



The Civic Federation

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COOK COUNTY FY2019 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

October 26, 2018

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Cook County FY2019 Executive Budget Recommendation of \$5.9 billion in total appropriations. The proposed budget is structurally balanced without raising any taxes or new fees. The County has a strong general operating reserve, which puts it in a better financial position to handle an economic downturn. The County has also been tracking performance and cost-efficiency measures as part of a move to performance-based budgeting.

The proposed budget of \$5.9 billion represents an increase of \$712.2 million, or 13.7%, over the FY2018 adopted budget of \$5.2 billion. This significant increase is primarily due to growth in the County's Medicaid managed care program, CountyCare. The Cook County Health and Hospitals System acquired two Medicaid managed care plans at the end of 2017, which increased CountyCare membership by 200,000 people. While the Civic Federation supported the Medicaid expansion and is encouraged by the success of CountyCare in helping the Health System stabilize its finances and reduce its reliance on County taxpayers, we recognize that the Health System faces financial risks in transforming itself into an insurer as well as a healthcare provider.

The Civic Federation continues to support the supplemental pension contributions the County has made since FY2016 above the statutorily required amount. These supplemental contributions, funded through the 1.0% increase to the County's sales tax, have already contributed to a reduction in the pension fund's unfunded liability and an improvement in the funded ratio. The Federation encourages the County to continue to work with the Illinois General Assembly to pass legislation codifying the actuarially-calculated pension contributions as soon as possible. In the meantime, the Civic Federation recommends that the County enter into a multi-year intergovernmental agreement with the pension fund that will allow the fund to pursue a longer-term investment strategy based on several years of supplemental payments.

While the budget plan is sufficient to get the County through the next fiscal year, the County will be forced to take more difficult actions going forward via cuts or revenue increases to deal with projected deficits over the next five years. As the County addresses the ongoing challenge of growing expenditures and declining revenues, the Civic Federation recommends that the scope of the recently formed Independent Revenue Forecasting Commission be expanded to analyze expenditures in addition to revenues, including the fiscal impact of collective bargaining agreements, and identify potential solutions to limit the County's annual spending increases. The County should seek additional savings by moving forward on plans to relocate the Oak Forest Health Center. It should also identify savings in the criminal justice system as a result of a decline in the jail population and a court utilization study currently underway.

The Civic Federation commends Cook County for the level of transparency it provides through board meetings and departmental budget hearings. The County is one of the few large local governments in the Chicago area that live-streams both board and committee meetings. However, there are some areas where the Civic Federation believes the County could improve its financial transparency. The County should release fiscal impact analyses of collective bargaining agreements. The Health System should live-stream its board and committee meetings and make procurement contracts available online, which would bring these practices in line with the County. The Civic Federation also believes the County should more clearly articulate a vision and plan for the expansion of ambulatory services at Provident Hospital.

The Civic Federation presents the following **key findings** from the Cook County FY2019 proposed budget:

- The County recommends total spending of \$5.9 billion, which includes a \$5.4 billion operating budget and a \$488.4 million capital plan.
- The total proposed budget of \$5.9 billion represents an increase of \$712.2 million, or 13.7%, over the budget adopted in FY2018 totaling \$5.2 billion. The majority of this increase is related to an increase in costs associated with projected membership of the CountyCare Medicaid managed care program (in addition to related revenues).
- CountyCare membership was originally projected to be 225,000 in FY2018, but increased to 335,000 following the acquisition of two other Medicaid Plans. The Health and Hospitals System projects that membership will reach 345,000 in FY2019.
- Within the General Fund and Health Fund, the County's two major operating funds, revenues are projected to total \$4.5 billion. This represents an 18.3%, or \$703.4 million, increase from the prior year adopted budget. The increase is primarily due to additional Health System revenue projected with the increase in CountyCare membership.
- The Health System will receive a net property tax allocation from the County in the amount of \$72.7 million, unchanged from FY2018. This allocation does not include County payments for Health System-related pension contributions and debt service.
- The proposed number of total full-time equivalent (FTE) positions in FY2019 is 21,818.1. This represents a net increase from the prior year of 209.2 FTEs. General Fund FTEs will increase by 3.2 positions while the Health Fund will increase by 246.4 FTEs or 3.6%.
- The County will keep its base property tax levy flat at \$720.5 million, which has been unchanged since 2001. The County's levy will generate \$47.4 million in revenue above the base through expiring TIF districts, expiring incentives and new property. Overall, the total net property tax levy is expected to be \$757.6 million, an increase of \$5.0 million, or 0.7%, over FY2018 levels.
- The County will make a supplemental contribution to the pension fund of \$350.3 million in FY2019. With the statutory contribution of \$209.5 million, the total contribution will be \$559.8 million.
- The unfunded actuarial accrued liabilities for the County's pension fund grew from approximately \$3.0 billion in FY2008 to \$6.7 billion in FY2017. However, the unfunded liability in FY2017 was a decrease from \$7.2 billion in FY2016.
- The actuarial value funded ratio for the County's pension fund has decreased from 72.6% in FY2008 to 60.1% in FY2017. The FY2017 level was an increase from a funded ratio of 56.7% the year prior.
- In the five year period from FY2013 to FY2017, total outstanding long-term debt¹ decreased by 6.1% from \$3.7 billion to \$3.5 billion.

¹ Total long-term debt includes general obligation bond debt and the cost of net discounts and bond refinancing.

The Civic Federation **supports** the following elements of the Cook County FY2019 proposed budget:

- Making supplemental contributions to the Cook County pension fund;
- Establishment of a Pension Stabilization Account within the pension fund;
- Strong level of fund balance reserves;
- Strategic planning within the Health and Hospitals System and the President's Office;
- Efficiency metrics reported through the performance-based budgeting system;
- Transparency and access to board meetings and budget information; and
- Mid-year hearings held on the FY2019 Preliminary Forecast.

The Civic Federation has **concerns** about the following issues:

- Risks to the Health System related to CountyCare including meeting membership projections, Medicaid managed care reimbursement rates, uncompensated care and potential federal changes to Medicaid; and
- The growth in personnel costs, including those tied to collective bargaining agreements.

The Civic Federation offers the following **recommendations** to Cook County:

- Continue working to obtain statutory authority for supplemental pension contributions;
- In the absence of statutory authority for supplemental pension contributions, enact a multi-year intergovernmental agreement with the pension fund to make supplemental contributions;
- Expand the newly created Independent Revenue Forecasting Commission to also conduct an expenditure forecast;
- Move forward with plans to relocate the Oak Forest Health Center;
- Develop a clearer vision for the future of Provident Hospital;
- Achieve savings through criminal justice reforms at the Cook County Jail and the Courts;
- Improvements to transparency of the collective bargaining process including:
 - Requiring that fiscal impact analyses of labor agreements are made public prior to the Board of Commissioners' approval of the agreements;
 - Make all finalized collective bargaining agreements available online; and
 - Connect the collective bargaining agreement process to revenue and expenditure forecasting;
- Create a unified office of property tax administration;
- Hold a public hearing about recent changes made to the Cook County Assessor's Office property assessment model;
- Live-stream Health System board and committee meetings;
- Make Health System procurement contracts available online;
- Enhance the information available in the budget documents by adding the following:
 - Aggregated personnel counts and spending for all funds with an explanation of net changes in the number of FTE positions and aggregate turnover adjustments;
 - A description of how the County plans to close the budget gap projected in the Preliminary Forecast;
 - A description of the fixed charges amounts that have been moved into department budgets on an annual basis; and
 - Health System revenue detail by category in the Preliminary Forecast.

CIVIC FEDERATION POSITION

Issues the Civic Federation Supports

The Civic Federation **supports** the following elements of Cook County's FY2019 Executive Budget Recommendation.

Supplemental Pension Contributions

The Civic Federation supports Cook County's continued practice of making supplemental contributions to its pension fund in an effort to make up for shortcomings of the contribution amount the County is required to make by State law. Cook County began making supplemental employer contributions to the pension fund in FY2016 and in the short time since then the funded status of County pensions has already improved.

Cook County is required by State statute to make an annual employer contribution to the pension fund equivalent to 1.54 times the total employee contribution made two years earlier. The County levies a property tax and contributes personnel property replacement tax (PPRT) for this purpose. In FY2019 this amount is \$209.5 million. The statutory contribution has been inadequate for many years, contributing to a decline in the funded ratio of the pension fund from 72.6% funded in FY2008 to a low of 53.5% funded in FY2012.

In the absence of achieving pension reforms at the State level, the County implemented a supplementary pension payment schedule above the amount specified under state law and funded through the one percentage point increase in the County's home rule sales tax rate. The County has contributed supplemental pension payments in the amount of \$270.5 million in FY2016, \$353.8 million in FY2017 and \$353.4 million in FY2018. In FY2019 the proposed supplementary payment is \$350.3 million above the statutory multiple contribution of approximately \$209.5 million. The County's supplementary payments are scheduled to increase by no more than 2% each year and result in a 100% funded ratio in 30 years. Currently the County is providing the funding to the County Pension Fund via an annual intergovernmental agreement.

The supplemental contributions are having a positive impact on the funded status of the pension fund. The funded ratio improved from 56.7% funded in FY2016 to 60.1% funded in FY2017.² However, since these additional pension payments have not been codified or authorized via State law, the County runs the risk of litigation or diversion of the money to other priorities in the event of a future budget crisis.

Establishment of a Pension Stabilization Account within the Annuity and Benefit Fund

The Cook County pension fund conducted an experience study in 2018, based on which the pension fund adopted a new set of actuarial assumptions. These assumptions are used to produce the funds' valuations and are based on the plans' historical experience. The assumption changes adopted included revisions to annuitant mortality rates, retirement rates, salary increases, and a

² On an actuarial basis as opposed to a market basis.

reduction in the assumed actuarial rate of return from 7.50% to 7.25%, reflecting more conservative expectations for the capital market environment.³ The changes in the assumptions reduced the unfunded liabilities of the pension fund, resulting in a decrease in the actuarially required contribution to the pension fund, reducing the actuarially-calculated supplemental contribution from \$353.4 million in FY2018 to \$320.3 million in FY2019. Despite the reduction in the FY2019 recommended supplemental contribution amount, the County is setting aside an additional \$30 million in a Pension Stabilization Account within the pension fund. The County says the creation of this fund is in line with its long-term goal of continued commitment to offset the Pension fund's liabilities.⁴ The money will be held in the event that there is a market correction in order to offset unanticipated growth in liabilities.⁵ The Civic Federation views the decision to set aside the additional \$30 million for pensions as a prudent safeguard.

Strong Level of Fund Balance Reserves

In the past few years, Cook County has built up a healthy level of general operating reserves. The Government Finance Officers Association (GFOA) recommends that general-purpose governments such as Cook County maintain at least two months' worth of fund balance as a percentage of operating expenditures to cover unforeseen expenses or weather financial downturns. Two months of reserves is equal to approximately 17% of operating expenditures. As of the most recent audited financial statements from FY2017, the County had a General Fund unrestricted reserve, meaning net assets available for any use without restrictions, of \$265.4 million. This amount was equal to 15.9% of general operating expenditures that year and came very close to meeting two months of reserves or 17%.⁶

Compared to a reserve of only 4.4% of operating expenditures in FY2014, the County's level of general operating fund balance is much stronger. The County also projects that its FY2018 fund balance will nearly meet the 17% target as well.⁷ The Civic Federation commends the County for building up reserves through structurally balanced budgets in recent years. The healthy fund balance means the County has more budgetary flexibility in the event of an economic downturn.

Strategic Planning

The Civic Federation commends the Health System and the County Board President's Office for their strategic planning efforts. Strategic planning for public organizations is recommended by the Government Finance Officers Association because it enables governments to anticipate and respond appropriately to changes in the environment, envision future goals, develop commitment to the organization's mission and achieve consensus on strategies and objectives for achieving their mission.⁸

³ Cook County Employees' and Officers' Annuity and Benefit Fund, 2017 Actuarial Valuation Results, <https://www.cookcountypension.com/2017-actuarial-valuation-results/> (last accessed October 22, 2018).

⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 67.

⁵ Information provided by the Chief Financial Officer at the Cook County Finance Committee Departmental Hearing on the Cook County Budget Overview, Bureau of Finance, October 22, 2018.

⁶ For further discussion of the County's fund balance, see page 74 of this report.

⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 6.

⁸ See the Government Finance Officers Association, "Establishment of Strategic Plans," Best Practice approved in March 2005, at <http://www.gfoa.org/establishment-strategic-plans> (last visited October 23, 2018).

The Cook County Health and Hospitals System adopted a strategic plan for 2017-2019, titled Impact 2020, which is now heading into its third and final year. The planning process, initiated in 2016, included input from employees and the community via town hall meetings and surveys. The plan incorporates specific objectives and measurable milestones across a broad range of focus areas. Impact 2020 continues to guide the Health system in administrative and policy decisions and has helped the Health System identify areas where it has failed to meet the plan's goals.⁹

Additionally, President Preckwinkle launched a strategic planning process in 2018, the second since she became County Board President. Known as the Policy Roadmap, the five-year policy-driven strategic plan is intended to incorporate key policy priorities and strategic initiatives that address several key areas such as criminal justice reform and economic development with an emphasis on equity and inclusion.¹⁰ The strategic planning process has sought the input of a variety of County stakeholders as well as the general public via roundtable discussions, community meetings and surveys. An executive summary has been released and the final plan is set to be finalized by the end of 2018.

While the Policy Roadmap will only directly affect policy changes within the Offices Under the President, it will impact a wide range of activities that fall outside of the President's jurisdiction but overlap with broad priorities such as criminal justice, economic development and infrastructure. The Civic Federation looks forward to the release of the full Policy Roadmap.

Metrics Reported through Performance-Based Budgeting System

Cook County has been moving toward performance-based program budgeting since 2016. Departments submit historical data on FTEs, budget appropriations and performance metrics for each of their programs that measure levels of service, efficiency and success of services. The performance management process is also meant to assess the extent to which the eleven separately elected officials align with the core values and vision articulated in the County's forthcoming Policy Roadmap strategic plan.¹¹ For offices under the President, the County says participation in the performance management program will allow for thoughtful alignment of strategic planning with specific goals, objectives, initiatives and performance metrics resulting in impactful services and outcomes that realize the priorities of the Policy Roadmap.¹² The Civic Federation would like to see the Policy Roadmap articulate the goals it expects from each department.

In recent years the County has begun to include cost efficiency metrics in departmental line-item budgets. The performance management metrics appear to be tracking not just outputs, but also outcomes of programs. The Civic Federation commends Cook County for moving toward performance-based budgeting and in doing so, aligning the budgeting process with policy strategies. The Civic Federation hopes that the performance-based budgeting process will allow

⁹ The Impact 2020 strategic plan is available at <http://www.cookcountyhhs.org/wp-content/uploads/2016/01/CCHHS-Strategic-Plan-2017-2019-Impact-2020-approved-07-29-16.pdf>.

¹⁰ Information about the Policy Roadmap can be found at <https://www.cookcountyil.gov/service/policy-roadmap>.

¹¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 15.

¹² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 15.

the County to achieve cost savings by identifying areas of weakness and improving inefficient programs.

In addition to the county-wide performance-based budgeting system, the Civic Federation commends the Health and Hospitals System for reporting high quality metrics at the meetings of each of the committees (audit and compliance, finance, human resources, quality and patient safety and managed care). These metrics are useful progress guides because they include goals, comparisons to benchmarks and period-to-period changes. The departments reporting these metrics continually make improvements to the metrics.

Transparency and Access to Board Meetings and Budget Information

Cook County does an excellent job of making information available to the public via the County's legislative website, Legistar.¹³ Legistar is an online interface where board and committee meeting information is posted including presentations and associated documents for departmental budget hearings. The County also live-streams all of its Board of Commissioners and committee meetings via Legistar, with the exception of Health and Hospitals System meetings, and posts video recordings of the meetings. Legistar serves as a very valuable resource for finding legislation as well as copies of reports and contracts. Of the eight local Chicago-area governments studied by the Civic Federation, Cook County is one of the few that live-streams both board and committee meetings.¹⁴

Mid-Year Hearings on the FY2019 Preliminary Forecast

For the first time, Cook County held departmental hearings on the FY2019 Preliminary Forecast. The Preliminary Forecast is the County's mid-year budget update which provides revenue and expenditure projections for year-end and the upcoming fiscal year and projects budget deficits for the upcoming fiscal year. Cook County holds departmental budget hearings on the proposed budget annually, but this was the first year department-level hearings were also held on the Preliminary Forecast. Given that the elected officials of each separate County agency handle their own budgets, these hearings provided an important public forum for the public officials of each office to give a mid-year update and identify potential budget issues. The Civic Federation commends the County and the Finance Committee Chairman, Commissioner Daley, for holding the hearings because they deepened the County's transparency and budgetary accountability of separately elected officials.

¹³ <https://cook-county.legistar.com>

¹⁴ The Forest Preserve District of Cook County, the Metropolitan Water Reclamation District and the Chicago Park District also use Legistar to live-stream their board meetings and committee meetings. The City of Chicago uses Legistar to live-stream City Council meetings but committee meetings are not live-streamed. The Chicago Transit Authority live-streams meetings and posts videos on a CTA YouTube channel. Chicago Public Schools (CPS) and City Colleges of Chicago do not live-stream their meetings to the public, although CPS does post video recordings of board meetings.

Civic Federation Concerns

The Civic Federation has **concerns** about the following elements of Cook County's FY2019 Executive Budget Recommendation.

Risks Related to CountyCare

CountyCare is now the largest Medicaid managed care plan in Cook County, with 335,107 members as of September 2018.¹⁵ CountyCare jumped ahead of Blue Cross and Blue Shield of Illinois by acquiring two other Medicaid plans at the end of 2017. The acquisitions increased CountyCare membership by about 200,000¹⁶ and followed the State's decision to reduce the number of managed care plans authorized to serve Medicaid recipients.¹⁷

As a result of the acquisitions, CountyCare is expected to bring in \$1.8 billion in revenue for the Cook County Health and Hospitals System in FY2019. The success of CountyCare has helped the Health System stabilize its finances and reduce its reliance on County taxpayers.

The Civic Federation supported the creation of CountyCare six years ago and is encouraged that the Health System has been able to transform itself into a managed care organization—essentially an insurer—as well a provider of healthcare. However, despite the big numbers that CountyCare is racking up, it is critical to recognize that this new business involves many risks:

- **Membership projections:** The Health System's FY2019 budget is based on average monthly CountyCare membership of 345,000. Achieving the goal of 10,000 new CountyCare members in FY2019 depends in part on how the plan fares in competition with others beginning in January, when many members will have their once-a-year chance to switch plans. During the last open enrollment period, CountyCare membership declined by more than 50,000. Additionally, total Cook County membership in Medicaid managed care plans has decreased by 85,674, or 7.4%, since the beginning of 2018.¹⁸
- **CountyCare rates:** Medicaid managed care plans receive a flat monthly fee from the State for each member, known as a per member per month (PMPM) or capitation rate. The FY2019 budget assumes that rates negotiated with the State for 2019 will be the same as current rates. In mid-2017 the State retroactively decreased PMPM rates for 2016 and the first half of 2017, resulting in revenue reductions of about \$36 million in FY2017 and \$70 million in FY2018.¹⁹
- **Health System's benefit from CountyCare:** Most of the revenue received by CountyCare does not remain in the Health System because members choose to get their care at other clinics and hospitals in the plan's broad network. In the FY2019 budget, about 16% of CountyCare's budgeted medical spending is for services provided at the Health System

¹⁵ Illinois Department of Healthcare and Family Services, *HealthChoice Illinois Enrollments*, September 2018.

¹⁶ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 3.

¹⁷ Illinois Department of Healthcare and Family Services, "HealthChoice Illinois launches January 1, focusing on whole-person health," *news release*, December 28, 2017.

¹⁸ Illinois Department of Healthcare and Family Services, *Total Care Coordination Enrollment for All Programs*.

¹⁹ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 18, 2018.

itself; the remaining 84% of the payments go to other network healthcare providers.²⁰ The internal target for FY2019 is above the current share of about 11% so far in FY2018,²¹ but below the FY2018 budgeted rate of about 18%.²² If membership does not grow, the only way to increase CountyCare's benefit to the Health System is to see more members at its own facilities or reduce payments to external providers.

- Potential federal changes to Medicaid: The Health System started CountyCare in 2013 through a special program that gave it a one-year head start on the Affordable Care Act's expansion of Medicaid eligibility to low-income adult citizens who are neither elderly nor disabled and who do not have dependent children. The System also receives a higher effective rate for these ACA adult members because the federal government is paying 94% of the cost in 2018 and is scheduled to pay 93% in 2019 and 90% in 2020 and thereafter. For other Medicaid recipients, the System is required to provide a larger share of the cost under a financing arrangement known as an intergovernmental transfer. Changes in ACA eligibility or federal reimbursement could have a severe financial impact on the System.

Even with the ACA Medicaid expansion, the Health System's cost of uncompensated care has recently been on the rise. Uncompensated healthcare consists of free, or charity, care as well as bad debt—patients' bills that cannot be collected. Health System officials have linked the recent increase in uncompensated care costs partly to unaffordable, high-deductible health insurance plans offered on the insurance marketplace created by the ACA and to increased referrals of uninsured patients to the Health System by other hospitals. Stroger and Provident accounted for 49% of the charity care provided by the 70 hospitals in Cook County in 2016, an increase from 37% in 2013, according to the Health System.²³

Personnel Costs Driven by Collective Bargaining Agreements

While much of the County's financial information is transparent, the collective bargaining process is opaque and contracts are not made public until well after they are finalized. Personnel costs tied to collective bargaining agreements are a significant factor in County spending. Over a five-year period from FY2015 to FY2019, personnel-related spending is projected to increase by \$1.0 billion, or 54%, despite a 6% decrease in the number of Full-Time Equivalent (FTE) positions. One issue occurs when agencies do not reach agreements with labor unions until months or years after contracts expire, which can result in large retroactive payments to employees. For example, County absorbed four years of retroactive wage increases in FY2017 tied to collective bargaining agreements beginning with a 1.0% increase in June 2013 and half a percentage point in both 2014 and 2015 plus an additional 2.0% cost of living adjustment that went into effect December 1, 2015.

²⁰ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 13.

²¹ Cook County Health and Hospitals System, Finance Committee Meeting, *Report from the CFO*, October 19, 2018.

²² Cook County Health and Hospitals System, *FY2018 Proposed Budget and Financial Plan*, September 1, 2017, p. 21, <http://www.cookcountyhhs.org/wp-content/uploads/2016/12/Item-VIA-CCHHS-FY2018-Prelim-Budget-and-Financial-Plan-09-01-17.pdf> (last accessed on October 17, 2018).

²³ Cook County Health and Hospitals System, *FY2019 Budget Presentation to the Cook County Finance Committee*, October 25, 2018.

The FY2019 budget will see a 3.1% increase in General Fund personnel costs of \$37.8 million due to negotiated cost of living increases and other impacts of the recently negotiated collective bargaining agreements, along with increases in health benefit costs.²⁴ Personnel spending within the Health System is expected to increase by 5.8%, which is partially attributed to an increase in the number of positions related to CountyCare expansion.

According to the Cook County Budget Office, the County has approximately 90 collective bargaining agreements and about a quarter of contracts were approved by the Board of Commissioners in February 2018. Those agreements kept salary increases to the inflationary level and step increases were frozen for FY2019 but will be incorporated in FY2020. The County is now finalizing the remaining labor agreements that begin in FY2018.²⁵

Negotiating sustainable wage increases in collective bargaining agreements is imperative to the County being able to control expenditures given the strains on the budget with flat and declining revenues.

Civic Federation Recommendations

The Civic Federation offers the following **recommendations** to improve Cook County's financial stability, transparency and efficiency.

Obtain Statutory Authority for Supplemental Pension Contributions

Cook County officials indicate they have been working to secure legislation that would provide statutory permission for its increased contributions to the County Pension Fund since 2016. In the absence of a change to State statute, the County is providing the funding to the pension fund via an intergovernmental agreement. The County's additional pension contribution exceeds the statutory payment in a property tax levy not to exceed 1.54 times employee contributions two years prior. The pension fund's FY2017 Actuarial Valuation Report estimates that the statutory contribution of 1.54 times the employee contribution made two years prior represents less than 35% of the actuarial required contribution and would result in the pension fund will running out of money by 2042.²⁶ However, with the continuation of supplemental contributions, the pension fund is projected to be on track to 100% funded by 2047.²⁷

No legislation to codify the County's enhanced payments has yet been enacted by the Illinois General Assembly and signed into law by the Governor. Pension reform legislation was introduced in 2014 and 2015, but it was not enacted. Senate Bill 2819 would have allowed the County to make additional contributions from other sources outside the property tax. The bill passed both houses of the Illinois General Assembly in May 2016, but was vetoed by Illinois Governor Bruce Rauner in August 2016 at the request of Cook County because the County

²⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 4.

²⁵ Cook County FY2019 Budget Briefing, October 9, 2018.

²⁶ Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation Report as of December 31, 2017, released June 2018.

²⁷ Cook County FY2019 Budget Briefing, October 9, 2018.

objected to some language in the bill that included retiree healthcare as a funding requirement for the County.²⁸

The President's Office and pension fund officials have said they are continuing to work on a strategy seek a long-term statutory solution to pension funding. The Civic Federation urges the County and the pension fund to continue to work with the General Assembly and the Governor to codify the actuarially-calculated pension contributions as soon as possible.

Enact Multiple Year Intergovernmental Agreement with the Pension Fund for Supplemental Contributions in the Absence of State Legislation

At the Cook County Pension Committee meeting held on September 26, 2018, representatives of the pension fund confirmed that if the fund were able to count on a longer term funding commitment, the pension fund could implement a more long-term investment strategy by investing more in equity funds that yield higher investment returns as opposed to fixed income funds, which typically yield lower returns but are more liquid. Because the current statutory funding is so insufficient, the fund must be prepared for the need to liquidate assets to pay benefits because it cannot count on future years' supplementary payments. In the absence of a statutory change in State law to allow the County to make actuarially-calculated contributions to the pension fund, the Civic Federation recommends that the County implement a multi-year intergovernmental agreement with the pension fund for several years of supplemental payments.

Expand Independent Revenue Forecasting Commission to Include Expenditure Forecasting

The Cook County Board of Commissioners on October 17, 2018 approved an ordinance establishing an Independent Revenue Forecasting Commission.²⁹ The Commission will work with the County's Chief Financial Officer (CFO) on an annual revenue forecast. Per the ordinance, the CFO will present a revenue forecast to the Commission along with the data, methodology and underlying assumptions, and the Commission will analyze the forecast and assumptions and provide recommendations to the Board of Commissioners at an annual public hearing. The Commission will consist of three members: two economists associated with universities in Cook County and one member of the public with expertise in public finance. All meetings of the Commission will be open to the public and members of the public are encouraged to participate.

The Civic Federation commends the sponsor, Commissioner Garcia, for working to establish the Independent Revenue Forecasting Commission as a first step to greater understanding of the County's finances and collaboration between the Board and the President's Office. The Commission will be a valuable asset to the County Board and President, as well as the public. However, revenues cannot be analyzed in a vacuum. To comprehensively examine any government's budget, both revenues and expenditures must be part of the equation. The Civic

²⁸ Currently, retiree healthcare is subsidized by the Cook County Pension Fund only. Information about Senate Bill 2819, including Governor Bruce Rauner's veto message, available on the Illinois General Assembly website at <http://ilga.gov/legislation/BillStatus.asp?DocNum=2819&GAID=13&DocTypeID=SB&LegID=96130&SessionID=88&SpecSess=&Session=&GA=99>.

²⁹ Cook County Ordinance 18-2073, Second Proposed Substitute. The ordinance amends the Cook County Code, Chapter 2, Article III, Sections 2-84 to 2-85.

Federation recommends that going forward, the ordinance be amended to require the Independent Revenue Forecasting Commission to examine an expenditure forecast along with the revenue forecast. The County is projecting budget deficits in the General and Health Funds over the next five years of \$49.4 million in FY2020, increasing to \$246.6 million by FY2023.³⁰ The deficits are due to rising expenditures while revenues fail to keep pace.

The Civic Federation encourages the Board of Commissioners to expand the Independent Revenue Forecasting Commission to analyze expenditures and identify potential solutions to limit the County's annual spending increases.

Move Forward with Plans to Relocate the Oak Forest Health Center

The County's FY2019 budget calls for the health clinic at the site of the former Oak Forest Hospital to be relocated next year. The Civic Federation believes that this move is long overdue and urges the County to find a more efficient use for the underutilized property.

The FY2019 budget is based on plans for the Health System to leave the Oak Forest campus in early 2019. However, after the budget was released officials said the move has been delayed until the third quarter of FY2019 due to prolonged negotiations for alternative space.³¹

The Oak Forest site, which has been owned by the County since the early 1900s, was used for many years as a long-term care and chronic disease facility before being converted into an acute care hospital in 2002. Faced with unfilled beds and high operating costs, the Health System closed the hospital in 2011 and opened the Oak Forest Health Center as a regional outpatient clinic on the campus.

In 2012 the Cook County Real Estate Asset Strategic Realignment Plan reported that the Oak Forest Health Center campus occupied 1.1 million square feet across 53 buildings on 176 acres of land. The plan concluded that the site "is vastly underutilized; its buildings are expensive to operate and are generally in need of costly repairs; and the majority of the buildings are far older than is recommended for patient care by current healthcare design standards."³² According to the plan, approximately 50% of the campus was vacant or used as inactive storage and its footprint could be reduced by as much as 75%. The Plan estimated that the Oak Forest Center campus had \$287 million in deferred maintenance as of 2012 and would likely need \$129 million in capital improvements over 20 years.

Additionally, the site is not optimally located to serve patients. Health System officials have concluded that many Medicaid patients have moved to the north and east of the Oak Forest campus.³³ The System plans to open a new clinic at another location with dental and behavioral

³⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 20.

³¹ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 24, 2018.

³² Cook County Government, *Cook County Real Estate Strategic Alignment Plan*, 2012, p. 39, https://www.cookcountyil.gov/sites/default/files/summary_and_executive_summary2_0.pdf (last accessed on October 24, 2018).

³³ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

health services and to relocate certain other operations, including the mail order pharmacy and administrative functions of the Department of Public Health.

In FY2018 the Health System's appropriations for the Oak Forest Health Center are \$10.1 million, which covers 66.0 full-time equivalent positions for building operations and maintenance. Medical personnel are paid from the Ambulatory and Community Health Network budget. The FY2019 budget, based on a move from the site in early 2019, shows savings of \$7.9 million, or 77.6%, to \$2.3 million. The budget eliminates 53.0 FTEs, with plans to shift workers to vacant positions elsewhere. As a result of the delayed move, the Health System plans to offset continuing expenses at Oak Forest by proposing spending reductions in other areas.³⁴

After the Health System leaves the site, the remaining primary function there will be public safety operations. The County's Department of Real Estate Management solicited proposals in FY2018 for a feasibility analysis of the campus to help address its long-range uses.³⁵ Selling the valuable land upon which the Oak Forest campus is situated would garner some one-time revenues and could have the added advantage of increasing desperately needed economic activity in the south suburbs and increasing the property tax base of overlying local government taxing authorities.

Develop a Clearer Vision for the Future of Provident Hospital

Provident Hospital has an important place in Chicago history. Established on the City's South Side by a prominent African American surgeon in 1891, the hospital was designed to be an institution that would welcome African Americans as patients and medical professionals.³⁶ Provident was the site of the first open-heart surgery in the United States, and it created the first nursing school for black women.³⁷ The hospital closed in 1987, but it was subsequently acquired by Cook County and reopened in 1993 as part of the County's public health system.

In 2011, in line with a strategic decision to reorient the Cook County Health and Hospitals System toward outpatient care, Provident was designated as a regional outpatient center with limited inpatient services. The System ended ambulance runs to Provident's emergency room, closed the obstetrics and intensive care units and reduced the number of staffed inpatient beds. The Health System's latest strategic plan, covering 2017 through 2019, reaffirmed Provident's primary role as a regional outpatient center offering a wide range of services including surgery.³⁸

The FY2019 budget proposes a number of initiatives for Provident that appear to follow the Health System's publicly articulated strategy. For example, the budget assumes an expansion of surgeries—mainly outpatient—at Provident, which currently uses only about half of its operating

³⁴ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 24, 2018.

³⁵ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 140.

³⁶ Paul A. Buelow, "Provident Hospital," *Encyclopedia of Chicago*, <http://www.encyclopedia.chicagohistory.org/pages/1017.html> (last accessed on October 24, 2018).

³⁷ Provident Hospital website, <http://www.cookcountyhhs.org/locations/provident-hospital/about-us/> (last accessed on October 24, 2018).

³⁸ Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 2016, pp. 8 and 14.

rooms.³⁹ Provident plans to open an outpatient dialysis center, allowing the Health System for the first time to provide long-term dialysis services. The new dialysis center is expected to generate net income because most patients would be covered by Medicare.⁴⁰ In FY2019 work is scheduled to begin on a new nine-story health center building at Provident that will replace the existing John Sengstacke Health Clinic.⁴¹

However, the Health System has not provided an adequate explanation for another plan: the decision to resume accepting ambulances at Provident's emergency room. The move is mentioned once in the FY2019 budget,⁴² but the budget provides inaccurate information on the number of emergency visits expected at Provident after ambulances return. Provident had 40,134 emergency visits in FY2010⁴³ and is projected to have 30,142 emergency visits in FY2018.⁴⁴ After accepting ambulances, emergency visits to Provident are expected to increase by 8,556, or 28.3%, to 38,698 in FY2019. The budget shows a 6% increase to 31,941 visits in FY2019, but Health System officials said the wrong numbers were included by mistake.⁴⁵

The decision to expand Provident's emergency room services is particularly puzzling in light of the recent ER expansion by University of Chicago Medicine, which is less than two miles away. At the end of 2017, the U of C opened a new, larger adult emergency department as part of a broader plan that included an adult trauma center.⁴⁶

In response to questions from the Civic Federation, Health System officials said the return of ambulances at Provident will require regulatory approval from the State and necessitate the reopening of the hospital's six-bed intensive care unit. Accepting ambulances will not be costly because the ER is already staffed around the clock and many more emergency room patients are covered by Medicaid due to the Affordable Care Act (ACA), officials said.⁴⁷ Provident's emergency room is not expected to become a profitable operation but could bring more patients to the hospital for services such as vascular surgery.

The expansion of emergency room services at Provident is a major policy change that deserves public debate. Health System officials should outline the short- and long-term financial impact of the decision and explain how it fits into the System's overall strategy. The issue should be at the top of the list as the Health System develops its next strategic plan in 2019.

³⁹ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

⁴⁰ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

⁴¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 128 and 140.

⁴² Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-37.

⁴³ Cook County FY2017 Comprehensive Annual Financial Report, p. 247.

⁴⁴ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 11.

⁴⁵ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 19, 2018. The 6% increase applies to overall emergency visits at the Health System.

⁴⁶ UChicago News, "Ceremony for adult emergency department marks milestone for UChicago Medicine," *news release*, December 5, 2017.

⁴⁷ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018. For Illinois and other states that chose to participate, the ACA expanded the Medicaid-eligible population to low-income adult citizens who are neither elderly nor disabled and who do not have dependent children.

Achieve Savings through Criminal Justice System Reforms at the Jail and the Courts

An initiative of the Cook County President has been to reduce the number of pretrial defendants held in the County Jail. The jail population has decreased from approximately 10,000 in 2012 to approximately 6,000 in 2018.⁴⁸ The County reported that the reduction in the jail population would allow for the demolition of three jail divisions. The demolition of Divisions 3 and 17 have been completed; the Division 3 site is being converted into outdoor recreation space.⁴⁹ Demolition of Divisions 1 and 1A will begin in FY2019, which will result in savings on deferred maintenance and the cost of maintaining those divisions.⁵⁰ The decrease in jail population has also allowed the Sheriff's Office to eliminate 130 vacant correctional officer positions, leading to decreased expenses associated with the elimination of those positions such as the cost uniforms and food.⁵¹ It remains to be seen how significant the long-term savings from the demolitions will be. The Civic Federation recommends that the County work to realize cost savings both in the capital budget and the Sheriff's budget from the reduction in jail population and closure of jail divisions.

Another potential area for reform and savings is within the County's courtrooms. The Cook County Board of Commissioners approved a resolution in January 2018 calling for all of the Cook County public safety stakeholders to work together on a court utilization study to identify potential savings. The resolution stated that there has been a significant decline in the number of court cases over the past ten years while the Cook County court houses will require \$25.3 million in repairs over the next ten years.⁵² The National Center for State Courts is conducting the court utilization study, which was part of the agreed settlement between the Office of the Chief Judge and the County. No updates have been released yet. The Civic Federation commends the County for initiating this study. Once it has been completed, the Federation encourages the Board to release the study to the public and identify potential savings to the County.

Collective Bargaining Agreement Transparency Improvements

Personnel costs tied to collective bargaining agreements are a major driver of annual budget spending increases, yet the contract negotiations process is opaque, with little information available to the public. Greater insight into the collective bargaining process would shed light on the financial impact these agreements would have on government budgets. Therefore, the Civic Federation makes the following recommendations:

1. Require a fiscal impact analysis to be made public prior to the Board of Commissioners approving collective bargaining agreements;
2. Once collective bargaining agreements have been approved and finalized, make them immediately available online; and
3. Tie the collective bargaining process to the budgetary revenue and expenditure forecasting process.

⁴⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 11.

⁴⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 144.

⁵⁰ Cook County FY2019 Budget Briefing, October 9, 2018.

⁵¹ Cook County FY2019 Budget Briefing, October 9, 2018.

⁵² Cook County Board Resolution 17-6196.

Require Public Fiscal Impact Analysis Prior to Contract Approvals

The Civic Federation encourages Cook County to release fiscal impact analyses of collective bargaining agreements to the public before they are approved by the Board of Commissioners. These types of analyses are often circulated internally between the participating agencies, but not shared with the public. It is critical for internal and external County stakeholders to understand the future financial impact of collective bargaining agreements.

Make All Collective Bargaining Agreements Available Online

Compared to other governments, Cook County generally does a good job of making finalized contracts available online. There are currently 66 contracts for the period of 2012-2017 available on the County's website.⁵³ The budget office estimates that the County has about 90 total contracts. The next round of collective bargaining agreements will be for the period of 2018-2020. Despite the approval of some of these agreements earlier in 2018, none are yet posted online. The Civic Federation recommends that the County continue to diligently update its website with finalized collective bargaining agreements as soon as they become available.

Connect the Collective Bargaining Process to Revenue and Expenditure Forecasting

The County should seek a long-term strategy to managing personnel costs. The Civic Federation sees an opportunity connected to the newly created Independent Revenue Forecasting Commission to help better inform Commissioners about the long-term impact that collective bargaining agreements will have on budget gaps. In the FY2019 proposed budget, the County is forecasting budget deficits in the General and Health Funds between revenues and expenditures of \$49.4 million in FY2020, increasing to \$116.1 million in FY2021, \$189.6 million in FY2022 and \$246.6 million in FY2023.⁵⁴ The Civic Federation hopes that as the Independent Revenue Forecasting Commission evolves, it will take into consideration the expenditure side of the equation and examine strategies to contain personnel increases through collective bargaining.

Streamline Property Tax Functions Through a Unified Property Tax Administration Office

Administration of the property tax system is handled by several offices and departments. The structure leads to taxpayer confusion about whom to contact with questions or complaints about their taxes and leads to inefficiencies with associated cost implications because of a duplication of functions and a lack of coordination among departments and agencies. The lines of responsibility are nearly impossible for ordinary taxpayers to discern and politicians exploit this fact to their political advantage.

The Civic Federation recommends that the County create a unified property tax administration office. The new office would merge the following County entities:

- The Treasurer's office;

⁵³ The County's collective bargaining agreements are available at <https://www.cookcountyil.gov/service/collective-bargaining-agreements> (last accessed October 23, 2018).

⁵⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 20.

- The divisions of the County Clerk’s and Recorder of Deeds’ offices, which will be merged into the Clerk’s Office in 2020, dealing with tax extension, tax redemption, map divisions and property records; and
- The Auditor’s property functions.

The new office should be led by an appointed, rather than elected, official. In 2010 the Civic Federation estimated that the merger would save 5% from the General Funds expenditures for the different offices, which totaled \$30.4 million at the time. Using the 5% estimate, up to \$1.5 million might have been saved.

Several previous proposals have called for merging the assessor’s office into a unified property tax administration office.⁵⁵ However, the Federation believes that this move could potentially compromise the integrity and independence of the property assessment process. Instead, assessment should be maintained separately from the property tax extension, redemption, collection and disbursement processes.

An opinion from the Cook County State’s Attorney’s Office found that a change to State law would be required to implement this change. The Civic Federation recommends that Cook County work to streamline property tax functions into a single office for better management and efficiency and advocate for State legislation authorizing the merger.

Hold a Public Hearing on Recent Changes Made to the Cook County Assessor’s Office Property Assessment Model

The Civic Federation believes that public access to information from all of the offices in the property tax system is essential to allowing the public to understand the system and to guard against abuses. The International Association of Assessing Officers (IAAO) Standard on Public Relations says public access to assessment records is crucial to good public relations and measures should be taken to ensure a climate of openness and transparency.⁵⁶ The Cook County Assessor’s Office has begun to provide some information about the assessment model and methodology used to reassess residential property in Cook County, but the Civic Federation sees room for improvement in public access to data and evaluations.

Significant problems with regressivity of the Cook County assessment system have come to light in the past year. In June 2017 the *Chicago Tribune* in collaboration with ProPublica released a series of articles called “The Tax Divide” that investigated the property tax assessment system in Cook County and found that homes in higher property value areas are systematically under-assessed whereas homes in lower property value areas are systematically under-assessed. In response, the Cook County Finance Committee held a public hearing on July 18, 2017 to allow for the Assessor’s Office and other experts to discuss the assessment process. The Assessor’s Office admitted that it had not been using an assessment model developed by RW Ventures and the University of Chicago in 2015 to address the issues found with the assessment model.

⁵⁵ See Cook County Commissioner Mike Quigley, *Reinventing Cook County*, Part I, December 2003, pp. 20-22 and Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

⁵⁶ International Association of Assessing Officers, *Standard on Public Relations*, (Kansas City: International Association of Assessing Officers, 2010), p. 7.

At the public hearing, the Assessor's Office confirmed that it had been using the same multiple regression model for 30 years. An independent Study by the Civic Consulting Alliance released in February 2018 confirmed the findings of the *Tribune/ProPublica* investigation. The report concluded that the assessment model used by the Assessor's Office results in non-uniform assessments and that hand reviews of specific properties introduce selective reappraisal and systemic bias.⁵⁷

The Assessor's Office says it has since been working with the Civic Consulting Alliance and Tyler Technologies on improvements to the residential assessment model.⁵⁸ The Assessor's Office also recently posted a report on its website about the methodology used to reassess the Chicago triad in the 2018 tax year.⁵⁹ Although the Civic Federation supports the Assessor's Office making this information public, the report itself is technical and is not in a format that would allow the average resident to evaluate whether the assessment process is now more fair and uniform.

The Civic Federation urges the Board of Commissioners to hold a public hearing to receive an update on changes made to the assessment model based on the Civic Consulting Alliance's findings and recommendations. Such a public hearing would allow the Assessor's Office, the Civic Consulting Alliance and Tyler Technologies to provide an explanation of any methodology changes made to date; to provide a plain-English description of the Reassessment Models and Methodology Report; and for the Board of Commissioners to receive answers to their questions in a public format.

Live-Stream Health System Meetings

The Civic Federation recommends that all local governments incorporate live-streaming access into the board and committee meeting process. The Cook County Health and Hospitals System operates semi-independently from the rest of the County as an enterprise fund with its own governing board. The Health System oversees its own budget process and strategic planning process, and holds Board of Directors meetings and committee meetings to cover a significant amount of business and policy decisions. The Health System's Board of Directors meetings are open to the public and subject to the Open Meetings Act but are currently not available via live-stream or video recording. The Cook County Board of Commissioners and the Board's committee meetings are available via both live-streaming and video recording after the meetings are held.

The Civic Federation recommends that the Cook County Health and Hospitals System brings the transparency of its meetings in line with the County by live-streaming both Board of Directors meetings and committee meetings to the public. Live-streaming meetings would greatly increase the accessibility of Cook County residents and Health System stakeholders to the decisions made

⁵⁷ Civic Consulting Alliance, *Residential Property Assessment in Cook County: Summary of Analytical Findings*, February 2018, p. 15.

⁵⁸ Cook County Assessor's Office, "Assessor's Office improved residential property assessment model unveiled for Tax Year 2018 reassessment," May 21, 2018, press release.

⁵⁹ The Reassessment Models and Methodology Report is available at <http://www.cookcountyassessor.com/Assets/forms/TriadValuationReport.pdf> (last accessed October 26, 2018).

in the Health System. The Federation encourages the County Board and the Health System to work together on a cost-effective and practical strategy for implementation of live-streaming.

Make Health System Procurement Contracts Available Online

Cook County posts contract and amended contract awards on its website, whereas the Health and Hospitals System does not make procurement contracts available online. The Civic Federation believes that these contracts, which are public documents and involve monies paid out of taxpayer dollars, should be posted online in order to align with the practice of the County. Therefore the Federation recommends that the Health System make its procurement contracts available either on the Health System's or the County's website.

Enhance Information Available in Budget Documents:

The Civic Federation recommends that Cook County improve the level of detail in the annual budget and the Preliminary Forecast by including the following information.

Aggregated Personnel Counts and Spending for All Funds

The Civic Federation recommends that the County add a new section dedicated to personnel in the Executive Summary of the Executive Budget Recommendation. This section should add to the current level of information already provided about the historical FTE count by fund since 2010. In addition to the total FTE counts by fund for each year, the County should add:

- A description of the change in FTE counts by fund year-to-year, using a comparable point in time of the County's choosing. If FTE count decreases, the FTE count should include a breakdown of the number of filled positions eliminated and the number of vacant positions eliminated.
- Aggregated FTE spending on salaries, overtime and insurance benefits by department including the turnover adjustment by department. This data is provided by department in Volume 2 of the annual budget. We propose consolidating the totals by department into one summary table in the executive summary.

Continue to Include Discussion of Closing the Preliminary Budget Gap

The Preliminary Forecast provides a budget gap projection for the upcoming fiscal year. Typically, the County describes in the annual budget recommendation how the County plans to close that gap over the course of the fiscal year. However, this section was removed from the FY2019 Executive Budget Recommendation after a discussion with the Government Finance Officers Association determined that it was of more value to discuss the budget proposal and associated drivers of revenues and expenditures than the budget compared to mid-year projections.⁶⁰ The Civic Federation continues to believe the gap closing is an important discussion because it helps the reader understand how the County reaches a balanced budget for the upcoming year by closing the projected gap. The Civic Federation encourages the County's budget office to continue including a description of how it closes the forecasted budget gap in the budget book.

⁶⁰ Information provided by the Cook County budget office, October 19, 2018.

Description of Fixed Charges

The County has been moving fixed charges such as utility and technology costs into departmental budgets over the past few years. Therefore, direct comparisons of expenditures by control officer or by department cannot be made over time because of the fixed charges added to departmental budgets each year. The Civic Federation supports the County moving fixed charges into departmental budgets because it is a more transparent way to reflect actual departmental costs. However, it is unclear the extent to which fixed charges have been accounted for on an annual basis within each department, and the extent to which this transition is complete. The Civic Federation recommends that the Cook County budget office include in the budget a comprehensive explanation of the fixed charges that have been moved into departmental budgets each year, including the types of fixed charges and amounts by year and by department or control officer.

Provide Health System Revenue Detail by Category in Preliminary Forecast

In previous years, the County's Preliminary Forecast included a breakdown of revenues within the Health Fund by category for both the current fiscal year and the upcoming fiscal year. This detail was not included in the FY2019 Preliminary Forecast for either FY2018 or FY2019. The Civic Federation recommends that the County continue the practice of including a detailed breakdown by category of Health System revenues for the current and upcoming years in the Preliminary Forecasts going forward.

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FY2019 BUDGET DEFICIT & GAP-CLOSING MEASURES

Each year, Cook County releases a mid-year annual report to provide end-of-year operating budget estimates and preliminary projections for the next fiscal year. The County's fiscal year runs from December 1 through November 30. The County's FY2019 Preliminary Forecast anticipated an \$81.8 million budget shortfall for FY2019, including \$29.5 million in the Health Fund and \$52.3 million in the General Fund.

The table below compares the revenues and expenditures of the adopted FY2018 budget, the FY2018 year-end estimate, the FY2019 preliminary budget estimate and the projected FY2019 budget.

The County adopted a balanced FY2018 budget of \$3.8 billion following the repeal of the sweetened beverage tax in October 2017. The repeal left a \$200.6 million deficit, contributing to an overall budget gap of \$315.9 million the County then had to eliminate through measures taken in FY2018. These measures included personnel expenditure reductions through position eliminations and furloughs, reductions in health benefit costs, reduced contracts, deferral of capital equipment purchases, closure of a center at the Juvenile Temporary Detention Center and other program eliminations and real estate consolidations.⁶¹

In its FY2019 Preliminary Forecast, Cook County estimated that it would end FY2018 with a surplus of \$600,000 as a result of a \$2.9 million surplus in the General Fund combined with a \$2.3 million shortfall in the Health Fund.⁶²

The Preliminary Forecast projected a budget deficit in FY2019 of \$81.8 million. The General Fund shortfall in FY2019 is driven by increased expenditures for wages, employee health benefit increases, costs related to external borrowing and spending on technology and system maintenance.⁶³ While the County reported in the Preliminary Forecast that sales tax revenues would come in \$37 million higher than expected due to economic growth, this revenue increase was offset by a decrease in Treasurer's revenue from delinquent property tax payments due to a change in the timing of the tax sale.⁶⁴ The Health Fund shortfall is primarily driven by increased expenditures related to increased CountyCare managed care membership.

The County's proposed budget for the General and Health Funds is balanced at \$4.5 billion. The County expects to close the \$81.8 million budget gap in FY2019 through increased revenues above preliminary estimates. The County says it is expecting various revenue sources to be \$103.3 million above the amounts originally projected in the Preliminary Forecast, which are offset by net expenditure growth of \$21.5 million.⁶⁵ The net savings from the increased revenue

⁶¹ Cook County FY2018 Annual Appropriation Bill, Volume 1, p. 6.

⁶² Cook County FY2019 Preliminary Forecast, p. 6.

⁶³ Cook County FY2019 Preliminary Forecast, p. 3.

⁶⁴ Cook County FY2019 Preliminary Forecast, p. 3.

⁶⁵ Information provided by the Cook County Budget Office on October 19, 2018.

sources offset by increased expenses equal \$81.8 million. Revenues that are expected to come in above Preliminary Forecast projections include:

- Health System revenues expected to be \$57.7 million above projections through acquisition of managed care networks and expanded services;
- Sales tax revenue coming in \$15.4 million above projections;
- A decrease in debt service payments resulting in additional property tax revenue available to the General Fund of \$11.0 million;
- An additional \$9.9 million from increased enforcement of compliance with County's Home Rule taxes;
- Increased fee and license revenue of \$7.8 million; and
- Miscellaneous revenue increases of \$1.5 million primarily driven by new Recorder of Deeds Predictable Fee Schedule for standard documents.⁶⁶

These FY2018 and FY2019 budget figures are shown in the following table.

Cook County FY2018 and FY2019 Preliminary and Projected Budget Deficits (in \$ millions)								
	FY2018 Adopted Budget	FY2018 Estimated Year-End	FY2019 Preliminary Budget	FY2019 Projected Budget	\$ Change from FY2018 Estimated Year-End to FY2019 Preliminary Budget	% Change from FY2018 Estimated Year-End to FY2019 Preliminary Budget	\$ Change from FY2018 Estimated Year-End to FY2019 Projected Budget	% Change from FY2018 Estimated Year-End to FY2019 Projected Budget
General & Health Fund Revenues	\$ 3,843.0	\$ 4,360.0	\$ 4,443.0	\$ 4,546.4	\$ 83.0	1.9%	\$ 186.4	4.3%
General & Health Fund Expenditures	\$ 3,843.0	\$ 4,359.3	\$ 4,524.8	\$ 4,546.4	\$ 165.50	3.8%	\$ 187.1	4.3%
Budget Surplus (Deficit)	\$ -	\$ 0.7	\$ (81.8)	\$ -				

Note: Differences from budget documents may occur due to rounding.

Source: Cook County Preliminary Forecast FY2019, p. 4; and Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 20.

APPROPRIATIONS

This chapter describes Cook County's total appropriations for FY2019, including appropriations trends for all funds by fund, operating funds by object, all funds by fund and control officer, general fund appropriations by program area and grants as a percentage of total appropriations. FY2019 proposed appropriations are compared to FY2015-FY2018 adopted and actuals when available.

Cook County's operating budget consists of the following funds:

- The General Fund includes the Corporate and Public Safety Funds.⁶⁷ The Corporate Fund is used for general County expenses including property tax administration and other administrative functions. The Public Safety Fund accounts for the County's criminal justice system including the jail and court system;
- The Health Enterprise Fund, which is used to operate the Cook County Health and Hospitals System;
- Special Purpose Funds, which have defined sources of revenue that are restricted for particular uses only. These include the Board of Election Commissioners Election

⁶⁶ Information provided by the Cook County Budget Office on October 19, 2018.

⁶⁷ Beginning with the FY2014 budget, Cook County separated the Health Fund from the General Fund. Previously, the Health Fund was part of the General Fund, but it is now an independent Enterprise Fund.

- Fund, the Bond and Interest Fund (used to pay debt service) and the Annuity and Benefits Fund (used for payments to the pension fund); and
- Restricted Funds, or grants.

FY2019 Total Operating Funds				
General Fund		Health (Enterprise) Fund	Special Purpose Funds	Restricted Funds (Grants)
Corporate Fund	Public Safety Fund			

In addition to the operating funds, Cook County also maintains a Capital Fund to account for expenditures related to capital improvements.

All Funds Appropriations by Fund

The following table shows Cook County appropriations for all funds by fund for FY2015-FY2019. Cook County total FY2019 appropriations, including the operating budget and capital improvement funds, will amount to \$5.9 billion. This is an increase of \$712.2 million, or 13.7%, from the FY2018 adopted budget of \$5.2 billion.

The Cook County operating budget totals \$5.4 billion in FY2019. This is an increase of \$671.5 million, or 14.1%, from the FY2018 adopted budget of \$4.8 billion.

As noted above, the General Fund is composed of the Corporate Fund and Public Safety Fund. Between FY2018 and FY2019 appropriations for the General Fund will increase by \$56.1 million or 3.1%. The increase in the General Fund is primarily due to a \$37.8 million increase related to negotiated cost of living increases and other labor expenses tied to the recently negotiated labor agreements in addition to increases in health benefit expenses.⁶⁸ The General Fund also includes the FY2019 supplemental pension contribution of \$350.3 million.⁶⁹ The County will have contributed nearly \$1.0 billion in supplemental pension contributions between FY2017 and FY2019.⁷⁰

Health Fund appropriations are projected to increase by \$647.3 million, or 31.7%, between FY2018 and FY2019. The large increase is due to the Health and Hospitals System’s expansion of CountyCare managed care and hiring an additional 246.4 full-time equivalent employees to support the expanded healthcare services.⁷¹

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Under Special Purpose Funds, appropriations for the Bond and Interest Fund will decrease by \$20.5 million or 7.3%, over the two-year period due to a reduction in debt service on General Obligation bonds. The Election Fund, which is included in the Agency Special Purpose Funds, is projected to decline by \$19.5 million, from \$41.9 million in FY2018 to \$22.4 million in FY2019.

⁶⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 4 and 60.

⁶⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 5.

⁷⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p.

⁷¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 4.

Appropriations for Capital Improvements in FY2019 will increase by \$40.8 million, or 9.1%, above FY2018 adopted appropriations of \$447.5 million.

Over a five-year period the County's operating budget will rise by \$1.7 billion, or 45.1%, from \$3.7 billion in FY2015 to \$5.4 billion in FY2019. This is due in large part to increased expenditures in the Health Fund due to the expansion of health services through CountyCare, increased pension contributions in the Corporate Fund and FY2019 capital improvements appropriations.

Special Purpose and Election Funds appropriations will increase by \$89.7 million, or 16.2%, over the five-year period from \$552.1 million in FY2015 to \$641.8 million in FY2019. Agency Special Purpose Funds, which are restricted funds allocated to agencies across the County for specific purposes will increase see the largest dollar and percentage increase at \$38.1 million, or 28.4%, rising from \$134.3 million in FY2015 to \$172.4 million proposed for FY2019. Bond and Interest expenditures will increase by \$34.9 million, or 15.5%, over the five-year period. This is due to the County debt service costs associated with legacy debt increasing.⁷² Appropriations for Annuity and Benefits will increase by \$16.7 million, or 8.7%, over the five-year period. The increase is due the statutorily calculated pension funding requirements.⁷³

Restricted Funds (Grants) will increase by 9.4%, or \$20.7 million between FY2015 and FY2019. Grants as a percentage of total proposed appropriations will total \$241.9 million, or 4.1%, of the total budget in FY2019, declining from 5.8% of total appropriations across all funds in FY2015.

Capital Improvements appropriations will increase from \$99.7 million in FY2015 to \$488.3 million in FY2019. This is an increase of \$388.6 million or 390.0%. However, given the nature of capital spending, much more is appropriated each year for capital expenditures than is actually spent.

Cook County Appropriations All Funds by Fund: FY2015-FY2019 (in \$ millions)									
Fund	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Adopted	FY2019 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Corporate	\$ 161.1	\$ 434.4	\$ 523.1	\$ 547.5	\$ 567.9	\$ 20.4	3.7%	\$ 406.8	252.6%
Public Safety	\$ 1,281.7	\$ 1,303.5	\$ 1,295.9	\$ 1,252.3	\$ 1,288.1	\$ 35.7	2.9%	\$ 6.3	0.5%
Subtotal General Fund	\$ 1,442.8	\$ 1,737.9	\$ 1,819.0	\$ 1,799.8	\$ 1,855.9	\$ 56.1	3.1%	\$ 413.1	28.6%
Health	\$ 1,525.6	\$ 1,625.7	\$ 1,571.4	\$ 2,043.2	\$ 2,690.5	\$ 647.3	31.7%	\$ 1,164.8	76.4%
Subtotal Health Fund	\$ 1,525.6	\$ 1,625.7	\$ 1,571.4	\$ 2,043.2	\$ 2,690.5	\$ 647.3	31.7%	\$ 1,164.8	76.4%
Subtotal General & Health Funds	\$ 2,968.4	\$ 3,363.6	\$ 3,390.4	\$ 3,843.0	\$ 4,546.4	\$ 703.4	18.3%	\$ 1,578.0	53.2%
Annuity & Benefits	\$ 192.8	\$ 191.2	\$ 208.2	\$ 211.4	\$ 209.5	\$ (1.9)	-0.9%	\$ 16.7	8.7%
Bond & Interest	\$ 225.0	\$ 250.0	\$ 277.1	\$ 280.4	\$ 259.9	\$ (20.5)	-7.3%	\$ 34.9	15.5%
Agency Special Purpose Funds	\$ 134.3	\$ 128.4	\$ 159.4	\$ 199.1	\$ 172.4	\$ (26.7)	-13.4%	\$ 38.1	28.4%
Subtotal Special Purpose and Election Funds	\$ 552.1	\$ 569.7	\$ 644.8	\$ 690.9	\$ 641.8	\$ (49.1)	-7.1%	\$ 89.7	16.2%
Restricted Funds (Grants)	\$ 221.2	\$ 224.8	\$ 257.9	\$ 224.7	\$ 241.9	\$ 17.2	7.7%	\$ 20.7	9.4%
Subtotal Operating Funds	\$ 3,741.7	\$ 4,158.1	\$ 4,293.1	\$ 4,758.6	\$ 5,430.0	\$ 671.5	14.1%	\$ 1,688.4	45.1%
Capital Improvements	\$ 99.7	\$ 64.7	\$ 173.5	\$ 447.5	\$ 488.3	\$ 40.8	9.1%	\$ 388.6	390.0%
Total	\$ 3,841.3	\$ 4,222.8	\$ 4,466.6	\$ 5,206.1	\$ 5,918.3	\$ 712.2	13.7%	\$ 2,077.0	54.1%

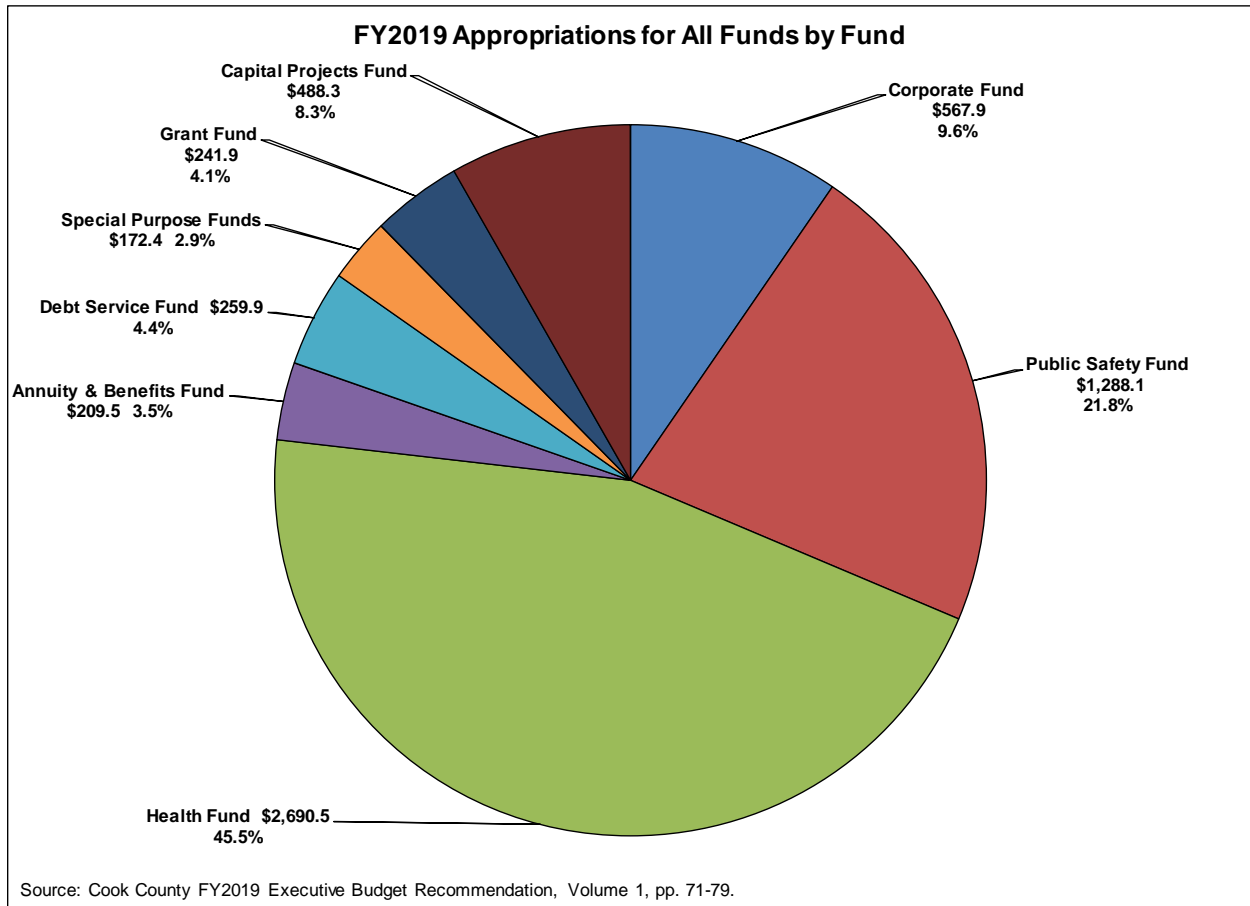
Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 71-79.

The next chart displays FY2019 appropriations for all funds by fund. The all funds budget will total \$5.9 billion in FY2019. The Health Fund will make up \$2.7 billion, or 45.5%, of the budget. The Public Safety Fund represents the second largest portion of the budget at \$1.3 billion or

⁷² Cook County FY2018 Annual Appropriation Ordinance, Volume 1, p. 46.

⁷³ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 43.

21.8%. The Corporate Fund is proposed at \$567.9 million or 9.6%. The remaining appropriations for the Annuity and Benefits Fund, Debt Service Fund, Special Purpose Funds, Grant Fund and Capital Projects Fund will total \$1.3 billion, or 23.2% of the total all funds budget.

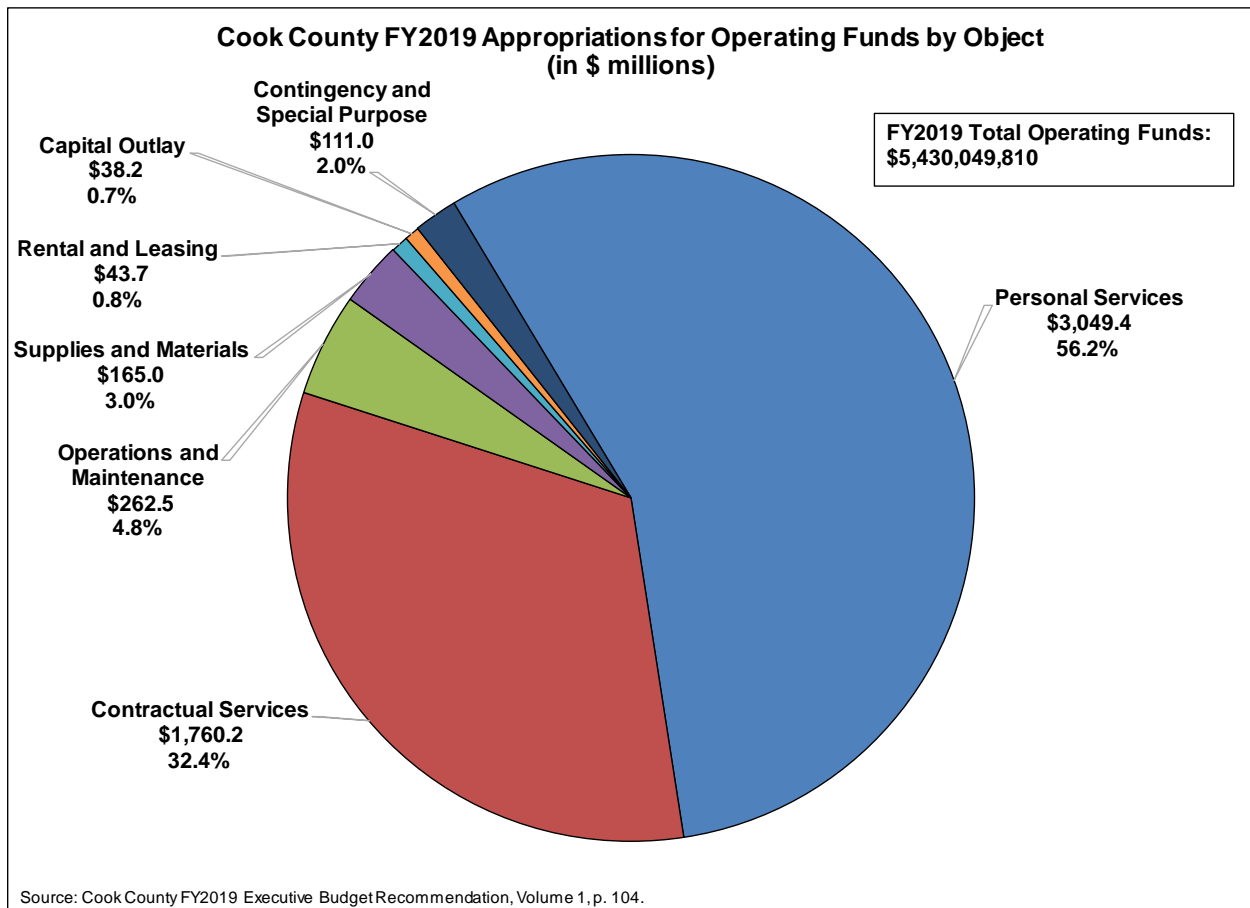


Operating Funds Appropriations by Object

The next chart displays the proposed Cook County appropriations for operating funds by object for 2019. As previously noted, the operating budget is composed of the General Fund, which includes the Corporate and Public Safety Funds, used for general County expenses; the Health Fund; Special Purpose Funds, which include revenues restricted for particular uses only; and Restricted Funds, or grants.

The operating funds appropriations will total approximately \$5.4 billion in FY2019. Personal services will compose the largest percentage of the FY2019 operating funds appropriations at 56.2% or \$3.0 billion. Personal services include salaries, wages and benefits. However, it does not include the supplemental pension payment of \$350.3 million, which is accounted for under contractual services. Contractual Service appropriations is the second largest portion of FY2019 proposed operating funds at 32.4% or \$1.1 billion. Contractual services are purchased services such as printing, transportation, communications and other professional and technical services

contracted through the County.⁷⁴ Contractual services include the supplemental pension payment of \$350.2 million in FY2019. The remaining appropriations by object of expenditure will individually make up less than 5% of the total operating funds.



All Funds Appropriations by Control Officer as a Percentage of Total Appropriations

In addition to the Cook County Board President and Board of Commissioners, Cook County has a number of independently elected officials who play important roles in the budget process. Therefore, the Civic Federation examines expenditures by control officer.

The following section describes FY2019 appropriations for all funds by fund and control officer as a percent of total appropriations. The Federation has historically conducted a two- and five-year trend analysis for all funds by fund and control officer. However, beginning in FY2016 and continuing through FY2019 the County is shifting fixed charges, such as utility and technology maintenance costs into departments, which is a best practice recommended by the GFOA. Therefore, a two- and five-year analysis is not comparable across years by fund and control officer. The County has shifted employee benefit costs, licensing and other technology related expenses into individual departmental budgets.⁷⁵

⁷⁴ Cook County FY2019 Executive Budget Recommendation, p. 244.

⁷⁵ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 58.

General and Health Funds

The General and Health Enterprise Funds budgets will collectively compose nearly \$4.5 billion, or 76.8% of the total budget. Of the \$4.5 billion, the General Fund will make up \$1.9 billion, or 31.4%, and the Health Fund will represent nearly \$2.7 billion, or 45.5% of the total budget. The General Fund budget for Offices Under the President will compose \$224.4 million, or 3.8%, of the total budget, while appropriations for all other elected and appointed officials of the County will represent nearly \$1.1 billion, or 19.1% of the total budget in FY2019. The proposed FY2019 appropriations for the Chief Judge and Sheriff compose the largest portion of the General Fund budget at \$255.8 million, or 4.3%, and \$584.4 million, or 9.9%, respectively, of the total budget.

Fixed Charges and Special Purpose expenditures will compose a significant portion of the total budget at \$501.6 million, or 8.5%, of total appropriations in FY2019.

Special Purpose Funds

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Appropriations for Special Purpose Funds will compose \$641.8 million, or 10.8%, of the total budget in FY2019.

The largest portion of the Special Purpose Funds is related to Annuity and Benefits and to Bond and Interest appropriations, which total \$209.5 million, or 3.5% and \$259.9 million, or 4.4% of the total budget in FY2019, respectively.

The exhibit below displays the proposed Cook County appropriations for all funds by fund and control officer for FY2019 as a percent of total appropriations.

Cook County Appropriations for All Funds by Control Officer as % of Total Budget: FY2019 (in \$ millions)		
Control Officers	FY2019 Proposed	% of Total Budget
General Fund		
Offices Under President		
President	\$ 2.9	0.05%
Chief Financial Officer	\$ 23.9	0.4%
Chief Information Officer	\$ 19.2	0.3%
Chief Administrative Officer	\$ 23.7	0.4%
Chief of Economic Development	\$ 8.3	0.1%
Chief of Human Resources	\$ 6.4	0.1%
Chief of Asset Management	\$ 59.1	1.0%
Public Defender	\$ 77.3	1.3%
Other Agency*	\$ 3.5	0.1%
Subtotal Offices Under President	\$ 224.4	3.8%
Elected & Appointed Officials		
Cook County Board of Commissioners	\$ 8.5	0.1%
Assessor	\$ 25.4	0.4%
Board of Review	\$ 10.9	0.2%
Chief Judge	\$ 255.8	4.3%
Clerk of the Circuit Court	\$ 96.7	1.6%
County Clerk	\$ 11.2	0.2%
Recorder of Deeds	\$ 7.3	0.1%
Sheriff	\$ 584.4	9.9%
State's Attorney	\$ 125.5	2.1%
Treasurer	\$ 0.9	0.01%
Inspector General	\$ 2.0	0.03%
Public Administrator	\$ 1.3	0.02%
Subtotal Elected & Appointed Officials	\$ 1,130.0	19.1%
Fixed Charges and Special Purpose	\$ 501.6	8.5%
Total General Fund	\$ 1,855.9	31.4%
Enterprise Health Fund		
Cook County Health and Hospitals System	\$ 2,690.5	45.5%
Total General & Enterprise Funds	\$ 4,546.4	76.8%
Special Purpose and Election Funds		
Chief Administrative Officer	\$ 52.3	0.9%
Chief Information Officer	\$ 9.8	0.2%
Other Agency*	\$ 10.2	0.2%
Subtotal Offices Under the President	\$ 72.3	1.2%
Cook County Health and Hospitals System	\$ 5.2	0.1%
Assessor	\$ 3.1	0.1%
Board of Election Commissioners	\$ 1.1	0.02%
Chief Judge	\$ 9.1	0.2%
Clerk of the Circuit Court	\$ 20.9	0.4%
County Clerk	\$ 22.8	0.4%
Recorder of Deeds	\$ 4.9	0.1%
Sheriff	\$ 3.2	0.1%
State's Attorney	\$ 2.2	0.04%
Cook County Land Bank Authority	\$ 15.7	0.3%
Treasurer	\$ 11.8	0.2%
Subtotal Special Purpose Funds	\$ 100.1	2.9%
Annuity and Benefits	\$ 209.5	3.5%
Bond and Interest	\$ 259.9	4.4%
Subtotal Fixed Charges	\$ 469.4	7.9%
Subtotal Special Purpose Funds	\$ 641.8	10.8%
Other Restricted Funds (Grants)	\$ 241.9	4.1%
Total Operating Funds	\$ 5,430.1	91.7%
Capital Improvements	\$ 488.3	8.3%
Total Budget	\$ 5,918.4	100.0%

*Includes Administrative Hearing Board, County Auditor, County Law Library, Animal Control, and Department of Human Rights and Ethics.

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 85-91.

Grant Funds as a Percentage of Total Appropriations

The County receives grant funding from federal and State agencies as well as private organizations for a variety of direct and indirect services it provides to its 5.2 million residents. In FY2019 grant funds will amount to 4.0% of the total budget for Cook County, or \$241.9 million of the County's \$5.9 billion total budget. In FY2019 the County's grant funding will increase by \$17.2 million, or 7.7%, from the FY2018 amount of \$224.7 million. A large portion of the increase is related to new grant funding from the Department of Transportation and Highways as well as carryover funding.⁷⁶

The Offices Under the President will receive 16.1%, or \$171.9 million in grant funds, of the nearly \$1.1 billion appropriated to the Offices Under the President. The amount of grant funds allocated to the Offices Under the President represents 71.1% of total grant funds appropriated across all control officers and funds. Grant funding for the Chief of Economic Development composes the vast majority of their total appropriations at 89.3%. Of the total appropriations for Elected and Appointed Officials, \$51.2 million, or 4.0%, will come from grant funds. Grant funds in the Office of the State's Attorney will total \$31.1 million, or 19.5% of the total appropriations in the Office. This is due to grant funding for the Child Support Enforcement grant. The Cook County Land Bank Authority will also be the recipient of a large portion of grant funds in FY2019, totaling \$2.9 million, or 15.6% of total Land Bank Authority appropriations. Cook County Health and Hospitals System will also receive grant funds. The

⁷⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 47.

Health System is expected to receive \$15.9 million, or 0.6%, of its \$2.7 billion budget in grant funding.

Cook County FY2019 Grant Funds as a % of Total Appropriations			
Control Officers	Grant Funds	Total Appropriations	Grants as % of Total Appropriations
Offices Under President			
President	\$ 440,436	\$ 3,314,115	13.3%
Chief Financial Officer	\$ -	\$ 493,625,667	0.0%
Chief Information Officer	\$ -	\$ 35,730,139	0.0%
Chief Administrative Officer	\$ 101,552,097	\$ 310,113,414	32.7%
Chief of Economic Development	\$ 69,735,127	\$ 78,132,718	89.3%
Chief of Human Resources	\$ -	\$ 6,529,469	0.0%
Chief of Asset Management	\$ -	\$ 59,897,745	0.0%
Department of Human Rights and Ethics	\$ -	\$ 864,860	0.0%
Other Agency*	\$ 220,232	\$ 80,823,425	0.3%
Subtotal Offices Under President	\$ 171,947,892	\$ 1,069,031,552	16.1%
Elected and Appointed Officials			
Cook County Board of Commissioners	\$ -	\$ 8,537,914	0.0%
Assessor	\$ -	\$ 28,587,761	0.0%
Board of Review	\$ -	\$ 11,195,550	0.0%
Treasurer	\$ -	\$ 12,713,406	0.0%
Inspector General	\$ -	\$ 2,012,780	0.0%
County Clerk	\$ -	\$ 33,991,486	0.0%
Board of Election Commissioners	\$ -	\$ 1,120,726	0.0%
Recorder of Deeds	\$ -	\$ 12,204,264	0.0%
Sheriff	\$ 13,699,894	\$ 602,807,367	2.3%
State's Attorney	\$ 31,077,563	\$ 159,780,425	19.5%
Chief Judge	\$ 4,054,471	\$ 271,669,948	1.5%
Clerk of The Circuit Court	\$ 2,354,573	\$ 121,263,373	1.9%
Public Administrator	\$ -	\$ 1,318,240	0.0%
Subtotal Elected and Appointed Officials	\$ 51,186,501	\$ 1,267,203,240	4.0%
Health System			
Cook County Health and Hospitals System	\$ 15,876,830	\$ 2,711,532,970	0.6%
Other			
Cook County Land Bank Authority	\$ 2,916,667	\$ 18,660,100	15.6%
Fixed Charges and Special Purpose	\$ -	\$ 501,573,279	0.0%
Subtotal Health System and Other	\$ 18,793,497	\$ 3,231,766,349	0.6%
Capital Improvements	\$ -	\$ 350,346,206	0.0%
Total Budget	\$ 241,927,890	\$ 5,918,347,347	4.0%

*Includes Department of Administrative Hearings, County Auditor, Public Defender, which refer to operational expenses that do not have dedicated revenue sources.

Source: Cook County FY2017 Executive Budget Recommendation, Volume 1, pp. 98-99.

RESOURCES

Resources are revenues from various taxes such as the property tax, sales tax, use tax and other consumer taxes; fees and licenses; intergovernmental revenue from the State; and other sources. Cook County projects that total resources for all funds will be \$5.92 billion in FY2019. Of that total, \$4.96 billion, or 83.7%, is revenue generated through the operating funds. The remainder is revenue generated for capital, debt service and pension funds. The County's operating budget consists of the following funds:

- The General Fund, which includes the Corporate and Public Safety Funds. These funds are used for general County expenses including administrative functions and the criminal justice system. General Fund revenues are projected to be \$1.86 billion in FY2019;
- The Health Fund, which is used to operate the Cook County Health and Hospitals System. Health Fund revenues are projected to be \$2.57 billion in FY2019.
- Special Purpose Funds, which have defined sources of revenue that are restricted for particular uses only. Revenues across all Special Purpose Funds are projected to be \$150.0 million in FY2019; and
- Restricted Funds, or grants. Grant revenues are projected to be \$241.9 million in FY2019.⁷⁷

The following section focuses on resources within the General Fund and Health Enterprise Fund because those funds make up the majority of the County's operations.

Proposed FY2019 General and Health Fund Resources

In the FY2019 proposed budget, Cook County expects to generate \$4.5 billion in General and Health Fund revenue sources, referred to here as operating revenues. The Corporate Fund is the County's general operating fund, which budgets for administrative functions. The Corporate Fund accounts for \$567.9 million, or 12.5% of the County's proposed FY2019 operating revenues. The Public Safety Fund budgets for the County's criminal justice system including its jails, courts and related programs. The Public Safety Fund accounts for \$1.29 billion, or 28.3% of the proposed FY2019 operating revenues. The Health Fund budgets for the County's public healthcare system. Health System revenue sources make up \$2.7 billion, or 59.2%, of the County's total proposed operating resources.⁷⁸

The chart below provides a breakdown of all General Fund and Health Enterprise Fund resources projected for FY2019. Of the \$4.5 billion total General and Health Fund resources, fees from the Health and Hospitals System represent the largest revenue source at \$2.6 billion, or 57.3%. The sales tax is the second largest resource, accounting for 18.3% of resources, or \$831.5 million. Other non-property taxes include the Cook County use tax, State income tax and various consumer taxes such as the alcohol, cigarette, gas, gambling machine, motor vehicle, amusement and firearm and ammunition taxes.⁷⁹ Combined, these non-property taxes will compose 11.4% of General and Health Fund resources, or \$517.1 million. Property tax revenue, which includes TIF

⁷⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 5.

⁷⁸ Calculations made from the Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 42.

⁷⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 28.

surplus declared by the City of Chicago, will make up 6.6% of General and Health Fund resources at \$298.8 million. Fees collected by County offices for services like vital records and permits will make up 4.3% of resources at \$195.1 million.

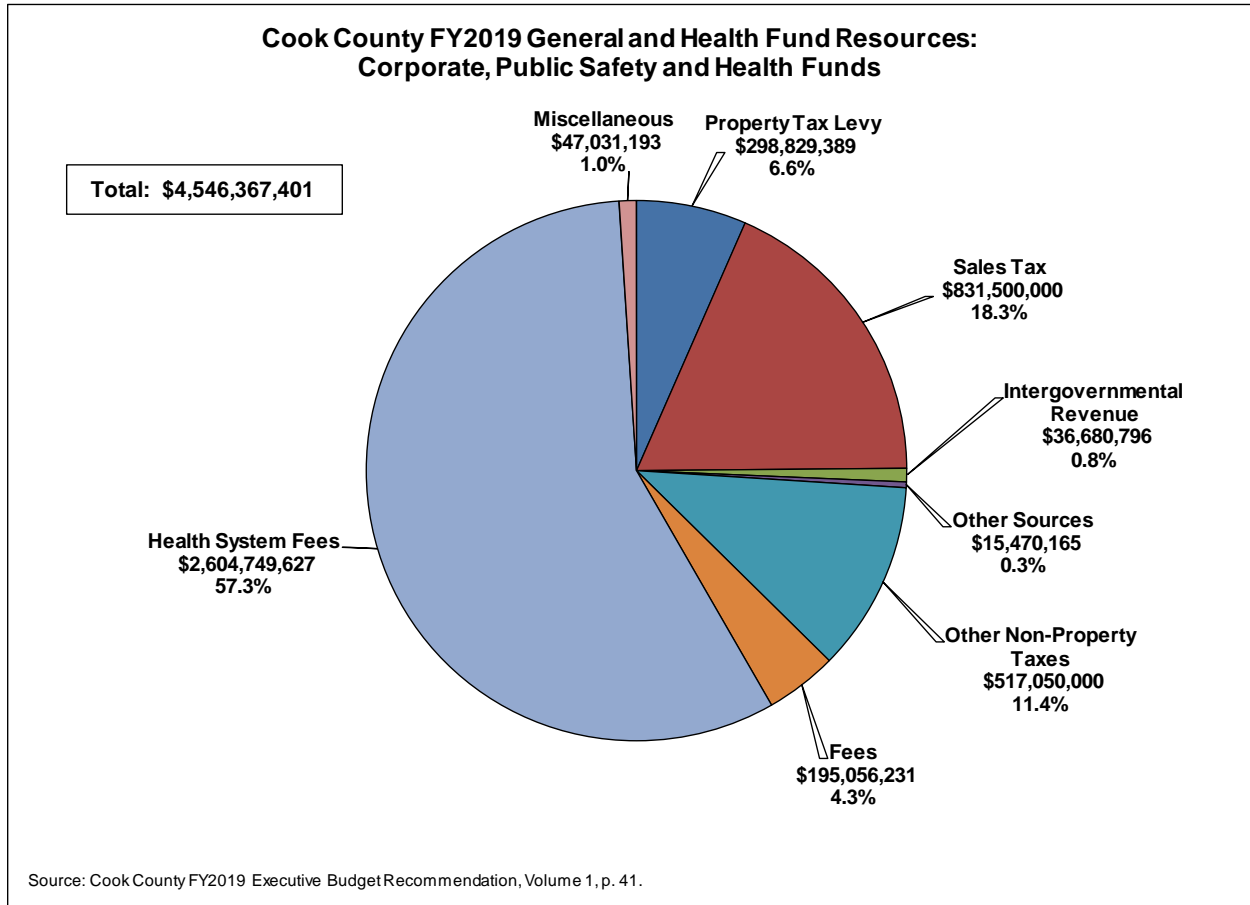
Other sources are projected to make up 0.3% of resources. Other sources refer to indirect costs reimbursed from Special Purpose Funds and Grants and allocated accordingly back to the General Fund.⁸⁰ Miscellaneous revenue is projected to account for 1.0% of resources. Miscellaneous revenue includes property rental income from County buildings, the sale of excess real estate, commissions on public telephones, proceeds from unclaimed estates, investment income, miscellaneous Health System revenues and other sources, such as parking fees and the sale of salvage.⁸¹ Intergovernmental revenue is projected to make up 0.8% of resources or \$36.7 million. Intergovernmental revenues include State reimbursements from the Administrative

⁸⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 37. Other Sources previously included revenues from the motor fuel tax collected by the State and refunded to the County. Beginning in FY2017, those funds are dedicated to the County's Highway and Transportation System and no longer to general operations.

⁸¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 37.

Office of the Illinois Courts (AOIC) to subsidize salaries in the Public Safety Fund and from the Forest Preserve District of Cook County to reimburse the County for services rendered.⁸²

Further descriptions of each resource category and comparisons to past budgets are provided in the next section.



General and Health Fund Resource Trends

This section discusses two-year (FY2018-FY2019) and five-year (FY2015-FY2019) trends for Cook County’s proposed FY2019 General and Health Fund resources as shown in the next table. Total General and Health Fund resources are projected to increase significantly from \$3.8 billion in FY2018 to \$4.5 billion in FY2019, an increase of \$703.4 million or 18.3%. The increase from FY2018 to FY2019 is primarily due to a projected increase in CountyCare revenue associated with an increase in CountyCare membership. Over the five-year period between FY2015 and FY2019, General and Health Fund resources are projected to increase by \$1.4 billion or 46.8%.

⁸² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 37.

Property Taxes

In FY2019, the amount of property tax revenue available for the General and Health Funds is estimated to be \$290.4 million, compared to \$262.4 million the prior year. This \$28.0 million increase from FY2018 is primarily the result of a decrease in property tax revenue from the County's base levy required for debt service obligations and pensions, freeing up tax levy revenue available for operations.⁸³ The rest is attributable to an increase in the property tax levy to capture new property, expiring TIF districts and expiring incentives. Additionally, the County expects increases in tax increment financing (TIF) revenue from expiring TIF districts, incentives and tax revenue from new property. Additionally, the County receives TIF surplus from the City of Chicago and suburbs, proportional to its share of the tax bill. The County receives 7% of the City of Chicago's TIF surplus. TIF revenue is projected to decrease slightly in FY2019 from the prior year, reflecting the County's proportionate share.⁸⁴

Sales Tax

Effective January 1, 2016, the Cook County home rule sales tax increased by one percentage point from 0.75% to 1.75%.⁸⁵ The FY2016 budget estimated that the increase to the sales tax would bring in an additional \$308.0 million in the first year and \$473.8 million in the second year, FY2017. The actual increase in sales tax revenue generated by the 1.0% increase was \$297.1 million in FY2016 and \$464.2 million in FY2017. Over the five-year period from FY2015 to FY2019, sales tax revenue is expected to increase from \$346.8 million to \$831.5 million, an increase of \$484.7 million or 139.8%. The additional revenue generated from the increase to the sales tax is used to provide additional pension funding, increased highway funding and increased legacy debt service payments.

The projected sales tax revenue for FY2019 is \$52.3 million, or 6.7%, higher than FY2018. The County attributes the projected increase to a strong economy. The majority of the revenue generated from the sales tax increase, \$350.3 million or 73.6%, will be used as a supplemental contribution to the County's pension fund.

Other Non-Property Taxes

Other non-property taxes include use taxes and a variety of consumer taxes on items such as alcohol, cigarettes and tobacco, gas, amusement, parking operations, gambling machines, firearms, casinos and off track betting, and several other consumer transactions. Other non-property taxes are projected to generate a total of \$517.1 million in FY2019. This is a 1.7% increase over the adopted FY2018 budget and a 7.4% increase over the five year period from FY2015-FY2019.

Hotel Accommodations Tax: In FY2016, the County established a new 1.0% hotel accommodations tax. The tax went into effect May 1, 2016. The tax generated \$19.6 million

⁸³ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 25.

⁸⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 25.

⁸⁵ For more information, see the Civic Federation, "Cook County Increases Its Sales Tax by One Percentage Point," available at <https://www.civicfed.org/civic-federation/blog/cook-County-increases-its-sales-tax-one-percentage-point>

during the first year of collections in FY2016, increasing to \$33.0 million the following year. The hotel accommodations tax revenue is expected to increase by \$13.9 million, or 70.8%, from FY2016 to FY2019.

Sweetened Beverage Tax: Cook County approved a new one cent per ounce tax on sweetened beverages as part of the FY2017 budget process. The tax was set to go into effect on July 1, 2017 but was postponed until August 2, 2017 due to a lawsuit by the Illinois Retail Merchants Association. On October 11, 2017 the Cook County Board of Commissioners voted to repeal the sweetened beverage tax effective December 1, 2017. As a result of the repeal, Cook County only collected the sweetened beverage tax for four months from August 2, 2017 through November 30, 2017. The sweetened beverage tax generated \$46.4 million during that timeframe.

Use Tax: The Cook County use tax imposes a 1% tax on titled personal property (for example, cars, boats and motorcycles) within Cook County.⁸⁶ The use tax is expected to bring in \$80.5 million in revenue in FY2019, which is a 4.5% increase from the prior year but a slight 0.6% decrease over a five year period.

Cigarette and Other Tobacco Taxes: Cook County revenue from the cigarette tax and tax on other tobacco products is projected to decrease in FY2019 to \$127.4 million from \$130.9 million the prior year and \$141.9 million in FY2015. The 10.2% decline over the five-year period reflects a decline in consumption.⁸⁷

Other non-property taxes that are expected to generate increased revenue in FY2019 over the prior year are the amusement tax, gambling machine tax and wheel tax. The amusement tax is expected to increase by \$1.5 million, or 4.1%, from \$37.0 million in FY2018 to \$38.5 million in FY2019. The County attributes the increase to the inflationary impact on ticket price increases for events such as sports, theater and concerts.⁸⁸ The gambling machine tax is projected to bring in \$2.2 million in FY2019, a 4.8% increase over FY2018 and a 122.7%, or \$1.2 million, increase over FY2015. The increase in revenue from gambling machines is the result of more machines being activated.⁸⁹ The Wheel Tax is a motor vehicle licensing fee imposed within unincorporated areas of Cook County. The Wheel Tax is expected to increase by 9.8% to \$4.5 million in FY2019 from the FY2018 appropriation, which the County attributes to increased compliance.⁹⁰

The County established a tax on ammunition in FY2016 in addition to the \$25 tax on firearms. The firearms and ammunition taxes are projected to decrease between FY2018 and FY2019 by 6.1%, but to increase over the five years from FY2015 to FY2019 by 81.7% or \$696,800.

The non-retailer transaction tax on the transfer of motor vehicles is expected to increase by 4.2%, or \$750,000, to \$18.5 million in FY2019 from the prior year. It is projected to increase by 21.0% over the five-year period from FY2015.

⁸⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 29.

⁸⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 29.

⁸⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 31.

⁸⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 32.

⁹⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 32.

Several taxes are imposed and collected by the State of Illinois with a portion remitted to Cook County, including the State income tax, State sales tax (retailer's occupation tax), Illinois gaming tax and Off-Track Betting Commissions tax.⁹¹ The State income tax is expected to increase County revenue by \$2.4 million or 22.9% in FY2019 over the FY2018 appropriation. The portion of the State sales tax the County receives is expected to increase by 6.1% or \$150,000 from FY2018 to FY2019. Revenue from off-track betting is expected to decrease by 4.3% in FY2019, following a five-year trend of decline. The Illinois gaming tax on casinos is expected to increase slightly in FY2019, and has remained fairly flat since FY2015.

Fee Revenues

Fee and license revenues represent the largest source of all General and Health Fund revenues, 61.6%. Total fee revenue projected in FY2019 is \$2.8 billion, largely composed of Health System fee revenues.

Health System Fees: The largest source of fee revenue is from patient fees within the Cook County Health and Hospitals System. Patient fees are projected to increase by \$645.3 million, or 32.9%, from \$2.0 billion in FY2018 to \$2.6 billion in FY2019. Patient fees include fees from Medicaid, Medicare, private payers, and the CountyCare managed care network, as well as supplemental payments from Disproportionate Share Hospital (DSH) payments, Benefits Improvement Protection Act (BIPA) and federal government payment incentives to increase electronic medical records.⁹² The increase in Health System fee revenue is due to the projected increase in CountyCare membership from the originally estimated membership of 225,000 in FY2018 to projected membership of 345,000 in FY2019.⁹³

All Other Fees: The remainder of fees are collected by the various County offices including of the Clerk of the Circuit Court, Recorder of Deeds, Treasurer, County Sheriff, State's Attorney, Medical Examiner and County Assessor. Total fee revenue excluding the Health System's fee revenue is projected to be \$195.1 million in FY2019. This is an 11.1% decrease from \$219.5 million in fee revenue approved in the FY2018 budget.⁹⁴

The three offices that generate the largest amount of fee revenue are the Clerk of the Circuit Court, the Recorder of Deeds and the Treasurer. The Clerk of the Circuit Court's fee revenue is projected to decline by \$1.6 million, or 2.2%, from FY2018 to FY2019. The Recorder of Deeds fee revenue is projected to increase by \$5.5 million, or 16.2%, in FY2019 due to State legislation permitting Cook County to establish a predictable fee for standard documents.⁹⁵

The Treasurer's fee revenue, which mostly consists of delinquent tax penalties, is projected to decrease by \$31.0 million, or 50.8%, from the budgeted amount of \$61.0 million in the adopted FY2018 budget. The Treasurer requested a revised revenue projection of \$30.0 million in FY2018.⁹⁶ The County now estimates that Treasurer's fee revenue will generate \$38.0 million at

⁹¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 33.

⁹² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 38.

⁹³ Cook County FY2019 Budget Briefing, October 9, 2018.

⁹⁴ Calculation based on the Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 41.

⁹⁵ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 34.

⁹⁶ Information provided by the Treasurer's Office on October 23, 2018.

year-end in FY2018.⁹⁷ The FY2019 revenue projection is \$30.0 million. The decrease from original projections is due to a change in the timing of the delinquent property tax sale resulting in reduced delinquent tax fees to the County and enhanced outreach efforts by the Treasurer's Office to remind taxpayers to pay their bills on time.⁹⁸

All other fees are expected to increase by \$2.6 million from FY2018 to FY2019, or 4.9%. Building and zone revenue in the form of inspections and construction permitting is expected to increase by \$117,5000, or 3.4%, to \$3.6 million in FY2019 as the Department of Building and Zoning begins the inspection of residential rental units in unincorporated Cook County.⁹⁹ Revenue from liquor licenses is expected to increase by 29.5% to \$395,000 in FY2019 from the prior year. The Medical Examiner's fee revenue is expected to increase by \$394,400 or 18.8% from \$2.1 million in FY2018 to \$2.5 million in FY2019 due to a change to the fee schedule approved in June 2018 that increased the cremation fee and instituted a conference room use fee.¹⁰⁰ The remainder of fees are projected to remain relatively flat from the prior year.

Miscellaneous, Intergovernmental and Other Revenue Sources

Miscellaneous revenue is expected to increase slightly by 0.4%, or \$170,300, to \$47.0 million in FY2019 from FY2018 budgeted appropriations. Miscellaneous revenue includes commissions on public telephones, real estate rental income, sale of excess real estate, proceeds from the estates of unknown heirs, investment income, other forms of revenue such as energy efficiency rebates, parking fees, and the sale of salvage and miscellaneous revenues related to the Health and Hospitals System from sources such as the cafeteria, medical records, parking income, and physician's fees.¹⁰¹

Intergovernmental revenues are resources from the State including Administrative Office of the Illinois Courts (AOIC) reimbursements to subsidize the salaries of the State's Attorney, Public Defender, probation officers and administrative staff in the juvenile court and the Juvenile Temporary Detention Center (JTDC), and the State Criminal Alien Assistance Program (SCAAP). Intergovernmental revenue also includes reimbursement from the Cook County Forest Preserve District for services rendered on the District's behalf. The reimbursement to the County from the Forest Preserve District will be \$1.9 million in FY2019 and the State of Illinois reimbursement to the County will be \$34.8 million,¹⁰² for a total of \$36.7 million in intergovernmental revenue. This is a decrease of 15.3%, or \$6.6 million, from FY2018 adopted budget levels.

Other financing sources primarily includes indirect costs reimbursed from Special Purpose Funds and Grants and allocated back to the Cook County General Fund, which will total \$15.5 million

⁹⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 41.

⁹⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 34; Cook County FY2019 Budget Briefing, October 9, 2018; and information provided by the Cook County budget office at the Cook County Finance Committee Meeting held on September 12, 2018.

⁹⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 36.

¹⁰⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 36; and Cook County Ordinance Amendment 18-3651.

¹⁰¹ Cook County FY2018 Executive Budget Recommendation, Volume 1, pp. 37-38.

¹⁰² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 37.

in FY2019. Other financing sources previously included revenue generated from the State-collected Motor Fuel Tax, but the County stopped allocating motor fuel tax revenue to the General Fund in FY2017 and instead is directing the revenue to the County's Highway and Transportation System.

The following table presents FY2019 proposed General and Health Fund resources compared to actual revenues received in FY2015-FY2017 and the revenues adopted in the FY2018 budget.

Cook County General and Health Fund Resources									
FY2015-FY2019 (in \$ thousands)									
	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Adopted	FY2019 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Property Taxes									
Net Property Tax Levy	\$ 351,066.8	\$ 310,087.5	\$ 266,246.5	\$ 262,352.3	\$ 290,383.5	\$ 28,031.2	10.7%	\$ (60,683.2)	-17.3%
TIF Surplus	\$ 6,715.3	\$ 10,607.4	\$ 11,459.5	\$ 12,450.0	\$ 8,445.9	\$ (4,004.1)	-32.2%	\$ 1,730.6	25.8%
Subtotal Property Taxes	\$ 357,782.1	\$ 320,695.0	\$ 277,706.0	\$ 274,802.3	\$ 298,829.4	\$ 24,027.1	8.7%	\$ (58,952.7)	-16.5%
Sales Tax									
Sales Tax	\$ 346,771.5	\$ 643,831.9	\$ 810,959.2	\$ 779,200.0	\$ 831,500.0	\$ 52,300.0	6.7%	\$ 484,728.5	139.8%
Subtotal Sales Tax	\$ 346,771.5	\$ 643,831.9	\$ 810,959.2	\$ 779,200.0	\$ 831,500.0	\$ 52,300.0	6.7%	\$ 484,728.5	139.8%
Other Non-Property Taxes									
Use Tax	\$ 80,991.5	\$ 82,510.3	\$ 79,761.2	\$ 77,000.0	\$ 80,500.0	\$ 3,500.0	4.5%	\$ (491.5)	-0.6%
Alcoholic Beverage	\$ 36,616.1	\$ 37,298.6	\$ 37,175.4	\$ 37,000.0	\$ 36,800.0	\$ (200.0)	-0.5%	\$ 183.9	0.5%
State Sales Tax (Retailer's Occupation)	\$ 2,747.4	\$ 2,826.7	\$ 2,829.5	\$ 2,450.0	\$ 2,600.0	\$ 150.0	6.1%	\$ (147.4)	-5.4%
Non-Retailer Transactions	\$ 15,289.9	\$ 22,956.2	\$ 19,011.2	\$ 17,750.0	\$ 18,500.0	\$ 750.0	4.2%	\$ 3,210.1	21.0%
Cigarette and Other Tobacco	\$ 141,889.4	\$ 137,727.0	\$ 130,930.9	\$ 131,000.0	\$ 127,400.0	\$ (3,600.0)	-2.7%	\$ (14,489.4)	-10.2%
Gas Tax	\$ 90,591.9	\$ 97,889.2	\$ 96,610.0	\$ 93,000.0	\$ 93,700.0	\$ 700.0	0.8%	\$ 3,108.1	3.4%
Retail Sale of Motor Vehicles	\$ 3,643.7	\$ 3,395.4	\$ 3,095.1	\$ 3,000.0	\$ 3,000.0	\$ -	0.0%	\$ (643.7)	-17.7%
Wheel Tax	\$ 3,720.8	\$ 3,614.0	\$ 3,692.0	\$ 4,100.0	\$ 4,500.0	\$ 400.0	9.8%	\$ 779.2	20.9%
Amusement Tax	\$ 33,860.2	\$ 37,253.3	\$ 41,282.1	\$ 37,000.0	\$ 38,500.0	\$ 1,500.0	4.1%	\$ 4,639.8	13.7%
Parking Lot / Garage Operations	\$ 46,712.3	\$ 48,764.7	\$ 48,852.9	\$ 50,000.0	\$ 51,000.0	\$ 1,000.0	2.0%	\$ 4,287.7	9.2%
Gambling Machine Tax	\$ 987.9	\$ 2,193.8	\$ 2,105.3	\$ 2,100.0	\$ 2,200.0	\$ 100.0	4.8%	\$ 1,212.1	122.7%
Firearms and Ammunition Tax	\$ 853.2	\$ 1,242.7	\$ 1,671.7	\$ 1,650.0	\$ 1,550.0	\$ (100.0)	-6.1%	\$ 696.8	81.7%
Off Track Betting Commissions	\$ 1,783.2	\$ 1,644.1	\$ 1,411.4	\$ 1,150.0	\$ 1,100.0	\$ (50.0)	-4.3%	\$ (683.2)	-38.3%
Illinois Gaming - Casino	\$ 8,508.1	\$ 8,552.4	\$ 8,598.5	\$ 8,550.0	\$ 8,650.0	\$ 100.0	1.2%	\$ 141.9	1.7%
State Income Tax	\$ 13,384.9	\$ 12,678.0	\$ 12,263.8	\$ 10,500.0	\$ 12,900.0	\$ 2,400.0	22.9%	\$ (484.9)	-3.6%
Hotel Accommodations	\$ -	\$ 19,618.0	\$ 33,045.5	\$ 32,000.0	\$ 33,500.0	\$ 1,500.0	4.7%	\$ 13,882.0	70.8%
Sweetened Beverage Tax	\$ -	\$ -	\$ 46,396.6	\$ -	\$ -	\$ -	N/A	\$ -	N/A
Video Gaming Tax	\$ -	\$ -	\$ -	\$ -	\$ 650.0	\$ 650.0	N/A	\$ 650.0	N/A
Subtotal Other Non-Property Taxes	\$ 481,580.5	\$ 520,164.2	\$ 568,733.2	\$ 508,250.0	\$ 517,050.0	\$ 8,800.0	1.7%	\$ 35,469.5	7.4%
Fee Revenue									
Health System Fees*	\$ 1,510,997.9	\$ 1,519,117.0	\$ 1,401,529.1	\$ 1,959,489.5	\$ 2,604,749.6	\$ 645,260.1	32.9%	\$ 1,093,751.7	72.4%
Clerk of Circuit Court	\$ 75,336.0	\$ 77,990.0	\$ 70,900.9	\$ 70,780.0	\$ 69,200.0	\$ (1,580.0)	-2.2%	\$ (6,136.0)	-8.1%
Recorder of Deeds Fees**	\$ 40,192.3	\$ 34,043.3	\$ 39,619.9	\$ 34,175.0	\$ 39,704.0	\$ 5,529.0	16.2%	\$ (488.3)	-1.2%
Treasurer's Fees	\$ 90,677.0	\$ 54,000.0	\$ 56,239.6	\$ 61,000.0	\$ 30,000.0	\$ (31,000.0)	-50.8%	\$ (60,677.0)	-66.9%
Other***	\$ 60,857.6	\$ 63,033.1	\$ 54,326.5	\$ 53,537.2	\$ 56,152.2	\$ 2,615.0	4.9%	\$ (4,705.3)	-7.7%
Subtotal Fee Revenue	\$ 1,778,060.9	\$ 1,748,183.4	\$ 1,622,616.0	\$ 2,178,981.7	\$ 2,799,805.9	\$ 620,824.2	28.5%	\$ 1,021,745.0	57.5%
Miscellaneous Revenues									
Misc. Revenues****	\$ 14,478.1	\$ 16,466.1	\$ 61,646.2	\$ 46,860.9	\$ 47,031.2	\$ 170.3	0.4%	\$ 32,553.1	224.8%
Subtotal Misc. Revenues	\$ 14,478.1	\$ 16,466.1	\$ 61,646.2	\$ 46,860.9	\$ 47,031.2	\$ 170.3	0.4%	\$ 32,553.1	224.8%
Intergovernmental Revenues									
Intergovernmental Revenues*****	\$ 44,428.0	\$ 44,114.6	\$ 42,663.4	\$ 43,302.6	\$ 36,680.8	\$ (6,621.8)	-15.3%	\$ (7,747.2)	-17.4%
Subtotal Intergovernmental Revenues	\$ 44,428.0	\$ 44,114.6	\$ 42,663.4	\$ 43,302.6	\$ 36,680.8	\$ (6,621.8)	-15.3%	\$ (7,747.2)	-17.4%
Other Financing Sources									
Motor Fuel Tax	\$ 64,500.0	\$ 54,500.0	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Indirect Costs	\$ 9,518.5	\$ 8,796.7	\$ 11,927.1	\$ 11,567.9	\$ 15,470.2	\$ 3,902.2	33.7%	\$ 5,951.7	62.5%
Subtotal Other Financing Sources	\$ 74,018.5	\$ 63,296.7	\$ 11,927.1	\$ 11,567.9	\$ 15,470.2	\$ 3,902.2	33.7%	\$ (58,548.3)	-79.1%
Total	\$ 3,097,119.5	\$ 3,356,751.9	\$ 3,396,251.1	\$ 3,842,965.4	\$ 4,546,367.4	\$ 703,402.0	18.3%	\$ 1,449,247.9	46.8%

Note: Most recent actual data was used.
 *Health System Fees include revenues from patient fees and supplemental payments for care provided at County hospitals (including from Medicare, Medicaid, private payers and other carriers and the Cook County Managed Care Community Network, or CountyCare). Supplemental payments include Benefits Improvement and Protection Act (BIPA) and Disproportionate Share Hospital (DSH) payments and incentives from the federal government. Miscellaneous health care revenues are not included in patient fees.
 **Recorder of Deeds Fees include Recorder Audit Revenues.
 ***Other fee revenue includes resources generated from fees and licenses paid to the various county agencies such as liquor licenses, building and zoning permits and court fees.
 ****Miscellaneous Revenue includes investment income, estates of unknown heirs, telephone commissions, property rental income and other sources, including miscellaneous revenues related to the Health System.
 *****Intergovernmental revenues include State Criminal Alien Assistance Program (SCAAP), Probation Officer, Juvenile Court, JTDC and reimbursements from the Cook County Forest Preserve District.
 Sources: Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 41; FY2018 Annual Appropriation Bill, Volume 1, p. 44; and FY2017 Annual Appropriation Bill, Volume 1, p. 42.

Property Tax Levy for All Funds

The County has held its base property tax level flat at \$720.5 million since 2001. However, since FY2013, the County has also captured tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. Capturing revenue from expiring TIFs means that the property tax revenue within the expired TIF area goes back to the County instead of to the TIF. In FY2019 the County will capture \$18.0 million in tax revenue from expiring TIF districts,

\$27.8 million from new property and \$1.6 million from expiring incentives. In total, the County will generate an additional \$47.4 million above the base levy of \$720.5 million, for a gross property tax levy of \$767.9 million.¹⁰³ After adjusting for estimated uncollected taxes, the County projects a total net property tax levy of \$757.6 million. This is an increase of \$5.0 million, or 0.7%, compared to the net levy of \$752.6 million in FY2018.

Property tax revenues are distributed to seven major funds: Corporate Purpose, Election, Public Safety, Health Enterprise, Bond and Interest, Capital Projects and Pension (also known as the Employee Annuity and Benefit Fund). The net levy includes the base property tax levy plus the levy for expiring TIF districts, and property tax incentives and new property, minus the estimated loss in uncollected property taxes.

The chart below shows the distribution of the net property tax levy among the County's funds over the past five years. The largest portion, 34.3%, of the net levy will be allocated to the Bond & Interest fund to pay debt service in FY2019. The Public Safety Fund will receive 28.7% of property tax revenue and 21.8% will go toward the County's FY2019 pension payment.

The Health Fund will receive \$72.7 million of the net property tax levy, or 9.6% of the levy. The County has decreased its property tax allocation to the Health System over the past several years. The Health Fund allocation in FY2015 was \$149.8 million or 20.5% of the net levy. This represents a decrease of \$77.1 million, or 51.5%, over the five-year period.

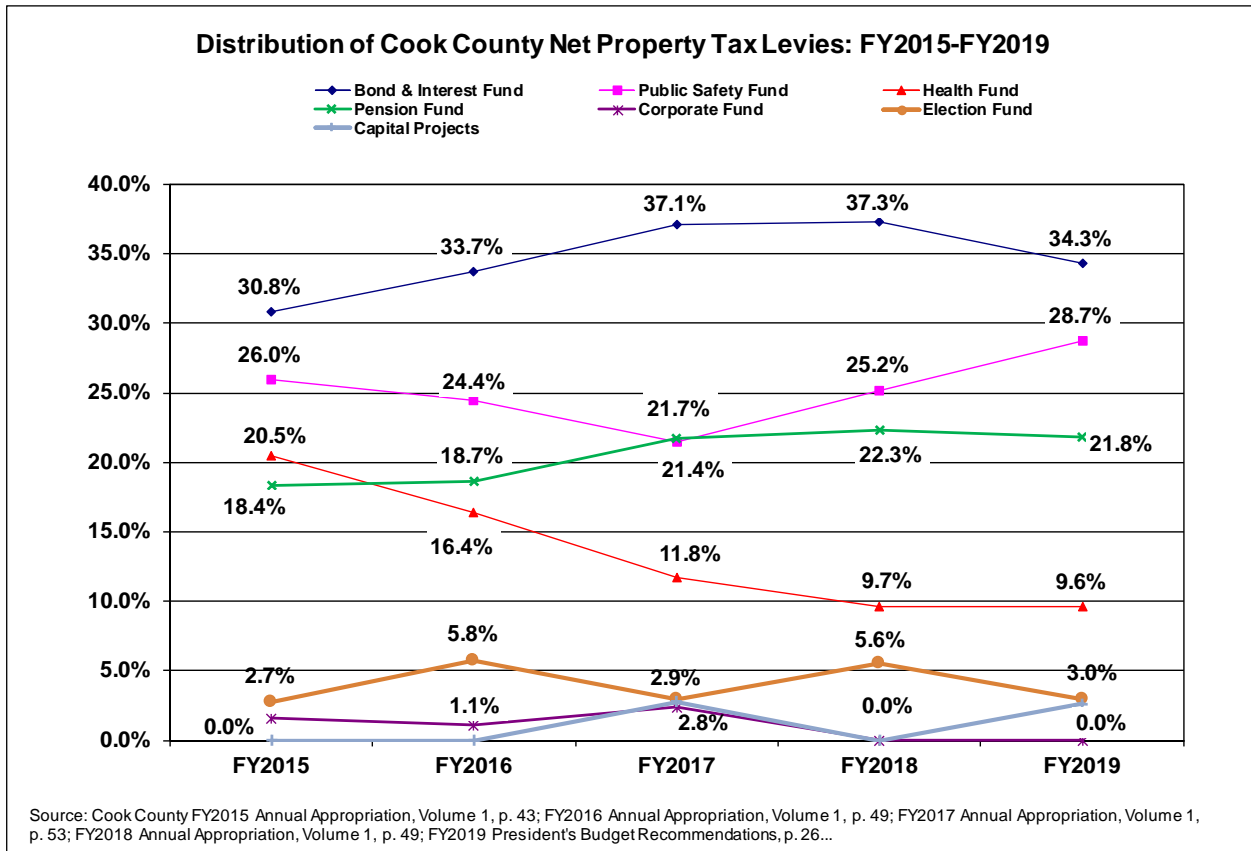
The Corporate Fund has received the smallest portion of property tax revenue over the five years from FY2015 to FY2019. The Corporate Fund received 1.6% of the net levy in FY2015, 2.4% in FY2017 and none of the property tax levy in FY2018 and FY2019. The decrease in the property tax available for the operating budget is due largely to increased use of the property tax for pension payments and debt service.¹⁰⁴

The Election Fund will receive 3.0% of the property tax levy in FY2019. The allocation of property tax revenue to the Election Fund has ranged from a low of \$19.9 million, or 2.7%, in FY2015 to a high of \$42.7 million, or 5.8%, in FY2016. The allocation of the levy to this fund fluctuates with election years.

¹⁰³ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 26.

¹⁰⁴ Cook County FY2017 Executive Budget Recommendation, p. 29.

The County allocated property tax revenue to the Capital Fund for the first time in FY2017. Capital funding did not receive property tax revenue in FY2018, but capital projects will receive 2.6% of the property tax levy revenue in FY2019, or \$20.0 million.



PERSONNEL TRENDS

The following section presents trends for budgeted personnel by fund and by control officer as well as trends in personal service appropriations for all funds. It compares the FY2019 proposed budget to the adopted FY2018 budget and adopted FY2015 budget.¹⁰⁵

Cook County proposes an increase of 209.2 full-time equivalent (FTE) positions¹⁰⁶ from the adopted FY2018 budget in the General Fund, Special Purpose Funds and Health Fund for a total of 21,818.1 FTEs in FY2019.¹⁰⁷ The net increase across all funds of 209.2 FTEs is primarily attributable to the increase in the Health Fund of 246.4 FTEs. Grant funds are excluded from this analysis. When grant funds are included, the total workforce is 22,239.1 FTEs, a net increase of 222.3 FTEs, or 1.0%, from the approved FY2018 budget.¹⁰⁸

Full-Time Equivalent Positions by Fund

The County's FY2019 budget proposes to increase FTE positions in the Corporate Fund, Health Fund and Election Fund. The General Fund, which includes the Corporate Fund and Public Safety Fund will see a net increase of 3.2 FTEs. The Corporate Fund will increase by 22.2 FTEs, or 1.7%, while the Public Safety Fund will decrease by 19.0 FTEs. The Health Fund will increase by 246.4 FTEs, or 3.6% from FY2018 adopted figures. The increase in the Health Fund is primarily due to the staffing of new revenue generating clinical services and the insourcing of care coordination functions.¹⁰⁹ The Other Special Purpose Funds will decrease by 40.5 FTEs, or 4.9% from the FY2018 adopted budget.

Over the five-year period beginning in FY2015, FTEs excluding grant funds will have decreased by 1,403.3 FTEs or 6.0%. When excluding the Health Fund, the FTE count will decrease by 1,797.8 FTEs, or 10.9%, over the five-year period. All funds will see a reduction in FTEs over the five-year period, with the exception of the Health Fund, which will increase by 394.5 FTEs or 5.8%. The Public Safety Fund workforce will see the largest decrease in FTEs, declining by 1,584.0 FTEs, or 11.3%, over the five-year period.

Cook County Budgeted FTEs by Fund: FY2015-FY2019									
Fund	FY2015 Adopted	FY2016 Adopted	FY2017 Adopted	FY2018 Adopted	FY2019 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,513.4	1,468.6	1,381.1	1,294.5	1,316.7	22.2	1.7%	(196.7)	-13.0%
Public Safety Fund	14,032.1	13,843.5	13,589.5	12,467.1	12,448.1	(19.0)	-0.2%	(1,584.0)	-11.3%
Subtotal General Fund	15,545.5	15,312.1	14,970.6	13,761.6	13,764.8	3.2	0.0%	(1,780.7)	-11.5%
Health Fund	6,746.6	6,735.7	6,864.9	6,894.7	7,141.1	246.4	3.6%	394.5	5.8%
Election Fund	134.0	128.0	129.0	124.5	124.6	0.1	0.1%	(9.4)	-7.0%
Other Special Purpose Funds	795.3	782.1	860.4	828.1	787.6	(40.5)	-4.9%	(7.7)	-1.0%
Total	23,221.4	22,957.9	22,824.9	21,608.9	21,818.1	209.2	1.0%	(1,403.3)	-6.0%

Note: Some differences in totals may appear due to rounding. Figures do not include grant-funded positions.

Source: Cook County FY2019 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 106-110.

¹⁰⁵ Although personnel data for the Cook County Health and Hospitals System is included, details on the Health System are discussed on page 71 of this report.

¹⁰⁶ Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.

¹⁰⁷ This number does not include grant-funded positions.

¹⁰⁸ Cook County FY2019 Executive Budget Recommendation, Volume I, p. 110.

¹⁰⁹ Cook County FY2019 Executive Budget Recommendation, Volume I, p. 65.

Full-Time Equivalent Positions by Control Officer

The General Funds, Special Purpose Funds and Health Fund will increase by 209.2 FTEs for a total of 21,818.1 FTEs in FY2019. This is a 1.0% increase from the adopted FY2018 budget. The most significant percentage decreases in FTEs over the two-year period occur in the Sheriff's Office, which will decrease by 130.2 FTEs or 2.2%. The reduction in FTEs in the Sheriff's Office is due to the elimination of 140 FTEs, primarily vacant correctional officer positions.¹¹⁰ FTEs by Control Officer will otherwise decrease or stay nearly flat, with the exception of the Health and Hospitals System and Chief Judge, which will increase by 217.4 FTEs and 134.1 FTEs, respectively. The increase in the Health and Hospital System is due to increased staffing tied to expanded clinical services and the insourcing of care coordination functions.¹¹¹ The increase in the Office of the Chief Judge is due to the negotiated settlement between the Chief Judge and the County that reinstated 178 FTEs that were previously eliminated in the originally adopted FY2018 budget.¹¹²

Over the past five years, the County has decreased its workforce by 6.0% or 1,403.3 FTEs.¹¹³ The largest decreases in the number of FTEs will occur in the Office of the Sheriff, Chief Judge and Clerk of the Circuit Court. The Recorder of Deeds Office has decreased by the largest percentage, with a decline of 46.0 FTEs or 25.4%. The Health and Hospitals System is budgeted to increase by 374.5 FTEs or 5.5%. The Board of Commissioners will increase by 4.2 FTEs, or 4.9%, over the five-year period.

Cook County FTEs by Control Officer for All Funds: FY2015-FY2019									
Control Officer	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	FY2018 Adopted	FY2019 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,395.3	2,328.1	2,326.9	2,324.6	2,368.9	44.3	1.9%	(26.4)	-1.1%
Board of Commissioners	86.3	87.5	88.1	89.4	90.5	1.1	1.2%	4.2	4.9%
County Clerk	278.0	275.0	275.0	263.1	261.1	(2.0)	-0.8%	(16.9)	-6.1%
Recorder of Deeds	181.0	171.0	141.0	136.0	135.0	(1.0)	-0.7%	(46.0)	-25.4%
Treasurer	89.0	89.0	88.5	88.5	86.5	(2.0)	-2.3%	(2.5)	-2.8%
Sheriff	6,764.2	6,722.2	6,624.3	5,983.2	5,853.0	(130.2)	-2.2%	(911.2)	-13.5%
State's Attorney	1,207.4	1,190.1	1,168.4	1,143.1	1,154.8	11.7	1.0%	(52.6)	-4.4%
Chief Judge	3,180.9	3,151.1	3,071.1	2,722.4	2,856.5	134.1	4.9%	(324.4)	-10.2%
Clerk of the Circuit Court	1,747.7	1,648.2	1,609.7	1,476.9	1,425.6	(51.3)	-3.5%	(322.1)	-18.4%
Assessor	338.0	342.0	331.0	278.0	264.1	(13.9)	-5.0%	(73.9)	-21.9%
Other*	168.0	166.0	169.0	147.0	147.0	0.0	0.0%	(21.0)	-12.5%
Health and Hospitals System	6,785.6	6,776.7	6,917.9	6,942.7	7,160.1	217.4	3.1%	374.5	5.5%
Cook County Land Bank	0.0	11.0	14.0	14.0	15.0	1.0	7.1%	15.0	-
Total	23,221.4	22,957.9	22,824.9	21,608.9	21,818.1	209.2	1.0%	(1,403.3)	-6.0%

Note: The figures above do not include grant-funded FTEs. Some differences in totals may appear due to rounding.

*Other includes the Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners.

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 111-112.

Salaries by Control Officer

The following chart compares adopted salary appropriations from FY2015 to FY2018 with the FY2019 proposed appropriations. In FY2019 the County will appropriate \$1.6 billion for salary expenditures, an increase of 3.9%, or \$60.1 million, from FY2018 adopted figures. The Health and Hospitals System will see the largest dollar increase in salary appropriations at \$33.2 million

¹¹⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 56.

¹¹¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 65.

¹¹² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 56.

¹¹³ This does not include grant-funded positions.

or 6.1%. This is followed by the Office of the Chief Judge, which will increase by \$11.6 million, or 7.3%, above the FY2018 adopted figures. The increase in salary expenditures under the Health System is tied to the planned hiring of an additional 246.4 FTEs to provide expanded healthcare services.¹¹⁴ The increase under the Office of the Chief Judge is primarily due to the increase in FY2018 adjusted appropriations of \$7.8 million and 178 FTE positions. These were reinstated following the negotiated settlement between the Chief Judge and Cook County that were eliminated in the FY2018 originally adopted budget.¹¹⁵

Salary appropriations under all control officers will increase over the five-year period beginning in FY2015, with the exception of the Recorder of Deeds, Clerk of the Circuit Court and Assessor's offices. The largest five-year dollar increase, aside from the Health System, is for the Offices Under the President, whose salary appropriations will increase by \$20.1 million or 11.4%. The two largest percentage increases over the five-year period will occur with the County Clerk and Treasurer, which will both increase by 13.1% over the five-year period.

Cook County Salaries by Control Officer for All Funds: FY2015-FY2019 (in \$ thousands)									
Control Officer	FY2015 Adopted	FY2016 Adopted	FY2017 Proposed	FY2018 Adopted	FY2019 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	\$ 175,767.8	\$ 180,302.3	\$ 187,980.7	\$ 189,504.5	\$ 195,818.3	\$ 6,313.8	3.3%	\$ 20,050.5	11.4%
Board of Commissioners	\$ 6,529.7	\$ 6,708.6	\$ 6,449.7	\$ 6,810.2	\$ 6,703.0	\$ (107.2)	-1.6%	\$ 173.3	2.7%
County Clerk	\$ 15,433.9	\$ 16,826.4	\$ 17,581.8	\$ 17,222.6	\$ 17,459.6	\$ 237.0	1.4%	\$ 2,025.7	13.1%
Recorder of Deeds	\$ 9,465.4	\$ 9,494.6	\$ 8,477.6	\$ 8,327.3	\$ 8,363.9	\$ 36.6	0.4%	\$ (1,101.5)	-11.6%
Treasurer	\$ 6,518.9	\$ 6,948.4	\$ 7,161.5	\$ 7,416.8	\$ 7,371.8	\$ (45.1)	-0.6%	\$ 852.9	13.1%
Sheriff	\$ 412,259.9	\$ 439,504.6	\$ 443,992.2	\$ 404,721.6	\$ 414,446.7	\$ 9,725.1	2.4%	\$ 2,186.8	0.5%
State's Attorney	\$ 93,542.2	\$ 96,895.7	\$ 98,409.4	\$ 97,406.3	\$ 99,290.0	\$ 1,883.7	1.9%	\$ 5,747.9	6.1%
Chief Judge	\$ 161,742.5	\$ 174,527.8	\$ 180,264.6	\$ 159,166.8	\$ 170,783.1	\$ 11,616.3	7.3%	\$ 9,040.6	5.6%
Clerk of the Circuit Court	\$ 83,696.7	\$ 86,165.9	\$ 86,854.2	\$ 81,116.7	\$ 78,598.5	\$ (2,518.2)	-3.1%	\$ (5,098.3)	-6.1%
Assessor	\$ 20,016.9	\$ 21,321.4	\$ 21,308.5	\$ 19,515.6	\$ 18,630.6	\$ (885.0)	-4.5%	\$ (1,386.3)	-6.9%
Other Elected Officials*	\$ 11,019.0	\$ 11,528.0	\$ 11,948.7	\$ 10,797.6	\$ 11,324.7	\$ 527.1	4.9%	\$ 305.7	2.8%
Health and Hospitals System	\$ 471,056.6	\$ 499,909.2	\$ 532,825.1	\$ 542,472.2	\$ 575,653.1	\$ 33,180.9	6.1%	\$ 104,596.4	22.2%
Cook County Land Bank	\$ -	\$ 828.5	\$ 1,106.5	\$ 1,118.6	\$ 1,223.5	\$ 104.9	9.4%	\$ 1,223.5	-
Total	\$1,467,049.6	\$1,550,961.5	\$1,604,360.5	\$1,545,596.7	\$1,605,666.7	\$ 60,070.0	3.9%	\$ 138,617.2	9.4%

Note 1: Some differences in totals may appear due to rounding.

Note 2: Does not include grant funds.

*Other includes the Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners.

Source: Cook County FY2019 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 113-116.

Personal Services Appropriations

The following chart compares the FY2015-FY2018 adopted budgets and FY2019 proposed budget for personal services appropriations to the total County operating budget, excluding grant funds. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employee's Medicare contributions and pensions.¹¹⁶ Also included are employee expenses such as training programs and travel expenses.¹¹⁷

Personal services appropriations are projected to increase by \$423.2 million, or 16.6% above the approved FY2018 budget to approximately \$3.0 billion in FY2019. Personal services appropriations will constitute 57.4% of the total operating budget in FY2019, up 1.1 percentage points from 56.3% in FY2018. The increase in personal services in FY2019 is partially due to

¹¹⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 4.

¹¹⁵ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 56

¹¹⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 261-262.

¹¹⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 60.

wage increases tied to recently negotiated labor agreements and the net increase in the number of FTEs in the Health Fund.¹¹⁸ FY2019 marks the highest year of the ratio of personal services appropriations to the operating budget in the past five years. Over the five-year period the ratio has increased by 2.6 percentage points. Its lowest point was at 49.7% in FY2016. Personal service appropriations are proposed to increase by \$1.0 billion, or 54.1%, while total operating funds expenditures will increase by \$1.7 billion, or 47.1%, over the five-year period.

Ratio of Personal Services Appropriations to Total General, Special Purpose and Health Funds Appropriations: FY2015-FY2019			
	Personal Services Appropriation	Total Operating Funds Expenditures	Personal Services as % of Total Operating Funds
FY2015 Adopted	\$ 1,932,097,098	\$ 3,527,952,201	54.8%
FY2016 Adopted	\$ 1,985,844,828	\$ 3,992,361,026	49.7%
FY2017 Adopted	\$ 2,089,321,180	\$ 4,143,932,691	50.4%
FY2018 Adopted	\$ 2,554,547,599	\$ 4,533,846,849	56.3%
FY2019 Proposed	\$ 2,977,703,709	\$ 5,188,121,922	57.4%

Note: Adopted appropriations are used because actual expenditures are not available. Figures do not include grant funds.

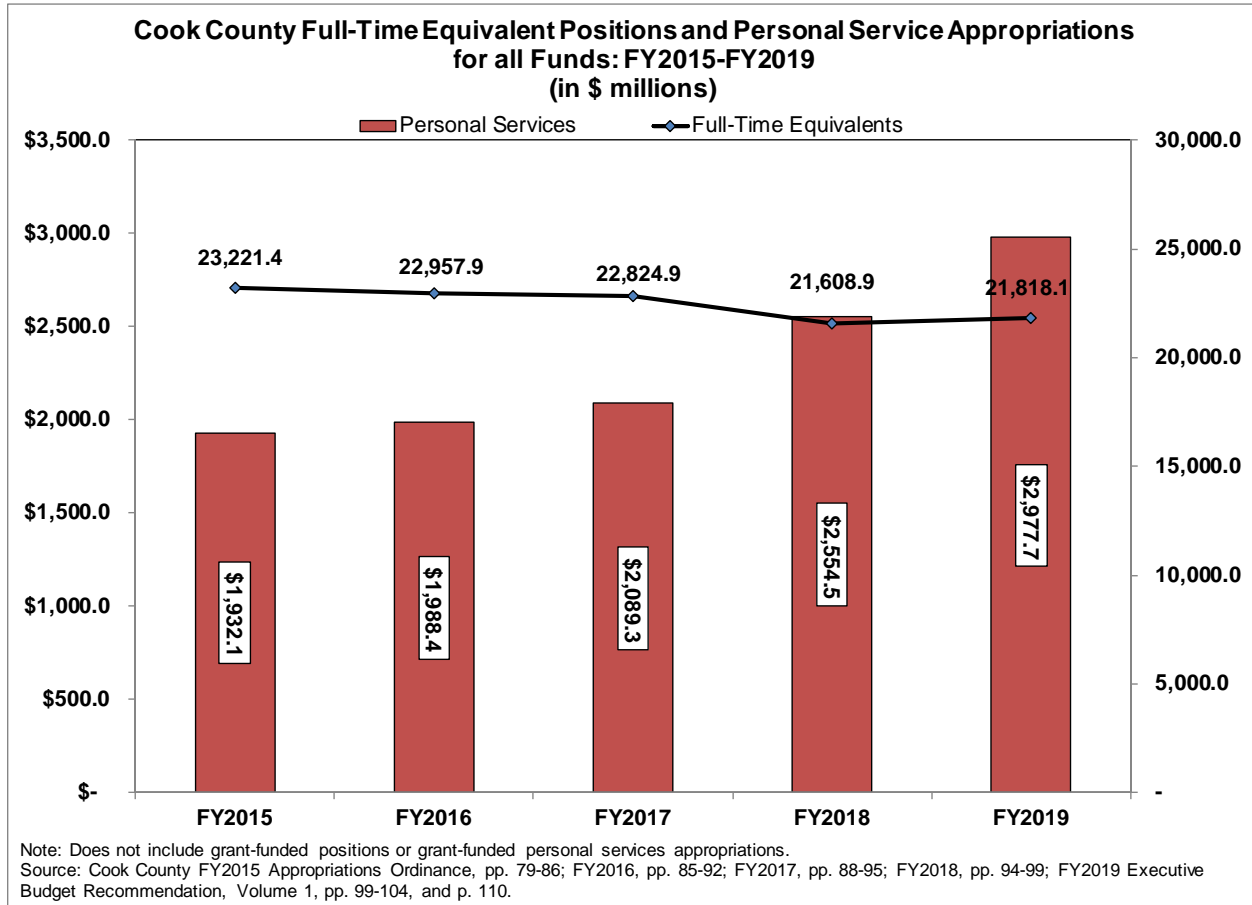
Sources: Cook County FY2015 Annual Appropriations Ordinance, p. 86; FY2016, p. 92; and FY2017, p. 95; FY2018, p. 99; and FY2019 Executive Budget Recommendations, Volume 1, p. 104.

The next exhibit shows total full-time equivalent positions and personal services appropriations for the five years between FY2015 and FY2019 for all funds, excluding grants. The proposed number of FTEs will decrease from 23,221.4 FTEs in FY2015 to 21,818.1 FTEs in the proposed FY2019 budget, a decrease of 6.0%, or 1,403.3 FTEs. At the same time, personal services appropriations will have increased by 54.0%, or \$1.0 billion from \$1.9 billion in FY2015 to just under \$3.0 billion in FY2019. Between FY2015 and FY2019 personal services appropriations have continued to steadily increase while FTE count has decreased. The increase in personal service appropriations over the five-year period is due to the County absorbing four years of retroactive wage increases tied to collective bargaining agreements beginning with a 1.0% increase in June 2013 and half a percentage point in both 2014 and 2015 plus an additional 2.0% cost of living adjustment that went into effect December 1, 2015.¹¹⁹ The County incurred

¹¹⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 4 and 8.

¹¹⁹ Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 58.

additional increases in its labor costs as a result of collective bargaining agreements for 2018-2020 that went into effect beginning in 2018.¹²⁰



¹²⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 8, 60, 62.

PUBLIC SAFETY

This section examines the recommended FY2019 budget of the Cook County Public Safety Fund. A separate section is devoted to public safety because it accounts for a large portion of Cook County's activities. The Public Safety Fund covers activities of the County's criminal justice system including the County Jail, the Juvenile Temporary Detention Center and the court system. More broadly, public safety also covers non-criminal administrative services such as the Medical Examiner, Homeland Security and Emergency Management and adoption services.

Public safety and criminal justice activities are budgeted primarily through the offices of five separate agencies:

- Sheriff;
- State's Attorney;
- Public Defender;
- Chief Judge; and
- Clerk of the Circuit Court

The Sheriff's Office operates the County Jail, which is the country's largest pretrial detention facility located at a single site.¹²¹ The Sheriff also provides security for all court facilities, which involves monitoring the safety of court officials and jurors; handling prisoners; and screening people entering courthouses. The Sheriff's Police Department provides police service to the unincorporated areas of Cook County and certain other jurisdictions.

The Cook County Circuit Court is the largest of the 24 judicial circuits in Illinois and the second largest unified court system in the world.¹²² The Office of the Chief Judge oversees all administrative functions of the courts. The Court had 391 judges in 2015, and approximately 1.1 million new cases were filed that year.¹²³ The Chief Judge also oversees the Juvenile Temporary Detention Center, which is the largest youth detention center in the United States, and the Pretrial Services program, which interviews defendants to help judges make bail decisions and monitors released defendants who are awaiting trial.

The Clerk of the Circuit Court is responsible for maintaining all court files and papers. Clerk's personnel attend court sessions to make records of proceedings and determinations. The Clerk also collects fines and fees for the Circuit Court.

The State's Attorney's Office prosecutes all misdemeanor and felony crimes committed in the County. It is the second largest prosecutor's office in the U.S., with more than 700 attorneys.¹²⁴ In addition to direct criminal prosecution, assistant State's Attorneys file legal actions to enforce

¹²¹ Cook County Sheriff website, http://www.cookcountysheriff.org/doc/doc_main.html (last accessed on November 14, 2017). Single-site facilities are distinguished from jail systems such as those in New York and Los Angeles that have multiple sites across their jurisdictions.

¹²² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 56.

¹²³ Illinois Supreme Court, Administrative Office of the Illinois Courts, *2015 Annual Report of the Illinois Courts*, pp. 14-15.

¹²⁴ Cook County State's Attorney website, <https://www.cookcountystatesattorney.org/about> (last accessed on October 19, 2018).

child support orders, protect consumers and the elderly and assist victims of sexual assault and domestic violence. The State's Attorney also serves as legal counsel for the government of Cook County.

The Office of the Cook County Public Defender provides legal services for clients who are not financially able to pay for private legal representation in pending criminal, child protection and delinquency matters. The Public Defender is one of the largest criminal defense firms in Cook County, with over 500 attorneys staffing courtrooms throughout the County.¹²⁵

Public Safety Budget Overview

As discussed in the Appropriations chapter of this report, Cook County's operations encompass several major funds. The bulk of public safety activities are accounted for within the Public Safety Fund, which is part of the County's General Fund. However, public safety activities and expenditures are also accounted for within special funds, restricted grant funds, fixed charges and capital funding. This section looks at Cook County's public safety activities by program area across all of these funds.

Public safety activities account for approximately a quarter of the County's operations. When including capital projects in total expenditures, public safety activities account for 23.1% of the total proposed FY2019 budget of \$5.9 billion.

The table below shows the total proposed FY2019 public safety appropriations within the public safety program area by fund. Total public safety program area appropriations of \$1.37 billion are proposed for FY2019.

The General Fund includes operations of the criminal justice offices including the Public Defender, Sheriff, State's Attorney, Chief Judge, Clerk of the Circuit Court, the Public Administrator and the Chief Administrative Officer. Public safety activities within the General Fund are projected to be \$1.14 billion in the FY2019 proposed budget, comprising 83.5% of total public safety appropriations.

The Sheriff's expenditures make up the largest portion of public safety spending at 42.7%, or \$584.4 million, followed by the Chief Judge at 18.7% or \$255.8 million. The Public Administrator and Chief Administrative Officer make up very small portions of public safety spending. The Public Administrator's Office investigates and administers the estates of individuals who die in Cook County without a will or known heirs and the Chief Administrative Officer runs the homeland security and emergency management system.¹²⁶

The County has numerous special purpose funds, which are funds that account for proceeds from specific revenue sources and are available for expenditure only for restricted purposes. These funds are intended to be self-balancing because they are primarily funded through designated

¹²⁵ Law Office of the Cook County Public Defender website, <https://www.cookcountypublicdefender.org/about> (last accessed on October 19, 2018).

¹²⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 252-253.

fees.¹²⁷ The offices of the Clerk of the Circuit Court, the Chief Judge, the Sheriff, State's Attorney and Public Defender utilize special purpose funds that charge fees for services such as records automation, court fees, Sheriff's 911 services, narcotics forfeiture and the children's waiting rooms at the courts. Special purpose funds within the public safety program area total \$35.7 million in FY2019. The largest special purpose funds are the Clerk of the Circuit Court's Document Storage Fund (\$9.4 million) and Automation Fund (\$10.5 million).¹²⁸ Public safety special purpose funds make up 2.6% of all public safety spending in the proposed FY2019 budget.

Restricted funds, or grants, are projected to total \$97.9 million in FY2019. The County receives grant funding from federal, State and private sources. About 40% of all of the County's grants support public safety programs.¹²⁹ The Public Defender, Sheriff, State's Attorney, Chief Judge and Clerk of the Circuit Court all receive grant funding. Grants will make up 7.2% of public safety spending in FY2019.

The FY2019 appropriations by program area for public safety include \$17.9 million in capital improvements, as shown in the following table. However, this only includes a portion of the total capital projects related to public safety. The County's FY2019 capital budget anticipates a total of \$123.9 million in public safety projects.¹³⁰ Projects include handicap accessibility improvements, security enhancements, jail division demolitions and repurposing, roof replacements and renovations at the Juvenile Temporary Detention Center.¹³¹ Public safety

¹²⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 7.

¹²⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 97.

¹²⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 47.

¹³⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 142.

¹³¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 142-144.

capital improvements will constitute 31.8% of all FY2019 proposed capital investments totaling \$459.0 million.¹³²

Additionally, the public safety program area will account for \$74.5 million in fixed charges. Fixed charges are fixed expenses that occur on a regular basis and include technology costs, utility costs and debt service costs.¹³³

Cook County FY2019 Appropriations within the Public Safety Program Area by Fund and Control Officer		
Control Officer / Fund	FY2019 Proposed	Percentage of Total
General Fund		
Public Defender	\$ 77,330,895	5.7%
Sheriff	\$ 584,402,729	42.7%
State's Attorney	\$ 125,503,590	9.2%
Chief Judge	\$ 255,772,609	18.7%
Clerk of the Circuit Court	\$ 96,747,653	7.1%
Public Administrator	\$ 1,318,240	0.1%
Chief Administrative Officer	\$ 1,388,815	0.1%
General Fund	\$ 1,142,464,531	83.5%
Special Purpose Funds	\$ 35,644,118	2.6%
Restricted (Grant) Funds	\$ 97,923,373	7.2%
Capital Improvement Fund	\$ 17,863,267	1.3%
Fixed Charges	\$ 74,481,848	5.4%
Total Public Safety	\$ 1,368,377,137	100.0%

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 92-98.

Public Safety Fund Appropriations

The following table presents appropriations within the Public Safety Fund by department between FY2015 and FY2019. The budget accounts for public safety-related programs slightly differently between the Public Safety Fund versus the public safety program area. The Public Safety Fund includes some programs that are not accounted for within the public safety program area classification.

Public Safety Fund appropriations are projected to be \$1.29 billion in FY2019, compared to \$1.25 billion in FY2018. This represents an increase of \$35.7 million, or 2.9%. However, Public Safety Fund spending has remained fairly flat compared to five years prior. The proposed FY2019 appropriations are only a \$6.4 million increase, or 0.5%, over FY2015 Public Safety Fund expenditures.

It is important to note that a portion of the changes in appropriations within each department over the five-year period is partially attributable to the County shifting fixed costs into the budgets of each department. Therefore, figures across the five-year period are not directly comparable.

¹³² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 118.

¹³³ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 58.

Fixed charges are fixed expenses that occur on a regular basis such as utilities, technology costs and debt service costs.¹³⁴ The largest shift in fixed charges to departmental budgets occurred between FY2016 and FY2017, when fixed charges costs decreased from \$258.7 million to approximately \$60.0 million, while many departmental budgets increased. Net of those changes, increases in departmental spending were also attributable to wage increases negotiated in collective bargaining agreements.¹³⁵ Overall, there was a net decrease in spending in the Public Safety Fund of \$7.6 million from FY2016 to FY2017.

Departments that fall within the Public Safety Fund cover a wide array of services. The Justice Advisory Council, Medical Examiner, Emergency Management Agency, Department of Adoption and Family Supportive Services and Department of Facilities Management all are Offices Under the President.

The Justice Advisory Council (JAC) is a program under the President's Office which provides grants to community organizations for recidivism reduction, violence prevention and restorative justice. In FY2019 the JAC will award \$4 million in grants to 20 organizations.¹³⁶ The proposed appropriation in FY2019 for Justice Advisory Council operations is \$713,571, a 19.8% increase over the FY2018 adopted appropriation and a 53.3% increase over the FY2015 actual expenditures.

The Emergency Management Agency handles the County's homeland security and emergency management system to ensure a strategy in the event of a terrorist attack or natural disaster. The department's Public Safety Fund appropriation is proposed at \$1.39 million in FY2019. This excludes grant-funded activities. The proposed FY2019 appropriation is a 44.8%, or \$1.1 million, decrease from FY2015 levels.

The Department of Adoption and Family Supportive Services appropriation proposed in FY2019 is \$980,828, is an increase of 51.2% since FY2015.

The Chief Judge's total budget increased by \$15.1 million between FY2018 and FY2019 from \$240.7 million to \$255.8 million. The Chief Judge filed a lawsuit against the County after the Board of Commissioners adopted an FY2018 budget calling for 150 layoffs in the Office of the Chief Judge to help close the budget gap left by the repeal of the sweetened beverage tax.¹³⁷ A settlement was reached on July 17, 2018. The settlement required the closure of four branch court locations, a transfer in authority for providing behavioral health services to minor residents at the Juvenile Temporary Detention Center to the Health and Hospitals System and closing the Court's community probation office.¹³⁸

¹³⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 58.

¹³⁵ In FY2017, the County budgeted for a 2% increase in spending net of fixed charges based on the full-year impact of negotiated wage settlements. Cook County FY2017 Executive Budget Recommendation, Volume 1, p. 62.

¹³⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 11.

¹³⁷ *Chicago Tribune*, "2 Cook County courthouses to close, employees spared layoffs under budget settlement: officials," July 18, 2018.

¹³⁸ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. K-6.

The table below shows the annual expenditures and appropriations within all departments in the Public Safety Fund.

Cook County Appropriations in the Public Safety Fund by Department: FY2015-FY2019									
Department/Control Officer	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Adopted	FY2019 Proposed	\$ Change FY2018-FY2019	% Change FY2018-FY2019	\$ Change FY2015-FY2019	% Change FY2015-FY2019
Justice Advisory Council	\$ 465,457	\$ 568,219	\$ 622,744	\$ 595,616	\$ 713,571	\$ 117,955	19.8%	\$ 248,114	53.3%
Medical Examiner	\$ 9,964,256	\$ 10,716,330	\$ 13,201,565	\$ 13,738,557	\$ 14,202,911	\$ 464,354	3.4%	\$ 4,238,655	42.5%
Emergency Management Agency	\$ 2,514,163	\$ 3,061,644	\$ 3,422,512	\$ 1,311,501	\$ 1,388,815	\$ 77,314	5.9%	\$ (1,125,348)	-44.8%
Department of Adoption & Family Supportive Services	\$ 648,768	\$ 659,552	\$ 905,907	\$ 908,564	\$ 980,828	\$ 72,264	8.0%	\$ 332,060	51.2%
Department of Facilities Management	\$ 45,083,353	\$ 44,061,727	\$ 52,367,144	\$ 53,342,705	\$ 55,212,531	\$ 1,869,826	3.5%	\$ 10,129,178	22.5%
Public Defender	\$ 60,172,258	\$ 65,189,505	\$ 73,762,796	\$ 75,530,289	\$ 77,330,895	\$ 1,800,606	2.4%	\$ 17,158,637	28.5%
Sheriff:									
Office of the Sheriff	\$ 4,139,657	\$ 2,284,845	\$ 2,444,499	\$ 2,025,219	\$ 2,780,527	\$ 755,308	37.3%	\$ (1,359,130)	-32.8%
Sheriff's Administration & Human Resources	\$ 11,577,483	\$ 8,931,563	\$ 26,599,136	\$ 27,810,910	\$ 32,579,707	\$ 4,768,797	17.1%	\$ 21,002,224	181.4%
Office of Professional Review, Professional Integrity & Special Investigations	\$ 4,105,095	\$ 5,822,562	\$ 7,925,202	\$ 7,427,675	\$ 3,676,395	\$ (3,751,280)	-50.5%	\$ (428,700)	-10.4%
Sheriff's Information Technology	\$ 4,842,206	\$ 16,925,182	\$ 11,432,801	\$ 9,069,103	\$ 16,536,299	\$ 7,467,196	82.3%	\$ 11,694,093	241.5%
Department of Corrections	\$ 338,391,359	\$ 337,128,570	\$ 394,258,983	\$ 363,419,841	\$ 363,274,089	\$ (145,752)	0.0%	\$ 24,882,730	7.4%
Sheriff's Merit Board	\$ 1,686,940	\$ 1,678,506	\$ 1,853,276	\$ 1,415,777	\$ 2,120,562	\$ 704,785	49.8%	\$ 433,622	25.7%
Court Services Division	\$ 83,965,226	\$ 84,738,347	\$ 100,812,349	\$ 96,117,471	\$ 100,699,321	\$ 4,581,850	4.8%	\$ 16,734,095	19.9%
Police Department	\$ 53,941,462	\$ 55,380,352	\$ 65,615,864	\$ 65,190,652	\$ 62,735,830	\$ (2,454,822)	-3.8%	\$ 8,794,368	16.3%
Total Sheriff	\$ 502,649,428	\$ 512,889,927	\$ 610,942,111	\$ 572,476,647	\$ 584,402,729	\$ 11,926,082	2.1%	\$ 81,753,301	16.3%
State's Attorney	\$ 100,316,687	\$ 105,618,756	\$ 122,773,006	\$ 122,229,716	\$ 125,503,590	\$ 3,273,874	2.7%	\$ 25,186,903	25.1%
Chief Judge:									
Office of the Chief Judge	\$ 37,527,714	\$ 38,770,727	\$ 42,026,996	\$ 40,680,015	\$ 43,679,626	\$ 2,999,611	7.4%	\$ 6,151,912	16.4%
Adult Probation Department	\$ 39,902,707	\$ 42,102,489	\$ 49,378,299	\$ 48,442,308	\$ 50,039,805	\$ 1,597,497	3.3%	\$ 10,137,098	25.4%
Public Guardian	\$ 17,636,263	\$ 17,794,541	\$ 21,350,119	\$ 21,255,752	\$ 21,530,186	\$ 274,434	1.3%	\$ 3,893,923	22.1%
Forensic Clinical Services	\$ 2,226,303	\$ 2,391,224	\$ 2,835,393	\$ 2,734,324	\$ 2,763,579	\$ 29,255	1.1%	\$ 537,276	24.1%
Social Service	\$ 10,409,310	\$ 9,465,538	\$ 12,757,925	\$ 11,715,056	\$ 14,181,923	\$ 2,466,867	21.1%	\$ 3,772,613	36.2%
Juvenile Probation	\$ 35,638,382	\$ 37,484,392	\$ 44,721,379	\$ 40,659,295	\$ 44,499,830	\$ 3,840,535	9.4%	\$ 8,861,448	24.9%
Judiciary	\$ 9,706,479	\$ 12,923,135	\$ 14,250,213	\$ 13,720,794	\$ 14,131,804	\$ 411,010	3.0%	\$ 4,425,325	45.6%
Juvenile Temporary Detention Center	\$ 54,537,019	\$ 58,929,108	\$ 68,450,700	\$ 61,462,380	\$ 64,945,855	\$ 3,483,475	5.7%	\$ 10,408,836	19.1%
Total Chief Judge	\$ 207,584,177	\$ 219,861,154	\$ 255,771,024	\$ 240,669,923	\$ 255,772,609	\$ 15,102,686	6.3%	\$ 48,188,432	23.2%
Clerk of the Circuit Court	\$ 79,841,975	\$ 81,047,128	\$ 100,785,018	\$ 95,044,437	\$ 96,747,653	\$ 1,703,216	1.8%	\$ 16,905,678	21.2%
Public Administrator	\$ 971,378	\$ 1,114,881	\$ 1,329,541	\$ 1,342,506	\$ 1,318,240	\$ (24,266)	-1.8%	\$ 346,862	35.7%
Fixed Charges	\$ 271,470,689	\$ 258,721,016	\$ 59,981,265	\$ 75,128,919	\$ 74,481,848	\$ (647,071)	-0.9%	\$ (196,988,841)	-72.6%
Total Public Safety Fund	\$ 1,281,682,589	\$ 1,303,509,839	\$ 1,295,864,633	\$ 1,252,319,380	\$ 1,288,056,220	\$ 35,736,840	2.9%	\$ 6,373,631	0.5%

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 73-74.

Public Safety Personnel

Public safety accounts for 12,647.3 full-time equivalent positions (FTEs), or 57% of the County's total 22,239 positions proposed for FY2019.

The next table presents FTEs by department across all public safety departments within both the Public Safety Fund and Special Purpose Funds for the five-year period from FY2015 to FY2019. Over that time, total public safety FTEs are projected to decrease by 11.7% or 1,678 FTEs from 14,325.7 FTEs in FY2015. The vast majority of proposed FY2019 positions, 12,448.2 or approximately 98%, are accounted for in the Public Safety Fund, while 199.1 positions are accounted for within Special Purpose funds.

The largest decreases in FTEs over a five-year period have occurred within the offices of the Sheriff, Chief Judge and Clerk of the Circuit Court.

While changes in the number of FTEs within the Sheriff's departments have fluctuated, the Sheriff will see an overall decrease in FTEs between FY2015 and FY2019 of 13.5%, or 913 FTEs, from a total of 6,748.2 FTEs in FY2015 to 5,835.0 in FY2019. The number of FTEs within the Department of Corrections decreased between FY2018 and FY2019 due to the closure of several divisions of the jail, which led to the elimination of 130 vacant correctional officer positions.¹³⁹ The Police Department and Office of Professional Review, Professional Integrity & Special Investigations both had reductions in FTE positions from FY2018 to FY2019, while the number of FTEs the Sheriff's Information Technology Department increased from 28.0 to 95.0 positions.

Total FTEs in the departments within the Chief Judge's Office declined by 9.7% or 305 FTEs from 3,150.9 FTEs in FY2015 to 2,845.9 FTEs in FY2019. As a result of budget cuts made after the repeal of the sweetened beverage tax, the County reduced the total number of FTE positions by 1,217.¹⁴⁰ The Chief Judge restored 154 of those positions as a result of the settlement with the County, resulting in a net increase in FTEs within departments under the Chief Judge of 156.5 FTEs from FY2018 to FY2019.

The Adult Probation Department, which operates under the Office of the Chief Judge, is requesting an additional 44.0 positions in FY2019. The Department plans to hire 34 new officers and 6 supervisors to respond to bail reform and expand pretrial operations.¹⁴¹

The Clerk of the Circuit Court's FTEs decreased by 17.4%, or 269.7 FTEs, in the five-year period from 1,546.5 FTEs in FY2015 to 1,276.8 in FY2019.

¹³⁹ Cook County FY2019 Budget Briefing, October 9, 2018.

¹⁴⁰ Cook County FY2018 Annual Appropriation Bill, Volume 1, p. 2.

¹⁴¹ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. K-14.

The number of FTE positions across all public safety departments are shown in the following table.

Cook County Full-Time Equivalents (FTE) by Fund and Department: FY2015-FY2019									
Department/Control Officer	FY2015	FY2016	FY2017	FY2018	FY2019	# Change FY2018- FY2019	% Change FY2018- FY2019	# Change FY2015- FY2019	% Change FY2015- FY2019
Public Safety Fund									
Justice Advisory Council	7.0	7.0	7.0	6.1	7.0	0.9	14.8%	0.0	0.0%
Medical Examiner	123.8	127.7	117.4	113.1	113.0	(0.1)	-0.1%	(10.8)	-8.7%
Emergency Management Agency	25.0	25.0	21.0	16.5	11.3	(5.2)	-31.5%	(13.7)	-54.8%
Department of Adoption & Family Supportive Services	11.0	11.0	11.0	10.0	10.0	0.0	0.0%	(1.0)	-9.1%
Department of Facilities Management	541.7	526.2	524.0	515.1	516.0	0.9	0.2%	(25.7)	-4.7%
Public Defender	699.0	693.0	679.0	676.4	685.0	8.6	1.3%	(14.0)	-2.0%
Sheriff:									
Office of the Sheriff	40.6	23.0	21.0	19.0	14.0	(5.0)	-26.3%	(26.6)	-65.5%
Sheriff's Administration & Human Resources	163.4	108.5	339.6	299.5	329.0	29.5	9.8%	165.6	101.3%
Office of Professional Review, Professional Integrity & Special Investigations	62.5	78.0	99.0	86.0	34.0	(52.0)	-60.5%	(28.5)	-45.6%
Sheriff's Information Technology	43.4	219.0	35.0	28.0	95.0	67.0	239.3%	51.6	118.9%
Department of Corrections	4,432.4	4,295.0	4,267.7	3,870.2	3,730.0	(140.2)	-3.6%	(702.4)	-15.8%
Sheriff's Merit Board	29.0	30.0	28.0	13.0	19.0	6.0	46.2%	(10.0)	-34.5%
Court Services Division	1,346.4	1,292.2	1,173.0	1,035.5	1,035.0	(0.5)	0.0%	(311.4)	-23.1%
Police Department	630.5	658.5	643.0	614.0	579.0	(35.0)	-5.7%	(51.5)	-8.2%
Total Sheriff	6,748.2	6,704.2	6,606.3	5,965.2	5,835.0	(130.2)	-2.2%	(913.2)	-13.5%
State's Attorney	1,161.0	1,149.1	1,134.2	1,126.1	1,133.2	7.1	0.6%	(27.8)	-2.4%
Chief Judge:									
Office of the Chief Judge	473.5	457.7	463.7	415.8	435.3	19.5	4.7%	(38.2)	-8.1%
Adult Probation Department	625.0	640.0	586.6	518.0	562.0	44.0	8.5%	(63.0)	-10.1%
Public Guardian	238.8	229.4	220.8	208.8	209.0	0.2	0.1%	(29.8)	-12.5%
Forensic Clinical Services	30.1	31.1	29.9	24.3	24.8	0.5	2.1%	(5.3)	-17.6%
Social Service	197.0	198.0	201.0	174.0	188.0	14.0	8.0%	(9.0)	-4.6%
Juvenile Probation	449.5	423.4	421.1	342.0	372.0	30.0	8.8%	(77.5)	-17.2%
Judiciary	437.0	437.0	437.0	437.0	437.0	0.0	0.0%	0.0	0.0%
Juvenile Temporary Detention Center	700.0	703.5	679.0	569.5	617.8	48.3	8.5%	(82.2)	-11.7%
Total Chief Judge	3,150.9	3,120.1	3,039.1	2,689.4	2,845.9	156.5	5.8%	(305.0)	-9.7%
Clerk of the Circuit Court	1,546.5	1,463.2	1,433.5	1,334.3	1,276.8	(57.5)	-4.3%	(269.7)	-17.4%
Public Administrator	18.0	17.0	17.0	15.0	15.0	0.0	0.0%	(3.0)	-16.7%
Subtotal Public Safety Fund	14,032.1	13,843.5	13,589.5	12,467.2	12,448.2	(19.0)	-0.2%	(1,583.9)	-11.3%
Special Purpose Funds									
Office of the Sheriff	16.0	18.0	18.0	18.0	18.0	0.0	0.0%	2.0	12.5%
State's Attorney	46.4	41.0	34.2	17.0	21.6	4.6	27.1%	(24.8)	-53.4%
Office of the Chief Judge	30.0	31.0	32.0	33.0	10.7	(22.3)	-67.6%	(19.3)	-64.3%
Clerk of the Circuit Court	201.2	185.0	176.2	142.6	148.8	6.2	4.3%	(52.4)	-26.0%
Subtotal Special Purpose Funds	293.6	275.0	260.4	210.6	199.1	(11.5)	-5.5%	(94.5)	-32.2%
Total Public Safety FTEs	14,325.7	14,118.5	13,849.9	12,677.8	12,647.3	(30.5)	-0.2%	(1,678.4)	-11.7%

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 108-110.

Criminal Justice Reforms

An initiative of the Cook County President has been to reduce the number of pretrial defendants held in the County Jail. The jail population has decreased from approximately 10,000 in 2012 to approximately 6,000 in 2018.¹⁴² The County reported that the reduction in the jail population would allow for the demolition of three jail divisions. The demolition of Divisions 3 and 17 have been completed; the Division 3 site is being converted into outdoor recreation space.¹⁴³ Demolition of Divisions 1 and 1A will begin in FY2019, which will result in savings on deferred

¹⁴² Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 11.

¹⁴³ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 144.

maintenance and the cost of maintaining those divisions.¹⁴⁴ The decrease in jail population has also allowed the Sheriff's Office to eliminate 130 vacant correctional officer positions, leading to decreased expenses associated with the elimination of those positions such as the cost uniforms and food.¹⁴⁵ It remains to be seen how significant the long-term savings from the demolitions will be.

Another potential area for reform and savings is within courtrooms. The Cook County Board of Commissioners approved a resolution in January 2018 calling for all of the Cook County public safety stakeholders to work together on a court utilization study to identify potential savings. The resolution stated there has been a significant decline in the number of court cases over the past ten years while the Cook County court houses will require \$25.3 million in repairs over the next ten years.¹⁴⁶ The National Center for State Courts is conducting the court utilization study, which was part of the agreed settlement between the Office of the Chief Judge and the County. No updates have been released yet.

¹⁴⁴ Cook County FY2019 Budget Briefing, October 9, 2018.

¹⁴⁵ Cook County FY2019 Budget Briefing, October 9, 2018.

¹⁴⁶ Cook County Board Resolution 17-6196.

COOK COUNTY HEALTH AND HOSPITALS SYSTEM

This section examines the recommended FY2019 budget of the Cook County Health and Hospitals System. A separate section is devoted to the Health System because it has its own Board of Directors and is accounted for as a separate fund in the County's budget.¹⁴⁷

Overview of the Health System

The Health System is one of the largest public hospital systems in the United States operated by a unit of local government.¹⁴⁸ It runs two hospitals—John H. Stroger, Jr. and Provident—and provides outpatient services at the Ambulatory and Community Health Network (ACHN), the Oak Forest Health Center and the Ruth M. Rothstein CORE Center, which serves patients with HIV/AIDS.

Other operations include Cermak Health Services and Juvenile Temporary Detention Center (JTDC) Health Services, which provide healthcare for adults held at the Cook County Jail and children detained by the County. The Cook County Department of Public Health is responsible for public health services in suburban Cook County.

As the largest provider of medical care to the uninsured and underinsured in the State of Illinois,¹⁴⁹ the Health System has historically struggled to cover its costs. The federal Affordable Care Act (ACA) dramatically improved the Health System's finances by providing Medicaid coverage for patients who were previously treated free of charge. The ACA paved the way for the creation of the System's Medicaid managed care plan, known as CountyCare, in 2013.

CountyCare is now the biggest Medicaid managed care plan in Cook County, with 335,107 members as of September 2018.¹⁵⁰ The plan jumped ahead of Blue Cross and Blue Shield of Illinois by acquiring two other Medicaid plans—Family Health Network and Aetna Better Health of Illinois—at the end of 2017. The acquisitions increased CountyCare membership by about 200,000¹⁵¹ and followed the State's decision to reduce the number of managed care plans authorized to serve Medicaid recipients.¹⁵² Illinois began moving most Medicaid clients into managed care plans in 2014.

¹⁴⁷ This section focuses on the Health Fund because it represents \$2.69 billion, or 99.3%, of the Health System's FY2019 recommended appropriations of \$2.71 billion. The Health System also administers \$15.9 million in grants and controls two Special Purpose Funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District, with total FY2019 proposed appropriations of \$5.2 million.

¹⁴⁸ Cook County FY2017 Comprehensive Annual Financial Report, November 30, 2017, p. 17.

¹⁴⁹ Cook County FY2017 Comprehensive Annual Financial Report, November 30, 2017, p. 17.

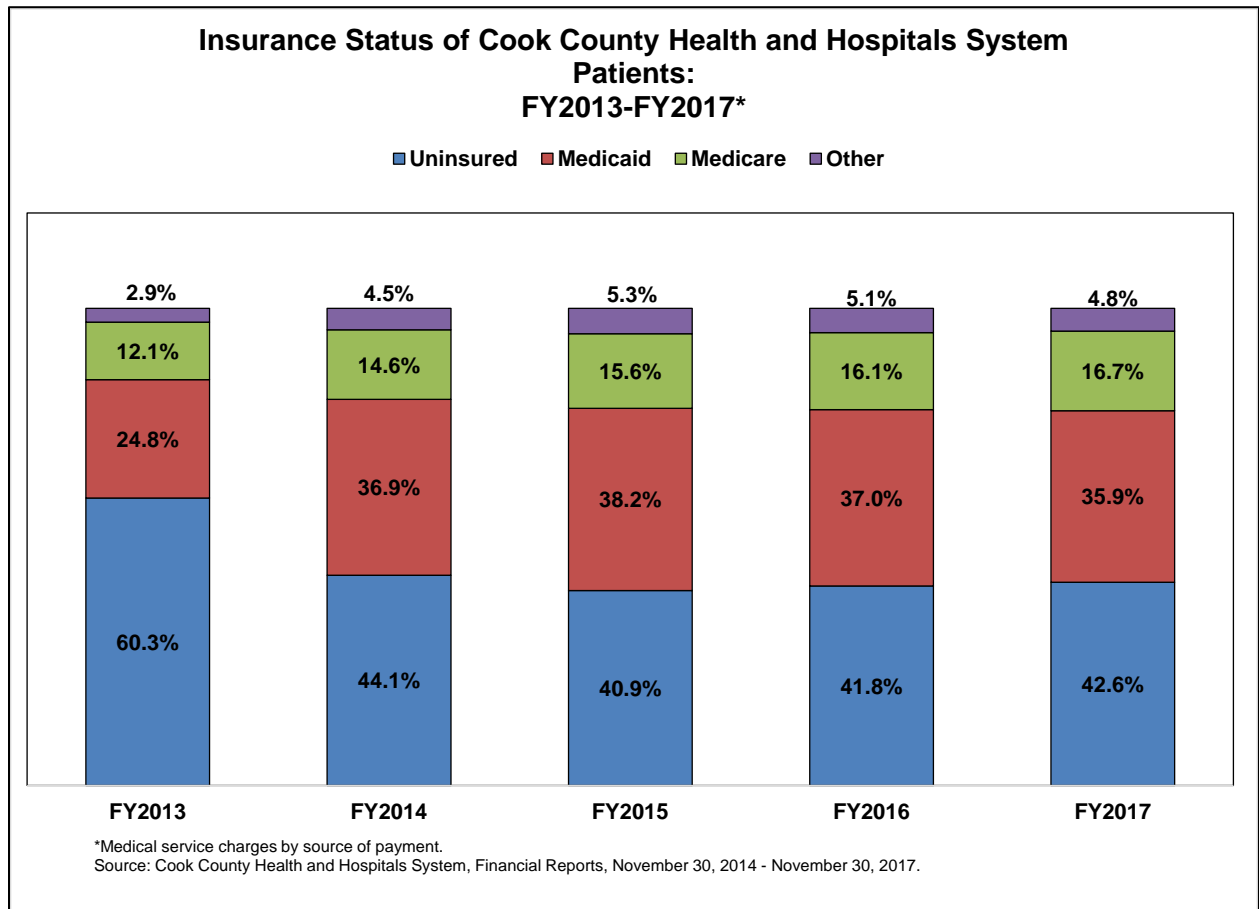
¹⁵⁰ Illinois Department of Healthcare and Family Services, HealthChoice Illinois Enrollments-September 2018, <https://www.illinois.gov/hfs/SiteCollectionDocuments/201809MCOEnrollmentReportforWebsite.pdf> (last accessed on October 20, 2018).

¹⁵¹ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 3, <http://www.cookcountyhhs.org/wp-content/uploads/2018/08/Item-VIA-Proposed-CCHHS-FY2019-Preliminary-Budget-08-24-18-final.pdf> (last accessed on October 15, 2018).

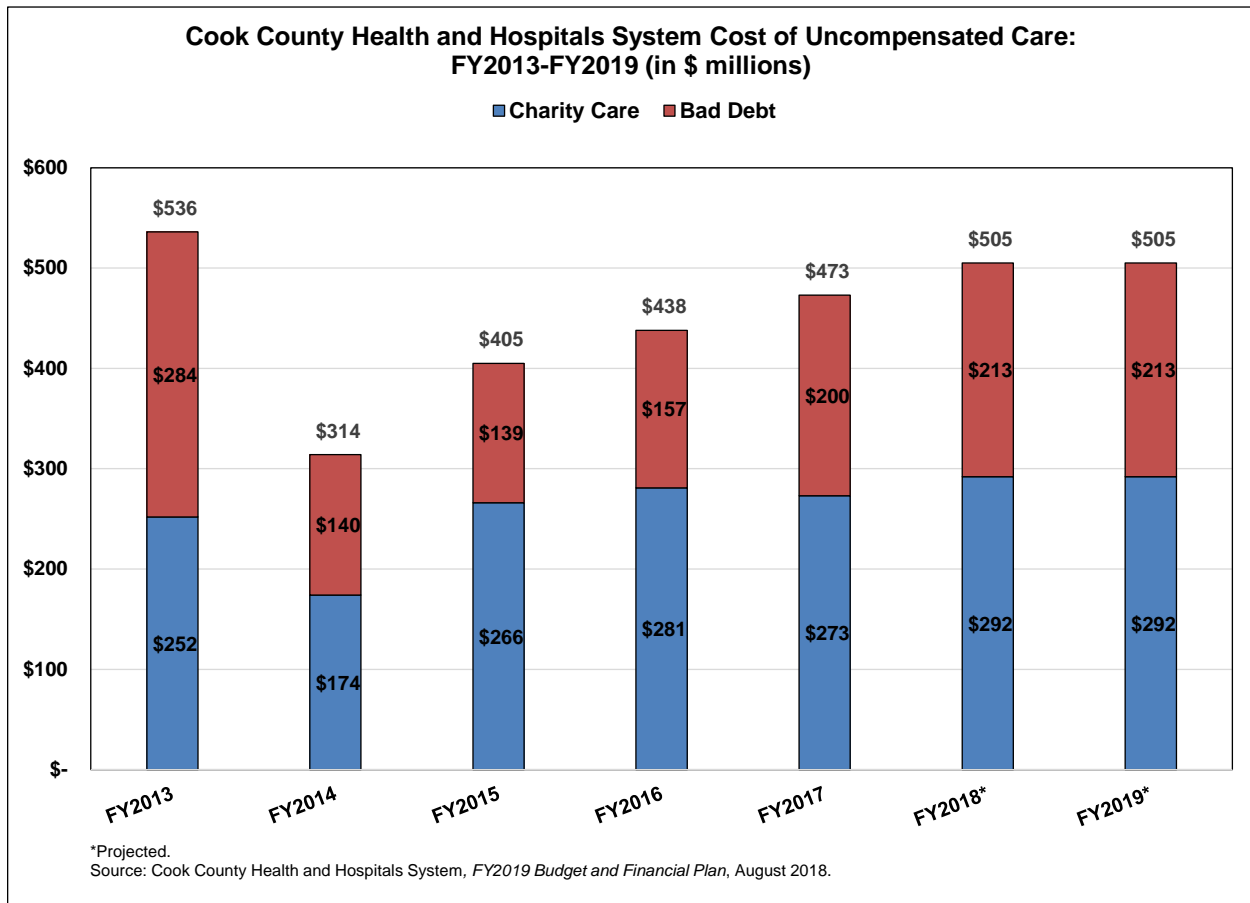
¹⁵² Illinois Department of Healthcare and Family Services, "HealthChoice Illinois launches January 1, focusing on whole-person health," *news release*, December 28, 2017, <https://www.illinois.gov/hfs/SiteCollectionDocuments/HealthChoiceLaunch.HFS.pdf> (last accessed on October 15, 2018).

Since the launch of CountyCare, the Health System has begun to see more insured patients than uninsured patients. Previously over half of the Health System’s patients were uninsured and generally did not pay for services.

The following chart shows the insurance status of Health System patients from FY2013 to FY2017, based on the share of medical charges assigned to each payment source. Due mainly to the increase in Medicaid coverage, the share of uninsured patients declined from 60.3% in FY2013 to 40.9% in FY2015, while the share of insured patients rose commensurately. The percentage of uninsured patients subsequently edged up to 42.6% in FY2017.



The increase in Medicaid coverage also led to an initial decrease in the Health System’s cost of uncompensated healthcare, which consists of free, or charity, care as well as bad debt—patients’ bills that cannot be collected. As shown in the next chart, uncompensated care declined from \$536 million in FY2013 to \$314 million in FY2014, as previously uninsured patients joined CountyCare. However, the decrease appears to have been short-lived. Uncompensated care rose to \$473 million in FY2017 and is projected to grow to \$505 million in FY2018 and remain flat in FY2019.¹⁵³



Health System officials have linked the recent increase in uncompensated care costs partly to unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the ACA.¹⁵⁴ Additionally, they have suggested that other hospitals are increasingly referring uninsured patients to the Health System.¹⁵⁵

Another factor has also come into play due to the advent of Medicaid managed care: claims denied by insurance companies. Before managed care, the Health System had little experience

¹⁵³ Cook County FY2017 Budget Briefing Presentation, October 13, 2016, p. 25.

¹⁵⁴ Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p.10, <http://www.cookcountyhhs.org/wp-content/uploads/2016/01/CCHHS-Strategic-Plan-2017-2019-Impact-2020-approved-07-29-16.pdf> (last accessed on October 15, 2018).

¹⁵⁵ Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p.10.

dealing with private insurance companies; uncollectible bills were generally attributed to needy patients who were not designated as uninsured because they did not sign up for the System's charity care program. Now the Health System has contracts with 20 different payers, including other managed care plans, and issued 1.3 million bills in 2017, up 57.6% from 853,000 in 2014.¹⁵⁶ Denied insurance claims are an issue for many hospitals,¹⁵⁷ but the problem is particularly acute for Illinois safety-net hospitals such as Stroger and Provident that only recently began seeking reimbursement from managed care organizations.¹⁵⁸

The Health System has not said how much of its bad debt cost is due to denied claims. However, Cook County's Inspector General issued a critical report in March 2018, stating that the System lost hundreds of millions of dollars in revenue in the prior three years due to claims denied because of faulty procedures and employee errors.¹⁵⁹ System officials have disputed the Inspector General's numbers but acknowledged the need for improvement and said changes have been underway as part of its current strategic plan.¹⁶⁰ Statistics issued monthly since the report was released show that the share of claims denied upon initial submission declined to 18% in September 2018¹⁶¹ from 42% in February 2018.¹⁶²

Even though the Health System has had its own Board of Directors since 2008, it needs approval from the Cook County Board of Commissioners for strategic plans and any moves to close hospitals. In September 2018, the County Board amended the System's enabling ordinance to require that it notify County officials before buying any hospitals or managed care organizations.¹⁶³ The amendment codified existing practice, according to Health System officials.¹⁶⁴ The County supplies the System's operating tax allocation and other funding, as described below, and the County Board approves its budgets, which are then incorporated into the Executive Budget Recommendation.

¹⁵⁶ Statement by Cook County Health and Hospitals System Chief Executive Officer Dr. John Jay Shannon at Cook County Finance Committee meeting on June 5, 2018.

¹⁵⁷ Jacqueline Belliveau, "Hospitals Write Off 90% More Claim Denials, Costing Up to \$3.5 M," *RevCycle Intelligence*, November 21, 2017.

¹⁵⁸ Kirsten Schorsch, "Fears, frustrations bubble up in hearing over Illinois Medicaid," *Crain's Chicago Business*, January 30, 2018.

¹⁵⁹ Cook County Office of the Independent Inspector General, *Bad Debt Expense Report*, March 22, 2018, [http://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG17-0421_\(Bad_Debt_Expense\).pdf](http://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG17-0421_(Bad_Debt_Expense).pdf) (last accessed on October 15, 2018). The March report put the revenue loss at \$265 million from FY2015 through FY2017, but a subsequent report amended the amount to \$165 million after accounting for contractual allowances. The Health System has said the actual total loss for the period is about \$106 million.

¹⁶⁰ Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p. 23.

¹⁶¹ Cook County Health and Hospitals System, Finance Committee Meeting, *Report from the CFO*, October 19, 2018, <http://www.cookcountyhhs.org/wp-content/uploads/2018/10/Item-V-Report-from-CFO-10-19-18.pdf> (last accessed on October 19, 2018).

¹⁶² Cook County Health and Hospitals System, Finance Committee Meeting, *Report from the CFO*, September 21, 2018, p. 7, <http://www.cookcountyhhs.org/wp-content/uploads/2018/09/Item-V-Report-from-CFO-revised-09-21-18.pdf> (last accessed on October 15, 2018).

¹⁶³ Cook County Code of Ordinance, Art. V, Sec. 38-80 (e).

¹⁶⁴ Cook County Health and Hospitals System, Board of Directors Meeting, *Report from CEO*, September 28, 2018, p. 3, <http://www.cookcountyhhs.org/wp-content/uploads/2018/09/Item-VII-Report-from-CEO-09-28-18.pdf> (last accessed on October 17, 2018).

In the County budget, the Health System has been shown as an enterprise fund rather than a component of the County's General Fund since FY2014. This designation mirrors the accounting classification used in the County's Comprehensive Annual Financial Report (CAFR) and is intended to emphasize the growing financial independence of the Health System.¹⁶⁵

Enterprise funds are used to account for government activities that are run on a business-like basis, charging fees to the public for the services consumed.¹⁶⁶ Activities accounted for through enterprise funds are typically expected to be self-supporting or nearly so.¹⁶⁷ Even though the Health System is not entirely self-supporting, maintaining such activities as enterprise funds provides useful information on the amount of subsidy required to support them.

Health System FY2019 Budget Assumptions

The Health System's FY2019 budget is based on average monthly CountyCare membership of 345,000, an increase of 10,000, or 3.0%, from an estimated average of 335,000 in FY2018.¹⁶⁸ CountyCare membership was initially budgeted at 225,000 in FY2018, up from about 141,000 in FY2017. The FY2018 budget assumed that CountyCare would gain members due to the State's decision to reduce the number of Medicaid managed care plans in the County to seven from eleven, but it did not reflect any acquisitions.¹⁶⁹ After CountyCare purchased the two managed care plans, the membership assumption was raised to 335,000 for FY2018.

Achieving the goal of 10,000 new CountyCare members in FY2019 depends in part on how the plan fares in competition with other Medicaid managed care plans during the upcoming open enrollment period. Open enrollment is the one time each year when a Medicaid beneficiary can change health plans.¹⁷⁰ Due to the restructuring of Medicaid managed care by the State, most recipients were offered the chance to switch plans beginning in January 2018 and will have another chance in January 2019. During the prior open enrollment period, CountyCare membership declined by more than 50,000 from a peak of 383,878 in January 2018.¹⁷¹

CountyCare membership is also affected by the recent overall decline in the number of Medicaid managed care members in Cook County. Since the beginning of 2018, total membership has

¹⁶⁵ Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 4.

¹⁶⁶ Steven A. Finkler, Robert M. Purtell, Thad D. Calabrese and Daniel L. Smith, *Financial Management for Public, Health, and Not-for-Profit Organizations* (Upper Saddle River, N.J.: Pearson Education Inc., 2013), p. 448.

¹⁶⁷ Robert L. Bland, *A Revenue Guide for Local Government* (Washington, D.C.: International City/County Management Association, 2010), p. 205.

¹⁶⁸ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 39.

¹⁶⁹ Cook County Health and Hospitals System, Managed Care Committee Meeting, *CountyCare Update*, August 17, 2017, pp. 16-19, <http://www.cookcountyhhs.org/wp-content/uploads/2017/09/08-17-17-Managed-Care-scan-Minutes.pdf> (last accessed on October 17, 2018). The number of Medicaid managed care plans will decline to six in January 2019, following the acquisition of Meridian Health Plan by WellCare Health Plans, which owns Harmony Health Plan of Illinois.

¹⁷⁰ Illinois Department of Healthcare and Family Services, *HealthChoice Illinois Open Enrollment Notice Mail Schedule*, <https://www.illinois.gov/hfs/SiteCollectionDocuments/HCIOpenEnrollmentMailScheduleFinal083118.pdf> (last accessed on October 19, 2018).

¹⁷¹ Illinois Department of Healthcare and Family Services, *Total Care Coordination Enrollment for All Programs*, <https://www.illinois.gov/hfs/MedicalProviders/cc/Pages/TotalCCEnrollmentforAllPrograms.aspx> (last accessed on October 20, 2018).

decreased by 85,674, or 7.4%, to 1.07 million from 1.16 million.¹⁷² Advocates have linked the drop to the State's increased efficiency in cancelling recipients' enrollment in the Medicaid program.¹⁷³ Earlier this year, the State automated the system for removing individuals from the Medicaid rolls if they fail to sign up on time; while cancellations occur promptly, renewals can be subject to lengthy delays while eligibility verification forms mailed to State offices are processed by hand.

The number of CountyCare members is critical to the Health System's budget because Medicaid managed care plans receive a flat monthly fee from the State for each member. The fee, known as a per member per month (PMPM) or capitation rate, varies by demographic characteristics, medical condition and other factors. The FY2019 budget assumes that rates negotiated with the State for 2019 will be the same as current rates.¹⁷⁴

Most of the PMPM revenue received by CountyCare does not remain in the Health System, although boosting the System's share is a key strategic goal.¹⁷⁵ CountyCare members can get medical services at the System's own facilities or at the other community clinics and hospitals in the plan's broad network. In the FY2019 budget, about 16% of CountyCare's budgeted medical spending is for services provided at the Health System itself; the remaining 84% of the payments go to other network healthcare providers.¹⁷⁶ The internal target for FY2019 is above the current share of about 11% so far in FY2018,¹⁷⁷ but below the FY2018 budgeted rate of about 18%.¹⁷⁸

The FY2019 budget is also based on an increase of 6% in surgical cases and 5% in primary and specialty care visits.¹⁷⁹ In FY2018 the Health System had assumed 10% increases in surgeries and primary care and specialty care visits,¹⁸⁰ but current projections for FY2018 show that specialty care visits will rise by about 6%, surgical cases will increase by 1% and primary care visits will decline by about 2%.¹⁸¹ The projected FY2019 increases are based on an expansion of services, including dental services, and the opening of new outpatient facilities. The nine-story, 282,000 square foot Central Campus Health Center near Stroger, which replaced the outdated Fantus Health Center, is scheduled to open before the end of this year.

¹⁷² Illinois Department of Healthcare and Family Services, *Total Care Coordination Enrollment for All Programs*.

¹⁷³ Illinois Department of Healthcare and Family Services, Minutes of the Medicaid Advisory Committee's Public Education Subcommittee Meeting, June 7, 2018, <https://www.illinois.gov/hfs/SiteCollectionDocuments/060718MACMeetingAgenda.pdf> (last accessed on October 19, 2018).

¹⁷⁴ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 23, 2018.

¹⁷⁵ Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 29, 2016, p. 19.

¹⁷⁶ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 13.

¹⁷⁷ Cook County Health and Hospitals System, Finance Committee Meeting, *Report from the CFO*, October 19, 2018.

¹⁷⁸ Cook County Health and Hospitals System, *FY2018 Proposed Budget and Financial Plan*, September 1, 2017, p. 21, <http://www.cookcountyhhs.org/wp-content/uploads/2016/12/Item-VIA-CCHHS-FY2018-Prelim-Budget-and-Financial-Plan-09-01-17.pdf> (last accessed on October 17, 2018).

¹⁷⁹ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 11.

¹⁸⁰ Cook County Health and Hospitals System, *FY2018 Proposed Budget and Financial Plan*, September 1, 2017, p. 12.

¹⁸¹ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 11.

Inpatient discharges—which measure activity at the Health System’s hospitals—are expected to be flat in FY2019. So far in FY2018, discharges are running at about 12% below the FY2017 level, which was also the target for the current year.¹⁸² System officials said the projected increase in primary care visits is expected to result in more referrals to the hospitals.¹⁸³

Emergency room visits are expected to grow by 6% in FY2019, after increasing by less than 1% in FY2018.¹⁸⁴ The entire increase in ER visits in FY2019 is expected at Provident, which plans to resume accepting patients who arrive by ambulance. The move comes eight years after the Health System ended ambulance runs at Provident as a cost-cutting measure.¹⁸⁵ As a result of the reversal, emergency visits to Provident are expected to increase by 8,556, or 28.3%, to 38,698 in FY2019 from 30,142 in FY2018, while ER visits to Stroger are projected to remain at the FY2018 level of about 114,302.¹⁸⁶ The change at Provident requires approval by the State and will necessitate the reopening of the hospital’s six-bed intensive care unit.¹⁸⁷

Health System Appropriations

The Health System’s proposed appropriations for FY2019 total \$2.7 billion, an increase of \$647.3 million, or 31.7%, from initially adopted appropriations of \$2.0 billion for FY2018. Actual spending in FY2018 is expected to be much higher, reflecting the additional revenue received as a result of the significant addition to CountyCare membership discussed above. After the FY2018 budget was adopted, the Health System’s appropriations were increased to \$2.5 billion, as authorized by an annual County budget resolution permitting CountyCare revenues in excess of the initially budgeted amount to be applied to CountyCare-related spending.¹⁸⁸

Proposed FY2019 appropriations for CountyCare (which is shown as Managed Care in the budget and the following tables) are \$1.5 billion, an increase from \$999.0 million in the initial FY2018 budget and \$1.4 billion in the adjusted FY2018 budget. In the budget, appropriations for CountyCare cover administrative costs of the plan and medical expenses outside the System; internal medical expenses related to CountyCare are shown in other areas of the Health System’s budget.

Stroger Hospital has FY2019 appropriations of \$739.2 million, an increase of \$73.0 million, or 11.0%, from the initial FY2018 level. Stroger accounts for about 59% of total System staffing, and the increased spending in FY2019 reflects additional personnel and raises under collective bargaining agreements, as well as investments in medical equipment and health information technology.¹⁸⁹ Stroger is establishing a cardiac electrophysiology lab, allowing it to provide in-house care for patients with complex cardiac rhythm conditions.

¹⁸² Cook County Health and Hospitals System, Committee Meeting, *Report from the CFO*, October 19, 2018.

¹⁸³ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 19, 2018.

¹⁸⁴ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 11.

¹⁸⁵ Associated Press, “Provident Hospital to reduce ER services,” *The Chicago Defender*, January 11, 2011.

¹⁸⁶ The FY2019 Executive Budget Recommendation, Volume 2, p. E-39, shows the number of ER visits at Provident increasing 6% to 31,951 in FY2019, but Health System officials said this was an error.

¹⁸⁷ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 19, 2018.

¹⁸⁸ Cook County FY2018 Appropriation Bill, Volume 1, Resolution, Sec. 31, p. 364.

¹⁸⁹ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-83.

Appropriations for Provident Hospital are \$53.5 million in FY2019, an increase of \$3.1 million, or 6.1%, from \$50.5 million in the initial FY2018 budget. The FY2019 budget assumes an expansion of surgeries at Provident, which currently uses only about half of its operating rooms.¹⁹⁰ Provident also plans to open an outpatient dialysis center, allowing the Health System for the first time to provide long-term dialysis services. Stroger currently offers dialysis but generally refers chronic patients elsewhere because its stations are too busy to accommodate them.¹⁹¹ The new dialysis center is expected to generate net income because most patients would be covered by Medicare.¹⁹² Lasik surgery, which is not covered by Medicaid or Medicare, is also being offered as a free benefit to CountyCare patients at Provident's eye clinic.¹⁹³

Appropriations for the 15-clinic ACHN increase by \$17.8 million, or 15.9%, to \$130.0 million from the initial FY2018 budget of \$112.2 million. The increase reflects higher personnel costs and increased expenses for professional services for behavioral health, information technology and capital purchases related to new and existing facility upgrades.¹⁹⁴

The ACHN budget includes clinical activities at the Oak Forest Health Center, which the Health System planned to relocate by the end of the first quarter of FY2019¹⁹⁵ due to high operational expenses and a site that is inconvenient for many Medicaid patients.¹⁹⁶ Budgeted appropriations for the Oak Forest center decline by \$7.9 million, or 77.6%, to \$2.3 million in FY2019 from \$10.1 million in the initial FY2018 budget. However, since the FY2019 budget was released the relocation has been delayed until the fiscal third quarter.¹⁹⁷ As a result, the Health System plans to offset continuing expenses at Oak Forest by proposing spending reductions in other areas.

Appropriations for the CORE Center rise by \$8.6 million, or 56.9%, to \$23.7 million in FY2019 from \$15.1 million in the FY2018 budget. The significant increase is attributed to the cost of drugs used to treat AIDS and Hepatitis-C.¹⁹⁸

The main budget change involving correctional health relates to the JTDC, where the Health System recently began to provide behavioral health services as part of the County's settlement of a budget dispute with the Chief Judge's Office. Due to the need for behavioral health staffing,

¹⁹⁰ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

¹⁹¹ Illinois Health Facilities and Services Review Board, *State Board Report*, November 14, 2017, p. 2, <https://www2.illinois.gov/sites/hfsrb/Projects/ProjectDocuments/2017/17-017/4.%2017-017%20Provident%20Hospital%20of%20Cook%20County%20ESRD%20Facility%20-%20Supplemental.pdf> (last accessed on October 18, 2018).

¹⁹² Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

¹⁹³ CountyCare website, *LASIK Surgery Now Covered*, <http://www.countycare.com/members/newbenefits> (last accessed on October 19, 2018).

¹⁹⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 63.

¹⁹⁵ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 10.

¹⁹⁶ Statement by Chief Executive Officer Dr. John Jay Shannon at Cook County Health and Hospitals System Board of Directors meeting on August 31, 2018.

¹⁹⁷ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 24, 2018.

¹⁹⁸ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E- 64.

appropriations for JTDC Health Services increase by \$3.2 million, or 70.1%, to \$7.7 million in FY2019 from \$4.5 million in the initial FY2018 budget.

Appropriations for Health System Administration decline by \$5.8 million, or 9.8%, to \$52.8 million in FY2019 from \$58.6 million in the initial FY2018 budget. Administrative staffing decreases because personnel are being shifted to other areas for better alignment with operations such as care integration and the patient call center.¹⁹⁹

The next table shows expenditures for FY2015 to FY2017, initial and adjusted appropriations for FY2018 and proposed appropriations for FY2019. Total FY2019 appropriations are up by \$1.2 billion, or 76.4%, from spending of \$1.5 billion in FY2015, due mainly to the growth of CountyCare and higher personnel costs. Appropriations for fixed charges and special purpose appropriations decline by \$87.7 million, or 72.6%, to \$33.0 million in the FY2019 budget from expenditures of \$120.7 million in FY2015 due to an accounting change. In FY2018, the largest component—health insurance—was shifted to departmental budgets as a personal service cost.²⁰⁰

Cook County Health and Hospitals System Expenditures and Appropriations by Department: FY2015-FY2019 (in \$ thousands)										
Department	FY2015 Exp.	FY2016 Exp.	FY2017 Exp.	FY2018 Initial Approp.	FY2018 Adj. Approp. ¹	FY2019 Proposed Approp.	Two-Year \$ Change ²	Two-Year % Change ²	Five-Year \$ Change	Five-Year % Change
Health System Administration	\$ 113,201.7	\$ 106,598.1	\$ 100,594.8	\$ 58,585.4	\$ 65,021.8	\$ 52,818.2	\$ (5,767.2)	-9.8%	\$ (60,383.5)	-53.3%
Cermak Health Services	\$ 54,819.1	\$ 60,529.3	\$ 64,568.0	\$ 85,257.8	\$ 84,767.3	\$ 87,312.2	\$ 2,054.4	2.4%	\$ 32,493.1	59.3%
JTDC Health Services	\$ 3,119.2	\$ 3,427.3	\$ 3,518.1	\$ 4,515.3	\$ 4,513.2	\$ 7,680.1	\$ 3,164.8	70.1%	\$ 4,560.9	146.2%
Provident Hospital	\$ 50,069.5	\$ 47,349.1	\$ 47,785.1	\$ 50,471.2	\$ 55,330.5	\$ 53,529.9	\$ 3,058.7	6.1%	\$ 3,460.4	6.9%
Ambulatory and Community Health Network	\$ 56,925.6	\$ 59,048.1	\$ 64,256.6	\$ 112,209.2	\$ 110,648.7	\$ 130,009.5	\$ 17,800.3	15.9%	\$ 73,083.9	128.4%
CORE Center	\$ 11,862.5	\$ 11,970.4	\$ 12,965.3	\$ 15,083.1	\$ 21,232.1	\$ 23,658.4	\$ 8,575.3	56.9%	\$ 11,795.9	99.4%
Department of Public Health	\$ 9,867.2	\$ 9,851.3	\$ 9,522.0	\$ 12,203.1	\$ 11,946.1	\$ 13,036.0	\$ 832.9	6.8%	\$ 3,168.8	32.1%
Managed Care ³	\$ 568,560.2	\$ 651,691.9	\$ 560,644.9	\$ 998,965.3	\$ 1,421,796.3	\$ 1,547,881.5	\$ 548,916.2	54.9%	\$ 979,321.3	172.2%
Stroger Hospital	\$ 525,453.2	\$ 553,516.4	\$ 585,037.5	\$ 666,208.7	\$ 700,003.7	\$ 739,232.6	\$ 73,023.9	11.0%	\$ 213,779.4	40.7%
Oak Forest Health Center	\$ 11,050.1	\$ 11,050.1	\$ 9,718.1	\$ 10,139.4	\$ 9,923.2	\$ 2,270.3	\$ (7,869.1)	-77.6%	\$ (8,779.8)	-79.5%
Fixed Charges and Special Purpose Appropriations	\$ 120,693.6	\$ 110,707.0	\$ 112,776.1	\$ 29,556.0	\$ 30,079.9	\$ 33,025.9	\$ 3,469.9	11.7%	\$ (87,667.7)	-72.6%
Total⁴	\$1,525,622.0	\$1,625,739.0	\$1,571,386.4	\$2,043,194.4	\$2,515,262.8	\$2,690,454.5	\$647,260.1	31.7%	\$ 1,164,832.5	76.4%

¹Initial FY2018 appropriations were adjusted during the year to reflect additional revenues related to increased CountyCare membership.

²Change from FY2018 initial appropriations to FY2019 proposed appropriations.

³Includes only managed care expenses for services provided outside the Health System; internal managed care expenses are included in department figures.

⁴Totals may not sum due to rounding.

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 74; Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-1.

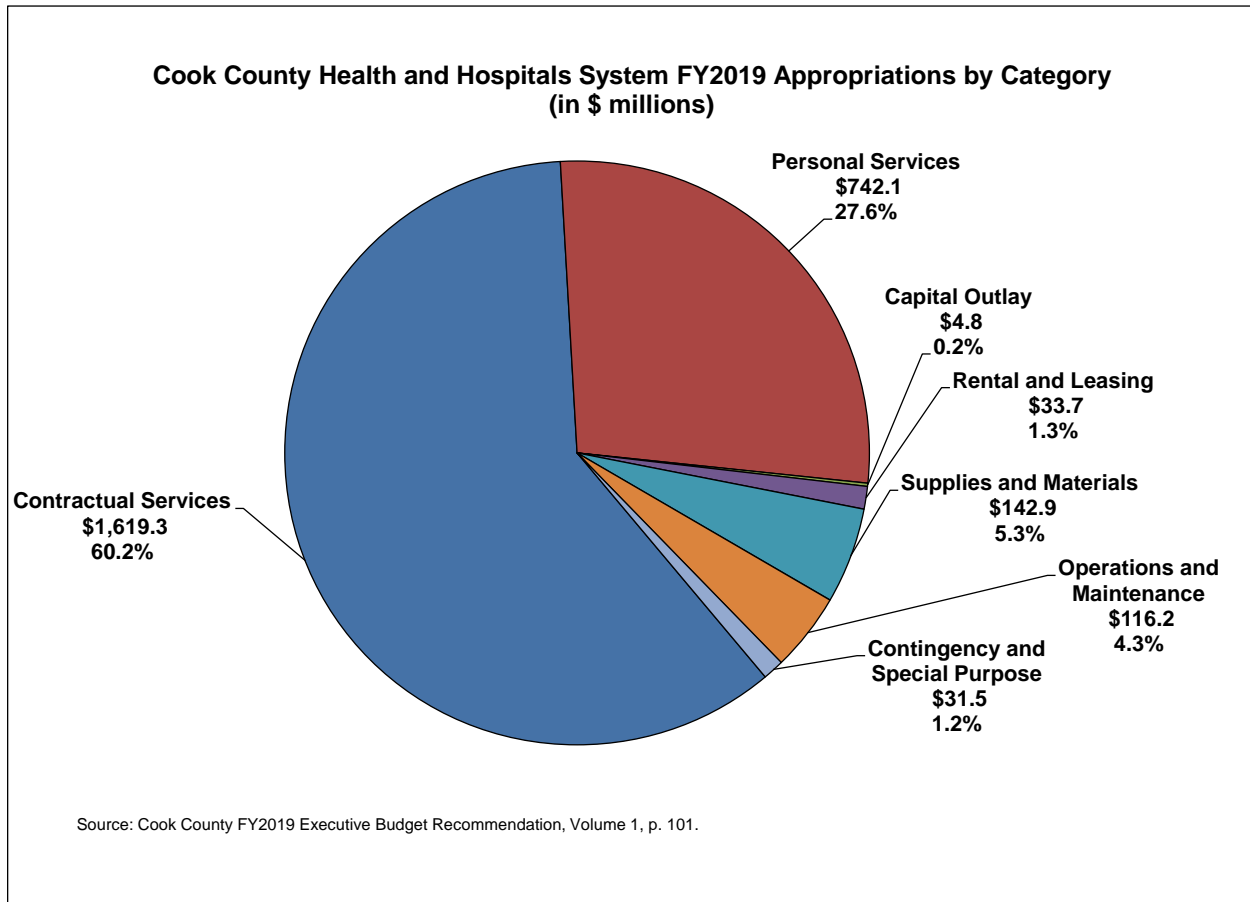
The following chart shows FY2019 Health System appropriations by category. As a result of CountyCare, which relies heavily on outside healthcare providers and administrators, contractual services has replaced personal services as the largest area of Health System spending. Contractual services account for 60.2% of appropriations in FY2019, up from 15.9% in FY2013.²⁰¹ Personal services represent 27.6% of FY2019 appropriations, compared with 64.7%

¹⁹⁹ Cook County FY2017 Executive Budget Recommendation, Volume 2, p. E-7.

²⁰⁰ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-4.

²⁰¹ Cook County FY2013 Appropriation Bill, Volume 1, pp. 30-31.

in FY2013. The third largest spending category is supplies and materials, at 5.3% of FY2019 appropriations.



Health System Resources

The Health System’s operating revenues come mainly from Medicaid, the joint federal-state program that finances healthcare services for low income people. The County bridges the gap between the System’s projected expenditures and operating revenues through a tax allocation that has recently consisted of revenues from property taxes, cigarette taxes and the short-lived sweetened beverage tax.

Health System Operating Revenues

Health System operating revenues are projected to increase by \$134.6 million, or 5.1%, to \$2.62 billion in FY2019 from a projected \$2.48 billion in FY2018. Before the increase in CountyCare membership due to the acquisition of two Medicaid managed care plans, System operating revenues had been estimated at \$1.97 billion.²⁰²

In FY2019 CountyCare revenues are budgeted at \$1.82 billion, an increase of \$66.9 million, or 3.7%, from currently projected FY2018 revenues of \$1.75 billion in FY2018. As previously

²⁰² Cook County FY2018 Appropriation Bill, Volume 1, p. 17.

discussed, the FY2019 revenue number is based on CountyCare membership of 345,000 and unchanged capitation rates. Rates are adjusted each year by the State based on actuarial cost studies. In mid-2017 State officials surprised the Health System by retroactively decreasing PMPM rates for 2016 and the first half of 2017.²⁰³ The changes were reflected in the FY2017 and FY2018 budgets, reducing revenues in those fiscal years by about \$36 million and about \$70 million, respectively.²⁰⁴

CountyCare's net impact on the Health System is estimated at \$283 million in FY2019.²⁰⁵ Net impact consists of the net profit or loss from CountyCare operations, as well as Health System billings to CountyCare for medical services. The projected impact depends both on increased membership and on the estimated share of CountyCare medical expenses provided at System facilities, as noted above.

Patient fee revenue not related to CountyCare is expected to increase by \$66.7 million, or 13.5%, to \$494.0 million in FY2019 from \$427 million in FY2018. This revenue generally consists of payments by Medicaid, Medicare and other managed care organizations whose members use Health System services. The projected increase in FY2019 is attributed to growth in hospital and clinic visits and administrative improvements that will result in a reduction in denied claims.²⁰⁶

The Health System also receives supplemental Medicaid payments—not tied to individual patient care—designed for hospitals that serve the poor. These payments, which are expected to be essentially unchanged in FY2019, consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).²⁰⁷

States make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid. The Health System began receiving DSH payments under an agreement with the State completed in mid-2009 that was retroactive to July 1, 2008. The ACA would have reduced annual DSH payments beginning in 2014, but the reductions have repeatedly been delayed by Congress—most recently through 2019.²⁰⁸

BIPA payments are provided under federal legislation that earmarks \$375 million annually to the Health System, which is the only public health system that meets the eligibility criteria specified in the law.²⁰⁹ Of that total, 65% goes to the State for its Medicaid program and 35% is kept by the Health System.

²⁰³ Statement by Chief Financial Officer Ekerete Akpan at the Cook County Health and Hospitals System's Finance Committee meeting on August 25, 2017.

²⁰⁴ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 18, 2018.

²⁰⁵ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 13.

²⁰⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 39.

²⁰⁷ Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2).

²⁰⁸ Katie Keith, "New Budget Bill Eliminates IPAB, Cuts Prevention Fund, and Delays DSH Payment Cuts," *Health Affairs Blog*, February 9, 2018.

²⁰⁹ Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

The following table shows actual operating revenues from FY2015 to FY2017, projected operating revenues for FY2018 and estimated operating revenues for FY2019. Over the five-year period, operating revenues increase by \$1.1 billion, or 73.2%, from \$1.5 billion in FY2015, largely because of CountyCare.

Cook County Health and Hospitals System Operating Revenues: FY2015-FY2019 (in \$ thousands)									
	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Projected	FY2019 Estimated	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Patient Fee Revenue	\$ 347,318.1	\$ 290,436.1	\$ 288,106.4	\$ 427,277.3	\$ 494,000.0	\$ 66,722.7	13.5%	\$ 146,681.9	42.2%
BIPA ¹	\$ 138,668.8	\$ 137,435.0	\$ 140,000.0	\$ 132,300.0	\$ 132,300.0	\$ -	0.0%	\$ (6,368.8)	-4.6%
DSH ²	\$ 157,709.6	\$ 157,278.3	\$ 156,986.9	\$ 155,556.2	\$ 156,700.0	\$ 1,143.8	0.7%	\$ (1,009.6)	-0.6%
Managed Care	\$ 859,295.6	\$ 868,162.9	\$ 816,435.7	\$1,754,814.3	\$1,821,749.6	\$ 66,935.3	3.7%	\$ 962,454.0	112.0%
Miscellaneous ³	\$ 8,005.8	\$ 8,118.6	\$ 18,000.8	\$ 13,205.1	\$ 13,000.0	\$ (205.1)	-1.6%	\$ 4,994.2	62.4%
Total⁴	\$ 1,510,997.9	\$ 1,461,430.9	\$ 1,419,529.9	\$ 2,483,152.9	\$ 2,617,749.6	\$ 134,596.7	5.1%	\$ 1,106,751.7	73.2%

¹Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

²Disproportionate Share Hospital payments.

³Includes Public Health Department fees and revenue from cafeteria, medical records, parking income and pharmacy service charges.

⁴Totals may not sum due to rounding.

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 20.

County Tax Allocation

In FY2019 the Health System's net operating tax allocation from the County is unchanged from FY2018 at \$72.7 million and consists entirely of property taxes.²¹⁰ Although this allocation is sometimes shown as \$102 million in the County budget,²¹¹ the net allocation is \$72.7 million because of offsetting annual pension contributions of \$29.3 million by the Health System beginning in FY2018.²¹²

It should be noted that the Health System's budget includes the Public Health Department and health services at the County Jail and the JTDC, which generate little or no revenue. In FY2019 combined appropriations for those operations total \$108.0 million.

The operating tax allocation for the Health System does not include County payments for System-related pension contributions and debt service. In FY2019 these additional County contributions to the Health System total \$287.2 million, consisting of \$150.5 million in statutorily required and supplemental pension payments and \$136.7 million in debt service payments.

²¹⁰ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 20.

²¹¹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 13.

²¹² Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 20 and 40.

The following table shows the County's tax allocation for the Health System from FY2015 through FY2019. While the direct operating allocation has declined significantly, total support has increased because of higher pension and debt service payments.

Cook County Tax Allocation to Cook County Health and Hospitals System: FY2015-FY2019 (in \$ thousands)									
	FY2015 Budget	FY2016 Budget	FY2017 Budget	FY2018 Budget	FY2019 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Operating Tax Allocation	\$ 164,000.0	\$ 121,235.2	\$ 111,500.0	\$ 72,704.9	\$ 72,704.9	\$ -	0.0%	\$ (91,295.1)	-55.7%
Net Statutory Pension Payments*	\$ 57,073.5	\$ 62,223.1	\$ 68,444.0	\$ 34,833.5	\$ 38,014.1	\$ 3,180.6	9.1%	\$ (19,059.4)	-33.4%
Supplemental Pension Payments	\$ -	\$ 85,880.9	\$ 116,294.1	\$ 107,150.6	\$ 112,501.4	\$ 5,350.8	5.0%	\$ 112,501.4	na
Debt Service Payments	\$ 94,515.8	\$ 110,221.7	\$ 115,903.7	\$ 122,017.8	\$ 136,741.2	\$ 14,723.4	12.1%	\$ 42,225.4	44.7%
Total**	\$ 315,589.3	\$ 379,560.9	\$ 412,141.7	\$ 336,706.8	\$ 359,961.6	\$ 23,254.8	6.9%	\$ 44,372.3	14.1%

*Excludes \$29.3 million paid by Health System in FY2018 and FY2019.

**Totals may not sum due to rounding.

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 40.

The County has historically financed the Health System's capital improvements. For the new Central Campus building, the County paid construction costs of about \$113 million, while the System itself provided approximately \$19 million for expenses including furniture, medical equipment, information technology and audio visual equipment.²¹³ Currently the Health System is expected to reimburse the County for all capital expenditures.²¹⁴

Despite the County's operating tax allocation, the Health System's financial results in the past few years have not always been positive. Following a surplus of \$149.3 million in FY2015 million, the System had deficits of \$59.7 million in FY2016 and \$68.2 million in FY2017. In general, expenditures have exceeded revenues because the System overestimated CountyCare revenues or patient fees. The following table shows the System's actual financial results on a budget basis from FY2015 to FY2017 and projected and estimated results for FY2018 and FY2019.

Cook County Health and Hospitals System Operating Results FY2015-FY2019 (in \$ thousands)					
	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Projected	FY2019 Estimated
Operating Revenues	\$ 1,510,997.9	\$ 1,461,430.9	\$ 1,419,529.9	\$ 2,483,152.9	\$ 2,617,749.6
Expenditures	\$ 1,525,622.0	\$ 1,642,329.0	\$ 1,591,680.8	\$ 2,553,518.6	\$ 2,690,454.5
Operating Surplus (Deficit)	\$ (14,624.1)	\$ (180,898.1)	\$ (172,150.9)	\$ (70,365.7)	\$ (72,704.9)
County Operating Tax Allocation*	\$ 163,931.2	\$ 121,235.2	\$ 103,948.7	\$ 72,704.9	\$ 72,704.9
Surplus (Deficit)	\$ 149,307.2	\$ (59,662.9)	\$ (68,202.1)	\$ 2,339.2	\$ -

*Does not include County pension contributions and debt service payments.

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 20.

Health System Personnel

The proposed FY2019 Health System budget includes 7,141.1 full-time equivalent positions (FTEs), a net increase of 246.4 FTEs, or 3.6%, from 6,894.7 in FY2018.²¹⁵ Personnel

²¹³ Cook County Health and Hospitals System, *Central Campus Health Center Update*, January 26, 2018, <http://www.cookcountyhhs.org/wp-content/uploads/2018/03/01-26-18-Board-scan-Minutes.pdf> (last accessed on October 23, 2018).

²¹⁴ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

²¹⁵ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 109.

appropriations (including overtime wages and health insurance expenses, but not pension contributions) rise to \$742.1 million in FY2019, an increase of \$40.7 million, or 5.8%, from FY2018 appropriations of \$701.4 million.²¹⁶ The County has not specified how much of the increase in personnel expenditures is due to additional staff and how much is related to raises for existing employees under collective bargaining agreements.

Staffing for CountyCare more than doubles in FY2019 to 449.2 FTEs from 179.0. The Health System attributed the increase to moving care coordination personnel in-house and shifting workers at the patient call center from Administration to the health plan.

Stroger's FTEs increase by 111.5, or 2.7%, to 4,230.5, partly due to additional doctors and physician assistants and the relocation of support staff from Administration. The FY2019 budget also increases the number of environmental service workers at the hospital and nearby Central Campus Health Center. Patient dissatisfaction about Stroger's cleanliness has been a persistent problem for the Health System.²¹⁷

Provident's staffing increases by 46.6 FTEs, or 14.2%, to 374.6. Additional medical and support personnel are proposed to accommodate expanded surgery and emergency room services and to staff the reopened intensive care unit and new dialysis center.²¹⁸

In correctional health, staffing at the JTDC is nearly doubled to 97.0 FTEs due to the Health System's assumption of behavioral health services at the detention facility. A decrease of 21.0 FTEs at Cermak to 632.0 was attributed to a reduction in vacancies and the elimination of positions that had been double-counted.²¹⁹ Staffing at Cermak has increased from 486.5 in FY2010 to meet the terms of a federal consent decree, which was dissolved in June 2018.²²⁰

Oak Forest Health Center's FTEs decline by 53.0, or 80.3%, to 13.0, reflecting the proposed exit from the site in early 2019. As previously discussed, the clinic's medical personnel are shown in the ACHN budget; remaining Oak Forest jobs are held by facility operations and maintenance personnel who will be relocated to vacant posts elsewhere.²²¹ After the budget was released, the move was delayed until the third quarter of FY2019; the Health System intends to propose offsetting savings in other areas to make up for continuing expenses at Oak Forest.²²²

²¹⁶ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-4.

²¹⁷ Cook County Health and Hospitals System, *CCHHS Board of Directors Quality and Patient Safety Committee Dashboard Overview*, September 21, 2018, <http://www.cookcountyhhs.org/wp-content/uploads/2018/09/Item-IIIB-Metrics-09-21-18.pdf> (last accessed on October 24, 2018).

²¹⁸ Cook County FY2019 Executive Budget Recommendation, Volume 2, pp. E-37 to E-38.

²¹⁹ Communication between the Civic Federation and the Cook County Health and Hospitals System, October 19, 2018.

²²⁰ Rachel Hinton, "Federal oversight of Cermak Health Services Dissolved," *Chicago Sun-Times*, June 30, 2018.

²²¹ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

²²² Communication between the Civic Federation and the Cook County Health and Hospitals System, October 24, 2018.

The following table shows Health System FTEs from FY2015 to FY2019.

Cook County Health and Hospitals System FTEs: FY2015-FY2019									
	FY2015 Adopted	FY2016 Adopted	FY2017 Adopted	FY2018 Adopted	FY2019 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Health System Administration	411.8	485.0	503.0	504.7	367.0	(137.7)	-27.3%	(44.8)	-10.9%
Cermak Health Services	617.0	609.0	637.5	653.0	632.0	(21.0)	-3.2%	15.0	2.4%
JTDC Health Services	37.0	35.0	38.0	33.0	65.0	32.0	97.0%	28.0	75.7%
Provident Hospital	385.0	354.0	339.0	328.0	374.6	46.6	14.2%	(10.4)	-2.7%
Ambulatory and Community Health Network	858.2	775.0	847.0	828.0	831.8	3.8	0.5%	(26.4)	-3.1%
CORE Center	75.0	78.0	78.0	74.0	75.0	1.0	1.4%	0.0	0.0%
Department of Public Health	125.0	123.0	108.0	110.0	103.0	(7.0)	-6.4%	(22.0)	-17.6%
Managed Care	30.0	23.0	99.0	179.0	449.2	270.2	150.9%	419.2	1397.3%
Stroger Hospital	4,097.6	4,154.7	4,133.4	4,119.0	4,230.5	111.5	2.7%	132.9	3.2%
Oak Forest Health Center	110.0	99.0	82.0	66.0	13.0	(53.0)	-80.3%	(97.0)	-88.2%
Total	6,746.6	6,735.7	6,864.9	6,894.7	7,141.1	246.4	3.6%	394.5	5.8%

Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, p.109.

There were 725 Health System vacancies at the end of September 2018, in line with the goal of keeping the number below 750.²²³ The vacancies are accounted for in the budget by a turnover adjustment, which is a deduction from salaries to reflect reduced expenditures on vacant positions. The turnover adjustment for FY2019 is \$66.6 million, or 10.4% of total salaries of \$641.0 million.²²⁴

Partly as a result of the large number of vacancies, the Health System has been unable to meet its goals for reining in overtime pay. Overtime expenses are currently running at 7.5% of gross salary, compared with a budget goal of 5.0% and an industry benchmark of 2%.²²⁵ Overtime was budgeted at \$36.2 million in FY2018²²⁶ but is expected to cost about \$45 million, the same amount as in FY2016 and FY2017.²²⁷ The FY2019 budget has overtime expenses of \$35.8 million.²²⁸

²²³ Cook County Health and Hospitals System, Human Resources Committee, *Report from Interim Chief HR Officer*, October 18, 2018, p. 17, <http://www.cookcountyhhs.org/wp-content/uploads/2018/10/Item-IV-Report-from-Interim-Chief-Human-Resources-Officer-10-18-18.pdf> (last accessed on October 24, 2018).

²²⁴ Civic Federation calculations based on Cook County FY2019 Executive Budget Recommendation, pp. E-1 to E-137.

²²⁵ Cook County Health and Hospitals System, *Report from the CFO*, October 19, 2018.

²²⁶ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-4.

²²⁷ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018; Cook County Government, *Performance Based Management and Budget FY2017 Annual Report*, May 7, 2018, p. 15.

²²⁸ Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-4.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.²²⁹ Fund balance is an important indicator of financial stability for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities that are not legally restricted from use. It is a more measure of liquidity than of net worth.²³⁰ Fund balance can be thought of as the savings account of the local government.

This section discusses Cook County's fund balance levels based on the most recent audited data from the County's FY2017 Comprehensive Annual Financial Report.

Components of Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) sets guidelines for government reporting of fund balance in audited financial statements. Previously, governments reported fund balance in two categories: *reserved*, meaning not available for appropriation, and *unreserved*, or resources available for appropriation without any external legal restrictions or constraints.²³¹ GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to fund balance classifications that place different levels of constraint on the use of the resources.²³²

GASB Statement No. 54 created five components of fund balance that indicate the extent to which resources are restricted from use. 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

²²⁹ Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

²³⁰ Stephen J. Gauthier, *The New Fund Balance*, Chicago: GFOA, 2009, p. 34.

²³¹ Steven Gauthier, "Fund Balance: New and Improved," *Government Finance Review*, April 2009.

²³² Governmental Accounting Standards Board, *Summary of Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions* (issued February 2009).

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.²³³

The Civic Federation’s analysis of Cook County’s fund balance focuses on the three fund balance classifications that make up *unrestricted* fund balance: *committed*, *assigned* and *unassigned* fund balance.

Cook County Financial Policy and GFOA Best Practices

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.”²³⁴ Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller reserve may be appropriate for the largest governments in the United States. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.²³⁵

Cook County has a financial reserve policy to maintain “an unassigned fund balance in the General Fund of no less than one month, with a targeted goal not to exceed two months, of the prior year audited General Fund operating expenditures.”²³⁶ If the unassigned fund balance drops below the level equal to one month of audited General Fund expenditures, the policy directs the County to develop a plan to replenish the fund balance and incorporate the plan into budget preparation.²³⁷

Cook County General Fund Unrestricted Fund Balance Ratio FY2011-FY2017

Cook County began reporting fund balance according to GASB Statement No. 54 in FY2011. This section presents an analysis of Cook County’s unrestricted fund balance for years FY2011 through FY2017. Again, unrestricted fund balance includes the classifications of committed, assigned and unassigned fund balance in the General Fund.

The General Fund is Cook County’s principal operating fund. Cook County’s General Fund consists of four accounts: Corporate, Public Safety, Self-Insurance and the Chief Judge Juvenile Justice Account.²³⁸ The table below shows the County’s General Fund fund balance ratio as a percentage of General Fund operating expenditures.

²³³ Stephen J. Gauthier, “Fund Balance: New and Improved,” Government Finance Review, April 2009.

²³⁴ Government Finance Officers Association, Fund Balance Guidelines for the General Fund (Adopted September 2015).

²³⁵ Government Finance Officers Association, Fund Balance Guidelines for the General Fund (Adopted September 2015).

²³⁶ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 231.

²³⁷ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 231.

²³⁸ Cook County FY2015 Comprehensive Annual Financial Report, p. 8. The General Fund does not include the Cook County Health and Hospitals System. For the first time, the FY2014 budget separated the Health Fund from

Between FY2011 and FY2017, Cook County's unrestricted General Fund fund balance ratio fluctuated from 14.2% in FY2011 to a low of 4.4% in FY2014, increasing to a high of 15.9% in FY2017. The decrease in fund balance to \$62.5 million in FY2014, a ratio of 4.4% of operating expenditures, was due to several factors: the General Fund absorbed a negative balance of \$15.3 million in the Juvenile Justice Fund when the fund was reclassified; there was a revenue shortfall of \$36.0 million in the Office of the Sheriff due to overtime expenses and a \$15.0 million shortfall in the Office of the Circuit Court Clerk; and the County used \$12.0 million to offset a shortage of payments from the State.²³⁹

The unrestricted fund balance increased to \$99.3 million in FY2015, due largely to revenue increases from non-property taxes (including the Sales Tax, Use Tax, Gasoline Tax, Cigarette Tax, Amusement Tax, Non-Retailer Transaction Use Tax, and Parking Lot and Garage Operation Tax) and a reallocation of Cigarette Taxes to the General Fund from the Health Enterprise Fund.²⁴⁰ The fund balance increased again both in FY2016 to a ratio of 11.4% of General fund expenditures, and to 15.9% of General Fund expenditures in FY2017. The increase in FY2016 was due to increased revenues, primarily from an increase in the sales tax rate implemented in FY2016, as improved vehicle sales.²⁴¹ The increase in FY2017 was primarily

the General Fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures.

²³⁹ Communication with Cook County Bureau of Finance, October 30, 2015.

²⁴⁰ Cook County FY2015 Comprehensive Annual Financial Report, p. 20.

²⁴¹ Cook County FY2016 Comprehensive Annual Financial Report, p. 19.

due to increased sales tax revenue, compliance initiatives resulting in increased revenue from a number of other non-property taxes and more timely payments from the State of Illinois.²⁴²

Cook County Unrestricted General Fund Fund Balance Ratio: FY2011 - FY2017			
	Unrestricted General Fund Balance	General Operating Expenditures	Ratio
FY2011	\$ 197,104,388	\$ 1,386,073,338	14.2%
FY2012	\$ 194,691,967	\$ 1,334,180,931	14.6%
FY2013	\$ 129,926,749	\$ 1,335,220,403	9.7%
FY2014	\$ 62,503,592	\$ 1,430,325,176	4.4%
FY2015	\$ 99,323,337	\$ 1,472,330,244	6.7%
FY2016	\$ 183,433,217	\$ 1,615,046,369	11.4%
FY2017	\$ 265,415,671	\$ 1,671,283,599	15.9%

Note: The ending fund balance reported in the FY2013 CAFR was \$143.5 million; however, the beginning fund balance reported for FY2014 was \$129.9 million. The reason for the difference was the reclassification of a Juvenile Justice Fund Fund that had a deficit position into the General Fund and collapsing the associated Special Revenue Fund \$15.3M.

Source: Cook County, Comprehensive Annual Financial Reports, FY2011, pp. 29 & 32; FY2012, pp. 30 & 33; FY2013, pp. 31 & 33; FY2014, pp. 29 & 32; FY2015, pp. 29 & 32; FY2016, pp. 28 & 31; FY2017, pp. 29 & 32; and communication with the Office of Budget and Management Services, October 30, 2015.

Cook County's FY2017 unrestricted fund balance of \$265.4 million, equivalent to 15.9% of General Fund expenditures, comes very close to meeting the GFOA's recommendation of maintaining reserves approximately equal to 17% of operating expenditures. According to the County's own financial reserve policy, the County must maintain an unassigned reserve of between one and two months' worth of unassigned reserves. In FY2017, the unassigned portion of the General Fund unrestricted fund balance equaled \$202.2 million, or 12.1% of operating expenditures. Therefore, the County met its own fund balance policy in FY2017.

COOK COUNTY PENSION FUND

The Civic Federation analyzes four indicators of the fiscal health of Cook County's 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 up to FY2017, the most recent year for which audited data are available, and describes Cook County pension benefits. 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.

²⁴² Cook County FY2017 Comprehensive Annual Financial Report, pp. 19-20.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.²⁴³ Plan benefits and contribution amounts can only be amended through State legislation.²⁴⁴ The fiscal year of the Cook County pension fund is January 1 to December 31.²⁴⁵

The Cook County pension fund is governed by a nine-member Board of Trustees.²⁴⁶ As prescribed in State statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

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 new members of the Cook County pension fund.²⁴⁷ 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.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80.0% of final average salary. For example, a 60 year-old employee with 30 years of service and a \$78,000 final average salary could retire with a \$56,160 annuity: $30 \times \$78,000 \times 2.4\% = \$56,160$.²⁴⁸ The annuity increases every year by an automatic compounded 3.0%.

Tier 1 employees with ten years of service may retire as young as age 50, but their benefit is reduced by 0.5% for each month they are under age 60. This reduction is waived for employees with 30 or more years of service, such that a 50 year-old with 30 years of service may retire with an unreduced benefit.

²⁴³ County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2017, p. 9.

²⁴⁴ The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

²⁴⁵ This is different from the fiscal year of Cook County, which is December 1 to November 30.

²⁴⁶ The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however, and is not included in this analysis. For more information, see the Civic Federation's Status of Local Pension Funding report, <http://www.civicroad.org/civic-federation/publications/StatusOfLocalPensionFundingFY2012>.

²⁴⁷ A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

²⁴⁸ The largest cohort of retirees in FY2017 was Cook County employees with 30+ years of service. Their average final average salary was \$78,216, so \$78,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County CAFR as of December 31, 2017, p. 158.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County, the reduction of final average salary from the highest four year average to the highest eight year average, the \$106,800 cap on pensionable salary and the reduction of the automatic annuity increase from 3.0% compounded to the lesser of 3.0% or one half of the increase in Consumer Price Index not compounded.²⁴⁹

Major Cook County Benefit Provisions for Regular Employees		
	Tier 1 Employees (hired before 1/1/2011)	Tier 2 Employees (hired on or after 1/1/2011)
Full Retirement Eligibility: Age & Service	age 60 with 10 years of service, or age 50 with 30 years of service	age 67 with 10 years of service
Early Retirement Eligibility: Age & Service	age 50 with 10 years of service	age 62 with 10 years of service
Final Average Salary	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; pensionable salary capped at \$106,800*
Annuity Formula	2.4% of final average salary for each year of service	same as current employees
Early Retirement Formula Reduction	0.5% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	same as current employees
Annuity Automatic Increase on Retiree or Surviving Spouse Annuity	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

Note: This table does not show benefits for Cook County Sheriff's Police or elected officials.

*The \$106,800 maximum pensionable salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U.

Note: Tier 2 employees are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2017; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

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

In the absence of pension reforms for the Cook County Pension Fund passing the Illinois General Assembly, the County implemented in FY2016 a supplementary pension payment schedule above the amount specified under state law and funded through a one percentage point increase in the County's home rule sales tax rate. In FY2019 the supplementary payment is proposed to be \$350.3 million above the statutory multiple contribution of approximately \$209.5 million. The County's supplementary payment schedule is scheduled to increase by no more than 2% each year and result in a 100% funded ratio in 30 years. Currently the County is providing the funding

²⁴⁹ An alternate annuity for County officers was available for Cook County officials who came into office on or before January 1, 2008. This benefit was eliminated for officials hired after January 1, 2008 via Public Act 95-0654. Another optional pension plan existed between 1985 and 2005. The Optional Pension Plan was created in 1985 by the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005. 40 ILCS 5/9-179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40.

to the County Pension Fund via an annual intergovernmental agreement. No legislation to allow the County to make an enhanced payment has yet been enacted by the Illinois General Assembly and signed into law by the Governor. Senate Bill 2819 passed both houses of the Illinois General Assembly in May 2016, but was vetoed by Illinois Governor Bruce Rauner in August 2016 at the request of Cook County, which objected to some language in the bill that included retiree healthcare as a funding requirement for the County.²⁵⁰

Membership

In FY2017 the fund had 20,200 active employee members and 18,366 beneficiaries for a ratio of 1.10 active members for every beneficiary. This ratio has fallen from 1.59 in FY2008 as the number of active members has declined and the number of beneficiaries has risen. A decline in the ratio of active employees to retirees can create fiscal stress for a mature, underfunded pension fund like the Cook County Pension Fund because it means there are fewer dollars in employee contributions going into the fund and more in annuity payments flowing out of the fund.

Cook County Pension Fund Membership: FY2008-FY2017			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2008	23,436	14,745	1.59
FY2009	23,570	14,915	1.58
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
FY2012	21,187	16,434	1.29
FY2013	21,079	16,885	1.25
FY2014	21,467	17,265	1.24
FY2015	21,425	17,768	1.21
FY2016	20,798	18,080	1.15
FY2017	20,200	18,366	1.10
10-Year Change	-3,236	3,621	-0.49
10-Year % Change	-13.8%	24.6%	-30.8%

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

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2008-FY2017.

Funded Ratios

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

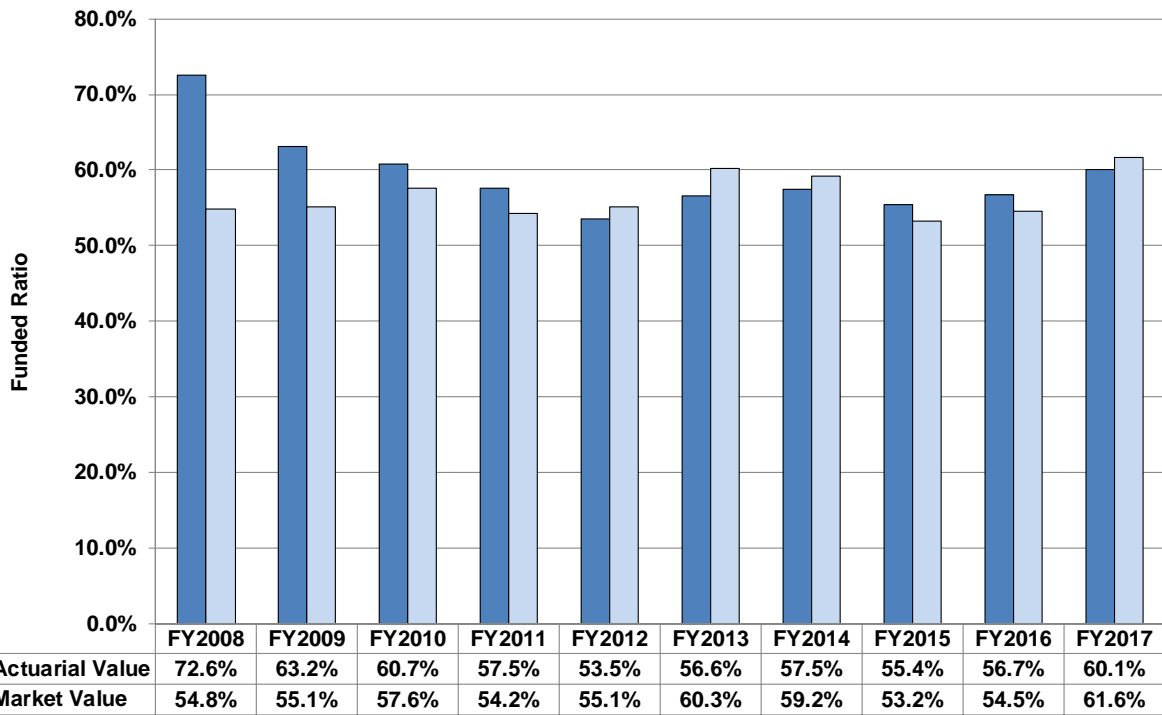
²⁵⁰ Currently, retiree healthcare is subsidized by the Cook County Pension Fund only. Information about Senate Bill 2819, including Governor Bruce Rauner's veto message, available on the Illinois General Assembly website at <http://ilga.gov/legislation/BillStatus.asp?DocNum=2819&GAID=13&DocTypeID=SB&LegID=96130&SessionID=88&SpecSess=&Session=&GA=99>.

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.²⁵¹ The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 72.6% in FY2008 and subsequently fell to 53.5% by FY2012 as large losses in the market crash during FY2008 were incorporated into the valuation. The fund has since fluctuated and then rebounded to 60.1% in FY2017 following increased employer contributions in FY2016 and FY2017. The market value funded ratio was 54.8% in FY2008, following a 23% investment loss that year and subsequently fluctuated with market returns before increasing in FY2016 and FY2017 again incorporating the supplemental employer contribution, as well as higher investment returns.

²⁵¹ For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012*, October 2, 2014.

Cook County Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets: FY2008-FY2017

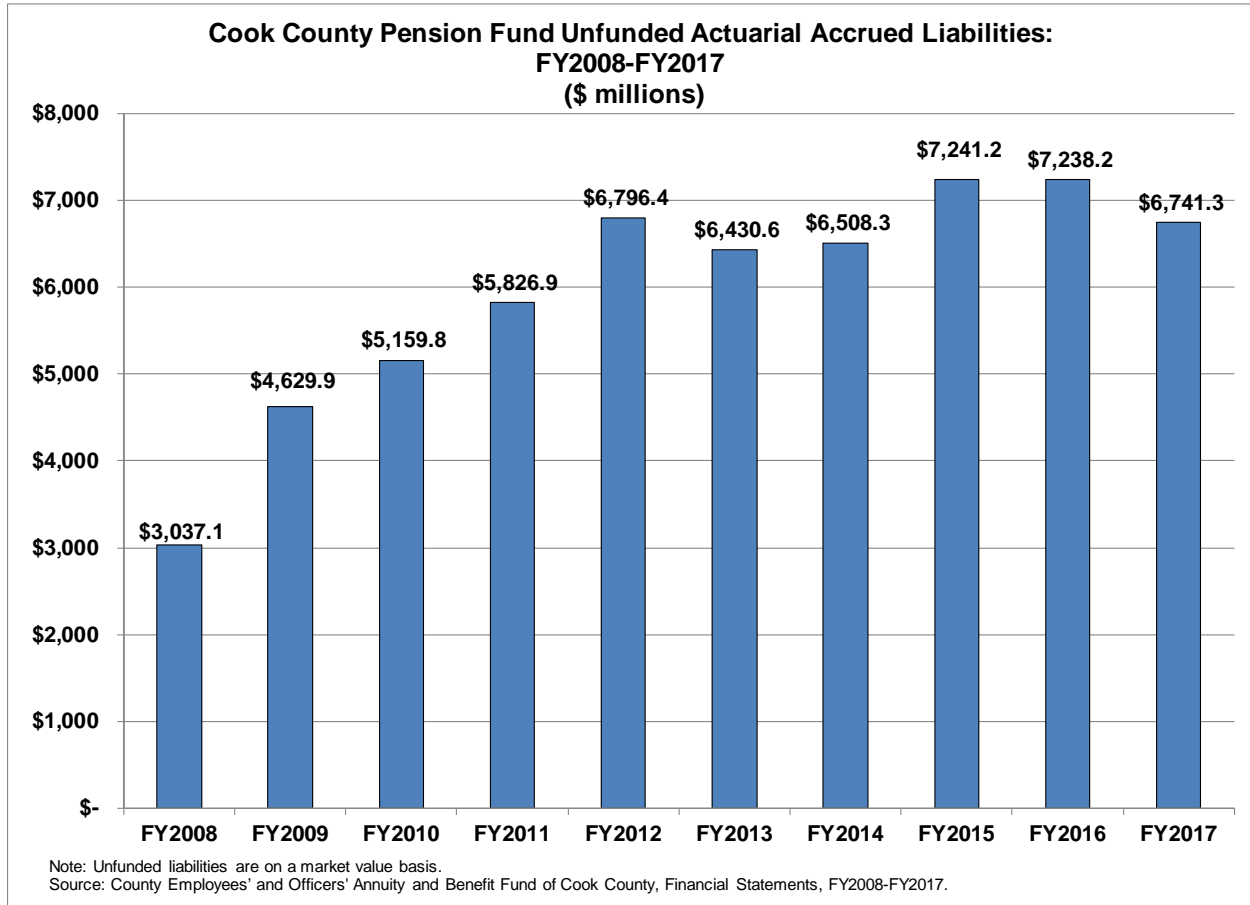


Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2008-FY2017.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liability for Cook County's pension fund totaled \$6.7 billion in FY2017, up from \$3.0 billion in FY2008. The FY2017 unfunded liability is down by \$496.9 million from FY2016. The large decrease is due

mostly to changes to actuarial assumptions based on recommendations from the actuary based on an experience study performed in 2018.



The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2008. The largest contributor to the nearly \$4.4 billion growth in unfunded liabilities between the beginning of FY2008 and the end of FY2017 was a shortfall in employer contributions as compared to a contribution that would prevent growth of the unfunded liability (normal cost plus interest) which added nearly \$3.1 billion to the unfunded actuarial accrued liability over 10 years. The second largest contributor was that investment returns failed to meet the expected rate of return.²⁵² This added nearly \$1.5 billion to the UAAL. The changes made to actuarial assumptions reduced the unfunded liability by a total of \$323.3 million in FY2017 and changes to plan provisions related to the retiree healthcare program, categorized as "other" below, reduced the unfunded liability by \$50.3 million. Together with positive demographic results and high investment returns, reductions to the unfunded liability

²⁵² 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.

offset employer contributions that—although closer to actuarial requirements due to the supplemental sales tax contribution—were still lower than the actuarial needs of the fund.

Reasons for Change in Unfunded Actuarial Accrued Liability						
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Salary Increase (Lower)/Higher Than Assumed	Change in Actuarial Assumptions or Methods	Other	Total Net UAAL Change
FY2008	\$ 198,154,784	\$ 481,086,534	\$ 160,614,779	\$ -	\$ (166,599,641)	\$ 673,256,456
FY2009	\$ 258,309,848	\$ 534,155,051	\$ (138,750,205)	\$ 810,786,835	\$ 128,340,572	\$ 1,592,842,101
FY2010	\$ 349,354,012	\$ 364,312,504	\$ (185,530,277)	\$ -	\$ 1,683,624	\$ 529,819,863
FY2011	\$ 371,793,485	\$ 459,875,129	\$ (138,554,686)	\$ -	\$ (25,972,161)	\$ 667,141,767
FY2012	\$ 252,886,106	\$ 376,601,751	\$ 34,073,219	\$ -	\$ 305,896,670	\$ 969,457,746
FY2013	\$ 513,419,056	\$ (586,433,767)	\$ (184,385,510)	\$ -	\$ (108,324,418)	\$ (365,724,639)
FY2014	\$ 423,103,748	\$ (161,124,113)	\$ (148,871,075)	\$ -	\$ (35,470,332)	\$ 77,638,228
FY2015	\$ 431,124,367	\$ 61,964,372	\$ 164,977,011	\$ -	\$ 74,819,248	\$ 732,884,998
FY2016	\$ 196,813,036	\$ 14,518,350	\$ 2,613,304	\$ -	\$ (216,877,547)	\$ (2,932,857)
FY2017	\$ 93,692,715	\$ (59,718,736)	\$ (78,486,650)	\$ (323,327,660)	\$ (129,097,600)	\$ (496,937,931)
10-Year Total	\$ 3,088,651,157	\$ 1,485,237,075	\$ (512,300,090)	\$ 487,459,175	\$ (171,601,585)	\$ 4,377,445,732

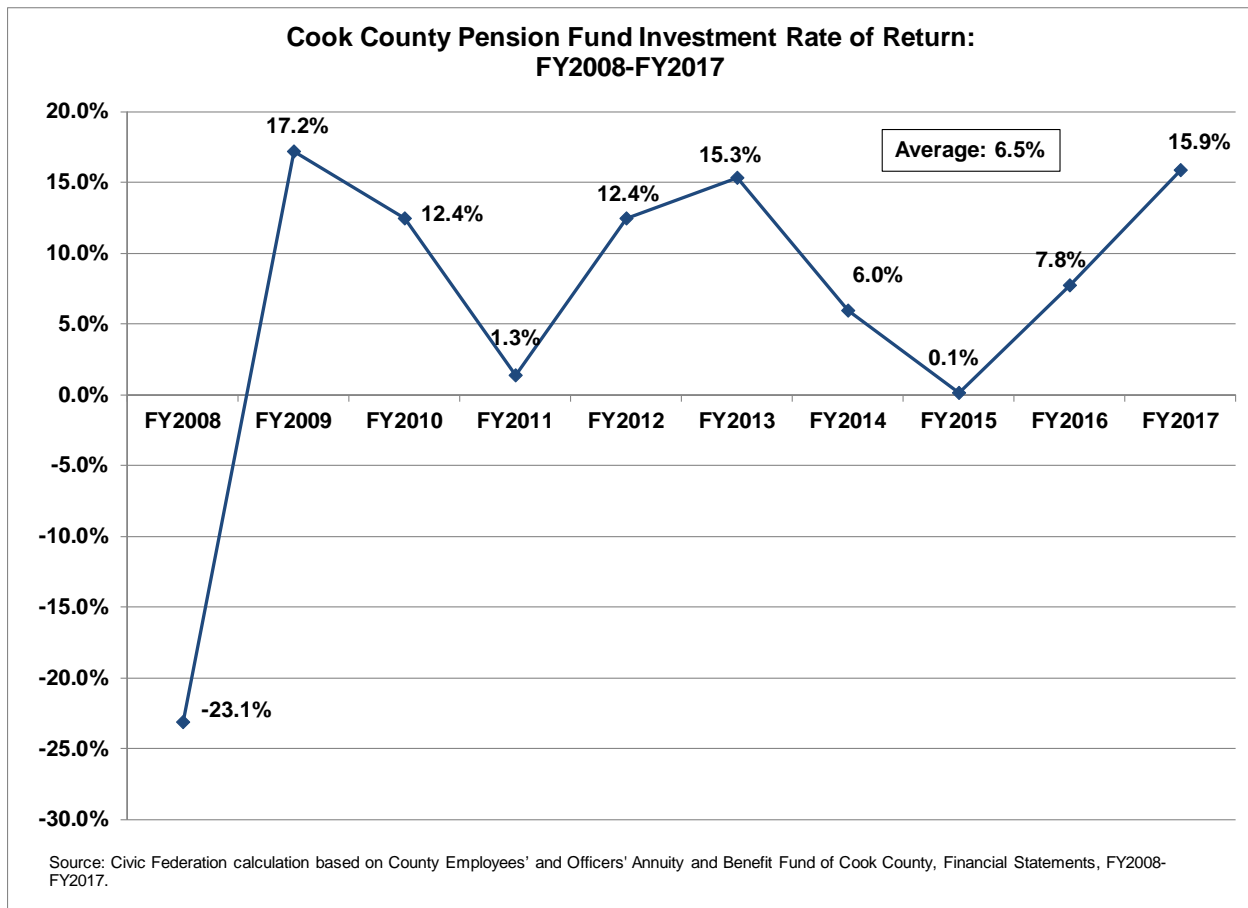
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2008-FY2017.

Investment Rate of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2008 and FY2017 the Cook County pension fund's average annual rate of return was 6.5%.²⁵³

²⁵³ 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.

Returns ranged from a high of 17.2% in FY2009 to a low of -23.1% in FY2008 due to the financial market crisis and corresponding sharp decline in equities. Returns fluctuated over the 10 year period in line with stock market trends, with returns reaching 15.9% in FY2017.



Pension Liabilities and Actuarially Determined Employer Contribution as Reported Under Governmental Accounting Standards Board Statements Number 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.”²⁵⁴ 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,

²⁵⁴ Governmental Accounting Standards Board, Pension Standards for State and Local Governments. Available at: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472>.

the numbers reported according to GASB 67 and 68 standards are not used to determine how much a government must contribute to its pensions. They are a reporting, NOT a funding requirement. Cook County 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 Cook County Pension Fund began reporting according to GASB 67 in its FY2014 CAFR and actuarial valuations. Cook County began reporting according to GASB 68 in its FY2015 financial statements.

The total pension liability, fiduciary net position, net pension liability and ADC²⁵⁵ 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 Cook County Pension Fund also 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.
 - The Cook County Pension Fund under the statutory funding formula is projected to run out of funding in 2042, so its GASB 67 and 68 reporting is discounted at a blend of the full 7.25% assumed rate of return and a lower municipal bond rate of 3.16%. The reported blended rate was 4.47% for FY2017.²⁵⁶

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 Cook County Pension Fund still uses

²⁵⁵ Other differences and newly reported numbers are not central to the discussion here.

²⁵⁶ County Employees' Annuity and Benefit Fund of Cook County, CAFR For the Fiscal Years Ended December 31, 2017 and 2016, p. 38, 88.

smoothed actuarial value of assets to determine statutory employer contribution requirements.

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 will 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 Cook County Pension Fund ADC differs from 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 Cook County Pension Fund calculations of ADC and ARC. Other than the discount rate, which was lowered to 7.25% in FY2017, there is no difference between the main assumptions of the ADC and ARC. 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 Cook County Pension 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 open	30-year open
Amortization Method	Level Dollar	Level Dollar
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Value of Assets	5-year smoothed	5-year smoothed
Investment Rate of Return	7.25%	7.50%

Source: Cook County Pension Fund FY2017 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a 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 County must make under state law in order to demonstrate how far from sufficient the statutory payment is. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years

earlier. The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.²⁵⁷

Before examining the ADC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the Cook County pension fund to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree healthcare on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets, usually a money market rate. These requirements were updated with GASB Statement No. 74, as discussed in the next section.²⁵⁸

In order to comply with these accounting standards, the Cook County pension fund produces separate actuarial valuations:

- A valuation of pension liabilities reflecting a new GASB-determined blended discount rate introduced with GASB 67, which amounts to 4.47% in FY2017;
- Another valuation of OPEB liabilities following GASB 74 using a blended discount rate of 3.16%; and
- A “combined” valuation using a 7.25% discount rate for both pension and OPEB liabilities.

The Cook County pension fund considers the “combined” valuation to be the best reflection of its assets and liabilities because the pension and OPEB benefits are paid from the same asset pool.²⁵⁹ However, the separate pension and OPEB valuations calculated for GASB purposes are the ones used to compute the net pension liability and OPEB obligations of Cook County government that appear on the government's balance sheet.

The table below shows only the “combined” valuation comparison of the ADC (or ARC in FY2013 and earlier) to the actual Cook County contribution over the last ten years.²⁶⁰ The employer contribution did not equal 100.0% of the ARC or ADC in any of the years FY2008 through FY2017. In FY2008 the \$188.0 million employer contribution represented 47.2 % of the ARC, meaning that \$210.3 million more would need to have been contributed to meet the ARC that year. In FY2017 the \$559.2 million total employer contribution—which included both the statutory contribution and the supplemental contribution—represented 80.3% of the ADC for the “combined” valuation of pension and OPEB, for a shortfall of \$136.8 million that year. The

²⁵⁷ Starting with the FY2016 budget, the County started to make an annual supplementary contribution to the County pension fund with revenue from the one percentage point increase in the County's home rule sales tax rate.

²⁵⁸ Statement Number 75, providing for changes in OPEB reporting by governments in their own financial reporting, will go into effect for the 2018 fiscal year.

²⁵⁹ Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.

²⁶⁰ The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund's financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

cumulative ten-year difference between ADC/ARC and actual employer contribution for “combined” pension and OPEB is a \$3.1 billion shortfall.

Expressing ADC/ARC as a percent of payroll provides a sense of scale and affordability. In FY2008 the ARC was 27.2% of payroll while the actual employer contribution was 12.8% of payroll. In contrast after the County started to make supplementary pension payments, the FY2017 the “combined” pension and OPEB ADC was 44.4% of payroll, while the actual employer contribution was 35.7% of payroll.

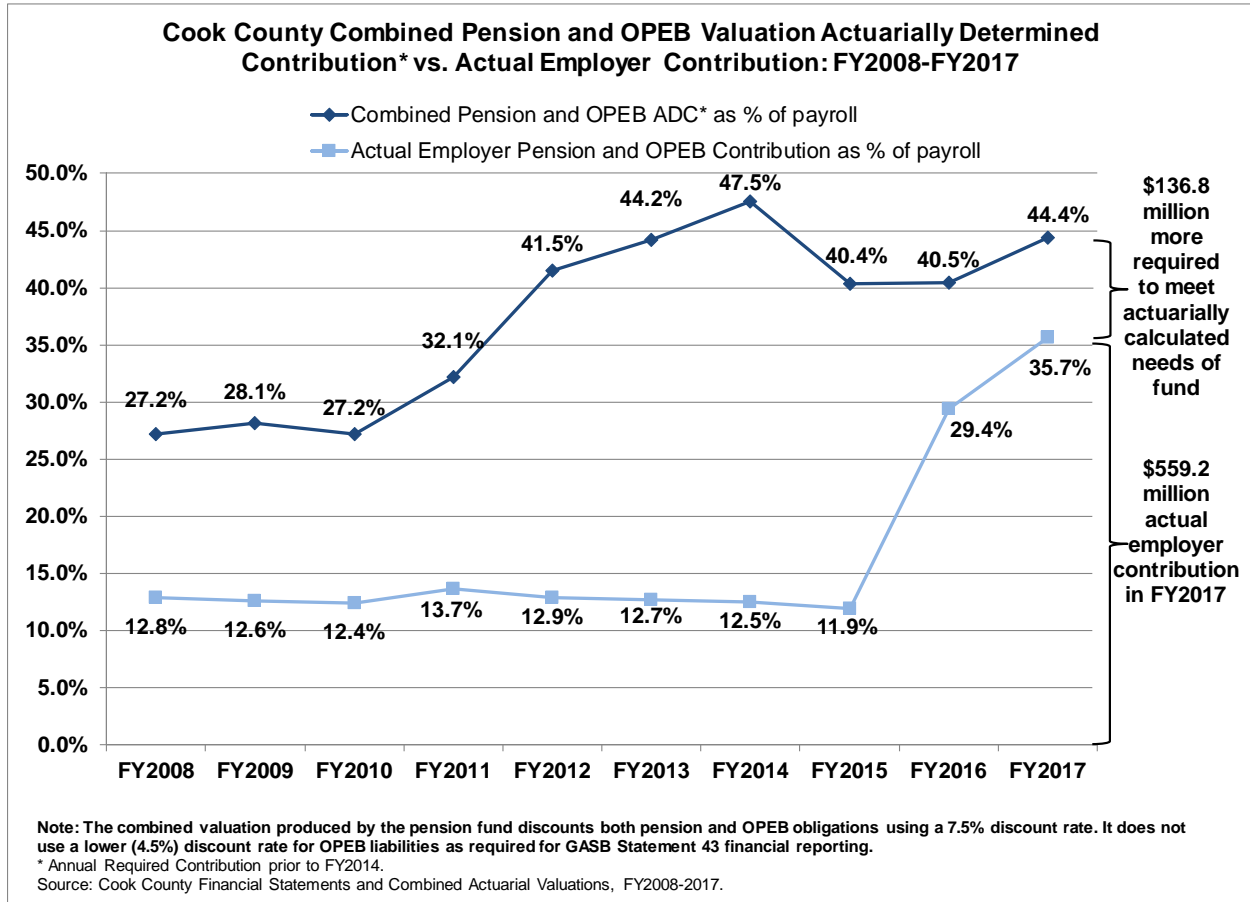
Cook County Pension Fund Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation							
Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2008	\$ 398,340,979	\$ 188,008,670	\$ 210,332,309	47.2%	\$ 1,463,372,408	27.2%	12.8%
2009	\$ 421,092,345	\$ 188,285,316	\$ 232,807,029	44.7%	\$ 1,498,161,713	28.1%	12.6%
2010	\$ 406,625,773	\$ 184,722,634	\$ 221,903,139	45.4%	\$ 1,494,093,569	27.2%	12.4%
2011	\$ 468,181,943	\$ 198,837,424	\$ 269,344,519	42.5%	\$ 1,456,444,123	32.1%	13.7%
2012	\$ 613,952,848	\$ 190,720,776	\$ 423,232,072	31.1%	\$ 1,478,253,368	41.5%	12.9%
2013	\$ 655,800,100	\$ 187,817,644	\$ 467,982,456	28.6%	\$ 1,484,269,715	44.2%	12.7%
2014	\$ 719,890,057	\$ 190,032,872	\$ 529,857,185	26.4%	\$ 1,514,550,023	47.5%	12.5%
2015	\$ 634,722,132	\$ 186,832,321	\$ 447,889,811	29.4%	\$ 1,572,417,298	40.4%	11.9%
2016	\$ 639,794,759	\$ 464,268,404	\$ 175,526,355	72.6%	\$ 1,580,251,254	40.5%	29.4%
2017	\$ 696,007,249	\$ 559,205,626	\$ 136,801,623	80.3%	\$ 1,567,480,401	44.4%	35.7%

* Before 2014, this was the Annual Required Contribution or ARC.

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2008-FY2016; Financial Statements as of December 31, 2017, p. 6; and conversation with the Cook County Pension Fund.

The graph below illustrates the growing gap between the “combined” pension and OPEB ADC/ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has fallen from 14.4% of payroll, or \$210.3 million, in FY2008 to 8.7% of payroll in FY2017. In other words, to fund the pension and retiree healthcare plans at a level that would both cover normal cost and amortize the unfunded liability over 30

years Cook County would have needed to contribute an additional 8.7% of payroll, or \$136.8 million, in FY2017.



Cook County Pension Fund Reported Liabilities Under GASB Statements Number 67 and 68

The following table shows the Cook County Pension Fund financial reporting under GASB 67 and 68. Fiduciary Net Position (assets) as a percentage of Total Pension Liabilities is analogous to a funded ratio as calculated under actuarial standards. Because the Cook County Pension Fund assets are forecast to be insufficient to cover projected benefit payments starting in 2042, and therefore the Fund and Cook County must use a blended discount rate that is much lower than the expected rate of return on investment. A lower discount rate results in higher present values for liabilities and net pension liabilities.²⁶¹ The reported net pension liability for FY2017 is \$12.5 billion, nearly double the unfunded actuarial accrued liability of \$6.7 billion. The County was

²⁶¹ For more on discount rates and how they impact measurements of the present value of liabilities, read the Civic Federation blog: <https://www.civiced.org/iifs/blog/state-pension-liabilities-rise-due-lower-expected-investment-returns> and <https://www.civiced.org/civic-federation/blog/local-government-pension-funds-lower-their-expected-investment-rates-return-fy>.

required to include the net pension liability among the liabilities on its balance sheet for the first time in FY2015.

Cook County Pension Fund GASB 67 Reporting FY2013-FY2017					
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a Percentage of Total Pension Liability	Actuarially Determined Contribution
FY2013	\$ 21,117,643,943	\$ 8,927,366,656	\$ 12,190,277,287	42.27%	\$ 655,800,100
FY2014	\$ 21,945,961,866	\$ 9,068,398,780	\$ 12,877,563,086	41.32%	\$ 719,890,057
FY2015	\$ 23,963,085,690	\$ 8,643,044,275	\$ 15,320,041,415	36.07%	\$ 634,722,132
FY2016	\$ 23,240,192,010	\$ 9,115,657,870	\$ 14,124,534,140	39.22%	\$ 639,794,759
FY2017	\$ 22,940,794,624	\$ 10,407,883,443	\$ 12,532,911,181	45.37%	\$ 696,007,249
Three-Year Change	\$ 1,823,150,681	\$ 1,480,516,787	\$ 342,633,894		\$ 40,207,149
Three-Year % Change	8.63%	16.58%	2.81%		6.13%

Source: FY2014-FY2017 Cook County Pension Fund Actuarial Valuations. FY2013 numbers were presented in the FY2014 report.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. These include short-term notes, accounts payable, accrued payroll and other current liabilities. Cook County reports a variety of short-term obligations due for the next fiscal year in the balance sheet for the governmental funds included in its FY2017 Comprehensive Annual Financial Report (CAFR), the most recent audited financial statement. These liabilities include:

- *Accounts payable*: monies owed to vendors for goods and services carried over into the new fiscal year;
- *Retainage payable*: The portion of a contract's final payment withheld until the project is complete;²⁶²
- *Accrued salaries payable*: employee pay carried over from the previous year;
- *Amounts held for outstanding warrants*: Cash balance maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputes these claims;²⁶³
- *Due to other funds, others or other governments*: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Notes payable*: short-term loans due within the next fiscal year; and
- *Other liabilities*: include self-insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers' compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

²⁶² See Business Dictionary at <http://www.businessdictionary.com/definition/retainage.html>.

²⁶³ See Cook County FY2015 Comprehensive Annual Financial Report, "Contingency – State Treasurer Claim," p. 106.

In FY2017 short-term liabilities totaled \$349.5 million, an increase of 38.8%, or \$97.7 million, from the prior fiscal year. Much of the change was due to an \$82.5 million increase in monies due to other funds, which rose from \$50.3 million to \$132.9 million. This consisted primarily of a \$129.0 million payable due to the Capital Projects Fund from the General Fund.²⁶⁴

Since FY2013 short-term liabilities have increased by \$201.6 million or 136.3%. The largest changes occurred within three categories:

- *Accounts payable* have usually been the largest share of short-term liabilities, averaging 52.7% of the total in the years reviewed. Between FY2013 and FY2017, accounts payable increased by 63.6% or \$54.7 million;
- *Accrued Salaries Payable* rose by \$17.0 million or 42.0%, from \$40.4 million to \$57.3 million; and
- *Due to other funds* increased by \$130.5 million. However, as previously noted, this was mostly due to a \$129.0 million payable due to the Capital Projects Fund from the General Fund in FY2017.²⁶⁵

Cook County Short-Term Liabilities in the Governmental Funds : FY2013-FY2017									
(in \$ thousands)									
Type	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accounts Payable	\$ 86,043	\$ 121,680	\$ 148,862	\$131,626	\$ 140,766	\$ 9,140	6.9%	\$ 54,723	63.6%
Retainage payable	\$ -	\$ -	\$ 2,271	\$ -	\$ -	\$ -	---	\$ -	---
Accrued Salaries Payable	\$ 40,360	\$ 54,062	\$ 73,777	\$ 56,281	\$ 57,324	\$ 1,043	1.9%	\$ 16,964	42.0%
Amounts held for outstanding warrants	\$ 6,143	\$ 4,480	\$ 1,490	\$ 1,392	\$ 1,381	\$ (11)	-0.8%	\$ (4,762)	-77.5%
Due to Other Funds	\$ 2,413	\$ 12,831	\$ 40,962	\$ 50,340	\$ 132,872	\$ 82,532	163.9%	\$130,459	5406.5%
Due to Others	\$ 12,933	\$ 11,545	\$ 10,716	\$ 12,234	\$ 17,183	\$ 4,949	40.5%	\$ 4,250	32.9%
Total	\$ 147,892	\$ 204,598	\$ 278,078	\$251,873	\$ 349,526	\$ 97,653	38.8%	\$201,634	136.3%

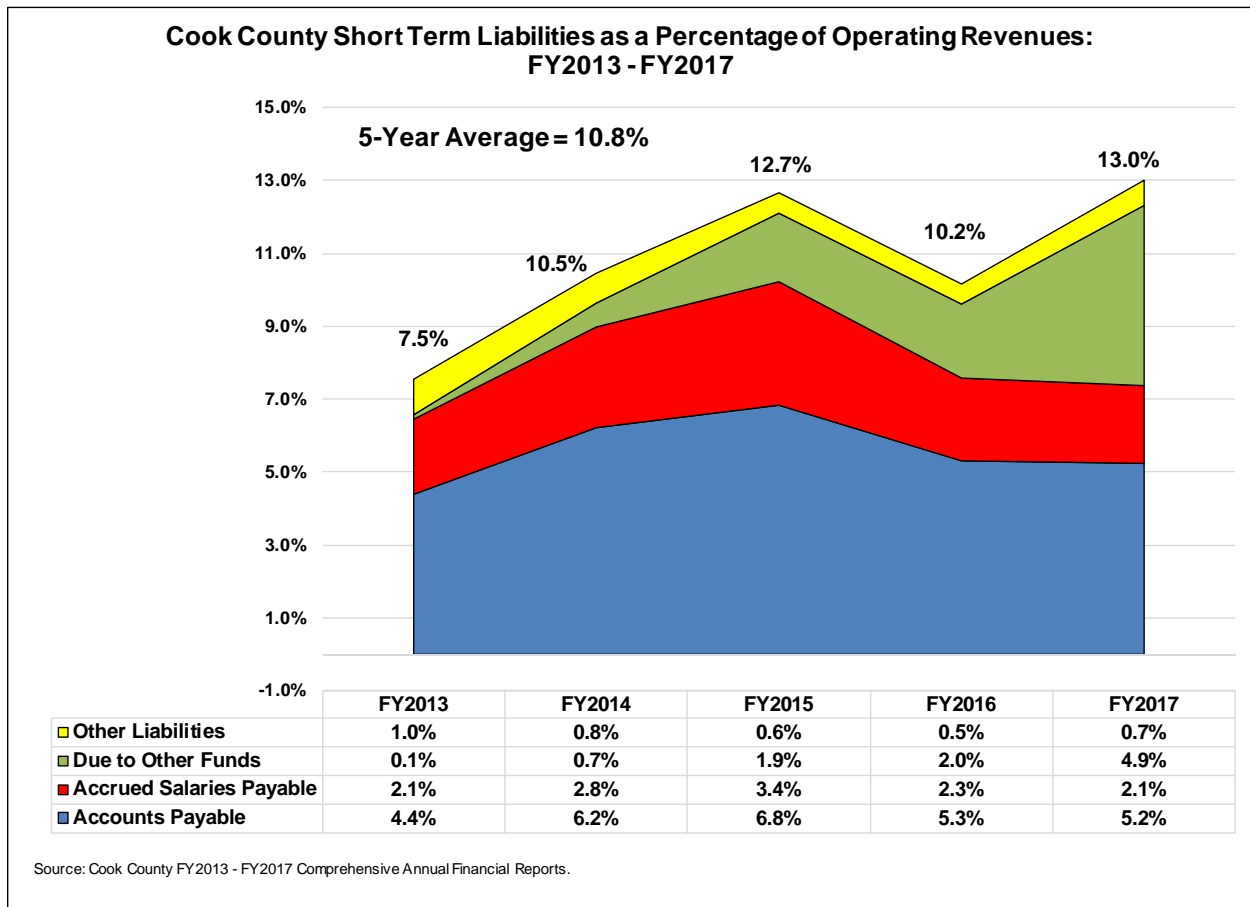
Source: Cook County FY2013-FY2017 Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

²⁶⁴ Cook County FY2017 Comprehensive Annual Financial Report, p. 82.

²⁶⁵ Cook County FY2017 Comprehensive Annual Financial Report, p. 82.

Increasing current liabilities in a government’s operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government’s future financial difficulties.²⁶⁶ This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government’s ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

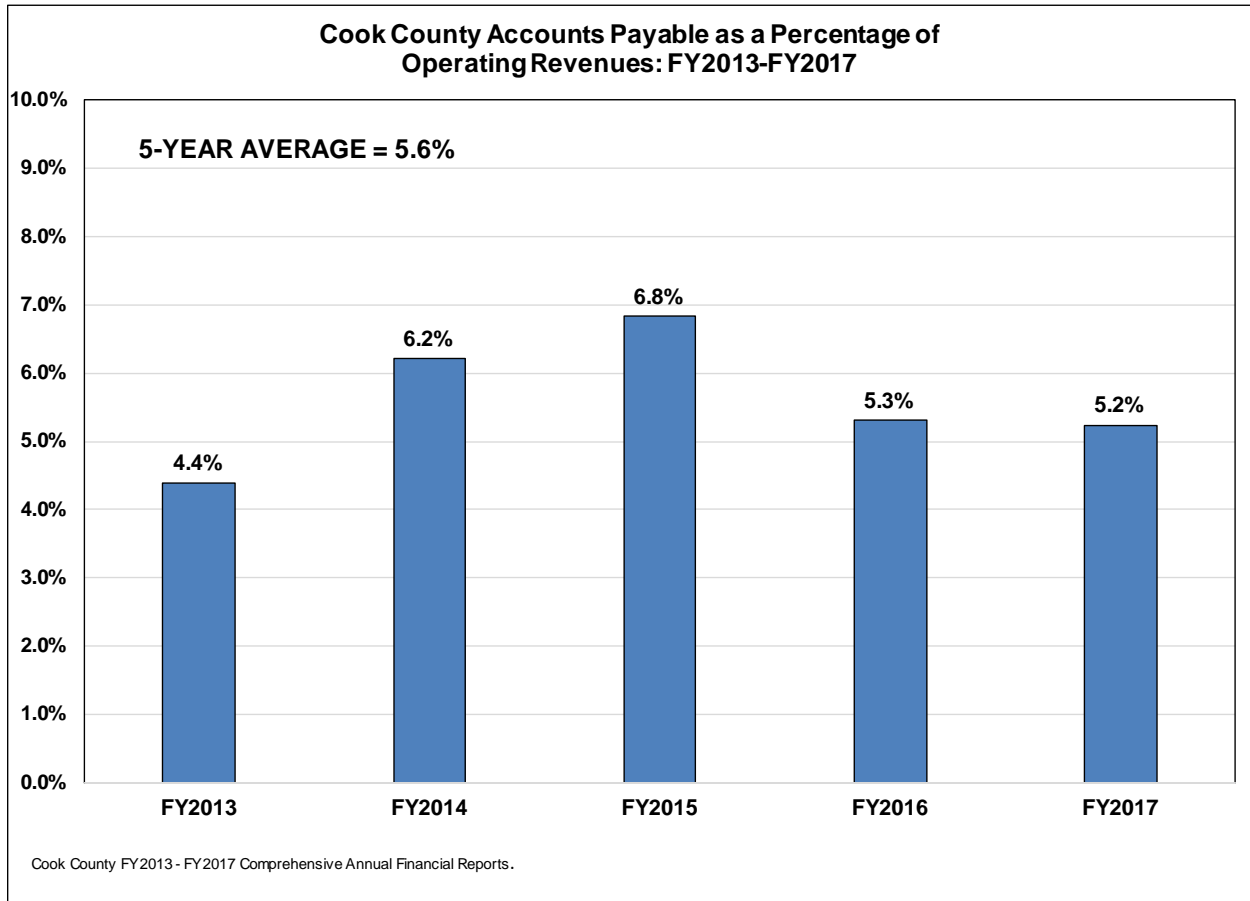
Cook County’s ratio of short-term liabilities to total operating revenue has fluctuated over time. The ratio increased from 7.5% in FY2013 to 10.5% in FY2014, primarily due to increases in accounts payable. It rose again in FY2015 to 12.7%, mainly because of double digit percentage increases in three categories: due to other funds, accounts payable and accrued salaries payable. However, in FY2016 it fell to 10.2% because of declines in accounts payable, accrued salaries payable and amounts held for outstanding warrants. In FY2017 it rose again, increasing to 13.0% because of large one-year increase in the due to other funds category. The ratio averaged 10.8% over the five-year period.



²⁶⁶ 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.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable compared to operating revenues may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Cook County's ratio of operating funds accounts payable to operating revenues rose from 4.4% in FY2013 to 6.8% in FY2015 before falling to 5.2% in FY2017. The five-year average ratio was 5.6%. The ratio is relatively low and thus not a cause for concern.



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.²⁶⁷

In addition to the short-term liabilities listed above, the current ratio formula includes the current assets of a government, such as:

²⁶⁷ Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations*. (Upper Saddle River, NJ, 2001), p. 476.

- *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 the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including grants, loans, property taxes and accrued interest;
- *Due from other governments*: 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; and
- *Due from other funds or others* are receivables that are outstanding at the end of the fiscal year.

Cook County's current ratio was 4.5 in FY2017, the most recent year for which audited data are available. It fell from the prior year ratio of 5.4 because short-term assets grew much more slowly than liabilities (14.5% versus 38.8%) between FY2016 and FY2017.

In the past five years, the current ratio fell by 60.5%, from 11.3 to 4.5. The decrease occurred because assets decreased by \$108.9 million while liabilities concurrently increased by \$201.6 million.

In each of the five years reviewed, the current ratio was far above 2.0, indicating that the County had more than adequate liquidity.

Cook County Current Ratio of the Governmental Funds: FY2013-FY2017									
(in \$ thousands)									
	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Current Assets									
Cash and investments	\$ 526,435	\$ 405,275	\$ 345,073	\$ 252,538	\$ 214,934	\$ (37,604)	-14.9%	\$ (311,501)	-59.2%
Cash and investments with escrow agent	\$ 6,871	\$ 84	\$ 161	\$ 95	\$ 2,854	\$ 2,759	2904.2%	\$ (4,017)	---
Cash and investments with trustees	\$ 304,504	\$ 193,178	\$ 87,865	\$ 63,422	\$ 138,166	\$ 74,744	117.9%	\$ (166,338)	-54.6%
Taxes receivable net - tax levy current year	\$ 633,277	\$ 674,041	\$ 580,328	\$ 619,812	\$ 660,443	\$ 40,631	6.6%	\$ 27,166	4.3%
Taxes receivable net - tax levy prior year	\$ 21,034	\$ 20,886	\$ 19,792	\$ 10,995	\$ 9,167	\$ (1,828)	-16.6%	\$ (11,867)	-56.4%
Accrued interest receivable	\$ 556	\$ 554	\$ 551	\$ 473	\$ 547	\$ 74	15.6%	\$ (9)	-1.6%
Accounts receivable - due from others	\$ 25,357	\$ 29,298	\$ 35,414	\$ 35,432	\$ 50,960	\$ 15,528	43.8%	\$ 25,603	101.0%
Accounts receivable - due from other governments	\$ 149,440	\$ 172,164	\$ 215,368	\$ 308,796	\$ 332,129	\$ 23,333	7.6%	\$ 182,689	122.2%
Due from other funds	\$ 44	\$ 43	\$ 25,043	\$ 42,945	\$ 129,043	\$ 86,098	200.5%	\$ 128,999	293179.5%
Loans Receivable	\$ -	\$ 41,053	\$ 36,245	\$ 26,946	\$ 20,403	\$ (6,543)	-24.3%	\$ 20,403	---
Total Current Assets	\$ 1,667,518	\$ 1,536,576	\$ 1,345,840	\$ 1,361,454	\$ 1,558,646	\$ 197,192	14.5%	\$ (108,872)	-6.5%
Current Liabilities									
Accounts Payable	\$ 86,043	\$ 121,680	\$ 148,862	\$ 131,626	\$ 140,766	\$ 9,140	6.9%	\$ 54,723	63.6%
Retainage Payable	\$ -	\$ -	\$ 2,271	\$ -	\$ -		---		---
Accrued Salaries Payable	\$ 40,360	\$ 54,062	\$ 73,777	\$ 56,281	\$ 57,324	\$ 1,043	1.9%	\$ 16,964	42.0%
Amounts held for outstanding warrants	\$ 6,143	\$ 4,480	\$ 1,490	\$ 1,392	\$ 1,381	\$ (11)	-0.8%	\$ (4,762)	-77.5%
Due to Other Funds	\$ 2,413	\$ 12,831	\$ 40,962	\$ 50,340	\$ 132,872	\$ 82,532	163.9%	\$ 130,459	5406.5%
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Total Current Liabilities	\$ 147,892	\$ 204,598	\$ 278,078	\$ 251,873	\$ 349,526	\$ 97,653	38.8%	\$ 201,634	136.3%
Current Ratio	11.3	7.5	4.8	5.4	4.5		-17.5%		-60.5%

Source: Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. The Forest Preserve District of Cook County is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens. Therefore, the Forest Preserve District is reported in the governmental activities of Cook County as a blended component unit and its liabilities are included in the long-term liabilities of the County.²⁶⁸

Total Long-Term Liabilities

Long-term liabilities are all of the liabilities owed by a government. Increases in long-term obligations over time could be a sign of fiscal stress. They include long-term debt as well as:

- *Estimated pollution related liabilities*: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;²⁶⁹
- *Self-Insurance claims*: Incurred but not yet reported (IBNR) losses. The County reports liabilities it feels are adequate to provide for potential losses resulting from medical malpractice, worker's compensation and general liability claims;²⁷⁰
- *Property tax objections*: Estimated probable amounts payable related to property tax suits as well as for specific property tax objections and errors for which refunds are expected to be paid;²⁷¹
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Net pension obligations (NPO)*: The cumulative difference since the effective date of GASB Statement No. 27 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;²⁷² and
- *Net Pension Liabilities*: Cook County reports 100% of the Pension Fund's net pension liability in the Statement of Net Position to comply with GASB Statement Number 68 requirements. Before 2015, 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

²⁶⁸ Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," <http://www.gasb.org/st/summary/gstsm14.html> (Last Visited January 11, 2010) and Cook County FY2012 Comprehensive Annual Financial Report, p. 48.

²⁶⁹ Governmental Accounting Standards Board, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," <http://www.gasb.org/st/summary/gstsm49.html> (Last Visited on January 11, 2011).

²⁷⁰ Cook County FY2017 Comprehensive Annual Financial Report, p. 48.

²⁷¹ Cook County FY2017 Comprehensive Annual Financial Report, pp. 97.

²⁷² Governmental Accounting Standards Board, "Summary of Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers* (Issued 11/94)," <http://www.gasb.org/st/summary/gstsm27.html> (last visited on December 17, 2010).

change for pensions involved in implementing GASB 68, the amount of Cook County long-term liabilities **reported** will increase substantially. This is because it will reflect a more holistic approach to measuring the liabilities of the government, which the previous NPO pension measurement did not. The amount owed by Cook County to the pension fund has not significantly changed. It is only being reported more transparently; and

- *Net Other Post Employment Benefit (OPEB) obligations*: The cumulative difference since the effective date of GASB Statement No. 45 in 2008 between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB plan.

In the two-year period between FY2016 and FY2017, total long-term liabilities declined by 4.4%, falling from \$15.6 billion to \$14.9 billion. The amount of long-term debt outstanding increased slightly by 1.3% or \$45.2 million.

However, between FY2013 and FY2017, total County long-term obligations rose by 96.1%, increasing from nearly \$7.6 billion to \$14.9 billion. Most of this increase was due to the change in pension reporting beginning in FY2015 which led to an increase of roughly \$7.0 billion in reported pension liability. As noted above, the new pension liability reporting requirements of GASB Statement No. 68 present a more transparent approach to measuring these liabilities than the previous approach, rather than large increase in liabilities. During the same five-year period, there was a decline in long-term debt, which fell by 6.1% or \$231.3 million.

Cook County Long-Term Liabilities for Governmental Activities: FY2013-FY2017 (in \$ thousands)									
	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Total General Obligation Bonds	\$3,698,460	\$ 3,578,277	\$ 3,471,017	\$ 3,319,677	\$ 3,361,102	\$ 41,425	1.2%	\$ (337,358)	-9.1%
Net Premium*	\$ 138,566	\$ 162,061	\$ 149,826	\$ 180,344	\$ 184,116	\$ 3,772	2.1%	\$ 45,550	32.9%
Refunding	\$ (60,470)	\$ -	\$ -	\$ -	\$ -	\$ -	---	\$ 60,470	-100.0%
Subtotal Long-Term Debt	\$ 3,776,556	\$ 3,740,338	\$ 3,620,843	\$ 3,500,021	\$ 3,545,218	\$ 45,197	1.3%	\$ (231,338)	-6.1%
Note Payable	\$ -	\$ 40,000	\$ 6,524	\$ 78,129	\$ 18,814	---	---	---	---
Self Insurance Claims	\$ 297,149	\$ 334,557	\$ 224,608	\$ 212,800	\$ 261,956	\$ 49,156	23.1%	\$ (35,193)	-11.8%
Property Tax Objections	\$ 67,115	\$ 78,421	\$ 82,384	\$ 79,324	\$ 80,028	\$ 704	0.9%	\$ 12,913	19.2%
Pollution Remediation Liability	\$ 602	\$ 557	\$ 1,347	\$ 673	\$ 1,891	\$ 1,218	181.0%	\$ 1,289	214.1%
Compensated Absences	\$ 61,656	\$ 62,937	\$ 63,348	\$ 67,538	\$ 58,618	\$ (8,920)	-13.2%	\$ (3,038)	-4.9%
Net Pension Obligation/Liability**	\$ 2,650,185	\$ 8,145,525	\$ 8,644,939	\$ 10,457,155	\$ 9,620,026	\$ (837,129)	-8.0%	\$ 6,969,841	263.0%
Net OPEB Obligations	\$ 732,880	\$ 875,254	\$ 1,010,795	\$ 1,166,232	\$ 1,290,088	\$ 123,856	10.6%	\$ 557,208	76.0%
Total Long-Term Liabilities	\$ 7,586,143	\$ 13,277,589	\$ 13,654,788	\$ 15,561,872	\$ 14,876,639	\$ (685,233)	-4.4%	\$ 7,290,496	96.1%

* A bond premium is an amount above the debt issuance's par value - underwriters may pay a premium price for debt, with the price paid equal to par plus a premium. See Vogt, J. Capital Budgeting and Finance: A Guide for Local Governments (Washington, D.C.: ICMA, 2004), p. 393.

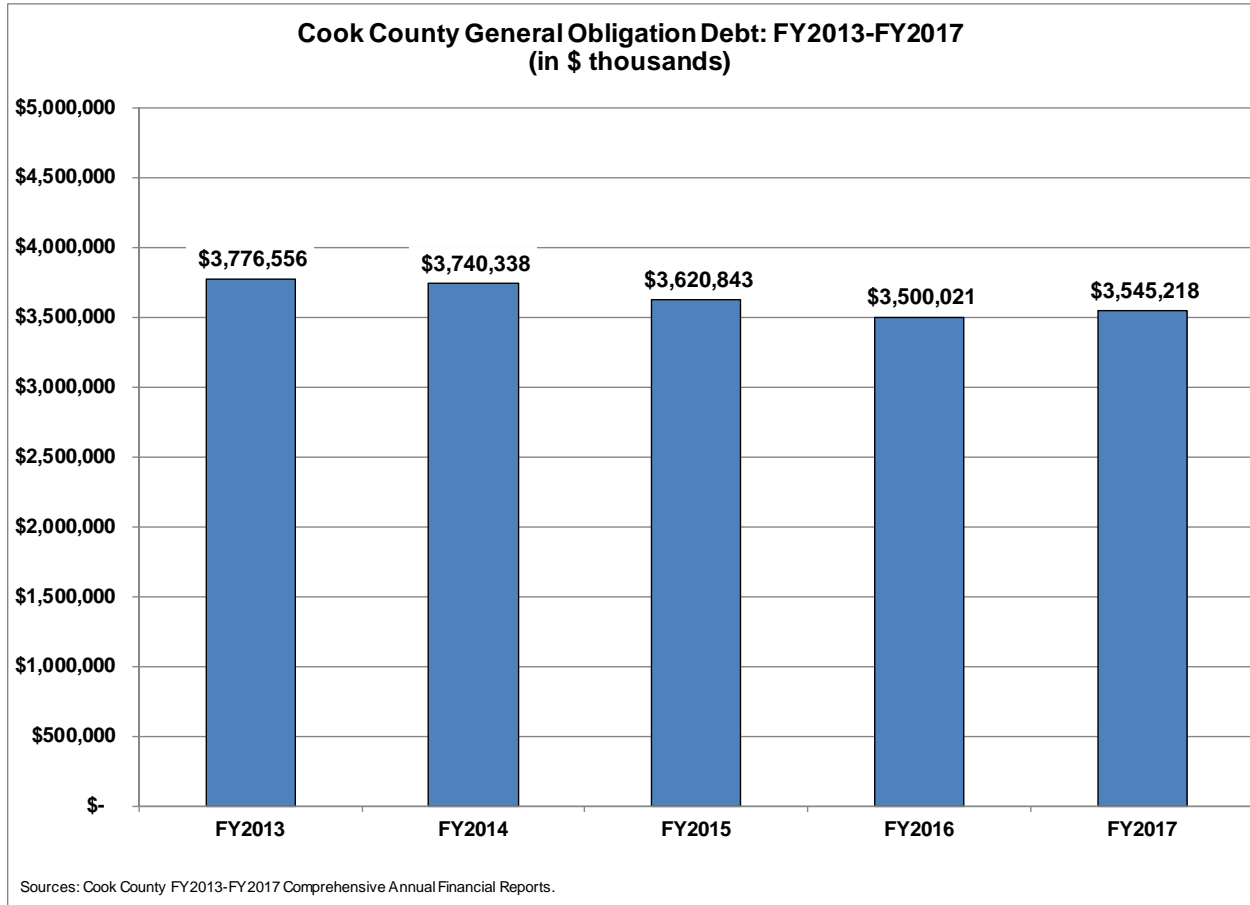
** As of FY2015, governments report 100% of their net pension liabilities rather than the net pension obligations; the FY2014 figure was restated in FY2015.

Sources: Cook County FY2013-FY2017 Comprehensive Annual Financial Reports.

Long-Term Tax-Supported Debt

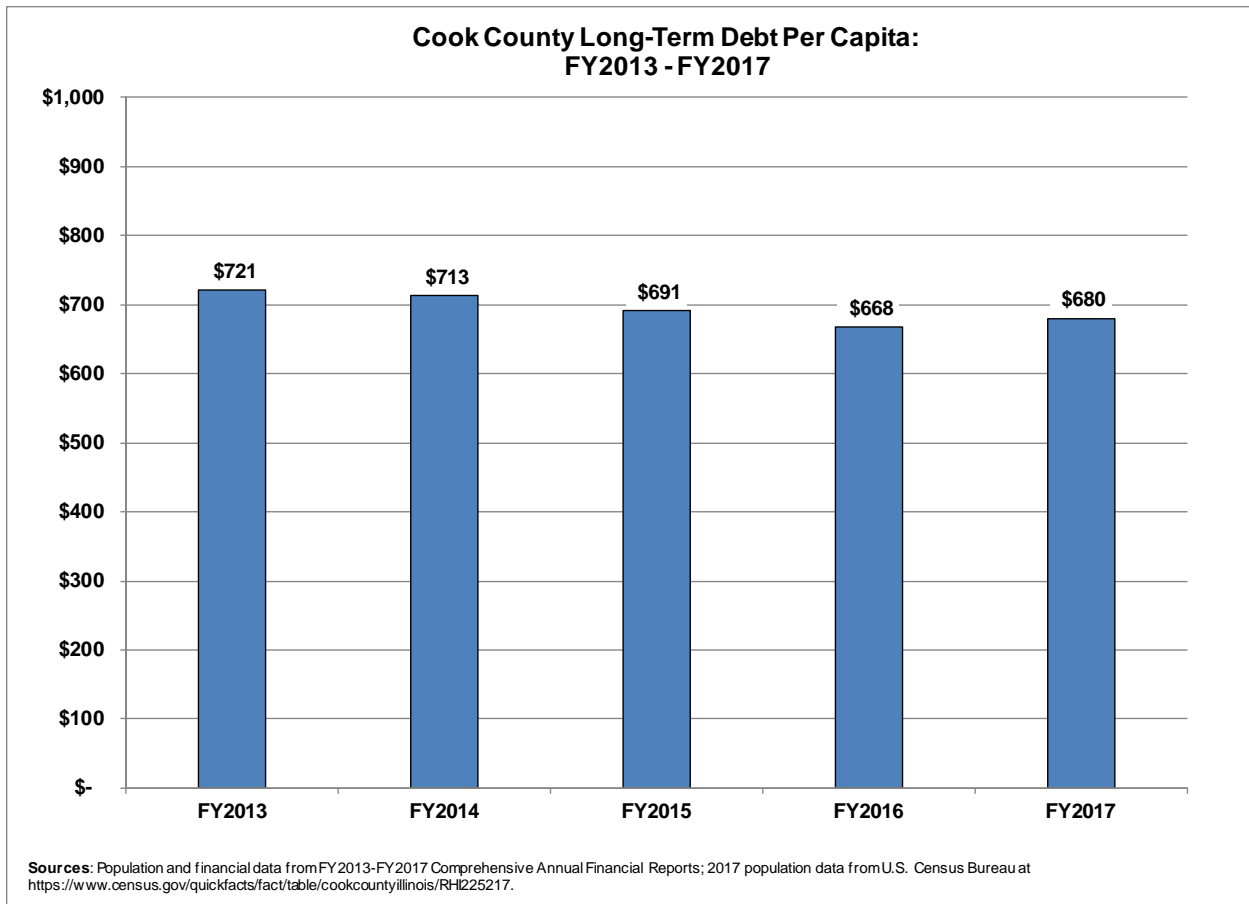
Increases in a government's long-term tax-supported debt over time, also known as direct debt, could be a potential sign of rising financial risk. Cook County long-term debt includes tax supported debt issues as well as bond premiums and issuance costs. All Cook County long-term debt is general obligation debt.

Long-term debt declined between FY2013 and FY2017 from \$3.8 billion to \$3.5 billion. This is a 6.1% or \$231.3 million decrease.



Long-Term Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This long-term debt analysis takes the total long-term debt amount reported in the County's financial statements and divides it by population. The County's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator should be monitored as a potential sign of growing financial risk. The County's long-term per capita debt burden decreased from \$721 to \$680 between FY2013 and FY2017, a 5.6% decrease. The decrease is a positive trend.



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total expenditures is frequently used by rating agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high.²⁷³ The County has not come close to the 15.0% threshold in the five years examined. The debt service ratio has fluctuated slightly over this period, from a high of 6.2% in FY2017 to a low of 4.4% for the FY2019 proposed budget.

Cook County Debt Service Expenditures as a Percentage of Total Appropriations: FY2015-FY2019					
	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Appropriation	FY2019 Proposed
Debt Service Expenditures	\$ 225,000,000	\$ 250,000,000	\$ 277,133,392	280,368,569	259,891,339
Total Expenditures	\$ 3,841,311,313	\$ 4,222,847,774	\$ 4,466,635,457	\$ 5,206,108,346	\$ 5,918,347,346
Debt Service as a % of Total Expenditures	5.9%	5.9%	6.2%	5.4%	4.4%

Source: Cook County FY2019 Executive Budget Recommendation, Volume I, p. 46 and p. 71.

Cook County Bond Ratings

Current Cook County bond ratings as of October 12, 2018 are shown in the table below.

Cook County Bond Ratings		
	Rating	Outlook
General Obligation Debt		
Moody's Investors Services	A2	Stable
Standard & Poor's	AA-	Negative
Fitch Ratings	A+	Stable
Sales Tax Debt		
Standard & Poor's	AAA	Stable
Kroll	AAA	Stable

Source: Cook County FY2019 Executive Budget Recommendations, Volume I, p. 67 and 124.

Standard and Poor's changed its outlook on Cook County general obligation bonds from stable to negative in January 2018 citing the low funded ratio of the County's pension funds. The action came despite the County's increasing funding for its retirement system.²⁷⁴

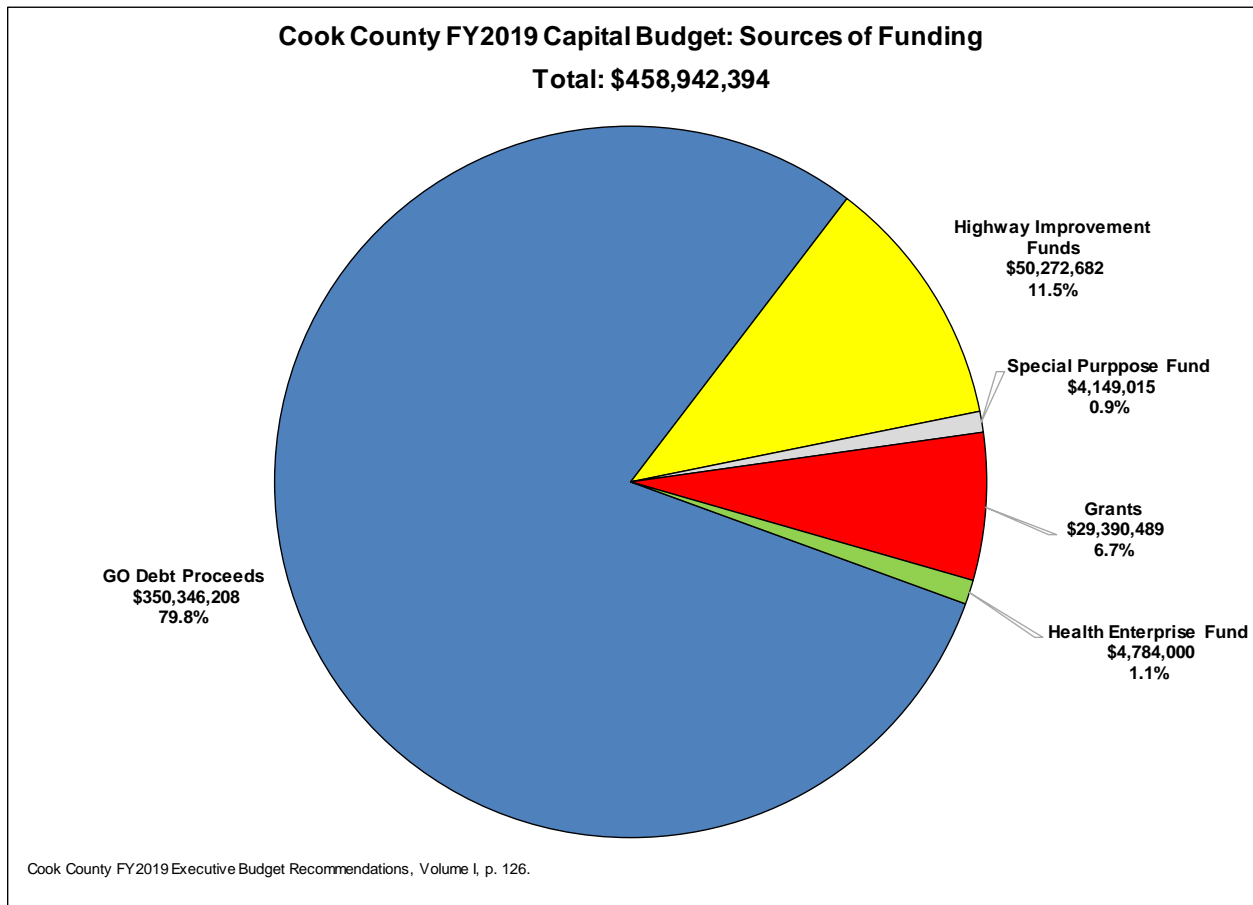
²⁷³ Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 9 2009, p. 18.

²⁷⁴ *Bond Buyer*. "Persistent pension pressures trigger a negative outlook on Cook County," January 9, 2018 at bondbuyer.com.

COOK COUNTY CAPITAL BUDGET AND PLAN

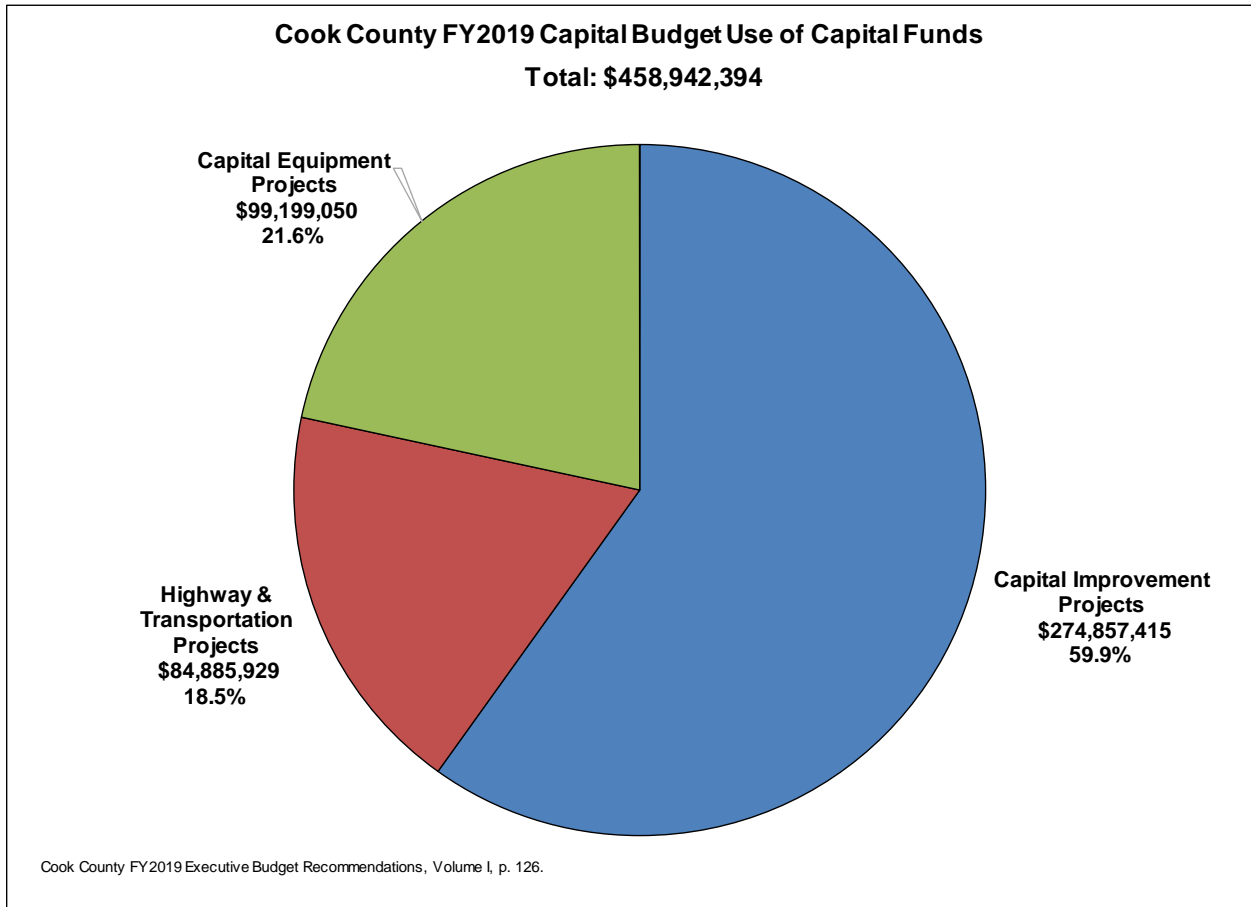
Cook County proposes to appropriate a FY2019 total capital budget of approximately \$458.9 million. Of that amount, the Cook County Department of Capital Planning and Policy recommends spending approximately \$274.9 million in FY2019, allocated across approximately 336 projects.²⁷⁵

The graph below shows the sources of funding for the capital budget. Approximately 79.8% of all capital funds, or \$350.3 million, will be derived from general obligation debt fund proceeds. Approximately 11.5% or \$50.3 million of capital funds will come from highway improvement funds. Smaller amounts will be funded by grants, the Health Enterprise Fund and Special Purpose Funds.



²⁷⁵ Cook County FY2019 Executive Budget Recommendation, Volume I, p. 132.

Cook County will use 59.9%, or \$274.9 million, of its FY2019 capital budget for capital improvement projects. Capital equipment investments in the capital budget are expected to total 21.6% of the capital budget, or \$99.2 million. Approximately 67.5% of all capital equipment funding will be from debt proceeds; the remaining portion will be funded on a pay as you go basis.²⁷⁶ Highway and transportation projects will use 18.5% or \$84.9 million of the total capital budget.

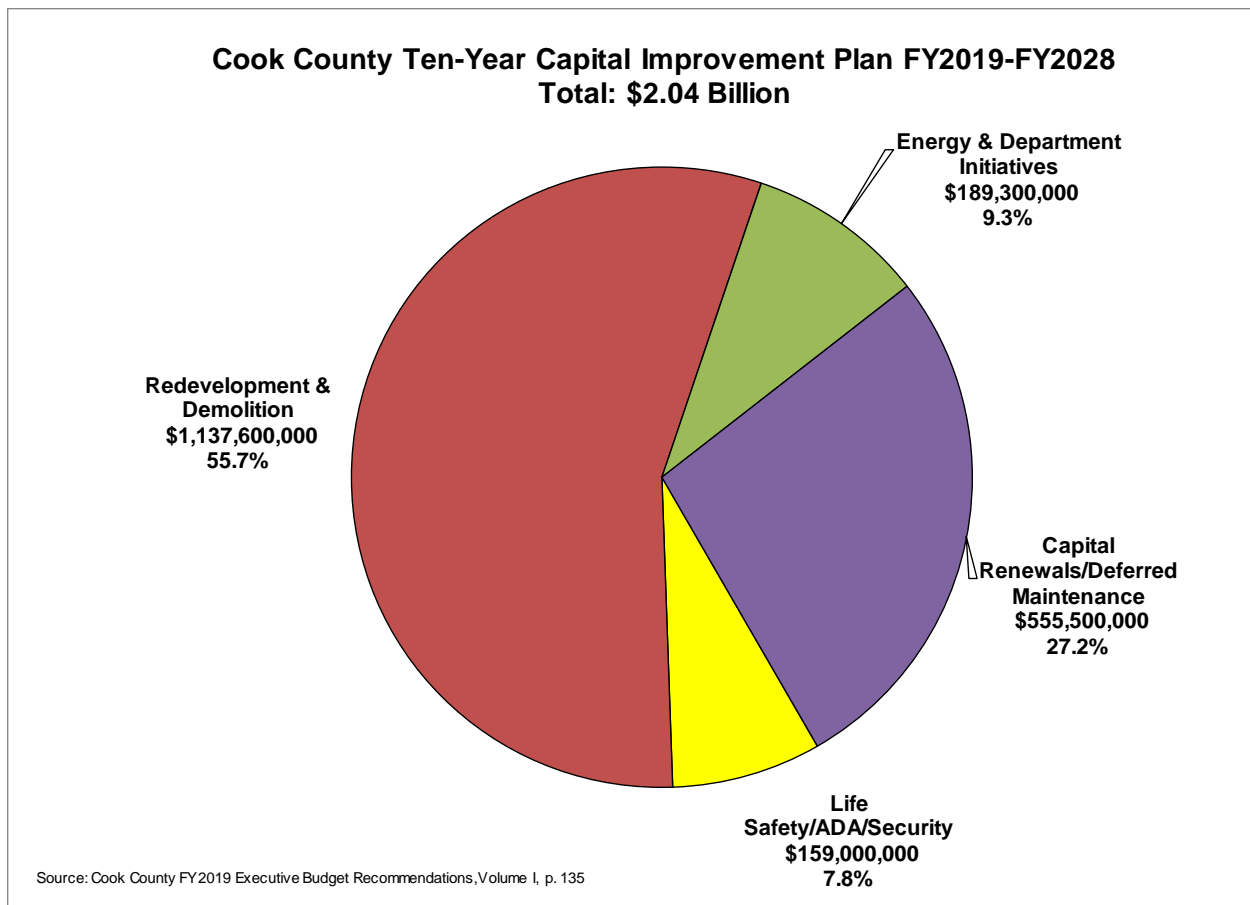


²⁷⁶ Cook County FY2019 Executive Budget Recommendation, Volume I, p. 199.

The FY2019-FY2028 Capital Improvement Plan

Cook County’s proposed 10-year capital improvement plan includes nearly \$2.04 billion of infrastructure investment through FY2028. These projects are ranked using a five-point facilities condition index.²⁷⁷ The CIP includes an overview of the proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken. The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan.

The graph below shows that 55.7%, or \$1.1 billion, of the capital expenditures between FY2019 and FY2028 will be earmarked for redevelopment and demolition projects. Approximately 27.2% or \$555.5 million, will be used for capital project renewals and to address deferred maintenance. Smaller amounts are earmarked for energy and departmental initiatives, life safety projects, compliance with the American with Disabilities Act (ADA) and security.



²⁷⁷ Cook County FY2019 Executive Budget Recommendation, Volume I, p. 134.

Review of Cook County CIP

According to the National Advisory Council on State and Local Budgeting's best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:²⁷⁸

- 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 per project as well as 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;
- 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.

²⁷⁸ 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.

Cook County's CIP includes most of the elements of a best practice CIP, such as including a narrative description of the process, using a prioritization system to select projects and making the CIP available on the web. However, certain elements are still lacking.

- The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures.
- A discussion of the relationship between the capital and operating budgets is provided and certain positive impacts of capital expenditures are highlighted in the capital budget section of the executive budget recommendation. Some specific information is provided about the impact of capital spending per project on operating budgets.²⁷⁹
- Narrative information is provided about many, but narrative descriptions of all County individual projects, including the purpose, need, history and current status of each project, are not provided; and
- The CIP is not approved by the Board of Commissioners as a stand-alone document.

²⁷⁹ Cook County FY2019 Executive Budget Recommendation, Volume I, pp. 127-128.

Cook County Capital Improvement Program Checklist

Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include: <ul style="list-style-type: none"> • <i>A narrative description of the CIP process?</i> • <i>A five year summary list of projects and expenditures per project as well as funding sources per project?</i> • <i>Information about the impact and amount of capital spending on the annual operating budget for each project?</i> • <i>Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?</i> • <i>The time frame for fulfilling capital projects?</i> 	Yes Yes Yes Discussions of public safety, public health and corporate fund projects and Transportation & Highway projects Yes
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Yes
Is the capital improvement plan made publicly available for review by elected officials and citizens? <ul style="list-style-type: none"> • <i>Is the CIP published in the budget or a separate document?</i> • <i>Is the CIP available on the Web?</i> 	In the Budget Book Yes ²⁸⁰
Are there opportunities for stakeholders to provide input into the CIP? <ul style="list-style-type: none"> • <i>Is there stakeholder participation on a CIP advisory or priority setting committee?</i> • <i>Does the governing body hold a formal public hearing at which stakeholders may testify?</i> • <i>Is the public permitted at least ten working days to review the CIP prior to a public hearing?</i> 	No Yes Yes
Is the CIP formally approved by the governing body of the government?	As part of the budget

²⁸⁰ The Cook County Capital Improvement Plan is available at https://www.cookcountyil.gov/sites/default/files/fy2019_executive_budget_recommendation_volume_one_budget_overview.pdf. See Volume I Budget Overview, pages 117-208.