The Civic Federation

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CHICAGO PARK DISTRICT FY2019 BUDGET:

Analysis and Recommendations

December 5, 2018

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Park District's FY2019 proposed budget of $464.0 million because it continues to reduce reliance on prior year fund balance, implement savings and efficiencies and reduce the size of its workforce. Additionally, despite the Circuit Court of Cook County overturning the remaining pension reform provisions of Public Act 98-0622 in early 2018, the District will provide voluntary supplemental contributions to its pension fund in an effort to delay the fund becoming insolvent in 2027 as it is projected to do.

While the District continues to work to improve the sustainability of its pension fund by providing voluntary supplemental pension payments in FY2018 and FY2019, there is still great uncertainty surrounding the outcome of future pension reform negotiations with its labor partners following the Circuit Court ruling. The Civic Federation is encouraged by the District's good faith effort to keep the pension fund from going insolvent by supplementing the woefully insufficient statutorily required pension contribution with Personal Property Replacement Tax funds. However, even with the additional funding, the District's contributions will fall far short of the actuarial needs of the fund. Furthermore, if the District and its labor partners do not find a new pension funding approach that sustains a challenge to the pension protection clause of the Illinois Constitution, the liability of the pension fund will increase further and make it even more difficult to achieve solvency over the long term.

The uncertainty surrounding pension reforms and the rising costs of personnel expenses will continue to cause financial strain on the District. This will force the District to seek savings by implementing further reductions in staff, a reduction in programs and services as well as increases in property tax revenue. If the pension fund becomes insolvent and the District is forced to begin funding its pensions on a pay-as-you-go basis, the impact on the District's finances will be even greater.

Because of these financial challenges, the Civic Federation urges the District to continue working with its labor partners and state officials to develop a new pension funding law that is fair to taxpayers, the District and pension fund participants. Furthermore, the District should disclose its financial forecasts in its annual budget book, which will allow stakeholders to see the future impact of current financial decisions.

The Civic Federation offers the following **key findings** on the Chicago Park District's FY2019 proposed budget:

- The District's proposed budget is $464.0 million, an increase of approximately $1.7 million, or 0.4%, from FY2018 budgeted appropriations. The increase is primarily due to contractual and anticipated wage increases;
- The District's proposed FY2019 gross property tax levy is $286.1 million, an increase of $1.5 million over the FY2018 amended budget levy of $284.6 million. The $1.5 million increase in the gross property tax levy in FY2019 is from capturing the value of new property and expiring Tax Increment Financing (TIF) districts;[1]
- Tax revenues for the District are budgeted to increase by 0.5%, or nearly $1.5 million, from nearly $313.5 million in the adopted FY2018 budget to nearly $315.0 million in FY2019. The increase is due to the District increasing its gross property tax levy by $1.5 million or 0.5%;
- In FY2019 the District plans to reduce the number of part-time FTE positions from the prior year by 41 and the number of seasonal FTE positions by 1 and to add an additional 15 full-time FTE positions for a net decrease of 27 FTE positions, or 0.8% decrease from FY2018;

[1] Chicago Park District FY2019 Budget Summary, p. 35.

- Total personnel costs will increase by 1.7%, or $3.6 million, from nearly $209.0 million in FY2018 to $212.6 million in FY2019. The primary driver behind the increase in personnel costs is contractual and anticipated wage increases.[2] Between FY2015 and FY2019, total personnel costs will increase by 7.5%, or $15.0 million, from $197.7 million to $212.6 million;
- The District's General Fund unrestricted fund balance was $207.8 million in FY2017, which equaled 69.8% of general fund expenditures that year; and
- The actuarial value funded ratio of the pension fund fell from a high of 73.8% in FY2008 to 43.4% in the short fiscal year ended December 31, 2012 before increasing to 45.5% in FY2013 as a result of reduced liabilities under P.A. 98-0622. The actuarial funded ratio fell to 39.1% in FY2016, lower than before P.A. 98-0622 was enacted, mostly as a result of a $93.6 million increase to the actuarial accrued liability due to the reinstated higher automatic annual increases to annuities as a result of the Agreed Order.[3] The funded ratio fell again to 37.1% in FY2017 mainly as a result of the Circuit Court ruling that P.A. 98-0622 was unconstitutional and the resulting increase to the actuarial accrued liability of $20.9 million.[4] The unfunded liabilities for the Park District pension fund totaled $653.9 million as of December 31, 2017, up from $611.9 million as of December 31, 2016.The actuary for the Pension Fund has projected that due to the end of the benefit and funding provisions under 98-0622, the Fund is now scheduled to become insolvent during 2027.[5]

Overall, the Civic Federation **supports** many elements of the District's FY2019 proposed budget including:

- Making voluntary supplemental pension contributions to the pension fund in addition to its statutorily required contribution in an effort to delay the fund going insolvent within the next decade;
- Reducing reliance on prior year fund balance to close annual deficits;
- Developing a financially responsible approach to the Park District's finances that includes maintaining a relatively flat property tax levy, prudently managing its debt profile, achieving savings and efficiencies and reducing the size of its workforce; and
- Maintaining a high level of fund balance.

However, the Civic Federation has **concerns** about the FY2019 proposed budget which include:

- Uncertainty surrounding pension fund sustainability; and
- Continued use of non-recurring sources to close annual deficits, including $1.5 million of prior-year fund balance and $4.6 million of TIF surplus.

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

- Disclose financial forecast in budget book that is currently used internally and is not shared with or reviewed by key policymakers and stakeholders;
- Work with labor partners and State officials to address the pension crisis;
- Study consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund (IMRF). The Chicago Park District is the only park district in the State of Illinois that does not participate in the IMRF;
- Provide a greater level of textual explanation of year-over-year changes in expenditures;

[2] Chicago Park District FY2019 Budget Summary, p. 50.
[3] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2014, p. 81.
[4] Park Employees' Annuity and Benefit Fund of Chicago Actuarial Valuation and Review as of December 31, 2017, p. i..
[5] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2017, p. 12.

- Create a special recreation section in the budget book that is dedicated to the District's special recreation revenue and expenditures; and
- Advocate for a State capital bill that includes funding for parks.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the Chicago Park District's FY2019 proposed budget of $464.0 million because it continues to reduce reliance on prior year fund balance, implement savings and efficiencies and reduce the size of its workforce. Additionally, despite the Circuit Court of Cook County overturning the remaining pension reform provisions of Public Act 98-0622 in early 2018, the District will provide voluntary supplemental contributions to its pension fund in an effort to delay the fund becoming insolvent in 2027 as it is projected to do.

While the District continues to work to improve the sustainability of its pension fund by providing voluntary supplemental pension payments in FY2018 and FY2019, there is still great uncertainty surrounding the outcome of future pension reform negotiations with its labor partners following the Circuit Court ruling. The Civic Federation is encouraged by the District's good faith effort to keep the pension fund from going insolvent by supplementing the woefully insufficient statutorily required pension contribution with Personal Property Replacement Tax funds. However, even with the additional funding, the District's contributions will fall far short of the actuarial needs of the fund. Furthermore, if the District and its labor partners do not find a new pension funding approach that sustains a challenge to the pension protection clause of the Illinois Constitution, the liability of the pension fund will increase further and make it even more difficult to achieve solvency over the long term.

The uncertainty surrounding pension reforms and the rising costs of personnel expenses will continue to cause financial strain on the District. This will force the District to seek savings by implementing further reductions in staff, a reduction in programs and services as well as increases in property tax revenue. If the pension fund becomes insolvent and the District is forced to begin funding its pensions on a pay-as-you-go basis, the impact on the District's finances will be even greater.

Because of these financial challenges, the Civic Federation urges the District to continue working with its labor partners and state officials to develop a new pension funding law that is fair to taxpayers, the District and pension fund participants. Furthermore, the District should disclose its financial forecasts in its annual budget book, which will allow stakeholders to see the future impact of current financial decisions.

Issues the Civic Federation Supports

The Civic Federation supports the following issues related to the Chicago Park District's proposed FY2019 Budget.

Making Supplemental Pension Contributions

Public Act 98-0622, enacted in January 2014, made changes to the pension benefits of the District's retirees, Tier 1 employees and Tier 2 employees. It also increased the contributions made by employees and the District. As a whole, the reform package was intended to increase the funded ratio to 90% by 2049 and 100% by 2054.

A challenge to the reforms was filed on October 8, 2015 by a Park District annuitant and a Park District employee in the Circuit Court of Cook County. Following two and a half years of litigation, the legislation was declared unconstitutional in its entirety on March 1, 2018 by Judge Neil H. Cohen.[6]

The original provisions of the Public Act 98-0622 were allowed to go into effect on January 1, 2015 as scheduled. However, a year after litigation was filed in October 2015, on October 19, 2016 the Cook County Circuit Court entered an Agreed Order freezing employee and employer contributions at FY2016 rates, reinstating automatic annual annuity increases for current retirees and requiring retroactive payments of retirees' foregone increases dating back to January 1, 2015. The Agreed Order implemented in October 2016 left in place the changes to retirement age and duty disability included P.A. 98-0622 and the annual supplemental contributions of $12.5 million by the District went ahead as scheduled in FY2015 and FY2016.[7]

Subsequent to his ruling striking down P.A. 98-0622, Judge Cohen entered an Agreed Order on March 21, 2018. The Agreed Order required the Park District Pension Fund to refund to current employees the higher pension contributions they had made since 2015 with interest. Additionally, the Fund was ordered to restore duty disability benefits retroactively with interest. According to the Park District Pension Fund, the current employee refunds were to be processed by the District and made by July 31, 2018 and the disability refunds were to be made by the Fund by June 30, 2018.[8]

In contrast to the refunds for retirees, current employees and disability recipients, the Pension Fund will keep the increased employer contributions from the Park District due to the increase in the statutory multiplier contribution to 1.7 from 1.1 times what employees contributed two years prior that was levied in tax years 2015, 2016 and 2017, as well as $25 million total in lump sum payments the District made to the fund from its reserves during fiscal years 2015 and 2016. The tax year 2018 contribution employer contribution from property taxes was originally budgeted at 2.3 times the employer contributions level. However, the March ruling required the District to reduce its levy to the 1.1 multiplier for the 2018 tax year and beyond. However, the ruling also stated that the District could make voluntary contributions beyond the multiplier amount. Therefore, the District amended its FY2018 budget to reduce the property tax levy but provide a voluntary supplemental contribution from PPRT to equal the originally budgeted FY2018 contribution. The District proposes a similar move in FY2019, when it will levy for the statutory 1.1 multiplier at $14.6 million and a supplemental contribution of $13 million, effectively

[6] *Biedron v. Park Employees' and Retirement Board Employees' Annuity and Benefit Fund*, No. 15 CH 14869 Memorandum and Order (Cook County Cir. Ct. 2015).
[7] Agreed Order, Case No. 2015 CH 14869, October 19, 2016.
[8] Park District Pension Fund website, https://www.chicagoparkpension.org/news_1.php. Last visited November 14, 2018. The meeting minutes of the July 2018 Park District Pension Fund Board of Trustees noted that at the status hearing on the *Biedron* litigation on July 18, 2018, all parties reported they were in compliance with the March 21, 2018 Agreed Order. https://www.chicagoparkpension.org/pdfs/board-meeting-minutes/MINUTES%2007%2019%2018.pdf

doubling the statutorily required amount. However, even the supplemental contributions fall far short of the actuarial needs of the fund.[9]

The Pension Fund's actuary projects that because of P.A. 98-0622 being declared unconstitutional, the fund will run out of money within 10 years, or during 2027, even if it achieves all of its demographic and economic assumptions.[10]

The Civic Federation is encouraged the District is financially capable of providing a voluntary supplemental contribution to the Pension Fund in addition to its statutorily required contribution in an effort to delay the fund going insolvent within the next decade. However, the Civic Federation urges the District to work with its labor partners, the Illinois General Assembly and Governor to develop a new pension funding formula that is sustainable over the long-run.

Reducing Reliance on Prior Year Fund Balance

The Chicago Park District's FY2019 budget proposes to reduce its reliance on the use of prior year fund balance in the corporate fund. It is a reduction of $500,000, or 25.0% from $2.0 million in FY2018 and a $4.1 million, or 73.2%, reduction from $5.6 million in FY2015. The District continues to better align its operating expenditures with its recurring revenue sources by not relying on fund balance sources.

The Civic Federation applauds the Office of Budget and Management for continuing to set a goal of reducing the District's reliance on prior year fund balance.[11]

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

The Civic Federation supports the Chicago Park District's work to produce a 2019 budget that combines management efficiencies and expenditure reductions with increases in recurring revenues. The Federation highlights some of those initiatives below.

Maintaining a Relatively Flat Property Tax Levy

The Chicago Park District's proposed FY2019 gross property tax levy is $286.1 million, an increase of $1.5 million over the FY2018 amended budget levy of $284.6 million. After accounting for an estimated 3.67% loss in collections, or a reduction of $10.5 million, the net property tax levy is projected to be $275.6 million.[12]

Prudently Managing Debt Profile

The Chicago Park District's proposed FY2019 budget will appropriate $68.9 million, or 14.8% of the total operating budget toward debt service expenses. This is a decrease of $1.7 million

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[9] Chicago Park District FY2019 Budget Summary, p. 52.
[10] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2017, p. 12.
[11] Chicago Park District FY2019 Budget Summary, p. 118.
[12] Chicago Park District FY2019 Budget Summary, p. 35.

from FY2018 and a $6.1 million decrease since FY2015 when debt service expenses consumed 16.7% of the total operating budget.

The Federation is encouraged by the District's efforts to better manage its debt profile.

Achieving Savings and Efficiencies

This year the District proposes to close its $14 million budget deficit with $7.9 million in savings and efficiencies and $6.1 million in revenue enhancements. The $7.9 million in savings includes $2.7 million in contract reductions, $1.5 million in utility and conservation reductions, $1.3 million in personnel efficiencies, $0.2 million in debt service savings and $2.2 million in efficiencies tied to managed assets, healthcare, landscaping and programming.

The Federation commends the District's efforts to implement further savings and efficiencies through controlling its expenses.

Reducing the Number of Full-time Equivalent Employees

The Park District is budgeting for a total of 3,181 full-time equivalent (FTE) positions in FY2019, including 1,622 full-time positions and 1,559 part-time and seasonal positions. In FY2019 the District plans to reduce the number of part-time FTE positions from the prior year by 41 and the number of seasonal FTE positions by 1 and to add an additional 15 full-time FTE positions for a net decrease of approximately 27 FTE positions, or a 0.8%, decrease in the District's workforce. This effort will help the District achieve $1.3 million in savings from personnel efficiencies.[13]

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

Maintaining a High Level of Fund Balance

The Chicago Park District maintains a number of reserve funds to better manage its finances during times of budgetary stress. In FY2017 the District's unrestricted General Fund fund balance was $207.8 million, or 69.8% of General Fund expenditures. This is an increase in reserves of $1.4 million. Even if certain long-term reserves are excluded, the District would have a FY2017 fund balance of 37.6%, well above the Government Finance Officers Association (GFOA) recommended level of 17% and the District's own standards.

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

[13] Chicago Park District FY2019 Budget Summary, p. 50.

Civic Federation Concerns

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

Uncertainty Surrounding Pension Fund Sustainability

As noted above, the Circuit Court struck down P.A. 98-0622 in March 2018 and the District was ordered to refund to current employees the higher pension contributions they have made since 2015 with interest. Additionally, the Fund was ordered to restore duty disability benefits retroactively with interest.[14] These actions were in addition to the prior restoration and refund of curtailed automatic annual annuity increases to retirees in 2016.

The Federation supported the District's reform efforts because they balanced reasonable changes to the retirement age and the automatic annual increase for current employees and retirees with phased-in increases to employee and employer contributions. However, because those reforms were ruled unconstitutional, the District must develop new funding plans with its labor partners and state officials to prevent the fund from going insolvent.

Over the last ten years the actuarial value funded ratio fell from a high of 73.8% in FY2008 to 43.4% in the short fiscal year ended December 31, 2012 before increasing to 45.5% in FY2013 as a result of reduced liabilities under P.A. 98-0622. The actuarial funded ratio fell to 39.1% in FY2016, lower than before P.A. 98-0622 was enacted, mostly as a result of a $93.6 million increase to the actuarial accrued liability due to the reinstated higher automatic annual increases to annuities as a result of the 2016 Agreed Order.[15] The funded ratio fell again to 37.1% in FY2017 partly as a result of the Circuit Court ruling that P.A. 98-0622 was unconstitutional and the resulting increase to the actuarial accrued liability of $20.9 million.[16]

The continued decline in funded ratio is a cause for significant concern. The actuary for the Pension Fund has projected that due to the end of the benefit and funding provisions under P.A. 98-0622, the Fund is now scheduled to become insolvent during 2027.[17]

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

The District has routinely budgeted non-recurring revenue sources as part of its proposed budget. This trend will continue in FY2019 as the District proposed to appropriate $1.5 million of fund balance and $8.6 million in TIF surplus distribution related to a large surplus declared by the City of Chicago.

It is important to note that the Civic Federation does not object to using fund balance in certain compelling circumstances. For example, utilizing a portion of fund balance during an economic

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[14] For more information on Public Act 98-0622 and the pension fund see the Pension Section on p.

[15] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2014, p. 81.

[16] Park Employees' Annuity and Benefit Fund of Chicago Actuarial Valuation and Review as of December 31, 2017, p. i.

[17] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2017, p. 12.

downturn to address short-term revenue fluctuations can be appropriate, as was the District's use of long-term liability reserve to make extra payments to the pension fund. However, the Civic Federation is concerned that the District shows an ongoing pattern of reliance on non-recurring methods to meet its operating needs as this is at least the tenth year in a row that the District has used non-recurring revenue sources to close budget shortfalls.

Although the FY2019 proposed budget is balanced, the District's efforts to reduce its structural deficit are going to be offset by the use of one-time revenues. By budgeting fund balance and the proceeds from a very large TIF surplus that may not recur in future years, the District is diminishing the effect of the $7.9 million in proposed FY2019 recurring savings and $6.1 million in revenue enhancements will have on the structural deficit.

Additionally, if the District had not budgeted these non-recurring revenues as appropriable resources, the FY2019 projected deficit would have been much larger. It is vital that the District achieve a structurally balanced budget given the reforms made to the pension fund were ruled as unconstitutional.

Civic Federation Recommendations

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

Disclose Financial Forecast in Budget

Currently the Park District prepares a three-year budget forecast that is used internally and is not shared with or reviewed by key policymakers and stakeholders.[18] The Civic Federation recommends that the Park District release its three-year projections to the public and the Board of Commissioners for review. The forecast could either be included as part of the annual budget document or produced as a standalone document. Ideally the forecast should be presented in a digestible format, using scenarios and graphs to convey the financial position of the District in the future based on current revenue and expenditure projections. Publicizing the forecast could help the Park District Board of Commissioners and other key stakeholders understand policy changes that may need to take place in future years to address projected budget shortfalls. The forecast should include one year of actual audited data, the prior year's adopted budget, the current year's budget and a three-year forecast of revenues and expenses. A description of the assumptions underlying revenue and expenditure projections should also be included. Several other Chicago-area local governments include a revenue and expenditure forecast in their annual budget, including the Chicago Transit Authority, Cook County and the Metropolitan Water Reclamation District.

Develop a Plan to Address the Pension Crisis

With the Circuit Court ruling striking down Public Act 98-0622, the Civic Federation encourages the Chicago Park District to work with its labor partners, the Illinois General Assembly and

[18] Chicago Park District FY2019 Budget Summary, p. 57.

Governor to develop a new pension funding plan that does not violate the pension protection clause in the Illinois Constitution.

The District amended its FY2018 budget to reduce its property tax levy for pensions as required by court order and provided a voluntary supplemental contribution as allowed by court order from its personal property replacement tax revenue in order to contribute a total of $27.6 million towards pension in FY2018. The District is proposing a similar move in FY2019 to provide a total contribution of $27.6 million towards pensions.

While the Civic Federation is encouraged by the District's voluntary supplemental contributions to the pension fund, it is imperative that a new actuarially-based funding formula be implemented for the District through State law. Additionally, it is important that the District and its labor partners identify sources of revenue adequate to make actuarially based contributions. The Federation recommends the District consider the recommendation of the fund's actuary: a funding method that targets 100% funding with payments at least covering interest on the unfunded liability and a portion of the principal balance.[19]

The Federation recommends the Park District work with its labor partners, the Illinois General Assembly and Governor to explore the option of requiring that annual contributions to the pension fund meet an actuarial level of funding and are funded from a reliable revenue source.

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

The Civic Federation strongly supported the pension reform package signed into law in 2014. However, those reforms were overturned in 2018. The Federation therefore believes this is an opportune time for the Park District to study whether the consolidation of the Chicago Park District Pension Fund with the Illinois Municipal Retirement Fund (IMRF) is a feasible long-term approach.

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

Provide More Explanation of Expenditures in Budget Book

The District has a history of providing a good level of detail in its operating revenue section of the budget document surrounding its various revenue sources, including charts showing six-year revenue and expenditure trends. While the District did provide greater detail on expenditures in FY2018 and again FY2019, there was not an expansion of text dedicated to explaining the year-over-year change in expenditures. Also, the FY2019 budget book only includes the prior year adopted expenditures and current year proposed expenditures for all funds. The Federation recommends that the District provide three years of actual data, the prior year adopted or

[19] Park Employees' Annuity and Benefit Fund of Chicago Actuarial Valuation and Review as of December 31, 2017, p. ii.

amended data and the current year's proposed data as well as more textual explanation of the year-over-year change.

Create a Dedicated Special Recreation Section in Budget Book

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

Communicate the District's Objectives for Excess Reserves

Over the past seven years the Park District's fund balance ratio has been well above the Government Finance Officers Association recommendation of 17% of expenditures, fluctuating between a high of 76.9% in FY2012 to a low of 66.7% in FY2016. The District's FY2017 unrestricted fund balance was $207.8 million, which equaled 69.8% of general operating expenditures that year. This is a very high level of fund balance, totaling five and a half months of reserves, compared to the best practice of maintaining at least a two-month reserve according to the Government Finance Officers Association. The excess reserves could potentially be used as a one-time boost to address pension funding, capital funding or reduce its property tax levy.

While the Civic Federation does not aim to discourage the District from maintaining a healthy level of reserves, we encourage the District to disclose why it continues to maintain such large operating reserves and communicate a plan for how and when the District intends to use the excess reserves.

Advocate for a State Capital Bill that Includes Funding for Parks

The State of Illinois has not had a state capital funding program since 2009's *Illinois Jobs Now!* program. The lack of state matching funds for capital projects has caused the Park District to delay or scale back capital projects. While the Park District has been innovative in its efforts to leverage additional outside funding sources from donors and sponsorships, these are not steady sources and will not address the capital needs of the District. The District's proposed 2019-2023 Capital Improvement Program budgets total $286.4 million. Of the $286.4 million only $18.2 million, or 6.4% is funding from the State.

The Civic Federation urges the Park District to encourage the Illinois General Assembly and Governor to adopt a transparent and comprehensive capital improvement program funded by adequate and stable funding sources that includes much-needed funding for park projects, stressing the importance access to parks and recreation has on the economic attractiveness of the region and State.

ACKNOWLEDGEMENTS

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

FY2019 GAP-CLOSING MEASURES

The Chicago Park District projects an initial budget deficit of $14.0 million in the Corporate Fund for FY2019. This year the District proposes to close its $14.0 million budget deficit with $7.9 million in savings and efficiencies and $6.1 million from increased revenues. The $6.1 million increase in revenues includes $1.2 million from interest earnings growth, $0.2 million through property tax value capture from expiring TIF increment and new and improved property added to the tax rolls and approximately $0.1 million in fee increases. The District will also be relying on an additional $4.6 million compared to expectations in TIF surplus declared by the City of Chicago to close this year's budget gap.

Chicago Park District FY2019 Gap Closing Measures (in $ millions)		
Expenditure Reductions		
Contract Reductions	$	2.7
Utility and Conservation Efficiencies	$	1.5
Personnel Efficiencies	$	1.3
Managed Asset Efficiencies	$	0.7
Strategic Changes in Healthcare	$	0.7
Landscaping Efficiencies	$	0.5
Program Efficiencies	$	0.3
Debt Service Reduction	$	0.2
Total Expenditure Reductions	**$**	**7.9**
Revenue Enhancements		
Tax Increment Financing (TIF) Surplus	$	4.6
Interest Earnings Growth	$	1.2
Property Tax Value Capture	$	0.2
Fee Rate Increases	$	0.1
Total Revenue Enhancements	**$**	**6.1**
Total Gap Closing Measures	**$**	**14.0**

Note: Numbers may not add up due to rounding.
Sources: Chicago Park District FY2019 Budget Summary, pp. 33 and 57.

One-Time Resources

The District's FY2019 budget will also rely on some additional non-recurring resources that were incorporated into the revenue and expenditure projections outside of the gap closing measures. The chart below shows the one-time resources used in the FY2019 budget. The District will rely on $1.5 million in prior year fund balance. The District has worked to reduce its reliance on prior year fund balance to close its budget gaps in recent years and will again reduce its reliance by $0.5 million in FY2019. The District will also rely on the remaining $4.2 million of the total $8.8 million in TIF surplus not used to close the budget gap in the operating budget. This is the third year that the City of Chicago will declare an extraordinarily large surplus in order to assist the Chicago Public Schools. While the Mayor has implemented a policy of annually declaring a TIF surplus, making it like a recurring revenue, the extraordinarily large surpluses in recent years may not reoccur in future years.

Chicago Park District FY2019 One-Time Resources (in $ millions)		
Tax Increment Financing Surplus	$	4.2
Prior Year Fund Balance	$	1.5
Total One-Time Resources	**$**	**5.7**

Source: Chicago Park District FY2019 Budget Summary, pp. 47 and 48.

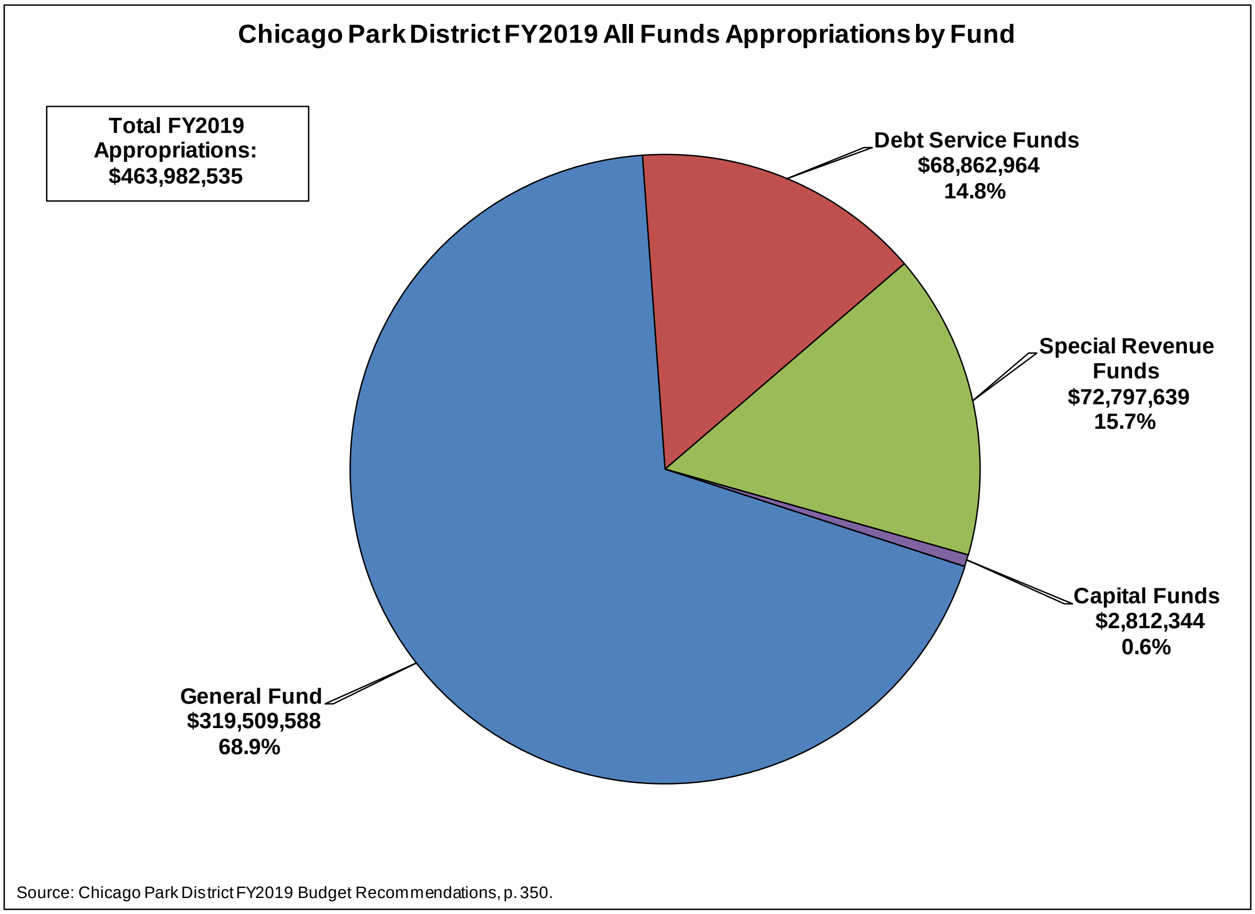
APPROPRIATIONS

This section presents an analysis of the Chicago Park District's proposed FY2019 budget appropriations with three- and ten-year comparisons to the FY2010 adopted budget, FY2017 adopted budget and FY2018 amended budget.

All Funds Appropriations by Fund

Total Chicago Park District proposed appropriations are budgeted at nearly $464.0 million in FY2019. General Fund, or operating fund, expenses will represent the largest portion of total appropriations at 68.9%, or approximately $319.5 million in FY2019. The General Fund includes appropriations made to the Corporate Fund, the Liability, Workers' Compensation, Unemployment Fund, the Long-Term Income Reserve Fund and the Northerly Island Special Purpose Fund. The next largest share is represented by the Special Revenue Funds that will total 15.7%, or $72.8 million, of total appropriations. This includes appropriations to the Aquarium & Museum, Special Recreation, Operating Grants and Pensions. Debt Service Funds compose

14.8%, or $68.9 million of total appropriations and Capital Funds will compose 0.6%, or $2.8 million, of total appropriations in FY2019.

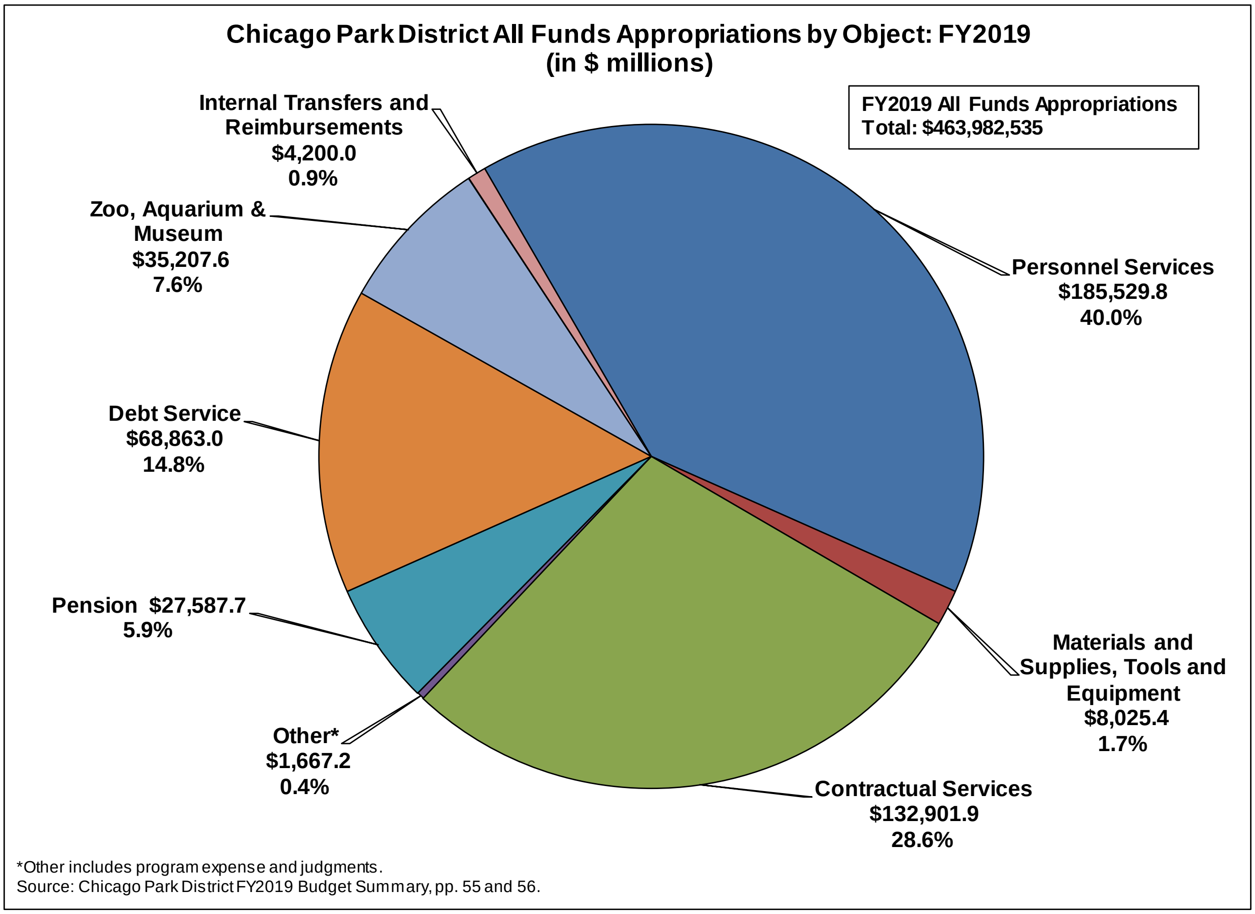


All Funds Appropriations by Object

The following chart displays the Chicago Park District's total proposed appropriations for FY2019 by object level. Object level refers to grouping expenditure categories by types of expense rather than by fund.

In FY2019 approximately 45.9%, or $213.1 million, of total appropriations are budgeted for personnel costs including pensions, salaries and wages, health, dental and life insurance, workers compensation and unemployment insurance.. Contractual Services will compose 28.6%, or $132.9 million. Debt Service represents 14.8%, or $68.9 million, of total appropriations in

FY2019. The remaining items by object classification will collectively represent approximately 10.6% of total appropriations in FY2019.



The following table provides a comparison of all funds appropriations by object classification across three years from FY2017 to FY2019.

Between FY2018 and FY2019 total appropriations by object classification will increase by 0.4%, or $1.7 million, from $462.3 million to nearly $464.0 million. The increase is due to increased salaries and wages, benefits, utilities, managed assets, landscaping and other non-personnel expenses and is offset by decreases in debt service and contractual services.[20] Personnel Services appropriations are expected to increase by the largest dollar amount between FY2018 and FY2019, by $3.6 million or 1.7%. Debt Service appropriations will decrease by 2.5%, or $1.7 million, falling from $70.6 million in FY2018 to $68.9 million in FY2019. Appropriations for Contractual Services will decline by 0.3%, or $388,000, below FY2018 amended appropriations. Contractual Services are described in more detail later in this section.

[20] Chicago Park District FY2019 Budget Summary, p. 33.

The District's appropriation for Museums in the Park (Aquarium and Museum line item) and Lincoln Park Zoo (Zoo line item) will remain flat at $29.6 million and $5.6 million, respectively, over the two- and three-year period.[21]

Appropriations for Special Program Expense, which include costs that fall within park budgets such as tournament expenses or recognitions and awards,[22] will decrease by 10.6% or approximately $79,000 in FY2019. Expenditure of Grants, or grants received, over the two-year period will decline by 0.8%, or $16,000, to just under $2.0 million, in FY2019. Appropriations for Materials & Supplies, Tools & Equipment will increase over the two-year period by 3.9%, or $278,000.

Over the three year period beginning in FY2017 total appropriations for all funds will increase from $449.4 million to nearly $464.0 million. This is an increase of 3.2% or $14.6 million. The primary driver of the increase over the three-year period is personnel services, which is projected to increase by 6.7%, or $13.3 million. During the same time period debt service expenses will decrease by 8.1% or $6.1 million. The Aquarium & Museum, Zoo and Judgments will remain flat over the three-year period. Internal Transfers & Reimbursements increased between FY2017 and FY2018 by $4.2 million and will remain at the same level in FY2019.

Chicago Park District Appropriations for All Funds by Object: FY2017-FY2019 (in $ thousands)

	FY2017 Adopted	FY2018 Amended	FY2019 Proposed	Two-Year $ Change	Two-Year % Change	Three-Year $ Change	Three-Year % Change
Personnel Services*	$ 199,308	$ 208,985	$ 212,618	$ 3,632	1.7%	$ 13,309	6.7%
Debt Service	$ 74,938	$ 70,605	$ 68,863	$ (1,742)	-2.5%	$ (6,075)	-8.1%
Contractual Services	$ 130,640	$ 132,363	$ 131,975	$ (388)	-0.3%	$ 1,335	1.0%
Aquarium & Museum	$ 29,618	$ 29,618	$ 29,618	$ -	0.0%	$ -	0.0%
Zoo	$ 5,590	$ 5,590	$ 5,590	$ -	0.0%	$ -	0.0%
Materials & Supplies, Tools & Equipment	$ 6,289	$ 7,200	$ 7,478	$ 278	3.9%	$ 1,189	18.9%
Program Expense	$ 835	$ 746	$ 667	$ (79)	-10.6%	$ (167)	-20.1%
Expenditure of Grants	$ 1,190	$ 1,991	$ 1,974	$ (16)	-0.8%	$ 784	65.9%
Judgments	$ 1,000	$ 1,000	$ 1,000	$ -	0.0%	$ -	0.0%
Internal Transfers & Reimbursements	$ -	$ 4,200	$ 4,200	$ -	0.0%	$ 4,200	-
Total	**$ 449,408**	**$ 462,298**	**$ 463,983**	**$ 1,685**	**0.4%**	**$ 14,575**	**3.2%**

*Personnel Services include pension statutorily required and voluntary supplemental pension contributions.
Source: Chicago Park District FY2018 Budget Summary, pp. 8, 48 and 49; and Chicago Park District FY2019 Budget Summary, p. 55 and 56.

Contractual Services Appropriations by Object

The next table provides a comparison of FY2019 contractual services appropriations to the FY2017 adopted budget and FY2018 amended budget. Between FY2018 and FY2019, the District will reduce Contractual Services appropriations by 0.3%, or $388,000, from $132.4 million in FY2018 to nearly $132.0 million in FY2019.

[21] Museums in the Park (MIP) are cultural institutions situated on District-owned land. They are the John G. Shedd Aquarium, Adler Planetarium, The Art Institute of Chicago, Chicago History Museum, DuSable Museum of African American History, The Field Museum, Museum of Contemporary Art, Museum of Science and Industry, National Museum of Mexican Art, Peggy Notebaert Nature Museum and Institute of Puerto Rican Arts and Culture. Chicago Park District FY2018 Budget Summary, p. 47.
[22] Chicago Park District FY2019 Budget Summary, p. 56.

Management Expenses will see the largest dollar increase over the two-year period from FY2018 to FY2019, rising by $354,000 or 4.5%. During the same period General Contractual Services will see the largest dollar and percentage decrease, declining by $1.7 million, or 12.6%, from $13.4 million in FY2018 to $11.7 million in FY2019.

Other Contractual Expenses, which include disposal of waste, professional services, management fee expenses, fleet expenses, postage, dues and memberships and other related expenses will increase in FY2019 by $243,000, or 0.9%, to $26.0 million.

Expenses for Organizations, which represents the Park District's financial support for partner organizations, will see a modest increase over the two-year period of 0.1% or approximately $5,000. These partner organizations include Grant Park Music Festival, Chicago Parks Foundation, Neighborspace, Garfield Park Conservatory Alliance and Afterschool Matters.

Harbor Management, Soldier Field Management and Landscape Services expenses will all see modest increases over the two-year period, ranging from $159,000 for Harbor Management to $299,000 for Soldier Field. Both Golf Management and Parking Management will decline over the two-year period by $170,000 and $43,000, respectively.

Over the three-year period between FY2017 and FY2019 appropriations for Contractual Services will increase by 1.0% or $1.3 million. The largest dollar increase in appropriations between FY2017 and FY2019 is Landscape Services, which will increase by $829,000 or 14.8%. The largest percentage increase over the three-year period is Repair & Maintenance, which will increase by 18.6% or $399,000. Other Contractual Services will see the largest dollar decrease in appropriations over the three-year period, declining by $3.5 million from approximately $29.6 million in FY2017 to $26.0 million in FY2019.

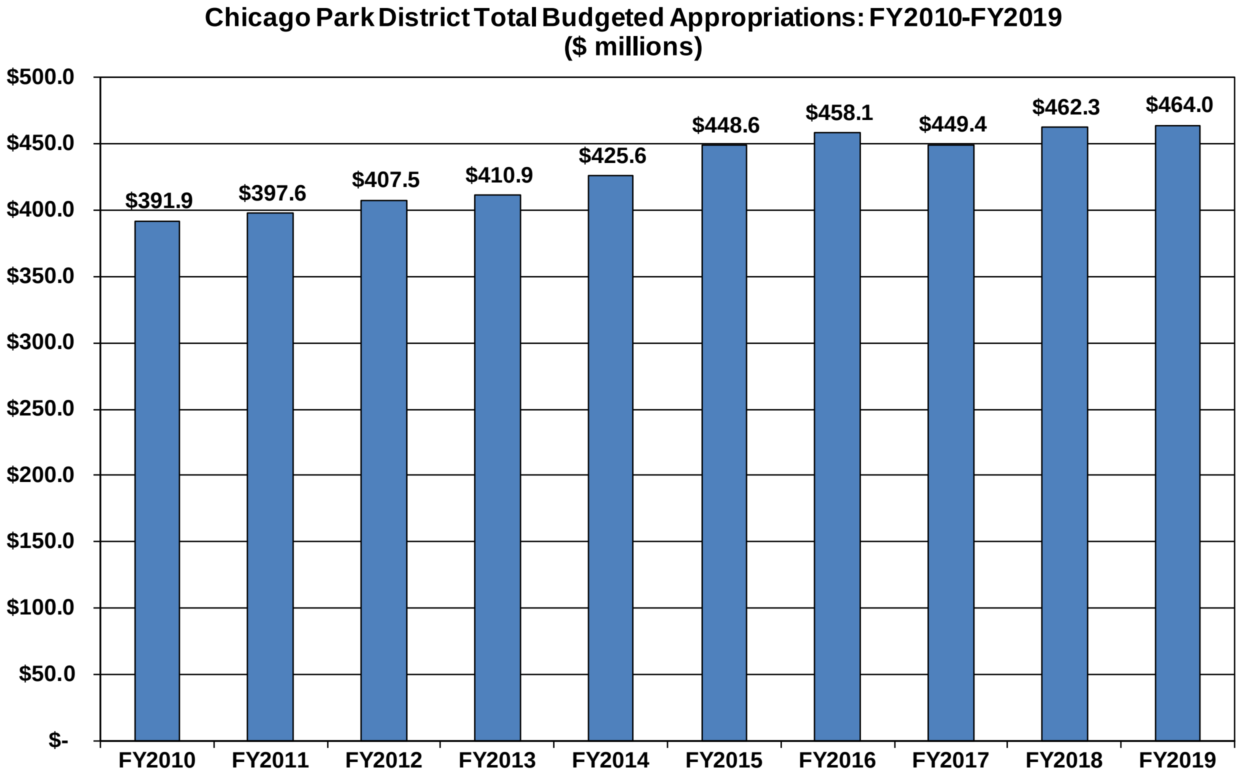
Chicago Park District Contractual Services Appropriations: FY2017-FY2019 (in $ thousands)

	FY2017 Adopted	FY2018 Amended	FY2019 Proposed	Two-Year $ Change	Two-Year % Change	Three-Year $ Change	Three-Year % Change
Utilities	$ 31,221	$ 31,378	$ 31,521	$ 143	0.5%	$ 300	1.0%
Organizations	$ 3,200	$ 3,643	$ 3,648	$ 5	0.1%	$ 448	14.0%
Repair & Maintenance	$ 2,146	$ 2,399	$ 2,545	$ 146	6.1%	$ 399	18.6%
Insurance	$ 3,500	$ 3,628	$ 3,628	$ -	0.0%	$ 128	3.7%
Harbor Mangement	$ 11,817	$ 12,056	$ 12,215	$ 159	1.3%	$ 398	3.4%
Soldier Field Management	$ 18,952	$ 19,470	$ 19,770	$ 299	1.5%	$ 817	4.3%
Landscape Services	$ 5,591	$ 6,258	$ 6,420	$ 162	2.6%	$ 829	14.8%
Golf Management	$ 4,822	$ 5,145	$ 4,975	$ (170)	-3.3%	$ 153	3.2%
Parking Management	$ 1,207	$ 1,243	$ 1,199	$ (43)	-3.5%	$ (7)	-0.6%
Management Expenses	$ 7,528	$ 7,948	$ 8,303	$ 354	4.5%	$ 775	10.3%
General Contractual Services	$ 11,104	$ 13,398	$ 11,711	$ (1,687)	-12.6%	$ 607	5.5%
Other Contractual Expenses	$ 29,552	$ 25,797	$ 26,041	$ 243	0.9%	$ (3,511)	-11.9%
Total	**$ 130,640**	**$ 132,363**	**$ 131,975**	**$ (388)**	**-0.3%**	**$ 1,335**	**1.0%**

Note: This chart does not include expenditure of grants.
Source: Chicago Park District FY2018 Budget Summary, pp. 48 and 49; and Chicago Park District FY2019 Budget Summary, pp. 55 and 56.

Ten-Year Appropriation Trend

Between FY2010 and FY2019, total budgeted appropriations have increased by $72.1 million, or 18.4%, rising from $391.9 million to $464.0 million. During this period, the Park District's annual budgeted appropriations growth averaged 1.7%, which is slightly higher than the average rate of inflation per year of 1.4% during the ten-year period.



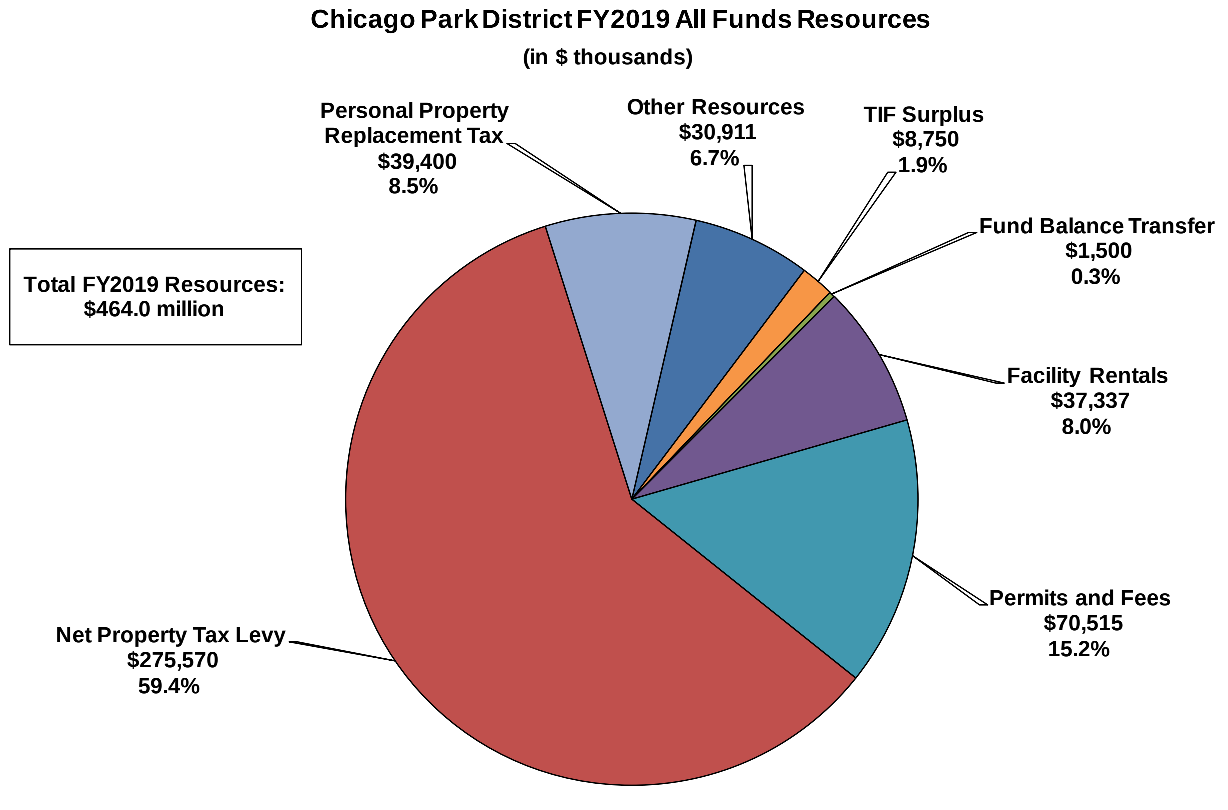
Note: Actual appropriations were not available.
Source: Chicago Park District Budget Summaries, FY2010-FY2019.

RESOURCES

This section examines the Chicago Park District's proposed revenue sources for FY2019 and provides two-year and five-year resource trends within all of the District's operating funds. Data used in this section include prior year figures from the Adopted Budgets and Annual Appropriations Ordinances for FY2015 through FY2018 approved by the Board of Commissioners, and recommended figures from the FY2019 Proposed Budget Summary and Recommendations. The Civic Federation uses numbers from adopted and amended budgets in past years in this analysis because actual numbers for all funds were not available.

All Funds Resources

The Chicago Park District is proposing total resources of $464.0 million in FY2019. The revenue distribution is shown in the chart below. Net property tax revenue (gross property tax levy minus the loss in collection) will constitute 59.4% of the District's total revenues at $275.6 million. The second largest revenue source is Permits and Fees, which will account for 15.2% of total revenue or $70.5 million. Permits and Fees include revenue from parking fees, permits, harbor fees, park fees and golf courses. Personal property replacement tax (PPRT) revenue will account for 8.5%, or $39.4 million, of total resources. Facility rentals will constitute 8.0% of revenues at $37.3 million. Other resources such as revenue from concessions, grants, sponsorships and investment income will account for 6.7% of revenues or $30.9 million. In addition to these recurring revenue sources, the Park District will utilize $1.5 million in a fund balance transfer from prior year operating reserves and $8.8 million in tax increment financing (TIF) surplus from the City of Chicago.



Note: Other Resources includes MLK Center, Maggie Daley Park, Sports Centers, Concessions, Corporate Sponsorships, Grants and Donations, Investment Income, Miscellaneous Income and Capital Contributions.
Source: Chicago Park District FY2019 Budget Summary, pp. 47-48.

The next table presents resources for all funds for the five year period between FY2015 and FY2019. Total revenue excluding TIF surplus and fund balance is projected to be $453.7 million in FY2019, an increase of $2.6 million, or 0.6%, from FY2018. Revenue includes revenue from taxes, facility rentals, permits and fees, concessions, grants, donations and other revenue sources. Total resources including the non-recurring resources of TIF surplus and fund balance transfers are projected to be $464.0 million in FY2019, which is an increase of $1.7 million, or 0.4%, from the prior year.

The Park District is proposing an increase in net property tax revenue of $1.5 million, or 0.5% through capturing the value of new property and expiring TIF districts.[23] The increase will not result in increased taxes for taxpayers within TIF districts because taxes previously paid by taxpayers into TIF districts will now go to the Chicago Park District. The levy on new property value only impacts taxpayers with new or improved properties. Property tax revenue includes gross revenue of $286.1 million, offset by an estimated $10.5 million to account for loss in collections. Property tax revenue is discussed further in the next section.

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[23] Chicago Park District FY2019 Budget Summary, p. 35.

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

Revenue generated from the rental of Soldier Field is projected to be $35.2 million in FY2019, an increase of 2.4% from $34.4 million in FY2018. Revenue from rentals at other District facilities such as gyms, pools and room rentals is expected to decrease by 10.7% in FY2019 to just under $1.0 million primarily due to a decrease in ice rink rentals.[24] Revenue from events held at the Northerly Island concert pavilion is projected to be $1.2 million in FY2019, a decrease of 7.5%, or $95,000, from FY2018. The decrease brings projections more in line with actual revenues from FY2018.[25]

Permit and fee revenues are projected to remain relatively flat compared to the prior year at $70.5 million in FY2019. This category includes revenue from parking fees, permits for events held on Park District property, harbor fees, park fees and golf courses. Parking fee revenue is projected to decrease by 3.1% from FY2018 to $5.9 million in FY2019. Golf course fee revenue is also expected to decrease by 2.8% in FY2019 to $5.6 million due to conservative projections based on spring weather experienced in recent years.[26] The District projects that harbor fee revenue will increase slightly by 1.0% to $26.2 million in FY2019 and that permit revenue will increase by 2.4%, or $403,000, to $17.6 million.

Other revenue sources include concessions, grants and donations, sponsorships, interest income and user charges at Park District facilities such as the Dr. Martin Luther King, Jr. Park & Family Center, Maggie Daley Park, the McFetridge Sports Center and the Beverly-Morgan Park Sports Center. The Park District projects increases in FY2019 in revenue from concessions, user charges at the various facilities and interest on investment. Interest on investment is expected to increase by $1.2 million, or 114.3%, from the prior year.

The District projects decreases in corporate sponsorships and grants and donations. Corporate sponsorships, which includes sponsorships and advertising, are expected to decrease by 22.1% from $976,000 to $760,000 due to a decrease in advertising revenue from $255,000 in FY2018 to $10,000 in FY2019. The decrease in advertising revenue is because the District is no longer budgeting for $245,000 in revenue from a District billboard on the Kennedy Expressway based on unrealized revenue in prior years due to permitting issues.[27]

Grants and donations are projected to decrease by $1.0 million in FY2019 from the prior year, or 14.1%, from $7.1 million to $6.1 million. This decrease is due to a reduction in the reimbursement to the Park District from Chicago Public Schools for the SCORE! (Sports Can Open Roads to Excellence) program that provides elementary school sports programming because CPS has taken some programming in-house and resources associated with program costs to the Park District have gone down.[28]

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[24] Chicago Park District FY2019 Budget Summary, p. 48.
[25] Chicago Park District FY2019 Budget Summary, p. 44.
[26] Chicago Park District FY2019 Budget Summary, p. 43.
[27] Information provided by the Chicago Park District budget office on November 21, 2018.
[28] Information provided by the Chicago Park District budget office on November 21, 2018.

The District receives a portion of the total Tax Increment Financing (TIF) surplus declared by the City of Chicago, which is $175 million for FY2019. The Park District will receive $8.8 million of the City of Chicago's TIF surplus in FY2019, compared to $9.2 million in FY2018.

Additionally, the Park District will appropriate $1.5 million of fund balance reserves in FY2019. This follows a longtime practice of the District using one-time revenue sources like reserves and TIF surplus for operating purposes. The District has been working to reduce its reliance on prior year fund balance as part of an effort to address the District's structural imbalance.[29] The use of fund balance reserves in FY2018 represents a $500,000, or 25.0%, reduction from the prior year and a $4.1 million, or 73.2% decrease from $5.6 million in fund balanced used in FY2015.

Over the five-year period from FY2015 to FY2019, the District's total proposed revenues will increase by $26.5 million, or 6.2%, from $427.2 million to $453.7 million. Including TIF surplus resources and reserves, total resources will increase by $15.4 million, or 3.4%, over the five-year period from $448.6 million in the adopted FY2015 budget to $464.0 million in the FY2019 proposed budget. The largest dollar increase over this time period occurs in gross property tax revenues with an increase of $15.3 million or 5.6%. The increase is due to annual increases in property tax revenue from capturing revenue from terminated and expiring TIF districts and new property, as well as a property tax increase for special recreation in FY2018 outside of the Property Tax Extension Limitation Law (PTELL).

Over the five-year period, personal property replacement tax is expected to decline by $6.6 million or 14.4%. Soldier Field revenue is projected to increase by $3.5 million or 11.0%, while rentals of other Park District facilities is expected to decrease by $2.7 million, or 73.7%, from $3.7 million in FY2015 to $963,000 in FY2019.

Total revenue from permits and fees is projected to increase by $5.9 million, or 9.1% over the five-year period. Parking fee revenue is expected to increase by $1.1 million or 22.2%. Permit revenue is expected to increase by $3.9 million or 28.8%.

Interest on investment is expected to increase by 525.0% over the five-year period from $360,000 to $2.3 million. Miscellaneous revenue is expected to increase by 367.9% from $1.3 million in FY2015 to $6.0 million in FY2019. Miscellaneous revenue includes cell phone tower revenue, sale of equipment and materials, internal service earnings, and other sources.[30]

[29] Information provided by the Chicago Park District on November 13, 2018.
[30] Chicago Park District FY2019 Budget Summary, p. 48.

TIF surplus allocated to the Chicago Park District by the City of Chicago has increased over the past five years from $3.3 million in FY2015 to $8.8 million in FY2019, an increase of 168.4%.

Chicago Park District Resources by Source for All Funds: FY2015-FY2019
(in $ thousands)

	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Amended Budget	FY2019 Proposed Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Gross Property Tax Levy	$ 270,771	$ 272,271	$ 273,914	$ 284,559	$ 286,068	$ 1,510	0.5%	$ 15,298	5.6%
Property Tax Loss in Collection	$ (9,937)	$ (9,992)	$ (10,053)	$ (10,443)	$ (10,499)	$ (56)	0.5%	$ (561)	5.6%
Personal Property Replacement Tax	$ 46,005	$ 48,615	$ 39,400	$ 39,400	$ 39,400	$ -	0.0%	$ (6,605)	-14.4%
Subtotal Tax Revenues	**$ 306,838**	**$ 310,893**	**$ 303,261**	**$ 313,516**	**$ 314,970**	**$ 1,454**	**0.5%**	**$ 8,131**	**2.7%**
Rental of Soldier Field	$ 31,699	$ 32,405	$ 33,379	$ 34,380	$ 35,199	$ 819	2.4%	$ 3,499	11.0%
Rentals	$ 3,669	$ 1,231	$ 1,305	$ 1,079	$ 963	$ (116)	-10.7%	$ (2,705)	-73.7%
Northerly Island Pavilion	$ 1,700	$ 1,500	$ 1,150	$ 1,270	$ 1,175	$ (95)	-7.5%	$ (525)	-30.9%
Subtotal Facility Rentals	**$ 37,068**	**$ 35,137**	**$ 35,834**	**$ 36,728**	**$ 37,337**	**$ 608**	**1.7%**	**$ 269**	**0.7%**
Parking Fees	$ 4,829	$ 5,327	$ 6,142	$ 6,090	$ 5,901	$ (189)	-3.1%	$ 1,071	22.2%
Harbor Fees	$ 25,438	$ 25,042	$ 25,660	$ 25,919	$ 26,167	$ 248	1.0%	$ 729	2.9%
Park Fees	$ 15,363	$ 14,978	$ 15,195	$ 15,298	$ 15,298	$ 0	0.0%	$ (65)	-0.4%
Permits	$ 13,633	$ 14,306	$ 16,220	$ 17,162	$ 17,566	$ 403	2.4%	$ 3,933	28.8%
Golf Course Fees	$ 5,375	$ 5,395	$ 5,420	$ 5,745	$ 5,583	$ (162)	-2.8%	$ 208	3.9%
Subtotal Permits and Fees	**$ 64,638**	**$ 65,049**	**$ 68,636**	**$ 70,214**	**$ 70,515**	**$ 301**	**0.4%**	**$ 5,877**	**9.1%**
Concessions	$ 4,023	$ 3,571	$ 3,821	$ 3,762	$ 3,855	$ 93	2.5%	$ (168)	-4.2%
Other User Charges*	$ -	$ 7,228	$ 7,268	$ 7,750	$ 8,012	$ 261	3.4%	$ 8,012	N/A
MLK Center	$ 1,438	-	$ -	$ -	$ -	$ -	N/A	$ (1,438)	N/A
Corporate Sponsorships**	$ 922	$ 518	$ 2,135	$ 976	$ 760	$ (216)	-22.1%	$ (162)	-17.5%
Grants and Donations***	$ 5,855	$ 5,855	$ 7,905	$ 7,105	$ 6,105	$ (1,000)	-14.1%	$ 250	4.3%
Interest on Investment	$ 360	$ 150	$ 450	$ 1,050	$ 2,250	$ 1,200	114.3%	$ 1,890	525.0%
Miscellaneous	$ 1,286	$ 1,429	$ 1,721	$ 5,988	$ 6,017	$ 29	0.5%	$ 4,731	367.9%
Capital Contributions	$ 4,793	$ 4,871	$ 4,677	$ 4,028	$ 3,912	$ (116)	-2.9%	$ (880)	-18.4%
Total Revenues	**$ 427,221**	**$ 434,701**	**$ 435,708**	**$ 451,118**	**$ 453,733**	**$ 2,615**	**0.6%**	**$ 26,511**	**6.2%**
TIF Distribution	$ 3,260	$ 6,667	$ 10,200	$ 9,180	$ 8,750	$ (430)	-4.7%	$ 5,491	168.4%
Long Term Obligation Fund Reserve	$ 12,500	$ 12,500	$ -	$ -	$ -	$ -	N/A	$ (12,500)	N/A
Fund Balance Transfer	$ 5,600	$ 4,200	$ 3,500	$ 2,000	$ 1,500	$ (500)	-25.0%	$ (4,100)	-73.2%
Total Resources	**$ 448,581**	**$ 458,068**	**$ 449,408**	**$ 462,297**	**$ 463,983**	**$ 1,685**	**0.4%**	**$ 15,402**	**3.4%**

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

**Sponsorships includes sponsorship and advertising revenue.

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

Source: Chicago Park District FY2015 Budget Summary, p. 6; FY2016 Budget Summary, p. 6; FY2017 Budget Summary, p. 8; FY2018 Budget Summary, pp. 41-42; and FY2019 Budget Summary, pp. 47-48.

Gross Property Tax Levy

The Chicago Park District's proposed FY2019 gross property tax levy is $286.1 million, an increase of $1.5 million over the FY2018 amended budget levy of $284.6 million.[31] After accounting for an estimated 3.67% loss in collections, or a reduction of $10.5 million, the net property tax levy is projected to be $275.6 million.[32] Property tax revenue will make up approximately 59% of the Park District's total revenue. Of the several taxing entities that Chicago taxpayers support, the Chicago Park District receives 4.93% of the total property tax distribution.[33]

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

[32] Chicago Park District FY2019 Budget Summary, p. 35.

[33] Chicago Park District FY2019 Budget Summary, p. 35. The largest portion of property taxes (53.54%) goes to Chicago Public Schools, and the remainder is split between the City of Chicago, Metropolitan Water Reclamation District, City Colleges, Cook County, and the Cook County Forest Preserve.

The $1.5 million increase in the gross property tax levy in FY2019 is from capturing the value of new property and expiring Tax Increment Financing (TIF) districts.[34] Levying for expiring TIF is not considered a tax increase because it does not increase the amount that residents will owe on their tax bill. Instead of paying a portion of their taxes to the TIF district, taxpayers in the former TIF district pay that same portion to the Park District after the TIF expires. Levying for new property only impacts property owners of new or improved property.

In the Park District's proposed FY2019 budget, the Corporate Fund will receive $172.6 million of the gross property tax revenue, which is nearly flat from the amended FY2018 budget, but an increase of $11.4 million, or 7.1%, from $161.0 million in the adopted FY2018 budget. The originally adopted FY2018 budget allocated additional property tax revenue to the Park District Pension Fund to provide supplemental payments for the District's annual employer pension contribution based on a multiplier of 2.30 times the employee contribution made two years prior. However, following a March 2018 Circuit Court ruling, the District was required to reduce the pension levy to the multiplier level in place before 2014 pension reform legislation at an amount equal to 1.10 times the employee contribution made two years prior.[35] Therefore, the District amended the FY2018 budget to reduce the pension levy by nearly half from $24.6 million to $13.2 million, a reduction of $11.4 million. In doing so, the amended budget increased the Corporate Fund levy from the originally adopted amount of $161.0 million to $172.4 million. The FY2018 adopted and amended budget figures are shown in the table below.

Chicago Park District Property Tax Gross Levy by Fund: FY2018 Adopted Budget, FY2018 Amended Budget and FY2019 Proposed Budget (in $ thousands)

Fund	FY2018 Adopted Budget	FY2018 Amended Budget	FY2019 Proposed Budget	$ Change FY2018 Adopted to FY2018 Amended	% Change FY2018 Adopted to FY2018 Amended
Corporate	$ 160,986	$ 172,379	$ 172,576	$ 11,394	7.1%
Park District Employees Pension	$ 24,588	$ 13,194	$ 14,573	$ (11,394)	-46.3%

Source: Chicago Park District FY2018 Budget Appropriations, p. 356; and FY2019 Budget Recommendations, p. 352.

The Special Recreation Fund was established in FY2005 as a separate property tax levy that is not subject to PTELL tax caps[36] in order to expand the accessibility of facilities to people with disabilities. The Special Recreation Fund will receive $12.9 million in property tax revenue in FY2019, the same level as the prior year. In FY2018 the District approved a property tax increase in the Special Recreation levy of $5.9 million.

The Bond Debt Service fund will receive $48.0 million in FY2019, which is flat from the prior year. The Aquarium and Museum Fund will receive $27.7 million for general purposes, unchanged from prior years. In FY2018 and FY2019 the Aquarium and Museum Fund is not receiving property tax revenue for Bond Debt Service as it had in past years, so total property taxes levied for the museums have decreased over the past several years.

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[34] Chicago Park District FY2019 Budget Summary, p. 35.
[35] Chicago Park District FY2019 Budget Summary, p. 52.
[36] PTELL limits non-home rule governments to increase their property tax extension by 5.0% or the increase in the Consumer Price Index, whichever is less.

The table below shows property tax revenue allocations by fund over the five-year period from FY2015 to FY2019. Over the five-year period, the largest percent increase in property tax contributions is to the District's Special Recreation Fund at an increase of 115.7% or $6.9 million. The largest dollar increase is in property tax contributions to the Corporate Fund, increasing by $18.4 million, or 11.9%, over the five-year period. The pension fund allocation will decrease by 18.8% or $3.4 million from $18.0 million in FY2015 to $14.6 million in FY2019.

Chicago Park District Property Tax Gross Levy by Fund: FY2015-FY2019 (in $ thousands)

Fund	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Amended Budget	FY2019 Proposed Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Corporate	$154,223	$158,062	$159,292	$172,379	$172,576	$ 197	0.1%	$ 18,354	11.9%
Special Recreation	$ 6,000	$ 7,000	$ 7,000	$ 12,942	$ 12,942	$ -	0.0%	$ 6,942	115.7%
Park District Employees Pension	$ 17,957	$ 17,265	$ 20,784	$ 13,194	$ 14,573	$ 1,379	10.4%	$ (3,384)	-18.8%
Liability, Workers Comp., Unemployment	$ 10,811	$ 10,811	$ 10,428	$ 10,428	$ 10,364	$ (63)	-0.6%	$ (447)	-4.1%
Bond Debt Service Fund	$ 47,730	$ 47,272	$ 44,548	$ 47,951	$ 47,949	$ (3)	0.0%	$ 219	0.5%
Aquarium and Museum Bond Debt Service	$ 6,386	$ 4,197	$ 4,196	$ -	$ -	$ -	N/A	$ (6,386)	N/A
Aquarium and Museum Purposes	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ 27,664	$ -	0.0%	$ -	0.0%
Total	**$270,771**	**$272,271**	**$273,914**	**$284,559**	**$286,068**	**$ 1,510**	**0.5%**	**$ 15,298**	**5.6%**

Source: Chicago Park District FY2019 Budget Recommendations, p. 352.

PERSONNEL

The Park District is budgeting for a total of 3,181 full-time equivalent (FTE) positions in FY2019, including 1,622 full-time positions and 1,559 part-time and seasonal positions. In FY2019 the District plans to reduce the number of part-time FTE positions from the prior year by 41 and the number of seasonal FTE positions by 1 and to add an additional 15 full-time FTE positions for a net decrease of 27 FTE positions. This is a 0.8%, decrease in the District's workforce from FY2018.

The decrease in FTE positions over the two-year period from FY2018 and FY2019 is due to staff right-sizing and reallocating resources to maintain services.[37] Over the last five years, the District has increased its total FTE count by 44 FTEs or 1.4%. This includes a net decrease of 11 part-time/seasonal FTE positions and a net increase of 55 full-time FTE positions.

Chicago Park District Budgeted Personnel FY2015-FY2019

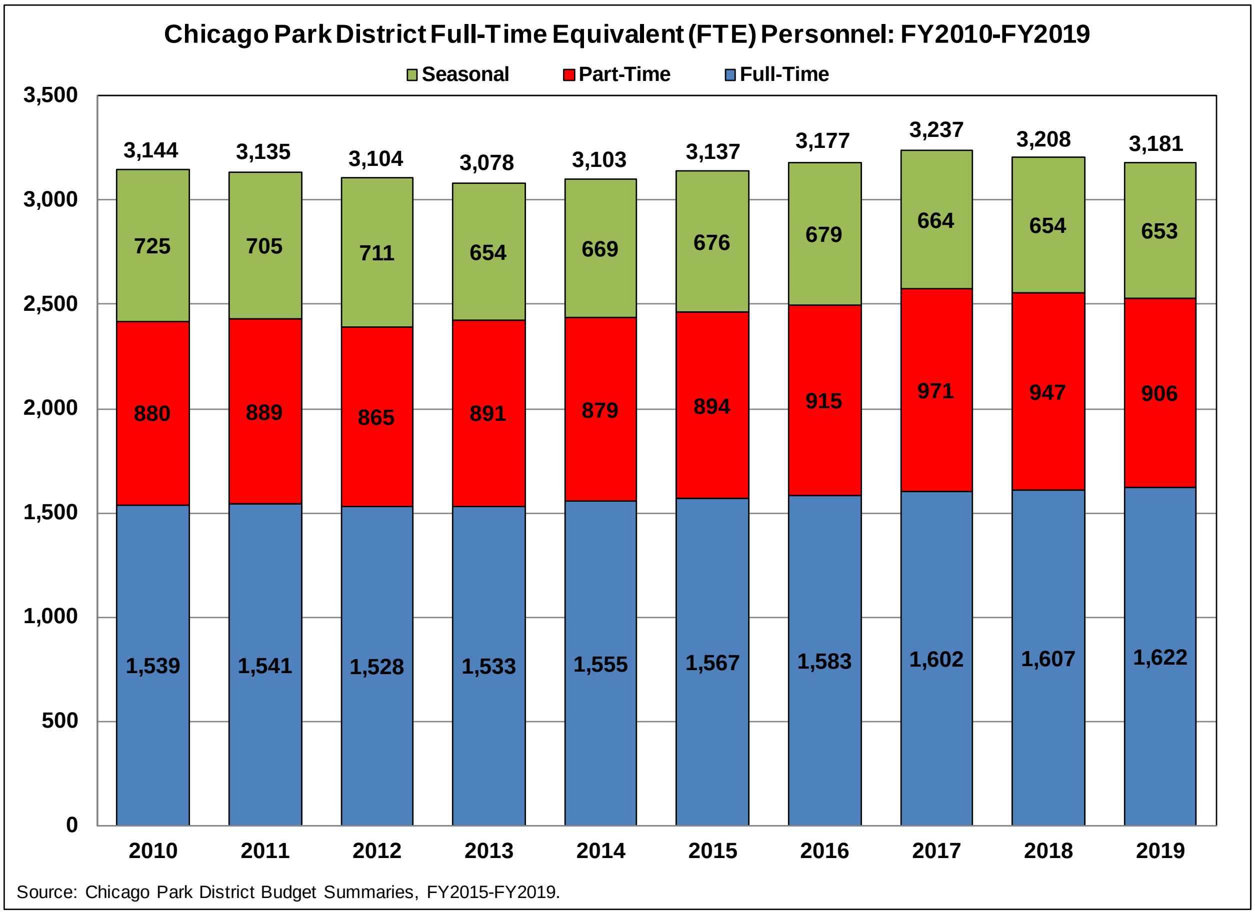
Full-Time Equivalent Positions	FY2015 Adopted	FY2016 Adopted	FY2017 Adopted	FY2018 Amended	FY2019 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	% Change
Part-Time	894	915	971	947	906	-41	-4.3%	12	1.3%
Seasonal	676	679	664	654	653	-1	-0.2%	-23	-3.4%
Subtotal Part-Time/Seasonal	**1,570**	**1,594**	**1,635**	**1,601**	**1,559**	**-42**	**-2.6%**	**-11**	**-0.7%**
Full-Time	1,567	1,583	1,602	1,607	1,622	15	0.9%	55	3.5%
Total	**3,137**	**3,177**	**3,237**	**3,208**	**3,181**	**-27**	**-0.8%**	**44**	**1.4%**

Note: Totals may not match budget summary due to rounding.
Source: Chicago Park District FY2019 Budget Summary, p. 51.

The next chart displays the change in FTEs between FY2010 and FY2019. In FY2010 the District had a total of 3,144 FTEs. Its workforce then declined to 3,078 FTEs in FY2013 before rising to 3,237 FTEs in FY2017, and is projected to decline to 3,181 FTEs in FY2019. The increase over the ten-year period includes a reduction of 46 part-time/seasonal FTEs and an

[37] Chicago Park District FY2019 Budget Summary, p. 50.

increase of 83 full-time FTEs, for a net increase of approximately 37 FTEs, or 1.2%, in the District's workforce.



Personnel Expenses

This section presents a five-year analysis of the Chicago Park District's proposed personnel expenses for FY2019 compared to the FY2015 through FY2018 adopted or amended budgets.

Total personnel costs will increase by 1.7%, or $3.6 million, from nearly $209.0 million in FY2018 to $212.6 million in FY2019. The primary driver behind the increase in personnel costs is due to contractual and anticipated wage increases.[38]

Appropriations for pensions will total $27.6 million in FY2019. This includes a required pension contribution of $14.5 million and a supplemental pension contribution of $13.0 million. In FY2018 the District originally budgeted for a required pension contribution of $27.6 million. However, in March 2018 the Circuit Court of Cook County ruled the pension reforms made in Public Act 98-0622 to be unconstitutional and the District was ordered to revert back to the older funding formula. The District then amended its FY2018 budget to reflect the change in the property tax levy to fund pensions and supplemented its pension payment with personal property

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[38] Chicago Park District FY2019 Budget Summary, p. 50.

replacement taxes (PPRT).[39] The District's FY2019 pension contribution reflects the change in funding from the property tax and PPRT revenues. Pension related spending accounts for 13.0% of the total personnel costs and nearly 6.0% of the total operating budget in FY2019. For more information on pensions and the lawsuit challenging the pension reforms, see the Pension section of this report on page 34.

Net Health Benefit appropriations, which include health benefits for current employees and retirees, will total $18.2 million in FY2019. This is an increase of 6.3%, or $1.1 million, from FY2018. The increase in health benefit expenses is offset by higher employee healthcare contributions, which will be $230,000 higher in FY2019.

Prescription Drug expenses are the second largest benefit expense in FY2019 aside from pensions and will increase over the two-year period by 0.3% or $12,000. The District attributes the increase to the overall growth trends in health and prescription drugs.[40] The District says it has made it a priority to mitigate the increasing cost of healthcare related benefits through management efficiencies and in FY2019 will benefit from a multi-agency competitive procurement process that began in 2018.[41]

Unemployment obligations and workers compensation will remain flat at $1.8 million and $3.5 million over the two-year period from FY2018 and FY2019. The District will see smaller increases in other benefit and payroll expenses, the largest being the Medicare Tax, which will increase slightly by 3.5%, or $70,000, above FY2018 budgeted appropriations. Medicare Tax expenses are budgeted based on actual trends experienced by the District, the Medicare rate in effect, coupled with the growth in the underlying salaries and an increase in the District's workforce.[42]

In the five-year period between FY2015 and FY2019, total personnel costs will increase by 7.5%, or $15.0 million, from $197.7 million to $212.6 million. Salaries and wages are the primary driver of the two-year increase rising by 10.3%, or $14.3 million. This is largely due to contractual increases in salary and wages and an increase in the District's overall workforce over the five-year period.[43]

Over the five-year period, the District's health benefit expenses for current employee and retiree health benefits will increase by 14.3%, or $2.4 million, and 37.1%, or $847,000, respectively. At the same time employee contributions for health benefits will also increase by 20.9%, or $778,000.

Prescription drug expenses will see the largest percentage increase over the five-year period, rising by 32.5% or $1.1 million. However, the District has made an effort to slow the rate of growth for prescription drugs in recent years.[44]

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[39] Chicago Park District FY2019 Budget Summary, p. 52.
[40] Chicago Park District FY2019 Budget Summary, p. 52.
[41] Chicago Park District FY2019 Budget Summary, p. 52.
[42] Information provided by Chicago Park District Office of Budget and Management Staff, November 20, 2015.
[43] Chicago Park District FY2017 Budget Summary, p. 41; FY2018 Budget Summary, p. 43; and FY2019 Budget Summary, p. 50.
[44] Chicago Park District FY2019 Budget Summary, p. 52.

Unemployment obligations will decline by 19.1%, or $412,000, over the five-year period. The District has historically under-budgeted for unemployment obligations.[45] Workers compensation expenses are budgeted to remain flat between FY2015 and FY2019.

Chicago Park District Personnel Costs: FY2015-FY2019
(in $ thousands)

	FY2015 Adopted	FY2016 Adopted	FY2017 Adopted	FY2018 Amended	FY2019 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Health Benefits	$ 17,115	$ 18,071	$ 18,295	$ 18,428	$ 19,564	$ 1,136	6.2%	$ 2,449	14.3%
Health Benefits Employee Contributions	$ (3,728)	$ (3,788)	$ (4,073)	$ (4,276)	$ (4,506)	$ (230)	5.4%	$ (778)	20.9%
Health Benefits Retirees	$ 2,280	$ 2,820	$ 2,943	$ 2,950	$ 3,127	$ 177	6.0%	$ 847	37.1%
Health Benefits Subtotal	**$ 15,667**	**$ 17,103**	**$ 17,165**	**$ 17,102**	**$ 18,185**	**$ 1,083**	**6.3%**	**$ 2,518**	**16.1%**
Prescription Drugs	$ 3,396	$ 4,156	$ 4,400	$ 4,488	$ 4,500	$ 12	0.3%	$ 1,104	32.5%
Dental Benefits	$ 332	$ 324	$ 317	$ 315	$ 318	$ 3	1.0%	$ (15)	-4.4%
Life Insurance Benefits	$ 183	$ 184	$ 190	$ 194	$ 193	$ (1)	-0.3%	$ 10	5.4%
Medicare Tax	$ 1,838	$ 1,938	$ 1,960	$ 2,006	$ 2,076	$ 70	3.5%	$ 238	12.9%
Social Security	$ 1,248	$ 1,290	$ 1,268	$ 1,272	$ 1,294	$ 22	1.7%	$ 46	3.7%
Unemployment Obligations	$ 2,162	$ 2,162	$ 1,750	$ 1,750	$ 1,750	$ -	0.0%	$ (412)	-19.1%
Workers Compensation	$ 3,525	$ 3,525	$ 3,525	$ 3,525	$ 3,525	$ -	0.0%	$ -	0.0%
Pension	$ 17,975	$ 18,284	$ 20,800	$ 13,194	$ 14,573	$ 1,379	10.4%	$ (3,403)	-18.9%
Supplemental Contribution to Pension Fund	$ 12,500	$ 12,500	$ -	$ 14,394	$ 13,015	$ (1,379)	-9.6%	$ 515	4.1%
Subtotal All Benefits	**$ 58,826**	**$ 61,467**	**$ 51,374**	**$ 58,239**	**$ 59,428**	**$ 1,190**	**2.0%**	**$ 602**	**1.0%**
Salary & Wages	$ 138,866	$ 144,646	$ 147,935	$ 150,746	$ 153,189	$ 2,443	1.6%	$ 14,323	10.3%
Total	**$ 197,693**	**$ 206,113**	**$ 199,308**	**$ 208,985**	**$ 212,618**	**$ 3,632**	**1.7%**	**$ 14,925**	**7.5%**

Note: Salaries and wages include vacancy allowance, overtime, FSA benefits and reserve for wage increase.
Source: Chicago Park District FY2016 Budget Summary, p. 7; FY2017, p. 9; FY2018, pp. 8 and 48; and FY2019 Budget Summary, p. 49 and 55.

RESERVES

Fund balance is an important financial indicator for local governments and serves as a measure of financial resources. Fund balance is the difference between the assets and liabilities reported in a governmental fund at the end of a fiscal year. Fund balance is more a measure of liquidity than of net worth and can be thought of as the savings account of the local government.[46]

The Chicago Park District's General Funds are used to account for all financial resources not reported in other specific funds. In other words, they report the District's general operations. The District's General Funds include the Corporate Fund; the Liability, Worker's Compensation and Unemployment Fund; and the Long-Term Income Reserve Fund.[47]

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

Fund Balance Definitions and Components

The Chicago Park District reports fund balance according to guidelines set by the Governmental Accounting Standards Board (GASB). 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.[48] GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund

[45] Information provided by the Chicago Park District, November 22, 2013.
[46] Stephen J. Gauthier, *The New Fund Balance* (Chicago: GFOA, 2009), p. 34.
[47] The Long-Term Income Reserve Fund was incorporated into the General Fund in FY2011 with the implementation of GASB Statement No. 54. Chicago Park District FY2017 Budget Summary, p. 26.
[48] Steven Gauthier, "Fund Balance: New and Improved," *Government Finance Review*, April 2009.

resources for budgeting purposes to fund balance classifications that place different levels of constraint on the use of the resources.[49] Starting in FY2011, the District's audited financial statements report fund balance according to GASB Statement No. 54.

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

- *Nonspendable fund balance* – resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment;
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;
- *Committed fund balance* – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation;
- *Assigned fund balance* – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance; and
- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.[50]

The Civic Federation's analysis of the Chicago Park District's fund balance reserve level focuses on the *unrestricted* fund balance, which includes the total of *committed, assigned* and *unassigned* fund balance levels within the General Fund.

Fund Balance Best Practice

The Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." Two months of operating expenditures is approximately 17%. This policy is also a good benchmark for large special purpose governments such as the Chicago Park District.

Chicago Park District Stabilization Funds

The Park District has four fund reserves that are assigned or committed for specific purposes and serve as financial safeguards to ensure long-term financial stability. These four funds, together with several other fund balances, compose the District's General Fund unrestricted fund balance. The District's fund balance policy is approved by the Chicago Park District Board of

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[49] Governmental Accounting Standards Board, Summary of Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (issued February 2009).
[50] Gauthier, Stephen J., "Fund Balance: New and Improved," Government Finance Review, April 2009.

Commissioners annually as part of the budget process.[51] The following is a summary of the four reserve funds and their intended use.

1) The Long-Term Income Reserve Fund (also referred to as working capital) is a special revenue reserve fund that was established in FY2006 from revenue generated from the sale of the District's parking garages. The District uses the interest on these funds to support the Corporate Fund.[52] The District's policy is to maintain this fund at a level of no less than $85.0 million.[53] The Long-Term Reserve Fund provides working cash to bridge periods when the District is awaiting property tax revenue in order to avoid short-term borrowing.

2) The Economic Stabilization Fund is the District's "rainy day fund" and is intended to mitigate economic downturns or other major events. The District's General Fund fund balance policy requires the District to designate 8.0% to 16.0% of the preceding year's General Fund expenditures as reserves for this fund.[54]

3) The Budget Stabilization Fund is used to balance the budget. The District sets aside Personal Property Replacement Tax (PPRT) revenue for this fund. Amounts vary from fiscal year to fiscal year, but cannot exceed the amount of the expected budget shortfall.[55]

4) The Long-Term Liability Reserve Fund was established to make supplemental employer pension contributions as required by Public Act 98-0622 in FY2015 and FY2016.[56] The Long-Term Liability Reserve funds financed the District's $25.0 million supplemental employer contribution to the pension fund, with $12.5 million appropriated in FY2015 and $12.5 million in FY2016.[57] As of FY2017, the long-term liability reserve was $29.0 million.

As of December 31, 2017, the most recent year for which audited data are available, the District's General Fund reserve funds had the following balances:[58]

- Long-Term Reserve Fund (working capital) – $96.0 million;
- Economic Stabilization Fund – $25.8 million;
- Budget Stabilization Fund (PPRT stabilization) – $5.0 million; and
- Long-Term Liability Reserve Fund – $29.0 million.

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[51] Communication with the Chicago Park District's Office of Budget and Management, November 22, 2013.
[52] Communication with the Chicago Park District's Office of Budget and Management, December 1, 2017.
[53] Chicago Park District, FY2019 Budget Summary, p. 26.
[54] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 83.
[55] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 83.
[56] Chicago Park District, FY2016 Comprehensive Annual Financial Report, p. 83.
[57] Chicago Park District, FY2017 Budget Summary, p. 27. The Long-Term Liability Reserve balance only decreased by $5.0 million in FY2015 instead of $12.5 million because of an $11.7 million transfer in from the Public Building Commission – Operating and Maintenance special revenue fund.
[58] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 36.

Unrestricted Fund Balance for the General Fund

In FY2017 the District's General Fund unrestricted fund balance was $207.8 million, which equaled 69.8% of general fund expenditures that year. This was an increase of 3.1 percentage points from a fund balance ratio of 66.7% the prior year. The fund balance reserve increased from $206.4 million in FY2016 due to the fact that the District did not make a supplemental pension contribution in FY2017, which was partially offset by a decrease in property tax revenue as a result of timing of tax collections within the revenue recognition period.[59]

The District's FY2017 General Fund unrestricted fund balance includes $126.8 million of fund balance committed to specific stabilization funds, $41.6 million of fund balance assigned for various purposes and $39.4 million of unassigned fund balance. The District's committed fund balance includes three of the amounts described above: $96.0 million committed to working capital, or the Long-Term Reserve Fund; $25.8 million committed to the Economic Stabilization Fund; and $5.0 million committed to the PPRT budget stabilization fund.[60] The assigned fund balance includes $29.0 million assigned to the Long-Term Liability Reserve.

Over the seven-year period from FY2011 to FY2017, the Park District's fund balance ratio has been well above the GFOA recommendation of 17% of expenditures, fluctuating between a high of 76.9% in FY2012 to a low of 66.7% in FY2016.

Chicago Park District General Fund Fund Balance: FY2011-FY2017

	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$182,182,000	$ 256,644,000	71.0%
FY2012	$194,877,000	$ 253,286,000	76.9%
FY2013	$185,196,000	$ 268,223,000	69.0%
FY2014	$203,124,000	$ 277,499,000	73.2%
FY2015	$201,970,000	$ 301,367,000	67.0%
FY2016	$206,440,000	$ 309,543,000	66.7%
FY2017	$207,782,000	$ 297,498,000	69.8%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36 and 40; FY2012, p. 36 and 40; FY2013, p. 36 and 40; FY2014, p. 36 and 40; FY2015, p. 36 and 40; FY2016, p. 36 and 40; and FY2017, p. 36 and 40.

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

The implementation of GASB 54 in FY2011 required the District to incorporate two special revenue funds in the General Fund fund balance that were previously reported separately.[61] One

[59] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 26.
[60] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 36.
[61] Per GASB 54, the funds no longer met the definition of special revenue fund and began to be reported under the General Fund.

of those funds is the Long-Term Income Reserve Fund, which the District created with proceeds from its parking garage sales. The parking garage sales will be discussed later in this section. The other is the Northerly Island Fund.

The next table shows the General Fund unrestricted fund balance and fund balance ratio excluding the Long-Term Income Reserve Fund and Northerly Island Fund. Even without these funds included in the fund balance calculation, the District's fund balance ratio has consistently been well above the GFOA's recommendation of 17% of expenditures.

The Long-Term Income Reserve Fund fund balance in FY2017 was $96.0 million and the Northerly Island Fund fund balance was $79,000. When excluding those two funds, the unrestricted fund balance in the General Fund totaled $111.7 million in FY2017. This reserve level represented 37.6% of General Fund expenditures that year.

From FY2011 through FY2017, the District consistently maintained a fund balance of about $96 million in the Long-Term Income Reserve Fund, and smaller fund balances in the Northerly Island Fund ranging from $4.3 million in FY2011[62] to $79,000 in FY2016.[63] Excluding the two funds, the Park District maintained fund balance ratios of above 30% between FY2011 and FY2017.

Chicago Park District General Fund Fund Balance Excluding Long-Term Income Reserves: FY2011-FY2017

	Unrestricted Fund Balance	General Fund Expenditures	Ratio
FY2011	$82,082,000	$ 256,644,000	32.0%
FY2012	$96,777,000	$ 253,286,000	38.2%
FY2013	$87,925,000	$ 268,223,000	32.8%
FY2014	$106,138,000	$ 277,499,000	38.2%
FY2015	$105,305,000	$ 301,367,000	34.9%
FY2016	$110,371,000	$ 309,543,000	35.7%
FY2017	$111,727,000	$ 297,498,000	37.6%

Source: Chicago Park District FY2011 Comprehensive Annual Financial Report, pp. 36 and 40; FY2012, pp. 36 and 40; FY2013, pp. 36 and 40; FY2014, pp. 36 and 40; and FY2015, pp. 36 and 40; FY2016, pp. 36 and 40; and FY2017, pp. 36 and 40.

Parking Garage Proceeds

In 2006 the District entered into an Intergovernmental Agreement (IGA) to transfer the District's three downtown parking garages (Grant Park North, Grant Park South and East Monroe) to the City of Chicago for $347.8 million. This allowed the City to enter into a concession and lease agreement with a Morgan Stanley, which gave the lease holder the right to provide parking garage services for 99 years.[64] The District set aside $69.1 million of the proceeds to extinguish

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[62] Chicago Park District FY2011 Comprehensive Annual Financial Report, p. 36.
[63] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 36.
[64] Chicago Park District FY2006 Comprehensive Annual Financial Report, pp. 8 and 72. It should be noted that Morgan Stanley is no longer the lease holder. Morgan Stanley handed over the lease to its lender, Societe General, after defaulting in 2013. Societe General then reached an agreement to transfer ownership to Northleaf Capital Partners and AMP Capital in 2016. Ryan Ori, *Crain's Chicago Business*, "Investor group prepares to hand city

garage related bonds. The full cash defeasance was $76.0 million, with the balance coming from funds that were already set aside to cover debt service and unspent cash proceeds.[65]

The remaining proceeds allowed the District to establish three funds:

- Garage Revenue Capital Improvements Fund – $122.0 million earmarked for capital improvement to neighborhood parks;
- Reserve for Park Replacement Fund – $35.0 million was set aside for park repair at Daley Bi-Centennial plaza above the East Monroe Garage once the Concessionaire completes agreed upon repairs to the garage; and
- Long-Term Income Reserve Fund – $121.7 million to generate earnings to replace the approximately $5.0 million that was generated annually through parking garage revenues.[66] In FY2011 this reserve fund was merged with the General Fund with the implementation of GASB 54.

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

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

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

- The Long-Term Income Reserve fund earned a total of $7.4 million in interest and transferred out $12.3 million to replace lost parking garage revenues from FY2006 to FY2010. Starting in FY2011, this fund is reported within the General Fund;
- In FY2008, $21.9 million of the Long-Term Income Reserve Fund was used to purchase administrative office space;
- The Garage Revenue Capital Improvements Fund has spent a total of $106.0 million, the vast majority of which has been on capital improvements;
- In FY2009 transfers from the District's Long-Term Income Reserve Fund and the Garage Revenue Capital Improvements Fund to Current and Capital expenses fell by $21.9

parking garages back to lender," September 12, 2013; and Greg Hinz, *Crain's Chicago Business*, "Milennium, Grant garages get a new operator," February 5, 2016.
[65] Information provided by the Chicago Park District, November 26, 2010.
[66] Chicago Park District FY2008 Budget Summary, p. 12.

million and $45.1 million, respectively, primarily because of the $21.9 million purchase of an administrative building and $52.1 million in capital improvements in FY2008;[67]

- In FY2010 a combined total of $8.0 million was transferred for General Fund operations from the Long-Term Income Reserve, Garage Revenue Capital Improvement Fund and Reserve for Park Replacement Fund;
- In FY2011 the District spent approximately $8.1 million on capital projects and $80,000 on park operations from the Garage Revenue Capital Improvements Fund;
- In FY2012 the District spent approximately $4.3 million from the Garage Revenue Capital Improvements Fund, including $4.2 million on capital projects and $46,000 on park operations, as well as $4.6 million from the Reserve for Park Replacement Fund;
- In FY2013 the District spent approximately $1.3 million from the Garage Revenue Capital Improvements Fund on capital related expenditures and $6.0 million from the Reserve for Park Replacement Fund;
- In FY2014 the Garage Revenue Capital Improvement Fund increased by $22.4 million over FY2013 to a balance of $36.4 as a result of the proceeds from the sale of the administration office;[68] and
- The Garage Revenue Capital Improvement Fund decreased from $36.4 million in FY2014 to $34.0 million in FY2017 due to increases in capital outlay.[69]

[67] Chicago Park District FY2008 Comprehensive Annual Financial Report, p. 30.
[68] Chicago Park District FY2014 Comprehensive Annual Financial Report, p. 28.
[69] Chicago Park District FY2015-FY2017 Comprehensive Annual Financial Reports, p. 28.

Parking Garage Reserve Funds: FY2006-FY2017 (in $ millions)			
	Long-Term Income Reserve*	Garage Revenue Capital Improvements Fund	Reserve for Park Replacement Fund
Revenue			
Proceeds	$ 121.7	$ 122.0	$ 35.0
Interest and Misc. Earnings	$ 7.4	$ 22.5	$ 0.1
Transfers In	$ 0.9	$ -	$ -
Total	**$ 129.9**	**$ 144.5**	**$ 35.1**
Transfers Out to General			
FY2006	$ -	$ -	$ -
FY2007	$ (5.0)	$ -	$ -
FY2008	$ (5.0)	$ -	$ -
FY2009	$ (2.1)	$ (8.0)	$ (2.0)
FY2010	$ (0.2)	$ (7.7)	$ (0.1)
FY2011	$ -	$ -	$ -
FY2012	$ -	$ -	$ -
FY2013	$ -	$ -	$ -
FY2014	$ -	$ -	$ -
FY2015	$ -	$ -	$ -
FY2016	$ -	$ -	$ -
FY2017*	$ -	$ -	$ -
Total	**$ (12.3)**	**$ (15.7)**	**$ (2.1)**
Current and Capital Expenses			
FY2006	$ -	$ -	$ -
FY2007	$ -	$ (8.2)	$ -
FY2008	$ (21.9)	$ (52.1)	$ -
FY2009	$ (0.0)	$ (7.0)	$ -
FY2010	$ -	$ (25.1)	$ (1.1)
FY2011*	$ -	$ (8.2)	$ (0.3)
FY2012*	$ -	$ (4.3)	$ (4.6)
FY2013*	$ -	$ (1.3)	$ (6.0)
FY2014*	$ -	$ (0.9)	$ (22.8)
FY2015*	$ -	$ (3.6)	$ (0.4)
FY2016*	$ -	$ (0.6)	$ (1.0)
FY2017*	$ -	$ (0.7)	$ (0.0)
Total	**$ (21.9)**	**$ (111.8)**	**$ (36.3)**
Balance FY2017	**$ 96.0**	**$ 34.0**	**$ 0.7**

Note: Some differences may appear due to rounding.
*The Long-Term Income Reserve Fund was merged into the General Fund for accounting purposes in FY2011 with the implementation of GASB 54.
Sources: Chicago Park District Comprehensive Annual Financial Reports, FY2006-FY2017.

PENSION FUND

The Civic Federation analyzes four indicators of the fiscal health of the Chicago Park District pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators and describes Park District pension benefits. It is important to note that until July 1, 2012, the fiscal year of the pension fund was July 1 to June 30, while the District's fiscal year is January 1 to December 31. However, legislation was signed into law in August 2012 that matched the pension fund's fiscal year to the District's fiscal year starting January 1, 2013.[70] Therefore, except for the investment return section, data in this section are measured over the ten and a half years between the start of FY2007 on July 1, 2006 and through the short fiscal year that ran between the end of FY2012 on June 30, 2012 and the start of FY2013 on January 1, 2013 and ends with the end of FY2016 on December 31, 2016. There is also a discussion of the Fund's liabilities as reported according to accounting standards required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68). Unless otherwise stated, the numbers used in this chapter are statutorily required numbers used for funding purposes.

Plan Description

The Park Employees' & Retirement Board Employees' Annuity and Benefit Fund is a single employer defined benefit pension plan for employees of the Chicago Park District and the Fund. It was created by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.[71] Plan benefits and contribution amounts can only be amended through State legislation.[72] The Chicago Park District is the only park district in Illinois whose employees do not participate in the statewide Illinois Municipal Retirement Fund.

The Park District pension fund is governed by a seven-member Board of Trustees. As prescribed in State statute, four members are elected by the employees and three members are appointed by the Park District Board of Commissioners.[73]

As of December 31, 2017 there were 3,543 active members of the pension fund and 2,876 beneficiaries, for a ratio of 1.23 active members for every beneficiary, the highest ratio over the ten and a half years examined. The ratio has fluctuated over the decade between FY2008 and

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

[71] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2017, p. 16.

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

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

FY2017, but generally increased. In FY2017 the number of active employees increased more than the number of beneficiaries increased, leading to a higher ratio.

Park District Pension Fund Membership: FY2008-FY2017			
Fiscal Year	**Active Employees**	**Beneficiaries**	**Ratio of Active to Beneficiary**
FY2008	3,031	3,013	1.01
FY2009	2,895	3,013	0.96
FY2010	2,816	2,956	0.95
FY2011	2,795	2,913	0.96
FY2012	2,977	2,921	1.02
Six Months Ended 12/31/12*	3,053	2,906	1.05
FY2013	3,076	2,904	1.06
FY2014	2,973	2,891	1.03
FY2015	3,063	2,876	1.07
FY2016	3,114	2,870	1.09
FY2017	3,543	2,876	1.23
10.5-Year Change	**512**	**-137**	**0.23**
10.5-Year % Change	**16.9%**	**-4.5%**	**22.5%**

***** Pursuant to Public Act 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's own fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of fiscal year 2013 on January 1, 2013.
Source: FY2008-FY2017 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Pension Benefits

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including members of the Park District pension fund.[74] 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. Members of the Park District Pension Fund do not participate in the federal Social Security program so they are not eligible for Social Security benefits related to their District employment when they retire.

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

The major changes for Tier 2 benefits as enacted in 2010 were the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62; the reduction of final average salary from the highest four-year average to the highest eight-year average; the $106,800 cap on final

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

average salary; and the reduction of the automatic increase from 3% simple interest to the lesser of 3% or one-half of the increase in Consumer Price Index, simple interest.

Major Chicago Park District Pension Benefit Provisions		
	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 4 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 annual 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; capped at $106,800*
Annuity Formula	2.4% of final average salary for each year of service	
Early Retirement Formula Reduction	0.25% per month under age 60	0.5% per month under age 67
Maximum Annuity	80% of final average salary	
Automatic Increase on Retiree or Surviving Spouse Annuity	3% simple interest; begins at later of age 60 or first anniversary of retirement	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

*The $106,800 maximum final average salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year.

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").

Source: Park Employees' Annuity and Benefit Fund of Chicago FY2017 Comprehensive Annual Financial Report.

Public Act 98-0622

Public Act 98-0622, enacted in January 2014, made changes to the benefits of retirees, Tier 1 employees and Tier 2 employees. It also increased the contributions made by employees and the District to the pension fund. As a whole, the reform package was intended to increase the funded ratio to 90% by 2049 and 100% by 2054.

A challenge to the reforms was filed on October 8, 2015 by a Park District annuitant and an employee in Cook County Circuit Court. Following three years of litigation, the legislation was declared unconstitutional in its entirety on March 1, 2018 by Judge Neil H. Cohen.[75]

The original provisions of the Public Act 98-0622 were allowed to go into effect on January 1, 2015 as scheduled. However, a year after litigation was filed in October 2015, on October 19, 2016 the Cook County Circuit Court entered an Agreed Order freezing employee and employer contributions at FY2016 rates, reinstating automatic annual annuity increases for current retirees and requiring retroactive payments of retirees’ foregone increases dating back to January 1, 2015. The Agreed Order implemented in October 2016 left in place the changes to retirement age and duty disability included P.A. 98-0622 and the annual supplemental contributions of $12.5 million by the District went ahead as scheduled in FY2015 and FY2016.[76]

Subsequent to the Circuit Court ruling striking down P.A. 98-0622, Judge Cohen entered an Agreed Order on March 21, 2018. The Agreed Order required the Park District Pension Fund to

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[75] *Biedron v. Park Employees’ and Retirement Board Employees’ Annuity and Benefit Fund*, No. 15 CH 14869 Memorandum and Order (Cook County Cir. Ct. 2015).
[76] Agreed Order, Case No. 2015 CH 14869, October 19, 2016.

refund to current employees the higher pension contributions they have made since 2015 with interest. Additionally, the Fund was ordered to restore duty disability benefits retroactively with interest. According to the Park District Pension Fund, the current employee refunds were to be processed by the District and made by July 31, 2018 and the disability refunds were to be made by the Fund by June 30, 2018.[77]

In contrast to the refunds for retirees, current employees and disability recipients, the Pension Fund will keep the increased employer contributions from the Park District due to the increase in the statutory multiplier contribution to 1.7 from 1.1 times what employees contributed two years prior that was levied in tax years 2015, 2016 and 2017, as well as $25 million total in lump sum payments the District made to the fund from its reserves during fiscal years 2015 and 2016. The tax year 2018 employer contribution from property taxes was originally budgeted at a 2.3 times employee contributions level. However, the March ruling required the District to reduce its levy to the 1.1 multiplier for the 2018 tax year and beyond. However, the ruling also noted that the District could make voluntary contributions beyond the multiplier amount. Therefore, the District amended its FY2018 budget to reduce the property tax levy but provide a supplemental voluntary contribution from personal property replacement tax (PPRT) to equal the originally budgeted FY2018 contribution. The District proposes a similar move in FY2019, when it will levy for the statutory 1.1 multiplier at $14.6 million and a supplemental contribution of $13 million, effectively doubling the statutorily required amount. However, even the supplemental contributions fall far short of the actuarial needs of the fund.[78]

The Pension Fund's actuary projects that because of P.A. 98-0622 being declared unconstitutional, the fund will run out of money within 10 years or during 2027, even if it achieves all of its demographic and economic assumptions.[79]

Funded Ratio

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations. The best situation for any pension fund is to be fully funded, with 100% of accrued liabilities covered by assets because it means that the plan is doing a good job of maintaining intergenerational equity with current taxpayers appropriately paying for the cost of current public employees' benefits. There is no official industry standard or best practice for an acceptable funded ratio other than 100%.[80]

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[77] Park District Pension Fund website, https://www.chicagoparkpension.org/news_1.php. Last visited November 14, 2018. The meeting minutes of the July 2018 Park District Pension Fund Board of Trustees noted that at the status hearing on the *Biedron* litigation on July 18, 2018, all parties reported they were in compliance with the March 21, 2018 Agreed Order. https://www.chicagoparkpension.org/pdfs/board-meeting-minutes/MINUTES%2007%2019%2018.pdf

[78] Chicago Park District FY2019 Budget Summary, p. 52.

[79] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2017, p. 12.

[80] American Academy of Actuaries, "Issue Brief: The 80% Pension Funding Standard Myth," July 2012. http://actuary.org/files/80%25_Funding_IB_FINAL071912.pdf

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.[81] 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 value funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows the actuarial and market value funded ratios for the Park District's pension fund over the last ten years. The actuarial value funded ratio fell from a high of 73.8% in FY2008 to 43.4% in the short fiscal year ended December 31, 2012 before increasing to 45.5% in FY2013 as a result of reduced liabilities under P.A. 98-0622. The actuarial funded ratio fell to 39.1% in FY2016, lower than before P.A. 98-0622 was enacted, mostly as a result of a $93.6 million increase to the actuarial accrued liability due to the reinstated higher automatic annual increases to annuities as a result of the Agreed Order.[82] The funded ratio fell again to 37.1% in FY2017 mainly as a result of the Circuit Court ruling that P.A. 98-0622 was unconstitutional and the resulting increase to the actuarial accrued liability of $20.9 million.[83]

The market value funded ratio fell from a high of 70.7% in FY2008 to 42.4% as of December 31, 2012 before rebounding to 49.1% in FY2013. The market value funded ratio fell over the next several years reaching a low of 38.3% in FY2017, due both to the rolling back of the provisions of P.A. 98-0622 and insufficient employer contributions to the fund.

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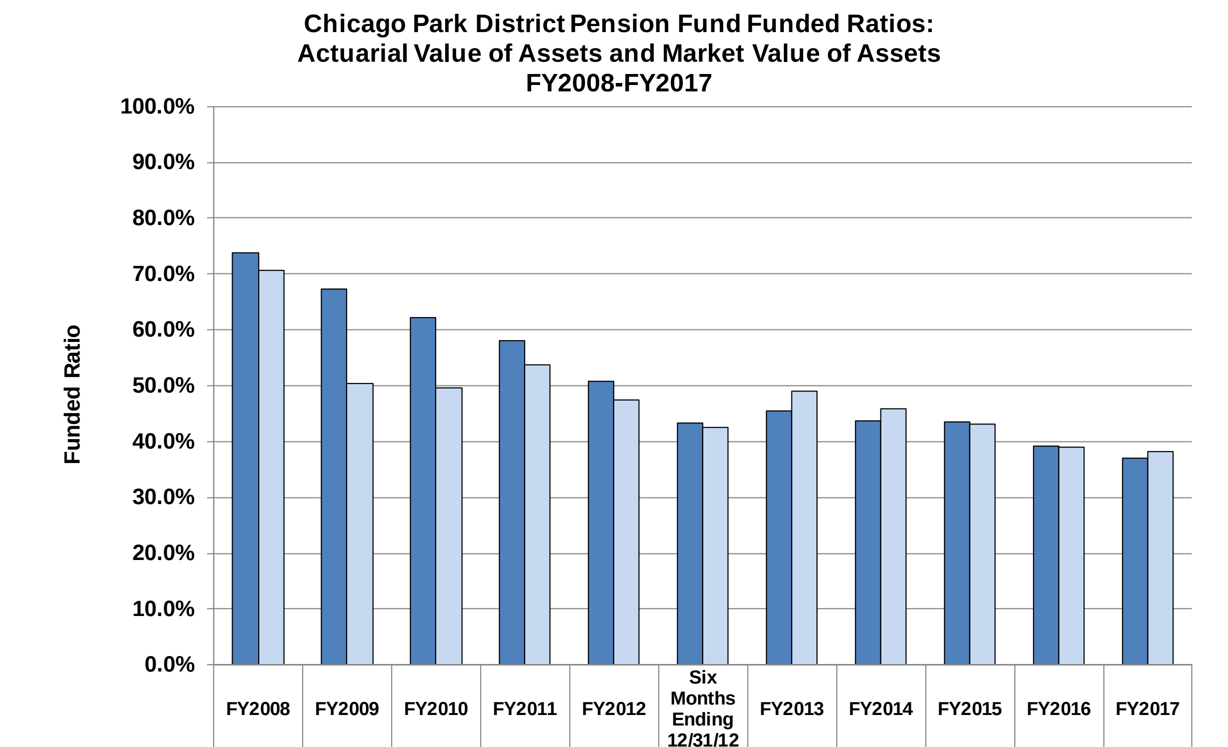
[81] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012*, October 2, 2014.
[82] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2014, p. 81.
[83] Park Employees' Annuity and Benefit Fund of Chicago Actuarial Valuation and Review as of December 31, 2017, p. i..

The continued decline in funded ratio is a cause for significant concern. The actuary for the Pension Fund has projected that due to the end of the benefit and funding provisions under 98-0622, the Fund is now scheduled to become insolvent during 2027.[84]



	FY2008	FY2009	FY2010	FY2011	FY2012	Six Months Ending 12/31/12	FY2013	FY2014	FY2015	FY2016	FY2017
Actuarial Value	73.8%	67.2%	62.3%	58.0%	50.9%	43.4%	45.5%	43.7%	43.5%	39.1%	37.1%
Market Value	70.7%	50.3%	49.5%	53.7%	47.4%	42.4%	49.1%	45.9%	43.2%	39.0%	38.3%

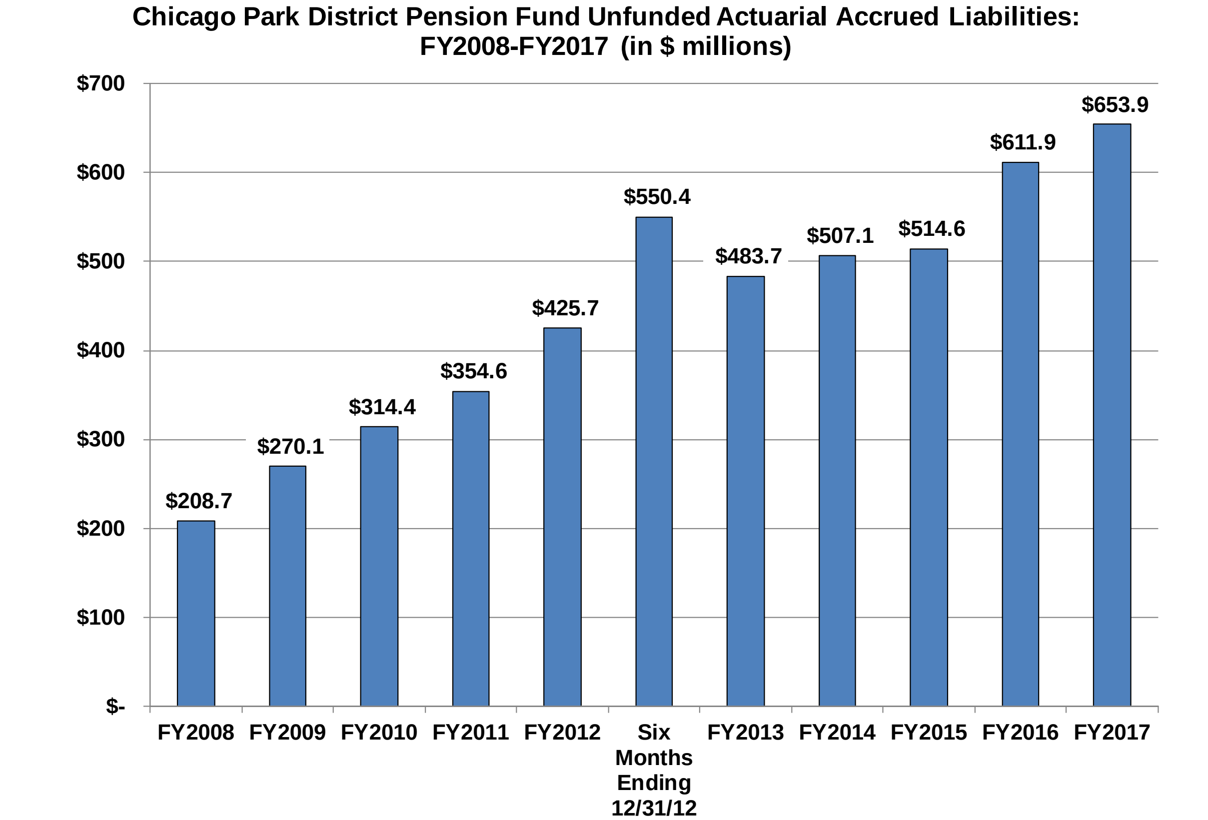
Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculations based on FY2008-FY2017 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. As shown in the exhibit below, unfunded liabilities for the Park District pension fund totaled $653.9 million as of December 31, 2017, up from $611.9 million as of December 31, 2016. Looking at the past 10 year trend, the reduction in actuarial liabilities in FY2013 was caused by the pension benefit reductions contained in P.A. 98-0622. The FY2013 UAAL was $109.4 million less than it would have been without the pension reform legislation.[85] The FY2014 and FY2015 unfunded liabilities went up from previous years mostly because the employer contribution was still insufficient for the needs of the fund. The increase in FY2015 was despite higher employer contributions under P.A. 98-0622 that started in FY2015. The FY2016 unfunded liability increased by $97.3 million mostly because, as discussed above, liabilities for the fund increased due to the changes to P.A. 98-0622 implemented by court order

[84] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year ended December 31, 2017, p. 12.
[85] Park Employees' Annuity and Benefit Fund of Chicago Comprehensive Annual Financial Report for the Year Ended December 31, 2013, p. 45.

in October 2016. The FY2017 unfunded liability increased by nearly $42.0 million due to both insufficient employer contributions and the ruling that P.A. 98-0622 was unconstitutional.



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: FY2008-FY2017 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since FY2008. The largest contributor to the $469.2 million growth in unfunded liabilities between the beginning of FY2008 and the end of FY2017 was a shortfall in employer contributions as compared to the payment necessary to prevent an increase in the unfunded liability, which is normal cost plus interest. The shortfall added nearly $207.3 million to the unfunded liability. Investment returns failing to meet the expected rate of return was the second largest contributor, which added $124.5 million to the unfunded actuarial accrued liability over ten and a half years.[86] The chart below also shows the reduction to the UAAL in FY2013 from the benefit reductions contained in the District's pension reform legislation, offset by the increase to UAAL in FY2016 and FY2017 due to the restoration of some benefits by court

[86] 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.

order and then the end of the rest of the reforms due to P.A. 98-0622 being struck down as unconstitutional.

Reasons for Change in Unfunded Actuarial Accrued Liability: FY2008-FY2017						
	Employer Contribution Lower/(Higher) than Normal Cost + Interest	Investment Return Lower/(Higher) Than Assumed	Demographics and Other*	Benefit Enhancements/ (Benefit Reductions)	Change in Actuarial Assumptions or Methods	Total Net UAAL Change
FY2008	$ 10,238,362	$ (327,000)	$ 13,820,052	$ -	$ 337,000	**$ 24,068,414**
FY2009	$ 12,183,923	$ 33,650,000	$ 15,605,399	$ -	$ -	**$ 61,439,322**
FY2010	$ 16,199,403	$ 34,405,000	$ (6,303,475)	$ -	$ -	**$ 44,300,928**
FY2011	$ 21,088,308	$ 24,490,749	$ (5,499,669)	$ -	$ -	**$ 40,079,388**
FY2012	$ 24,169,436	$ 40,119,103	$ 6,817,285	$ -	$ -	**$ 71,105,824**
Six Months Ended 12/31/12	$ 15,020,049	$ 13,039,011	$ 4,177,290	$ -	$ 92,444,312	**$ 124,680,662**
FY2013	$ 32,112,909	$ 3,878,943	$ 6,793,720	$ (109,413,864)	$ -	**$ (66,628,292)**
FY2014	$ 28,967,102	$ (10,929,182)	$ 5,309,076	$ -	$ -	**$ 23,346,996**
FY2015	$ 9,686,630	$ (2,629,339)	$ 473,038	$ -	$ -	**$ 7,530,329**
FY2016	$ 10,466,946	$ (1,975,541)	$ (4,791,273)	$ 93,579,710	$ -	**$ 97,279,842**
FY2017	$ 27,160,925	$ (9,210,392)	$ 3,115,773	$ 20,905,536	$ -	**$ 41,971,842**
10.5-Year Total	**$ 207,293,993**	**$ 124,511,352**	**$ 39,517,216**	**$ 5,071,382**	**$ 92,781,312**	**$ 469,175,255**

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

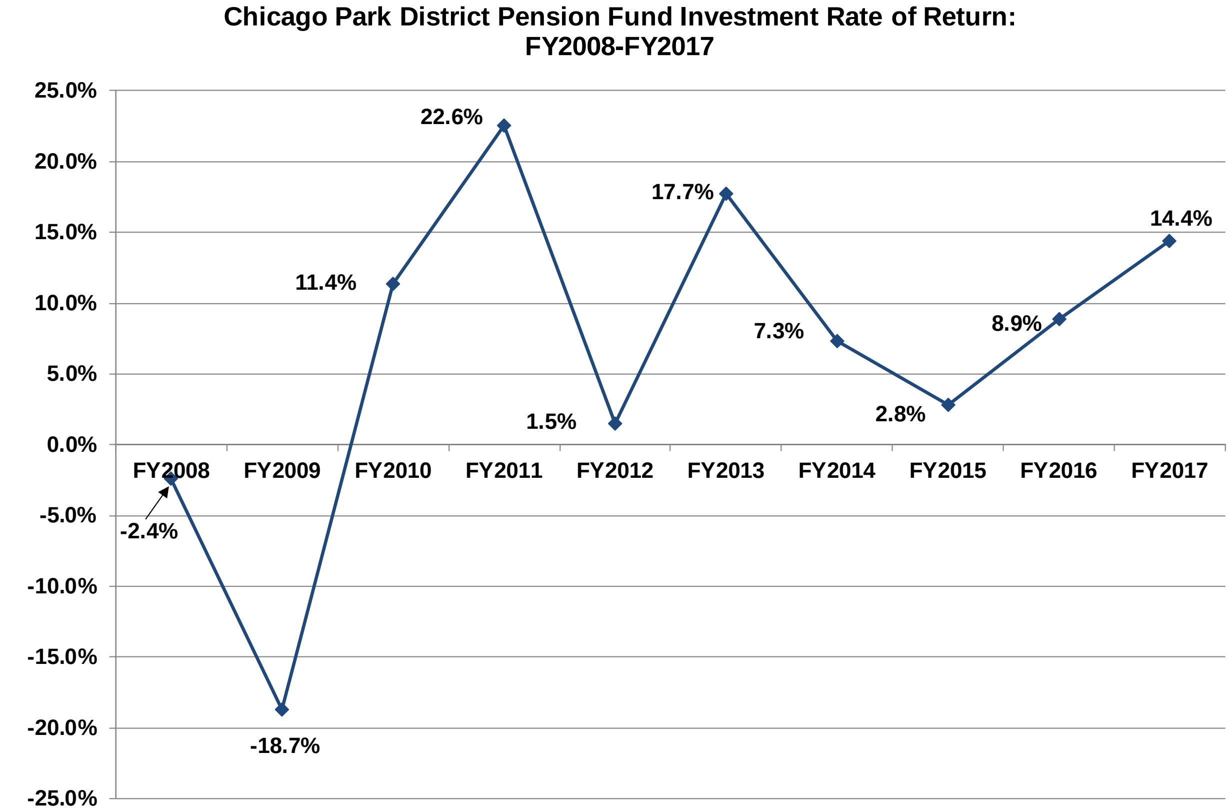
Source: FY2008-FY2017 Chicago Park District Pension Fund CAFRs.

Investment Rates of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2008 and FY2017, the Park District pension fund's average annual rate of return was 6.6%.[87] Because the formula the Civic Federation uses to calculate investment rate of return is intended to compare full year returns, the Federation cannot include returns for the short fiscal year ended December 31, 2012. Returns between FY2008 and FY2017 ranged from a low of -18.7% in FY2009 to a high of 22.6% in FY2011. It is important to remember when reading the following

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

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



Note: Pursuant to P.A. 97-0894, the Park District Pension Fund fiscal year changed from June-July to a calendar year fiscal year to match the Park District's fiscal year. This change required a short fiscal year to bridge the time period from the end of FY2012 on June 30, 2012 until the start of FY2013 on January 1, 2013.
Source: Civic Federation calculation based on FY2008-FY2017 Chicago Park District Pension Fund Comprehensive Annual Financial Reports.

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

In 2012 the Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting standards for public pension plans and for governments, Statements 67 and 68. According to GASB, the new standards were intended to "improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations."[88] 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

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

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

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

The total pension liability, fiduciary net position, net pension liability and ADC[89] are all calculated on a different basis both from what used to be required by GASB and from the traditional public pension actuarial basis.

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

- Entry age normal actuarial cost method and level percent of payroll. The Park District Pension Fund uses the entry age normal method for statutory reporting and funding purposes.
- A single blended discount rate, instead of basing the discount rate only on projected investment earnings. The discount rate is used to calculate the present value of the future obligations of a pension fund. The discount rate has an inverse relationship to actuarial liabilities, such that a lower discount rate will result in higher liabilities.
  - If a government is projected to have enough assets to cover its projected benefit payments to current and inactive employees, it can use the expected return on investments as its discount rate.
  - If a government is projected to reach a crossover point beyond which projected assets are insufficient to cover projected benefit payments, then a blended discount rate must be used. Benefit payments projected to be made from that point forward are discounted using a high-quality municipal bond interest rate. The blended rate is a single equivalent rate that reflects the investment rate of return and the high-quality municipal bond interest rate.
  - Because of the end of P.A. 98-0622, the Park District Pension Fund is projected to reach the crossover point, so its GASB 67 and 68 reporting is discounted at a blend of the full 7.5% assumed rate of return and a lower municipal bond rate of 3.44%. The reported blended rate was 3.658%.[90]

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

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[89] Other differences and newly reported numbers are not central to the discussion here.
[90] Park Employees' Annuity and Benefit Fund of Chicago FY2017 Comprehensive Annual Financial Report, p. 19.

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

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

Difference Between the ADC and ARC

Depending on the employer's funding plan, a pension fund's ADC may be very similar to the previously reported ARC. The chart below summarizes the main assumptions behind the Park District Pension Fund calculations of ADC and ARC. The Fund uses a 30-year closed, level dollar amortization, of which 25 years were left as of December 31, 2017. For ARC reporting, the Fund used a 30-year open amortization period until 2012, after which it started to use a 30-year closed period. An open amortization period remains the same every year (e.g., each valuation amortizes UAAL over 30 years), while a closed amortization period declines as each year passes (e.g., successive valuations amortize at 30 years, 29 years, 28 years, etc.). Between 2005 and 2012, the Fund per State statute used the projected unit credit actuarial cost method, but now uses the entry age normal when calculating the actuarially determined contribution. A level percent of payroll amortization has the effect of "back-loading" the amortization payments because as payroll increases, so does the dollar amount of the amortization. In contrast, a level dollar amount amortization represents a declining burden over time because as payroll increases in the future, the level amortization amount equals a smaller percent of payroll.

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

Calculation of the Actuarially Determined Contribution (ADC) vs the Annual Required Contribution (ARC)		
	ADC (FY2014 and After)	**ARC (FY2013 and Earlier)**
Amortization Period	30-year closed (25 years remaining)	30-year open (until 2012)
Amortization Method	Level Dollar	Level Dollar
Actuarial Cost Method	Entry Age	Projected Unit Credit (2005-2012)
Actuarial Value of Assets	5-year smoothed	5-year smoothed
Investment Rate of Return	7.50%	7.50%

Source: Chicago Park District Pension Fund FY2017 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a relatively similar basis, the Civic Federation will continue to analyze the trend of the difference between the reported ADC/ARC and the statutorily required employer contribution the Park District must make under state law.

The following table compares the ADC/ARC to the actual Park District contribution over the last ten years.[91] In FY2017 the difference between the ADC and the actual employer contribution was $24.3 million. The increased employer funding schedule required under P.A. 98-0622 started in FY2015, meaning that while the District's FY2014 employer payment was made under the old funding schedule based on 1.1 times employee contributions made two years prior, in FY2015 and FY2016 the District contributed 1.7 times employee contributions made two years prior and also made two extra required contribution of $12.5 million each, for a total contribution of $30.6 million in FY2015 and $30.9 million in FY2016, compared to $11.2 million in FY2014. In FY2017, as described above, the District continued the 1.7 times employee contributions for a total contribution of $20.9 million.

Expressing ADC/ARC as a percentage of payroll provides a sense of scale and affordability. In FY2008 the ARC was 14.4% of payroll while the actual employer contribution was 8.1% of payroll. In FY2017 the ADC was 33.4% of payroll while the actual employer contribution was 15.5% of payroll. Employees contributed 10.0% of salary to the pension fund in FY2017, but their contribution that year and in previous years was refunded with interest by the end of July 2018 according to the Agreed Order from March 2018 described above.[92]

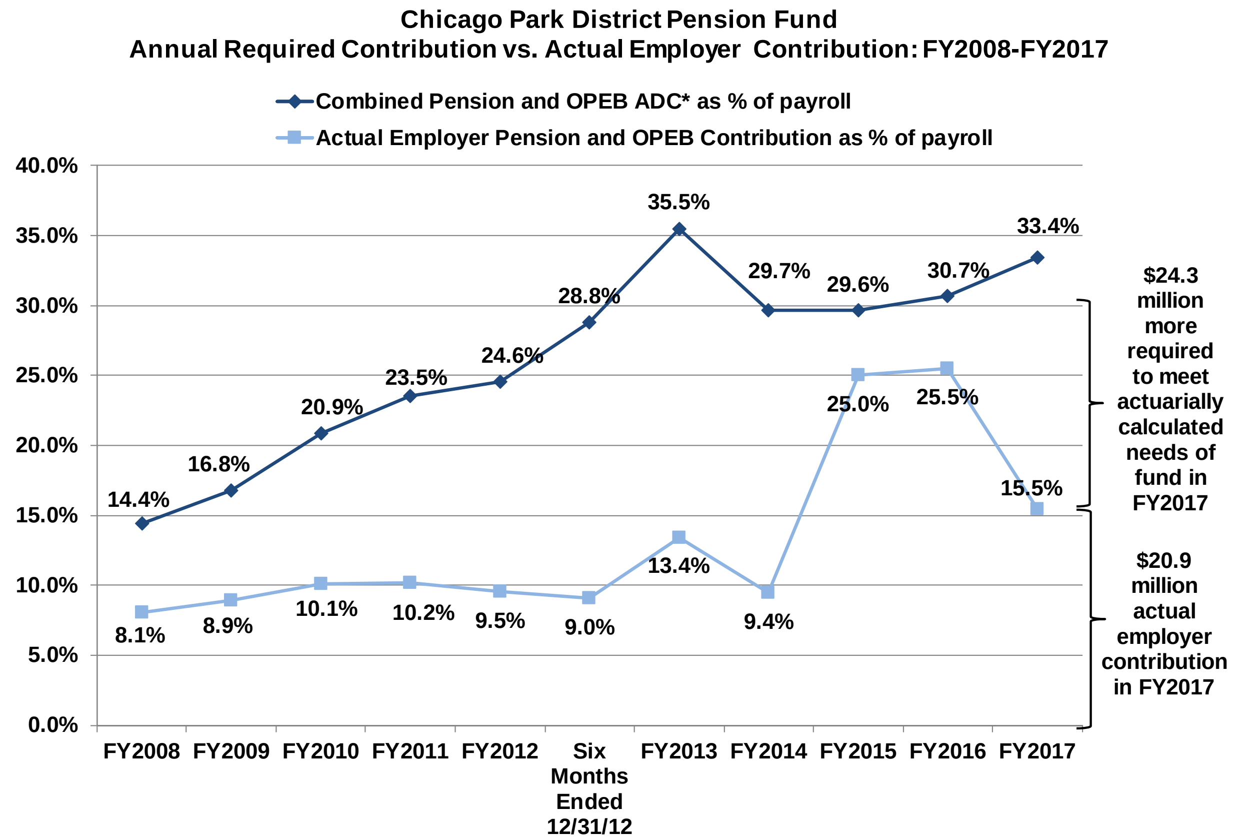
Chicago Park District Pension Fund
Schedule of Employer Contributions--Pension Plan as Computed for GASB Statements No. 25 & 67

Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2008	$ 16,073,257	$ 8,998,687	$ 7,074,570	56.0%	$ 111,698,366	14.4%	8.1%
2009	$ 18,285,474	$ 9,677,765	$ 8,607,709	52.9%	$ 108,882,742	16.8%	8.9%
2010	$ 22,399,740	$ 10,829,339	$ 11,570,401	48.3%	$ 107,361,021	20.9%	10.1%
2011	$ 25,319,145	$ 10,981,419	$ 14,337,726	43.4%	$ 107,686,693	23.5%	10.2%
2012	$ 28,051,528	$ 10,868,361	$ 17,183,167	38.7%	$ 114,223,909	24.6%	9.5%
Six Months Ended 12/31/12	$ 16,786,671	$ 5,268,363	$ 11,518,308	31.4%	$ 58,231,511	28.8%	9.0%
2013	$ 41,834,857	$ 15,804,452	$ 26,030,405	37.8%	$ 117,781,596	35.5%	13.4%
2014	$ 35,307,186	$ 11,225,438	$ 24,081,748	31.8%	$ 118,987,507	29.7%	9.4%
2015	$ 36,273,994	$ 30,588,976	$ 5,685,018	84.3%	$ 122,382,584	29.6%	25.0%
2016	$ 37,130,268	$ 30,890,241	$ 6,240,027	83.2%	$ 121,126,918	30.7%	25.5%
2017	$ 45,253,238	$ 20,920,614	$ 24,332,624	46.2%	$ 135,315,008	33.4%	15.5%

* Before 2014 Annual Required Contribution or ARC.
Source: Park Employees' Annuity and Benefit Fund of Chicago CAFR, FY17, pp. 78-79.

[91] In FY2005 the ARC had nearly doubled from the previous year and the actual employer contribution was reduced by approximately half. While not represented in the chart, it is important to note that the percent of ARC contributed dropped from 120.0% in FY2004 to only 30.2% in FY2005. This dramatic reversal, which continued in FY2006, was largely due to Public Act 93-0654, which provided benefit enhancements and an early retirement incentive as well as a temporary reduction in statutorily required employer contributions. These changes increased the fund's actuarial liability by $57.2 million. Park Employees' Annuity and Benefit Fund of Chicago FY2004 Comprehensive Annual Financial Report, p. 47.
[92] Agreed Order, Case No. 2015 CH 14869, March 21, 2018.

The graph below illustrates the gap between the ADC/ARC as a percentage of payroll and the actual employer contribution as a percentage of payroll. In FY2008 there was a 6.3 percentage point gap between the ARC and employer contribution. In the intervening years the gap widened substantially to over 20 percentage points. In FY2015 and FY2016 the gap shrank due to the higher required employer contributions under the pension reform law. The gap grew again as the employer contribution decreased and the ADC increased as a percentage of payroll. To fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability over 25 years the District would have needed to contribute an additional nearly 18.0% of payroll, or $24.3 million, in FY2017.



* Before 2014 Annual Required Contribution or ARC.
Sources: FY2008-FY2017 Park Employees' Annuity & Benefit Fund of Chicago Chicago Comprehensive Annual Financial Reports.

OTHER POST EMPLOYMENT BENEFITS

The Chicago Park District administers a healthcare plan for retirees, their spouses and their dependents. Former employees who have retired at age 50 with a minimum of 10 years of service or who retire at age 60 with at least four years of service are eligible for healthcare benefits. Those retirees who qualify for Medicare at age 65, generally those hired after April 1984, are not covered by the District's healthcare plan.[93]

[93] Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 80.

The District funds retiree healthcare on a pay-as-you-go basis. In FY2017 the District contributed $1.9 million and plan members contributed $2.0 million, or 51.0% of premiums. The monthly required retiree contributions for HMO/PPO coverage were $583/$782 for retiree only, $1,149/$1,431 for retiree and spouse, and $1,644/$2,049 for family coverage, respectively.[94]

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, as required by GASB Statement No. 45. The ARC represents the amount needed to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to not exceed 30 years. The exhibit below shows the components of the annual cost of OPEB for the Chicago Park District. The annual OPEB cost in FY2017 was $2.2 million. Contributions were made in the amount of $1.9 million. During FY2017 the net OPEB obligation increased by $366,000 from $21.1 million to $21.5 million.[95]

OPEB Costs for Chicago Park District Retiree Heath Care Plan: FY2017 (in $ thousands)		
Annual Required Contribution	$	2,610
Adjustment to ARC	$	(1,195)
Interest on net OPEB obligation	$	808
Annual OPEB Cost	**$**	**2,223**
Contributions Made	**$**	**1,857**
Increase in net OPEB obligation	$	366
Net OPEB Obligation - January 1, 2017	**$**	**21,104**
Net OPEB Obligation - December 31, 2017	**$**	**21,470**

Source: Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 80.

OPEB Plan Unfunded Liabilities

The actuarial accrued liability for District retiree healthcare benefits was $37.1 million based on the most recent actuarial valuation as of January 1, 2017. The plan has no assets because it is funded on a pay-as-you-go basis; thus all liabilities are unfunded and the funded ratio is 0%.

Chicago Park District OPEB Funded Status: January 1, 2017 (in $ thousands)	
Actuarial Accrued Liability	$37,106.0
Actuarial Value of Assets	$0.0
Unfunded Actuarial Accrued Liability	$37,106.0

Source: Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 81.

[94] Rates are higher for persons who retired after December 31, 2007 and chose the PPO plan. Chicago Park District FY2017 Comprehensive Annual Financial Report, p. 80.
[95] Although the District reports its net OPEB obligation as a negative number, it is a positive obligation as opposed to a surplus.

SHORT TERM LIABILITIES

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

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

In FY2017 the District's short-term liabilities increased by nearly $20.0 million, or 20.9%, from the previous year to $115.6 million. Since 2013 short-term liabilities overall have decreased by nearly $65.5 million, or 36.1%.

The Chicago Park District usually reports large amounts in the "due to other funds" category. These outstanding balances between funds result mainly from the time lag between the dates the expenditures occur in the "borrowing" fund and when repayment is made back to the "disbursing" fund. The balances are repaid during the next fiscal year.[96] Much of the five-year decrease in short-term liabilities are due to a 63.1% or $70.0 million drop in the due to other funds category. In addition, accounts payable and accrued expenses fell by $8.9 million, or 14.7%, between those years.

The amount of accounts payable and accrued expenses decreased sharply between FY2014 and FY2015 primarily because capital outlay expenditures decreased. That included completion of $38 million in construction projects as well as the capitalization of $4.6 million in projects related to the Save America's Treasures program and the completion of 77 new sites in the Chicago Plays! Equipment Program.[97] In FY2017, accounts payable and accrued expenses rose by 47.7%, or $16.7 million, because:

- The General Fund increased by $13,152. This was primarily due to an increase of $13,434 in expenditures under Managed Assets not paid at year-end. The related cash balance under the Managed Assets also increased from $3,028 in 2016 to $17,015 in 2017; and

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[96] Chicago Park District FY2017 Comprehensive Annual Financial Report, Note 4: Interfund Balances and Activity, p. 65.
[97] Information provided by Chicago Park District Budget Office, December 5, 2016.

- The Grants Fund increased by $5,788, mostly due to construction work not paid as of December 2017. This included work for DuSable and Lakefront Trail.

There were decreases in other funds that offset the increases in the General and Grants Funds.[98]

The District issued a Bond Anticipation Note (BAN) under a line of credit with PNC Bank not to exceed $50 million on November 6, 2017; that line of credit was set to expire on November 5, 2018. In 2017, the District withdrew $14.7 million for capital improvements; this amount is reported as short-term debt in the CAFR. That amount was outstanding at the end of 2017. The security of the BAN was derived from the future sale of bonds.[99]

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2013-FY2017
(in $ thousands)

Type	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Accounts payable & accrued expenses	$ 60,659	$ 60,985	$ 37,010	$ 35,035	$ 51,761	$ 16,726	47.7%	$ (8,898)	-14.7%
Accrued payroll	$ 3,675	$ 4,465	$ 5,060	$ 5,772	$ 5,806	$ 34	0.6%	$ 2,131	58.0%
Due to other funds	$ 110,928	$ 101,983	$ 77,974	$ 45,940	$ 40,886	$ (5,054)	-11.0%	$ (70,042)	-63.1%
Due to other organizations	$ 582	$ 536	$ 6,061	$ 6,598	$ 474	$ (6,124)	-92.8%	$ (108)	-18.6%
Retainage payable	$ 4,124	$ 7,354	$ 4,492	$ 1,907	$ 1,537	$ (370)	-19.4%	$ (2,587)	-62.7%
Deposits	$ 1,099	$ 353	$ 644	$ 387	$ 435	$ 48	12.4%	$ (664)	-60.4%
Short-Term Debt	$ -	$ -	$ -	$ -	$ 14,715	$ 14,715	---	$ 14,715	---
Total	**$ 181,067**	**$ 175,676**	**$ 131,241**	**$ 95,639**	**$ 115,614**	**$ 19,975**	**20.9%**	**$ (65,453)**	**-36.1%**

Sources: Chicago Park District FY2013-2017 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

Factoring out the amounts reported in the due to other funds category, short term liabilities have decreased by 14.4%, or $10.1 million, between FY2013 and FY2017. The decrease is a positive sign.

Chicago Park District Short-Term Liabilities in the Governmental Funds: FY2013-FY2017
Without Liabilities Due to Other Funds (in $ thousands)

	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Total	**$ 70,139**	**$ 73,693**	**$ 53,267**	**$ 49,699**	**$ 60,013**	**$ 10,314**	**20.8%**	**$ (10,126)**	**-14.4%**

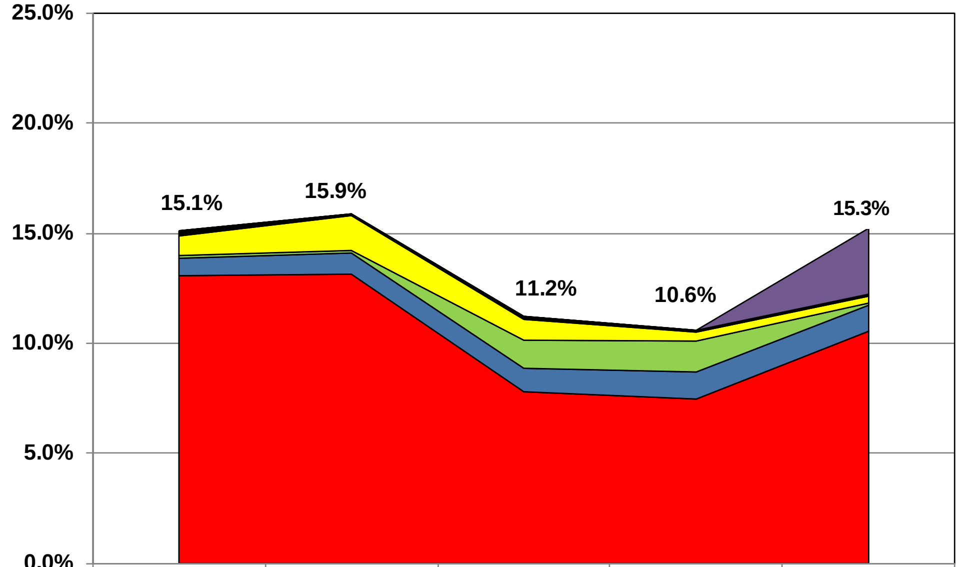
Sources: Chicago Park District FY2013-2017 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

Increasing short-term liabilities in a government's operating funds as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[100] The short-term liabilities to net operating revenues ratio, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. We have excluded due to other funds amounts in calculating the short-term liabilities ratio as these amounts represent interfund borrowings. Over the five-year period reviewed, the operating funds to net operating revenues remained stable, rising slightly from 15.1% to 15.2%. The ratio decreased between FY2014 and FY2016, falling from 15.9% to

[98] Information provided by Chicago Park District Budget Office, November 26, 2018.
[99] Chicago Park District FY2017 Comprehensive Annual Financial Report, Note 17: Short-Term Debt, p. 85.
[100] 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.

10.6%. However, it rose in FY2017 to 15.3% primarily due to the District's issuance of $14.7 million in short-term debt and an increase in accounts payable and accrued expenses.

Chicago Park District Short-Term Liabilities in the Governmental Funds as a % of Operating Revenues: FY2013-FY2017



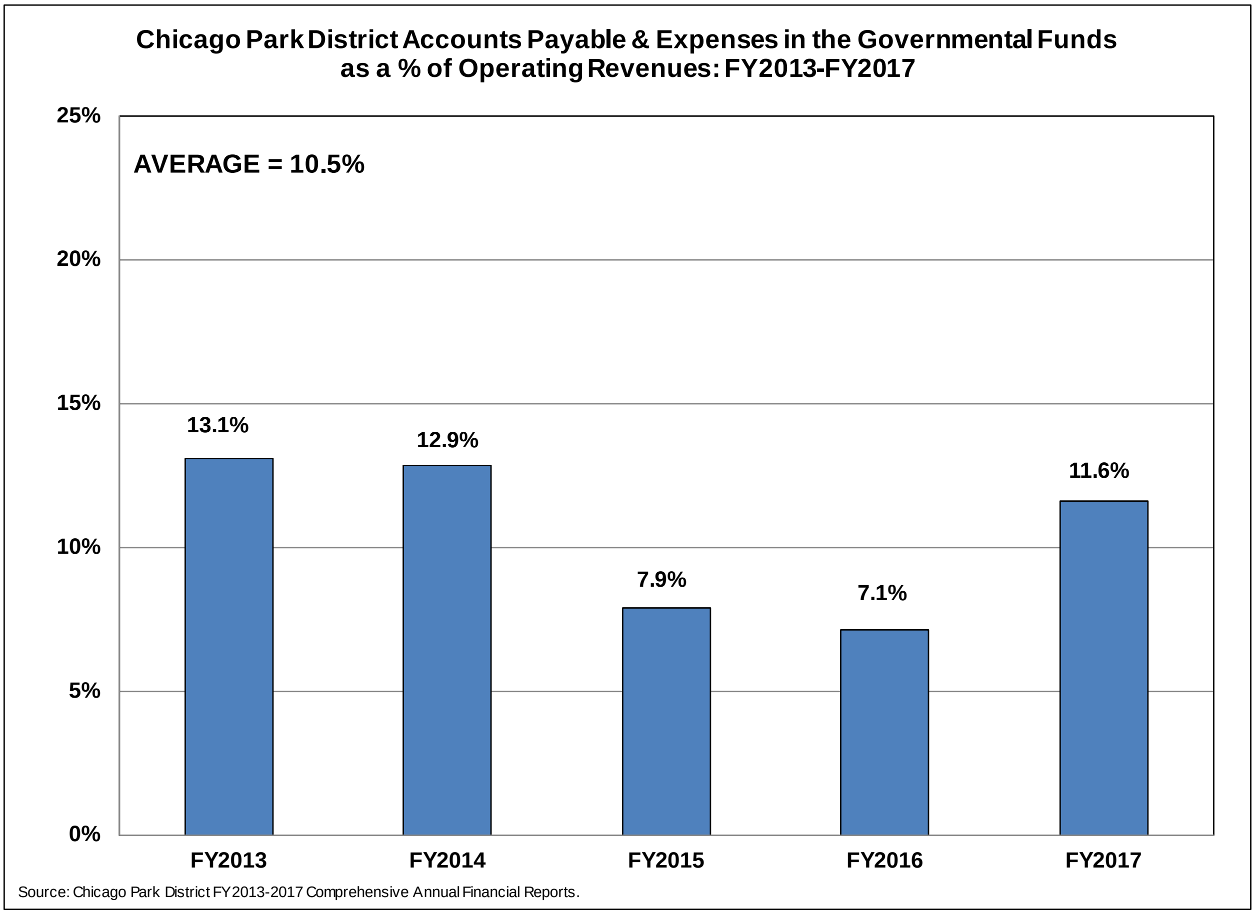
	FY2013	FY2014	FY2015	FY2016	FY2017
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	3.0%
Deposits	0.2%	0.1%	0.1%	0.1%	0.1%
Retainage payable	0.9%	1.6%	0.9%	0.4%	0.3%
Due to other organizations	0.1%	0.1%	1.3%	1.4%	0.1%
Accrued Payroll	0.8%	1.0%	1.1%	1.2%	1.2%
Accounts Payable & Expenses	13.1%	13.1%	7.8%	7.5%	10.6%

Source: Chicago Park District FY2013-2017 Comprehensive Annual Financial Reports.

Accounts Payable as a Percentage of Operating Revenues

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. The Chicago Park District's ratio of accounts payable and accrued expenses to operating revenues declined from 13.1% in FY2013 to

7.1% four years later. In FY2017 it rose to 11.6%. The increase was primarily due to increases in the General and Grants Funds for expenditures not paid at year-end.



Current Ratio

The current ratio is a measure of liquidity. The ratio is calculated by dividing current assets by current liabilities. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[101]

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

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

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

- *Receivables*: Monetary obligations owed to the government, including property taxes, personal property replacement taxes and accounts receivable;
- *Due from other governments or other funds*: 1) Monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government or 2) Monies due from non-governmental funds;
- *Prepaid items*: Prepaid items represent certain payments made to vendors applicable to future accounting periods. The cost of these items are reported expenditures when they are consumed rather than when they are purchased;[102] and
- *Other current assets*: Payments to vendors applicable to future accounting periods.

The Chicago Park District's Governmental Funds current ratio was 6.6 in FY2017. Over the past five years, the District's current ratio averaged 5.4, which is far greater than the benchmark of 2.0, thus demonstrating a healthy level of liquidity. Between FY2013 to FY2017, the current ratio increased from 4.2 to 6.6 as the amount of current assets owned by CPD far outweighed the district's current liabilities.

Chicago Park District Current Ratio in the Governmental Funds: FY2013-FY2017
(in $ thousands)

	FY2013	FY2014	FY2015	FY2016	FY2017	Two Year Change	Two Year % Change	Five Year Change	Five Year % Change
Current Assets									
Cash and cash equivalents	$ 11,188	$ 14,757	$ 37,735	$ 249,231	$ 252,449	$ 3,218	1.3%	$ 241,261	2156.4%
Cash and investments in escrow	$ 6,259	$ 2,031	$ -	$ -	$ -	---	---	---	---
Cash with fiscal agent	$ 16,917	$ -	$ -	$ -	$ -	$ -	---	$ (16,917)	---
Investments	$ 293,526	$ 281,297	$ 242,602	$ 67,921	$ 68,577	$ 656	1.0%	$ (224,949)	-76.6%
Receivables: Property Taxes, net	$ 252,037	$ 259,968	$ 261,940	$ 261,043	$ 264,263	$ 3,220	1.2%	$ 12,226	4.9%
Receivables: PPRT	$ 7,679	$ 6,658	$ 6,292	$ 7,111	$ 4,696	$ (2,415)	-34.0%	$ (2,983)	-38.8%
Receivables: Accounts	$ 61,573	$ 54,273	$ 34,868	$ 37,271	$ 36,912	$ (359)	-1.0%	$ (24,661)	-40.1%
Due from other funds	$ 110,928	$ 101,983	$ 77,974	$ 45,940	$ 40,886	$ (5,054)	-11.0%	$ (70,042)	-63.1%
Due from other organizations	$ -	$ -	$ 421	$ 421	$ -	$ (421)	---	$ -	---
Prepaid items	$ 843	$ 1,500	$ 1,512	$ 1,472	$ 1,882	$ 410	---	$ 1,039	---
Other current assets	$ 330	$ 56	$ 304	$ 324	$ 469	$ 145	44.8%	$ 139	42.1%
Total Current Assets	**$ 761,280**	**$ 722,523**	**$ 663,648**	**$ 670,734**	**$ 670,134**	**$ (600)**	**-0.1%**	**$ (91,146)**	**-12.0%**
Current Liabilities									
Accounts payable & accrued expenses	$ 60,659	$ 60,985	$ 37,010	$ 35,035	$ 51,761	$ 16,726	47.7%	$ (8,898)	-14.7%
Accrued payroll	$ 3,675	$ 4,465	$ 5,060	$ 5,772	$ 5,806	$ 34	0.6%	$ 2,131	58.0%
Due to other funds	$ 110,928	$ 101,983	$ 77,974	$ 45,940	$ 40,886	$ (5,054)	-11.0%	$ (70,042)	-63.1%
Due to other organizations	$ 582	$ 536	$ 6,061	$ 6,598	$ 474	$ (6,124)	-92.8%	$ (108)	-18.6%
Retainage payable	$ 4,124	$ 7,354	$ 4,492	$ 1,907	$ 1,537	$ (370)	-19.4%	$ (2,587)	-62.7%
Deposits	$ 1,099	$ 353	$ 644	$ 387	$ 435	$ 48	12.4%	$ (664)	-60.4%
Total Current Liabilities	**$ 181,067**	**$ 175,676**	**$ 131,241**	**$ 95,639**	**$ 100,899**	**$ 5,260**	**5.5%**	**$ (80,168)**	**-44.3%**
Current Ratio	**4.2**	**4.1**	**5.1**	**7.0**	**6.6**				

Source: Chicago Park District FY2013-2017 Comprehensive Annual Financial Reports, Balance Sheets for the Governmental Funds.

LONG-TERM LIABILITIES

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

- *Contractor long-term financing*: Vendor provided financing for capital purchases at District owned golf courses;

[102] Chicago Park District FY2017 Comprehensive Annual Financial Report, Note 1: Summary of Significant Accounting Policies, p. 52.

- *Capital Lease PBC:* Annual property tax levy funds were used to pay for principal and interest for lease payments to the Public Building Commission until FY2011;
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Claims and judgments*: Liabilities owed as a result of claims for tort liability and property judgments;
- *Net pension obligations (NPO)*: The cumulative difference (as of the effective date of GASB Statement No. 27 until the effective date of GASB Statement No. 68) between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short-term differences and unpaid contributions that have been converted to pension-related debt;[103]
- *Net Pension Liabilities:* Since FY2015 the Chicago Park District has reported 100% of the net pension liabilities of its pension fund in the Statement of Net Position to comply with GASB Statement Number 68 requirements. Previously, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO (see description above). As a result of the reporting change for pensions involved in implementing GASB 68, the amount of CPD long-term liabilities **reported** increased substantially. This is because it reflects a more holistic approach to measuring the liabilities of the government, which the previous NPO pension measurement did not. The amount owed by CPD to its pension fund has not significantly changed. It is only being reported more transparently.[104]
- *Net Other Post Employment Benefit (OPEB) liabilities*: The cumulative difference (as of the effective date of GASB Statement 45) between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan;
- *Property tax claims payable*: Property tax refunds to taxpayers that have not yet been paid;
- *Health insurance*: Employee health insurance obligations; and
- *Workers compensation claims*: Payments owed for some part of the cost of injuries or disease incurred by employees in the course of their work.

Between FY2016 and FY2017, total Chicago Park District long-term liabilities increased by 16.7%, or $251.5 million, rising from $1.5 billion to approximately $1.8 billion. Much of the increase was due to a $295.4 million increase in net pension obligations/liabilities after the District's attempt to reform its pension funding system was struck down by the courts. In the five-year period between FY2013 and FY2017 total long-term liabilities increased by 63.9%, or $685.0 million.

The largest long-term liability percentage increase between FY2013 and FY2017 was for net pension obligations/liabilities, which rose by $706.4 million, or 666.0%. However, most of this large increase was due to the change in pension reporting in FY2015 required by GASB

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

Statement No. 68. As noted previously, the new pension liability reporting requirements present a more transparent approach to measuring these liabilities than the previous approach rather than large increases in these liabilities.

The Chicago Park District reported a total of $870.3 million in long-term tax supported debt outstanding in FY2017. These liabilities decreased by 5.3%, or $49.1 million from the previous year, falling from roughly $919.4 million to $870.3 million. Between FY2013 and FY2017 total District long-term general obligation bonded debt decreased by 3.4%, or $30.9 million.

Chicago Park District Long-Term Liabilities for Governmental Activities: FY2013-FY2017
(in $ thousands)

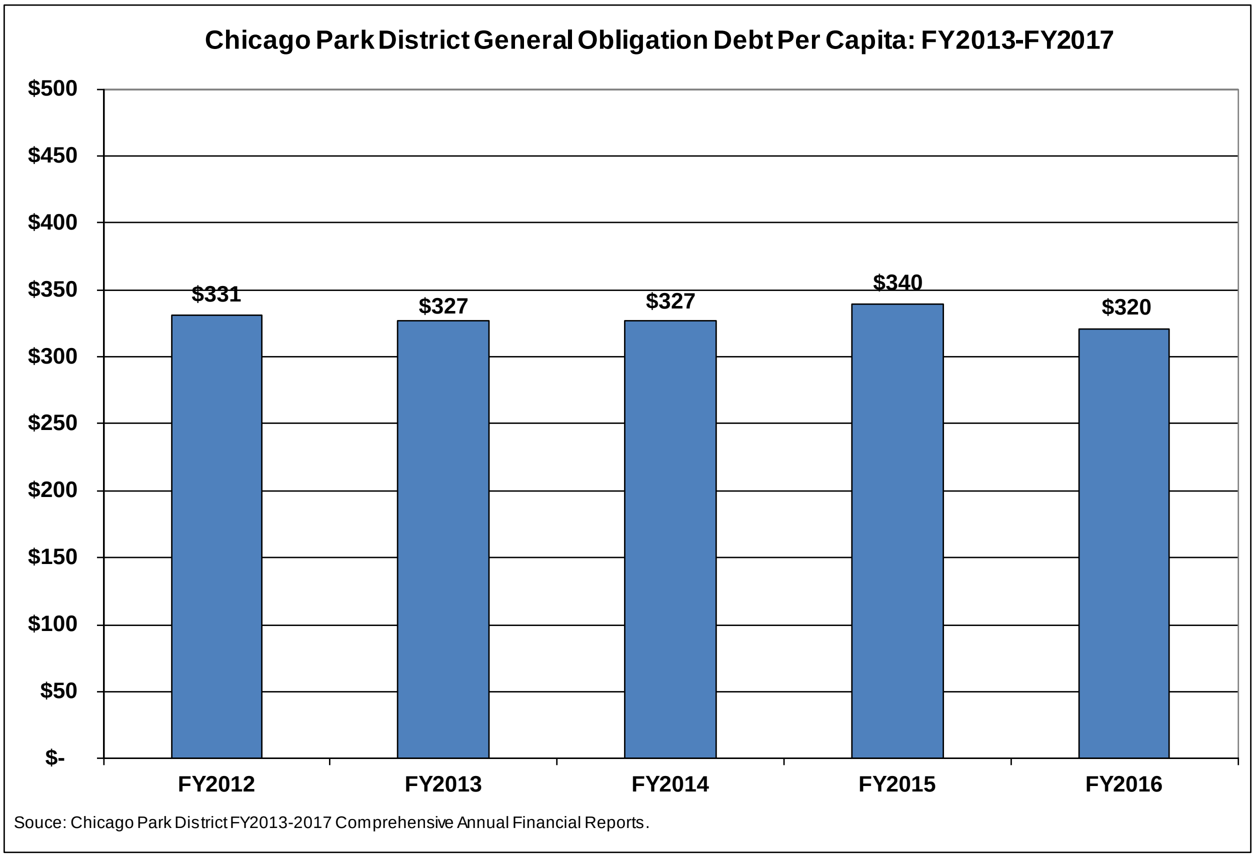
	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
General Obligation Bonds									
Capital Improvement	$ 865,665	$ 844,460	$ 840,460	$ 863,580	$ 821,000	$ (42,580)	-4.9%	$ (44,665)	-5.2%
Unamortized Premiums	$ 35,539	$ 47,082	$ 49,254	$ 55,775	$ 49,304	$ (6,471)	-11.6%	$ 13,765	38.7%
Subtotal General Obligation Bonds	**$ 901,204**	**$ 891,542**	**$ 889,714**	**$ 919,355**	**$ 870,304**	**$ (49,051)**	**-5.3%**	**$ (30,900)**	**-3.4%**
Other Long-Term Liabilities									
Contractor Long Term Financing	$ 1,788	$ 1,902	$ 1,998	$ 2,076	$ 2,132	$ 56	2.7%	$ 344	-
Contractor Long Term Notes	$ -	$ -	$ -	$ 1,325	$ 1,175	$ (150)			
Capital Lease PBC	$ -	$ -	$ 1,875	$ -	$ -	$ -	---	$ -	---
Compensated Absences	$ 7,974	$ 8,693	$ 8,640	$ 9,148	$ 9,241	$ 93	1.0%	$ 1,267	15.9%
Claims & Judgments	$ 2,303	$ 3,014	$ 1,750	$ 1,816	$ 2,077	$ 261	14.4%	$ (226)	-9.8%
Net Pension Obligation/Liability	$ 106,075	$ 452,255	$ 487,419	$ 517,105	$ 812,520	$ 295,415	57.1%	$ 706,445	666.0%
Net OPEB Obligation	$ 17,554	$ 18,411	$ 19,513	$ 21,104	$ 21,470	$ 366	1.7%	$ 3,916	22.3%
Property Tax Claim Payable	$ 19,551	$ 16,758	$ 18,184	$ 19,300	$ 22,770	$ 3,470	18.0%	$ 3,219	16.5%
Health Insurance	$ -	$ 474	$ 758	$ 1,485	$ 2,658	$ 1,173	---	$ 2,658	---
Worker's Compensation	$ 16,109	$ 17,241	$ 16,430	$ 13,266	$ 13,164	$ (102)	-0.8%	$ (2,945)	-18.3%
Subtotal Other Long-Term Liabilities	**$ 171,354**	**$ 518,748**	**$ 556,567**	**$ 586,625**	**$ 887,207**	**$ 300,582**	**51.2%**	**$ 715,853**	**417.8%**
Grand Total Long-Term Liabilities	**$ 1,072,558**	**$ 1,410,290**	**$ 1,446,281**	**$ 1,505,980**	**$ 1,757,511**	**$ 251,531**	**16.7%**	**$ 684,953**	**63.9%**

Source: Chicago Park District FY2013-2017 Comprehensive Annual Financial Reports, Note 7. FY2014 net pension liability data restated in FY2015 CAFR.

General Obligation Debt Per Capita

A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is direct tax-supported debt per capita. This includes General Obligation debt financed with property taxes. The ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This analysis takes the total long-term debt amount reported in the District’s audited financial statements and divides it by the population of the District, which is coterminous with the City of Chicago.

The Chicago Park District's general obligation debt burden per capita declined by 3.2% during the five-year period between FY2013 and FY2017, falling from $331 to $320 per capita.



Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.[105]

Chicago Park District debt service appropriations in the proposed budget for FY2019 are expected to be 15.0% of the District's proposed $459.9 million in total appropriations. The ratio has steadily dropped since FY2015, falling from 18.0% to 15.0%. This is a positive sign. The District will spend approximately $68.8 million for debt service in the upcoming fiscal year. The

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

debt service to total appropriations ratio will average 16.4% between FY2015 to FY2019, which is considered a "high" ratio.

Chicago Park District Debt Service Appropriations as of % of Total Appropriations: FY2015-FY2019					
	FY2015 Budget	FY2016 Budget	FY2017 Budget	FY2018 Budget	FY2019 Budget
Debt Service Appropriations	$ 80,819,603	$ 77,561,604	$ 74,938,041	$ 70,605,116	$ 68,862,964
Total Appropriations	$ 448,580,770	$ 458,068,445	$ 449,407,628	$ 458,097,621	$ 459,782,535
Debt Service as a % of Total Appropriations	**18.0%**	**16.9%**	**16.7%**	**15.4%**	**15.0%**

Sources: Chicago Park District FY2019 Budget Summary, p. 345; Chicago Park District FY2018 Budget Summary, p. 8; Chicago Park District FY2017 Budget Summary, p. 9; and FY2015 Budget Summary, p. 7.

Bond Ratings

The Chicago Park District had the following credit ratings as of November 2018:

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

Note: The Chicago Park District has elected to no longer engage Moody's Investors Services to provide a credit rating.
Sources: Chicago Park District Investor Relations at https://www.chicagoparkinvestors.com/chicago-park-district-bond-investors-il/bond-ratings/i573; Chicago Park District FY2019 Budget Summary, p. 67 and Moody's Investor's Services. "Chicago Park District, IL Update: Moody's Confirms Ba1 on Chicago Park District IL's GO Debt; Outlook Negative," September 6, 2017.

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

The most recent was in May 2015 when Moody's Investors Service downgraded the Chicago Park District's credit rating from Baa1 to Ba1, with a negative outlook. Moody's noted that the District has ample liquidity, the ability to reduce expenditures and manageable direct debt levels. However, given the extreme financial pressures facing the City of Chicago and the political relationship between the District and the City, the Park District's financial position could be influenced negatively in the future through the City's influence on the District's expenditure and revenue decisions.[106] Since that time, the District has decided to no longer engage Moody's to provide credit ratings.[107] Moody's affirmed the Ba1 rating with a negative outlook in September 2017.[108] However, on July 19, 2018, Moody's revised the outlook to stable.[109]

[106] Moody's Investors Service, Rating Action: Moody's downgrades Chicago Park District to Ba1 from Baa1; outlook negative," May 13, 2015.
[107] Chicago Park District FY2016 Budget Summary, p. 58.
[108] Moody's Investor's Services. "Chicago Park District, IL Update: Moody's Confirms Ba1 on Chicago Park District IL's GO Debt; Outlook Negative," September 6, 2017.
[109] Moody's Investor Services, "Moody's affirms Chicago Park District, IL's GO at Ba1 and revises outlook to stable," at https://www.moodys.com/credit-ratings/Chicago-Park-District-IL-credit-rating-600031461.

Fitch downgraded the Chicago Park District's credit rating in the summer of 2013. Fitch downgraded outstanding general obligation limited and unlimited tax bonds to AA- from AA with a stable outlook in May 2014. The reason for the downgrade at that time was the low funding level of the pension fund and financial challenges of overlapping taxing bodies.[110]

CAPITAL IMPROVEMENT PLAN

As part of the Park District's capital planning process, it annually publishes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The FY2019-FY2023 Capital Improvement Plan (CIP) will be available on the District's website shortly, while a summary of plans for the CIP is included in each year's Budget Summary.

The following chart shows estimated annual cash disbursements for the FY2019-FY2023 five-year capital spending plan and sources of funding. The CIP proposes $286.4 million in projects over the next five years. Of that amount approximately $155.0 million in funding will be obtained from new general obligation bond proceeds. The remaining $131.4 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations. The largest anticipated source of outside funds will be city grant funds at $66.8 million.

Acquisition and Development of capital facilities will be the largest capital spending category in the five-year capital plan at $134.1 million, followed by Facility and Building Rehabilitation at $67.9 million, then Site Improvements at $67.2 million and Equipment at $17.2 million.

Chicago Park District Five-Year Capital Improvement Plan FY2019-FY2023

	Chicago Park District Funding					Outside Funding Expected	Total Funding
Funding Source	**2019**	**2020**	**2021**	**2022**	**2023**	**2019-2023**	**2019-2023**
General Obligation Bond Proceeds	$ 33,000,000	$ 32,000,000	$ 30,000,000	$ 30,000,000	$ 30,000,000	$ -	$ 155,000,000
City Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 66,805,000	$ 66,805,000
State Grant Funds - Confirmed	$ -	$ -	$ -	$ -	$ -	$ 18,214,000	$ 18,214,000
Federal Grant Funds	$ -	$ -	$ -	$ -	$ -	$ 953,000	$ 953,000
Private Grants and Donations	$ -	$ -	$ -	$ -	$ -	$ 45,459,000	$ 45,459,000
Total Funding	**$33,000,000**	**$32,000,000**	**$30,000,000**	**$30,000,000**	**$30,000,000**	**$131,431,000**	**$286,431,000**
Acquisition and Development	$ 8,743,000	$ 6,724,000	$ 9,943,000	$ 10,517,000	$ 10,698,000	$ 87,500,000	$ 134,125,000
Facility and Building Rehabilitation	$ 9,673,000	$ 10,454,000	$ 6,897,000	$ 5,891,000	$ 5,174,000	$ 29,824,000	$ 67,913,000
Site Improvements	$ 11,182,000	$ 11,374,000	$ 9,712,000	$ 10,144,000	$ 10,640,000	$ 14,107,000	$ 67,159,000
Equipment	$ 3,402,000	$ 3,448,000	$ 3,448,000	$ 3,448,000	$ 3,488,000	$ -	$ 17,234,000
Total Spending	**$ 33,000,000**	**$ 32,000,000**	**$ 30,000,000**	**$ 30,000,000**	**$ 30,000,000**	**$ 131,431,000**	**$ 286,431,000**

Note: Detailed information about the individual sources or amounts of outside expected funding is not provided.
Source: Chicago Park District FY2019 Budget Summary, p. 62.

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[111]

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;

[110] Reuters. "Fitch Rates Chicago Park District, IL's GOs 'AA-', Outlook Stable," May 30, 2014.
[111] National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

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

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

The District prepares an annual CIP and summary information about the CIP is provided in the annual Budget Summary. The most recent CIP will be for the FY2019-2023 period, so the checklist that follows assesses how closely that CIP conforms to best practice guidelines.

The CIP includes a narrative description of the capital improvement planning process and highlights of major projects. The planning process involves the District compiling capital requests from a wide variety of sources, including departmental requests, budget hearings, communications from the public, board meetings and meetings with community groups and advisory councils. The requests are organized into programs and sub-programs based on shared characteristics. An internal working group then evaluates and prioritizes the requests.[112]

No detail is provided regarding individual project expenditures and funding sources, the impact and amount of capital spending on the annual operating budget or the time frame for fulfilling capital projects. It is also unclear whether there was a dedicated hearing with opportunities for stakeholder input on the capital improvement plan.

[112] Chicago Park District FY2019 Budget Summary, pp. 58-59.

Chicago Park District Capital Improvement Plan Checklist

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

Source: Chicago Park District FY2019 Budget Summary, pp. 58-66.