



CIVIC FEDERATION APPLAUDS FISCAL RESTRAINT IN PARKS BUDGET *Urges Pension and Employee Benefit Reform to Control Costs*

CHICAGO – Praising a combination of careful management practices, prudent privatization initiatives, and creative public-private partnerships, the Civic Federation announced its **support** for the proposed \$393.9 million FY2007 Chicago Park District budget. The Federation’s complete Park District budget analysis, including detailed findings and recommendations, will be available Wednesday on our website at www.civiced.org.

The District’s spending plan was balanced through fee and rental increases without increasing the property tax levy. The levy will remain frozen at \$259.9 million for the third consecutive year. “The Civic Federation believes fee increases are preferable to general tax increases as a way for the Park District to raise revenue because they target those who actually benefit from a program or service,” said Laurence Msall, president of the Civic Federation. “We support the District’s strategy of diversifying its revenue sources as a way to reduce its reliance on property taxes.”

The Civic Federation has long recommended that governments look into the privatization of non-core assets and supported the District’s long-term lease of three downtown parking garages as a prudent move. The lease will allow the District to pay off \$70 million in existing garage debt and therefore reduce its debt burden. Moreover, the Park District has made responsible plans for using the proceeds of the transaction, such as funding current and future capital investments, and creating a \$120 million income-generating reserve fund. Capital spending on neighborhood parks will total \$122 million and \$35 million will be reserved to rebuild Daley Bicentennial Park after the East Monroe Street garage is reconstructed in five years.

In its analysis, the Federation **cautioned** the District about the deterioration of the financial status of its pension fund. The District’s pension fund is currently exhibiting relatively good fiscal health with a funded ratio of 80% in FY2005, the most recent year for which data are available. But the funded ratio has declined sharply from 96.7% in FY2001 and looks poised to dip below 80% in FY2006. The Civic Federation considers a funded ratio below 80% to be a cause for concern. Negative CPD pension funding trends are due in part to an ill-considered two-year partial pension funding holiday authorized by the Illinois General Assembly that allowed the District to transfer a portion of its property tax levy to general operations rather than the pension fund as stated on taxpayers’ bills. The pension fund is also affected in part by inadequate annual CPD contributions, which are determined by Illinois statute and are not tied to the funded ratio.

“The Chicago Park District must seek pension benefit and governance reforms immediately if it is to prevent the slide of its pension fund into fiscal ill-health,” said Msall. “The Civic Federation recommends seeking legislative approval to establish a two-tiered benefit system to control pension and benefit costs for future employees, tie benefit enhancements to contribution increases, cap annuity increases for new hires, and require a more balanced perspective between management, employees, and taxpayers on the Park Employees’ Annuity and Benefit Fund Board.”

Also of concern to the Federation was the District’s increased personnel costs. For FY2007 that increase was 8.1%, a sharp contrast to the previous year’s increase of 1.1%. In addition to double-digit increases in health and dental benefit costs, a 3.6% cost of living increase granted to employees in collective bargaining and a 4.5% increase in full time equivalent (FTE) employment contributed to the dramatic rise in personnel costs. “District management must take care not to undo its praiseworthy efforts to contain personnel costs in the past several years,” said Msall. “We caution the District to hold the line on personnel, as FTEs have increased by 7.3% or 221 positions since FY2005.”

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.

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