The Civic Federation

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CHICAGO PARK DISTRICT FY2018 BUDGET:

Analysis and Recommendations

December 6, 2017

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

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2018 proposed budget of $462.3 million because it reduces reliance on prior year fund balance, implements savings and efficiencies and reduces the size of its workforce. At the same time the District also plans to increase the level of funding to its pension fund. The District's proposed operating budget of $462.3 million represents an increase of 2.9%, or $12.9 million, from the FY2017 budget. The increase is primarily attributable to the increased contribution to the pension fund and increased salaries and wages.

This year the District proposes to close its $20 million budget deficit with $9.1 million in savings and efficiencies and $10.9 million from increased recurring revenues. The $10.9 million increase in revenues includes a net increase in the property tax levy of $7.3 million, $2.5 million in revenue from property tax value capture from new and improved property added to the tax rolls and approximately $1.1 million in fee increases.

While the District is continuing to work to improve the sustainability of its pension fund, there is still great uncertainty surrounding the outcome of litigation on the 2014 pension funding and benefit reforms. The District is hopeful increased employer and employee contributions will remain intact, but such an outcome is not guaranteed. The proposed increase in the property tax levy, while necessary to close the deficit and increase special recreation programming, will not eliminate the District's structural deficit going forward. Furthermore, if the entire pension reform act is found unconstitutional and a new pension funding approach that does not violate the pension protection clause is not agreed upon between the District and its labor partners, the liability of the pension fund will increase further and make it more difficult to achieve solvency over the long term.

The uncertainty surrounding pension funding and the rising costs of personnel expenses will cause financial strain on future budgets and will require additional savings and efficiencies coupled with increased growth in revenues. Because of these financial challenges, the Civic Federation recommends the District include financial forecasts in its annual budget book, which will allow stakeholders to see the future impact of current year decisions.

The Civic Federation offers the following **key findings** on the Chicago Park District's FY2018 proposed budget:

- The District's proposed budget is $462.3 million, an increase of approximately $12.9 million, or 2.9%, from FY2017 budgeted appropriations. The increase is primarily due to contractual wage increases;
- The District's proposed FY2018 gross property tax levy is $284.6 million, an increase of $10.6 million over the adopted FY2017 levy of $273.9 million.[1] The increase is due to the combination of a $5.9 million property tax increase in the Special Recreation levy, which is not subject to the Property Tax Extension Limitation Law (PTELL), a levy increase of $1.7 million across other funds and an additional $2.6 million from capturing the value of new property and expiring TIF districts;
- Tax revenues for the District are budgeted to increase by 3.4%, or nearly $10.3 million, from nearly $303.3 million in the adopted FY2017 budget to $313.5 million in FY2018. The increase is due to the District increasing its gross property tax levy by $10.6 million or 3.9%;

[1] The 2017 levy was subsequently increased on August 9, 2017 by the Board of Commissioners to accommodate increased debt service from 2016 bonds.

- In FY2018 the District plans to reduce the number of part-time FTE positions from the prior year by 24 and the number of seasonal FTE positions by 10 and to add an additional 5 full-time FTE positions for a net decrease of approximately 29 FTE positions, or a 0.9%, decrease in the District's workforce;
- Total personnel costs will increase by 4.9%, or approximately $9.7 million, from $199.3 million in FY2017 to $209.0 million in FY2018. Between FY2014 and FY2018, total personnel costs will increase by 20.1%, or $35.0 million, from $173.9 million to $209.0 million. This is largely due to contractual increases in salary and wages and an increase in the District's overall workforce offset by savings;
- Unrestricted General Fund fund balance was $206.4 million, or 66.7%, of General Fund expenditures, in FY2016; and
- The market value funded ratio of the Park District Pension Fund fell from 80.9% in FY2007 to 39.0% in FY2016. The decline in FY2016 is primarily due to the 2016 Agreed Order in the District's pension reform litigation that freezes employee and employer contributions at FY2016 rates, reinstates automatic annual annuity increases for current retirees and requires retroactive payments of retirees' foregone increases dating back to January 1, 2015. The next status hearing on the case is scheduled for December 15, 2017.

Overall, the Civic Federation **supports** many elements of the District's FY2018 proposed budget including:

- Reducing reliance on prior year fund balance to close annual deficits and fund special recreation programming;
- Maintaining a high level of fund balance;
- Developing a financially responsible approach to the Park District's finances that includes a property tax increase for special recreation purposes, prudently managing its debt profile and reducing the size of its workforce; and
- Providing a greater level of detail on individual expenditures in the budget book.

However, the Civic Federation has **concerns** about the FY2018 proposed budget which include:

- Uncertainty surrounding the outcome of litigation on the 2014 pension funding and benefit reforms; and
- Continued use of non-recurring sources to close annual deficits, including $2.0 million of prior-year fund balance and $9.2 million of TIF surplus.

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

- Incorporate a three-year financial forecast into the annual budget document;
- Study consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund (IMRF). The Chicago Park District is the only park district in the State of Illinois that does not participate in the IMRF;
- Provide a greater level of textual explanation of year-over-year changes in expenditures;
- Create a special recreation section in the budget book that is dedicated to the District's special recreation revenue and expenditures; and
- Consider funding the pension fund at an annual actuarially determined funding level, rather than by a multiplier.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's FY2018 proposed budget of $462.3 million because it reduces reliance on prior year fund balance, implements savings and efficiencies and reduces the size of its workforce. At the same time the District also plans to increase the level of funding to its pension fund. The District's proposed operating budget of $462.3 million represents an increase of 2.9%, or $12.9 million, from the FY2017 budget. The increase is primarily attributable to the increased contribution to the pension fund and increased salaries and wages.

This year the District proposes to close its $20 million budget deficit with $9.1 million in savings and efficiencies and $10.9 million from increased recurring revenues. The $10.9 million increase in revenues includes a net increase in the property tax levy of $7.3 million, $2.5 million in revenue from property tax value capture from new and improved property added to the tax rolls and approximately $1.1 million in fee increases.

While the District is continuing to work to improve the sustainability of its pension fund, there is still great uncertainty surrounding the outcome of litigation on the 2014 pension funding and benefit reforms. The District is hopeful increased employer and employee contributions will remain intact, but such an outcome is not guaranteed. The proposed increase in the property tax levy, while necessary to close the deficit and increase special recreation programming, will not eliminate the District's structural deficit going forward. Furthermore, if the entire pension reform act is found unconstitutional and a new pension funding approach that does not violate the pension protection clause is not agreed upon between the District and its labor partners, the liability of the pension fund will increase further and make it more difficult to achieve solvency over the long term.

The uncertainty surrounding pension funding and the rising costs of personnel expenses will cause financial strain on future budgets and will require additional savings and efficiencies coupled with increased growth in revenues. Because of these financial challenges, the Civic Federation recommends the District include financial forecasts in its annual budget book, which will allow stakeholders to see the future impact of current year decisions.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Chicago Park District's proposed FY2018 Budget.

Reducing Reliance on Prior Year Fund Balance

The Chicago Park District's FY2018 budget proposes to reduce its reliance on the use of prior year fund balance in the corporate fund and special recreation fund. This is a reduction of $1.5 million, or 42.9%, from $3.5 million in FY2017 and $4.2 million in FY2016. The District continues to better align its operating expenditures with its recurring revenue sources by not relying on fund balance sources. With the District proposing to increase the property tax levy for the special recreation fund by $5.9 million the fund will no longer rely on prior year fund balance.[2]

The Civic Federation is applauds the Office of Budget and Management for continuing to set a goal of reducing the District's reliance on prior year fund balance.[3]

Maintaining a High Level of Fund Balance

The Chicago Park District maintains a number of reserve funds to better manage its finances during times of budgetary stress. In FY2016 the District's unrestricted General Fund fund balance was $206.4 million, or 66.7% of General Fund expenditures. This is an increase in reserves of $4.5 million. Even if certain long-term reserves are excluded, the District would have a FY2016 fund balance of 35.5%, well above the Government Finance Officers Association (GFOA) recommended level of 17% and the District's own standards.

A healthy fund balance for contingencies, such as unexpected revenue shortfalls, is particularly important at a time when the District faces uncertainty surrounding reforms made to its pension fund and the State of Illinois continues to face its own fiscal challenges.

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

The Civic Federation supports the Chicago Park District's work to produce a 2018 budget that combines management efficiencies and expenditure reductions with increases in recurring revenues. The Federation highlights some of those initiatives below.

Increasing the Special Recreation Levy to Cover Indirect Expenses, Reduce Reliance on Fund Balance and Expand Programming

In FY2018 the District is proposing to increase its property tax levy for special recreation purposes, which is not subject to state tax cap law, by $5.9 million, from $7.0 million in FY2017 to $12.9 million in FY2018. Of the $5.9 million increase in the special recreation levy, $0.7 million will be allocated to expanding special recreation programming, $1.0 million will be used to eliminate the Fund's reliance on prior year fund balance to cover operations and $4.2 million will be used to reimburse the Corporate Fund to cover indirect expenses, such as human resources, payroll, information technology and other expenses.[4] This is the first year the District is incorporating these indirect expenses for reimbursement into its budget. Because the Special Recreation Levy is not subject to state tax caps, the Civic Federation believes the District has an obligation to the taxpayers to provide maximum detail about how funds are being spent on special recreation purposes, both from the tax levy and other sources. The Federation calls on the District to provide greater transparency in how special recreation funds are spent in its annual budget book going forward.

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[2] Chicago Park District FY2018 Budget Summary, p. 40.
[3] Chicago Park District FY2018 Budget Summary, p. 111.
[4] Information provided by Chicago Park District budget staff, December 1, 2017.

Prudently Managing Debt Profile

The Chicago Park District's proposed FY2018 budget will appropriate $70.6 million, or 15.3% of the total operating budget toward debt service expenses. This is a decrease of $4.3 million from FY2017 and a $19.1 million decrease since FY2014 when debt service expenses consumed 21.1% of the total operating budget. In recent years the District has worked to refinance outstanding debt that has generated more than $6.0 million in savings with an additional reduction of $4.3 million in debt service expenses in FY2018 due to the retirement of certain debt obligations.[5]

Achieving Savings and Efficiencies

This year the District proposes to close its $20 million budget deficit with $9.1 million in savings and efficiencies and $10.1 million from increased recurring revenues. The $9.1 million in savings includes $4.3 million in debt service savings, $2.0 million in personnel efficiencies, $0.9 million in savings related to healthcare offerings, and $1.1 million in efficiencies tied to landscaping, information technology and programming.

The Federation commends the District's efforts to implement further savings and efficiencies by controlling expenses tied to healthcare benefits and better managing its utility costs by locking in rates for electricity and natural gas, as well as its water conservation efforts.

Reducing the Number of Full-time Equivalent Employees

The Park District is budgeting for a total of 3,208 full-time equivalent (FTE) positions in FY2018, including 1,607 full-time positions and 1,601 part-time and seasonal positions. In FY2018 the District plans to reduce the number of part-time FTE positions by 24 and the number of seasonal FTE positions by 10 and add an additional 5 full-time FTE positions for a net decrease of approximately 29 FTE positions, or a 0.9%, decrease in the District's workforce. This effort will help the District achieve $2 million in savings from personnel efficiencies.[6]

As the District continues to face financial stress in future budgets, it must continue to evaluate and rightsize its workforce in order to control its personnel expenses while continuing to provide high quality recreational services to the residents of Chicago.

Providing a Greater Level of Detail on Expenditures in Budget Book

The District has a history of providing a good level of detail in its operating revenue section of the budget document surrounding its various revenue sources, including charts showing six-year revenue and expenditure trends. The Federation commends the District for changing the way it presents expenditure details by including a more detailed breakdown of expenses rather than through grouping of expenses as done in prior years. However, there was not as much textual detail provided on expenditures in the budget document explaining the year-over-year change in expenditures. The District also does not include actual audited data from prior years.

[5] Information provided by Chicago Park District staff, November 17, 2016 and Chicago Park District FY2018 Budget Briefing packet, p. 3.
[6] Chicago Park District FY2018 Budget Summary, p. 44.

Civic Federation Concerns

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

Uncertainty Surrounding Outcome of Pension Reform Litigation

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

After pension reform legislation for both the State of Illinois and City of Chicago was struck down by the Illinois Supreme Court, the parties to the Park District pension reform lawsuit continued to meet and in October 2016, the court issued an Agreed Order. The Agreed Order restored certain benefits to retirees but does not strike down Public Act 98-0622 as unconstitutional and allowed parties to the lawsuit additional time for discussion of modified pension reforms. The court order required the pension fund to restore automatic annual annuity increases for retirees and make a retroactive payment to restore the past payments that were not made under P.A. 98-0622. However, the order temporarily held increased employee and employer contributions at 2016 levels.[7] According to the actuary, these changes had the effect of increasing the unfunded liability by $93.6 million and altering projected funding levels such that the fund will become insolvent after 2055.

In 2017 there were further developments in the litigation, with settlement discussions ending and the parties filing for summary judgment. The Park District is asking that the judge sever the increases to employee and employer contributions contained in P.A. 98-0622 from the benefit changes included in the legislation so that the increased funding may continue to be in force even if the benefit changes are struck down as unconstitutional.[8] The District plans to increase its level of funding to the pension fund by $6.8 million in FY2018, continuing the schedule that was delayed by the Agreed Order. The next court date in the case is December 15, 2017 and it remains to be seen if the legislation will survive in part or will be struck down as unconstitutional in its entirety. The District argues and the plaintiffs agree that the plaintiffs have not challenged the funding increases in the legislation. However, a footnote in the Illinois Supreme Court's ruling on the City of Chicago pension reform legislation, *Jones v. Municipal Employees' Annuity and Benefit Fund of Chicago*, 2016 IL 119618, makes note of the fact that under Public Act 98-0641, City of Chicago employees who participate in the Municipal and Laborers' Funds were required to contribute more for their reduced benefits. The Court decided it did not need to consider the additional impact of the increased contributions, but it did make a point of raising the issue.

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[7] Agreed Order, Circuit Court of Cook County, Case No. 2015 CH 14869, October 19, 2016.
[8] Chicago Park District FY2018 Budget Presentation, p. 10, November 16, 2017.

When the pension reforms were first implemented, the District was able to assure beneficiaries and current employees that the pension fund would not run out of money, as it had been projected to do in 2023. Instead, funded levels were projected to increase to 90% by 2049 and 100% by 2054. However, absent the benefit changes made as part of the reform package, the fund is projected to become insolvent after 2055 even if the funding schedule laid out in the pension reform law remains intact.

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

The District has routinely budgeted non-recurring revenue sources as part of its proposed budget. This trend will continue in FY2018 as the District proposed to appropriate $2.0 million of fund balance and $9.2 million in TIF surplus distribution related to a large surplus declaration by the City of Chicago to help the Chicago Public Schools.

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

Although the FY2018 proposed budget is balanced, the District’s efforts to reduce its structural deficit are going to be offset by the use of one-time revenues. By budgeting fund balance and the proceeds from a very large TIF surplus that may not recur in future years, the District is diminishing the effect that the more than $9.1 million in proposed FY2018 recurring savings and $10.9 million in recurring revenues will have on the structural deficit.

Additionally, if the District had not budgeted these non-recurring revenues as appropriable resources, the FY2018 projected deficit would have been much larger. It is vital that the District achieve a structurally balanced budget given the uncertainty surrounding the reforms made to the pension fund are subject to ongoing litigation.

Civic Federation Recommendations

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

Incorporate Financial Forecast into Budget

Currently the Park District prepares a three-year budget forecast that is used internally and is not shared with or reviewed by key policymakers and stakeholders. The Civic Federation recommends that the Park District release its three-year projections to the public and the Board of Commissioners for review. The forecast could either be included as part of the annual budget document or produced as a standalone document. Ideally the forecast should be presented in a digestible format, using scenarios and graphs to convey the financial position of the District in the future based on current revenue and expenditure projections. Publicizing the forecast could help the Park District Board of Commissioners and other key stakeholders understand policy changes that may need to take place in future years to address shortfalls. The forecast should include one year of actual audited data, the prior year's adopted budget, the current year's budget and a three-year forecast of revenues and expenses. A description of the assumptions underlying revenue and expenditure projections should also be included. Several other Chicago-area local governments include a revenue and expenditure forecast in their annual budget, including the Chicago Transit Authority, Cook County and the Metropolitan Water Reclamation District.

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

The Civic Federation strongly supported the pension reform package signed into law in 2014. However, those reforms are still being litigated. The Federation therefore believes this is an opportune time for the Park District to study whether the consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund (IMRF) is a feasible long-term approach.

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

Provide More Explanation of Expenditures in Budget Book

As previously noted, the District has a history of providing a good level of detail in its operating revenue section of the budget document surrounding its various revenue sources, including charts showing six-year revenue and expenditure trends. While the District did provide greater detail on expenditures in FY2018, there was not an expansion of text dedicated to explaining the year-over-year change in expenditures. Also, the FY2018 budget book only includes the prior year adopted expenditures and current year proposed expenditures for all funds. The Federation recommends that the District provide three years of actual data, the prior year adopted or amended data and the current year's proposed data as well as more textual explanation of the year-over-year change.

Create a Dedicated Special Recreation Section in Budget Book

The District is proposing to increase its Special Recreation levy by $5.9 million in FY2018. The Civic Federation is not opposed to the increase in this levy, which will reduce reliance on prior year fund balance, reimburse the Corporate Fund and expand programming. However, because the Special Recreation levy is not subject to state tax cap laws, the Federation believes the District has an obligation to the taxpayers to provide maximum transparency about how funds are being spent on special recreation related purposes, both from the tax levy and other sources. While the District provides information on how special recreation dollars are spent in the annual budget recommendations book, it would be helpful to the public to see how funds from the levy and other sources flow to the special recreation services and debt service for capital expenditures on special recreation related programming and capital improvements. The Federation calls on the District to provide maximum transparency of special recreation programming in its annual budget book going forward by creating a section in the budget summary book that is dedicated to the District's special recreation revenue and expenditures.

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

Although the District's pension reform changes that were signed into law in 2014 included significant increases to the employer's annual contribution rate, they are not tied to an annually determined actuarial funding level. The Civic Federation remains concerned that the District is not tying its annual contribution to the pension fund to an annually determined actuarial funding level, such as the Governmental Accounting Standards Board's (GASB) reporting requirement of an actuarially determined contribution (ADC) that incorporates a normal cost payment and a payment to reduce the unfunded liability. Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year.

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

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

ACKNOWLEDGEMENTS

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

FY2018 GAP-CLOSING MEASURES

The Chicago Park District projects an initial budget deficit of $20.0 million in the Corporate Fund for FY2018. This year the District proposes to close its $20.0 million budget deficit with $9.1 million in savings and efficiencies and $10.9 million from increased recurring revenues. The $10.9 million increase in revenues includes a net increase in the property tax levy of $7.3 million, $2.5 million through property tax value capture from new and improved property added to the tax rolls and approximately $1.1 million in fee increases.

Chicago Park District FY2018 Gap Closing Measures (in $ millions)		
Expenditure Reductions		
Debt Service Savings	$	4.3
Personnel Efficiencies	$	2.0
Change in Health Care Benefits	$	0.9
Utility and Conservation Efficiencies	$	0.8
Landscaping Efficiencies	$	0.7
Information Technology and Program Efficiencies	$	0.4
Total Expenditure Reductions	**$**	**9.1**
Revenue Enhancements		
Property Tax Increase (Net)	$	7.3
Property Tax Value Capture	$	2.5
Park Fee Rate Increases	$	0.5
Golf Fee Increase	$	0.3
Harbor Fee Rate Increase	$	0.3
Total Revenue Enhancements	**$**	**10.9**
Total Gap Closing Measures	**$**	**20.0**

Note: Numbers may not add up due to rounding.

Sources: Chicago Park District FY2018 Budget Summary, pp. 6, 7 and 50.

One-Time Resources

The District will also rely on some additional non-recurring resources that were incorporated into the revenue and expenditure projections outside of the gap closing measures. The chart below illustrates the one-time resources used in the FY2018 budget. The District will rely on $2.0 million in prior year fund balance and $9.2 million from TIF surplus. The District has worked to reduce its reliance on prior year fund balance to close its budget gaps in recent years and will again reduce their reliance by $1.5 million in FY2018. The District's share of TIF surplus will total $9.2 million in FY2018. This is the second year that the City of Chicago will declare an extraordinarily large surplus in order to assist the Chicago Public Schools. While the Mayor has implemented a policy of annually declaring a TIF surplus, making it like a recurring revenue, the extraordinarily large surpluses in recent years may not reoccur in future years.

Chicago Park District FY2018 One-Time Resources (in $ millions)		
Tax Increment Financing Surplus	$	9.2
Prior Year Fund Balance	$	2.0
Total One-Time Resources	**$**	**11.2**

Source: Chicagp Park District FY2018 Budget Summary, pp. 7 and 40.

APPROPRIATIONS

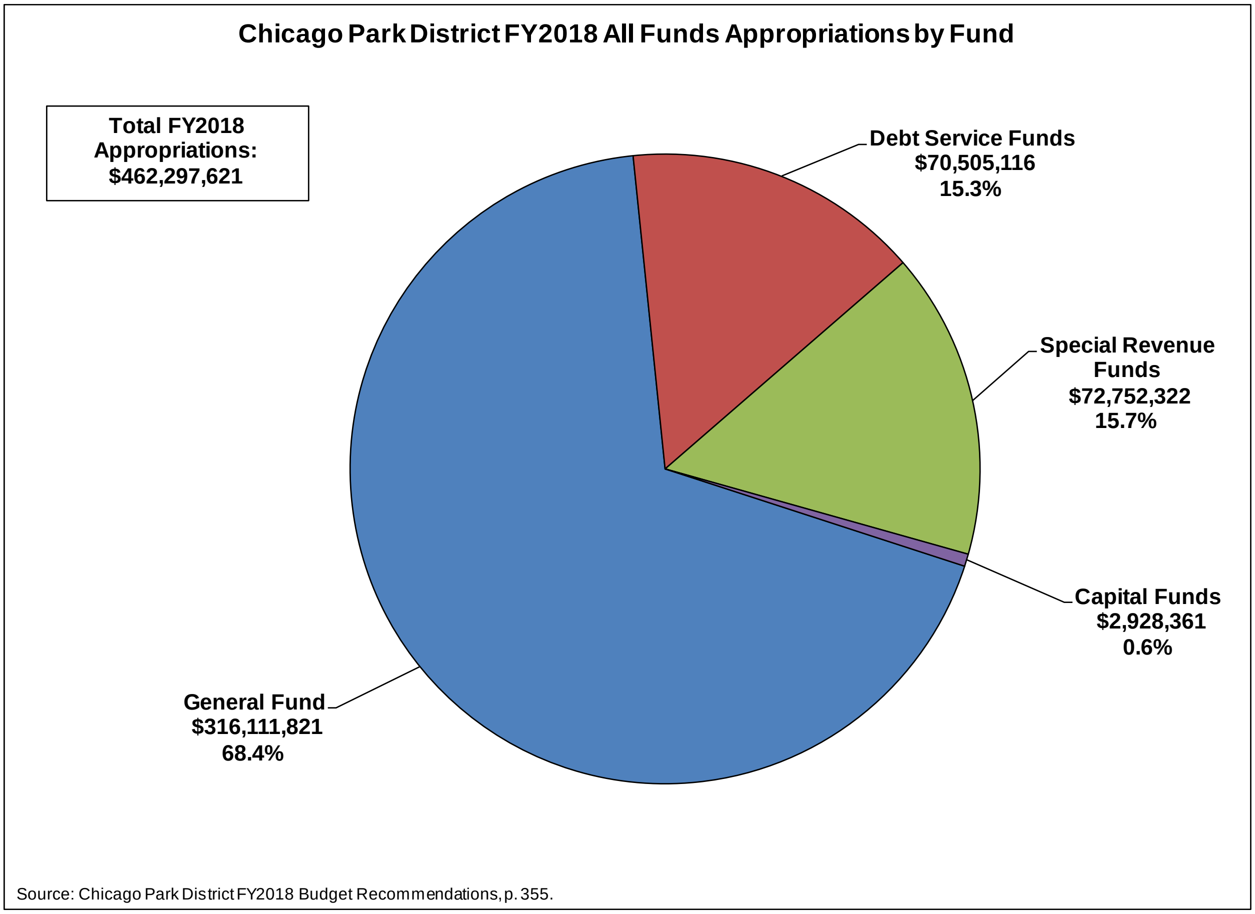
This section presents an analysis of the Chicago Park District's proposed FY2018 budget appropriations with comparisons to FY2009 and FY2017 adopted budgets.

All Funds Appropriations by Fund

Total Chicago Park District appropriations are proposed to increase from $449.4 million in FY2017 to $462.3 million in FY2018. This is an increase of $12.9 million, or 2.9%. The increase is primarily due to increased salaries and wages, benefits, pension contribution, managed assets, utilities, landscaping and other non-personnel expenses.[9] General Fund, or operating fund, expenses will represent the largest portion of total appropriations at 68.4%, or approximately $316.1 million in FY2018. The General Fund includes appropriations made to the Corporate Fund and Liability, Workers' Compensation, Unemployment Fund. The next largest share is represented by the Special Revenue Funds that will total 15.7%, or $72.8 million, of total

[9] Chicago Park District FY2018 Budget Summary, p. 6.

appropriations. Debt Service Funds compose 15.3%, or $70.5 million of total appropriations and Capital Funds will compose 0.6%, or $2.9 million, of total appropriations in FY2018.



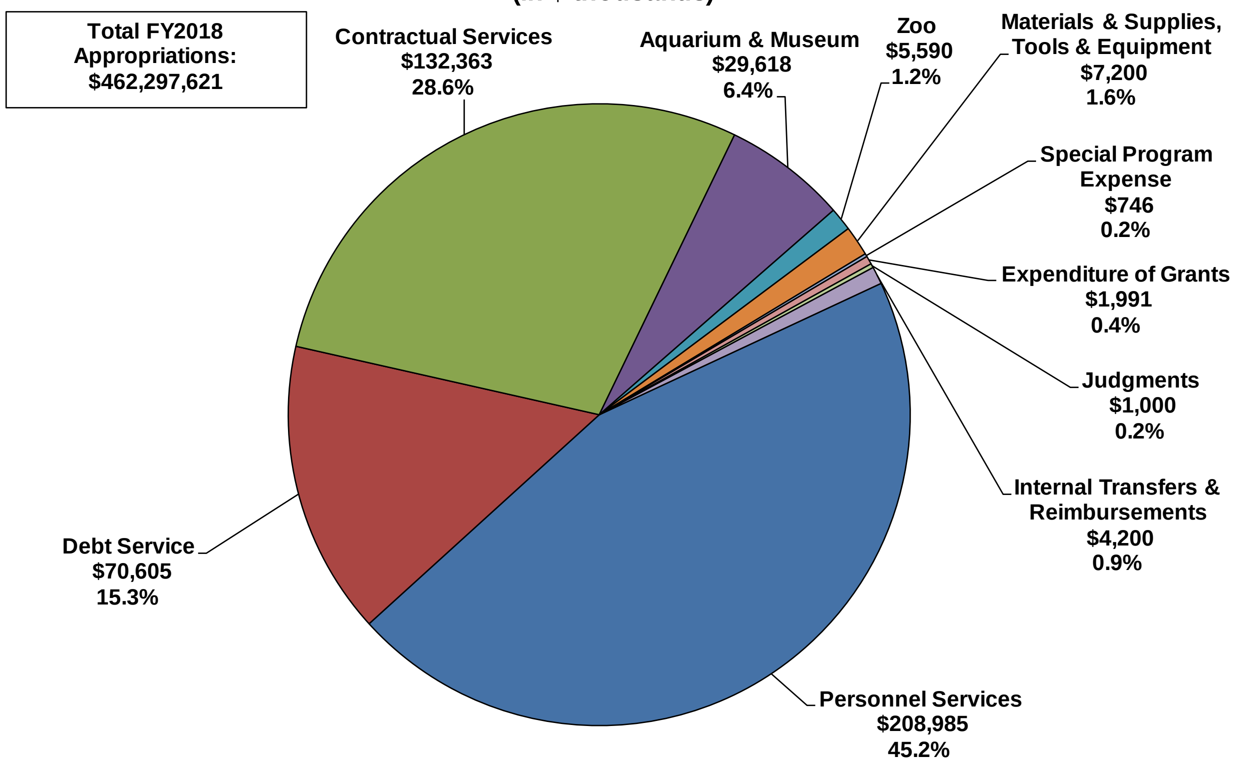
All Funds Appropriations by Object

The following chart displays the Chicago Park District's total proposed appropriations for FY2018 by object level. Object level refers to grouping expenditure categories by types of expense rather than by fund. Approximately 45.2%, or $209.0 million, of FY2018 appropriations are budgeted for personnel costs (including salaries and wages, health, dental and life insurance, pensions, workers compensation and unemployment insurance), while Contractual Services will represent 28.6%, or $132.4 million. Debt Service represents 15.3%, or $70.6 million, of total appropriations in FY2018. Debt Service expenses vary between the All Funds appropriations chart and this chart is due to $100,000 being a set aside for potential arbitrage expenses and is budgeted in the Corporate Fund rather than the Debt Service Fund.[10] The remaining items by

[10] Information provided by Chicago Park District on December 5, 2017.

object classification will collectively represent approximately 10.9% of appropriations in FY2018.

Chicago Park District FY2018 All Funds Appropriations by Object
(in $ thousands)



Note: Other includes Liability Insurance & Judgements, Organizations, Accessibility Capital Projects and Facilities Rentals.
Source: Chicago Park District FY2018 Budget Summary, pp. 48 and 49.

The following chart provides a two-year comparison of all funds appropriations by object. Total appropriations by object classification will increase by 2.9%, or $12.9 million, over the two-year period. Personnel Services appropriations are expected to increase by the largest dollar amount between FY2017 and FY2018, by $9.7 million, or 4.9%. This is primarily due to the District increasing its contribution to the pension fund by $6.8 million, or 32.6%, over the two-year period. Debt Service appropriations will decrease by 5.8%, or $4.3 million, falling from $74.9 million in FY2017 to $70.6 million in FY2018. Appropriations for Contractual Services will grow by 1.3%, or $1.7 million, above FY2017 adopted appropriations. Contractual Services are described in more detail later in this section.

The District's appropriation for Museums in the Park (Aquarium and Museum line item) and Lincoln Park Zoo (Zoo line item) will remain flat at $29.6 million and $5.6 million, respectively, over the two-year period.[11]

[11] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the John G. Shedd Aquarium, Adler Planetarium, The Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, The Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Peggy Notebaert Nature Museum and Institute of Puerto Rican Arts and Culture. Chicago Park District FY2018 Budget Summary, p. 47.

Appropriations for Special Program Expense, which include costs that fall within park budgets such as tournament expenses or recognitions and awards,[12] will decrease by 10.6%, or approximately $88,000 in FY2018. Expenditure of Grants, or grants received, over the two-year period will increase by 67.2%, or $800,000, to nearly $2.0 million, in FY2018. Appropriations for Materials & Supplies, Tools & Equipment will increase over the two-year period by 14.5%, or $911,000. This is primarily due to increases in expenditures tied to buildings/maintenance supplies, which will increase from $1.2 million in FY2017 to $1.8 million in FY2018.

Chicago Park District Appropriations for All Funds by Object: FY2017-FY2018 (in $ thousands)

	FY2017 Adopted	FY2018 Proposed	Two-Year $ Change	Two-Year % Change
Personnel Services	$ 199,308	$ 208,985	$ 9,677	4.9%
Debt Service	$ 74,938	$ 70,605	$ (4,333)	-5.8%
Contractual Services	$ 130,640	$ 132,363	$ 1,723	1.3%
Aquarium & Museum	$ 29,618	$ 29,618	$ -	-
Zoo	$ 5,590	$ 5,590	$ -	0.0%
Materials & Supplies, Tools & Equipment	$ 6,289	$ 7,200	$ 911	14.5%
Special Program Expense	$ 835	$ 746	$ (88)	-10.6%
Expenditure of Grants	$ 1,190	$ 1,991	$ 800	67.2%
Judgments	$ 1,000	$ 1,000	$ -	-
Internal Transfers & Reimbursements	$ -	$ 4,200	$ 4,200	-
Total	**$ 449,408**	**$ 462,298**	**$ 12,890**	**2.9%**

Source: Chicago Park District FY2018 Budget Summary, pp. 8, 48 and 49.

Contractual Services Appropriations by Object

The next exhibit provides a breakdown of Contractual Services appropriations for fiscal years 2017 through 2018. Overall, the District will increase Contractual Services appropriations by 1.3%, or $1.7 million, from $130.6 million in FY2017 to $132.4 million in FY2018.

Between FY2017 and FY2018, all contractual services appropriations will increase over the two-year period with the exception of Other Contractual Expenses, which include disposal of waste, professional services, management fee expenses, fleet expenses, postage, dues and memberships and other related expenses. General Contractual Services will see the largest dollar and percentage increase over the two-year period, rising from by $2.3 million, or 20.7%, from $11.1 million in FY2017 to $13.4 million in FY2018.

Expenses for Organizations, which represents the Park District's financial support for partner organizations, will increase by 13.9%, or approximately $443,000, from $3.2 million to $3.6 million, over the two-year period. These partner organizations include Grant Park Music Festival, Chicago Parks Foundation, Neighborspace and Garfield Park Conservatory Alliance.

[12] Chicago Park District FY2018 Budget Summary, p. 49.

Harbor Management, Soldier Field, Landscape Services, Golf Management and Parking Management will all see modest increases over the two-year period, ranging from $36,000 for Parking Management $666,000 for Landscape Services.

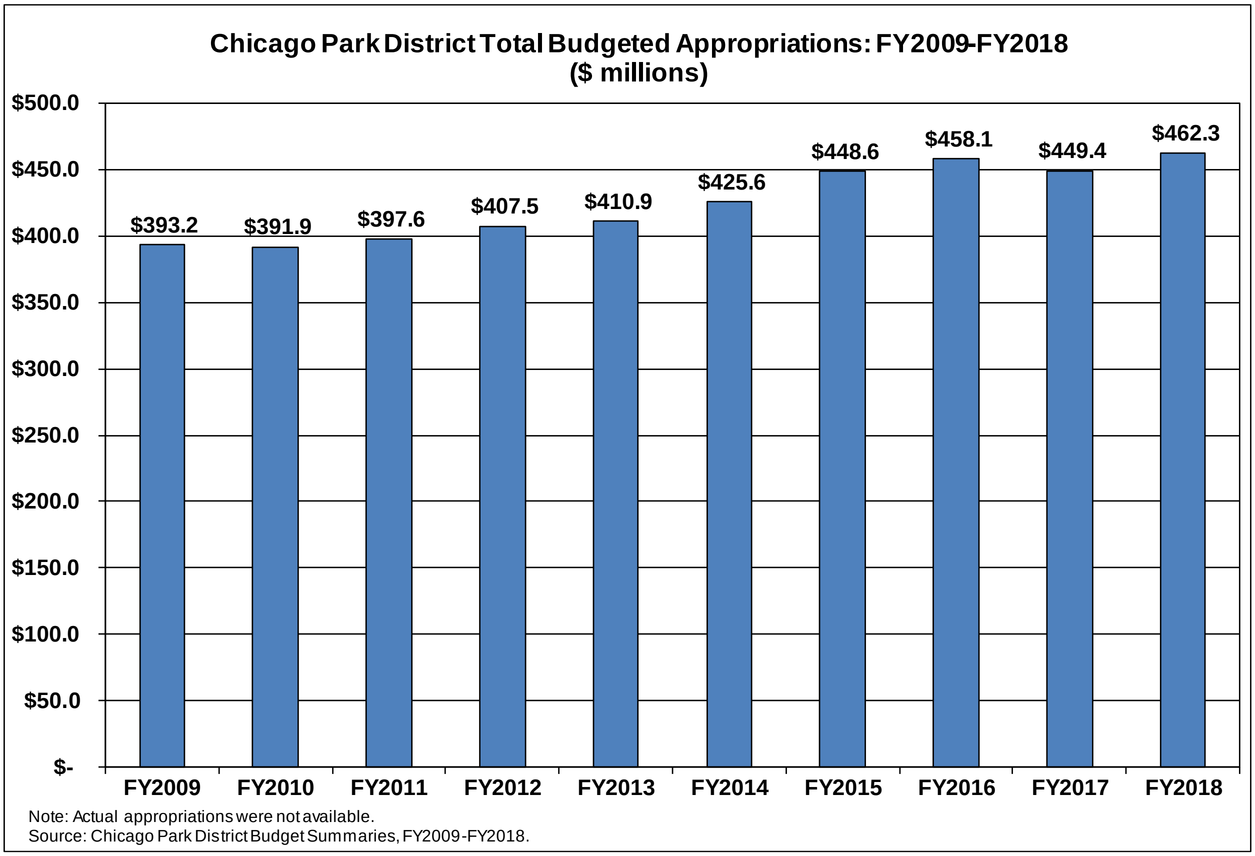
Chicago Park District Contractual Services Appropriations: FY2017-FY2018 (in $ thousands)				
	FY2017 Adopted	FY2018 Proposed	Two-Year $ Change	Two-Year % Change
Utilities	$ 31,221	$ 31,378	$ 157	0.5%
Organizations	$ 3,200	$ 3,643	$ 443	13.9%
Repair & Maintenance	$ 2,146	$ 2,399	$ 253	11.8%
Insurance	$ 3,500	$ 3,628	$ 128	3.7%
Harbor Mangement	$ 11,817	$ 12,056	$ 239	2.0%
Soldier Field Management	$ 18,952	$ 19,470	$ 518	2.7%
Landscape Services	$ 5,591	$ 6,258	$ 666	11.9%
Golf Management	$ 4,822	$ 5,145	$ 323	6.7%
Parking Management	$ 1,207	$ 1,243	$ 36	3.0%
Management Expenses	$ 7,528	$ 7,902	$ 375	5.0%
General Contractual Services	$ 11,104	$ 13,398	$ 2,294	20.7%
Other Contractual Expenses	$ 29,552	$ 25,843	$ (3,708)	-12.5%
Total	**$ 130,640**	**$ 132,363**	**$ 1,723**	**1.3%**

Note: This chart does not include expenditure of grants.

Source: Chicago Park District FY2018 Budget Summary, pp. 48 and 49.

Ten-Year Appropriation Trend

Between FY2009 and FY2018, total budgeted appropriations have increased by $69.1 million, or 17.6%, rising from $393.2 million to $462.3 million. During the same period, the Park District's annual budgeted appropriations growth averaged 1.6%, which is slightly higher than the average rate of inflation per year of 1.4% during the ten-year period.

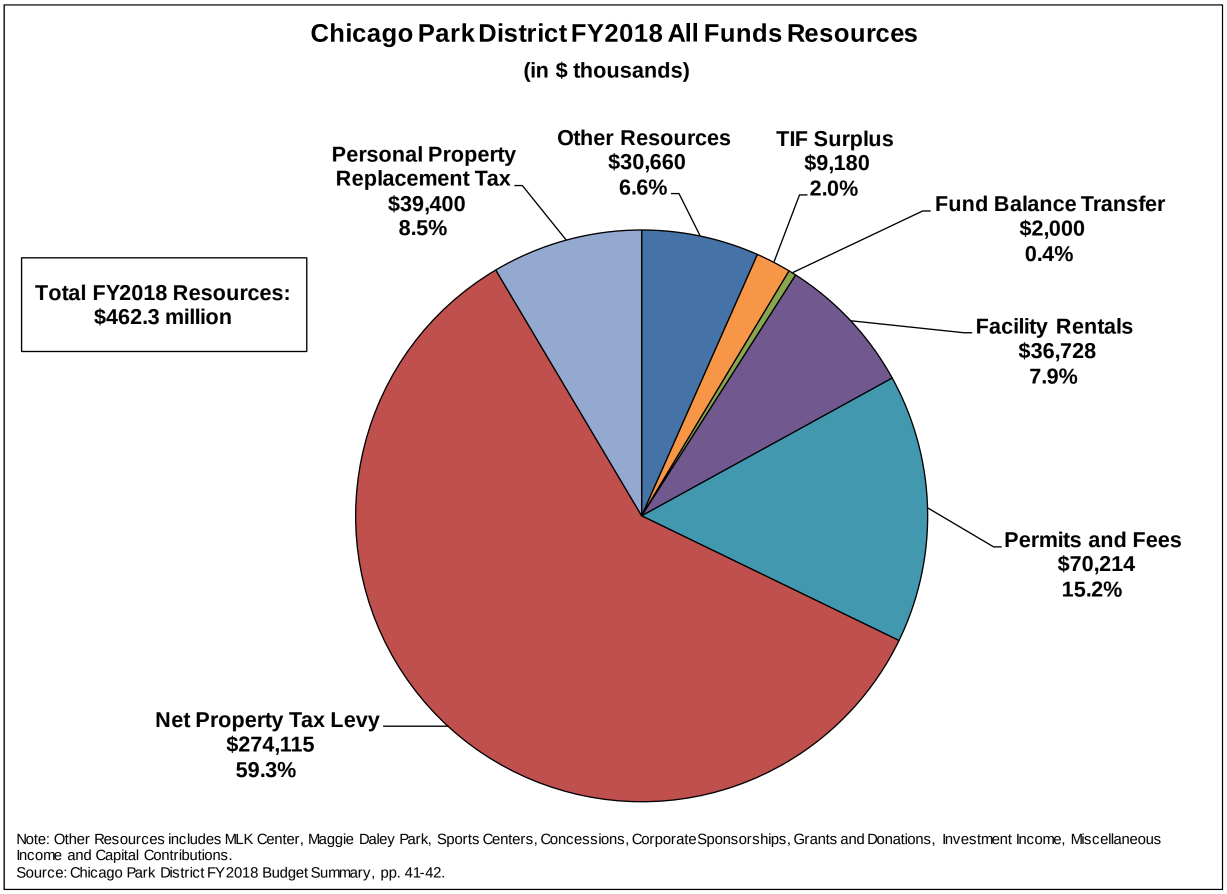


RESOURCES

This section examines the Chicago Park District's proposed revenue sources for FY2018 and provides two-year and five-year resource trends within all of the District's operating funds. Data used in this section include prior year figures from the Adopted Budgets and Annual Appropriations Ordinances for FY2014 through FY2017, which were approved by the Board of Commissioners, and recommended figures from the FY2018 Proposed Budget Summary and Recommendations. The Civic Federation uses numbers from adopted budgets in past years in this analysis because actual numbers for all funds were not available.

All Funds Resources

The Chicago Park District is proposing total resources of $462.3 million in FY2018. The revenue distribution is shown in the chart below. Net property tax revenue (gross property tax levy minus the loss in collection) will constitute 59.3% of the District's total revenues at $274.1 million. The second largest revenue source is Permits and Fees, which will account for 15.2% of total revenue or $70.2 million. Permits and Fees include revenue from parking fees, permits, harbor fees, park fees and golf courses. Personal property replacement tax (PPRT) revenue will account for 8.5%, or $39.4 million, of total resources. Facility rentals will constitute 7.9% of revenues at $36.7 million. Other resources such as revenue from concessions, grants, sponsorships and investment income will account for 6.6% of revenues or $30.6 million. In addition to these recurring revenue sources, the Park District will utilize $2.0 million in a fund balance transfer from prior year operating reserves and $9.2 million in tax increment financing (TIF) surplus from the City of Chicago.



The next table presents resources for all funds for the five year period starting with the FY2014 adopted budget through the proposed FY2018 budget. Total recurring revenue excluding TIF surplus and fund balance is projected to be $451.1 million in FY2018, an increase of $15.4 million, or 3.5%, from FY2017. Revenue includes revenue from taxes, facility rentals, permits and fees, concessions, grants, donations and other revenue sources. Total resources including non-recurring the resources of TIF surplus and fund balance transfers are projected to be $462.3 million in FY2018, which is an increase of $12.9 million, or 2.9%, from the prior year.

The Park District is proposing a net property tax increase of $5.9 million in the District's special recreation property tax levy, which is not subject to tax caps under the Property Tax Extension Limitation Law (PTELL),[13] and an increase of $1.7 across the District's other funds. Additionally, property tax revenue will increase by $2.6 million through capturing the value of new property and expiring TIF districts. In total, the Park District proposes a property tax increase of $10.6 million, or 3.9%, over FY2017. The property tax increase net of a 3.7% adjustment the District makes for anticipated collection losses is $10.2 million. After the

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

adjustment, the District projects that property tax revenue will total $274.1 million in FY2018. Property tax revenue is discussed further in the next section.[14]

Personal property replacement tax (PPRT) revenue is corporate income tax revenue collected by the State of Illinois and distributed to local governments. PPRT is expected to remain at the same level as the prior year at $39.4 million.

Revenues generated from the rental of Soldier Field and other District facilities and events held at the Northerly Island concert pavilion are projected to be $36.7 million in FY2018, an increase of 2.5%, or $894,000, from FY2017. Rental revenue is expected to decrease by 17.4% or $227,000.

Permit and fee revenues are projected to increase by $1.6 million, or 2.3%, to $70.2 million in FY2018 over the prior year. This category includes revenue from parking fees, permits for events held on Park District property, harbor fees, park fees and golf courses. Parking fee revenue is projected to decrease by 0.8% from FY2017 to $6.1 million in FY2018. The District is also projecting a 5.8% increase in permit revenue from $16.2 million in FY2017 to $17.2 million in FY2018 due to long-term agreements, a rate increase in select permit types and modifications to the nonprofit discount.[15]

The District proposes increases in fees for selected harbors and golf rates.[16] Harbor fee revenue is expected to increase by 1.0% to $25.9 million in FY2018, and golf course fee revenue is expected to increase by 6.0% to $5.7 million. Permit revenue is expected to increase by 5.8% to $17.2 million in FY2018 over the prior year.

Other revenue sources include concessions, grants and donations, sponsorships, interest income and user charges at Park District facilities such as the Dr. Martin Luther King Jr. Park & Family Center, Maggie Daley Park, the McFetridge Sports Center and the Beverly Morgan Sports Center. Other revenues are projected to increase by $15.4 million or 3.5% over FY2017 levels. The Park District anticipates a decrease in corporate sponsorships of 54.3% or $1.2 million, from $2.1 million in FY2017 to $976,000 in FY2018. Grants and donations are also expected to decline by 10.1%, or $800,000, from $7.9 million in FY2017 to $7.1 million in FY2018. Interest on investment will increase by $600,000 from $450,000 in FY2017 to $1.1 million in FY2018 due to strong growth in interest returns.[17]

The District receives a portion of the total Tax Increment Financing (TIF) surplus declared by the City of Chicago, which is $166.9 million for FY2018 compared to $175 million the previous year. The Park District will receive $9.2 million of the City of Chicago's TIF surplus in FY2018, compared to $10.2 million in FY2017, which is a 10.0% decrease. Additionally, the Park District will appropriate $2.0 million of fund balance reserves. This follows a longtime practice of the

[14] Fiscal Year 2017 property tax revenue in this section is from the approved budget. The 2017 gross levy of $273,913,657.00 reported in the FY17 Budget was subsequently revised to $274,331,673 in the Tax Levy Ordinance adopted by the Park District Board on August 9, 2017 and filed with the County Clerks. The increase was due to increased debt service expense from the bond transaction carried out at the end of 2016.
[15] Chicago Park District FY2018 Budget Summary, p. 39.
[16] Budget briefing with the Chicago Park District on November 16, 2017.
[17] Budget briefing with the Chicago Park District on November 16, 2017.

District using one-time revenue sources like reserves and TIF surplus for operating purposes. The District says it has been working to reduce its reliance on prior year fund balance as part of an effort to address the District's structural imbalance.[18] The use of fund balance reserves in FY2018 represents a 42.9% decrease from $3.5 million in FY2017, and a 71.0% decrease over the five year period from $6.9 million of fund balance used in FY2014.

Over the five-year period from FY2014 to FY2018, the District's total proposed revenues will increase by $35.1 million, or 8.4%, from $416.0 million in the adopted FY2014 budget to $451.1 million in the FY2018 proposed budget. The largest dollar increase over this time period occurs in gross property tax revenues with an increase of $15.7 million or 5.8%. The increase is due to annual increases in the property tax levy from capturing revenue from terminated and expiring TIF districts and new property, as well as the property tax increase for special recreation proposed for FY2018 outside of the Property Tax Extension Limitation Law (PTELL). The most recent property tax increase implemented by the District was in FY2014.

Over the same five year period, total revenue from facility rentals is projected to grow by 5.1% or $1.8 million. Soldier Field revenues are expected to increase by $4.0 million or 13.1%. Northerly Island Pavilion revenues are projected to decrease by 25.3% or $430,000. Other rentals are projected to decrease by 62.3% or $1.8 million over the five year period.

Revenue from permits and fees is projected to increase by $10.4 million, or 17.4% over the five year period. Permit revenue and parking revenue are expected to increase by 38.0% between

[18] Budget briefing with the Chicago Park District on November 16, 2017.

FY2014 and FY2018. Park fees are expected to increase by 16.6% or $2.2 million. Harbor fees are expected to increase by 7.0% or $1.7 million.

Chicago Park District Resources by Source for All Funds: FY2014-FY2018 (in $ thousands)									
	FY2014 Adopted Budget	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Proposed Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Gross Property Tax Levy	$ 268,861	$ 270,771	$ 272,271	$ 273,914	$ 284,559	$ 10,645	3.9%	$ 15,698	5.8%
Property Tax Loss in Collection	$ (10,486)	$ (9,937)	$ (9,992)	$ (10,053)	$ (10,443)	$ (390)	3.9%	$ 43	-0.4%
Personal Property Replacement Tax	$ 46,005	$ 46,005	$ 48,615	$ 39,400	$ 39,400	$ -	0.0%	$ (6,605)	-14.4%
Subtotal Tax Revenues	**$ 304,380**	**$ 306,838**	**$ 310,893**	**$ 303,261**	**$ 313,516**	**$ 10,255**	**3.4%**	**$ 9,136**	**3.0%**
Rental of Soldier Field	$ 30,387	$ 31,699	$ 32,405	$ 33,379	$ 34,380	$ 1,001	3.0%	$ 3,992	13.1%
Rentals	$ 2,865	$ 3,669	$ 1,231	$ 1,305	$ 1,079	$ (227)	-17.4%	$ (1,786)	-62.3%
Northerly Island Pavilion	$ 1,700	$ 1,700	$ 1,500	$ 1,150	$ 1,270	$ 120	10.4%	$ (430)	-25.3%
Subtotal Facility Rentals	**$ 34,952**	**$ 37,068**	**$ 35,137**	**$ 35,834**	**$ 36,728**	**$ 894**	**2.5%**	**$ 1,776**	**5.1%**
Parking Fees	$ 4,414	$ 4,829	$ 5,327	$ 6,142	$ 6,090	$ (52)	-0.8%	$ 1,676	38.0%
Harbor Fees	$ 24,223	$ 25,438	$ 25,042	$ 25,660	$ 25,919	$ 259	1.0%	$ 1,696	7.0%
Park Fees	$ 13,115	$ 15,363	$ 14,978	$ 15,195	$ 15,298	$ 103	0.7%	$ 2,183	16.6%
Permits	$ 12,412	$ 13,633	$ 14,306	$ 16,220	$ 17,162	$ 942	5.8%	$ 4,750	38.3%
Golf Course Fees	$ 5,625	$ 5,375	$ 5,395	$ 5,420	$ 5,745	$ 325	6.0%	$ 120	2.1%
Subtotal Permits and Fees	**$ 59,789**	**$ 64,638**	**$ 65,049**	**$ 68,636**	**$ 70,214**	**$ 1,578**	**2.3%**	**$ 10,425**	**17.4%**
Concessions	$ 3,141	$ 4,023	$ 3,571	$ 3,821	$ 3,762	$ (59)	-1.5%	$ 621	19.8%
Other User Charges*	$ -	$ -	$ 7,228	$ 7,268	$ 7,750	$ 483	6.6%	$ 7,750	100.0%
MLK Center	$ 1,411	$ 1,438	-	$ -	$ -	$ -	-100.0%	$ (1,411)	-100.0%
Corporate Sponsorships**	$ 1,485	$ 922	$ 518	$ 2,135	$ 976	$ (1,159)	-54.3%	$ (509)	-34.3%
Grants and Donations***	$ 5,855	$ 5,855	$ 5,855	$ 7,905	$ 7,105	$ (800)	-10.1%	$ 1,250	21.3%
Interest on Investment	$ 360	$ 360	$ 150	$ 450	$ 1,050	$ 600	133.3%	$ 690	191.7%
Miscellaneous	$ 902	$ 1,286	$ 1,429	$ 1,721	$ 5,988	$ 4,267	248.0%	$ 5,086	564.0%
Capital Contributions	$ 3,743	$ 4,793	$ 4,871	$ 4,677	$ 4,028	$ (649)	-13.9%	$ 286	7.6%
Total Revenues	**$ 416,019**	**$ 427,221**	**$ 434,701**	**$ 435,708**	**$ 451,118**	**$ 15,410**	**3.5%**	**$ 35,099**	**8.4%**
TIF Distribution	$ 2,667	$ 3,260	$ 6,667	$ 10,200	$ 9,180	$ (1,021)	-10.0%	$ 6,513	244.2%
Long Term Obligation Fund Reserve	$ -	$ 12,500	$ 12,500	$ -	$ -	$ -	0.0%	$ -	100.0%
Fund Balance Transfer	$ 6,885	$ 5,600	$ 4,200	$ 3,500	$ 2,000	$ (1,500)	-42.9%	$ (4,885)	-71.0%
Total Resources	**$ 425,571**	**$ 448,581**	**$ 458,068**	**$ 449,408**	**$ 462,297**	**$ 12,890**	**2.9%**	**$ 36,726**	**8.6%**

*Other User Charges includes the MLK Center, McFetridge Sports Center, Beverly Morgan Sports Complex, and Maggie Daley Park. Beginning in FY2016, MLK Center revenue is included in this category.

**Sponsorships includes sponsorship and advertising revenue.

***Grants and Donations includes fundraising and donation revenue and grants and contributions.

Source: Chicago Park District FY2014 Budget Summary, p. 6; FY2015 Budget Summary, p. 6; and FY2016 Budget Summary, p. 6; FY2017 Budget Summary, p. 8; and FY2018 Budget Summary, pp. 41-42.

Gross Property Tax Levy

The Chicago Park District's proposed FY2018 gross property tax levy is $284.6 million, an increase of $10.6 million over the FY2017 levy of $273.9 million.[19] After accounting for an estimated 3.67% loss in collections, the net property tax levy is projected to be $274.1 million.[20] Property tax revenue will make up approximately 59% of the Park District's total revenue. Of the several taxing entities that Chicago taxpayers support, the Chicago Park District receives 5.15% of the total property tax distribution.[21]

The net property tax increase after accounting for loss in collections will be $10.2 million. The increase is due to the combination of a $5.9 million property tax increase in the Special

[19] Fiscal Year 2017 property tax revenue in this section is from the approved budget. The 2017 gross levy of $273,913,657.00 reported in the FY17 Budget was subsequently revised to $274,331,673 in the Tax Levy Ordinance adopted by the Park District Board on August 9, 2017 and filed with the County Clerks. The increase was due to increased debt service expense from the bond transaction carried out at the end of 2016.
[20] Chicago Park District FY2018 Budget Summary, p. 28.
[21] Chicago Park District FY2018 Budget Summary, p. 29. The largest portion of property taxes (50.3%) goes to Chicago Public Schools, and the remainder is split between the City of Chicago, Metropolitan Water Reclamation District, City Colleges, Cook County, and the Cook County Forest Preserve.

Recreation levy, which is not subject to the Property Tax Extension Limitation Law (PTELL),[22] a levy increase of $1.7 million across other funds and an additional $2.6 million from capturing the value of new property and expiring TIF districts.[23] Levying for expiring TIF is not considered a tax increase because it does not increase the amount that residents will owe on their tax bill. Instead of paying a portion of their taxes to the TIF district, taxpayers in the former TIF district pay that same portion to the Park District after the TIF expires. Levying for new property only impacts property owners of new or improved property.

The table below shows property tax revenue allocations by fund. In the Park District's proposed FY2018 budget, the Corporate Fund will receive $161.0 million of the gross property tax revenue, which is an increase of 1.1%, or $1.7 million, over the adopted FY2017 budget. Special Recreation, which was established as a separate levy that is not subject to PTELL tax caps in FY2005 to expand the accessibility of facilities to people with disabilities, will receive $12.9 million, a $5.9 million or 84.9% increase over the prior year due to the proposed FY2018 property tax levy increase. The Bond Debt Service fund will receive $48.0 million, which is a 7.6% or $3.4 million increase from FY2017. The Aquarium and Museum funds will receive $27.7 million for general purposes, unchanged from prior years, but in FY2018 the Aquarium and Museum will not receive property tax revenue for Bond Debt Service as it had in past years so total property taxes levied for debt service will decrease.

The pension fund will receive $24.6 million in property tax revenue, which is an 18.3%, or $3.8 million, increase over the prior year. The anticipated by the Park District to its pension fund in FY2018 is. The FY2018 budget anticipates an employer pension contribution of $27.6 million under Public Act 98-0622, which increased the employer contribution from 1.7 times the amount employees contributed two years prior to 2.3 times the amount.[24]

Over the five-year period from FY2014 through FY2018, the largest percent increase in property tax contributions is to the District's pension fund. The pension fund allocation will more than double from $11.1 million in FY2014 to $24.6 million in FY2018. The second largest increase over the same period is the property tax contribution to Special Recreation, from $6.0 million in FY2014 to $12.9 million in FY2018, primarily due to the FY2018 property tax increase for that

[22] PTELL allows non-home rule governments to increase their property tax extension by 5.0% or the increase in the Consumer Price Index, whichever is less.
[23] Budget briefing with the Chicago Park District on November 16, 2017.
[24] Chicago Park District FY2018 Budget Summary, p. 45.

fund. In FY2018 the Park District is not levying for debt service related to the Aquarium and Museum.

Chicago Park District Property Tax Gross Levy by Fund: FY2014-FY2018 (in $ thousands)									
Fund	FY2014 Adopted Budget	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Proposed Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$158,656	$154,223	$158,062	$159,292	$160,986	$ 1,693	1.1%	$ 2,330	1.5%
Special Recreation	$ 6,000	$ 6,000	$ 7,000	$ 7,000	$ 12,942	$ 5,942	84.9%	$ 6,942	115.7%
Park District Employees Pension	$ 11,128	$ 17,957	$ 17,265	$ 20,784	$ 24,588	$ 3,803	18.3%	$ 13,460	121.0%
Liability, Workers Comp., Unemployment	$ 10,748	$ 10,811	$ 10,811	$ 10,428	$ 10,428	$ -	0.0%	$ (321)	-3.0%
Bond Debt Service Fund	$ 44,071	$ 47,730	$ 47,272	$ 44,548	$ 47,951	$ 3,403	7.6%	$ 3,880	8.8%
Aquarium and Museum Bond Debt Service	$ 10,593	$ 6,386	$ 4,197	$ 4,196	$ -	$ (4,196)	-100.0%	$ (10,593)	-100.0%
Aquarium and Museum Purposes	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ -	0.0%	$ -	0.0%
Total	**$268,861**	**$270,771**	**$272,271**	**$273,914**	**$284,559**	**$ 10,645**	**3.9%**	**$ 15,698**	**5.8%**

Source: Chicago Park District FY2018 Budget Recommendations, p. 356.

PERSONNEL

The Park District is budgeting for a total of 3,208 full-time equivalent (FTE) positions in FY2018, including 1,607 full-time positions and 1,601 part-time and seasonal positions. In FY2018 the District plans to reduce the number of part-time FTE positions from the prior year by 24 and the number of seasonal FTE positions by 10 and to add an additional 5 full-time FTE positions for a net decrease of approximately 29 FTE positions, or a 0.9%, decrease in the District's workforce.

The decrease in FTE positions over the two-year period from FY2017 and FY2018 is due to staff right-sizing, the expiration of staff-funded grants and the completion of the Emerald Ash Borer tree removal program.[25] However, the District will increase the number of FTEs to support programming in the Community Recreation – Special Recreation Unit, the Department of Natural Resources to manage natural areas and Information Technology Department to reduce non-personnel expenses.[26]

Over the last five years, the District has increased its total FTE count by 105 FTEs, or 3.4%. This is the net of a net increase of 53 part-time/seasonal FTE positions and 52 full-time FTE positions.

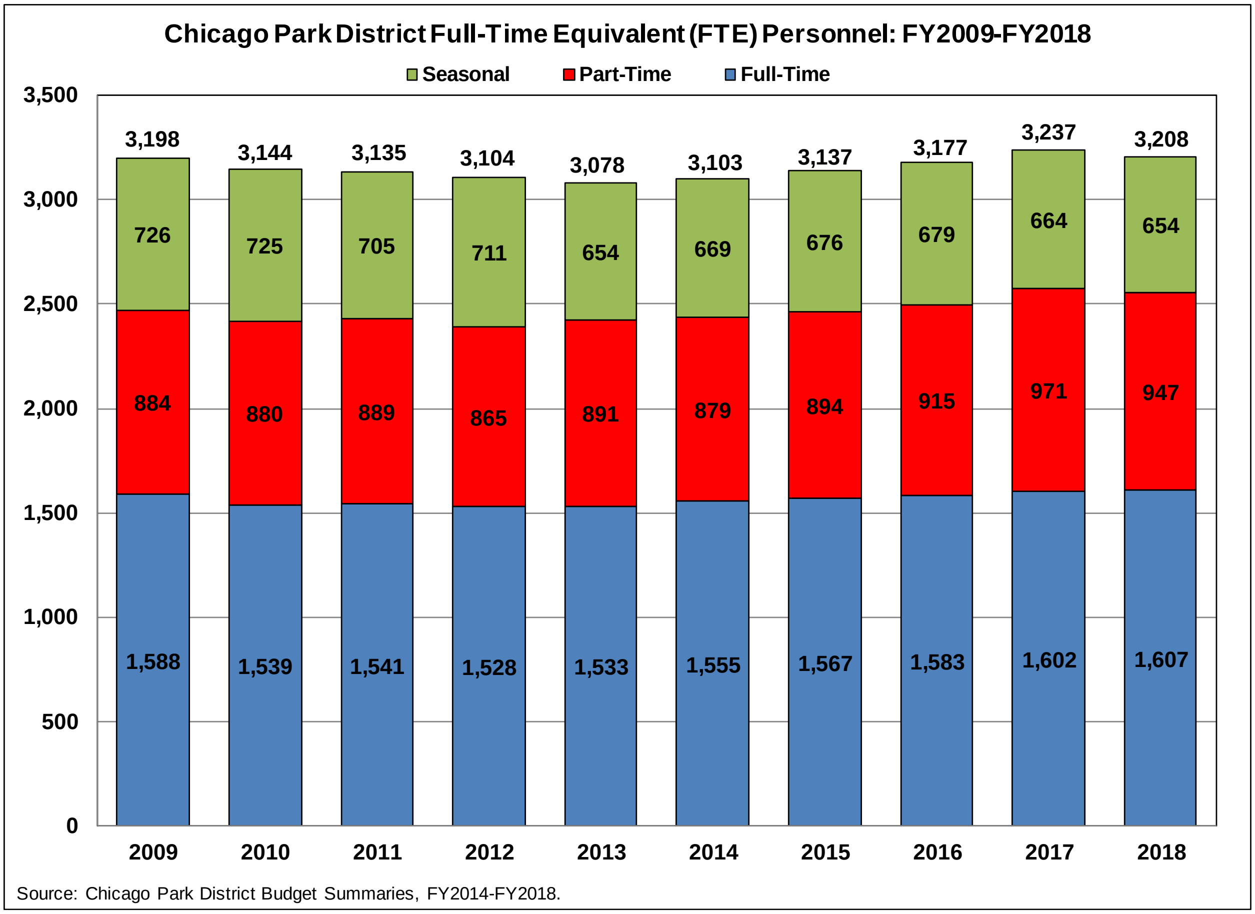
Chicago Park District Budgeted Personnel FY2014-FY2018									
Full-Time Equivalent Positions	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Adopted	FY2018 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Part-Time	879	894	915	971	947	-24	-2.5%	68	7.7%
Seasonal	669	676	679	664	654	-10	-1.5%	-15	-2.2%
Subtotal Part-Time/Seasonal	**1,548**	**1,570**	**1,594**	**1,635**	**1,601**	**-34**	**-2.1%**	**53**	**3.4%**
Full-Time	1,555	1,567	1,583	1,602	1,607	5	0.3%	52	3.3%
Total	**3,103**	**3,137**	**3,177**	**3,237**	**3,208**	**-29**	**-0.9%**	**105**	**3.4%**

Note: Totals may not match budget summary due to rounding.
Source: Chicago Park District FY2018 Budget Summary, p. 44.

The next chart displays the change in FTEs between FY2009 and FY2018. In FY2009 the District had a total of 3,198 FTEs. Its workforce then steadily declined to 3,078 FTEs in FY2013

[25] Chicago Park District FY2018 Budget Summary, p. 44.
[26] Chicago Park District FY2018 Budget Summary, p. 44.

before steadily increasing to 3,237 FTEs in FY2017 and is projected to decline by 29 FTEs between FY2017 and FY2018. The increase over the ten-year period includes a reduction of 9 part-time/seasonal FTEs and an increase of 19 full-time FTEs, for a net increase of approximately 10 FTEs or 0.3% in the District's workforce.



Personnel Expenses

This section presents a five-year analysis of the Chicago Park District's personnel expenses for FY2018 compared to the FY2014 through FY2017 adopted budgets.

Total personnel costs will increase by 4.9%, or approximately $9.7 million, from $199.3 million in FY2017 to $209.0 million in FY2018. The primary driver behind the increase in personnel costs is due to the District increasing its pension contribution by $6.8 million, or 32.6% as required under the pension reforms made in Public Act 98-0622. There was no supplementary pension contribution planned for FY2018. For more information on pensions and the lawsuit challenging the pension reforms, see the Pension section of this report on page 35.

In FY2018 the District is budgeting for a 1.9%, or $2.8 million, increase in salaries and wages over the prior year. The increase is primarily due to contractual wage increases.[27] Total Health

[27] Chicago Park District FY2018 Budget Summary, p. 43.

Benefits appropriations, which include health benefits for current employees and retirees, will decrease by 0.4%, or approximately $64,000. Health benefits costs to the District will see a slight decline in FY2018. This is primarily due to the District achieving more favorable provider rates, the managed copay program and working with employees to seek more cost effective options.[28] The increase in health benefit expenses is offset by higher employee healthcare contributions, which will be $204,000 higher in FY2018.

The appropriation for the District's pension contribution will see the largest dollar and percentage increase over the two-year period at $6.8 million or 32.6%. The District planned to contribute a total of $28.1 million in FY2017, but due to the lawsuit challenging those reforms and the October 19, 2016 court order, the District only contributed $20.8 million in FY2017.[29] Pension related spending accounts for 13.2% of the total personnel costs and 6.0% of the total operating budget in FY2018.

Prescription Drug expenses are the second largest benefit expense over the two-year period and will increase by 2.0%, or $88,000, between FY2017 and FY2018. The District cites that the increase is due to the overall growth trends in health and prescription drugs.[30] The District says it has made it a priority to mitigate the increasing cost of healthcare related benefits through management efficiencies.[31] Unemployment obligations and workers compensation will remain flat at $3.5 million and $1.8 million, over the two-year period.

Appropriations for Life Insurance benefits, Social Security and Medicare Tax expenses will increase slightly by 2.2%, or $4,000, 0.4%, or $4,000 and 2.3%, or $46,000, respectively, above FY2017 budgeted appropriations. Medicare Tax expenses are budgeted based on actual trends experienced by the District, the Medicare rate in effect, coupled with the growth in the underlying salaries and an increase in the District's workforce.[32]

In the five-year period between FY2014 and FY2018, total personnel costs will increase by 20.1%, or $35.0 million, from $173.9 million to $209.0 million. Salaries and wages will increase by 10.8%, or $14.6 million, during the same time period. This is largely due to contractual increases in salary and wages and an increase in the District's overall workforce, over the five-year period.[33]

Over the five-year period, the District's health benefit expenses for current employee and retiree health benefits will increase by 18.6%, or $2.9 million, and 34.5%, or $757,000, respectively. At the same time employee contributions for health benefits will also increase by 16.8%, or $617,000. This is primarily due to the increase in employee contributions as determined through union negotiations.[34] Unemployment obligations will decline by 25.9%, or $612,000, over the

[28] Chicago Park District FY2018 Budget Summary, p. 45.
[29] Chicago Park District FY2017 Budget Summary, p. 43.
[30] Chicago Park District FY2018 Budget Summary, p. 45.
[31] Chicago Park District FY2018 Budget Summary, p. 45.
[32] Information provided by Chicago Park District Office of Budget and Management Staff, November 20, 2015.
[33] Chicago Park District FY2018 Budget Summary, p. 44.
[34] Information provided by the Chicago Park District, November 21, 2014.

five-year period. The District has historically under-budgeted for unemployment obligations.[35] Workers compensation expenses are budgeted to remain flat between FY2014 and FY2018.

Chicago Park District Personnel Costs: FY2014-FY2018 (in $ thousands)									
	FY2014 Adopted	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	FY2018 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health Benefits	$ 15,542	$ 17,115	$ 18,071	$ 18,295	$ 18,428	$ 133	0.7%	$ 2,886	18.6%
Health Benefits Employee Contributions	$ (3,660)	$ (3,728)	$ (3,788)	$ (4,073)	$ (4,276)	$ (204)	5.0%	$ (617)	16.8%
Health Benefits Retirees	$ 2,193	$ 2,280	$ 2,820	$ 2,943	$ 2,950	$ 7	0.2%	$ 757	34.5%
Health Benefits Subtotal	**$ 14,075**	**$ 15,667**	**$ 17,103**	**$ 17,165**	**$ 17,102**	**$ (64)**	**-0.4%**	**$ 3,026**	**21.5%**
Prescription Drugs	$ 3,234	$ 3,396	$ 4,156	$ 4,400	$ 4,488	$ 88	2.0%	$ 1,254	38.8%
Dental Benefits	$ 329	$ 332	$ 324	$ 317	$ 315	$ (2)	-0.7%	$ (14)	-4.4%
Life Insurance Benefits	$ 183	$ 183	$ 184	$ 190	$ 194	$ 4	2.2%	$ 11	6.1%
Medicare Tax	$ 1,784	$ 1,838	$ 1,938	$ 1,960	$ 2,006	$ 46	2.3%	$ 222	12.4%
Social Security	$ 1,203	$ 1,248	$ 1,290	$ 1,268	$ 1,272	$ 5	0.4%	$ 70	5.8%
Unemployment Obligations	$ 2,362	$ 2,162	$ 2,162	$ 1,750	$ 1,750	$ -	0.0%	$ (612)	-25.9%
Workers Compensation	$ 3,525	$ 3,525	$ 3,525	$ 3,525	$ 3,525	$ -	0.0%	$ -	0.0%
Pension	$ 11,146	$ 17,975	$ 18,284	$ 20,800	$ 27,588	$ 6,788	32.6%	$ 16,441	147.5%
Supplemental Contribution to Pension Fund	$ -	$ 12,500	$ 12,500	$ -	$ -	$ -	-	$ -	-
Subtotal All Benefits	**$ 37,841**	**$ 58,826**	**$ 61,467**	**$ 51,374**	**$ 58,239**	**$ 6,865**	**13.4%**	**$ 20,398**	**53.9%**
Salary & Wages	$ 136,098	$ 138,866	$ 144,646	$ 147,935	$ 150,746	$ 2,812	1.9%	$ 14,649	10.8%
Total	**$ 173,939**	**$ 197,693**	**$ 206,113**	**$ 199,308**	**$ 208,985**	**$ 9,677**	**4.9%**	**$ 35,046**	**20.1%**

Note: Salaries and wages include vacancy allowance, overtime, FSA benefits and reserve for wage increase.

Source: Chicago Park District FY2015 Budget Summary, p. 7; FY2016 Budget Summary, p. 7; and FY2017 Budget Summary, p. 9; FY2018 Budget Summary, pp. 8 and 48.

RESERVES

Fund balance is an important financial indicator for local governments and serves as a measure of financial resources. Fund balance is the difference between the assets and liabilities reported in a governmental fund at the end of a fiscal year. Fund balance is more a measure of liquidity than of net worth and can be thought of as the savings account of the local government.[36]

The Chicago Park District's General Funds are used to account for all financial resources not reported in other specific funds. In other words, they report the District's general operations. The District's General Funds include the Corporate Fund; the Liability, Worker's Compensation and Unemployment Fund; and the Long-Term Income Reserve Fund.[37]

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

Changes to Fund Balance Reporting

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

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

the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."[38]

Previous Components of Fund Balance

Previously, the categories for fund balance focused on whether resources were available for appropriation by governments. The *unreserved* fund balance thus referred to resources that did not have any external legal restrictions or constraints. The unreserved fund balance was able to be further categorized as designated and undesignated. A *designation* was a limitation placed on the use of the fund balance by the government itself for planning purposes or to earmark funds.[39]

Current Components of Fund Balance

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

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment;
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation;
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance; and
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[40]

Historically, the focus of the Civic Federation's fund balance analysis has been on the unreserved general fund balance, or in other words, how much is left in the savings account, not how much is being withdrawn. Given the new components of fund balance established by GASB Statement No. 54, the Civic Federation now focuses on a government's *unrestricted* fund balance, which includes the *committed*, *assigned* and *unassigned* fund balance levels. The only difference between the terms unreserved and unrestricted is that a portion of what used to be categorized as unreserved fund balance is now reported as restricted fund balance; otherwise, the two terms are synonymous.[41]

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

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

Fund Balance Best Practice

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%. This policy is also a good benchmark for large special purpose governments such as the Chicago Park District.

Chicago Park District Stabilization Funds

The Park District has four fund reserves that are assigned or committed for specific purposes and serve as financial safeguards to ensure long-term financial stability. These four funds, together with several other fund balances, compose the District's General Fund unrestricted fund balance. The District's fund balance policy is approved by the Chicago Park District Board of Commissioners annually as part of the budget process.[42] The following is a summary of the four reserve funds and their intended use.

1) The Long-Term Income Reserve Fund (also referred to as working capital) is a special revenue reserve fund that was established in FY2006 from revenue generated from the sale of the District's parking garages. The District uses the interest on these funds to support the Corporate Fund.[43] The District's policy is to maintain this fund at a level of no less than $85.0 million.[44] The Long-Term Reserve Fund provides working cash to bridge periods when the District is awaiting property tax revenue in order to avoid short-term borrowing.

2) The Economic Stabilization Fund is the District's "rainy day fund" and is intended to mitigate economic downturns or other major events. The District's General Fund fund balance policy requires the District to designate 8.0% to 16.0% of the preceding year's General Fund expenditures as reserves for this fund.[45]

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

[42] Communication with the Chicago Park District's Office of Budget and Management, November 22, 2013.
[43] Communication with the Chicago Park District's Office of Budget and Management, December 1, 2017.
[44] Chicago Park District, FY2018 Budget Summary, p. 26.
[45] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 83.

fiscal year to fiscal year, but cannot exceed the amount of the expected budget shortfall.[46]

4) The Long-Term Liability Reserve Fund was established to make supplemental employer pension contributions as required by Public Act 98-0622 in FY2015, FY2016 and FY2019.[47] The Long-Term Liability Reserve funds financed the District's $25.0 million supplemental employer contribution to the pension fund, with $12.5 million appropriated in FY2015 and $12.5 million in FY2016.[48]

As of December 31, 2016, the most recent year for which audited data are available, the District's General Fund reserve funds had the following balances:[49]

- Long-Term Reserve Fund (working capital) – $96.0 million;
- Economic Stabilization Fund – $25.8 million;
- Budget Stabilization Fund (PPRT stabilization) – $5.0 million; and
- Long-Term Liability Reserve Fund – $27.0 million.

Unrestricted Fund Balance for the General Fund

In FY2016 the District's General Fund unrestricted fund balance was $206.4 million, or 66.7% of general fund expenditures. This was an increase of $4.5 million from $201.9 million in FY2015, primarily due to an increase in property tax revenue as a result of timing of tax collections within the revenue recognition period.[50]

According to the FY2016 audited financial statement, the General Fund unrestricted fund balance includes $126.8 million of fund balance committed to specific stabilization funds, $39.6 million of fund balance assigned for various purposes and $40.1 million of unassigned fund balance. The District's committed fund balance includes $96.0 million committed to working capital, or the Long-Term Reserve Fund; $25.8 million committed to the Economic Stabilization

[46] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 83.
[47] Chicago Park District, FY2016 Comprehensive Annual Financial Report, p. 83.
[48] Chicago Park District, FY2017 Budget Summary, p. 27. The Long-Term Liability Reserve balance only decreased by $5.0 million in FY2015 instead of $12.5 million because of an $11.7 million transfer in from the Public Building Commission – Operating and Maintenance special revenue fund.
[49] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 36.
[50] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 26.

Fund; and $5.0 million committed to the PPRT budget stabilization fund.[51] The assigned fund balance includes $27.0 million assigned to the Long-Term Liability Reserve.

Chicago Park District General Fund Fund Balance: FY2011-FY2016			
	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$182,182,000	$ 256,644,000	71.0%
FY2012	$194,877,000	$ 253,286,000	76.9%
FY2013	$185,196,000	$ 268,223,000	69.0%
FY2014	$203,124,000	$ 277,499,000	73.2%
FY2015	$201,970,000	$ 301,367,000	67.0%
FY2016	$206,440,000	$ 309,543,000	66.7%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36 and 40; FY2012, p. 36 and 40; FY2013, p. 36 and 40; FY2014, p. 36 and 40; FY2015, p. 36 and 40; and FY2016, p. 36 and 40.

Since the District has demonstrated over at least the past six years that it has been able to maintain a healthy level of reserves, the Civic Federation recommends that the District consider adding a maximum target to its fund balance policy to provide guidance on appropriate steps that should be taken should the fund balance continue to grow. A maximum target prevents the excessive accumulation of resources that could impact intergenerational equity.

It is important to note that the implementation of GASB 54 in FY2011 required the District to incorporate in the General Fund fund balance special revenue funds that were previously reported separately.[52] One of those funds is the Long-Term Income Reserve Fund, which the District created with proceeds from its parking garage sales. The parking garage sales will be discussed later in this section. The other is the Northerly Island Fund.

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

From FY2011 through FY2016, the District consistently maintained a fund balance of about $96 million in the Long-Term Income Reserve Fund, and smaller fund balances in the Northerly Island Fund ranging from $4.3 million in FY2011[53] to $93,000 in FY2016.[54] Excluding the fund balances in those two funds, the General Fund unrestricted fund balance totaled $82.1 million in

[51] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 36.
[52] Per GASB 54, the funds no longer met the definition of special revenue fund and began to be reported under the General Fund.
[53] Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36.
[54] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 36.

FY2011, or a ratio of fund balance to general fund expenditures of 32.0%. The ratio remained above 30% through FY2016, ending at a ratio of 35.5% on December 31, 2016.

Chicago Park District General Fund Fund Balance Excluding Long-Term Income Reserves: FY2011-FY2016			
	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$82,082,000	$ 256,644,000	32.0%
FY2012	$96,777,000	$ 253,286,000	38.2%
FY2013	$87,925,000	$ 268,223,000	32.8%
FY2014	$106,138,000	$ 277,499,000	38.2%
FY2015	$105,305,000	$ 301,367,000	34.9%
FY2016	$109,775,000	$ 309,543,000	35.5%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 36 and 40; FY2012, pp. 36 and 40; FY2013, pp. 36 and 40; FY2014, pp. 36 and 40; and FY2015, pp. 36 and 40; and FY2016, pp. 36 and 40.

Unreserved Fund Balance for the General Fund

This section presents five years of the Park District's fund balance levels prior to the GASB Statement No. 54 modification in fund balance reporting in FY2011 for comparison to the fund balance levels since FY2011 discussed above. The table below shows the fund balance ratios for the five years from FY2006 through FY2010 using the previous *unreserved* fund balance classification. In FY2006 the District had a very low fund balance ratio of 2.8% of operating expenditures. Over the five-year period, the fund balance grew significantly, with an especially large increase in FY2009 to a ratio of 16.1%. The Chicago Park District attributes this increase to the following: $10.6 million transfer from the Public Building Commission (PBC) Operating Fund, a $7.9 million transfer from the Garage Revenue Capital Improvements Fund, a $2.1 million transfer from the Long-Term Income Reserve Fund and revenues exceeding expenditures.[55] In FY2010 the General Fund fund balance reached $47.6 million, or 20.0% of

[55] Chicago Park District FY2011 Budget Summary, pp. 15 and 36.

operating expenditures, thereby exceeding the GFOA's and the Park District's own minimum fund balance recommendation.

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

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

Parking Garage Proceeds

In 2006 the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages (Grant Park North, Grant Park South and East Monroe) to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a Morgan Stanley, which gave the lease holder the right to provide parking garage services for 99 years.[56] The District set aside $69.1 million of the proceeds to extinguish garage related bonds. The full cash defeasance was $76.0 million, with the balance coming from funds that were already set aside to cover debt service and unspent cash proceeds.[57]

The remaining proceeds allowed the District to establish three funds:

- Garage Revenue Capital Improvements Fund – $122.0 million earmarked for capital improvement to neighborhood parks;
- Reserve for Park Replacement Fund – $35.0 million was set aside for park repair at Daley Bi-Centennial plaza above the East Monroe Garage once the Concessionaire completes agreed upon repairs to the garage; and
- Long-Term Income Reserve Fund – $121.7 million to generate earnings to replace the approximately $5.0 million that was generated annually through parking garage

[56] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp. 8 and 72.
[57] Information provided by the Chicago Park District, November 26, 2010.

revenues.[58] In FY2011 this reserve fund was merged with the General Fund with the implementation of GASB 54.

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

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

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

- The Long-Term Income Reserve fund earned a total of $7.4 million in interest and transferred out $12.3 million to replace lost parking garage revenues from FY2006 to FY2010. Starting in FY2011, this fund is reported within the General Fund;
- In FY2008, $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space;
- The Garage Revenue Capital Improvements Fund has spent a total of $106.0 million, the vast majority of which has been on capital improvements;
- In FY2009 transfers from the District's Long-Term Income Reserve Fund and the Garage Revenue Capital Improvements Fund to Current and Capital expenses fell by $21.9 million and $45.1 million, respectively, primarily because of the $21.9 million purchase of an administrative building and $52.1 million in capital improvements in FY2008;[59]
- In FY2010 a combined total of $8.0 million was transferred for General Fund operations from the Long-Term Income Reserve, Garage Revenue Capital Improvement Fund and Reserve for Park Replacement Fund;
- In FY2011 the District spent approximately $8.1 million on capital projects and $80,000 on park operations from the Garage Revenue Capital Improvements Fund;
- In FY2012 the District spent approximately $4.3 million from the Garage Revenue Capital Improvements Fund, including $4.2 million on capital projects and $46,000 on park operations, as well as $4.6 million from the Reserve for Park Replacement Fund;
- In FY2013 the District spent approximately $1.3 million from the Garage Revenue Capital Improvements Fund on capital related expenditures and $6.0 million from the Reserve for Park Replacement Fund;

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

- In FY2014 the Garage Revenue Capital Improvement Fund increased by $22.4 million over FY2013 to a balance of $36.4 as a result of the proceeds from the sale of the administration office;[60]
- In FY2015 the Garage Revenue Capital Improvement Fund decreased by $1.6 million from $36.4 million in FY2014 due to increases in capital outlay;[61] and
- In FY2016 the Garage Revenue Capital Improvement Fund decreased slightly from $34.8 million to $34.4 million due to an increase in capital outlay.[62]

Parking Garage Reserve Funds: FY2006-FY2016 (in $ millions)			
	Long-Term Income Reserve*	**Garage Revenue Capital Improvements Fund**	**Reserve for Park Replacement Fund**
Revenue			
Proceeds	$ 121.7	$ 122.0	$ 35.0
Interest and Misc. Earnings	$ 7.4	$ 22.5	$ 0.1
Transfers In	$ 0.9	$ -	$ -
Total	**$ 129.9**	**$ 144.5**	**$ 35.1**
Transfers Out to General			
FY2006	$ -	$ -	$ -
FY2007	$ (5.0)	$ -	$ -
FY2008	$ (5.0)	$ -	$ -
FY2009	$ (2.1)	$ (8.0)	$ (2.0)
FY2010	$ (0.2)	$ (7.7)	$ (0.1)
FY2011	$ -	$ -	$ -
FY2012	$ -	$ -	$ -
FY2013	$ -	$ -	$ -
FY2014	$ -	$ -	$ -
FY2015	$ -	$ -	$ -
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Current and Capital Expenses			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (25.1)	$ (1.1)
FY2011*	$ -	$ (8.2)	$ (0.3)
FY2012*	$ -	$ (4.3)	$ (4.6)
FY2013*	$ -	$ (1.3)	$ (6.0)
FY2014*	$ -	$ (0.9)	$ (22.8)
FY2015*	$ -	$ (3.6)	$ (0.4)
FY2016*	$ -	$ (0.6)	$ (1.0)
Total	**$ (21.9)**	**$ (111.1)**	**$ (36.3)**
Balance FY2016	**$ 96.0**	**$ 34.4**	**$ 0.7**

Note: Some differences may appear due to rounding.
*The Long-Term Income Reserve Fund was merged into the General Fund for accounting purposes in FY2011 with the implementation of GASB 54.
Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2016.

[60] Chicago Park District FY2014 Comprehensive Annual Financial Report, p. 28.
[61] Chicago Park District FY2015 Comprehensive Annual Financial Report, p. 28.
[62] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 28.

PENSION FUND

The Civic Federation analyzes four indicators of the fiscal health of the Chicago Park District pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators and describes Park District pension benefits. It is important to note that until July 1, 2012, the fiscal year of the pension fund was July 1 to June 30, while the District's fiscal year is January 1 to December 31. However, legislation was signed into law in August 2012 that matched the pension fund's fiscal year to the District's fiscal year starting January 1, 2013.[63] Therefore, except for the investment return section, data in this section are measured over the ten and a half years between the start of FY2007 on July 1, 2006 and through the short fiscal year that ran between the end of FY2012 on June 30, 2012 and the start of FY2013 on January 1, 2013 and ends with the end of FY2016 on December 31, 2016. There is also a discussion of the Fund's liabilities as reported according to accounting standards required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68). Unless otherwise stated, the numbers used in this chapter are statutorily required numbers used for funding purposes.

Plan Description

The Park Employees' & Retirement Board Employees' Annuity and Benefit Fund is a single employer defined benefit pension plan for employees of the Chicago Park District and the Fund. It was created by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[64] Plan benefits and contribution amounts can only be amended through State legislation.[65] The Chicago Park District is the only park district in Illinois whose employees do not participate in the statewide Illinois Municipal Retirement Fund.

The Park District pension fund is governed by a seven-member Board of Trustees. As prescribed in State statute, four members are elected by the employees and three members are appointed by the Park District Board of Commissioners.[66]

As of December 31, 2016 there were 3,114 active members of the pension fund and 2,870 beneficiaries, for a ratio of 1.09 active members for every beneficiary, the highest ratio over the ten and a half years examined. The ratio has fluctuated over the decade between FY2007 and

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

[64] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2016, p. 16.

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

[66] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2016, p. 2.

FY2016, but generally increased. In FY2016 the number of active employees increased and the number of beneficiaries decreased, leading to a higher ratio.

Park District Pension Fund Membership: FY2007-FY2016			
Fiscal Year	**Active Employees**	**Beneficiaries**	**Ratio of Active to Beneficiary**
FY2007	3,040	3,056	0.99
FY2008	3,031	3,013	1.01
FY2009	2,895	3,013	0.96
FY2010	2,816	2,956	0.95
FY2011	2,795	2,913	0.96
FY2012	2,977	2,921	1.02
Six Months Ended 12/31/12*	3,053	2,906	1.05
FY2013	3,076	2,904	1.06
FY2014	2,973	2,891	1.03
FY2015	3,063	2,876	1.07
FY2016	3,114	2,870	1.09
10.5-Year Change	**74**	**-186**	**0.09**
10.5-Year % Change	**2.4%**	**-6.1%**	**9.1%**

***** Persuant to Public Act 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's own fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of fiscal year 2013 on January 1, 2013.
Source: FY2007-FY2016 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Pension Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Park District pension fund.[67] This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Public Act 98-0622, enacted in January 2014, made changes to the benefits of retirees, Tier 1 employees and Tier 2 employees. It also increased the contributions made by employees and the District. As a whole, the reform package was intended to increase the funded ratio to 90% by 2049 and 100% by 2054. A challenge to the reforms was filed on October 8, 2015 by a Park District annuitant and an employee in Cook County Circuit Court and litigation is ongoing as of publication of this report.[68]

No injunction on implementing the reforms was put into place so the provisions went into effect on January 1, 2015 as scheduled. However, on October 19, 2016 the Cook County Circuit Court issued an Agreed Order freezing employee and employer contributions at FY2016 rates,

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

reinstating automatic annual annuity increases for current retirees and requiring retroactive payments of retirees' foregone increases dating back to January 1, 2015. The next status hearing on the case is scheduled for December 15, 2017.

The latest actuarial projections show that under the changes to the reforms implemented by the Agreed Order, the Park District Pension Fund will go insolvent after 2055.[69] In FY2016 the unfunded liability increased by $93.6 million due to the reinstatement of 3% simple interest automatic annual increases to annuities for current employees and retirees.[70]

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

Under State law, Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least four years of employment at the District or reach age 50 with 30 years of service. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80% of final average salary.

The major changes for Tier 2 benefits as enacted in 2010 were the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62; the reduction of final average salary from the highest four-year average to the highest eight-year average; the $106,800 cap on final average salary; and the reduction of the automatic increase from 3% simple interest to the lesser of 3% or one-half of the increase in Consumer Price Index, simple interest. Public Act 98-0622 increased the Tier 1 early retirement age for those employees under 45 as of January 1, 2015 and reduced both full retirement age and early retirement age for Tier 2 employees. It also made further changes as shown in the table on the next page. The Agreed Order implemented in October 2016 left in place the changes to retirement age and duty disability included P.A. 98-0622.

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

However, under the Agreed Order issued by the Cook County Circuit Court on October 19, 2016, several of these provisions are frozen or rescinded. The automatic annual increase provisions applying to current retirees were cancelled and retirees given reimbursements of any automatic increases they missed. Additionally, employer and employee contributions were

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[69] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2016, p. 49.
[70] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2016, p. 73.

frozen at 2016 levels rather than increasing in FY2017 as scheduled under the law.[71] However, the supplemental contributions of $12.5 million by the District went ahead as scheduled in FY2015 and FY2016.

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

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

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

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

Source: Public Act 98-0622.

In an FY2018 budget briefing document,[72] the Chicago Park District gave an update on the status of the litigation surrounding Public Act 98-0622. The District wrote that SEIU in June 2017 stated that they are no longer willing to negotiate on a settlement and filed a motion for declaratory judgment in July. The District says it filed a counterclaim for declaratory judgment, asking that the judge sever the portions of the legislation that modify benefits from those that increase contributions for the District and employees. The District says that SEIU, "admitted they have never challenged the funding requirements in the Public Act." In the budget book, the District says it plans to increase the amount of money it contributes to the fund on the statutory schedule that was delayed by the Agreed Order from October 2016.

Funded Ratio

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations. The best situation for any pension fund is to be fully funded, with 100% of accrued liabilities covered by assets because it means that the plan is doing a good job of maintaining intergenerational equity with current taxpayers appropriately paying for the cost of current public employees' benefits. There is no official industry standard or best practice for an acceptable funded ratio other than 100%.[73]

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.[74] The

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[71] Agreed Order, Case No. 2015 CH 14869, October 19, 2016.
[72] Chicago Park District, "FY2018 Budget Presentation," November 16, 2017, p. 10.
[73] American Academy of Actuaries, "Issue Brief: The 80% Pension Funding Standard Myth," July 2012. http://actuary.org/files/80%25_Funding_IB_FINAL071912.pdf
[74] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012,* October 2, 2014.

market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial value funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

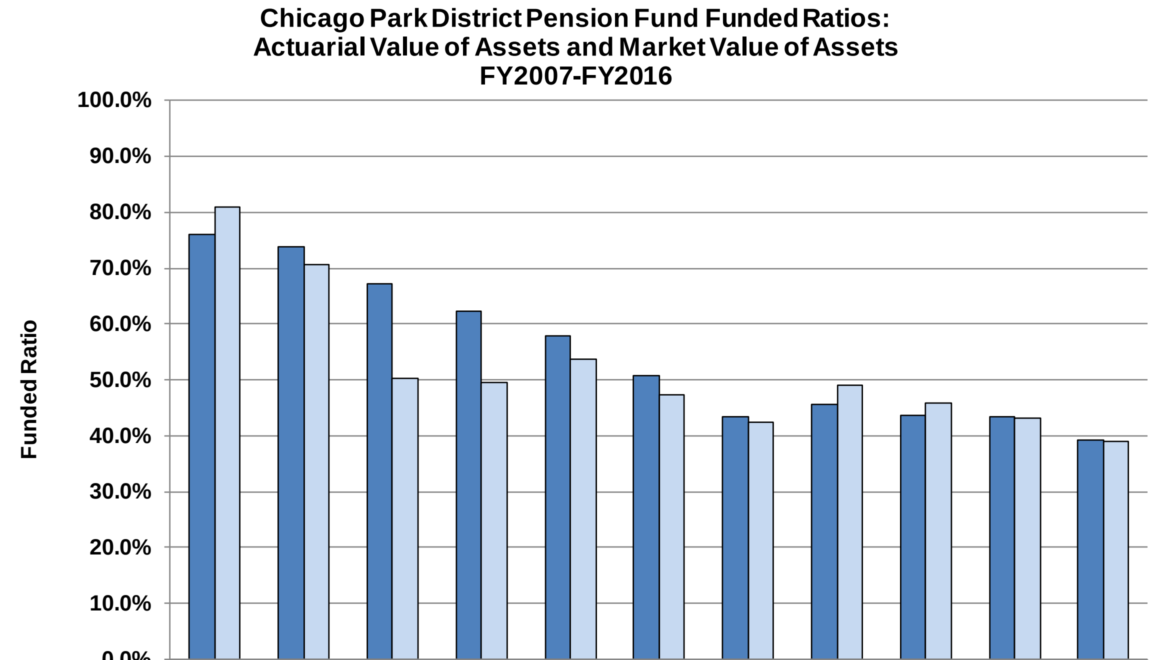
The following exhibit shows the actuarial and market value funded ratios for the Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 76.0% in FY2007 to 43.4% in the short fiscal year ended December 31, 2012 before increasing to 45.5% in FY2013 as a result of reduced liabilities under P.A. 98-0622. The actuarial funded ratio fell to 39.1% in FY2016, lower than before P.A. 98-0622 was enacted, mostly as a result of a $93.6 million increase to the actuarial accrued liability due to the reinstated higher automatic annual increases to annuities as a result of the Agreed Order.[75] The market value funded ratio fell from a high of 80.9% in FY2007 to 42.4% as of December 31, 2012 before rebounding to 49.1% in FY2013. The market value funded ratio fell to 39.0% in FY2016, again primarily due to the Agreed Order.

The continued decline in funded ratio is a cause for significant concern. The Actuary for the Pension Fund has projected that due to the changes to benefit reforms implemented through judicial order, the Fund is now scheduled to become insolvent after 2055.[76]

The increased employer and employee contributions and the benefit provisions of P.A. 98-0622 had been projected to increase the pension fund's funded ratio to 90% by FY2048.[77] However, the fund believes that, "It is near certain that the Circuit Court will find that Public Act 098-0622 is unconstitutional."[78] This is because the Illinois Supreme Court struck down a similar law for the City of Chicago's Municipal and Laborers' Funds in March 2016. While the parties to the

[75] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2014, p. 81.
[76] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2016, p. 49.
[77] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2015, p. 76.
[78] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2016, p. 13.

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



	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	Six Months Ended 12/31/12	FY2013	FY2014	FY2015	FY2016
Actuarial Value	76.0%	73.8%	67.2%	62.3%	58.0%	50.9%	43.4%	45.5%	43.7%	43.5%	39.1%
Market Value	80.9%	70.7%	50.3%	49.5%	53.7%	47.4%	42.4%	49.1%	45.9%	43.2%	39.0%

Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculations based on FY2007-FY2016 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

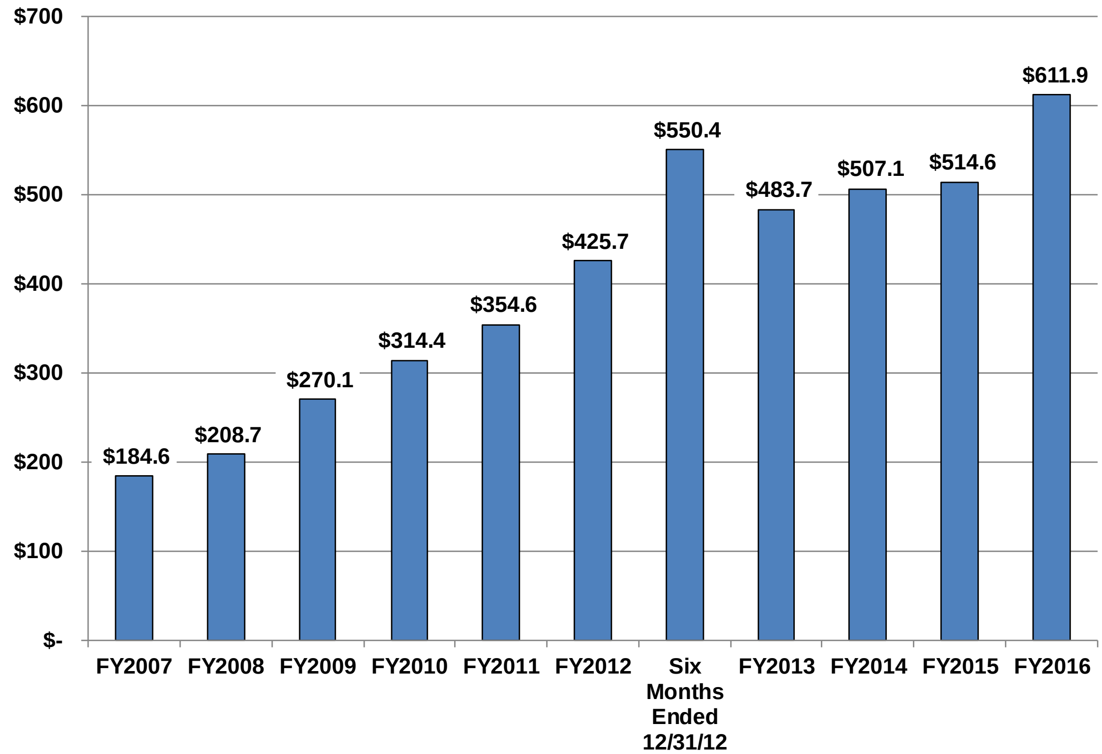
Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liabilities for the Park District pension fund totaled $611.9 million as of December 31, 2016, up from $514.6 million as of December 31, 2014. The reduction in actuarial liabilities in FY2013 was caused by the pension benefit reductions contained in P.A. 98-0622. The FY2013 UAAL was $109.4 million less than it would have been without the pension reform legislation.[79] The FY2014 and FY2015 unfunded liabilities went up from previous years mostly because the employer contribution was insufficient for the needs of the fund. The increase in FY2015 was despite higher employer contributions under P.A. 98-0622 that started in FY2015. The FY2016 unfunded liability increased by $97.3 million mostly because, as discussed above, liabilities for the fund increased due to the changes to P.A. 98-0622 implemented by court order in October 2016.

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

Changes in actuarial assumptions contributed to the sharp jump in unfunded liabilities between June 30, 2012 and December 31, 2012. The UAAL as of December 31, 2012 was $92.4 million larger than it would have been without the actuarial changes made for that valuation.

Chicago Park District Pension Fund Unfunded Actuarial Accrued Liabilities: FY2007-FY2016 (in $ millions)



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: FY2007-FY2016 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

The next exhibit adds together the contributing factors that have increased or decreased the fund’s unfunded liability since FY2007. The largest contributor to the $439.3 million growth in unfunded liabilities between the beginning of FY2007 and the end of FY2016 was shortfall in employer contributions as compared to the payment necessary to prevent an increase in the unfunded liability, or normal cost plus interest. The shortfall added nearly $188.1 million to the unfunded liability. Investment returns failing to meet the expected rate of return was the second largest contributor, which added $126.8 million to the unfunded actuarial accrued liability over ten and a half years.[80] The chart below also shows the reduction to the UAAL in FY2013 from

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

the benefit reductions contained in the District's pension reform legislation, offset by the increase to UAAL in FY2016 due to the reinstatement of some benefits by court order.

Reasons for Change in Unfunded Actuarial Accrued Liability: FY2007-FY2016						
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Demographics and Other*	Benefit Enhancements/ (Benefit Reductions)	Change in Actuarial Assumptions or Methods	Total Net UAAL Change
FY2007	$ 7,934,264	$ (6,916,000)	$ 11,031,309	$ -	$ -	**$ 12,049,573**
FY2008	$ 10,238,362	$ (327,000)	$ 13,820,052	$ -	$ 337,000	**$ 24,068,414**
FY2009	$ 12,183,923	$ 33,650,000	$ 15,605,399	$ -	$ -	**$ 61,439,322**
FY2010	$ 16,199,403	$ 34,405,000	$ (6,303,475)	$ -	$ -	**$ 44,300,928**
FY2011	$ 21,088,308	$ 24,490,749	$ (5,499,669)	$ -	$ -	**$ 40,079,388**
FY2012	$ 24,169,436	$ 40,119,103	$ 6,817,285	$ -	$ -	**$ 71,105,824**
Six Months Ended 12/31/12	$ 15,020,049	$ 13,039,011	$ 4,177,290	$ -	$ 92,444,312	**$ 124,680,662**
FY2013	$ 32,112,909	$ 3,878,943	$ 6,793,720	$ (109,413,864)	$ -	**$ (66,628,292)**
FY2014	$ 28,967,102	$ (10,929,182)	$ 5,309,076	$ -	$ -	**$ 23,346,996**
FY2015	$ 9,686,630	$ (2,629,339)	$ 473,038	$ -	$ -	**$ 7,530,329**
FY2016	$ 10,466,946	$ (1,975,541)	$ (4,791,273)	$ 93,579,710	$ -	**$ 97,279,842**
10.5-Year Total	**$ 188,067,332**	**$ 126,805,744**	**$ 47,432,752**	**$ (15,834,154)**	**$ 92,781,312**	**$ 439,252,986**

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

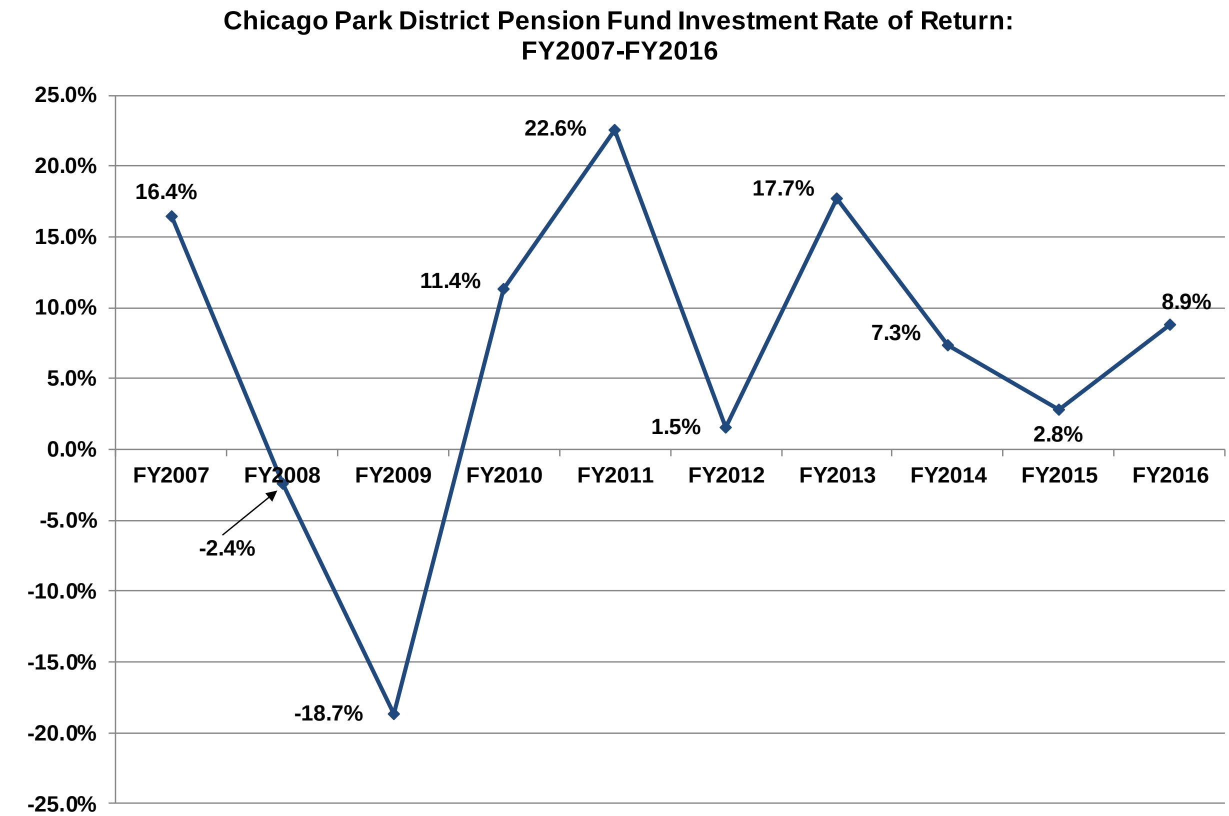
Source: FY2007-FY2016 Chicago Park District Pension Fund CAFRs.

Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2007 and FY2016, the Park District pension fund's average annual rate of return was 6.8%.[81] Because the formula the Civic Federation uses to calculate investment rate of return is intended to compare full year returns, the Federation cannot include returns for the short fiscal year ended December 31, 2012. Returns between FY2007 and FY2016 ranged from a high of 22.6% in FY2011 to a low of -18.7% in FY2009. It is important to remember when reading the following

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

chart that the FY2013-FY2016 returns reflect a calendar year fiscal year, whereas the FY2007-FY2012 returns reflect a July-June fiscal year.



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculation based on FY2007-FY2016 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

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

In 2012 the Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting standards for public pension plans and for governments, Statements 67 and 68. According to GASB, the new standards were intended to "improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations."[82] Among other disclosures, pension funds and governments are now required to report total pension liability, fiduciary net position, net pension liability, pension expense and actuarially determined contribution (ADC), which are calculated on a different basis from previous GASB 25 and 27 pension disclosure requirements. Both pension funds and governments must also disclose additional information about pensions in the notes to the financial statements and in required supplementary information sections. It is important to note that GASB intended to separate pension reporting from pension funding. Thus, the numbers reported according to GASB 67 and 68 standards are not used to determine how

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

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

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

The total pension liability, fiduciary net position, net pension liability and ADC[83] are all calculated on a different basis both from what used to be required by GASB and from the traditional public pension actuarial basis.

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

- Entry age normal actuarial cost method and level percent of payroll. The Park District Pension Fund uses the entry age normal method for statutory reporting and funding purposes.
- A single blended discount rate, instead of basing the discount rate only on projected investment earnings. The discount rate is used to calculate the present value of the future obligations of a pension fund. The discount rate has an inverse relationship to actuarial liabilities, such that a lower discount rate will result in higher liabilities.
    - If a government is projected to have enough assets to cover its projected benefit payments to current and inactive employees, it can use the expected return on investments as its discount rate.
    - If a government is projected to reach a crossover point beyond which projected assets are insufficient to cover projected benefit payments, then a blended discount rate must be used. Benefit payments projected to be made from that point forward are discounted using a high-quality municipal bond interest rate. The blended rate is a single equivalent rate that reflects the investment rate of return and the high-quality municipal bond interest rate.
    - Because of the changes to the provisions of P.A. 98-0622 made by court order, the Park District Pension Fund is projected to reach the crossover point, so its GASB 67 and 68 reporting is discounted at a blend of the full 7.5% assumed rate of return and a lower municipal bond rate of 3.78%. The reported blended rate was 5.82%.

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

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

Net Pension Liability – This number is similar in concept to the unfunded actuarial accrued liability, but again is NOT the same. It is the difference between the Total Pension Liability and the Fiduciary Net Position of the fund. Governments are required to report the Net Pension Liability in their Statements of Net Position in their financial statements, according to GASB 68.

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

Difference Between the ADC and ARC

Depending on the employer's funding plan, a pension fund's ADC may be very similar to the previously reported ARC. The chart below summarizes the main assumptions behind the Park District Pension Fund calculations of ADC and ARC. The Fund uses a 30-year closed, level percentage of payroll amortization, of which 26 years were left as of December 31, 2016. For ARC reporting, the Fund used a 30-year open amortization period until 2012, after which it started to use a 30-year closed period. An open amortization period remains the same every year (e.g., each valuation amortizes UAAL over 30 years), while a closed amortization period declines as each year passes (e.g., successive valuations amortize at 30 years, 29 years, 28 years, etc.). Between 2005 and 2012, the Fund per State statute used the projected unit credit actuarial cost method, but now uses the entry age normal when calculating the actuarially determined contribution. A level percent of payroll amortization has the effect of "back-loading" the amortization payments because as payroll increases, so does the dollar amount of the amortization. In contrast, a level dollar amount amortization represents a declining burden over time because as payroll increases in the future, the level amortization amount equals a smaller percent of payroll.

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

Calculation of the Actuarially Determined Contribution (ADC) vs the Annual Required Contribution (ARC)		
	ADC (FY2014 and After)	ARC (FY2013 and Earlier)
Amortization Period	30-year closed (26 years remaining)	30-year open (until 2012)
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Actuarial Cost Method	Entry Age	Projected Unit Credit (2005-2012)
Actuarial Value of Assets	5-year smoothed	5-year smoothed
Investment Rate of Return	7.50%	7.50%

Source: Chicago Park District Pension Fund FY2016 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a relatively similar basis, the Civic Federation will continue to analyze the trend of the difference between the reported ADC/ARC and the statutorily required employer contribution the Park District must make under state law. The following table compares the ADC/ARC to the actual Park District contribution over the last ten years.[84] In FY2016 the difference between the ADC and the actual employer contribution was $6.2 million. The increased employer funding schedule required under P.A. 98-0622 started in FY2015, meaning that while the District's FY2014 employer payment was made under the old funding schedule based on 1.1 times employee contributions made two years prior, in FY2015 and FY2016 the District contributed 1.7 times employee contributions made two years prior and also made two extra required contribution of $12.5 million each, for a total contribution of $30.6 million in FY2015 and $30.9 million in FY2016, compared to $11.2 million in FY2014.

Expressing ADC/ARC as a percentage of payroll provides a sense of scale and affordability. In FY2007 the ARC was 13.7% of payroll while the actual employer contribution was 9.0% of payroll. In FY2016 the ADC was 30.7% of payroll while the actual employer contribution was 25.5% of payroll. Employees contributed 10.0% of salary to the pension fund in FY2016.

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

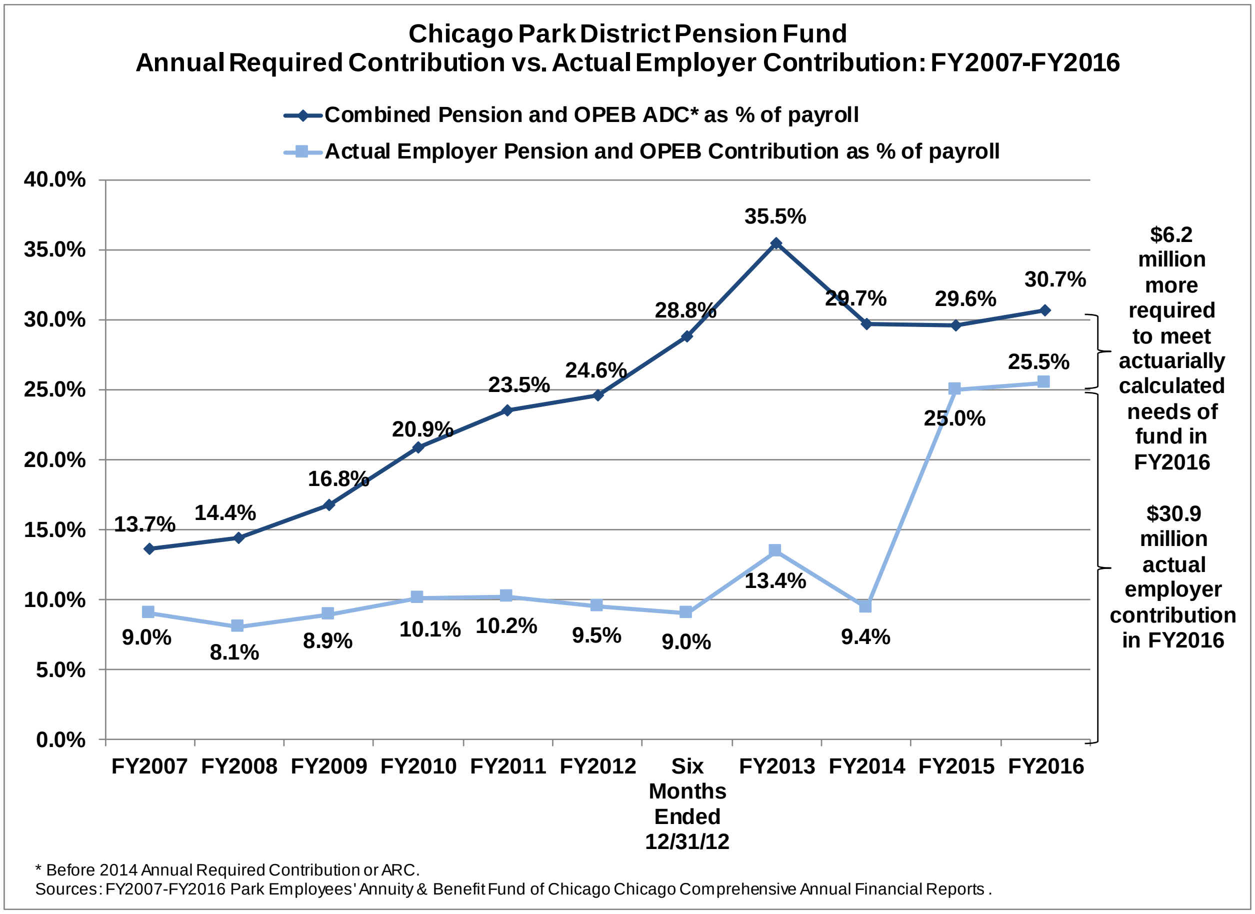
Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2007	$ 14,571,540	$ 9,594,593	$ 4,976,947	65.8%	$ 106,601,982	13.7%	9.0%
2008	$ 16,073,257	$ 8,998,687	$ 7,074,570	56.0%	$ 111,698,366	14.4%	8.1%
2009	$ 18,285,474	$ 9,677,765	$ 8,607,709	52.9%	$ 108,882,742	16.8%	8.9%
2010	$ 22,399,740	$ 10,829,339	$ 11,570,401	48.3%	$ 107,361,021	20.9%	10.1%
2011	$ 25,319,145	$ 10,981,419	$ 14,337,726	43.4%	$ 107,686,693	23.5%	10.2%
2012	$ 28,051,528	$ 10,868,361	$ 17,183,167	38.7%	$ 114,223,909	24.6%	9.5%
Six Months Ended 12/31/12	$ 16,786,671	$ 5,268,363	$ 11,518,308	31.4%	$ 58,231,511	28.8%	9.0%
2013	$ 41,834,857	$ 15,804,452	$ 26,030,405	37.8%	$ 117,781,596	35.5%	13.4%
2014	$ 35,307,186	$ 11,225,438	$ 24,081,748	31.8%	$ 118,987,507	29.7%	9.4%
2015	$ 36,273,994	$ 30,588,976	$ 5,685,018	84.3%	$ 122,382,584	29.6%	25.0%
2016	$ 37,130,268	$ 30,890,241	$ 6,240,027	83.2%	$ 121,126,918	30.7%	25.5%

* Before 2014 Annual Required Contribution or ARC.
Source: FY2007-FY2016 Park Employees' Annuity and Benefit Fund of Chicago CAFRs.

The graph below illustrates the gap between the ADC/ARC as a percentage of payroll and the actual employer contribution as a percentage of payroll. In FY2007 the combination of benefit enhancements and a partial contribution holiday for the employer created a 4.7 percentage point gap between the ARC and employer contribution. In the intervening years the gap widened substantially to over 20 percentage points. In FY2015 and FY2016 the gap shrank due to the higher required employer contributions under the pension reform law. To fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability over 26 years the

[84] In FY2005 the ARC had nearly doubled from the previous year and the actual employer contribution was reduced by approximately half. While not represented in the chart below, it is important to note that the percent of ARC contributed dropped from 120.0% in FY2004 to only 30.2% in FY2005. This dramatic reversal, which continued in FY2006, was largely due to Public Act 93-0654, which provided benefit enhancements and an early retirement incentive as well as a temporary reduction in statutorily required employer contributions. These changes increased the fund's actuarial liability by $57.2 million. Park Employees' Annuity and Benefit Fund of Chicago FY2004 Comprehensive Annual Financial Report, p. 47.

District would have needed to contribute an additional 5.2% of payroll, or $6.2 million, in FY2016.



OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a healthcare plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least four years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65, generally those hired after April 1984, are not covered by the District's healthcare plan.[85]

The District funds retiree healthcare on a pay-as-you-go basis. In FY2016 the District contributed $1.6 million and plan members contributed $1.9 million, or 54.6% of premiums. The monthly required retiree contributions for HMO/PPO coverage were $493/$782 for retiree only, $972/$1,431 for retiree and spouse, and $1,392/$2,049 for family coverage, respectively.[86]

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

[85] Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 80.
[86] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 80.

cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2016 was nearly $3.2 million. Contributions were made in the amount of $1.6 million. The net OPEB obligation increased by $1.6 million, from $19.5 million to $21.1 million.[87]

OPEB Costs for Chicago Park District Retiree Heath Care Plan: FY2016 (in $ thousands)		
Annual Required Contribution	$	3,519.0
Adjustment to ARC	$	(1,033.0)
Interest on net OPEB obligation	$	668.0
Annual OPEB Cost	**$**	**3,154.0**
Contributions Made	**$**	**1,563.0**
Increase in net OPEB obligation	$	(1,591.0)
Net OPEB Obligation - January 1, 2014	**$**	**19,513.0**
Net OPEB Obligation - December 31, 2014	**$**	**21,104.0**

Source: Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 8.

OPEB Plan Unfunded Liabilities

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

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

Source: Chicago Park District FY2016 Comprehensive Annual Financial Report, p. 81.

SHORT TERM LIABILITIES

Short-term liabilities are financial liabilities that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The following are the different types of short-term liabilities reported in the FY2012-FY2016 Chicago Park District audited financial reports:

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

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

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

In FY2016 the District's short-term liabilities decreased by $35.6 million, or 27.1%, from the previous year. Since 2012 short-term liabilities overall have decreased by nearly $62.6 million, or 39.6%.

The Chicago Park District usually reports large amounts in the "due to other funds" category. These outstanding balances between funds result mainly from the time lag between the dates the expenditures occur in the "borrowing" fund and when repayment is made back to the "disbursing" fund. The balances are repaid during the next fiscal year.[88] Much of the five-year decrease in short-term liabilities are due to a 49.2% or $44.6 million drop in the due to other funds category. In addition, accounts payable and accrued expenses fell by $23.6 million, or 40.2%, between those years.

The amount of accounts payable decreased sharply between FY2014 and FY2015 primarily because capital outlay expenditures decreased. That included completion of $38 million in construction projects as well as the capitalization of $4.6 million in projects related to the Save America's Treasures program and the completion of 77 new sites in the Chicago Plays! Equipment Program.[89]

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2012-FY2016
(in $ thousands)

Type	FY2012	FY2013	FY2014	FY2015	FY2016	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Accounts payable & accrued expenses	$ 58,626	$ 60,659	$ 60,985	$ 37,010	$ 35,035	$ (1,975)	-5.3%	$ (23,591)	-40.2%
Accrued payroll	$ 3,532	$ 3,675	$ 4,465	$ 5,060	$ 5,772	$ 712	14.1%	$ 2,240	63.4%
Due to other funds	$ 90,499	$ 110,928	$ 101,983	$ 77,974	$ 45,940	$ (32,034)	-41.1%	$ (44,559)	-49.2%
Due to other organizations	$ 460	$ 582	$ 536	$ 6,061	$ 6,598	$ 537	8.9%	$ 6,138	1334.3%
Retainage payable	$ 4,400	$ 4,124	$ 7,354	$ 4,492	$ 1,907	$ (2,585)	-57.5%	$ (2,493)	-56.7%
Deposits	$ 704	$ 1,099	$ 353	$ 644	$ 387	$ (257)	-39.9%	$ (317)	-45.0%
Total	**$ 158,221**	**$ 181,067**	**$ 175,676**	**$ 131,241**	**$ 95,639**	**$ (35,602)**	**-27.1%**	**$ (62,582)**	**-39.6%**

Sources: Chicago Park District FY2012-2016 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

[88] Chicago Park District FY2016 Comprehensive Annual Financial Report, Note 4: Interfund Balances and Activity, p. 65.
[89] Information provided by Chicago Park District Budget Office, December 5, 2016.

Factoring out the amounts reported in the due to other funds category, short term liabilities have decreased by 26.1%, or $17.7 million, between FY2012 and FY2016. The decrease is a positive sign.

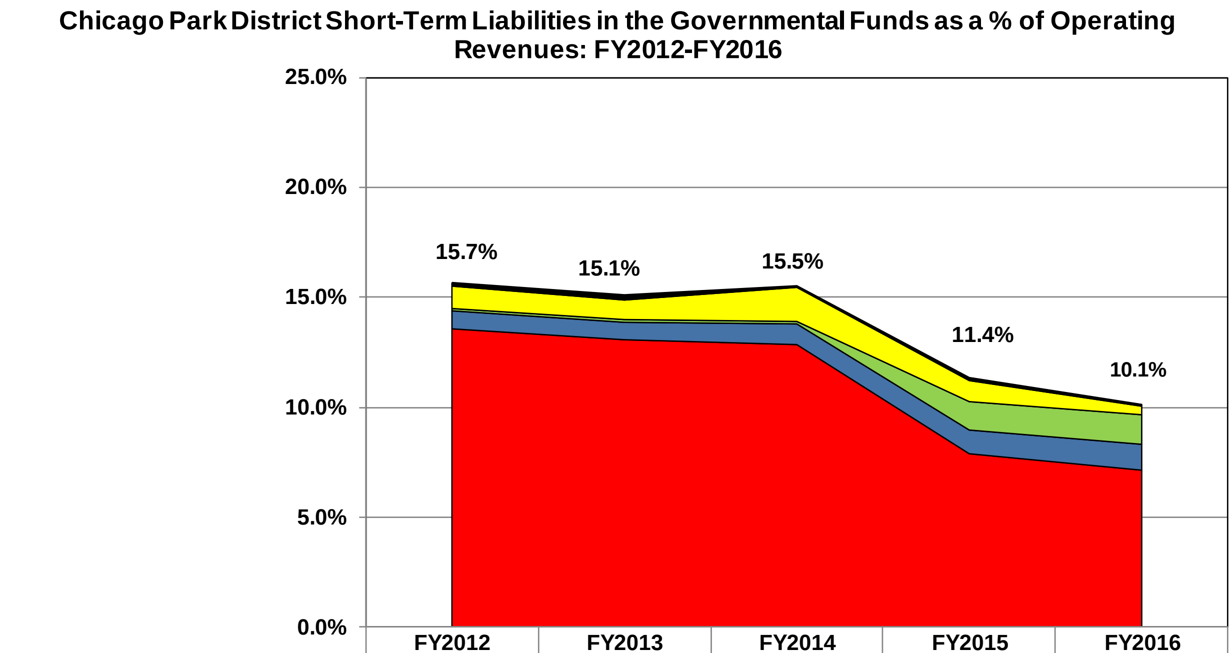
Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2012-FY2016 Without Liabilities Due to Other Funds (in $ thousands)									
	FY2012	FY2013	FY2014	FY2015	FY2016	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Total	$ 67,722	$ 69,744	$ 74,044	$ 53,327	$ 49,699	$ (3,628)	-6.8%	$ (18,023)	-26.6%

Sources: Chicago Park District FY2012-2016 Comprehensive Annual Financial Reports Balance Sheets for the Governmental Funds.

Increasing short-term liabilities in a government's operating funds as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[90] The short-term liabilities to net operating revenues ratio, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. We have excluded due to other funds amounts in calculating the short-term liabilities ratio as these amounts represent interfund borrowings. The exhibit shows that the ratio decreased between FY2012 and FY2016, falling from 15.7% to 10.1%. This is a positive trend.

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

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

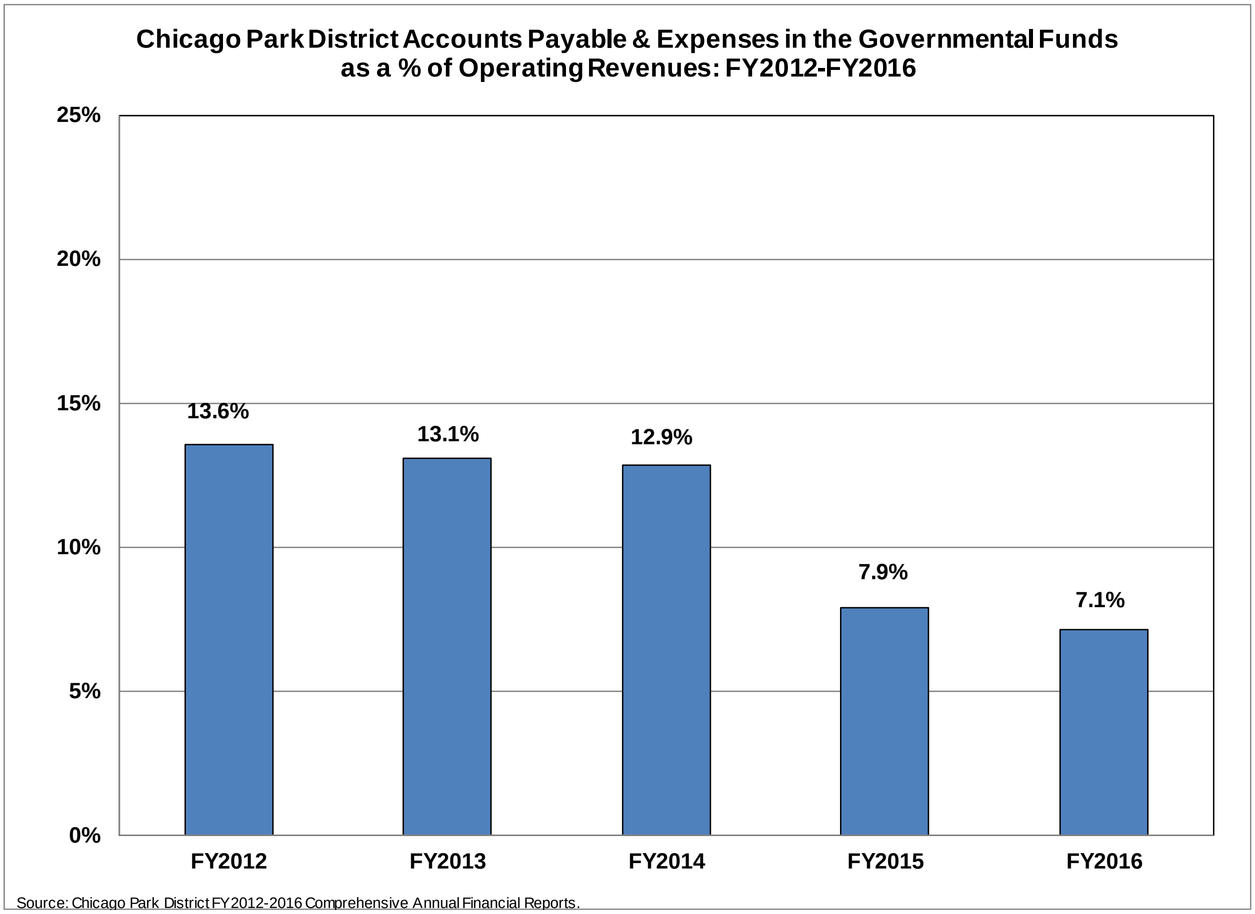


	FY2012	FY2013	FY2014	FY2015	FY2016
Deposits	0.2%	0.2%	0.1%	0.1%	0.1%
Retainage payable	1.0%	0.9%	1.5%	1.0%	0.4%
Due to other organizations	0.1%	0.1%	0.1%	1.3%	1.3%
Accrued Payroll	0.8%	0.8%	0.9%	1.1%	1.2%
Accounts Payable & Expenses	13.6%	13.1%	12.9%	7.9%	7.1%

Source: Chicago Park District FY2012-2016 Comprehensive Annual Financial Reports.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable and accrued expenses to operating revenues declined from 13.6% in FY2012 to 7.1% five years later. The decrease over time is a positive sign.



Current Ratio

The current ratio is a measure of liquidity. The ratio is calculated by dividing current assets by current liabilities. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[91]

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

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

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

- *Receivables*: Monetary obligations owed to the government, including property taxes, personal property replacement taxes and accounts receivable;
- *Due from other governments or other funds:* 1) Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government or 2) Monies due from non-governmental funds;
- *Prepaid items:* Prepaid items represent certain payments made to vendors applicable to future accounting periods. The cost of these items are reported expenditures when they are consumed rather than when they are purchased;[92] and
- *Other current assets*: Payments to vendors applicable to future accounting periods.

The Chicago Park District's Governmental Funds current ratio was 7.0 in FY2016, the most recent year for which data are available. In the past five years, the District's current ratio averaged 5.0, which is far greater than the benchmark of 2.0 and thus demonstrates a very healthy level of liquidity. Between FY2012 to FY2016, the current ratio increased from 4.8 to 7.0 as the amount of assets held by CPD far outweighed the district's liabilities. The increase also occurred in part because current assets declined at a much slower rate ($91.7 million or 12.0%) than current liabilities ($62.6 million or 39.6%).

Chicago Park District Current Ratio in the Governmental Funds: FY2012-FY2016
(in $ thousands)

	FY2012	FY2013	FY2014	FY2015	FY2016	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Current Assets									
Cash and cash equivalents	$ 8,807	$ 11,188	$ 14,757	$ 37,735	$ 249,231	$ 211,496	560.5%	$ 240,424	2729.9%
Cash and investments in escrow	$ 2,776	$ 6,259	$ 2,031	$ -	$ -	---	---	---	---
Cash with fiscal agent	$ -	$ 16,917	$ -	$ -	$ -	$ -	---	$ -	---
Investments	$ 346,954	$ 293,526	$ 281,297	$ 242,602	$ 67,921	$ (174,681)	-72.0%	$ (279,033)	-80.4%
Receivables: Property Taxes, net	$ 258,232	$ 252,037	$ 259,968	$ 261,940	$ 261,043	$ (897)	-0.3%	$ 2,811	1.1%
Receivables: PPRT	$ 6,088	$ 7,679	$ 6,658	$ 6,292	$ 7,111	$ 819	13.0%	$ 1,023	16.8%
Receivables: Accounts	$ 47,346	$ 61,573	$ 54,273	$ 34,868	$ 37,271	$ 2,403	6.9%	$ (10,075)	-21.3%
Due from other funds	$ 90,499	$ 110,928	$ 101,983	$ 77,974	$ 45,940	$ (32,034)	-41.1%	$ (44,559)	-49.2%
Due from other governments	$ 331	$ -	$ -	$ 421	$ 421	$ -	---	$ 90	---
Prepaid items	$ 1,037	$ 843	$ 1,500	$ 1,512	$ 1,472	$ (40)	---	$ 435	---
Other current assets	$ 331	$ 330	$ 56	$ 304	$ 324	$ 20	6.6%	$ (7)	-2.1%
Total Current Assets	**$ 762,401**	**$ 761,280**	**$ 722,523**	**$ 663,648**	**$ 670,734**	**$ 7,086**	**1.1%**	**$ (91,667)**	**-12.0%**
Current Liabilities									
Accounts payable & accrued expenses	$ 58,626	$ 60,659	$ 60,985	$ 37,010	$ 35,035	$ (1,975)	-5.3%	$ (23,591)	-40.2%
Accrued payroll	$ 3,532	$ 3,675	$ 4,465	$ 5,060	$ 5,772	$ 712	14.1%	$ 2,240	63.4%
Due to other funds	$ 90,499	$ 110,928	$ 101,983	$ 77,974	$ 45,940	$ (32,034)	-41.1%	$ (44,559)	-49.2%
Due to other organizations	$ 460	$ 582	$ 536	$ 6,061	$ 6,598	$ 537	8.9%	$ 6,138	1334.3%
Retainage payable	$ 4,400	$ 4,124	$ 7,354	$ 4,492	$ 1,907	$ (2,585)	-57.5%	$ (2,493)	-56.7%
Deposits	$ 704	$ 1,099	$ 353	$ 644	$ 387	$ (257)	-39.9%	$ (317)	-45.0%
Total Current Liabilities	**$ 158,221**	**$ 181,067**	**$ 175,676**	**$ 131,241**	**$ 95,639**	**$ (35,602)**	**-27.1%**	**$ (62,582)**	**-39.6%**
Current Ratio	**4.8**	**4.2**	**4.1**	**5.1**	**7.0**				

Source: Chicago Park District FY2012-2016 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

LONG-TERM LIABILITIES

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

[92] Chicago Park District FY2016 Comprehensive Annual Financial Report, Note 1: Summary of Significant Accounting Policies, p. 52.

- *Contractor long-term financing:* Vendor provided financing for capital purchases at District owned golf courses;
- *Capital Lease PBC:* Annual property tax levy funds were used to pay for principal and interest for lease payments to the Public Building Commission until FY2011;
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Claims and judgments*: Liabilities owed as a result of claims for tort liability and property judgments;
- *Net pension obligations (NPO)*: The cumulative difference (as of the effective date of GASB Statement No. 27 until the effective date of GASB Statement No. 68) between the annual pension cost and the employer’s contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short-term differences and unpaid contributions that have been converted to pension-related debt;[93]
- *Net Pension Liabilities*: Beginning in FY2015, the Chicago Park District reported 100% of the net pension liabilities of its pension fund in the Statement of Net Position to comply with GASB Statement Number 68 requirements. Previously, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO (see description above). As a result of the reporting change for pensions involved in implementing GASB 68, the amount of CPD long-term liabilities **reported** increased substantially. This is because it reflects a more holistic approach to measuring the liabilities of the government, which the previous NPO pension measurement did not. The amount owed by CPD to its pension fund has not significantly changed. It is only being reported more transparently.[94]
- *Net Other Post Employment Benefit (OPEB) liabilities*: The cumulative difference (as of the effective date of GASB Statement 45) between the annual OPEB (employee health insurance) cost and the employer’s contributions to its OPEB Plan;
- *Property tax claims payable*: Property tax refunds to taxpayers that have not yet been paid;
- *Health insurance:* Employee health insurance obligations; and
- *Workers compensation claims*: Payments owed for some part of the cost of injuries or disease incurred by employees in the course of their work.

Between FY2015 and FY2016, total Chicago Park District long-term liabilities increased by 4.1%, or $59.7 million, rising from $1.4 billion to $1.5 billion. In the five-year period between FY2012 and FY2016 total long-term liabilities increased by 44.2%, or $461.3 million.

The largest long-term liability percentage increase between FY2012 and FY2016 was for net pension obligations/liabilities, which rose by $447.5 million, or 642.5%. However, most of this large increase was due to the change in pension reporting in FY2015 required by GASB Statement No. 68. Please note that FY2014 pension liability figures for FY2014 were restated in

[93] GASB Statement Number 27: *Accounting for Pensions by State and Local Governmental Employers, Issued November 1994* at http://www.gasb.org/st/summary/gstsm27.html.
[94] GASB Statement Number 68: A*ccounting and Financial Reporting For Pensions—An Amendment of GASB Statement No. 27* at http://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176160219492.

the FY2015 CAFR. As noted above, the new pension liability reporting requirements present a more transparent approach to measuring these liabilities than the previous approach, rather than large increases in liabilities.

The Chicago Park District reported a total of $919.4 million in long-term tax supported debt outstanding in FY2016. These liabilities increased by 3.3%, or $29.6 million from the prior year, rising from roughly $889.7 million to $919.4 million. Between FY2012 and FY2016 total District long-term general obligation bonded debt increased by 1.4%, rising from approximately $906.5 million to $919.4 million.

Chicago Park District Long-Term Liabilities for Governmental Activities: FY2012-FY2016
(in $ thousands)

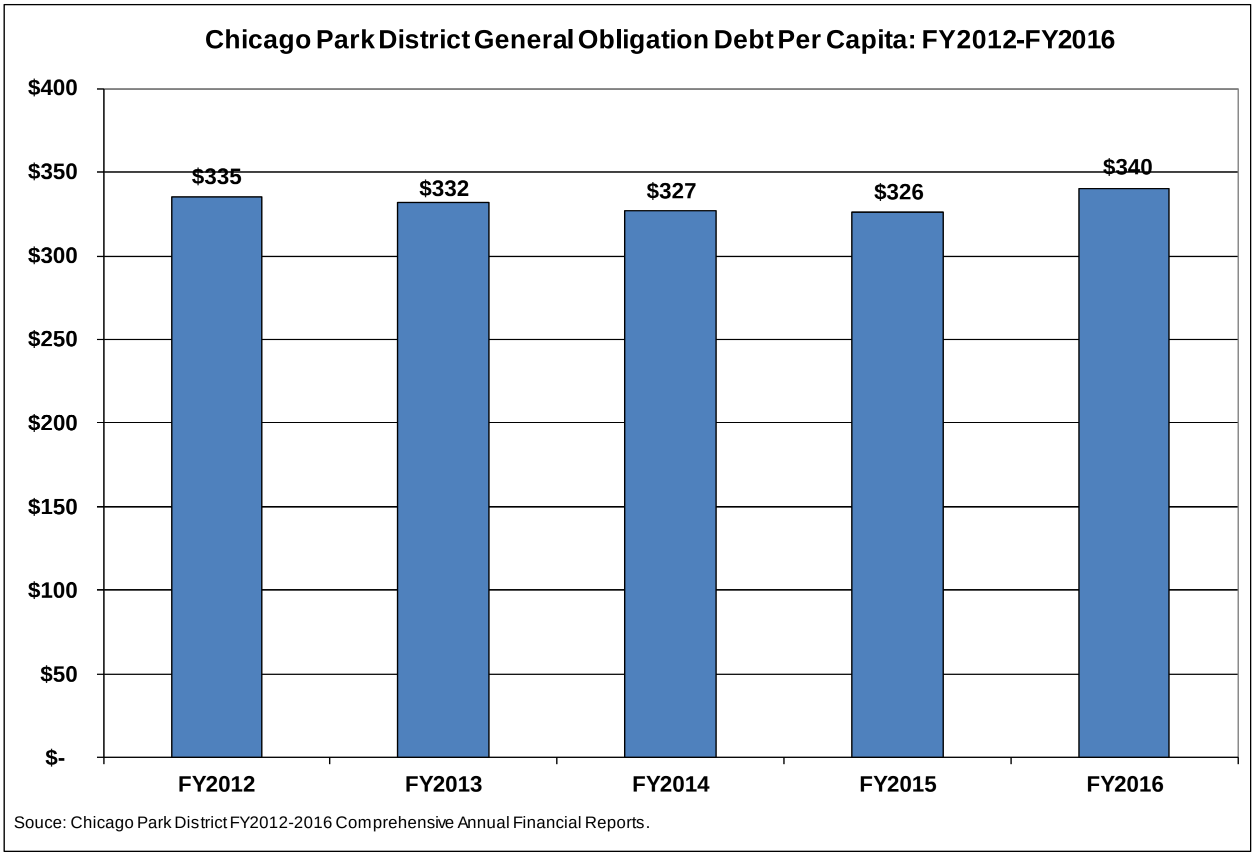
	FY2012	FY2013	FY2014	FY2015	FY2016	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Obligation Bonds									
Capital Improvement	$ 871,205	$ 865,665	$ 844,460	$ 840,460	$ 863,580	$ 23,120	2.8%	$ (7,625)	-0.9%
Unamortized Premiums	$ 35,270	$ 35,539	$ 47,082	$ 49,254	$ 55,775	$ 6,521	13.2%	$ 20,505	58.1%
Subtotal General Obligation Bonds	**$ 906,475**	**$ 901,204**	**$ 891,542**	**$ 889,714**	**$ 919,355**	**$ 29,641**	**3.3%**	**$ 12,880**	**1.4%**
Other Long-Term Liabilities									
Contractor Long Term Financing	$ 1,657	$ 1,788	$ 1,902	$ 1,998	$ 2,076	$ 78	3.9%	$ 419	-
Contractor Long Term Notes	$ -	$ -	$ -	$ -	$ 1,325	$ 1,325			
Capital Lease PBC	$ -	$ -	$ -	$ 1,875	$ -	$ (1,875)	---	$ -	#DIV/0!
Compensated Absences	$ 8,423	$ 7,974	$ 8,693	$ 8,640	$ 9,148	$ 508	5.9%	$ 725	8.6%
Claims & Judgments	$ 5,157	$ 2,303	$ 3,014	$ 1,750	$ 1,816	$ 66	3.8%	$ (3,341)	-64.8%
Net Pension Obligation/Liability	$ 69,646	$ 106,075	452255	$ 487,419	$ 517,105	$ 29,686	6.1%	$ 447,459	642.5%
Net OPEB Obligation	$ 16,566	$ 17,554	$ 18,411	$ 19,513	$ 21,104	$ 1,591	8.2%	$ 4,538	27.4%
Property Tax Claim Payable	$ 22,120	$ 19,551	$ 16,758	$ 18,184	$ 19,300	$ 1,116	6.1%	$ (2,820)	-12.7%
Health Insurance	$ -	$ -	$ 474	$ 758	$ 1,485	$ 727	---	$ 1,485	---
Worker's Compensation	$ 14,607	$ 16,109	$ 17,241	$ 16,430	$ 13,266	$ (3,164)	-19.3%	$ (1,341)	-9.2%
Subtotal Other Long-Term Liabilities	**$ 138,176**	**$ 171,354**	**$ 518,748**	**$ 556,567**	**$ 586,625**	**$ 30,058**	**5.4%**	**$ 448,449**	**324.5%**
Grand Total Long-Term Liabilities	**$ 1,044,651**	**$ 1,072,558**	**$ 1,410,290**	**$ 1,446,281**	**$ 1,505,980**	**$ 59,699**	**4.1%**	**$ 461,329**	**44.2%**

Source: Chicago Park District FY2012-2016 Comprehensive Annual Financial Reports. FY2014 net pension liability data restated in FY2015 CAFR.

General Obligation Debt Per Capita

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

Chicago Park District's general obligation debt burden per capita rose by 1.5% during the five-year period between FY2012 and FY2016, increasing slightly from $335 to $340 per capita.



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.[95]

Chicago Park District debt service appropriations in the proposed budget for FY2018 are expected to be 15.4% of the District's proposed $458.1 million in total appropriations. The ratio has steadily dropped since FY2014, falling from 21.1% to 15.4%. This is a positive sign. The District will spend approximately $70.6 million for debt service in the upcoming fiscal year. The

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

debt service to total appropriations ratio will average 17.6% between FY2014 to FY2018, which is considered a "high" rating.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2014-FY2018					
	FY2014 Budget	FY2015 Budget	FY2016 Budget	FY2017 Budget	FY2018 Budget
Debt Service Appropriations	$ 89,772,942	$ 80,819,603	$ 77,561,604	$ 74,938,041	$ 70,605,116
Total Appropriations	$ 425,571,014	$ 448,580,770	$ 458,068,445	$ 449,407,628	$ 458,097,621
Debt Service as a % of Total Appropriations	**21.1%**	**18.0%**	**16.9%**	**16.7%**	**15.4%**

Sources: Chicago Park District FY2018 Budget Summary, p. 8; Chicago Park District FY2017 Budget Summary, p. 9; and FY2015 Budget Summary, p. 7.

Bond Ratings

The Chicago Park District had the following credit ratings as of November 2017:

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

Note: The Chicago Park District has elected to no longer engage Moody's Investors Services to provide a credit rating.
Sources: Chicago Park District FY2018 Budget Summary, p. 60 and Moody's Investor's Services. "Chicago Park District, IL Update: Moody's Confirms Ba1 on Chicago Park District IL's GO Debt; Outlook Negative," September 6, 2017.

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

In May 2015 Moody's Investors Service downgraded the Chicago Park District's credit rating from Baa1 to Ba1, with a negative outlook. Moody's noted that the District has ample liquidity, the ability to reduce expenditures and manageable direct debt levels. However, given the extreme financial pressures facing the City of Chicago and the political relationship between the District and the City, the Park District's financial position could be influenced negatively in the future through the City's influence on the District's expenditure and revenue decisions.[96] Since that time, the District has decided to no longer engage Moody's to provide credit ratings.[97] Moody's affirmed the Ba1 rating with a negative outlook in September 2017.[98]

Fitch downgraded the Chicago Park District's credit rating in the summer of 2013. Fitch downgraded outstanding general obligation limited and unlimited tax bonds to AA- from AA with a stable outlook in May 2014. The reason for the downgrade at that time was the low funding level of the pension fund and financial challenges of overlapping taxing bodies.[99]

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[96] Moody's Investors Service, Rating Action: Moody's downgrades Chicago Park District to Ba1 from Baa1; outlook negative," May 13, 2015.
[97] Chicago Park District FY2016 Budget Summary, p. 58.
[98] Moody's Investor's Services. "Chicago Park District, IL Update: Moody's Confirms Ba1 on Chicago Park District IL's GO Debt; Outlook Negative," September 6, 2017.
[99] Reuters. "Fitch Rates Chicago Park District, IL's GOs 'AA-', Outlook Stable," May 30, 2014.

CAPITAL IMPROVEMENT PLAN

As part of the Park District's capital planning process, it annually publishes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The FY2018-FY2022 Capital Improvement Plan (CIP) is available on the District's website[100] while a summary of plans for the CIP is included in each year's Budget Summary.

The following chart shows estimated annual cash disbursements for the FY2018-FY2022 five-year capital spending plan and sources of funding. The CIP proposes $249.0 million in projects over the next five years. Of that amount roughly $155.0 million will be obtained from new general obligation bond proceeds. The remaining $93.8 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations. The largest anticipated source of outside funds will be private grants and donations at $43.1 million.
Acquisition and Development of capital facilities will be the largest capital spending category at $125.6 million, followed by Site Improvements at $56.7 million, then Facility and Building Rehabilitation at $51.5 million and Equipment at $15.0 million.

Chicago Park District Five-Year Capital Improvement Plan FY2018-FY2022 (in $ millions)

	Chicago Park District Funding					Outside Funding Expected	Total Funding
	2018	2019	2020	2021	2022	2018-2022	2018-2022
Funding Source							
General Obligation Bond Proceeds	$ 35.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ -	$ 155.0
City Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 27.6	$ 27.6
State Grant Funds - Confirmed	$ -	$ -	$ -	$ -	$ -	$ 13.8	$ 13.8
Federal Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 9.3	$ 9.3
Private Grants and Donations	$ -	$ -	$ -	$ -	$ -	$ 43.1	$ 43.1
Total Funding	**$ 35.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 93.8**	**$ 248.8**
Acquisition and Development	$ 11.0	$ 5.0	$ 12.5	$ 13.5	$ 13.5	$ 70.4	$ 125.6
Facility and Building Rehabilitation	$ 9.8	$ 11.4	$ 6.1	$ 5.4	$ 5.4	$ 13.4	$ 51.5
Site Improvements	$ 11.2	$ 10.6	$ 8.4	$ 8.1	$ 8.1	$ 10.2	$ 56.7
Equipment	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ -	$ 15.0
Total Spending	**$ 35.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 30.0**	**$ 94.0**	**$ 248.8**

Note: Detailed information about the individual sources or amounts of outside expected funding is not provided.
Source: Chicago Park District FY2018 Budget Summary, p. 55.

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[101]

[100] See the Chicago Park District's website at http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan/ (last visited December 5, 2017).
[101] National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

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

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

The District prepares an annual CIP and summary information about the CIP is provided in the annual Budget Summary. The most recent CIP published was for the FY2018-2022 period, so the checklist that follows assesses how closely that CIP conforms to best practice guidelines. The CIP includes a narrative description of the capital improvement planning process and highlights of major projects. However, no detail was provided regarding individual project expenditures and funding sources, the impact and amount of capital spending on the annual operating budget or the time frame for fulfilling capital projects. It was unclear whether there was a dedicated hearing with opportunities for stakeholder input on the capital improvement plan.

Chicago Park District Capital Improvement Plan Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include:	
• *A narrative description of the CIP process?*	Yes
• *A five-year summary list of projects and expenditures by project as well as funding sources per project?*	No
• *Information about the impact and amount of capital spending on the annual operating budget for each project?*	No
• *Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project?*	There is narrative regarding major project highlights in each plan
• *The time frame for fulfilling capital projects?*	No
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	The CIP describes the prioritization criteria used, but the rankings assigned to projects are not identified.
Is the capital improvement plan made publicly available for review by elected officials and citizens?	
• *Is the CIP published in the budget or a separate document?*	A summary is published in the budget document and a separate CIP is posted on the District website
• *Is the CIP available on the Web?*	Yes. The latest CIP posted is for FY2018-FY2022
Are there opportunities for stakeholders to provide input into the CIP?	
• *Is there stakeholder participation on a CIP advisory or priority setting committee?*	No. There is an internal staff review process that takes into consideration external stakeholder requests for improvements.
• *Does the governing body hold a formal public hearing at which stakeholders may testify?*	Yes for the entire budget, but not for the CIP specifically
• *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	No information in CIP
Is the CIP formally approved by the governing body of the government?	It is approved with the budget
Is the CIP integrated into a long term financial plan?	No

Source: Chicago Park District FY2018 Budget Summary, pp. 51-59 and FY2018-FY2022 Capital Improvement Plan at http://www.chicagoparkdistrict.com/departments/operations/capital-improvement-plan/ (last visited December 5, 2017).