



The Civic Federation

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COOK COUNTY FY2020 EXECUTIVE BUDGET RECOMMENDATION:

Analysis and Recommendations

November 4, 2019

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

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Cook County FY2020 Executive Budget Recommendation of \$6.18 billion because it presents a reasonable budget plan that holds the line on increasing taxes or fees while continuing to make investments in communities and services.

Thanks to structural budget decisions and savings achieved over the years, Cook County is anticipating the smallest operating deficit—\$18.7 million—since Cook County Board President Preckwinkle took office in 2010 when the budget deficit was \$487.0 million. The County once again plans to make a supplemental contribution to the Cook County Pension Fund to make up for shortcomings of the contribution amount required by State law, which has improved the funded status of the pension fund.

Cook County Health¹ accounts for nearly half of the County's budget at \$2.7 billion and is the healthcare lynchpin for low income residents of Cook County. Therefore, the Civic Federation remains concerned about the growth in uncompensated care, which consists of charity care provided to patients with no insurance and bad debt.² Uncompensated care costs are expected to double from FY2014 through FY2020 to \$590 million, primarily due to growth in charity care. Health system officials have said the increase is unsustainable and could jeopardize the system's mission of serving all patients, regardless of their ability to pay.³

Last year the Civic Federation raised questions about Cook County Health's decision to accept emergency visits at Provident and reopen the ICU, which deviated from health system's strategic plan for Provident as a regional outpatient center. The Civic Federation's concerns were renewed with the health system's decision with little public debate to build a new, \$240.9 million facility with both outpatient and inpatient services. The Federation is concerned that the plan may not meet the long-term needs of the health system and the County and comes at a time when Cook County Health is struggling to meet its expenses. The Civic Federation urges the County to reconsider its plans for a new hospital and instead direct scarce resources where they are needed most: to a comprehensive outpatient center.

Despite these concerns, the Civic Federation continues to support the Cook County Health Board and its accomplishments including the transformation of the health system from a chronic strain on taxpayer resources to the largest Medicaid managed care provider in Cook County. Despite ongoing financial challenges, the separate Health Board has proven it can manage the finances and operations of the health system in a difficult financial and political environment.

The Civic Federation commends the work done this year by the new Independent Revenue Forecasting Commission, which was established last year to provide an independent review of the County's tax revenue projections. The Federation supports the County increasing the openness and transparency of the County's financial information through this initiative as well as an interactive budget website that was new this year. Given the financial pressures and projected deficits facing Cook County in the Health Fund and General Fund, the Civic Federation recommends that the County Board of Commissioners expand the

¹ The Cook County Health and Hospitals System rebranded to the name Cook County Health.

² Bad debt includes patients' bills that cannot be collected—often because patients who would have qualified for charity care failed to sign up—and claims that are rejected by insurers

³ Cook County Health, Finance Committee Meeting, *Report from the CFO*, August 23, 2019, p. 5, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-08-23-19.pdf> (last accessed on October 16, 2019). For more information, see the Civic Federation's blog, "Cook County Health Warns of 'Unsustainable' Growth in Unpaid Care," August 23, 2019, <https://www.civicfed.org/civic-federation/blog/cook-county-health-warns-unsustainable-growth-unpaid-care> (last accessed on October 16, 2019).

scope of the Independent Revenue Forecasting Commission to look at the County's operating budget holistically—both revenues and expenditures—and use the forecasts as a tool to address projected shortfalls through long-term solutions.

The Civic Federation presents the following **key findings** from the Cook County FY2020 proposed budget:

- The County's Executive Budget Recommendation proposes total spending of \$6.2 billion, and \$5.8 billion within the operating budget.
 - The \$5.8 billion operating budget is an increase of \$233.6 million, or 4.2%, from the FY2019 adopted budget of \$5.6 billion.
 - However, this increase is inflated by an internal reimbursement of \$173.1 million within the Health Fund to account for care provided to CountyCare members in health system facilities. Both revenues and expenditures within the operating budget reflect this reimbursement, which was not shown in prior budgets.
- Cook County expects to generate \$764.4 million in property tax revenue in FY2020, which is a slight increase of \$6.8 million, or 0.9%, compared to the levy of \$757.6 million in FY2019. While the County has held its base property tax level flat at \$720.5 million since 2001, the total tax levy also includes \$20.2 million in tax revenue from expiring TIF districts, \$32.5 million from new property and \$2.4 million from expiring incentives.
- Cook County proposes a total capital spending plan of \$491.6 million in FY2020 and a ten-year capital investment of \$2.1 billion through FY2029.
- General Fund appropriations, which account for public safety and administrative County functions, are proposed to increase by \$42.9 million or 2.3% from the prior year to \$1.9 billion in FY2020. The increase is due in part to a \$29.7 million increase in negotiated cost of living increases and health benefit expenses.
- Spending at Cook County Health is expected to decrease by \$39.6 million to \$2.65 billion in FY2020 from \$2.69 billion the prior year. This decrease is net of a \$173.1 million CountyCare self-reimbursement.
- The Health System will receive a net property tax allocation from the County in the amount of \$82.7 million, which is an increase of \$10 million from the prior year.
 - The property tax allocation from the County to the health system had decreased annually from FY2009 through FY2019. The modest increase in FY2020 is intended to help offset significant growth of charity care provided by Cook County Health.
 - The tax allocation does not include County payments for health system-related pension contributions and debt service. Total County support on behalf of the health system in FY2020 is nearly \$400 million.
- Uncompensated care is expected to double from FY2014 through FY2020 to \$590 million, primarily due to growth in charity care. In FY2018 Cook County Health accounted for 54.5% of total charity care provided by all Cook County hospitals.
- Cook County proposes a total of 21,612.4 full-time equivalent (FTE) positions in FY2020, which is a net decrease of 403.0 from the adopted FY2019 budget (excluding grant funds). While the number of FTE positions in the General fund will increase by 264.8 FTEs, the Health Fund plans to close 638 vacant FTE positions.
- The County plans to make a supplemental contribution to the pension fund of \$327.0 million in FY2020. With the statutory contribution of \$200.9 million, the total contribution will be \$527.9 million. FY2020 will be the fifth year the County contributes a supplemental amount to the pension fund.

- The unfunded actuarial accrued liabilities for the County’s pension fund grew from \$4.6 billion in FY2009 to \$6.8 billion in FY2018.
- The actuarial value funded ratio for the County’s pension fund has decreased from 63.2% in FY2009 to 60.9% in FY2018. The FY2018 level is up from a low of 53.5% funded in FY2012.
- In the five-year period from FY2014 to FY2018, the County’s outstanding long-term debt decreased by 4.8% from \$3.7 billion to \$3.6 billion.

The Civic Federation **supports** the following elements of the Cook County FY2020 proposed budget:

- Cook County Health’s initiatives to attract more insured patients;
- Creating a rational basis for budgeting for Cook County Health’s direct tax allocation in future years based on anticipated increases in the cost of uncompensated care;
- Establishing the Independent Revenue Forecasting Commission;
- Continuing to make supplemental pension contributions; and
- Contributing to the Pension Stabilization Account for the second year.

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

- Growth in uncompensated care;
- Plans to build a new Provident Hospital with inpatient services rather than the previously proposed regional outpatient center; and
- Financial challenges projected in future years due to lagging revenue sources as expenditure needs rise.

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

- Recommendations for Cook County Health:
 - Reconsider the Provident Hospital Project; and
 - Improve the transparency of Cook County Health’s financial information.
- Pension Recommendations:
 - Obtain statutory authority to make supplemental pension contributions using sources outside of the property tax and personal property replacement tax; and
 - Enact a multiple year intergovernmental agreement with the pension fund for supplemental contributions in the absence of state legislation.
- Administrative Recommendations:
 - Revise the Inspector General’s ordinance or rules to require the inclusion of agency responses in program investigations;
 - Expand the scope and impact of the Independent Revenue Forecasting Commission;
 - Make public safety capital planning reports and efficiency studies publicly available;
 - Define performance based budgeting metrics; and
 - Streamline property tax functions through a unified office of property tax administration.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Cook County FY2020 Executive Budget Recommendation of \$6.18 billion because it presents a reasonable budget plan that holds the line on increasing taxes or fees while continuing to make investments in communities and services.

Thanks to structural budget decisions and savings achieved over the years, Cook County is anticipating the smallest operating deficit—\$18.7 million—since Cook County Board President Preckwinkle took office in 2010 when the budget deficit was \$487.0 million. The County once again plans to make a supplemental contribution to the Cook County Pension Fund to make up for shortcomings of the contribution amount required by State law, which has improved the funded status of the pension fund.

Cook County Health⁴ accounts for nearly half of the County’s budget at \$2.7 billion and is the healthcare lynchpin for low income residents of Cook County. Therefore, the Civic Federation remains concerned about the growth in uncompensated care, which consists of charity care provided to patients with no insurance and bad debt.⁵ Uncompensated care costs are expected to double from FY2014 through FY2020 to \$590 million, primarily due to growth in charity care. Health system officials have said the increase is unsustainable and could jeopardize the system’s mission of serving all patients, regardless of their ability to pay.⁶

Last year the Civic Federation raised questions about Cook County Health’s decision to accept emergency visits at Provident and reopen the ICU, which deviated from health system’s strategic plan for Provident as a regional outpatient center. The Civic Federation’s concerns were renewed with the health system’s decision with little public debate to build a new, \$240.9 million facility with both outpatient and inpatient services. The Federation is concerned that the plan may not meet the long-term needs of the health system and the County and comes at a time when Cook County Health is struggling to meet its expenses. The Civic Federation urges the County to reconsider its plans for a new hospital and instead direct scarce resources where they are needed most: to a comprehensive outpatient center.

Despite these concerns, the Civic Federation continues to support the Cook County Health Board and its accomplishments including the transformation of the health system from a chronic strain on taxpayer resources to the largest Medicaid managed care provider in Cook County. Despite ongoing financial challenges, the separate Health Board has proven it can manage the finances and operations of the health system in a difficult financial and political environment.

The Civic Federation commends the work done this year by the new Independent Revenue Forecasting Commission, which was established last year to provide an independent review of

⁴ The Cook County Health and Hospitals System rebranded to the name Cook County Health.

⁵ Bad debt includes patients’ bills that cannot be collected—often because patients who would have qualified for charity care failed to sign up—and claims that are rejected by insurers

⁶ Cook County Health, Finance Committee Meeting, *Report from the CFO*, August 23, 2019, p. 5, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-08-23-19.pdf> (last accessed on October 16, 2019). For more information, see the Civic Federation’s blog, “Cook County Health Warns of ‘Unsustainable’ Growth in Unpaid Care,” August 23, 2019, <https://www.civicfed.org/civic-federation/blog/cook-county-health-warns-unsustainable-growth-unpaid-care> (last accessed on October 16, 2019).

the County's tax revenue projections. The Federation supports the County increasing the openness and transparency of the County's financial information through this initiative as well as an interactive budget website that was new this year. Given the financial pressures and projected deficits facing Cook County in the Health Fund and General Fund, the Civic Federation recommends that the County Board of Commissioners expand the scope of the Independent Revenue Forecasting Commission to look at the County's operating budget holistically—both revenues and expenditures—and use the forecasts as a tool to address projected shortfalls through long-term solutions.

Issues the Civic Federation Supports

The Civic Federation **supports** the following elements of Cook County's FY2020 Executive Budget Recommendation.

Cook County Health's Initiatives to Attract More Insured Patients

Due to improvements in its facilities and back-office processes, Cook County Health has recently attracted more patients to its clinics and booked higher charges for medical services. Unfortunately, these achievements did not bolster the health system's financial condition because they mainly involved unpaid care.

To continue pursuing its mission of providing healthcare to all patients, regardless of their ability to pay, the health system needs more insured patients.⁷ Cook County Health recognizes this operational reality and has embarked on several targeted initiatives designed to bring in revenue.

In FY2020 Cook County Health is launching a Medicare Advantage plan called MoreCare in partnership with the nonprofit Medical Home Network. Medicare Advantage plans are private health plans available to seniors in place of traditional Medicare. MoreCare is designed to keep existing patients at the health system—there are now about 14,000 patients covered by Medicare—and to retain members who age out of CountyCare.⁸ It is also intended to benefit from Medicare's relatively high reimbursement rates compared with Medicaid.⁹ The health system hopes to enroll 1,250 members in the new plan in the first year. The FY2020 budget includes \$30.6 million to launch the plan¹⁰ and projects about \$25 million in revenues.¹¹ After upfront investments, the plan is projected to begin covering its costs with 5,375 members, which could take three years.¹²

⁷ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 16.

⁸ Cook County Health, Managed Care Committee, *CountyCare Update*, September 19, 2019, pp. 10-28, <https://cookcountyhealth.org/wp-content/uploads/Item-III-and-IVA-Report-on-CountyCare-and-Medicare-Advantage-Delivery-Innovations-09-19-19.pdf> (last accessed on October 19, 2019). The ACA expanded Medicaid eligibility to low income individuals between the ages of 19 and 64 who were not disabled and did not have dependent children. About 23% of CountyCare's members are eligible for Medicaid due to the ACA. Medicare coverage begins at age 65.

⁹ Statement by CountyCare CEO James Kiamos at Cook County Health Managed Care Committee, September 19, 2019.

¹⁰ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-79.

¹¹ Cook County FY2020 Budget Briefing, October 11, 2019, p. 13.

¹² Cook County Health, Managed Care Committee, *CountyCare Update*, September 19, 2019, p. 21.

Another initiative involves a new outpatient dialysis center in a remodeled, freestanding structure on the campus of Provident Hospital. The center was originally scheduled to open in FY2019, but the opening was delayed until FY2020 while Provident's pharmacy was relocated to the hospital building. The \$2.4 million center will allow the health system for the first time to provide long-term dialysis service and is expected to generate net income because most patients would be covered by Medicare.¹³ Stroger currently offers dialysis but generally refers chronic patients outside the health system because its stations are too busy to accommodate them.¹⁴

The Civic Federation supports these efforts, which are designed to generate revenue and are consistent with the health system's comprehensive strategy of shifting from the provision of sick care to the provision of healthcare.¹⁵

Rational Basis for Budgeting for Cook County Health's Direct Tax Allocation

Because of the projected growth in charity care, the FY2020 budget recommends the first significant increase in the County's tax allocation to Cook County Health since FY2009.¹⁶ President Preckwinkle's June 2019 preliminary budget forecast had assumed that the tax allocation would be unchanged from FY2019.¹⁷ The budgeted increase followed an intense internal lobbying effort by health system officials, which delayed the public unveiling of the Cook County Health budget by a week.¹⁸ The additional allocation is still relatively modest: an increase of \$10.0 million, or 13.8%, to \$82.7 million in FY2020 from \$72.7 million in FY2019.

The County's five-year budget forecast assumes that Cook County Health's share of property taxes will increase annually by 4.4%, rising to \$98.3 million in FY2024.¹⁹ The projection is based on anticipated increases in the cost of uncompensated care, consistent with estimates provided by the federal Centers for Medicare and Medicaid Services.²⁰ The projection results in a decrease in patient fee revenues from FY2020 to FY2021, reflecting unpaid medical services.

The Civic Federation supports this use of a reasonable methodology to plan for increases in the health system's direct tax allocation. Even with the increases, the County projects operating losses for the system rising from \$53.0 million in FY2021 to \$197.1 million in FY2024, as increasing expenses more than offset higher managed care revenues.

Given uncompensated care and other financial pressures, Cook County Health cannot be expected to completely cover its own costs. The cost of uncompensated care far exceeds the

¹³ Communication between the Civic Federation and the Cook County Health and Hospitals System, August 29, 2018.

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

¹⁵ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 15.

¹⁶ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 11.

¹⁷ Cook County FY2020 Preliminary Forecast, p. 14.

¹⁸ Statement by Chairman M. Hill Hammock at Cook County Health Board of Directors, August 30, 2019.

¹⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 21.

²⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 18.

system's \$289 million in special Medicaid payments designated for hospitals that serve low income and uninsured patients. Additionally, the system pays for health services at the County Jail and Juvenile Detention Center (JTDC) and for the Department of Public Health—operations that bring in little or no revenue. Beginning in FY2018, those costs alone have exceeded the County's direct tax allocation.

The operating tax allocation for the health system does not include County payments for system-related pension contributions and debt service. In FY2020 these additional payments of \$317.1 million bring the total County allocation to \$399.8 million. Total County financial support has declined significantly from \$594.2 million in FY2009 due to the reduction in the direct operating allocation from that year's \$481.4 million.²¹

In line with its increasing financial independence, Cook County Health was expected to assume financial responsibility for all capital projects beginning in 2019.²² However, officials in the President's Office said recently that payment for construction of the new Provident Hospital will depend on the growth in uncompensated care.²³

That growth has not been easy to predict. The cost of uncompensated care was initially expected to remain flat in FY2019.²⁴ The cost is now projected to grow by \$42 million, or 8.4%, to \$544 million this year and by 8.5% to reach \$590 million in FY2020.²⁵ It remains to be seen whether the County in collaboration with the health system will need to adjust its method for forecasting uncompensated care.

Independent Revenue Forecasting Commission

The Cook County Board of Commissioners in October 2018 approved the creation of an Independent Revenue Forecasting Commission. The purpose of the Commission is to analyze the County's five-year revenue projections, make recommendations on the methodology and forecast assumptions, and reach consensus on a final forecast to be presented to the Board of Commissioners and included in the annual County budget recommendation. The Commission consists of three members: two economists associated with universities in Cook County and one member of the public with expertise in public finance. The County's Chief Financial Officer (CFO) serves as chairman of the Commission. All meetings and activities of the Commission are open to the public and subject to the Open Meetings Act.

The first meeting of the Commission was held on July 2, 2019, at which the County's Bureau of Finance staff presented a five-year forecast of the County's major tax revenue sources. At a second meeting held on July 31, 2019, the Commission members provided feedback on the methodology behind the forecast and recommendations to improve documentation and transparency of methodologies used and to incorporate sensitivity analysis through the use of multiple forecast scenarios. At the final meeting held on August 26, 2019, the Commission finalized a summary report of recommendations made.

²¹ Cook County FY2014 Executive Budget Recommendation, Volume 1, p. 40.

²² Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 19.

²³ Communication between the Civic Federation and the Cook County Board President's Office, October 11, 2019.

²⁴ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 16.

²⁵ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 7.

The Civic Federation commends Cook County for establishing the Independent Revenue Forecasting Commission and making the Commission's meetings and activities open to the public. The Commission serves as a valuable asset to the Board of Commissioners by providing an independent review of the County's tax revenue projections and increases the openness and transparency of the County's financial information.

Much of the Independent Revenue Forecasting Commission's work on this first round of oversight focused on improving the accuracy of the modeling and methodologies used for forecasting each tax source. While the initiative is a positive step, the Civic Federation believes there are further steps that can be taken by the Board of Commissioners to utilize the Commission's work and revenue forecasts as a long-term planning tool, which are discussed in the recommendations below.

Continued Practice of Making Supplemental Pension Contributions

The Civic Federation supports Cook County in continuing to make supplemental contributions to its Cook County Pension Fund for the fifth year in an effort to make up for shortcomings of the contribution amount the County is required to make by State law. Cook County began making supplemental employer contributions to the pension fund in FY2016 and has contributed an additional amount annually since then. Based on the most recent data available, these supplemental payments have helped improve the funded ratio of the pension fund from 56.7% funded in FY2016 to 60.8% funded as of FY2018.

Cook County is required by State statute to make an annual employer contribution to the pension fund equivalent to 1.54 times the total employee contribution made two years earlier. The County levies a property tax and contributes personnel property replacement tax (PPRT) for this purpose. In FY2020 the statutorily required amount is \$200.9 million. The statutory contribution has been inadequate for many years, contributing to a decline in the funded ratio of the pension fund from over 75% funded prior to the 2008 recession to a low of 53.5% funded in FY2012,²⁶ along with low investment returns.

Supplemental pension contributions are funded through a one percentage point increase in the County's home rule sales tax rate enacted in 2016. The supplemental contribution in FY2020 is \$327.0 million, which brings the County's total employer contribution to the pension fund to \$527.9 million. According to the fund's actuary, with continued supplemental payments the pension fund is expected to be fully funded by 2053. Without those payments, the pension fund would run out of money by 2040.

In the absence of a change in State law authorizing the supplementary pension payment schedule, the County is providing the additional funding to the County Pension Fund via an annual intergovernmental agreement. Since these additional pension payments have not been codified or authorized via State law, the County runs the risk of litigation or diversion of the money to other priorities in the event of a future budget crisis.

²⁶ On an actuarial basis as opposed to a market basis.

Contributing to Pension Stabilization Account for the Second Year

The Cook County pension fund conducted an experience study in 2018, based on which the pension fund adopted a new set of actuarial assumptions for its FY2017 financial reports. These assumptions are used to produce the funds' valuations and are based on the plans' historical experience. The adopted assumption changes included revisions to annuitant mortality rates, retirement rates, salary increases, and a reduction in the assumed actuarial rate of return.²⁷ The changes in the assumptions reduced the unfunded liabilities of the pension fund, resulting in a decrease in the actuarially required contribution to the pension fund, reducing the actuarially-calculated supplemental contribution from \$353.4 million in FY2018 to \$320.3 million in FY2019.

Despite the reduction in the FY2019 recommended supplemental contribution amount, the County maintained its supplemental contribution amount and set aside \$30 million of it in a new Pension Stabilization Account within the pension fund. The money is held in the event that there is a market correction in order to offset unanticipated growth in liabilities.²⁸

The Stabilization Account is part of the County's long-term goal of offsetting the Pension Fund's growing liabilities. The Civic Federation viewed the decision to create the Stabilization Account as a prudent safeguard and commends Cook County for again setting aside \$20.8 million in the Pension Stabilization Account in the FY2020 budget.

Civic Federation Concerns

The Civic Federation has **concerns** about the following elements of Cook County's FY2020 Executive Budget Recommendation.

Growth in Uncompensated Care

For the current fiscal year, Cook County Health budgeted for a wide range of financial pressures, including wage increases due to the County's collective bargaining agreements and higher costs for drugs and medical equipment. In FY2019 the health system did not budget for an increase in the cost of unpaid care, which was expected to remain unchanged from the previous year.²⁹

Instead, uncompensated care is now projected to grow by \$42 million, or more than 8%, to \$544 million this year and reach \$590 million in FY2020.³⁰ In a presentation to Cook County Health

²⁷ Cook County Employees' and Officers' Annuity and Benefit Fund, 2017 Actuarial Valuation Results, <https://www.cookcountypension.com/2017-actuarial-valuation-results/> (last accessed October 22, 2018).

²⁸ Information provided by the Chief Financial Officer at the Cook County Finance Committee Departmental Hearing on the Cook County Budget Overview, Bureau of Finance, October 22, 2018.

²⁹ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 16, <https://cookcountyhealth.org/wp-content/uploads/Item-VIA-Proposed-CCHHS-FY2019-Preliminary-Budget-08-24-18-final.pdf> (last accessed on October 16, 2019).

³⁰ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 7, <https://cookcountyhealth.org/wp-content/uploads/Item-IIIA-Proposed-FY20-Prelim-Budget-and-Financial-Forecast-09-13-19.pdf> (last accessed on October 18, 2019).

directors in August 2019, health system officials said the increase was “unsustainable” and could jeopardize the system’s mission of serving all patients, regardless of their ability to pay.³¹

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 includes patients’ bills that cannot be collected—often because patients who would have qualified for charity care failed to sign up—and health system medical claims that are rejected by insurers.

Under the Affordable Care Act, the expansion of Medicaid and increase in private insurance coverage led to an initial decrease in Cook County Health’s cost of uncompensated healthcare. Uncompensated care costs declined significantly from \$536 million in FY2013 to \$314 million in FY2014, but the trend reversed the following year. In FY2018 a dramatic increase in charity care was partially offset by a decrease in bad debt. The health system’s cost of charity care doubled from FY2014 to FY2018.

While the health system’s charity costs have risen significantly since FY2013, total charity care provided by other hospitals in Cook County has declined over the past few years. Outside of the health system, free hospital care in the County fell by 40.6%, from \$433.6 million in 2013 to \$257.5 in 2017, according to the latest data available from the State.³² As a result, Cook County Health accounted for 53.5% of all charity care provided by County hospitals in 2017, compared with 37% in 2013. The latest information from the Illinois Department of Public Health shows that charity care outside of Cook County Health increased in 2018, but at a lower rate than for the health system. The health system’s share of County charity care rose slightly to 54.5% in 2018.³³

Cook County Health officials have linked the health system’s growth in uncompensated care to a number of factors, but they have also acknowledged that the reasons are not precisely clear.³⁴ Suggested explanations include the increase in Illinois’ uninsured rate since 2016; efforts by other hospitals to divert uninsured patients to the Cook County health system; unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the ACA; and the cost of operating the Direct Access managed care plan for uninsured patients, which was launched in 2017 at the direction of the County Board.

Officials also point to the decline in Medicaid managed care enrollment in Cook County since January 2018, when the State automated procedures for removing beneficiaries from Medicaid rolls if they do not promptly renew their eligibility. Cook County residents who lose Medicaid

³¹ Cook County Health, Finance Committee Meeting, *Report from the CFO*, August 23, 2019, p. 5, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-08-23-19.pdf> (last accessed on October 16, 2019). For more information, see the Civic Federation’s blog, “Cook County Health Warns of ‘Unsustainable’ Growth in Unpaid Care,” August 23, 2019, <https://www.civicfed.org/civic-federation/blog/cook-county-health-warns-unsustainable-growth-unpaid-care> (last accessed on October 16, 2019).

³² Civic Federation calculations based on Illinois Department of Public Health, *Annual Hospital Questionnaire Data Spreadsheets*, <https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Pages/default.aspx> and http://www.idph.state.il.us/about/hfpb/HospProf_ABR.htm (last accessed on October 16, 2019).

³³ Communication between the Civic Federation and the Illinois Health Facilities and Services Review Board, October 29, 2019.

³⁴ Statement by CEO Dr. John Jay Shannon at Cook County Health Finance Committee meeting, August 23, 2019.

coverage are likely to seek free medical services from the health system. Officials also are concerned that a proposed federal rule affecting immigrants might further erode Medicaid enrollment, even among those not directly affected by the rule.³⁵ The “public charge” rule would make it more difficult for immigrants to get permanent residency green cards if they use certain government benefits, including Medicaid.³⁶

Because of the projected growth in charity care, the FY2020 budget recommends the first significant increase in the County’s direct tax allocation to the health system since FY2009.³⁷ President Preckwinkle’s June 2019 preliminary budget forecast had assumed that the tax allocation would be unchanged from FY2019.³⁸ The additional allocation is still relatively modest: an increase of \$10.0 million, or 13.8%, to \$82.7 million in FY2020 from \$72.7 billion in FY2019.³⁹ The health system’s financial projections for FY2021 and FY2022 show operating losses of \$54 million and \$68 million, respectively, if there is no further increase in the tax allocation.⁴⁰

In addition to more County support, Cook County Health officials have said that possible solutions to the growth in unpaid care include a federal move to universal health insurance or a State requirement that private, nonprofit hospitals increase charity care in exchange for property and sales tax exemptions.⁴¹ They have also mentioned increased funding from the federal or State governments or from growth in health system revenue from insured patients. If all those options fail, the health system believes it would be forced to limit charity care, discontinue services or close facilities.

Plans to Build a New Provident Hospital

Provident Hospital has an important place in Chicago history. Established on the City’s South Side by a prominent African American surgeon in 1891, the hospital was designed to be an institution that would welcome African Americans as patients and medical professionals.⁴² Provident was the first African American-owned and operated hospital in the United States⁴³ and

³⁵ Kristen Schorsch, “Cook County Health CEO: ‘Something’s Got To Give, or Somebody’s Got to Give To Us,’” *WBEZ*, August 30, 2019. To be eligible for Medicaid, individuals must be either U.S. citizens or certain qualified non-citizens such as lawful permanent residents, in addition to meeting financial criteria.

³⁶ The proposed “public charge” rule was scheduled to take effect on October 15, 2019, but its implementation has been blocked temporarily by federal judges in five states, including Illinois.

³⁷ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 11.

³⁸ Cook County FY2020 Preliminary Forecast, p. 14.

³⁹ This direct allocation does not include additional amounts provided by the County to pay for the health system’s pension and debt service costs. For more information on the County’s total financial support for Cook County Health, see p. 59 of this report.

⁴⁰ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 34.

⁴¹ Cook County Health, *FY2020 Proposed Budget and Impact of Charity Care*, October 25, 2019, p. 31, <https://cookcountyhealth.org/wp-content/uploads/Item-VII-CEO-Report-on-Charity-Care-10-25-19.pdf> (last accessed on October 26, 2019).

⁴² Paul A. Buelow, “Provident Hospital,” *Encyclopedia of Chicago*, <http://www.encyclopedia.chicagohistory.org/pages/1017.html> (last accessed on October 26, 2019).

⁴³ National Institutes of Health, U.S. National Library of Medicine, *Opening Doors: Contemporary African American Surgeons*, <https://www.nlm.nih.gov/exhibition/aframsurgeons/history.html> (last accessed on October 26, 2019).

the site of the first open-heart surgery.⁴⁴ Provident also created the first nursing school for black women.⁴⁵ 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.⁴⁶ 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 last strategic plan, covering 2017 through 2019, reaffirmed Provident's primary role as a regional outpatient center offering a wide range of services including surgery.⁴⁷

There were signs in FY2019 that plans for Provident might be in flux, as the health system announced that ambulance service would resume at the hospital's ER and the ICU would reopen.⁴⁸ The new \$40 million diagnostic center included for Provident in the County's FY2018 capital improvement plan⁴⁹ had been upgraded to a \$159 million health and diagnostic center in the FY2019 capital improvement plan.⁵⁰

Now, with virtually no public debate, the County has decided on a significantly different vision for Provident. On August 12, 2019, Cook County Health announced 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.⁵¹ 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 new strategic plan.⁵² That plan, which runs through FY2022, was approved by the health system's Board on July 26 and by the County Board on October 24. The strategic plan has one paragraph about the new Provident facility.⁵³

The new eight-story facility on the Provident campus would open in 2023 and replace the current hospital, which would be torn down. A 2014 study for the County found that the existing structure, built in 1981, was inefficient and underutilized and would require significant investments to repair and replace outdated systems.⁵⁴ The new Provident would be about 22% smaller and have 42 medical/surgical beds. The existing hospital has 79 authorized beds, but

⁴⁴ WTTW, *DuSable to Obama: Early Chicago-Provident Hospital*, <https://interactive.wttw.com/dusable-to-obama/provident-hospital> (last accessed on October 26, 2019).

⁴⁵ WTTW, *DuSable to Obama: Early Chicago-Provident Hospital*, <https://interactive.wttw.com/dusable-to-obama/provident-hospital> (last accessed on October 26, 2019).

⁴⁶ Cook County Health and Hospitals System, *Vision 2015*, June 25, 2010, pp. 16, 19 and 24.

⁴⁷ Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019, July 2016*, pp. 8 and 14.

⁴⁸ Provident's ICU reopened in May 2019 and ambulance service is now scheduled to resume in FY2020.

⁴⁹ Cook County FY2018 Appropriation Bill, Volume 1, p. 304.

⁵⁰ Cook County FY2019 Appropriation Bill, Volume 1, pp. 128, 140 and 158.

⁵¹ 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.

⁵² Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019.

⁵³ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 15.

⁵⁴ Illinois Health Facilities and Services Review Board, *Application for Permit, Project No. 19-037*, July 30, 2019, p. 52.

staffs only 25. The new hospital would also have 70 outpatient exam rooms and offer diagnostic, dental, behavioral health and pharmacy services.

The staff of the Illinois Health Facilities and Services Review Board, which oversees hospital acquisitions, closures and modernizations, determined that 42 beds and certain other new services were not justified based on Provident's historical use.⁵⁵ The average number of beds used daily over the previous five years was 12.74, according to the staff report.⁵⁶ Cook County Health is projecting 188% growth in inpatient usage from 2017 to 2025, the staff said, while noting that the base year was low due to the current hospital's obsolescence.⁵⁷ The area surrounding Provident has an excess of 633 medical/surgical beds and 11 intensive care beds.⁵⁸

In testimony to the State Board, Cook County Health officials said the new facility would reduce the number of patients who live near Provident but travel to the flagship Stroger Hospital on Chicago's West Side for medical services.⁵⁹ The growth projections are also based on the resumption of ambulance runs and reopening of the ICU. Health system officials cite the widespread expectation that more community hospitals will close due to declining activity and financial stress, which could increase the need for Provident's services.⁶⁰

The rebuilding of Provident has received strong support from President Preckwinkle, who has made the new hospital a key part of her push for racial equity in Cook County. In a recent speech to the City Club of Chicago, President Preckwinkle said the facility could help close the life expectancy gap for residents of Chicago's minority neighborhoods.⁶¹ The Board President and six other elected officials submitted letters of support for the project to the State Board.⁶² The University of Chicago Medical Center, which is located less than one and a half miles from Provident, also supported the project. In the last two years, the U of C opened a new, larger adult emergency department and an adult trauma center.

On October 22, the State Health Facilities and Services Review Board voted unanimously to approve the Provident project, despite the staff's concerns. One Board member questioned the

⁵⁵ Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, p.3.

⁵⁶ Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, pp. 15-16.

⁵⁷ Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, pp. 12-13.

⁵⁸ Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, p. 6.

⁵⁹ Statement by Cook County Health CEO Dr. John Jay Shannon at the Illinois Health Facilities and Services Review Board, October 22, 2019.

⁶⁰ Stephanie Goldberg, "Westlake controversy shows where hospitals are headed," *Crain's Chicago Business*, April 19, 2019.

⁶¹ Cook County Board President Toni Preckwinkle, "Advancing Racial Equity in Cook County: Closing the gap through policy and practice," *City Club Speech*, September 16, 2019, https://medium.com/@tonipreckwinkle_95808/advancing-racial-equity-in-cook-county-closing-the-gap-through-policy-and-practice-9b28a5bd1b38 (last accessed on October 27, 2019).

⁶² Illinois Health Facilities and Services Review Board, *Project No. 19-037, Provident Hospital of Chicago*, <https://www2.illinois.gov/sites/hfsrb/Projects/Pages/Provident-Hospital-of-Cook-County--Chicago---19-037.aspx> (last accessed on October 27, 2019).

need for new hospital beds and the lack of vetting by the health system's Board, but nevertheless voted in favor of the plan.

The County is expected to issue bonds to cover most of the project's cost. Cook County Health has said it will pay debt service on the bonds and other costs from patient revenues.⁶³ However, County officials recently said the health system's ability to pay for the new hospital will depend on the growth in uncompensated care.⁶⁴

At a time when Cook County Health is struggling to meet its expenses, the Civic Federation is concerned that the plan for new hospital beds at Provident may not meet the long-term needs of the health system and the County. The Federation is also concerned about the lack of opportunity for public debate about such an important project.

Financial Challenges Ahead as Revenue Sources Lag Expenditure Needs

An ongoing and acknowledged concern for Cook County is declining revenue sources while expenses continue to rise. Some expenditures have been increasing at a faster pace than inflation due to health benefit cost trends, specialty medications and technology contracts. Many of the County's tax and fee sources are failing to keep up with inflation. The County estimates that 18.9% of revenue sources are declining, 32.8% are increasing slightly but failing to keep up with inflation and about 44% are growing with inflation.⁶⁵ One revenue source in particular, the cigarette tax, has been declining substantially. Between FY2016 and FY2020, the County expects to lose \$30.3 million in cigarette and other tobacco taxes, which is a 22.0% decrease.

The County projects that within the next five years there could be a General Fund budget deficit of \$110.4 million and a Health Fund deficit of \$197.1 million. Despite the expenditure growth pressures outpacing revenue growth, the County has not increased its base property tax levy since 2001. Given the pressures faced by Cook County Health with the high cost of uncompensated care in the health system and the projected General Fund deficits, the County Board of Commissioners needs to look at the operating budget and revenue mix holistically and identify long-term solutions to address projected shortfalls going forward.

Civic Federation Recommendations

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

⁶³ 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.

⁶⁴ Communication between the Civic Federation and Cook County Board President's Office, October 11, 2019.

⁶⁵ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 9.

Cook County Health Recommendations

Reconsider the Provident Hospital Project

After designating Provident Hospital as the site for a new regional outpatient center, the County has abruptly and with little public discussion changed course and decided to build a new, \$240.9 million facility with both outpatient and inpatient services.

Despite approval for the project by the State, the County has not made an adequate public case for the need for more hospital beds. Cook County Health's main argument for the new facility is that it will divert patients from Stroger Hospital. However, officials have previously said that Stroger needed more patients—particularly members of the CountyCare Medicaid managed care plan—to cover its high fixed costs.

Reconsideration of the Provident project is particularly vital at a time when Cook County Health is searching for additional revenues. Although the health system has said it plans to pay for the debt service on bonds issued to finance the project, the system's ability to come up with the cash due to the growth of uncompensated care and other financial pressures is now in doubt.

The Civic Federation urges the County to reconsider its plans for a new hospital. Provident's proud legacy would be better served by using County resources to build a comprehensive outpatient center.

Improve Cook County Health's Financial Transparency

Cook County Health leaders take pride in the amount of financial information they make available to the public, especially compared with its competitors—the County's private hospitals and insurance companies.⁶⁶ The system's Board of Directors receives monthly metrics that are posted promptly to its website, allowing the public to track trends in finances, staffing, patient care and the performance of the CountyCare Medicaid managed care plan. Cook County Health has developed a comprehensive strategic planning process and provides regular updates on its progress in implementing those plans.⁶⁷

However, given the size and complexity of the health system's operations, more public disclosure is critical to maintaining public confidence. The Civic Federation has recommended in the past and continues to recommend that the health system should livestream its Board and committee meetings and post procurement contracts on its website, which would bring those practices in line with the County.⁶⁸ Recent events have shown the need for additional improvements.

In the past few months, the health system changed its strategy for Provident Hospital and applied to the State for permission to build a new facility without airing the plans in public. The system's

⁶⁶ Statement by CEO Dr. John Jay Shannon at the Cook County Health Board, September 30, 2019.

⁶⁷ The health system's enabling ordinance requires three-year strategic and financial plans. See Cook County, Illinois, Code of Ordinances, Chapter 38, Article V, Section 38-82.

⁶⁸ Civic Federation, *Cook County FY2019 Executive Budget Recommendation: Analysis and Recommendations*, October 26, 2019, pp. 21-22.

Board also approved major contracts involving a new Medicare Advantage plan before any public discussion of the initiative. Additionally, a June 2019 report by Cook County's Inspector General criticized Cook County Health for not informing its Board or Cook County Commissioners about changes in the health system's reimbursement for services provided to CountyCare members at system facilities.⁶⁹ A subsequent review of the Inspector General's report commissioned by the health system agreed that such changes should be disclosed to the system's directors.⁷⁰

Following the Inspector General's June report, the health system has taken steps to improve financial disclosure, but these changes have not always been effective. For example, Cook County Health has begun to include balance sheet information and a summary of financial highlights in monthly reports to its Board and to County Commissioners. However, the health system's financial reports are frequently not posted on the County's Legistar system. Cook County Health alerted its Board in September that it was changing the way the health system was reimbursed for CountyCare members' services.⁷¹ However, the financial impact of the change was not explained. Similarly, the County's FY2020 budget alters the method of accounting for CountyCare's reimbursements to the health system but does not explain that the change was needed to allow transfers of appropriation authority under Illinois law.⁷²

Cook County Health competes with private healthcare providers for paying customers, but it also relies on taxpayers for financial support. To maintain public confidence and support, the health system should provide more detailed financial information about its operations.

Pension Recommendations

Obtain Statutory Authority for Supplemental Pension Contributions

As noted above, Cook County makes a supplemental contribution to the Cook County Pension Fund in addition to the statutory contribution required by state law of 1.54 times the employee contribution made two years prior. The pension fund's FY2018 Actuarial Valuation Report estimates that the statutory contribution is only about a third of what the actuarially calculated contribution would be. Making only statutory contributions would result in the pension fund running out of money by 2040.⁷³ With the continuation of supplemental contributions, the pension fund is projected to be on track to 100% funded by 2053.⁷⁴

⁶⁹ Cook County Office of the Independent Inspector General, *CountyCare Healthcare Expenses (IIG18-0100)*, June 21, 2019, p. 3, http://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG18-0100-County_Care_Healthcare_Expenses.pdf (last accessed on October 29, 2019).

⁷⁰ Deloitte Financial Advisory Services LLP, *Assessment of Report by the Office of the Independent Inspector General*, September 4, 2019, p. 19.

⁷¹ Cook County Health, Finance Committee, *Report from the CFO*, September 20, 2019, p. 20, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-09-20-19.pdf> (last accessed on October 29, 2019).

⁷² Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3. For more information on this change, see p. 65 of this report.

⁷³ Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, Actuarial Valuation Report as of December 31, 2018.

⁷⁴ Cook County Pension Committee Meeting, July 18, 2019.

While it is proactive of the County to be contributing amounts closer to the actuarial recommendation, the County 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.⁷⁵

In the absence of a change to State statute, the County is providing the funding to the pension fund via an intergovernmental agreement. The President's Office and pension fund officials have said they are continuing to work on a strategy to seek a long-term statutory solution to pension funding. The Civic Federation urges the County and the pension fund to work together with the General Assembly and the Governor on legislation to codify the actuarially-calculated pension contributions.

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

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

Administrative Recommendations

Revise the Inspector General's Ordinance or Rules to Require the Inclusion of Agency Responses in Program Investigations

The Cook County Office of the Independent Inspector General is authorized to conduct investigations into complaints of corruption, fraud, waste, mismanagement, unlawful political discrimination and misconduct within Cook County government.⁷⁶ In addition to general investigations into individual misconduct or illegality, the IG's Office conducts investigations that concern inefficient or wasteful management. These kinds of investigations, which are similar to program audits, may involve complicated financial issues that are disputed by the agency under review. However, there is no requirement that agencies' responses be included in the IG's published report.

In a recent example, the Inspector General's Office conducted a review of unpaid healthcare expenses of CountyCare, Cook County Health's Medicaid managed care plan. The review was

⁷⁵ Two bills, Senate Bill 1300 and House Bill 2903 were introduced in 2019 during the 101st General Assembly but neither passed.

⁷⁶ Cook County Code of Ordinances, Chapter 2, Article IV, Division 4, Section 2-284.

overseen by the Deputy Inspector General of the Audit and Compliance Division. The Inspector General's Office released a June 21, 2019 report stating that CountyCare had \$701 million in unpaid claims outstanding at the end of fiscal year 2018 and that CountyCare generated insufficient revenue to cover its expenses.⁷⁷ Cook County Health later hired an auditing firm to conduct an assessment of the Inspector General's work. A report issued by the firm in September 2019 refuted several of the Inspector General's findings and stated that CountyCare had made significant financial contributions to the health system.⁷⁸ Cook County Health officials said they were questioned by the Inspector General's staff but were not given the opportunity to provide a response before the June report was published. As a result, the public could not immediately evaluate the conflicting views about CountyCare's finances.

In contrast, rules of the City of Chicago's Inspector General's Office require its Audit and Program Review Section to send their reports to agency management and invite them to submit a written response to be included in the final, published report.⁷⁹ The Illinois Auditor General is also required to include in final audit reports any statement of explanation or rebuttal submitted by the audited agency.⁸⁰

Agency responses can provide important context and explanation of operational and financial issues and outline corrective steps planned or already taken. For that reason, the Civic Federation recommends that the Inspector General's enabling ordinance be revised, or the Office's rules be amended, to require that reports in the nature of program audits be sent to agency management before they are published and that the agency be offered the opportunity to provide a formal written response to be included in the published report.

Expand the Scope and Impact of the Independent Revenue Forecasting Commission

The Cook County Board of Commissioners established an Independent Revenue Forecasting Commission in October 2018. The Commission met for the first time in July 2019 and issued a set of recommendations to improve the County's revenue forecasts. Initially, the Commission only reviewed the County's home rule tax sources, but has since clarified that the scope covers all of the County's revenue sources, including revenue within Cook County Health and fee and license revenue across all County offices.

Understanding that the newly-established Commission is in early stages, there are several ways that the Commission can continue to expand its impact in years going forward. Examining all Countywide revenue sources will be a helpful step to understanding the budget as a whole. However, the Civic Federation recommends that the Board of Commissioners also work toward

⁷⁷ Cook County Office of the Independent Inspector General, *CountyCare Healthcare Expenses (IIG18-0100)*, June 21, 2019, http://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG18-0100-County_Care_Healthcare_Expenses.pdf (last accessed on October 29, 2019).

⁷⁸ Deloitte Financial Advisory Services LLP, *Assessment of Report by the Office of the Independent Inspector General*, September 4, 2019.

⁷⁹ City of Chicago Rules of the Office of Inspector General (Amended Effective March 12, 2018), Section 12, p. 21, <https://igchicago.org/wp-content/uploads/2014/03/OIG-Rules-and-Regulations.pdf> (last accessed on October 30, 2019).

⁸⁰ 30 ILCS 5/3-14, <http://www.ilga.gov/legislation/ilcs/documents/003000050K3-14.htm> (last accessed on October 30, 2019).

utilizing forecasts as a tool for long-term financial planning by looking at the whole budget—revenues and expenditures.

While improving the accuracy of forecasts is important, it is even more important that the Board of Commissioners utilize forecasts to understand the assumptions driving projected future deficits and come up with long-term solutions. As raised in the concerns above, the County is currently projecting a combined operating deficit of over \$300 million within the next five years. Several revenue sources are declining or lagging inflation, which puts more pressure on the County to find efficiencies, make cuts or increase revenues. The Commission's forecasting oversight could serve as a valuable source in helping facilitate discussions about the County's long-term budget sustainability.

The Civic Federation recommends that the Board of Commissioners enhance the impact of the Forecasting Commission by doing the following:

- Create a web page on the County's website for the Revenue Forecasting Commission, as the enabling ordinance calls for.⁸¹ All public presentations and reports should be posted on the website;
- Expand the Independent Revenue Forecasting Commission to analyze the County's operating expenditures so that the Board can review projections holistically and anticipate future deficits;
- Request a presentation by the Chair of the Independent Revenue Forecasting Commission (the County's Chief Financial Officer) of the revenue forecast at a public meeting where long-term issues can be identified. Expenditure projections should also be presented so that the Board can identify the full budget scope; and
- Request the preparation of alternative forecasts—best case, base and worst case scenarios—to help illustrate the effects of unexpected economic changes. The Commission recommended that the County develop a process by which alternative forecasts could be prepared and reviewed.⁸²

Make Public Safety Efficiency and Capital Planning Reports Publicly Available

Cook County's jail and courts system are large and costly operations, impacting both the operating and capital budgets. County officials have been talking about efforts to save money and utilize space more efficiently, but studies and plans have not been made publicly available.

In October 2016, the Board of Commissioners approved a three-year contract with STV-Heery Program Management to plan and implement a Public Safety Capital Improvement Plan and a ten-year Master Plan for many of the facilities housed on the Department of Corrections and Maywood campuses. The original contract was \$9.6 million for fiscal years 2017, 2018 and

⁸¹ Ordinance 18-2073 (as substituted) directs that forecasts, assumptions, recommendations from the Commission and any external resources utilized will be made publicly available on the County's website.

⁸² Final report from the Independent Revenue Forecasting Commission submitted to the Board of Commissioners, August 26, 2019.

2019.⁸³ The current contract ends on October 31, 2019, and an extension of the contract for an additional \$4.3 million through October 31, 2020 has been introduced.⁸⁴

The statuses of the Public Safety Capital Improvement Plan and the Department of Corrections ten-year Master Plan are unclear because little public information has been released. The FY2020 Executive Budget Recommendation says the Capital Program Management services for the development of a multi-year facilities master plan for the Department of Corrections have been completed, including completion of an evaluation of facilities, operations and costs. The evaluation estimates that replacing the majority (approximately 88%) of current Department of Corrections facilities with a new Adult Detention Center could save the County \$3 billion over a 40-year span.⁸⁵ The County plans to obtain stakeholder input during FY2020 and potentially contract an architect team to begin preliminary designs in FY2021.

Given that Cook County spends hundreds of millions of taxpayer dollars to run the jail—the Sheriff’s proposed Department of Corrections budget in FY2020 is approximately \$338 million, and proposed capital expenditures for the Department of Corrections jail campus are \$44.9 million in FY2020 and nearly \$1 billion over the next ten years⁸⁶—the public ought to have access to the evaluation of the jail campus. Reports should be publicly available through a simple web search so that taxpaying stakeholders can assess the assumptions included in the ten-year Master Plan, such as estimates of the jail population over time and necessary staffing levels.

The County also commissioned a courtroom utilization study by the National Center for State Courts (NCSC), a nonprofit court and justice consultancy, to identify strategies regarding the best use and deployment of County facilities for court operations. The first phase examining criminal courts was completed in 2019 and a second phase examining civil courts will be conducted in 2020. Phase I of the completed study does not appear to be available on the County’s website.

The Civic Federation recommends that the County Board of Commissioners direct the Department of Capital Planning and Policy to create a Public Safety Portfolio page on its website where capital planning reports and updates should be posted, including the jail facilities Master Plan and courtroom utilization study. It is important that the public have access to important planning information in order to hold County officials accountable to commitments made to decreasing costs and improving efficiency.

Define Performance Based Budgeting Metrics

Cook County has committed to moving toward performance-based program budgeting. In recent years the County has begun to include cost efficiency metrics in departmental line-item budgets. The performance management metrics track efficiency, outputs and outcomes of programs.

⁸³ File number 16-5176, approved by the Cook County Asset Management Committee October 25, 2016 and the Board of Commissioners October 26, 2016.

⁸⁴ File number 19-6158 was referred to the Cook County Asset Management Committee on October 24, 2019.

⁸⁵ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 148.

⁸⁶ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 147.

It is unclear how some of these metrics are calculated, defined or measured. For example, the Sheriff's Community Corrections program has four performance metrics:

- Electronic monitoring (EM) participants per month (output metric);
- EMU alerts dispatched to street unit (efficiency metric);
- EM success rate (outcome metric); and
- Cost per EM participant (zero based budgeting metric).⁸⁷

In these examples, the electronic monitoring success rate is not defined and the cost per electronic monitoring participant does not identify whether that includes staffing cost, material cost and any other cost in the calculation. It is not clear what "alerts dispatched" entails.

In order for the performance metrics to be useful to County officials or members of the public without knowledge of specific departments, the performance based budgeting metrics should be clearly defined. Having a better understanding of what metrics mean can help County officials better determine whether the current metrics are actually useful for measuring efficiency and identifying areas for cost savings.

Therefore, the Civic Federation recommends that the County develop definitions of every performance metric. The definitions should be specific and should be able to answer the following questions:

- Is a metric a total or an average? Over what time frame (monthly, annually)?
- How is success measured?
- How is cost measured? What costs are included in the calculation?

The County Board should direct the Office of Performance Management to require each County agency to include a definition of metrics in budget documents and compile a glossary of metrics and their definitions, which should be posted on the Performance Management website. The Office of Performance Management should also ensure that performance measurement data on the County website is kept up to date.

Streamline Property Tax Functions Through a Unified Property Tax Administration Office

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

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

- The Treasurer's office;

⁸⁷ These performance metrics can be found in the Sheriff's Community Corrections department section of the Cook County FY2020 Executive Budget Recommendation, p. O-47.

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

In 2010 the Civic Federation estimated that the merger would save 5% from the General Funds expenditures for the different offices, which totaled \$30.4 million at the time. Using the 5% estimate, up to \$1.5 million might have been saved.

The new office should be led by an appointed, rather than elected, official, because it is a ministerial rather than a policymaking position.

Several previous proposals have called for merging the assessor's office into a unified property tax administration office.⁸⁸ However, the Federation believes that this move could potentially compromise the integrity and independence of the property assessment process. Instead, assessment should be maintained separately from the property tax extension, redemption, collection and disbursement processes.

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

⁸⁸ See Cook County Commissioner Mike Quigley, *Reinventing Cook County*, Part I, December 2003, pp. 20-22 and Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

ACKNOWLEDGEMENTS

The Civic Federation would like to express our sincere thanks and appreciation to Ammar Rizki, Chief Financial Officer; Tanya Anthony, Budget Director; Dr. Jay Shannon, Cook County Health Chief Executive Officer; and Ekerete Akpan, Cook County Health Chief Financial Officer, for providing us with briefings on the budget and providing answers to our questions.

FY2020 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 FY2020 Preliminary Forecast anticipated a budget deficit of \$11.9 million in the General Fund and \$6.8 million in the Health Fund, for a total deficit of \$18.7 million. This is the smallest budget deficit since Cook County Board President Preckwinkle took office in 2011 when the budget deficit was \$487.0 million.

The County closes the annual projected budget deficits through a combination of savings, management efficiencies and revenue increases. The tables below explain how the County plans to close the deficits in the General Fund and Health Fund for FY2020.

The County plans to close the General Fund deficit of \$11.9 million through a combination of \$67.5 million in revenue increases and expenditure reductions, partially offset by \$55.6 million in revenue decreases and expenditure increases. Revenue increases include a \$22.8 million increase in reimbursements from the Administrative Office of the Illinois Courts (AOIC), which increased its State appropriation to reimburse counties for 100% of probation personnel positions. Other revenue sources that are expected to increase include TIF surplus from the City of Chicago, Treasurer revenue and County Use Tax revenue. The County also plans to use \$10.0 million in prior year fund balance, which aligns with the County's planned use of excess fund balance to make one-time expenditures. Together these increases total \$44.9 million.

In addition to revenue increases, savings in the General Fund will include \$22.6 million in expenditure reductions including a re-projection of health benefit costs, a reduction in the required statutory pension payment by \$8.2 million and a reduction in bond and interest expenses.

These savings are partially offset by \$55.6 million in revenue decreases and expenditure increases. The County is allocating an additional \$10.0 million of property tax revenue to the Health Fund compared to the prior year. Several tax sources are expected to decline compared to original projections, which will result in lower than projected revenue from court service fees and the sales tax, cannabis tax and sports betting due to slow State-level rollouts related to these tax sources. Expenditures are also increasing by \$15.9 million due to an additional 265 positions

in the General Fund and a \$13.6 million additional reserve being set aside for anticipated court settlements.

FY2020 Budget Deficit-Closing Measures: General Fund (in \$ millions)	
Revenue Increases	
AOIC Reimbursement Increase	\$ 22.8
Use of Fund Balance for One-Time Expenses	\$ 10.0
TIF Surplus	\$ 5.0
Treasurer Revenue	\$ 4.0
County Use Tax	\$ 3.1
Subtotal Revenue Increases	\$ 44.9
Expenditure Reductions	
Health Benefit Re-Projection	\$ 9.4
Statutory Pension Payment	\$ 8.2
Bond and Interest Reduction	\$ 5.0
Subtotal Expenditure Reductions	\$ 22.6
Total Increases/Savings	\$ 67.5
Revenue Decreases	
Increased Tax Allocation to Health Fund	\$ 10.0
Court Service Fees	\$ 7.3
Sales Tax	\$ 4.0
Cannabis Tax	\$ 3.3
Sports Wagering Revenue	\$ 1.5
Subtotal Revenue Decreases	\$ 26.1
Expenditure Increases	
265 New Positions	\$ 15.9
Reserve for Settlements	\$ 13.6
Subtotal Expenditure Increases	\$ 29.5
Total Decreases	\$ 55.6
Total Deficit Closed	\$ 11.9

Source: Cook County FY2020 Budget Briefing, October 11, 2019.

The County plans to close the Health Fund deficit of \$6.8 million through \$192.9 million in revenue increases and expenditure reductions, which is partially offset by \$186.1 million in expenditure increases. The savings include \$110.1 million in revenue increases as well as \$82.8 million in expenditure reductions including the elimination of 638 vacant full-time equivalent (FTE) positions within the health system and related personnel spending reductions. The savings are partially offset by \$186.1 million in expenditure increases including a \$133.3 million

increase in managed care claims, a \$30.9 million spending increase on medical and pharmaceutical supplies and a \$21.9 million increase in operations and maintenance spending.

After accounting for all of these combined increases and decreases in revenues and expenditures in the General Fund and Health Fund, Cook County expects the FY2020 budget to be balanced.

FY2020 Budget Deficit-Closing Measures: Health Fund (in \$ millions)	
Revenue Increases	
Graduate Medical Education Payment	\$ 70.0
New Medicare Managed Care Program	\$ 25.0
Increased Tax Allocation to Health Fund	\$ 10.0
Additional Managed Care Revenue	\$ 5.1
Subtotal Revenue Increases	\$ 110.1
Expenditure Reductions	
Vacancy Elimination of Net 638 FTE Positions	\$ 53.2
Other Personnel-Related Reductions	\$ 19.0
Contractual Services	\$ 4.2
Reimbursement Offset	\$ 3.9
Rental and Leasing Expense Reduction	\$ 2.5
Subtotal Expenditure Reductions	\$ 82.8
Total Increases/Savings	\$ 192.9
Expenditure Increases	
Managed Care Claims	\$ 133.3
Medical/Pharmaceutical Supplies	\$ 30.9
Operations/Maintenance	\$ 21.9
Subtotal Expenditure Increases	\$ 186.1
Total Decreases	\$ 186.1
Total Deficit Closed	\$ 6.8

Source: Cook County FY2020 Budget Briefing, October 11, 2019; and information provided by the Cook County Bureau of Finance, October 16, 2019.

APPROPRIATIONS

This chapter describes Cook County’s total proposed appropriations for FY2020, including appropriations trends for all funds by fund, operating funds by object and all funds by control officer. FY2020 proposed appropriations are compared to FY2016-FY2019 adopted and actuals when available.

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

- The General Fund includes the Corporate and Public Safety Funds. The Corporate Fund is used for general County expenses including property tax administration and other administrative functions. The Public Safety Fund accounts for the County’s criminal justice system including the jail and court system;
- The Health Enterprise Fund, which is used to operate Cook County Health;
- Special Purpose Funds, which have defined sources of revenue that are restricted for particular uses only. These include the Board of Election Commissioners Election Fund, the Bond and Interest Fund (used to pay debt service) and the Annuity and Benefits Fund (used for payments to the pension fund); and
- Restricted Funds, or grants.

FY2020 Total Operating Funds				
General Fund		Health (Enterprise) Fund	Special Purpose Funds	Restricted Funds (Grants)
Corporate Fund	Public Safety Fund			

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

All Funds Appropriations by Fund

The following table shows Cook County appropriations for all funds by fund for FY2016-FY2020. Cook County total FY2020 appropriations, including the operating budget and capital improvement funds, will amount to \$6.2 billion.⁸⁹ This is an increase of \$232.4 million, or 3.9%, from the FY2019 adopted budget of \$5.9 billion.

The Cook County operating budget totals \$5.8 billion in FY2020. This is an increase of \$233.6 million, or 4.2%, from the FY2019 adopted budget of \$5.6 billion.

As noted above, the General Fund is composed of the Corporate Fund and Public Safety Fund. Between FY2019 and FY2020, appropriations for the General Fund will increase by \$42.9 million or 2.3%. The increase in the General Fund is primarily due to a \$29.7 million increase related to negotiated cost of living increases and health benefit expenses.⁹⁰ The General Fund also includes the FY2020 supplemental pension contribution of \$327.0 million.⁹¹ The County

⁸⁹ It should be noted that this figure is inflated by \$173.1 million due to an internal transfer within Cook County Health for services provided by the health system to CountyCare members at Cook County Health facilities.

⁹⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 4.

⁹¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 64.

will have contributed nearly \$1.3 billion in supplemental pension contributions between FY2017 and FY2020.⁹²

Health Fund appropriations are projected to increase by \$133.5 million, or 8.2%, between FY2019 and FY2020. However, the Health Fund appropriations are inflated by \$173.1 million to account for reimbursement to the health system for care provided to CountyCare members in system facilities.⁹³ After adjusting for this reimbursement, Health Fund appropriations are expected to be \$39.7 million lower than FY2019. The decline is due to a net decrease of 638 FTEs, which is partially offset by a \$35.8 million increase in non-personnel related expenses.⁹⁴

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Under Special Purpose Funds, appropriations for the Bond and Interest Fund will see a slight increase of \$68,755, or .03%, over the two-year period. The Annuity and Benefit Fund, which is used to pay statutory payments to the pension fund, is projected to decline by \$8.6 million. The Election Fund, which is included in the Agency Special Purpose Funds, is projected to increase by \$29.4 million, from \$15.8 million in FY2019 to \$51.7 million in FY2020.

Appropriations for Capital Improvements in FY2020 will decrease by \$1.2 million, or 0.3%, below FY2019 adopted appropriations of \$370.4 million.

Over the five-year period beginning FY2016 the County's operating budget will rise by \$1.6 billion, or 38.4%, from \$4.2 billion in FY2016 to \$5.8 billion in FY2020. This is due in large part to increased expenditures in the Health Fund due to the expansion of health services through CountyCare.

Special Purpose and Election Funds appropriations will increase by \$220.6 million, or 36.4%, over the five-year period from \$606.9 million in FY2016 to \$827.5 million in FY2020. Agency Special Purpose Funds, which are restricted funds allocated to agencies across the County for specific purposes will see the largest dollar and percentage increase at \$201.0 million, or 121.4%, rising from \$165.6 million in FY2016 to \$366.6 million proposed for FY2020. Bond and Interest expenditures will increase by \$9.9 million, or 4.0%, over the five-year period. Appropriations for Annuity and Benefits will increase by \$9.7 million, or 5.1%, over the five-year period. The increase is due to the statutorily calculated pension funding requirements.⁹⁵

Restricted Funds (Grants) will increase by 9.5%, or \$21.5 million between FY2016 and FY2020. Grants as a percentage of total proposed appropriations will total \$246.3 million, or 4.0%, of the total budget in FY2020, declining from 5.2% of total appropriations across all funds in FY2016.

Capital Improvements appropriations will increase from \$110.1 million in FY2016 to \$369.2

⁹² Cook County FY2020 Executive Budget Recommendation, Volume 1, p. i.

⁹³ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 4. In prior years, the reimbursement was not shown in the budget as appropriations or revenues; instead, it was treated as a transfer within the system that cancelled out.

⁹⁴ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 4.

⁹⁵ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 43.

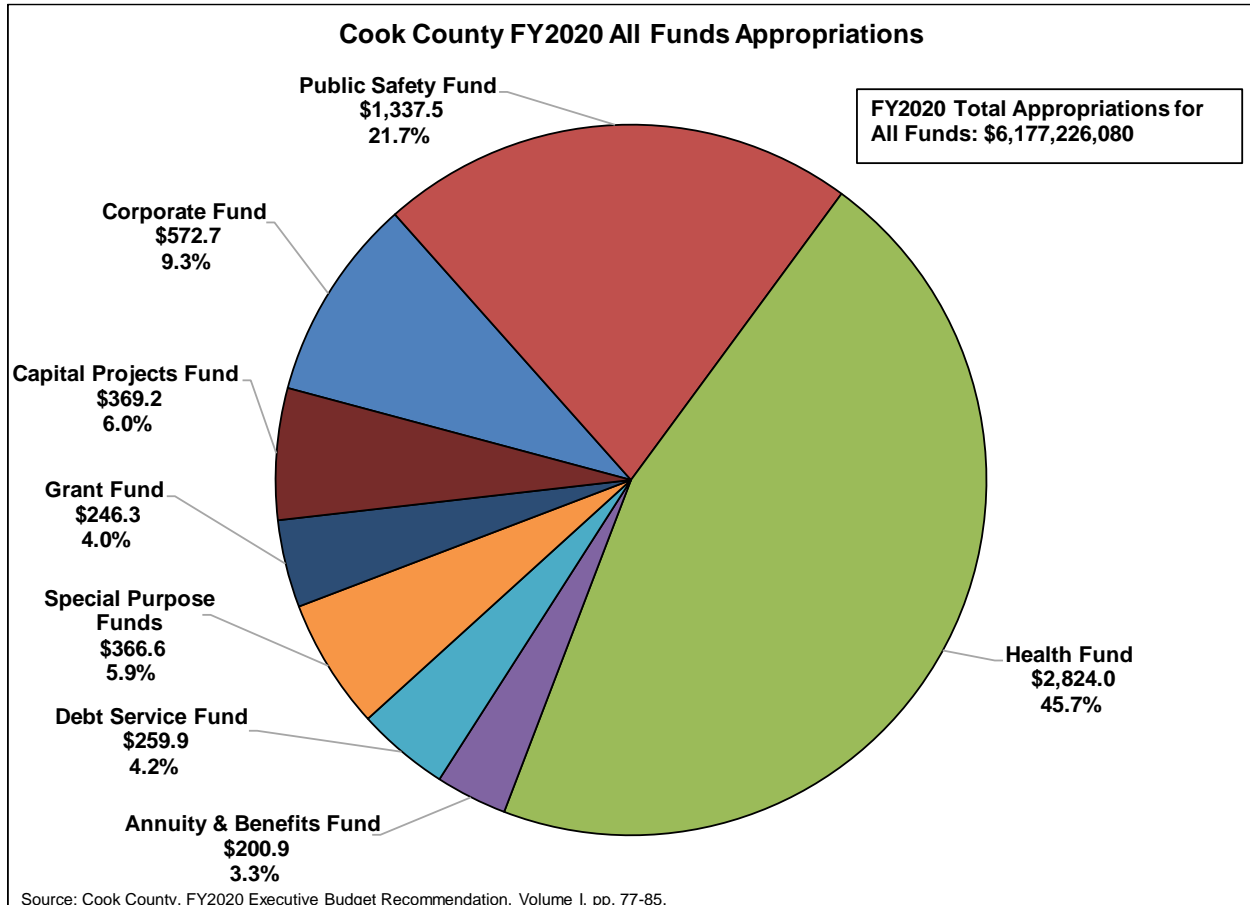
million in FY2020. This is an increase of \$259.1 million or 235.3%. However, given the nature of capital spending, much more is appropriated each year for capital expenditures than is actually spent.

Cook County Appropriations All Funds by Fund: FY2016-FY2020 (in \$ millions)									
Fund	FY2016 Actual	FY2017 Actual	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Corporate	\$ 434.4	\$ 523.1	\$ 528.6	\$ 573.6	\$ 572.7	\$ (0.8)	-0.1%	\$ 138.4	31.8%
Public Safety	\$ 1,303.5	\$ 1,295.9	\$ 1,246.0	\$ 1,293.8	\$ 1,337.5	\$ 43.7	3.4%	\$ 34.0	2.6%
Subtotal General Fund	\$ 1,737.9	\$ 1,819.0	\$ 1,774.6	\$ 1,867.4	\$ 1,910.3	\$ 42.9	2.3%	\$ 172.4	9.9%
Health	\$ 1,625.7	\$ 1,571.4	\$ 2,620.6	\$ 2,690.5	\$ 2,824.0	\$ 133.5	5.0%	\$ 1,198.3	73.7%
Subtotal General & Health Funds	\$ 3,363.6	\$ 3,390.4	\$ 4,395.2	\$ 4,557.8	\$ 4,734.3	\$ 176.5	3.9%	\$ 1,370.6	40.7%
Annuity & Benefits	\$ 191.2	\$ 208.2	\$ 211.4	\$ 209.5	\$ 200.9	\$ (8.6)	-4.1%	\$ 9.7	5.1%
Bond & Interest	\$ 250.0	\$ 277.1	\$ 280.4	\$ 259.9	\$ 259.9	\$ 0.1	0.0%	\$ 9.9	4.0%
Agency Special Purpose Funds	\$ 165.6	\$ 195.1	\$ 289.5	\$ 298.3	\$ 366.6	\$ 68.3	22.9%	\$ 201.0	121.4%
Subtotal Special Purpose and Election Funds	\$ 606.9	\$ 680.4	\$ 781.4	\$ 767.7	\$ 827.5	\$ 59.8	7.8%	\$ 220.6	36.4%
Restricted Funds (Grants)	\$ 224.8	\$ 257.9	\$ 94.4	\$ 248.8	\$ 246.3	\$ (2.6)	-1.0%	\$ 21.5	9.5%
Subtotal Operating Funds	\$ 4,195.3	\$ 4,328.8	\$ 5,271.0	\$ 5,574.4	\$ 5,808.0	\$ 233.6	4.2%	\$ 1,612.7	38.4%
Capital Improvements	\$ 110.12	\$ 187.4	\$ 152.4	\$ 370.4	\$ 369.2	\$ (1.2)	-0.3%	\$ 259.1	235.3%
Total	\$ 4,305.4	\$ 4,516.1	\$ 5,423.4	\$ 5,944.8	\$ 6,177.2	\$ 232.4	3.9%	\$ 1,871.8	43.5%

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 77-85.

The next chart shows FY2020 appropriations for all funds by fund. The all funds budget will total \$6.2 billion in FY2020. The Health Fund will make up \$2.8 billion, or 45.7%, of the budget. The Public Safety Fund represents the second largest portion of the budget at \$1.3 billion or 21.7%. Corporate Fund appropriations are proposed at \$572.7 million or 9.3%. The remaining

appropriations for the Annuity and Benefits Fund, Debt Service Fund, Special Purpose Funds, Grant Fund and Capital Projects Fund will total \$1.4 billion, or 23.4% of the total budget.

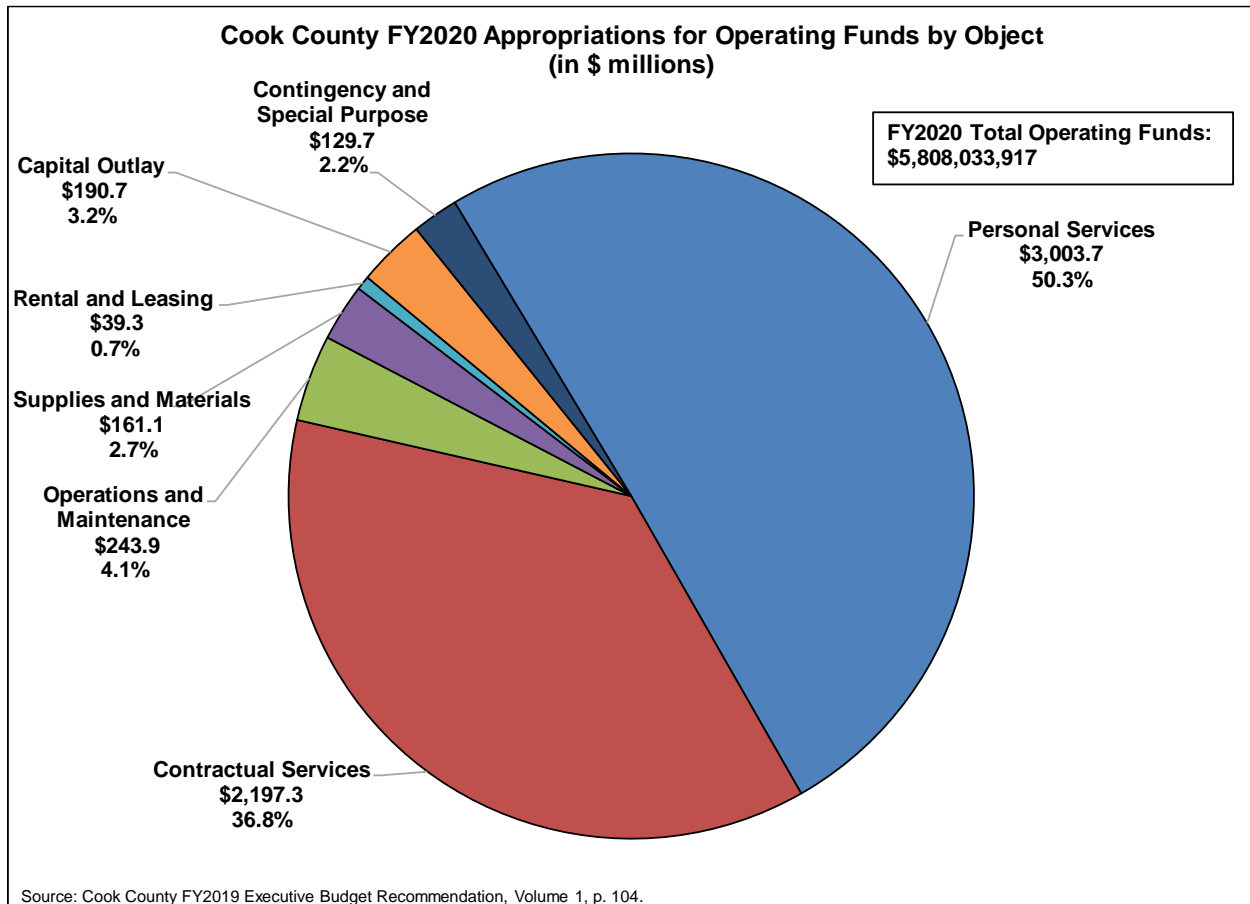


Operating Funds Appropriations by Object

The next chart displays the proposed Cook County appropriations within the operating funds by object for FY2020. As previously noted, the operating budget is composed of the General Fund, which includes the Corporate and Public Safety Funds; the Health Fund; Special Purpose Funds; and Restricted Funds, or grants.

The operating funds appropriations will total approximately \$5.8 billion in FY2020. Personal services will compose the largest percentage of the FY2020 operating funds appropriations at 50.3% or \$3.0 billion. Personal services include salaries, wages and benefits. A separate supplemental pension payment of \$327.0 million is accounted for under contractual services. The Contractual Service appropriation is the second largest portion of FY2020 proposed operating funds at 36.8% or \$2.2 billion. Contractual services are purchased services such as printing, transportation, communications and other professional and technical services contracted through

the County.⁹⁶ The remaining appropriations will individually make up less than 5% of the total operating funds.



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

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

The next table shows FY2020 appropriations by fund and control officer as a percent of total appropriations. The Federation has historically conducted a two- and five-year trend analysis for all funds by fund and control officer. However, beginning in FY2016 and continuing through FY2019 the County has shifted fixed charges, such as utility and technology maintenance costs into departments, which is a best practice recommended by the GFOA. Therefore, a two- and five-year analysis is not comparable across years by control officer. The County has shifted employee benefit costs, licensing and other technology related expenses into individual departmental budgets.⁹⁷

⁹⁶ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 276.

⁹⁷ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 63.

The General and Health Enterprise Funds budgets will collectively compose nearly \$4.7 billion, or 76.6% of the total budget. Of the \$4.7 billion, the General Fund will make up \$1.9 billion, or 30.9%, and the Health Fund will represent nearly \$2.8 billion, or 45.7% of the total budget. The General Fund budget for Offices Under the President will compose \$233.1 million, or 3.8%, of the total budget, while appropriations for all other elected and appointed officials of the County will represent nearly \$1.2 billion, or 18.9% of the total budget in FY2020. The proposed FY2020 appropriations for the Chief Judge and Sheriff compose the largest portion of the General Fund budget at \$265.7 million, or 4.3%, and \$598.3 million, or 9.7%, respectively, of the total budget.

Appropriations for Special Purpose Funds will compose \$827.5 million, or 13.4%, of the total budget in FY2020. The largest portion of the Special Purpose Funds is related to Annuity and Benefits and to Bond and Interest appropriations, which total \$200.9 million, or 3.3% and \$259.9 million, or 4.2% of the total budget in FY2020, respectively.

Cook County Appropriations for All Funds by Control Officer as % of Total Budget: FY2020 (in \$ millions)		
Control Officers	FY2020 Proposed	% of Total Budget
General Fund		
Offices Under President		
President	\$ 4.1	0.1%
Chief Financial Officer	\$ 24.9	0.4%
Chief Information Officer	\$ 20.0	0.3%
Chief Administrative Officer	\$ 24.4	0.4%
Chief of Economic Development	\$ 10.5	0.2%
Chief of Human Resources	\$ 6.3	0.1%
Chief of Asset Management	\$ 60.4	1.0%
Public Defender	\$ 78.9	1.3%
Other Agency*	\$ 3.6	0.1%
Subtotal Offices Under President	\$ 233.1	3.8%
Elected & Appointed Officials		
Cook County Board of Commissioners	\$ 8.6	0.1%
Assessor	\$ 27.0	0.4%
Board of Review	\$ 13.5	0.2%
Chief Judge	\$ 265.7	4.3%
Clerk of the Circuit Court	\$ 100.7	1.6%
County Clerk	\$ 12.2	0.2%
Recorder of Deeds	\$ 7.2	0.1%
Sheriff	\$ 598.3	9.7%
State's Attorney	\$ 130.7	2.1%
Treasurer	\$ 0.8	0.0%
Inspector General	\$ 1.9	0.0%
Public Administrator	\$ 1.4	0.0%
Subtotal Elected & Appointed Officials	\$ 1,168.0	18.9%
Fixed Charges and Special Purpose	\$ 509.1	8.2%
Total General Fund	\$ 1,910.3	30.9%
Enterprise Health Fund		
Cook County Health and Hospitals System	\$ 2,824.0	45.7%
Total General & Enterprise Funds	\$ 4,734.3	76.6%
Special Purpose and Election Funds		
Department of Transportation and Highways	\$ 209.8	3.4%
Chief Information Officer	\$ 7.5	0.1%
Other Agency*	\$ 19.2	0.3%
Subtotal Offices Under the President	\$ 236.5	3.8%
Cook County Health	\$ 7.1	0.1%
Assessor	\$ 3.0	0.0%
Board of Election Commissioners	\$ 22.8	0.4%
Chief Judge	\$ 5.3	0.1%
Clerk of the Circuit Court	\$ 21.0	0.3%
County Clerk	\$ 30.6	0.5%
Recorder of Deeds	\$ 5.3	0.1%
Sheriff	\$ 3.8	0.1%
State's Attorney	\$ 2.2	0.0%
Cook County Land Bank Authority	\$ 16.6	0.3%
Treasurer	\$ 12.4	0.2%
Subtotal Special Purpose Funds	\$ 130.1	2.1%
Annuity and Benefits	\$ 200.9	3.3%
Bond and Interest	\$ 259.9	4.2%
Subtotal Fixed Charges	\$ 460.9	7.5%
Special Purpose Funds	\$ 827.5	13.4%
Other Restricted Funds (Grants)	\$ 246.3	4.0%
Total Operating Funds	\$ 5,808.0	94.0%
Capital Improvements	\$ 369.2	6.0%
Total Budget	\$ 6,177.2	100.0%

*Includes Chief Administrative Officer, Public Defender, Administrative Hearing Board, County Auditor, County Law Library, Animal Control, Department of Human Rights and Ethics, Office of Economic Development and Department of Environment and
Source: Cook County FY2019 Executive Budget Recommendation, Volume 1, pp. 85-91.

RESOURCES

This chapter examines Cook County's total budget resources estimated for FY2020, resources over the past five years in the General Fund and Health Fund and the County's property tax levy. Resources are revenues from various taxes such as the property tax, sales tax, use tax and other consumer taxes; fees and licenses; intergovernmental revenue from the State; and other sources.

Proposed FY2020 Resources for All Funds

Cook County projects that total resources for all funds will be \$6.18 billion in FY2020, compared to \$5.92 billion in FY2019. The chart below provides the proposed distribution of all resources in FY2020.

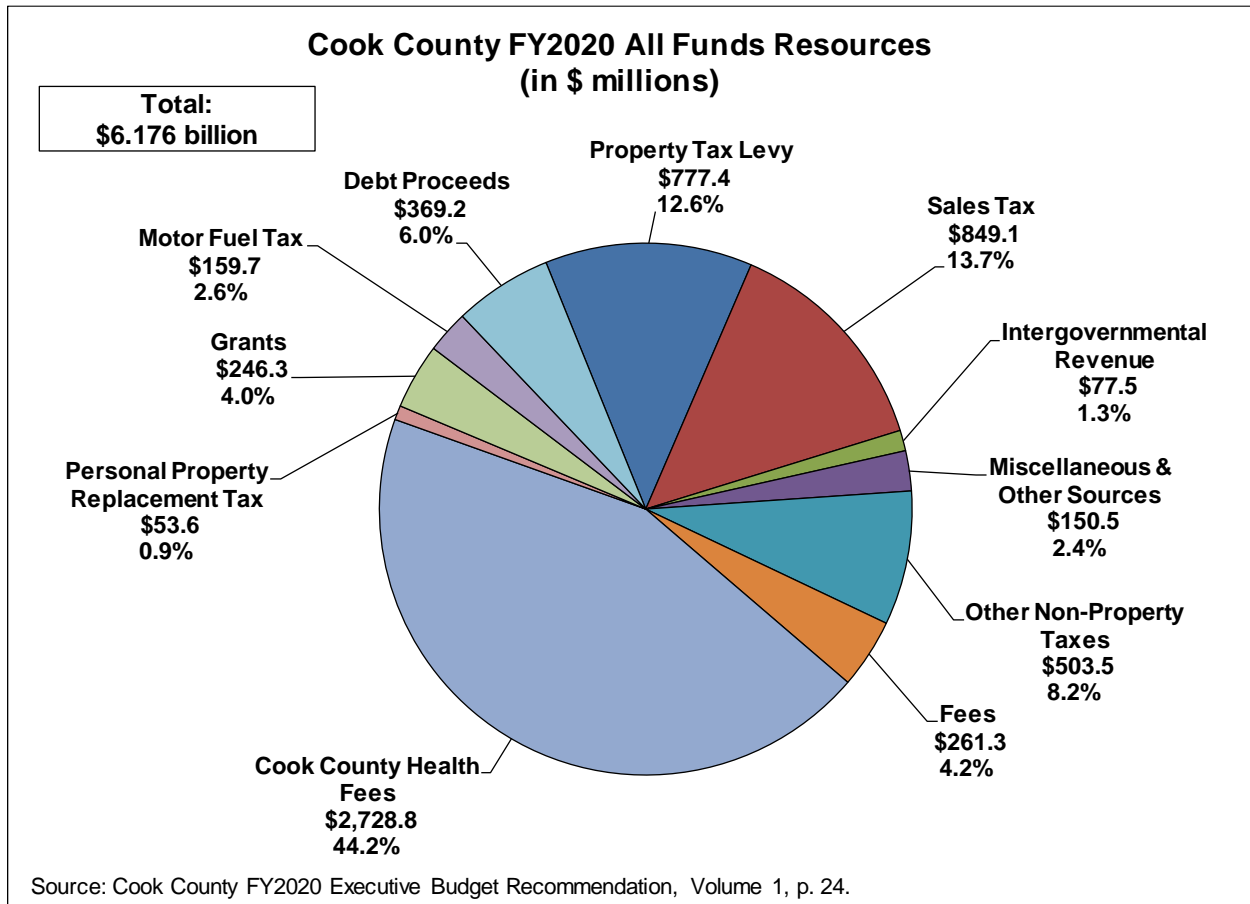
Fees from Cook County Health account for the largest revenue source at \$2.7 billion, or 44.2% of total resources. The sales tax is the second largest resource, accounting for 13.7% of resources, or \$849.1 million. Property tax revenue, which includes TIF surplus declared by the City of Chicago, will account for 12.6% of total resources at \$777.4 million. Other non-property taxes are expected to account for \$503.5 million in revenue, or 8.2%. These 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.⁹⁸ Fees collected by various County offices for services like vital records and permits will make up 4.2% of resources at \$261.3 million.

Debt proceeds will account for 6.0% of resources, or \$369.2 million. Grants are expected to bring in \$246.3 million, or 4.0% of total resources. Intergovernmental revenue, which includes reimbursements to the County from the State of Illinois for probation-related salaries and the Cook County Forest Preserve District for administrative services, as well as indirect cost reimbursements, will total \$77.5 million or 1.3%. Miscellaneous and Other Sources are projected to make up 2.4% of resources, or \$150.5 million. Miscellaneous revenue includes property rental income from County buildings, the sale of excess real estate, commissions on public telephones, proceeds from unclaimed estates, investment income, miscellaneous health system revenues and other sources, such as parking fees and the sale of salvage.⁹⁹ Motor Fuel Tax revenue, which is

⁹⁸ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 30.

⁹⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 39.

accounted for separately from other taxes in a special fund for transportation-related capital projects, is projected to be \$159.7 million or 2.6%.



General and Health Fund Resource Trends

The General Fund and Health Enterprise Fund account for the majority of Cook County’s general operations. Together these two funds make up approximately 77% of the County’s total \$6.18 billion budget. The General Fund includes the Corporate Fund, which accounts for general administration and property taxation, and the Public Safety Fund, which accounts for the County’s courts and jail system. The Health Fund accounts for operations within Cook County Health.

The next table shows General and Health Fund resources over the five-year period from FY2016 through FY2020, comparing actual revenues for past years to resources approved in the FY2019 budget and recommended FY2020 resource estimates for the FY2020 budget.

Cook County expects to generate \$4.7 billion in General Fund and Health Fund revenue sources in FY2020. This is a 4.1%, or \$187.9 million, increase compared to \$4.5 billion the prior year. It is important to note that the year-over-year increase between FY2019 and FY2020 includes an internal reimbursement within the Health Fund of \$173.1 million for services provided by the health system to CountyCare members at Cook County Health facilities, which results in double

counting this as revenue. *Therefore, while it appears that Cook County health system fee revenues are increasing by \$124.0 million, health system fee revenues are actually declining by \$49.1 million after accounting for the \$173.1 million reimbursement.*

Property Taxes: In FY2020, the amount of property tax revenue distributed to the General and Health Funds will total \$305.4 million, compared to \$290.4 million the prior year. This \$15.0 million increase from the prior year is due to a decrease in property tax revenue required for pensions and capital projects, which frees up more property tax revenue for operations.¹⁰⁰ Additionally, the County receives TIF surplus from the City of Chicago and suburbs, proportional to its share of the tax bill. The County receives 7% of the City of Chicago's TIF surplus. TIF revenue is projected to increase from \$8.4 million budgeted in FY2019 to \$13.0 million expected in FY2020.

Sales Tax: Revenue from the County sales tax is projected to increase in FY2020 over FY2019 by \$17.6 million to \$849.1 million, or 2.1%, which is about the rate of inflation. Over the past five years, sales tax revenue has increased by \$205.3 million, or 31.9%. The increase is primarily due to an increase in the County's sales tax rate by one percentage point from 0.75% to 1.75% that went into effect on January 1, 2016. In the first year of implementation, the sales tax increase generated an additional \$297.1 million, and it generated an additional \$464.2 million in FY2017. The additional revenue generated from the increase to the sales tax is used to provide supplemental pension funding, increased highway funding and increased legacy debt service payments. In FY2020, \$327.0 million is dedicated as a supplemental pension fund payment, and the rest is distributed between the Public Safety Fund and Corporate Fund.¹⁰¹

Other Non-Property Taxes: Other non-property taxes include use taxes and a variety of consumer taxes on items such as alcohol, cigarettes and tobacco, gas, amusement, parking operations, gambling machines, firearms, casinos and off track betting, and several other consumer transactions. In total, other non-property taxes are projected to generate \$503.0 million in FY2020, which is a 2.7% decrease from the adopted FY2019 budget and a 3.3% decrease over the five-year period from FY2016-FY2020.

While some tax sources will see a modest increase in FY2020, the cigarette tax is expected to decrease significantly. Cigarette and other tobacco tax revenues are projected to decline from \$127.4 million in FY2019 to \$107.4 million in FY2020, which is a decrease of \$20.0 million or 15.7%. In FY2020, cigarette tax revenue will account for \$100.4 million, and other tobacco products including liquid nicotine will account for \$7.0 million. Over the five years from FY2016-FY2020, this source is projected to decrease by 22.0%. The decrease is attributed to a combination of factors including reduced consumption, price sensitivity due to a State tax rate increase and an increase in the legal age to buy tobacco from 18 to 21 in the State of Illinois.¹⁰²

Other tax sources that are expected to decrease in FY2020 include the non-retailer transactions use tax parking lot and garage operations tax. The non-retailer transactions use tax is a tax on the purchase or transfer of a motor vehicle from a non-retailer. This source is projected to decrease

¹⁰⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 27.

¹⁰¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 30.

¹⁰² Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 31.

by 9.5% in FY2020 to \$16.8 million. Over the five years beginning in FY2016 this source is projected to decline by 27.0% or \$6.2 million. Parking lot and garage operations tax revenue is projected to decline in FY2020 by \$2.5 million, or 4.9%, from the prior year. Revenue from the retail sales of motor vehicles is also expected to decline over the five years from FY2016-FY2020 by 14.6% from \$3.4 million to \$2.9 million.

Revenue from the hotel accommodations tax is expected to increase by 2.7% in FY2020 to \$34.4 million from the prior year budget. The County established a new 1.0% hotel accommodations tax in FY2016. It went into effect on May 1, 2016. Over the five years from FY2016-FY2020, hotel accommodations tax revenue is expected to increase by \$14.8 million, or 75.3%. The increase is due to the fact that FY2016 collections were only for the second half of the year, while FY2017 revenue collected reflects a full year of collections.

Due to the gambling expansion law approved by the State legislature in June 2019, several gambling taxes are projected to increase in FY2020. Gambling machine tax revenue is expected to increase by \$3.3 million from \$2.2 million in FY2019 to \$5.5 million in FY2020 due to an increase the number of approved gaming stations in Illinois. A new sports betting tax will go into effect in FY2020, which will allow for in-person and online sports betting at Illinois casinos, race tracks, and sporting venues. The sports betting tax is expected to generate \$1.8 million in revenue in the first year. The County also recently approved video gaming in unincorporated areas of Cook County, which is projected to bring in \$550,000 in FY2020.

Fee Revenue: Fee and license revenues are projected to total \$2.9 billion in FY2020. Fee revenue is largely composed of the health system's fee revenues generated from Medicaid, Medicare, private payers, and the CountyCare managed care network, as well as supplemental payments from Disproportionate Share Hospital (DSH) payments and Benefits Improvement Protection Act (BIPA).¹⁰³ As noted above, the \$2.7 billion in health system fees are artificially inflated due to the double-counting of a \$173.1 million internal reimbursement. The health system is discussed in more detail on page 59 of this report.

The remainder of fees are collected by the various County offices including the Clerk of the Circuit Court, Recorder of Deeds, Treasurer, County Sheriff, State's Attorney, Medical Examiner and County Assessor. Total fee revenue excluding the health system's fee revenue is projected to be \$201.4 million, which is a 3.2% increase from \$195.1 million in FY2019.

The three offices that generate the largest amount of fee revenue are the Clerk of the Circuit Court, the Recorder of Deeds and the Treasurer. The Clerk of the Circuit Court's fee revenue is projected to increase by \$6.1 million, or 8.8%, in FY2020 to \$75.3 million. The increase is due to a change in State law through the Criminal and Traffic Assessment Act that restructured court fees across the State, and resulted in the redistribution of some fees collected by the Sheriff's Office and the Office of the Chief Judge to the Clerk of the Circuit Court.¹⁰⁴

The Treasurer's fee revenue, which mostly consists of delinquent tax penalties, is projected to increase by \$10.0 million, from the adopted FY2019 budget amount of \$30.0 million. The FY2019 adopted budget estimated revenue of \$30 million due to a change in the timing of the

¹⁰³ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 39.

¹⁰⁴ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 36.

delinquent property tax sale resulting in reduced delinquent tax fees to the County and enhanced outreach efforts by the Treasurer's Office to remind taxpayers to pay their bills on time.¹⁰⁵ The FY2019 year-end revenue estimate is \$42.0 million, which is \$2.0 million above the FY2020 estimate.¹⁰⁶

Miscellaneous, Intergovernmental and Other Revenue Sources: Miscellaneous revenue includes commissions on public telephones, real estate rental income, sale of excess real estate, proceeds from the estates of unknown heirs, investment income, other forms of revenue such as energy efficiency rebates, parking fees, and the sale of salvage.¹⁰⁷ Miscellaneous and other revenue is expected to increase by \$11.0 million, or 23.3%, to \$58.0 million in FY2020.

Intergovernmental revenues are reimbursements from the State Administrative Office of the Illinois Courts (AOIC) reimbursements to subsidize probation-related salaries and from the Cook County Forest Preserve District for administrative services rendered on their behalf. The reimbursement to the County from the Forest Preserve District will be \$1.9 million in FY2020 and the AOIC reimbursement will be \$58.6 million. The AOIC reimbursement is increasing by \$23.8 million from the prior year due to an increased State appropriation to reimburse the costs for 100% of eligible positions.¹⁰⁸

Other financing sources previously included revenue generated from the State-collected Motor Fuel Tax, but the County stopped allocating motor fuel tax revenue to the General Fund in FY2017 and instead directs the revenue to the County's Highway and Transportation System. The County plans to use \$10.0 million of the prior year's General Fund balance to pay for one-time expenses like capital equipment and settlement costs.¹⁰⁹

¹⁰⁵ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 34; Cook County FY2019 Budget Briefing, October 9, 2018; and information provided by the Cook County budget office at the Cook County Finance Committee Meeting held on September 12, 2018.

¹⁰⁶ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 35.

¹⁰⁷ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 39.

¹⁰⁸ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3.

¹⁰⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3.

The following table presents General and Health Fund resources for FY2016-FY2020.

Cook County General Fund and Health Fund Resources									
FY2016-FY2020 (in \$ thousands)									
	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Adopted	FY2020 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Property Taxes									
Net Property Tax Levy	\$ 310,087.5	\$ 266,246.5	\$ 256,160.6	\$ 290,383.5	\$ 305,369.4	\$ 14,985.8	5.2%	\$ (4,718.2)	-1.5%
TIF Surplus	\$ 10,607.4	\$ 11,459.5	\$ 11,952.3	\$ 8,445.9	\$ 13,000.0	\$ 4,554.1	53.9%	\$ 2,392.6	22.6%
Subtotal Property Taxes	\$ 320,695.0	\$ 277,706.0	\$ 268,112.9	\$ 298,829.4	\$ 318,369.4	\$ 19,540.0	6.5%	\$ (2,325.6)	-0.7%
Sales Tax									
Sales Tax	\$ 643,831.9	\$ 810,959.2	\$ 842,649.4	\$ 831,500.0	\$ 849,129.3	\$ 17,629.3	2.1%	\$ 205,297.4	31.9%
Subtotal Sales Tax	\$ 643,831.9	\$ 810,959.2	\$ 842,649.4	\$ 831,500.0	\$ 849,129.3	\$ 17,629.3	2.1%	\$ 205,297.4	31.9%
Other Non-Property Taxes									
Use Tax	\$ 82,510.3	\$ 79,761.2	\$ 84,352.6	\$ 80,500.0	\$ 82,100.0	\$ 1,600.0	2.0%	\$ (410.3)	-0.5%
State Sales Tax (Retailer's Occupation)	\$ 2,826.7	\$ 2,829.5	\$ 3,055.2	\$ 2,600.0	\$ 3,101.0	\$ 501.0	19.3%	\$ 274.3	9.7%
Non-Retailer Transactions Use Tax	\$ 22,956.2	\$ 19,011.2	\$ 15,556.3	\$ 18,500.0	\$ 16,750.0	\$ (1,750.0)	-9.5%	\$ (6,206.2)	-27.0%
Cigarette and Other Tobacco	\$ 137,727.0	\$ 130,930.9	\$ 122,356.5	\$ 127,400.0	\$ 107,386.1	\$ (20,013.9)	-15.7%	\$ (30,340.9)	-22.0%
Alcoholic Beverage	\$ 37,298.6	\$ 37,175.4	\$ 37,166.9	\$ 36,800.0	\$ 37,300.0	\$ 500.0	1.4%	\$ 1.4	0.0%
Gas Tax	\$ 97,889.2	\$ 96,610.0	\$ 96,551.2	\$ 93,700.0	\$ 93,750.0	\$ 50.0	0.1%	\$ (4,139.2)	-4.2%
Retail Sale of Motor Vehicles	\$ 3,395.4	\$ 3,095.1	\$ 3,090.8	\$ 3,000.0	\$ 2,900.0	\$ (100.0)	-3.3%	\$ (495.4)	-14.6%
Wheel Tax	\$ 3,614.0	\$ 3,692.0	\$ 5,817.8	\$ 4,500.0	\$ 4,700.0	\$ 200.0	4.4%	\$ 1,086.0	30.0%
Amusement Tax	\$ 37,253.3	\$ 41,282.1	\$ 38,655.6	\$ 38,500.0	\$ 39,750.0	\$ 1,250.0	3.2%	\$ 2,496.7	6.7%
Parking Lot / Garage Operations	\$ 48,764.7	\$ 48,852.9	\$ 50,483.0	\$ 51,000.0	\$ 48,500.0	\$ (2,500.0)	-4.9%	\$ (264.7)	-0.5%
Gambling Machine Tax	\$ 2,193.8	\$ 2,105.3	\$ 2,206.8	\$ 2,200.0	\$ 5,500.0	\$ 3,300.0	150.0%	\$ 3,306.2	150.7%
Firearms and Ammunition Tax	\$ 1,242.7	\$ 1,671.7	\$ 1,465.7	\$ 1,550.0	\$ 1,200.0	\$ (350.0)	-22.6%	\$ (42.7)	-3.4%
Off Track Betting Commissions	\$ 1,644.1	\$ 1,411.4	\$ 1,195.1	\$ 1,100.0	\$ 1,100.0	\$ -	0.0%	\$ (544.1)	-33.1%
Illinois Gaming - Casino	\$ 8,552.4	\$ 8,598.5	\$ 8,842.8	\$ 8,650.0	\$ 9,000.0	\$ 350.0	4.0%	\$ 447.6	5.2%
State Income Tax	\$ 12,678.0	\$ 12,263.8	\$ 12,891.1	\$ 12,900.0	\$ 13,288.0	\$ 388.0	3.0%	\$ 610.0	4.8%
Hotel Accommodations	\$ 19,618.0	\$ 33,045.5	\$ 36,149.7	\$ 33,500.0	\$ 34,400.0	\$ 900.0	2.7%	\$ 14,782.0	75.3%
Sweetened Beverage Tax	\$ -	\$ 46,396.6	\$ -	\$ -	\$ -	\$ -	-	\$ -	-
Video Gaming Tax	\$ -	\$ -	\$ -	\$ 650.0	\$ 550.0	\$ (100.0)	-15.4%	\$ 550.0	-
Sports Betting Tax	\$ -	\$ -	\$ -	\$ -	\$ 1,752.0	\$ 1,752.0	-	\$ 1,752.0	-
Subtotal Other Non-Property Taxes	\$ 520,164.2	\$ 568,733.2	\$ 519,837.2	\$ 517,050.0	\$ 503,027.1	\$ (14,022.9)	-2.7%	\$ (17,137.1)	-3.3%
Fee Revenue									
Cook County Health Fees*	\$ 1,519,117.0	\$ 1,401,529.1	\$ 2,562,986.3	\$ 2,604,749.6	\$ 2,728,791.4	\$ 124,041.8	4.8%	\$ 1,209,674.4	79.6%
Clerk of Circuit Court	\$ 77,990.0	\$ 70,900.9	\$ 73,979.9	\$ 69,200.0	\$ 75,300.0	\$ 6,100.0	8.8%	\$ (2,690.0)	-3.4%
Recorder of Deeds Fees**	\$ 34,043.3	\$ 39,619.9	\$ 38,700.5	\$ 39,704.0	\$ 40,425.0	\$ 721.0	1.8%	\$ 6,381.7	18.7%
Treasurer's Fees	\$ 54,000.0	\$ 56,239.6	\$ 44,111.1	\$ 30,000.0	\$ 40,000.0	\$ 10,000.0	33.3%	\$ (14,000.0)	-25.9%
Other***	\$ 63,033.1	\$ 54,326.5	\$ 55,455.6	\$ 56,152.2	\$ 45,650.9	\$ (10,501.4)	-18.7%	\$ (17,382.3)	-27.6%
Subtotal Fee Revenue	\$ 1,748,183.4	\$ 1,622,616.0	\$ 2,775,233.4	\$ 2,799,805.9	\$ 2,930,167.3	\$ 130,361.4	4.7%	\$ 1,181,983.9	67.6%
Other Sources									
Miscellaneous Revenues****	\$ 16,466.1	\$ 61,646.2	\$ 21,403.0	\$ 47,031.2	\$ 58,004.2	\$ 10,973.0	23.3%	\$ 41,538.1	252.3%
Intergovernmental Revenues*****	\$ 44,114.6	\$ 42,663.4	\$ 54,395.9	\$ 36,680.8	\$ 60,529.7	\$ 23,848.9	65.0%	\$ 16,415.0	37.2%
Motor Fuel Tax	\$ 54,500.0	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ (54,500.0)	-100.0%
Indirect Costs	\$ 8,796.7	\$ 11,927.1	\$ -	\$ 15,470.2	\$ 15,061.5	\$ (408.7)	-2.6%	\$ 6,264.8	71.2%
General Fund FY2019 Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 10.0	\$ 10.0	-	\$ 10.0	-
Subtotal Other Sources	\$ 123,877.4	\$ 116,236.7	\$ 75,799.0	\$ 99,182.2	\$ 133,605.4	\$ 34,423.2	34.7%	\$ 9,727.9	7.9%
Total	\$ 3,356,751.9	\$ 3,396,251.1	\$ 4,481,631.9	\$ 4,546,367.4	\$ 4,734,298.4	\$ 187,931.0	4.1%	\$ 1,377,546.5	41.0%

*Cook County Health Fees include revenues from patient fees and supplemental payments for care provided at County hospitals (including from Medicare, Medicaid, private payers and other carriers and the Cook County Managed Care Community Network, or CountyCare). Supplemental payments include Benefits Improvement and Protection Act (BIPA) and Disproportionate Share Hospital (DSH) payments and incentives from the federal government. Miscellaneous health care revenues are not included in patient fees. Note: Cook County Health fee revenue in FY2020 is inflated by \$173.1 million due to an internal reimbursement.

**Recorder of Deeds Fees include Recorder Audit Revenues.

***Other fee revenue includes resources generated from fees and licenses paid to the various county agencies such as liquor licenses, building and zoning permits and court fees.

****Miscellaneous Revenue includes investment income, estates of unknown heirs, telephone commissions, property rental income and other sources.

*****Intergovernmental revenues include reimbursements from the Administrative Office of the Illinois Courts for probation and Juvenile Temporary Detention Center staff and reimbursements from the Cook County Forest Preserve District.

Sources: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 42-43; FY2019 Annual Appropriation Bill, Volume 1, p. 41; and FY2018 Annual Appropriation Bill, Volume 1, p. 44.

Property Tax Levy for All Funds

Cook County is levying for total net property tax revenue of \$764.4 million in FY2020. This accounts for an estimated 3% loss in collections from the gross levy of \$775.4 million.¹¹⁰ This is a slight increase of \$6.8 million, or 0.9%, compared to the net levy of \$757.6 million in FY2019.

The County has held its base property tax level flat at \$720.5 million since 2001. However, since FY2013, the County has also captured tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. Capturing revenue from expiring TIFs means that the property tax revenue within the expired TIF area goes back to the County instead of to the TIF. It is not a tax increase. In FY2020 the County will capture \$20.2 million in tax revenue from expiring TIF districts, \$32.5 million from new property and \$2.4 million from expiring incentives.¹¹¹

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

The chart below shows the distribution of the net property tax levy among the County's funds over the past five years. The largest portion, 34.0%, of the net levy will be allocated to the Bond & Interest fund to pay debt service in FY2020. The Public Safety Fund will receive 29.1% of property tax revenue and 19.3% will go toward the County's FY2020 pension payment.

The Health Fund will receive \$82.7 million of the net property tax levy, or 10.8% of the levy. The County has decreased its property tax allocation to the health system over the past several years. The Health Fund allocation in FY2016 was \$121.2 million or 16.4% of the net levy. The County increased the FY2020 allocation by \$10.0 million from the prior year to help offset some of the health system's uncompensated care costs.

The Corporate Fund has received the smallest portion of property tax revenue over the five years from FY2016 to FY2020. The Corporate Fund received 1.1% of the net levy in FY2016, 2.4% in FY2017 and none of the property tax levy in FY2018 through FY2020. The decrease in the property tax available for the operating budget is due largely to increased use of the property tax for pension payments and debt service.

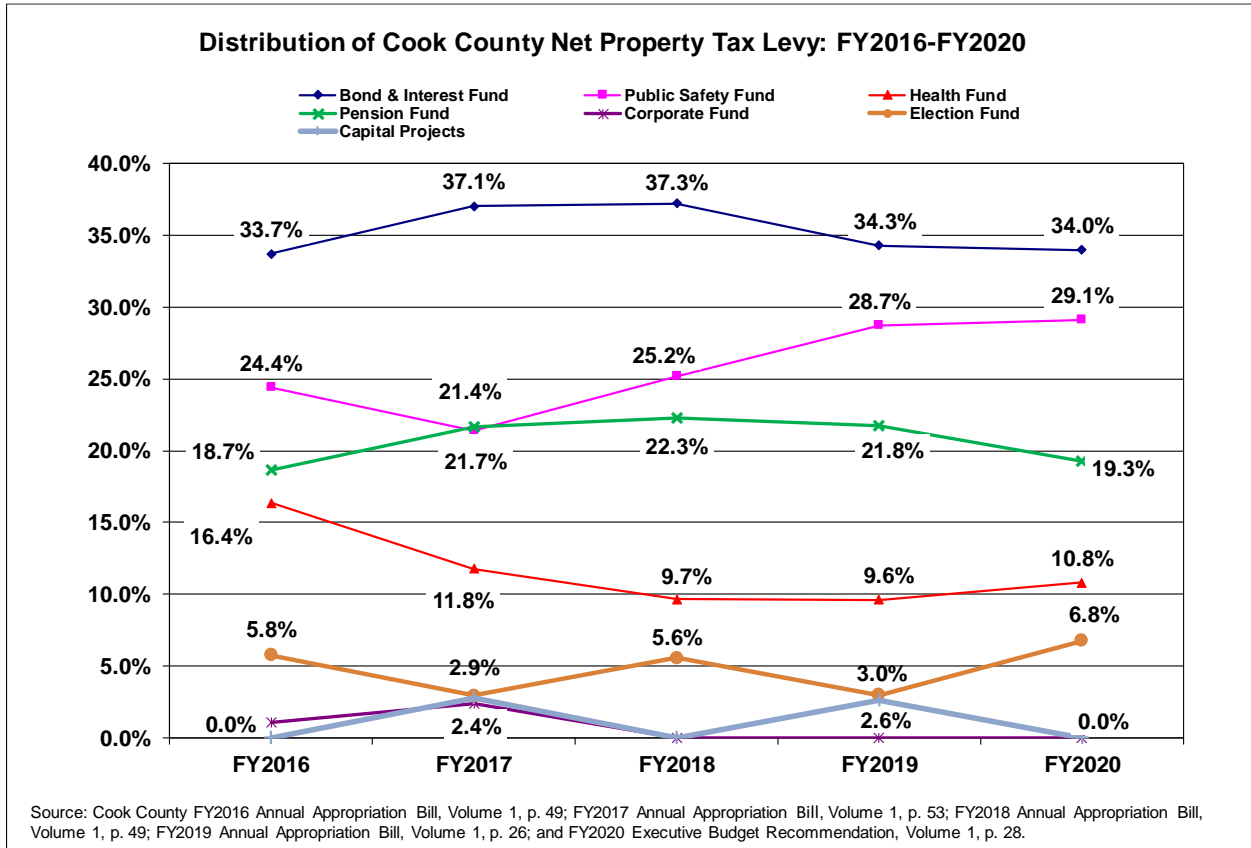
The Election Fund will receive 6.8% of the property tax levy in FY2020, an increase from 3.0% in FY2019. The allocation of the levy to this fund fluctuates with election years.

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

¹¹⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 28.

¹¹¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 28.

property tax levy revenue in FY2019. The Capital Fund will not receive any property tax revenue in FY2020.



PERSONNEL TRENDS

The following section presents trends for budgeted personnel by fund and by control officer as well as trends in personal service appropriations for all funds between FY2016 and FY2020.¹¹²

Cook County proposes a net decrease of 403.0 full-time equivalent (FTE) positions¹¹³ from the adopted FY2019 budget in the General Fund, Special Purpose Funds and Health Fund for a total of 21,612.4 FTEs in FY2020.¹¹⁴ The net decline of 403.0 FTEs across all funds is due to a reduction in vacancies, not layoffs. Grant funds are excluded from this personnel analysis. When grant funds are included, the total County workforce is 22,037.1 FTEs, a net decrease of 400.5 FTEs, or 1.8%, from the approved FY2019 budget.¹¹⁵

Full-Time Equivalent Positions by Fund

The County's FY2020 budget proposes to increase FTE positions in the General Fund. The General Fund, which includes the Corporate Fund and Public Safety Fund will see a net increase of 264.8 FTEs. The Corporate Fund will increase by 68.4 FTEs, or 5.2%, and the Public Safety Fund will increase by 196.4 FTEs or 1.6%. The Health Fund will decrease by 638.3 FTEs, or 8.8% from FY2019 adopted figures. The decrease in the Health Fund is due to the elimination of 750 vacant full- and part-time positions.¹¹⁶ The Election Fund and Other Special Purpose Funds will decrease by 3.5 FTEs and 26.0 FTEs, or 2.8% and 3.1%, respectively, from the FY2019 adopted budget.

Over the five-year period beginning in FY2016, total FTEs, excluding grant funds, will decrease by 1,345.5 FTEs or 5.9%. All funds will see a reduction in FTEs over the five-year period, with the exception of Other Special Purpose Funds, which will increase by 29.4 FTEs or 3.8%. The General Fund, which includes the Corporate and Public Safety Fund, will see a decrease of 1,233.2 FTEs. The Public Safety Fund workforce will see the largest decrease in FTEs, declining by 1,154.6 FTEs, or 8.3%, over the five-year period.

Cook County Budgeted FTEs by Fund: FY2016-FY2020									
Fund	FY2016 Adopted	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,468.6	1,381.1	1,294.5	1,321.6	1,390.0	68.4	5.2%	(78.6)	-5.4%
Public Safety Fund	13,843.5	13,589.5	12,467.1	12,492.5	12,688.9	196.4	1.6%	(1,154.6)	-8.3%
Subtotal General Fund	15,312.1	14,970.6	13,761.6	13,814.1	14,078.9	264.8	1.9%	(1,233.2)	-8.1%
Health Fund	6,735.7	6,864.9	6,894.7	7,239.3	6,601.0	(638.3)	-8.8%	(134.7)	-2.0%
Election Fund	128.0	129.0	124.5	124.5	121.0	(3.5)	-2.8%	(7.0)	-5.5%
Other Special Purpose Funds	782.1	860.4	828.1	837.5	811.5	(26.0)	-3.1%	29.4	3.8%
Total	22,957.9	22,824.9	21,608.9	22,015.4	21,612.4	(403.0)	-1.8%	(1,345.5)	-5.9%

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

Source: Cook County FY2020 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 112-116.

¹¹² Although personnel data for Cook County Health is included, additional details on health system personnel is discussed on page 77 of this report.

¹¹³ Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.

¹¹⁴ This number does not include grant-funded positions.

¹¹⁵ Cook County FY2020 Executive Budget Recommendation, Volume I, p. 110.

¹¹⁶ Cook County FY2020 Executive Budget Recommendation, Volume I, p. 66.

Full-Time Equivalent Positions for All Funds by Control Officer

The following section analyzes the number of FTEs by control officer for all funds. As previously noted, between FY2019 and FY2020 the number of FTEs will decrease by nearly 403 FTEs for a total of 21,612.5 FTEs in FY2020. The most significant decrease in FTEs over the two-year period will occur in Cook County Health, which will decrease by 670.3 FTEs or 9.2%. The reduction in FTEs in the health system is due to the elimination of 750 total positions.¹¹⁷ For more information on the health system see page 59 of this analysis. FTEs by Control Officer will otherwise stay nearly flat or see slight increases, with the exception of the Recorder of Deeds, which will decrease by 14 FTEs or 10.4%.

Over the past five years, the largest decreases in the number of FTEs will occur in the Office of the Sheriff, Chief Judge, Clerk of the Circuit Court and Cook County Health.¹¹⁸ The Recorder of Deeds Office has decreased by the largest percentage, with a decline of 50.0 FTEs or 29.2%. The Cook County Land Bank will see the largest percentage increase in FTEs over the five-year period, increasing by 36.4% or 4.0 FTEs.

Cook County FTEs by Control Officer for All Funds: FY2016-FY2020									
Control Officer	FY2016 Adopted	FY2017 Proposed	FY2018 Adopted	FY2019 Proposed	FY2020 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,328.1	2,326.9	2,324.6	2,359.0	2,396.8	37.8	1.6%	68.7	3.0%
Board of Commissioners	87.5	88.1	89.4	91.0	91.3	0.3	0.3%	3.8	4.3%
County Clerk	275.0	275.0	263.1	262.1	265.0	2.9	1.1%	(10.0)	-3.6%
Recorder of Deeds	171.0	141.0	136.0	135.0	121.0	(14.0)	-10.4%	(50.0)	-29.2%
Treasurer	89.0	88.5	88.5	86.5	86.5	0.0	0.0%	(2.5)	-2.8%
Sheriff	6,722.2	6,624.3	5,983.2	5,884.0	5,906.0	22.0	0.4%	(816.2)	-12.1%
State's Attorney	1,190.1	1,168.4	1,143.1	1,171.8	1,197.6	25.8	2.2%	7.5	0.6%
Chief Judge	3,151.1	3,071.1	2,722.4	2,875.1	2,987.7	112.6	3.9%	(163.4)	-5.2%
Clerk of the Circuit Court	1,648.2	1,609.7	1,476.9	1,420.6	1,465.6	45.0	3.2%	(182.6)	-11.1%
Assessor	342.0	331.0	278.0	265.0	282.0	17.0	6.4%	(60.0)	-17.5%
Other*	166.0	169.0	147.0	162.0	180.0	18.0	11.1%	14.0	8.4%
Cook County Health	6,776.7	6,917.9	6,942.7	7,288.3	6,618.0	(670.3)	-9.2%	(158.7)	-2.3%
Cook County Land Bank	11.0	14.0	14.0	15.0	15.0	0.0	0.0%	4.0	36.4%
Total	22,957.9	22,824.9	21,608.9	22,015.4	21,612.5	(402.9)	-1.8%	(1,345.4)	-5.9%

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

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

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 117-118.

Salaries by Control Officer

The following chart compares adopted salary appropriations from FY2016 to FY2019 with the FY2020 proposed appropriations. In FY2020 the County will appropriate \$1.6 billion for salary expenditures, a decrease of 2.9%, or \$46.2 million, from FY2019 adopted figures. Cook County Health will see the largest decrease in salary appropriations at \$61.9 million or 10.6%. The decrease in salary expenditures under the health system is due to the elimination of 750 vacant positions.¹¹⁹

Salary appropriations under many control officers will increase over the five-year period, with the exception of the Recorder of Deeds, Sheriff, Chief Judge, Clerk of the Circuit Court and Assessor's offices. The largest five-year dollar increase, aside from the health system, is for the

¹¹⁷ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 4.

¹¹⁸ This does not include grant-funded positions.

¹¹⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 66.

Offices Under the President, whose salary appropriations will increase by \$21.8 million or 12.1%. The largest percentage increase over the five-year period will occur within the Cook County Land Bank, which will increase 51.1% over the five-year period.

Cook County Salaries by Control Officer for All Funds: FY2016-FY2020 (in \$ thousands)									
Control Officer	FY2016 Adopted	FY2017 Proposed	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	\$ 180,302.3	\$ 187,980.7	\$ 189,504.5	\$ 195,501.8	\$ 202,144.9	\$ 6,643.1	3.4%	\$ 21,842.6	12.1%
Board of Commissioners	\$ 6,708.6	\$ 6,449.7	\$ 6,810.2	\$ 6,703.0	\$ 6,813.9	\$ 110.9	1.7%	\$ 105.3	1.6%
County Clerk	\$ 16,826.4	\$ 17,581.8	\$ 17,222.6	\$ 17,542.3	\$ 18,167.5	\$ 625.2	3.6%	\$ 1,341.1	8.0%
Recorder of Deeds	\$ 9,494.6	\$ 8,477.6	\$ 8,327.3	\$ 8,165.0	\$ 7,681.5	\$ (483.5)	-5.9%	\$ (1,813.0)	-19.1%
Treasurer	\$ 6,948.4	\$ 7,161.5	\$ 7,416.8	\$ 7,571.2	\$ 7,402.3	\$ (168.9)	-2.2%	\$ 453.8	6.5%
Sheriff	\$ 439,504.6	\$ 443,992.2	\$ 404,721.6	\$ 416,733.6	\$ 416,066.1	\$ (667.5)	-0.2%	\$ (23,438.5)	-5.3%
State's Attorney	\$ 96,895.7	\$ 98,409.4	\$ 97,406.3	\$ 100,058.2	\$ 102,564.4	\$ 2,506.2	2.5%	\$ 5,668.6	5.9%
Chief Judge	\$ 174,527.8	\$ 180,264.6	\$ 159,166.8	\$ 171,444.1	\$ 171,907.6	\$ 463.5	0.3%	\$ (2,620.2)	-1.5%
Clerk of the Circuit Court	\$ 86,165.9	\$ 86,854.2	\$ 81,116.7	\$ 78,500.4	\$ 82,125.1	\$ 3,624.8	4.6%	\$ (4,040.7)	-4.7%
Assessor	\$ 21,321.4	\$ 21,308.5	\$ 19,515.6	\$ 18,630.9	\$ 20,614.1	\$ 1,983.3	10.6%	\$ (707.3)	-3.3%
Other Elected Officials*	\$ 11,528.0	\$ 11,948.7	\$ 10,797.6	\$ 12,481.3	\$ 13,561.8	\$ 1,080.5	8.7%	\$ 2,033.7	17.6%
Cook County Health	\$ 499,909.2	\$ 532,825.1	\$ 542,472.2	\$ 583,888.4	\$ 521,985.7	\$ (61,902.7)	-10.6%	\$ 22,076.5	4.4%
Cook County Land Bank	\$ 828.5	\$ 1,106.5	\$ 1,118.6	\$ 1,224.3	\$ 1,251.8	\$ 27.5	2.2%	\$ 423.3	51.1%
Total	\$1,550,961.5	\$1,604,360.5	\$1,545,596.7	\$1,618,444.5	\$1,572,286.8	\$ (46,157.7)	-2.9%	\$ 21,325.3	1.4%

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

Note 2: Does not include grant funds.

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

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, Proposed Expenditures, pp. 119-122.

Personal Services Appropriations

The following chart compares the FY2016-FY2019 adopted budgets and FY2020 proposed budget for personal services appropriations to the total County operating budget, excluding grant funds. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employees' Medicare contributions and pensions. Also included are employee expenses such as professional development and travel expenses.¹²⁰

Personal services appropriations are projected to increase by \$17.3 million, or 0.6% above the approved FY2019 budget to approximately \$2.9 billion in FY2020. Personal services appropriations will constitute 52.9% of the total operating budget in FY2020, down 3.2 percentage points from 56.1% in FY2019. The increase in personal services in FY2020 is due to wage increases tied to labor agreements in addition to increase in health benefit related expenses.¹²¹

Over the five-year period the ratio increased from 49.7% in FY2016 to approximately 56% in

¹²⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 275-276.

¹²¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 4 and 8.

FY2018 and FY2019, then decreased to 52.9% in FY2020.

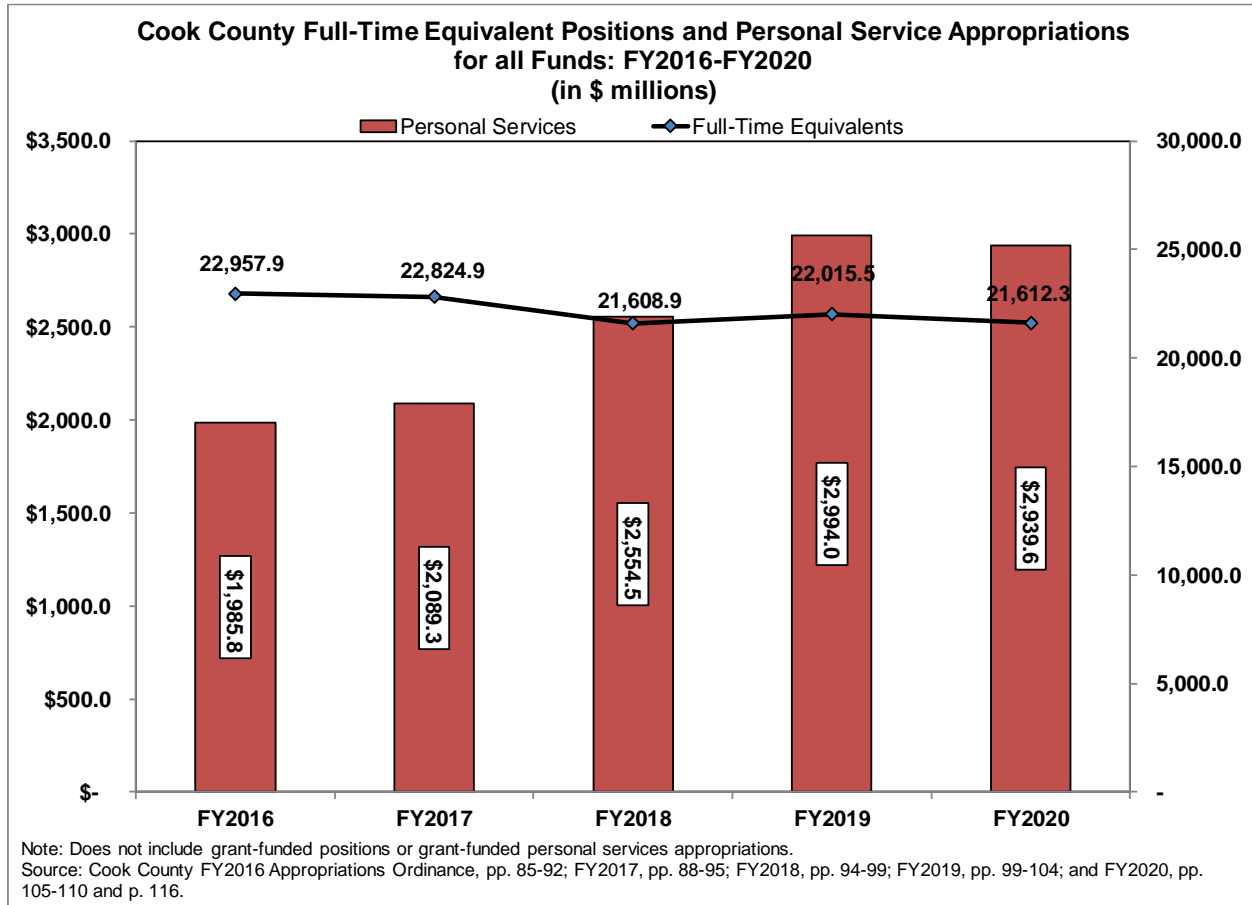
Ratio of Personal Services Appropriations to Total General, Special Purpose and Health Funds Appropriations: FY2016-FY2020			
	Personal Services Appropriation	Total Operating Funds Expenditures	Personal Services as % of Total Operating Funds
FY2016 Adopted	\$ 1,985,844,828	\$ 3,992,361,026	49.7%
FY2017 Adopted	\$ 2,089,321,180	\$ 4,143,932,691	50.4%
FY2018 Adopted	\$ 2,554,547,599	\$ 4,533,846,849	56.3%
FY2019 Adopted	\$ 2,922,302,514	\$ 5,207,499,358	56.1%
FY2020 Proposed	\$ 2,939,582,333	\$ 5,561,762,472	52.9%

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

Sources: Cook County FY2016 Annual Appropriations Ordinance, p. 92; FY2017, p. 95; FY2018, p. 99; FY2019, p. 104; and FY2020 Executive Budget Recommendation, Volume 1, p. 110.

The next exhibit shows total full-time equivalent positions and personal services appropriations for the five years between FY2016 and FY2020 for all funds, excluding grants. The proposed number of FTEs will decrease from 22,957.9 FTEs in FY2016 to 21,612.3 FTEs in the proposed FY2020 budget, a decrease of 5.9%, or 1,345.6 FTEs. At the same time, personal services appropriations will have increased by 48.0%, or \$953.7 million from nearly \$2.0 billion in FY2016 to \$2.9 billion in FY2020. Between FY2016 and FY2020 personal services appropriations have continued to steadily increase while FTE count has decreased. The County incurred additional increases in its labor costs due to negotiated cost of living increases in the

2017-2020 collective bargaining agreements and wage increases, medical inflation rates and other external factors.¹²²



PUBLIC SAFETY

This section examines the recommended FY2020 budget of the Cook County Public Safety Fund. Public safety accounts for a large portion of Cook County’s activities, comprising 70% of the General Fund and approximately 22% of the County’s total budget. The Public Safety Fund covers activities of the County’s criminal justice system including the County Jail, the Juvenile Temporary Detention Center and the court system. More broadly, public safety also covers non-criminal administrative services such as the Medical Examiner, Homeland Security and Emergency Management and adoption services.

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

- Sheriff;
- State’s Attorney;
- Public Defender;

¹²² Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 4.

- Chief Judge; and
- Clerk of the Circuit Court.

The Sheriff's Office operates the County Jail, which is the country's largest pretrial detention facility located at a single site.¹²³ The Sheriff also provides security for all court facilities, which involves monitoring the safety of court officials and jurors; handling prisoners; and screening people entering courthouses. The Sheriff's Police Department provides police service to the unincorporated areas of Cook County and certain other jurisdictions.

The Cook County Circuit Court is the largest of the 24 judicial circuits in Illinois and the second largest unified court system in the world.¹²⁴ The Office of the Chief Judge oversees all administrative functions of the courts. The Court has approximately 400 judges and over one million new cases are filed per year.¹²⁵ The Chief Judge also oversees the Juvenile Temporary Detention Center, which is the largest youth detention center in the United States, and the Pretrial Services program, which interviews defendants to help judges make bail decisions and monitors released defendants who are awaiting trial.

The Clerk of the Circuit Court is responsible for maintaining all court files and recording court proceedings and determinations. The Clerk also collects fines and fees for the Circuit Court.

The State's Attorney's Office prosecutes all misdemeanor and felony crimes committed in the County. It is the second largest prosecutor's office in the U.S., with more than 700 attorneys.¹²⁶ In addition to direct criminal prosecution, assistant state's attorneys file legal actions to enforce child support orders, protect consumers and the elderly and assist victims of sexual assault and domestic violence. The State's Attorney also serves as legal counsel for the government of Cook County.

The Office of the Cook County Public Defender provides legal services for clients who are not financially able to pay for private legal representation in pending criminal, child protection and delinquency matters. The Public Defender is one of the largest criminal defense firms in Cook County, with over 500 attorneys staffing courtrooms throughout the County.¹²⁷

Public Safety Program Area Appropriations

The majority of public safety activities are accounted for within the Public Safety Fund, which is part of the County's General Fund. However, public safety activities and expenditures are also

¹²³ Cook County Sheriff website, <https://www.cookcountysheriff.org/cook-county-department-of-corrections/> (last accessed on October 22, 2019). Single-site facilities are distinguished from jail systems such as those in New York and Los Angeles that have multiple sites across their jurisdictions.

¹²⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 56.

¹²⁵ Circuit Court of Cook County website, Organization of the Circuit Court, <http://www.cookcountycourt.org/ABOUTTHECOURT/OrganizationoftheCircuitCourt.aspx> (last accessed on October 22, 2019).

¹²⁶ Cook County State's Attorney website, <https://www.cookcountystatesattorney.org/about> (last accessed on October 22, 2019).

¹²⁷ Law Office of the Cook County Public Defender website, <https://www.cookcountypublicdefender.org/about> (last accessed on October 22, 2019).

accounted for within special funds, restricted grant funds, fixed charges and capital funding. This section looks at Cook County's public safety activities by program area across all of these funds.

The table below shows the total proposed FY2020 public safety appropriations within the public safety program area by fund. The table includes all operating funds but excludes the capital fund. Total public safety program area appropriations of \$1.4 billion are proposed for FY2020, compared to \$1.37 billion in FY2019.

The General Fund includes operations of the offices of the Public Defender, Sheriff, State's Attorney, Chief Judge, Clerk of the Circuit Court, the Public Administrator and the Chief Administrative Officer. Public safety activities within the General Fund are projected to be \$1.18 billion, comprising 83.1% of total public safety program area appropriations in FY2020.

The Sheriff's expenditures make up the largest portion of public safety spending at 42.2%, or \$598.3 million, followed by the Chief Judge at 18.8% or \$265.7 million. The Public Administrator and Chief Administrative Officer make up very small portions of public safety spending. The Public Administrator's Office investigates and administers the estates of individuals who die in Cook County without a will or known heirs and the Chief Administrative Officer runs the homeland security and emergency management system.¹²⁸

Public safety activities are also accounted for through special purpose funds, grant funds, capital improvement funds and fixed costs. Special purpose funds account for proceeds from specific revenue sources and are available for expenditure only for restricted purposes. The offices of the Clerk of the Circuit Court, the Chief Judge, the Sheriff, State's Attorney and Public Defender utilize special purpose funds that charge fees for services such as records automation, court fees, Sheriff's 911 services, narcotics forfeiture and the children's waiting rooms at the courts. Special purpose funds within the public safety program area total \$32.6 million in FY2020, which is 2.3% of all public safety spending.

Restricted funds, or grants, are projected to total \$118.3 million in FY2020, or 8.4% of public safety spending. The County receives grant funding from federal, State and private sources. Grant funding fluctuates from year to year. In FY2020, 48% of anticipated grants will support public safety programs.¹²⁹

¹²⁸ Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 264, 268.

¹²⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 50.

The public safety program area will account for \$88.2 million in fixed charges. Fixed charges are fixed overhead expenses that occur on a regular basis and include technology costs, utility costs and debt service costs.¹³⁰

Cook County FY2020 Appropriations within the Public Safety Program Area by Fund and Control Officer		
Control Officer / Fund	FY2020 Proposed	Percentage of Total
General Fund		
Public Defender	\$ 78,864,735	5.6%
Sheriff	\$ 598,310,784	42.2%
State's Attorney	\$ 130,712,627	9.2%
Chief Judge	\$ 265,715,348	18.8%
Clerk of the Circuit Court	\$ 100,684,237	7.1%
Public Administrator	\$ 1,385,101	0.1%
Chief Administrative Officer	\$ 1,374,985	0.1%
General Fund	\$ 1,177,047,817	83.1%
Special Purpose Funds	\$ 32,640,335	2.3%
Restricted (Grant) Funds	\$ 118,253,654	8.4%
Fixed Charges	\$ 88,204,071	6.2%
Total Public Safety	\$ 1,416,145,877	100.0%

Note: Excludes capital fund appropriations for public safety projects.

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 98-104.

In addition to the operating appropriations by program area for public safety shown in the table above, the County proposes \$118.1 million in capital improvement spending within the public safety portfolio in FY2020.¹³¹ Public safety capital improvements will constitute 33.0% of the County's total FY2020 proposed capital investments of \$491.5 million.¹³² Projects include handicap accessibility improvements, jail division demolitions, security enhancements at courthouses and renovations at the Juvenile Temporary Detention Center.¹³³ The County plans to replace the majority (88%) of the Department of Corrections jail facilities with a new Adult Detention Center that is expected to save \$3 billion over a 40-year span.¹³⁴

Public Safety Fund Appropriations

The following table presents appropriations within the Public Safety Fund by department between FY2016 and FY2020. Unlike the public safety program area appropriations discussed above, the appropriations discussed in this section fall within the Public Safety Fund only. The Public Safety Fund accounts for some departments that are not classified as public safety program areas such as the Justice Advisory Council, the Medical Examiner and the Emergency Management Agency.

Public Safety Fund appropriations are projected to be \$1.34 billion in FY2020, compared to \$1.29 billion in FY2019. This represents an increase of \$43.7 million or 3.4%. Over the five-year

¹³⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 63.

¹³¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 147.

¹³² Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 124.

¹³³ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 136.

¹³⁴ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 148.

period from FY2016 to FY2020, Public Safety Fund appropriations increased by \$34.0 million or 2.6%, although it is important to note that the County began shifting fixed costs into departmental budgets in FY2017, so the year-to-year departmental changes are not directly comparable. Fixed charges are administrative overhead expenses that occur on a regular basis such as utilities, technology costs and debt service costs.¹³⁵ Fixed charges costs decreased from \$258.7 million in FY2016 to approximately \$60.0 million in FY2017 as the County shifted employee benefit costs, licensing and technology related expenses into department budgets.

Departments that fall within the Public Safety Fund cover a wide array of services. The Justice Advisory Council, Medical Examiner, Emergency Management Agency, Department of Adoption and Family Supportive Services and Department of Facilities Management all are Offices Under the President. The Justice Advisory Council provides grants to community organizations for recidivism reduction, violence prevention and restorative justice. The proposed appropriation for Justice Advisory Council operations in FY2020 is \$836,512, a 17.2% increase over the adopted FY2019 appropriation of \$713,571, and a 47.2% increase from FY2016 expenditures.

The Public Defender's appropriation proposed for FY2020 is \$78.9 million, a 2.0% increase from \$77.3 million the prior year, which will account for an additional five positions.

The Sheriff's budget is proposed to increase by \$12.9 million, or 2.2%, from \$585.4 million budgeted in FY2019 to \$598.3 million in FY2020. Some departments within the Sheriff's Office will see a decrease while others will see an increase. The Sheriff is proposing increases for Administration and Human Resources, Information Technology, Court Services and the Sheriff's Police Department. The Office of Professional Review, Professional Integrity and Special Investigations appropriation is proposed to decrease by 12.3% from \$3.7 million in FY2019 to \$3.2 million in FY2020, and the Sheriff's Merit Board appropriation is proposed to decrease by 33.0% from \$2.1 million in FY2019 to \$1.4 million in FY2020. The Department of Corrections will decrease by \$23.9 million, or 6.6%, to \$337.8 million, which is tied to the creation of a new Community Corrections department to more transparently account for the Sheriff's electronic monitoring and other community supervision programs that previously were administered through the Department of Corrections. The Community Corrections Department has proposed expenditures of \$22.7 million.

Over the five years from FY2016 through FY2020, the Sheriff's total budget will have increased by 16.7% or \$85.4 million. The Department of Corrections will see very little change from \$337.1 million in FY2016. The Department of Corrections expenditures increased significantly in FY2017, and since then have decreased to \$337.8 million in FY2020. However, this decrease is offset by the shift of approximately \$23 million in appropriations from the Department of Corrections to a new Community Corrections Department.

The Sheriff's Police Department spending has also increased since FY2016, from \$55.4 million to \$68.8 million proposed in FY2020. This represents an increase of \$13.4 million or 24.3%, despite the fact that personnel has decreased over that same period by 4.5% or 29.5 full-time equivalent positions.

¹³⁵ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 63.

The State's Attorney's proposed appropriation for FY2020 is \$130.7 million, an increase of 3.0%, or \$3.8 million, from the prior year. The State's Attorney's FY2020 budget reflects expansion of the Conviction Integrity Unit and the Gun Crimes Strategies Unit to focus resources on areas responsible for the most crime, as well as a new Expungement Unit to handle expungements of low-level marijuana possession crimes based on a new State law.¹³⁶

The Chief Judge's total budget is expected to increase by \$9.4 million, or 3.7%, to \$265.7 million in FY2020 from \$256.3 million in FY2019. The Adult Probation Department appropriation will increase by 8.5%, or \$4.3 million, to \$54.5 million in order to increase pretrial services personnel to handle higher caseloads within the Pretrial Division. The Chief Judge's bail reform order in 2017 resulted in a 40% increase in pretrial cases. More than 6,000 defendants are now ordered to pretrial supervision.¹³⁷

Recommended appropriations for the Clerk of the Circuit Court are \$100.7 million, which is a \$3.9 million increase from the FY2019 budget and a \$19.6 million, or 24%, increase from FY2016 expenditures.

¹³⁶ Cook County FY2020 Executive Budget Recommendation, Volume 2, pp. P-7 to P-8.

¹³⁷ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-14.

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

Cook County Appropriations in the Public Safety Fund by Department: FY2016-FY2020									
Department/Control Officer	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Adopted	FY2020 Proposed	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Justice Advisory Council	\$ 568,219	\$ 622,744	\$ 583,851	\$ 713,571	\$ 836,512	\$ 122,941	17.2%	\$ 268,293	47.2%
Medical Examiner	\$ 10,716,330	\$ 13,201,565	\$ 12,725,309	\$ 14,566,989	\$ 14,509,387	\$ (57,602)	-0.4%	\$ 3,793,057	35.4%
Emergency Management Agency	\$ 3,061,644	\$ 3,422,512	\$ 1,356,428	\$ 1,388,815	\$ 1,374,985	\$ (13,830)	-1.0%	\$ (1,686,659)	-55.1%
Department of Adoption & Family Supportive Services	\$ 659,552	\$ 905,907	\$ 882,085	\$ 980,828	\$ 629,427	\$ (351,401)	-35.8%	\$ (30,125)	-4.6%
Department of Facilities Management	\$ 44,061,727	\$ 52,367,144	\$ 51,641,734	\$ 55,212,531	\$ 56,318,004	\$ 1,105,473	2.0%	\$ 12,256,277	27.8%
Public Defender	\$ 65,189,505	\$ 73,762,796	\$ 73,015,633	\$ 77,330,895	\$ 78,864,735	\$ 1,533,840	2.0%	\$ 13,675,230	21.0%
Sheriff:									
Office of the Sheriff	\$ 2,284,845	\$ 2,444,499	\$ 2,301,753	\$ 1,725,342	\$ 1,687,824	\$ (37,518)	-2.2%	\$ (597,021)	-26.1%
Sheriff's Administration & Human Resources	\$ 8,931,563	\$ 26,599,136	\$ 28,754,636	\$ 33,091,740	\$ 40,301,291	\$ 7,209,551	21.8%	\$ 31,369,728	351.2%
Office of Professional Review, Professional Integrity & Special Investigations	\$ 5,822,562	\$ 7,925,202	\$ 6,588,976	\$ 3,676,395	\$ 3,223,888	\$ (452,507)	-12.3%	\$ (2,598,674)	-44.6%
Sheriff's Information Technology	\$ 16,925,182	\$ 11,432,801	\$ 12,573,398	\$ 16,644,659	\$ 20,426,740	\$ 3,782,081	22.7%	\$ 3,501,558	20.7%
Department of Corrections	\$ 337,128,570	\$ 394,258,983	\$ 353,401,625	\$ 361,718,165	\$ 337,835,605	\$ (23,882,560)	-6.6%	\$ 707,035	0.2%
Sheriff's Merit Board	\$ 1,678,506	\$ 1,853,276	\$ 1,426,896	\$ 2,067,674	\$ 1,384,902	\$ (682,772)	-33.0%	\$ (293,604)	-17.5%
Court Services Division	\$ 84,738,347	\$ 100,812,349	\$ 97,541,472	\$ 98,589,324	\$ 101,901,601	\$ 3,312,277	3.4%	\$ 17,163,254	20.3%
Police Department	\$ 55,380,352	\$ 65,615,864	\$ 62,355,679	\$ 67,889,431	\$ 68,812,990	\$ 923,559	1.4%	\$ 13,432,638	24.3%
Community Corrections Department	\$ -	\$ -	\$ -	\$ -	\$ 22,735,944	\$ 22,735,944	-	\$ 22,735,944	-
Total Sheriff	\$ 512,889,927	\$ 610,942,110	\$ 564,944,435	\$ 585,402,730	\$ 598,310,785	\$ 12,908,055	2.2%	\$ 85,420,858	16.7%
State's Attorney	\$ 105,618,756	\$ 122,773,006	\$ 121,271,275	\$ 126,918,774	\$ 130,712,627	\$ 3,793,853	3.0%	\$ 25,093,871	23.8%
Chief Judge:									
Office of the Chief Judge	\$ 38,770,727	\$ 42,026,996	\$ 40,083,102	\$ 44,132,858	\$ 47,036,751	\$ 2,903,893	6.6%	\$ 8,266,024	21.3%
Adult Probation Department	\$ 42,102,489	\$ 49,378,299	\$ 50,170,031	\$ 50,254,820	\$ 54,517,600	\$ 4,262,780	8.5%	\$ 12,415,111	29.5%
Public Guardian	\$ 17,794,541	\$ 21,350,119	\$ 20,318,564	\$ 21,494,815	\$ 21,733,779	\$ 238,964	1.1%	\$ 3,939,238	22.1%
Forensic Clinical Services	\$ 2,391,224	\$ 2,835,393	\$ 2,608,135	\$ 2,763,579	\$ 2,910,410	\$ 146,831	5.3%	\$ 519,186	21.7%
Social Service	\$ 9,465,538	\$ 12,757,925	\$ 13,338,901	\$ 14,229,002	\$ 15,118,081	\$ 889,079	6.2%	\$ 5,652,543	59.7%
Juvenile Probation	\$ 37,484,392	\$ 44,721,379	\$ 41,457,793	\$ 44,387,681	\$ 46,423,157	\$ 2,035,476	4.6%	\$ 8,938,765	23.8%
Judiciary	\$ 12,923,135	\$ 14,250,213	\$ 13,735,150	\$ 14,115,802	\$ 14,796,562	\$ 680,760	4.8%	\$ 1,873,427	14.5%
Juvenile Temporary Detention Center	\$ 58,929,108	\$ 68,450,700	\$ 64,411,426	\$ 64,934,147	\$ 63,179,006	\$ (1,755,141)	-2.7%	\$ 4,249,898	7.2%
Total Chief Judge	\$ 219,861,154	\$ 255,771,024	\$ 246,123,102	\$ 256,312,704	\$ 265,715,346	\$ 9,402,642	3.7%	\$ 45,854,192	20.9%
Clerk of the Circuit Court	\$ 81,047,128	\$ 100,785,018	\$ 94,657,918	\$ 96,747,653	\$ 100,684,237	\$ 3,936,584	4.1%	\$ 19,637,109	24.2%
Public Administrator	\$ 1,114,881	\$ 1,329,541	\$ 1,251,847	\$ 1,318,240	\$ 1,385,101	\$ 66,861	5.1%	\$ 270,220	24.2%
Fixed Charges	\$ 258,721,016	\$ 59,981,265	\$ 77,510,168	\$ 76,913,743	\$ 88,204,071	\$ 11,290,328	14.7%	\$ (170,516,945)	-65.9%
Total Public Safety Fund	\$ 1,303,509,839	\$ 1,295,864,632	\$ 1,245,963,785	\$ 1,293,807,473	\$ 1,337,545,217	\$ 43,737,744	3.4%	\$ 34,035,378	2.6%

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 79-80.

Public Safety Personnel

Cook County is anticipating a total of 12,689.0 full-time equivalent (FTE) positions in FY2020 within the Public Safety Fund, and another 213.0 FTEs within the Special Purpose Funds related to public safety activities.¹³⁸ This is a total of 12,902.0 FTE public safety positions in FY2020. Public safety accounts for approximately 60% of the County's total 21,612.4 positions proposed for FY2020.

The 12,902.0 FTE positions shown in the next table represent an increase from the prior year of 196.3 FTE positions within the Public Safety Fund and 5.1 FTE positions with the special purpose funds, which is a total increase of 201.4 FTEs or 1.6%. Over the five-year period from FY2016 to FY2020, the total number of public safety positions has decreased by 8.6% or 1,216.5 FTEs.

The Cook County Sheriff is requesting 5,866.0 FTEs in the Public Safety Fund in FY2020, which is the same number of positions as the prior year. In the Sheriff's Special Purpose Funds, however, the Sheriff requests an additional 22.0 FTE positions.

Over the five-year period between FY2016 and FY2020, the number of budgeted positions within the Sheriff's Office has decreased by 838.2 FTEs. The majority of those positions eliminated has been within the Department of Corrections, which runs the Cook County Jail. Between FY2016 and FY2019, the number of positions budgeted in the Department of Corrections decreased by 833.0 FTEs. As a result of the jail population decrease from approximately 10,000 in 2012 to approximately 6,000 in 2019, the County has demolished two jail divisions (Divisions 3 and 17)¹³⁹ and is in the process of demolishing two more (Divisions 1 and 1A). At a mid-year FY2019 budget hearing, the Sheriff said he has reduced the number of Department of Corrections officers by 250 in connection with the jail population decrease, which he said is the extent to which corrections officer positions can be cut unless the jail sees another significant decline in detainees.¹⁴⁰ Additionally, 191.0 positions are being moved from the Department of Corrections to a new Community Corrections Department to oversee the Sheriff's electronic monitoring program for pretrial criminal defendants.

The State's Attorney is budgeting for an additional 19.8 positions in FY2020 in the Public Safety Fund and an additional 6.0 positions within special purpose funds, for a total of 1,197.6 FTEs. The increases are related to the expansion of several programs within the State's Attorney's Office: the Conviction Integrity Unit, the Gun Crimes Strategies Unit and the Expungement Unit.¹⁴¹

The Chief Judge is requesting an increase of 131.0 FTEs within the Public Safety Fund and a decrease of 18.5 FTEs within the special purpose funds, which is a net decrease of 112.5 FTEs from the FY2019 budget. The Chief Judge is budgeting for a total of 2,987.8 FTE positions in

¹³⁸ These position counts exclude grant-funded positions because grant positions are not considered to be permanent.

¹³⁹ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 144.

¹⁴⁰ Statement made by the Cook County Sheriff, Cook County Finance Committee Meeting for Mid-Year Budget Review Hearings, July 17, 2019.

¹⁴¹ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. P-8.

FY2020. Due to legislative fee changes, revenue previously recorded in special purpose funds will now be recorded in the General Fund, so positions funded by the special revenue funds are being absorbed by the Office of the Chief Judge.¹⁴²

Notable position increases under the Chief Judge in FY2020 are set to take place within the Office of the Chief Judge, Adult Probation Department and Social Service Department. The Office of the Chief Judge is absorbing special purpose fund positions as previously noted, as well as requesting new payroll positions.¹⁴³ The Adult Probation Department is requesting an increase of 79.5 positions, primarily to hire more pretrial officers to handle higher pretrial supervision caseloads and reduce probation caseloads.¹⁴⁴ The Social Service Department is requesting 23 new caseworkers and support staff to handle increasing caseloads and public safety assessments.¹⁴⁵

Between FY2016 and FY2020, the total number of FTEs under the Chief Judge has declined by 132.3, from 3,120.1 FTEs in FY2016. The Chief Judge's FTE count dropped dramatically in FY2018 to 2,689.4 as a result of budget cuts made after the repeal of the sweetened beverage tax,¹⁴⁶ of which 154.0 were restored through a settlement with the County.

The Clerk of the Circuit Court is requesting an increase of 49.4 FTE positions to 1,320.2 FTEs in FY2020 within the Public Safety Fund, and a decrease of 4.4 FTEs to 145.4 FTEs within the special purpose funds. The Clerk is requesting the increase in positions to better manage court operations and to handle expungement expansion due to the Cannabis Regulation and Tax Act allowing for expungement of marijuana possession convictions.¹⁴⁷

¹⁴² Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-6.

¹⁴³ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-7.

¹⁴⁴ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-15.

¹⁴⁵ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-38.

¹⁴⁶ Cook County FY2018 Annual Appropriation Bill, Volume 1, p. 2.

¹⁴⁷ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. L-5.

The number of FTE positions across all public safety departments within the Public Safety Fund and Special Purpose Funds between FY2016 and FY2020 are shown in the table below.

Cook County Full-Time Equivalents (FTE) by Fund and Department:									
FY2016-FY2020									
Department/Control Officer	FY2016 Adopted	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Public Safety Fund									
Justice Advisory Council	7.0	7.0	6.1	7.0	8.0	1.0	14.3%	1.0	14.3%
Medical Examiner	127.7	117.4	113.1	113.0	105.0	(8.0)	-7.1%	(22.7)	-17.8%
Emergency Management Agency	25.0	21.0	16.5	7.9	7.0	(0.9)	-11.4%	(18.0)	-72.0%
Department of Adoption & Family Supportive Services	11.0	11.0	10.0	10.0	9.0	(1.0)	-10.0%	(2.0)	-18.2%
Department of Facilities Management	526.2	524.0	515.1	511.0	511.0	0.0	0.0%	(15.2)	-2.9%
Public Defender	693.0	679.0	676.4	685.0	690.0	5.0	0.7%	(3.0)	-0.4%
Sheriff:									
Office of the Sheriff	23.0	21.0	19.0	13.0	16.0	3.0	23.1%	(7.0)	-30.4%
Sheriff's Administration & Human Resources	108.5	339.6	299.5	339.0	358.0	19.0	5.6%	249.5	230.0%
Office of Professional Review, Professional Integrity & Special Investigations	78.0	99.0	86.0	34.0	33.0	(1.0)	-2.9%	(45.0)	-57.7%
Sheriff's Information Technology	219.0	35.0	28.0	97.0	98.0	1.0	1.0%	(121.0)	-55.3%
Department of Corrections	4,295.0	4,267.7	3,870.2	3,715.0	3,462.0	(253.0)	-6.8%	(833.0)	-19.4%
Sheriff's Merit Board	30.0	28.0	13.0	19.0	17.0	(2.0)	-10.5%	(13.0)	-43.3%
Court Services Division	1,292.2	1,173.0	1,035.5	1,024.0	1,062.0	38.0	3.7%	(230.2)	-17.8%
Police Department	658.5	643.0	614.0	625.0	629.0	4.0	0.6%	(29.5)	-4.5%
Community Corrections Department	-	-	-	-	191.0	191.0	-	191.0	-
Total Sheriff	6,704.2	6,606.3	5,965.2	5,866.0	5,866.0	0.0	0.0%	(838.2)	-12.5%
State's Attorney	1,149.1	1,134.2	1,126.1	1,150.2	1,170.0	19.8	1.7%	20.9	1.8%
Chief Judge:									
Office of the Chief Judge	457.7	463.7	415.8	443.2	475.7	32.5	7.3%	18.0	3.9%
Adult Probation Department	640.0	586.6	518.0	562.0	641.5	79.5	14.1%	1.5	0.2%
Public Guardian	229.4	220.8	208.8	209.0	210.0	1.0	0.5%	(19.4)	-8.5%
Forensic Clinical Services	31.1	29.9	24.3	24.8	24.8	0.0	0.0%	(6.3)	-20.3%
Social Service	198.0	201.0	174.0	189.0	212.0	23.0	12.2%	14.0	7.1%
Juvenile Probation	423.4	421.1	342.0	374.0	376.0	2.0	0.5%	(47.4)	-11.2%
Judiciary	437.0	437.0	437.0	437.0	437.0	0.0	0.0%	0.0	0.0%
Juvenile Temporary Detention Center	703.5	679.0	569.5	617.8	610.8	(7.0)	-1.1%	(92.7)	-13.2%
Total Chief Judge	3,120.1	3,039.1	2,689.4	2,856.8	2,987.8	131.0	4.6%	(132.3)	-4.2%
Clerk of the Circuit Court	1,463.2	1,433.5	1,334.3	1,270.8	1,320.2	49.4	3.9%	(143.0)	-9.8%
Public Administrator	17.0	17.0	15.0	15.0	15.0	0.0	0.0%	(2.0)	-11.8%
Subtotal Public Safety Fund	13,843.5	13,589.5	12,467.2	12,492.7	12,689.0	196.3	1.6%	(1154.5)	-8.3%
Special Purpose Funds									
Office of the Sheriff	18.0	18.0	18.0	18.0	40.0	22.0	122.2%	22.0	122.2%
State's Attorney	41.0	34.2	17.0	21.6	27.6	6.0	27.8%	(13.4)	-32.7%
Office of the Chief Judge	31.0	32.0	33.0	18.5	-	(18.5)	-100.0%	(31.0)	-100.0%
Clerk of the Circuit Court	185.0	176.2	142.6	149.8	145.4	(4.4)	-2.9%	(39.6)	-21.4%
Subtotal Special Purpose Funds	275.0	260.4	210.6	207.9	213.0	5.1	2.5%	(62.0)	-22.5%
Total Public Safety FTEs	14,118.5	13,849.9	12,677.8	12,700.6	12,902.0	201.4	1.6%	(1216.5)	-8.6%

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 113-116.

COOK COUNTY HEALTH

This section examines the recommended FY2020 budget of Cook County Health, the name now used by the Cook County Health and Hospitals System to emphasize its increasing focus on outpatient care rather than hospital visits. A separate section is devoted to Cook County's public health system because of its size, oversight by its own Board of Directors and financial presentation as a discrete fund in the County's budget.¹⁴⁸

Overview

Cook County Health is one of the largest public health systems in the United States.¹⁴⁹ It runs two hospitals—John H. Stroger, Jr. and Provident—and provides outpatient services at the Ambulatory and Community Health Network (ACHN), the Oak Forest Health Center and the Ruth M. Rothstein CORE Center, which serves patients with HIV/AIDS.

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

Cook County Health is by far the largest provider of free medical services to the uninsured and underinsured in the State of Illinois.¹⁵⁰ As a result, the health system has historically struggled to cover its costs. The federal Affordable Care Act (ACA) dramatically improved the health system's finances by providing Medicaid coverage for patients who were previously treated free of charge. Medicaid is a joint federal-state program that finances healthcare for low income individuals. The ACA paved the way for the creation of the system's Medicaid managed care plan, known as CountyCare, in 2013.

A year later, Illinois began moving most Medicaid beneficiaries into managed care plans. CountyCare is now the biggest Medicaid managed care plan in Cook County, with 318,196 members as of September 2019, or 31.5% of total County enrollment of 1,009,279.¹⁵¹ The plan jumped ahead of Blue Cross and Blue Shield of Illinois by acquiring two other Medicaid managed care plans at the end of 2017. CountyCare is expected to fall to second place in 2020, following the pending acquisition of WellCare Health Plans by Centene Corporation.¹⁵²

¹⁴⁸ This section focuses on the Health Fund because it represents \$2.82 billion, or 99.5%, of Cook County Health's total FY2020 recommended appropriations of \$2.84 billion. The system also administers \$7.9 million in grants and controls two Special Purpose Funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District, with total FY2020 proposed appropriations of \$7.1 million.

¹⁴⁹ Cook County Health and Hospitals System of Illinois, Financial Report, November 30, 2018, p. 3.

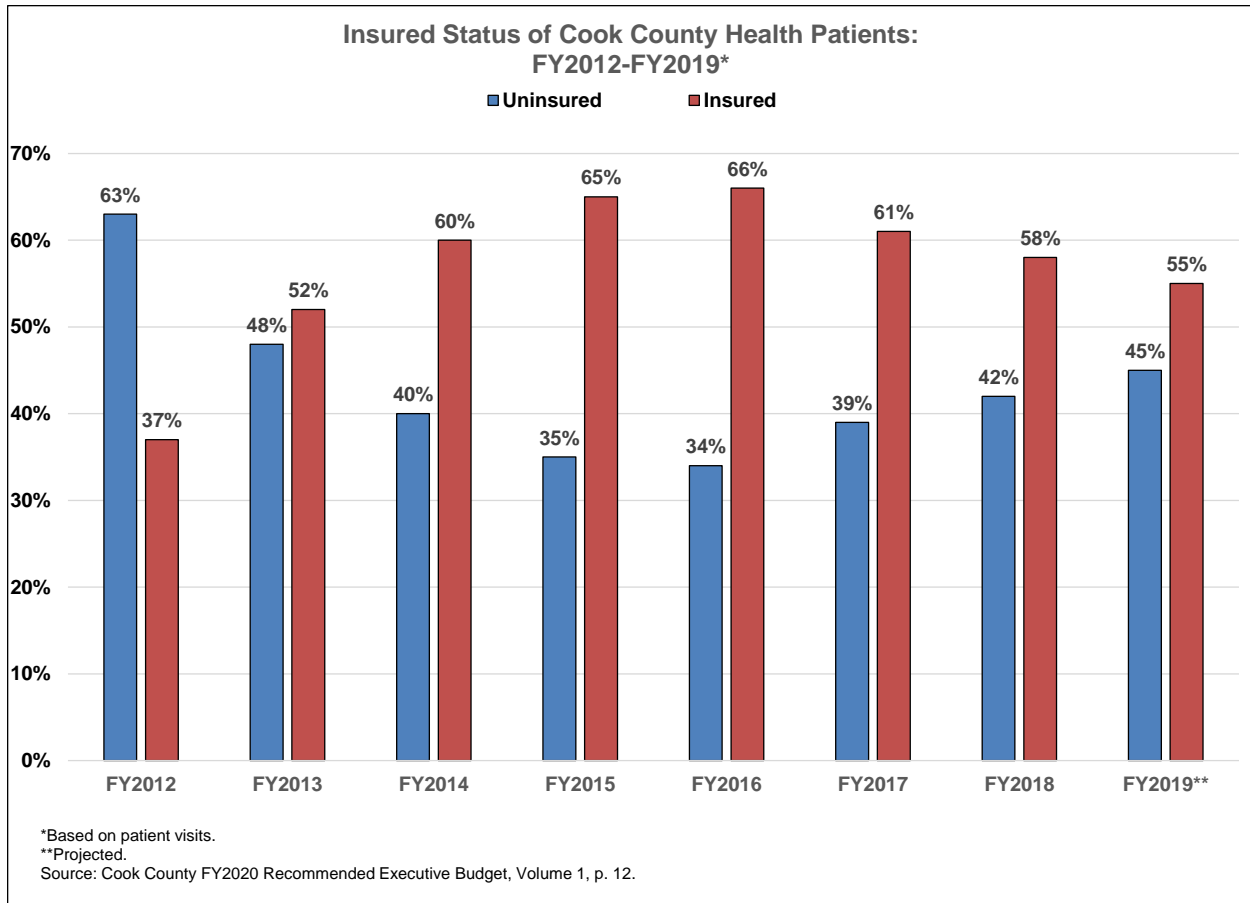
¹⁵⁰ Illinois Department of Public Health, *2017 Annual Hospital Questionnaire Data File*, <https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Documents/2017%20AHQ%20Data%20File.xls> (last accessed on October 15, 2019).

¹⁵¹ Illinois Department of Healthcare and Family Services, *HealthChoice Illinois Enrollments-September 2019*, <https://www.illinois.gov/hfs/SiteCollectionDocuments/201909MCOEnrollmentReportforWebsite.pdf> (last accessed on October 17, 2019).

¹⁵² Stephanie Goldberg, "What happened to all the Medicaid managed care insurers?" *Crain's Chicago Business*, June 7, 2019. WellCare operates the Meridian health plan in Illinois, while Centene operates IlliniCare.

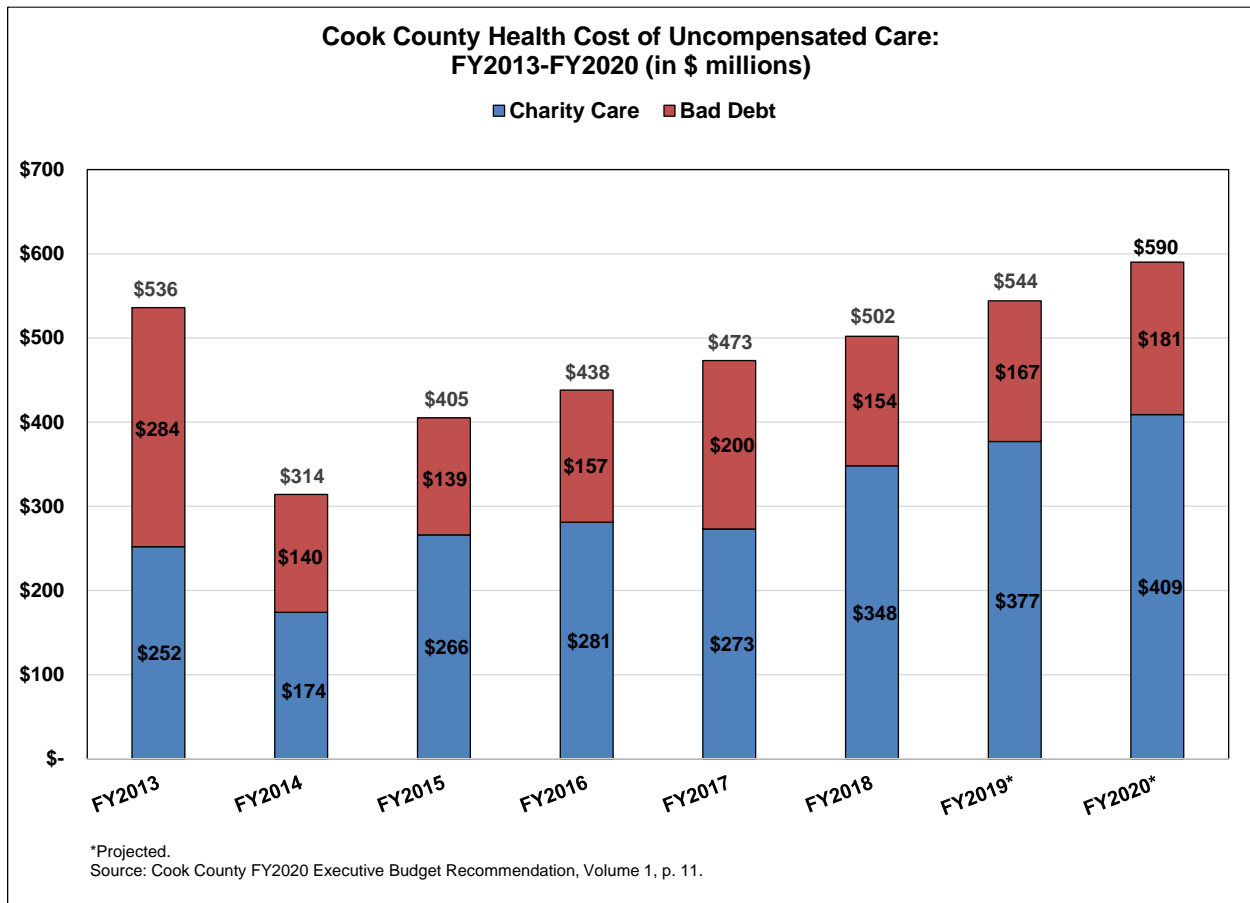
Since the launch of CountyCare, Cook County Health has served more insured patients than uninsured patients. Previously over half of the health system’s patients were uninsured and generally did not pay for services.

The following chart shows the insurance status of Cook County Health patients from FY2012 to FY2019, based on patient visits. Due mainly to the increase in Medicaid coverage, the share of uninsured patients declined from 63% in FY2013 to 34% in FY2015, while the share of insured patients rose commensurately. In the last three years, the percentage of uninsured patients has reversed course, rising to a projected 45% in FY2019.



The expansion of Medicaid coverage and increase in private insurance coverage under the ACA also led to an initial decrease in Cook County Health’s cost of uncompensated healthcare, medical services for which the system is not paid. 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 includes patients’ bills that cannot be collected—often because patients who would have qualified for charity care failed to sign up—and claims that are rejected by insurers. Uncompensated care costs declined from \$536 million in FY2013 to \$314 million in FY2014, as previously uninsured patients joined CountyCare.

However, the decrease was short-lived. Uncompensated care rose almost 60% to \$502 million from FY2014 through FY2018, with charity care doubling during the period. The health system initially predicted that unpaid care costs would remain flat in FY2019.¹⁵³ Instead, the next chart shows that the costs have continued to grow and are now expected to reach \$590 million in FY2020—well above the FY2013 level. In a presentation to Cook County Health directors in August 2019, health system officials said the increase was “unsustainable” and could jeopardize the system’s mission of serving all patients, regardless of their ability to pay.¹⁵⁴

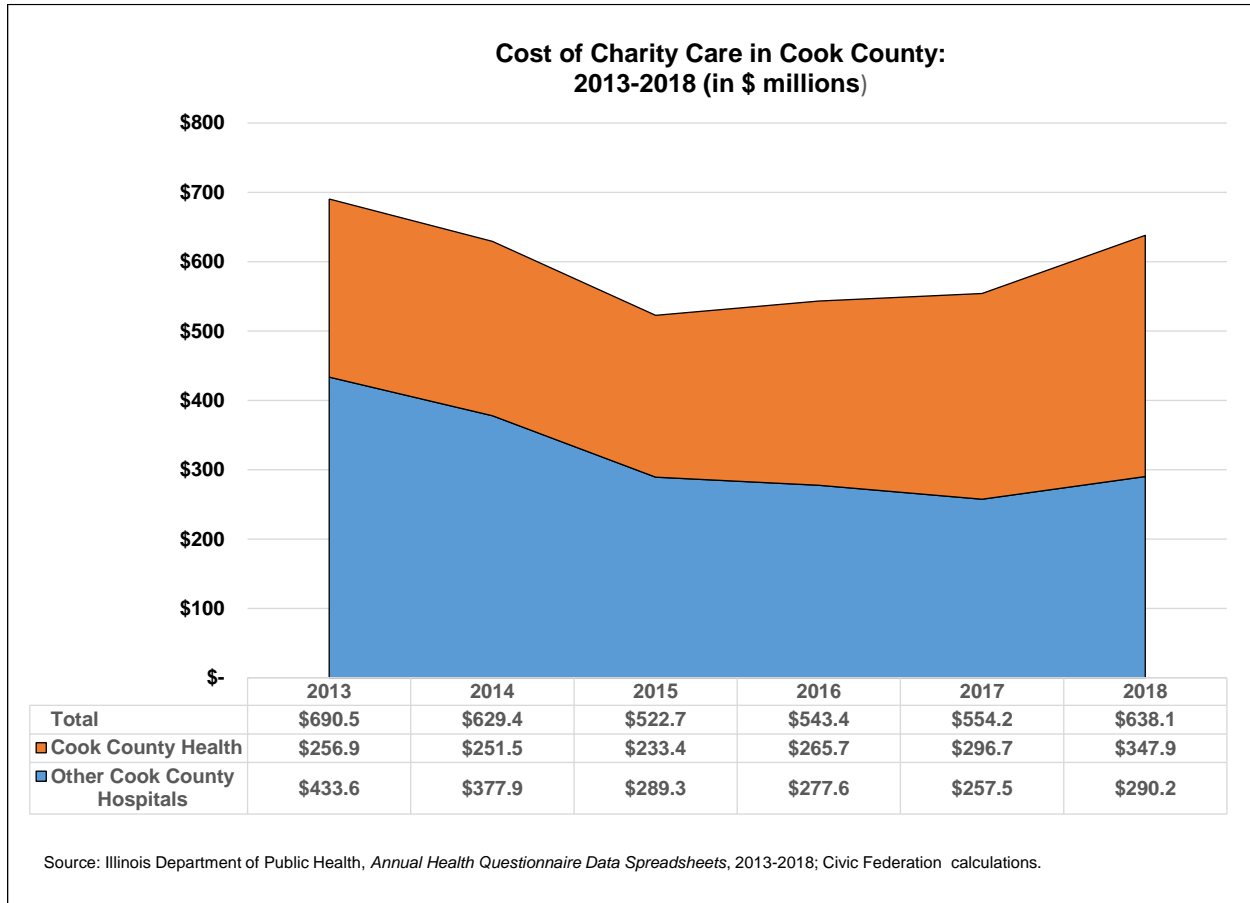


While the health system’s charity costs have risen significantly since 2013, total charity care provided by other hospitals in Cook County has declined between 2013 and 2017. Outside of the health system, free hospital care in the County fell by 40.6%, from \$433.6 million in 2013 to

¹⁵³ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 16, <https://cookcountyhealth.org/wp-content/uploads/Item-VIA-Proposed-CCHHS-FY2019-Preliminary-Budget-08-24-18-final.pdf> (last accessed on October 16, 2019).

¹⁵⁴ Cook County Health, Finance Committee Meeting, *Report from the CFO*, August 23, 2019, p. 5, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-08-23-19.pdf> (last accessed on October 16, 2019). For more information, see the Civic Federation’s blog, “Cook County Health Warns of ‘Unsustainable’ Growth in Unpaid Care,” August 23, 2019, <https://www.civicfed.org/civic-federation/blog/cook-county-health-warns-unsustainable-growth-unpaid-care> (last accessed on October 16, 2019).

\$257.5 in 2017, according to State data.¹⁵⁵ As a result, Cook County Health accounted for 53.5% of all charity care provided by County hospitals in 2017, compared with 37% in 2013.¹⁵⁶ The latest information from the Illinois Department of Public Health shows that charity care outside of Cook County Health increased in 2018, but at a lower rate than for the health system. The health system’s share of County charity care rose slightly to 54.5% in 2018.¹⁵⁷



Cook County Health officials have linked the growth in uncompensated care to a number of factors, but they have also acknowledged that the reasons are not precisely clear.¹⁵⁸ Suggested explanations include the increase in Illinois’ uninsured rate since 2016; efforts by other hospitals to divert uninsured patients to the Cook County health system; unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the ACA; and the cost of

¹⁵⁵ Civic Federation calculations based on Illinois Department of Public Health, *Annual Hospital Questionnaire Data Spreadsheets*, <https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Pages/default.aspx> and http://www.idph.state.il.us/about/hfpb/HospProf_ABR.htm (last accessed on October 16, 2019).

¹⁵⁶ The Illinois Department of Public Health’s charity care costs for Cook County Health differ from the health system’s own numbers for reasons that could not immediately be determined. The State’s countywide numbers are compared with the State’s numbers for Cook County Health for purposes of trend analysis.

¹⁵⁷ Communication between the Civic Federation and the Illinois Health Facilities and Services Review Board, October 29, 2019.

¹⁵⁸ Statement by CEO Dr. John Jay Shannon at Cook County Health Finance Committee meeting, August 23, 2019.

operating the Direct Access managed care plan for uninsured patients, which was launched in 2017 at the direction of the County Board.

Officials also point to the decline in Medicaid managed care enrollment in Cook County since January 2018, when the State automated procedures for removing beneficiaries from Medicaid rolls if they do not promptly renew their eligibility. Cook County residents who lose Medicaid coverage are likely to seek free medical services from the health system. Officials also are concerned that a proposed federal rule affecting immigrants might further erode Medicaid enrollment, even among those not directly affected by the rule.¹⁵⁹ The “public charge” rule would make it more difficult for immigrants to get permanent residency green cards if they use certain government benefits, including Medicaid.¹⁶⁰

The increase in unpaid care has blunted the financial impact of some of the health system’s recent achievements. For example, clinic visits in FY2019 are ahead of the annual budget target for the first time in several years, but most of the growth is due to uninsured patients.¹⁶¹ Similarly, gross charges have increased, reflecting improvements in the system’s historically spotty ability to document medical services and properly bill patients. However, all of the additional charges have been for unpaid care.¹⁶²

Cook County Health’s new three-year strategic plan continues an ambitious effort to improve care and compete for patients by replacing outdated clinics with larger facilities that offer expanded hours and services.¹⁶³ But officials have increasingly emphasized that the strategy will not work unless the health system can find ways to attract more insured patients.¹⁶⁴

Uncompensated care has driven the discussion about Cook County Health’s proposed FY2020 budget.¹⁶⁵ Because of the projected growth in charity care, the budget recommends the first significant increase in the County’s tax allocation to the health system since FY2009.¹⁶⁶ President Preckwinkle’s June 2019 preliminary budget forecast had assumed that the tax allocation would be unchanged from FY2019.¹⁶⁷

Even though Cook County Health has had its own Board of Directors since 2008, the County supplies the tax allocation and other financial support, as described below, and the County Board

¹⁵⁹ Kristen Schorsch, “Cook County Health CEO: ‘Something’s Got To Give, or Somebody’s Got to Give To Us,’” *WBEZ*, August 30, 2019. To be eligible for Medicaid, individuals must be either U.S. citizens or certain qualified non-citizens such as lawful permanent residents, in addition to meeting financial criteria.

¹⁶⁰ The proposed “public charge” rule was scheduled to take effect on October 15, 2019, but its implementation has been blocked temporarily by federal judges in four states, including Illinois.

¹⁶¹ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 13, <https://cookcountyhealth.org/wp-content/uploads/Item-III-A-Proposed-FY20-Prelim-Budget-and-Financial-Forecast-09-13-19.pdf> (last accessed on October 18, 2019).

¹⁶² Statement by CEO Dr. John Jay Shannon at Cook County Health Board meeting, August 30, 2019.

¹⁶³ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, <https://cookcountyhealth.org/wp-content/uploads/Item-VIIB-Strategic-Plan-2020-2022-07-26-19-1.pdf> (last accessed on October 18, 2019).

¹⁶⁴ Statement by CEO Dr. John Jay Shannon at Cook County Health Board meeting, August 30, 2019.

¹⁶⁵ Rachel Hinton, “Preckwinkle: No ‘magic wand’ to solve problem of disappearing health care money,” *Chicago Sun-Times*, October 10, 2019.

¹⁶⁶ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 11.

¹⁶⁷ Cook County FY2020 Preliminary Forecast, p. 14.

approves its budgets, which are then incorporated into the Executive Budget Recommendation. The health system also needs approval from the County Board for strategic plans and any moves to close hospitals.

In the County budget, the health system has been shown as an enterprise fund rather than a component of the County's General Fund since FY2014. This designation mirrors the accounting classification used in the County's Comprehensive Annual Financial Report (CAFR) and is intended to emphasize the growing financial independence of the health system.¹⁶⁸

Enterprise funds are used to account for government activities that are run on a business-like basis, charging fees to the public for the services consumed.¹⁶⁹ Activities accounted for through enterprise funds are typically expected to be self-supporting or nearly so.¹⁷⁰ Cook County Health receives most of its revenues from patient fees, State Medicaid managed care premiums and special Medicaid payments designated for hospitals that serve low income and uninsured patients. Even though the health system is not entirely self-supporting, maintaining such activities as enterprise funds provides useful information on the amount of subsidy required to support them.

FY2020 Budget Assumptions

The health system's FY2020 budget is based on average monthly CountyCare membership of 326,034, an increase of 7,309, or 2.3%, from an estimated average of 318,725 in FY2019.¹⁷¹ The number of CountyCare members is critical to the health system's budget because Medicaid managed care plans receive a flat monthly fee from the State for each member. The fee, known as a per member per month (PMPM) fee or capitation rate, varies by demographic characteristics, medical condition and other factors. The average PMPM rate is assumed to remain stable in FY2020.¹⁷²

CountyCare membership was initially projected to increase to 345,000 in FY2019 from 333,913 in FY2018, but actual FY2019 membership is now expected to decline to 318,725. The shortfall has been attributed to the countywide drop in Medicaid managed care enrollment that began after the State instituted automated enrollment cancellations. While cancellations occur promptly, renewals can be subject to lengthy delays as eligibility verification forms mailed to State offices are processed by hand. After the change, Medicaid managed care enrollment in Cook County fell by 158,877, or 13.7%, from 1,158,110 in January 2018 to a low of 999,233 in March 2019.¹⁷³ Enrollment has risen slowly in the past few months to 1,009,279 in September, and the

¹⁶⁸ Cook County FY2014 Executive Budget Recommendation, Resident's Guide, p. 4.

¹⁶⁹ Steven A. Finkler, Robert M. Purtell, Thad D. Calabrese and Daniel L. Smith, *Financial Management for Public, Health, and Not-for-Profit Organizations* (Upper Saddle River, N.J.: Pearson Education Inc., 2013), p. 448.

¹⁷⁰ Robert L. Bland, *A Revenue Guide for Local Government* (Washington, D.C.: International City/County Management Association, 2010), p. 205.

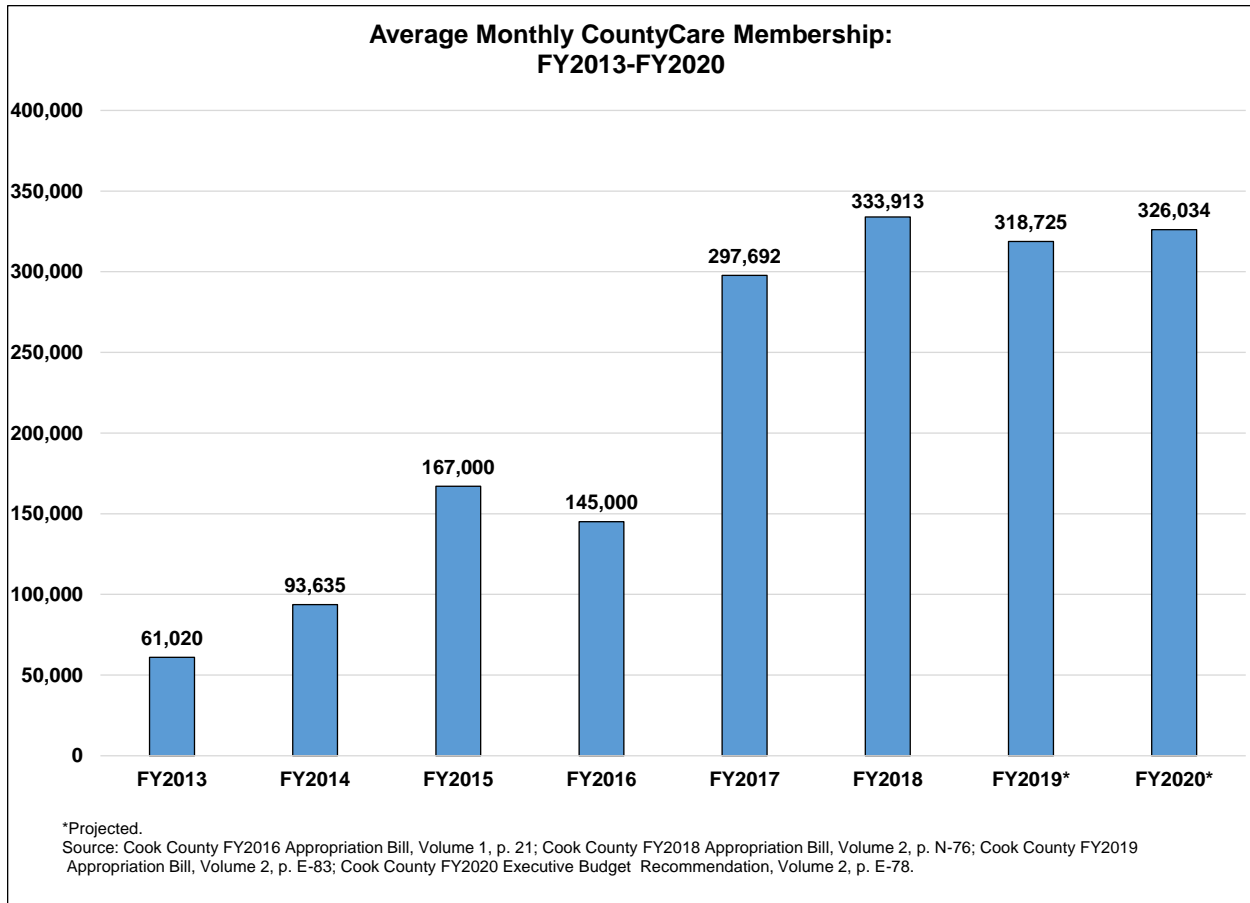
¹⁷¹ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-78.

¹⁷² Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 32.

¹⁷³ Illinois Department of Healthcare and Family Services, *Total Care Coordination Enrollment for All Programs*, <https://www.illinois.gov/hfs/MedicalProviders/cc/Pages/TotalCCEnrollmentforAllPrograms.aspx> (last accessed on October 17, 2019).

State plans to hire more frontline staff and change certain procedures to address the problem.¹⁷⁴ Despite the overall decline in membership, CountyCare has maintained its share of County enrollees.

The following chart shows average monthly CountyCare membership from FY2013 through FY2020. The spike in FY2017 is related to CountyCare’s acquisition of two other managed care plans, Family Health Network and Aetna Better Health of Illinois. The acquisition followed the State’s decision to reduce the number of managed care plans authorized to serve Medicaid recipients to seven from 12.¹⁷⁵ The number of plans currently stands at six.



Most of the PMPM revenue received by CountyCare does not remain at Cook County Health, although boosting the health system’s share is a key strategic goal.¹⁷⁶ CountyCare members can get medical services at the System’s own facilities or at the other community clinics and

¹⁷⁴ Illinois Departments of Healthcare and Family Services and Human Services, “State Agencies Prepare Aggressive Hiring Effort to Resolve Medicaid Backlog,” *news release*, https://www2.illinois.gov/IISNews/20281-BacklogHiring.PressRelease.7.1.2019.pdf#new_tab (last accessed on October 17, 2019).

¹⁷⁵ Illinois Department of Healthcare and Family Services, “HealthChoice Illinois launches January 1, focusing on whole-person health,” *news release*, December 28, 2017, <https://www.illinois.gov/hfs/SiteCollectionDocuments/HealthChoiceLaunch.HFS.pdf> (last accessed on October 17, 2019).

¹⁷⁶ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 15.

hospitals in the plan's broad network. In the FY2020 budget, about 10% of CountyCare's budgeted medical spending is for services provided internally at the health system itself; the remaining 90% of the payments are external claims, paid to network healthcare providers outside of the system.¹⁷⁷ The budgeted internal target for FY2019 was about 16%,¹⁷⁸ and the actual share is running at about 7%.¹⁷⁹ One strategy to increase the health system's share of spending involves requiring that CountyCare members go to Stroger Hospital for specialized surgical procedures, such as bariatric surgery.¹⁸⁰

Despite the limited use of health system services by CountyCare members, a recent analysis by Deloitte found that CountyCare had operating gains that contributed to Cook County Health's financial condition since FY2016.¹⁸¹ The operating gains would have appeared much larger and would have dated back to FY2015 if CountyCare had not reimbursed the health system at far higher rates than other healthcare providers, according to the Deloitte analysis. Cook County Health hired Deloitte to review a critical report by the County's Office of the Independent Inspector General on CountyCare's unpaid healthcare claims.¹⁸² The Inspector General's report found that CountyCare lacked sufficient assets at the end of FY2018 to pay claims for medical services that had been provided but not yet billed for, but Deloitte stated that such reserves are not required for the government-owned health plan.¹⁸³

The FY2020 budget assumes an increase of 4% in primary and specialty care visits and 6% in emergency visits.¹⁸⁴ The projected increase in primary and specialty care visits is based on an expansion of facilities and services and strong results in FY2019. The increase in ER visits in FY2020 stems from plans to resume accepting patients by ambulance at Provident Hospital after a nine-year hiatus. The change had been expected to take effect in FY2019;¹⁸⁵ Provident's six-bed intensive care unit reopened in May 2019 to treat patients referred from the ER.

In FY2020 health system officials expect a 9% increase in surgery cases, which they have described as the system's financial engine.¹⁸⁶ The optimism has not been borne out in the past few years, as surgeries have fallen short of budgeted targets. In FY2019, for example, the target

¹⁷⁷ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 67 and Volume 2, p. E-80.

¹⁷⁸ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 13, <https://cookcountyhealth.org/wp-content/uploads/Item-VIA-Proposed-CCHHS-FY2019-Preliminary-Budget-08-24-18-final.pdf> (last accessed on October 17, 2019).

¹⁷⁹ Cook County Health, Finance Committee, *Report of the CFO*, September 2019, p.19, <https://cookcountyhealth.org/wp-content/uploads/09-20-19-Finance-scan-Minutes.pdf> (last accessed on October 17, 2019).

¹⁸⁰ Cook County Health, Managed Care Committee, *Report on CountyCare Health Plan*, June 20, 2019, p. 12, <https://cookcountyhealth.org/wp-content/uploads/Item-III-Report-on-CountyCare-06-20-19.pdf> (last accessed on October 17, 2019).

¹⁸¹ Deloitte Financial Advisory Services LLP, *Assessment of Report by the Office of the Independent Inspector General*, September 4, 2019, pp. 9 and 27. These results are on an accrual basis of accounting.

¹⁸² Cook County Office of the Independent Inspector General, *CountyCare Healthcare Expenses (IIG18-0100)*, June 21, 2019, http://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG18-0100-County_Care_Healthcare_Expenses.pdf (last accessed on October 29, 2019).

¹⁸³ Deloitte Financial Advisory Services LLP, *Assessment of Report by the Office of the Independent Inspector General*, September 4, 2019, p. 12.

¹⁸⁴ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 23.

¹⁸⁵ Cook County FY2019 Appropriation Bill, Volume 2, p. E-40.

¹⁸⁶ Statement by CEO Dr. John Jay Shannon at Cook County Health Board meeting, September 13, 2019.

was 1,320 cases¹⁸⁷ but only 1,214 surgeries are expected to be performed.¹⁸⁸ Officials said the FY2020 growth projection was justified based on recent replacement of obsolete equipment that had kept some operating rooms out of service; expanded surgical offerings at Provident; and the new efforts to bring CountyCare members' surgeries in-house.

Appropriations

Cook County Health's proposed appropriations for FY2020 total \$2.82 billion, an increase of \$133.5 million, or 5.0%, from \$2.69 billion for FY2019. However, FY2020 appropriations for CountyCare are inflated by \$173.1 million to account for reimbursement to the health system for care provided to CountyCare members in system facilities.¹⁸⁹ In prior years, the reimbursement was not shown in the budget as appropriations or revenues; instead, it was treated as a transfer within the system that cancelled out.

The budget treatment was changed in FY2020 to allow the health system to shift appropriation authority from internal CountyCare claims to external claims.¹⁹⁰ State law permits County agencies to transfer appropriations from one purpose to another, but only if the amounts are specifically appropriated.¹⁹¹ This posed a problem in FY2019, when the health system needed more spending authority to pay external CountyCare claims but was not able to draw from internal claims appropriations.¹⁹² The appropriation issue contributed to delays by CountyCare in paying external healthcare providers.¹⁹³ In FY2020 the \$173.1 million reimbursement to the system from CountyCare is reflected in the budget in both revenues and expenditures to eliminate any financial impact.

In this section, appropriations and revenues for FY2020 are shown net of the reimbursement for purposes of comparability with prior years. After that adjustment, the health system's appropriations for FY2020 are \$2.65 billion, a decrease of \$39.6 million, or 1.5%, from \$2.69 billion in FY2019. A reduction of \$63.6 million in personnel costs, due to the elimination of 638 vacant full-time equivalent positions (FTEs), is partially offset by increases in other expenses.¹⁹⁴

Proposed FY2020 appropriations for Managed Care are \$1.6 billion, an increase of \$77.8 million, or 5.0%, from \$1.5 billion in FY2019. The increase reflects CountyCare membership growth, as well as cost and utilization trends for managed care claims.¹⁹⁵ The FY2020 budget for Managed Care also includes \$30.6 million to launch the health system's new Medicare Advantage plan.¹⁹⁶ The new plan, created in partnership with the nonprofit Medical Home

¹⁸⁷ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 11,

¹⁸⁸ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 23.

¹⁸⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3.

¹⁹⁰ Communication between the Civic Federation and Cook County Health, October 4, 2019.

¹⁹¹ 55 ILCS 5/6-24007.

¹⁹² Cook County Health, Finance Committee meeting minutes, September 20, 2019, <https://cookcountyhealth.org/wp-content/uploads/09-20-19-Finance-scan-Minutes.pdf> (last accessed on October 19, 2019).

¹⁹³ Deloitte Financial Advisory Services LLP, *Assessment of June 21, 2019 Report of the Office of the Inspector General*, September 4, 2019, p. 6.

¹⁹⁴ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 4.

¹⁹⁵ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 67.

¹⁹⁶ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-79.

Network, is designed to keep existing patients at the health system—there are now about 14,000 patients covered by Medicare—and to retain members who age out of CountyCare.¹⁹⁷ It is also intended to benefit from Medicare’s relatively high reimbursement rates compared with Medicaid.¹⁹⁸ After upfront investments, the plan is projected to begin covering its costs with 5,375 members, which could take three years.¹⁹⁹

Stroger Hospital has FY2020 appropriations of \$671.5 million, a decrease of \$64.3 million, or 8.7%, from \$735.8 million in FY2019. Stroger accounts for almost 70% of total health system staffing. Spending in FY2020 reflects a reduction of 27 FTEs, the net result of both shifting positions to Stroger from the system’s clinic network and eliminating vacant positions.

Appropriations for Provident Hospital are \$56.5 million in FY2020, an increase of \$2.9 million, or 5.4%, from \$53.6 million in FY2019. The FY2020 budget assumes an increase of 23 FTEs at Provident to accommodate expanded services, including the resumption of ambulance runs to the ER and more surgeries. The outpatient dialysis center that had been scheduled to open at Provident in FY2019 is now expected to begin operating in FY2020. The health system also announced plans to replace the existing Provident Hospital with a new eight-story, \$240.9 million facility that would open in 2023.²⁰⁰ The new structure would have both outpatient exam rooms and a reduced number of hospital beds. The project moved forward in late October, following required approval by the Illinois Health Facilities & Services Review Board.²⁰¹

Appropriations for the Ambulatory and Community Health Network (ACHN) decline by \$47.6 million, or 36.8%, to \$81.7 million in FY2020 from \$129.3 million in FY2019. The decrease reflects the transfer of 13 clinical programs to Stroger Hospital’s budget.²⁰² The clinic network’s budgeted positions decline by 446.8 FTEs, or 52.6%. In FY2019 the health system opened a new clinic in Arlington Heights to replace the former health center in Palatine and began construction on a new replacement clinic on Chicago’s Northwest Side. Two additional replacement health centers are scheduled to open in 2020 in North Riverside and Blue Island.

ACHN appropriations include clinical activities at the Oak Forest Health Center. The budget for the Oak Forest center covers the costs of operating the vast site, which has 53 buildings across 176 acres. The health system had planned to move the clinic to Blue Island in FY2019 due to high operational expenses and a location that is considered to be inconvenient for many

¹⁹⁷ Cook County Health, Managed Care Committee, *CountyCare Update*, September 19, 2019, pp. 10-28, <https://cookcountyhealth.org/wp-content/uploads/Item-III-and-IVA-Report-on-CountyCare-and-Medicare-Advantage-Delivery-Innovations-09-19-19.pdf> (last accessed on October 19, 2019). The ACA expanded Medicaid eligibility to low income individuals between the ages of 19 and 64 who were not disabled and did not have dependent children. About 23% of CountyCare’s members are eligible for Medicaid due to the ACA. Medicare coverage begins at age 65.

¹⁹⁸ Statement by CountyCare CEO James Kiamos at Cook County Health Managed Care Committee, September 19, 2019.

¹⁹⁹ Cook County Health, Managed Care Committee, *CountyCare Update*, September 19, 2019, p. 21.

²⁰⁰ 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. For more information on plans for the new Provident Hospital building, see p. 15 of this report.

²⁰¹ Rachel Hinton, “Plans for Provident Hospital approved by state health board,” *Chicago Sun-Times*, October 23, 2019.

²⁰² Cook County FY2019 Executive Budget Recommendation, Volume 2, p. E-50.

Medicaid patients.²⁰³ The move is now scheduled for FY2020. In September 2019, the County Board approved the \$15.3 million purchase of the Blue Island facility, which had been leased while undergoing renovations.²⁰⁴ In addition to health system operations, the campus houses the activities of several other County agencies, including the command center of the Department of Homeland Security and Emergency Management. Appropriations for the Oak Forest center decline by 9.0% to \$4.7 million in FY2020 from \$5.2 million, despite an increase of 12.6 FTEs.²⁰⁵

Appropriations for correctional health, including Cermak Health and JTDC Health, decline by \$7.1 million to a combined total of \$87.9 million, reflecting a reduction in personnel expenses and pharmaceutical costs.²⁰⁶ The FY2020 budget includes a decrease of 57 FTEs at Cermak and 3 FTEs at the JTDC. Since FY2016, appropriations for Cermak Health increase by 33.5%, from \$60.5 million to \$80.8 million, while appropriations for JTDC Health grow by 109.4%, from \$3.4 million to \$7.2 million. The increased spending at Cermak Health was part of an effort to meet the terms of a federal consent decree, which was dissolved in June 2018. 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.

The CORE Center's FY2020 budget declines by 2.1% to \$23.1 million from \$23.6 million in FY2019, with the reduction of 5 FTEs. The Core Center's appropriations increase by 93.0% from FY2016 due to the high cost of medications including AZT and Hepatitis-C drugs. The Department of Public Health's FY2020 budget decreases by 21.8% to \$10.2 million from \$13.0 million in FY2019 due to the reduction of 13 FTEs. The TB Clinical Services program with 34 FTEs along with associated funding was shifted to the Public Health Department from the budget of the Suburban Tuberculosis Sanitarium District Special Purpose Fund.²⁰⁷

Appropriations for health system Administration decline by \$10.3 million, or 19.5%, to \$42.5 million in FY2020 from \$52.8 million in FY2019. The number of budgeted positions falls by 73 FTEs, or 17.8%.²⁰⁸

The following table shows Cook County Health spending from FY2016 through FY2020. Total FY2020 appropriations are up by \$1.0 billion, or 63.1%, from spending of \$1.6 billion in FY2016 due mainly to the growth of CountyCare and higher personnel costs. Appropriations for fixed charges and special purpose appropriations decline by \$64.8 million, or 58.5%, from

²⁰³ Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 10.

²⁰⁴ Rachel Hinton, "County Oks \$15 million south suburban clinic—despite gripes over location and terms of deal," *Chicago Sun-Times*, September 29, 2019.

²⁰⁵ Cook County FY2020 Executive Budget Recommendation, Volume 2, pp. E-129 to E-133. Increases in personnel expenses and operations and maintenance costs at Oak Forest Health Center are offset by an appropriation adjustment of \$2.6 million that is not explained in the budget.

²⁰⁶ Cook County FY2020 Executive Budget Recommendation, Volume 1. P. 67.

²⁰⁷ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-74.

²⁰⁸ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-11.

FY2016 to FY2020 because of an accounting change. In FY2018, the largest component—health insurance—was shifted to departmental budgets as a personal service cost.

Cook County Health and Hospitals System Expenditures and Appropriations by Department: FY2016-FY2020 (in \$ thousands)									
Department	FY2016 Exps.	FY2017 Exps.	FY2018 Exps.	FY2019 Adopted Approps.	FY2020 Proposed Approps.	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Health System Administration	\$ 106,598.1	\$ 100,594.8	\$ 62,776.1	\$ 52,807.9	\$ 42,529.4	\$ (10,278.5)	-19.5%	\$ (64,068.7)	-60.1%
Cermak Health Services	\$ 60,529.3	\$ 64,568.0	\$ 81,651.4	\$ 87,200.4	\$ 80,792.0	\$ (6,408.4)	-7.3%	\$ 20,262.7	33.5%
JTDC Health Services	\$ 3,427.3	\$ 3,518.1	\$ 4,560.0	\$ 7,867.7	\$ 7,176.3	\$ (691.4)	-8.8%	\$ 3,749.0	109.4%
Provident Hospital	\$ 47,349.1	\$ 47,785.1	\$ 52,392.4	\$ 53,577.5	\$ 56,467.4	\$ 2,889.9	5.4%	\$ 9,118.3	19.3%
Ambulatory and Community Health Network	\$ 59,048.1	\$ 64,256.6	\$ 98,739.0	\$ 129,306.8	\$ 81,664.7	\$ (47,642.1)	-36.8%	\$ 22,616.6	38.3%
CORE Center	\$ 11,970.4	\$ 12,965.3	\$ 19,612.1	\$ 23,599.5	\$ 23,101.2	\$ (498.3)	-2.1%	\$ 11,130.8	93.0%
Department of Public Health	\$ 9,851.3	\$ 9,522.0	\$ 10,507.1	\$ 13,018.1	\$ 10,186.2	\$ (2,831.9)	-21.8%	\$ 334.9	3.4%
Managed Care	\$ 651,691.9	\$ 560,644.9	\$ 1,548,819.8	\$ 1,549,038.9	\$ 1,799,936.4	\$ 250,897.5	16.2%	\$ 1,148,244.5	176.2%
(Adjustment for Internal CountyCare Services)*	\$ -	\$ -	\$ -	\$ -	\$ (173,100.0)	\$ (173,100.0)	na	\$ (173,100.0)	na
Adjusted Managed Care	\$ 651,691.9	\$ 560,644.9	\$ 1,548,819.8	\$ 1,549,038.9	\$ 1,626,836.4	\$ 77,797.5	5.0%	\$ 975,144.5	149.6%
Stroger Hospital	\$ 553,516.4	\$ 585,037.5	\$ 700,702.4	\$ 735,841.7	\$ 671,529.0	\$ (64,312.7)	-8.7%	\$ 118,012.6	21.3%
Oak Forest Health Center	\$ 11,050.1	\$ 9,718.1	\$ 11,599.6	\$ 5,180.5	\$ 4,713.2	\$ (467.3)	-9.0%	\$ (6,336.9)	-57.3%
Fixed Charges and Special Purpose Appropriations	\$ 110,707.0	\$ 112,776.1	\$ 29,257.6	\$ 33,015.5	\$ 45,900.6	\$ 12,885.1	39.0%	\$ (64,806.4)	-58.5%
Total**	\$1,625,739.0	\$1,571,386.4	\$2,620,617.6	\$2,690,454.5	\$2,650,896.3	\$ (39,558.2)	-1.5%	\$ 1,025,157.3	63.1%

*Deducted for purposes of comparability with prior years.

**Totals may not sum due to rounding.

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 80.

The table above reflects the health system's adopted spending for FY2019 when this year's budget was passed in November 2018. According to the latest estimate available, from June 2019, Cook County Health is expected to spend \$2.60 billion during the current fiscal year, a decrease of \$92.1 million from \$2.69 billion in the FY2019 budget.²⁰⁹ The difference is due

²⁰⁹ Cook County FY2020 Preliminary Forecast, p. 31.

mainly to the shortfall in CountyCare membership, which results in fewer medical claims, as well as limited success in filling vacant positions.

The following table compares FY2019 budgeted appropriations with spending projections for FY2019 as of June 2019.

Cook County Health Appropriations by Department: FY2019 Adopted vs. Projected (in \$ thousands)				
Department	FY2019 Adopted	FY2019 Projected*	\$ Difference	% Difference
Health System Administration	\$ 52,807.9	\$ 48,829.9	\$ (3,978.0)	-7.5%
Cermak Health Services	\$ 87,200.4	\$ 85,568.4	\$ (1,632.0)	-1.9%
JTDC Health Services	\$ 7,867.7	\$ 6,624.7	\$ (1,243.0)	-15.8%
Provident Hospital	\$ 53,577.5	\$ 52,612.8	\$ (964.7)	-1.8%
Ambulatory and Community Health Network	\$ 129,306.8	\$ 118,070.4	\$ (11,236.4)	-8.7%
CORE Center	\$ 23,599.5	\$ 23,286.6	\$ (312.9)	-1.3%
Department of Public Health	\$ 13,018.1	\$ 11,914.3	\$ (1,103.8)	-8.5%
Managed Care*	\$ 1,549,038.9	\$ 1,487,405.4	\$ (61,633.5)	-4.0%
Stroger Hospital	\$ 735,841.7	\$ 722,911.5	\$ (12,930.2)	-1.8%
Oak Forest Health Center	\$ 5,180.5	\$ 9,033.4	\$ 3,852.9	74.4%
Fixed Charges and Special Purpose Appropriations	\$ 33,015.5	\$ 32,057.7	\$ (957.8)	-2.9%
Total**	\$ 2,690,454.5	\$ 2,598,315.0	\$ (92,139.5)	-3.4%

*As of June 2019.

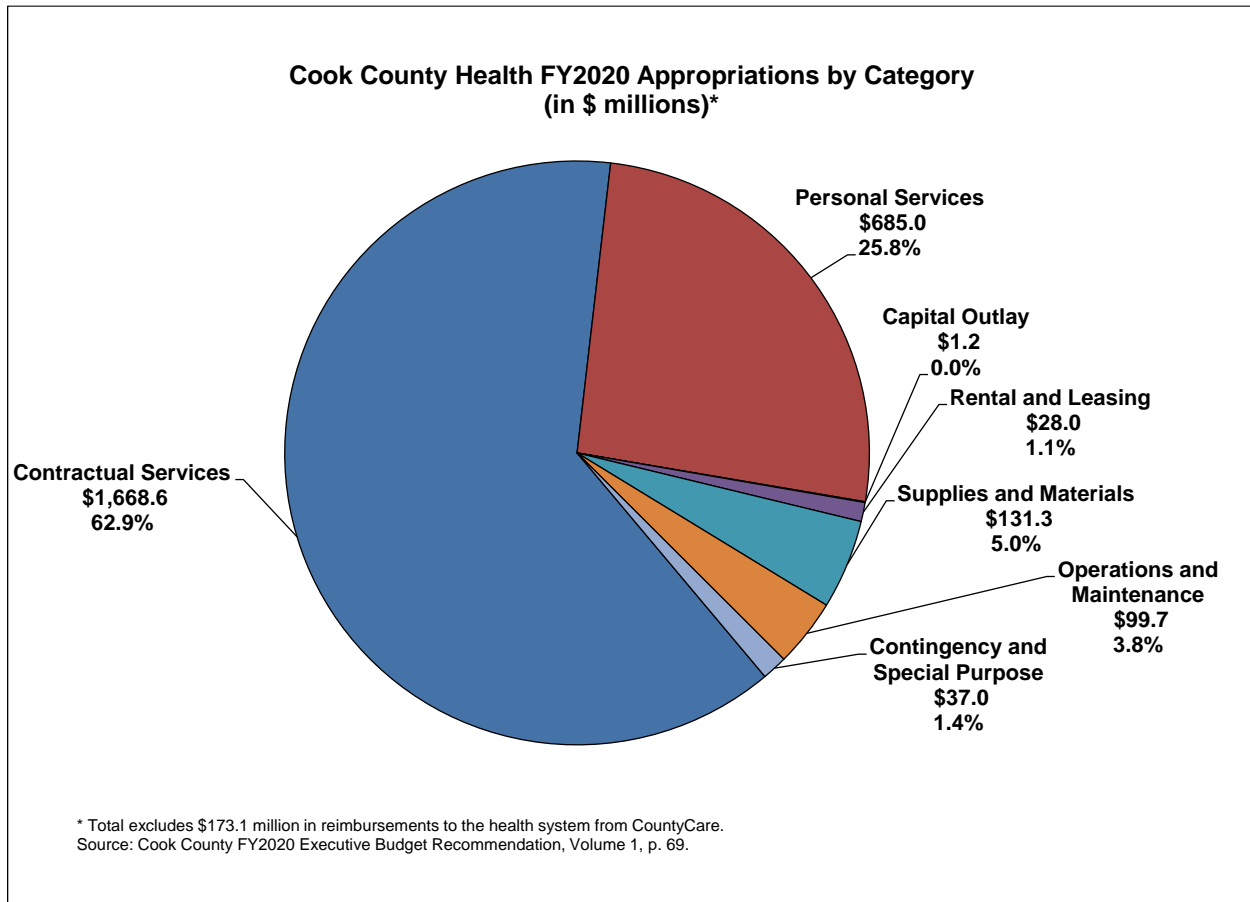
**Totals may not sum due to rounding.

Source: 2020 Cook County Preliminary Forecast, p. 31; Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 80.

Due to the growth of CountyCare, which relies heavily on outside healthcare providers and administrators, the health system now spends more on contractual services than on personal services. Contractual services account for 62.9% of appropriations in FY2020, up from 15.9% in FY2013.²¹⁰ Personal services represent 25.8% of FY2020 appropriations, compared with 64.7% in FY2013. Excluding contractual services, personal services account for nearly 70% of remaining appropriations in FY2020. The third largest spending category is supplies and

²¹⁰ Cook County FY2013 Appropriation Bill, Volume 1, pp. 30-31.

materials, at 5.0% of FY2020 appropriations. The following chart shows FY2020 appropriations by category.



Resources

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

Operating Revenues

The health system’s operating revenues are expected to increase by \$124.0 million, or 4.7%, to \$2.74 billion in FY2020 from an adopted projection of \$2.62 billion in FY2019. However, as previously discussed, the FY2020 figure includes for the first time CountyCare’s reimbursement to the health system as a separate item.²¹¹ This reimbursement of \$173.1 million is already included in total CountyCare revenue.

²¹¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3.

For purposes of comparability, revenues are shown in this section net of the double-counted CountyCare reimbursement. After that adjustment, operating revenues decline by \$49.1 million, or 1.9%, to \$2.57 billion in FY2020 from the FY2019 adopted projection of \$2.62 billion. As explained below, the projection for FY2019 revenues has decreased significantly since the FY2019 budget was adopted in November 2018.

Managed care revenues decline by \$45.0 million, or 2.5%, to \$1.78 billion in FY2020 from the adopted FY2019 projection. The decrease reflects the budgeted drop in CountyCare membership, from 345,000 members initially expected in FY2019 to 326,034 budgeted in FY2020. Managed care revenues in FY2020 also include \$25.0 million from the health system's new Medicare Advantage plan.²¹²

Patient fee revenue not related to CountyCare declines slightly to \$490.4 million in FY2020 from \$494.0 million in the FY2019 adopted budget. This revenue generally consists of payments by Medicaid, Medicare and other managed care organizations whose members use health system services.

Cook County Health also receives supplemental Medicaid payments—not tied to individual patient care—designed for hospitals that serve low income and uninsured patients. These payments total \$289.0 million in FY2020, unchanged from FY2019. They consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).²¹³

States make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid. The health system began receiving DSH payments under an agreement with the State completed in mid-2009 that was retroactive to July 1, 2008. The ACA would have reduced annual DSH payments beginning in 2014, but the reductions have repeatedly been delayed by Congress—most recently through November 21, 2019.²¹⁴

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.²¹⁵ Of the total allocation, about 65% goes to the State for its Medicaid program and 35% is kept by the health system.

²¹² Cook County FY2020 Budget Briefing, October 11, 2019, p. 13.

²¹³ Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2).

²¹⁴ American Hospital Association, "President signs CR to fund government, delay Medicaid DSH cuts," September 27, 2019.

²¹⁵ Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

The following table shows operating revenues from FY2016 through FY2020. Over the five-year period, operating revenues increase by \$1.1 billion, or 75.7%, from \$1.5 billion in FY2016, largely because of CountyCare.

Cook County Health Operating Revenues: FY2016-FY2020 (in \$ thousands)									
	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Adopted	FY2020 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Patient Fee Revenue	\$ 290,436.1	\$ 288,106.4	\$ 431,844.1	\$ 494,000.0	\$ 663,532.9	\$ 169,532.9	34.3%	\$ 373,096.8	128.5%
(Adjustment for Internal CountyCare Reimbursements) ¹	\$ -	\$ -	\$ -	\$ -	\$ (173,100.0)	\$ (173,100.0)	na	\$ (173,100.0)	na
Adjusted Patient Fee Revenue	\$ 290,436.1	\$ 288,106.4	\$ 431,844.1	\$ 494,000.0	\$ 490,432.9	\$ (3,567.1)	-0.7%	\$ 199,996.8	68.9%
BIPA ²	\$ 137,435.0	\$ 140,000.0	\$ 136,043.8	\$ 132,300.0	\$ 132,300.0	\$ -	0.0%	\$ (5,135.0)	-3.7%
DSH ³	\$ 157,278.3	\$ 156,986.9	\$ 161,357.0	\$ 156,700.0	\$ 156,700.0	\$ -	0.0%	\$ (578.3)	-0.4%
Managed Care	\$ 868,162.9	\$ 816,435.7	\$ 1,817,910.8	\$ 1,821,249.6	\$ 1,776,258.6	\$ (44,991.0)	-2.5%	\$ 908,095.7	104.6%
Miscellaneous ⁴	\$ 8,118.6	\$ 18,000.8	\$ 16,334.2	\$ 13,000.0	\$ 12,500.0	\$ (500.0)	-3.8%	\$ 4,381.4	54.0%
Total	\$ 1,461,430.9	\$ 1,419,529.8	\$ 2,563,489.9	\$ 2,617,249.6	\$ 2,568,191.4	\$ (49,058.2)	-1.9%	\$ 1,106,760.5	75.7%

¹FY2020 patient fee revenue includes \$173.1 million in CountyCare reimbursements. This amount, which is also included in Managed Care revenue and was added to patient fee revenue for the first time in FY2020, is deducted for purposes of comparison.

²Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

³Disproportionate Share Hospital payments.

⁴Includes Public Health Department fees and revenue from cafeteria, medical records, parking income and pharmacy service charges.

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 21 and 41.

The projection for FY2019 operating revenue has declined significantly since November 2018, when the FY2019 budget was passed. The latest projection, from June 2019, shows health system operating revenue of \$2.42 billion, a decrease of \$194.8 million, or 7.4%, from the initial estimate of \$2.62 billion.²¹⁶ The drop has been attributed to the shortfall in CountyCare membership, the increase in uncompensated care and fewer than expected hospital visits and surgery cases.

Cook County Health Operating Revenues: FY2019 Adopted vs. Projected (in \$ millions)				
	FY2019 Adopted	FY2019 Projected ¹	\$ Difference	% Difference
Patient Fee Revenue	\$ 494,000.0	\$ 478,228.2	\$ (15,771.8)	-3.2%
BIPA ²	\$ 132,300.0	\$ 132,300.0	\$ -	0.0%
DSH ³	\$ 156,700.0	\$ 156,700.0	\$ -	0.0%
Managed Care	\$ 1,821,249.6	\$ 1,642,496.9	\$ (178,752.7)	-9.8%
Miscellaneous ⁴	\$ 13,000.0	\$ 12,731.0	\$ (269.0)	-2.1%
Total	\$ 2,617,249.6	\$ 2,422,456.1	\$ (194,793.5)	-7.4%

¹As of June 2019.

²Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

³Disproportionate Share Hospital payments.

⁴Includes Public Health Department fees and revenue from cafeteria, medical records, parking income and pharmacy service charges.

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 21 and 41.

Since the June forecast, the health system said it has partially eliminated the shortfall with about \$77 million in additional Medicaid reimbursements from the State related to the provision of graduate medical education.²¹⁷ The funding was authorized by the Illinois General Assembly in 2018 but payment had not been received as of June 2019.²¹⁸

²¹⁶ Cook County FY2020 Preliminary Forecast, p. 28.

²¹⁷ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 20.

²¹⁸ Illinois General Assembly, Public Act 100-0581, enacted on March 12, 2018.

County Tax Allocation

In FY2020 the health system's net operating tax allocation from the County increases by \$10.0 million, or 13.8%, to \$82.7 million from \$72.7 billion in FY2019 and consists solely of property taxes.²¹⁹ Although this allocation is sometimes shown as \$112 million in the County budget,²²⁰ the net allocation is \$82.7 million because of offsetting annual pension contributions of \$29.3 million by the health system beginning in FY2018.²²¹

It should be noted that the health system's budget includes the Public Health Department and health services at the County Jail and the JTDC, which generate little or no revenue. In FY2020 combined appropriations for those operations total \$98.2 million, exceeding the tax allocation.

The operating tax allocation for the health system does not include County payments for system-related pension contributions and debt service. In FY2020 these additional County contributions total \$317.1 million, consisting of \$176.4 million in statutorily required and supplemental pension payments and \$140.7 million in debt service payments.

The following table shows the County's tax allocation for the health system from FY2016 through FY2020. While the direct operating allocation has declined significantly, total support has increased because of higher pension and debt service payments. However, total County financial support has declined significantly from \$594.2 million in FY2009 due to the reduction in the direct operating allocation from that year's \$481.4 million.²²²

Cook County Tax Allocation to Cook County Health: FY2016-FY2020 (in \$ thousands)									
	FY2016 Adopted	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Operating Tax Allocation*	\$ 121,235.2	\$ 111,500.0	\$ 72,704.9	\$ 72,704.9	\$ 82,704.9	\$ 10,000.0	13.8%	\$ (38,530.3)	-31.8%
Net Statutory Pension Payments	\$ 62,223.1	\$ 68,444.0	\$ 64,104.7	\$ 67,285.3	\$ 68,898.6	\$ 1,613.3	2.4%	\$ 6,675.5	10.7%
Supplemental Pension Payments	\$ 85,880.9	\$ 116,294.1	\$ 107,150.6	\$ 112,501.4	\$ 107,537.4	\$ (4,964.0)	-4.4%	\$ 21,656.5	25.2%
Debt Service Payments	\$ 110,221.7	\$ 115,903.7	\$ 122,017.8	\$ 136,741.2	\$ 140,664.9	\$ 3,923.7	2.9%	\$ 30,443.2	27.6%
Total**	\$ 379,560.9	\$ 412,141.7	\$ 365,978.0	\$ 389,232.8	\$ 399,805.8	\$ 10,573.0	2.7%	\$ 20,244.9	5.3%

*Operating tax allocation in FY2018, FY2019 and FY2020 is net of \$29.3 million pension contribution paid by Cook County Health.

**Totals may not sum due to rounding.

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

The County has historically financed the health system's capital improvements. For the nine-story Professional Building near Stroger Hospital that replaced the outdated Fantus Health Center in late 2018, the County paid construction costs of about \$113 million, while the System itself provided approximately \$19 million for expenses including furniture, medical equipment, information technology and audio visual equipment.²²³ The health system plans to finance \$20 million in capital and medical equipment purchases in FY2020.²²⁴ The system's new strategic plan states that Cook County Health has assumed all debt service for new capital projects

²¹⁹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 21.

²²⁰ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 10.

²²¹ Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 41.

²²² Cook County FY2014 Executive Budget Recommendation, Volume 1, p. 40.

²²³ Cook County Health and Hospitals System, *Central Campus Health Center Update*, January 26, 2018, <http://www.cookcountyhhs.org/wp-content/uploads/2018/03/01-26-18-Board-scan-Minutes.pdf> (last accessed on October 23, 2018).

²²⁴ Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 20.

beginning in 2019.²²⁵ However, officials in the President’s Office said recently that payment for the new Provident Hospital will depend on the growth in uncompensated care.²²⁶

Despite the County’s operating tax allocation, the health system’s financial results in the past few years have not always been positive. Cook County Health had deficits of \$43.1 million in FY2016 and \$24.6 million in FY2017, followed by a surplus of \$26.2 million in FY2018. In general, expenditures have exceeded revenues because the system overestimated CountyCare revenues or patient fees. The projected deficit of \$103.2 million in FY2019 is based on a June 2019 forecast. As previously noted, the health system said it has received about \$77 million in additional Medicaid reimbursements since that time and is looking for efficiencies in personnel and contract costs to close the gap.

The following table shows the System’s actual financial results on a budget basis from FY2016 to FY2020.

Cook County Health Operating Results					
FY2016-FY2020 (in \$ thousands)					
	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Projected¹	FY2020 Budget²
Operating Revenues	\$ 1,461,430.9	\$ 1,419,529.9	\$2,563,489.9	\$ 2,422,456.1	\$ 2,568,191.4
Expenditures	\$ 1,625,739.0	\$ 1,548,064.6	\$2,609,283.4	\$ 2,598,315.0	\$ 2,650,896.3
Operating Surplus (Deficit)	\$ (164,308.1)	\$ (128,534.7)	\$ (45,793.5)	\$ (175,858.9)	\$ (82,704.9)
County Operating Tax Allocation ³	\$ 121,235.2	\$ 103,948.7	\$ 71,989.2	\$ 72,704.9	\$ 82,704.9
Surplus (Deficit)⁴	\$ (43,072.9)	\$ (24,585.9)	\$ 26,195.7	\$ (103,154.0)	\$ -

¹As of June 2019.

²FY2020 operating revenues and expenditures are net of CountyCare reimbursement to the health system of \$173.1 million.

³Does not include County pension contributions and debt service payments.

⁴Totals may not sum due to rounding.

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 21.

The County’s financial projections for the health system assume 4.4% annual growth in the tax allocation to \$98.3 million in FY2024 based on expected increases in uncompensated care costs that reduce patient fees.²²⁷ Even so, the projections show health system operating losses increasing from \$53.0 million in FY2021 to \$197.1 million in FY2024.

Personnel

The proposed FY2020 health system budget includes 6,601.0 full-time equivalent positions (FTEs), a net reduction of 638.3 FTEs, or 9.3%, from 7,239.3 due to the elimination of vacancies.²²⁸ Personnel appropriations (including overtime wages and health insurance expenses, but not pension contributions) decline to \$685.0 million in FY2020, a decrease of \$63.6 million, or 8.5%, from \$748.6 million in FY2019.²²⁹ The County has not specified the components of the

²²⁵ Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 19.

²²⁶ Communication between the Civic Federation and the Cook County Board President’s Office, October 11, 2019.

²²⁷ Cook County FY2020 Executive Budget Recommendation, Volume 1, pp. 18 and 21.

²²⁸ Cook County FY2020 Executive Budget Recommendation, Volume 1, pp.115 and 10.

²²⁹ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-6.

net decrease in personnel expenditures, so it is not possible to pinpoint the savings from vacancy reductions or the additional cost of collective bargaining increases.

Cook County Health had 1,151 vacant positions on June 30, 2019, which was the last vacancy figure included in the Board of Directors' monthly metrics.²³⁰ The number of unfilled positions has increased since the health system added 344.6 FTEs in FY2019. At the end of FY2018, there were 624 vacancies.²³¹

The vacancy reductions affect most areas of the health system. The ACHN's positions decline by 446.8 FTEs, or 54.0%, to 402.0 from 848.8, but that decrease reflects a realignment of clinic-related staff to the system's hospitals.²³² Staffing increases by 21.0 FTEs at the Department of Public Health due to a transfer of 34 positions and associated funding from the TB Sanitarium District Special Purpose Fund.²³³ The Oak Forest Health Center adds 12.6 FTEs because relocation from the site has been delayed.

The following table shows health system FTEs from FY2016 to FY2020. Over the five-year period, Managed Care staffing has increased from 23.0 FTEs to 403.0 FTEs, reflecting the growth in CountyCare. The JTDC's staffing rose 77.1%, from 35.0 FTEs to 62.0 FTEs, as the health system began providing mental health services at the detention facility in FY2019. At the Oak Forest Health Center, staffing declined by 50.5% because clinical personnel were moved to the ACHN budget.

Cook County Health FTEs: FY2016-FY2020									
	FY2016 Adopted	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Health System Administration	485.0	503.0	504.7	361.0	320.0	(41.0)	-8.1%	(165.0)	-34.0%
Cermak Health Services	609.0	637.5	653.0	631.0	574.0	(57.0)	-8.7%	(35.0)	-5.7%
JTDC Health Services	35.0	38.0	33.0	65.0	62.0	(3.0)	-9.1%	27.0	77.1%
Provident Hospital	354.0	339.0	328.0	379.6	403.0	23.4	7.1%	49.0	13.8%
Ambulatory and Community Health Network	775.0	847.0	828.0	848.8	402.0	(446.8)	-54.0%	(373.0)	-48.1%
CORE Center	78.0	78.0	74.0	75.0	70.0	(5.0)	-6.8%	(8.0)	-10.3%
Department of Public Health	123.0	108.0	110.0	102.0	123.0	21.0	19.1%	0.0	0.0%
Managed Care	23.0	99.0	179.0	495.0	403.0	(92.0)	-51.4%	380.0	1652.2%
Stroger Hospital	4,154.7	4,133.4	4,119.0	4,245.5	4,195.0	(50.5)	-1.2%	40.3	1.0%
Oak Forest Health Center	99.0	82.0	66.0	36.4	49.0	12.6	19.1%	(50.0)	-50.5%
Total	6,735.7	6,864.9	6,894.7	7,239.3	6,601.0	(638.3)	-9.3%	(134.7)	-2.0%

Source: Cook County FY2020 Executive Budget Recommendation, Volume 1, p.115.

Partly as a result of the large number of vacancies, the health system has been unable to meet its goals for reining in overtime pay. Overtime expenses are currently running at 7.5% of gross salary, compared with a budget goal of 5.0% and an industry benchmark of 2%.²³⁴ The FY2020

²³⁰ Cook County Health, Board of Directors, *Human Resources Metrics*, July 26, 2019. p. 3, <https://cookcountyhealth.org/wp-content/uploads/Metrics-Combined-07-26-19.pdf> (last accessed on October 20, 2019).

²³¹ Cook County Health, Board of Directors, *Human Resources Metrics*, December 21, 2018, p. 6, <https://cookcountyhealth.org/wp-content/uploads/Metrics-HR-12-21-18.pdf> (last accessed on October 21, 2019).

²³² Statement by CFO Ekerete Akpan at Cook County Health Board of Directors meeting, September 13, 2019.

²³³ Cook County FY2020 Executive Budget, Volume 1, p. 68.

²³⁴ Cook County Health, *Report from the CFO*, October 18, 2019, p. 9, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-10-18-19.pdf> (last accessed on October 21, 2019)

budget includes overtime expenses of \$30.5 million, a decrease of 14.8% from FY2019 overtime appropriations of \$35.8 million.²³⁵

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.²³⁶ Fund balance is an important indicator of financial stability for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities that are not legally restricted from use. It is a more measure of liquidity than of net worth.²³⁷ Fund balance can be thought of as the savings account of the local government.

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

Components of Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) sets guidelines for government reporting of fund balance in audited financial statements. Previously, governments reported fund balance in two categories: *reserved*, meaning not available for appropriation, and *unreserved*, or resources available for appropriation without any external legal restrictions or constraints.²³⁸ GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to fund balance classifications that place different levels of constraint on the use of the resources.²³⁹

GASB Statement No. 54 created five components of fund balance that indicate the extent to which resources are restricted from use. Not every government or governmental fund will report all components. The five components are:

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment;
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;

²³⁵ Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-6.

²³⁶ Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

²³⁷ Stephen J. Gauthier, *The New Fund Balance*, Chicago: GFOA, 2009, p. 34.

²³⁸ Steven Gauthier, "Fund Balance: New and Improved," *Government Finance Review*, April 2009.

²³⁹ Governmental Accounting Standards Board, *Summary of Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions* (issued February 2009).

- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation;
- *Assigned fund balance* – the portion of fund balance reflecting the government’s intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance; and
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.²⁴⁰

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

Cook County Financial Policy and GFOA Best Practices

The Government Finance Officers Association (GFOA) recommends “at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”²⁴¹ Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller reserve may be appropriate for the largest governments in the United States. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.²⁴²

Cook County has a financial reserve policy to maintain “an unassigned fund balance in the General Fund of no less than one month, with a targeted goal not to exceed two months, of the prior year audited General Fund operating expenditures.”²⁴³ If the unassigned fund balance drops below the level equal to one month of audited General Fund expenditures, the policy directs the County to develop a plan to replenish the fund balance and incorporate the plan into budget preparation.²⁴⁴

Cook County General Fund Unrestricted Fund Balance Ratio FY2011-FY2017

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

²⁴⁰ Stephen J. Gauthier, “Fund Balance: New and Improved,” Government Finance Review, April 2009.

²⁴¹ Government Finance Officers Association, Fund Balance Guidelines for the General Fund (Adopted September 2015).

²⁴² Government Finance Officers Association, Fund Balance Guidelines for the General Fund (Adopted September 2015).

²⁴³ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 231.

²⁴⁴ Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 231.

The General Fund is Cook County's principal operating fund. Cook County's General Fund consists of four accounts: Corporate, Public Safety, Self-Insurance and the Chief Judge Juvenile Justice Account.²⁴⁵ The table below shows the County's General Fund fund balance ratio as a percentage of General Fund operating expenditures.

Between FY2011 and FY2017, Cook County's unrestricted General Fund fund balance ratio fluctuated from 14.2% in FY2011 to a low of 4.4% in FY2014, increasing to a high of 15.9% in FY2017. The decrease in fund balance to \$62.5 million in FY2014, a ratio of 4.4% of operating expenditures, was due to several factors: the General Fund absorbed a negative balance of \$15.3 million in the Juvenile Justice Fund when the fund was reclassified; there was a revenue shortfall of \$36.0 million in the Office of the Sheriff due to overtime expenses and a \$15.0 million shortfall in the Office of the Circuit Court Clerk; and the County used \$12.0 million to offset a shortage of payments from the State.²⁴⁶

The unrestricted fund balance increased to \$99.3 million in FY2015, due largely to revenue increases from non-property taxes (including the Sales Tax, Use Tax, Gasoline Tax, Cigarette Tax, Amusement Tax, Non-Retailer Transaction Use Tax, and Parking Lot and Garage Operation Tax) and a reallocation of Cigarette Taxes to the General Fund from the Health Enterprise Fund.²⁴⁷ The fund balance increased again both in FY2016 to a ratio of 11.4% of General fund expenditures, and to 15.9% of General Fund expenditures in FY2017. The increase in FY2016 was due to increased revenues, primarily from an increase in the sales tax rate implemented in FY2016, as improved vehicle sales.²⁴⁸ The increase in FY2017 was primarily

²⁴⁵ Cook County FY2015 Comprehensive Annual Financial Report, p. 8. The General Fund does not include the Cook County Health and Hospitals System. For the first time, the FY2014 budget separated the Health Fund from the General Fund. This change is in line with the County's efforts to make the Cook County Health and Hospitals System more self-sufficient in terms of its revenues and expenditures.

²⁴⁶ Communication with Cook County Bureau of Finance, October 30, 2015.

²⁴⁷ Cook County FY2015 Comprehensive Annual Financial Report, p. 20.

²⁴⁸ Cook County FY2016 Comprehensive Annual Financial Report, p. 19.

due to increased sales tax revenue, compliance initiatives resulting in increased revenue from a number of other non-property taxes and more timely payments from the State of Illinois.²⁴⁹

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

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

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

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

²⁴⁹ Cook County FY2017 Comprehensive Annual Financial Report, pp. 19-20.

COOK COUNTY PENSION FUND

The Civic Federation analyzes four indicators of the fiscal health of Cook County’s pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators up to FY2018, the most recent year for which audited data are available, and describes Cook County pension benefits. There is also a discussion of the Fund’s liabilities as reported according to accounting standards required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68). Unless otherwise stated, the numbers used in this chapter are statutorily required numbers used for funding purposes.

Plan Description

The County Employees’ and Officers’ Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.²⁵⁰ Plan benefits and contribution amounts can only be amended through State legislation.²⁵¹ The fiscal year of the Cook County pension fund is January 1 to December 31.²⁵²

The Cook County pension fund is governed by a nine-member Board of Trustees.²⁵³ As prescribed in State statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including new members of the Cook County pension fund.²⁵⁴ This report will refer to “Tier 1 employees” as those persons hired before the effective date of Public Act 96-0889 and “Tier 2 employees” as those persons hired on or after January 1, 2011.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. Final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80.0% of final average salary. For example, a 60 year-old employee with 30 years of

²⁵⁰ County Employees’ Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2018, p. 9.

²⁵¹ The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

²⁵² This is different from the fiscal year of Cook County, which is December 1 to November 30.

²⁵³ The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however, and is not included in this analysis. For more information, see the Civic Federation’s analysis of the proposed FY2019 Forest Preserve District budget. https://www.civicfed.org/sites/default/files/fy2019_forest_preserve_analysis.pdf

²⁵⁴ A “trailer bill” to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.

service and a \$77,500 final average salary could retire with a \$55,800 annuity: $30 \times \$77,500 \times 2.4\% = \$55,800$.²⁵⁵ The annuity increases every year by an automatic compounded 3.0%.

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

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County, the reduction of final average salary from the highest four year average to the highest eight year average, the \$106,800 cap on pensionable salary and the reduction of the automatic annuity increase from 3.0% compounded to the lesser of 3.0% or one half of the increase in Consumer Price Index not compounded.²⁵⁶

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

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

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

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

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2018; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

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

²⁵⁵ The largest cohort of retirees in FY2018 was Cook County employees with 30+ years of service. Their average final average salary was \$77,484, so \$77,500 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County CAFR as of December 31, 2018, p. 156.

²⁵⁶ An alternate annuity for County officers was available for Cook County officials who came into office on or before January 1, 2008. This benefit was eliminated for officials hired after January 1, 2008 via Public Act 95-0654. Another optional pension plan existed between 1985 and 2005. The Optional Pension Plan was created in 1985 by the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005. 40 ILCS 5/9-

In the absence of pension reforms for the Cook County Pension Fund passing the Illinois General Assembly, the County implemented in FY2016 a supplementary pension payment schedule above the amount specified under state law and funded through a one percentage point increase in the County's home rule sales tax rate. In FY2020 the supplementary payment is proposed to be \$327.0 million above the statutory multiple contribution of approximately \$200.9 million. The County's supplementary payment schedule is scheduled to increase by no more than 2% each year and result in a 100% funded ratio in 30 years. Currently the County is providing the funding 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.

Membership

In FY2018 the fund had 19,511 active employee members and 18,762 beneficiaries for a ratio of 1.04 active members for every beneficiary. This ratio fell from 1.58 in FY2009 as the number of active members has declined and the number of beneficiaries rose. A decline in the ratio of active employees to retirees can create fiscal stress for a mature, underfunded pension fund like the Cook County Pension Fund because it means there are fewer dollars in employee contributions going into the fund and more in annuity payments flowing out of the fund.

Cook County Pension Fund Membership: FY2009-FY2018			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2009	23,570	14,915	1.58
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
FY2012	21,187	16,434	1.29
FY2013	21,079	16,885	1.25
FY2014	21,467	17,265	1.24
FY2015	21,425	17,768	1.21
FY2016	20,798	18,080	1.15
FY2017	20,200	18,366	1.10
FY2018	19,511	18,762	1.04
10-Year Change	-4,059	3,847	-0.54
10-Year % Change	-17.2%	25.8%	-34.2%

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

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2009-FY2018.

179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40.

Funded Ratios

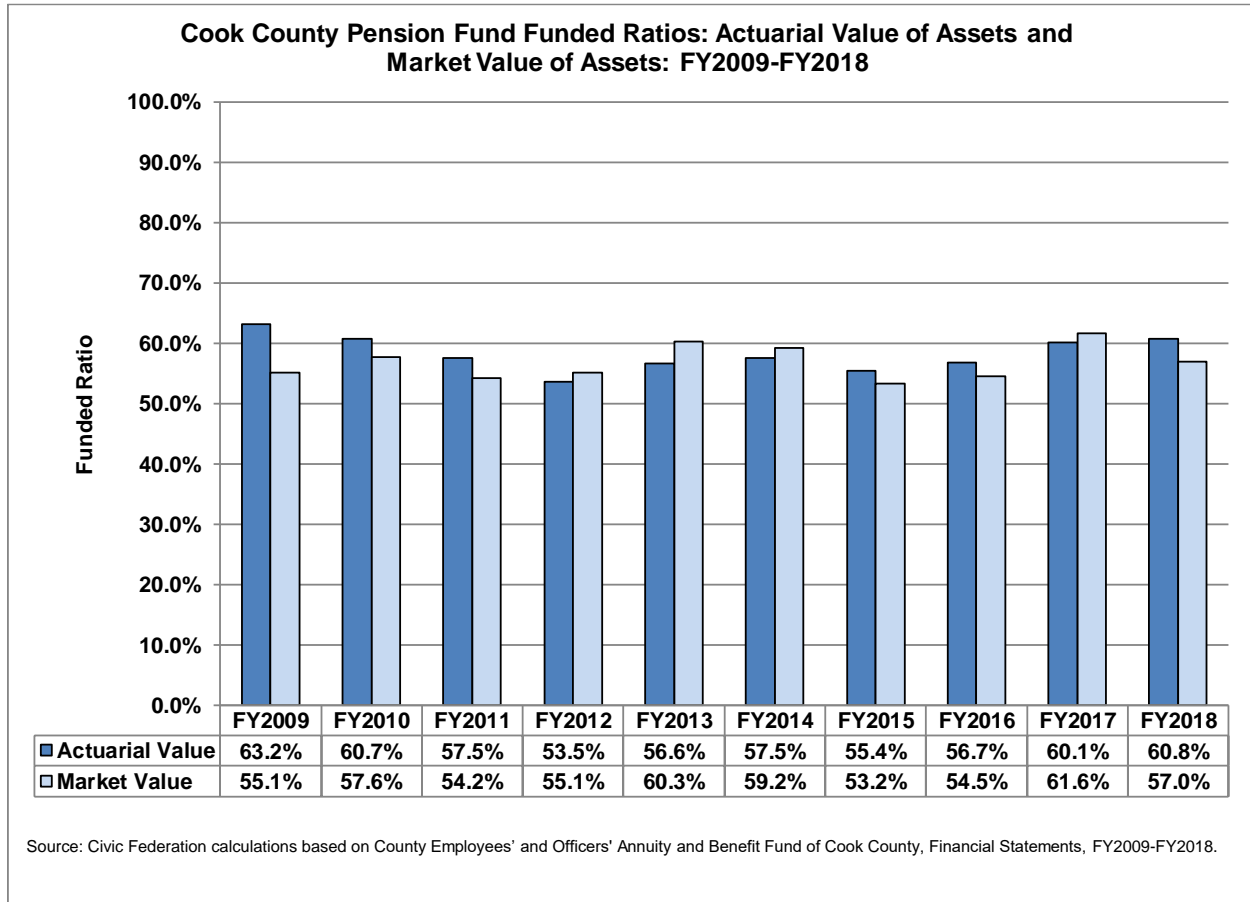
This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting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

The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.²⁵⁷ The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 63.2% in FY2009 and subsequently fell to 53.5% by FY2012 as large losses in the market crash during FY2008 were incorporated into the valuation. The fund has since fluctuated and then rebounded to 60.8% in FY2018 following increased employer contributions in FY2016 through FY2018. The market value funded ratio was 55.1% in FY2009, following a 23% investment loss in FY2008 and

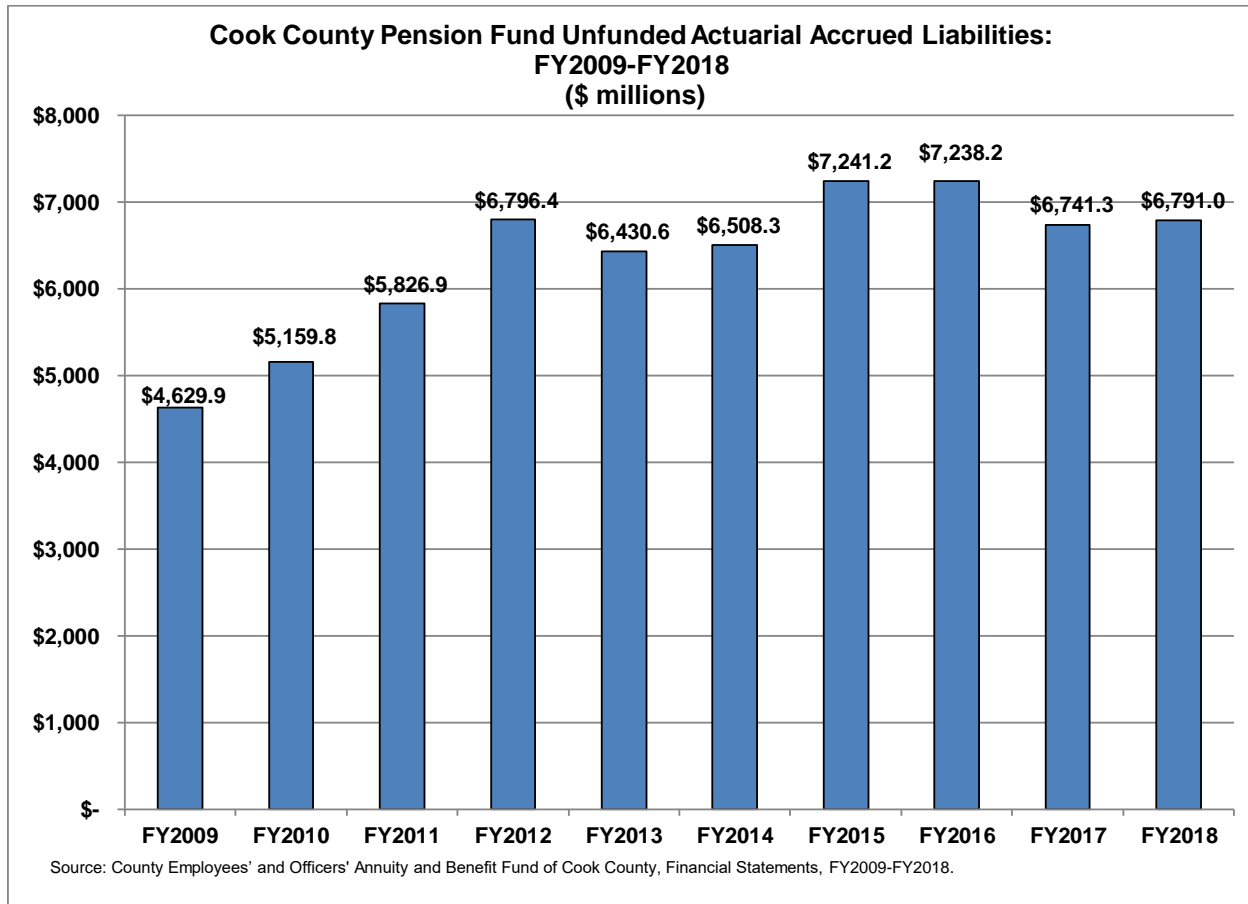
²⁵⁷ For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012*, October 2, 2014.

subsequently fluctuated with market returns before increasing in FY2016 and FY2017 and then falling in FY2018 with large investment losses.



Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, the unfunded liability for Cook County's pension fund totaled nearly \$6.8 billion in FY2018, up 46.7% from \$4.6 billion in FY2009. The FY2018 unfunded liability was up from FY2017 due mostly to investment losses.



The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since the beginning of FY2009. The largest contributor to the nearly \$3.8 billion growth in unfunded liabilities between the beginning of FY2009 and the end of FY2018 was a shortfall in employer contributions as compared to a contribution that would prevent growth of the unfunded liability (normal cost plus interest) which added \$2.9 billion to the unfunded actuarial accrued liability over 10 years. The second largest contributor was that investment returns failed to meet the expected rate of return.²⁵⁸ This added nearly \$1.3 billion to the UAAL. These unfunded liability increases were somewhat offset by salary increases that have tended to be lower than originally assumed, reducing the unfunded liability by \$817.4 million over the past decade. Finally, changes to actuarial assumptions have added \$462.5 million to the unfunded liabilities, with a large increase in FY2009 mainly due to updated

²⁵⁸ The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2012*, October 2, 2014.

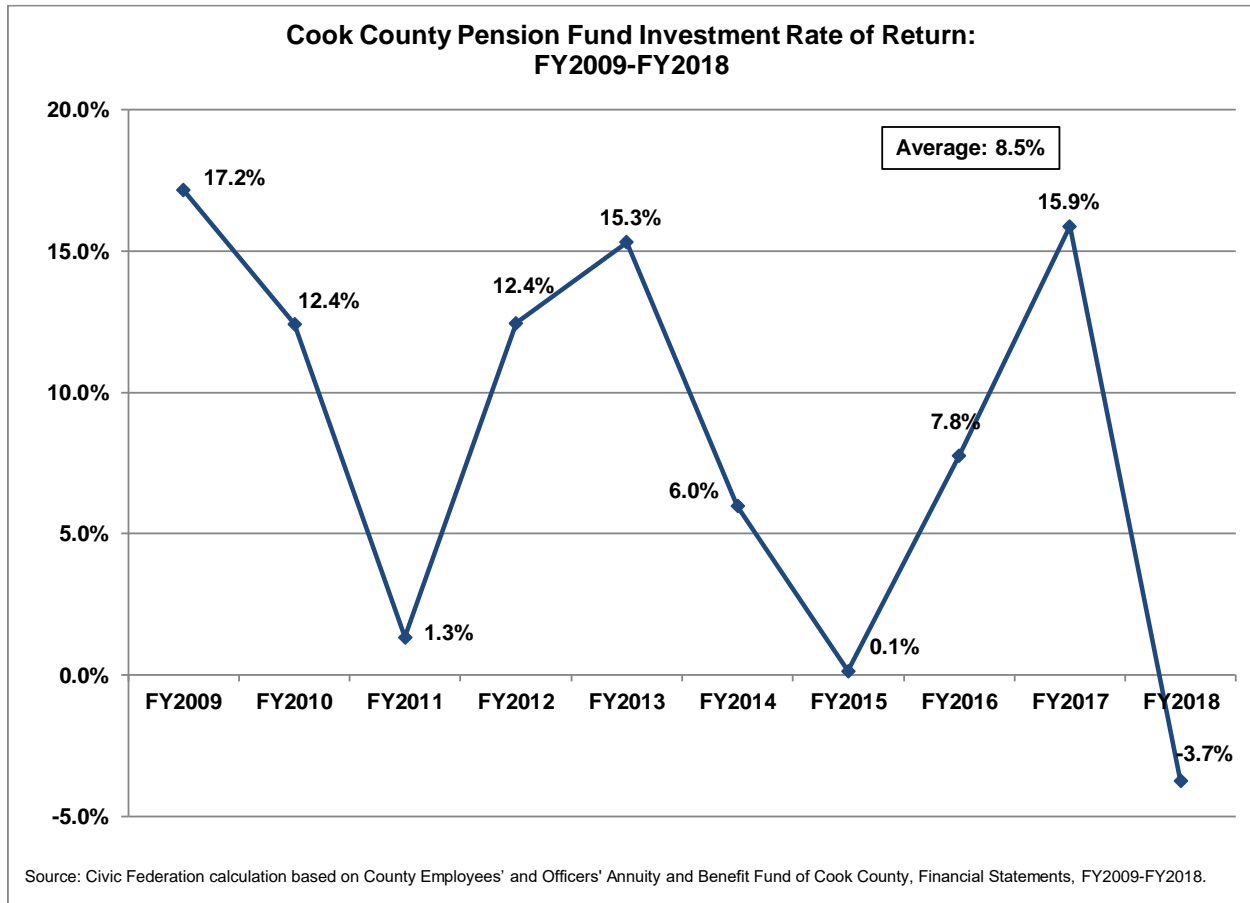
mortality assumptions somewhat offset by reductions in the past two fiscal years due mainly to changes in retiree healthcare assumptions.

Reasons for Change in the Cook County Pension Fund Unfunded Actuarial Accrued Liability: FY2009-FY2018						
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Salary Increase (Lower)/Higher Than Assumed	Change in Actuarial Assumptions or Methods	Other	Total Net UAAL Change
FY2009	\$ 258,309,848	\$ 534,155,051	\$ (138,750,205)	\$ 810,786,835	\$ 128,340,572	\$ 1,592,842,101
FY2010	\$ 349,354,012	\$ 364,312,504	\$ (185,530,277)	\$ -	\$ 1,683,624	\$ 529,819,863
FY2011	\$ 371,793,485	\$ 459,875,129	\$ (138,554,686)	\$ -	\$ (25,972,161)	\$ 667,141,767
FY2012	\$ 252,886,106	\$ 376,601,751	\$ 34,073,219	\$ -	\$ 305,896,670	\$ 969,457,746
FY2013	\$ 513,419,056	\$ (586,433,767)	\$ (184,385,510)	\$ -	\$ (108,324,418)	\$ (365,724,639)
FY2014	\$ 423,103,748	\$ (161,124,113)	\$ (148,871,075)	\$ -	\$ (35,470,332)	\$ 77,638,228
FY2015	\$ 431,124,367	\$ 61,964,372	\$ 164,977,011	\$ -	\$ 74,819,248	\$ 732,884,998
FY2016	\$ 196,813,036	\$ 14,518,350	\$ 2,613,304	\$ -	\$ (216,877,547)	\$ (2,932,857)
FY2017	\$ 93,692,715	\$ (59,718,736)	\$ (78,486,650)	\$ (323,327,660)	\$ (129,097,600)	\$ (496,937,931)
FY2018	\$ 13,181,699	\$ 245,808,320	\$ (144,455,926)	\$ (24,987,447)	\$ (39,825,156)	\$ 49,721,490
10-Year Total	\$ 2,903,678,072	\$ 1,249,958,861	\$ (817,370,795)	\$ 462,471,728	\$ (44,827,100)	\$ 3,753,910,766

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2009-FY2018.

Investment Rate of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2009 and FY2018 the Cook County pension fund's average annual rate of return was 8.5%.²⁵⁹ As shown in the following chart, returns ranged from a high of 17.2% in FY2009 to a low of -3.7% in FY2018.



²⁵⁹ The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income / (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets - Current Year Gross Investment Income)). This is not necessarily the formula used by the pension fund's actuary and investment managers, thus investment rates of return reported here may differ from those reported in a fund's actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.

Pension Liabilities and Actuarially Determined Employer Contribution as Reported Under Governmental Accounting Standards Board Statements Number 67 and 68

In 2012 the Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting standards for public pension plans and for governments, Statements 67 and 68. According to GASB, the new standards were intended to “improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations.”²⁶⁰ 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 CAFR and actuarial valuations. Cook County began reporting according to GASB 68 in its FY2015 financial statements.

The total pension liability, fiduciary net position, net pension liability and ADC²⁶¹ are all calculated on a different basis both from what used to be required by GASB and from the traditional public pension actuarial basis.

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

- Entry age normal actuarial cost method and level percent of payroll. The Cook County Pension Fund also uses the entry age normal method for statutory reporting and funding purposes.
- A single blended discount rate, instead of basing the discount rate only on projected investment earnings. The discount rate is used to calculate the present value of the future obligations of a pension fund. The discount rate has an inverse relationship to actuarial liabilities, such that a lower discount rate will result in higher liabilities.
 - If a government is projected to have enough assets to cover its projected benefit payments to current and inactive employees, it can use the expected return on investments as its discount rate.

²⁶⁰ Governmental Accounting Standards Board, Pension Standards for State and Local Governments. Available at: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472>.

²⁶¹ Other differences and newly reported numbers are not central to the discussion here.

- 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 2040, 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 4.13%. The reported blended rate was 4.98% for FY2018.²⁶²

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. The chart below summarizes the main assumptions behind the Cook County Pension Fund calculations of ADC and ARC. Other than the discount rate, which was lowered to 7.25% in FY2017, there is no difference between the main assumptions of the ADC and ARC. The ADC uses the actuarially calculated UAAL number instead of the GASB 67 net pension liability number, which also makes it similar to the ARC. Additionally, the ADC need

²⁶² County Employees’ Annuity and Benefit Fund of Cook County, CAFR For the Fiscal Years Ended December 31, 2018 and 2017, pp. 13, 35.

not follow the GASB 67 and 68 requirement of using the market value of assets. The Cook County Pension Fund uses a five-year smoothed valuation of assets.

Calculation of the Actuarially Determined Contribution (ADC) vs the Annual Required Contribution (ARC)		
	ADC (FY2014 and After)	ARC (FY2013 and Earlier)
Amortization Period	30-year open	30-year open
Amortization Method	Level Dollar	Level Dollar
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Value of Assets	5-year smoothed	5-year smoothed
Investment Rate of Return	7.25%	7.50%

Source: Cook County Pension Fund FY2018 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a similar basis, the Civic Federation will continue to analyze the trend of the difference between the reported ADC/ARC and the statutorily required employer contribution the County must make under state law in order to demonstrate how far from sufficient the statutory payment is. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years earlier. The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.²⁶³

Before examining the ADC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the Cook County pension fund to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree healthcare on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets, usually a money market rate. These requirements were updated with GASB Statement No. 74, as discussed in the next section.²⁶⁴

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

- A valuation of pension liabilities reflecting a new GASB-determined blended discount rate introduced with GASB 67, which amounts to 4.98% in FY2018;
- Another valuation of OPEB liabilities following GASB 74 using a blended discount rate of 4.13%; and
- A “combined” valuation using a 7.25% discount rate for both pension and OPEB liabilities.

²⁶³ Starting with the FY2016 budget, the County started to make an annual supplementary contribution to the County pension fund with revenue from the one percentage point increase in the County's home rule sales tax rate.

²⁶⁴ Statement Number 75, providing for changes in OPEB reporting by governments in their own financial reporting, will go into effect for the 2018 fiscal year.

The Cook County pension fund considers the “combined” valuation to be the best reflection of its assets and liabilities because the pension and OPEB benefits are paid from the same asset pool.²⁶⁵ However, the separate pension and OPEB valuations calculated for GASB purposes are the ones used to compute the net pension liability and OPEB obligations of Cook County government that appear on the government’s balance sheet.

The table below shows only the “combined” valuation comparison of the ADC (or ARC in FY2013 and earlier) to the actual Cook County contribution over the last ten years.²⁶⁶ The employer contribution did not equal 100.0% of the ARC or ADC in any of the years FY2009 through FY2018. In FY2009 the \$188.3 million employer contribution represented 46.3% of the ARC, meaning that \$218.3 million more would need to have been contributed to meet the ARC that year. In FY2018 the \$587.7 million total employer contribution—which included both the statutory contribution and the supplemental contribution—represented 85.0% of the ADC for the “combined” valuation of pension and OPEB, for a shortfall of \$103.9 million that year. The cumulative ten-year difference between ADC/ARC and actual employer contribution for “combined” pension and OPEB is a \$3.2 billion shortfall.

Expressing ADC/ARC as a percent of payroll provides a sense of scale and affordability. In FY2009 the ARC was 27.1% of payroll while the actual employer contribution was 12.6% of payroll. In contrast after the County started to make supplementary pension payments, the FY2018 the “combined” pension and OPEB ADC was 45.1% of payroll, while the actual employer contribution was 38.3% of payroll.

Cook County Pension Fund Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation							
Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2009	\$ 406,625,773	\$ 188,285,316	\$ 218,340,457	46.3%	\$ 1,498,161,713	27.1%	12.6%
2010	\$ 468,181,943	\$ 184,722,634	\$ 283,459,309	39.5%	\$ 1,494,093,569	31.3%	12.4%
2011	\$ 613,952,848	\$ 198,837,424	\$ 415,115,424	32.4%	\$ 1,456,444,123	42.2%	13.7%
2012	\$ 655,800,100	\$ 190,720,776	\$ 465,079,324	29.1%	\$ 1,478,253,368	44.4%	12.9%
2013	\$ 655,800,100	\$ 187,817,644	\$ 467,982,456	28.6%	\$ 1,484,269,715	44.2%	12.7%
2014	\$ 719,890,057	\$ 190,032,872	\$ 529,857,185	26.4%	\$ 1,514,550,023	47.5%	12.5%
2015	\$ 634,722,132	\$ 186,832,321	\$ 447,889,811	29.4%	\$ 1,572,417,298	40.4%	11.9%
2016	\$ 639,794,759	\$ 464,268,404	\$ 175,526,355	72.6%	\$ 1,580,251,254	40.5%	29.4%
2017	\$ 696,007,249	\$ 559,205,626	\$ 136,801,623	80.3%	\$ 1,567,480,401	44.4%	35.7%
2018	\$ 691,620,570	\$ 587,748,221	\$ 103,872,349	85.0%	\$ 1,533,721,507	45.1%	38.3%

Note: This combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.13%) discount rate for OPEB liabilities as required for GASB Statement 75 financial reporting.

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

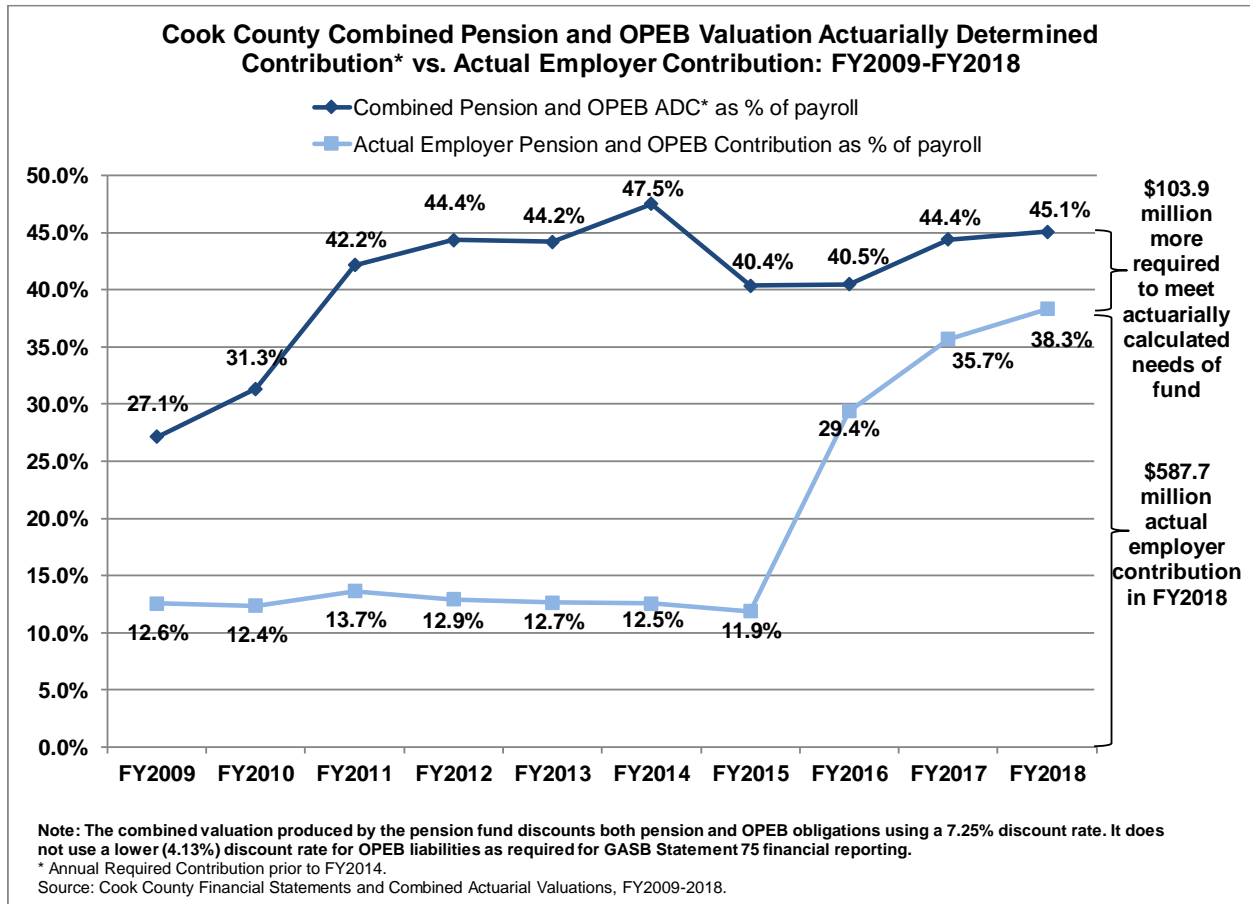
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2009-FY2017; Financial Statements as of December 31, 2018, p. 35, 38; and conversation with the Cook County Pension Fund.

The graph below illustrates the shrinking gap between the “combined” pension and OPEB ADC/ARC as a percent of payroll and the actual employer contribution as a percent of payroll.

²⁶⁵ Information provided by Daniel Degnan, Executive Director, Cook County Employees’ and Officers’ Annuity and Benefit Fund of Cook County, February 14, 2011.

²⁶⁶ The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund’s financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

The spread between the two amounts has fallen from 14.6% of payroll, or \$218.3 million, in FY2009 to 6.8% of payroll in FY2018 due to supplementary contributions made by the County and funded by the one percentage point increase in the County sales tax. In other words, to fund the pension and retiree healthcare plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years Cook County would have needed to contribute an additional 6.8% of payroll, or \$103.9 million, in FY2018.



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

The following table shows the Cook County Pension Fund financial reporting under GASB 67 and 68. Fiduciary Net Position (assets) as a percentage of Total Pension Liabilities is analogous to a funded ratio as calculated under actuarial standards. Because the Cook County Pension Fund assets are forecast to be insufficient to cover projected benefit payments starting in 2040, and therefore the Fund and Cook County must use a blended discount rate that is much lower than the expected rate of return on investment. A lower discount rate results in higher present values for liabilities and net pension liabilities.²⁶⁷ The reported net pension liability for FY2018 is \$11.9 billion, nearly double the unfunded actuarial accrued liability of \$6.8 billion. The County was

²⁶⁷ For more on discount rates and how they impact measurements of the present value of liabilities, read the Civic Federation blog: <https://www.civiced.org/iifs/blog/state-pension-liabilities-rise-due-lower-expected-investment-returns> and <https://www.civiced.org/civic-federation/blog/local-government-pension-funds-lower-their-expected-investment-rates-return-fy>.

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

Cook County Pension Fund GASB 67 Reporting FY2013-FY2018					
	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
Six-Year Change	\$ 605,592,795	\$ 934,657,126	\$ (329,064,331)		\$ 35,820,470
Six-Year % Change	2.87%	10.47%	-2.70%		5.46%

Source: FY2014-FY2018 Cook County Pension Fund Actuarial Valuations. FY2013 numbers were presented in the FY2014 report.

SHORT-TERM LIABILITIES

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

- *Accounts payable*: Monies owed to vendors for goods and services carried over into the new fiscal year;
- *Retainage payable*: The portion of a contract’s final payment withheld until the project is complete;²⁶⁸
- *Accrued salaries payable*: Employee pay carried over from the previous year;
- *Amounts held for outstanding warrants*: Cash balance maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputes these claims;²⁶⁹
- *Due to other funds, others or other governments*: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Notes payable*: Short-term loans due within the next fiscal year; and
- *Other liabilities*: Include self-insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers’ compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

²⁶⁸ See Business Dictionary at <http://www.businessdictionary.com/definition/retainage.html>.

²⁶⁹ See Cook County FY2015 Comprehensive Annual Financial Report, “Contingency – State Treasurer Claim,” p. 106.

In FY2018 short-term liabilities totaled \$247.5 million, a decrease of 29.2%, or \$102.0 million, from the prior fiscal year. Much of the change was primarily due to three factors:

- A \$22.5 million, or 16.0%, decrease in accounts payable;
- A \$28.0 million, or 48.7%, fall in accrued salaries payable, which was due to a decrease in the number of days accrued during FY2018 (7 days) versus FY2017 (20 days);²⁷⁰
- A \$44.2 million decrease in monies due to other funds, which fell from \$132.9 million to \$88.7 million. The latter figure consisted of a \$77.8 million payable due from the General Fund plus a \$10.9 million due from Agency funds to a combination of the Capital Projects, Debt Service, Proprietary and Cook County Health Systems General Funds.²⁷¹

Since FY2014 short-term liabilities have increased by \$42.9 million or 21.0%. The largest changes occurred within three categories:

- *Accrued Salaries Payable* declined by \$24.7 million or 45.6%, from \$54.1 million to \$29.4 million; and
- *Due to other funds* increased by \$75.9 million. This was mostly due to increase in payables due from the General Fund to other funds between FY2014 and FY2017.

Cook County Short-Term Liabilities in the Governmental Funds : FY2014-FY2018 (in \$ thousands)									
Type	FY2014	FY2015	FY2016	FY2017	FY2018	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accounts Payable	\$ 121,680	\$ 148,862	\$ 131,626	\$140,766	\$ 118,293	\$ (22,473)	-16.0%	\$ (3,387)	-2.8%
Retainage payable	\$ -	\$ 2,271	\$ -	\$ -	\$ -	\$ -	---	\$ -	---
Accrued Salaries Payable	\$ 54,062	\$ 73,777	\$ 56,281	\$ 57,324	\$ 29,402	\$ (27,922)	-48.7%	\$ (24,660)	-45.6%
Amounts held for outstanding warrants	\$ 4,480	\$ 1,490	\$ 1,392	\$ 1,381	\$ 1,374	\$ (7)	-0.5%	\$ (3,106)	-69.3%
Due to Other Funds	\$ 12,831	\$ 40,962	\$ 50,340	\$132,872	\$ 88,703	\$ (44,169)	-33.2%	\$ 75,872	591.3%
Due to Others	\$ 11,545	\$ 10,716	\$ 12,234	\$ 17,183	\$ 9,710	\$ (7,473)	-43.5%	\$ (1,835)	-15.9%
Total	\$ 204,598	\$ 278,078	\$ 251,873	\$349,526	\$ 247,482	\$ (102,044)	-29.2%	\$ 42,884	21.0%

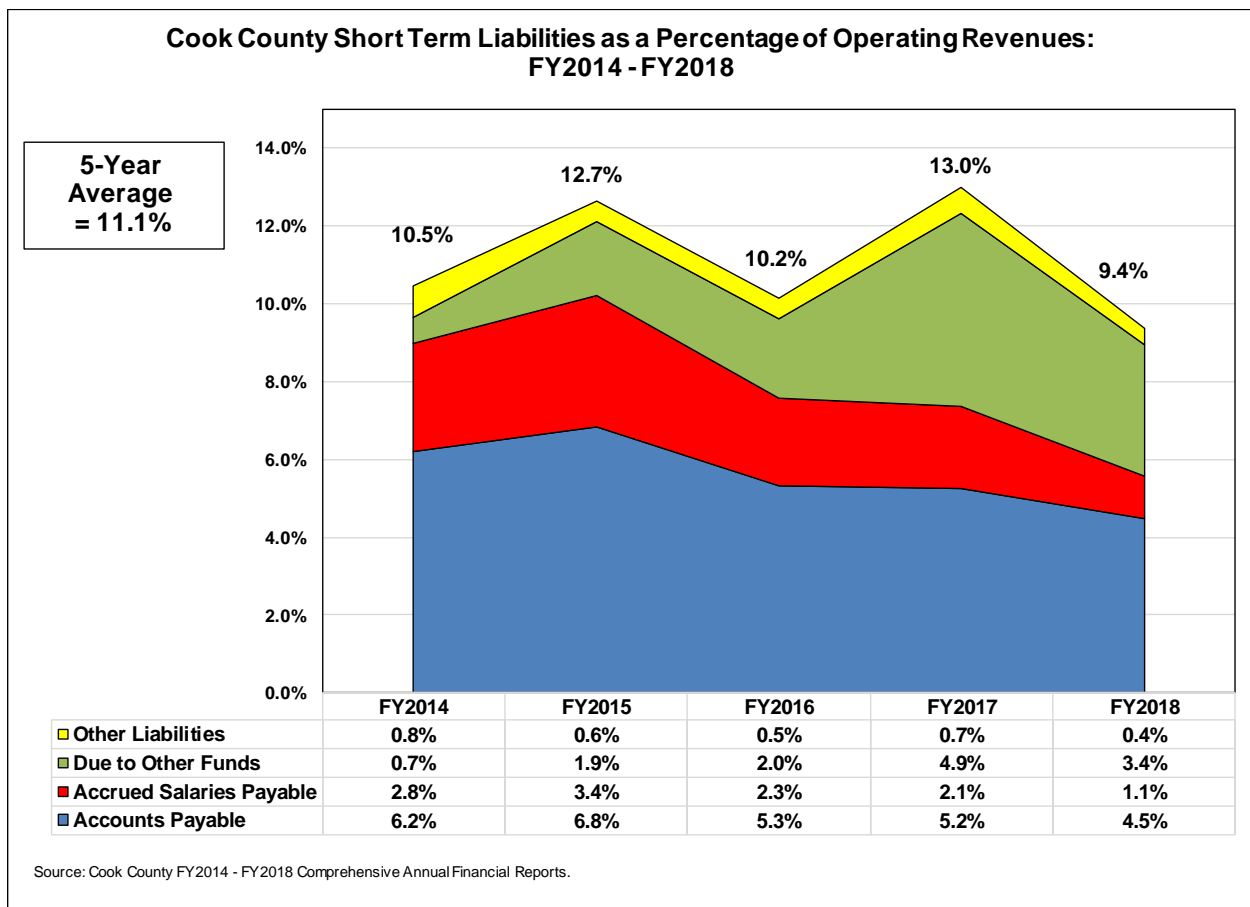
Source: Cook County FY2014-FY2018 Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

²⁷⁰ Information provided by Cook County Bureau of Finance on October 16, 2019.

²⁷¹ Cook County FY2018 Comprehensive Annual Financial Report, pp. 79-80.

Increasing current liabilities in a government’s operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government’s future financial difficulties.²⁷² This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government’s ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

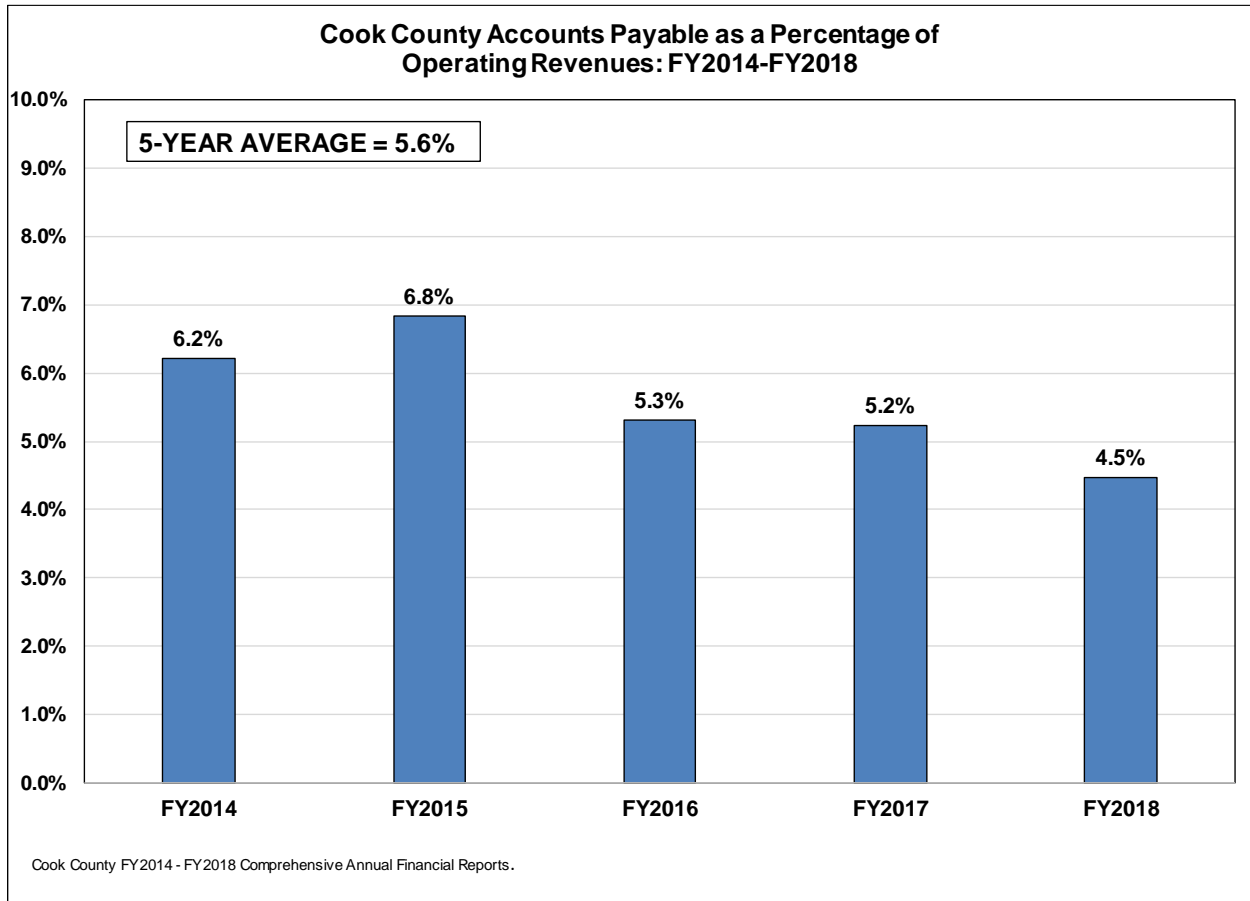
Cook County’s ratio of short-term liabilities to total operating revenue has fluctuated over time. The ratio increased from 10.5% in FY2014 to 12.7% one year later, mainly because of double digit percentage increases in three categories: due to other funds, accounts payable and accrued salaries payable. However, in FY2016 it fell to 10.2% because of declines in accounts payable, accrued salaries payable and amounts held for outstanding warrants. In FY2017 it rose again, increasing to 13.0% because of a large one-year increase in the due to other funds category before falling to 9.4% one year later because of drops in accounts payable, accrued salaries payable and amounts due to other funds. The ratio averaged 11.1% over the five-year period.



²⁷² Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), pp. 77 and 169.

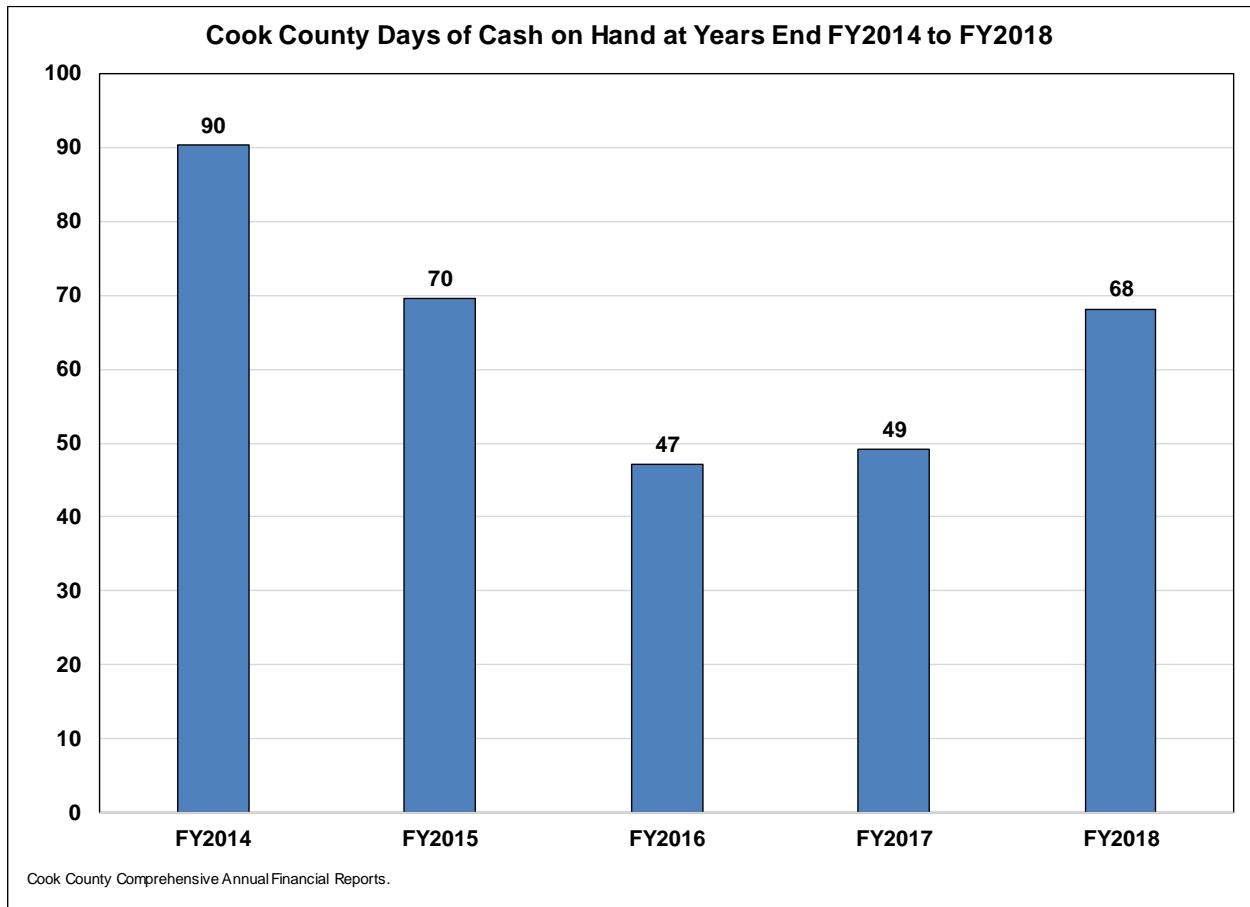
Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable compared to operating revenues may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. Cook County's ratio of operating funds accounts payable to operating revenues fell from 6.2% in FY2014 to 4.5% five years later. The five-year average ratio was 5.6%. The ratio is relatively low and thus not a cause for concern.



Days of Cash on Hand

Days of cash on hand is a widely used liquidity ratio. It shows how long an organization could meet its daily expenses using the cash on hand or assets that can quickly be turned into cash. It is calculated by dividing the amount of cash and marketable securities in the governmental funds by daily operating expenses in those funds. A government should maintain several months' worth of cash to pay bills as they come due. It is a sound practice to have at least enough cash on hand to exceed the length of a typical billing period, or 30 to 60 days.²⁷³ Between FY2014 and FY2016, Cook County reported that the days of cash on hand at year end fell from 90 to 47 days. Then, the number of days rose to 68 by FY2018. The County has met the best practice standard in all five years examined.



Current Ratio

The current ratio is a measure of liquidity. The ratio is calculated by dividing current assets by current liabilities. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are

²⁷³ Steven A. Finkler, *Financial Management for Public, Health, and Not-for-Profit Organizations*, p. 535.

equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.²⁷⁴

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

- *Cash and cash equivalents*: assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including grants, loans, property taxes and accrued interest;
- *Due from other governments*: monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government; and
- *Due from other funds or others*: receivables that are outstanding at the end of the fiscal year.

Cook County's current ratio was 6.7 in FY2018, the most recent year for which audited data are available. It rose from the prior year ratio of 4.5 because short-term assets rose by 5.8%, or \$90.0 million, at the same time short-term liabilities fell by 29.2%, or \$102.0 million.

In the five year period from FY2014 to FY2018, the current ratio fell by 11.3%, from 7.5 to 6.7. The decrease occurred because assets increased by \$112.1 million while liabilities concurrently increased by \$42.3 million, or by 21%.

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

Cook County Current Ratio of the Governmental Funds: FY2014-FY2018									
(in \$ thousands)									
	FY2014	FY2015	FY2016	FY2017	FY2018	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Current Assets									
Cash and investments	\$ 405,275	\$ 345,073	\$ 252,538	\$ 214,934	\$ 418,863	\$ 203,929	94.9%	\$ 13,588	3.4%
Cash and investments with escrow agent	\$ 84	\$ 161	\$ 95	\$ 2,854	\$ 5,346	\$ 2,492	87.3%	\$ 5,262	---
Cash and investments with trustees	\$ 193,178	\$ 87,865	\$ 63,422	\$ 138,166	\$ 67,299	\$ (70,867)	-51.3%	\$ (125,879)	-65.2%
Taxes receivable net - tax levy current year	\$ 674,041	\$ 580,328	\$ 619,812	\$ 660,443	\$ 679,868	\$ 19,425	2.9%	\$ 5,827	0.9%
Taxes receivable net - tax levy prior year	\$ 20,886	\$ 19,792	\$ 10,995	\$ 9,167	\$ 12,811	\$ 3,644	39.8%	\$ (8,075)	-38.7%
Accrued interest receivable	\$ 554	\$ 551	\$ 473	\$ 547	\$ 550	\$ 3	0.5%	\$ (4)	-0.7%
Accounts receivable - due from others	\$ 29,298	\$ 35,414	\$ 35,432	\$ 50,960	\$ 41,214	\$ (9,746)	-19.1%	\$ 11,916	40.7%
Accounts receivable - due from other governments	\$ 172,164	\$ 215,368	\$ 308,796	\$ 332,129	\$ 326,587	\$ (5,542)	-1.7%	\$ 154,423	89.7%
Due from other funds	\$ 43	\$ 25,043	\$ 42,945	\$ 129,043	\$ 77,786	\$ (51,257)	-39.7%	\$ 77,743	180797.7%
Loans Receivable	\$ 41,053	\$ 36,245	\$ 26,946	\$ 20,403	\$ 18,328	\$ (2,075)	-10.2%	\$ (22,725)	---
Total Current Assets	\$ 1,536,576	\$ 1,345,840	\$ 1,361,454	\$ 1,558,646	\$ 1,648,652	\$ 90,006	5.8%	\$ 112,076	7.3%
Current Liabilities									
Accounts Payable	\$ 121,680	\$ 148,862	\$ 131,626	\$ 140,766	\$ 118,293	\$ (22,473)	-16.0%	\$ (3,387)	-2.8%
Retainage Payable	\$ -	\$ 2,271	\$ -	\$ -	\$ -	\$ -	---	\$ -	---
Accrued Salaries Payable	\$ 54,062	\$ 73,777	\$ 56,281	\$ 57,324	\$ 29,402	\$ (27,922)	-48.7%	\$ (24,660)	-45.6%
Amounts held for outstanding warrants	\$ 4,480	\$ 1,490	\$ 1,392	\$ 1,381	\$ 1,374	\$ (7)	-0.5%	\$ (3,106)	-69.3%
Due to Other Funds	\$ 12,831	\$ 40,962	\$ 50,340	\$ 132,872	\$ 88,703	\$ (44,169)	-33.2%	\$ 75,872	591.3%
Due to Others	\$ 11,545	\$ 10,716	\$ 12,234	\$ 17,183	\$ 9,710	\$ (7,473)	-43.5%	\$ (1,835)	-15.9%
Total Current Liabilities	\$ 204,598	\$ 278,078	\$ 251,873	\$ 349,526	\$ 247,482	\$(102,044)	-29.2%	\$ 42,884	21.0%
Current Ratio	7.5	4.8	5.4	4.5	6.7		49.4%		-11.3%

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

²⁷⁴ Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations*. (Upper Saddle River, NJ, 2001), p. 476.

LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. The Forest Preserve District of Cook County is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens. Therefore, the Forest Preserve District is reported in the governmental activities of Cook County as a blended component unit and its liabilities are included in the long-term liabilities of the County.²⁷⁵

Total Long-Term Liabilities

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

- *Estimated pollution related liabilities*: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;²⁷⁶
- *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;²⁷⁷
- *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;²⁷⁸
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Net Pension Liabilities*: Cook County reports 100% of the Pension Fund's net pension liability in the Statement of Net Position to comply with GASB Statement No. 68 requirements. Before 2015, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO. This was the cumulative difference since the effective date of GASB Statement No. 27 between the annual pension cost and the employer's contributions to the plan and included the pension liability at transition (beginning pension liability) and excluded short-term differences and unpaid contributions that had been converted to pension-related debt. As a result of the reporting change for pensions involved in implementing GASB 68, the amount of Cook County long-term liabilities **reported** will increase substantially. This is because it will reflect a more holistic approach to measuring the liabilities of the government, which the previous NPO pension

²⁷⁵ Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," <http://www.gasb.org/st/summary/gstsm14.html> (Last Visited January 11, 2010) and Cook County FY2012 Comprehensive Annual Financial Report, p. 48.

²⁷⁶ Governmental Accounting Standards Board, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," <http://www.gasb.org/st/summary/gstsm49.html> (Last Visited on January 11, 2011).

²⁷⁷ Cook County FY2018 Comprehensive Annual Financial Report, p. 48.

²⁷⁸ Cook County FY2018 Comprehensive Annual Financial Report, p. 95.

measurement did not. The amount owed by Cook County to the pension fund has not significantly changed. It is only being reported more transparently; and

- *Net Other Post Employment Benefit (OPEB) Obligations:*²⁷⁹ Beginning with the FY2018 CAFR, Cook County has 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.²⁸⁰ Prior to FY2018, under the requirements of GASB Statement No. 45, net Other Post-Employment Benefit (OPEB) liabilities 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 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.

²⁷⁹ 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, dental insurance, life insurance and term care coverage. It does not include termination benefits such as accrued sick leave and vacation.

²⁸⁰ 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.

In the two-year period between FY2017 and FY2018, total long-term liabilities declined by 7.1%, declining from \$15.2 billion to \$14.1 billion. The amount of long-term debt outstanding increased slightly by 0.4% or \$14.4 million.

In the five-year period between FY2014 and FY2018, total County long-term obligations rose by 6.2%, increasing from nearly \$13.3 billion to \$14.1 billion. Long-term debt fell by 4.8% or \$180.8 million. Most of the total five-year increase was due to two factors:

- The change in pension reporting due to implementation of GASB 68 which led to an increase of roughly \$419.9 million in reported pension liability; and
- The change in OPEB reporting due to GASB 75 implementation which increased those liabilities by \$631.2 million, or 72.1%.

As noted above, the new GASB pension and OPEB reporting requirements a more transparent approach to measuring these liabilities than the previous approach, rather than large increase in liabilities.

	FY2014	FY2015	FY2016	FY2017	FY2018	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Total General Obligation Bonds	\$ 3,578,277	\$ 3,471,017	\$ 3,319,677	\$ 3,361,102	\$ 3,372,227	\$ 11,125	0.3%	\$ (206,050)	-5.8%
Net Premium*	\$ 162,061	\$ 149,826	\$ 180,344	\$ 184,116	\$ 187,341	\$ 3,225	1.8%	\$ 25,280	15.6%
Subtotal Long-Term Debt	\$ 3,740,338	\$ 3,620,843	\$ 3,500,021	\$ 3,545,218	\$ 3,559,568	\$ 14,350	0.4%	\$ (180,770)	-4.8%
Note Payable	\$ 40,000	\$ 6,524	\$ 78,129	\$ 18,814	\$ 15,607	---	---	---	---
Self Insurance Claims	\$ 334,557	\$ 224,608	\$ 212,800	\$ 261,956	\$ 309,590	\$ 47,634	18.2%	\$ (24,967)	-7.5%
Property Tax Objections	\$ 78,421	\$ 82,384	\$ 79,324	\$ 80,028	\$ 81,177	\$ 1,149	1.4%	\$ 2,756	3.5%
Pollution Remediation Liability	\$ 557	\$ 1,347	\$ 673	\$ 1,891	\$ 1,458	\$ (433)	-22.9%	\$ 901	161.8%
Compensated Absences	\$ 62,937	\$ 63,348	\$ 67,538	\$ 58,618	\$ 56,574	\$ (2,044)	-3.5%	\$ (6,363)	-10.1%
Net Pension Liabilities**	\$ 8,145,525	\$ 8,644,939	\$ 10,457,155	\$ 9,620,026	\$ 8,565,389	\$ (1,054,637)	-11.0%	\$ 419,864	5.2%
Net OPEB Liabilities***	\$ 875,254	\$ 1,010,795	\$ 1,166,232	\$ 1,583,327	\$ 1,506,488	\$ (76,839)	-4.9%	\$ 631,234	72.1%
Total Long-Term Liabilities	\$ 13,277,589	\$ 13,654,788	\$ 15,561,872	\$ 15,169,878	\$ 14,095,851	\$ (1,074,027)	-7.1%	\$ 818,262	6.2%

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

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

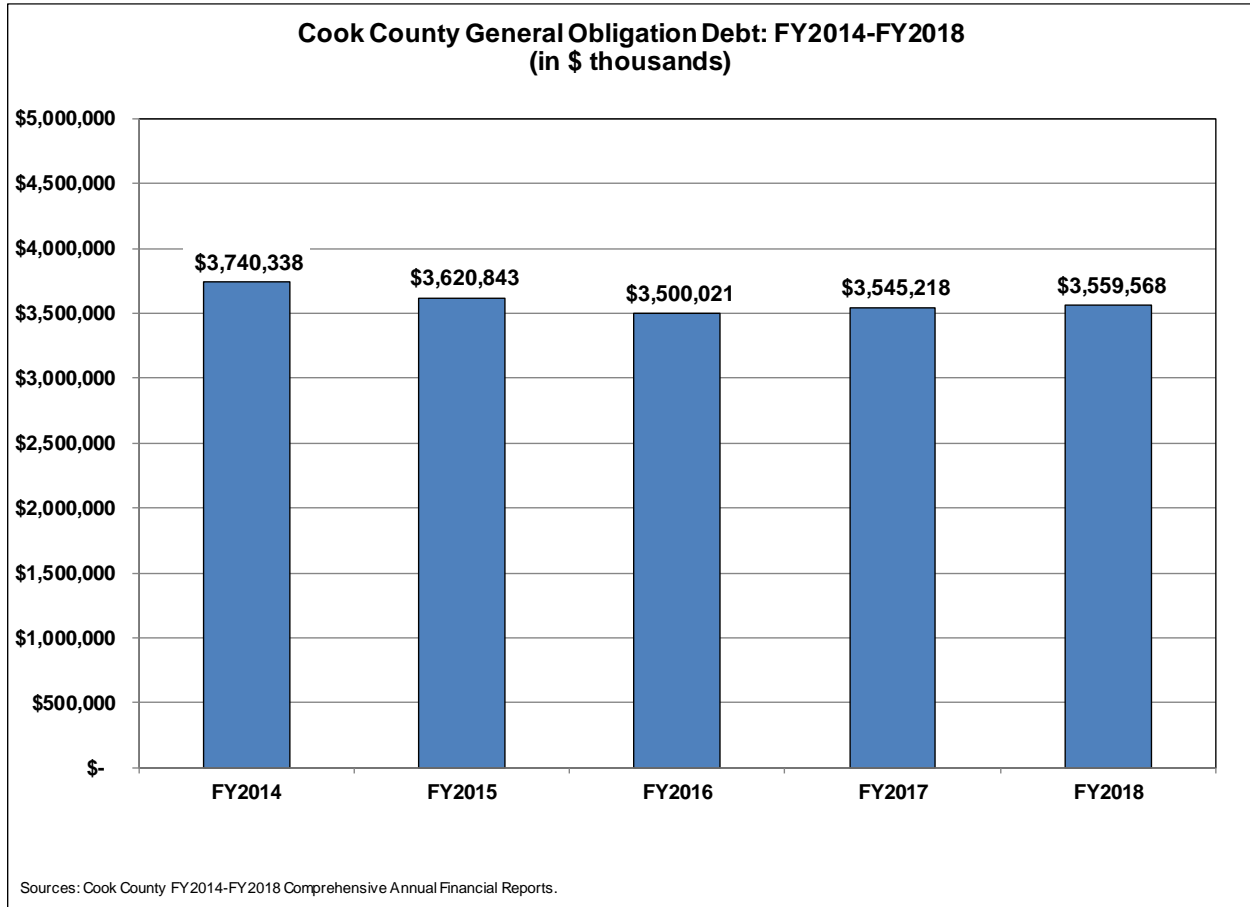
***Net OPEB liabilities for FY2017 were restated in FY2018 to meet the requirements of GASB 75.

Sources: Cook County FY2014-FY2018 Comprehensive Annual Financial Reports, Long Term Liabilities Note.

Long-Term Tax-Supported Debt

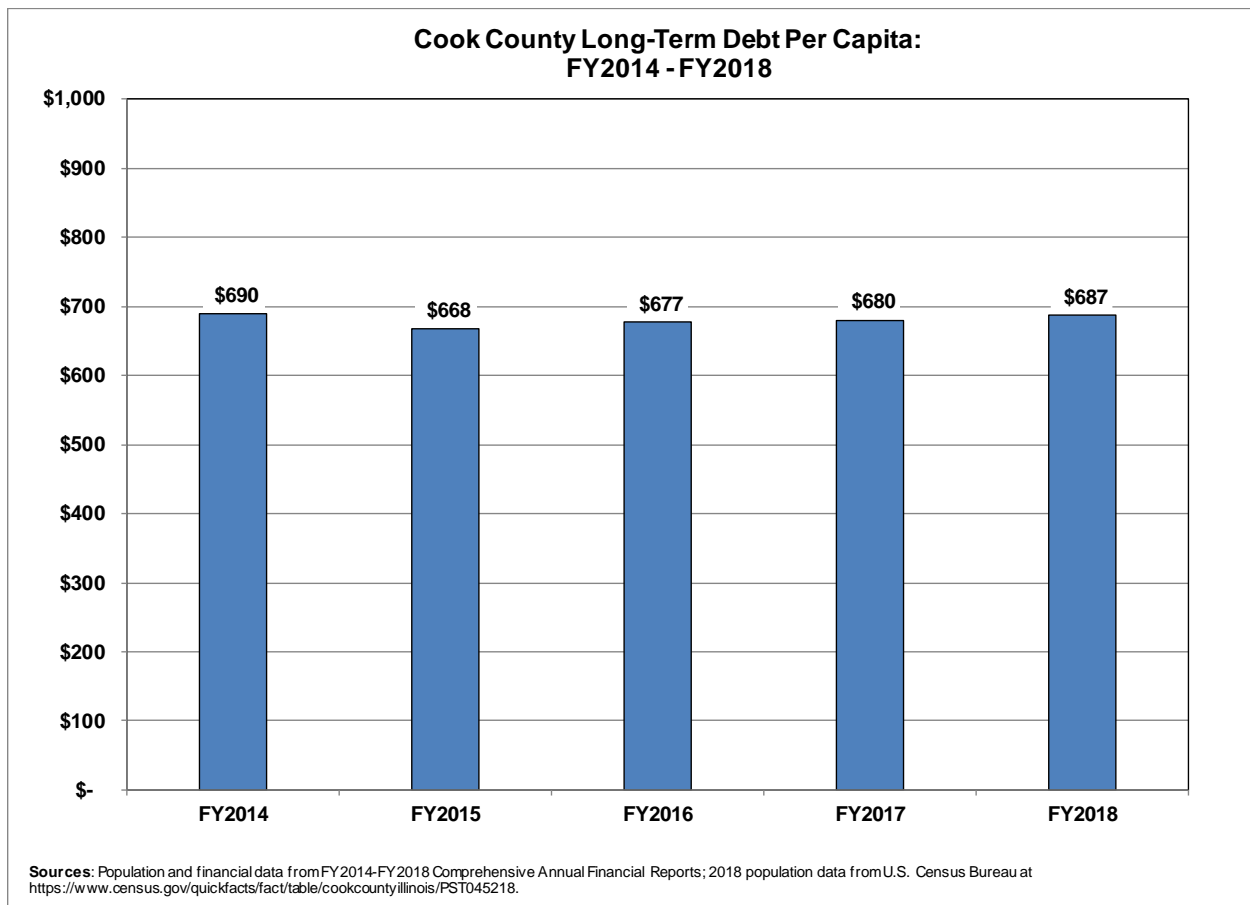
Increases in a government’s long-term tax-supported debt over time, also known as direct debt, could be a potential sign of rising financial risk. Cook County long-term debt includes tax supported debt issues as well as bond premiums and issuance costs. All Cook County long-term debt is general obligation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

Long-term debt declined slightly between FY2014 and FY2018 from \$3.7 billion to \$3.6 billion. This is a 4.8%, or \$180.8 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 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 was stable between FY2014 and FY2018, decreasing slightly from \$690 to \$687, a 0.4% decrease. Over the five-year period of this review, long-term debt per capita has averaged \$681.



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.²⁸¹ The County has not come close to the 15.0% threshold in the five years examined. The debt service ratio has fluctuated slightly over this period, from a high of 6.2% in FY2017 to a low of 4.2% for the FY2020 proposed budget.

Cook County Debt Service Expenditures as a Percentage of Total Appropriations: FY2016-FY2020					
	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Appropriation	FY2020 Proposed
Debt Service Expenditures	\$ 250,000,000	\$ 277,133,392	\$ 280,368,569	\$ 259,871,339	\$ 259,940,094
Total Expenditures	\$ 4,222,847,774	\$ 4,466,635,457	\$ 4,703,119,912	\$ 5,944,788,128	\$ 6,177,226,080
Debt Service as a % of Total Expenditures	5.9%	6.2%	6.0%	4.4%	4.2%

Source: Cook County FY2020 Executive Budget Recommendation, Volume I, p. 85.

Cook County Bond Ratings

Current Cook County bond ratings as of October 10, 2019 are shown in the table below.

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

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

In December 2018, Standard and Poor's reduced Cook County's sales tax bond rating from AAA to AA with a negative outlook due to changes in its rating criteria.²⁸²

Standard and Poor's changed its outlook on Cook County general obligation bonds from stable to negative in January 2018 citing the low funded ratio of the County's pension funds. The action came despite the County's increasing funding for its retirement system.²⁸³

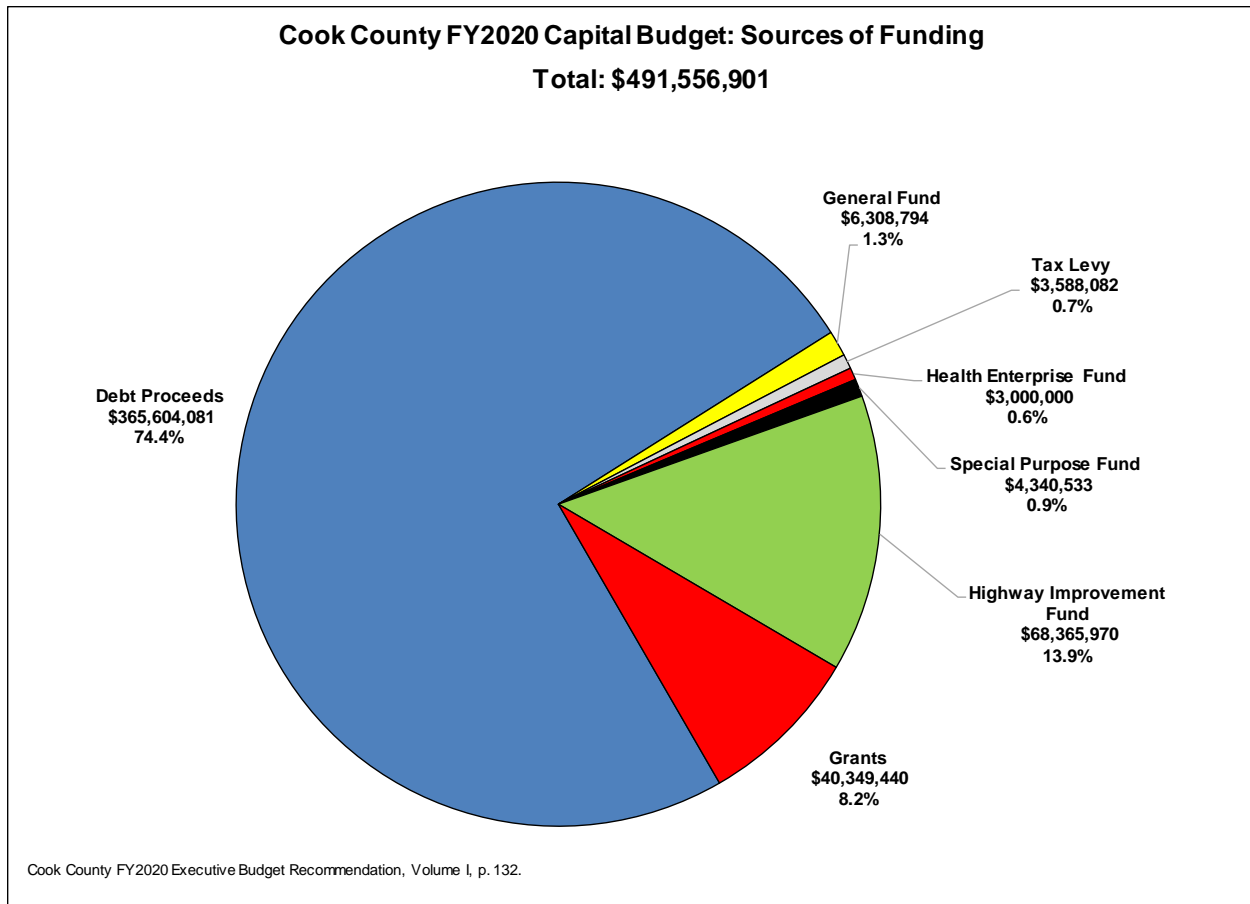
²⁸¹ Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 9 2009, p. 18.

²⁸² Cook County FY2018 Comprehensive Annual Financial Report, p. 24.

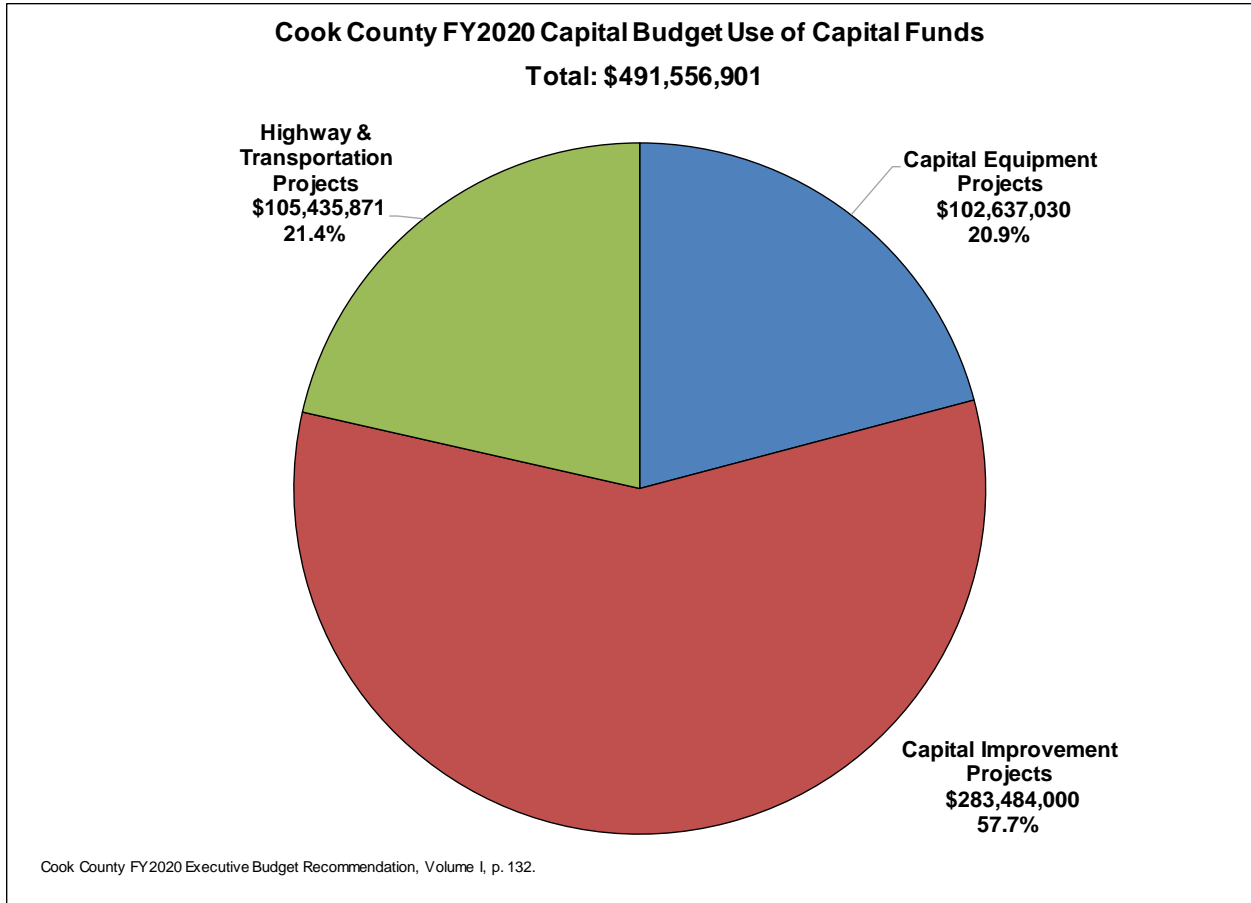
²⁸³ *Bond Buyer*. "Persistent pension pressures trigger a negative outlook on Cook County," January 9, 2018 at bondbuyer.com.

COOK COUNTY CAPITAL BUDGET AND PLAN

Cook County proposes to appropriate a FY2020 total capital budget of approximately \$491.6 million. The graph below shows the sources of funding for the capital budget. Approximately 74.4% of all capital funds, or \$365.6 million, will be derived from general obligation debt fund proceeds. Approximately 13.9% or \$68.4 million of capital funds will come from highway improvement funds. Smaller amounts will be funded by grants, the property tax levy, the General Fund, the Health Enterprise Fund and the Special Purpose Funds. The County has requested funding from the new State of Illinois capital program for projects but does not yet know if that funding will be forthcoming.



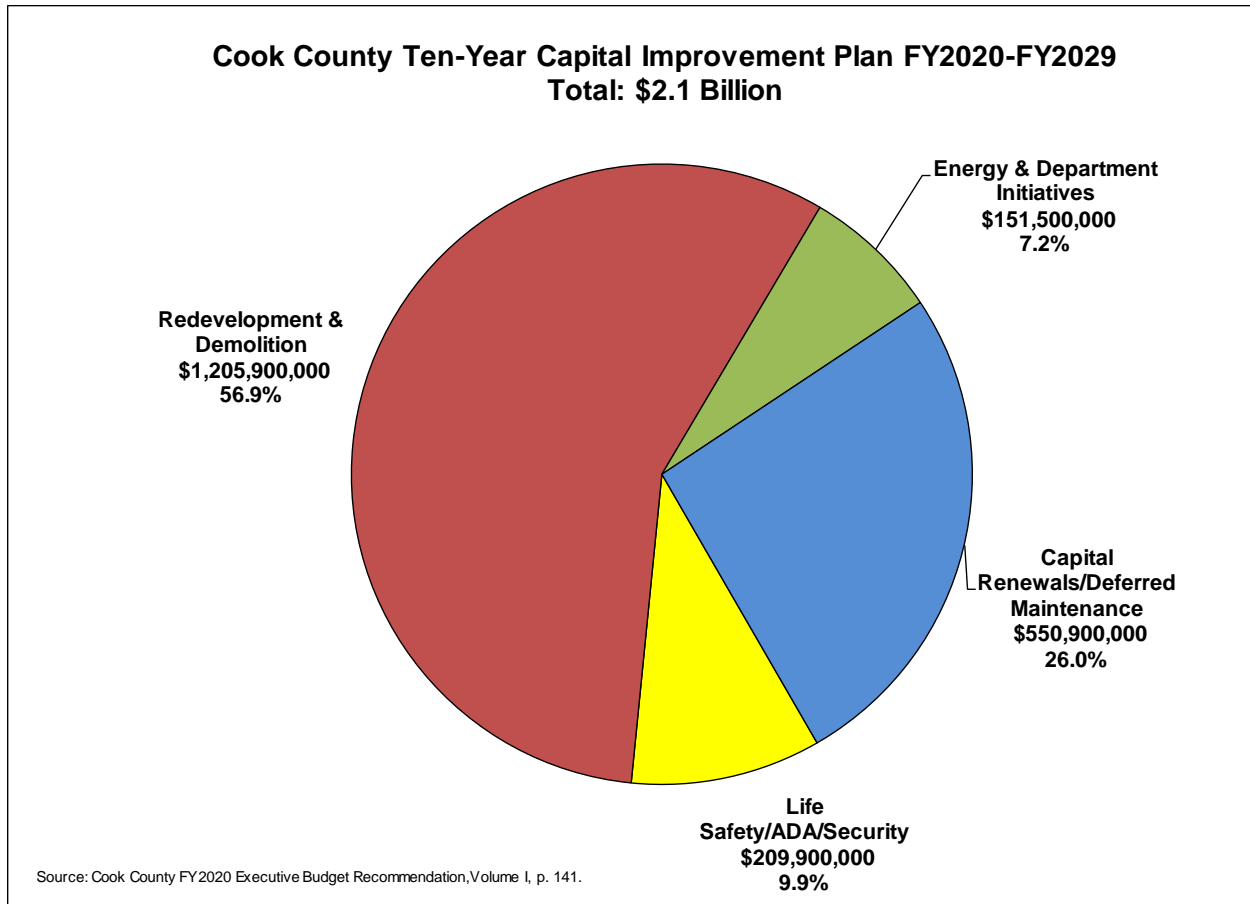
Cook County will use 57.7%, or \$283.5 million, of its FY2020 capital budget for capital improvement projects. Highway and transportation projects are expected to total 21.4% of the capital budget, or \$105.4 million. Capital equipment investments will use 20.9% or \$102.6 million of the total capital budget.



The FY2020-FY2029 Capital Improvement Plan

Cook County’s proposed 10-year capital improvement plan (CIP) includes approximately \$2.1 billion of infrastructure investment through FY2029. These projects are ranked using a facilities condition index.²⁸⁴ The CIP includes an overview of the proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken. The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan.

The graph below shows that 56.9%, or \$1.2 billion, of the capital expenditures between FY2020 and FY2029 will be earmarked for redevelopment and demolition projects. Approximately 26.0% or \$550.9 million, will be used for capital project renewals and to address deferred maintenance. Smaller amounts are earmarked for energy and departmental initiatives, life safety projects, compliance with the American with Disabilities Act (ADA) and security.



²⁸⁴ Cook County FY2020 Executive Budget Recommendation, Volume I, p. 140.

Review of Cook County CIP

According to the National Advisory Council on State and Local Budgeting's best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:²⁸⁵

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

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

²⁸⁵ National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

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

- The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures;
- A brief discussion of the relationship between the capital and operating budgets is provided and certain positive impacts of capital expenditures are highlighted in the capital budget section of the Executive Budget Recommendation. Some specific information is provided about the impact of capital spending per project on operating budgets, but it is not comprehensive;²⁸⁶
- Narrative information is provided about many projects, but narrative descriptions of all County individual projects, including the purpose, need, history and current status of each project, are not provided; and
- The CIP is not approved by the Board of Commissioners as a stand-alone document.

²⁸⁶ Cook County FY2020 Executive Budget Recommendation, Volume I, pp. 133-135.

Cook County Capital Improvement Program Checklist

Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include: <ul style="list-style-type: none"> • <i>A narrative description of the CIP process?</i> • <i>A five year summary list of projects and expenditures per project as well as funding sources per project?</i> • <i>Information about the impact and amount of capital spending on the annual operating budget for each project?</i> • <i>Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?</i> • <i>The time frame for fulfilling capital projects?</i> 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Discussions of public safety, public health and corporate fund projects and Transportation & Highway projects</p> <p>Yes</p>
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Yes
Is the capital improvement plan made publicly available for review by elected officials and citizens? <ul style="list-style-type: none"> • <i>Is the CIP published in the budget or a separate document?</i> • <i>Is the CIP available on the Web?</i> 	<p>In the Budget Book</p> <p>Yes²⁸⁷</p>
Are there opportunities for stakeholders to provide input into the CIP? <ul style="list-style-type: none"> • <i>Is there stakeholder participation on a CIP advisory or priority setting committee?</i> • <i>Does the governing body hold a formal public hearing at which stakeholders may testify?</i> • <i>Is the public permitted at least ten working days to review the CIP prior to a public hearing?</i> 	<p>No</p> <p>Yes</p> <p>Yes</p>
Is the CIP formally approved by the governing body of the government?	As part of the budget

²⁸⁷ The Cook County Capital Improvement Plan is available at https://www.cookcountyil.gov/sites/default/files/capital_improvement_programs_presrec_2020_downgrade.pdf. See Volume I Budget Overview, pages 123-226.