THE CIVIC FEDERATION

COOK COUNTY FY2022 PROPOSED BUDGET:

ANALYSIS AND RECOMMENDATIONS

for more information, visit civicfed.org/CookCountyFY2022

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ACKNOWLEDGEMENTS

The Civic Federation would like to express our sincere thanks and appreciation to Cook County Chief Financial Officer Ammar Rizki, Budget Director Annette Guzman and Cook County Health Chief Strategy Officer Andrea Gibson for providing us with briefings on the budget and providing answers to our questions.

EXECUTIVE SUMMARY

The Civic Federation **supports** the Cook County FY2022 Executive Budget Recommendation of $8.04 billion. The County is in a good financial position to recover from the disruptions caused by the COVID-19 pandemic. The County has built up reserves, maintained manageable long-term debt levels, and conducted long-term forecasting, which has helped plan for budget gaps over time. The County's positive financial position has also led to the first credit rating upgrade in over a decade. The $1 billion in federal COVID-19 relief funding provided through the American Rescue Plan Act (ARPA) will support personnel positions in FY2022 and fund investments related to coronavirus recovery over the course of the next several years.

The FY2022 budget proposal represents an increase in spending of 15.9%, or $1.1 billion, from the FY2021 adopted budget of $6.9 billion. Nearly half of this increase, or $501.1 million, will take place within Cook County Health. The majority of that increase is within Managed Care, which reflects a projected rise in CountyCare membership in FY2022 and the associated cost in medical claims. The health system is also adding 758.4 positions, a personnel increase of 11.1%, to support nursing positions, expanded surgical capacity and screening services at Stroger and Provident Hospitals and reestablishing the ICU at Provident Hospital. Another large portion of the total budget increase, $409.6 million, is an appropriation of federal American Rescue Plan Act funds.

Fiscal year 2022 will mark the seventh year in a row of supplemental payments to the pension fund to improve pension funding. The supplemental contributions are powering improvements in pension funding levels.

The Civic Federation applauds the work done this year by the new Independent Revenue Forecasting Commission, which has recently expanded its scope to include Cook County health revenue projections. The Civic Federation is hopeful that this review work will not only improve Cook County health projections, but will also improve clarity and transparency around the health system's funding. The Commission's revenue forecasting work will also be critical to the County's plans for continuation of ARPA-funded investments over time, especially as economically sensitive revenue sources continue to be impacted by COVID-19.

However, the Federation continues to raise concerns over the expansion of inpatient services at Provident Hospital. After a nearly two-year delay of construction for the new Provident Hospital due to COVID-19 and a change in leadership at the health system, it is important to establish that the reversal in strategy related to what was originally going to be an outpatient facility is the right move for the future of care at Provident. Now that the health system has received an extension on the hospital project, the Federation urges the County Board to review the plans for Provident and receive ongoing updates on utilization of emergency and inpatient services in a public forum.

As the County moves forward with its planning and implementation for the use of federal ARPA funds, the Civic Federation urges the County to produce public reports with sufficient detail to understand how much of the funds are being used for short-term vs. long-term initiatives, details about the departments, number of personnel and actual expenditures associated with ARPA-funded initiatives, and details about how ongoing program operations will be absorbed into the budget.

The Civic Federation presents the following **key findings** from the Cook County FY2022 proposed budget:

Appropriations:

- The County's Executive Budget Recommendation proposes total spending of $8.04 billion, which is an increase of 15.9%, or $1.1 billion, from the FY2021 adopted budget of $6.9 billion. Total appropriations include a proposed operating budget of $7.7 billion, an increase of 16.9%, from the FY2021 adopted operating budget of $6.6 billion.
- General Fund appropriations of $1.98 billion, which account for public safety and administrative County functions, represent an increase of 4.5% from the prior year.
- Cook County Health appropriations are expected to increase by $501.1 million, or 14.8%, to $3.9 billion from $3.4 billion in the FY2021 budget. The increase mainly reflects the projected rise in CountyCare membership and the associated increase in medical claims from healthcare providers in the plan's network. The County projects average monthly membership in the managed care program to be 390,689 in FY2022, compared to 356,343 in FY2021.

Property Tax Levy:

- Cook County expects to generate $779.8 million in property tax revenue in FY2022, which is a slight increase of $6.7 million, or 0.9%, from the FY2021 levy of $773.1 million. While the County has held its base property tax level flat at $720.5 million since 2001, the total tax levy also includes $71.3 million in additional property tax revenue due to $24.4 million from expiring TIF districts, $43.3 million from new property and $3.6 million from expiring incentives.
- The property tax allocation provided to Cook County Health will increase by $15 million from the prior year to $137.7 million in FY2022. The Cook County Health allocation had decreased annually from FY2009 through FY2019, before increasing by $10 million in FY2020 and by another $40 million in FY2021. The additional $15 million in FY2022 is intended to help Cook County Health balance its budget and cover public health services.

Personnel:

- The County proposes a total of 22,589.9 full-time equivalent (FTE) positions in FY2022 across the operating funds (but excluding grant funds). This is an increase of 1,341.9 positions, or 6.3%, from the adopted FY2021 budget.
- The largest increase in personnel in FY2022 will take place within the Health Fund, with Cook County Health personnel increasing by 758.4 FTEs, or 11.1%, from the FY2021 adopted budget.
- Other large increases in personnel are proposed within the offices of the President (including the Public Defender and administrative and IT related positions associated with the administration of ARPA funding), the Sheriff and the Clerk of the Circuit Court.

Pension Fund:

- The County plans to make a total pension fund contribution of $547.2 million in FY2022, which includes a supplemental contribution of $345 million above the statutory multiple contribution of approximately $202.2 million. The County has made supplemental contributions to the pension fund since FY2016, which have improved the funded status of the fund.
- The actuarial value funded ratio for the County's pension fund has increased from 57.5% funded in FY2011 to 68.7% in FY2020.

- The unfunded actuarial accrued liabilities for the County's pension fund grew from $5.8 billion in FY2011 to $7.2 billion in FY2016, then decreased to $6.7 billion in FY2020.

The Civic Federation **supports** the following elements of the Cook County FY2022 proposed budget and the County's financial position:

- Federal American Rescue Plan Act funding provided to Cook County and other governments;
- Cook County is in a good financial position to recover from the COVID-19 economic crisis;
- Supplemental pension contributions have reversed downward trends of the pension fund;
- Independent Revenue Forecasting Commission has begun to include Cook County Health revenue projections in its scope of work;
- Improvements in Cook County Health revenue collections; and
- Legislation that takes effect in 2022 will help improve publicly available information about charity care provided throughout Cook County.

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

- Cook County Health's reversal on plans for inpatient services at Provident Hospital; and
- Plans for continuing investments after ARPA funds run out.

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

- Ensure that public progress reports on the use of ARPA funds provide detailed information about operations, personnel and expenditures;
- Post video recordings of Cook County Health Board of Directors and Committee meetings on an online archive, and continue to livestream meetings after meetings return to being held in person;
- Reclassify Health Fund revenue sources for consistency and transparency;
- Obtain statutory authority for supplemental pension contributions;
- Enact a multi-year intergovernmental agreement with the pension fund for supplemental pension contributions; and
- Be prepared to provide pension funding support to the Cook County Forest Preserve District in the event that the 2022 property tax referendum fails.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Cook County FY2022 Executive Budget Recommendation of $8.04 billion. The County is in a good financial position to recover from the disruptions caused by the COVID-19 pandemic. The County has built up reserves, maintained manageable long-term debt levels, and conducted long-term forecasting which has helped plan for budget gaps over time. The County's positive financial position has also led to the first credit rating upgrade in over a decade. The $1 billion in federal COVID-19 relief funding provided through the American Rescue Plan Act (ARPA) will support personnel positions in FY2022 and fund investments related to coronavirus recovery over the course of the next several years.

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Fiscal year 2022 will mark the seventh year in a row of supplemental payments to the pension fund to improve pension funding. The supplemental contributions are powering improvements in pension funding levels.

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ISSUES THE CIVIC FEDERATION SUPPORTS

The Civic Federation **supports** the following elements of Cook County's FY2022 Executive Budget Recommendation and financial situation.

Federal ARPA Funding Provided to Governments in Response to COVID-19 Pandemic

Through the federal American Rescue Plan Act (ARPA), Cook County will receive a total of $1 billion in Coronavirus Local Fiscal Recovery funding. Throughout the pandemic, the Civic Federation advocated for federal funding to serve as replacement for revenues lost by state and local governments resulting from the economic downturn. We are pleased the federal government provided this support to local and state governments.

The County has indicated it will spread out use of the ARPA funds over the course of several years, rather than using them early on to close budget deficits. The County plans to use one-third of the $1 billion in FY2022, of which $100 million will be used to support 226 personnel positions, including administrative and court operations positions. The remaining $233 million will be used for community program initiatives that are still being determined. The County has until FY2024 to appropriate the ARPA funds. The administration is still finalizing plans for the initiatives it will fund with ARPA, but has indicated it will begin implementing short-term initiatives in December 2021, and long-term initiatives in 2022.

Cook County is in a Good Financial Position to Recover from the COVID-19 Economic Crisis

Thanks to many steps taken over the course of the past several years to bolster its financial position, the County is in a good situation to recover from the disruptions caused by the COVID-19 pandemic. The County has built up reserves, maintained very manageable long-term debt levels, and conducted long-term planning which has helped it plan for budget gap projections over time. These and other measures, including making supplemental contributions to the Cook County Pension Fund, have allowed the County to operate through a forward-looking lens rather than in crisis mode. These moves also recently resulted in the first credit rating upgrade received by the County in over a decade. Fitch ratings upgraded the County's debt to AA- from A+.[1] Higher debt ratings are likely to translate into lower debt costs, a plus to taxpayers.

The County's general operating reserves of $506 million at the end of FY2020 represent 31% of general operating expenditures that same year, or more than three and a half months of reserves, which is well above the level recommended by the Government Finance Officers Association. While the County used $76 million in general operating reserves to balance the FY2021 budget, it does not plan to use any reserves in FY2022. The financial condition in which the County entered the pandemic allowed it to withstand the economic disruption and revenue loss caused by the pandemic fairly well, which means the County will not need to use a majority of the ARPA funding to close budget gaps. Instead those funds can be used to make investments in line with the County's Policy Roadmap.

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[1] Fitch Ratings, "Fitch Rates Cook County, IL's 2021 Series B&C ULTGO Refunding Bonds 'AA-'; Outlook Stable," November 4, 2021. Available at https://www.fitchratings.com/research/us-public-finance/fitch-rates-cook-county-il-2021-series-b-c-ultgo-refunding-bonds-aa-outlook-stable-04-11-2021.

Supplemental Pension Contributions Have Helped Reverse Downward Trends of Pension Fund

The County began making supplemental pension fund contributions in FY2016, funded by a one percentage point increase in its sales tax rate. These additional contributions have helped reverse the downward trajectory of the Cook County pension fund. The additional annual contributions are meant to help the County keep to a payment schedule that increases by no more than 2% each year and results in a 100% funded ratio in 30 years. Since FY2016 the County has made a total of $1.95 billion in supplemental pension payments. The County projects that with the supplemental payments, the fund will be 100% funded by 2046, whereas it would have become insolvent by 2047 if only the statutory payments were made.[2]

Two key pension fund status indicators show how the supplemental contributions made since FY2016 have helped improve the funded status of the pension fund. The fund's unfunded liability has decreased since the County started making larger pension payments in FY2016 after increasing nearly every year going back to the early 2000s. The unfunded liability has fallen from $7.2 billion in FY2016 to $6.7 billion in FY2020. Likewise, the funded ratio based on the actuarial value of assets[3] has improved from 56.7% in FY2016 to 63.9% funded as of FY2020.

In FY2022 Cook County will make a total payment of $567.2 million. The supplemental contribution in FY2022 is budgeted at $325 million, with an additional $20 million going into a pension reserve account for future pension payment increases. The statutory payment for FY2022 is $202.2 million.

Independent Revenue Forecasting Commission's Inclusion of County Health Revenue Projections

The Cook County Independent Revenue Forecasting Commission established by the Board of Commissioners in October 2018 has been meeting on a regular basis since July 2019. The purpose of the Commission is to improve the accuracy of the modeling and methodologies used by the County for forecasting operating revenues. The Commission has been valuable both in terms of reviewing the methodologies used in the forecasting process and making valuable information about the County's revenue forecasts available to the public, both through meetings of the Commission and long-term forecasting information now included in the County's annual budget document. The Commission's multiple scenario projections for future budget years help with planning for future budget imbalances.

Although the Commission acknowledged that its scope includes all County revenue sources, it initially focused primarily on home rule taxes that support the County's general operating fund. Those tax sources are economically sensitive, such as the sales tax, hotel tax, amusement tax, cigarette tax and gas tax. The Commission indicated it was open to eventually looking at other revenue sources such as fees and Cook County Health revenues.

In our analysis of the Cook County FY2021 budget proposal last year, the Civic Federation recommended that the Commission incorporate the Cook County health system's revenues into its forecasting work given the magnitude and complexity of the health system's operations. In

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[2] Cook County, "Executive Budget Recommendation: Fiscal Year 2022 Presentation," October 7, 2021, p. 20.

[3] The actuarial value of assets measurement is the ratio of assets to liabilities that accounts for assets by recognizing unexpected gains and losses smoothed out over a period of three to five years.

2021 the Commission began to incorporate Cook County Health revenues within its scope. As part of a multi-step project plan, the Commission proposed several improvements to the Cook County Health budgeting and forecasting process including updating the CCH chart of accounts to better reflect revenue sources, consistently recognizing revenues in the same accounts and improving transparency and documentation of the forecasting process and methods. These efforts are ongoing as the Commission works in collaboration with Cook County Health staff on these changes.

The Civic Federation commends the Commission for expanding its scope to include Cook County Health revenue projections. We believe this will not only improve internal revenue projections, but will also help the public and County stakeholders better understand the health system's challenging finances through improved reporting.

The Civic Federation also continues to commend the Independent Revenue Forecasting Commission for its openness and transparency. All meetings and activities of the Commission are open to the public and subject to the Open Meetings Act, and presentations and other materials are posted to the Commission's page on the Cook County website. Additionally, meeting notices and video recordings of the meetings are posted on Legistar, the County's online repository for meeting and legislative information.

Improvements in Cook County Health Revenue Collections

The Civic Federation supports Cook County Health's efforts to improve revenue collections. CCH forgoes potential revenue when private insurers and government programs deny medical claims. In reports issued in 2018 and 2019, Cook County's Inspector General found that the health system lost $270 million in revenue between FY2015 and mid-FY2019 because of claims denied due to faulty procedures and employee errors.[4] System officials disputed those numbers but said steps were being taken to prevent denial of claims. The FY2021 budget included $10 million from reduced claim denials and other revenue collection strategies.[5]

Since last year, the health system has taken a number of steps to improve the revenue cycle. Initiatives have included hiring a Chief Revenue Officer, revising parts of the collection cycle to ensure prior authorization and timely bill disbursement, allowing for online bill payments and other accountability improvements.[6] The health system now reports key performance indicators on a monthly basis. Health system officials said improved cash management practices have led to collections of over $24 million year to date that otherwise would not have been collected.[7] Additionally, Cook County Health is establishing an Incurred But Not Received (IBNR) reserve of $50 million in FY2022 for CountyCare, which is in line with best practices for healthcare insurers.

Legislation to Improve Public Information about Charity Care in Cook County

On August 25, 2021 Governor Pritzker signed Senate Bill 1840 into law as Public Act 102-0581. The legislation adds to existing reporting requirements for nonprofit hospitals. The new law

[4] Cook County Office of the Independent Inspector General, *Bad Debt Expense-Supplement*, August 30, 2019, https://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG17-0421_(Bad_Debt_Expense-Supplement).pdf.
[5] Cook County Health, FY2021 Proposed Budget, August 2020, pp. 28-29.
[6] Cook County Health FY2022 Proposed Budget Presentation, August 2021.
[7] Cook County Finance Committee Departmental FY2022 Budget Hearing on Cook County Health, October 26, 2021.

requires nonprofit hospitals to add details to community benefits plan reports about financial assistance applications received and processed by the hospital, to make those reports available to the public online and to provide insurance screening and financial assistance to patients referred by community health centers or free clinics. It also includes enforcement provisions and requires the Illinois Attorney General to report annually on enforcement activities. The Public Act takes effect on January 1, 2022.

This law addresses a longstanding issue raised by Cook County Health: that the Cook County Health and Hospitals System provides a disproportionately high level of uncompensated care in Cook County. Uncompensated care comprises charity care, which is provided free of charge to patients who meet certain income criteria, as well as bad debt. Bad debt involves patients' bills that cannot be collected—often because patients who could have qualified for charity care failed to sign up—and claims that are rejected by insurers and government programs. Cook County Health accounted for 54.5% of all charity care provided by County hospitals in 2018, up from 37% in 2013.[8] In recent years, Cook County Health saw an increase in the cost of uncompensated care, most notably before the pandemic in 2019. The cost of charity care rose from $174 million in FY2014 to $327 million in FY2019. Charity Care is projected to cost $384 million in FY2022. Several factors may have contributed to that increase, including the uninsured rate, unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the Affordable Care Act, the cost of operating the Direct Access managed care plan for uninsured patients and efforts by other hospitals to redirect uninsured patients to the Cook County health system.

The Civic Federation supports the goals of this legislation to improve transparency and reporting with regard to charity care and financial assistance data. The annual public reports required by the Public Act will provide objective information that may be used by all stakeholders to reach evidence-based conclusions about a path forward for equitable distribution of charity care across Cook County.

Civic Federation Concerns

The Civic Federation has the following **concerns** about the Cook County budget.

Reversal on Provident Hospital Plans

Provident Hospital has an important place in Chicago history as the City's first hospital to employ and serve Black residents. The hospital closed in 1987 due to financial problems, but it was subsequently acquired by Cook County and reopened in 1993 as part of the County's public health system. In 2010, in line with a strategic decision to reorient the health system toward outpatient care, Provident was designated as a regional outpatient center with limited inpatient services.[9] The health system ended ambulance runs to Provident's emergency room, closed the obstetrics and intensive care units and reduced the number of staffed inpatient beds. Cook County Health's strategic plan covering 2017 through 2019 reaffirmed Provident's primary role as a regional outpatient center offering a wide range of services including surgery.[10]

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[8] Civic Federation calculations based on data from the Illinois Department of Public Health Annual Hospital Questionnaire.
[9] Cook County Health and Hospitals System, Vision 2015, June 25, 2010, pp. 16, 19 and 24.
[10] Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019, July 2016*, pp. 8 and 14.

Plans then changed with virtually no public debate. The health system announced in August 2019 that it had applied to the State for permission to build a new $240.9 million facility including both hospital beds and outpatient exam rooms.[11] The idea of constructing, at least in part, a new inpatient facility was not discussed at public meetings of the Cook County Health Board of Directors, including numerous meetings about the system's current strategic plan.[12] That plan, which runs through FY2022, has one paragraph about the new Provident facility.[13]

The new hospital project was delayed during 2020 with the search for a new health system CEO and the COVID-19 pandemic.[14] The health system then had to apply for an extension of the financial commitment period for Provident, which was granted by the Illinois Health Facilities and Services Review Board through October 2022.[15]

The County's FY2022 budget indicates plans to move forward with building a new Provident building, as well as re-establishing ICU operations that were shut down early in the pandemic and restoring ambulance runs. The budget states that planning and design began in FY2018 and procurement is projected to be completed in early FY2022 to begin implementation of the plans for the modernization program. The new Provident would be about 22% smaller and have 42 medical/surgical beds, compared to 79 currently authorized. In the meantime, there are $16.9 million in spending on capital projects at Provident outlined for FY2022. Among those, CCH is planning systems maintenance and repair, interior upgrades, replacing rooftop units on Renal Dialysis, security upgrades, restoration of the Provident parking garage, sewer work and completion of the demolition of the Sengstacke Clinic.

Before approving the construction plan for the new Provident, the Illinois Health Facilities and Services Review Board, which oversees hospital acquisitions, closures and modernizations, determined that the number of hospital beds and other new services were not justified based on Provident's historical use.[16] The medical surgical average daily census at Provident was 13.8 patients in 2019 and the ICU average daily census was less than one. The health system says the expansion of ICU beds at Provident is needed based on community demand. When asked at a departmental budget hearing about what changed with regard to the justification for resuming ambulance runs, the new health system CEO cited changes in community need as well as the Affordable Care Act as a factor due to increased coverage and capacity, noting that ambulance runs halted prior to passage of the ACA. He said Provident is taking a one-stop-shop approach to provide both inpatient and outpatient services under a single, smaller footprint.[17]

[11] Cook County Health, Cook County Health Files State Application to Construct New Inpatient and Outpatient Facility on the Provident Hospital Campus," *news release*, August 12, 2019.
[12] Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019.
[13] Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 15.
[14] Alice Yin, "Construction of new $240 million Provident Hospital building delayed again, this time pandemic is blamed," *Chicago Tribune*, June 10, 2021.
[15] Letter from the Illinois Health Facilities and Services Review Board to Andrea Gibson, Chief Strategy Officer, Cook County Health on September 13, 2021, available at https://www2.illinois.gov/sites/hfsrb/Projects/ProjectDocuments/2019/19-037/2021-09-13%2019-037%20Financial%20Commitment%20Extension%20Approval%20Letter.pdf.
[16] Illinois Health Facilities and Services Review Board, *State Board Staff Report*, *Project No. 19-037,* October 8, 2019, p. 3.
[17] Cook County Finance Committee Departmental FY2021 Budget Hearing on Cook County Health, October 26, 2021.

Provident has had notable success in attracting patents for outpatient services that do not involve hospital stays. The Civic Federation continues to be concerned about the reversal on plans for Provident. The inpatient services planned for Provident will still be a fairly small operation, with six ICU beds and 20 medical surgical beds. However, the Federation would like to see the health system back up its strategy change with evidence of the need and urges the Cook County Board to hold a public discussion of the plans for Provident and receive progress updates through public meetings and public reports.

Plans for Continuing Investments made from ARPA funds After Funds Are Spent

As noted above, the County plans to spread out use of its $1 billion allocation of American Rescue Plan Act funds over the course of three years, with $100 million funding 226 ongoing personnel positions to be established in FY2022. The County will be relying on some economically sensitive revenue sources to return to pre-pandemic levels in order to support the increased expenses being approved in this year’s budget proposal.

Although we support the County’s receipt and use of federal APRA funding and the County’s transparency with long-term forecasting, the Civic Federation would like to hear more about the County’s plans for continuity of investments after the ARPA funds are spent. County finance officials have indicated the intention to report back to the Board of Commissioners on the proposals for spending ARPA funds and reports about the use of those funds. The Civic Federation supports detailed public reporting and urges the budget office to provide ongoing information about how the County will maintain positions and programs created in FY2022 and in upcoming years with the ARPA funds.

CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation offers the following **recommendations** to the Cook County Board of Commissioners.

Ensure that the Public Progress Reports on Chicago Recovery Plan Initiatives Provide Detailed Operational and Expenditure Information

While the County continues to work out the details of how it will use ARPA funds, the County tentatively plans to spend $333 million annually in FY2022, FY2023 and FY2024. The federal government has compliance and reporting requirements associated with use of the funds, including project details (expenditures, timelines, partners, outcomes) and key performance indicators (outputs and outcomes), and County finance officials have indicated that requests to authorize the use of funds will come before the Board through the normal approval process. To help stakeholders and the public track the use of these dollars over time, the Civic Federation urges the County to produce public reports with sufficient detail to understand how much of the funds are being used for short-term initiatives and how much toward long-term initiatives. Reporting should provide details about the departments involved in each initiative, the number of personnel positions within each department associated with each initiative, and the amount of expenditures actually spent on each initiative per year. For initiatives that will be continued in the future, the County should provide details about how ongoing program operations will be absorbed into the budget. Status updates should be discussed at a public hearing held by the Board of Commissioners or an appropriate committee.

Post Video Recordings of Cook County Health Board and Committee Meetings in Online Archive

As a result of remote meetings necessitated by the COVID-19 pandemic, the Cook County Health Board of Directors and committee meetings have been livestreamed on Facebook since April 2020. However, there is no online archive of the video recordings. The Civic Federation for several years has recommended that the health system livestream its Board and committee meetings online. We are encouraged that the pandemic resulted in livestreaming Cook County Health meetings, and urge the Board to continue livestreaming meetings after they return to an in-person format. Additionally, whether held remotely or in person, meeting videos should be archived online for public access.

The Civic Federation urges the Cook County Health Board of Directors to post all health system Board and committee meetings to an appropriate online website easily accessible to the public (other than Facebook, which requires the creation of an account). The Cook County Board of Directors already maintains an online repository for meeting and legislative information called Legistar, where meeting notices and agendas for Cook County Health meetings are also posted. The health system Board should work with the Board of Commissioners to post video recordings to the Legistar website, or identify another appropriate website for archiving past meetings. This would bring Cook County Health in line with other Cook County boards, as well as the governing boards of the major government entities throughout Chicago.

Reclassify Health Fund Revenue Sources in Budget Book to Align with Operations

The Cook County budget generally organizes Cook County Health revenues between two major categories of operations: the CountyCare Medicaid managed care plan (referred to in revenue tables as CountyCare or Managed Care) and health system hospitals and clinics that provide medical services (consisting of revenue from Medicaid, Medicare and Private Payors). There are inconsistencies in the way these revenue categories are classified in budget documents, which makes it difficult to understand how much revenue is being generated from CountyCare and how much is generated from other health system operations. A major table in the budget book, the Cook County Health Tax Allocation Summary, mixes revenue sources so the two sides of the system cannot be distinguished.[18]

With the Independent Revenue Forecasting Commission's inclusion of Cook County Health in its revenue projection work, the Commission has proposed several changes to the chart of accounts to improve transparency and consistency. The proposed changes would more accurately reflect the components of Medicaid revenue, separating Cook County Health from Health Plan Services given that they are completely separate operations, and align the account structure to the budget development process. The Civic Federation supports these joint efforts between the Commission and Cook County Health, and hopes the changes will make it easier to understand the health system's revenue sources.

Obtain Statutory Authority for Supplemental Pension Contributions

Currently the County is providing supplemental funding 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.

[18] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 55.

The pension contribution Cook County is required to make to its pension fund by state law—1.54 times the employee contribution made two years prior—is only about one third of the actuarially calculated contribution. As noted above, the supplemental pension contribution the County has been making since FY2016 has improved the trajectory of the pension fund and put the fund on a path to reach 100% funded by 2047.

The Civic Federation supports the proactive approach the County has taken through contributions that are closer to the actuarial recommendation, but the County still lacks statutory authority to make pension contributions funded outside of the property tax or personal property replacement tax. The supplemental contributions are being made with revenues from the County sales tax. Pension reform legislation was introduced in 2014, 2015, 2016 and again in 2019 but was not enacted.[19] The Civic Federation urges the County Board and the pension fund to work together with the General Assembly and the Governor on legislation to codify the actuarially calculated pension contributions.

Enact a Multi-Year Intergovernmental Agreement with the Pension Fund for Supplemental Contributions

Because the County lacks state authorization, the County is providing supplemental payments to the pension fund via an intergovernmental agreement. In the absence of state legislation authorizing the supplemental pension contributions made from the sales tax, the County should implement a multi-year intergovernmental agreement with the pension fund to make several years of supplemental payments. This would allow the pension fund to 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 level of 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.[20]

Be Prepared to Provide Pension Funding Support to the Cook County Forest Preserve District if the Property Tax Increase Referendum Fails

The Cook County Forest Preserve District is a separate unit of government from the County, but shares the same governing board. The Forest Preserve District's pension fund is projected to run out of money by 2040 based on current statutorily required funding levels. The Forest Preserves need approximately $10 million in additional pension fund contributions annually to put the District's pension fund on a path to solvency and adequately fund future pension obligations.[21]

The Forest Preserve District is funded primarily by property tax revenue. The District, unlike Cook County, is not a home rule government, and therefore is limited in the types of tax revenue it can raise. The Forest Preserve District plans to introduce a referendum on the November 2022 ballot that will ask taxpayers of Cook County for approval of a property tax increase of 0.025% to the District's taxing rate, which would generate approximately $40 million in additional revenue per year to the Forest Preserves' current $100 million property tax levy. Additional revenue raised from the property tax referendum would be used to fund pensions,

[19] Two bills, Senate Bill 1300 and House Bill 2903 were introduced in 2019 during the 101st General Assembly but neither passed.
[20] Cook County Pension Committee meeting, September 26, 2018.
[21] Cook County Forest Preserve District FY2021 Executive Budget Recommendation, p. 9.

land conservation, deferred maintenance at the Brookfield Zoo and Chicago Botanic Garden and other capital projects.

The Civic Federation believes that the members of the Cook County Board hold significant responsibility for addressing the Forest Preserves' pension funding crisis because of the County's direct involvement in rising personnel and pension costs as the Forest Preserve District's main collective bargaining negotiator and its oversight by the same Board of Commissioners.

If the referendum fails next year, the Civic Federation believes the County should be prepared to share a portion of its sales tax revenue used to fund its own pensions with the Forest Preserve District.

FY2022 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 FY2022 Preliminary Forecast anticipated a budget deficit of $60.3 million in the General Fund and $61.1 million in the Health Fund, for a total deficit of $121.4 million.

Prior to the COVID-19 pandemic, the County had reduced its preliminary budget gap to $18.7 million, the smallest budget deficit since Cook County Board President Preckwinkle took office in 2011, when the budget deficit was $487.0 million. However, the economic impact of COVID-19 caused revenue losses during FY2020 and continuing into FY2021. The County lost $180 million in revenue over the course of the pandemic, or 10% of the County's General Fund revenue.[22] The County initially projected a budget deficit of $222.2 million in FY2021. However, in the FY2022 Preliminary Forecast, the County revised its projections to end the 2021 fiscal year with a surplus due to the use of $77 million in general operating reserves, increases in some revenue sources and lower than anticipated expenditures, partly due to federal COVID-19 grant reimbursements for public health and public safety personnel costs.

The improvement in the FY2022 budget gap reflects a rebounding economy now that the State has reopened. The budget gap in the General Fund is due to expenditures outpacing revenues by $60.3 million due to increases in personnel and overtime expenses connected to the COVID-19 pandemic, although both revenues and expenditures are projected to be higher than the FY2021 adopted budget.[23] The $61.1 million Health Fund deficit is driven by expected increases in clinical volume, pharmacy costs and personnel expenses.[24]

The County closes the annual projected budget deficits through a combination of savings, management efficiencies and revenue increases. The bullet points below explain how the County plans to close the deficits in the General Fund and Health Fund for FY2022.

The County plans to close the $60.3 million General Fund deficit primarily through a reduction in expenditures of $56.0 million, as well as $4.3 million in additional revenue due to revised forecasting.[25]

Cook County Health plans to close the $61.1 million Health Fund gap through the following measures:

- $18 million in an increased amount of net revenue for CountyCare Impact;
- $12 million in spending for enhanced Federal Medical Assistance Percentages (FMAP) to impact Disproportionate Share Hospital Payments (DSH) and Benefits Improvement and Protection Act Payments (BIPA);
- $12 million in vendor contract savings;

[22] Cook County FY2022 Preliminary Forecast, p. 2.
[23] Cook County FY2022 Preliminary Forecast, p. 2.
[24] Cook County FY2022 Preliminary Forecast, p. 3.
[25] Information provided by the Cook County Department of Budget and Management Services, November 9, 2021.

- An additional $5 million in the property tax allocation from the County (for a total year-over-year increase of $15 million in FY2022 from the prior year) to cover Correctional and Public Health costs;
- $5 million in Cook County Health claims from billing people with insurance;
- $5 million due to increasing Cook County Health CountyCare membership; and
- $4 million due to anticipated revenue based on the newly eligible undocumented population aged 55-64 that are seeking health insurance.[26]

APPROPRIATIONS

This chapter describes Cook County's proposed appropriations for FY2022, including analyses of appropriations by fund, by object and by control officer.

FUND STRUCTURE

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

- The **General Fund** includes the Corporate and Public Safety Funds. 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** is used to operate the Cook County Health and Hospitals System, known as Cook County Health;
- **Special Purpose Funds** have defined sources of revenue that are restricted for particular uses. These include the Board of Election Commissioners Election Fund, the Bond and Interest Fund (used to pay debt service), the Annuity and Benefits Fund (used for payments to the pension fund), federal COVID-19 relief funds, and a number of Agency Special Purpose Funds that are allocated to various offices; and
- **Restricted Funds**, or grants.

In addition to the operating funds, Cook County also maintains a **Capital Fund** to account for expenditures related to capital improvements. The structure of these funds is shown in the figure below.

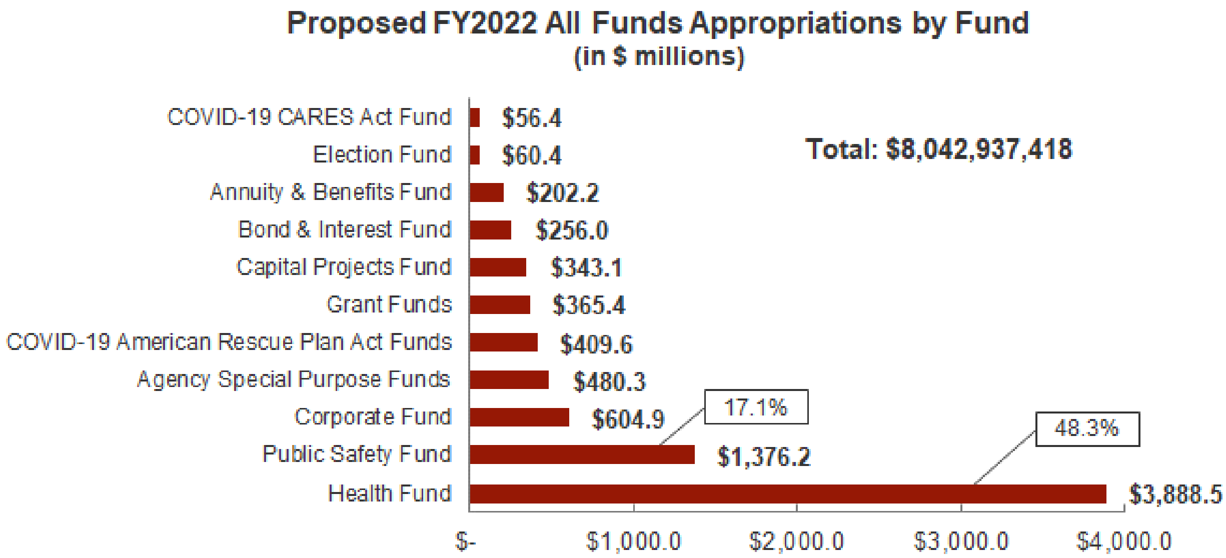
Cook County Operating Funds					Non-Operating
General Fund:		Health (Enterprise) Fund	Special Purpose Funds	Restricted Funds (Grants)	Capital Fund
Corporate Fund	Public Safety Fund				

APPROPRIATIONS BY FUND

The Cook County recommended budget for FY2022 proposes total spending of $8.04 billion. The following chart shows the proposed appropriations within each fund. The Health Fund is by far the largest area of spending in the Cook County budget, comprising 48.3% of the total budget, due to the size of Cook County Health operations. The second largest area of spending is within the Public Safety Fund at 17.1%, or $1.3 billion. The remaining funds account for smaller appropriation amounts. The County created a new fund in the FY2022 budget to

[26] Cook County FY2022 Preliminary Forecast, pp. 19 and 21.

account for COVID-19 American Rescue Plan Act funding. The appropriation for this fund is $409.6 million.



Source: Cook County, FY2022 Executive Budget Recommendation, Volume I, pp. 94-105.

The proposed appropriations of $8.04 billion in FY2022 represent an increase of 15.9%, or $1.1 billion, from the FY2021 adopted budget of $6.9 billion. The following table shows Cook County appropriations for all funds by fund across the five-year period from FY2018 to FY2022.

The Health Fund will see the largest increase from the prior year with a year-over-year increase of $501.1 million, or 14.8%. This significant increase in spending is due to an increase in the number of members enrolled in Cook County's insurance plan—CountyCare. The increase in membership is expected to lead to more managed care claims associated with the healthcare program. Over the five-year period from FY2018 to FY2022, Health Fund spending is expected to increase from $2.6 billion to $3.9 billion.

Appropriations within the Special Purpose Funds will also increase significantly in FY2022 from the prior year to $1.5 billion, an increase of $525.6 million, or 56.0%. The increase within these funds is due primarily to federal COVID-19 relief funding through the American Rescue Plan Act. This will provide $409.6 million in new appropriations in FY2022. Additionally, the County is establishing a new Equity Fund in FY2022 to invest $52.8 million into programs for marginalized communities. An increase of $26.8 million within the Special Purpose Funds is anticipated within the Motor Fuel Tax Fund. Between FY2018 and FY2022, the Motor Fuel Tax Fund will increase from $47.5 million to an anticipated $270.6 million in FY2022.

Appropriations within the Corporate Fund, Annuity and Benefits Fund, Bond and Interest Fund, Restricted grant funds, and the Capital Improvement Fund will remain relatively flat in FY2022 compared to the prior year budget appropriations. The pension appropriation within the Annuity and Benefit Fund for FY2022 is $202.2 million. This represents the amount statutorily required for the County to contribution to the pension fund for County employees. In addition to this amount, the County will contribute a supplemental amount of $345.0 million to the pension fund, for a total contribution of $547.2 million. This supplemental pension contribution will be appropriated from the Corporate Fund.

Appropriations within the Public Safety Fund and Election Fund are proposed to increase in FY2022. Spending within the Public Safety Fund is projected to increase by 6.6%, or $84.9 million, to $1.4 billion in FY2022 from $1.3 billion in FY2021. Spending within the Election Fund is expected to double from $29.8 million in the FY2021 adopted budget to $60.4 million in FY2022 due to the anticipated increase in activities associated with 2022 being a gubernatorial and general election year.

Appropriations Across All Funds by Fund: FY2018-FY2022
(in $ millions)

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Adopted	FY2022 Proposed	$ Change FY2021-FY2022	% Change FY2021-FY2022
Corporate Fund	$ 528.6	$ 537.8	$ 582.1	$ 603.2	$ 604.9	$ 1.6	0.3%
Public Safety Fund	$ 1,246.0	$ 1,248.8	$ 1,337.1	$ 1,291.3	$ 1,376.2	$ 84.9	6.6%
Subtotal General Fund	**$ 1,774.6**	**$ 1,786.6**	**$ 1,919.3**	**$ 1,894.6**	**$ 1,981.1**	**$ 86.5**	**4.6%**
Health Fund	$ 2,620.6	$ 3,029.2	$ 2,824.0	$ 3,387.4	$ 3,888.5	$ 501.1	14.8%
Subtotal General & Health Funds	**$ 4,395.2**	**$ 4,815.9**	**$ 4,743.3**	**$ 5,282.0**	**$ 5,869.6**	**$ 587.7**	**11.1%**
Annuity & Benefits	$ 211.4	$ 209.5	$ 200.9	$ 201.9	$ 202.2	$ 0.3	0.1%
Bond & Interest	$ 280.4	$ -	$ 259.9	$ 262.0	$ 256.0	$ (6.0)	-2.3%
Election Fund	$ 43.3	$ 18.7	$ 51.3	$ 29.8	$ 60.4	$ 30.6	102.4%
COVID-19 CARES Act Funds	$ -	$ -	$ 382.8	$ 50.0	$ 56.4	$ 6.4	12.9%
COVID-19 American Rescue Plan Act Funds	$ -	$ -	$ -	$ -	$ 409.6	$ 409.6	-
Agency Special Purpose Funds	$ 170.2	$ 175.0	$ 122.1	$ 395.7	$ 480.3	$ 84.6	21.4%
Subtotal Special Purpose Funds	**$ 705.3**	**$ 403.2**	**$ 1,017.0**	**$ 939.3**	**$ 1,464.9**	**$ 525.6**	**56.0%**
Restricted Funds (Grants)	$ 224.7	$ 248.8	$ 138.6	$ 364.9	$ 365.4	$ 0.4	0.1%
Subtotal Operating Funds	**$ 5,325.2**	**$ 5,467.9**	**$ 5,898.8**	**$ 6,586.2**	**$ 7,699.9**	**$ 1,113.7**	**16.9%**
Capital Improvement Fund	$ 152.4	$ 137.5	$ 105.2	$ 350.7	$ 343.1	$ (7.6)	-2.2%
Total Appropriations	**$ 5,477.7**	**$ 5,605.4**	**$ 6,004.1**	**$ 6,936.9**	**$ 8,042.9**	**$ 1,106.1**	**15.9%**

Source: Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 94-105.

Appropriations by Object

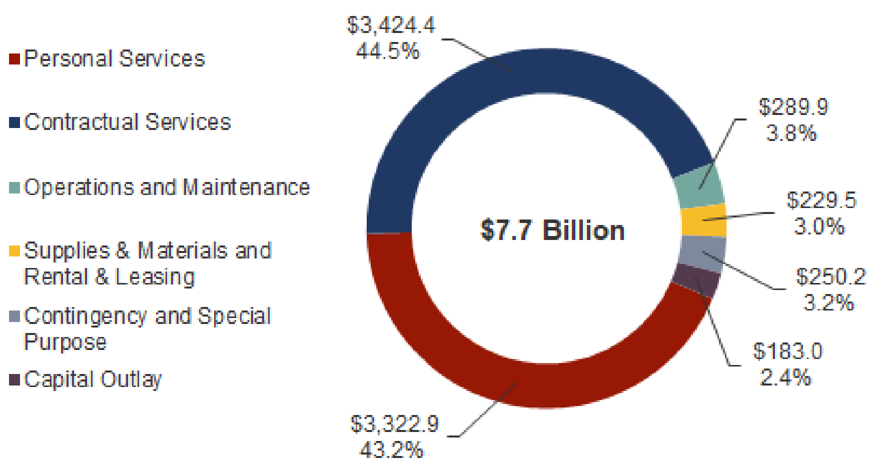
This section examines the proposed FY2022 appropriations by object classification. Object classification refers to categories of expenditures grouped together based on the similarity of purpose. The County uses the following object classifications:

- Personal Services (salaries and wages, fringe benefits, and other costs directly related to the cost of supporting employees);
- Contractual Services (e.g., purchased services such as printing, transportation and communications and professional and technical services contracted by the County, as well as managed care claims paid to third party service provides for CountyCare members);
- Supplies and Materials (e.g., food, office supplies, books and publications, lab and medical supplies, computers and printing supplies and other supplies);
- Operations and Maintenance (including utility costs and equipment repairs);
- Rental and Leasing (costs for the rental and leasing of office, automotive, medical equipment, and facilities);
- Capital Outlay (includes expenditures for the acquisition of fixed assets including land, buildings, and equipment); and
- Contingencies and Special Purpose (includes various unanticipated and estimated expenditures, as well as reserves).

The breakdown of spending within these object classifications for the operating funds budget, which includes all funds except for the Capital Fund, is shown in the chart below. Personal services and contractual services make up the two largest categories of spending across all operating funds. Personal services accounts for $3.3 billion, or 43.2% of total appropriations. Contractual services accounts for $3.4 billion, or 44.5% of the total budget. The remaining object classifications make up much smaller portions of spending. Contractual Services is such a large portion of total spending because of the large amount of contractual services within the Cook County Health and Hospitals System's budget.

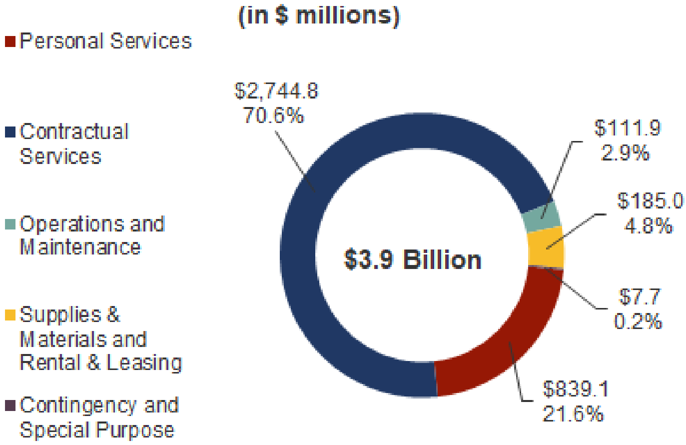
Looking separately at the Health Fund, as shown in the charts below, Contractual Services account for the majority—70.6%, or $2.7 billion of the Cook County Health budget—and are mostly payments associated with health care providers under CountyCare. Whereas, Contractual Services only account for 5.5%, or $109.3 million, of General Fund appropriations. In the General Fund, Personal Services account for the majority of General Fund Spending at $1.3 billion, or 67.6%.

Proposed FY2022 Appropriations by Object: All Operating Funds (in $ millions)



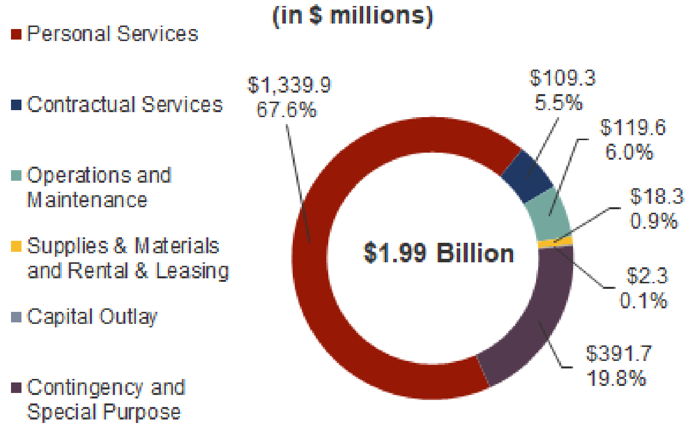
Source: Cook County FY2022 Executive Budget Recommendation, Volume I, p. 136.

Proposed FY2022 Appropriations by Object: Health Fund (in $ millions)



Source: Cook County FY2022 Executive Budget Recommendation, Volume I, p. 121.

Proposed FY2022 Appropriations by Object: General Funds (in $ millions)



Source: Cook County FY2022 Executive Budget Recommendation, Volume I, p. 121.

APPROPRIATIONS BY CONTROL OFFICER: GENERAL FUND AND HEALTH FUND

This section examines Cook County spending within the General and Health Funds, which are two of the County's primary operating funds that together account for 73% of the total County budget.

In addition to the Cook County Board President and Board of Commissioners, Cook County has a number of independently elected officials who each control their own budget and staff and therefore play important roles in the budget process. Each of these separately elected offices is referred to in the Cook County budget as Control Officers. The next table shows the Cook County appropriations by Control Officer over the five-year period from FY2018 to FY2022.

Total proposed spending within the General and Health Funds in FY2022 is $5.9 billion. This represents an increase of $1.5 billion, or 33.5%, over the past five years. The increase is primarily due to increased costs within the Health Fund associated with higher CountyCare membership levels and growth in Cook County managed care plans. However, these membership rates are expected to decrease in future years. Offices within the General Fund have all increased over the five-year period from FY2018 to FY2022. The largest increases by control officer have occurred within the County President's Office, Chief Judge and Sheriff's Office.

Fixed charges and special purpose expenditures have seen the largest dollar increase of $65.5 million over the five-year period examined. Fixed charges are administrative overhead costs that are not associated with a single office and include Countywide technology costs, payments for utilities, expenses related to debt service and other Countywide costs.[27] This category of spending is projected to increase in FY2022 due to an increase in budgeted contractual services.[28]

Appropriations by Control Officer: General Fund and Health Fund
(in $ millions)

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Adopted	FY2022 Proposed	$ Change FY2018-FY2022	% Change FY2018-FY2022
General Fund							
Offices Under the President	$ 133.0	$ 136.8	$ 134.5	$ 155.2	$ 164.7	$ 31.7	23.9%
Public Defender	$ 73.0	$ 74.1	$ 75.5	$ 80.1	$ 83.2	$ 10.2	14.0%
Chief Judge	$ 246.1	$ 246.4	$ 230.9	$ 260.5	$ 274.4	$ 28.3	11.5%
Clerk of the Circuit Court	$ 94.7	$ 95.1	$ 93.9	$ 99.4	$ 103.4	$ 8.7	9.2%
Sheriff	$ 564.9	$ 578.1	$ 431.2	$ 573.2	$ 596.1	$ 31.1	5.5%
State's Attorney	$ 121.3	$ 121.0	$ 120.7	$ 133.7	$ 138.5	$ 17.2	14.2%
Property Tax Related Offices*	$ 51.7	$ 53.6	$ 55.3	$ 61.7	$ 63.7	$ 12.1	23.3%
Other Offices**	$ 10.6	$ 10.5	$ 10.6	$ 11.9	$ 12.2	$ 1.6	15.6%
Fixed Charges and Special Purpose	$ 479.4	$ 471.0	$ 460.2	$ 520.6	$ 544.9	$ 65.5	13.7%
Health Fund							
Cook County Health and Hospitals System	$2,620.6	$ 3,029.2	$ 3,222.2	$3,387.4	$ 3,888.5	$ 1,267.9	48.4%
Total General & Health Funds	**$4,395.2**	**$ 4,815.9**	**$ 4,835.1**	**$5,283.6**	**$ 5,869.6**	**$ 1,474.4**	**33.5%**

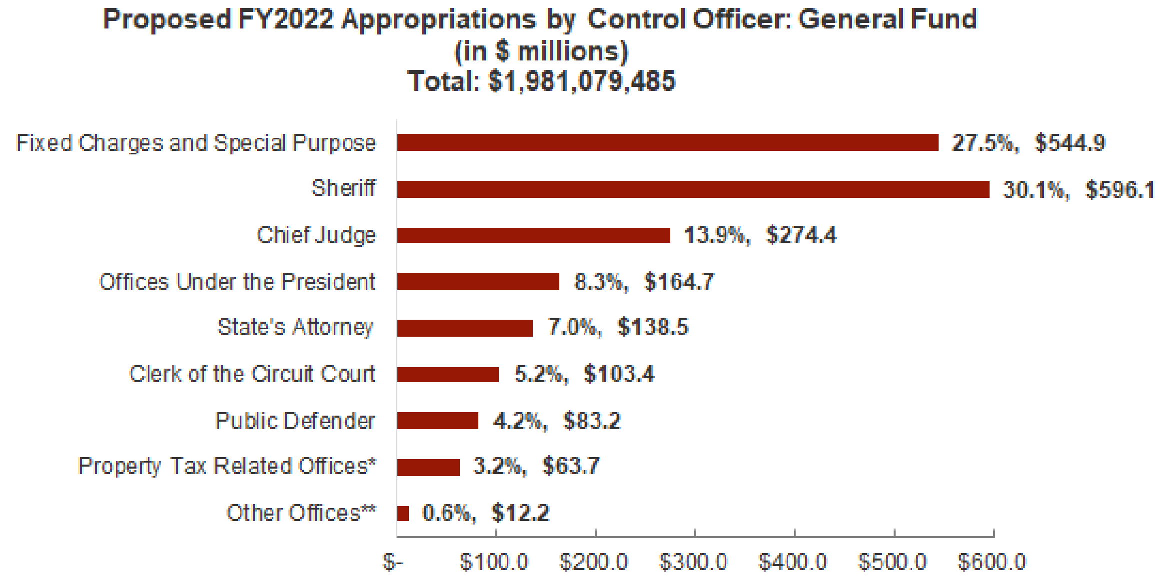
*Property tax related offices include the Assessor, Treasurer, Board of Review and County Clerk.
**Other offices include the Board of Commissioners, Inspector General and Public Administrator.
Source: Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 112-115.

[27] In past years, Cook County transferred some administrative overhead, or fixed costs, into departmental budgets in order to better reflect where expenses were incurred. The majority of these shifts took place between FY2016 and FY2018.
[28] Cook County, FY2022 Executive Budget Recommendation, Volume I, p. 80.

General Fund Appropriations

Shown in the next chart below are the proposed FY2022 appropriations by Control Officer in proportion to the total General Fund. Of the total General Fund appropriations of $1.99 billion, the Sheriff's proposed FY2022 appropriation level represents the largest portion, at 30.1% or $596.1 million. The second largest office is the Office of the Chief Judge, which accounts for 13.9% of General Fund spending, or $274.4 million. The other three key criminal justice offices—the State's Attorney, Clerk of the Circuit Court and Public Defender—together account for 16.5% of General Fund appropriations. The five criminal justice Control Officers combined account for a total of approximately 60% of the General Fund.

Fixed Charges and Special Purpose appropriations make up a significant portion of the General Fund—27.5% or $544.9 million. A significant portion of this fixed charges category is the supplemental pension contribution of $345.0 million that will be transferred from the General Fund to the Pension Fund. The remaining appropriations within fixed charges include utilities, contractual services, maintenance costs and other contingencies.



*Property Tax Related Offices include the Assessor, Treasurer, Board of Review and County Clerk.
**Other offices include the Board of Commissioners, Inspector General and Public Administrator.
Source: Cook County FY2022 Executive Budget Recommendation, Volume I, pp. 112-115.

Cook County Health Appropriations

The following table presents Health Fund appropriations for Cook County Health over the five-year period from FY2018 to FY2022. Cook County Health operates two hospitals—Stroger and Provident, a network of community health clinics, a managed care insurance plan called CountyCare, a public health department and health services at the County's two detention centers—the Cook County Jail and the Juvenile Temporary Detention Center (JTDC).

Cook County Health's proposed appropriations for FY2022 total $3.9 billion, an increase of $501.1 million or 14.8%, from the FY2021 adopted budget. Cook County Health appropriations proposed in FY2022 represent a $1.3 million, or 48.4%, increase over the five-year period beginning in FY2018. The majority of the increase is within Managed Care, which reflects a projected rise in CountyCare membership in FY2022. Membership levels carry an associated cost in medical claims from healthcare providers in the plan's network. The number of members in the CountyCare health plan increased from 371,000 in September 2020 to over 400,000 in August 2021 due to the State suspension of the automatic redetermination process in response to COVID-19 in order to ensure Medicaid recipients did not lose healthcare coverage during the pandemic. Actual membership in FY2021 has far exceeded original FY2021 budget expectations of 356,343 members per month. The County projects that the number of CountyCare plan members will decrease from 422,856 in December 2021 to 359,016 in November 2022 for an average membership of 390,689 during FY2022, assuming the State of Illinois will resume the re-determination process in January 2022.[29] The County's conservative projections for CountyCare membership in future years project that membership levels could decrease to 360,100 in FY2023, with a continued decrease to 262,000 by FY2026.[30]

Stroger and Provident Hospitals will also see increases in appropriations in FY2022. Stroger Hospital expenditures are projected to be $813.7 million in FY2022, which is a $113.0 million, or 16.1% increase over the five-year period beginning in FY2018. The increase in spending at Stroger is driven by an increase in FY2022 of 457.1 FTE personnel positions from the prior year to support additional nursing positions, surgical expansion, and increased investments in areas of cardiology, neurology, and the cancer center.

Provident Hospital appropriations are proposed to be $70.9 million, which is an increase of $18.5 million, or 35.3%, over the past five years. Following a downgrade in the facility's emergency room to a less heavily staffed standby facility,[31] the health system has reversed course and will reopen the ICU and restore ambulance runs for the first time since 2011. Provident expenditures will also increase to expand colon screenings, surgical capacity, dialysis, ophthalmology and maxillofacial surgery. The hospital will open six ICU beds based on an anticipated average daily census of four patients (compared to zero last year) and a projected medical surgical daily census of 20, up from 11.7 the past year.[32] The number of personnel positions at Provident is proposed to increase by 101.8 in FY2022 from the prior year.

The Ambulatory and Community Health Network (ACHN) is a network of 12 community health centers that coordinates primary and specialty outpatient care in community and hospital outpatient settings. Appropriations for ACHN are proposed to increase to $132.2 million in FY2022, which is a 33.5% increase over the five-year period beginning in FY2018. The increase in spending within ACHN is due a reorganization that will shift ambulatory clinics from Stroger and Provident to ACHN to consolidate all outpatient activity under the same leadership, which includes a shift of 478 FTEs from the hospital budgets to the ACHN budget.[33] The reorganization is meant to integrate primary and specialty care with a focus on patient navigation and does not affect the location where these personnel will work.[34]

Spending on health services at Cermak (Cook County Jail) is proposed to increase by 19.8% or $16.3 million over the five-year period from FY2018 to FY2022 to $97.8 million. Cermak saw an increase in personnel in FY2021 to replace expensive contracted personnel and to expand

[29] Cook County, FY2022 Executive Budget Recommendation, Volume I, p. 3; and Cook County, Executive Budget Recommendation Fiscal Year 2022 Presentation, p. 14.
[30] Cook County, FY2022 Executive Budget Recommendation, Volume I, p. 27.
[31] In 2020, the health system suspended the ICU based on a study showing 85% of ER patients could be seen in an outpatient setting. Statement by Interim Chief Business Officer Andrea Gibson at Cook County Health Board meeting, August 28, 2020.
[32] Cook County Health, presentation on the FY2022 Proposed Budget, August 2021.
[33] Cook County, FY2022 Executive Budget Recommendation, Volume I, p. 85.
[34] Cook County Health Departmental Budget Hearing on the FY2022 Budget, October 26, 2021.

capacity related to physical social distancing at jail necessitated by the pandemic. Spending at the Juvenile Temporary Detention Center (JTDC) will nearly double between FY2018 and FY2022 to $8.6 million. JTDC Health costs rose beginning in FY2019, when the health system began providing mental health services at the facility as part of the County's settlement of a budget dispute with the Chief Judge's Office.

Appropriations within the Department of Public Health will increase by $7.3 million or nearly 70% over the five-year period, due mainly to a large increase in FY2021 for COVID-19 related expenses.

Appropriations at Oak Forest Health Center have decreased to $0 as part of a planned end to all Cook County Health activities at the Oak Forest property by the end of FY2020. The Oak Forest clinic moved to Blue Island in FY2020 and other operations have been relocated. This has relieved the health system of maintenance and utility expenses at the site.[35]

Cook County Health and Hospitals System Appropriations: FY2018-FY2022
(in $ millions)

Department	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Adopted	FY2022 Proposed	$ Change FY2018-FY2022	% Change FY2018-FY2022
Health System Administration	$ 62.8	$ 50.6	$ 44.8	$ 50.4	$ 50.0	$ (12.7)	-20.3%
Cermak Health Services	$ 81.7	$ 82.0	$ 84.2	$ 96.1	$ 97.8	$ 16.2	19.8%
JTDC Health Services	$ 4.6	$ 5.8	$ 6.7	$ 8.4	$ 8.6	$ 4.0	87.9%
Provident Hospital	$ 52.4	$ 54.8	$ 56.8	$ 62.6	$ 70.9	$ 18.5	35.3%
Ambulatory and Community Health Network	$ 98.7	$ 108.6	$ 83.0	$ 83.6	$ 132.2	$ 33.5	33.9%
CORE Center	$ 19.6	$ 23.5	$ 22.1	$ 24.7	$ 24.7	$ 5.0	25.7%
Department of Public Health	$ 10.5	$ 10.7	$ 8.1	$ 16.9	$ 17.8	$ 7.3	69.1%
Managed Care	$ 1,548.8	$ 1,903.6	$ 2,139.4	$ 2,229.6	$ 2,634.9	$ 1,086.0	70.1%
Stroger Hospital	$ 700.7	$ 747.5	$ 726.4	$ 774.3	$ 813.7	$ 113.0	16.1%
Oak Forest Health Center	$ 11.6	$ 9.7	$ 9.7	$ -	$ -	$ (11.6)	-100.0%
Fixed Charges and Special Purpose Appropriations	$ 29.3	$ 32.5	$ 41.0	$ 40.6	$ 38.0	$ 8.7	29.9%
Total	**$ 2,620.6**	**$ 3,029.2**	**$ 3,222.2**	**$ 3,387.4**	**$ 3,888.5**	**$ 1,267.9**	**48.4%**

Source: Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 97.

35 Cook County FY2021 Executive Budget Recommendation, Volume II p. E-112.

RESOURCES

This chapter examines Cook County's total budget resources estimated for FY2022, General Fund and Health Fund resources over the past five years and the County's property tax levy over the past five years. 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 of Illinois; and other sources such as prior year reserves.

COVID-19 Funding: Cook County will receive a total of $1 billion in federal American Rescue Plan Act (ARPA) funding, of which $500 million was received in 2021 and the remaining $500 million will be received in 2022. The FY2022 budget proposal appropriates the use of the first half of these funds, with the expectation that not all of the funding will be spent in a single year. The County plans to spend its total ARPA allocation of $1 billion over a period of three years, with approximately $333 million spent in each year from FY2022 through FY2024. The FY2022 allocates $100 million to replace lost revenue and pay for ongoing operating expenses, and $233 million for community initiatives aimed at COVID-19 recovery.[36]

These ARPA funds are in addition to $429 million in federal coronavirus relief funding through the CARES Act that Cook County received in FY2020. This funding was required to be spent by the end of the 2020 calendar year. While the CARES Act funding was restricted for specific public health and public safety purposes, the ARPA funds may be spent on general operations and to replace revenue lost as a result of the COVID-19 economic downturn.

PROPOSED FY2022 RESOURCES FOR ALL FUNDS

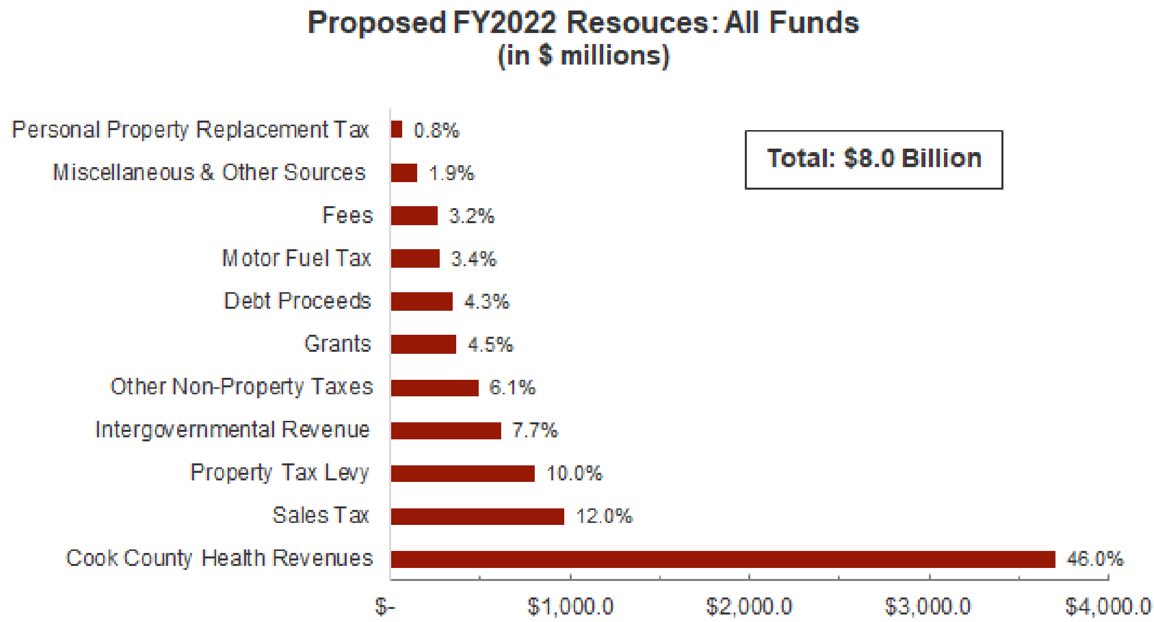
Cook County proposes total resources for all funds of $8.04 billion in FY2022, compared to $6.9 billion budget adopted in the prior year. The chart below provides the proposed distribution of all resources in FY2022.

Cook County Health fees account for nearly half of total revenue at $3.7 billion or 46.0%. The sales tax is the second largest revenue source, accounting for 12.0% of resources, or $968.3 million. Property tax revenue, which includes Tax Increment Financing (TIF) surplus declared by the City of Chicago, will account for 10.0% of total resources at $803.3 million. Other non-property taxes are expected to account for $488.3 million in revenue or 6.1%. Non-property tax sources 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. Fees collected by various County offices for services like vital records and permits will make up 3.2% of resources at $260.0 million.

Intergovernmental revenue will make up 7.7% of resources, totaling $618.7 million. This includes approximately $500 million in American Rescue Plan Act (ARPA) funding that the County expects to receive from the federal government in FY2022, as well as other

[36] Cook County Executive Budget Recommendation Fiscal Year 2022 Presentation, October 7, 2021.

reimbursements to the County from the State of Illinois for probation-related salaries and the Cook County Forest Preserve District for administrative services.

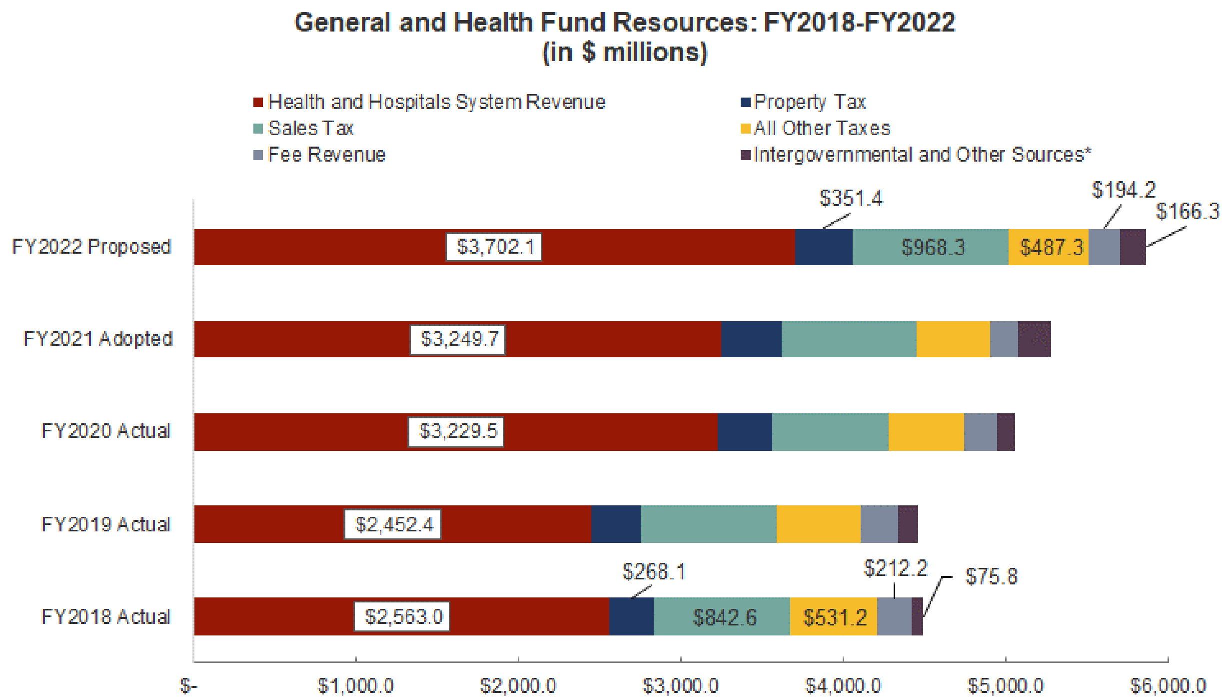


Source: Cook County FY2022 Budget Recommendation, Volume 1, p. 38.

GENERAL FUND AND HEALTH FUND RESOURCES

The General Fund and Health Fund are Cook County's two primary operating funds that account for the majority of general operations. Within both the General and Health Fund, resources are projected to total $5.9 billion in FY2022. This represents an increase of 31.0% over the five-year period from FY2018 to FY2022. In FY2018, General and Health Fund resources were $4.5 billion. This is an increase of $1.3 billion over the past five years. The increase primarily has taken place within the Health Fund, which is described in further detail below. As shown in the following chart, Health Fund resources increased from $2.6 billion in FY2018 to a projected $3.7 billion in FY2022.

While Health Fund resources have increased most significantly in the five years shown in the chart below, other major resource categories have also increased over this period. Property tax revenue to the General and Health Funds increased from $268.1 million to $351.4 million, which is an increase of 31.1%. Sales tax revenue, which serves as the largest tax source for the County's general operations, increased from $842.6 million in FY2018 to a projected level of $968.3 million in the proposed FY2022 budget.



Source: Cook County FY2022 Budget Recommendation, Volume 1, pp. 34-35 & 58-59; and FY2021 Annual Appropriation Bill, Volume I, pp. 52-53.

General Fund Resources

The General Fund is supported by a variety of tax and fee sources. Proposed resources to the General Fund in FY2022 total $1.98 billion, which is an increase of 4.5% over the prior year budget. General Fund resources over the five-year period from FY2018 to FY2022 are shown in the next chart.

The largest source of revenue to the General Fund is the sales tax. Sales tax revenue is projected to increase from $830.2 million to $968.3 million between FY2021 and FY2022. The sales tax has performed well throughout the pandemic, and the County projects that online sales will continue to make up a larger share of the County's overall sales tax revenue as compliance improves. Current projections indicate that online sales tax collections will increase from 11.2% of total online sales tax revenue in FY2021 to 18.0% in FY2026.[37] The County has been able to apply its 1.75% sales tax rate to online sales since January 1, 2021.

The General Fund will receive $213.7 million of the County's property tax revenue in FY2022, compared to $246.9 million in FY2021. Included in this amount is $23.5 million in TIF surplus from the City of Chicago and suburbs, proportional to the Cook County share of the tax bill (the County receives 7% of the City of Chicago's TIF surplus). The reduction is due to more property tax revenue flowing to the Election Fund to help run the 2022 election.

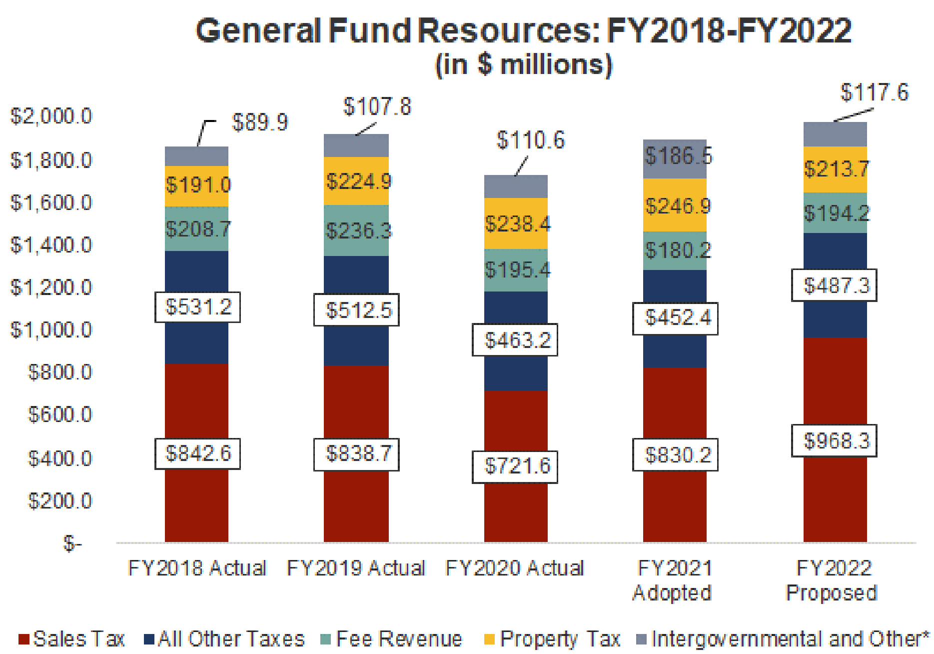
Fee revenue is collected by various County offices including the Clerk of the Circuit Court, Recorder of Deeds, Treasurer, Sheriff, State's Attorney, Medical Examiner and Assessor. These various departments charge fees for a variety of services such as vital records, real estate

[37] Cook County Independent Revenue Forecasting Commission, Quarterly Report, October 28, 2021.

transactions, court case filings, and delinquent taxes. Fee revenue is expected to total $194.2 million in FY2022. This is an increase of 7.8% from $180.2 million the prior year. The largest portion of fee revenue is collected by the Clerk of the Circuit Court ($71.4 million), followed by the County Clerk ($58.5 million, which now includes Recorder of Deeds fees since the Clerk assumed the duties of the Recorder's Office in December 2020) and the Treasurer ($35 million). Fee revenue declined during the COVID-19 pandemic and is now beginning to recover as restrictions have eased and services and activities have resumed.

Other tax revenue, excluding the property tax and sales tax, is projected to total $487.3 million, up from $452.4 million budgeted in FY2021. Other tax revenues include use taxes and a variety of consumer taxes on items such as alcohol, cigarettes and tobacco, gas, amusement, parking operations, gambling and hotel stays. Many of these tax sources declined significantly in FY2020 and FY2021 due to the COVID-19 pandemic. In FY2018, revenue from other tax sources was $531.2 million, which declined to $463.2 million in FY2020 at the height of the economic disruption caused by the pandemic. The County projects that many of these tax sources will begin to recover in FY2022.

Other revenue includes miscellaneous revenue (i.e., 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), indirect costs (reimbursements from special purpose funds to the General Fund), and intergovernmental revenue (reimbursements from the State Administrative Office of the Illinois Courts (AOIC) to subsidize adult and juvenile probation salaries and from the Cook County Forest Preserve District for administrative services). This category of resources will decline in FY2022 from the prior year because the County does not plan to allocate any general operating reserves in FY2022, whereas the County budgeted for the use of $76.8 million in reserves to balance the FY2021 budget and offset COVID-19 revenue declines.



Source: Cook County FY2022 Budget Recommendation, Volume 1, pp. 34 & 58-59; and FY2021 Annual Appropriation Bill, Volume I, pp. 52-53.

The following table provides additional detail about the other tax sources outside of the sales tax and property tax that make up a significant portion of General Fund revenue. These tax sources are economically sensitive and many were impacted by the COVID-19 pandemic. As shown in the table, many revenue sources declined over the five-year period from FY2018 to FY2022. Nearly all sources fell in FY2020 at the height of revenue loss from the pandemic. While FY2022 projections reflect economic recovery, with many revenue sources expected to increase from the FY2021 adopted budget, the FY2022 revenue projections are still lagging pre-pandemic levels.

Over the five-year period between FY2018 and FY2022, several tax revenues have declined significantly. In particular, parking taxes fell by $12.5 million (24.7%) and hotel accommodation taxes are expected to decline by $14.6 million or 40.5%. Additionally, the wheel tax (vehicle registration) will decline by $1.3 million, the use tax (on vehicle and boat sales) will decline by $2.4 million, gas tax will decline by $4.3 million and the amusement tax will decline by $2.4 million from FY2018 revenue levels. Cigarette and tobacco taxes will see the largest dollar decrease over the five-year period of $26.1 million, or 21.3%. Cigarette taxes have been declining over time due to falling consumption. This is especially true in recent years, with Illinois raising the legal age to purchase tobacco from 18 to 21. Overall, other tax sources are projected to be nearly $44 million lower in FY2022 than FY2018, a decline of 8.3%.

Helping offset these declines, some tax sources are projected to increase revenue in FY2022 compared to five years prior—in particular, the County's tax on cannabis and casino and gambling machine taxes.

Almost all tax sources are projected to increase in FY2022 compared to the prior year. The projected revenue of $487.3 million in FY2022 is a $34.9 million, or 7.7%, increase from the FY2021 adopted budget.

Other Tax Sources: FY2018-FY2022 (in $ thousands)

Tax Source	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Adopted	FY2022 Proposed	$ Change FY2021-FY2022	% Change FY2021-FY2022	$ Change FY2018-FY2022	% Change FY2018-FY2022
Use Tax	$ 84,352.6	$ 85,031.4	$ 79,265.7	$ 70,100.0	$ 82,000.0	$ 11,900.0	17.0%	$ (2,352.60)	-2.8%
Non-Retailer Transactions Use Tax	$ 15,556.3	$ 16,040.4	$ 15,369.2	$ 15,250.0	$ 16,250.0	$ 1,000.0	6.6%	$ 693.65	4.5%
Gas Tax	$ 96,551.2	$ 94,964.5	$ 82,585.4	$ 87,000.0	$ 92,250.0	$ 5,250.0	6.0%	$ (4,301.20)	-4.5%
Alcoholic Beverage	$ 37,166.9	$ 39,273.2	$ 35,995.4	$ 36,300.0	$ 37,300.0	$ 1,000.0	2.8%	$ 133.11	0.4%
Retail Sale of Motor Vehicles	$ 3,090.8	$ 3,096.3	$ 2,667.5	$ 2,300.0	$ 2,750.0	$ 450.0	19.6%	$ (340.79)	-11.0%
Wheel Tax	$ 5,817.8	$ 4,047.9	$ 3,486.6	$ 4,800.0	$ 4,500.0	$ (300.0)	-6.3%	$ (1,317.85)	-22.7%
Off Track Betting Commissions	$ 1,195.1	$ 1,207.8	$ 652.1	$ 1,000.0	$ 960.0	$ (40.0)	-4.0%	$ (235.15)	-19.7%
Illinois Gaming - Casino	$ 8,842.8	$ 8,755.3	$ 6,090.0	$ 7,300.0	$ 11,000.0	$ 3,700.0	50.7%	$ 2,157.19	24.4%
Amusement Tax	$ 38,655.6	$ 38,690.2	$ 12,515.3	$ 24,265.0	$ 36,250.0	$ 11,985.0	49.4%	$ (2,405.56)	-6.2%
Parking Lot / Garage Operations	$ 50,483.0	$ 50,497.2	$ 30,295.8	$ 43,000.0	$ 38,000.0	$ (5,000.0)	-11.6%	$ (12,482.96)	-24.7%
State Income Tax	$ 12,891.1	$ 14,462.3	$ 15,584.2	$ 12,623.6	$ 17,000.0	$ 4,376.4	34.7%	$ 4,108.91	31.9%
Cigarette and Other Tobacco	$ 122,356.5	$ 113,156.3	$ 157,581.9	$ 103,100.0	$ 96,300.0	$ (6,800.0)	-6.6%	$ (26,056.54)	-21.3%
State Sales Tax (Retailer's Occupation)	$ 3,055.2	$ 3,232.6	$ 2,772.3	$ 3,146.8	$ 3,560.0	$ 413.2	13.1%	$ 504.78	16.5%
Firearms and Ammunition Tax	$ 1,465.7	$ 1,227.1	$ 1,844.2	$ 1,200.0	$ 1,650.0	$ 450.0	37.5%	$ 184.32	12.6%
Gambling Machine Tax	$ 2,206.8	$ 2,639.2	$ 2,705.7	$ 3,500.0	$ 3,500.0	$ -	0.0%	$ 1,293.17	58.6%
Hotel Accommodations	$ 36,149.7	$ 35,556.1	$ 12,183.6	$ 19,500.0	$ 21,500.0	$ 2,000.0	10.3%	$ (14,649.73)	-40.5%
Sweetened Beverage Tax	$ 11,392.4	$ 355.3	$ -	$ -	$ -	$ -	-	$ (11,392.45)	-100.0%
Video Gaming Tax	$ -	$ 256.7	$ 390.7	$ 550.0	$ 750.0	$ 200.0	36.4%	$ 750.00	-
Cannabis Tax	$ -	$ -	$ 1,139.3	$ 13,905.1	$ 16,750.0	$ 2,844.9	20.5%	$ 16,750.00	-
Sports Betting Tax	$ -	$ -	$ 91.5	$ 3,575.0	$ 5,000.0	$ 1,425.0	39.9%	$ 5,000.00	-
Total	**$ 531,229.7**	**$ 512,489.6**	**$ 463,216.2**	**$ 452,415.5**	**$ 487,270.0**	**$ 34,854.5**	**7.7%**	**$ (43,959.67)**	**-8.3%**

Sources: Cook County FY2021 Annual Appropriation Bill, Volume 1, pp. 50-51; FY2020 Annual Appropriation Bill, Volume 1, pp. 42-43; and FY2019 Annual Appropriation Bill, Volume 1, p. 41.

Health Fund Resources

The Health Fund is an enterprise fund that accounts for the operations of the Cook County Health and Hospitals System, or Cook County Health. As an enterprise fund, it is meant to be self-supporting, funded by fees for services. Cook County Health's operating revenues come mainly from Medicaid, the joint federal-state program that finances healthcare services for low income people and people with disabilities. The two major categories of revenue are: Health Plan Services and Patient Fees. Health Plan Services consists of the County's managed care programs: CountyCare, a Medicaid managed care plan, and MoreCare, a Medicare Advantage plan. Patient Fee revenue consists of payments from Medicaid, Medicare and other managed care organizations whose members use health system services. Additionally, Cook County Health receives supplemental Medicaid payments not tied to individual patient care that are designed for hospitals that serve low income and uninsured patients. These include Disproportionate Share Hospital (DSH) payments[38] and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).[39]

Total Health Fund revenue is projected to be nearly $3.8 billion in FY2022, compared to $3.3 billion in FY2021. This is an increase of $486.1 million, or 14.9%, from the prior year adopted budget. The increase is primarily within Health Plan Services due to growth in the CountyCare managed care plan membership. The County receives reimbursements based on the number of members in CountyCare. Health Plan Services revenue is projected to be $2.6 billion in FY2022, which is $413.3 million higher than the prior year.

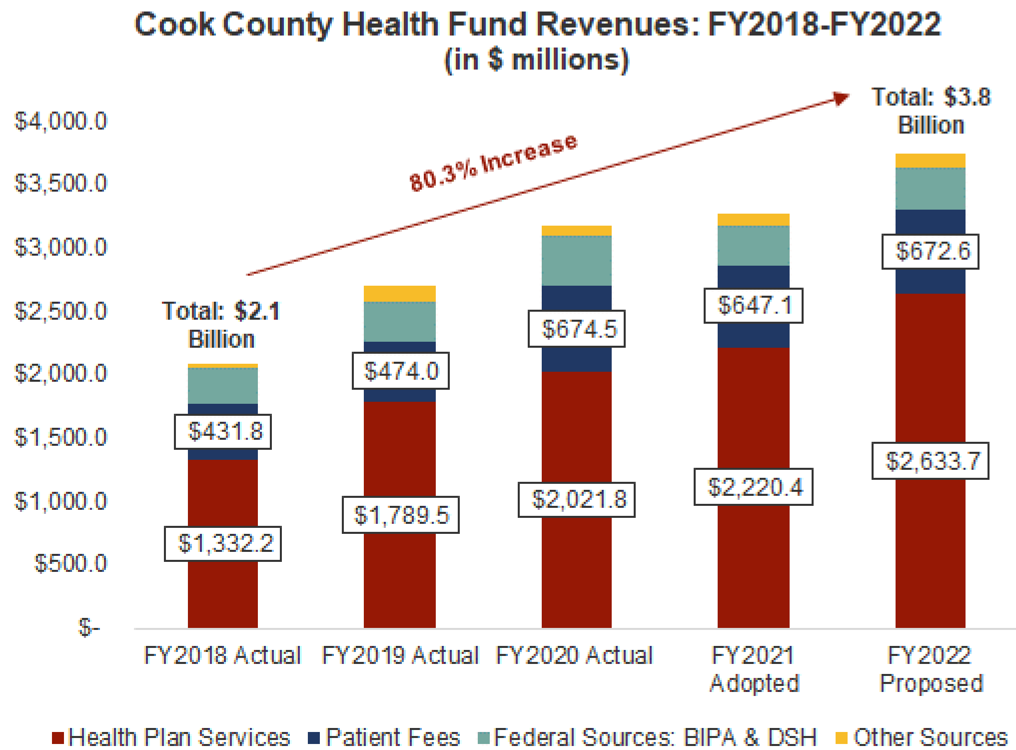
Across the five-year period from FY2018 to FY2022, shown in the chart below, Cook County Health's revenue will increase by 80.3%, or $1.7 billion, from nearly $2.1 billion in FY2018 to $3.8 billion. The largest area of revenue growth during this five-year period has been Health Plan Services, due to growth in the CountyCare and MoreCare managed care plans. Patient Fees will increase over this five-year period from $431.8 million to $672.6 million, an increase of 55.7% or $240.8 million.

BIPA and DSH reimbursements have only increased slightly between FY2018 and FY2022. Other miscellaneous sources include Public Health Department fees, revenue from the cafeteria, medical records, parking and physician's fees, investment income and

[38] Federal law requires states to make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid.

[39] Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2). BIPA payments are provided under federal legislation that earmarked up to $375 million annually to U.S. public hospitals serving mainly low-income patients and satisfying other criteria that were only met by the health system. Of the total allocation, about 65% goes to the State and 35% is kept by the health system. Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

reimbursements for Graduate Medical Education. This small category of other revenue sources will also increase slightly in FY2022.



Source: Cook County FY2022 Budget Recommendation, Volume 1, p. 35; and FY2021 Annual Appropriation Bill, Volume I, p. 30.

Revenues for Cook County Health discussed above do not quite cover the health system's total expenditures. While revenues total nearly $3.8 billion in the FY2022 budget proposal, they fall short of proposed appropriations by $137.7 million. The County bridges the gap between the system's projected expenditures and operating revenues through an annual tax allocation. Since FY2019 the tax subsidy provided to Cook County Health has consisted of revenues from property taxes. Previously, other tax sources were included in this subsidy. The FY2022 County tax allocation to Cook County Health is $137.7 million, an increase of $15.0 million from the prior year.

In addition to the annual tax allocation for operations, the County also pays for health system-related pension costs and debt service. In FY2022 these additional County contributions total $317.1 million, consisting of $196.6 million in statutorily required and supplemental pension payments and $131.0 million in debt service payments. The total subsidy to Cook County Health in FY2022 is $465.3 million, an increase of 10.3% from the prior year. The County subsidy to the health system is shown in the table below for the five-year period from FY2018 through FY2022.

Cook County Tax Allocation to Cook County Health: FY2018-FY2022 (in $ thousands)

	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Proposed	FY2022 Proposed	$ Change FY2021-FY2022	% Change FY2021-FY2022
Operating Tax Allocation	$ 72,704.9	$ 72,704.9	$ 82,704.9	$ 122,704.9	$ 137,704.9	$ 15,000.0	12.2%
Net Statutory Pension Payments	$ 64,104.7	$ 67,285.3	$ 68,898.6	$ 60,370.9	$ 75,512.2	$ 15,141.3	25.1%
Supplemental Pension Payments	$ 107,150.6	$ 112,501.4	$ 107,537.4	$ 102,261.5	$ 121,092.0	$ 18,830.5	18.4%
Debt Service Payments	$ 122,017.8	$ 136,741.2	$ 140,664.9	$ 136,408.4	$ 130,968.0	$ (5,440.4)	-4.0%
Total	**$ 365,978.1**	**$ 389,232.9**	**$ 399,805.9**	**$ 421,745.6**	**$ 465,277.2**	**$ 43,531.6**	**10.3%**

Source: Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 55; and information provided by the Cook County Department of Management and Budget Services, November 9, 2021.

Property Tax Levy for All Funds

Cook County is levying for total net property tax revenue of $779.8 million in FY2022. This accounts for an estimated 3% loss in collections from the gross levy of $791.8 million.[40] This is a very small increase of $6.7 million, or 0.9%, compared to the total net levy of $773.1 million in FY2021.

The County has held its base property tax levy 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 a portion of the property tax revenue collected within the expired TIF area now goes to the County instead of to the TIF. It is not a tax increase. In FY2022 the County will capture a total of $71.3 million in additional property tax revenue due to the following:

- $24.4 million from expiring TIF districts;
- $43.3 million from new property; and
- $3.6 million from expiring incentives.[41]

Property tax revenues are distributed to seven major funds: Corporate, 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, 32.8%, of the net levy will be allocated to the Bond & Interest fund to pay debt service in FY2022. The Public Safety Fund will receive 24.4% of property tax revenue. The Pension Fund will receive 17.4% to be put toward the County's FY2022 pension payment.

The Health Fund will receive 17.7% of the property tax levy, increased from 10.8% the prior year. The Health Fund allocation of the property tax levy in FY2022 is $137.7 million, compared to $122.7 million in FY2021. The County decreased its property tax allocation to Cook County Health over the past several years from $121.2 million in FY2016. The County began increasing the tax allocation in FY2020 to help offset some of the health system's uncompensated care

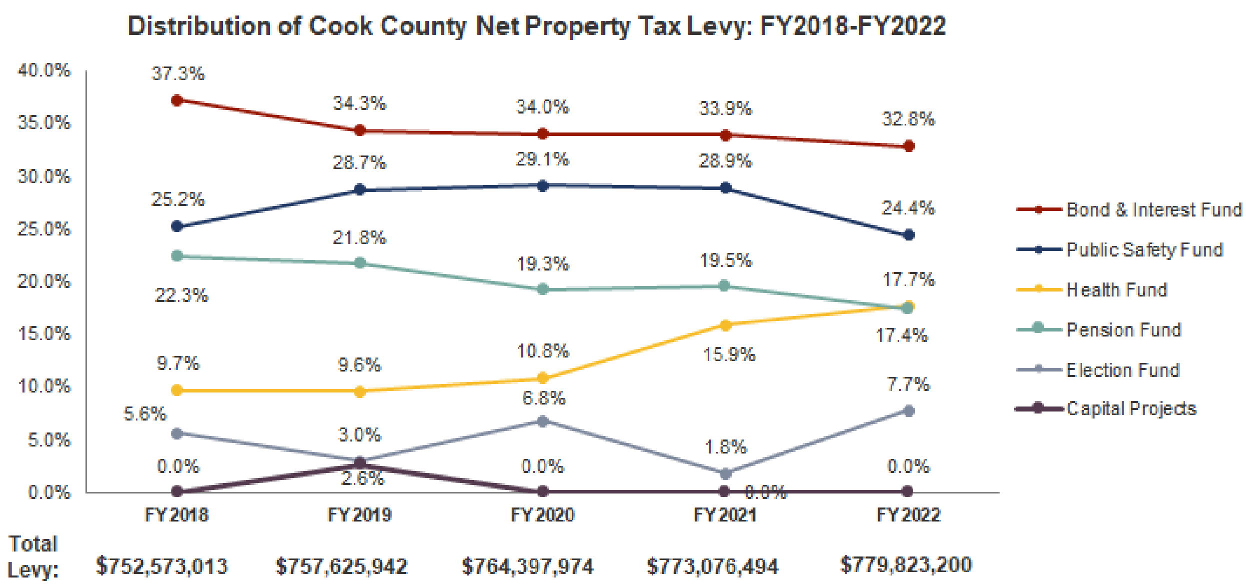
[40] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 42.
[41] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 42.

costs. The levy allocated to Cook County Health increased by $40 million in FY2021 and will increase by another $15 million in FY2022 in order to help balance the Health Fund budget.

The Election Fund will receive 7.7% of the property tax levy in FY2022, up from 1.8% in FY2021. The allocation of the levy to this fund fluctuates with election years.

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 did receive 2.6% of the property tax levy revenue in FY2019. The Capital Fund has not received any property tax revenue since FY2019.

The Corporate Fund also will not receive any property tax funding in FY2022. The Corporate Fund has not received any portion of the property tax levy since FY2017.



Source: Cook County, FY2022 Executive Budget Recommendation, Volume I, p. 42; Cook County, Annual Appropriation Bills, Volume I: FY2018, p. 49; .FY2019, p. 26; FY2020, p. 28; and FY2022, p. 36

PERSONNEL TRENDS

The following section presents the number of budgeted personnel positions both by fund and by control officer, as well as spending on Personal Services. Personnel positions are measured by full-time equivalent (FTE) positions.

FTE positions represent the total hours worked divided by the average annual hours worked in a full-time position. FTE is used as a measure of personnel positions, rather than the number of employees, to compare workloads regardless of the number of hours each employee works FTE positions account for full-time, part-time, seasonal and hourly wage earners. Personal Services are salaries, benefits and other costs associated with personnel positions.

PERSONNEL POSITIONS BY FUND

Cook County proposes a total of 22,589.9 full-time equivalent (FTE) positions in FY2022 in the operating funds, which include the Corporate Fund and Public Safety Fund (both of which make up the General Fund), Special Purpose Funds and Health Fund (and excluding grant funds). This is a net increase of 1,341.9 positions from the adopted FY2021 budget, or an increase of 6.3%. Budgeted personnel positions over the five-year period from FY2018 through FY2022 are shown in the chart below.

Grant funds are excluded from this personnel analysis. When including grant funds, the total County workforce is 23,466.7 FTEs, a net increase of 1,589.9 FTEs, or 7.3%, from the approved FY2021 budget.[42] The number of grant funded positions will increase from 628.7 FTEs in FY2021 to 876.8 FTEs in FY2022. A majority of grant funds support Public Safety programs and Economic Development Initiatives.[43]

The largest increase in personnel between FY2021 and FY2022 will take place within the Health Enterprise Fund. The Health Fund will increase by 758.4 FTEs, or 11.1%, from the FY2021 adopted budget. This increase is due to the expansion of surgical capacity at Stroger and Provident Hospitals, re-establishing ambulance runs and the ICU at Provident Hospital, additional nursing positions and the expansion of services at Stroger Hospital.[44]

The Public Safety Fund is also proposed to receive a significant increase in personnel of 321.9 FTEs, or 2.6%, from the prior year. The increase in FTEs in the Public Safety Fund is primarily due to an increase in positions including Assistant Public Defenders, Assistant State Attorneys, courtroom clerks, and positions in the Sheriff's Court Services Division to fully staff courtrooms as normal courthouse operations resume and the Sheriff's Community Corrections Department to manage an anticipated increase in the use of electronic monitoring through pretrial services.[45]

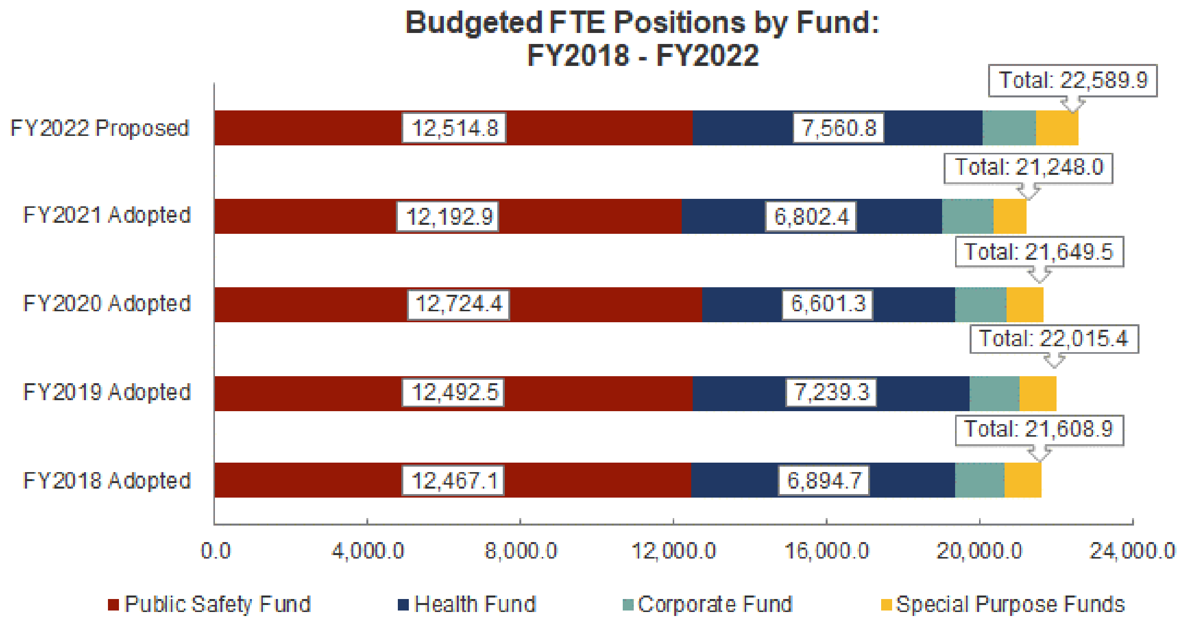
The Special Purpose Funds, which include the Election Fund, will increase by 231.6 FTEs or 25.7% from the FY2021 adopted budget. The County plans to create new administrative positions in the President's Office with support from funding through the American Rescue Plan Act (ARPA) within areas including technology, human resources, economic development, finance and procurement. Additionally, several offices including the Chief Judge, Clerk of the Circuit Court and Board of Review will receive additional positions within the Special Purpose Funds based on the proposed FY2022 budget.

The Corporate Fund will increase by 30 FTEs, or 2.2%, in FY2022 over the prior year.

Over the five-year period between FY2018 and FY2022 total FTEs, excluding grant funds, will increase by 981.0 FTEs or 4.5%. FTE positions within the General Fund, which includes the Corporate Fund and the Public Safety Fund will increase by a total of 136 FTEs or 1.0% over the five-year period. The Health Fund will see the largest increase from FY2018 with 666.1

[42] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 142.
[43] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 64.
[44] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 87.
[45] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 78.

FTEs and Special Purpose Funds will increase by 178.9 FTEs or 18.8% in FY2022 from 952.6 FTEs in FY2018.



Note: Figures do not include grant-funded positions.
Source: Cook County FY2022 Executive Budget Recommendation, Volume I, pp. 138-142.

PERSONNEL POSITIONS BY CONTROL OFFICER

This section analyzes the number of FTEs by control officer across all operating funds (excluding grant funds). Budgeted FTE positions by control officer over the five-year period from FY2018 to FY2022 are shown in the following chart. The most significant increase in FTEs in FY2022 over the prior year will occur in Cook County Health, which will increase by 758.4 FTEs or 11.1%. Cook County Health FTEs by department are discussed in further detail in the next section.

The second largest increase in personnel between FY2021 and FY2022 will be within the Offices Under the President. The number of FTEs within the Offices Under the President is proposed at 2,651.7, an increase of 247.4 FTEs or 10.3%. The increase is primarily due to position increases in the offices of the Chief Information Officer, Chief Administrative Officer and the Public Defender.[46]

The Sheriff's Office is budgeted for a total of 5,781.0 FTEs, representing the largest office after Cook County Health. The Sheriff's proposed FTEs represent an increase of 174.0, or 3.1%, over the prior year budget. As noted above, the majority of positions that will increase within the Sheriff's budget are for Court Services and Community Corrections.

[46] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 143.

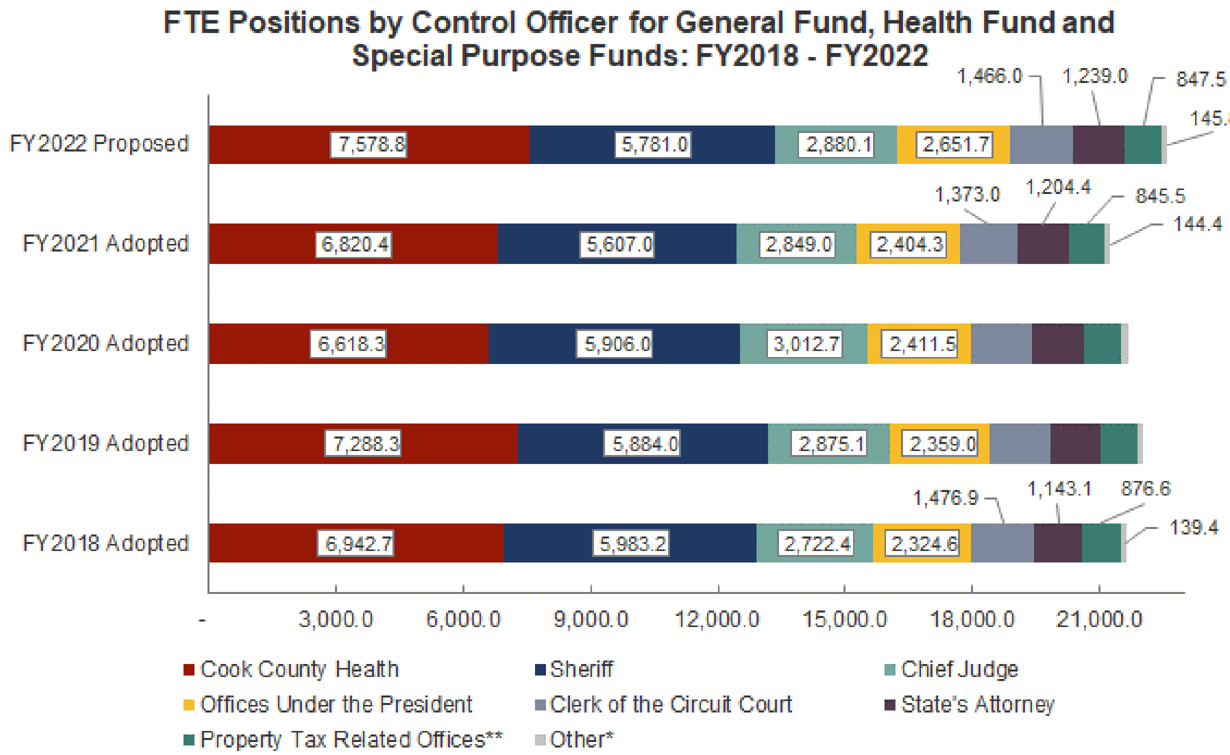
The Clerk of the Circuit Court is proposed to gain 93.0 FTE positions in FY2022 from the prior year. Of those positions, 25 will be funded through ARPA funds and 60 will be for additional courtroom clerks.[47]

The Property Tax Related Offices including the County Clerk (which assumed the duties of the Recorder of Deeds Office in December 2020), the Board of Review, Treasurer and Assessor, will have a total of 847.5 FTEs in FY2022. This is a small 0.2% increase from 845.5 FTEs in FY2021.[48]

Over the past five years, decreases in the number of FTEs have occurred within the Office of the Sheriff, the Clerk of the Circuit Court, and the Recorder of Deeds Office. The Office of the Sheriff will see the largest decrease of 202.2 FTEs or 3.4%. The number of personnel positions within departments under the Sheriff have fluctuated since FY2018, with the largest decreases occurring within the Department of Corrections, which was partially offset by creating a new Community Corrections Department in FY2020 that transferred approximately 200 corrections positions. The Sheriff's Court Services Division eliminated vacant FTE positions in FY2021. The Chief Judge's Adult Probation Department decreased their FTE positions within the Standard Probation Supervision program that assists offenders in complying with their sentences through various services and their mental health unit and mental health court. The Clerk of the Circuit Court's Office decreased FTEs is due to reduced staffing levels in FY2021.[49] The Offices that will see the largest increase over a five-year period are Cook County Health, Offices Under the President and Chief Judge. The Chief Judge's office will have the third largest increase by 157.7

[47] Cook County FY2022 Executive Budget Recommendation, Volume 2, p. L-5.
[48] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 143-144.
[49] Cook County FY2021 Executive Budget Recommendation, Volume 2, p. 593, 651 and 732.

FTEs or 5.8% due to new staff positions in the Information Technology and Court Coordination departments.[50]



Note: The figures above do not include grant-funded FTEs.
*Other includes Public Administrator, Office of the Independent Inspector General, Board of Commissioners, Board of Election Commissioners and the Land Bank.
**Property Tax Related Offices includes Board of Review, County Clerk, Recorder of Deeds, Treasurer, and Assessor.

Cook County Health Personnel

Personnel positions within Cook County Health are proposed to increase by approximately 758.4 FTEs in FY2022 from the prior year adopted budget. This is an 11.1% increase from FY2021. The largest increase in the FY2022 budget proposal takes place within the Ambulatory Community Health Network (ACHN) with an increase of approximately 535 FTE positions, or an increase of 155.0%. While the number of positions within ACHN increases significantly, this is a budgetary increase only to reflect a restructuring within CCH in FY2022. The health system will shift 478 positions from Stroger and Provident Hospitals to ACHN associated with the hospitals' ambulatory clinics as part of a consolidation of all outpatient activity under ACHN. The net impact to ACHN after adjusting for this restructuring is a 58.9 FTE new positions.[51]

At Stroger Hospital, a total of 457 new FTE positions are proposed for FY2022. However, 383 of those positions will be shifted to the ACHN budget, resulting in a budgetary increase of 76.6 FTEs. The added positions at Stroger will support establish new service lines and support additional nursing staff, cardiology, neurology, the cancer center, case management and social

[50] Cook County FY2022 Executive Budget Recommendation, Volume 2, p. 584-585.
[51] Cook County Health, FY2022 Proposed Budget Presentation, August 2021, p. 7.

workers.[52] The additional positions are also intended to reduce agency, contractors and overtime.[53]

At Provident Hospital, a total of 101.8 new positions are proposed for FY2022. However, 95 of those positions will be shifted to the ACHN budget, resulting in a budgetary increase of only 4.8.[54] The new positions at Provident are intended to support the reestablishment of the ICU, expand medical surgical capacity, restore ambulance runs and expand other surgery and screening services.

Health Plan Services personnel is proposed to increase by 98 positions in FY2022 from the prior year to 442 FTEs. The increase in Health Plan Services personnel over the five-year period from FY2018 to FY2022 reflects the growth in CountyCare. Staffing is based on membership growth and required care management staffing ratios, as well as insourcing functions.[55]

Health System Administration will gain 51 FTE positions in FY2022 from the prior year. This increase in staff will allow for the establishment of an Equity and Inclusion Office and a Strategic Planning and Implementation Office, additional minority contracting resources, funding for a microgrant program on gun violence prevention and additional administrative infrastructure.[56]

Cook County Health Personnel positions by department between FY2018 and FY2022 are shown in the table below.

Cook County Health FTEs: FY2018-FY2022

	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Adopted	FY2022 Proposed	# Change FY2021-FY2022	% Change FY2021-FY2022	# Change FY2018-FY2022	% Change FY2018-FY2022
Health System Administration	504.7	366.0	328.0	317.0	368.0	51.0	16.1%	(136.7)	-27.1%
Cermak Health Services	653.0	631.0	575.0	667.0	658.0	(9.0)	-1.3%	5.0	0.8%
JTDC Health Services	33.0	65.0	62.0	59.8	60.8	1.0	1.7%	27.8	84.2%
Provident Hospital	328.0	377.8	401.0	388.2	393.0	4.8	1.2%	65.0	19.8%
Ambulatory and Community Health Network	828.0	848.8	401.0	345.1	880.0	534.9	155.0%	52.0	6.3%
CORE Center	74.0	75.0	71.0	71.0	72.0	1.0	1.4%	(2.0)	-2.7%
Department of Public Health	110.0	102.0	118.0	128.0	128.0	0.0	0.0%	18.0	16.4%
Health Plan Services	179.0	495.0	407.0	344.0	442.0	98.0	28.5%	263.0	146.9%
Stroger Hospital	4,119.0	4,240.8	4,189.3	4,482.4	4,559.0	76.6	1.7%	440.0	10.7%
Oak Forest Health Center	66.0	37.8	49.0	0.0	0.0	0.0	-	(66.0)	-100.0%
Total	**6,894.7**	**7,239.2**	**6,601.3**	**6,802.5**	**7,560.8**	**758.3**	**11.1%**	**666.1**	**9.7%**

Source: Cook County FY2022 Executive Budget Recommendation,Volume 1, p.141.

PERSONAL SERVICES APPROPRIATIONS

The following pie chart shows budgeted personal services appropriations as a percentage of the total proposed County operating budget for FY2022, excluding grant funds. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employees' Medicare contributions and pensions. Also

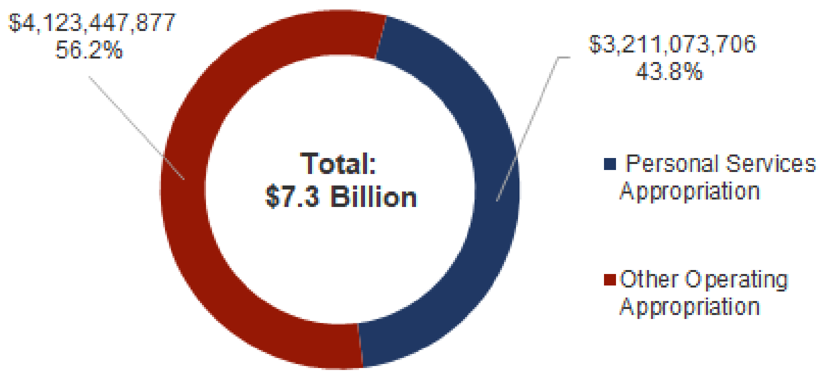
[52] Cook County Health, FY2022 Proposed Budget Presentation, August 2021, p. 9.
[53] Cook County FY2022 Executive Budget Recommendation, Volume 2, p. F-75.
[54] Cook County Health, FY2022 Proposed Budget Presentation, August 2021, p. 8.
[55] Cook County Health, FY2022 Proposed Budget Presentation, August 2021, p. 13.
[56] Cook County Health, FY2022 Proposed Budget Presentation, August 2021, p. 6.

included are employee expenses such as professional development and travel expenses.[57]

Personal services appropriations proposed in FY2022 are $3.2 billion. This is an increase of $206.2 million, or 6.9%, above the approved FY2021 budget due to the proposed increase in personnel levels across the County of 1,342. The FY2022 personal services appropriations include the statutorily required pension contribution of $202.2 million, plus an additional contribution of $325 million to help address unfunded pension liabilities and up to $20 million to be deposited into the Pension Stabilization Fund.[58]

As shown in the chart below, the proposed personal services appropriation in FY2022 accounts for 43.8% of total operating appropriations. This ratio has decreased from 56.3% in FY2018.

Proposed FY2022 Personal Services Appropriations as a Percentage of Total Operating Appropriations

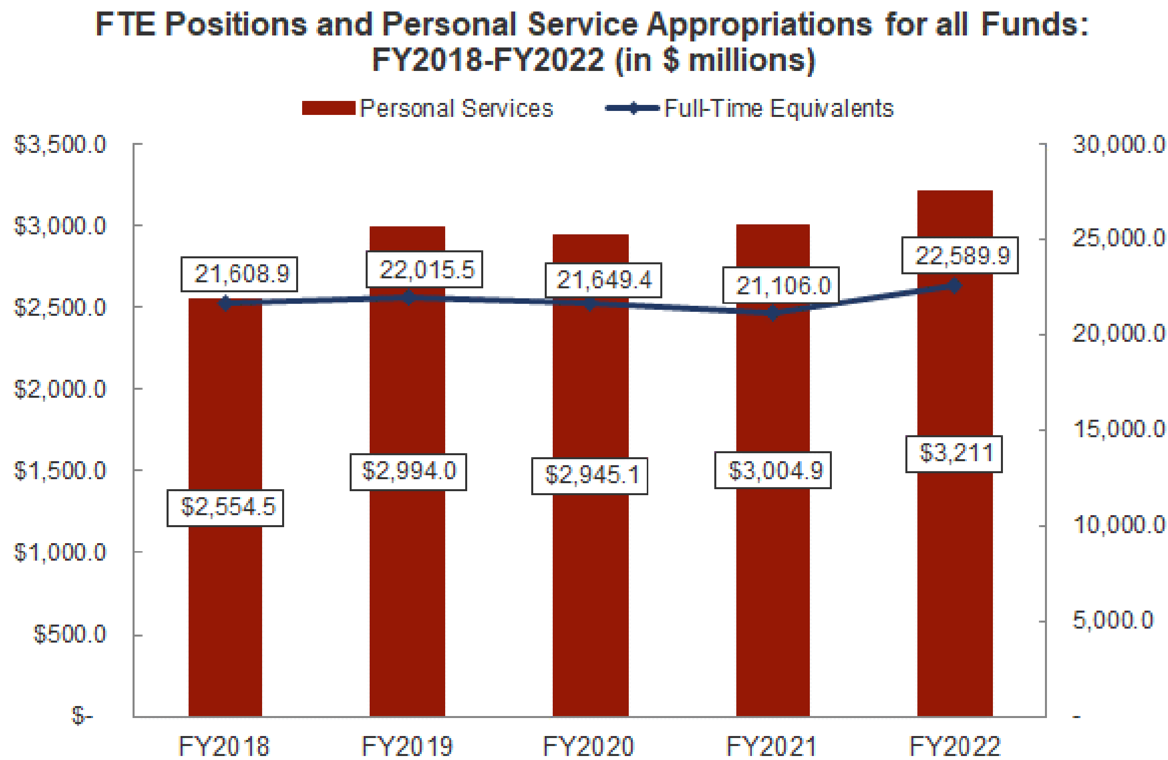


Note: Figures do not include grant funds.
Source: Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 136.

The next chart shows total full-time equivalent positions and personal services appropriations for the five years between FY2018 and FY2022 for all operating funds, excluding grants. The proposed number of FTEs will increase from 21,608.9 FTEs in FY2018 to 22,589.9 FTEs in the proposed FY2022 budget, an increase of 4.5%, or 981 FTEs. Over the same period, personal services appropriations will increase by 25.7%, or $656.5 million, from $2.5 billion in FY2018 to

[57] Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 321-322.
[58] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 89.

$3.2 billion in FY2022. Between FY2018 and FY2022 personal services appropriations have continued to steadily increase while the FTE count has fluctuated.



Note: Does not include grant-funded positions or grant-funded personal services appropriations.
Source: Cook County FY2018 Appropriations Ordinance, pp. 94-99; FY2019, pp. 99-104; FY2020, pp. 105-110 and p. 116; FY2021, pp. 117-122 and p. 128; and FY2022 Executive Budget Recommendations, Volume I, p. 136 and 142.

FUND BALANCE

This section discusses Cook County's fund balance levels based on the most recent audited data from the County's FY2020 Comprehensive Annual Financial Report. Fund balance is a term used to describe the net position of a governmental fund and serves as a measure of budgetary reserves.[59] It can be thought of as the savings account of a local government.

The Governmental Accounting Standards Board (GASB) Statement No. 54 has established five components of fund balance:

1. Nonspendable fund balance – resources that inherently cannot be spent such as prepaid 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.
2. Restricted fund balance – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by the constitution, creditors or laws and regulations of non-local governments.

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[59] Government Finance Officers Association (GFOA), Fund Balance Guidelines for the General Fund (Adopted September 2015). Available at http://www.gfoa.org/fund-balance-guidelines-general-fund.

3. 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.
4. Assigned fund balance – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, which would be categorized as assigned fund balance.
5. 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.

The first two components of fund balance involve legal or contractual limitations on the use of those funds. The other three components involve constraints that can be lifted by the government; they are guidelines rather than legal limitations.[60] Unrestricted fund balance that could potentially be used for any purposes, therefore, it includes all funds identified as:

- Committed fund balance;
- Assigned fund balance; and
- Unassigned fund balance.

GFOA Best Practices and Cook County Financial Policy

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."[61] Two months of operating expenditures is approximately 16.7%. The GFOA notes that a smaller reserve may be appropriate for the largest governments in the United States, because they can often better predict contingencies and they typically have diverse revenue streams.[62] Further, the statement directs governments to consider the financial resources available in other funds when determining an adequate unrestricted General Fund fund balance level.[63]

GFOA also recommends that governments establish a formal unrestricted fund balance policy that considers the government's specific circumstances.[64] GFOA specifies several factors that should be considered when establishing a fund balance policy. The factors are: revenue predictability and expenditure volatility; perceived exposure to one-time disasters or immediate expenses; the potential drain on general fund resources from other funds and the availability of resources in other funds; the potential impact on the government's bond rating and borrowing costs; and funds that are already committed or assigned for specific purposes.

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[60] Steven Gauthier, "Fund Balance: New and Improved," Government Finance Review, April 2009
[61] GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015). Available at http://www.gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund.
[62] GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).
[63] 5 GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).
[64] GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).

Cook County Financial Reserve Policy

Cook County has a financial reserve policy to maintain "an unassigned fund balance in the General Fund of no less than two months (16.67%) or "floor," and a "ceiling" of three months' worth (25.0%) of the General Fund's total expenditures, plus total other financing uses (e.g. transfers out) from the most recent audit."[65] If the unassigned fund balance drops below the two month "floor" of audited General Fund expenditures, the policy directs the County to develop an action plan to replenish the fund balance in coordination with the annual adopted budget. If the unassigned fund balance exceeds the three month "ceiling," the County can use these funds to pay for nonrecurring expenses, an outstanding liability (i.e., pensions or bonded debt) or transfer it to a committed or assigned fund balance in the following fiscal year.[66]

The County's policy indicates that it will also maintain an assigned fund balance for purposes of a Pension Stabilization Fund. This will be used to offset unanticipated increases in the pension contributions to the Cook County Pension Fund.[67] The County has budgeted a $20 million contribution to the stabilization fund for FY2022.[68]

COOK COUNTY UNRESTRICTED FUND BALANCE

This section examines the County's General Fund unrestricted fund balance as a percent of general operating expenditures based on audited data from the County's most recent Comprehensive Annual Financial Reports. This ratio is a measure of whether a government is maintaining adequate levels of fund balance to mitigate current and future risks and ensure stable tax rates.[69] Cook County's General Fund consists of three accounts: Corporate, Public Safety and Self-Insurance.[70]

Cook County's unrestricted fund balance ratio fell from 14.1% in FY2012 to a low of 4.4% in FY2014 before beginning to steadily increase. The decrease in FY2014 was due to several factors: the General Fund absorbed a negative balance of $15.3 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.[71]

Since FY2014, the fund balance has steadily increased, primarily because revenue increases have outpaced spending increases.

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

[65] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 291.
[66] Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 291-292.
[67] Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 6 and 292.
[68] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 89.
[69] GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).
[70] Cook County FY2019 Comprehensive Annual Financial Report, p. 49.
[71] Communication with Cook County Bureau of Finance, October 30, 2015.

Operation Tax) and a reallocation of Cigarette Taxes to the General Fund from the Health Enterprise Fund.[72]

The fund balance rose in FY2016 to a ratio of 11.4% due to increased revenues, primarily from an increase in the sales tax rate implemented in FY2016, as well as growth in the Use Tax and the Non-Retailer Transaction Use Tax due to improved vehicles sales.[73]

It increased to 15.9% of General Fund expenditures in FY2017 primarily 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.[74]

The fund balance increased again in FY2018 to $352.8 million, a ratio of 22.2% of operating expenditures. This increase in the fund balance ratio was primarily due to a reduction in expenditures of $83.4 million from the prior year through reduced personnel costs from the elimination of positions and reductions in overtime.[75]

The fund balance ratio increased in FY2019 to 28.2% due to revenues ending the year above expenditures, which resulted in a net change in fund balance of $103.6 million.[76]

The fund balance increased to $593.1 million or 42.1% of general operating expenditures in FY2020 in large part because of an increase in operating resources from the prior fiscal year. This included increases in income, cigarette, other tobacco products cannabis, sports wagering and other non-property taxes; an increase in the allocation of property tax funds levied in 2019 to other funds; increased revenues from the State of Illinois due to the timing of grant funded appropriations; and higher than expected CVS Caremark Rx rebates as well as legal settlements.[77]

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[72] Cook County FY2015 Comprehensive Annual Financial Report, p. 20.
[73] Cook County FY2016 Comprehensive Annual Financial Report, p. 19.
[74] Cook County FY2017 Comprehensive Annual Financial Report, pp. 19-20.
[75] Cook County FY2018 Comprehensive Annual Financial Report, p. 20.
[76] Cook County FY2019 Comprehensive Annual Financial Report, p. 20.
[77] Cook County FY2020 Comprehensive Annual Financial Report, pp. 20-21.

Cook County's FY2020 unrestricted fund balance ratio of 42.1% of General Fund expenditures far exceeds the GFOA's recommendation of maintaining an unrestricted reserve ratio of at least 16.7%.

Unrestricted General Fund
Fund Balance Ratio: FY2012-FY2020

	Unrestricted General Fund Balance	General Operating Expenditures	Ratio
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%
FY2018	$ 352,817,410	$ 1,587,866,746	22.2%
FY2019	$ 456,422,288	$ 1,616,200,408	28.2%
FY2020	$ 593,129,813	$ 1,410,302,725	42.1%

Sources: Cook County Comprehensive Annual Financial Reports: Balance Sheet Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balance: Governmental Funds.

The FY2020 unrestricted fund balance includes nearly $506.0 million in "unassigned" fund balance and $87.2 million in "assigned" fund balance.[78] As described in the County's fund balance policy, the "assigned" portion of the fund balance is reserved for pension stabilization. The "unassigned" portion represents 35.9 % of operating expenditures. This amount of unassigned reserves easily meets the County's own policy of maintaining between two months (16.7%) and three months (25.0%) of General Fund fund balance.

PENSION FUNDS

This section examines the budgetary impact of Cook County's contributions to its pension fund. The Civic Federation additionally analyzes indicators of the fiscal health of its pension funds and presents multi-year trend data. Additional descriptive information about the County's pension benefits and history can be found in past budget analyses and will soon be available on a special area of the Civic Federation's website dedicated to pension data and information.[79] Members of the Cook County pension fund do not participate in the Social Security program, so they are not eligible for Social Security benefits related to their County employment when they retire.

In FY2020 there were 18,926 active County employees participating in the pension fund and 19,618 beneficiaries. Previously the County fund had more employees than retirees. A low ratio of active employees to annuitants means there are fewer employees paying into the fund and

[78] Cook County FY2020 Comprehensive Annual Financial Report, p. 21.
[79] See for example Civic Federation, "Cook County FY2021 Executive Budget Recommendation: Analysis and Recommendations," November 19, 2020, pp. 80-93. Available at https://www.civicfed.org/CookCountyFY2021.

more retirees taking annuity payments out of the fund and can be a signal of distress for a mature and underfunded pension like the County fund.

PENSIONS IN THE FY2022 COOK COUNTY BUDGET

At a 64% funded ratio, Cook County's pension fund is not as underfunded as other funds in Illinois, but it is still not in good financial condition. While the County had made several attempts to get legislation passed in the General Assembly to change benefits and funding provisions in the wake of reform legislation that passed for the State of Illinois, Chicago Park District and City of Chicago in 2013 and 2014, the County's efforts advocating for such reforms have fallen short. Along with most other public pension plans in the State of Illinois, benefits for new County employees were reduced in 2011.

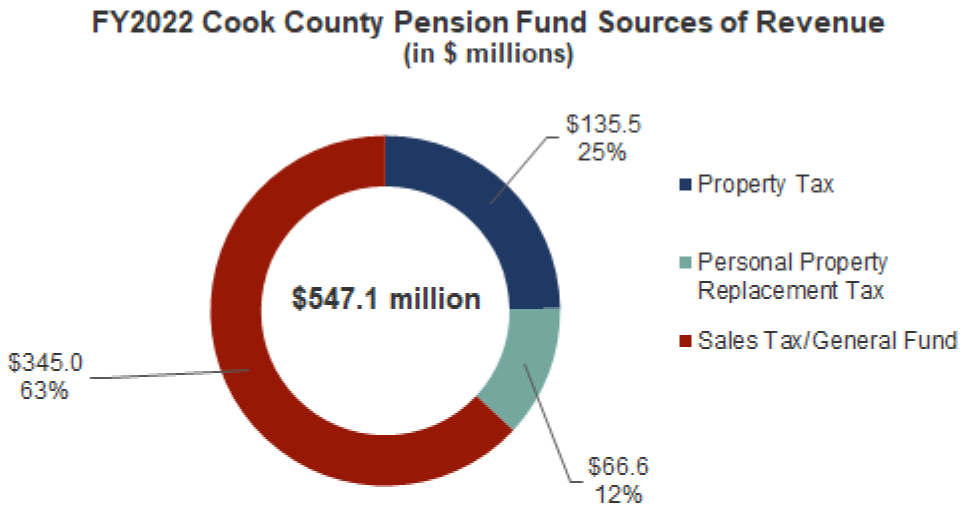
After the Illinois Supreme Court struck down changes to current employee and retiree benefits for Chicago and Illinois, the County tried another strategy and increased its sales tax by one percentage point in 2016, in large part to fund increased contributions to the pension fund. Statutorily the County is still tied to the same multiplier-based pension contribution system as other Chicago area local governments. The County is required to contribute 1.54 times what employees contributed two years prior. Since the multiple did not adjust to meet the needs of the fund, employer underfunding was a major contributor to the County pension fund falling from 91% funded as recently as 2000.

Starting in 2016, the County has made annual supplementary contributions to the pension fund from the sales tax increase in order to keep to a payment schedule that is intended 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. 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. The supplemental contribution in FY2022 is budgeted at $325 million, with an additional $20 million going into a pension reserve account for future pension payment increases. The statutory payment for FY2022 is $202.2 million. Since FY2016, the County has made a total of $1.95 billion in supplemental pension payments. The County projects that with the supplemental payments, the fund will be 100% funded by 2046, whereas it would have become insolvent by 2047 if only the statutory payments were made.[80]

The County uses several revenue sources to make its pension contributions: property taxes, personal property replacement tax (PPRT) and sales tax revenue. The property tax and PPRT fund the statutory payment, while the sales tax transfer from the General Fund provides funding for the supplemental payment. The following chart shows the breakdown of those sources. The

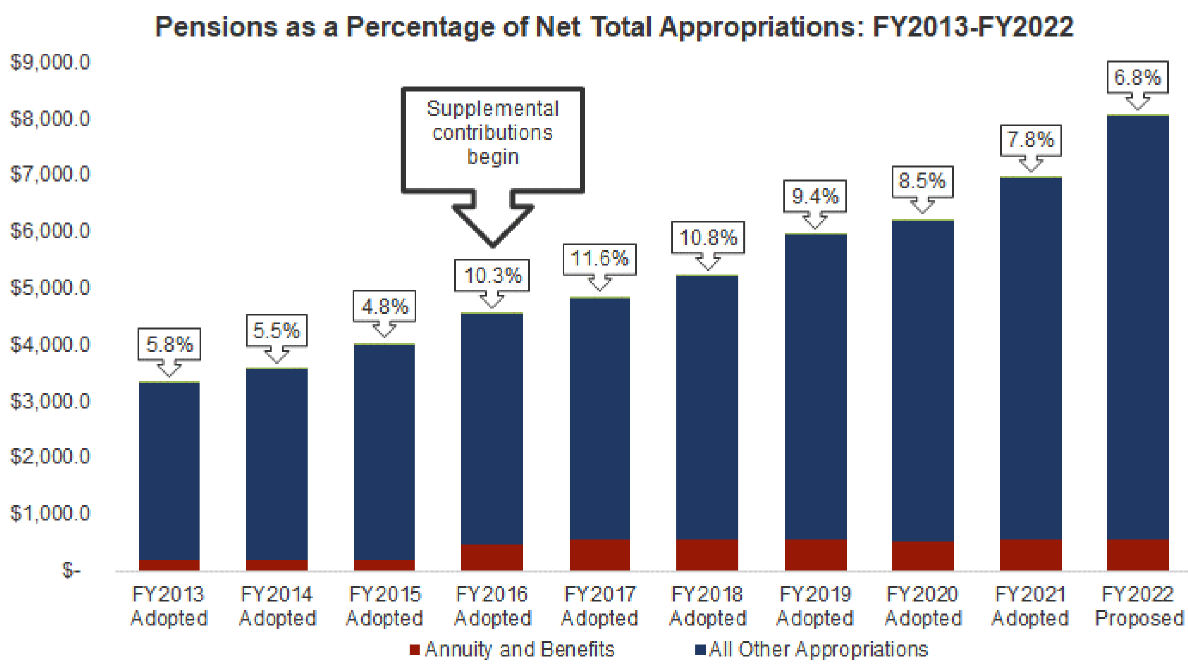
[80] Cook County, "Executive Budget Recommendation: Fiscal Year 2022 Presentation," October 7, 2021, p. 20.

sales tax is the single largest source of revenue for the pensions at $345.0 million or 63% of total pension funding.



Source: FY2022 Cook County Budget Recommendations, Volume 1, p. 5.

As shown in the following chart, the year before the County started making extra pension payments, pensions made up $192.8 million or 4.8% of the County's total spending in FY2015. However, the following year that increased to $465.5 million or 10.3%. While the amount of the annual pension payment has grown since then, the total County budget has grown faster, meaning that the percentage of the budget going to pensions has decreased over the following years to 6.8% in FY2022.

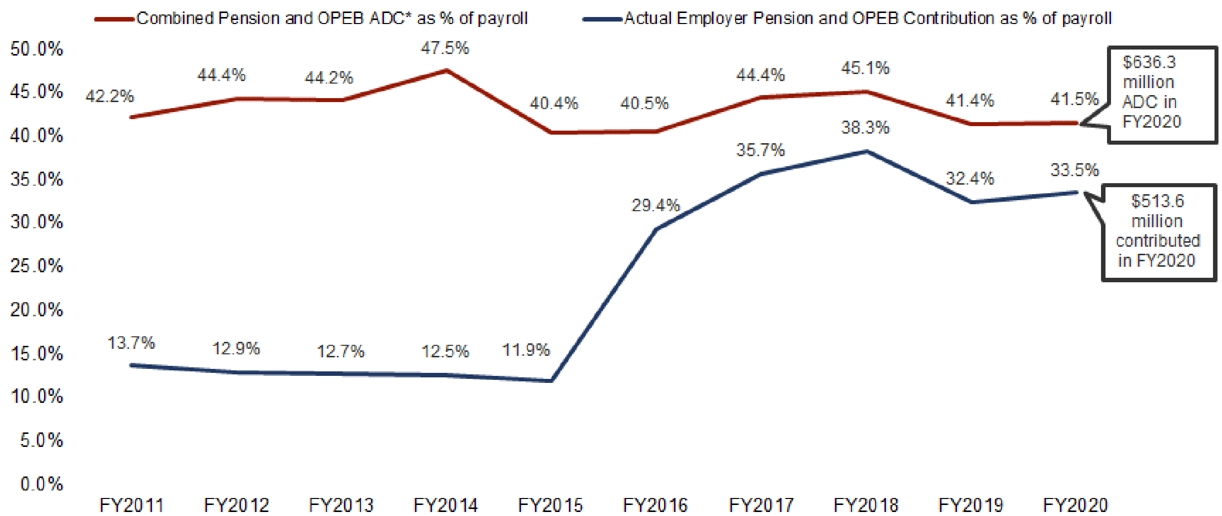


Source: Cook County Budgets, FY2013-FY2022

In order to analyze how far short of sufficient past years' contributions have been, it is useful to compare the County's actual contributions to an objective measure of how much the County would need to contribute in order to pay off its unfunded liability over a set period of time. That measure, the Actuarially Determined Contribution (ADC), is a reporting requirement of the Governmental Accounting Standards Board and is reported in each pension fund's annual actuarial reports.[81]

The following chart compares the County's actual contribution to its four pension funds as a percentage of payroll to the ADC as a percentage of payroll. The spread between the two amounts grew from a shortfall in FY2011 of 28.5 percentage points, or $415.1 million, to a gap of 35.0 percentage points in FY2014, before falling to a gap of 11.1 percentage points in FY2016, due to the County's first supplemental payment. The shortfall improved over the next several years to 8.0% in FY2020 or $122.7 million. In other words, to fund the pension plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years, the County would have needed to contribute an additional 8.0% of payroll, or $122.7 million, in FY2020.

Cook County Combined Pension and OPEB Valuation Actuarially Determined Contribution* vs. Actual Employer Contribution: FY2011-FY2020



Note: The combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.25% discount rate. It does not use a lower (2.12%) discount rate for OPEB liabilities as required for GASB Statement 75 financial reporting.
* Annual Required Contribution prior to FY2014.
Source: Cook County Financial Statements and Combined Actuarial Valuations, FY2011-2020.

FUNDING STATUS OF COOK COUNTY'S PENSION FUND

In addition to evaluating whether an employer is contributing enough to the pension fund through a comparison to the ARC, it is important to understand how well-funded a pension plan is and whether funding is improving or declining over time. Pension fund status indicators show how well a pension fund is meeting its goal of accruing sufficient assets to cover its liabilities. Ideally, a pension fund should hold exactly enough assets to cover all of its actuarial accrued liabilities.

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81 To read more about the Actuarially Determined Contribution and how it is similar and differs from a previous measure, the Annual Required Contribution (ARC), see the Appendix.

The Civic Federation analyzes three measures over time to evaluate funding status:

- Funded ratio;
- Unfunded actuarial accrued liabilities; and
- Investment rate of return.

Funded Ratio: The most basic indicator of pension fund status is its ratio of assets to liabilities, or "funded ratio." In other words, this indicator shows how many pennies of assets a fund has per dollar of liabilities. For example, if a plan had $100 million in liabilities and $90 million in assets, it would have a 90% funded ratio and about 90 cents in assets per dollar of obligations to its employees and retirees.

When a pension fund has enough assets to cover all its accrued liabilities, it is considered 100% funded. This does not mean that further contributions are no longer required. Instead it means that the plan is funded at the appropriate level at a certain date. A funding level under 100% means that a fund does not have sufficient assets on the date of valuation to cover its actuarial accrued liability.

Unfunded Liability: Unfunded actuarial accrued liabilities (UAAL) are obligations not covered by assets. Unfunded liability is calculated by subtracting the value of assets from the actuarial accrued liability of a fund. For example, if a plan had $90 million in assets and $100 million in liabilities, its unfunded liability would be $10 million.

One of the purposes of examining the unfunded liability is to measure a fund's ability to bring assets in line with liabilities. Healthy funds are able to reduce their unfunded liabilities over time. On the other hand, substantial and sustained increases in unfunded liabilities are a cause for concern.

Investment Rate of Return: A pension fund invests the contributions of employers and employees in order to generate additional revenue over an extended period of time. Investment income provides the majority of revenue for an employee's pension over the course of a typical career. In addition to the actual annual rate of return, the assumed investment rate of return plays an important role in the calculation of actuarial liabilities. It is used to discount the present value of projected future benefit payments and has been the subject of considerable debate in recent years.[82] The assumed rate of return for the Cook County pension fund is 7.25%.
Other major contributors to a pension fund's financial status in addition to employer contributions and investment returns are benefit enhancements and changes to actuarial assumptions.

FUNDED RATIO

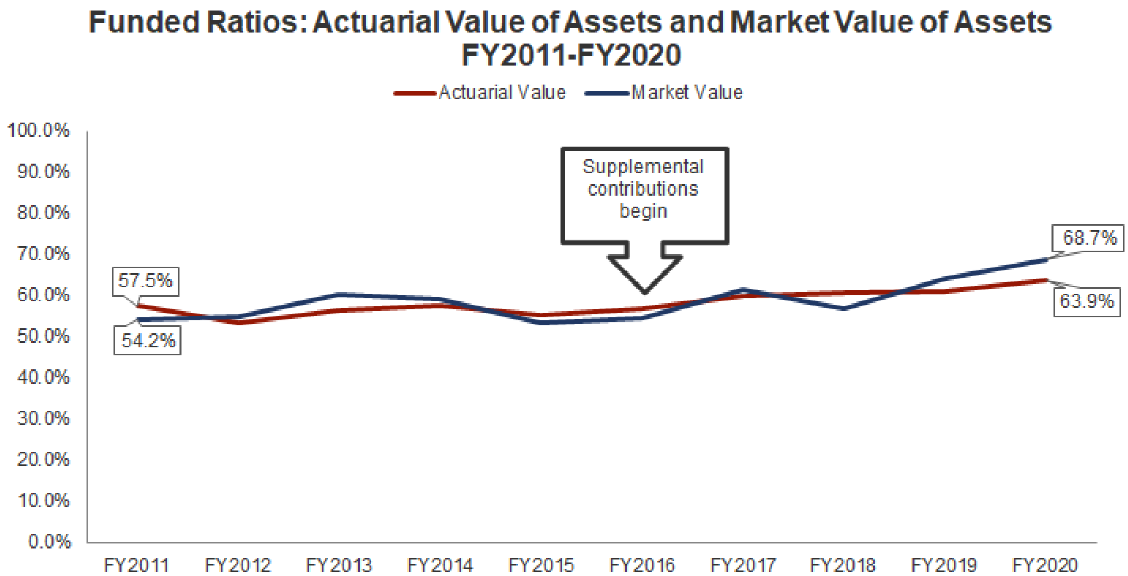
This section uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting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

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses smoothed out over a period of

[82] For a short description of the debate see Thomas J. Healey, "Commentary: A note on the discount rate," *Pensions and Investments*, October 8, 2019. Available at https://www.pionline.com/industry-voices/commentary-note-discount-rate.

three to five years.[83] 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 actuarial and market value funded ratios for the fund. Both the actuarial value funded ratio (63.9%) and market value funded ratio (68.7%) increased in FY2020. The larger increase in the market value funded ratio was due to high investment returns in FY2020 that will only be accounted for over five years in the actuarial value. The funded ratio has generally increased since the County implemented its supplemental pension contributions in FY2016.



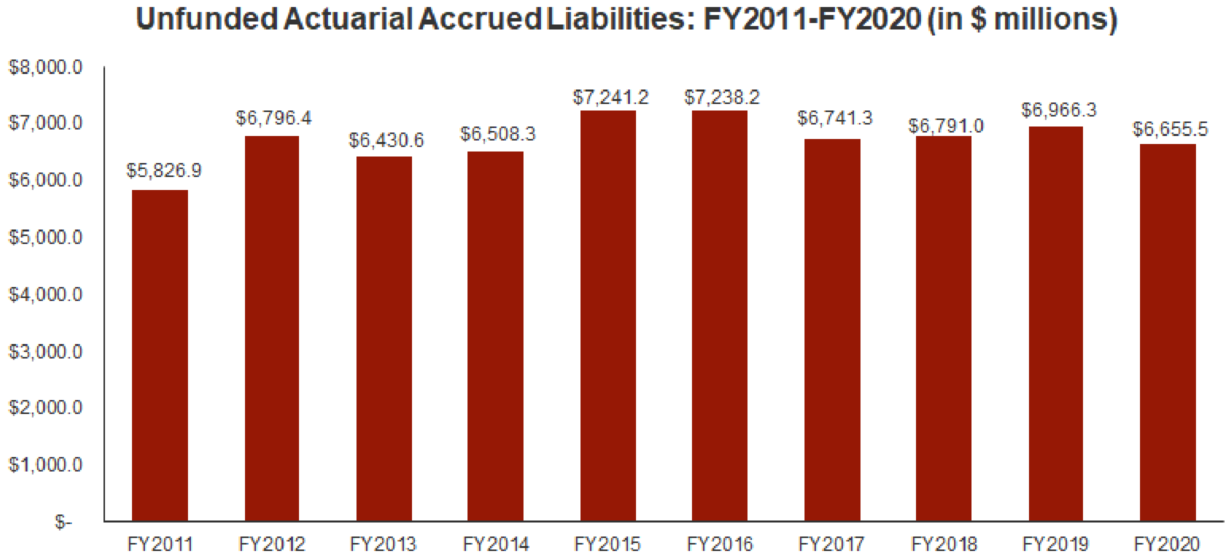
Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2011-

Unfunded Actuarial Accrued Liability

Over the past ten years, the unfunded liabilities of the pension fund has grown by $828.5 million, or 14.2%. This was an increase from $5.8 billion in FY2011. The total unfunded liabilities decreased to $6.7 billion in FY2020 from nearly $7.0 billion in FY2019, or by 4.5%. Again, the unfunded liability has generally decreased since the County started making larger pension

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

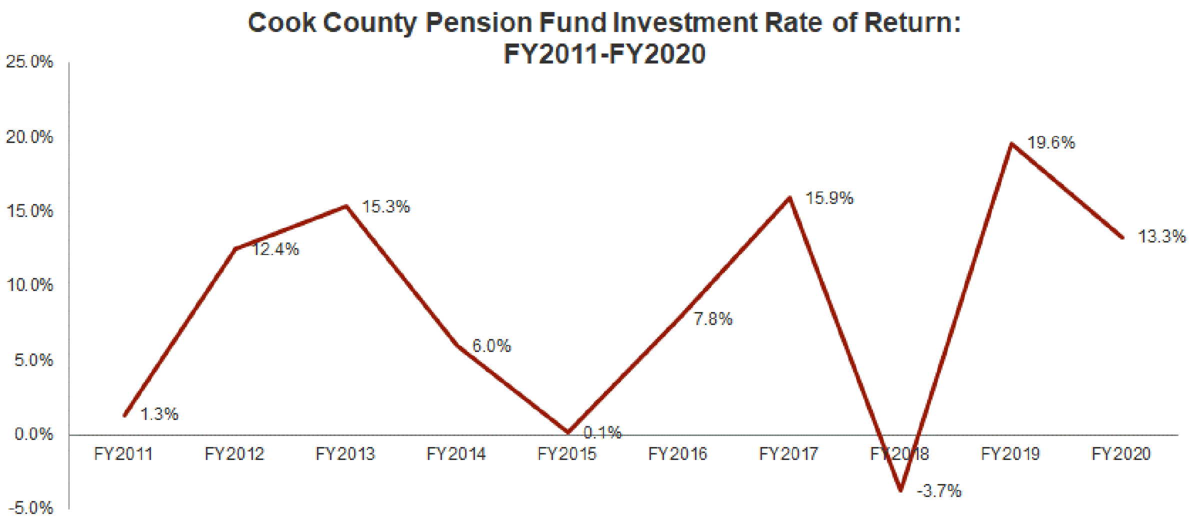
payments in FY2016, falling from $7.2 billion to $6.7 billion in FY2020. Liabilities for the County pension fund include other post-employment benefits (OPEB) liabilities.[84]



Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2011-FY2020.

Investment Return

In FY2020 the County pension fund experienced returns greater than its expected rates of return on investments, at 13.3%.[85] As noted above, the FY2020 investment assumption for the was 7.25%.



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2011-FY2020.

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84 For more about County OPEB benefits, see the next section.

85 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 funds' actuaries and investment managers; thus investment rates of

OTHER POST-EMPLOYMENT BENEFITS

The Cook County Pension Fund administers a Postemployment Group Healthcare Benefit Plan (PGHBP) that provides healthcare and vision benefits for annuitants who elect to participate and their dependents. In FY2020 there were 19,102 active members, 9,198 annuitants receiving benefits and 2,707 covered spouses receiving benefits.[86] The plan is administered through a trust, but is funded on a "pay as you go" basis.[87] This means that neither the Pension Fund nor Cook County are accumulating assets to pay for future OPEB benefits. Instead, benefit expenses are paid for as they come due. In FY2020 $43.4 million of the County's pension contribution was dedicated to OPEB costs. The actuarially determined contribution for FY2020 was $173.0 million.[88]

The PGHBP has set employee annuitant contributions at 55%-67% of annual medical costs and spouse annuitant contributions at 48%-62% of annual medical costs, depending on Medicare eligibility and type of coverage. These contribution ranges included subsidy reductions of 1-10% depending on Medicare enrollment and which plan a beneficiary was enrolled.[89] Annuitants contributed $52.8 million, and Medicare Part D subsidies and prescription plan rebates added $32.2 million.[90] A total of $128.4 million in benefits were paid out on a pay-as-you-go basis.[91] The remaining costs are paid by the Pension Fund from the same asset pool used to pay pension benefits.

Pension funds and governments are required to report information in their financial statements about OPEB liabilities, assets (if any) and expenses. Cook County reported net OPEB liability in FY2020 totaling $2.1 billion. The County's reported net OPEB liability increased significantly by $204.1 million or 10.7% from the prior year due to a decrease in the discount rate used to calculate the benefits and growth in costs, partially offset by the increased required retiree contributions.

The OPEB liability as calculated for financial reporting purposes is different from how Cook County values OPEB liabilities under State law. While the County's OPEB liability for financial reporting is calculated using a lower discount rate of 2.12% in FY2020, State law requires pension and OPEB liabilities to be valued at the same discount rate as pension liabilities, or 7.25% in FY2020. The sum of the pension and OPEB liabilities reported according to GASB standards is therefore higher than the total liabilities reported in the statutorily required valuations of the Cook County pension fund required pursuant to Illinois statute.

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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.

86 County Employees' and Officers' Annuity and Benefit Fund of Cook County, Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2020 and 2019, p. 119.

87 County Employees' and Officers' Annuity and Benefit Fund of Cook County, Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2020 and 2019, p. 43.

88 County Employees' and Officers' Annuity and Benefit Fund of Cook County, Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2020 and 2019, p. 56.

89 County Employees' and Officers' Annuity and Benefit Fund of Cook County, Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2020 and 2019, p. 43.

90 County Employees' and Officers' Annuity and Benefit Fund of Cook County, Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2020 and 2019, p. 24.

91 County Employees' and Officers' Annuity and Benefit Fund of Cook County, Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 2020 and 2019, p. 24.

DEBT AND LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes a review of trends in Cook County's total long-term governmental activities liabilities and a discussion of its tax supported long-term debt. Long-term liabilities include all of the obligations owed by a government over time. Significant increases in long-term liabilities over time may be a sign of fiscal stress.

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.[92]

TOTAL LONG-TERM LIABILITIES

Cook County long-term liabilities include:

- ***Estimated pollution related liabilities*: ** Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;[93]
- ***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;[94]
- ***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;[95]
- ***Compensated absences*:** Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- ***Net Pension Liabilities***: Since FY2015 Cook County has reported 100% of the net pension liabilities of its pension fund in the Statement of Net Position to comply with GASB Statement No. 68 requirements. Previously, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO. The reporting change for pensions reflects a more holistic and transparent approach to measuring the liabilities of the government, which the previous NPO pension measurement did not.
- ***Net Other Post Employment Benefit (OPEB) Liabilities***:[96] Beginning with the

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[92] Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," http://www.gasb.org/st/summary/gstsm14.html and Cook County FY2020 Comprehensive Annual Financial Report, pp. 115-116.

[93] 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).

[94] Cook County FY2020 Comprehensive Annual Financial Report, p. 100.

[95] Cook County FY2020 Comprehensive Annual Financial Report, pp. 98-99.

[96] Non-pension benefits provided to employees after employment ends are referred to as Other Post-Employment Benefits (OPEB). OPEB includes health insurance coverage for retirees and their families,

FY2018 audited financial report, the Cook County implemented GASB Statement No. 75 requirements to report net OPEB liability as the portion of the present value of projected benefit payments to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the OPEB plan's fiduciary net position.[97] Prior to FY2018, under the requirements of GASB Statement No. 45, net Other Post-Employment Benefit (OPEB) obligations were reported as the cumulative difference between the annual OPEB cost and the employer's contributions to its OPEB Plan. As a result of the reporting change for other post-employment liabilities involved in implementing GASB No. 75, the amount of Cook County's long-term liabilities **reported** has increased substantially. This is because it reflects a more holistic approach to measuring the liabilities of the government, which the previous net other post-employment measurement did not. The amount owed by the County for retiree health insurance to its pension funds has not significantly changed. It is only being reported more transparently.

The table below presents the County's total long-term liabilities, including long-term debt from bonds and other liabilities in the Governmental Funds for the five-year period from FY2016 to FY2020 based on the County's audited annual financial reports (FY2020 is the most recent year available). These liabilities are primarily paid for with taxes, such as property taxes and other broad-based taxes.

In the two-year period between FY2019 and FY2020, total long-term liabilities increased by 11.0%, rising from $12.8 billion to $14.3 billion. Much of the increase was due to a $1.3 billion increase in net pension liabilities and net other post-employment liabilities. Both of those increases were due predominantly to a decline in the discount rate required to be used. The amount of long-term debt outstanding between those two years fell by 5.0% or $170.3 million.

In the five-year period between FY2016 and FY2020, total County long-term obligations declined by 8.4%, decreasing from $15.6 billion to $14.3 billion. Most of the total five-year

dental insurance, life insurance and term care coverage. It does not include termination benefits such as accrued sick leave and vacation.

[97] Governmental Accounting Standards Board, Summary Of Statement No. 75: Accounting And Financial Reporting For Postemployment Benefits Other Than Pensions at https://www.gasb.org/cs/ContentServer?cid=1176166370763&d=&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage.

decrease was due to a $1.6 billion decline in net pension obligations. Long-term debt alone fell by 8.1% or $281.8 million.

Long-Term Liabilities for Governmental Activities: FY2016-FY2020
(in $ thousands)

	FY2016	FY2017	FY2018	FY2019	FY2020	$ Change FY2016-FY2020	% Change FY2016-FY2020
Total General Obligation Bonds	$ 3,319,677	$ 3,361,102	$ 3,372,227	$ 3,218,327	$ 3,065,401	$ (254,276)	-7.7%
Net Premium*	$ 180,344	$ 184,116	$ 187,341	$ 170,270	$ 152,856	$ (27,488)	-15.2%
Subtotal Long-Term Debt	**$ 3,500,021**	**$ 3,545,218**	**$ 3,559,568**	**$ 3,388,597**	**$ 3,218,257**	**$ (281,764)**	**-8.1%**
Note Payable (HUD)	$ 78,129	$ 18,814	$ 15,607	$ 8,145	$ 7,521	$ (70,608)	-90.4%
Line of Credit Payable	$ -	$ -	$ -	$ 7,224	$ 175,000	$ 175,000	---
Self Insurance Claims	$ 212,800	$ 261,956	$ 309,590	$ 445,521	$ 505,803	$ 293,003	137.7%
Property Tax Objections	$ 79,324	$ 80,028	$ 81,177	$ 71,965	$ 77,259	$ (2,065)	-2.6%
Pollution Remediation Liability	$ 673	$ 1,891	$ 1,458	$ 642	$ 598	$ (75)	-11.1%
Asset Retirement Obligation	$ -	$ -	$ -	$ -	$ 440	$ 440	---
Compensated Absences	$ 67,538	$ 58,618	$ 56,574	$ 55,736	$ 68,679	$ 1,141	1.7%
Net Pension Liabilities	$ 10,457,155	$ 9,620,026	$ 8,565,389	$ 7,792,827	$ 8,889,492	$ (1,567,663)	-15.0%
Net OPEB Liabilities**	$ 1,166,232	$ 1,583,327	$ 1,506,488	$ 1,069,026	$ 1,314,581	$ 148,349	12.7%
Subtotal Other Long-Term Liabilities	**$ 12,061,851**	**$ 11,624,660**	**$ 10,536,283**	**$ 9,451,086**	**$ 11,039,373**	**$ (1,022,478)**	**-8.5%**
Total Long-Term Liabilities	**$ 15,561,872**	**$ 15,169,878**	**$ 14,095,851**	**$ 12,839,683**	**$ 14,257,630**	**$ (1,304,242)**	**-8.4%**

Capital Budgeting and Finance: A Guide for Local Governments (Washington, D.C.: ICMA, 2004), p. 393.

**Net OPEB liabilities for FY2017 were restated in FY2018 to meet the requirements of GASB 75.

Sources: Cook County FY2016-FY2020 Comprehensive Annual Financial Reports, Long Term Liabilities Note.

In addition to long-term liabilities in the Governmental Funds, Cook County has incurred long-term liabilities for its business-type activities, which involve operations of Cook County Health. These obligations are paid for with user fees and charges as well as tax subsidies from the County's governmental funds. Between FY2016 and FY2020, the total amount of business-type long-term liabilities increased by 8.9% or $451.4 million, rising from $5.1 billion to $5.5 billion. Most of the increase was due to a $586.4 million increase in net other post employment liabilities. As noted above, the amount owed by the County for retiree health insurance to its pension funds has not significantly changed. It is only being reported more transparently.

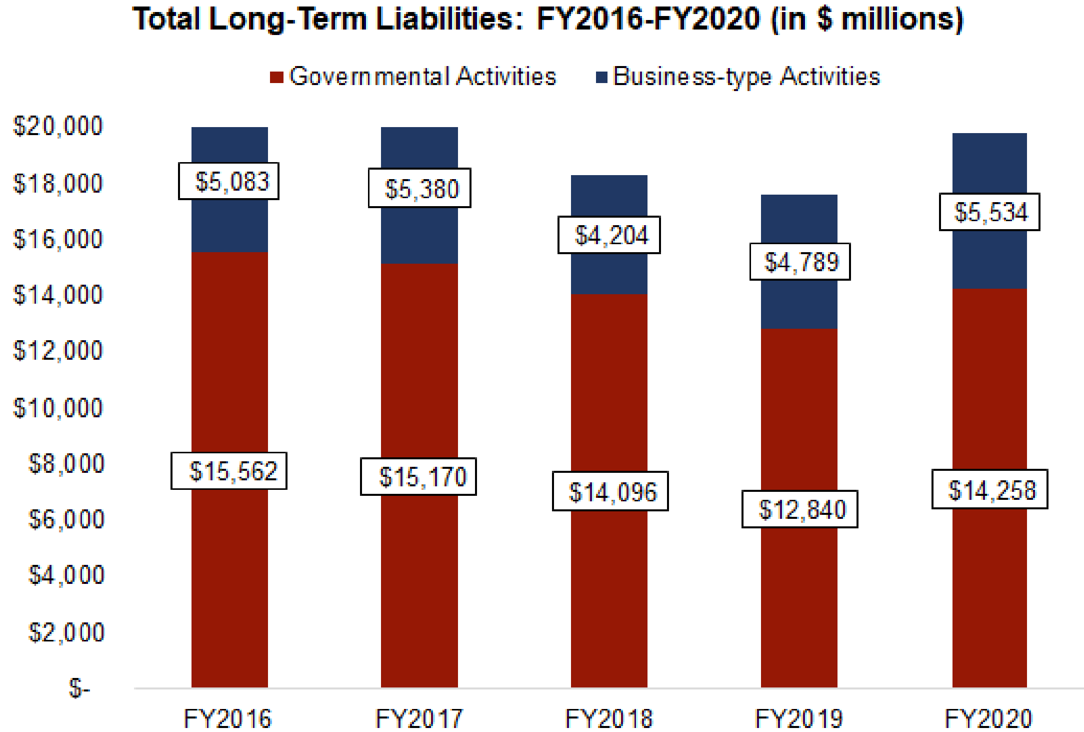
Long-Term Liabilities for Business-type Activities: FY2016-FY2020
(in $ thousands)

	FY2016	FY2017	FY2018	FY2019	FY2020	$ Change FY2016-FY2020	% Change FY2016-FY2020
Compensated Absences	$ 41,724	$ 44,609	$ 44,755	$ 46,818	$ 53,653	$ 11,929	28.6%
Property Tax Objections	$ 13,147	$ 13,003	$ 12,342	$ 10,241	$ 10,522	$ (2,625)	-20.0%
Self Insurance Claims	$ 164,758	$ 171,597	$ 179,810	$ 198,759	$ 191,812	$ 27,054	16.4%
Net Pension Liabilities	$ 4,862,886	$ 4,504,508	$ 3,967,522	$ 4,068,386	$ 4,691,490	$ (171,396)	-3.5%
Net OPEB Liabilities**	$ -	$ 646,560	$ -	$ 465,028	$ 586,408	$ 586,408	---
Total Long-Term Liabilities	**$ 5,082,515**	**$ 5,380,277**	**$ 4,204,429**	**$ 4,789,232**	**$ 5,533,885**	**$ 451,370**	**8.9%**

**No net OPEB liabilities wer reported in FY2016; Net OPEB liabilities for FY2017 were restated in FY2018 to meet the requirements of GASB 75.

Sources: Cook County FY2016-FY2020 Comprehensive Annual Financial Reports, Long Term Liabilities Note.

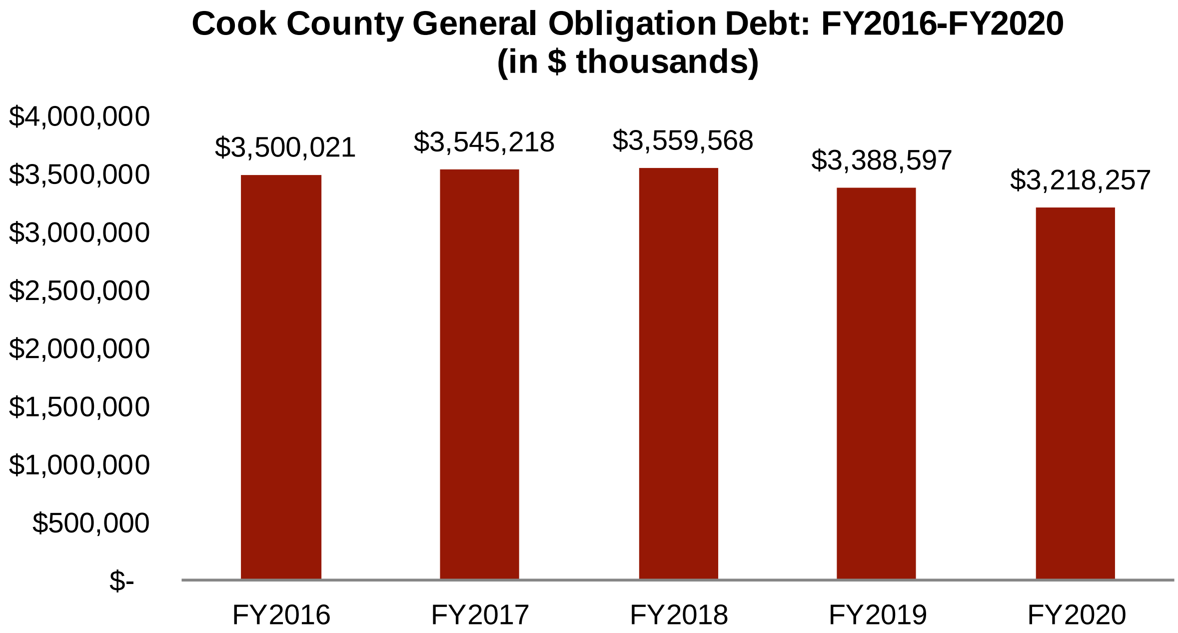
The following chart shows the total amount of Cook County long-term liabilities for both governmental activities and business-type activities. Between FY2016 and FY2020 these total obligations fell by nearly $852.9 million or 4.1%, from $20.6 billion to $19.8 billion.



Source: Cook County FY2016-FY2020 Comprehensive Annual Financial Reports, Long Term Liabilities Note.

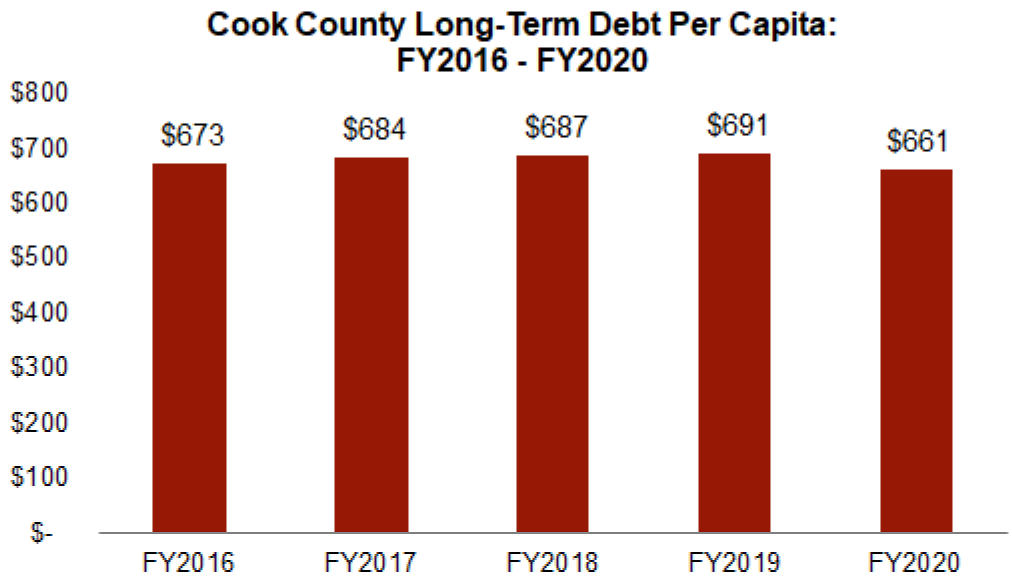
LONG-TERM TAX-SUPPORTED DEBT

Increases in a government's long-term tax-supported debt over time, also known as direct debt, can 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 FY2016 and FY2020 from $3.5 billion to $3.2 billion. This is an 8.1%, or $281.8 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 the county's 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 has been relatively stable between FY2016 and FY2020, averaging $679. It declined slightly over the five-year period from $673 to $661.

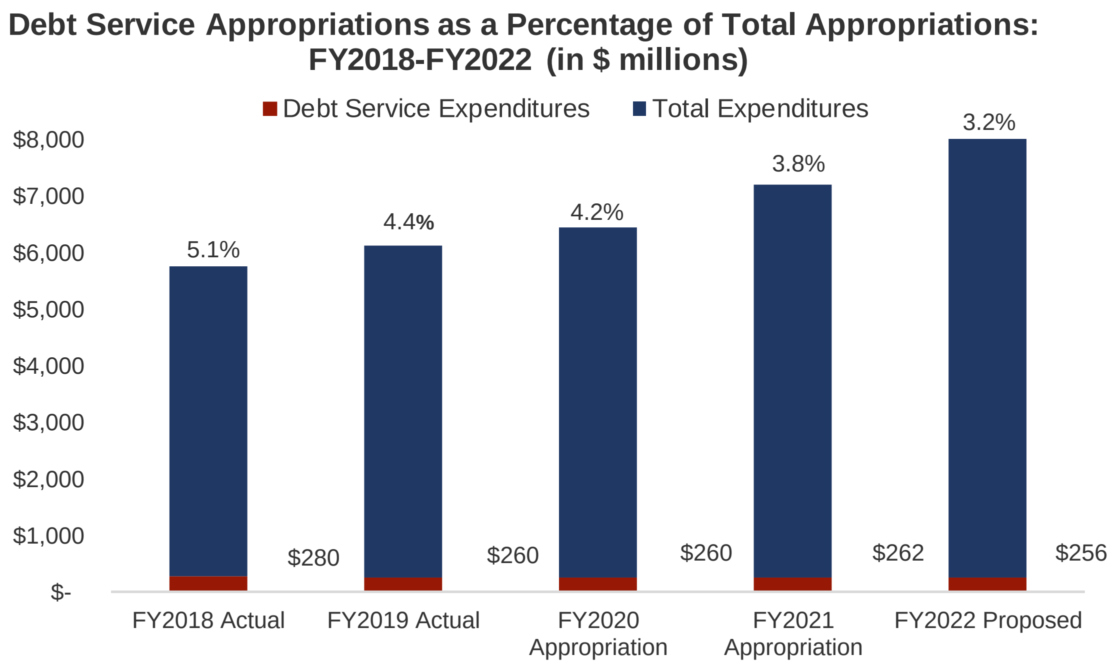


DEBT SERVICE APPROPRIATIONS AS A PERCENTAGE OF TOTAL APPROPRIATIONS

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.[98] The County has not come close to the 15% threshold in the five years examined. The debt service ratio has declined over this period, from a high of

[98] 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.

5.1% in FY2018 to a low of 3.2% for the FY2022 proposed budget, as the County's overall expenditures have grown at the same time.



Source: Cook County FY2022 Executive Budget Recommendation, Volume I, p. 105.

Cook County 2021 Bond Issue

In January 2021, Cook County issued $499.8 million in general obligation and revenue bonds. A total of $330.5 million was issued by the County in Series 2021A general obligation refunding bonds. These bonds were used to refund the County's outstanding Series 2010A and 2010G bonds.[99] The bonds retired had an average interest rate of 5.2%, while the refunding bonds will carry a blended interest cost of 1.32%. The transaction will save Cook County approximately $104.1 million in interest costs on a net present value basis. The maturity date for this issue will remain at 2033. The County plans to use the savings from this transaction to provide future fiscal capacity for the capital budget and to help meet its goal of ensuring that debt service costs over time do not rise more than 2.0%, with a maximum target of $400 million per year.

An additional $169.3 million was issued in Series 2021A sales tax revenue bonds. The bonds mature in 2041 and have an interest cost of 2.41%. This issue was sold at a premium of $41.9 million above the par amount, for a total amount of $211.0 million.[100] The primary purpose of this issue is to refund all or a portion of outstanding Series 2014D and Series 2018 bonds to be

[99] Cook County, Official Statement: $330,495,000 General Obligation Refunding Bonds, Series 2021A, January 13, 2021, p. i.
[100] Cook County, Official Statement: $169,280,000 Sales Tax Revenue Bonds, Series 2021, January 14, 2021, p. 19.

used to refinance capital projects that were originally funded with those debt issuances.[101] The prior bonds were issued and privately placed with PNC Bank in connection with a tax-exempt revolving line of credit.[102] Cook County will use $175.0 million of the bond proceeds to repay the line of credit and $35.0 million to fund capital purchases that occurred between October 18 and November 30, 2020.

Cook County Bond Ratings

The table below summarizes the credit ratings as of October 2021 for various types of City bonds.

COOK COUNTY BOND RATINGS (as of November 2021)		
	Rating	**Outlook**
General Obligation Debt		
Moody's Investors Services	A2	Stable
Standard & Poors	A+	Negative
Fitch Ratings	AA-	Stable
Sales Tax Debt		
Standard & Poors	AA-	Negative
Kroll	AAA	Stable

Source: Cook County Bond Ratings at https://www.cookcountyil.gov/service/cook-county-bond-ratings.

Cook County Credit Actions in 2020 and 2021

The following narrative summarizes actions taken by rating agencies in 2020 and 2021 regarding Cook County debt issuances and credit ratings shown in the table above.

Kroll Rating Actions

Kroll Bond Rating Agency assigned a AAA rating with a stable outlook to the Series 2021A sales tax revenue bonds on December 18, 2020. At the same time, Kroll affirmed its AAA rating with a stable outlook to the County's Series 2018 sales tax revenue bonds because the County's pledged sales tax revenue stream guarantees strong debt service coverage, the issue includes robust bondholder protections and the County has a strong and diverse economic base.[103]

Standard and Poor's Credit Action's

In January 2020 Standard and Poor's reduced the credit rating for Cook County general obligation bonds to A+ with a negative outlook from the previous rating of AA- with a negative outlook. It also lowered the rating for the County's sales tax revenue debt from AA to AA- with a

[101] Cook County, Official Statement: $169,280,000 Sales Tax Revenue Bonds, Series 2021, January 14, 2021, p. 1.
[102] Cook County, Official Statement: $169,280,000 Sales Tax Revenue Bonds, Series 2021A, p. 1, January 13, 2021. January 29, 2021.

[103] Kroll Bond Rating Agency, KBRA Assigns AAA Rating with Stable Outlook to Cook County, Illinois Sales Tax Revenue Bonds, Series 2021A, December 18, 2020.

stable outlook. The reason for the downgrade was that although the County had made strides in meeting its employee pension obligations, its ability to fund ongoing obligations remains very challenging.[104] Several months later, in May 2020, Standard & Poor's lowered the outlook for both general obligation and sales tax revenue bonds to negative. The revised outlook was due to concerns over the financial pressures caused by the coronavirus pandemic.[105]

Fitch Rating Actions

Fitch Ratings upgraded Cook County's outstanding general obligation bond ratings as well as its issuer default rating to AA- from A+ on November 4, 2021. The outlook provided was stable. Fitch also assigned an AA- rating to Cook County $210 million general obligation refunding bonds (series 2021B) and $45 million taxable general obligation refunding bonds (series 2021C). The upgrade to 'AA- was based on Fitch's assessment of the County's ongoing improvement in its operating results, its strong reserve position and its overall financial resilience. Fitch observed that FY2021 will be the seventh consecutive year in which the County will report surplus general funds; this has increased unrestricted reserve funds to approximately 40% of operating expenditures. [106] The upgrade is the first to take place under Cook County Board President Toni Preckwinkle's administration, which took office in 2010.[107]

On December 18, 2020, Fitch provided Cook County's 2021A refunding bond issue with an A+ rating with a stable outlook. The rating agency based its rating on several factors:

- The County has strong reserves, giving it the ability to deal with the fiscal pressures brought about by the COVID-19 pandemic and cyclical economic downturns;
- The long-term liability burden is moderate relative to the County's tax base;
- The County government has demonstrated its ability to control costs and raise taxes when necessary; and
- The County has addressed its unfunded pension liabilities in part by increasing funding.[108]

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[104] Rachel Hinton. "Cook County bond rating slips a notch," Chicago Sun Times, January 10, 2020 at https://chicago.suntimes.com/politics/2020/1/10/21060747/cook-county-bond-rating-s-p-downgrade-notch.

[105] Rachel Hinton. "Cook County bond rating slips a notch," Chicago Sun Times, May, 1, 2020 at https://chicago.suntimes.com/politics/2020/5/1/21244265/cook-county-bond-rating-outlook-downgraded-negative.

[106] Fitch Ratings. Fitch Rates Cook County, IL's 2021 Series B&C ULTGO Refunding Bonds 'AA-'; Outlook Stable, November 4, 2021 at: https://www.fitchratings.com/research/us-public-finance/fitch-rates-cook-county-il-2021-series-b-c-ultgo-refunding-bonds-aa-outlook-stable-04-11-2021.

[107] A.D. Quig. Crain's Chicago Business. Fitch upgrades Cook County debt, November 4, 2021 at https://www.chicagobusiness.com/government/cook-county-debt-upgraded-fitch-ratings.

[108] Fitch Ratings, Fitch Rates Cook County, (IL)'s 2021A ULTGO Refunding Bonds 'A+'; Outlook Stable. December 18, 2020 at https://www.fitchratings.com/research/us-public-finance/fitch-rates-cook-county-il-2021a-ultgo-refunding-bonds-a-outlook-stable-18-12-2020.

APPENDIX

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 No. 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."[109] Among other disclosures, pension funds and governments are now required to report total pension liability, fiduciary net position, net pension liability, pension expense and actuarially determined contribution (ADC), which are calculated on a different basis from previous GASB 25 and 27 pension disclosure requirements. Both pension funds and governments must also disclose additional information about pensions in the notes to the financial statements and in required supplementary information sections. It is important to note that GASB intended to separate pension reporting from pension funding. Thus, the numbers reported according to GASB 67 and 68 standards are not used to determine how 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 Annual Financial Report 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 ADC[110] 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.

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

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

- 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 2044, 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 2.12%. The reported blended rate was 3.68% for FY2020.[111]

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 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. 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.

[111] County Employees' and Officers' Annuity and Benefit Fund of Cook County, ACFR For the Fiscal Years Ended December 31, 2020 and 2019, p. 29.

Cook County Pension Fund Reported Liabilities Under GASB Statements No. 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 2044, 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.[112] The reported net pension liability for FY2020 is $14.98 billion, more than double the unfunded actuarial accrued liability of $6.7 billion. The County was 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-FY2020

	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
FY2018	$ 21,723,236,738	$ 9,862,023,782	$ 11,861,212,956	45.40%	$ 691,620,570
FY2019	$ 25,071,941,811	$ 11,490,959,220	$ 13,580,982,591	45.83%	$ 643,433,440
FY2020	$ 27,634,518,984	$ 12,649,610,438	$ 14,984,908,546	45.77%	$ 636,336,154
Eight-Year Change	**$ 6,516,875,041**	**$ 3,722,243,782**	**$ 2,794,631,259**		**$ (19,463,946)**
Eight-Year % Change	**30.86%**	**41.69%**	**22.93%**		**-2.97%**

Source: FY2014-FY2020 Cook County Pension Fund Actuarial Valuations. FY2013 numbers were presented in the FY2014 report.

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