The Civic Federation

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DUPAGE COUNTY PROPOSED FY2011 BUDGET:

Analysis and Recommendations

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the DuPage County FY2011 proposed operating budget of $459.4 million, excluding grant revenue estimates. The County is reducing operating expenditures for the second year in a row while pledging to maintain the existing level of service and keep the property tax levy at roughly the same level as last year.

Going forward the County needs to plan for a continued decline in economically sensitive revenues and projected increases in personnel expenses. In order to properly plan for the uncertain future, the Civic Federation strongly encourages DuPage County to fully adopt the planning policies the Civic Federation has enumerated in its budget analyses over the past five years.

The Civic Federation offers the following **key findings** on the FY2011 proposed budget:

- The FY2011 proposed operating budget of $459.4 million, excluding grant revenue estimates, represents a decrease of $14.4 million, or 3.0%, from the FY2010 current appropriation of $473.8 million;
- General Fund appropriations will decrease to $166.2 million, declining by $5.5 million or 3.2% from last year's current appropriation of $171.7 million;
- DuPage County property tax levy will increase slightly in FY2011 by 0.50% or $250,000 as the County is able to access the full taxable value of property in an expiring Warrenville Tax Increment Financing District in the coming tax year;
- The total full-time headcount for DuPage County government is proposed to decline by 1.6% in FY2011 over FY2010 final approved budget figures. This is a total decrease of 38 in the number of full-time positions, falling from 2,326 to 2,288 full-time positions; and
- At the end of FY2009, the County had a fund balance ratio of 36.6% of operating expenditures or $51.7 million.

The Civic Federation offers its **support** for the following items in the County's FY2011 proposed budget:

- Reducing operating expenses for the second year in a row;
- Maintaining the property tax levy at roughly the same level in FY2011 as in the previous year;
- Adequate financial safety net via proper funding of the General Fund cash balance reserves and establishment of the newly-created Strategic Reserve account for the General Fund;
- Reducing personnel headcount; and
- Examination of options to more efficiently provide services offered by the County's Youth Home through consolidation or partnerships with other counties.

However, the Civic Federation has **concerns** about the FY2011 proposed budget including:

- The County continues to project overly optimistic sales tax revenues, an assumption the Civic Federation cautions the County to closely examine and compare against other projections, especially in light of FY2010 sales tax revenues that are now estimated at $7.4 million under the budgeted amount;

- Lack of a performance measurement system that would allow the County to provide quantitative and qualitative measures of its services to the public and evaluate program performance;
- Lack of a formal capital improvement plan that would give the public access to aggregate data, financing strategies, timelines and narrative sections explaining how projects are identified and prioritized; and
- Lack of a formal, comprehensive, publicly available long-term financial plan that is shared with and reviewed by key policymakers and stakeholders.
- Continued Escalation in personnel expenses despite a reduction in the total number of employees.

The Civic Federation offers the following **recommendations** to improve DuPage County's financial management:

- Build upon recent efforts to improve the budget format by adding the following to further improve transparency: additional narrative sections, grant data, a narrative section explaining links between strategic goals and budget priorities, a transmittal letter from the County Board chairman outlining key priorities and a Capital Improvement Plan budget that begins with summary financial information;
- Develop and implement a performance measurement system in order to facilitate analysis of program results and keep policymakers and taxpayers informed of the County's achievements compared with expectations;
- Create a formal Capital Improvement Plan in order to keep taxpayers abreast of capital projects and priorities, as well as the progress of capital projects; and
- Implement a formal long-term financial planning process involving public input that links policy and program priorities to the County's financial resources and prepares for future contingencies before they arise.

CIVIC FEDERATION POSITION

The Civic Federation supports DuPage County's FY2011 proposed budget. The County is reducing expenditures for the second year in a row while pledging to maintain core services for county residents. In order to achieve this, the County is again holding the line on non-union salary increases while reducing headcount and only slightly increasing its property tax levy. In addition, the County continues to prudently maintain a healthy reserve fund for contingencies.

The economic downturn is having a large impact on local governments' revenue collections nationwide and DuPage County is no exception. Like many other units of local government, a sharp decline in revenues has resulted in the need for the County to produce a maintenance budget for FY2011. DuPage County is projecting significant declines in economically sensitive resources, including income and sales tax revenues for FY2011.

These grim financial projections may continue into outlying years. Conversely, the County is projecting its personnel expenses to continue to rise despite a reduction in the total number of employees in FY2011. Additionally, the FY2011 budget projects a 10% increase in health insurance costs over FY2010. The County's required pension contribution is also increasing in FY2011, rising by 10% over FY2010's contribution amount.

The County must continue to right-size its personnel expenditures to prepare for a continued decline in economically sensitive revenues. Last year's projected increase in sales tax revenues did not materialize and it is unlikely that they will return to historical levels in the near term. Given that personnel is 40.5% of the County's proposed FY2011 budget across all funds, reductions in this category are inevitable.

In order to properly plan for the uncertain future, the Civic Federation urges DuPage County to fully adopt the planning policies enumerated in our budget analyses over the past several years. Now is the time for the County to develop a robust performance management system that will help guide its future policy decisions. It should also replace its existing Capital Improvement Plan with a document that provides both staff and residents with a clearer picture of the County's ongoing and future infrastructure projects. Finally, long-term financial planning must be a priority, incorporating the findings from the performance management system and improved CIP, to target continually scarce resources towards the most effective and necessary programs for County residents.

Issues the Civic Federation Supports

The Civic Federation supports the following issues features of the FY2011 proposed budget for DuPage County.

Reducing Operating Expenditures

The FY2011 budget of $459.3 million is a 3.0% or approximately $14.4 million decrease from the FY2010 current budget of $473.7 million, excluding the Health Department and grant appropriations. The General Fund is decreasing as well, falling by $5.5 million or 3.2% over FY2010 current appropriations. Despite these decreases, the County expects to be able to maintain current service levels.[1]

The Civic Federation applauds the County's decision to propose a budget that decreases appropriations from current spending levels. The County is tightening its belt as revenues continue to come in below projections. However, it pledges to continue providing the current level of services across the County.

Keeping the Property Tax Levy Stable

For FY2011, the total amount of property taxes to be remitted to the County is increasing only slightly by 0.50% or $250,000 as a result of its ability in the incoming tax year to access the full tax base of a retiring Tax Increment Financing District. Overall, property taxes will generate $50.7 million or 11.0% of all resources. At this time, the County's long-term financial outlook through FY2015 does not project any increase in the property tax levy.

The Civic Federation supports DuPage County in its efforts to limit increases to the property tax levy. The County did not turn to the property tax to make up for reductions in revenues, but instead reduced expenditures. The County is working within its revenues at a time when many citizens are still feeling the impact of the economic downturn.

[1] DuPage County FY2011 Proposed Financial Plan, p. 39.

Maintaining Adequate Reserve Funds

The Civic Federation supports the County's efforts to maintain its reserve fund. Having a healthy reserve fund allows the government to adjust to unexpected events without making sudden changes to tax rates or service levels. The Government Finance Officers Association (GFOA) recommends that governments maintain an unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or expenditures, which is equal to approximately 17%. As of the FY2009 year-end the County had a fund balance ratio of 36.6% of operating expenditures or $51.7 million. The County's fund balance includes a strategic reserve account established in FY 2009 to stabilize operations in an emergency or severe economic event.

Reducing Personnel Headcount

The total full-time headcount for DuPage County government is proposed to decline by 1.6% in FY2011 over FY2010 final approved budget figures. This is a total decrease in the number of overall positions of 38 full-time positions, falling from 2,326 to 2,288 full-time positions. The County has managed to make these reductions without implementing layoffs or furlough days.[2]

Personnel costs are the major cost driver for most governments and DuPage County is no exception. Governments that are not proactive in addressing structural challenges and falling revenues often have little choice than to turn to blunt instruments to reduce these expenses, such as furlough days and layoffs. These methods can be extremely disruptive not only to employees, but to government managers and citizens receiving services. Utilizing attrition to reduce staffing, as DuPage is proposing, is a more desirable approach.

Pursuing Alternative Options for Operating Youth Home

The County is also exploring its options with regard to the services provided by its Youth Home. The Youth Home, appropriations for which will total $3.5 million in FY2011, is part of the County's larger criminal court system and operates as a detention center for juvenile cases. The County entered into a Memorandum of Agreement with three other facilities, Kane, Winnebago and Lake Counties for support and sharing of services in the event of an emergency. Last year the County discussed possible consolidation of its youth home services, either by closing its own home and working with another County to partner in providing Youth Home services, or by serving as the youth services hub for other counties.[3]

The Civic Federation supports the County's efforts to maximize efficiency in delivering Youth Home services by moving forward with a formal feasibility analysis of this option. The Civic Federation believes that when certain guidelines are met, consolidation of services can result in more efficient and cost-effective service delivery. Reductions in state funding highlight a need to streamline this service. We recommend that the County conduct a formal review, similar to the recent review of the County's Convalescent Center, to properly determine how to provide this service going forward. We applaud the County for taking the first step towards consolidation by entering into this agreement.

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[2] DuPage County, FY2011 Proposed Financial Plan, p. 40
[3] DuPage County FY2010 Financial Plan, p. 40.

Civic Federation Concerns

The Civic Federation has the following concerns about the proposed FY2011 DuPage County budget.

Optimistic Sales Tax Projections

The Civic Federation's analysis of the DuPage County FY2010 expressed concerns about the optimistic sales tax revenues the County budgeted. The County was projecting an increase of 4.1% and budgeted $82.3 million. The County's latest revised revenue estimate is $74.8 million or $7.4 million below the budgeted amount. This downward revision in the estimated sales tax receipts is the result of a greater than anticipated deterioration of sales tax revenues in FY2010.

The more recent trend is a strong growth in tax revenues, with an average growth rate of 4% from May through August.[4] The $77.0 million budgeted amount for FY2011 assumes a 3% growth rate over current estimates.[5] The County is also assuming in its forecast that it will stay at that level until it returns to a 4% historic level by FY2014. Although this projection is less than the most recent growth rate, this estimate may still be overly optimistic. The Commission on Government Forecasting and Accountability projects a state sales tax growth of 1.6%[6] citing contraction in the employment base, and the City of Chicago is projecting 1.1%.[7]

The sales tax is an extremely volatile revenue source. It is difficult to estimate accurately and even more so in the current economic environment. The Civic Federation recommends that revenue projections be based on conservative projections of revenue growth during these uncertain economic conditions.

Escalating Personnel Costs

Personnel expenses continue to rise despite a reduction in the total number of employees. The total full-time headcount for DuPage County government is declining by 1.6% in FY2011, while personnel expenses rise by $4.1 million over the FY2010 budget. One of the cost drivers of personnel expenses is health insurance costs, which are increasing by $1.7 million. The County is projecting that these costs will continue to rise throughout the next five years.[8]

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[4] DuPage County, FY2011 Proposed Financial Plan, p.80.
[5] Cook County FY2011 Proposed Financial Plan p.80.
[6] FY2011 Economic Forecast and Revenue Estimate, Commission on Government Forecasting and Accountability, March 16, 2010, p.28.
[7] City of Chicago, FY2011 Preliminary Budget Estimates, July 30, 2010
[8] DuPage County FY2011 Final Financial Plan, p. 48.

Double-digit increases in health care costs are not sustainable. It is encouraging that the County started a Wellness Program and boasts a high participation rate in health screenings[9], which can be one important part of addressing health care costs. The County should also examine plan structure in order to address escalating costs.

Lack of a Complete Formal Capital Improvement Plan

In DuPage County's Financial Plan there is a detailed capital projects list that itemizes by fund the projected capital expenditures through FY2015.[10] Costs per year are listed for each project and these lists are updated annually in the Fiscal Plan.

The Civic Federation is pleased to see that this important information is provided to the public. However, we are concerned by the lack of a formal capital improvement plan (CIP) that would include aggregate data, financing strategies, timelines and narrative sections explaining how projects are identified and prioritized.

First, the existing capital projects list does not provide concise, aggregate financial information reflecting the amount that will be spent on capital projects. Aggregate data, reflecting the total cost of capital projects for each year by both fund and program are necessary to give residents of DuPage County a complete understanding of the capital plan.

Second, there is no specific description of funding sources. It is difficult to understand how DuPage intends to finance the various capital projects. The Civic Federation is concerned that the public does not have access to information identifying how cost projections were developed. It is also difficult for the public to assess the affordability of the projects proposed of the County does not identify funding sources.

Third, listing projects or providing tables and charts without any accompanying narrative explanation of the data seriously limits the effectiveness of the entire capital improvement plan. Written analysis and explanation is a key element of any capital improvement plan and the lack of such a section gives us pause when evaluating the FY2010 financial plan. Narrative explanations could also link the capital improvement plan to the goals identified in the recently-released strategic plan.

Fourth, there is no discussion of the prioritization process used to identify and select projects for funding. It is difficult to determine how projects were chosen using just the information provided in the FY2010 plan.

Fifth, no information is provided regarding the time frame for completing capital projects. It is important for taxpayers to know how long it will take to complete a project as well as its total cost.

A large, professional and modern government, such as DuPage County, should develop and make publicly available a formal capital improvement plan.

[9] DuPage County FY2011 Final Financial Plan, p. 249.
[10] DuPage County FY2011 Financial Plan, pp. 451-565.

Lack of a Formal Long-Term Financial Plan

The DuPage County Board undoubtedly employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. The FY2011 Financial Plan does include a five-year outlook for the General Fund, Stormwater Management, Public Works, the Division of Transportation and the Convalescent Center. This is important information and we commend the County for including it in the budget.[11] However, the County Board has not developed a formal, comprehensive, publicly available long-term financial plan that is shared with and reviewed by key policymakers and stakeholders.

Long-term financial planning is a strategic process that provides governments with the insights and information they need to establish multi-year financial policies and pursue actions that maintain good fiscal health. This plan also provides stakeholders with important information about the future of the County. In light of the County's increasing operating expenses and unstable revenue sources, a formal long-term financial plan is increasingly necessary as the County may face difficult decisions in the future.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to improve the financial management practices in County government.

Continue to Improve Budget Document Transparency

DuPage County has made many improvements to its budget document in recent years. We recommend that the County continue that effort by making the following additions and changes to better inform DuPage County residents.

- *Grant Data*: The Civic Federation recommends that the County include financial data regarding grant funds and grant funded positions in its proposed financial plan budget document. Currently, grants are approved on an individual basis throughout the year and excluded from the budget. This is a significant revenue source that should be considered as part of the budget process. While we understand the uncertain nature of this revenue stream, the reader is not provided with a full understanding of the County's revenue and expenditures without this information.

- *Health Department and Emergency Telephone Systems Board (ETSB):* In addition to grant funds, the Health Department and Emergency Telephone Board budgets are also not included in the proposed budget. These budgets are subject to County Board approval[12] and although legally separate entities, they are included in financial statements because the County is considered financially accountable and because they are in substance part of the County operations.[13] Almost $147.9 million or 24.7% of the FY2010 all agency approved budget is composed of agencies not included in the proposed budget. It is commendable that the County does clearly state which agencies are not included the budget. However, it is

[11] DuPage County FY2011 Financial Plan, pp. 46-53.
[12] DuPage County FY2011 Proposed Financial Plan, p. 39.
[13] DuPage County FY2009 Comprehensive Annual Financial Report, p.31.

recommended that these agencies be added to the proposed budget document to provide a full picture of County finances.

- *Personnel Data*: The Federation recommends that DuPage County include information on part-time and contractual positions in the form of full-time equivalent (FTE) positions. Currently, the County's personnel data only reflects the number of full-time, salaried employees. The employee totals do not include part-time employees. Full-time equivalent employee calculations should be added to reflect the total number of people employed by a unit of government, including full-time, part-time and temporary employees. Given the rising personnel costs the County is experiencing, clear FTE data is critical.

- *Aggregate Object Level Data:* DuPage County includes object level information at the departmental level. In addition, it should also include current and historical aggregate information at the object level so trends can be viewed by the reader.

- *Narrative and Data Section Explaining Links between Strategic Goals and Budget Priorities*: The DuPage County FY2010 Financial Plan provided a chart that linked budget recommendations to strategic issues and goals identified in the County's strategic plan.[14] These charts were very useful in that they provided lists by both fund and functional area that identified how strategic planning issues and goals were being addressed by the financial plan. This level of detail was not provided in the FY2011 Financial Plan.

  The Civic Federation recommends that the County provide the information published in FY2010 on an annual basis in the Financial Plan and add narrative information to the strategic planning and budget charts.

  The charts are a useful addition to the budget and help identify funding priorities. However, providing only the charts makes it difficult for the reader to fully understand the data. A detailed narrative section, describing both the chart data and the organization of the chart itself, would make this information more useful and easier to understand. It would make it easy for the public to determine whether the County is funding new or existing initiatives, as well as how funding priorities relate to the strategic plan.

- *Additional Narrative Sections*: While it is important to include raw data and accompanying charts in each financial plan, too often this information is difficult to understand without an accompanying narrative section. Written explanations of appropriations and revenues for each fund, as well as for each program, are necessary to explain the data contained in the charts included in the budget for a more complete understanding of the County's annual financial plans. The executive summary is a very useful tool for the reader to understand the broad policies advanced by the budget. However, smaller summaries describing the charts that follow the executive summary are also necessary as the broad scope of the executive summary does not assist the reader in understanding the information contained in the multitude of charts that follow.

[14] DuPage County FY2010 Financial Plan, p. 56.

Develop and Implement a Performance Measurement System

Given the current administration's stated intention of improving management efficiency over the long term, the Civic Federation believes a performance measurement program is an essential tool for DuPage County Government. The performance measurement system should be used to inform and guide annual appropriation decisions. By evaluating and reporting program measurement results, the County Board can also keep policymakers and taxpayers informed about actual achievements as compared to expectations.[15]

It is both expensive and inefficient to produce reams of measures that are developed without the involvement of management and staff or that are not connected to program goals and objectives. However, a few well-chosen measures of efficiency and effectiveness, implemented consistently and utilized to inform management decisions, could prove valuable as the DuPage County Board seeks to improve its management and operations. Many governments pilot such programs initially to deal with problems that may arise, to test different approaches and to facilitate staff cooperation. This approach is a reasonable way to approach the implementation of a performance measurement system.

The Civic Federation urges the DuPage County Board to develop and adopt a comprehensive performance measurement system.

Develop a Formal Capital Improvement Plan

County residents cannot be certain that DuPage County's capital spending will address its most critical infrastructure needs because it does not currently have a comprehensive Capital Improvement Plan (CIP).

Although the County provides information on its capital spending annually, including estimated costs for some pay-as-you-go funded projects and previously approved bond funded sewer and road programs, more detail regarding the capital needs and the prioritization for projects should be made available. In order to ensure the effectiveness of capital spending DuPage County should develop a comprehensive CIP, which 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.

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

Capital reserve funds should also be established for appropriated short-term capital equipment replacement. Funding should be set aside annually in order to pay for new equipment within the expected usable life of each particular asset.

The Civic Federation agrees with the National Advisory Council on State and Local Budgeting that all governments should develop a five-year capital improvement plan (CIP) that identifies priorities, provides a timeline for completing projects and identifies funding sources for projects. The CIP should be updated annually and have formal approval by the governing body.[16] A formal capital improvement plan includes the following information:

- A five-year summary list of projects, expenditures per project and funding sources per project;
- Information about the impact of capital spending on the annual operating budget for each project;
- Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project; and
- The time frame for fulfilling capital projects and priorities.

Above all, the capital improvement plan should be predicated on a publicly disclosed needs assessment and prioritization process.

In addition, the CIP should be made publicly available for review by elected officials and citizens. It should be published in the budget or as a separate document. The CIP should be also made available on the government's website.

Implement a Formal Long-Term Financial Planning Process

The Civic Federation recommends that the DuPage County Board develop and implement a formal long-term financial planning process that is not only reviewed internally, but that is made widely available to allow for input from key policy stakeholders and the public.

A long-term financial plan (LTFP) is a formal document that summarizes the information and insights developed during the long-term financial planning process. The NACSLB and the GFOA both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.[17] A typical LTFP consists of a three- to five-year forecasts of revenues, expenditures and debt capacity and an assessment of historic economic and financial trends. It also includes an evaluation of problems or opportunities, as well as the actions required to address them properly, such as gap-closing or surplus management. The benefits of long-term financial planning include:

- Revenues are adequate to maintain services at current levels;
- Financial resources are sufficient to address future operating and capital expenditures;
- It is possible to expand existing programs or initiate new ones; and
- It is prudent to issue new debt to fund new capital projects.

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[16] National Advisory Council on State and Local Budgeting. Recommended Practice 9.6: Develop a Capital Improvement Plan.

[17] *See* National Advisory Council on State and Local Budgeting and Government Finance Officers Association.

By effectively linking policy and program priorities to the financial resources available currently and in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

We recommend that the County Board develop a long-term financial plan that is based upon, and complements, the completed strategic plan. Both the NACSLB and the GFOA recommend that all governments develop and formally adopt long-term financial plans as key components of a sound budget process.[18] By linking the strategic goals to the financial resources available now and in the future, a long-term financial plan will complete the County's long range view and help to maintain good fiscal health over time.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to DuPage County Chief Financial Officer Fred Backfield, Chief of Staff Tom Cuculich and staff for their hard work in preparing this budget and their willingness to answer our many questions.

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[18] *See* National Advisory Council on State and Local Budgeting at http://www.gfoa.org/services/nacslb/ (last visited on September 23, 2009) and Government Finance Officers Association at http://www.gfoa.org/index.php?option=com_content&task=view&id=360 (last visited on September 23, 2009).

APPROPRIATIONS

This section of the analysis presents an overview of DuPage County government appropriation trends. Appropriations are compared across two- and five-year trends, as well as by object and function.

Two-Year and Five-Year Appropriations for All Funds

DuPage County government proposes a FY2011 budget of $459.3 million. The budget is a 3.0% or approximately $14.4 million decrease from the FY2010 current budget of $473.8 million. These figures exclude the budget of the DuPage County Health Department, which has a separate governance structure, as well as grant appropriation estimates.

General Fund appropriations will decrease by nearly $5.5 million or 3.2%, from $171.7 million to $166.2 million. Appropriations for the Special Revenue Funds will decrease by 1.4%. This is a $2.9 million decrease from $211.9 million to approximately $209.0 million. Capital Projects funding will drop by 4.4% or $2.0 million while debt service appropriations will decrease by 10.1% or $1.8 million. Enterprise fund appropriations will decrease from $24.5 million to $22.4 million, a decline of 8.3%.

DuPage County Appropriations (Excluding Grants)
FY2010 & FY2011*

Fund	FY2010 Current	FY2011 Proposed	$ Change	% Change
General Fund	$ 171,696,887	$ 166,193,875	$ (5,503,012)	-3.2%
Special Revenue Funds	$ 211,927,577	$ 209,002,808	$ (2,924,769)	-1.4%
Capital Projects Fund	$ 47,456,838	$ 45,372,104	$ (2,084,734)	-4.4%
Debt Service Fund	$ 18,173,589	$ 16,338,393	$ (1,835,196)	-10.1%
Enterprise Funds	$ 24,524,124	$ 22,477,933	$ (2,046,191)	-8.3%
Total	**$ 473,779,015**	**$ 459,385,113**	**$ (14,393,902)**	**-3.0%**

* Excluding DuPage County Health Department and Special Service Areas for both FY2010 and FY2011.

Source: DuPage County Financial Plan FY2011, p. 104.

From FY2007 to FY2011, the DuPage County Government's budget appropriations are projected to increase by 41.6%, rising from $324.3 million to $459.3 million. This is a $135.0 million increase over FY2007. Appropriations for the Capital Projects Fund will increase by 618.2% or nearly $39.0 million over this five-year period. This is due in part to a major increase in capital commitments between FY2009 and FY2010, when the capital projects budget was increased from $7.8 million to $47.4 million. Corporate Fund appropriations will increase by 21.8%, increasing from $136.4 million to $166.2 million.

DuPage County Appropriations (Excluding Grants) FY2007 & FY2011*				
Fund	FY2007 Actual	FY2011 Proposed	$ Change	% Change
General Fund	$ 136,467,933	$ 166,193,875	$ 29,725,942	21.8%
Special Revenue Funds	$ 168,543,176	$ 209,002,808	$ 40,459,632	24.0%
Capital Projects Fund	$ 6,317,130	$ 45,372,104	$ 39,054,974	618.2%
Debt Service Fund	$ 13,046,674	$ 16,338,393	$ 3,291,719	25.2%
Enterprise Funds	$ -	$ 22,477,933	$ 22,477,933	100.0%
Total	**$ 324,374,913**	**$ 459,385,113**	**$ 135,010,200**	**41.6%**

* Excluding DuPage County Health Department and Special Service Areas for both FY2007 and FY2011.

Source: DuPage County Financial Plan FY2010, p. 95 and FY2011, p. 104.

Two-Year and Five-Year Appropriations by Object for All Funds

The FY2011 DuPage County budget proposes an appropriation of approximately $459.3 million, *excluding grant funds*.[19] This is a decrease of 3.0%, or $14.4 million, from the FY2010 current budget. Personnel appropriations will increase by 2.2% or $4.0 million over FY2010 current amounts. Commodities, Contractual and Capital Outlay expenses, on the other hand, will experience declines, falling by 3.0%, 1.6% and 10.0%, respectively. Bond and Debt expenditures also will decrease, falling from $20.2 million in FY2010 to $19.4 million in FY2011.

DuPage County Appropriations by Object for All Funds (Excluding Grants) FY2010 & FY2011*				
Object	FY2010 Current	FY2011 Proposed	$ Change	% Change
Personnel	$ 182,086,927	$ 186,171,259	$ 4,084,332	2.2%
Commodities	$ 22,517,400	$ 21,852,000	$ (665,400)	-3.0%
Contractual	$ 115,260,434	$ 113,428,657	$ (1,831,777)	-1.6%
Capital Outlay	$ 109,320,632	$ 98,393,951	$ (10,926,681)	-10.0%
Bond & Debt	$ 20,258,828	$ 18,422,682	$ (1,836,146)	-9.1%
Transfers Out	$ 24,334,794	$ 21,116,564	$ (3,218,230)	-13.2%
Total	**$ 473,779,015**	**$ 459,385,113**	**$ (14,393,902)**	**-3.0%**

*Excludes Grants, Health Department and Special Service Areas for both FY2010 and FY2011.

Source: DuPage County FY2011 Financial Plan, p. 104.

Over the five-year period from FY2007 to FY2011, appropriations will increase by 41.6%, or nearly $135.0 million. Personnel appropriations will increase by 14.2%, or $23.2 million, over the five-year span. Transfers out have increased by 513.9%, rising from $3.4 million in FY2007

[19] Due to insufficient Grant information in the County's FY2009, FY2010 and FY2011 financial plans, we are unable to analyze how grant funds are spent by object.

to $21.1 million in FY2011. A portion of this substantial increase results from an accounting change made in 2008, designed to better reflect the inter-fund nature of meeting debt service requirements.[20] Capital Outlay appropriations will also increase by 89.9%, rising from $51.8 million in FY2007 to $98.4 million in FY2011. Debt service appropriations will have fallen by 28.3%, decreasing from $25.6 million to $18.4 million.

DuPage County Appropriations by Object for All Funds (Excluding Grants) FY2007 & FY2011*				
Object	FY2007 Actual	FY2011 Proposed	$ Change	% Change
Personnel	$ 162,961,416	$ 186,171,259	$ 23,209,843	14.2%
Commodities	$ 15,570,084	$ 21,852,000	$ 6,281,916	40.3%
Contractual	$ 64,901,079	$ 113,428,657	$ 48,527,578	74.8%
Capital Outlay	$ 51,825,202	$ 98,393,951	$ 46,568,749	89.9%
Bond & Debt	$ 25,677,136	$ 18,422,682	$ (7,254,454)	-28.3%
Transfers Out	$ 3,440,000	$ 21,116,564	$ 17,676,564	513.9%
Total	**$ 324,374,917**	**$ 459,385,113**	**$ 135,010,196**	**41.6%**

*Excludes Grants, Health Department and Special Service Areas for both FY2007 and FY2011.

Source: DuPage County Financial Plan FY2010, p. 95 and FY2011, p. 104.

Two-Year Appropriation by Function for All Funds

The following chart depicts appropriations by function for FY2011 compared to FY2010 current appropriations. Grant funds are not included in this chart.

Appropriations for Public Safety in FY2011 will decrease slightly by 1.0% from the previous year, falling from nearly $98.4 million in FY2010 to $97.4 million in FY2011. Transportation and Economic Development appropriations will decrease by 6.9%, falling by $6.8 million. General Government appropriations will decrease by $2.2 million or 4.1% over FY2010 current appropriations.

DuPage County Appropriations by Function for All Funds (Excluding Grants): FY2010 & FY2011*				
Function	FY2010 Current	FY2011 Proposed	$ Change	% Change
Public Safety	$ 98,432,600	$ 97,484,300	$ (948,300)	-1.0%
Transport & Econ Devel	$ 98,190,600	$ 91,386,700	$ (6,803,900)	-6.9%
Environ & Land Use	$ 77,523,600	$ 72,565,400	$ (4,958,200)	-6.4%
Health & Human Services	$ 38,300,400	$ 39,045,300	$ 744,900	1.9%
Education	$ 849,300	$ 844,800	$ (4,500)	-0.5%
General Government	$ 55,125,400	$ 52,888,200	$ (2,237,200)	-4.1%
Agency Support	$ 105,357,000	$ 105,170,400	$ (186,600)	-0.2%
Total	**$ 473,778,900**	**$ 459,385,100**	**$ (14,393,800)**	**-3.0%**

*Excludes Grants, Health Department and Special Service Districts for both FY2010 and FY2011.

Source: DuPage County FY2011 Financial Plan, p. 55.

[20] Email communication between the Civic Federation and DuPage County Chief Financial Officer Fred Backfield, September 23, 2009.

RESOURCES

This section of the analysis presents an overview of DuPage County resource trends. Resources are compared across two- and five-year trends.

Resources for FY2011

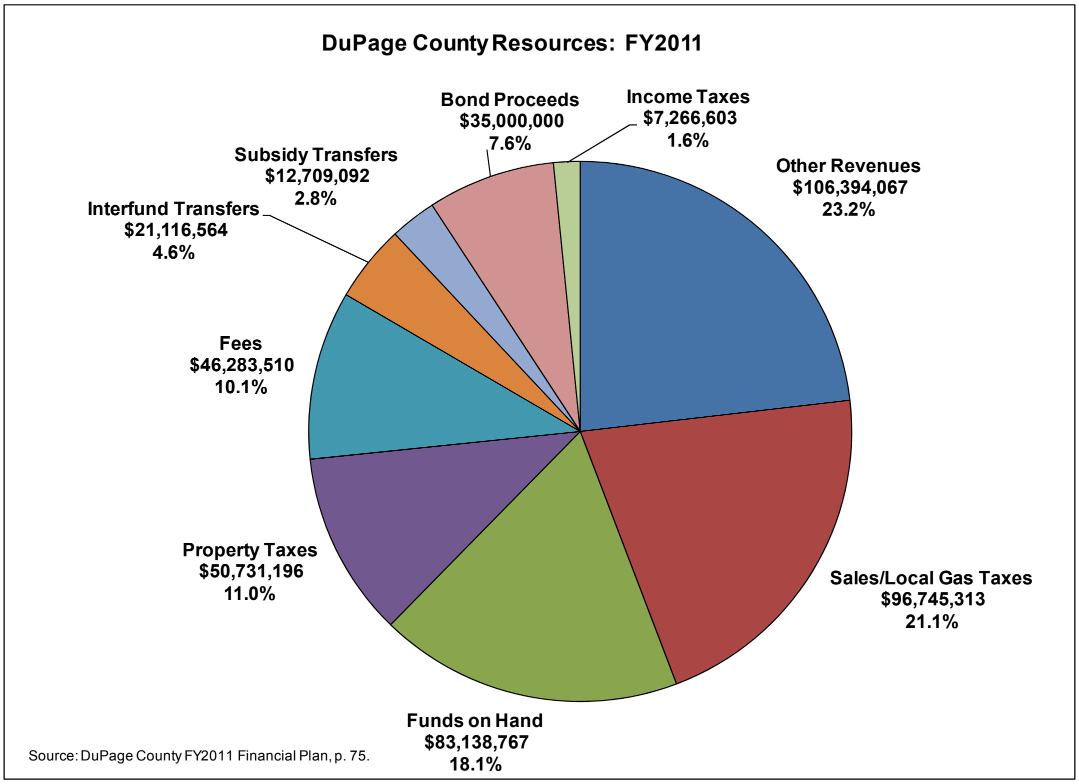
In FY2011 the largest revenue category for the County is "other", generating 23.2% or $106.4 million of total revenues. Other revenues include fees, charges, intergovernmental distributions, interest earnings, and miscellaneous income. The largest single sources in the other category are the convalescent center ($30.8 million), distribution of state highway motor fuel tax ($8.9 million), and public works ($21.2 million).[21]

Sales and Motor Fuel taxes are the second largest category of revenue, comprising 21.1% or $96.7 million of revenues. "Funds on Hand" or use of reserves total $83.1 million or 18.1% of revenues. Property taxes will generate $50.7 million or 11.0% of all resources.

Bond proceeds are another significant source of funding with $35.0 million or 7.6%. The County Board authorized $69.9 million in General Obligation (Alternate Revenue Source Series) bonds on September 7, 2010 for the "Investing for Today: Building for Tomorrow" infrastructure program.[22]

The proposed budget does not include grant revenues, which are typically significant sources of revenue. Grants are approved on an individual basis throughout the year and therefore are excluded from the budget. The FY2010 revenue budget for grants was $69.6 million.[23] If a similar budget was adopted for FY2011 it would make grants one of the largest sources of funding exceeding property tax revenue. The Health Department and Emergency Telephone Board budgets are approved by their Boards and later compiled in the final proposed budget.[24] The final FY2010 financial plan included $48.5 million[25] and $28.5 million[26] in revenue respectively for those budgets. Also excluded from the budget are Special Service Areas, which are distinct taxing jurisdictions.

[21] DuPage County FY2011 Proposed Financial Plan, p.93.
[22] DuPage County FY2011 Proposed Financial Plan, p.40.
[23]DuPage County FY2010 Final Financial Plan, p.482.
[24] DuPage County FY2011 Proposed Financial Plan, p.39.
[25] DuPage County FY2010 Final Financial Plan, p.493.
[26] DuPage County FY2010 Final Financial Plan, p.519.



Two-Year and Five-Year Revenue Trends: General Fund

The General Fund accounts for revenues and expenditures for the general operations of DuPage County government. Total General Fund revenues are projected to decrease by 3.3% in FY2011 from the FY2010 current budget, from $171.8 million to $166.2 million. The decrease is in large part due to reduced revenues from sales taxes and income taxes as the negative impact of the recession continues. On a budget-to-budget basis, sales tax revenues will fall by 6.3% or $5.2 million, dropping from $82.3 million to $77.0 million. Income taxes decline 15.7% or $1.4 million from $8.6 million to $7.3 million.

It is important to note that the County's most recent revised estimate for FY2010 sales taxes revenues is **less than** the $82.3 million that is presented in the table below as the current budget figure. The County Finance Department now estimates $74.8 million from sales tax receipts for FY2010. This downward revision is the result of a greater than anticipated deterioration of sales tax revenues in the FY2009 fiscal year. Using the more recent figure as the starting point for a calculation, there will be a 3% growth rate in sales tax revenues from $74.8 million to the $77.0 million amount projected in FY2011.

The more recent trend is a strong growth in tax revenues. The $77.0 million budgeted for FY2011 assumes a 3% growth rate over previous year estimates.[27]

General Fund property tax revenue will increase by 0.9% from $28.5 million in FY2010 to $28.7 million in FY2011. This $250,000 increase is attributable to the County portion of a retiring Tax Increment Financing District (TIF).[28] Fee revenues, derived from fees charged by the Recorder

[27]Cook County FY2011 Proposed Financial Plan p.80.
[28] DuPage County FY2011 Proposed Financial Plan, p.81.

of Deeds, Circuit Court Clerk, the Sheriff, the County Clerk and the County Jail, as well as real estate transactions, are expected to increase slightly by 0.5% or $160,553. Other revenues, which include personal property replacement taxes, fees charged by other offices, charges, interest earnings and other smaller miscellaneous income, increase by 3.2%, from $17.9 million to $18.5 million.

DuPage County General Fund Revenues: FY2010 & FY2011				
Revenue	FY2010 Current	FY2011 Proposed	$ Change	% Change
Sales Taxes	$ 82,250,272	$ 77,040,313	$ (5,209,959)	-6.3%
Property Tax	$ 28,481,196	$ 28,731,196	$ 250,000	0.9%
Fee Offices/Elected Officials	$ 34,494,720	$ 34,655,273	$ 160,553	0.5%
Income Tax	$ 8,621,524	$ 7,266,603	$ (1,354,921)	-15.7%
Other	$ 17,931,533	$ 18,500,490	$ 568,957	3.2%
Total	**$ 171,779,245**	**$ 166,193,875**	**$ (5,585,370)**	**-3.3%**

Source: DuPage County FY2011 Proposed Financial Plan p. 100.

Between FY2007 and FY2011, General Fund revenues will increase by 18.1% or $25.5 million. Sales tax revenues have seen a dramatic rise over the five-year period, increasing by 79.6% or $34.2 million. This is primarily due to the introduction of the 0.25 percentage point sales tax increase in 2008.[29] The impact of the sales tax increase was dampened by the recession and the County would have otherwise likely seen an even larger increase in sales tax revenues.

During the five-year period, property tax revenues have increased by 11.1% or approximately $2.9 million while income tax revenues have declined by 9.1% or $724,399. Over the five-year period, fee revenues increased by 12.0% or $3.7 million. The intergovernmental revenues reported in FY2007 represented a transfer from the DuPage Water Commission; state legislation approved in 2003 allowed DuPage County to receive an annual transfer of $15 million per year through 2007 from the Commission.[30]

DuPage County General Fund Revenues: FY2007 & FY2010				
Revenue	FY2007 Actual	FY2011 Proposed	$ Change	% Change
Sales Taxes	$ 42,885,573	$ 77,040,313	$ 34,154,740	79.6%
Property Tax	$ 25,857,957	$ 28,731,196	$ 2,873,239	11.1%
Fee Offices/Elected Officials	$ 30,943,147	$ 34,655,273	$ 3,712,126	12.0%
Income Tax	$ 7,991,002	$ 7,266,603	$ (724,399)	-9.1%
Intergovernmental Revenues	$ 15,000,000	$ -	$ (15,000,000)	-100.0%
Other	$ 18,021,242	$ 18,500,490	$ 479,248	2.7%
Total	**$ 140,698,921**	**$ 166,193,875**	**$ 25,494,954**	**18.1%**

Source: DuPage County FY2011 Proposed Financial Plan p. 100 and FY2009 p. 91.

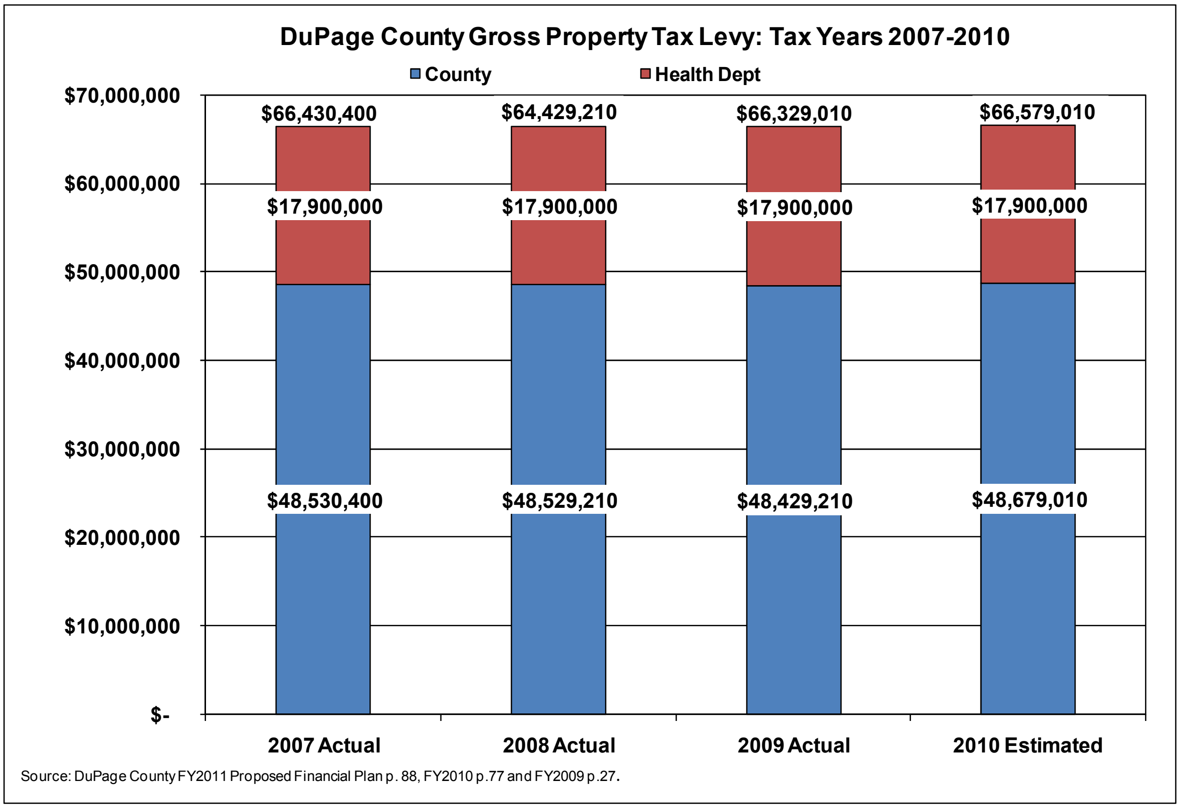
[29] State legislation, approved in January of 2008, allowed DuPage County to increase their sales tax rate by 0.25% and spend the proceeds on transportation and public safety needs. See70 ILCS 3615/4.03 (2008).
[30] DuPage County FY2005 Financial Plan, p. 2.

Property Tax Levy

The DuPage County property tax levy year differs from DuPage County's fiscal year, with the County's fiscal year running from December 1st to November 30th and the property tax levy year following the calendar year. Excluding the health system, the tax year 2010 property tax levy (collected in FY2011) for DuPage County government will increase by $249,800 or 0.52% from 2009 levels and it is increasing less than a half a percentage point over the 2007 levy.

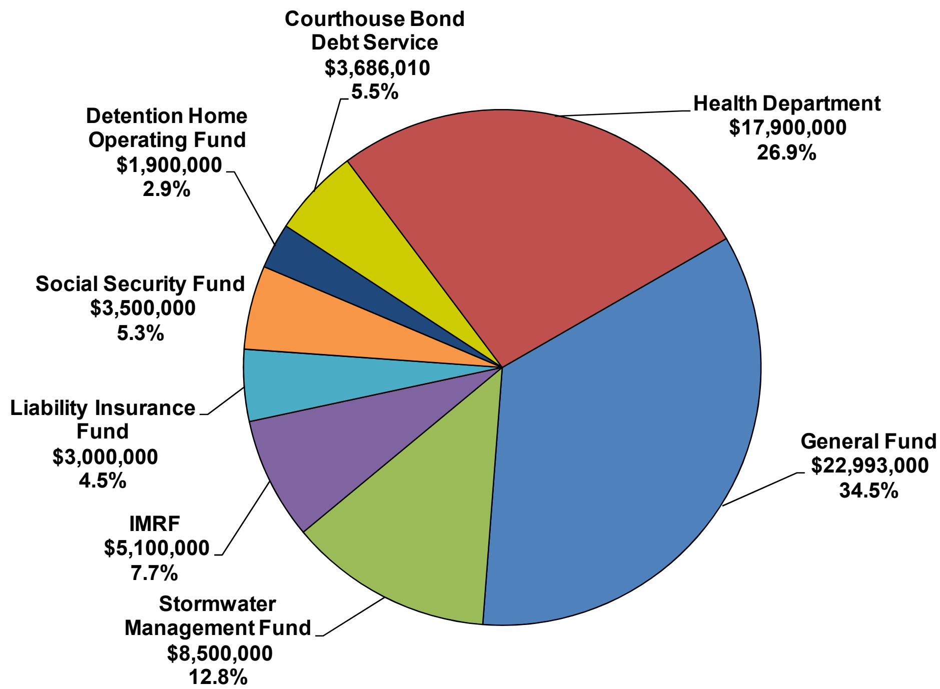
The slight levy increase in the DuPage county levy in tax year 2010 is due to the expiration of a tax increment financing district in Warrenville. In property tax TIF districts such as the Warrenville TIF district, the total equalized assessed valuation (EAV) within the district at the time of creation is measured and frozen. Then, revenues from the incremental growth in property tax revenues over the frozen baseline amount are used to pay for redevelopment costs. Once the development project is completed and has been paid for, the TIF district is dissolved and the tax base is returned to full use by all eligible taxing bodies.[31] In this case, DuPage County is one of the eligible taxing bodies that can now access the full tax base in the Warrenville TIF district. As a result, it receives additional property tax dollars.

In tax year 2010, there will be no increase in the Health Department levy. The Health Department levy has remained unchanged each year since 2007. The combined property tax levy totals $66,579,010, which is only $148,610 or 0.22% above the 2007 level.



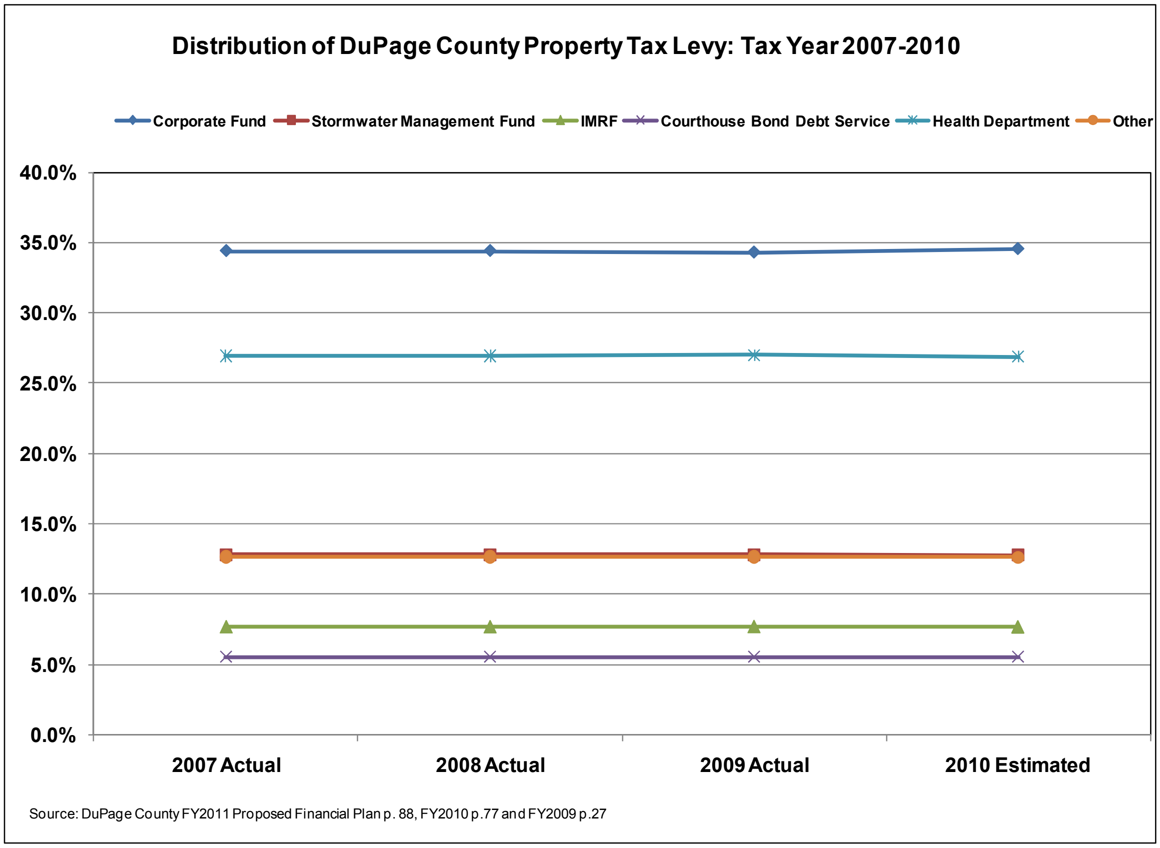
[31] Civic Federation. Tax Increment Financing (TIF): A Civic Federation Issue Brief. November 12, 2007, p. 7.

The General Fund will be the single largest recipient of property tax dollars in FY2011 (2010 levy), receiving an estimated $23.0 million or 34.5% of the total levy. The Health Department has the second largest share of the levy at $17.9 million or 26.9%. The next largest share of the levy is the $8.5 million or 12.8% allocated to the Stormwater Management Fund.



Source: DuPage County FY2011 Financial Plan, p. 88.

The following chart illustrates the remarkably steady distribution of property taxes between tax years 2005 and 2009.



Federal Recovery Funding

In February 2009 Congress passed the American Recovery and Reinvestment Act to provide direct federal stimulus funding intended to counteract the effects of the global economic recession. The legislation provided billions in funding for state and local governments to support infrastructure projects, to create jobs and provide fiscal stabilization funds to soften the blow of the downturn in revenues experienced by local governments.

The following chart shows the total confirmed direct federal ARRA funding provided to DuPage County. These are one-time federal funds appropriated to the County from the stimulus legislation that do not require matching funds or repayment. These grant funds are not reflected in the 2011 aggregate budget numbers.

DuPage County Federal Recovery Funds			
Grant Type	**Award**		**Department**
Energy Efficiency and Conservation Block Grant	$	4,653,700	Economic Development & Planning
Highways and Bridges	$	3,443,994	Transportation
Dislocated Worker Employment and Training	$	3,283,403	Economic Development & Planning
Home Weatherization	$	2,268,240	Community Services
Youth Activities	$	1,458,570	Economic Development & Planning
Homeless Prevention & Re-Housing	$	1,443,723	Community Services
Community Service Block Grant	$	1,203,019	Community Services
Community Development Block Grant	$	1,066,577	Community Services
Adult Employment and Training	$	538,404	Economic Development & Planning
Chicago Clean Cities Grant	$	150,000	Transportation
Homelessness Prevention and Re-Housing	$	376,607	Community Services
Justice Assistance Grant	$	41,263	Sheriff's Office
Total	**$**	**19,927,500**	

Source: DuPage County FY2011 Proposed Financial Plan, p. 590.

The County has applied for additional funding available through competitive ARRA grants. They still have one request pending, $60,660 for the STOP Violence Against Women training grant.

FUND BALANCE

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[32] The *unreserved* fund balance refers to resources that do not have any external legal restrictions or constraints. This section analyzes the fund balance levels maintained by DuPage County.

Unreserved General Fund Balance Ratio

The Government Finance Officers Association (GFOA) recommends “at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” Two months of operating expenditures is approximately 17%.

[32] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

Between FY2005 and FY2008 the amount of unreserved fund balance in the DuPage County General Fund increased steadily, rising from 28.0% to a peak of 41.1%. In FY2009, the ratio declined slightly to 36.6% driven by increased expenditures. However, the dollar value of the unreserved fund balance continued to grow in FY2009. The unreserved fund balance has increased from $32.7 million in FY2005 to $52.2 million in FY2009. DuPage County has consistently maintained a ratio exceeding the minimum amount recommended by the GFOA.

DuPage County Unreserved Corporate Fund Balance Ratio				
	Unreserved Fund Balance	Operating Expenditures	Operating Revenues	Ratio
FY2005	$ 32,751,692	$ 116,936,098	$ 135,269,262	28.0%
FY2006	$ 33,453,220	$ 121,419,244	$ 139,386,271	27.6%
FY2007	$ 41,675,308	$ 126,351,923	$ 146,735,035	33.0%
FY2008	$ 51,741,245	$ 125,873,312	$ 160,169,598	41.1%
FY2009	$ 52,172,319	$ 142,434,125	$ 163,020,853	36.6%

Source: DuPage County Comprehensive Annual Financial Reports FY2005-FY2009.

DuPage Financial Policy

The GFOA recommends that each unit of government adopt a formal fund balance policy that considers the unit's own specific circumstances.[33] The DuPage County financial policies do not include a fund balance policy, but do include a goal to maintain a General Fund cash balance of between 20-25% of total expenditures plus transfers out. DuPage County's available fund balance has met or exceeded their cash balance goal in each of the five years examined.

DuPage County Unreserved General Fund Balance Ratio to Expenditures & Transfers			
	Unreserved Fund Balance	Expenditures Plus Transfers Out	Ratio
FY2005	$ 32,751,692	$ 134,290,198	24.4%
FY2006	$ 33,453,220	$ 139,103,983	24.0%
FY2007	$ 41,675,308	$ 142,891,081	29.2%
FY2008	$ 51,741,245	$ 147,147,018	35.2%
FY2009	$ 52,172,319	$ 171,200,656	30.5%

Source: DuPage County Comprehensive Annual Financial Reports FY2005-FY2009.

[33] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

PERSONNEL

In its analysis of personnel data for the DuPage County FY2011 proposed budget, the Civic Federation used full-time headcount data. Data for full-time equivalent positions was not included in the proposed budget. Full-time headcount data only includes full-time salaried positions and does not include data for part-time employees. We have not included information on grant funded positions as in the past as the data were not available.

The total full-time headcount for DuPage County government is proposed to decline by 1.6% in FY2011 over FY2010 final approved budget figures. This is a total decrease in the number of overall positions of 38 full-time positions, falling from 2,326 to 2,288 full-time positions.

The County Board will gain the most number of employees for one area, rising from 27 to 30 positions. All other departments in the Corporate Fund will be decreasing the number of full-time employees or holding the level flat over the previous year.

DuPage County Full-Time Personnel Headcount: All Funds (Excludes Grants) FY2010 & FY2011

	FY2010 Final Budget	FY2011 Proposed	# Change	% Change
Corporate Fund				
Sheriff	545	538	-7	-1.3%
Probation	174	168	-6	-3.4%
All Other Offices and Departments	183	179	-4	-2.2%
Circuit Clerk	189	186	-3	-1.6%
Facilities Management	94	92	-2	-2.1%
Public Defender	45	44	-1	-2.2%
Information Technology	45	40	-5	-11.1%
Finance	35	33	-2	-5.7%
Treasurer	23	22	-1	-4.3%
Recorder of Deeds	25	25	0	0.0%
Human Services	26	24	-2	-7.7%
Human Resources	17	16	-1	-5.9%
State's Attorney	150	149	-1	-0.7%
County Board	27	30	3	11.1%
Subtotal Corporate Fund	**1578**	**1546**	**-32**	**-2.0%**
Other Funds				
Public Works	93	93	0	0.0%
Storm Water Management	15	15	0	0.0%
Transportation	109	109	0	0.0%
Neutral Site Custody Exchange	1	1	0	0.0%
Economic Development & Planning	40	39	-1	0.0%
Youth Home	46	38	-8	0.0%
Convalescent Center	374	374	0	0.0%
All Others	70	73	3	4.3%
Subtotal Other Funds	**748**	**742**	**-6**	**-0.8%**
Total	**2326**	**2288**	**-38**	**-1.6%**

Source: DuPage County FY2011 Financial Plan, pp. 70-71.

A comparison of actual full-time headcount data from FY2007 to the proposed FY2011 full-time headcount data reveals that full-time positions will increase from 2,200 positions to 2,288 positions. This represents an increase of 4.0% or 88 positions. The State's Attorney's office increased full-time staffing by 18 positions or 13.7% and the Convalescent Center increased staffing by 20 positions or 5.6%. Information Technology, Youth Home and Finance all lost positions over the five-year period.

DuPage County Full-Time Personnel Headcount: All Funds (Excludes Grants) Actual FY2006 & Proposed FY2010				
	FY2007 Actual	FY2011 Proposed	# Change	% Change
Corporate Fund				
Sheriff	528	538	10	1.9%
Probation	159	168	9	5.7%
All Other Offices and Departments	204	179	-25	-12.3%
Circuit Clerk	179	186	7	3.9%
Facilities Management	89	92	3	3.4%
Public Defender	44	44	0	0.0%
Information Technology	43	40	-3	-7.0%
Finance	34	33	-1	-2.9%
Treasurer	22	22	0	0.0%
Recorder of Deeds	25	25	0	0.0%
Human Services	23	24	1	4.3%
Human Resources	16	16	0	0.0%
State's Attorney	131	149	18	13.7%
County Board	25	30	5	20.0%
Subtotal Corporate Fund	**1522**	**1546**	**24**	**1.6%**
Other Funds				
Public Works	85	93	8	9.4%
Storm Water Management	8	15	7	87.5%
Transportation	102	109	7	6.9%
Neutral Site Custody Exchange	1	1	0	0.0%
Economic Development & Planning	32	39	7	0.0%
Youth Home	41	38	-3	0.0%
Convalescent Center	354	374	20	0.0%
All Others		73	18	32.7%
Subtotal Other Funds	**678**	**742**	**64**	**9.4%**
Total	**2200**	**2288**	**88**	**4.0%**

Source: DuPage County FY2009 Financial Plan, p. 32 and FY2011 Financial Plan, pp. 70-71.

CAPITAL BUDGET

The following section provides an overview of the proposed new bond-funded capital projects included in the FY2011 financial plan. In FY2010, the County approved a budget that included selling bonds to support $76.4 million in new capital projects. However, the final authorization by the Board of Commissioners to sell the bonds was not approved until late in the fiscal year and a new list of projects with slightly different costs and projects accompanied the authorization totaling $69.7 million.[34] The most recent list of projects published as part of the FY2011 proposed budget totals $66.3 million but it is also noted that if these project costs are lower than expected that other projects may be added to the list.[35]

The following chart shows the debt-funded projects included in the FY2010 budget compared to the projects proposed in the FY2011 financial plan.

DuPage County Proposed Bonded Capital Projects FY2010-FY2011 (in $ millions)			
Project	**Location**	**FY2010**	**FY2011**
Street Widening	Fabyan Pwy (County line to IL38)	$ 14.4	$ -
ERP Software Upgrade	Various County Buildings	$ 12.0	$ 7.1
Emergency Generators	Various County Buildings	$ 11.1	$ 11.7
Street Widening	Gary Ave (North Ave to Army Trail Rd)	$ 10.5	$ 5.4
Street Widening	75th St (Woodwar to Lyman)	$ 8.5	$ 5.0
Watershed Projects	Brewster Creek	$ -	$ 5.0
Kitchen Renovation	Convalescent Center	$ 5.1	$ 6.0
HVAC	Various County Buildings	$ 4.2	$ 4.8
I.T. Dept. Move/Renovation	421 Building	$ 3.7	$ 1.5
Street Widening	Curtis St (at Belmont Rd)	$ 3.0	$ 3.0
Fire-panel, Alarms, Bldg Automation	Various County Buildings	$ 2.5	$ 2.7
Flood Mitigation	Warrenville/Winfield	$ -	$ 5.5
Flood Mitigation	West Branch/Klein Creek	$ -	$ 5.0
Dam Modification	Churchill Woods	$ -	$ 1.7
Street Widening	55th St (Cass Ave to Holmes Ave)	$ 1.4	$ 1.2
Bikeway Expansion	East Branch DuPage River Greenway	$ -	$ 0.4
Bikeway Improvements	Central DuPage Bikeway	$ -	$ 0.3
Total		**$ 76.4**	**$ 66.3**

Sources: DuPage County FY2010 Financial Plan, p. 417; DuPage County FY2011 Financial Plan, p. 479-488.

The County reports that it expects to expend $35 million of the new bond-funded capital appropriations proposed in FY2011, with the remaining funds would then continue to be spent on multi-year projects.[36]

County residents cannot be certain if the proposed projects list addresses the DuPage County's most critical infrastructure needs because it does not currently have a comprehensive Capital Improvement Plan (CIP). The initial steps of developing a CIP begin with establishing a full inventory of all government assets, including a condition assessment. Before any additional

[34] DuPage County FY2010 Bond Initiative, http://www.co.dupage.il.us/finance/generic.cfm?doc_id=4635. (Last visited October 8, 2010)
[35] DuPage County FY2011 Financial Plan, p. 479.
[36] Ibid, p. 451.

bonded capital projects are approved, a CIP ensures that the government undertakes a needs-based prioritization process based on objective criteria to ensure long-term capital bonds are spent effectively. Projections of capital needs versus anticipated resource for at least the five fiscal years should be included and updated annually along with all of the information provided in a CIP.

Without these minimum CIP steps, critical capital needs can go unfunded while long-term capital funding resources are diminished. For instance, the largest road project originally proposed in the FY2010 plan was street improvements for a long stretch of Fabyan Parkway. The project initially was estimated to cost $14.4 million but has now been removed from the FY2011 bonded capital projects list. It is unclear how or when this project may move forward in the future but the need for the improvements is still included in the Non-General Funds section of the budget.[37] Other capital projects are listed throughout this section. By undertaking a comprehensive CIP process, the County would consolidate all these capital projects and more effectively address all funding needs for the completion of critical projects.

In addition, many of the cost estimates shown on the original list have increased or decreased without further explanation.

PENSION FUNDING

DuPage County employees are enrolled in the Illinois Municipal Retirement Fund (IMRF), a multi-employer defined benefit pension plan. The IMRF plan provides retirement, disability, and death benefits to DuPage County employees. The IMRF acts as a common pension investment and administrative agent for local governments and school districts in Illinois. In FY2009, there were 3,135 active DuPage County members in the IMRF.[38]

Four different groups of DuPage County employees are covered in the IMRF: Regular Employees, Elected County Officials, Veterans' Assistance Commission and Sheriff's Law Enforcement Personnel. The exhibit below shows employer and employee contribution rates for the four different groups.

Pension Contribution Rates for DuPage County Employees for FY2009

	Employee Contribution	Employer 2009 Contribution Rate
Regular County Employees	4.5% of covered salary	8.60% of covered payroll
Elected County Officials	7.5% of covered salary	38.41% of covered payroll
Sheriff's Law Enforcement Personnel	7.5% of covered salary	20.83% of covered payroll
Veteran's Assistance Commission	4.5% of covered salary	10.27% of covered payroll

Source: DuPage County FY2009 CAFR, p. 73.

The Civic Federation uses two measures to present a multi-year evaluation of the fiscal health of the DuPage County portion of the Illinois Municipal Retirement pension fund: funded ratios and the value of unfunded liabilities.

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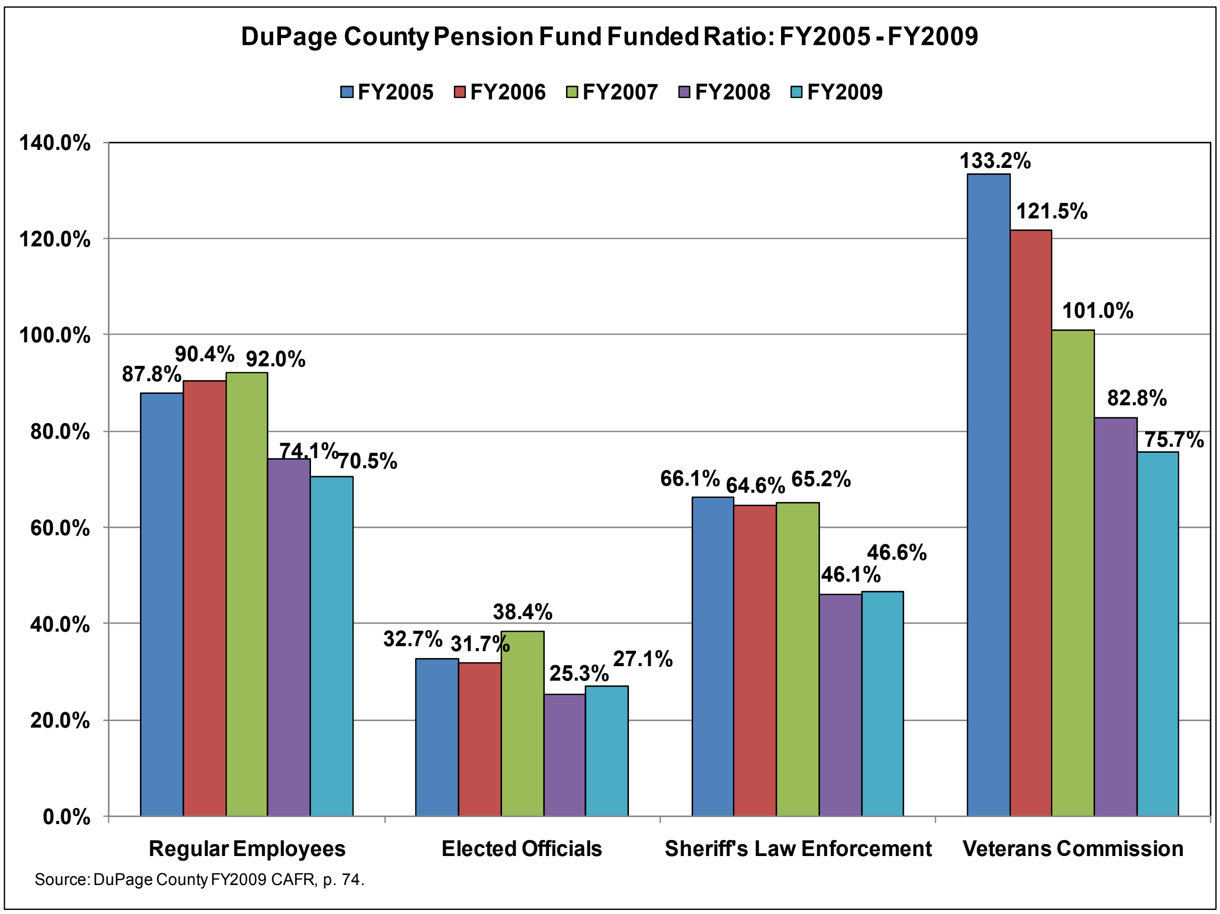
[37] DuPage County FY2011 Proposed Financial Plan, p. 396.
[38] Illinois Municipal Retirement Fund FY2009 Comprehensive Annual Financial Report, p. 79.

Funded Ratios– Actuarial Value of Assets

The following exhibit shows funded ratios for each of the four employee groups. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

The funded ratios of two of the four DuPage County employee pension groups – the Regular Employees and Veteran's Commission - fell in FY2009, while the Sheriff's Law Enforcement Personnel group funded ratio remained flat and the Elected County Officials funded ratio increased slightly. The following provides a breakdown of the results for each group:

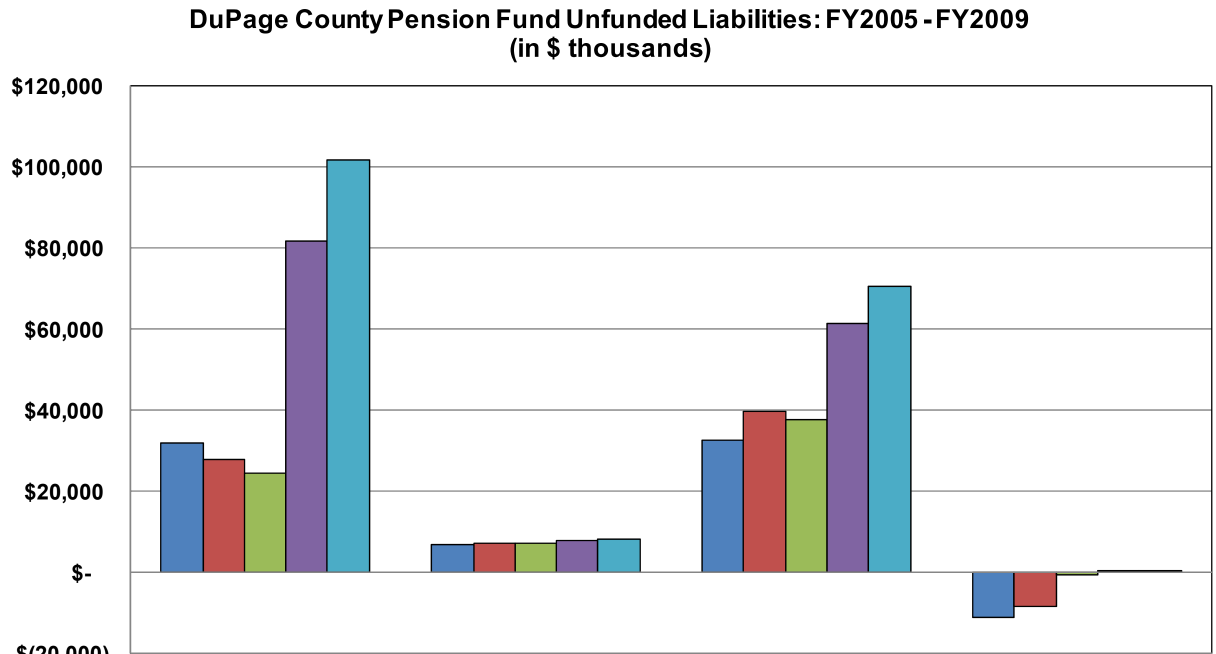
- The Regular Employees group, which is the largest of the three, experienced a 3.6 percentage point decrease, falling from 74.1% to 70.5%;
- The Elected County Officials group funded ratio rose from 25.3% in FY2008 to 27.1% one year later;
- The Sheriff's Law Enforcement Personnel group funded ratio remained virtually flat at 46%; and
- The Veteran's Commission group funded ratio declined from 82.8% to 75.7%.



Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities have risen for all four DuPage County employee groups. The Veteran's Commission group, which had previously maintained a surplus (i.e., it was overfunded), reported an unfunded liability for FY2008 and FY2009.

The unfunded liabilities of the Regular Employees group rose dramatically from $24.6 million to $101.8 million between FY2007 and FY2009 alone. Unfunded liabilities for the Elected Officials group increased from $7.7 million to $8.2 million between FY2008 and FY2009. The Sheriff's Law Enforcement group reported an increase in unfunded liabilities from nearly $61.5 million to $70.5 million.



	Regular Employees	Elected Officials	Sheriff's Law Enforcement	Veterans Commission
FY2005	$32,085	$6,837	$32,566	$(11,224)
FY2006	$28,027	$7,125	$39,697	$(8,532)
FY2007	$24,575	$7,280	$37,658	$(560)
FY2008	$81,761	$7,717	$61,458	$13
FY2009	$101,787	$8,161	$70,490	$26

Source: DuPage County FY2009 CAFR, p. 74

OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits, DuPage County also provides limited health care insurance for certain eligible retired employees. Non-pension benefits provided to employees after employment ends are referred to as Other Post Employment Benefits or OPEB. OPEB includes health insurance coverage for retirees and their families, dental insurance, life insurance and long-term care coverage. It does not include termination benefits such as accrued sick leave and vacation.

The County governs the benefits provided and benefit levels, as well as employer and employee contributions. These provisions may be amended by the County through its personnel manual and union contracts. As of December 1, 2009, the membership in the plan consisted of the following four groups.

DuPage County Other Post Employment Benefits Membership: FY2011	
Beneficiaries receiving benefits	187
Terminated plan members not yet receiving benefits	0
Active vested plan members	1,517
Active non-vested plan members	1,670
Total Members	**3,374**

Source: DuPage County FY2009 CAFR, p. 74.

The County funds its OPEB plan on a pay-as-you-go basis. The actuarial accrued liability for the plan, as of FY2009, was $6.2 million. The unfunded actuarial accrued liability totaled $6.2 million.

Funded Status of DuPage County's OPEB Plan: FY2009	
Actuarial Accrued Liability	$ 6,176,135
Unfunded Actuarial Accrued Liability (UAAL)	$ 6,176,135
Covered Payroll	$ 151,031,098
UAAL as a % of Covered Payroll	4.1%

Source: DuPage County FY2009 CAFR, p. 75.

The normal cost attributable to FY2009 was $296,948, and the amortization of the $6.2 billion unfunded actuarial liability was $212,970. Including $25,496 for interest on the unfunded liability, the total Annual Required Contribution (ARC) for OPEB is $535,414.

Total contributions of $511,200 were $24,214 less than the ARC, thus adding to the net OPEB obligation which totaled $84,725 at the end of FY2009.

DuPage County Other Post Employment Benefits: Cost and Net Obligations for FY2009		
Normal Service Cost	$	296,948
Amortization of Unfunded Actuarial Liability	$	212,970
Interest Cost	$	25,496
Total Annual Required Contribution	**$**	**535,414**
Retiree and Other Contributions	$	511,200
Increase in Net OPEB Obligation	$	24,214
Net OPEB Obligation, Beginning of Year	$	60,511
Net OPEB Obligation, End of Year	$	84,725
% of Annual OPEB Cost Contributed		95.5%

Source: DuPage County FY2009 CAFR, p. 75.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. DuPage County currently reports no short-term debt but does include the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report:[39]

- *Deferred revenue:* receivables not collected within 60 days of the end of the fiscal year or otherwise unavailable for operations;
- *Accounts payable*: monies owed to vendors for goods and services;
- *Accrued payroll and benefits*: employee pay and benefits carried over from the previous year;
- *Funds due to other governments*: amounts that must be paid to other government entities through intergovernmental transfers and other agreements;
- *Liabilities payable*: these can include self insurance funds, unclaimed property and other unspecified liabilities; and
- *Claims payable*: claims against the county that are owed in the next calendar year.

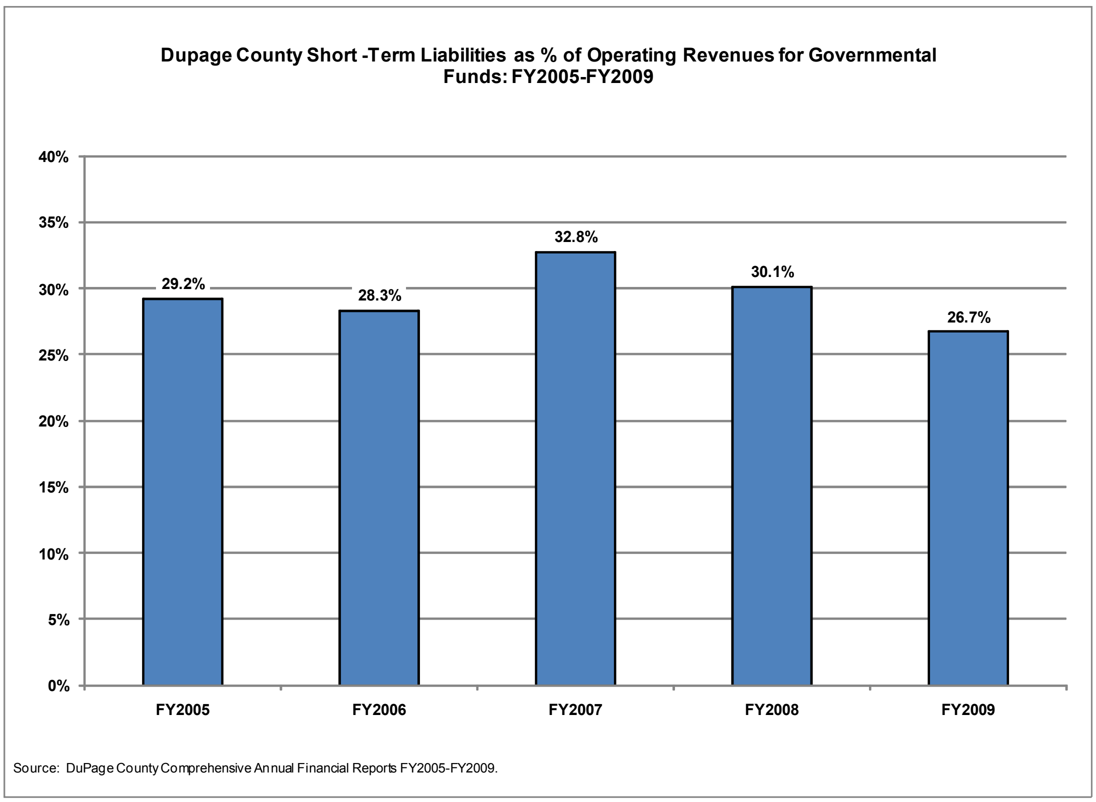
In FY2009, short-term liabilities in the Governmental Funds decreased by approximately $5.2 million or 5.2% from the previous year. This is the second year in a row that total short-term liabilities reported by the County have decreased. Since FY2005, short-term liabilities have increased by $4.8 million or 5.4%. The bulk of DuPage County's short-term liabilities are made up of deferred revenue, which decreased from $67.0 million in FY2008 to $66.3 million in FY2009. Since 2005, deferred revenues have increased by $3.1 million or 4.8% over five years. Overall, short-term liabilities reported at the end of each year by the County remained relatively flat over the last five years. The following chart shows short-term liabilities by category and the percent change over the past five years.

[39] DuPage County FY2009 Comprehensive Annual Financial Report, p. 15.

Dupage County Short-Term Liabilities in the Governmental Funds FY2005-FY2009 (in $ thousands)							
	FY2005	FY2006	FY2007	FY2008	FY2009	5-year Change	5-year % Change
Defered Revenue	$ 63,260	$ 65,228	$ 67,387	$ 66,964	$ 66,328	$ 3,068	4.8%
Accounts payable	$ 16,135	$ 18,588	$ 25,098	$ 19,493	$ 16,180	$ 45	0.3%
Accrued Payroll	$ 4,208	$ 4,804	$ 8,896	$ 6,210	$ 6,868	$ 2,660	63.2%
Funds Due to Other Gov't	$ 2,050	$ 2,660	$ 2,219	$ 4,294	$ 2,785	$ 735	35.9%
Liabilities Payable	$ 2,561	$ 2,161	$ 2,168	$ 2,010	$ 1,638	$ (923)	-36.0%
Claims Payable	$ 783	$ 830	$ 835	$ -	$ -	NA	NA
Total	**$ 88,997**	**$ 94,271**	**$ 106,603**	**$ 98,971**	**$ 93,799**	**$ 4,802**	**5.4%**

Source: DuPage County Comprehensive Annual Financial Reports FY2005-FY2009.

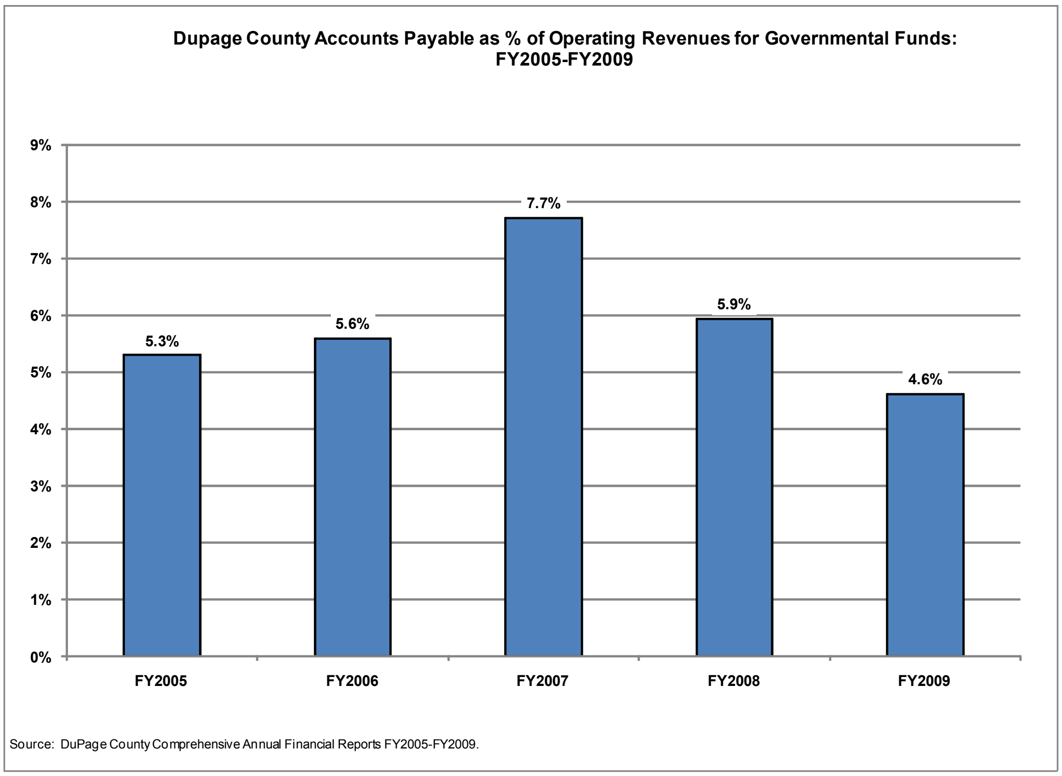
Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of a government's future financial difficulties.[40] This indicator, developed by the International City/County Management Association (ICMA), is a measure 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. DuPage County showed a positive trend by reducing its short-term liabilities compared to total operating revenue between FY2007 to FY2009 from 32.8% to 26.7%, which is below the five-year average of 29.4%. The following graph shows total short-term liabilities as a percentage of net operating revenues between FY2005 and FY2009.



[40] 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.

Accounts Payable

Over time, rising amounts of accounts payable carried forward from one fiscal year to the next may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. DuPage County's ratio of accounts payable to operating revenues averaged 5.8% between FY2005 and FY2009. This ratio of bills due at the end of the fiscal year compared to total annual revenues for operations peaked in FY2007 at 7.7% and has declined over the past two fiscal years to its lowest level in the past five years, falling to 4.6% in FY2009. The following graph shows annual accounts payable carried forward from one fiscal year to the next by the County between FY2005 and FY2009.



This declining trend is a positive sign that the County has managed spending pressures in recent years. However, any future spikes in this ratio would warrant watching as an indication of fiscal instability of the County government.

LONG-TERM OBLIGATIONS

This section presents information about long-term debt trends of DuPage County. It includes information about existing direct and overlapping debt in the County. Also examined are total long-term debt, new bonds, debt per capita and bond ratings.

Overlapping Debt

The following two exhibits compare total long-term debt issued by the various local governments in DuPage County with direct debt issued by DuPage County government. Rating agencies and other financial analysts commonly monitor overlapping debt trends as an affordability or capacity indicator when governments consider debt issuance.

DuPage County government issued approximately 1.4% of the $12.4 billion outstanding long-term overlapping debt attributed to the various governments within boundaries wholly or partially of the County in FY2009. Cities and villages issued the largest share of all long-term overlapping debt in the County, or $8.0 billion, which represented 65.1% of all local debt. Unit school districts were responsible for the next largest amount of the overlapping debt, or 12.0% of the total. The following chart shows total overlapping debt in DuPage County by the issuer.

DuPage County & Other Governments Overlapping Debt: FY2009

	Total Debt Outstanding	% Applicable to DuPage County	% of Total Debt
DuPage County*	$ 174,025,000	100.0%	1.4%
Overlapping Governments			
Cities & Villages	$ 8,091,078,591	9.5%	65.1%
Unit Schools	$ 1,491,663,072	60.9%	12.0%
Parks	$ 1,243,072,560	36.3%	10.0%
Grade Schools	$ 428,435,114	94.6%	3.4%
High Schools	$ 433,302,510	96.5%	3.5%
Forest Preserve District	$ 225,517,980	100.0%	1.8%
Community Colleges	$ 198,987,512	64.4%	1.6%
Water Commission	$ 31,215,000	98.4%	0.3%
Library	$ 80,195,000	43.6%	0.6%
Fire Protection	$ 21,165,000	97.2%	0.2%
Special Service	$ 6,847,925	100.0%	0.1%
Townships	$ 325,000	100.0%	0.003%
Subtotal Overlapping	**$ 12,251,805,264**		**98.6%**
Total	**$ 12,425,830,264**		**100.0%**

* Includes City of Chicago for which a portion overlaps into DuPage County.

Source: DuPage County FY2009 Comprehensive Annual Financial Report, p. 318.

The rate of growth of the debt issued by various overlapping governments was 23.6% during the most recent five-year period between FY2005 and FY2009.[41] This was in contrast to the 12.5% decrease reported by DuPage County government during the same period. The following chart shows total Overlapping debt compared to DuPage County's direct debt between FY2005 and FY2009.

DuPage County Government vs. Overlapping Governments' Debt: FY2005-FY2009

	DuPage County Government	Overlapping Governments	Total
FY2005	$198,920,000	$9,992,035,215	$10,190,955,215
FY2006	$195,630,000	$10,280,478,507	$10,476,108,507
FY2007	$188,250,000	$11,353,098,249	$11,541,348,249
FY2008	$181,915,000	$11,560,970,281	$11,742,885,281
FY2009	$174,025,000	$12,425,830,264	$12,599,855,264
$ Change	**-$24,895,000**	**$2,433,795,049**	**$2,408,900,049**
% Change	**-12.5%**	**24.4%**	**23.6%**

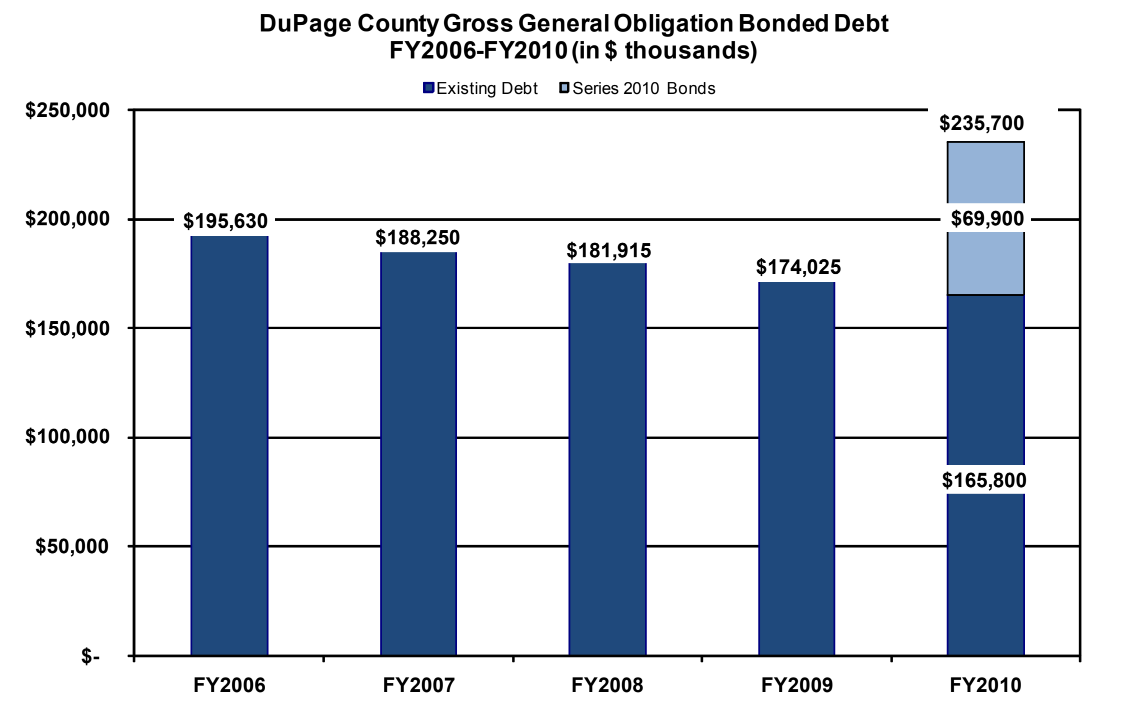
Source: DuPage County Comprehensive Annual Financial Reports FY2005-FY2009.

[41] DuPage County provides audited financial information in the publication of it annual CAFR, including total overlapping debt. The most recent CAFR available is for FY2009.

Existing and New General Obligation Debt

As part of the FY2010 Capital Budget, the County proposed the sale of $70.0 million in new General Obligation Bonds (GO Bonds) for capital expenditures. The Board did not authorize the sale of these bonds until late in the fiscal year.[42] However, the new capital debt is expected to be issued before the end of the current calendar year in order to take advantage of federal subsidies offered through the American Recovery and Reinvestment Act set to expire on December 31, 2010.[43] The following section shows the impact of the new bonds on existing outstanding bonded indebtedness of the County.

Prior to the approval of the Series 2010 Bonds, the County's outstanding GO debt fell from $195.6 million to $174.0 million between FY2006 and FY2009. This is a 12.5% decline totaling $24.9 million. With the addition of the Series 2010 Bonds, the County's total general obligation debt will increase by 35.4% from FY2009 to FY2010, or $61.7 million. The following chart shows total outstanding GO Debt from FY2006 to FY2010 and the total FY2010 long-term debt including the Series 2010 Bonds.



Sources: DuPage County Comprehensive Annual Finacial Reports FY2006-FY2009; DuPage County FY2011 Proposed Financial Plan, p. 575.

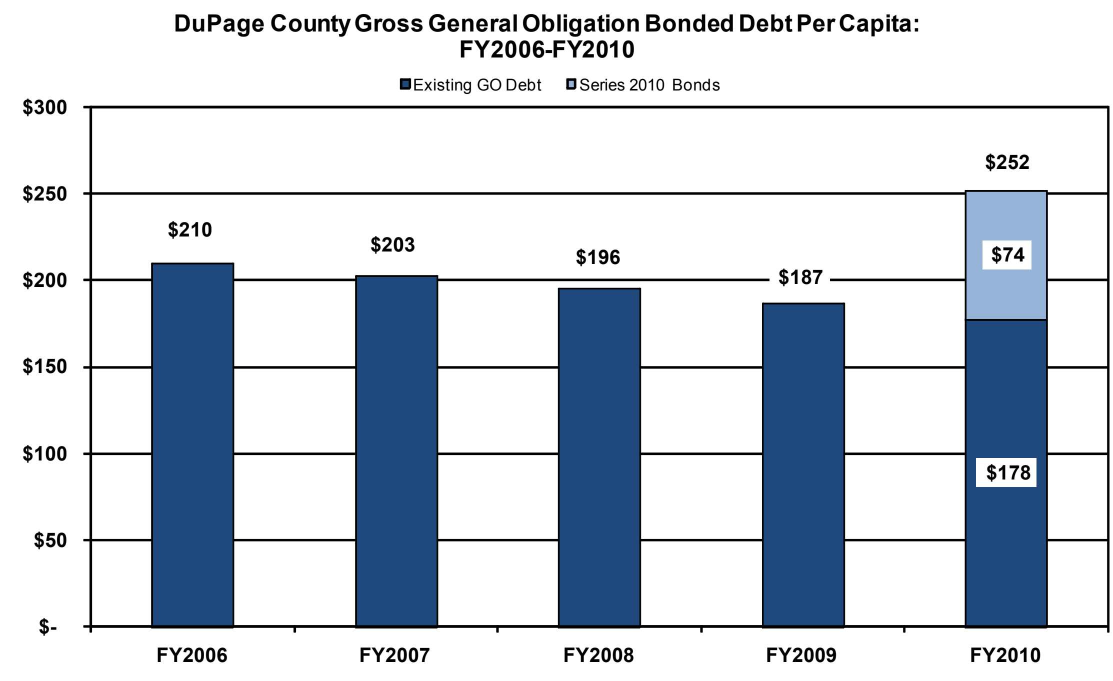
[42] DuPage County FY2010 Bond Initiative, http://www.co.dupage.il.us/finance/generic.cfm?doc_id=4635. (last visited October 5, 2010)

[43] DuPage County FY2011 Proposed Financial Plan, p. 41.

Total Debt Per Capita

The next exhibit presents historic DuPage County gross general obligation bonded debt per capita figures. Debt per capita is a common measure of a government's ability to maintain its current financial policies and is used by investors to assess the affordability of a governments total debt burden.

DuPage County reported a downward trend in debt per capita, corresponding to the downward trend in total outstanding debt, between FY2006 and FY2009. The gross general bonded obligation debt per capita decreased from $210 to $187 over this period, or 14.4%. With the sale of the Series 2010 Bonds, the total debt per capita will increase to $252 in FY2010, a 34.9% year-to-year increase. Over the past five years, the total debt per capita will have increased 15.5% once the new bonds are added to the County's total outstanding debt. The following graph shows total DuPage GO Debt per capital between FY2006 and FY2010.



Sources: DuPage County Comprehensive Annual Financial Reports FY2006 -FY2009
DuPage County FY2011 Proposed Financial Plan, p. 575.

Bond Ratings

DuPage County has the following bond ratings:[44]

- Standard and Poor's – AAA
- Fitch – AAA
- Moody's – Aaa

[44] DuPage County Proposed FY2011 Financial Plan, p. 573.