal control and building and zoning services. If these unincorporated areas were annexed to municipalities, the County would lose sales tax revenues it currently receives in these areas from its share of state sales tax receipts.[307]

- Time Frame for Implementation: Could be lengthy requiring many years as municipalities take legal steps to annex land
- Responsible Official(s): Municipal Governing Bodies
- Overlapping Official(s): Board President
- Estimated Cost of Implementation: Minimal
- Potential Cost Savings: $54.7 million in the long term (but loss of roughly $3 million to $4 million in sales tax revenue from unincorporated areas)

17. Implement Alternative Service Delivery Options

Cook County historically has not taken advantage of outsourcing or alternative service delivery opportunities to reduce the cost or increase the effectiveness of service delivery for selected programs. Transferring responsibility for service delivery to a private firm or nonprofit

[306] 65 ILCS 5/11-13.1.
[307] Municipalities and counties receive a portion of sales tax revenues collected by the State of Illinois.

organization can be beneficial only if there is a marketplace of competitive, qualified vendors or service providers and strong, sustained management oversight by the government. Governments must establish a mechanism to monitor and evaluate cost saving and efficiency benefits produced by any alternative service or privatization efforts. These efforts should include public reporting of efficiencies and/or savings achieved. Privatization efforts, i.e., the transfer of service delivery responsibilities to the private sector, should be focused on non-essential services or programs.[308]

Privatize Sheriff's Custodial Duties

The Cook County Sheriff's Custodial Services Department currently administers janitorial services for the County Building and the suburban county facilities. The specific duties listed in the FY2010 Cook County Appropriation Bill include:

> In addition to daily maintenance, custodial employees also strip and wax floors in all county hallways and lobbies, wash and sanitize stairwells, restrooms, holding cells and lockups. Custodial staff also move office furniture, remove snow, perform grounds-keeping duties, dispose of trash and recyclables, pest control and custodial supply delivery.[309]

The total appropriation for the Custodial Services Department in FY2010 was $11.8 million. A total of $10.5 million was appropriated to compensate 285.9 full-time equivalent employees.

The Sheriff has the responsibility for custodial services in the County Building and the suburban facilities because they all contain courthouses and the care of courthouses under Illinois law is entrusted to County Sheriffs.[310] However, the 1970 Illinois Constitution allows counties to change the powers of county officers by either state statute or county ordinance.

The Sheriff's custodial duties are not core functions of a law enforcement office. As such, this function can reasonably be transferred to another department such as the Department of Facilities Management or outsourced to a private janitorial firm. The County did embark on a limited pilot janitorial privatization program in Board President Todd Stroger's first year in the office, but then quickly reversed course. In 2001 Board President John Stroger's County Operation Review Team reported that privatizing janitorial services could save as much as $5 million per year.[311]

Other Outsourcing Possibilities

Several other non-core Cook County functions are possible candidates for privatization.

Process of Service function. Currently, plaintiffs who file civil lawsuits must pay the Sheriff a fee for service of summons and complaint upon the defendant. Commissioner Mike Quigley's 2003 report *Reinventing Cook County*, designed to explore ways that County operations and structure could be made more efficient, noted that the fee does not cover the cost of the summons and the Sheriff's success rate in serving the summons is not 100%. *Reinventing Cook County*

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[308] See Civic Federation. *Alternative Service Delivery Issue Brief*, December 1, 2006.
[309] Cook County FY2010 Appropriation Bill, p. V-22.
[310] 55 ILCS 5/3-6017.
[311] See Cook County Commissioner Mike Quigley, *Reinventing Cook County*, Part II, December 2003, p. 37.

estimates that privatizing this function could save up to $8.2 million per year.[312] One of the factors that was used to calculate the amount of potential savings in the report was that the $25 process of service fee that was charged in 2003. The fee is now $60, so savings will be less.[313]

Pharmacy function. Cook County currently employs 338.3 Pharmacy FTEs at a projected salary cost in FY2010 of $25.5 million.[314] Even if only 5% savings were achieved through outsourcing to a private vendor, approximately $1.2 million could be saved annually.

Print shop function. The County currently maintains four separate print shops for the County, the Clerk of the Circuit Court, the Forest Preserve District and Oak Forest Hospital. These shops should be consolidated.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): Sheriff, Chief Executive Officer of Health System
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: at least $6.2 million

18. Maximize Medicaid Revenues to the Health System

It is critically important that the Health System seek every opportunity to expand its volume of Medicaid business. Given that Medicaid is the primary source of Health System operating revenue, it is troubling that patient fees in FY2010 are expected to be as much as $40 million below budgeted levels.

The Health System has attributed the decline in Medicaid revenues in part to a failure to aggressively participate in a state Medicaid managed care program. This lapse, linked to personnel changes, is of particular concern because Medicaid is expected to move increasingly in the direction of managed care.

The decline in newborn deliveries at Stroger Hospital is also of concern because low-income pregnant women are eligible for Medicaid and have apparently chosen to deliver their babies elsewhere, even if they visit Stroger clinics for prenatal care. The number of deliveries is expected to play a major role in the State's decision in July of 2011 about whether to continue Stroger Hospital's designation as a perinatal center.

The Health System has begun to plan for the expansion of Medicaid coverage in 2014 under the federal health reform law and this planning should be made a priority. More than 600,000 Illinois residents are expected to become eligible for Medicaid in 2014. The federal government will reimburse all costs for these newly eligible recipients from 2014 through 2016, with the federal share declining to 90% for 2020 and beyond.

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[312] Ibid., p. 31.
[313] See http://www.cookcountysheriff.org/faq/faq_serviceofprocess.html.
[314] Cook County FY2010 Appropriation Bill, pp. D-15-D-17.

Health reform could represent a unique opportunity for the Health System, if it is able to attract a substantial share of the newly eligible Medicaid recipients. If Health System patients who are newly covered by Medicaid choose other healthcare providers, the Health System could be left in a much worse position, serving an even larger share of uninsured patients and jeopardizing the financial health of the System in the long-term.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Health System officials
- Overlapping Official(s): None
- Estimated Cost of Implementation: Included in PricewaterhouseCoopers' performance improvement contract
- Potential Cost Savings: None, but substantial revenues could be realized

19. Reform Information Technology Practices

Information Technology is closely related to business processes. The current County systems hinder cooperation and efficiency in operations and must be addressed.

Fully Implement an Enterprise Resource Planning System

After the Board President has collaborated with the Chief Information Officer to choose a proper ERP system for the County, the next step is to fully implement the chosen system across the County. The elements of a complete ERP system include the following modules: general ledger, accounts payable, fixed assets, inventory, purchasing, accounts receivable, budgeting, grants, human resources, payroll and work flow. The County never fully implemented its existing ERP system, losing many of the efficiency and cost saving benefits inherent in these systems. By committing time and resources upfront to the complete installation of a new or upgraded ERP system, the County will dramatically reduce expenditures going forward.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President and Chief Information Officer
- Overlapping Official(s): Elected Officials
- Estimated Cost of Implementation: $10 to $29 million, depending on choice, over several years
- Potential Cost Savings: Negligible in Year 1, up to $20 million per year if properly implemented[315]

Create an Enterprise-wide Policy for all Cook County Information Technology Needs

The County's Information Technology department currently troubleshoots small items instead of thinking globally and moving proactively. Instead of using technology to streamline operations, the County has attempted to replicate traditional paper-based processes. Under the direction of a new central Chief Information Officer, the County should implement an IT strategy that forces the government to re-engineer existing systems and processes. The aim should be to achieve

[315] Cook County Board of Commissioners, Notice, August 24, 2010 (transmitting a communication requesting authorization for the Purchasing Agent to amend the Lawson contract with the Health System).

specific operational goals and cost savings. The Civic Federation estimates that the County can reduce IT expenditures by 5% once a countywide policy is implemented.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President and Chief Information Officer
- Overlapping Official(s): Elected Officials
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: $8.0 million[316]

Study the Possibility of Switching to VOIP Telecom Services and Cloud Computing

Some governments, including the State of Illinois, are looking into using Voice Over Internet Protocol for its phone services. The Federation recommends that the County also explore this option as the opportunity for cost-savings exists due to the possibility to use existing data networks for both phone and web access, eliminating the need for land line telephone service.

According to the National Association of Counties (NACo), cloud computing, which means services and data are hosted over the internet as opposed in-house, are resulting in lower IT costs for governments.[317]

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): None
- Estimated Cost of Implementation: None
- Potential Cost Savings: $8.0 million[318]

20. Reform Purchasing Practices

Purchasing has been identified in many previous reports as an area where there are opportunities to achieve significant costs savings and operational improvements. It is an area that exemplifies the outmoded practices of the County and through reform can come to represent its modernization.

Consolidate Purchasing Across the Organization

An internal or external analysis should be utilized to look for opportunities across the County where spending for commodities can be consolidated. Purchasing can then monitor the marketplace to make the purchases when most favorable to the County and leverage the full buying power of the County through various modern procurement methods. For example, demand management seeks to limit placement of multiple orders for the same items while vendor

[316] Calculation based on annual IT spend rate of $160 million for IT needs across the County. See EKI report, p. 146.
[317] Charles Taylor, "Cloud computing could mean silver linings for county IT." NACo Current Issues, Vol. 42, No. 16, September 6, 2010.
[318] Calculation based on annual IT spend rate of $160 million for IT needs across the County. See EKI report, p. 146.

management consolidates spending to a set of preferred vendors willing to negotiate lower prices in exchange for higher volumes.[319]

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President and Chief Procurement Officer
- Overlapping Official(s): Elected Officials
- Estimated Cost of Implementation: Could be significant.
- Potential Cost Savings: The County currently spends over $1 billion in vendor expenses annually.[320] A 5% savings on vendor costs could yield $50 million annually.

Implement Procurement Card Program

A well designed procurement card program for small purchases can lead to efficiencies, although strong protections against fraud and abuse must be in place. Under a procurement card program, employees are allowed to deal directly with suppliers, using credit cards that generally have pre-established credit limits. The cards enable electronic procurement and facilitate on-line ordering, frequently from pre-approved suppliers under blanket contracts for small purchases.[321] The Office of the Purchasing Agent is currently working to implement a procurement card program for purchases between $750 and $25,000.[322]

- Time Frame for Implementation: 1 year
- Responsible Official(s): Chief Procurement Officer
- Overlapping Official(s): Board President, Elected Officials
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

Promote County as a Desirable Business Partner

Some vendors may be hesitant to do business with the County because of the unique requirements of governmental purchasing. The County should take steps to reduce barriers to vendors when possible. One key issue for vendors in the current marketplace is timely payment. Purchasing should work with relevant departments to track and improve vendor payment and publicize positive performance measures. In addition, contract stipulations should be evaluated and modified if necessary. Lastly, the purchasing staff should solicit feedback from vendors about barriers to doing business within the County.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): Chief Procurement Officer

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[319] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 151.
[320] Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I,* July 8, 2010, p. 143.
[321] See National Institute of Governmental Purchasing, Online Dictionary, http://www.nigp.org/eweb/docs/education/OnlineDict/DictP.htm (last visited on October 21, 2010).
[322] Cook County, FY2010 Appropriation Bill, Departmental Overview, p.C-34.

- Estimated Cost of Implementation: Minimal
- Potential Cost Savings: Increased pool of vendors may lead to reduction in the prices for goods and services.

21. Provide Incentives for Further Expenditure Reductions and Fee Revenue Enhancements

Across-the-board reductions provide little incentive to departments and elected officials to proactively reduce their budgets. Oakland County, Michigan provides one example of an alternative approach.[323] Each elected official was provided an annual reduction target for the subsequent three years and told that any surplus savings at year-end would be designated in fund balance to be utilized as a one-time source of funds that could be applied in future years. The result was that officials had an incentive to take budget reduction actions as soon as possible to accumulate savings. Our recommendation to targeting the Health System subsidy instead of expenditures has a similar impact by encouraging increased revenue collections.

Cook County should utilize financial forecasting and the make forecasts publicly available to determine the scale of the reductions that will be necessary over the next two to five years. The Government Finance Officers Association (GFOA) recommends that all governments engage in long-term financial planning that utilizes financial forecasting and that is visible to the public.[324] The forecast reduction targets should be used as the basis to provide a multi-year reduction target to departments and elected officials. This can serve as the basis to provide departments with incentives to proactively reduce budgets and increase revenues.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners, All Elected Officials
- Estimated Cost of Implementation: Minimal
- Potential Cost Savings: Minimal

22. Fully Exercise Presidential Budgetary Authority

Research prepared for the Civic Federation suggests that the Board President possesses executive authority over the budgets of all County offices and departments including those of the elected officials. Whether or not authority is exercised appears to be a matter of presidential discretion. Thus, one way to cap or control County expenditures would be for the Board President to actually use this authority. [325]

Illinois law vests power generally in the Cook County Board of Commissioners (i.e., the "Board") in terms of matters relative to budget, appropriations and the levy of property taxes.[326] Specifically, the provisions provide that the Board "shall appropriate such sums of money as may be necessary to defray all necessary expenses and liabilities of said Cook County..." [327] The

[323]Laurie Van Pelt, "Oakland County: emphasizes long-term planning over immediate fixes", *Government Finance Review*, April 2010.
[324] Government Finance Officers Association, Long-Term Financial Planning (2008).
[325] Thomas J. McNulty, Esq., of Neal, Gerber and Eisenberg prepared the material contained in this section.
[326] 55 ILCS 5/6-240001 and 5/6-240002.
[327] 55 ILCS 5/6-24001 (1999).

budget process requires the estimation of assets and liabilities, which, in turn, form the basis of the tax levy. As in the case of any other county or any other County Board ordinance, the Board President does have veto power that can be overridden by a three-fifths vote.[328]

The powers and duties of the Chief Administrative Officer of Cook County are also outlined in Illinois law.[329] The Chief Administrative Officer is given "all the powers and shall exercise all the duties granted to the Board of Commissioners of Cook County with respect to the preparation of the County budget or budget estimates and the administration of the budget appropriations . . .." The Chief Administrative Officer is under the "policy direction and control of the Board President and the County Board."

It is the practice in Cook County for the Chief Administrative Officer to report to and interact directly with the Board President. Therefore, the Chief Administrative Officer plays a key role in the executive recommendation for the annual county budget. Despite the vesting of appropriations power in the Board as a whole, once the appropriation bill is adopted, it is the Board President who controls the expenditures. The Board President has binding control over the monthly schedule for the year's proposed expenditures. The statutory language states the following:

> A monthly schedule for the year of proposed expenditure, including any limitations or conditions against appropriations for each program, sub activity and the agency or department shall be made within 30 days of the adoption of the annual appropriation bill and such schedule, as amended by the Board President, shall be binding upon all officers, agencies and departments and such schedule of expenditure or of incurring obligations may not be exceeded, provided that any such schedule may be revised after three calendar months have elapsed since the last schedule.[330]

Therefore, the Board President because of the authority he or she possesses to establish binding monthly expenditure schedules ultimately does have budgetary authority over all County officials.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): Not Applicable
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

23. Prepare a Comprehensive Capital Improvement Program Updated Annually

Although the County provides information in its capital program annually, which includes estimated five-year cost and descriptions of the project to be funded, more detail regarding the capital needs and the prioritization for projects should be made available. In order to ensure the

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328 55 ILCS 5/2-6008.
329 55 ILCS 5/3-14008.
330 55 ILCS 5/6-24007.

effectiveness of capital spending, Cook County should develop a comprehensive capital improvement plan (CIP) that includes a prioritized list of all proposed capital projects and funding sources. Goals and guidelines in a CIP document help manage capital spending effectively to meet legislative goals. These goals should include maintaining current assets while improving those assets through upgrades and monitoring any increase in operational cost that often accompanies new capital projects.

The County's capital program should also identify the funding source for all current and future planned capital investments. The type of funding should be analyzed for the appropriate use of bond funds, pay-as-you-go funds and ongoing capital leases. Long-term bond proceeds should only be used to fund projects with an estimated life as long as or longer than the term of the debt. Investments in capital assets with shorter life spans should be analyzed and prioritized for pay-as-you-go funding or capital leases to ensure effective use of capital funding sources.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): Chief Officer of Capital Planning
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

24. Implement a Formal Long-Term Financial Planning Process

Cook County currently employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and modeling of various revenue and expenditure possibilities. Cook County should develop and implement a formal long-term financial planning process that allows for input from the Cook County Board of Commissioners and key external stakeholders, along with members of the public. The Board President should submit to the Finance Committee revenue and expenditure projections for the next five fiscal years as well as narrative explanations of assumptions made in order to reach the projections. For an example of what such a plan would look like, please see best practice examples at the website of the Government Finance Officers association, located at www.gfoa.org.

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President
- Overlapping Official(s): Chief Financial Officer, Budget Director
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

25. Develop, Track and Publicize Purchasing Performance Goals and Metrics

Performance measurement and goal setting are encouraged for all county functions, but are especially critical within the Purchasing area. Purchasing can involve trade-offs between various goals such as cost reduction, adherence to regulations, expanding opportunities, efficiency and other policies. Clear goals and performance measures ensure that purchasing within the County is focused on the most critical objectives. Performance measures can also build trust among partners. County departments and outside contractors may be more eager to cooperatively work with the Office of the Purchasing Agent when a track record of success can be demonstrated. The Cook County Cost Control Task Force identified timeliness as a key metric that should be the subject of benchmark studies in order to ensure the County is in step with current norms.[331]

- Time Frame for Implementation: 1 year
- Responsible Official(s): Board President and Chief Procurement Officer
- Overlapping Official(s): Not Applicable
- Estimated Cost of Implementation: None
- Potential Cost Savings: None

[331] The Civic Federation and Chicagoland Chamber of Commerce, Cook County Cost Control Task Force, June 2001, p.56.

Recommendations for Year 2

The Civic Federation recommends that in year two of the incoming Board President's term the County focus on reforming the County's criminal justice system.

26. Reform Criminal Justice Practices

The two major areas of Cook County expenditures are criminal justice and health. The County has already begun the process of reforming the Health System and should begin to undertake modernization of criminal justice by addressing public safety operations and policies.

Begin Implementing Public Safety Task Force Recommendations

The Cook County Board should consider the Public Safety Task Force findings and adopt suitable recommendations. The Board President, with the cooperation of the public safety elected officials, should focus on making improvements to criminal justice operations and improving efficiency. The Cook County Board should consider larger criminal justice policy issues that may arise from the task force, such as how to address non-violent and mentally ill offenders, the proper adjudication process including the possible role for recognizance bonds and electronic monitoring, diversion programs and juvenile detention alternatives.

- Time Frame for Implementation: Year 2
- Responsible Official(s): Board President
- Overlapping Official(s): Cook County Board, Chief Judge of the Circuit Court, the Clerk of the Circuit Court and the Sheriff
- Estimated Cost of Implementation: Unknown
- Potential Cost Savings: Could be substantial

Establish a Performance Management System for Criminal Justice Departments

As it exists right now, there is limited available data related to the performance of the County's criminal justice functions. Within in the first 100 days of taking office, the Board President should appoint a senior official to implement a performance management system within the Public Safety departments. Accountability standards should be set and departments should obtain performance goals. The goals could include the following measurements: number of cases per week, judges sitting for a certain number of hours each day and automation of certain functions. The focus on these measurements should be delivering justice in an efficient manner.

If the established goals and benchmarks are not met within four months of implementation, then the Board President should exercise budget authority to withhold funds until the department can perform to the set standards.

Going forward, the Chief Performance Management Officer should oversee data collection for all aspects of Public Safety operations – court rooms, jails and juvenile systems. Standards for data collection should be set within 12 months by the CPMO, with reporting of data contingent on receiving funds for the upcoming fiscal year.

- Time Frame for Implementation: 2 years
- Responsible Official(s): Board President
- Overlapping Official(s): Sheriff, Chief Judge, State's Attorney
- Estimated Cost of Implementation: Moderate
- Potential Cost Savings: Unknown

Proceed with Implementation of Electronic Filing for the County's Court System

Currently the County is running a pilot program for electronic filing of court documents. The Civic Federation recommends that the County proceed with conversion to electronic filing, which saves time and money for those filing documents and for the court system. Electronic filing reduces the amount of time employees spend waiting on customers, eliminates paperwork and reduces storage costs.[332]

- Time Frame for Implementation: 2 years
- Responsible Official(s): Board President
- Overlapping Official(s): Chief Judge, State's Attorney, Clerk of Circuit Court
- Estimated Cost of Implementation: Moderate
- Potential Cost Savings: $19.9 million[333]

27. Reevaluate Health System Strategic Plan Based on Financial Resources and Geographic Needs

The Cook County Board of Commissioners in July of 2010 approved the Health System's five-year strategic plan, The Health System should regularly evaluate whether the plan continues to make sense in light of the System's financial resources and the demographics of the County. The plan calls for shifting resources to outpatient care by eliminating inpatient and emergency room services at Oak Forest Hospital and most inpatient services at Provident Hospitals. The plan focuses on making preventive and specialty outpatient care more accessible to County residents.

The Civic Federation supported the strategic plan but expressed concerns that more reductions in Health System operations might be necessary. The plan should be adjusted to respond to financial constraints and population shifts.

- Time Frame for Implementation: 2 years
- Responsible Official(s): Health System officials
- Overlapping Official(s): Board President, Board of Commissioners
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

[332] Commissioner Forrest Claypool, *Applying Technology To Improve Service and Reduce Costs in Cook County Government,* November 18, 2004, p. 19.
[333]Ibid., p. 27. The estimate was updated to account for FY2010 personnel costs but does not account for potential reductions in document storage costs, which could be substantial.

28. Separate the Cook County Forest Preserve District from Cook County Government

The Civic Federation calls on Cook County elected officials to support legislation pending in the Illinois General Assembly that would create a separate board of commissioners for the Forest Preserve District of Cook County.

In the spring of 2008 the Civic Federation, along with Friends of the Forest Preserves, issued a report advocating for the creation of a separate elected Board of Commissioners to govern the Forest Preserve District of Cook County.[334] The report stated that due to an organizational structure that creates an inherent conflict of interest and inhibits proper oversight, the District suffers from numerous problems that may be improved by installing a separate governing body.

With respect to the conflict of interest, the report stated that certain actions taken by the Commissioners illustrate the fact that they are placed in irreconcilable positions when asked to choose between economic development and land preservation. These actions included the sale of District land to the Village of Rosemont in 1999, granting the Village of Morton Grove a permanent easement over District lands in 2000, consideration of a land swap proposal between the District and Mittal Steel in 2005 and the transfer of $13.3 million from the District to the County in 2007.

The report also cited a disproportionate allocation of meeting time between County issues and District issues. Commissioners are appropriately required to spend great amounts of time dealing with issues pertinent to their County oversight duties, including operating the nation's second-largest unified trial court system and reducing the County's huge structural deficit. These time-consuming issues leave the Commissioners little time to focus on the needs of the District and inhibit their ability to properly manage the District.

This situation is illustrated by the allocation of meeting time between County issues and District issues. As an example, in 2007 the Commissioners met 33 times to discuss County issues, while meeting only 11 times to discuss issues pertinent to the District.[335] While having the County Board meet three times more than the District Board is unusual, from 2003 through 2006 the County Board met twice as many times than the Forest Preserve Board.

Cook County Board Meetings: County v. Forest Preserve District
2003 - 2008

	2003	2004	2005	2006	2007	2008*
County	23	23	24	26	33	22
Forest Preserve District	11	11	11	11	11	11

*Proposed Meeting Dates

Source: Cook County Clerk Office and Cook County Forest Preserve District

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[334] The Civic Federation and Friends of the Forest Preserves, *Forest Preserve District of Cook County: A Call for a Separate Board of Commissioners,* March 2008, http://www.civicfed.org/articles/civicfed_269.pdf (last visited on October 20, 2010).

[335] Cook County Clerk's Office Website – Board Meetings Archive 2007 Meeting Dates at http://www.cookctclerk.com/sub/meetings_archive.asp?year=2007 (last visited on January 8, 2008); Forest Preserve District of Cook County Meeting Dates and Agendas 2007 at http://www.fpdcc.com/tier3.php?release_id=390 (last visited on January 8, 2008).

In contrast to the Forest Preserve District of Cook County Board, the Forest Preserve District of DuPage County Board of Commissioners met 50 times in 2007 to manage a district that is approximately one-third the size of the Forest Preserve District of Cook County.[336] As shown in the figure below, between 2003 and 2006 the DuPage District Board met an average of 47.5 times a year and is scheduled to meet another 46 times in 2008.[337] While half of the Forest Preserve District of DuPage County's meetings are planning sessions and the other half are commission meetings, board members are required to attend both.

Forest Preserve District Board Meetings: DuPage County v. Cook County 2003 - 2008						
	2003	2004	2005	2006	2007	2008
DuPage County	47	48	48	47	50	44
Cook County	11	11	11	11	11	11

Sources: DuPage County and Cook County Forest Preserve Districts.

The report pointed to numerous problems arising from the current governance structure. Some of the negative consequences affected the District's finances, including a failure to address the District's general financial difficulties, inadequate adherence to transparent financial procedures and failure to develop a Capital Improvement Plan until after approving a $100 million bond issue. Other problems are operational and include questionable land management practices, a slow rate of land acquisition and the allowance of private use of public lands.

The Civic Federation and the Friends of the Forest Preserves strongly recommend that a separately elected Board of Commissioners be created for the Forest Preserve District of Cook County. This action does not create a new government entity and its creation should not result in any additional costs for the District. The new board should be elected countywide via a non-partisan election and have a board president selected among and by the members of the board. A separate board will allow voters to elect Commissioners on the basis of candidates' positions, credentials, experience and interest in forest preserve governance. It will also provide the necessary governance and oversight required for operating one of the largest forest preserve districts in the nation.

Legislation has been introduced in the Illinois General Assembly to create a separate board of commissioners for the District.[338]

- Time Frame for Implementation: 2 years
- Responsible Official(s): Illinois General Assembly
- Overlapping Official(s): Board President, Board of Commissioners
- Estimated Cost of Implementation: Nominal

[336] Forest Preserve District of DuPage County Meeting Schedules at http://www.dupageforest.com/commissioNot Applicablegenda.php (last visited on January 10, 2008).
[337] Forest Preserve District of DuPage County Meeting Schedules at http://www.dupageforest.com/commissioNot Applicablegenda.php (last visited on January 10, 2008); Forest Preserve District of DuPage County Resolutions 02-594, 03-459, 04-335, 05-326, 07-300.
[338]As of this writing, House Bill 5128 has been assigned to the House Rules Committee and its companion bill, Senate Bill 176 is currently in the Senate Assignments Committee.

- Potential Cost Savings: Nominal

29. Identify and Restrict Cost-Shifting to the Health System from Other Healthcare Providers

The Health System should determine the extent to which it is bearing costs that should be borne by other healthcare providers and implement policies to eliminate the major sources of this cost-shifting.

Examples of cost-shifting include the provision of free care to non-residents of Cook County, the provision of free prescriptions to patients of health facilities that receive federal subsidies to provide prescriptions and the provision of free immunizations to patients enrolled in Health Maintenance Organizations. Currently, the System does not have adequate systems in place to determine the amount of cost-shifting and the impact on the System's budget.

As part of its performance improvement initiative, the Health System should identify cost-shifting problems as quickly as possible and determine what policies need to be implemented to eliminate them.

- Time Frame for Implementation: 3 years
- Responsible Official(s): Health System officials
- Overlapping Official(s): Board President, Board of Commissioners
- Estimated Cost of Implementation: Moderate
- Potential Cost Savings: Could be substantial

Recommendations for Year 3

30. Create a Unified Property Tax Administration Office

The Civic Federation proposes that a unified property tax administration office be created. The new office would merge the Treasurer's office; the County Clerk's tax extension, tax redemption and map divisions; the part of the Recorder's office dealing with property records; and the Auditor's property functions. It would be appointive. Several previous proposals had called for merging the assessor's office into a unified property tax administration office.[339] However, the Federation believes that this move could potentially compromise the integrity and independence of the property assessment process. Instead, assessment should be maintained separately from the property tax extension, redemption, collection and disbursement processes. Creating a unified Office of Property Tax Administration would require a county referendum.[340]

In FY2010, combined General Funds expenditures for the different offices were appropriated at $30.4 million. Assuming a 5% reduction in costs as a result of a merger, as much as $1.5 million could be saved. If only General Funds appropriations are considered, savings would be much less – 5% of the $16.7 million in General Fund appropriations would yield approximately $0.8 million.[341]

- Time Frame for Implementation: 3 years
- Responsible Official(s): Board of Commissioners, Voters
- Overlapping Official(s): Not Applicable
- Estimated Cost of Implementation: Minimal
- Potential Cost Savings: $0.8 million to $1.5 million

31. Merge Clerk and Recorder of Deeds Offices

Two possible candidates for further consolidation would be the Offices of County Clerk and the Recorder of Deeds. In Illinois counties with population of under 60,000, the county clerk is also the recorder. This is also the case in many counties across the nation. If the Office of Tax Administration discussed above was adopted, a consolidated Clerk-Recorder would retain responsibility for vital records and elections. Implementing this proposal would require approval by county referendum.[342] The *Reinventing Cook County* report by Commissioner Quigley estimated in 2003 that this effort could save approximately $616,000 through elimination of duplicative functions.[343] In FY2010, combined General Fund expenditures for both offices appropriated at $16.27 million. Assuming a 5% reduction in costs as a result of a merger, as much as $0.8 million could be saved.

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339 See Cook County Commissioner Mike Quigley, *Reinventing Cook County,* Part I, December 2003, pp. 20-22 and Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).
340 Illinois State Constitution Article VII Section 4(c) County Officers.
341 Cook County FY2010 Appropriation Bill.
342 Illinois State Constitution Article VII Section 4(c) County Officers.
343 Cook County Commissioner Mike Quigley, *Reinventing Cook County,* Part I, December 2003, p. 23. The report assumed a 5% savings from consolidation.

- Time Frame for Implementation: 3 years
- Responsible Official(s): Board of Commissioners, Voters, General Assembly
- Overlapping Official(s): Clerk, Recorder of Deeds
- Estimated Cost of Implementation: Minimal
- Potential Cost Savings: $0.8 million

32. Allow the Judiciary to Appoint the Clerk of the Circuit Court

The Illinois Constitution permits the General Assembly to authorize appointment of Circuit Court Clerks by the Circuit Court Judges.[344] Therefore, this change would require state legislation. Of the eight counties nationwide reviewed in this report, Hennepin and Los Angeles Counties appoint their court clerks. The argument for appointment rather than election of this office is that it a ministerial rather than a policymaking office.

- Time Frame for Implementation: 3 years
- Responsible Official(s): Board of Commissioners, Illinois General Assembly
- Overlapping Official(s): Chief Judge
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Nominal

33. Establish Reserve Funds for Capital Equipment Replacement

Since FY2001 Cook County has spent increasing amounts of long-term debt to purchase capital equipment. This category includes assets with much shorter useful lives than the term of the bonds used to purchase the assets. Capital equipment includes such items as office furniture, vehicles and computers. By using long-term debt to purchase these items, the County increases the overall cost of the asset through interest on the loans and may end up paying for assets long after they have been retired from service.

The County’s total appropriations of capital bond funds to purchase frequently replaced capital equipment decreased from a total of $26.1 million in FY2001 until FY2005, when no bond funds were used to purchase capital equipment. However, since FY2005 the total appropriated bond funds for capital equipment increased to a total of $114.2 million in FY2011, a 336.9% increase from FY2001.

Rather than using bond funds for capital resources with shorter useful lives than the life of the debt, Cook County should establish a capital reserve policy in accordance with the best practices prescribed by the Government Finance Officers Association.[345] According to the best practices recommended by GFOA, the County should adopt the following policies for acquisition, maintenance and replacement of capital equipment:

[344] Illinois State Constitution, Article VI, section 18 – Clerks of Courts.
[345] GFOA, Capital Asset Management, Maintenance and Replacement Policy, (2007 and 2010), http://www.gfoa.org/downloads/GFOA_capassetspolicyBP.pdf (last visited on October 1, 2010).

- Maintain and update annually a comprehensive inventory of all capital assets including estimated replacement cost, periodic physical condition updates and realistic useable life estimates;
- Establish replacement plans for all capital equipment with a schedule for purchase prioritized by overall goals and objectives of the County to maintain service levels;
- Allocate adequate annual funding to capital reserves to enable replacement of capital equipment within the estimated usable life of the asset without using long-term bond proceeds; and
- Establish an ongoing source of funds for both the capital plan and budget for renewal and repair of capital equipment.

Using these reserve funds rather than funding purchases through the proceeds of long-term bonds will save on interest cost. This would also reduce the overall cost of County government by reducing annual operating cost for debt service and prevent multiple layers of annual debt service due for capital equipment that is no longer in service. Capital purpose debt should not be used for basic capital maintenance and routine replacement of short-term capital such as vehicles, computers and software and office renovations.[346]

- Time Frame for Implementation: 3 years
- Responsible Official(s): Board President, Chief of Capital Planning
- Overlapping Official(s): Board of Commissioners
- Estimated Cost of Implementation: Not Applicable
- Potential Cost Savings: Not Applicable

[346] John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments*, ICMA, 2004, p. 8.

Recommendations for Year 4

34. Implement Pension Reforms

The Cook County pension fund actuarial value funded ratio has fallen from 94.0% to 63.2% over ten years. The unfunded accrued actuarial liabilities have reached $4.6 billion, or $876 per Cook County resident. While the County's pension fund is not yet in as dire straits as some other state and local pension funds, it soon will be if no action is taken. Major reforms to contributions and benefits will keep the pension fund solvent and distribute tax burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.

Fund Pensions at the Annual Required Contribution Level

The cost to fund at the annual required contribution (ARC) level will be high: In FY2009 the employer cost would have almost tripled, adding an additional $322.5 million to the current $188.3 million employer contribution. This cost increase would be reduced if the ARC funding were shared with employees (e.g., 60/40 or 50/50).

Reduce Benefits for Current Employees

Following the recommendations put forth by the Civic Committee, the County will likely need to reduce expenditures for current employees. Retiree benefits are protected and future hire employee benefits were reduced during the last legislative session. If the pension plan's funded ratio is allowed to deteriorate past the point of recovery, current employee benefits will have to be reduced.

Implement Governance Reforms

The County should reform board governance to be more balanced with management and citizen members rather than employee/retiree dominated.

Increase Contributions

Employer and employee contributions should be increased and made actuarially related to fund health (see the Chicago Transit Authority model—perhaps a 60%/40% employer/employee contribution structure). This will be expensive. In FY2009 the County contributed $188.3 million to the pension fund but it should have contributed an additional $322.5 million in order to meet the actuarially calculated needs of the fund.

Prohibit Benefit Enhancements Until 90% Funded

Cook County should pursue legislation to prohibit benefit enhancements unless the plan is over 90% funded, enhancements are fully funded with contributions and will expire in five years.

- Time Frame for Implementation: long-term, will require state legislation
- Responsible Official(s): Board President, Board of Commissioners
- Overlapping Official(s): Illinois General Assembly
- Estimated Cost of Implementation: Adds costs in the short-term. Cost to fund at actuarial level (ARC) will be high: In FY2009 the employer cost would have almost tripled, adding an additional $322.5 million to the current $188.3 million employer contribution. This cost increase would be reduced if the ARC funding were shared with employees.
- Potential Cost Savings: Long-term benefit is that it keeps the pension fund solvent and distributes tax burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.

35. Consider Establishing a Dedicated Revenue Stream for the Health System

The County should consider establishing a dedicated revenue stream for the Health System to serve as the System's total subsidy from the County. The County and the Health System could both benefit from predictability in the System's annual subsidy. The source could either be an earmarked tax or a formula for determining the subsidy.

As a unique, business-like enterprise within the County, the Health System should not be constrained by the County's budgeting process. At the same time, the County cannot afford to allocate unlimited resources to providing healthcare for the indigent. The Health System's five-year strategic and financial plan is focused on reducing reliance on County support by retaining patients who become eligible for Medicaid coverage under federal health reform and attracting new commercially insured patients.

The County could consider earmarking the reduced sales tax entirely to the Health System as its only subsidy. Among issues to be considered is whether all of the growth in sales tax revenue over time should accrue to the System. This is not likely to be a problem in the near future, assuming that the remaining 0.5 percentage point of 2008 sales tax rate increase is rolled back. The County projected total sales tax revenues for FY2011, with only half of the rollback in effect, at $481 million.[347] The System's total subsidy in FY2010, with all costs included, is expected to exceed $500 million.

The County could also consider dedicating a lump-sum amount to the Health System that would grow over time as determined by a specified inflation factor. This approach might make sense after the Health System realizes efficiencies laid out in the strategic and financial plan.

Appendix 5: Alternative Financing Structures for the Health System provides examples of other public health systems with financing structures that could serve as models for the Cook County Health System.

- Time Frame for Implementation: long-term
- Responsible Official(s): Board President, Board of Commissioners

[347] Cook County FY2010 Annual Appropriation Bill, Citizens' Summary, p. 36.

- Overlapping Official(s): Health and Hospital System Officials, Chief Financial Officer, Budget Director
- Estimated Cost of Implementation: Nominal
- Potential Cost Savings: Not Applicable

36. Develop a Vision for the County Revenue Structure

Once Cook County streamlines its expenditures and right-sizes its operations, the County should develop a revenue diversification policy to ensure that crucial services receive a stable funding source.

Nationwide, property taxes are the largest source of own-source revenues for counties.[348] Historically, the property tax has been the largest revenue source in Cook County, as well. There has been a clear change in direction of the County's revenue structure away from the property tax as the largest revenue source and toward home rule taxes, including the sales tax. This change appears to be in part the result of a longstanding policy to keep property taxes flat.

Each type of tax and fee brings with it unique advantages and disadvantages. The overall mix of county revenues should be examined and discussed in order to develop a revenue mix target that furthers the County's fiscal and policy goals.

Limited increases in Cook County's property tax levy may be appropriate if these increases are tied to policies that improve the overall financial health of the County. Cook County has not increased the property tax levy during the past ten years, although the same Commissioners have increased the property tax levy for the Forest Preserve District many times over that period. The property tax is an ad valorem tax, which means that it is determined according to value. The tax base (taxable assessed value of property) increased by 67.8% from FY2001 to FY2007. However, in Illinois if the property tax levy is kept flat none of the growth in property tax values or new construction is captured by the tax; only the distribution between taxpayers changes.

The Cook County tax rate for real property has declined by 44.4% from 0.746 in FY2001 to 0.415 FY2008. Cook County's share of the composite Chicago property tax bill has also declined. In 2001, 9.70% of a typical bill was distributed to Cook County[349] and in FY2008 it was 8.60%.[350] Any levy increase should be implemented only as part of a larger financial plan and after the structural deficit and cost drivers are addressed. Limited increases in the property tax levy can then be used to address inflationary increases to ensure the structural deficit does not re-merge. The average inflation rate during the past five years for the Chicago-Gary-Kenosha area was 2.68%.[351] If the property tax levy were increased at 2.68% per year for the next five years, it would generate approximately $80 million in additional revenue per year.

- Time Frame for Implementation: 4 years

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[348]National Association of Counties, *Overview of County Government,* http://www.naco.org/Counties/Pages/Overview.aspx.
[349] Source: Cook County Clerk, 2001 Tax Rates Extended, p.iv.
[350] Source: Cook County Clerk, 2008 Tax Rates Extended, p.v.
[351] Bureau of Labor Statistics.

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners
- Estimated Cost of Implementation: None
- Potential Cost Savings: None

APPENDIX 1: METHODOLOGY

Information contained in this report was compiled by reviewing Cook County financial documents, examining previous reports on reforming Cook County government and interviewing members of our Cook County Modernization Project Committee. This appendix describes these sources and provides more detail on our estimate of the FY2011 deficit.

Sources

The data in the report was taken from executive proposed budgets, appropriation bills, comprehensive annual financial reports and disclosure documents issued in connection with recent bond offerings.

The majority of our financial data was obtained from the appropriation bills, although the budget documents provided information about certain county functions. The Civic Federation made numerous requests for information to the Cook County Bureau of Finance, beginning in June of 2010. Our requests to meet with county officials and to obtain supplementary data were denied.

Officials from the Health and Hospitals System met with us and responded to numerous data questions. The Federation attended meetings of the Health System Board of Directors and Finance Committee and reviewed minutes that were posted on the webpage of the Cook County Secretary of the Board.

The Civic Federation also relied on audited data, using the FY2008 comprehensive audited financial statements. The FY2009 audited financial statements were released more than nine months after the close of the fiscal year, making it impossible for us to include much of the data in our analysis.

Cook County has also been the subject of numerous studies and reports over the years. This report sought to synthesize findings from those reports and draw on their recommendations. Staff reviewed these documents and drew on their findings to understand Cook County's governance structure and operational issues.

The Civic Federation convened a committee of business professionals and subject matter experts to guide the work done on the Cook County Modernization Project. The committee met on a monthly basis to review staff work, offer guidance and provide subject matter expertise on numerous topics. Staff discussed county issues with committee experts on information technology, purchasing and healthcare.

Deficit Estimate

The Civic Federation noted that before the County can embark on major reform, it must first close the projected deficit for FY2011. The Civic Federation used the deficit estimate listed in the FY2010 Appropriation Bill because this was the last published figure.[352] Numerous attempts were made to obtain an updated number from the County, but were denied. Media reports indicate that the FY2011 projected deficit may total between $300 million and $500 million.

The Federation, understanding the need to close the deficit and the added cost of immediately rolling back the full 2008 sales tax rate increase, projected actions that may be necessary to close the deficit. The cost estimates and deficit estimates are extremely tentative due to limitations on publicly available data, as mentioned above.

The FY2010 Appropriation Bill, which includes the latest published data, projected the FY2011 General Funds deficit at $285.9 million. The appropriation bill based its expenditure projection on an annual growth rate of 2.55% for all expenses including personnel. However, a recent arbitration with Council 31 of the American Federation of State, County and Municipal Employees awarded the following increases that differ from the projected growth in expenditures: December 1, 2008: 2.0%, December 1, 2009: 1.5%, December 1, 2010: 2.0%, December 1, 2011: 2.0%, June 1, 2012: 1.0%.

All candidates for Board President have indicated plans to repeal the remaining 0.5 percentage point of the sales tax increase. If rolled back immediately after the new president took office, the Federation estimates that the repeal would affect only two months of revenue collection in FY2011 because of the lag time between adoption, implementation and disbursement.

The Health System is expecting to receive roughly $9 million more in Medicaid revenues in FY2011 than was forecast in the County's deficit calculation. The increase stems from Congressional approval in August of 2010 of a six-month extension of enhanced Medicaid benefits under the federal stimulus program. The enhanced benefits were scheduled to end on December 31, 2010, but have been extended until June 30, 2011.

The appropriation deficit estimate is increased by $31.7 million to reflect two months of reduced sales tax collection net and the $9 million of additional Medicaid revenues, bringing the total projected deficit to $308.6 million.

The Civic Federation did an analysis to determine the scope of reductions necessary by examining General Funds appropriations only[353] and excluding Fixed Charges and Special Purpose Appropriations. The Department of Corrections and Juvenile Temporary Detention Center (JTDC) were also excluded from this calculation because they are under court orders.[354] This resulting base of expenditures on which to apply reductions is approximately $800 million.

[352]In a September 27, 2010 letter to bureaus and departments, Takashi Reinbold, Director of the Department of Budget and Management Services, stated that the outlook for revenues worsened in the past few months but did not include a revised estimate of the total deficit.
[353] Cook County FY2010 Appropriation Citizens' Summary p. 58-63
[354] Duran v. Sheahan, 74 C 2949 (N.D. Ill.) and Jimmy Doe v. Cook County Juvenile Detention Center, 99 C 3945 (N.D. Ill.).

APPENDIX 2: PREVIOUS REPORTS ON REFORMING COOK COUNTY GOVERNMENT

The Civic Federation considered the findings of the following reports in formulating its recommendations for improving Cook County government.

- Cook County Board President John H. Stroger, *Financial Issues, Resources and Strategies for Transition (FIRST) Report*, May 24, 1995

- Cook County Board President John H. Stroger, Revenue Enhancement Committee, *Summary of Findings & Recommendations*, November 6, 1996

- The Civic Federation and the Chicagoland Chamber of Commerce, *Cook County Cost Control Task Force Report,* June 2001

- Cook County Commissioner Mike Quigley, *Fiscal Strategies for the Cook County Sheriff's Police,* August 2001

- Cook County Commissioner Mike Quigley*, Reinventing Cook County,* December 2003

- Cook County Commissioner Larry Suffredin*, Transition Team Final Report*, 2003/2004

- Cook County Commissioner Forrest Claypool, *Applying Technology to Improve Service and Reduce Costs in Cook County Government*, November 18, 2004.

- *Report of the Cook County Bureau of Health Services Review Committee,* October 2007

- Northwestern University, Feinberg School of Medicine, Institute for Healthcare Studies*, Protecting the Legacy of Caring for Vulnerable Populations: Essential Priorities for the Cook County Health Care System*, July 2006

- Cook County Board President Bobbie L. Steele, Cook County 2006 Transition Team Final Report, September 2006.

- Center for Tax and Budget Accountability, *Cook County's Revenue System is Structurally Unable to Support the Public Services it Provides*, September 2007.

- National Public Health and Hospital Institute, *Best Practices in Public Hospital Governance: Assessment of Proposals to Restructure the Cook County Bureau of Health Services*, May 2008

APPENDIX 3: BASING HEALTH SYSTEM REDUCTIONS ON THE COUNTY SUBSIDY

Recommendation 3 of this report states that budgetary reductions aimed at the Health System should be based on its County subsidy, rather than its budget, in order to give the System an incentive to increase its fee revenues. The following chart provides a numeric demonstration of this point.

In Scenario A, the Health System expects to bring in $100 million in additional fee revenue. It is told to cut its appropriations by 20% or $120 million to $640 million. The County subsidy is reduced to $40 million, but the Health System does not benefit from increased fee revenues.

In Scenario B, the Health System again must cut appropriations by 20%, but the System does not expect additional fee revenue. The System's appropriations are the same as in the first case, but the County subsidy is $100 million higher. The Health System is indifferent between A and B, but the County is worse off.

In Scenario C, the Health System brings in $100 million in additional revenue and its subsidy is cut by 53.3%. The subsidy from the County is the same as in Scenario B, so the County is indifferent between B and C. The Health System prefers C, because its appropriations are higher. Any cut in the subsidy above 53.3% but below 86.7% benefits both the County and the Health System.

In Scenario D, the subsidy is cut by 60%. The County benefits by being required to pay a lower subsidy than in B. The Health System benefits by receiving higher appropriations than in A.

Impact of Basing Cook County Health System Budget Actions on Appropriations vs. Subsidy (in $ millions)

	Year 1	Scenario A Year 2 (Additional Revenues, Cut Appropriations by 20%)	Scenario B Year 2 (No Additional Revenues, Cut Appropriations by 20%)	Scenario C Year 2 (Additional Revenues, Cut Subsidy by 53.3%)	Scenario D Year 2 (Additional Revenues, Cut Subsidy by 60%)
Health System Revenues	$ 500	$ 600	$ 500	$ 600	$ 600
Health System Appropriations	$ 800	$ 640	$ 640	$ 740	$ 720
County Subsidy	$ 300	$ 40	$ 140	$ 140	$ 120

APPENDIX 4: COOK COUNTY HEALTH SYSTEM PAYER MIX: MAY 2008-JULY 2010

	May 2008	June 2008	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
Medicaid	26.7%	27.4%	27.4%	27.5%	27.8%	28.8%	29.1%	38.5%
Medicare	11.2%	11.0%	10.8%	10.8%	10.8%	10.6%	10.5%	8.0%
Commercial	4.6%	4.6%	4.7%	4.7%	4.7%	5.2%	5.2%	5.0%
Uninsured	57.5%	57.0%	57.1%	57.0%	56.7%	55.4%	55.2%	48.5%
	January 2009	**February 2009**	**March 2009**	**April 2009**	**May 2009**	**June 2009**	**July 2009**	
Medicaid	35.0%	34.4%	35.4%	35.9%	35.8%	35.7%	35.3%	
Medicare	8.6%	8.8%	8.8%	9.0%	8.9%	9.0%	9.0%	
Commercial	5.7%	6.0%	6.1%	5.3%	5.3%	5.3%	5.3%	
Uninsured	50.7%	50.8%	49.7%	49.8%	50.0%	50.0%	50.4%	
	August 2009	**September 2009**	**October 2009**	**November 2009**	**December 2009**			
Medicaid	34.8%	34.3%	33.8%	33.3%	29.1%			
Medicare	9.2%	9.2%	9.2%	9.3%	12.2%			
Commercial	5.3%	5.2%	5.4%	5.4%	5.4%			
Uninsured	50.7%	51.3%	51.6%	52.0%	53.3%			
	January 2010	**February 2010**	**March 2010**	**April 2010**	**May 2010**	**June 2010**	**July 2010**	
Medicaid	27.9%	28.8%	29.1%	29.4%	29.7%	29.7%	29.1%	
Medicare	10.3%	10.5%	10.6%	10.5%	10.6%	10.7%	10.6%	
Commercial	6.2%	6.1%	6.0%	5.7%	5.7%	5.7%	5.6%	
Uninsured	55.6%	54.6%	54.3%	54.4%	54.0%	53.9%	54.7%	

Source: Cook County Health and Hospitals Systems, Minutes of the Finance Committee, various dates.

APPENDIX 5: ALTERNATIVE FINANCING STRUCTURES FOR THE HEALTH SYSTEM

Recommendation 35 of this report states that Cook County should consider establishing a dedicated revenue source for the Cook County Health and Hospitals System. This appendix provides information about public health systems with financing structures that could serve as models for the Health System.

<u>Parkland Health & Hospital System</u>[355]

- Location
  - Dallas, Texas
- Organization
  - The Dallas County Hospital District (doing business as Parkland) is a component unit of Dallas County, Texas.
- Governance
  - The seven members of Parkland's Board of Managers are appointed by the Dallas County Commissioners Court. Members are appointed for two-year terms and are limited to three terms. The Dallas County Commissioners Court approves Parkland's tax rate and annual budget.
- Financing
  - Dallas County taxpayers provide property tax revenues to Parkland, but Dallas County does not hold title to any of Parkland's assets and does not have any rights to any surpluses of Parkland. Parkland has issued bonds subject to a vote of Dallas County voters and an order of the Dallas County Commissioner's Court. Parkland is responsible for all benefit payments.
- Operations
  - Parkland operates the 672-bed Parkland Memorial Hospital, outpatient clinics and the Dallas County jail health system. Parkland reported operating revenues of $1.1 billion in FY2009, which ended on September 30, 2009 and non-operating revenues (property taxes) of $454.8 million. Total operating expenses were $1.4 billion.

<u>Harris County Hospital District</u>[356]

- Location
  - Houston, Texas
- Organization
  - The District is a component unit of Harris County, Texas.
- Governance

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[355] Dallas County Hospital District, Financial Statements as of and For the Years Ended September 30, 2009 and 2008; Parkland website at http://www.parklandhospital.com/whoweare/leadership/index.html (last visited on September 21, 2010).

[356] Harris County Hospital District and Affiliates, Combined Financial Statements as of and for the Years Ended February 28, 2010 and 2009; District website at http://www.hchdonline.com/board/members.htm (last visited on September 21, 2010).

    - The nine members of the District's Board of Managers are appointed by the Harris County Commissioners Court for two-year terms.
- Financing
    - The District receives property tax revenues from Harris County taxpayers. The Harris County Commissioners Court approves the District's tax rate and annual operating and capital budget. Harris County does not provide any funding to the District, hold title to any of the District's assets or have any rights to any surpluses of the District.
- Operations
    - The District operates two hospitals and a hospital-based rehabilitation facility with a total of 963 beds, as well as clinics. The District reported operating revenues of $904.8 million and non-operating revenues of $557.4 million for FY2010, which ended on February 28, 2010. Total operating expenses were $1.4 billion.

Jackson Health System[357]

- Location
    - Miami, Florida
- Organization
    - The Public Health Trust of Miami-Dade County is an enterprise fund of the County.
- Governance
    - The operations of Jackson Health are overseen by the Public Health Trust. The Trust Board has 17 voting members, who are appointed by the County Commission.
- Financing
    - The Trust receives sales taxes from the County to defray the costs of treating the poor. The Trust submits annually a budget for capital and operating expenses to the County Commission for approval.
- Operations
    - Jackson Health consists of Jackson Memorial Hospital, clinics, a mental health hospital and two nursing homes. Sales tax revenue totaled $173 million in 2009.

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[357] Cook County Health and Hospitals System, Selected Public Hospital Organizational Structures, Comparative Information, March 25, 2010, p. 8.