



THE CIVIC FEDERATION
2011 ANNUAL REPORT

RESEARCH · INFORMATION · ACTION
SINCE 1894

2011



HISTORY

The Civic Federation was founded in 1894 by several of Chicago's most prominent citizens, including Jane Addams, Bertha Honoré Palmer and Lyman J. Gage. They coalesced around the need to address deep concerns about the city's economic, political and moral climate at the end of the 19th century. The Federation has since become a leading advocate for efficient delivery of public services and sustainable tax policies.

Today, the work of the Federation continues to evolve as a greater emphasis is placed on working with government officials to improve the efficiency, effectiveness and accountability of the State and local governments. The Civic Federation's Institute for Illinois' Fiscal Sustainability was launched in 2008 to provide Illinois policymakers, the media and the general public with timely and comprehensive analysis of the state budget and other fiscal proposals for the State of Illinois.

THE CIVIC FEDERATION'S MISSION

To provide objective research, analysis and recommendations that:

- Champion efficient delivery of high-quality government services;
- Promote sustainable tax policies and responsible long-term financial planning;
- Improve government transparency and accountability; and
- Educate and serve as a resource for policymakers, opinion leaders and the broader public.

2011 ACCOMPLISHMENTS

Significant Steps to Modernize City and County Operations

The Civic Federation released a series of local government roadmap reports in 2010 and 2011 to provide evidence-based and actionable recommendations for the new leaders of the City of Chicago and Cook County. Both governments have made significant progress on many of the recommendations in these reports. In the City of Chicago, this progress included a comprehensive review of the City's procurement process, reduction of the City workforce by 7% and the implementation of managed competition with blue cart residential recycling. Cook County has similarly embraced many of the Federation's recommendations by adopting a budget with significant reductions, reforming the County's purchasing process and implementing plans to fully repeal the sales tax increase of 2008.

Medicaid Reforms

The Medicaid reform legislation the State of Illinois enacted in January 2011 includes many Civic Federation-backed initiatives. These recommendations include instituting a managed care program for disabled and elderly Medicaid recipients and global budgeting for the Medicaid program, which will ensure that the many departments running the Illinois Medicaid program work together toward program goals rather than protecting the line items in their own budgets.

Improvements to State and Local Budget Practices

The State of Illinois, City of Chicago and Cook County all adopted long-time Civic Federation recommendations this year to improve the effectiveness, accountability and transparency of their budget practices. The State of Illinois' *Budgeting for Outcomes* initiative now requires the state to reduce spending to match its reasonably expected revenues, just as the Civic Federation's state research institute has recommended in its reports on the state budget. The City of Chicago also made an important step toward increased fiscal transparency by releasing an Annual Financial Analysis and Quarterly Budget Reports which compare the City's current financial position with budgeted revenues and expenditures. Finally, the introduction of Cook County's STAR Performance Management Reports follows a long-time Civic Federation recommendation to provide policy-makers with objective information and enhance public accountability.



FROM OUR CHAIRMAN AND PRESIDENT



For the State of Illinois and local governments in the Chicago region, the past year brought both a heightened need for reform and a unique opportunity to positively influence fiscal policy.

The State of Illinois and many local governments continued to face significant structural deficits and crippling pension liabilities after years of ignoring the long-term consequences of fiscal decisions. In addition to individual budget analyses for nine local governments and the State of Illinois, the Civic Federation provided general recommendations for addressing these shared concerns. Read more about these recommendations on pages six and seven.

Leadership transitions in the City of Chicago and Cook County offered an opening for reform with a new Cook County Board President, the first new mayoral administration for the City of Chicago in over 20 years and 18 new aldermen – the largest City Council turnover in decades. As detailed on the opposite page, Civic Federation recommendations and analysis propelled significant reforms to modernize City and County operations. Read more about action taken by the Civic Federation to positively influence fiscal policy on page 11.

In its third year, the Civic Federation's Institute for Illinois' Fiscal Sustainability continued to expand its expertise and influence on the Illinois budget process. The Institute monitored State of Illinois budget negotiations throughout the year and published a series of reports on the FY2012 budget cycle, including a close analysis of the effect of the January 2011 income tax increase on the State's enormous deficit. The Institute's "State of Illinois Enacted Budget FY2012" received national recognition from the Governmental Research Association for distinguished research. A full summary of the Institute's work in 2011 is on page 13.

The generous support of our Board of Directors and members is fundamental to the Civic Federation's continued success. We are deeply grateful for the expertise of each member, for the steady leadership of our officers and for the dedication of our committee chairs as they guided work on important policy questions throughout the year.

In this time of fiscal uncertainty, the Civic Federation's voice for rational budgeting and fiscal policy is more important than ever. Thank you for your continued support and encouragement of our work.

Thomas E. Livingston
Chairman

Laurence J. Msall
President



RESEARCH

“The Civic Federation plays an important role in calling for fiscal responsibility and encouraging positive dialogue in our work to move Illinois forward.”

— Pat Quinn, Governor, State of Illinois —

Central to the Civic Federation's mission is the dissemination of reliable, independent information to public officials, the media and the general public. In 2011 Federation research included recommendations to the new administrations in the City of Chicago and Cook County, as well as a financial analysis of the Chicago Charter Schools, analysis of property tax rates in Cook County and an update on the status of local pension funds. These and all Civic Federation reports are available for free download at www.civicfed.org.

City of Chicago Fiscal Roadmap Project

The Civic Federation responded to the prospect of new leadership in Chicago with a two-part roadmap to provide evidence-based and actionable recommendations for the new administration and City Council.

Financial Challenges for the New Mayor of Chicago: Analysis and Recommendations

This report outlined the financial difficulties facing the City of Chicago and provided preliminary recommendations for ways to improve and stabilize the City's finances in the short- and long-term.

Recommendations for a Financially Sustainable City of Chicago

The second part of the series included 40 comprehensive recommendations for making various functions of City government more efficient, less costly and more accountable.

The Cook County Modernization 100-Day Accountability Report

This report included detailed information on the status of all 36 recommendations from the Civic Federation's Cook County Modernization Report (published in October 2010) including a dashboard rating system for recommendations that were to be implemented within the first 100 days under the leadership of Cook County Board President Toni Preckwinkle.

A Financial Analysis of the Chicago Charter Schools: A Financial Indicator Analysis and Primer

This report was the first of a two-part study and provided the first-ever financial analysis of Chicago's charter schools. Part one of the analysis included a primer on charter schools as well as a comprehensive examination of Chicago charter school finances and financial performance in fiscal years 2007 and 2008. The second part will focus on in-depth case studies of selected Chicago charter schools.

The Chicago Experience: A P3 Checklist

This article was published in the June 2011 edition of *Government Finance Review*, a magazine of the Government Finance Officers Association. The article reviews the City of Chicago's experiences with three major public-private partnership (P3) asset lease transactions – the Skyway, the downtown parking garages and the parking meters – and articulates lessons learned from those transactions for financial managers.

Updated Cook County Property Tax Extension Process Primer

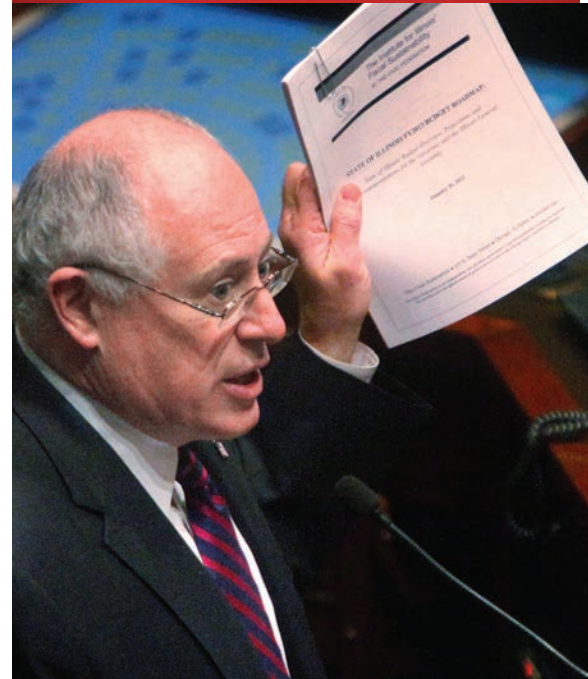
First published in October 2010, the purpose of this report was to describe how property taxes are extended in Cook County. The 2011 update added additional years of data and provided an enhanced explanation of the effect of tax increment financing (TIF) on local governments and taxpayers in Cook County.

Annual Reports on Local Pension Funds, Consumer Taxes and Property Taxes

The Civic Federation annually produces reports on the status of ten local pension funds in metropolitan Chicago, a summary of selected consumer taxes in the City of Chicago, an estimate of the full value of real estate in Cook County and an analysis of effective property tax rates in the six-county region of Northeast Illinois. Visit www.civicfed.org/library to read more about the conclusions of these reports.

Weekly Commentary and Research on Civic Federation Blogs

The Civic Federation blog provided weekly rapid-response commentary on current events and original research to accompany publications. The Federation's Institute for Illinois' Fiscal Sustainability also published weekly posts with updates on the FY2012 Illinois budget negotiations, analysis of Illinois' ongoing pension and Medicaid crises and timely research on other fiscal issues impacting the State of Illinois.



Governor Pat Quinn cites the Civic Federation's "State of Illinois FY2013 Budget Roadmap" during his budget address to the Illinois General Assembly on February 22, 2012.

©The State Journal-Register

Local Government Budget Analyses

The Civic Federation's core activities in 2011 included budgetary analysis for nine local governments in the City of Chicago and the Counties of Cook and DuPage. In 2011 the Civic Federation took the following positions:

City of Chicago FY2012 Proposed Budget

The Civic Federation *supported* the proposed FY2012 City of Chicago Budget of nearly \$6.3 billion because it took effective action to reduce the City's structural deficit through significant expenditure reductions and targeted revenue increases. The proposed budget also greatly reduced the City's reliance on one-time revenue sources to close the \$635.7 million budget gap. The Federation warned that the City will continue to face significant challenges with an ongoing – although much smaller – structural deficit, enormous unfunded pension liabilities and growing bonded indebtedness.

Chicago Public Schools FY2012 Budget

The Civic Federation *supported* the Chicago Public Schools (CPS) proposed \$5.9 billion budget for FY2012 as a reasonable short-term plan to fund the District's core educational mission through its difficult, deepening financial crisis. The Federation *had strong concerns* about the District's long-term fiscal health. The analysis noted that CPS will face enormous budget shortfalls in future years, particularly with the expiration of a three-year partial pension contribution holiday in FY2014.

Cook County FY2012 Recommended Budget

The Civic Federation *supported* the Cook County FY2012 Executive Budget Recommendation totaling \$2.9 billion which closed a \$315.2 million shortfall. The analysis noted that the County administration was on a path toward significant reform of governmental operations, as recommended by the Federation in its Cook County Modernization Report. The Civic Federation was *concerned* about the County's long-term structural deficit and recommended that the County produce a long-range financial plan that addresses the County's cost drivers.

Chicago Transit Authority FY2012 Proposed Budget

The Civic Federation *supported* the FY2012 proposed Chicago Transit Authority Budget of approximately \$1.2 billion because it ended the past practice of using capital funds to close operating gaps and maintained current fare and service levels. The budget was predicated

on substantially curbing expenditure growth by addressing expensive labor practices, thereby setting a direction for structurally balanced budgets in the future. The analysis noted that the FY2012 budget depends on the cooperation of labor unions and arbitrators to enact work rule changes worth \$160 million in annualized savings.

Metropolitan Water Reclamation District FY2012 Tentative Budget

The Civic Federation offered *conditional support* for the Metropolitan Water Reclamation District's (MWRD) FY2012 Tentative Budget of \$1.0 billion. The Federation supported the MWRD's additional \$30 million contribution to its pension fund and its efforts to reduce personnel and operational costs. However, the Federation was *concerned* that the District increased its property tax levy to the maximum amount allowed by statute for the second year in a row. The analysis also noted concern that the District would not comply with its own fund balance policy.

City Colleges of Chicago FY2012 Tentative Budget

The Civic Federation *supported* the City Colleges FY2012 Tentative Budget totaling \$651.5 million, an increase of \$69.5 million, or 12.0% over the adopted FY2011 budget. The Federation recognized City Colleges' multi-year reorganization effort, *Reinvention*, as a model for other governments to emulate. *Reinvention* includes improving the financial and operational health of the colleges system, measuring progress on outcomes and using zero-based budgeting to better align resources with goals.

DuPage County Proposed FY2012 Financial Plan

The Civic Federation *supported* the DuPage County Proposed FY2012 Financial Plan of \$434.7 million because the County reduced expenditures for the third year in a row while keeping the property tax levy at the same level as last year and pledging to maintain the same level of service. The analysis recommended that DuPage County fully adopt the planning policies the Civic Federation enumerated in its past analyses of the County's budgets.



Dan Cronin, DuPage County Board Chairman

“With its thoughtful and evidence-based analysis, the Civic Federation is a strong fiscal conscience for governments in Northeast Illinois.”

—Dan Cronin,

DuPage County Board Chairman



Civic Federation staff Laurie Cohen, Laurence Msall and Peter Matuszak testify at a joint hearing of the Illinois Senate Appropriations Committee

Chicago Park District FY2012 Budget

The Civic Federation *supported* the Chicago Park District's FY2012 Budget of \$407.5 million because it held the property tax levy flat for the seventh year in a row and emphasized cost containment and revenue diversification. The Federation also supported the District's development of a fund balance policy and its efforts to eliminate its structural deficit through a multi-year plan. The analysis also noted *concern* about the declining health of the District's pension fund.

Forest Preserve District of Cook County FY2012 Proposed Budget

The Civic Federation *supported* the Forest Preserve District of Cook County FY2012 Executive Budget Recommendation totaling \$195.0 million, which included both operating and capital expenditures. The Federation commended the District for holding its property tax levy flat during a period of continued financial hardship for many Cook County residents, for taking steps toward more effective personnel management starting with a comprehensive desk audit and for showing prudence by maintaining substantial reserves.

Overall Local Government Budget Recommendations

While each local government's budget and fiscal health status was evaluated individually, the Civic Federation identified three problems common to many of the governments analyzed, including declining health of employee pension funds, a lack of adequate fund balance reserved for contingencies and possible future financial difficulties. In a year-end summary of local government budget analyses, the Civic Federation made the following recommendations to help alleviate these shared issues:

- Implement comprehensive pension reform;
- Follow the Government Finance Officers Association guidelines for General Fund fund balance policy; and
- Develop and implement a formal long-term financial planning process.

State of Illinois FY2012 Recommended Operating and Capital Budgets

The Civic Federation *opposed* Governor Pat Quinn's \$52.7 billion FY2012 Recommended Operating Budget for the State of Illinois because it overestimated revenues, continued to rely heavily on borrowing for operations and would create a \$1.45 billion operating shortfall due to a proposed increase in expenditures. However, the Civic Federation was *encouraged* that Governor Quinn took steps to resolve the fiscal crisis including signing income tax increase legislation in January 2011 and recommending some cuts in spending.

State of Illinois FY2012 Enacted Budget

The Civic Federation's Institute for Illinois' Fiscal Sustainability examined the State of Illinois' Operating and Capital Budgets as enacted for Fiscal Year 2012, which began on July 1, 2011 and ends on June 30, 2012. Despite a major tax increase implemented in January 2011, the analysis projected that the total General Funds deficit would grow in FY2012 and cautioned that with the 2012 budget the State continued to deal with its financial problems by delaying payments to vendors and local governments.

For more information on the Institute for Illinois' Fiscal Sustainability, see page 13.



INFORMATION

“The Civic Federation is a valued partner in our work to ensure effective and accountable government for the people of Chicago.”

— Rahm Emanuel, Mayor of Chicago —

Government officials, local media organizations and the public rely on the Civic Federation as a source of timely, objective information on state and local government finance. Throughout the year, the Federation and its members work closely with officials to stay informed and to provide evidence-based, independent analysis on the issues impacting the State and local governments.

Issues and Challenges Facing Local Governments

City of Chicago Mayor Rahm Emanuel addressed the Civic Federation Board of Directors shortly before taking office in May. Mayor Emanuel discussed his plans to address the City's economic challenges including proposing \$75 million in cuts to the City's FY2011 budget, appointing a special mayoral council of fiscal advisors and issuing consumer reports for each agency to combat the inefficiencies of City operations.

Cook County Board President Toni Preckwinkle also shared her plans with the Civic Federation Board of Directors when she spoke at a meeting in January shortly after taking office. President Preckwinkle discussed her plan to impose budget cuts to balance the County's \$487 million deficit and emphasized her commitment to increased fiscal responsibility and transparency.

DuPage County Board Chairman Dan Cronin addressed the Civic Federation Board to share his plans to make DuPage County more efficient and transparent including a comprehensive analysis of the County's budget and the launch of a new financial reporting system.

Cook County Treasurer Maria Pappas addressed Civic Federation Board members in June to discuss a report compiled by her office on the debt and pension liabilities of Cook County local governments that receive property taxes. Treasurer Pappas stressed the need for each unit of government to examine its operations and identify potential savings.

City of Chicago Chief Financial Officer Lois Scott and Budget Director Alex Holt addressed Civic Federation members in July. Ms. Scott outlined the administration's work on pension reform, efficiency improvements, TIF reform and public-private partnerships as well as the implementation of a three-year budget plan for the City. Ms. Holt described the administration's management and cost-cutting initiatives, which included implementation of a new reimbursement policy for sister agencies and reduction in infrastructure and property management inefficiencies.

State of Illinois FY2012 Budget Updates

Civic Federation members heard from *Illinois State Treasurer Dan Rutherford* about the State of Illinois' fiscal challenges and his first nine months in office. Treasurer Rutherford discussed the implications of federal budget negotiations for the State as well as recent proposals to reform the State's pension systems.

Senate Minority Leader Christine Radogno presented a summary of the Senate Republicans' FY2012 budget plan to the Civic Federation Board in April. Senator Radogno outlined her caucus' legislative work on pension reform, TIF reform and funding for public transit.

Challenges Facing the Illinois Medicaid Program

Illinois Department of Healthcare and Family Services Director Julie Hamos was the guest speaker at a special meeting of the Civic Federation's Healthcare Committee in January. Director Hamos discussed how the State's recently enacted Medicaid reform legislation would affect the cost and provision of healthcare services to the Medicaid population in Illinois.

Future of the Cook County Health and Hospitals System

Cook County Health and Hospitals System CEO Dr. Ram Raju was the guest speaker at a meeting of the Civic Federation's Healthcare Committee in December. Dr. Raju told the committee about steps being taken to address the Health Systems' extremely challenging FY2012 budget, including work with the State of Illinois to reduce a backlog of Medicaid applications and efforts to improve the System's assessment and billing processes.

The Centennial Vision: A Framework for Reimagining Navy Pier

Jim Reilly, Trustee of the Metropolitan Pier and Exposition Authority, addressed the Civic Federation Board in September, shortly after operation of Navy Pier was turned over to the non-profit organization Navy Pier, Inc. Mr. Reilly was joined by representatives from Navy Pier, Inc. to present the Centennial Vision plan for reinventing Navy Pier. The plan included renovations to the landscape of the Pier, improved traffic flow, new homes for Chicago Children's Museum and Chicago Shakespeare Theater and an emphasis on environmental and economic sustainability.



Mayor Rahm Emanuel addresses the Civic Federation Board of Directors.



ACTION

“Healthy democracies need organizations like the Civic Federation, which are committed to long-term government research, transparency, accountability and analysis to inform our citizenry.”

— Toni Preckwinkle, Cook County Board President —



Civic Federation research frequently propels action to improve the efficiency, effectiveness and transparency of the State of Illinois and local governments in the Chicago region. The Federation took action on a number of important policy questions in 2011 including:

Urging Fiscal Restraint Instead of More Borrowing for Unpaid Bills

The Civic Federation opposed proposals to borrow funds to pay down the State's backlog of unpaid bills. The Federation estimated that the borrowing would cost the State billions in additional interest costs over the life of the bonds. Instead, the Civic Federation recommended that the state pay down its backlog of bills through fiscal restraint, particularly by holding the line on spending through the end of FY2011. The Federation's opposition was noted in its analysis of the state budget and publicized in the media. The borrowing proposal ultimately failed to gain sufficient support in the legislature.

Position Statement on Property Tax Exemptions for Charitable Organizations

Guided by the Civic Federation Property Tax Committee, this position statement urges the Illinois General Assembly to establish clear standards of eligibility on property tax exemptions for charitable organizations. The Federation expressed concern that many organizations were uncertain about their property tax status due to the lack of clear, definable standards in the Illinois Constitution and state law as well as recent unexplained exemption denials by the Illinois Department of Revenue.

Call to Limit Seniors Ride Free to Low-Income Seniors

The Civic Federation was one of the strongest voices calling for the repeal of the Seniors Ride Free subsidized transit program for all but the lowest income seniors. The program, which offered free rides to all senior citizens 65 and over, strained the resources of public transit agencies while allowing seniors who could afford to pay their fair share the ability to ride for free. After Governor Pat Quinn signed Public Act 096-1527 restricting free ride eligibility to low-income seniors, transit operators projected annual savings of \$37 to \$90 million.

Cook County Unincorporated Task Force

In 2011 Cook County Board President Toni Preckwinkle appointed two Civic Federation Board members and Civic Federation President Laurence Msall to a new task force examining costs and services provided to unincorporated Cook County. The creation of the task

force was the result of a Civic Federation recommendation in our 2010 "Cook County Modernization Report" to end the subsidy by county taxpayers who reside in municipalities to unincorporated residents. The new task force will evaluate opportunities to share costs in a fairer fashion for both unincorporated and incorporated residents and to improve service delivery to residents of unincorporated areas.

City of Chicago Task Force on TIF Reform

In "Recommendations for a Financially Sustainable City of Chicago," the Civic Federation urged a comprehensive review of Chicago's Tax Increment Financing (TIF) program to determine its effectiveness and consider the development of a policy to guide its future use. Chicago Mayor Rahm Emanuel acted on this recommendation shortly after taking office by creating the TIF Task Force, which included Civic Federation President Laurence Msall. The task force was charged with crafting TIF policy and guidelines and making recommendations on how to improve the performance, transparency and accountability of the City's TIF program. The task force's report provided summaries of TIF revenues and expenditures and recommended that the City Council develop a multi-year economic development plan that includes coordination of TIF with the City's capital budget.

Continued Support for Cook County Health and Hospitals System Strategic Plan

After a year-long strategic planning process, the Cook County Health and Hospitals System announced their decision to discontinue acute-care hospital services at Oak Forest Hospital and turn the existing campus into a comprehensive regional center for outpatient care. The Civic Federation supported the closure as part of a broader strategic effort to refocus the System's limited resources on expanding outpatient services. In a letter to the Illinois Health Facilities and Services Review Board, the Civic Federation called on the Board to approve the Health System's plan and allow the System to restructure itself to provide healthcare more efficiently. After twice rejecting the plan, the Health Facilities Board approved the proposal on August 16, 2011.



Cook County Board President Toni Preckwinkle with Civic Federation member Woods Bowman at the April 2011 announcement of a new task force to examine the cost of services provided to unincorporated Cook County.



Cheryl Hyman, City Colleges of Chicago
Chancellor

“We look to the Civic Federation as an objective and independent resource for budgetary analysis and recommendations to strengthen our fiscal sustainability. The Civic Federation has been tremendously supportive of our efforts to introduce increased accountability into the City Colleges budgeting process and to ensure responsible stewardship of taxpayer dollars.”

—Cheryl Hyman,
City Colleges of Chicago
Chancellor

2011 Annual Policy Conference of the Governmental Research Association

From July 25-27, the Civic Federation and the Federal Reserve Bank of Chicago hosted a gathering of some of the nation’s most prominent policy research organizations at the 2011 Annual Policy Conference of the Governmental Research Association. Over one hundred representatives, panelists and guests attended the event to participate in discussions about municipal bankruptcy, pension reform, results-based budgeting and improving urban education.

Civic Federation in the Media

“...a vigilant analyst of city and state finances...”

The New York Times

“...the oldest non-partisan government research organization in the state.”

NPR

“Credit where it’s due: The Civic Federation of Chicago was the first to blow the whistle, in a report in November, on this disconnect between what’s appropriated and what’s actually spent.”

Chicago Tribune

“...a nonpartisan group that advocates efficient government...”

Bloomberg

“...a fiscal watchdog group that monitors both the city and state budgets...”

PBS Newshour

“To some government observers – chief among them the influential Civic Federation of Chicago – there is only one answer here: Pension benefits promised to current employees must be reduced.”

Springfield Journal-Register



Civic Federation President Laurence Msall introduces a panel at the 2011 Annual Policy Conference of the Governmental Research Association, co-hosted by the Civic Federation and the Federal Reserve Bank of Chicago. Panelists (L to R): Civic Federation Board Member Richard Ciccarone, H. Woods Bowman, William A. Brandt, Jr., Michael Pagano, Civic Federation Board Member James Spiotto and the Honorable Kerry Cummings



INSTITUTE FOR ILLINOIS' FISCAL SUSTAINABILITY

The Institute for Illinois' Fiscal Sustainability is an initiative of the Civic Federation launched in 2008 with a generous grant from the John D. and Catherine T. MacArthur Foundation. The Institute's mission is to improve the state's decision making process by providing timely fiscal policy analysis and recommendations to state officials, the media and the public.

The State of Illinois budget process is lengthy, murky and often confusing and it rarely yields clear information for the general public, opinion leaders or even policy makers. The FY2012 Illinois budget was particularly noteworthy because the State had enacted a major income tax increase during FY2011 and it was unclear if that action would provide adequate revenues to deal with the State's ongoing structural deficit.

State of Illinois FY2012 Budget Roadmap

Prior to the release of the Governor's annual budget address, the Institute published an assessment of the State's fiscal condition and recommendations to Governor Pat Quinn and the Illinois General Assembly for the coming fiscal year. In the analysis, the Institute questioned Governor Quinn's proposal to borrow \$8.75 billion over 15 years for unpaid bills and to prop up spending in FY2012. The Institute's researchers estimated that the borrowing would cost more than \$3.4 billion in total additional interest costs over the life of the bonds. Instead, the Institute recommended that Illinois pay down its backlog of bills through fiscal restraint, particularly by holding the line on spending through the end of FY2011. The Governor's borrowing proposal ultimately failed to gain sufficient support in the legislature.

Focus on State of Illinois' Rising Pension and Medicaid Costs

In its analysis of budget negotiations throughout the year, the Institute urged Illinois legislators to rein in the rising costs of the State's pension systems and Medicaid program. The Institute's FY2012 Budget Roadmap recommended reducing benefits or increasing employee contributions to help control the

State's unaffordable pension burden. The Roadmap also recommended that the State act aggressively to encourage the relocation of the developmentally disabled and mentally ill from institutions into community settings, in order to both improve the quality of care and reduce costs (see page two for more information on the State of Illinois' 2011 Medicaid reform legislation).

Spending Reform Committee

In March 2011, Civic Federation President Laurence Msall was invited to serve on the Governor's Spending Reform Committee. The Committee was formed to advise the Governor and legislators on changes in the State's budgetary practices and to help oversee the implementation of Budgeting for Results, an initiative to reform the State's annual budget process by introducing goals, prioritization and performance measures. The Institute has long recommended that the State include program performance as an aspect of its budgeting process.

State of Illinois Enacted FY2012 Budget Analysis

The Institute's analysis of the State's enacted budget provided a detailed description of the budget process and the actions taken by the Illinois General Assembly to approve the FY2012 operating and capital budgets. The report found that despite a major income tax increase in 2011, the State's total General Funds deficit was projected to grow in FY2012. The Institute also warned that the State continued to deal with its financial problems by delaying payments to vendors and local governments. This report received national recognition from the Governmental Research Association for distinguished research.



Heather Steans, Illinois State Senator

“Illinois governments benefit from the Civic Federation's independent, rational voice in the budgetary process.”

—Heather Steans,

Illinois State Senator



Walgreen Co. Chairman and Chief Executive Officer Gregory D. Wasson

“We are humbled as an organization to be among those honored in the legacy of Jane Addams and Bertha Palmer. I think there is no better example of a group that fosters Chicago’s best hopes than the Civic Federation. We want to thank them for being the active catalyst moving us toward a sustainable future. We promise you as an organization we’ll do our best to live up to your expectations in this award.”

—Gregory D. Wasson,
President and Chief Executive Officer, Walgreen Co.

(L to R) Luncheon Co-Chairs Lester Crown, Patricia Hemingway Hall and Andrew J. McKenna; John A. Buck; Cook County Board President Toni Preckwinkle; Walgreen Co. President and Chief Executive Officer Gregory D. Wasson, Civic Federation Chairman Thomas E. Livingston; Civic Federation President Laurence Msall

2011 CIVIC FEDERATION AWARDS LUNCHEON

From our founding, the Civic Federation has brought together business leaders who share an interest in making the Chicago metropolitan area a better place to live and work. Named for the Federation’s founding members, the Lyman J. Gage Award and the Addams-Palmer Award recognize the outstanding civic contributions of individuals and institutions whose leadership and dedication set an example for all of us.

Honoring John A. Buck and Walgreens

The 2011 Civic Federation Awards Luncheon honored John A. Buck, Chairman and Chief Executive Officer of The John Buck Company, with the Lyman J. Gage Award for Outstanding Civic Contribution by an Individual for his extraordinary commitment to improving educational opportunities for Chicago’s young people.

Walgreens, a drugstore chain with thousands of locations across the United States, received the Addams-Palmer Award for Exemplary Civic Involvement in recognition of the company’s philanthropic initiatives to improve the health and wellness of Chicago residents. Walgreen Co. Chairman and Chief Executive Officer Gregory D. Wasson accepted the award on behalf of his company.

In her salutation address, Cook County Board President Toni Preckwinkle congratulated Walgreens and John A. Buck for their civic commitment to Chicago. She noted that a healthy democracy requires an open and transparent government, an independent media and organizations such as the Civic Federation that are dedicated to providing analysis and evaluation of government programs.

Special thanks to luncheon co-chairs Lester Crown, W. James Farrell, Patricia Hemingway Hall and Andrew J. McKenna for their leadership and support.





John A. Buck accepts the Lyman J. Gage Award for Outstanding Civic Contribution by an Individual.

“Many people in Chicago, both young and old, have taken up inner city education as their purpose in life. Because of their stellar public and private efforts, we are doing better. But the question is, ‘Could we do more?’ If we put our heads together, we could perhaps come up with more of a systematic, holistic program that does indeed set the City of Chicago apart in this country.”

—John A. Buck, Chairman and CEO, The John Buck Company



Cook County Board President Toni Preckwinkle gives the salutation address.



Top Left: Walgreen Co. Chairman and Chief Executive Officer Gregory D. Wasson and Luncheon Co-Chair Andrew J. McKenna

Top Right: Civic Federation Board member Donovan Pepper, Heidi Waltner-Pepper and Chuck Greener



Bottom Left: John A. Buck and Luncheon Co-Chair Patricia Hemingway Hall

Bottom Right: Luncheon Co-Chair Lester Crown and John A. Buck



Margaret C. Daley
2011 recipient of the Motorola Solutions
Foundation Excellence in Public Service Award

20TH ANNUAL
MOTOROLA SOLUTIONS
FOUNDATION EXCELLENCE
IN PUBLIC SERVICE AWARD

HONORING
MARGARET C. DALEY

1943-2011

Margaret C. Daley was selected as the 2011 recipient of the Motorola Solutions Foundation Excellence in Public Service Award for her many years of championing the arts, education, after school programs and accessibility issues in Chicago. The Civic Federation was saddened by the death of Chicago's former first lady before the formal presentation of the award. In recognition of Mrs. Daley's remarkable record of service to the people of Chicago, we are honored to add her name to the list of dedicated civic leaders who have received the Excellence in Public Service Award.

About the Award

Sponsored by the Motorola Solutions Foundation and the Civic Federation, the Excellence in Public Service Award annually recognizes a non-elected government official who has had an extraordinary impact on the quality of government services in the City of Chicago, Cook County and the State of Illinois.

Past Honorees

- 2010 James R. Reilly, Trustee, Metropolitan Pier and Exposition Authority
- 2009 Judy Erwin, Executive Director, Illinois Board of Higher Education
- 2008 Arne Duncan, Chief Executive Officer, Chicago Public Schools
- 2007 Ron Huberman, President, Chicago Transit Authority
- 2006 Lori Healey, Commissioner, Chicago Department of Planning and Development
- 2005 Shirley Madigan, Chair, Illinois Arts Council
- 2004 Terry Peterson, Chief Executive Officer, Chicago Housing Authority
- 2003 James Joyce, Commissioner, Chicago Fire Department
- 2002 Pam McDonough, Director, Illinois Department of Commerce and Community Affairs
- 2001 William Holland, Auditor General, State of Illinois
- 2000 Mary Dempsey, Commissioner, Chicago Public Library
Audrey McCrimon, Assistant to Secretary, Illinois Department of Human Services
- 1999 Lois Weisberg, Commissioner, Chicago Department of Cultural Affairs
- 1998 Paul Vallas, Chief Executive Officer, Chicago Public Schools
- 1997 Jess McDonald, Director, Illinois Department of Children and Family Services
- 1996 Richard Wagner, Director, Illinois Board of Higher Education
- 1995 Robert Belcaster, Chairman, Chicago Transit Authority
- 1994 Ruth Rothstein, Director, Cook County Hospital
- 1993 Mary Decker Laraia, Director, Cook County Capital Planning
- 1992 Sister Shelia Lyne, Commissioner, Chicago Department of Health

SUPPORT

Support and guidance from the Civic Federation's Board of Directors is fundamental to our success. Our Board is a diverse and highly talented group of business and professional leaders from a wide range of Chicago area companies and institutions. Board members give generously of their time and expertise in the planning and execution of our mission to provide a non-partisan, objective perspective on state and local government tax and finance issues. In our system of Board committees, members of different interests and skills debate and discuss issues with staff and each other, ensuring a rigorously vetted research process and policy analysis that reflects the highest standards of our business and civic community.

The Abel E. Berland Award for Exemplary and Outstanding Service to the Civic Federation of Chicago

The Abel E. Berland Award was established in 2009 to honor Mr. Berland's extraordinary service to the Federation and to recognize members of the Civic Federation Board of Directors for their own exceptional contributions.

The 2011 Berland honoree was Joseph Starshak, who celebrated his thirtieth year on the Board of Directors. Mr. Starshak is President of the investment banking firm Starshak Winzenburg & Co. He has long been a very active member of the Civic Federation Board, including overseeing the organization's finances as Treasurer for the past decade and either leading or participating in many of the Federation's policy committees. Mr. Starshak is a veteran of the United States Naval Reserve and holds a mayoral appointment to the Chicago Board of Health.

Civic Federation President Laurence Msall, Mary Clare Starshak, Federation Treasurer Joseph Starshak, Illinois Treasurer Dan Rutherford and Federation Chairman Thomas Livingston at the 2011 Civic Federation Annual Meeting where Mr. Starshak received the 2011 Abel E. Berland Award for Exemplary and Outstanding Service to the Civic Federation of Chicago.



Civic Federation Board members Kent Swanson, Patrick Hagan and Michael F. O'Brien



Civic Federation Board Members Glenn Mazade, Judith Rice and Bert Nuehring



Civic Federation Board Member Whitney Carlisle, Vice-Chairman Mark Davis, Board Member Theodore Swain and Chairman Thomas Livingston



“In both the public and private sector, the Civic Federation is highly regarded for its expertise on the fiscal challenges facing our state and local governments and the excellent objective research and analysis it provides.”

—James Spiotto,
Partner, Chapman and Cutler LLP
and Civic Federation
Board Member

2011 Civic Federation Supporters

James Allen	John Krehbiel, Jr.
Thomas Bernardin	John Madigan
Robert Blackwell, Jr.	Michael Mayo
Bob Brutvan	Andrew J. McKenna
Greg Carlin	Richard Melman
Gregory Case	Patrick Moran
Dawn Clark Netsch	David Mosena
Stanton Cook	Clara Munana
Lester Crown	Michael Murphy
Dennis Culloton	Jeremy Newton
Andrew Davis	Kevin O'Mara
Hanley Dawson, III	Robert Parkinson, Jr.
Howard Dean, Jr.	George Ranney, Jr.
Deborah DeHaas	James Regan
W. James Farrell	Eugene Reineke
Rita Forden	Stacey Reineking
James Franczek, Jr.	Claude Robinson
Donald Franklin	John Rogers, Jr.
Judith Gold	John Rutledge
James Gordon	Buzz Sawyer
Patricia Hemingway Hall	Pamela Scholl
John Higgins	Sanjay Sharma
Timothy Holston	Patrick Sheahan
Philip Hummer	John Sirek
Patricia Hurley	Dion Smith
Verne Istock	David Snyder
Edgar Jannotta, Sr.	Steve Solomon

Foundation Partners

The Civic Federation's work to improve the effectiveness of local and state governments is made possible by the generous support of the foundation community. Our gratitude goes out to the following foundations for their financial support and encouragement of our work:

- The Chicago Community Trust
- Crown Family Philanthropies
- The Elizabeth Morse Genius Charitable Trust
- The John D. and Catherine T. MacArthur Foundation
- The Joyce Foundation
- Motorola Solutions Foundation
- Robert R. McCormick Foundation
- Robert Wood Johnson Foundation
- Searle Funds at The Chicago Community Trust
- The Whistler Fund at The Chicago Community Trust

STATEMENT OF FINANCIAL POSITION

Year Ended September 30, 2011

ASSETS	2011
Cash and cash equivalents	\$ 416,994
Investments	2,161,943
Receivables	
Pledges	550,000
Other	48,166
Website development costs (Accumulated depreciation of \$6,000 in 2011)	9,000
Prepaid expenses	12,174
Total Assets	\$3,198,277
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 7,644
Accrued wages	19,402
Accrued vacation	23,473
Deferred revenue	—
Total Liabilities	\$50,519
NET ASSETS	
Unrestricted	
Undesignated	\$ 336,709
Board-designated	2,161,943
Total Unrestricted	\$2,498,652
Temporarily Restricted	\$ 649,106
Total Net Assets	3,147,758
Total Liabilities and Net Assets	\$3,198,277



City of Chicago Budget Director Alex Holt addresses the Civic Federation Board of Directors in July.



The Civic Federation Executive Committee discusses updates to the Federation's Strategic Plan.



Julie Hamos, Director of the Illinois Department of Healthcare and Family Services speaks at a meeting of the Civic Federation's Healthcare Committee.

CIVIC FEDERATION OFFICERS

Thomas Livingston
Chairman

Mark Davis
Vice-Chairman

Susan McKeever
Vice-Chairman

Eileen Mitchell
Vice-Chairman

Joseph B. Starshak
Treasurer

Laurence J. Msall
President

CIVIC FEDERATION STAFF

Lauracyn Abdullah
Operations and Accounting Administrator

Eleanor Blick
Communications Specialist, IIFS

Roland Calia
Project Manager

Laurie Cohen
Senior Analyst, IIFS

Carol Frenda
Membership Manager

Helen Jackson
Administrative Assistant

Peter Matuszak
Senior Analyst, IIFS

Rebecca McAlpine
Senior Research Associate

Laurence Msall
President

Seema Murali
Senior Research Associate

Linda Schulte
Communications Coordinator

Damian Torres-Botello
Special Events Manager

Sarah Wetmore
Research Director

THE CIVIC FEDERATION
177 N. State Street, Suite 400
Chicago, Illinois 60601
Phone: 312 201-9066
Fax: 312-201-9041
civicfed.org

CIVIC FEDERATION BOARD OF DIRECTORS

Steven H. Abbey
Fifth Third Bank

Allan Ambrose
Northern Trust

Murray E. Ascher
Henry Crown and Company

Brian A. Bernardoni
Chicago Association of Realtors

Scott A. Bremer
Quarles & Brady LLC

Victor Chang
Wells Fargo

Richard Ciccarone
McDonnell Investment Management, LLC

Lew Collens
Charles E. Dobrusin & Associates Ltd.

Mary Culler
Ford Motor Company

Kevorg M. Derderian
Continental Offices Ltd.

Michelle Dukler
The Grove, Inc.

Brian D. Fabes
Civic Consulting Alliance

Charles R. Gardner
CDCT Land Company, LLC

Anthony Gedeller
Wm. Wrigley Jr. Company

Judith A. Gold
Perkins Coie LLP

Philip Hale
Loyola University Chicago

David Hickerson
US Foods

Margaret Houlihan Smith
United Airlines – HDQGV

Blake Johnson
The John Buck Company

William Ketchum

Stephen Legatzke
Goldberg Kohn Ltd.

William D. Mack
Morgan Stanley

Thomas J. McNulty
Neal, Gerber & Eisenberg LLP

Monica Mueller
Motorola Solutions, Inc.

Michael F. O'Brien
Aon Risk Services, Inc.

Gregory J. O'Leary
Chesley, Taft & Associates, LLC

Donovan W. Pepper
Walgreen Co.

Judith Rice
BMO Harris Bank

John C. Sciacotta
Shefsky & Froelich Ltd.

James E. Spiotto
Chapman and Cutler LLP

Joseph B. Starshak
Starshak Winzenburg & Co.

Kent A. Swanson
Newcastle Limited

Thomas C. Vandenberg
UCAN

Sue E. Wallace
Exelon Corporation

Jeffrey D. Warner
PNC Bank

The Hon. Corinne Wood

David Abel
William Blair & Company LLC

A.G. Anglum
BMO Harris Bank

Euriah Bennett
Raymond James | Morgan Keegan

Roger Bickel
Freeborn & Peters LLP

Douglas H. Cameron
CRL Services, LLC

Timothy L. Christen
Baker Tilly

Jerry Cizek III

Elizabeth G. Coolidge
Siebert Brandford Shank & Co., LLC

Omar Daghestani
Stifel, Nicolaus & Company

Julian C. D'Esposito
Mayer Brown LLP

Martin L. Eisenberg
Office of Martin L. Eisenberg

Timothy J. Faerber
HNTB Corporation

John Garvey
Navigant Economics

Ronald J. Gidwitz
GCG Partners

Andrew F. Gottschalk
KPMG LLP

M. Hill Hammock
Chicago Deferred Exchange Company

Patricia M. Holden
Bank of America

Lori H. Iglecki
Fifth Star Consulting LLC

James H. Kane
True Partners Consulting, LLC

Jim Kranjc
Ryan, LLC

Thomas E. Livingston
CSX Corporation

Glenn Mazade
RBS Citizens

Eileen Mitchell
AT&T Illinois

Michael E. Murphy
Sara Lee Corporation

Denise Obrochta
Navistar, Inc.

Sarah Pang
CNA

Maira K. Pollard
Deloitte Tax

Scott Saef
Sidley Austin LLP

Patrick Sheahan
UBS AG

Keith Staats
Grant Thornton

Barbara Stewart

Courtney A. Thompson
The Boeing Company

Robert S. Vihon
Worsek & Vihon LLP

John F. Ward, Jr.
Ward and Ward P.C.

Andrew L. Weil
DLA Piper LLP

Philip Zinn
PricewaterhouseCoopers LLP

Catherine M. Adduci
CMA Associates, Inc.

Adrienne Archia

Alicia Berg
Columbia College Chicago

Ambassador J.D. Bindenagel
DePaul University

Whitney Carlisle
McCracken, Walsh, Carlisle & de LaVan

Robert J. Christie
Northwestern Memorial Hospital

Nancy J. Clawson
Merrill Lynch, Pierce, Fenner & Smith, Inc.

Ronald S. Cope
Ungaretti & Harris LLP

Mark Davis
O'Keefe Lyons & Hynes, LLC

Jon B. DeVries
Roosevelt University

Jeff Emme
Sara Lee Corporation

Stephen B. Friedman
SB Friedman & Company

Sarah Garvey

Peter G. Glick

Patrick Hagan
McGladrey LLP

Albert C. Hanna
Draper and Kramer, Incorporated

Gregory C. Hosbein
Segall Bryant & Hamill

Bennett Johnson III
The UCI Group

Karen Kane

Elizabeth LaVelle
JPMorgan Chase

Michael A. Lovett
PricewaterhouseCoopers LLP

Susan L. McKeever

Timothy E. Moran
Schmidt Salzman & Moran, Ltd.

Bert Nuehring
Croue Horwath LLP

Holly O'Connor
HOC Consulting LLC

Robert Pasin
Radio Flyer Inc.

Bruce Rauner
GTCR Golder Rauner, LLC

Kevin Scanlan
MCHC

Roger W. Shores
Marmion Transportation Services & Engineered Products

Caryn Stancik
Sydcom, Inc.

Eugene S. Sunshine
Northwestern University

Allen B. Truesdell
Deloitte & Touche LLP

Daniel Wagner
The Inland Real Estate Group Inc.

John L. Ward

Jerrold Wolf
Public Consulting Group